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Public Audit Committee
Scottish Parliament
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Dear Convener

New Vessels for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802

Thank you for the opportunity to appear before the Committee on 21 September to address further on our response to the Committee's report. As I highlighted in my opening remarks, I take the work of all Parliamentary Committees very seriously and I am committed to making sure the Committee has what it needs to conclude its work on this important matter.

As noted, I have in my scrutiny of the Government's initial response identified 2 areas which were not as fully responded to as they could have been – both on wider cross Government areas and process improvements. I have set out that additional response below as well as responding to the specific follow up requests from the Committee. I have also taken the opportunity to provide additional reflections on some matters not explicitly referenced in that request where I felt it would be helpful to clarify or confirm matters raised.

Areas For Additional Response

Sharing Information on Investment In Private Companies

The Committee, in paragraph 561 of its report, noted that the Scottish Government should consider how more information can be shared on its decisions to invest in private companies. In our response we referred to amendments made to the Scottish Public Finance Manual that better outline and govern these types of decisions.

However, we note and accept the recommendation from the Committee that we should establish how decisions around future investments in private businesses can be shared with Parliament, either directly or through the relevant Committee. This would relate to any substantial investments in these businesses, rather than the day to day running of the companies and as the Committee itself recognises would need to consider issues around commercial confidentiality.

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Written Authorisation

Our response confirmed that we accepted the Committee's recommendation that Written Authorisations should be published. We also highlighted the procedures as set out in the Scottish Public Finance Manual around sharing this with the Auditor General (AG).

What we should also have highlighted is that we would also share this with the Public Audit Committee at the point it was issued to the AG. This reflects the practice undertaken in relation to the recent Written Authority for Hull 802 and of course the Committee also heard from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy directly on this matter.

The Committee also asked about the potential for notification of historic Written Authority. This is something that we have agreed and officials are currently in the process of putting this information in an appropriate section of the Scottish Government Website. Information on the instances of previous Written Authorisations is already in the public domain and can be found at the following link - [Scottish Government expenditure since May 2021: FOI release - gov.scot \(www.gov.scot\)](https://www.gov.scot/Information/FOI/Scottish-Government-expenditure-since-May-2021-FOI-release)

Finally, the Committee also asked about the publication of Shareholder Authorisations. I will refer you to our earlier response on their use in this particular case, but we will consider further whether or not the broad principle of publishing these can be accepted - noting as the Committee also reflects, that issues of commercial confidentiality will need to be considered.

As we previously confirmed to Committee, we will develop further guidance and procedures around issuing of Shareholder Authorisation in the next iteration of the Framework Agreement with CMAL. I would add that this guidance may also be considered for inclusion in Framework Agreements for other publicly owned companies to provide clarity for both the organisation and Scottish Ministers as the Shareholder in their use.

For completeness, the letter of comfort provided to CMAL in this instance was published as part of previous releases.

Home Shipbuilding Credit Guarantee Scheme

The Committee has asked whether there are any learning opportunities from the UK Government Home Shipbuilding Credit Guarantee Scheme for the Scottish Government. It is our understanding that this scheme is now operational and it would be open to relevant shipbuilding companies to consider whether there was an opportunity for them to utilise this scheme in its pursuit of further business.

The Committee asked whether there had been recent discussions with the UK Government on the scheme and I would confirm that there have not been any recent discussions - in part due to the work on this scheme now being concluded. With specific reference to Ferguson Marine Port Glasgow, it would be for the CEO and the Board to now explore whether this was something that would be of benefit to them. The Scottish Government, through its sponsorship function for FMPG, would of course support them in that consideration if appropriate.

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Additional Information

There were questions from you around whether the decision to nationalise Ferguson Marine was a Cabinet level decision. I just wanted to draw your attention to the correspondence from the former First Minister dated 30 November 2022 on this matter following her attendance at the Committee that confirmed that there were no Cabinet Level decisions in relation to Fergusons, the vessels or nationalisation. The relevant Cabinet update papers that relate to this matter were also shared with the Committee in this exchange - [new-vessels-fm-to-pac-30-nov-2022-links.pdf \(parliament.scot\)](#) .

The Committee also asked about the correspondence between the then Minister for Transport and local MSP and the appropriateness of sharing this during a live procurement process. This would have been weighed by officials in their drafting of the letter at the time and as previously noted this was merely providing factual information about approaches that had been taken in previous contracts and was also information that Fergusons Marine Engineering Ltd was already aware of. We would reiterate that we agree with the comments from the Committee that this should not have been taken as any form of approval of that approach in relation to the procurement underway at the time.

Conclusion

I hope you that the information outlined above. Along with the further evidence I provided in attendance has been helpful.

Please let us know if there is anything further that the Committee needs to aid it in concluding its work on this matter

Yours sincerely

FIONA HYSLOP

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