



The Scottish Parliament
Pàrlamaid na h-Alba

Edward Mountain MSP
Convener
Net Zero, Energy and Transport
Committee

Public Audit Committee
Room T3.60
The Scottish Parliament
EDINBURGH
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By email only

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Dear Edward,

Written Authority: Completion of vessel 802

I am writing to formally draw the Net Zero, Energy and Transport (NZET) Committee's attention to—

- the Written Authority that was recently sought by the Director-General Economy and received from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy in relation to the Completion of vessel 802 at Ferguson Marine Port Glasgow (FMPG).
- the work of the Public Audit Committee to scrutinise the process that was carried out and resulted in the Written Authority being sought and received.

As you will be aware, on 16 May 2023, the Cabinet Secretary made [a Ministerial Statement to Parliament](#) on Ferguson Marine due diligence. During the statement, the Cabinet Secretary confirmed that following a process of due diligence, the Director-General Economy, as the Accountable Officer for the Scottish Government's investment in FMPG, concluded that "the regulatory and propriety of completing vessels 801 and 802 under the existing contracts" had been met.

While the value-for-money case for completing vessel 801 had been met, the Director-General concluded that "the narrow value for money case" for vessel 802 had not been met.

During the Ministerial Statement, the Cabinet Secretary said—

“...if vessel 802 was not delivered at Ferguson’s, the very future of the yard and the hundreds of jobs that it supports would be in jeopardy. On the basis of the cost projections in our due diligence, I have therefore provided written authority to the accountable officer to secure the continued build of vessel 802 at Ferguson’s.

A copy of the [request for a Written Authority and the Written Authority itself was provided to the Clerk to the Public Audit Committee on 16 May 2023](#), in line with the requirements of the Scottish Public Finance Manual.

The Committee subsequently took evidence from the Director-General Economy on the Written Authority, as part of its scrutiny of the [2021/22 audit of Ferguson Marine Port Glasgow \(Holdings\) Limited](#) on [1 June 2023](#). It also took evidence from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy on [22 June 2022](#).

During oral evidence, the Cabinet Secretary explained that the Director-General made his assessment in relation to vessel 802 because he—

“...could not be satisfied, based on the economic uncertainty, inflation, the other elements of information that were available and the direct cost comparison between completing and procuring elsewhere, on that narrow value-for-money element”.

It is therefore acknowledged that the risk that costs to the taxpayer for the delivery of vessel 802 in particular, may continue to rise. We highlighted similar concerns in our report, [New Vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802](#).

We also recommended in our report that quarterly updates to the NZET Committee must provide good quality, balanced and transparent information about the progress of the vessels. This is in light of concerns raised by the Auditor General that these updates “tend to provide a more positive view of progress than those provided to Scottish ministers”.

During oral evidence, the Deputy Director Strategic Industrial Assets at the Scottish Government confirmed the process for how updates from FMPG are received and acted upon —

“We meet the CEO and his finance team weekly, and we provide regular internal updates to the cabinet secretary and other ministers. We also share on our website details of the monthly reports that we get from Ferguson’s. There is therefore a clear beat and rhythm. There is also a process for internal

escalation so that, if we think that something could be going awry, we can immediately share that with senior people, including the cabinet secretary, and ensure that the accountable officer in the Scottish Government is fulfilling their duties.”

We wish to draw all of this information to your Committee’s attention to help inform the crucial role you have in scrutinising quarterly updates on behalf of Parliament.

Lastly, I welcome the publication of your report, A Modern and Sustainable Ferry Service for Scotland, published today and look forward to reading its conclusions and recommendations in detail in due course.

Yours sincerely,

**Richard Leonard MSP,
Convener**