

Deputy First Minister and Cabinet Secretary for Economy
and Gaelic
Leas Phrìomh Mhinistear agus Rùnaire a' Chaibineit
airson Eaconamaidh agus Gàidhlig
Kate Forbes MSP
Ceit Fhoirbeis BPA



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0300 244 4000
E: scottish.ministers@gov.scot

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

27 August 2025

Dear Convener,

Response to the Public Audit Committee's Report on the 2023/24 Audit of Ferguson Marine (Port Glasgow) Holdings Limited

The Scottish Government acknowledges the Committee's report on the Auditor General's 2023/24 audit of Ferguson Marine (Port Glasgow) Holdings Limited. We value the Committee's thorough scrutiny and the constructive recommendations it has provided.

We recognise that Ferguson Marine has faced significant challenges in recent years and understand that these have caused frustration for the Parliament, the workforce, and the communities who will benefit from the ferry being built at the yard. The Scottish Government shares the Committee's ambition for a competitive, sustainable and well managed shipyard and remains committed to achieving that goal.

Addressing Standards and Governance

The Committee's report rightly highlights that governance, internal controls and contractor oversight in earlier years did not meet the standards expected of a publicly funded body. We acknowledge these challenges. Since then, major and sustained improvements have been made through close collaboration between the Scottish Governments Strategic Commercial Assets Division (SCAD) and Ferguson Marine's Board and senior management. Together, we have strengthened FMPG's leadership, embedded robust governance processes, and ensured transparent and accountable decision making across the business. These changes include:

- **Leadership** – In May 2025, Ferguson Marine appointed a new Chief Executive following a full and competitive recruitment process. Graeme Thomson brings a strong track record in shipbuilding project and programme management, alongside experience in leading complex engineering operations. He has been tasked with driving delivery of the MV Glen

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE
We invest in people Silver



Rosa, embedding lessons from the MV Glen Sannox project, and working with the board to implement a long-term commercial strategy aimed at securing sustainable, competitive work for the yard.

- **Board Governance** – Under the Chair’s leadership, the Board has strengthened its governance arrangements with clearer segregation of duties, more structured agenda planning, and a regular cycle of Board and sub-committee meetings. To broaden capacity and expertise, four new non-executive directors with significant shipbuilding and commercial experience have been appointed. The Board has also committed to reviewing the effectiveness of these arrangements over the next 12 months to ensure they continue to meet the needs of a competitive, commercially focused shipyard.
- **Scottish Government Engagement and Support** – Engagement between Ferguson Marine’s management and SCAD has been strengthened and formalised. Weekly calls take place between SG officials and Ferguson Marine’s Chief Executive and Chief Financial Officer, complemented by regular attendance by officials at the yard. Both parties remain in close contact throughout the week, ensuring that issues are addressed promptly and that advice and assurance are consistently available. Where appropriate, the Scottish Government has also provided training and direct support on governance matters not typically encountered in a commercial company, helping to embed stronger practices and build long-term capacity within the yard.
- **Internal audit capacity** – Ferguson Marine now has an established internal audit function supported by external consultants BDO Global, which is engaged across all areas of the business. Progress has been made in strengthening assurance arrangements, with all high-risk recommendations identified in the 23/24 audit addressed, and the majority of medium risk issues resolved. The audit and risk committee is now receiving more comprehensive reporting, supported by enhanced corporate and project risk registers.
- **Oversight of staffing and contracts** – Ferguson Marine has strengthened its governance over all non standard staffing arrangements, settlement agreements and exit packages. Any such arrangements are now subject to formal approval from the remuneration committee, the Board, and, where applicable, Scottish Ministers, in line with the requirements of the Scottish Public Finance Manual. Clearer record keeping protocols have been introduced to ensure transparency, and compliance will be subject to regular internal audit review. These measures are designed not only to prevent a recurrence of previous governance failures but also to ensure that future staffing and contractual decisions are properly justified, transparent, and aligned with the long term operational needs of the yard.
- **Staff Engagement** – The Scottish Government values the workforce at Ferguson Marine and recognises the important contribution staff make to the yard’s future. The new Chief Executive meets regularly with trade union representatives, providing the workforce with a direct and influential voice in management decisions. The Committee’s concerns regarding trade union participation in board meetings are noted. Decisions on the format of board meetings and agenda setting are matters for the Chair of the Ferguson Marine Board, however, the Scottish Government will ask the Board to give consideration to the Committee’s request for greater union participation.

