

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

04 September 2025

Dear Convenor,

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

Thank you for your correspondence dated 04 July 2025 attaching the Committee's report on the Auditor General's 2023/24 audit of Ferguson Marine (Port Glasgow) Holdings Limited (FMPG).

The Board and senior management of Ferguson Marine (Port Glasgow) Holdings Limited acknowledge the findings in this report, and we would like to address the points raised.

Points 49-52: FMPG's long term financial sustainability

Point 49 – The Board notes and shares the Committee's concerns regarding the ongoing uncertainty surrounding FMPG's long-term financial sustainability beyond the completion of the MV Glen Rosa vessel.

Point 50 – We continue to work with Scottish Government on several fronts, namely the £14.2m capital investment into the yard to drive productivity improvements and we have written to the Transport Secretary to request a direct award for the Lord of the Isles replacement.

The request for a copy of the finalised Business Plan is noted, and the Committee shall receive this when the Business Plan is complete.

Point 52 – FMPG adheres to the strict due diligence process that Scottish Government must undertake to review and approve the individual items of capital expenditure. Each item, whilst commercially sensitive, has a paper trail behind the request, in order that Scottish Government can scrutinise fully.

Points 64 – 66: Financial monitoring arrangements for completion of MV Glen Sannox and MV Glen Rosa

MV Glen Sannox is nearing the first anniversary of her delivery in November 2024 and we are pleased with her performance so far, and we look forward to her serving the Islanders for many years. FMPG remains committed to assisting CMAL and CalMac with any necessary repairs and maintenance work whilst she is in her twelve-month guarantee period. Scottish Government have a governance process in place for any repair work completed and we also have implemented several lessons learned from the build of MV Glen Sannox into the recent build schedule for MV Glen Rosa.

The most recent Cost to Complete Forecast for MV Glen Rosa estimated a scope of £172.5m plus a Risk Contingency Pot of £12.5m and a delivery date of Q2 2026. It was regrettable that we have had to forecast this increase, and we fully understand the disappointment held by Ministers, the Committee, members of the Islander community and the wider implications on the public purse.

We are working in collaboration with our suppliers and contractors to keep on track to the build schedule and costs and we have shared this schedule now with our internal Ops Committee, Caledonian Maritime Assets Limited (CMAL) as well as Scottish Government officials as part of our joint weekly review group and we will soon be collaborating with CalMac on their staffing and familiarisation plans.

We acknowledge that Scottish Government are continuing through their governance process to decide on the source of the additional funding, and we await their decision and instructions.

It should be noted that FMPG remain committed to regular quarterly updates to the Net Zero, Energy & Transport Committee, plus interim updates should anything change that is material or in the public interest and we always welcome visits to the yard from Committee members or Ministers.

Points 79 – 80: Changes to senior management and board management

Point 79: FMPG acknowledges the Committee's comments that stability and clarity in roles and responsibilities are essential for maintaining effective governance. We also continually review the capacity and skills of our Board and senior management to ensure we remain on track with our plans.

The appointment of our new Chief Executive, who started on 01 May 2025, has added drive to our need to change. He is looking at a stronger organisation structure with the introduction of key roles reporting under his instruction, aimed at driving operational performance and business improvement, getting FMPG ready for the future – becoming a more efficient Company, capable of being competitive in the open market over the coming years.

Point 80: It is noted that the Committee are requesting more time for employee engagement with staff and Union representatives outside the Board meeting. The new Chief Executive has regular meetings with the Union reps, he has hosted several Townhall briefings in his first four months, the Trade Union reps are members of the Health & Safety Committee and the Company recently completed an Employee Engagement survey in February 2025, with over 70% of the workforce completing the survey, with the Trade Union reps actively involved in the working groups following up on actions.

Points 96 – 97: Risk management, control and governance arrangements

FMPG has worked hard in the past year to drive further engagement with our internal audit function, and we are confident that we will complete all our audits in the 2024-25 plan to ensure internal audit can deliver a full opinion by year end. We will continue to hold internal audit as a high priority, driven by the Chief Financial Officer, who has engaged internal audit to deliver Best Value reporting for the first time in FMPG's history. This report will be sent to Audit Scotland next month, in time for inclusion in the Annual Report & Accounts for 2024-25.

Points 109-111: Contractor payments and reporting to the Board

We fully acknowledge the findings of the report that there were breaches of governance and lack of adherence to internal control procedures during the year 2023/24 that resulted in financial loss and reputational damage to the Company. It should be noted that the breaches of governance in relation to the seconded contractor came to light through an internal investigation by the current Chief Financial Officer and he made voluntary disclosures to both Audit Scotland and HMRC.

We can update now that the final settlement payment made to HMRC in relation to unpaid Income Tax and National Insurance contributions was £49,821.00 and the Company successfully claimed back £20,698.87 via HMRC under regulation 72GB of the Income Tax (Pay As You Earn) Regulations 2003.

We would also like to highlight that there have been no penalties or fines from HMRC due to the "behaviour and quality of the disclosure", adding that all information requested was sent in on time with clear and open explanations and calculations.

Furthermore, we would like to assure the Committee that the governance and internal controls arrangements have been strengthened with any future changes in employment status from FMPG employment to contractor needing to be approved by FMPG Remuneration Committee, in advance of the status change happening.

Points 130 – 132: Exit packages

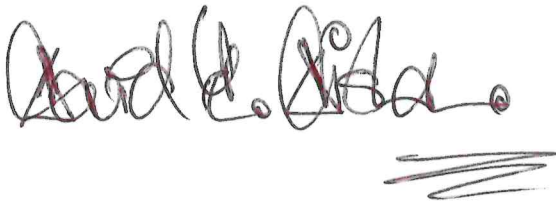
FMPG fully acknowledges the serious nature of the governance breaches in the report regarding two exit packages over £95,000 that did not go through the strict internal governance at FMPG Remuneration Committee, FMPG Board, nor for pre-approval by Scottish Ministers, as per the Scottish Public Finance Manual (SPFM) rules.

We immediately tightened up our controls and FMPG Finance & Payroll team are clear that no further payments of this level can be made without the prior internal controls being passed and Scottish Ministers approval.

Looking ahead to the future

FMPG welcomes the continued support of the Scottish Government as we focus on delivering MV Glen Rosa as quickly and efficiently as possible, all the while respecting safe working practices. It has an experienced and reputable workforce and a strong leadership team that will now drive towards a sustainable future through becoming more competitive and safeguarding the yard's vital role in Scotland's shipbuilding industry.

Yours sincerely,



David Dishon

Chief Financial Officer and Accountable Officer