

FOI/18/01835

From: [Redacted]

Sent: 30 April 2018 17:59

To: First Minister <firstminister@gov.scot>; Cabinet Secretary for Finance and the Constitution <CabSecFC@gov.scot>

Cc: Minister for Transport and the Islands <transportminister@gov.scot>; Deputy First Minister and Cabinet Secretary for Education and Skills <DFMCSE@gov.scot>; Cabinet Secretary for Economy, Jobs and Fair Work <CabSecEJFW@gov.scot>; Cabinet Secretary for the Rural Economy and Connectivity <CabSecREC@gov.scot>; Lord Advocate <LordAdvocate@gov.scot>; Permanent Secretary <PermanentSecretary@gov.scot>; Evans L (Leslie) <Leslie.Evans@gov.scot>; DG Economy <DGEconomy@gov.scot>; Brannen R (Roy) <Roy.Brannen@transport.gov.scot>;

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Subject: FMEL - Contingency Options Update - Meeting with FMEL and CBC [30.04.18]

PS/First Minister

PS/Cabinet Secretary for Finance and the Constitution

1. Economic Development officials convened a four-hour workshop today (30 April) with Directors of FMEL and CBC to review the 5-year outlook for the business and to explore further the potential basis for new commercial investment to support the medium-term vision.
2. The meeting was very positive. FMEL were keen to stress the productive discussions they are having with potential customers and the pipeline they see over subsequent years for the business. Officials agree that the business case, at present, looks encouraging and we will be working with FMEL in the coming fortnight to fully explore and build upon their business plan.
3. The key difference in current discussions is that, since the Cabinet Secretary's call with Jim McColl, FMEL and CBC have engaged [Redacted]. This shift has allowed the conversation to move on to a more commercial footing. FMEL and CBC are still confident in their claim and assuming they will be successful in the dispute, but they have accepted the need for an approach that is not awaiting an outcome from those discussions.
4. FMEL, officials and SG's advisors, PwC, had a lengthy conversation about a potential loan mechanism which could subsequently be converted into equity. There is precedent for this type of SG investment.

5. [Redacted] The stated intent of all parties is to try and get to heads of terms by the end of this fortnight if there is any possibility of a commercial deal being made.
6. The ability to strike a commercial deal should become clearer this week. FME have committed to providing a revised cash flow outlining the entirety of their funding need and this will then need to be sensitised to take account of a variety of options, [Redacted]
7. As this takes shape officials will continue to work proactively to explore all possible options and will provide Ministers with regular updates.

Many thanks,

[Redacted]

[Redacted]

Innovation, Investment and Industries

Directorate for Economic Development

Scottish Government, Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU

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Mary McAllan
Director of Economic Development
11 May 2018

First Minister
Cabinet Secretary for Finance and the Constitution
Minister for Transport and the Islands

DISCUSSIONS ON POSSIBLE PUBLIC INVESTMENT INTO FERGUSON MARINE ENGINEERING LTD (FMEL)

Purpose

1. To provide a summary of the meeting on this topic held on 10 May between the Cabinet Secretary for Finance and the Constitution, the Minister for Transport and the Islands, and officials from Economic Development, Finance and Transport Scotland.
2. To seek confirmation of the proposed next steps– principally, that Ministers are content that negotiations be commenced exploring scope for a commercial transaction with FMEL with the aim of developing head of terms (see recommendation at paragraph 9 below).

Timing

3. Urgent. It would be helpful if Ministers could respond by Monday 14 May to allow negotiations to commence next week.

Meeting summary

4. Economic Development officials took Ministers through a range of proposals for a commercially focussed [Redacted] to preserve employment and enhance the facilities of the shipyard. The investment envisaged is in the form of a convertible loan and this would be predicated on a 5-year business plan prepared by the Directors of FMEL.
5. A potential commercial structure had been developed by our commercial advisers, PwC, as a device for testing FMEL/Clyde Blowers Capital's (CBC) appetite for co-investment and for assessing the acceptability of certain terms. These initial discussions, conducted with no formal status or commitment by either side, had proceeded sufficiently well to provide enough confidence that a commercial arrangement might be reached through negotiation though this remains to be tested.

Emerging features

6. We reviewed with Ministers the key features of the potential commercial structure discussed between PwC and FMEL/CBC. These are as follows:

- *Convertible loan* – The Scottish Government’s proposed financial commitment may need to be in the region of £30 million, on the basis of received cash flow forecasts, in addition to the existing £15 million SG loan to FMEL agreed by Ministers last September. The precise quantum would depend on up-to-date cash-flow information and the scale of CBC’s commitment to new funding alongside any SG loan. This new funding would be expected to address [Redacted] to the Scottish economy moving forward. This could be achieved via diversification into new market segments such as [Redacted].
- *New investment from CBC* – This would greatly enhance the commercial basis for any SG loan-to-equity transaction and is likely to be a prerequisite for SG involvement in a commercially focussed deal so that risks and rewards are shared appropriately.
- *Use of funds* – The matter of how new SG loan funding would be applied within the FMEL business is a key consideration for SG; [Redacted]. The distinction between different types of usage (short or long term) is difficult to determine exactly although the completion of current activity is itself a necessary platform to win future work.
- *Equity conversion* – It is currently proposed that SG’s preference would be to receive equity warrants, with the option, but not the obligation to convert some or all of the Government’s funding to equity in FMEL during the life of the loan. If any conversion of loan to equity was to occur and if the business performed in line with the Directors’ forecasts – [Redacted].
- *Security* – At present the Government is an unsecured creditor of FMEL. [Redacted].
- *Staging of drawdown and performance incentives* – The new SG loan could be arranged to be drawn down in tranches rather in one payment and these tranches might be linked to the fulfilment of certain conditions or measures of performance – for example, the injection of CBC funds or FMEL winning other business.

All of the above is in pursuit of a commercial option but we continue preparatory work on other contingency options [Redacted].

Recommendation

7. We recommend Ministers agree to officials commencing negotiations on the basis of the proposals above with a view to developing draft heads of terms designed to deliver [Redacted].

8. Ministers should note that any draft agreement which may be developed would be subject to all normal processes of commercial diligence, financial and legal scrutiny (including State Aid considerations), Accountable Officer sign-off and Ministerial approval. This note has been agreed with the Chief Financial Officer.

Mary McAllan
Director of Economic Development
DG Economy

From: [Redacted] On Behalf Of Cabinet Secretary for Finance and the Constitution

Sent: 05 June 2018 21:36

To: Cabinet Secretary for Finance and the Constitution <CabSecFC@gov.scot>; DG Economy <DGEconomy@gov.scot>; [Redacted]@gov.scot>

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Subject: RE: SCANCE

Liz and Gordon

Please see below a minute of the meeting between the Cabinet Secretary (DM) and Jim McColl (JM). No one else sat in the discussion apart from me and it lasted 45 mins.

