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Convener  
Net Zero, Energy and Transport Committee  
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16 March 2023

Dear Convener,

## **FERGUSON MARINE (PORT GLASGOW) – UPDATE ON HULLS 801 AND 802 – INTERIM CDEL FUNDING – WORKING CAPITAL LOAN**

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, and my letter to the committee, dated 15 December 2022, I am writing to update you on £6 million capital funding requirement for FMPG.

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.

As part of Spring Budget Revision I had allocated Ferguson Marine, £21 million capital budget. £15 million of this was approved for spending as contingency budget in the December 2022 Budget Statement. I have approved spend of the remaining £6 million capital funding to cover Ferguson Marine spend on vessels 801 and 802 until the end of the financial year on 31 March 2023. This allows progress on vessels 801 and 802 to continue in line with the existing contracts whilst the due diligence on the wider AO assessment on the total additional funding request is undertaken.

As previously advised, 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 in September 2022. This will support Accountable Officers and Ministers in assessing the figures. This work is nearing its conclusion.

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The approval of the remaining £6 million capital funding (included in the Spring Budget Revision) takes total capital funding for Ferguson Marine to £61.1 million for this financial year.

The approval 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. The funding will be included as part of the broader assessment and due diligence.

I also wish to inform you that the Scottish Government has agreed to provide a working capital loan of up to £25,000 to FMPG to assist the shipyard in delivering new commercial work.

This loan is to enable FMPG to second workers to BAE Systems as part of their Type 26 programme. FMPG and BAE Systems signed a contract agreeing to phase 1 of BAE work on 15 November 2022. The secondment began week commencing 9 January 2023.

A working capital facility was requested by FMPG to ensure that the business has the necessary cashflow to make payments in relation to salaries and VAT as required while they await repayment from BAE Systems for services rendered in line with the terms of the contract.

This is a short-term working capital loan capped at £25,000 plus interest to FMPG from Scottish Ministers. The funds will be drawn down from the loan when required to cover monthly cash flow requirements.

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.

**JOHN SWINNEY**

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