

Public Audit Committee
Wednesday 25 February 2026
8th Meeting, 2025 (Session 6)

Lochaber aluminium smelter

Introduction

1. The Committee will take evidence from GFG Alliance, as part of its scrutiny of the work of the Scottish Government's Strategic Commercial Assets Division (SCAD). The Committee will explore the financial guarantee that the Scottish Government provided to GFG Alliance in relation to its acquisition of the aluminium smelter in Lochaber.
2. GFG Alliance acquired the smelter in Lochaber from Rio Tinto in December 2016, which includes two hydro generation plants at Fort William and Kinlochleven, and estate lands.

Previous scrutiny

3. As part of its scrutiny of the 2023/24 audit of the Scottish Government Consolidated Accounts, the Committee took evidence from the Auditor General for Scotland (AGS) on [7 November 2024](#) and from the Permanent Secretary on [22 January 2025](#), where it explored the work of SCAD in further detail.
4. Following the evidence sessions, the Committee agreed to undertake further scrutiny in relation to the Scottish Government's approach to financial intervention, with reference to the Scottish Government's 25-year financial guarantee (starting December 2016) relating to the hydro plant (which supplies energy to the smelter) and aluminium smelter at Lochaber, which ensures that if the smelter cannot pay for power from the hydro plants, the Scottish government covers the liability.
5. Following its scrutiny of the 2022/23 audit of the Scottish Government Consolidated Accounts, the Committee held an evidence session with the [Scottish Government's Director General Economy on 30 May 2024 to explore the Strategic Commercial Assets Division \(SCAD\)](#), which has been established to manage the Scottish Government investments in private enterprises.
6. On 5 June 2024, the Committee [wrote to the Scottish Government to request some additional details following the evidence session](#), including details on the operating costs of SCAD, the guarantee provided to Lochaber Smelter, due diligence undertaken, and promised investment in the Lochaber site by GFG Alliance.
7. The Director-General Economy [responded](#) on 12 July 2024.

8. On [10 June 2025, the Committee wrote to the Scottish Government](#) seeking clarity around how it ensures there is no risk to public funds in relation to the Lochaber guarantee. The Scottish Government provided a [response to the Committee on 10 July 2025](#).
9. The Committee gave further consideration to how the Scottish Government managed any potential risk to public funds in relation to the Lochaber guarantee during its evidence sessions with the AGS and the Scottish Government as part of its scrutiny of the AGS's report on the 2024/25 audit of the Scottish Government Consolidated Accounts on [17 December 2025](#) and [4 February 2026](#).

Next steps

10. The Committee will discuss the evidence heard and decide on any further action it wishes to take.

Clerks to the Committee
February 2026

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The Scottish Parliament
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Director-General Economy
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5 June 2024

Dear Mr Irwin,

Thank you for your [recent evidence to the Public Audit Committee](#) on the Scottish Government's Strategic Commercial Assets Division (SCAD) on 30 May 2024, as part of its scrutiny of the section 22 report, [the 2022/23 audit of the Scottish Government Consolidated Accounts](#).

Following the evidence session, the Committee agreed to seek further information in relation to the Scottish Government's financial intervention to Lochaber Aluminium Smelter – Liberty Group.

The section 22 report includes details of the financial support provided to Lochaber Aluminium Smelter, including the provision of a 25-year financial guarantee contract to SIMEC Lochaber Hydropower Limited, of which the Scottish Government's annual exposure is between £14 million and £32 million, over the lifetime of the contract.

The Committee asks for further information as to how the potential value of this exposure has been determined, and to understand what factors drive the variability.

As you will recall, the Committee sought to establish more information about the 25-year financial guarantee during the evidence session. At the meeting, the Deputy Director of SCAD told the Committee that if the guarantee was ever called—

“the first line of defence is that we have cross guarantees. The companies that sit above the Lochaber businesses—all the group entities—have given us cross-guarantees. We can immediately call on those cross-guarantees from the group companies to seek recompense.”

The Deputy Director also confirmed to the Committee that no public funds under the guarantee have been paid out and that “the guarantee continues to be a revenue-generating asset for the Scottish Government.”

The Committee asks for further information about the cross-guarantee arrangements that are in place, including the value each company has committed to providing, should the guarantee be called on.

The Committee would also be interested to establish the total revenue that has been raised through the guarantee to date, and whether revenue in future years is fixed or subject to change.

