

[redacted]

From: Rooney M (Maureen)
Sent: 16 December 2021 17:55
To: [redacted]
Subject: FW: New vessels for the Clyde and Hebrides - draft report in confidence

[redacted]

For your awareness of the timelines for our response ahead of the final draft.

Thanks,
Mo.

Mo Rooney (she/her)
Deputy Director, Strategic Commercial Interventions Division
Scottish Government
[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: [redacted]
Sent: 15 December 2021 10:25
To: Rooney M (Maureen) <Maureen.Rooney@gov.scot>; [redacted] >
Subject: RE: New vessels for the Clyde and Hebrides - draft report in confidence

Hi

No probs.

We will issue the report to Elinor Mitchell (officially as the AO) on 18th January, and we will include you and Dermot in that email.

We don't ask for any written feedback before we meet. The meeting is an opportunity for you to give us your impressions on the clearance version of the report, for us to talk about the Auditor General's thinking, to clarify any queries etc.

We will then ask for a written response to the report by Tuesday 8th February.

Usually the AO is involved in the clearance meeting, but not always. I've been in touch with Elinor's office but have not had a reply (I understand there are more pressing issues for her to deal with currently).

Hope that's clear, but happy to chat if you want any more detail.

Thanks again

[re

From: Maureen.Rooney@gov.scot <Maureen.Rooney@gov.scot>
Sent: 15 December 2021 09:51

To: [redacted]

Subject: RE: New vessels for the Clyde and Hebrides - draft report in confidence

Thanks [redacted] Sorry if we've missed something at our end in terms of not having dates in diaries.

Is my understanding correct then that we will receive draft report on 18th Jan and you'll then meet with us in course of w/b 24th to discuss feedback? Will there be an expectation of written feedback in advance of that meeting to focus the discussion?

[redacted] could you please propose couple of options that work for diaries of [redacted] and I?

Thanks,
Mo.

Mo Rooney (she/her)

Deputy Director, Strategic Commercial Interventions Division
Scottish Government
4th floor, Atlantic Quay
150 Broomielaw, Glasgow
[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: [redacted]

Sent: 15 December 2021 09:44

To: Rooney M (Maureen) <Maureen.Rooney@gov.scot>

Subject: RE: New vessels for the Clyde and Hebrides - draft report in confidence

Hi Mo

Thanks for taking the time to provide us with detailed comments on the report. Much appreciated.

We will reflect these, and the comments received from FMPG, TS and CMAL, in the report before it goes to the Auditor General.

We had a helpful discussion with [redacted] yesterday, and that cleared up the comments that you, and FMPG, had made on who knows what about progress, relationships with CMAL etc. I don't think it's necessary for us to have a discussion just now but I'm conscious we don't have a date in the diary to discuss the report once it goes into clearance (on Tuesday 18 Jan).

Can you advise what dates/times are free in week beginning 24th January? Currently we have clearance meetings with CMAL on the afternoon of the 24th and with TS on the morning of the 25th. I'm also waiting on [redacted] to confirm a date for the meeting with FMPG.

Thanks again

[redacted]

From: Maureen.Rooney@gov.scot <Maureen.Rooney@gov.scot>

Sent: 09 December 2021 11:52

To: [redacted]

Cc: [redacted]

Chris.Wilcock@transport.gov.scot; [redacted]

[redacted]

Subject: RE: New vessels for the Clyde and Hebrides - draft report in confidence

EXTERNAL: THIS EMAIL ORIGINATED OUTWITH AUDIT SCOTLAND

Do not click links, open attachments or reply before asking yourself:

- Is the senders email address right? (click the senders Name to see their email address)
- Are you expecting this email?
- Does it make sense? Would this person really ask this?
- Have you ever had an email like this before?
- Is the email written in good English or in the style you would expect from that person?

[redacted]

Thanks for opportunity to comment, and for my slightly extended deadline in view of my annual leave.

Comments for Strategic Commercial Interventions Division interests as follows, as in table below, and as attached (with comment boxes on the document). The attachment should be read in conjunction with comments and table below.

