

EXECUTIVE COUNCIL

PUBLIC

Title:	Response to the Public Accounts Committee - Review of the Deep Water Port Project [Letter dated 17/03/2026]
Paper Number:	173/26
Date:	25 August 2026
Responsible Director:	Becky Clark, Director of Development & Commercial Services
Report Author:	Becky Clark, Director of Development & Commercial Services
Portfolio Holder:	MLA Roger Spink
Reason for paper:	This paper is submitted to Executive Council: To meet a statutory requirement
Publication:	Yes - this report should be made public after submission to the Legislative Assembly
Previous papers:	None
List of Documents:	PAC letter with recommendations, dated 17 th March 2026 Revised letter from the PAC, dated 27 th March 2026 PAC report: Review of the new port facility

1. Recommendations

Honourable Members are recommended:

- (a) To approve submission of the responses to the Assembly as set out in Section 5 of this report.
- (b) To approve that this report be made public after submission to the Legislative Assembly.

2. Additional Budgetary Implications

2.1 There are no budgetary implications.

3. Executive Summary

- 3.1 The Public Accounts Committee (PAC) undertook a review of the New Port Facility Project and concluded that the BAM New Port Facility project did not deliver value for money for the Falkland Islands Government and the Falkland Islands taxpayer. The review considered project governance, procurement, risk management, cost escalation, financial oversight and reporting arrangements.
- 3.2 The PAC made a series of recommendations intended to strengthen the governance and delivery of future major capital infrastructure projects. These recommendations focus on project cost transparency, value for money methodologies, financial risk management, independent financial scrutiny, reporting arrangements, project governance, requirements definition and project monitoring.
- 3.3 The Government welcomes the work undertaken by the PAC and recognises the importance of learning lessons from major infrastructure projects. Many of the recommendations align with changes already implemented since the New Port Facility project commenced, while others will help inform future improvements to project delivery and governance.

4. Background

- 4.1 The need to replace FIPASS and provide sustainable port infrastructure has been recognised by successive Falkland Islands Governments for more than twenty years. The New Port Facility project was initiated to address risks associated with the ageing FIPASS infrastructure and to support the long-term economic development of the Falkland Islands.
- 4.2 Executive Council approved a procurement process in 2019, resulting in the selection of BAM Nuttall as preferred contractor under an Early Contractor Involvement model. This approach sought to improve design certainty and reduce construction risks through collaborative development.
- 4.3 As the project progressed, a combination of evolving technical requirements, global inflationary pressures, supply chain disruption, financing considerations, the COVID-19 pandemic and the consequences of the war in Ukraine contributed to substantial cost increases. Executive Council ultimately decided not to proceed with Stage 2 of the project in September 2022.
- 4.4 The Public Accounts Committee subsequently reviewed the project and has provided recommendations intended to improve future delivery of major capital infrastructure programmes.

5. FIG Response to the report of the Public Accounts Committee

5.1 Recommendation One: Full assessment of project costs at project inception

The PAC recommends that all project costs, including internal resources, consultancy, legal support, regulatory obligations, maintenance implications and whole-life costs are identified and reported from the outset.

- 5.1.1 FIG accepts this recommendation.

- 5.1.2 The Government agrees that a whole-life costing approach should be adopted wherever practicable for major capital projects. Since the New Port Facility project commenced, improvements have been made to business case development and capital programme governance, ensuring a broader understanding of costs beyond contractor tender values.
- 5.1.3 Future major projects will continue to develop more comprehensive cost models that clearly separate contractor costs, owner costs, enabling works, professional services, financing costs, project staffing and contingency allowances.

5.2 Recommendation Two: Development of a Value for Money methodology

The PAC recommends development of a transparent methodology for assessing value for money and economic benefits from major capital investments.

- 5.2.1 FIG accepts this recommendation.
- 5.2.2 Government recognises the value of structured appraisal methodologies and agrees that future major business cases should explicitly identify strategic benefits, economic impacts, financial implications, risks and non-financial outcomes.
- 5.2.3 Officers will consider how established frameworks, including principles similar to those contained within HM Treasury's Green Book methodology, can be proportionately applied to major Falkland Islands Government investments.
- 5.2.4 FIG wishes to recognise that benefits will not always be straight economic impact. With the project under review, the mere fact of having a functioning port is a critical enabler of life in the Islands, in all sorts of ways that would not be picked up by standard value-for-money assessments, and these wider impacts must not be lost because of commitment to a single suite of methodologies for assessing overall value.

5.3 Recommendation Three: Improved financial risk assessment and monitoring

The PAC recommends that realistic financial risk models are developed and continually reviewed throughout project delivery, with emerging risks communicated through governance structures.

- 5.3.1 FIG accepts this recommendation.
- 5.3.2 Government agrees that cost and risk forecasting for major infrastructure projects must remain dynamic throughout project delivery. Experience from the New Port Facility project demonstrated the extent to which global events can rapidly alter project cost assumptions.
- 5.3.3 Future projects will continue to strengthen risk review processes through regular reassessment of financial assumptions, contingency requirements, inflation exposure and market conditions.

5.4 Recommendation Four: Financial reporting and governance oversight

The PAC recommends establishment of separate financial reporting arrangements and more regular reporting to Members and Executive Council.

- 5.4.1 FIG partially accepts this recommendation.
- 5.4.2 Government agrees that major capital projects require robust financial oversight and clear reporting arrangements. The extent and frequency of reporting should however remain proportionate to project scale, complexity and delivery stage.
- 5.4.3 Officers will review reporting requirements for major projects to ensure decision makers receive clear information regarding expenditure, risks, delivery confidence and forecast outcomes at appropriate intervals.

5.5 Recommendation Five: Independent financial expertise

The PAC recommends inclusion of a Management Accountant or similar independent financial specialist within major capital projects.

- 5.5.1 FIG accepts this recommendation in principle.
- 5.5.2 Government agrees that strong financial scrutiny adds value to project governance arrangements. The precise model adopted may vary depending on project size and complexity and could include support from Treasury, external advisors, specialist project controls professionals or dedicated project finance resources.
- 5.5.3 Major infrastructure projects now consider such requirements at project inception. Requirements for specialist legal and other advice is also be considered at this point.

5.6 Recommendation Six: Project management and governance arrangements

The PAC recommends strengthening project planning, governance arrangements and requirements development from the earliest stages of project initiation.

- 5.6.1 FIG accepts this recommendation.
- 5.6.2 Government agrees that successful project outcomes rely on clearly defined requirements, governance structures, stakeholder responsibilities and performance measures.
- 5.6.3 Lessons learned from the New Port Facility project have informed current approaches to project initiation, business case development and programme governance, and these improvements will continue to mature.

5.7 Recommendation Seven: Alignment of infrastructure project delivery within Public Works

The PAC notes positively that capital infrastructure functions have moved into Public Works and recommends continued integration within a professional infrastructure environment.

- 5.7.1 FIG notes this recommendation.
- 5.7.2 Government acknowledges the PAC's support for organisational changes already implemented. The transfer of major projects functions into Public Works was undertaken to strengthen technical oversight, provide greater

alignment with infrastructure delivery expertise and improve resilience across the capital programme.

5.8 Recommendation Eight: Development of project dashboards and performance reporting.

The PAC recommends use of dashboard reporting systems providing timely visibility of programme progress, costs, risks and milestones.

- 5.8.1 FIG accepts this recommendation.
- 5.8.2 Government supports the use of project performance reporting tools for major capital projects. Current practice already includes use of programme and project reporting mechanisms, and creation of bespoke dashboard solutions appropriate to project scale and complexity.
- 5.8.3 The objective is to provide decision makers with timely, accurate and accessible information to support effective governance.

6. Consultation

- 6.1 Discussion with Director and Deputy Director of Public Works to ensure alignment with new Capital Projects team and approach.

7. Resource Implications

7.1 Financial Implications

None.

7.2 Human Resource Implications

None.

7.3 Other Resource Implications

None.

8. Legal and Legislative Implications

- 8.1 The Public Accounts Committee Ordinance 2009 Section 14(1) states: “If the Committee in reporting to the Legislative Assembly recommends that the Government should or should not take a course of action, the Governor is to submit within six months a written response to the Assembly”. This report fulfils this requirement.

9. Equalities and Human Rights Implications

- 9.1 None.

10. Environmental & Sustainability Implications

- 10.1 None.

11. Camp Implications

- 11.1 The future provision of safe, effective and sustainable port infrastructure remains of strategic importance to the whole Falkland Islands community, including Camp businesses, residents and industries that depend upon maritime logistics.

12. Significant Risks

- 12.1 No significant risks arise from the recommendations contained within this response. Failure to consider lessons learned from major capital projects may however reduce Government's ability to achieve optimum value for money in future infrastructure programmes.

13. Publicity

- 13.1 This report will be made public after presentation to Legislative Assembly.

14. Reasons for Recommending Preferred Option

- 14.1 To fulfil the statutory requirement to respond to the Public Accounts Committee and to demonstrate Government's commitment to learning lessons from major capital infrastructure projects, improving governance arrangements and ensuring transparency in public administration.