The section 22 report also refers to the funding arrangements for GFG Alliance, which purchased the smelter in 2016, stating—

“In March 2021, Greensill Capital (UK) Limited, the major provider of working capital to GFG Alliance (the holding company), went into administration. There continues to be uncertainty regarding the financial stability of GFG Alliance group.”

During evidence, the Committee sought further clarity in relation to the on-going due diligence SCAD maintains over its financial interventions. As part of the response to this question, the Director of Economic Development stated—

“On a number of occasions today we have spoken about the lifecycle model that the strategic commercial assets division has allowed us to introduce. One of those elements—the third in that lifecycle—is on-going management. That is where we would focus on financial and risk management and the sponsorship process.

The Committee asks for details of any due diligence in relation to Lochaber Aluminium Smelter – Liberty Group that has been undertaken within the last three years.

The Committee notes that GFG Alliance is required to make an investment into the Lochaber area, as part of the financial guarantee provided by the Scottish Government. However, during evidence it was explained that this investment will not be possible “until its global refinancing is complete”.

During the meeting, the Committee sought to establish what would happen if this investment does not materialise. The Committee remains unclear on this point however, and therefore seeks further information to this question.

The Committee notes that commitments were made during the meeting to provide follow-up written evidence. This includes SCAD's operating costs and details of the travel and subsistence allowance for the interim Chief Executive of Ferguson Marine Port Glasgow.

A commitment was also made to provide details of the total spend on external consultants in relation to the acquisition, management of, and plans to dispose of Scottish Government financial interventions in private companies. The Committee requests that this information is provided on an annual basis over the ten-year period covering 2012/13 to 2022/23, recognising that Prestwick Airport was purchased by the Scottish Government in November 2013.

The Committee requests a response by **19 July 2024**.

Yours sincerely

Richard Leonard MSP
Convener

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12 July 2024

Dear Convener

Thank you for your letter of 5 June following the session on 30 May regarding the role of the Scottish Government's Strategic Commercial Assets Division (SCAD). We were very pleased to have the opportunity to attend and give evidence.

We address the five questions and other points raised in your letter below.

First, on the Lochaber guarantee, the Committee requested “*further information as to how the potential value of this exposure has been determined, and to understand what factors drive the variability*”.

As part of IFRS9 accounting standards the Scottish Government instructs advisors every year to deliver a report to calculate a valuation of the guarantee for the annual accounts. Based on Deloitte's analysis of the expected credit loss, the Scottish Government identified the provision of £135 million.

The provision level considers the credit strength of the GFG Alliance, which deteriorated following the failure of Greensill Capital (UK) Limited as its principal funder in March 2021. If GFG can complete a refinancing exercise with its major global creditors, including the administrators of Greensill Capital, this would tend to improve its credit strength and support a reduction in the provision.

Another key factor that drives the provision level is the value of the businesses as measured by their projected profitability (i.e. future discounted cashflows). The Lochaber businesses trade in two products: aluminium and power. As the relative prices of these traded products change, the profitability and the hence value of the primary secured assets changes. This is then reflected in the level of the provision.

Second, the Committee asked “for further information about the cross-guarantee arrangements that are in place, including the value each company has committed to providing, should the guarantee be called on.”

Should the Scottish Government require to make any payment under the Lochaber guarantee, it is thereafter able to recover the full amount of any such payment from other members of the Liberty / SIMEC Groups. All the corporate obligors that are party to the Guarantee and Reimbursement Agreement are liable for the full amounts.

In addition, the Scottish Government holds a comprehensive suite of securities and contractual protections, including first-ranking security over the aluminium smelter, the hydro power station at Fort William and extensive land holdings, from which the Scottish Government could seek recovery.

Third, the Committee requested information on “the total revenue that has been raised through the guarantee to date, and whether revenue in future years is fixed or subject to change”.

The premium charged by the Scottish Government for providing the Lochaber guarantee and its profile over time is commercially sensitive information that is not in the public domain. However, the total discounted value of the fee premiums over the lifetime of the guarantee is £18.7 million as previously stated by the Scottish Government (see [4 Scotland Reserve - Fiscal framework outturn report: 2018 - gov.scot \(www.gov.scot\)](#)).

Fourth, the Committee asked for “details of any due diligence in relation to Lochaber Aluminium Smelter – Liberty Group that has been undertaken within the last three years”.