To flag some key headlines:

- There are a number of points which FMPG will be keen to review. It will also be important to ensure an accurate, current reflection of the position at the point of publication of your report. As examples, the quality of the business' reporting systems, data and products (actual reports), and the positivity of the relationship between Fergusons and CMAL, are much improved on the positions reported in the current draft.
- It is inaccurate to say that Parliament is receiving mixed reports on progress in delivery of the vessels. The Scottish Parliament receives a quarterly progress update directly from Ferguson Marine, as requested on the back of its inquiry into ferries procurement. There are no 'mixed reports' to Parliament. Happy to discuss this point further to resolve any confusion as it is of course a very important one indeed.
- A thread that runs through the draft is that FMPG are not aware of CMAL's feedback on progress. This is incorrect. A monthly progress meeting takes place between CMAL and FMPG with SG attendance. There is an on-site CMAL team of 4 who routinely engage with supervisors and management to provide feedback, support and challenge. My team also brief the Chair on any significant concerns shared with us by CMAL, and the Chair of FMPG inputs to the monthly update to Ministers which reflects CMAL's concerns. I will though pick up a conversation with colleagues as to the merits of formally sharing a copy of the report provided to SG by CMAL with the FMPG Board.
- Your draft highlights the delay to the vessels against the Dec 2019 schedule but does not surface within that the fact and impact of the Covid pandemic. In terms of additional info on the Covid impact on the yard, [redacted] report on the yard's 20/21 accounts may be useful. We'll ensure you have sight of a copy, unless you receive directly through your own channels.

In our comments on the document, we have suggested removal of a couple of points on basis of their commercial sensitivity to the business, and potential impact on its ability to operate in the market. FMPG may have additional views on this.

You should also be aware that there is a live legal case between SG and HCCI. We should take a view nearer the point of publication of your report as to what is appropriate to include of the detail of the deal with HCCI.

Page	Paragraph	Comment
3	1	They refer to 801 delivery in Sept 2022 but that isn't the official position in the latest report to Parliament. July-Sept 2022 is the window for delivery of 801.
41	1	They refer to 801 delivery in Sept 2022 but that isn't the official position in the latest report to Parliament.
	3	To say that we are actively considering ownership options for Ferguson Marine overstates the position. Longer term strategic decisions around ownership of the yard will depend upon a number of factors including how the yard's future order book evolves. In the meantime, Scottish Ministers remain fully committed to the delivery of the two SG-funded ferries, protecting jobs and delivering a sustainable future for Ferguson Marine. In terms of a strategy around which vessel opportunities to pursue, those type of decisions are for the Ferguson Marine management team and the Board of Directors that Scottish Ministers appointed.
43	120-121	Commercially confidential and could hinder the yard's ability to win contracts in the short term.
45	128	They refer to 801 delivery in Sept 2022 but that isn't the official position in the latest report to Parliament.
P45	133 (linked to page 34)	£45m of Scottish Government loans doesn't take into account the £7.5m of the loans used to purchase the shipyard. The £7.5m offset is mentioned on page 34 of the report at the cost of acquisition section at the top right of the page. Without explaining at this section it could come across that there were £45m of loans on top of £7.5m to acquire the yard. It is clear on page 34 but not so clear in this section. Also, of the £45m loans we also received a return in the FMEL administration of £6.5m. The only caveat here would be the HCCI claim against Scottish Ministers which could erode this return.
P45	Comment in bold plus paragraph 135	Can you clarify please your assessment that £26.5m was spent on the vessels to June 2021 – this doesn't marry up with the numbers we have: <u>Spend to June 21:2020/21 spend £23.2m; April 21 to June 21 spend £10.9m.</u> However if the report is not being issued until March 2022 it would be more useful to have the spend included to December (or later if we can amend next year before it is published)? It seems odd to have the spend to June 21 when the report will not be issued until March 22.
P45	134	The estimated spend on two vessels being £61.8m - can you clarify the period this relates to? It would be useful to know if this is for the same periods as you are reporting actual spend for i.e. June 21? If so we would dispute the comparison.
47	137	To say that we are actively considering ownership options for Ferguson Marine overstates the position. Longer term strategic decisions around ownership of the yard will depend upon a number of factors including how the yard's future order book evolves. In the meantime, Scottish Ministers