Public Accounts Committee

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Ref: PAC 26/03/01

17th March 2026

Cherie Clifford
Clerk of the Legislative Assembly and Executive Council
Legislative Assembly and Executive Council Members
Sullivan House
Stanley
Falkland Islands

Dear Members

Review of the Deep Water Port project

The Public Accounts Committee (PAC), as part of their work plan, committed to reviewing the Deep Water Port project.

The PAC has now utilised the resources available to it to facilitate background research and review the project. Findings are provided in the attached document.

The purpose of the review was to consider whether the funds spent represented value for money in terms of economy, efficiency and effectiveness.

Key Conclusion:

At the review conclusion it is assessed that the BAM New Port Facility project did not deliver value for money to the Falkland Islands Government and the Falkland Islands taxpayer.

Deep Water Port project:

The need for a new port facility to serve Stanley and the wider Falkland Islands, in place of the Falklands Interim Port and Storage System (FIPASS) has long been recognised. There have been a variety of internal and external studies commissioned that stretch back over twenty years, with a range of proposals and options developed during that time in various locations. These studies have all incurred cost to the Falkland Islands Government (FIG).

Executive Council (ExCo) report of March 2017 confirmed that new port infrastructure was needed to serve the needs of the traditional industries and support economic growth by the first part of the 2020's, it was noted also that the general state of FIPASS was worse than had been thought previously, and that its utility beyond 2021 could not be assured. The Islands Plan

2018-22 stated the objective to develop new port facilities that supported Falkland Islands industry during the current Assembly.

Executive Council on 19th March 2019 authorised a procurement exercise to identify a partner to deliver a new port facility. An Invitation to Tender (ITT) was issued on 31st May 2019. The highest combined technical and commercial score was BAM Nuttall, which scored a total weighted score of 79.96% against the score of 59.19% for Volker Stevin. As a result, the recommendation from the FIG professional team to the Project Board, and ExCo, was that BAM Nuttall should be awarded the contract for design and build of a new port for the Falkland Islands.

In the ExCo meeting on 13th February 2020, it was agreed to follow an “Early Contractor Involvement” process as this would involve a construction partner from the outset, allowing them to work collaboratively with FIG during the development of concept and detailed design. This approach would help to ensure that industry best practice, knowledge and experience was used in the development of the project, reducing cost related design risk and allowing earlier cost certainty through the contractor’s involvement.

Detailed schedules for each stage were to be agreed as part of the formal decision to proceed to the next gateway (at end of Stage 1a and Stage 1b). This would allow for FIG to terminate and re-tender if not happy with the contract proposals at end of Stages 1a and 1b. A project programme was submitted by the preferred bidder and is at Table 1: BAM project milestone dates.

Table 1: BAM project milestone dates.

Stage/ Activity	Start Date	End Date	Duration (approx.)
Exco Approval	February 2020		
Contract Execution	February 2020	March 2020	1 month
Stage 1a	April 2020	December 2020 – January 2021	9-10months
Stage 1b	January 2021	Aug/Sept 2021	9 months
Stage 2	Oct 2021	Aug - Oct 2023	21-24 months

ExCo approved the award of a contract to BAM Nuttall for the design and build of a new port in the location of the current port in Stanley Harbour, and delegated authority to the Director of Development & Commercial Services in conjunction with the Attorney General and Financial Secretary, to agree final terms for execution of the contract in accordance with a budget of £4,500,000 (rounded up from £4,491,665 Table below Stage 1a Port Cost Code 7087) – see below Table 2 Stage 1a of the contract, to completion of Concept Design.

Table 2: Stage 1a Additional Budget.**Stage 1a Additional Budgetary Implications – Capital.****Port Cost Code: 7087**

Capital Budget - Additional new Money for Stage 1a	2019/2020 CapEx (£)	2020/21 CapEx (£)	Total Stage 1a
Stage 1A tendered contract sum	1,600,000	£2,088,060	£3,688,060
Professional Team fees	£73,000	140,000	£213,000
External Legal fees	£25,000	£25,000	£50,000
FIG client side Project Manager & Project Admin assistant	£60,000	£75,000	£135,000
Capital Financing Consultancy Costs	£50,000	0	£50,000
Stage 1a Contingency	£162,000	£193,605	£355,605
Total Stage 1a	£1,970,000	£2,521,665	£4,491,665

NB: the costs for Stage 1a will be paid from existing capital funds.

The contract tendered sums for stages 1b and 2 for BAM Nuttall were estimated at £2,282,588 and £57,055,411 respectively (Table 3 BAM contracted tender costs). These would then be reviewed and confirmed as designs developed during stages 1a and 1b, and funds would be requested for the next stage at the end of Stage 1a Gateway. It was stated that this approach would deliver greater cost certainty as each stage progressed.

Table 3. BAM Nuttall Contracted Tendered Cost.

Tendered value 1a	£3,688,060	Plus FIG resources costs and Contingency total £605,605 Total project Cost Stage 1a £4,491,665
Tendered value 1b	£2,282,588	
Tendered value Port Build Completion Operational	£57,055,411	
Tender Submission Total	£63,026,060	

The February ExCo paper detailed that capital financing work was being undertaken to identify the preferred financing arrangements for the project, and this would be considered in the context of the 10-year Capital Programme. A further report to ExCo on capital financing proposals was presented later in Stage 1a. Other project costs would also be confirmed at the End Stage Gateways, when the next stage work was more clearly defined. These would include ongoing costs for professional team fees, FIG client-side Project Manager and Project Admin Assistant, external legal support, capital financing consultancy and project contingency. The PAC noted the significant costs to FIG out-with the BAM tender submission £63 million but not detailed in full to ExCo.

Under Procurement & Contracting Strategy in the February ExCo paper states that the procurement advertised the opportunity for a two stage Design & Build NEC4 ECC contract with Early Contractor Involvement. The contract allows for gateways and Notices to Proceed at the end of Stage 1a (Concept Design) and Stage 1b (Detailed Design). The PAC notes this would have allowed FIG to terminate the contract as early as Stage 1a.

There was an ExCo Paper in September 2021 where the Director of Development and Commercial Services reminded ExCo members that there had been twenty years of Government deliberation on the port and the importance it had towards the economic sustainability of the Islands, forming part of the critical national infrastructure. It was highlighted that the port would support future economic development and revenue and, with FIPASS reaching the end of its operational life, ensuring future port operations was critical for the Islands. Although almost certainly true, no cost benefit analysis was presented, nor economic strategy to validate this statement.

The decision not to proceed, due to escalating costs, was taken 12 months later by ExCo on 27 September 2022. The Director advised that BAM were willing to negotiate the fixed prices to £129 million which was the proposed fixed price minus the risk and inflation. ExCo supported the recommendation not to proceed with the BAM contract enabling affordable options to be brought forward.

In 2019 the option for a like-for-like floating barge replacement was rejected on rough order cost assessment, yet 4 years later, and with time wasted and millions of Falkland Islanders tax payers money spent, ExCo reverted to progressing the option of the replacement of the floating barges.

The cost of the BAM project was negotiated to an offer of £129 million (fixed price but a cost share of inflation and risk). The indicative cost of replacement barges is £131 million which does not include risk or inflation, which when set against real world cost increase of capital infrastructure projects “benchmarked against UK Govt and UK MOD capital infrastructure projects” could (is most likely) to be in the order of upto 40% added cost. It is highly likely that the replacement barge solution will cost more than £131 million (40% ~ £183.4 million).

Recommendations:

During the research for this review a potential recommendation was that any future Capital infrastructure project team sit within the functions of the Director of PWD. Benefiting from working within a similar cohort of colleagues, a technical support structure and a Director professionalised in delivering infrastructure projects. The PAC is pleased to note that the Capital Infrastructure teams now sit under Deputy Director PWD – Projects.

In light of the findings of the review the PAC make the following recommendations:

Recommendation 1. The PAC recommends the project team are to ensure full project costs are assessed at the start of the process. This should include all costs: initial assessment and market evaluation, ITT cost, contractor bids, FIG full operating costs specific to the project to include legal fees, consultancy costs, environmental impact assessment, extended support and maintained costs for the infrastructure being replaced.

Recommendation 2. The PAC recommends FIG should develop a transparent and open model and methodology to demonstrate the value for money of a project and specifically Capital Infrastructure projects. (A process to detail the economic benefits of investment and the

projected value added to the Falkland Islands Government and wider community economy and GDP. The UK Government uses the “Green Book” this refers to HM Treasury's guidance on appraising policies, programmes, and projects within the public sector. It provides a framework for assessing the costs, benefits, and risks of different options to achieve government objectives. Essentially, it helps ensure that public spending is effective and provides value for money (See Appendix 6 for a comprehensive evaluation of a VfM criteria.)

Recommendation 3a. The PAC recommends the project team develop a realistic and detailed project cost / financial Risk evaluation.