Due diligence relating to the Lochaber guarantee is an ongoing process led by officials in the Strategic Commercial Assets Division (SCAD) with support from external commercial advisers, Deloitte. We hold regular meetings with the business. These involve scrutiny by officials and third-party advisers of financial statements, management accounts and forecasts. Officials meet with the local managers of the Scottish businesses and their senior Group colleagues on a regular basis to discuss business performance and issues of risk management.

In addition, SCAD will from time-to-time commission additional reports such as the *Lochaber Outcomes Report* prepared by Deloitte in February 2022 to assess the best options for the Scottish Government to meet its objectives in relation to the guarantee following the collapse of Greensill Capital in 2021. A publicly available version of that report released through FOI can be found [here](#).

Fifth, the Committee sought “to establish what would happen if this investment does not materialise. The Committee remains unclear on this point however, and therefore seeks further information to this question”.

The Guarantee and Reimbursement Agreement obliges the GFG Alliance to make an investment into downstream activity of not less than £70 million. If that investment does materialise this would represent a breach of contract and the Scottish Government would have access to contractual remedies in respect of that.

Finally, the Committee sought further information on three points:

- i. **SCAD’s operating costs;**
- ii. **details of the travel and subsistence allowance for the interim Chief Executive of Ferguson Marine Port Glasgow;**
- iii. **details of the total spend on external consultants in relation to the acquisition, management of, and plans to dispose of Scottish Government financial interventions in private companies. The Committee requests that this information is provided on an annual basis over the ten-year period covering 2012/13 to 2022/23, recognising that Prestwick Airport was purchased by the Scottish Government in November 2013.**

(i) SCAD operating costs

The Strategic Commercial Assets Division does not have an individual operating cost budget and instead operates under the wider budget of the Directorate for Economic Development. However, for the financial year 2022-2023 the operating cost for the division was £2,548,000 and for 2023-2024 it was £3,098,000.

(ii) Travel and subsistence allowance for Ferguson’s interim CEO

The interim Chief Executive of Ferguson Marine is not relocating to Scotland as part of his appointment and therefore no relocation expenses have been included in his package. As part of his appointment, the business paid for an economy class flight for Mr Petticrew to travel from Canada to Scotland to take up his post. The interim CEO will not return to Canada within his six-month tenure. Other than a return flight, any further visits to and from his home in Canada will be paid for personally by Mr Petticrew.

As Mr Petticrew will be living away from home his hotel accommodation is paid directly by the business. The interim CEO can claim receipted expenses up to the £45 per day limit, which will be taxed at any amount above the HMRC tax free portion of £25 per day.

(iii) External consultancy costs

Prior to SCAD being established in July 2022, the Scottish Government’s financial interventions in private companies were managed by a range of different Directorates and agencies. The Scottish Government publishes monthly reports of all spending over £25,000 with information arranged by payee and the Directorate responsible for the payment but a consolidated breakdown of all spending on external consultants relating specifically to financial interventions in private companies for the ten-year period 2012/13 to 2022/23 mentioned has not been created.

SCAD spend on external consultants in the last two years is shown in the table below:

Financial Year	External Commercial Consultancy Spend	External Legal Consultancy Spend	Total External Consultancy Spend
2022-23	£1,057,866.38	£983,393.14	£2,041,259.52
2023-24	£1,872,121.88	£151,801.38	£2,023,923.26

The expenditure figure for 2023-24 we quoted in the session on 30 May (£1.6 million) was based on an extract taken from our finance system on 14 May 2024 reflecting work completed in 2023-24 and invoices settled before the end of April 2024. We have settled further invoicing from external advisors since then taking the total spend on external consultants in 2023-24 to £1,872,121.88.

I trust this information is useful to you.

Regards

Gregor Irwin
Director-General Economy

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The Scottish Parliament
Pàrlamaid na h-Alba

Public Audit Committee

Director General, Economy
Strategic Commercial Assets Division
Scottish Government

10 June 2025

Dear Director General,

Strategic Commercial Assets Division

Thank you for providing evidence to the Public Audit Committee [at its meeting on 21 May 2025](#).

We note and thank you for the [letter from Mr Rhatigan, dated 23 May 2025](#) which included additional follow up information on the number of freedom of information cases handled by SCAD since 2022. This was in response to a question from Stuart McMillan.

Following the public session, the Committee discussed the evidence heard and agreed to write to you to seek further clarification on a number of additional issues.

