

**From:** Director of Economic Development <DirectorDED@gov.scot>

**Sent:** Friday, May 5, 2023 11:14 AM

**To:** First Minister <FirstMinister@gov.scot>; Deputy First Minister and Cabinet Secretary for Finance <DFMCSF@gov.scot>; Cabinet Secretary for Wellbeing Economy, Fair Work & Energy <CabSecWEFWE@gov.scot>

**Cc:** Permanent Secretary <PermanentSecretary@gov.scot>; DG Economy <DGEconomy@gov.scot>;

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<cfo@gov.scot>

**Subject:** VFM assessment

As requested by Mr Gray, please find a summary of the value for money assessment around vessels 801 and 802. This includes copies of the underpinning analysis carried out on our behalf by Teneo.

Further advice is being prepared currently on the wider benefits that Ministers will wish to consider in relation to the delivery of these vessels.

Regards

Colin

official sensitive

From: Colin Cook  
Director Economic Development  
5<sup>th</sup> May 2023

First Minister  
Deputy First Minister  
Cabinet Secretary for Wellbeing Economy, Fair Work and Energy

## **Value for Money Assessment of Vessels 801 and 802**

### **PRIORITY AND PURPOSE**

1. Urgent. To provide a briefing on the work carried out to provide a value for money assessment of the delivery of vessels 801 and 802

### **Background**

2. In September 2022, the CEO of Ferguson Marine Port Glasgow (FMPG) presented revised cost estimates for the completion of vessels 801 and 802 within the shipyard. This suggested that the cost to complete the vessels was an additional £80.5million (plus warranties) compared to the previous forecasts provided in March 2022 (Table 1). This put the costs to complete the vessels from that point to £30 million for 801 and £73.5 million for 802, of which they had existing budget cover for £23.1 million.

[REDACTED]

3. Since that time work has continued on both vessels and budget has been provided to support this work.

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**Value for money and cost benefit analysis**

[REDACTED]

[REDACTED]

[REDACTED]

**Additional Analysis**

14. Whilst the vfm calculation described above forms the basis of the Accountable Officer assessment, Ministers are able to take wider considerations and

implications into account when arriving at a decision on how to proceed with the delivery of vessel 802: These would include:

- the potential impact on island communities from the new timetable and the uncertainties of a new procurement process;
- the impact that terminating the contract might have on our ability to secure a long-term future for the yard in line with original Ministerial objectives;
- the loss of valuable skills and capabilities in respect of national resilience.

15. Work is being carried out currently to provide advice on these issues.

## **Recommendations**

16. Ministers are asked to note:

- the Value for Money calculation for Vessels 801 and 802;
- that further advice is being prepared currently on the wider benefits and policy considerations relating to the delivery of vessels 801 and 802.

## **Colin Cook**

Director of Economic Development

## **Copy**

Permanent Secretary

DG Economy

Chief Financial Officer

Kate Hall

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Colin McAllister

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