	remain fully committed to the delivery of the two SG-funded ferries, protecting jobs and delivering a sustainable future for Ferguson Marine.
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	In terms of a strategy around which vessel opportunities to pursue, those type of decisions are for the Ferguson Marine management team and the Board of Directors that Scottish Ministers appointed.
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Happy to speak about any of these points if helpful in cutting through any ambiguity.

Mo.

Mo Rooney (she/her)

Deputy Director, Strategic Commercial Interventions Division

Scottish Government

[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: [redacted]

Sent: 30 November 2021 16:30

To: Rooney M (Maureen) <Maureen.Rooney@gov.scot>; [redacted]

Subject: New vessels for the Clyde and Hebrides - draft report in confidence

Hi both

I hope you are well.

Following on from my email earlier this month, please find enclosed an early draft of our report for your review. This is being shared on a strictly confidential basis and should not be circulated more widely at this stage.

We are looking for some initial, high-level comments on how the report is shaping up before we send it to the Auditor General in December. Specifically it would be helpful to hear your thoughts on:

- whether our findings are correct
- if the tone and balance is right
- if there are any significant errors/omissions.

We have included some initial recommendations to support delivery of the vessels and improve future vessel projects. They require further thinking and development, but if you have any thoughts on whether they are helpful, do-able, or if anything is missing, that would be appreciated.

[redacted] we would be grateful if you could email your comments to us by Tuesday 7th December. Mo, as you are on leave, I think you said you would provide comments by lunchtime on the 9th.

There will be an opportunity to comment more formally on the report during the clearance process in January. We have not yet heard anything from Elinor Mitchell's office about an introductory meeting on the report and, as far as we are aware, she does not yet know the timescales for clearance. Have either of you heard any differently?

If you have any questions please let me know.

Kind regards

[redact]

During the COVID-19 suppression measures I am working from home. I work Monday to Thursday, usually between 8.30 and 17.30, but my hours can vary due to childcare. For more information on Audit Scotland's work during this situation, please see our [Covid-19 e-hub](#).

[redacted]

Audit Manager

[redacted]

[redacted]

www.audit-scotland.gov.uk



[redacted]

From: [redacted]
Sent: 31 January 2022 15:01
To: [redacted] Rooney M (Maureen); [redacted]
Subject: RE: Audit Scotland - draft report for clearance

Hi ^[redacted]

Thanks for flagging this.

AS said they intend to share extracts from Parts 1 & 2 of the report with CBC. I will ask Fran to give us the AS advance warning as you rightly suggested. I believe Fran is engaging directly with AS on this matter.

Thanks

[redacted]

[redacted]
Strategic Commercial Interventions Division
[The Scottish Government](#)
[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: [redacted]
Sent: 31 January 2022 14:09
To: [redacted] Rooney M (Maureen) <Maureen.Rooney@gov.scot>; ^[redacted]

Subject: RE: Audit Scotland - draft report for clearance

Afternoon,

Have AS decided if they are sharing sections of the report relating to CBC yet? If they are, could we ask them to give us the heads up before they do. I'd like to give Comms notice.

Thanks

[redacted]

From: [redacted]
Sent: Thursday, 27 January 2022 09:52
To: Rooney M (Maureen) <Maureen.Rooney@gov.scot>; [redacted]

Subject: RE: Audit Scotland - draft report for clearance

Thanks Mo – that's noted and I have added some comments to your email below.

[redacted]

[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: Rooney M (Maureen) <Maureen.Rooney@gov.scot>

Sent: 26 January 2022 20:45

To: [redacted]

Subject: RE: Audit Scotland - draft report for clearance

[redacted], all who have contributed,

Thank you for the work which has gone in to this so far.