Recommendation 3b. The PAC recommends that financial risk must be reviewed continually throughout the project and Risk factors adjusted as “real-world” impacts take effect. Changes to Risk must be communicated through the Governance framework in a timely way – reporting to Project Board and ExCo on a regular basis

Recommendation 4a. The PAC recommends that whilst FIG can delegate the task of project financial management, it cannot abrogate the responsibility for financial control. For future Capital infrastructure projects, a separated project financial risk reporting process should be established and presented to MLAs frequently (minimum every FY quarter).

Recommendation 4b. The PAC further recommends that the Capital infrastructure project team are to ensure frequent briefings to MLAs and ExCo Members. This would be to ensure Governance compliance, to allow MLAs and ExCo Members the opportunity to value second and third order issues and impact, to ensure decision makers are satisfied with progress, to give decision makers early indication of issues and concerns.

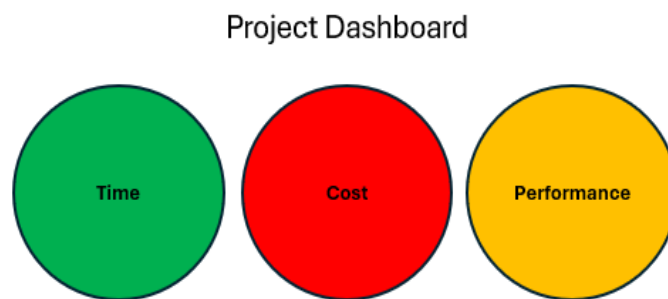
Recommendation 5. The PAC recommends that FIG considers that the project team is augmented by a Management Accountant / Finance Officer. This person would be responsible for giving impartial and independent assessment and evaluation of project costs and budget trends. This appointment could provide support across a range of projects and Capital infrastructure projects. The individual would have the skills to focus and understand the impact of real-world costs escalation as the project moves into the implementation phase. With the responsibility to forecast and extrapolate cost increase across the whole project delivery targets and timeline. This role would be independent to the project team. Optimism bias from a project team is a known behaviour which the PAC has made recommendations on previously. The effect of bias meant the MLAs taking multiple decisions, veering from one option to another, missed opportunities to highlight accelerating costs at an early stage (Aug 2020) with a consequence of budget beyond the initial decision remit and without a clear picture of the economic benefits and VfM. An independent Management Accountant would track budgets, increase in costs, question the reasons for increase (inflation, supply chain, material costs, project scope creep) and predict a forecast of final project costs. This skill and measure methodology would assist to remove project uncertainty and support ExCo members and MLA decision making.

Recommendation 6. The PAC recommends that for large capital projects FIG have planned project management in place at the start, particularly during the requirement scoping stage, which should decide the goals of the project and the responsibilities of key parties and

stakeholders. This project management team should prepare a detailed requirement document, which will form the baseline for the ITT. This will help to ensure detailed project requirement, the operational need, the economic benefit and that outcomes are researched and developed at an early stage. A good ITT with a researched project requirement definition will ensure more accurate contractor bids. Early researched requirements will deliver a focused project with defined outputs and known operational capabilities needed to deliver the economic benefit. Requirements that are not sufficiently refined generate uncertainty and project scope changes that adds cost and time. Two years after the ITT documents were published the ExCo paper in September 2022 detailing project scope reduction included:

- Reduction to quay size
- Reduction to Buildings on quay and the Gatehouse at the end of the Causeway
- Changes to resupply pontoons, and confirmed deletion of the RoRo
- Changes to the design for fire protection and firefighting
- Changes to reduce heavy load surfacing where not required around buildings/ walkways.

Recommendation 9. It is recommended that future Capital Infrastructure project teams develop a Dashboard reporting model to allow Governance decision makers (Project Board/ ExCo members / MLAS) regular access to interpret project progress. It is recommended that within the ITT process contractors are asked to present their solution for a project progress Dashboard reporting model. This must be open to allow access for project Governance members. An example dashboard is RAG (Red, Amber Green) illustrated below; the buttons should then allow the user to drill into the detail of various project milestones and Gantt chart progression targets.



Uncontrolled project delay and accelerating costs were not presented to the project team or ExCo members in a timely manner. ExCo meeting 127/22 dated Sep 2022, the Attorney General states at this meeting:

“Failure to appreciate the scope of works necessary has led to the addition of several items that have increased the totals significantly.”

“BAM’s failure to appreciate these, to control them, or even report them, has led to the speed of escalation”.

In Summary:

This review addresses the background to the project and concludes, as stated above, that value for money has not been achieved.

It is our intention to publish this report at our earliest convenience, but the committee wanted to give the Government prior notice of our intention.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bernie Goodwin', with a stylized flourish at the end.

Bernie Goodwin
Chairperson, Public Accounts Committee

c.c. HE The Governor
Chief Executive

Enc. Public Accounts Committee Review of Deep Water Port Project

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE NEW PORT FACILITY PROJECT



MARCH 2026

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Abbreviations

FIPASS	Falklands Interim Port and Storage System
ExCo	Executive Council
MOD	Ministry of Defence
NPF	New Port Facility
PWD	Public Works Department
PAC	Public Accounts Committee
ROC	Rough Order Costs
ROM	Rough Order of Magnitude
ITT	Invitation To Tender
FIG	Falkland Islands Government
BAM	Contractor BAM Nuttall
MLAs	Members of the Legislative Assembly
UK	United Kingdom
VfM	Value for Money

Executive Summary

The need for a new port facility to serve Stanley and the wider Falkland Islands, in place of the Falklands Interim Port and Storage System (FIPASS) has long been recognised. There have been a variety of internal and external studies commissioned that stretch back over twenty years, with a range of proposals and options developed during that time in various locations. These studies have all incurred cost to the Falkland Islands Government (FIG).

In March 2017 Executive Council (ExCo) confirmed that new port infrastructure was needed to serve the needs of the traditional industries and support economic growth by the first part of the 2020's, it was also noted that the general state of FIPASS was worse than had been thought previously, and that its utility beyond 2021 could not be assured.¹ The Islands Plan 2018-22 stated the objective to 'ensure the development of a new port facility that supports industry.'

In March 2019 ExCo authorised a procurement exercise to identify a partner to deliver a new port facility.² After a tender process BAM Nuttall was awarded the contract for design and build of a new port for the Falkland Islands. It was agreed to follow an "Early Contractor Involvement" process as this would involve a construction partner from the outset, allowing them to work collaboratively with FIG during the development of concept and detailed design. This approach would help to ensure that industry best practice, knowledge and experience was used in the development of the project, reducing cost related design risk and allowing earlier cost certainty through the contractor's involvement.³

Detailed schedules for each stage were to be agreed as part of the formal decision to proceed to the next gateway (at end of Stage 1a and Stage 1b). This would allow for FIG to terminate and re-tender if not happy with the contract proposals at end of Stages 1a and 1b. The contract tendered sums for stages 1b and 2 for BAM Nuttall were estimated at £2,282,588 and £57,055,411 respectively. These would then be reviewed and confirmed as designs developed during stages 1a and 1b, and funds would be requested for the next stage at the end of Stage 1a Gateway. It was stated that this approach would deliver greater cost certainty as each stage progressed.

The decision not to proceed, due to escalating costs, was taken ExCo on 27 September 2022. The Director advised that BAM were willing to negotiate the fixed prices to £129 million which was the proposed fixed price minus the risk and inflation. ExCo supported the recommendation not to proceed with the BAM contract and to progress enabling affordable options to be brought forward.⁴

At the project conclusion it is assessed that the BAM New Port Facility project did not deliver value for money to the Falkland Islands Government and the Falkland Islands taxpayer.

¹ ExCo Paper 45/17

² ExCo Paper 22/19

³ ExCo Paper 05/20

⁴ ExCo Paper 127/22

About the Public Accounts Committee

The Public Accounts Committee (PAC) was established by section 81 of the Constitution and it is regulated by the Public Accounts Committee Ordinance 2009.

The PAC's membership

The PAC has a total of five members. Of these the Governor appoints three: the PAC Chair and two other PAC members. This is done in consultation with Members of the Legislative Assembly (MLAs), however, none of these specific appointments can be MLAs, nor can the Financial Secretary, described in the Constitution as Director of Finance, be a member of the PAC.)

The Legislative Assembly will then elect 2 MLAs to be the other two PAC members. (An MLA cannot serve on the PAC at the same time as being a member of Executive Council nor at the same time as being the Chair or Deputy Chair of the Standing Finance Committee - see section 81(1) of the Constitution and section 5 of the Ordinance.)

The current members of the PAC are:

- Bernie Goodwin (Chair)
- Sacha Cleminson (Deputy Chair)
- Vacancy (Lay Member)
- MLA Stacy Bragger (joined the PAC March 2026)
- MLA Dot Gould (joined the PAC March 2026)

The work of the PAC is supported by a full time Clerk, Nancy Locke, and it can also engage other people to assist in its work.