Funding for Completion of the Glen Rosa

The Committee notes the most recent cost forecast relating to vessel 802, Glen Rosa, and the anticipated increase of approximately £35 million. During the session, you stated that:

“In the budget agreed by the Parliament, there is insufficient capital allocated to Ferguson Marine to accommodate that, so we are preparing advice to Ministers on how that will be handled. That will require difficult trade-offs and decisions to be made.”

The Committee would be grateful for an update on when it will be advised of the source of funding for this anticipated increase in cost and whether the funds have been approved by Ministers. We expect to be kept updated on developments.

SCAD staffing and the use of consultants

During the session, you confirmed that SCAD currently employs around 40 staff. The Committee understands that one of the reasons for the establishment of SCAD was to consolidate and retain in-house commercial expertise within the Scottish

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Government. However, evidence provided by Mr Rhatigan suggests that the division makes substantial use of external consultants. Our understanding, from the evidence provided, is that the use of such external consultants has also significantly increased in recent months.

We would be grateful if you could provide:

- **An overview of the division of responsibilities within SCAD, including how staff are allocated across teams or functions.**
- **Clarity on how internal expertise is being deployed and why continued or increased use of external consultants is required, despite this in-house expertise.**
- **Further detail on the roles and individual responsibilities of the five SCAD staff specifically assigned to Ferguson Marine Port Glasgow.**

Horizon scanning

The Committee would welcome additional information about the Government's current approach to horizon scanning. During the session, Mr Cook told us:

“There is proactive monitoring of the market. It is just that we have chosen to do it on a sector-by-sector basis, because we think that that is more efficient and allows for greater flexibility than doing so purely on a company-by-company basis. That is the only difference from the approach that EY recommended. The outcome is the same and, based on experience, we would argue that it is a better way of operating.”

However, we remain concerned that a structured and proactive system for identifying companies or sectors at risk is not in place.

Please can you provide details of how horizon scanning is currently carried out on a sector-by-sector basis and how this work feeds into SCAD's wider strategic oversight and decision-making.

Specifically, the Committee would be interested to know whether there are any standard frameworks or tools that guide this activity and how these help to identify and respond to potential risks before they emerge?

Lochaber/GFG Alliance

Finally, in relation to the GFG Alliance and its operations in Lochaber, we note that during the session, Mr Rhatigan described SCAD's relationship as being “almost akin to being a shareholder, because we need a lot of information about it”.

While the Committee notes previous statements by the Scottish Government that there is no financial risk to public funds in relation to the Lochaber guarantee, we are not persuaded that this fully reflects the underlying exposure. We would therefore welcome clarity on:

- **How the Scottish Government assesses and monitors risk in this particular case?**

- **What assurance can be provided that there is genuinely no current or potential risk to public funds?**
- **Whether any changes have been made to the risk profile, operational performance, or corporate structure of GFG Alliance in Scotland that would affect this assessment?**

Transparency and access to information

In the session, SCAD officials also discussed the recent SCAD Transparency Review and the steps now being taken to implement its findings, including plans to establish a Transparency Assurance Panel and to revise contract terms to enable greater transparency in future around the publication of commercial advice.

The Committee would welcome an update on when these commitments are expected to be implemented, and how they will lead to more consistent and meaningful access to unredacted information in the future.

During the evidence session, you also undertook to provide the Committee with the following information:

- **FMI report redactions:** Whether the consultancy firm FMI was required, under the terms of its contract with the Scottish Government, to disclose other clients, in particular, other shipyards that may be in competition with Ferguson Marine, in order to identify and manage any potential conflicts of interest (in response to my question, column 13).

The *Official Report* of the meeting is now online: [Public Audit Committee Official Report, 21 May 2025](#).

I should be grateful for your response by **11 July 2025**.

Yours sincerely,



Richard Leonard MSP

Convener

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10 July 2025

Dear Mr Leonard

Strategic Commercial Assets Division

Thank you for your letter of 10 June that followed the Committee meeting of 21 May 2025 covering the work of the Strategic Commercial Assets Division. Please find responses to your requests for further information, set out under your five headings.

1) *Funding for Completion of the Glen Rosa*

“The Committee would be grateful for an update on when it will be advised of the source of funding for this anticipated increase in cost and whether the funds have been approved by Ministers. We expect to be kept updated on developments.”