Conscious that I'm on leave next week, I have reviewed the content of the tracker and have proposed some lines of response and made some suggestions/comments to help move things along.

If there are comments that we are reiterating because they were not previously taken on board (at the draft, draft stage), I would suggest that rather than repeating them, we find an additional rationale or evidence for the change. Is there a paper, quote or such like in support of our position? **Noted – will do and work on this is ongoing.**

I would be grateful if all our comments could be framed in the formal way which [redacted] have adopted for their comments, which makes for readier standalone reading, and would feel appropriate were the tracker to be released. [Don't think [redacted] comments are in tracker yet, eg. re para 139.] **Noted – [redacted] comments will be added to our comments tracker.**

Once we have tracker at this level of readiness, could you share with TS colleagues (Fran and Chris W) please to ensure they are sighted? **Noted – will do early next week.**

I have held time in my calendar on my first day back to allow me to review the detailed comments in the tracker before Elinor formally responds with her AO letter.

Can we please ensure that Elinor has approved the cover letter in advance so we can get it away swiftly that day, once I've done final review of comments? **Noted – we have an early draft of the letter and are continuing to work on this.**

Many thanks,
Mo.

Mo Rooney (she/her)
Deputy Director, Strategic Commercial Interventions Division
Scottish Government
4th floor, Atlantic Quay
150 Broomielaw, Glasgow

[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: [redacted]
Sent: 26 January 2022 11:57

To: [redacted]
<Maureen.Rooney@gov.scot>; [redacted]

Rooney M (Maureen)

Subject: RE: Audit Scotland - draft report for clearance

Thanks [redacted]

That's noted – we will add this to our comments tracker (see link below).

[SCID - Audit Scotland - SG Clearance Comments Tracker - January 2022 \(A36257676\)](#)

[redacted]

From: [redacted]
Sent: 26 January 2022 11:48

To: [redacted] Rooney M (Maureen) <Maureen.Rooney@gov.scot>; [redacted]

Subject: RE: Audit Scotland - draft report for clearance

Hi all

Apologies – I thought I had sent this after our call on Monday but I can't see it in my sent items. Sorry!

The table describing the new contractual arrangements is **not** factually accurate, so we will need to go back with suggested alternative wording. This has also been picked up by TS colleagues.

See suggested alternative wording below.

Thanks

[redacted]

Suggested alternative wording – Exhibit 7, Page 41

Ownership of vessels

- CMAL transferred ownership of the vessels to the Scottish Government at market value as a consideration in payment of the outstanding loan
- After completion, CMAL will purchase the vessels at market value from Transport Scotland via new voted loans

Funding

- The Scottish Government directly funds FMPG
- Transport Scotland's loan to CMAL was transferred to the Scottish Government
- The difference between the value of the loan and the value of the vessels transferred to Scottish Government was recognised as an impairment of the outstanding loan that the Scottish Government has now cancelled
- The Scottish Government will transfer the vessels to Transport Scotland after the vessels are completed, which will then subsequently be transferred to CMAL in exchange for a new loan for the value of the vessel

From: [redacted]
Sent: 24 January 2022 09:26
To: Rooney M (Maureen) <Maureen.Rooney@gov.scot>; [redacted]

Subject: RE: Audit Scotland - draft report for clearance

All

Have added a few comments of my own in Mo's tracker.

[redacted]

From: Rooney M (Maureen) <Maureen.Rooney@gov.scot>
Sent: 19 January 2022 17:03
To: [redacted]

Subject: RE: Audit Scotland - draft report for clearance

[redacted], all,

Now read by me. Our comments on the draft draft appear to have been largely taken on board, but I haven't cross-checked.

I've spoken to [redacted] for her thoughts on handling our SG/TS response, given she treats Dermot and I, and then Fran, as two separate entities, and the two AOs with an interest. For completeness, email distilling that conversation is attached. I've mentioned to Elinor who was speaking to Roy today on other things. TS preference is for separate responses.