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

Project Delivery and Financial Controls

The Scottish Government has been clear that the cost increases and delays affecting MV Glen Rosa are deeply disappointing and cannot be repeated. Oversight has been strengthened through a joint weekly review group involving Ferguson Marine, Caledonian Maritime Assets Limited (CMAL) and government officials, providing real time monitoring of progress, risks and costs. Lessons from the MV Glen Sannox project are being applied to the Glen Rosa build and commissioning process to minimise the risk of further slippage.

The Scottish Government is working with Ferguson Marine, CMAL and an independent commercial adviser to scrutinise the delivery plan and the revised cost estimates. Any additional capital funding will be subject to rigorous review and approval through established budgetary processes. This process is underway and a final decision has not yet been taken on the source of any additional funding.

Future for the yard

The Scottish Government remains firmly committed to supporting Ferguson Marine to competitively bid for future contracts and to securing a sustainable, long-term future for the yard. With the MV Glen Sannox now in service and the MV Glen Rosa moving towards completion, the yard is at an important point in its history, and it is essential that the right long-term decisions are made. The Board is therefore focussed on finalising a new business plan, and the priority for the new Chief Executive will be to put that plan into action.

In 2024, the Scottish Government issued a letter of comfort to Ferguson Marine's Accountable Officer, providing assurance through to October 2025 and supporting the business's status as a going concern. Work is now underway to develop a new letter of comfort. The scope and nature of any future assurance will be informed by the yard's forthcoming business plan and by greater clarity on the contract pipeline once MV Glen Rosa has been handed over.

The drafting and publication of a business strategy and revised business plan is a matter for the FMPG Board. The Scottish Government will continue to engage closely with the company, and the plan, once finalised, will require ministerial approval before it can be implemented and will be used to inform future decisions on support and oversight.

As set out previously to Parliament, the Scottish Government has committed up to £14.2 million over two years to modernise Ferguson Marine, subject to full legal and commercial diligence. This programme is partly underway, with funding provided for essential repairs and facility upgrades. While the details of the investments to improve productivity are commercially sensitive, these are subject to scrutiny and due diligence in line with Scottish Government spending requirements. As part of the programme, the yard is also developing larger investment projects that align with its future business strategy and long-term plan to compete effectively in both public and commercial shipbuilding markets. The scale and timing of these investments will depend on securing new work, ensuring that further capital improvements are underpinned by a sustainable pipeline of contracts.

The impact of investment is subject to close monitoring. Progress is reported by the company on a regular basis, with oversight from the FMPG Board, and SCAD. Strict financial controls and due diligence apply to every project, and ministerial responsibility is set out in

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot



the framework agreement with FMPG, which requires assurance that the company is achieving its strategic objectives and delivering value for money.

Ministers will continue to consider the potential for direct award of future vessel contracts from public agencies on a case-by-case basis, to determine whether any might legally be open to direct award. The direct award of public contracts is only permissible in strictly limited circumstances under public procurement rules.

Reputation and Performance

We recognise the reputational challenges caused by past delays, but there are clear signs that Ferguson Marine's standing is improving. The yard's technical bid for the first phase of the Small Vessels Replacement Programme was rated very strong, with cost being the only factor in the final decision. The Scottish Government's commitment to invest in modernising facilities and improving productivity, aligned with a revised business plan, is designed to boost competitiveness and strengthen the yard's prospects in future procurements. Positive feedback from the MV Glen Sannox's early service also demonstrates the yard's capability, with the vessel performing well and operating in conditions that have restricted other ferries.

The yard has also demonstrated its wider industrial capability. Having successfully delivered a pilot project for BAE Systems as part of the Type 26 Frigate programme, Ferguson Marine secured further contracts from BAE, supporting skilled jobs at the yard. This contract award is a positive endorsement of the workforce and facilities and represents an important step towards greater sustainability, which the Scottish Government is committed to supporting.

Looking Ahead

The Scottish Government is committed to ensuring Ferguson Marine can move onto a more sustainable footing. With MV Glen Rosa progressing towards delivery, our focus is on supporting the new leadership team to strengthen productivity, secure future contracts, and safeguard the yard's vital role in Scotland's shipbuilding industry.

Yours sincerely,



KATE FORBES

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

INVESTORS IN PEOPLE
We invest in people Silver