- JM set out how process of the FMEL report and CMAL's report and how he would like to see [Redacted]. **DM agreed to clarify this** (Liz - grateful if you could ensure that point is addressed and JM is content)
- JM set out the opportunities for the business to develop and the potential of new contracts. DM agreed that are opportunities for the yard and is keen to see the business grow.
- DM then moved on to the final points of negotiations and highlighted that he is focussed on protecting the jobs, supporting the yard and to ensure that the boats are delivered. DM emphasised that any support provided by Scottish Government must be on commercial terms and our advisors, PwC, are providing assistance in ensuring that this met.
- JM set out that CBC are willing to put further investment into the company to help it grow and he went through different scenarios of how this interacted with our investment (equity basis). DM stated that the current proposal is based on the commercial determination by PwC, which must be met in order to have sign off from the Permanent Secretary and the Lord Advocate. DM highlighted that officials have also been given a clear direction to ensure his three aims (above) will be met as well as the commercial requirement.
- JM asked if PwC could consider further if there if flexibility in the current approach while ensuring that the commercial requirement is met. **DM spoke to [Redacted] following the meeting and asked for further consideration on this.**

Happy to answer any questions on this as well.

[Redacted]

**Private Secretary to Derek Mackay MSP, Cabinet Secretary for Finance and the
Constitution**

The Scottish Government

St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: 0131 244 [Redacted]

From: [Redacted] On Behalf Of Cabinet Secretary for Finance and the Constitution

Sent: 06 June 2018 20:49

To: [Redacted]@transport.gov.scot>; Cabinet Secretary for Finance and the Constitution <CabSecFC@gov.scot>

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Subject: RE: CMAL Procurement Review - release to CMAL - 22 May 2018

Richard

Just for completeness, below is the final minute of the meeting for the official record.

Thanks

Phone call with Jim McColl – 24 May 2018

- DM noted that the report commissioned by CMAL from [Redacted] had been sent to FMEL and SG. He noted from JM's initial email comments that [Redacted].
- [Redacted].
- [Redacted]. DM said his focus was on contingency planning and commercial agreement.
- JM repeated the points made in his email and made clear that this wasn't the end of the dispute though he was reluctant to take it to court.
- JM was very critical of [Redacted].
- [Redacted]. DM reiterated SG's objectives around vessel delivery, jobs and the future of the shipyard. For that reason he wanted to focus on contingencies.
- JM confirmed that he was pleased with the ongoing engagement between FMEL and SG on a commercial agreement. DM and JM agreed that this was close to completion. DM noted it would need substantial SG investment and also investment from the partner.
- [Redacted], noting that the contractual dispute was between CMAL and FMEL. JM indicated agreement.

[Redacted]

Private Secretary to Derek Mackay MSP, Cabinet Secretary for Finance and the Constitution

The Scottish Government

St Andrew's House | Regent Road | Edinburgh | EH1 3DG | T: 0131 244 [Redacted]

From: Mary McAllan
22 June 2018

Cabinet Secretary for Finance and the Constitution
Minister for Transport and the Islands

NEW LOAN AGREEMENT WITH FERGUSON MARINE ENGINEERING LTD

Purpose

1. To seek your approval for a £30 million commercial loan facility for Ferguson Marine Engineering (Holdings) Limited (FMEL).
2. The purpose of the loan is to improve the liquidity of FMEL. This will deliver benefits including support for delivery of vessels for Caledonian Maritime Assets Ltd (CMAL), improved security for SG's existing loan to FMEL, protection for employment, and provide a platform for the shipyard to thrive in the longer-term.

Timing

3. Urgent. The Directors of FMEL have indicated they require access to new funding [Redacted].

Contents and structure of the advice

4. This advice presents the terms of the proposed loan agreement; it summarises the independent commercial and legal advice taken in negotiating the loan and the key accountability considerations underpinning the recommendation.

5. The advice is structured as follows:

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IV.	Previous interventions to support FMEL	page 11
V.	Intervention case, options and assessment	page 13
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VIII.	Parliamentary handling and communications	page 21
IX.	Completion	page 23
X.	Recommendation	page 23

6. The material below is supplemented by further detailed information held in the annexes to this paper. A due diligence report produced by PricewaterhouseCoopers LLP (PwC) (see executive summary at Annex A) and the loan agreement are contained in separate documents.

I) Consultation

7. The work leading to the loan agreement reflects input and advice from my Directorate, Transport Scotland, Finance, Procurement and SGLD. The recommendation has been approved by DG Economy (Accountable Officer), the Chief Financial Officer and the Permanent Secretary (Principal Accountable Officer).

8. The Accountable Officer, Liz Ditchburn, has provided the following statement:

“I am content that this proposal goes forward to Ministers for decision. Having considered carefully the options to achieve Scottish Ministers objectives and the risks associated with these options, and supported by the appropriate legal and financial advice, I believe that the loan agreement as negotiated represents a legitimate basis for action, and on balance, the most appropriate mechanism to achieve our objectives. The Accountable Officer considerations of regularity, propriety, and value for money have been considered and I believe are satisfied on the basis of the evidence and advice available to me. Appropriate protections of SG interests have been built into the agreement and unreasonable demands from CBC/FMEL have been negotiated out. [Redacted]. Close oversight and monitoring, including through securing appropriate expert advice on FMEL’s progress against their resourcing plan, will be important, particularly during the critical first months of significant drawdown of the facility.”

9. The Lord Advocate has been briefed by SGLD during the preparation of the proposed loan and has had the opportunity to ask questions and received replies. [Redacted]:

i. [Redacted].

ii. [Redacted].

iii. [Redacted].

10. The first point will be covered by a statement that [Redacted] will provide confirming that: (a) the transaction documents reflect the heads of terms and extensive discussions which have taken place over the course of the recent weeks, (b) the transaction documents are in the kind of form that we would generally expect for a transaction of this nature based on the heads of terms and discussions among the parties, (c) we believe that the transaction documents reflect the agreed position among the Scottish Ministers, CBC, and the surety and accordingly are in a form suitable for the entry into by the Scottish Ministers. The second point is covered by a combination of the final version of the PwC report that accompanies this submission (full report attached by covering email and summarised at Annex A) and by the commentary below at section VI. The final point is addressed in the submission below at paragraphs 112 and 113.