The PAC's role

The functions of the PAC can be summarised as follows:

- to examine and report on public accounts and audit reports, including those of FIG itself, as well as statutory bodies, bodies that receive public money and bodies in which FIG or a statutory body is a shareholder;
- to advise on external audit arrangements and to examine and report on all reports produced by FIG's Internal Audit Department;
- to consider and report on the effectiveness of the regulation of bodies that have been granted franchises to provide services of a public nature;
- to consider and report on any other matter that the Governor may refer to the PAC.

When carrying out its functions, the PAC has to look at the value for money derived from the public money that has been spent. It can also look at the arrangements made to manage financial risk.

The Ordinance uses the terms "economy, efficiency and effectiveness", which are widely used in relation to PAC activities worldwide. Economy, efficiency and effectiveness can be described as "spending less, spending well, and spending wisely".

One way of measuring these involves looking at:

- Inputs, such as staff and buildings vs costs in monetary terms (economy),
- Outputs of a particular good or service vs inputs (efficiency),
- Outcomes in terms of the impact on society vs outputs (effectiveness),
- Value for money is the overall relationship between costs and outcomes.

The role of the PAC does not include considering matters of policy: the PAC's job is not to look at why money has been spent, but how.

However, although the Ordinance provides that the PAC's functions do not include considering matters of policy, it does not define what are matters of policy and there is a clear potential for overlap between policy and delivery, particularly when looking at effectiveness.

A common-sense approach is being taken in this review to determine what are matters of policy and what are matters of delivery.

Value for money (VfM)

Value for money (VfM) in government refers to ensuring that public resources are used efficiently and effectively to achieve the best possible outcomes for taxpayers. It's about maximizing the value derived from every pound spent on government policies, projects, and programmes.

FIG New Port Facility – A Capital Infrastructure Requirement

‘The proposal a new port, offering greater berthing capacity, to be built in the vicinity of the current port, with changes to causeway position that will be developed and confirmed during concept and detailed design. There will be a carefully planned programme which allows for the port to remain operational throughout the construction period of the new port, before FIPASS is de-commissioned at the end of the project. Stage 1a will include programming work with the Public Works Department (PWD) to ensure appropriate plans are in place for production, storage and transport of construction material required from the quarry.’⁵

New Port Facility Background and Key Decision Points

The need for a new port facility to serve Stanley and the wider Falkland Islands, in place of the Falklands Interim Port and Storage System (FIPASS) has long been recognised. There have been a variety of internal and external studies commissioned that stretch back over twenty years, with a range of proposals and options developed during that time in various locations. These studies have all incurred cost to the Falkland Islands Government (FIG).

Executive Council confirmed in March 2017 that new port infrastructure was needed to serve the needs of the traditional industries and support economic growth by the first part of the 2020’s, it noted that the general state of FIPASS was worse than had been thought previously, and that its utility beyond 2021 could not be assured.⁶

Legislative Assembly’s Islands Plan 2018-22 stated the objective to ensure the development of a new port facility that would support Falkland Islands industry.

Executive Council in March 2019⁷ authorised a procurement exercise to identify a partner to deliver a new port facility. An Invitation to Tender was issued on 31st May 2019 and the tender response deadline was extended from 31st August 2019 to 30th September 2019. Three tenders were received, two tenders were evaluated. The highest combined technical and commercial score was BAM Nuttall, which scored a total weighted score of 79.96% against the score of 59.19% for Volker Stevin. As a result, the recommendation from the FIG professional team to the Project Board, and ExCo, was that BAM Nuttall should be awarded the contract for design and build of a new port for the Falkland Islands.

At ExCo in February 2020 it was agreed to follow an “Early Contractor Involvement” process as this would involve a construction partner from the outset, allowing them to work collaboratively with FIG during the development of concept and detailed design. This approach would help to ensure that industry best practice, knowledge and experience was used in the development of the project, reducing cost related design risk and allowing earlier cost certainty through the contractor’s involvement.⁸

⁵ New Port Facility at the Falklands Project Initiation Document

⁶ ExCo Paper 45/17

⁷ ExCo Paper 22/19

⁸ ExCo Paper 05/20

Detailed schedules for each stage were to be agreed as part of the formal decision to proceed to the next gateway (at end of Stage 1a and Stage 1b). This would allow for FIG to terminate and re-tender if not happy with the contract proposals at end of Stages 1a and 1b. A project programme was submitted by the preferred bidder and is at Table 1: BAM project milestone dates.

Table 1: BAM project milestone dates.

Stage/ Activity	Start Date	End Date	Duration (approx.)
Exco Approval	February 2020		
Contract Execution	February 2020	March 2020	1 month
Stage 1a	April 2020	December 2020 – January 2021	9-10months
Stage 1b	January 2021	Aug/Sept 2021	9 months
Stage 2	Oct 2021	Aug - Oct 2023	21-24 months

ExCo had approved the award of a contract to BAM Nuttall for the design and build of a new port in the location of the current port in Stanley Harbour, and delegated authority to the Director of Development & Commercial Services in conjunction with the Attorney General and Financial Secretary, to agree final terms for execution of the contract in accordance with a budget of £4,500,000 (rounded up from £4,491,665 Table below Stage 1a Port Cost Code 7087) – see below Table 2 Stage 1a of the contract, to completion of Concept Design.

Table 2: Stage 1a Additional Budget.

Stage 1a Additional Budgetary Implications – Capital.

Port Cost Code: 7087

Capital Budget - Additional new Money for Stage 1a	2019/2020 CapEx (£)	2020/21 CapEx (£)	Total Stage 1a
Stage 1A tendered contract sum	1,600,000	£2,088,060	£3,688,060
Professional Team fees	£73,000	140,000	£213,000
External Legal fees	£25,000	£25,000	£50,000
FIG client side Project Manager & Project Admin assistant	£60,000	£75,000	£135,000
Capital Financing Consultancy Costs	£50,000	0	£50,000
Stage 1a Contingency	£162,000	£193,605	£355,605
Total Stage 1a	£1,970,000	£2,521 665	£4,491,665

NB: the costs for Stage 1a will be paid from existing capital funds.

The contract tendered sums for stages 1b and 2 for BAM Nuttall were estimated at £2,282,588 and £57,055,411 respectively (Table 3 BAM contracted tender costs). These would then be reviewed and confirmed as designs developed during stages 1a and 1b, and funds would be requested for the next stage at the end of Stage 1a Gateway. It was stated that this approach would deliver greater cost certainty as each stage progressed.

Table 3. BAM Nuttall Contracted Tendered Cost.

Tendered value 1a	£3,688,060	Plus FIG resources costs and Contingency total £605,605 Total project Cost Stage 1a £4,491,665
Tendered value 1b	£2,282,588	
Tendered value Port Build Completion Operational	£57,055,411	
Tender Submission Total	£63,026,060	

The ExCo paper in February 2020 detailed that capital financing work was being undertaken to identify the preferred financing arrangements for the project, and this would be considered in the context of the 10-year Capital Programme.⁹ A further report to ExCo on capital financing proposals was presented later in Stage 1a. Other project costs would also be confirmed at the End Stage Gateways, when the next stage work was more clearly defined. These would include ongoing costs for professional team fees, FIG client-side Project Manager and Project Admin Assistant, external legal support, capital financing consultancy and project contingency. The PAC noted the significant costs to FIG out-with the BAM tender submission £63 million but not detailed in full to ExCo.

Under Procurement & Contracting Strategy the February 2020 ExCo paper states that the procurement advertised the opportunity for a two stage Design & Build NEC4 ECC contract with Early Contractor Involvement. The contract allows for gateways and Notices to Proceed at the end of Stage 1a (Concept Design) and Stage 1b (Detailed Design). The PAC notes this would have allowed FIG to terminate the contract as early as Stage 1a.

In an ExCo Paper in September 2021, the Director of Development and Commercial Services reminded ExCo members that there had been twenty years of Government deliberation on the port. The importance the port had towards the economic sustainability of the Islands, forming part of the critical national infrastructure was emphasised. It was highlighted that the port would support future economic development and revenue and, with FIPASS reaching the end of its operational life, ensuring future port operations was critical for the Islands.¹⁰ Although almost certainly true, no cost benefit analysis was presented, nor economic strategy to validate this statement.

The decision not to proceed, due to escalating costs, was taken 12 months later by ExCo on 27 September 2022.¹¹ ExCo were advised that BAM were willing to negotiate the fixed prices to £129 million which was the proposed fixed price minus the risk and inflation. ExCo supported the recommendation not to proceed with the BAM contract and to progress enabling affordable options to be brought forward.