The Scottish Government is working with Ferguson Marine and our technical advisers, CMAL, to understand fully the basis of the revised delivery plan and costings for MV Glen Rosa. All significant requests for additional budget for capital projects require detailed scrutiny, including an Accountable Officer assessment, before they can be approved and decisions taken on sources of funding within the overall Scottish Budget. Budget coverage would be identified via budget slippage or viable efficiencies across portfolio spend and via income generation which we receive as a result successful economic investments already made by the Scottish Government and our agencies.

2) *SCAD staffing and the use of consultants*

“We would be grateful if you could provide:

- **An overview of the division of responsibilities within SCAD, including how staff are allocated across teams or functions.**
- **Clarity on how internal expertise is being deployed and why continued or increased use of external consultants is required, despite this in house expertise.**

- **Further detail on the roles and individual responsibilities of the five SCAD staff specifically assigned to Ferguson Marine Port Glasgow.”**

On 22 May 2024, I provided the Committee with information on the structure of SCAD and its functions. An updated version of this information, reflecting the resourcing position on 30 June 2025, is attached at Annex A.

The Scottish Public Finance Manual (SPFM) requires that we draw on appropriate advice when handling complex commercial matters. At times, SCAD seeks specialist external commercial and legal advice to supplement its own expertise. This may be due to the nature of the project, for instance: where a detailed knowledge and experience of a very specific commercial area would be sought (e.g. mergers and acquisitions expertise is currently being deployed in relation to Glasgow Prestwick Airport) or where we require access to commercial benchmarks not available to government such as guarantee pricing or commercial debt terms (e.g. external consultants are used to model credit default scenarios for the Lochaber guarantee and price parent company guarantees offered to clients of Ferguson Marine).

In order to secure appropriate external advice at best value, the division manages a Commercial Advisory Framework. This framework is open to all policy areas in the Scottish Government if they require independent commercial or financial due diligence. In addition, there are also other mechanisms available to appoint commercial specialists such as the use of frameworks operated by the Crown Commercial Service. SCAD uses these frameworks to support a range of policy functions across the Scottish Government covering a diverse set of commercial issues.

The team in SCAD that supports the Government’s shareholding in Ferguson Marine is responsible for the sponsorship of the business as a public body (e.g. governance matters relating to the Framework Agreement and appointments to the Board), for supporting the delivery of the MV Glen Rosa (e.g. by making payments for work completed against the shipbuilding contract) and for working with the senior executives and the Board to develop and implement the yard’s business plan and investment proposals. The size of the Ferguson team reflects the significance of the business, the large scale of the Government’s financial commitment to the vessel delivery programme, and the sponsorship team’s support to the Board in developing its business plan to ensure a sustainable future for the shipyard.

3) *Horizon scanning*

“Please can you provide details of how horizon scanning is currently carried out on a sector-by-sector basis and how this work feeds into SCAD’s wider strategic oversight and decision-making. Specifically, the Committee would be interested to know whether there are any standard frameworks or tools that guide this activity and how these help to identify and respond to potential risks before they emerge?”

The Insights and Assurance Unit of SCAD has the capability to analyse sectoral and company specific data drawing on a range of Scottish Government and subscription based external sources. These data sources include: (a) official statistics produced by the Office of the Chief Economic Advisor and the UK’s Office for National Statistics, (b) company financial information from a data analytics provider to gauge the propensity for financial distress and insolvencies and (c) information from enterprise agency account managers at SE, HIE and SOSE.

SCAD will typically collate sectoral information as part of its due diligence processes when a company intervention or divestment decision is being assessed. Alternatively, sectoral analysis is conducted when prompted by emerging trends or in response to specific requests from officials with policy responsibility for the sector concerned.

SCAD works closely with various policy teams cross the Scottish Government and the enterprise agencies to help inform potential commercial interventions. In instances where major investment or divestment decisions are contemplated, market analysis may be performed by an external commercial advisor typically as part of an economic impact assessment.

Your letter referenced an evaluation report into the Government's management of the BiFab intervention and a recommendation that SG should formalise its monitoring of companies of strategic importance in Scotland. As discussed at the Committee, I am content that through the account management approach led by our enterprise agencies and the sector-by-sector approach to monitoring led by SCAD, we are targeting our analytical capacity in the most effective way.

