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From: [REDACTED]  
Strategic Commercial Assets Division  
26 February 2024

FIRST MINISTER

DEPUTY FIRST MINISTER

CABINET SECRETARY FOR WELLBEING ECONOMY, NET ZERO, AND ENERGY

**Ferguson Marine Port Glasgow (FPMG) – Vessels 801 / 802 UPDATE**

**Priority and Purpose**

1. **IMMEDIATE.** As noted in my submission of 23<sup>rd</sup> February 2024 (Annex A), the CEO of Ferguson Marine (Port Glasgow) Ltd (FMPG) will provide updated costs and delivery schedules for vessels 801 and 802 at noon today through a letter to the Net Zero, Environment and Transport (NZET) Committee.
2. An advanced copy of that letter has now been received (Annex B). A draft response to be sent, in line with previous practice, to the NZET and Public Audit Committees from the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy is attached from approval (Annex C)

**Recommendation**

3. Ministers are asked to:
  - Note the CEO of FMPG's update to NZET regarding revised forecast cost to complete both vessels (Annex B), setting out:
    - An uplift in total forecast costs to complete including contingency for both 801 / 802 by £59.8m from £240m to £299.2m;
    - a confirmation of an end May 2024 handover date for Glen Sannox, with a further caveat around the implications of final trials and inspections;
    - the proposed launch of 802 in March 2024 and handover in September 2025, with a stretch target to reduce this by 3 months.
  - Agree the draft response at Annex C

**Financial Situation for 2023/2024**

4. The revised forecast costs show that for financial year 2023-24, the costs of Glen Sannox will total £38.6m, and Glen Rosa will total £30.2m (£68.8m total including risk). This is in excess of the £57.6m budget allocation for 2023/24 and separate advice will be provided on this, and the further budgetary implications for 2024/25.

### **Costs to Complete**

5. Delivery plans and full costs to complete both vessels are provided in the CEO's letter to NZET (Annex B). This forecasts the costs to complete both vessels from the point of public ownership to be a maximum of £299.2million. A more detailed breakdown is contained in Annex D.
6. Due diligence on these forecasts has commenced. **[REDACTED]**

### **Bute House Agreement Implications**

7. None.

### **Verity House Agreement Implications**

8. None

### **Financial and Legal Considerations**

9. The financial implications this update will as advised, be subject to due diligence and considered in the context of the Scottish Government's financial position.

### **Sensitivities**

10. **[REDACTED]**
11. Reactive media lines are being prepared in response to the update and Cabinet Secretary's planned statement on 5<sup>th</sup> March provides a formal opportunity to provide comment and confirm that due diligence is being carried out.

### **Quality Assurance**

12. This submission has been cleared by the Director Economic Development

### **Conclusions and next Steps**

13. Ministers are asked to note:
  - the advanced copy of the letter by which the CEO of FMPG intends to submit to the NZET Committee at noon today, Monday 26<sup>th</sup> February (Annex B).
  - that this letter confirms that costs, including risks and contingencies have increased by £59.8m from £240m to a maximum of £299.2m and that the delivery date for Glen Rosa will be September 2025.
  - that stretch targets are in place for Glen Rosa to be completed at a cost of £140 m and delivered up to 3 months earlier than September 2025.

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14. Ministers are asked to agree the proposed response to the Convenor of the NZET and Public Audit Committees (Annex C)

**[REDACTED]**

**Head of Governance and Oversight Unit**

Directorate for Economic Delivery – Strategic Commercial Assets Division

**[REDACTED]**

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Cabinet Secretaries and Ministers Copy List	For Action	For Information Portfolio interest	For Information Constituency interest	For Information General awareness
First Minister				X
Deputy First Minister and Cabinet Secretary for Finance		X		
Cabinet Secretary for Wellbeing Economy, Fair Work and Energy	X			
Cabinet Secretary for Net Zero and Just Transition				X
Cabinet Secretary for Rural Affairs, Land Reform and Islands				X
Minister for Community Wealth and Public Finance		X		
Cabinet Secretary for Transport		X		X

Officials Copy List
Permanent Secretary
DG Economy
Director Economic Development
Chief Executive Transport Scotland
Kenneth Hannaway
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
Roddy Macdonald
[REDACTED]
[REDACTED]
Callum McCaig
Colin Mcallister

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**Annex A: Submission of 23<sup>rd</sup> February 2024**

**Strategic Commercial Assets Division**

23 February 2024

**FIRST MINISTER**

**DEPUTY FIRST MINISTER**

**CABINET SECRETARY FOR WELLBEING ECONOMY, NET ZERO, AND ENERGY**

**Ferguson Marine Port Glasgow (FPMG) – Vessels 801 / 802 UPDATE**

**Priority and Purpose**

1. **IMMEDIATE.** The CEO of Ferguson Marine (Port Glasgow) Ltd (FMPG) is due to provide an update to the costs and delivery timescale for Glen Sannox (801) and Glen Rosa (802) to the Net Zero, Environment and Transport (NZET) Committee on Monday 26 February 2024.