II) Background

11. Ministers are well acquainted with the financial circumstances of the FMEL shipyard and the ongoing contract dispute between FMEL and CMAL concerning the costs of completing two vessels for the CalMac fleet (see Annex B). Officials have briefed Ministers extensively on these topics at regular intervals over many months; a range of contingency options for handling the financial situation of the business and for protecting the interests of SG have been developed and reviewed by officials and Ministers.

12. The proposed loan is not contractually tied-in with the CMAL-FMEL contract. SG is not a direct party to the vessels contract or directly involved in the contract dispute process but, given Ministers' clear priorities (see below), [Redacted].

13. In considering a second loan to FMEL, SG is acting in the capacity of a lender and acting on a commercial basis. SG has already provided a loan to FMEL (£15 million) and we receive information on the financial position of the yard on a confidential basis for monitoring purposes. The nature of the information disclosed to SG is clearly sensitive and confidential and therefore places us under a common law duty of confidentiality. We do not have the permission of FMEL to disclose any of its financial information to CMAL or to discuss the proposed loan in any detail. As agreed between CMAL and the Minister for Transport and the Islands, we have however engaged with CMAL to understand their perspective on different options of support for FMEL while maintaining the appropriate confidentiality. FMEL is aware that we have had that conversation.

14. It is important to note too that the proposed loan is not a remedy for the contract dispute between FMEL and CMAL but it would afford breathing space [Redacted] which, in turn, would provide a platform for the business to secure other work and to diversify while FMEL decides how or whether to pursue its claim.

15. A longer term successful commercial future for the yard relies on FMEL winning other work. [Redacted].

Financial position of FMEL

16. The Directors of FMEL have informed officials that without either [Redacted].

17. FMEL presented a cash flow dated 11 May 2018 which showed that there [Redacted].

18. The business has managed its cash in various ways since it drew the £15 million SG loan agreed by Ministers last September – for example, [Redacted].

19. [Redacted].

20. [Redacted].

21. [Redacted].

Ministers' objectives

22. The Cabinet Secretary for Finance and the Minister for Transport restated their three principal policy objectives at a meeting with officials on 10 May – vessel delivery, employment and the shipbuilding capacity of the yard:

- Vessel delivery – The Minister for Transport wrote to the Rural Economy and Connectivity Committee in November 2017 stating that 801 (MV Glen Sannox) would be delivered in winter 2018/19. Since then, and since the launch of the MV Glen Sannox in November 2017, [Redacted]. Affected island communities in Arran and the Western Isles, where the vessels will be deployed, are concerned at the impact of delays given the capacity and reliability benefits that these new vessels are intended to bring, particularly in light of recent well-publicised disruption on the Clyde and Hebrides network due to mechanical breakdowns.
- Employment – FMEL has already [Redacted].
- Shipbuilding capacity of the yard – FMEL is a unique asset as the last commercial shipyard on the Clyde and the only Scottish yard that has the physical capacity to build the larger ferries in CalMac's fleet. FMEL is also keen to place itself at the forefront of the development of alternative maritime propulsion technologies such as electric hybrids and LNG hybrids and innovative technologies around hydrogen-powered vessels (e.g. HySeas III project¹).

23. In pursuit of these three objectives Ministers sanctioned negotiations between officials and FMEL/CBC with a view to developing a commercial proposition to support the business (see update note of 11 May at Annex C).

Due diligence

24. [Redacted] are our independent commercial advisers and [Redacted] are our external legal advisers covering the transaction.

25. [Redacted] and [Redacted] led work on the drafting of the Head of Terms (see Annex D) and the final suite of legal documents. Both [Redacted] and [Redacted] have provided assurance that the loan agreement and associated documents in their final form are commercial, legally robust and conform to SG's intentions and duties. [Redacted] and [Redacted] will conduct a final check of the documents and signal their satisfaction to us before execution of the loan.

III) Loan Agreement Summary

Purpose

¹ FMEL was part of a successful application for EU Horizon 2020 funding, generating £2.7m for FMEL.

26. The purpose of the loan is to fund FMEL to “assist with the long term viability and enhanced capabilities of the businesses carried on at the Property” and for “other general working capital purposes of FMEL, all as identified in the Business Plan and/or Financial Model” [Redacted].

Term and interest

27. The loan agreement is a £30 million facility on a [Redacted] repayment term with scope for the loan to be converted to equity. Draw down is available from the date of the loan agreement until [Redacted], and a full review and renegotiation of the key terms of the loan agreement is scheduled after [Redacted].

28. Interest is payable at a fixed rate of [Redacted] on monies drawn against the loan facility until share warrants are issued to SG. [Redacted].

29. [Redacted].

30. [Redacted].

Scheduled review

31. A review of the loan – an opportunity for renegotiation – is scheduled to take place [Redacted]. This review will consider all key terms of the loan including the rate of interest and after the review [Redacted].

32. The basis of the scheduled review is set down in the loan agreement. [Redacted]. In the absence of agreement to a different rate, interest will be charged at [Redacted].

33. In terms of the review mechanics, discussions will commence in May (i.e. 30 business days before the June review date).

Equity conversion

34. The share warrants will allow Ministers to take a shareholding in the business or to hold the debt. The loan will remain in place until it is repaid or the warrants associated with the loan are exercised – i.e. the loan can be repaid unless the warrants have been exercised to convert the loan to shares. [Redacted].

Conversion rate

35. Scottish Ministers will gain a right to be issued new shares in FME Holdings Ltd at a rate equivalent to [Redacted] also notes that “SG should regularly review if / when it should exercise the share warrants. The review mechanism should include an understanding of [Redacted].

[Redacted]

36. [Redacted].

37. [Redacted]:

i. [Redacted]

ii. [Redacted].

38. [Redacted]:

- [Redacted];
- [Redacted];
- [Redacted].

CBC investment

39. The agreement provides that CBC will inject fresh funding into the business alongside the new SG loan on equivalent terms by subscribing for new shares in FME Holdings Ltd. CBC commits to inject [Redacted] of new funding into FMEL as part of this agreement, [Redacted]:

- [Redacted]
- [Redacted].

40. [Redacted].

41. [Redacted].

[Redacted]

42. [Redacted].

43. [Redacted]:

- [Redacted];
- [Redacted];
- [Redacted].

Security

44. The £15 million SG loan to FMEL agreed by Ministers on 4 September 2017 was unsecured (see submission from DG Economy at Annex E). It is a standalone agreement but as part of the new loan agreement, we have negotiated:

- [Redacted];
- [Redacted]
- [Redacted].

45. [Redacted]:

[Redacted]

46. [Redacted].

Link with the contract dispute process

47. In the event that there is an outcome in FMEL's favour with respect to the contract dispute around the CMAL vessels, [Redacted].

48. [Redacted].