In February 2023 ExCo Members approved the option for replacement of FIPASS Barges - Progress to Invitation to Tender (ITT), the replacement of the existing FIPASS barges with a new floating barge solution. The indicative, rough order costs, was detailed at £131 million.¹²

Implicitly within this project design and commercial model is the acceptance to terminate the contract if required but also accepts the loss of capital in the process. Whilst the BAM stage 1a and 1b outputs may be useful for subsequent infrastructure delivery it would be naive at best to conclude that a new contractor would be entirely satisfied with a design product of such complexity and

⁹ ExCo Paper 05/20

¹⁰ ExCo Paper 160/21

¹¹ ExCo Paper 127/22

¹² ExCo Paper 17/23

accept entirely the risk without explicitly reworking many of the technical assumptions. At this stage ExCo should have been exposed to the financial risk that total circa +£12 million would be wasted if at the end of Stage 1a/1b FIG choose not to proceed with BAM (with BAM and FIG costs included this value is circa £20 million including project team costs, FIPASS costs, added legal and consultancy fees).

In 2019 the option for a like-for-like floating barge replacement was rejected on rough order cost assessment, yet 4 years later – and with time wasted and millions of Falkland Islanders tax payers money spent - ExCo reverted to progressing the option of the replacement of the floating barges enabling an affordable solution to be brought forward.

The cost of the BAM project was negotiated to an offer of £129 million (fixed price but a cost share of inflation and risk). The indicative cost of replacement barges is £131 million which does not include risk or inflation, which when set against real world cost increase of capital infrastructure projects “benchmarked against UK Govt and UK MOD capital infrastructure projects” could (is most likely) to be in the order of upto 40% added cost. It is highly likely that the replacement barge solution will cost more than £131 million (40% £183.4 million).

The PAC notes year on year maintenance costs to keep FIPASS operational is circa £1 million. If the decision had been taken in 2019 to replace like for like – floating barges, this would have potentially saved FIG between £5 million and £9 million. In contrast the BAM option progressed has cost FIG and the Tax payer circa £14 million and taking into account added FIPASS maintenance costs at circa £20 million. Interrogating the various ExCo papers and other documents it is difficult for the PAC researcher to get a definitive total cost across all FIG spending directly and indirectly related to this project. It is assessed that the circa £20 million is conservative.

Financial Summary – New Port Facility

Table below Stage 1a (Port Cost Code 7087) for Stage 1a of the contract, to completion of Concept Design. Table 5 details cost increase over the period Feb 2020 to Dec 2022.

Table 5. BAM Nuttall Project Costs Over Time (Feb 2020 to Dec 2022).

	Feb 2020 (5/20)	Sep 2020	Sep 2021 (160/21)	Sep 2022 (127/22)	Dec 2022 (167/22)
Tendered value 1a	£3,688,060	Plus FIG resources costs and Contingency total £605,605 Total project Cost Stage 1a £4,491,665			
Tendered value 1b	£2,282,588		BAM fixed cost now increased to £4,762,106 (47% increase). Including FIG resources, fees, enabling works etc total budget requested £9,309,631		Forecast total spend for Stage 1b £6,975,52 return to Treasury at the close of Stage 1b £2,334,108
Tendered value Port Build Completion Operational	£57,055,411				
Total Combined BAM Nuttall Tender / or funding request Total	£57,055,411	£63,026,060	£80,841,526 (£24 million cost increase / 42% increase)	£157,752,738 BAM final project cost offer. Plus FIOG costs total £177 million	

Stage 1a Cost Increase

The Senior Project Manager's Presentation to the Project Board 30th October 2020 detailed the increase on costs set against the original BAM tender. Over a 3-month period the costs increased by 17% from £3,688.060 to £4,303,391. If the project team has extrapolated this level of cost increase over the project timeline, then in October 2020 it would have been possible to forecast a potential total project cost which would have been circa £138 million (see table below developed by PAC Researcher). This should have set the alarm bells ringing and MLAs / ExCo presented with an information note.

Table 6. Changes to Contract Sum October 2020 Forecast

Description	Contract Sum	August 2020	September 2020	Forecast October 2020	Forecast Movement
Contract Sum	£63,026,060.10				
Stage One A	£3,688,060.06	£3,688,060.06	£3,688,060.06	£3,688,060.06	
Implemented PMI/CE			£77,825.89	£77,825.89	
Estimated PMI/CE			£70,000.00	£248,000.00	
Potential (EWN)		£19,953.50			
Forecast cost movement		£130,635.27	£130,173.18	£130,173.18	
Stage to Stage movement			£127,987.45	£159,332.23	
Anticipated changes					
SUBTOTAL		£3,838,648.83	£4,094,046.58	£4,303,391.36	£615,331.30

Table 7. Realised Inflation Cost to Project Over a 3 Month Period Oct 2020 and Extrapolated Potential Project Costs

Realised inflation costs over a period of 3 months					
BAM Contract sum	Aug-20	Sep-20	Oct-20		
£3,688,060	£3,838,648	£4,094,056	£4,303,391		
Increase costs	£150,588	£405,996	£615,331		
% increase of contracted sum	4%	11%	17%	extrapolated over 12 months increase 68%	
BAM Contract sum	Direct extrapolation of % increase costs as indicative future increase whole project costs over 3 months			Over 1 year this would equate to an additional cost	Over 2 year this would equate to an additional cost
	Aug-20	Sep-20	Oct-20		
£57,055,411	£2,329,642	£6,280,882	£9,519,358	Aug-21	Aug-22
% increase of contracted sum	4%	11%	17%	68%	136%
Total project cost	£59,385,053	£63,336,293	£66,574,769	£40,381,836	£80,763,672
Total project forecast cost based on real world actual inflation costs realised Aug 2020 to Oct 2022				£99,766,889	£137,819,083
Note: As early Oct 2020 it was entirely possible to forecast total project cost increase for Aug 2022					

Stage 1b Cost Increase

Stage 1b costs increased from the original BAM tender submission of £2,282,588 noted at ExCo meeting February 2020¹³ to **£4,762,106** a 47% increase over a 12-month period¹⁴. Such a level of increase should have been another indicator in September 2021 to the Project Team that the total project costs were in real terms going to be significantly higher than the BAM tender contractual agreement. It would have been prudent for MLAs and ExCo to be informed of this potential in September 2021.

Early indication of project cost escalation was available in Oct 2020 and Feb 2021. No evidence was found that informed ExCo of the potential cost increase to the total value of the project.

However, this is not the total costs for Stage 1b which also included FIG resources costs, enabling works, consultation fees etc and sums up to a total of **£9,309,631**. This was the value requested for financial approval ExCo September 2021. The original business case¹⁵ only detailed the BAM costs, this was a failure of the project team not to expose the real (total) project cost to the ExCo. Even if at the early stage these might not have been 100% quantifiable, financial transparency at the earliest stage should be presented to ExCo.

This inflation increase from October 2020 should have set alarm bells ringing. It would have been a simple extrapolation in early 2020 of % increase to gain an understanding of the potential cost increase to the overall project, by the assumptions of a linear increase as realised over the period

¹³ ExCo Paper 5/20

¹⁴ ExCo Paper 160/21

¹⁵ ExCo Paper 5/20

August 2020 to October 2020 would have amounted to circa added £80 million cost to the original £57 million original BAM tender bid. The extrapolated cost £80 million added to the original tender value £57 million gives a total £138 million, a value the project team could have foreseen or predicated or extrapolated as early as October 2020. This value closely matches the final offer from BAM of £157 million in August 2022 or the alternative [informal] proposal of a Fixed Cost of £129 million (albeit this final figure did not include risk and inflation cost).

It must also be noted that these are only BAM project costs, they do not include additional project costs FIG resources, aggregate, legal fees, consultancy fees etc which are estimated to give a total project cost of £177 million in 2022.

Project due diligence is a responsibility across all stages of project Governance. It is a fundamental responsibility for the Project Board to provide scrutiny, ask the second and third order questions, question impact to the project set against time, cost, performance and challenge the project team. It is human nature for the individual involved in the detail of the project to have a narrower personal vision, immersed in the daily detail of project and problem solving. This is why there are layers of management intervention within the Governance structure - to lift the view wider and consider implications and impact. A failure of the project was for this scrutiny to take place at a timely stage. It is impossible in hindsight to know if ExCo would have approved continuation in October 2020 with a knowledge that project cost forecasts could have been circa £138 million. However, what is true is that information at an early stage would have conditioned ExCo to expect cost increase, instead information was received late and was unexpected and received as a shock. The reality was that as early as October 2020 costs were increasing absolutely. Project team early action to highlight total project cost increase forecast or extrapolated against real world impact (COVID pandemic) should have given ExCo early warning of increase to project total costs.

Within the February 2020 ExCo paper¹⁶ it stated ongoing costs for Professional Team fees, FIG client-side Project Manager and Admin Assistant, external legal support, capital financing consultancy and project contingency. Based on these costs and the tendered sum, a total project budget in the order of £66 million could be envisaged, excluding contingency. Within the Risk Matrix the financial contingency was set at between £300,000 and £700,000 (0.5% and 1.23% of project costs). Within the ExCo paper it did not indicate the level of financial Risk that should be assigned to this Capital project, this information would have been valuable for ExCo members.

For infrastructure projects of this scale, it would have been judicious to allocate an indicative contingency cost of at least 20% (UK MoD projects at this stage of planning routinely allocate up to 40% financial risk Rough Order Costs (ROC)).

