

An Leas-phrìomh Mhinistear agus Ath-shlànachadh
Cobhid
Deputy First Minister and Cabinet Secretary for Covid
Recovery
John Swinney MSP



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Edward Mountain MSP
Convener
Net Zero, Energy and Transport Committee
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15 December 2022

Dear Convener,

FERGUSON MARINE (PORT GLASGOW) – UPDATE ON HULLS 801 AND 802 – INTERIM CDEL FUNDING

Further to the letter from the CEO of FMPG to the Committee on 28 September 2022, setting out revised cost estimates to deliver 801 and 802, I am writing to update you on the request for additional funding and progress made to date.

As Cabinet Secretary for Finance and the Economy set out to Parliament on 23 March 2022, the CEO previously stated that a further £80.6 million (net of warranties) is required to complete both vessels compared to the budget of £122 million (net of warranties). The request for additional funding includes a contingency of £6.2 million, split £2.7 million for 801 and £3.5 million for 802.

External consultants have been engaged to ensure the highest degree of assurance and due diligence is undertaken on the cost and delivery estimates provided by FMPG. This will support Accountable Officers and Ministers in assessing the figures. This work is underway.

In the intervening period, there is a risk that FMPG will exceed their current budget allocation in advance of Ministers being able to reach a fully informed, final decision on the full funding request.

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With this in mind, I have advised the FMPG CEO and Board that in the interim, additional funding of up to £15 million will be provided in 2022-23. Additionally, cover for the CEO to continue to commit to further expenditure via a letter of comfort will also be provided. This is required in order to continue the build out of vessels 801 and 802, as a precautionary response to a material risk related to cash flow, whilst the necessary due diligence is completed on the revised cost estimates.

The approval of this additional budget does not change the basis on which the assessment for the full amount of the revised cost estimates of £80.6 million will be made. This interim funding will be included as part of the broader assessment and due diligence.

The Scottish Government remains committed to the objective of completing the build of the lifeline ferries, vessels 801 and 802 - this funding supports that and Scottish Ministers' shareholder interest in FMPG. It also contributes to the provision of lifeline ferry services supporting island communities and continuing to build economic growth and social benefits to the communities of Scotland, while directly supporting employment in the local community and the wider supply chain.

I will of course update the Parliament on developments around the due diligence exercise.

Kind regards,

JOHN SWINNEY

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