Undertakings and conditions precedent

49. The proposed loan agreement contains a number of undertakings that, for example, place restrictions on FMEL in terms of [Redacted].

50. [Redacted].

51. [Redacted].

52. Conditions precedent to the loan include:

Date of signing

- the Business Plan, incorporating projected cash flow, profit and loss and balance sheet figures together with any associated financial models/projections; the Completion Financial Model and a Certificate, in Acceptable Form, from [Redacted] as financial advisers to the Scottish Ministers;

First and subsequent utilisations (loan drawdown)

- [Redacted]);
- [Redacted].

Technical diligence and assurance

53. [Redacted].

54. [Redacted].

55. [Redacted].

IV) Previous Interventions to Support FMEL

56. Following a competitive procurement exercise, FMEL entered into a contract with CMAL in October 2015 to provide two dual-fuel (marine diesel and liquefied natural gas) ferries, the 801 (now named MV Glen Sannox) and 802 (yet to be named), for a total contract price of £97 million.

57. [Redacted].

58. As a condition of the contract FMEL was required to provide [Redacted].

59. [Redacted].

60. In September 2017 Ministers agreed to make available to FMEL a commercial loan facility of £15 million to support completion of the CMAL order and assist with business stability. [Redacted].

61. [Redacted].

62. [Redacted]².

63. [Redacted].

64. To satisfy the commerciality test for any new intervention we believe it is essential that CBC invest new monies alongside SG. Parallel investment would demonstrate CBC's continuing shareholder confidence in FMEL's business plan, show faith in the ability of the business to build a pipeline of orders, and become a strong and sustainable operation in the medium-term.

V) Intervention Case, Options and Risk Assessment

Case for intervention

65. The value for money and strategic arguments for the intervention proposed are strong: [Redacted].

66. [Redacted].

67. CMAL procured the larger ferries from FMEL to replace ageing vessels in the CalMac fleet and also to increase capacity on lifeline services to Arran and the Outer Hebrides, in line with the priorities identified in Transport Scotland's Vessel Replacement and Deployment Plan. Recent disruptions on the network have reinforced the need for new tonnage as soon as possible. Affected island

² [Redacted]."

communities and their elected representatives are expressing concern at these delays and the potential impacts of congestion on growth, particularly of tourism, and disquiet about the absence of up to date information on realistic delivery dates.

68. FMEL currently employs a workforce of [Redacted] and is the largest single manufacturing employer in Inverclyde. [Redacted].

69. Inverclyde performs relatively poorly against the Scottish average on unemployment, and has lower rates of economic activity and employment than Scotland as whole. Inverclyde also has a relatively high share of deprived areas (see economic data in Annex J).

Contingency options

70. Since last autumn we have worked across Government and with external advisers to compile and compare a long list of contingency options for addressing the financial circumstances of FMEL and the challenges of completing the CMAL order.

71. The loan agreement proposed is the most deliverable and commercial option available to SG, according to [Redacted]. It does not conflict with or preclude any of the other contingency options; indeed, it keeps all avenues open and allows time to develop further and refine alternatives in case they are needed. [Redacted].

72. A series of contingency planning workshops were held between November and February, identifying a long list of alternatives to enhance business stability and secure vessel delivery. The early outputs of the first phase of this work were presented to Ministers on 20 December and the set of options subsequently refined with illustrative costings calculated.

73. The final comparative analysis prepared by [Redacted] focussed on four options:

- i. loan agreement with share warrants (**recommended option**)
- ii. [Redacted]
- iii. [Redacted]
- iv. [Redacted]³.

74. We asked [Redacted] to conduct a comparative funding analysis of the four options above – this is shown below. The analysis is necessarily high level and the margin of error around the estimates of costs is likely to be wide, but the headline message is [Redacted].

75. [Redacted].

³ [Redacted].

[Redacted]

76. [Redacted].

77. [Redacted].

[Redacted]

[Table Redacted]

Risk assessment criteria

78. Risks are inherent in the nature of the transaction proposed but these have been anticipated, analysed and mitigated as far as possible. Risks appear greatest in the scenario where [Redacted].

79. Ministers' policy priorities (vessels, jobs and yard) have been foremost in our thinking throughout the negotiations and are captured in the options assessment. The frame of reference also included costs to SG and deliverability.

80. The summary table below is illustrative of our thinking about the risks of the shortlisted options as they stand now. The text below the table provides greater detail of the assessment.

[Table Redacted]

81. The analysis suggests that the main choice for Ministers is between the option of an SG loan with share warrants [Redacted].

82. The particular mechanics of the loan agreement we are proposing can lead us to either destination depending on the progress of the business and, importantly, the willingness of CBC to continue to invest in FMEL. [Redacted].

83. [Redacted].

i) Loan agreement with share warrants

84. Of the options available, an SG loan has the best potential to put money into FMEL quickly [Redacted]. It also secures new private investment alongside public funds [Redacted].

85. [Redacted].

86. [Redacted].

87. [Redacted]:

- [Redacted],
- [Redacted].

88. [Redacted].

ii) [Redacted]

89. [Redacted].

90. [Redacted].

91. [Redacted].

iii) [Redacted].

92. [Redacted].

93. [Redacted].

94. [Redacted]:

“[Redacted].”

95. [Redacted].

96. [Redacted].

iv) [Redacted]

97. [Redacted].

98. [Redacted].

99. [Redacted].

Other risks

Controlling use of funds

100. Ensuring that SG funds are used in a manner consistent with the purpose of the loan and Ministers’ objectives is important. [Redacted].

101. In addition to FMEL’s financial accounting information, SG will receive [Redacted].

102. [Redacted].

[Redacted]

103. [Redacted].

VI) Market Economy Investor Principle (MEIP)

104. Article 345 of the Treaty on the Functioning of the European Union requires neutrality in the treatment of public and private undertakings and one of the

implications of that provision is that public authorities are free to invest in undertakings and extend loans, guarantees, inject capital, subscribe to shares or purchase outright any company. Equally, they must behave in the same way as a private investor would behave in similar circumstances to avoid there being state aid present in any state intervention.

105. Application of the MEIP requires analysis of the financial and economic position of the project, taking account of the level of capital investment, the risk profile, the profitability and the future return on investment. The test for MEIP is therefore an economic one and not a legal one.

106. At its most basic the test for MEIP is whether in similar circumstances a private investor, having regard to the foreseeability of obtaining a return, and leaving aside all social and regional policy conceptual considerations, would have subscribed the capital in question. The only considerations that can be taken into account in this context are profitability and optimisation of return of capital.

107. [Redacted] is satisfied that the terms of the loan agreement are in line with market conditions: [Redacted].

