

Cabinet Secretary for Wellbeing Economy, Fair Work
and Energy
Rùnaire a' Chaibneit airson Eaconamaidh do Mhath
Dhaoine, Obair Chothromach is Cumhachd
Neil Gray MSP
Niall Gray BPA

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Richard Leonard MSP
Convenor
Public Audit Committee

24 May 2023

Dear Richard

Further to my statement to Parliament on 16 May, I am writing to confirm that the Scottish Government's due diligence on the costs to complete vessels 801 and 802 at Ferguson Marine has concluded.

As you are aware, in September 2022, the Ferguson Marine CEO advised the Parliament that the forecast total costs to complete vessels 801 and 802 since the point of public ownership had increased to £202.6 million which included a £6.2 million contingency. This meant a forecast cost to complete of no more than £97.5 million for vessel 801 and no more than £105.1 million for vessel 802.

While our due diligence was ongoing, Ministers agreed two uplifts to the 2022-23 Ferguson Marine budget of £15 million in December 2022 and £6 million in March 2023 to ensure that work could continue on the vessels.

The due diligence assessment has concluded that the tests of regularity and propriety are met for completing vessels 801 and 802 under the existing contracts, as is the value for money case with respect to 801. For vessel 802, the narrow value for money case has not been made, particularly given inflationary, supply chain and other pressures. In making a decision on the funding of 802, I have considered a number of wider factors.

Key to that decision is the assessment that re-procuring a new vessel would result in significant further delays and a new vessel could not be deployed until at least May 2027. I do not consider that it is acceptable to ask our island communities to wait this further period, particularly noting recent issues with the reliability of an ageing vessel fleet.

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Similarly, I have been guided by consideration of the impact on Ferguson Marine. I remain committed to supporting a sustainable future for Ferguson Marine and believe that not delivering 802 at the shipyard would place that future, and the hundreds of jobs associated with it, in jeopardy.

On the balance of these considerations, I have provided written authority to the Scottish Government Accountable Officer to provide the funding requested by Ferguson Marine in September 2022 and secure the continued build of vessel 802. I have also reluctantly agreed to the revised delivery dates set out by the Ferguson Marine CEO on 16 March 2023. This means forecast delivery dates of autumn 2023 for vessel 801 and late summer 2024 for vessel 802. Please find a link to the [correspondence](#).

This decision was not taken lightly but is the correct decision to secure our objectives of delivering these vessels as quickly as possible while protecting the Ferguson Marine workforce and securing a future for the shipyard. The delays and cost increases remain extremely disappointing and we have formally asked Ferguson Marine to bear down on costs during the remainder of the build programme.

I also confirmed to the Parliament during the statement that Scottish Government has recently agreed to provide around £120,000 to Ferguson Marine for capital investment measures. This is broken down as £11,315 for cyber security enhancements, £60,000 to support the internal audit function for the current financial year, and £46,000 for a technical civil engineering report that will inform wider investment considerations in support of increased productivity.

NEIL GRAY

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