It was also stated that Capital Financing work was being undertaken to identify financing options for the project, within the context of the government's 10-year Capital Programme being considered as part of the 2020-21 Budget process. A further report to ExCo on capital financing proposals will be brought towards the end of Stage 1a (within the project plan this is forecast to be January 2021). More engagement with potential lenders will also be undertaken during 2020, in order to identify the most suitable options for funding, which will form the basis of a further report to ExCo later in Stage 1a. As part of the management of financial risk, the potential for changes to any interest rate basis would need to be considered.

ExCo have been requested to approve a Capital infrastructure project without assured finances. It should have been identified at this stage that Bond markets (financial lenders) are volatile and subject to economic shocks. In hindsight the past 10 years (from this paper date 2020) was relative

¹⁶ ExCo Paper 5/20

stability and the project team may have anticipated a future stable financial market. Clear thinking would have realised that the relative stability was not assured, the UK Government was impacted severely by the 2008 Global financial crisis, which triggered a global economic downturn. It should have been clear and evident that impact of potential risk for changes to any interest rate basis should have been presented at an early stage to ExCo.

In addition, the 2017 report from Marine Design International identified that there is no guarantee that FIPASS can remain operational after 2021. Costs for simply keeping FIPASS safe to operate on an indefinite basis are at the present moment unknown, with a minimum budget for maintenance of £3m allocated over the next three years. As stated above, there is a rising risk of partial or complete failure of FIPASS. Pro-rata £1m per year to ensure FIPASS remains operational (2020 cost assessed).

Value for money focused the team to detail that if no contract was agreed, options to look at what might be done to keep FIPASS operational would have to start again. This incurs cost to the FIG, and time-consuming and involve additional procurement of consultants and contractors to carry out surveys, design and cost other potential works and then procure these. Funds would be required for this. A high level assessment of like-for-like replacement of the current FIPASS was undertaken by Ramboll UK at the same time as the ECI procurement, including market engagement with global manufacturers to identify likely costs and supply chains. The costs for this option were identified as broadly comparable to those proposed by the proposed winning tenderer.

At this stage notwithstanding the near future global economic shocks, the project team were certain that detail assessment and fact finding had determined a VfM option to proceed with the requirement for a new port facility.

Stage 2 Cost increase

During the September 2022 ExCo meeting the New Port Facility – Stage 2 Options were presented.¹⁷ BAM's budget cost for Stage 2 at end of Stage 1a was £80,841,526, versus the initial tender of £57,055,411. This no longer included the scope of the work that was transferred to FIG to deliver and manage directly such as quarried material, laydown areas and fuel delivery systems. Under the Stage 1b contract, BAM submitted a fixed price on 3rd August 2022. This price was £157,752,738 and was issued as a fixed price offer for the duration of the project. This price is a significant increase from all previously submitted budgets. Table 8 below summarises the movement between BAM's initial tender and BAM's Stage 2 fixed price submission. The total cost has increased by 95% in the 11 months from the start of Stage 1b, and while a proportion of this is the effect of inflation in tendered activities, a significant driver of cost increases, that does not explain the entire uplift.

¹⁷ ExCo Paper 127/22

Table 8. Project Cost Movement Aug 2022.

Table 1 – Cost movement ¹

Element	Tender	End of Stage 1a (September 21)	Fixed Price at the end of Stage 1b (August 22)	Variance from 1a to 1b
Pre-commencement and preliminaries	11,255,697	17,856,558	27,075,961	9,219,403
Decommissioning FIPASS	3,368,974	5,883,671	7,484,154	1,600,483
Construction	34,932,469	42,300,636	69,574,756	27,274,120
Inflation	0	0	19,510,818	19,510,818
Risk	-598,700	3,294,125	10,350,400	7,056,275
Insurances	423,074	633,441	2,539,083	1,905,642
Fee	7,673,889	10,873,094	21,217,566	10,344,472
Total	57,055,403	80,841,525	157,752,738	76,911,213

The ExCo paper in February 2023¹⁸ contradicts this stating that a more affordable option is a like-for-like replacement of barges (indicative costs of £131 million) and this is again contradicted from the 2019 assessment for a 'like for like' replacement of FIPASS with more floating barges. After a high-level review with a rough order of magnitude (ROM) cost estimate, a fixed quay solution was preferred (assumption must be VfM with lower costs).

¹⁸ ExCo Paper 17/23

Geopolitical Event and Financial Impacts

For context it is important to understand the external (to the Falkland Islands) geopolitical factors that at this period effected global financial markets, supply chains, materials, equipment and resource impact. These all had a direct implication to the financial model for the Stanley Port facility, increasing costs. These dates are also important to view against the new port facility decision making key dates.

Since 2020 global financial markets have been significantly impacted by several geopolitical events, most notably COVID-19 pandemic and the war in Ukraine:

COVID-19 pandemic March 2020 – June 2022. For the UK lockdown impact was from March 2020 to March 2021 – noting in the Falklands Islands COVID-19 testing started April 2020 with restriction easing around May 2022 and June 2022 COVID-19 virus was considered endemic due to low infection rates.

Brexit 2020. United Kingdom withdrawal from the European Union 31 January 2020. Brexit was also a legacy issue creating structural barriers to trade and investments.

Ukraine war February 2022. February 2022 when Russia invaded Ukraine it triggered multi-faceted impacts on the global economy, causing disruptions to financial markets, supply chains and economic growth.

Whilst the project model had a level of contingency in Stage 1a there was limited financial contingency (upper level 1.23% taken from Risk Matrix) costed into the most significant part of the project: the building of the infrastructure port facility. Increasing costs were presented through BAM Nuttall to the FIG project team.

The FIG project team should have understood the risk, detailed a realistic financial contingency and presented this to ExCo outside of the BAM Nuttall tendered costs. The project team were undoubtedly wishing to present the best financial case for an expensive capital project and failed to detail absolute risk to ExCo members to understand.

How the review was carried out

In 2024, the PAC requested expressions of interest for assistance with the work of the PAC on a consultancy basis. This was to specifically review the Capital infrastructure project of the New Port Facility. The PAC researcher started the working in late 2024 coming to a temporary pause whilst the request for additional ExCo papers and unredacted reports and minutes were requested. The researcher was able to recommence this work in May 2025, with a draft completed in July 2025.

The methodology used was to follow project team progress through reviewing documenting such as Business Case, Project Implementation Documents, Steering Group meeting reports and updates, Project Board meeting minutes and ExCo papers. The method logic was to track key decision points and to understand how the decisions were made and what detail underpinned this decision-making process.

The PAC researcher objective was to determine if value for money for this project for FIG and the Falkland Islands taxpayer was achieved and was the efficacy of the decision-making process effective and efficient. The important output from the PAC review is to highlight Lessons Learnt so to improve future decision making and deliver value for money projects. This process is not to place blame.

The report was finalised by the PAC's full time Secretary and a first draft of the report was presented to the PAC meeting held in September 2025. The second draft was presented to the PAC when it became quorate again at a meeting held in February 2026.

Potential Recommendations the PAC may want to consider

Suggested Recommendation 1. The project team are to ensure full project costs are assessed at the start of the process. This must include all costs: initial assessment and market evaluation, ITT cost, contractor bids, FIG full operating costs specific to the project to include legal fees, consultancy costs, environmental impact assessment, extended support and maintained costs for the infrastructure being replaced.

Evidence: ExCo Paper in February 2020¹⁹, contractor bid costs failed to include FIG material production costs, project team resources Stage 1a £3,680,060 with total costs £4,491,6784 and Stage 1b costs £2,282,583. ExCo Paper dated September 2021²⁰ Stage 1b costs increased £4,762,106 contractor and a total budget request of £9,309,631 to include FIG costs.

Suggested Recommendation 2. To develop a transparent and open model and methodology to demonstrate the value for money of a project and specifically capital infrastructure projects. A process to detail the economic benefits of investment and the projected value added to the Falkland Islands Government and wider community economy and GDP.

Evidence: The UK Government uses the “Green Book” this refers to HM Treasury's guidance on appraising policies, programmes, and projects within the public sector. It provides a framework for assessing the costs, benefits, and risks of different options to achieve government objectives. Essentially, it helps ensure that public spending is effective and provides value for money. In ExCo paper in September 2022²¹, MLAs expressed concern over accelerating costs but were not provided with the data to value the economic VfM benefits. Without the VfM data and economic benefit outcomes specified it makes MLA decision making difficult.

Suggested Recommendation 3. The project team must develop a realistic and detailed project cost / financial risk evaluation.

Evidence: The project cost risk impact was woefully inaccurate by an order of £92,000,000 (the final BAM project offer £155,000,000 less contingency and risk). The published cost risk (2020) matrix ranged between **£300,000 to £700,000** set against the BAM Nuttall tender of £57 million represents an overall project risk between 0.5% and 1.23%. This figure shows an over optimistic assessment of the cost risk. It proved to be an unrealistic and the impact of this risk being actualised was to stop the project progressing, resulting in a waste of time, resources and money.