VII) Accountable Officer Considerations

108. The Public Finance and Accountability (Scotland) Act 2000 requires of Accountable Officers the need to demonstrate the regularity and propriety of the finances under their stewardship and for the economic, efficient and effective use of all related resources.

109. This latter consideration should also take into account the sustainability of the proposal in the context of the wider public finances, that is, the extent to which it affects cumulative future financial commitments and risk. These are personal responsibilities that require decisions to be consistent with the proper performance of the functions of the PAO and Accountable Officers are answerable directly to the Scottish Parliament.

Regularity (legal competence)

110. Regularity concerns whether there are underlying legislative powers with which to commit expenditure.

111. Section 7 of the Industrial Development Act 1982 provides the necessary enabling 'statutory authority'⁴ for selective financial assistance to be given to promote industry which will safeguard or develop jobs. The shipyard is in an assisted area: Ward 2 of Inverclyde is listed as an assisted area in terms of Schedule 2 to the Assisted Areas Order 2014.

112. The purpose of the loan is to fund FMEL to "assist with the long term viability and enhanced capabilities of the businesses carried on at the Property" and for "other general working capital purposes of FMEL, all as identified in the Business Plan and/or Financial Model". By supporting the viability of the business through the business plan and associated cash flows, the loan will deliver the benefits envisaged in the Act including protection for employment and creating a platform for the shipyard to thrive and diversify in the longer-term.

Propriety

113. Propriety is concerned with meeting high standards of public conduct, including robust governance and the relevant parliamentary expectations, especially transparency.

114. The written agreement between SG and the Finance Committee specifically requires Ministers to seek the approval of the Finance Committee where they are proposing a transaction that gives rise to a contingent liability (e.g. a guarantee). On the basis that this transaction is a loan we do not consider that there is a need for specific Finance Committee approval. However, we recommend that the Finance Committee is informed at an early stage (see next section on Parliamentary handling below).

⁴The term used by the Scottish Public Finance Manual to describe legislative powers.

115. Provisions relating to the disclosure of information are covered in Section 15 of the loan agreement, including for example:

- “...each party shall treat the other party’s Confidential Information as confidential”
- “The Borrower [FMEL] acknowledges that the Scottish Ministers are subject to the requirements of the FOISA and the EISR and the Borrower shall assist and cooperate with the Scottish Ministers to enable them to comply with their information disclosure obligations”
- “The Scottish Ministers shall be responsible for determining in its absolute discretion whether information is exempt from disclosure in accordance with the provisions of the FOISA or the EISR”.

116. We have undertaken appropriate due diligence of the loan agreement proposal and alternatives to establish costs and benefits, identify risks and develop mitigations. External commercial and legal expertise has been applied via consultancy services delivered by [Redacted] and [Redacted] to shape an acceptable agreement that balances benefits against risks. Additionally, there will be monthly reporting arrangements in place, twinned with analysis to scheduled review points from professional advisors, to ensure on-going monitoring of risks.

Value for money and affordability

117. Ensuring the economical, efficient and effective use of resources is concerned with demonstrating value for money, that is, whether the benefits to be gained from agreeing to the proposal can be assessed as being appropriate to the level of financial risk that is being taken on by the Government. It is also important to consider affordability, opportunity cost and overall financial sustainability.

118. Current spending plans indicate that the loan can be accommodated from existing financial transactions (FT) allocations, assuming [Redacted].

119. As noted previously, [Redacted] made a comparative assessment of the projected relative costs of each of the short-listed contingency options. [Redacted].

VIII) Parliamentary Handling and Communications

120. The Cabinet Secretary wrote, in confidence, to the Finance Committee on 24 April 2018 to note that there had been a £15 million loan to FMEL.

121. In the interests of consistency and transparency, if the new loan agreement is approved, we recommend that Ministers take the same course (i.e. writing to the Committee).

122. It is worth noting that in Section 16 of the agreement the Borrower (FMEL) agrees “there shall be no publicising of this Agreement nor a disclosure of the role of the Scottish Ministers in the provision of the Facility without the prior written consent

of the Scottish Ministers.” [Redacted] have advised that we are not bound by the same commitment, as the onus is on the Borrower (FMEL). Our preference is to coordinate any activity to publicise the agreement alongside FMEL, CBC and CMAL.

Overarching messaging

123. [Redacted]:

i. [Redacted].

ii. [Redacted].

iii. [Redacted].

124. As above, preferably any agreed deal might be announced via a joint statement between SG and FMEL / CBC. This statement might briefly outline the features of the deal, reinforcing that it is a strategic investment intended to strengthen FMEL’s working capital and support the shipyard towards future work wins and diversification. [Redacted].

125. [Redacted].

126. Separately we will provide detailed communications and handling advice to Ministers. This will take into account the broader issues on ferries services, delivery timing of 801 and 802 as well as the proposed FMEL support. [Redacted].

IX) Completion

127. Pending Ministerial approval the remaining steps to execution of the loan agreement are final checking of legal documentation and confirmation by SG’s commercial and legal advisers that all conditions precedent are satisfied.

128. All the necessary legal documentation is agreed. The loan agreement will only come into effect once all the necessary documentation has been signed.

X) Recommendation

129. We have taken a commercial approach with our independent legal and commercial advisors to negotiate an option that delivers Ministers’ policy priorities.

130. The proposed loan agreement has been thoroughly scrutinised and tested against a range of alternatives to bring forward a package that benefits the Scottish economy and manages risk to SG.

131. Our independent advisers (PwC and [Redacted]) are satisfied the loan agreement is in line with market conditions.

132. **The recommendation is that:**

- **Ministers review the contents of this submission and agree that we proceed to offer the proposed loan to FMEL/CBC.**

Mary McAllan
Director of Economic Development

Copy List:	For Action	For Comments	For Information		
			Portfolio Interest	Constit Interest	General Awareness
First Minister Deputy					X
First Minister					X
Cabinet Secretary for Economy, Jobs and Fair Work					X
Cabinet Secretary for the Rural Economy and Connectivity					X
Minister for Business, Innovation and Energy					X
Lord Advocate					X
Permanent Secretary					
DG Economy					
DG Scottish Exchequer					
DG Organisational Development and Operations					
Chief Financial Officer					
[Redacted]					
Roy Brannen					
John Nicholls					
Mike Baxter					
Liz Lloyd					
Colin McAllister					
Callum McCaig					
Stewart Maxwell					
Kate Higgins					
Caroline Beattie					
[Redacted]					
Ainslie McLaughlin					
[Redacted]					
Kerry Twyman					
Fran Pacitti					
[Redacted]					

[Redacted]REPORT SUMMARY**Executive summary and conclusions**

SG is considering providing a £30m loan to FMEL. We consider that the proposed terms of the loan are broadly in line with those that would be required by a commercial provider, in particular by considering how a customer might support a key supplier within its supply chain. For the reasons set out above, we consider this to be a relevant comparator for the current position of SG. The key matters that we have considered in reaching this conclusion are:

- [Redacted];
- [Redacted];
- [Redacted];
- Conversion rights: The debt is convertible to equity depending on whether certain events happen – warrants will be made available but the timing of conversion of these warrants to equity will be in the control of SG;
- [Redacted];
- [Redacted];
- [Redacted].