**Recommendation**

2. Ministers are asked to note that on Monday 26<sup>th</sup> February, the CEO of FMPG intends to inform the NZET Committee that:
  - The maximum forecast cost to complete both vessels has risen by £59.8m from £240m to £299.2m;
  - This represents a maximum cost for Glen Sannox (801) of £149.2 m (£141.9 million plus £7.3 million risk);
  - This represents a maximum cost of Glen Rosa (802) of £150 million (£135.3 m plus £14.7 m risk);
  - The handover date for Glen Sannox will be end May 2024;
  - Glen Rosa will be launched in March 2024 with handover in September 2025, a delay compared to the previously reported May 2025.

**Next Steps**

3. **[REDACTED]**

It is anticipated that a final draft will be received by Scottish Government in advance of its release to the Committee.

4. A draft letter to the NZET Committee from the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy will be prepared in response to the CEO's letter.
5. The CEO and Chair of FMPG are due to give evidence to the NZET Committee on Tuesday 27<sup>th</sup> February

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6. The Cabinet Secretary for Wellbeing Economy, Net Zero and Energy is scheduled to make a statement on FMPG in the Scottish Parliament on Tuesday 5<sup>th</sup> March.
7. Due diligence to provide assurance to Ministers on these revised forecasts has commenced. This work will interrogate the robustness of forecasts and assess whether there are any implications for the written authority around 802. It will also inform the planned statement by the Cabinet Secretary.

**Bute House Agreement Implications**

8. None.

**Verity House Agreement Implications**

9. None

**Financial and Legal Considerations**

10. The financial implications of this update will be subject to due diligence and considered in the context of the Scottish Government's financial position.

**Sensitivities**

11. [REDACTED]
12. Edward Mountain, Chair of the NZET Committee, visited the yard today and met with the Chair and CEO. The meeting is understood to have been constructive. The new cost forecasts were not discussed.

**Conclusions and next Steps**

13. Ministers are asked to note:
  - The updates on costs and delivery schedules for Glen Rosa and Glen Sannox that are expected to be released to the NZET Committee on Monday 26<sup>th</sup> February;
  - That the final text of the letter to the Committee from the CEO has yet to be confirmed;
  - That a response to the Committee, from the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy, will be prepared on receipt of the final version of the draft letter.

[REDACTED]

**Head of Governance and Oversight Unit**

Directorate for Economic Delivery – Strategic Commercial Assets Division

[REDACTED]

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**Annex B CEO Draft Update to NZET Committee, 26 February 2024**

Edward Mountain  
Convenor  
Net Zero, Energy & Transport Committee  
Scottish Parliament  
EH99 1SP

26 February, 2024

Dear Mr Mountain,

**Interim update on Glen Sannox, Hull 801 & Hull 802**

In our letter to you 2<sup>nd</sup> February, we undertook to update you with an interim update on revised costs and timelines. We can now confirm that latest forecasts have been submitted to Scottish Government this morning as follows:

**Glen Sannox**

Following reassuringly positive 'Builders Sea Trials' 13-16<sup>th</sup> February, we are currently updating the programme to completion, with the remaining 'Builders Trials & Owners Trials' to take place after the dry-docking booked for 3-7<sup>th</sup> April. Through this we expect to increase the confidence already building in the ship and her future with the fleet.

In the weeks after docking the initial focus will be on the final work on commissioning, particularly the LNG systems, followed by inspections throughout the ship that will lead to a successful handover. Completion remains targeted for 31<sup>st</sup> May, although final inspections and trials may require some more time, hopefully weeks and not longer. We are in weekly discussion with the '801 Acceptance Group' as noted in our letter 2<sup>nd</sup> February to you.

The forecast cost to complete has risen from the £142m (£130+£12m) set out in September 23 by 2-4% and we aim to close within £145.5-149.1m.

**Hull 802**

Following the progress with reaching completion on Glen Sannox, we have been able to look again at the full scope of work and the learning from Glen Sannox and have developed a robust plan of nearly 10,000 individual packages of work (work-packs) for FMPG staff and contractors to complete on 802.