I have noted my comments on the substance of the report in Audit Scotland's template (attached). This is not for purpose of response to Audit Scotland but to flag points for us to consider further and/or go back to Audit Scotland on by way of comments. To flag that all our comments back to Audit Scotland and their responses are subject to FOI.

In terms of likely media approach to this report as it stands, possible headlines along following lines:

- 'SG didn't know what it was getting into'
- 'SG allows FMPG to mislead Parliament' (a scurrilous interpretation of FMPG updates to Parliament being seen to read more positively than our own to Ministers)
- 'History repeats itself'

We'll want to make Cab Sec aware of what the draft report is saying, in particular re FMPG's reports to Parliament in event she wants to change tack and handle differently. Elinor brief (for meeting on 26th) and this might largely be the same thing – headline issues arising from the report.

In brief to Cab Sec (and Elinor), the following will be amongst the key issues for our interests:

- Differences in tenor of reports to Parliament by FMPG and by officials to Ministers
- Likelihood of delivery within budget
- Relationship between FMPG and CMAL, and action we have taken

- Inadequate diligence ahead of acquisition of the yard (not strictly for us in the pre-administration, but TS won't be picking this up).
- HCCI dimension

For Cab Sec purposes, we should also consider possible options to mitigate some of the criticisms/requests that we can expect on back of the report – worth her early awareness and decision in that some may have a lead in time. Some thoughts on this:

- Does Cab Sec want to specifically charge the CMAL and FMPG Boards, for their meeting on 15 Feb, with an agenda item re mediating their most headline differences of opinion (eg. on deliverability of the schedule)?
- [redacted]

It is inevitable that after publication of the report we will be asked for copies of our monthly updates to Ministers.

I think it would be helpful to meet to discuss these points, ideally an hour on Mon to give everyone the opportunity to consider the full detail of the report and make their comments before we discuss.

To note, [redacted] will want to review to confirm that description of diligence underpinning new contractual arrangement is accurate.

Thanks,
Mo.

Mo Rooney (she/her)
Deputy Director, Strategic Commercial Interventions Division
Scottish Government
4th floor, Atlantic Quay
150 Broomielaw, Glasgow
[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: Rooney M (Maureen)
Sent: 18 January 2022 14:18
To: [redacted]

Subject: FW: Audit Scotland - draft report for clearance

Not yet read by me.
Mo.

Mo Rooney (she/her)
Deputy Director, Strategic Commercial Interventions Division
Scottish Government
4th floor, Atlantic Quay
150 Broomielaw, Glasgow
[redacted]

I am working from home, contactable by email, on my mobile, and on Teams.

From: [redacted]
Sent: 18 January 2022 14:17
To: DG Economy <[DGEconomy@gov.scot](mailto:DG_Economy@gov.scot)>; Rooney M (Maureen) <Maureen.Rooney@gov.scot>; Rhatigan D (Dermot) <Dermot.Rhatigan@gov.scot>
Cc: [redacted]

Subject: Audit Scotland - draft report for clearance

Dear Elinor

Please find attached the clearance version of our report 'New ferries for the Clyde and Hebrides: Arrangements to deliver vessels 801 and 802' and the accompanying letter from the Auditor General for Scotland. You may share this draft with colleagues as you consider appropriate, but please make it clear that it should be treated as confidential.

We have a meeting arranged on 26th January to discuss the report. After the clearance meeting, I would be grateful if you could provide written comments on the factual accuracy of the report, by close of play on **Tuesday 8th February**. Audit Scotland's standard procedure is to record audited bodies' written comments, and our response to these comments, in a clearance tracker (see attached). We would be grateful if you could provide your comments in this format. We can talk you through this in more detail if you wish when we meet next week.

We are very grateful for the support that Mo, Dermot and others have provided during the course of our audit.

If you have any questions, please do not hesitate to get in touch.

Kind regards

[redact]

During the COVID-19 suppression measures I am working from home. I work Monday to Thursday, usually between 8.30 and 17.30, but my hours can vary due to childcare. For more information on Audit Scotland's work during this situation, please see our [Covid-19 e-hub](#).

[redacted]
[redacted]