[Redacted].

[Redacted]:

- i. [Redacted];
- ii. [Redacted];
- iii. [Redacted].

[Redacted]

13 June 2018

LATEST POSITION ON THE FMEL-CMAL CONTRACT PRICE DISPUTE

[Redacted]. FMEL say that this would reflect complexities with the innovative design of the ships which could not have been foreseen during the tendering process. CMAL's position is that FMEL knowingly entered into the contract, and that FMEL have put forward no contractual basis that would justify a price increase. Both parties have indicated to SG that they consider their respective positions to be robust.

[Redacted].

[Redacted].

[Redacted].

[Redacted].

[Redacted].

ANNEX C

Mary McAllan
Director of Economic Development
11 May 2018

First Minister
Cabinet Secretary for Finance and the Constitution
Minister for Transport and the Islands

DISCUSSIONS ON POSSIBLE PUBLIC INVESTMENT INTO FERGUSON MARINE ENGINEERING LTD (FMEL)

Purpose

9. To provide a summary of the meeting on this topic held on 10 May between the Cabinet Secretary for Finance and the Constitution, the Minister for Transport and the Islands, and officials from Economic Development, Finance and Transport Scotland.

10. To seek confirmation of the proposed next steps– principally, that Ministers are content that negotiations be commenced exploring scope for a commercial transaction with FMEL with the aim of developing head of terms (see recommendation at paragraph 8 below).

Timing

11. Urgent. It would be helpful if Ministers could respond by Monday 14 May to allow negotiations to commence next week.

Meeting summary

12. Economic Development officials took Ministers through a range of proposals [Redacted], to preserve employment and enhance the facilities of the shipyard. The investment envisaged is in the form of a convertible loan and this would be predicated on a 5-year business plan prepared by the Directors of FMEL.

13. A potential commercial structure had been developed by our commercial advisers, [Redacted], as a device for testing FMEL/Clyde Blowers Capital's (CBC) appetite for co-investment and for assessing the acceptability of certain terms. These initial discussions, conducted with no formal status or commitment by either side, had proceeded sufficiently well to provide enough confidence that a commercial arrangement might be reached through negotiation though this remains to be tested.

Emerging features

14. We reviewed with Ministers the key features of the potential commercial structure discussed between [Redacted] and FMEL/CBC. These are as follows:

- *Convertible loan* – The Scottish Government’s proposed financial commitment may need to be in the region of £30 million, on the basis of received cash flow forecasts, in addition to the existing £15 million SG loan to FMEL agreed by Ministers last September. The precise quantum would depend on up-to-date cash-flow information and the scale of CBC’s commitment to new funding alongside any SG loan. This new funding would be expected to address FMEL’s short-term liquidity challenges, allow for investment in shipyard facilities to enhance the longer-term commercial prospects of FMEL and could deliver a range of strategic opportunities in marine engineering to the Scottish economy moving forward. [Redacted].
- [Redacted].
- *Use of funds* – The matter of how new SG loan funding would be applied within the FMEL business is a key consideration for SG; namely, the proportion of any SG monies [Redacted]. The distinction between different types of usage (short or long term) is difficult to determine exactly although the completion of current activity is itself a necessary platform to win future work.
- *Equity conversion* – [Redacted].
- [Redacted].
- *Staging of drawdown and performance incentives* – The new SG loan could be arranged to be drawn down in tranches rather in one payment and these tranches might be linked to the fulfilment of certain conditions [Redacted].

All of the above is in pursuit of a commercial option but we continue preparatory work on [Redacted].

Recommendation

15. We recommend Ministers agree to officials commencing negotiations on the basis of the proposals above with a view to developing draft heads of terms designed to deliver [Redacted].

16. Ministers should note that any draft agreement which may be developed would be subject to all normal processes of commercial diligence, financial and legal scrutiny (including State Aid considerations), Accountable Officer sign-off and Ministerial approval. This note has been agreed with the Chief Financial Officer.

Mary McAllan
 Director of Economic Development
 DG Economy

HEADS OF TERMS

Updated 21st June 2018

Lender	Scottish Ministers (“SG”)	
Borrower	FME(H)L	
Loan Amount	£30.0m	<i>Loan Agreement – definition of “Available Facility”</i>
Purpose	To fund FMEL to assist with the long term viability/enhanced capability of the yard, and for other general working capital purposes of FMEL	<i>Loan Agreement – Clause 2.1</i>
Availability Period	[Redacted]	<i>Loan Agreement – definition of “Availability Period”</i>
Drawdown schedule	<ul style="list-style-type: none"> Fully committed facility to be drawn down as required. Unlimited number of drawings except no more than 2 per calendar month. Payment will be within 5 Business Days of service of drawdown notice provided CPs to drawdown met (see below). 	<i>Loan Agreement – Clause 2 and Clause 3</i>
Costs	[Redacted]	<i>Loan Agreement – Clause 8.1</i>
Interest	<ul style="list-style-type: none"> Existing SG [Redacted] loan at [Redacted] New loan at [Redacted]. Default rate is [Redacted] [Redacted]. [Redacted]. [Redacted]. [Redacted]. 	<i>Loan Agreement – Clause 5</i>
Repayment	Bullet (can repay when funds are available; but not re-drawdown). Upon repayment of any principal amount of the loan, [Redacted].	<i>Loan Agreement – Clause 7.1 Clause 6.3</i>
Voluntary Prepayment	Repayment in full or in part, without fees or penalty, upon giving appropriate notice.	<i>Loan Agreement – Clause 7.2</i>
Mandatory Prepayment	[Redacted].	<i>Loan Agreement – Clause 7.6 and related definitions of “Share Sale”, “Business Disposal” and “Listing”</i> <i>Warrant Instrument – clause 4.2 and “Relevant Date” definition</i>
Term	[Redacted].	<i>Loan Agreement – Clause 7.1 and definition of “Final Repayment Date”</i>
Review	Key financial terms of the loan ([Redacted]) to be reviewed 3 years from the date of signing of the loan agreement, provided always that	<i>Loan Agreement – Clause 5.5</i>