We have previously set out to your committee that there has been significant re-work on Glen Sannox through legacy issues and design and construction errors in the early stages with FMEL and FMPG post administration. Our aim is to avoid all such re-work on the second ship, and it should also be noted that the starting points for Glen Sannox and 802 for FMPG were significantly different. FMPG will have delivered a much larger percentage of the overall build of 802 than 801 overall and started with much less installed by FMEL

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before 2020. We have had more opportunity to build 802 differently and the strategy of deferring the outfitting work until we have finished the build of Glen Sannox creates the scope to avoid the extensive re-work encountered on Glen Sannox.

Consistently over the past 18 months, we have set out that Glen Sannox has been a complex design and engineering challenge, made harder by many legacy issues with the past, administration, and pandemic impacts.

We have also set out that 802 will be a delivery challenge, well planned, with contractors engaged and the opportunity to complete the build more efficiently. We have established a strong delivery team experienced in building second in class vessels and focused on outperforming the first build.

The forecast cost to complete is now set at a 'not to exceed maximum of £150m' and due to some cascade impacts from Glen Sannox, our target delivery has moved to no later than September '25. We have already proved we can do many things better on 802 than on Glen Sannox and we aim to complete 802 at a stretch target below £140m and up to 3 months earlier than the September '25 deadline.

As discussed in your visit last week, 23<sup>rd</sup> February, we will provide a fuller quarterly update at the end of next month.

Yours sincerely,

**David Tydeman**  
Chief Executive Officer



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**Annex C Cab Sec Draft response to NZET committee**

Cabinet Secretary for Wellbeing Economy, Net Zero and  
Energy

Mairi McAllan MSP



**Scottish Government**  
Riaghaltas na h-Alba

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Scottish Parliament  
Net Zero, Energy and Transport Committee  
netzero.committee@parliament.scot

Scottish Parliament,  
Public Audit Committee  
Publicaudit.committee@parliament.scot

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26 February 2024

Dear Edward and Richard,

You will be aware that the CEO of Ferguson Marine Port Glasgow (FMPG) has now provided the NZET Committee with updated costs and delivery dates for Glen Sannox (801) and Glen Rosa (802).

These cost increases and delays to delivery dates are extremely disappointing and I share the frustrations that will be keenly felt across the Scottish Parliament and, of course, by the island communities who rely so much on ferry services. The former Cabinet Secretary, Neil Gray, had impressed upon the CEO that further delays and cost increases would be unacceptable, and I fully support that sentiment. I will therefore be seeking an urgent conversation with the Chair to agree next steps and set out my very clear expectations around the future governance of these programmes.

The new forecasts will be subject to due diligence to ensure that they are robust and accurate, and I look forward to updating the Scottish Parliament on this, and my engagement with FMPG, as part of my planned statement on Tuesday 5<sup>th</sup> March.

Scottish Government remains totally committed to the provision of high quality ferry services to our island communities and will continue to work closely with Ferguson Marine and its delivery partners to do everything possible to deliver these two, vitally needed vessels.

SIGNATURE

**MÀIRI MCALLAN**

**Official Sensitive**

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**Annex D Revised Forecasted Costs and Cost History**

801 / Glen Sannox FY 2023-24		802 / Glen Rosa FY 2023-24	
Forecast	£38.6m	Forecast	£30.2m
Risk	0.00	Risk	0.00

FY 2023-24 total:  
£68.9m

801 / Glen Sannox FY 2024-25		802 / Glen Rosa FY 2024-25	
Forecast	£5.6m	Forecast	£46.9m
Risk	£7.5m	Risk	£2.7m

FY 2024-25 total:  
£62.5m

802 / Glen Rosa FY 2025-26	
Forecast	£11.5m
Risk	£12m

FY 2025-26 total:  
£23.5m

Total Forecast Cost to Complete:	<b>£299.2m</b>
Vessel 801	£141.9 (+ £7.4m risk) <b>£149.2m</b>
Vessel 802	£135.3 (+ £14.7m risk) <b>£150m</b>

	Dec 2019	Aug 2020	June 2021	Mar 2022	Sept 2022	June 2023	Sept 2023	Feb 2024
801 – Delivery Date	Oct to Dec 2021	April to June 2022	July to Sept 2022	March to May 2023	March to May 2023	Dec 2023	Mar 2024	May 2024
802	July to Oct 2022	Dec 2022 to Feb 2023	April to July 2023	Oct to Dec 2023	Dec 2023 to Jan 2024	Dec 2023 to Jan 2024	May 2025	September 2025
Total cost to complete	£110.3-£114.3m	£110.3-£114.3m	£110.3-£114.3m	£118-£122m	c£202.6m	c£223m	c£240m	£149.2m £150m c£299.2m