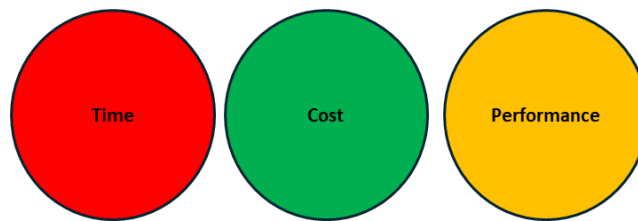
Suggested Recommendation 4. Financial risk must be reviewed continually thought out the project and Risk factors adjusted as “real-world” impact take effect. Changes to risk must be communicated through the Governance framework in a timely way – reporting to Project Board and ExCo on a regular basis. For ExCo more frequently than once every 12 months [New Port Facility ExCo papers / meetings: Mar 2019, February 2020, September 21, September 2022]. It is further recommended that a top-level project risk reporting Dashboard is developed, with MLAs / decision makers enabled access to review project progress and risk.

¹⁹ ExCo Paper 5/20

²⁰ ExCo Paper 160/21

²¹ ExCo Paper 127/22

Risk Dashboard



Evidence: ExCo meeting dated September 2022²², the Attorney General states at this meeting:

“Failure to appreciate the scope of works necessary has led to the addition of several items that have increased the totals significantly.”

“BAM’s failure to appreciate these, to control them, or even report them, has led to the speed of escalation”.

“But it would likely be better to reconsider the entirety of the budget inputs before crystallising a decision that will breach the currently agreed reserves policy.”

Suggested Recommendation 5. FIG can delegate the task of project financial management, but it cannot abrogate the responsibility for financial control. For future capital infrastructure projects, a separated project financial risk reporting process should be established and presented to MLAs frequently (minimum every FY quarter).

Evidence: At the ExCo meeting in September 2022²³ an MLA statement said, “moving forward, capital projects need to be given more realistic and achievable targets and costings”. Members of ExCo, MLAs and the general public are going to be legitimately questioning of how costs will be controlled in the next phase (development of interim solutions and remedial work on FIPASS).

Suggested Recommendation 6. Capital infrastructure project team should ensure frequent briefings to MLAs and ExCo Members. This is to ensure Governance compliance, to allow MLAs and ExCo Members the opportunity to value second and third order issues and impact, to ensure decision makers are satisfied with progress, to give decision makers early indication of issues and concerns.

Evidence: Project updates to ExCo were broadly every 12 months. [New Port Facility ExCo papers / meetings: Mar 2019, February 2020, September 21, September 2022 and February 2023].

Suggested Recommendation 7. It is recommended that the project team is augmented by a Management Accountant / Finance Officer. This person would be responsible for giving impartial and independent assessment and evaluation of project costs and budget trends. This appointment could provide support across a range of projects and capital infrastructure projects. The individual would have the skills to focus and understand the impact of real-world cost escalation as the project moves into the implementation phase, with the responsibility to forecast and extrapolate cost increases across the whole project delivery targets and timeline. This role would be independent to the project team.

²² ExCo Paper 127/22

²³ ExCo Paper 127/22

Evidence: Optimism bias from a project team is a known behaviour. The team members enveloped in the daily detail and a deep desire to succeed. This can create an unintended bias behaviour. The effect of bias meant the MLAs taking multiple decisions, veering from one option to another, missed opportunities to highlight accelerating costs at an early stage (Aug 2020) with a consequence of budget beyond the initial decision remit and without a clear picture of the economic benefits and VfM. An independent Management Accountant would track budgets, increase in costs, question the reasons for increase (inflation, supply chain, material costs, project scope creep) and predict a forecast of final project costs. This skill and measure methodology would assist to remove project uncertainty and support ExCo members and MLA decision making.

Suggested Recommendation 8. The infrastructure project team should work within a similar technical professional ecosystem. It is recommended that any future capital infrastructure project team sit within the functional Director of PWD. Benefiting from working within a similar cohort of colleagues, benefiting from a technical support structure and a Director professionalised in delivering infrastructure projects.

Evidence: Best practice within the UK MOD has the defence infrastructure organisation (DIO) responsible for the delivery of both the routine facilities management, maintenance (ie power and water distribution, road and lighting) and the delivery of Capital works projects (ie new powers station, water ring main, runway repair). This aggregation of professional technicians adds value to the process and delivery.

Note: it is understood that there is a proposal for organisation change and to put Capital Infrastructure teams under the DWP. **It is recommended that this proposal is implemented immediately at pace.**

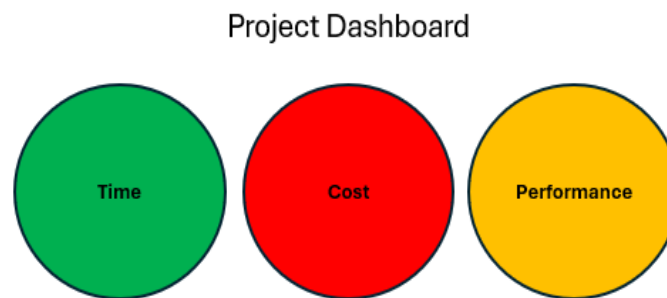
Suggested Recommendation 8. The PAC recommends that for the capital projects FIG have planned project management in place at the start, particularly during the requirement scoping stage, which should decide the goals of the project and the responsibilities of key parties and stockholders. The requirements document is the baseline for the ITT, to ensure detailed project requirement, the operational need, the economic benefit and outcomes are researched and developed at an early stage. A good ITT with a researched project requirement definition will ensure accurate contractor bid. Early researched requirements will deliver a focused project with defined outputs and known operational capabilities needed to deliver the economic benefit.

Evidence Requirements not refined generates uncertainty and project scope changes that adds cost and time. Two years after the ITT documents were published the ExCo paper in September 2022²⁴ detailed project scope reduction which included a reduction to quay size, reduction to buildings on quay and the gatehouse at the end of the causeway. Also there were changes to resupply pontoons and confirmed deletion of the Roll-on/Roll-off jetty following stakeholder engagement; changes to the design for fire protection and firefighting and changes to reduce heavy load surfacing where not required around buildings/ walkways.

Suggested Recommendation 9. It is recommended that future Capital Infrastructure project teams develop a Dashboard reporting model to allow Governance decision makers (Project Board/ ExCo members / MLAS) regular access to interpret project progress. It is recommended that within the ITT process contractors are asked to present their solution for a project progress Dashboard reporting model. This must be open to allow access for project Governance members. An example

²⁴ ExCo Paper 127/22

dashboard is RAG (Red, Amber Green) illustrated below; the buttons should then allow the user to drill into the detail of various project milestones and Gantt chart progression targets.



Evidence Uncontrolled project delay and accelerating costs were not presented to the project team or ExCo members in a timely manner. The Attorney General stated at the September 2022 meeting²⁵:

“Failure to appreciate the scope of works necessary has led to the addition of several items that have increased the totals significantly.”

“BAM’s failure to appreciate these, to control them, or even report them, has led to the speed of escalation”.

²⁵ ExCo Paper 127/22

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Shallow Marine Environmental Survey
Port William Business Case – Income and Cost Assumption

Meeting Papers (CONSIDER NOT PUBLIC)

Steering Group Meeting of 17th December 2020
Port Steering Group Meeting 04 February 2021 Action Notes
ExCo Decision Making – ExCo Meeting Minutes
ExCo Meeting - 160/21 (Sep 2021) Port - Stage One B Proposals
ExCo Meeting – 127/22 DDCCS (Sep 22) Port – New Port Facility – Stage 2 Options
ExCo Meeting - 17/23 (Feb 2023) New Port Facility – Options
Project Implementation Document (PID)
PID – Governance Process
Project Risks

ExCo Papers (CONSIDER NOT PUBLIC UNLESS STATED)

ExCo Paper 117/12
ExCo Paper 125/12
ExCo Paper 82/13 (OPEN)
ExCo Paper 171/14 (OPEN)
ExCo Paper 45/17
ExCo Paper 22/19
ExCo Paper 05/20
ExCo Paper 160/21
ExCo Paper 127/22
ExCo Paper 21/23
ExCo Paper 17/23

PAC Port Timeline/Scoping
Decision Making ExCo MLAs and Civil Service Relationship
Value for Money Detailed Guidance and Definition to Support Decision makers, Project Team, and Government Officers.
Good Project Management a Guide

Public Accounts Committee

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Ref: PAC 26/04/03

27th March 2026

Cherie Clifford
Clerk of the Legislative Assembly and Executive Council
Legislative Assembly and Executive Council Members
Sullivan House
Stanley
Falkland Islands

Dear Members

Review of the Deep Water Port project

The Public Accounts Committee (PAC), as part of their work plan, committed to reviewing the Deep Water Port project.

The PAC has now utilised the resources available to it to facilitate background research and review the project. Findings are provided in the attached document.