4) Lochaber/GFG Alliance

“While the Committee notes previous statements by the Scottish Government that there is no financial risk to public funds in relation to the Lochaber guarantee, we are not persuaded that this fully reflects the underlying exposure. We would therefore welcome clarity on:

- **How the Scottish Government assesses and monitors risk in this particular case?**
- **What assurance can be provided that there is genuinely no current or potential risk to public funds?**
- **Whether any changes have been made to the risk profile, operational performance, or corporate structure of GFG Alliance in Scotland that would affect this assessment?”**

The Scottish Government acknowledges there is a risk attached to the Lochaber guarantee and the contingent liability is reported to parliament via the Finance and Public Administration Committee. Should the Government require to make any payment, it is thereafter able to seek recovery of the full amount of any such payment from other members of the GFG Alliance by virtue of a series of cross-guarantees. The Government also benefits from a comprehensive security package consisting of the smelter, the hydro power station, extensive land holdings and a series of other protections. Therefore, in the event that the guarantee is called we are confident the Government would be well positioned to seek to recover the full amount it may be required to pay.

The Lochaber guarantee has not been called so is not a liability on the Scottish Government's balance sheet, but a significant provision has been made and reported to parliament via the Consolidated Accounts. The Government's potential exposure to default payments is calculated using the requirements of IFRS 9 for Financial Guarantee Contracts. The provision was revalued at £130m on 31 March 2024.

The provision in the Consolidated Accounts is not a forecast of expected outcomes. It has been determined on a cautious basis – essentially ‘as if’ a default has occurred, and asset recoveries are assumed to be at the low end of the possible spectrum. The provision is

informed by a technical assessment of a range of credit risk scenarios carried out by independent advisers, Deloitte. The Auditor General has stated that the Scottish Government's approach to setting the level of provision against the potential exposure through the guarantee is reasonable and we shared all the relevant underlying analysis with Audit Scotland.

We take a robust approach to guarantee management and monitoring and, as part of this, seek regular updates on the global restructuring and refinancing activity of the GFG Alliance. Officials attend regular meetings with GFG Alliance executives at both group and local level and are supported in this work by external commercial advisors. This allows us to monitor risks and, in particular, to identify any challenges that lie ahead for the Lochaber business. The Scottish Government continues to earn the expected income in the form of guarantee fee payments from the GFG Alliance and there has been no use of public funds arising from the guarantee.

5) Transparency and access to information

“The Committee would welcome an update on when these commitments [of the SCAD transparency review] are expected to be implemented, and how they will lead to more consistent and meaningful access to unredacted information in the future.”

Work is progressing to implement all the actions in the SCAD Transparency Review delivered to the Committee on 6 April across the four workstreams: (i) commercial advice reports, (ii) FOI, (iii) non-disclosure agreements and (iv) shareholder authorisations.

New web content for SCAD hosted on the gov.scot website is central to the review's implementation as it will become the main place for pro-active publication of public records in relation to the division's work. At present information on the assets managed by SCAD is held on different parts of the Scottish Government's website. The content and structure of the new web content is progressing and is scheduled for launch in September.

The web page will include new registers relating to: shareholder approvals; FOI responses; and non-disclosure agreements. This will bring enhanced transparency to how the assets are being managed.

The Business Investment Framework section of the Scottish Public Finance Manual is being updated with new guidance on when and how the Scottish Parliament should be informed about directions given by Scottish Ministers to the board of a business for which they are the primary shareholders.

The Transparency Review also recommended that we create an Assurance Panel to oversee decisions on materials that will be published or withheld on grounds of commercial sensitivity. The terms of reference of the panel are under development. The chair will be a senior civil servant recruited from outwith SCAD to enable the panel to operate at a distance from the original decision-makers and independently of those involved directly in the commissioning of the external advice in question. Once approved by Ministers, the terms of reference of the Assurance Panel will be made available on the SCAD web pages.

We are already making improvements to contract management in line with the transparency review's recommendation to identify commercially sensitive information at the outset of contractual relationships. This step will help to minimise the risk of ambiguity over the status of information related to and produced by external consultants.

The Committee asked, “Whether the consultancy firm FMI was required, under the terms of its contract with the Scottish Government, to disclose other clients, in particular, other shipyards that may be in competition with Ferguson Marine, in order to identify and manage any potential conflicts of interest.”

FMI was not required to disclose other clients that may be in competition with Ferguson Marine. The Scottish Government contracted First Marine International Ltd using our model contract terms and conditions in accordance with the Public Contracts (Scotland) Regulations 2015. It is standard professional practice for consultancies and suppliers of specialist advice to provide advisory services in their area of specialist expertise to multiple operators. There is no requirement in the Scottish Government model terms and conditions for suppliers of specialist expertise to provide a list of previous or current clients. The management of risk of disclosure of commercially sensitive information, including conflict of interest, is managed through the relevant contractual terms and conditions.