	the terms following such review [Redacted]) at the original rate of [Redacted] in the absence of agreement to a different rate. [Redacted].	
Conditions Precedent to entry into of Loan Agreement	<p>Standard conditions precedent for a transaction of this nature, in a form and substance satisfactory to SG and the Borrower, being:</p> <ul style="list-style-type: none"> - Corporate authorisations - The Business Plan / cash flow - Accountants Certificate from [Redacted] as financial advisers - The most recent management accounts of the Borrower - [Redacted]: <ul style="list-style-type: none"> o [Redacted]; o [Redacted]; o [Redacted]; o [Redacted]; o [Redacted] o [Redacted]. 	<i>Loan Agreement – Part A of Schedule 1</i>
Conditions Precedent to drawdown	<ul style="list-style-type: none"> • Signed drawdown notice. • No Potential Event of Default or Event of Default. • [Redacted]. • [Redacted]. • Satisfaction on maximum cumulative drawdown amounts in respect of each month in which proposed utilisation will be made (by reference to a table appended to the loan agreement). • [Redacted]. • Legal report in respect of the property showing no adverse entries (other than in respect of existing security), clear personal searches and no other advance notices. [Redacted] to order legal report and lodge advance notice. • In respect of all utilisations save for the first utilisation, satisfactory assurance from the Scottish Ministers' independent operational expert that [Redacted]. 	<p><i>Loan Agreement: Part B of Schedule 1 for first drawdown</i></p> <p><i>Loan Agreement: Part C of Schedule 1 for first drawdown</i></p>
Debt to Equity	<ul style="list-style-type: none"> • [Redacted]. • [Redacted] • [Redacted]. • [Redacted]. • [Redacted]. • [Redacted]: <ul style="list-style-type: none"> - [Redacted]; - [Redacted]; - [Redacted]; - [Redacted] - [Redacted] <p>[Redacted]</p> <p>[Redacted].</p>	<p><i>Loan Agreement - Clause 6.1 and definition of "Relevant Date"</i></p> <p><i>Loan Agreement - Clause 6.2</i></p> <p><i>Loan Agreement - Clause 6.2</i></p> <p><i>Warrant Instrument – "Subscription Price" definition</i></p>

	<ul style="list-style-type: none"> - [Redacted]. - [Redacted]. - [Redacted]. • [Redacted]. • [Redacted]. • [Redacted]. • [Redacted]. 	<p>[Redacted] [Redacted].</p> <p>[Redacted] [Redacted] [Redacted]</p>
[Redacted]	<ul style="list-style-type: none"> - [Redacted]; - [Redacted]; - [Redacted]; - [Redacted]; - [Redacted] - [Redacted]. <p>[Redacted] [Redacted]</p>	[Redacted]
Information undertakings	<p>Standard information undertakings for a transaction of this nature, being:</p> <ul style="list-style-type: none"> - monthly financial reports including a profit and loss, balance sheet and actual cashflow against budget; - annual audited accounts within nine months after the end of the relevant financial year; - updated Business Plan and an updated Financial Model within 30 days after start of each financial year satisfactory to the Scottish Ministers (acting reasonably); - Monthly management accounts accompanied by commentary in reasonable detail on the financial performance of the Group, [Redacted]; - an annual operating budget consistent with the Financial Model within 30 days after the beginning of each financial year; and - notification as soon as practicable of any and all material changes in the financial condition or business of the Group. <p>The Group must deliver to the Scottish Ministers such information as the Scottish Ministers may reasonably require, including the above.</p> <p>Save for above, undertakings to be on terms mutatis mutandis as those agreed in the £15m loan agreement.</p> <p>[Redacted];</p>	<p><i>Loan Agreement Clause 11.1</i></p> <p><i>Loan Agreement Clause 18.6</i></p> <p><i>Loan Agreement Clause 11.2</i></p> <p><i>Loan Agreement Clause 13.1.3</i></p>
Events of Default	<p>Standard events of default for a transaction of this nature, including but not limited to:</p> <ul style="list-style-type: none"> • non-payment; • misrepresentation; • cross-default (in particular, the original SG facility 	<i>Loan Agreement Clause 13</i>

	<p>agreement); and</p> <ul style="list-style-type: none"> • insolvency, insolvency proceedings and creditors' process. • default under any other provision of the loan agreement or any other Finance Document and, if capable of remedy, the default is not remedied within 15 Business Days after notice to the Borrower requesting action to remedy the same. <p>Events of Default to be on terms mutatis mutandis as those agreed in the £15m loan agreement.</p>	
Share rights	<ul style="list-style-type: none"> • [Redacted]. • [Redacted]. • [Redacted]. • [Redacted]: <ul style="list-style-type: none"> (a) [Redacted]; (b) [Redacted]; (c) [Redacted]; (d) [Redacted]; (e) [Redacted] (f) [Redacted]. <p>[Redacted].</p>	<p><i>Warrant Instrument</i> – clause 2.1 <i>Articles – article</i> 11.1 & <i>Shareholders’</i> <i>Agreement</i> – clause 6.3 <i>Articles – article</i> 22.2 & <i>Shareholders’</i> <i>Agreement</i> – clause 5 <i>Shareholders’</i> <i>Agreement</i> – clause 7 & <i>Schedule; Articles</i> – article 14.4;</p> <p><i>Shareholders’</i> <i>Agreement</i> – clause 7 <i>Articles – article</i> 16.4</p> <p><i>Articles – articles</i> 17 & 18</p>
Financial Covenants	[Redacted]	
Governing Law	Scots	
Confidentiality	These terms are for discussion only.	
Existing loan	<p>[Redacted]:</p> <ul style="list-style-type: none"> - [Redacted]; - [Redacted]. - [Redacted]. - [Redacted]. 	
Comfort letter	<p>[Redacted]:</p> <ul style="list-style-type: none"> - [Redacted]. - [Redacted]. - [Redacted]. - [Redacted]. 	

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**SUBMISSION FROM DG ECONOMY ON THE FIRST LOAN AGREEMENT
(1 SEPTEMBER 2017)**

PS/Cabinet Secretary for Finance

**IMMEDIATE - COMMERCIALY CONFIDENTIAL - PROPOSED LOAN AGREEMENT
WITH FERGUSONS MARINE ENGINEERING LIMITED (FMEL)**

Purpose

1. To seek your agreement to provide a commercial loan facility of £15m to Ferguson Marine Engineering Limited (FMEL) [Redacted].

Timing

2. Immediate

Background

3. My submission of 21 August updated you on the financial position of FMEL and our work with [Redacted] to support the company. My subsequent note of 1 September updated you on discussions and negotiations with FMEL and Clyde Blowers Capital about FMEL's request [Redacted]; FMEL's position on a Contract Price Increase in respect of the contracts for the 801 and 802 vessels; and the possibility of the Scottish Government providing a commercial loan of £15m to FMEL. [Redacted].

