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Richard Leonard MSP
Convener
Public Audit Committee
The Scottish Parliament
Edinburgh
EH99 1SP

6 October 2025

Dear Convener,

The 2023/24 Audit of Ferguson Marine (Port Glasgow) Holdings Limited

Thank you for your letter of 8 September 2025 following the Committee's consideration of my response of 27 August 2025 to your report on the 2023/24 Audit of Ferguson Marine (Port Glasgow) Holdings Limited. I welcome the Committee's continued scrutiny and the opportunity to provide further clarification.

Capital investment of £14.2 million

As set out in my letter of 27 August, the Scottish Government has committed up to £14.2 million over two years to support the modernisation of Ferguson Marine, subject to full legal and commercial diligence. Of this total, £9 million is included in the 2025/26 Scottish Budget allocation to FMPG and is drawn from the Economy portfolio capital lines, with the remaining £5.2 million planned for the following year's Economy portfolio capital.

To date, the Government has received 11 separate capital expenditure (Capex) requests from Ferguson Marine. Following rigorous due diligence, all 11 have been approved, with a combined value of over £570,000. These approvals include facility repairs, health and safety improvements, and equipment upgrades, aimed primarily at supporting productivity on the yard's current projects, while also building capacity to deliver future work more efficiently. Access to the remainder of the modernisation funding will be conditional on a clear, Board-approved business case, evidenced through the revised business plan.

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The Capex programme is managed under a separate budget line, which provides assurance that this funding remains available. Requests for such investment are considered separately from any applications relating to the build of MV Glen Rosa.

In relation to the Committee's query on procurement notices, it is important to note that Ferguson Marine will, on occasion, raise procurement notices to test the market and gain indicative information on availability, supply timelines and cost for key items. This process supports informed decision-making on which proposals should be developed into formal Capex requests. It does not indicate that funding has been committed, nor that investment will automatically proceed, but is a normal part of the yard's diligence in planning capital improvements.

The company is also developing larger Capex proposals. These will be considered for draw-down only where there is a robust business case. Sequencing will be set through the revised business plan to ensure appropriate timing and long-term strategic alignment, and compliance confirmed against the relevant legal route. Details of individual projects remain commercially sensitive and cannot be shared publicly.

Revised business plan

The FMPG Board is continuing to finalise a revised business plan under the leadership of the new Chief Executive. This plan is intended to provide the overarching framework for future investment, including larger Capex proposals that may include potential structural and infrastructure changes at the yard. Careful sequencing of such projects will be essential to ensure that improvements align with vessel construction schedules and make best use of space and facilities at different stages of the build.

The Board is also factoring in the changing shipbuilding landscape and the potential pipeline of new contracts. These evolving circumstances mean the plan has had to be revised on a number of occasions to reflect market shifts, which has slowed its completion but ensures it remains credible and responsive to opportunities.

Once complete, the business plan will provide the basis for ministerial consideration of future support, including the legal and commercial frameworks that may apply, such as the Commercial Market Operator (CMO) principle or subsidy control legislation, depending on the nature of the investment.

Any decision on whether to publish the plan will be a commercial matter for Ferguson Marine itself, reflecting the sensitivity of market information contained within it.

MV Glen Rosa funding and governance

Officials are currently undertaking a fresh Accountable Officer assessment in light of the latest forecast outturn cost for MV Glen Rosa of £185 million. This is being carried out in line with the Scottish Public Finance Manual and will provide Ministers with updated assurance on value for money.

In parallel, officials are working closely with FMPG, CMAL, and independent commercial advisers to validate the revised delivery plan and costings. Any additional funding requirements, including the anticipated £35 million shortfall, will be considered through the

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normal budgetary process and subject to parliamentary scrutiny. Subject to the completion of external due diligence, this combined work is expected to conclude by the end of this month.

The Written Authority granted in December 2024 remains in place, and the established safeguards will continue to apply. These arrangements ensure robust oversight while enabling the Scottish Government and its partners to remain focused on the successful completion and delivery of MV Glen Rosa.

Conclusion

The Scottish Government's position remains as set out in my letter of 27 August: we are committed to strengthening governance, targeting investment effectively, and supporting Ferguson Marine to become a sustainable, competitive shipyard. With the MV Glen Sannox now in service and Glen Rosa progressing towards delivery, the priority is to embed lessons learned and ensure the yard is placed on a firmer footing to secure future work.

I trust this response provides the clarity requested. I will continue to update the Committee as further decisions are taken.

Yours sincerely,



KATE FORBES

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