Conclusion

I trust the information provided in this letter is useful to you and we will revert to the Committee after the Parliament’s summer recess to provide further detailed information on the implementation of the Transparency Review’s recommendations.

GREGOR IRWIN

Director-General Economy
Scottish Government

Annex A: The Strategic Commercial Assets Division

The Strategic Commercial Assets Division (SCAD) is part of the Directorate for Economic Development within the DG Economy area of the Scottish Government.

SCAD is responsible for:

- ensuring the effective governance and stewardship of a portfolio of commercial assets (Glasgow Prestwick Airport, Ferguson Marine, Lochaber Guarantee and BiFab) where the Scottish Government has a financial stake and/or provides a sponsorship
- providing a co-ordinated response to companies in distress in close collaboration with Scotland's enterprise agencies (SE, HIE and SoSE)
- working with cross-portfolio teams to support ministerial engagement with other strategic businesses.

The Division comprises four units (see organogram below, representing the staffing hierarchy as at 30 June 2025) which collectively contribute to the common aims of:

- maximising the public good throughout the interventions' lifespans to ensure business continuity, maintaining jobs and support for supply chains and communities across Scotland
- prioritising value for money and public benefits derived for communities to drive the assessment of optimal interventions
- maintaining sound monitoring and assurance processes to underpin the ability to demonstrate outcomes and public benefits delivered as the assets mature
- embedding continuous improvement through business processes in the management of assets with a standard of excellence promoted at all levels.

1) Business Briefings Unit

- maintains strong relationships with Enterprise Agencies (Highlands & Islands Enterprise, Scottish Enterprise, South of Scotland Enterprise)
- offers practical support to businesses and supporting company resilience
- provides support to the lead minister on the Scottish Government business resilience response through ministerial briefings, advice, and organisational activities
- maximises ministerial engagements to highlight Scottish Government policies.

2) Business Insights and Assurance Unit

- identifies business resilience issues using market intelligence and insights
- advises on legal and commercial due diligence drawing on the input of experts and engagement with Audit Scotland on the approach to interventions to ensure high standards of assurance in asset management and assessments of risk
- leads on policy development, including the transparency review, to ensure consistency of approach and high levels of assurance and oversight related to investment, management and divestment of commercial assets
- provides assurance across new and historic strategic commercial interventions
- implements measures to maximise the public good and return on investment from our interventions whilst protecting jobs in communities across Scotland.
- develops commercial interventions for major resilience cases.

3) Operations and Asset Management Unit

- operates a response model to advise and brief ministers on the Government response to a situation where there is a risk of financial failure of a strategic commercial asset
- develops and delivers the resilience model toolkit to support surge capacity when required

- manages the Commercial Advisors Framework contract across the division to ensure SCAD efficiently procures the services of commercial advisors across various disciplines
- manages the Scottish Government's legacy interests in BiFab and the administration process
- leads the management of Glasgow Prestwick Airport and future strategy for the business
- manages Scottish Government's interests in the GFG Alliance's footprint in Scotland and the guarantee provided in relation to the Lochaber Smelter and hydro plant.

4) Ferguson Marine Unit

- maintains good relationships with key stakeholders to foster a collaborative approach to deliver ministerial objectives
- supports Ferguson Marine's senior management team in navigating the requirements of the public sector and Scottish Government ownership
- leads the Ferguson Marine governance programme which aims to provide assurance and oversight of delivery of Hull 802
- ensures lessons learned from the management of this asset is transferred through learning to other divisional teams leading on asset management.
- works across the Scottish Government and the wider public sector to maximise shareholder and government support and opportunities available to Ferguson Marine
- manages the options appraisal and implementation phase for the divestment/transition of Scottish Government commercial assets into their longer-term steady state
- leads the Ferguson Marine futures project, which aims to secure a sustainable future for the shipyard.

Across the division, Programme Management Office (PMO) provides business support function and project and programme management building a consistent approach to interventions with controlled reporting and governance arrangements. It acts as secretariat for the Strategic Assets Review Group which provides an additional layer of oversight and scrutiny of our investments.

The Division is supported in its work by two dedicated Finance Business Partners.