Proposed Loan Agreement

4. Following further discussions with Jim McColl and representatives of FMEL and CBC, and with commercial and legal advice from [Redacted] and [Redacted] respectively, we are proposing to provide a commercial loan of £15m to FMEL. Subject to your agreement, we will instruct [Redacted] to finalise a loan agreement between the Scottish Government and FMEL on standard commercial terms with the following conditions

- i. [Redacted];
- ii. [Redacted];
- iii. [Redacted].
- iv. [Redacted];
- v. [Redacted];
- vi. [Redacted]
- vii. [Redacted].

Transparency

5. Although we do not publish details of individual loans I expect that details of the loan will be made public in due course because it is right that we are transparent and as a consequence of audit scrutiny of either i) a general ferries audit or other associated procurement review; or ii) an audit of Transport Scotland accounts for 2017-18 (although it is of course the SG and not TS making the payment), or; iii) audit of the SG accounts for 2017-18. The audit process for ii and iii would of course not begin until the beginning of 2018-19. The more likely way this would be reported is in FMEL's accounts – they have reported the source of previous loans in the accounts they lodge with Companies House. These are of

course available for public consumption, but like the SG this would be for the financial year covering the date of the transaction(s). This would likely not be until much further into 2018.

Budget

6. Whilst we expect the loan to be drawn down in tranches, with a first payment of [Redacted], there is a clear expectation that it will fall entirely within the scope of the 2017-18 financial year. [Redacted].

Risks

7. [Redacted].

8. This advice has been agreed with the Chief Financial Officer and SGLD.

Recommendation

9. You are asked to agree to the provision of a commercial loan of £15m to FMEL as set out in para. 4 above.

DG ECONOMY

FMEL 5-YEAR BUSINESS PLAN

The table below sets out the 5 year plan as presented by FMEL management in February 2018. The key variations from the previous [Redacted]:

- i. [Redacted].
- ii. [Redacted])
- iii. [Redacted];
- iv. [Redacted]).

[Table redacted]

[Redacted].

[Redacted]

[Redacted]

[Table Redacted]

VATIS Ltd
[Redacted]

Mary McAllan
Director of Economic Development
Scottish Government
5 Atlantic Quay
150 Broomielaw
Glasgow G2 8LG

dated 31 May 2018

[Redacted]

[Redacted]:

“[Redacted].”

[Redacted].

[Redacted].

[Redacted].

[Redacted].

[Redacted].

[Redacted].

[Redacted]:

[Redacted];

[Redacted];

[Redacted].



Luke van Beek
VATIS Ltd
Review Team Leader

[Redacted]

[Redacted]

INVERCLYDE – LOCAL ECONOMIC INFORMATION

ANNEX J

Inverclyde performs relatively poorly against the Scottish average on unemployment, and has lower rates of economic activity and employment than Scotland as whole. Inverclyde also has a relatively high share of deprived areas. Table 1 presents some indicators of deprivation. On these selected metrics the performance of Inverclyde trails the Scotland average, with variances up to 40%.

Percentage Resident Population aged 16 to 64 – Main Benefit Claimants (November 2016)

Metric	Inverclyde	Scotland	Variance
Total claimants	18.2%	13.0%	+140%
Employment and Support Allowance and Incapacity benefits	11.6%	7.8%	+149%
Job Seekers	1.5%	1.4%	+107%
Main out-of work benefits	14.5%	10.3%	+141%

Source: NOMIS

	Indicator	Inverclyde	Scotland
Economic	Business start-up rate (per 10,000 resident adults)	35	50
	3-year business survival rate (%)	60%	62.1%
	R&D per head (£) 2016	41	198
	GVA per head, 2015 (£)	18,999	23,685
	% change in GVA per head, 2007 to 2015 (%)	13.4%	14.3%
Labour market access	Unemployment rate (%)	5.5	4.3
	Econ. activity rate (16-64) (%)	77.8	77.3
	Female employment rate (%)	72.7	70.7
	Economically inactive who want a job (%)	27.8	24.6
	Economically inactive long-term sick (%)	43.8%	28.1%
	Jobs density 2015	0.66	0.79
	% of LA datazones within Scotland's 15% most deprived (SIMD)	36	15
Fair work	Median weekly Earnings - full-time employees (£) - 2017	533	525
	% of employees (18+) earning below the Living Wage - 2017	24.2%	18.4%
	Median hourly full-time gender pay gap (%) 2017	+7.4%	-6.6%
	Employment in "high skilled" occupations (%)	41.7%	43.2%
People	Individuals self-reporting health as 'very good' (%) 2011 Census	50.4%	52.5%
	Working age (change by 2029)	16.6%	4.4%
	Degree qualification (%)	22.0%	28.9%
	No qualifications (%)	14.2%	9.9%
	% of school leavers in positive destinations 2015/16	91.1%	91.4%
	% of children in poverty (AHC)	28%	28%
	Life expectancy (male) 2013-15 (years)	75.4	77.1
Life expectancy (female) 2013-15 (years)	80.4	81.1	
Place	Households with home internet access (%) 2015	76%	80%
	People living within 500m of a derelict land site (%)	54.0%	30.3%
	Fuel poverty (% of households)	41%	34%
	% of dwellings not "energy efficient" 2012-2014	39%	34%

	Homes that fail the Housing Quality Standard 2012-2014 (%)	56%	47%
	Sense of belonging to community 2015 (%)	82%	77%

From: [Redacted]
Sent: 27 June 2018 12:43
To: [Redacted] @gov.scot>
Cc: [Redacted]
Subject: RE: Final version of documents [IWOV-eastdb1.FID621608]

Good afternoon [Redacted],

Further to your e-mail exchange with [Redacted] please find attached signed and dated versions of the following documents:

1. Loan Agreement
2. Amendment Letter
3. Intercreditor Deed
4. Standard Security by FMEL in favour of Scottish Ministers
5. Floating Charge by FMEL in favour of Scottish Ministers
6. Floating Charge by FME(H)L in favour of Scottish Ministers
7. Floating Charge by MacKellar in favour of Scottish Ministers
8. Guarantee by FMEL, FME(H)L and MacKellar in favour of Scottish Ministers
9. Comfort Letter
10. Officer's Certificate FMEL
11. Officer's Certificate FME(H)L
12. Officer's Certificate MacKellar

Originals will follow in due course

Kind regards,

[Redacted]

[Redacted]
Trainee Solicitor
[Redacted]

DD +44131[Redacted]

[Redacted]

(All 12 documents attached to e-mail)