



The Scottish Parliament
Pàrlamaid na h-Alba

Gregor Irwin
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Scottish Government

Public Audit Committee
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The Scottish Parliament
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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