The purpose of the review was to consider whether the funds spent represented value for money in terms of economy, efficiency and effectiveness.

Key Conclusion:

At the review conclusion it is assessed that the BAM New Port Facility project did not deliver value for money to the Falkland Islands Government and the Falkland Islands taxpayer.

Deep Water Port project:

The need for a new port facility to serve Stanley and the wider Falkland Islands, in place of the Falklands Interim Port and Storage System (FIPASS) has long been recognised. There have been a variety of internal and external studies commissioned that stretch back over twenty years, with a range of proposals and options developed during that time in various locations. These studies have all incurred cost to the Falkland Islands Government (FIG).

Executive Council (ExCo) report of March 2017 confirmed that new port infrastructure was needed to serve the needs of the traditional industries and support economic growth by the first part of the 2020's, it was noted also that the general state of FIPASS was worse than had been thought previously, and that its utility beyond 2021 could not be assured. The Islands Plan

2018-22 stated the objective to develop new port facilities that supported Falkland Islands industry during the current Assembly.

Executive Council on 19th March 2019 authorised a procurement exercise to identify a partner to deliver a new port facility. An Invitation to Tender (ITT) was issued on 31st May 2019. The highest combined technical and commercial score was BAM Nuttall, which scored a total weighted score of 79.96% against the score of 59.19% for Volker Stevin. As a result, the recommendation from the FIG professional team to the Project Board, and ExCo, was that BAM Nuttall should be awarded the contract for design and build of a new port for the Falkland Islands.

In the ExCo meeting on 13th February 2020, it was agreed to follow an “Early Contractor Involvement” process as this would involve a construction partner from the outset, allowing them to work collaboratively with FIG during the development of concept and detailed design. This approach would help to ensure that industry best practice, knowledge and experience was used in the development of the project, reducing cost related design risk and allowing earlier cost certainty through the contractor’s involvement.

Detailed schedules for each stage were to be agreed as part of the formal decision to proceed to the next gateway (at end of Stage 1a and Stage 1b). This would allow for FIG to terminate and re-tender if not happy with the contract proposals at end of Stages 1a and 1b. A project programme was submitted by the preferred bidder and is at Table 1: BAM project milestone dates.

Table 1: BAM project milestone dates.

Stage/ Activity	Start Date	End Date	Duration (approx.)
Exco Approval	February 2020		
Contract Execution	February 2020	March 2020	1 month
Stage 1a	April 2020	December 2020 – January 2021	9-10months
Stage 1b	January 2021	Aug/Sept 2021	9 months
Stage 2	Oct 2021	Aug - Oct 2023	21-24 months

ExCo approved the award of a contract to BAM Nuttall for the design and build of a new port in the location of the current port in Stanley Harbour, and delegated authority to the Director of Development & Commercial Services in conjunction with the Attorney General and Financial Secretary, to agree final terms for execution of the contract in accordance with a budget of £4,500,000 (rounded up from £4,491,665 Table below Stage 1a Port Cost Code 7087) – see below Table 2 Stage 1a of the contract, to completion of Concept Design.

Table 2: Stage 1a Additional Budget.

Stage 1a Additional Budgetary Implications – Capital.

Port Cost Code: 7087

Capital Budget - Additional new Money for Stage 1a	2019/2020 CapEx (£)	2020/21 CapEx (£)	Total Stage 1a
Stage 1A tendered contract sum	1,600,000	£2,088,060	£3,688,060
Professional Team fees	£73,000	140,000	£213,000
External Legal fees	£25,000	£25,000	£50,000
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Stage 1a Contingency	£162,000	£193,605	£355,605
Total Stage 1a	£1,970,000	£2,521,665	£4,491,665

NB: the costs for Stage 1a will be paid from existing capital funds.

The contract tendered sums for stages 1b and 2 for BAM Nuttall were estimated at £2,282,588 and £57,055,411 respectively (Table 3 BAM contracted tender costs). These would then be reviewed and confirmed as designs developed during stages 1a and 1b, and funds would be requested for the next stage at the end of Stage 1a Gateway. It was stated that this approach would deliver greater cost certainty as each stage progressed.

Table 3. BAM Nuttall Contracted Tendered Cost.

Tendered value 1a	£3,688,060	Plus FIG resources costs and Contingency total £605,605 Total project Cost Stage 1a £4,491,665
Tendered value 1b	£2,282,588	
Tendered value Port Build Completion Operational	£57,055,411	
Tender Submission Total	£63,026,060	

The February ExCo paper detailed that capital financing work was being undertaken to identify the preferred financing arrangements for the project, and this would be considered in the context of the 10-year Capital Programme. A further report to ExCo on capital financing proposals was presented later in Stage 1a. Other project costs would also be confirmed at the End Stage Gateways, when the next stage work was more clearly defined. These would include ongoing costs for professional team fees, FIG client-side Project Manager and Project Admin Assistant, external legal support, capital financing consultancy and project contingency. The PAC noted the significant costs to FIG out-with the BAM tender submission £63 million but not detailed in full to ExCo.

Under Procurement & Contracting Strategy in the February ExCo paper states that the procurement advertised the opportunity for a two stage Design & Build NEC4 ECC contract with Early Contractor Involvement. The contract allows for gateways and Notices to Proceed at the end of Stage 1a (Concept Design) and Stage 1b (Detailed Design). The PAC notes this would have allowed FIG to terminate the contract as early as Stage 1a.

There was an ExCo Paper in September 2021 where the Director of Development and Commercial Services reminded ExCo members that there had been twenty years of Government

deliberation on the port and the importance it had towards the economic sustainability of the Islands, forming part of the critical national infrastructure. It was highlighted that the port would support future economic development and revenue and, with FIPASS reaching the end of its operational life, ensuring future port operations was critical for the Islands. Although almost certainly true, no cost benefit analysis was presented, nor economic strategy to validate this statement.

The decision not to proceed, due to escalating costs, was taken 12 months later by ExCo on 27 September 2022. The Director advised that BAM were willing to negotiate the fixed prices to £129 million which was the proposed fixed price minus the risk and inflation. ExCo supported the recommendation not to proceed with the BAM contract enabling affordable options to be brought forward.

In 2019 the option for a like-for-like floating barge replacement was rejected on rough order cost assessment, yet 4 years later, and with time wasted and millions of Falkland Islanders tax payers money spent, ExCo reverted to progressing the option of the replacement of the floating barges.

The cost of the BAM project was negotiated to an offer of £129 million (fixed price but a cost share of inflation and risk). The indicative cost of replacement barges is £131 million which does not include risk or inflation, which when set against real world cost increase of capital infrastructure projects “benchmarked against UK Govt and UK MOD capital infrastructure projects” could (is most likely) to be in the order of upto 40% added cost. It is highly likely that the replacement barge solution will cost more than £131 million (40% ~ £183.4 million).

Recommendations:

During the research for this review a potential recommendation was that any future Capital infrastructure project team sit within the functions of the Director of PWD. Benefiting from working within a similar cohort of colleagues, a technical support structure and a Director professionalised in delivering infrastructure projects. The PAC is pleased to note that the Capital Infrastructure teams now sit under Deputy Director PWD – Projects.

In light of the findings of the review the PAC make the following recommendations:

Recommendation 1. The PAC recommends the project team are to ensure full project costs are assessed at the start of the process. This should include all costs: initial assessment and market evaluation, ITT cost, contractor bids, FIG full operating costs specific to the project to include legal fees, consultancy costs, environmental impact assessment, extended support and maintained costs for the infrastructure being replaced.

Recommendation 2. The PAC recommends FIG should develop a transparent and open model and methodology to demonstrate the value for money of a project and specifically Capital Infrastructure projects. (A process to detail the economic benefits of investment and the projected value added to the Falkland Islands Government and wider community economy and GDP. The UK Government uses the “Green Book” this refers to HM Treasury's guidance on

appraising policies, programmes, and projects within the public sector. It provides a framework for assessing the costs, benefits, and risks of different options to achieve government objectives. Essentially, it helps ensure that public spending is effective and provides value for money (See Appendix 6 for a comprehensive evaluation of a VfM criteria.)

Recommendation 3a. The PAC recommends the project team develop a realistic and detailed project cost / financial Risk evaluation.

Recommendation 3b. The PAC recommends that financial risk must be reviewed continually throughout the project and Risk factors adjusted as “real-world” impacts take effect. Changes to Risk must be communicated through the Governance framework in a timely way – reporting to Project Board and ExCo on a regular basis

Recommendation 4a. The PAC recommends that whilst FIG can delegate the task of project financial management, it cannot abrogate the responsibility for financial control. For future Capital infrastructure projects, a separated project financial risk reporting process should be established and presented to MLAs frequently (minimum every FY quarter).

Recommendation 4b. The PAC further recommends that the Capital infrastructure project team are to ensure frequent briefings to MLAs and ExCo Members. This would be to ensure Governance compliance, to allow MLAs and ExCo Members the opportunity to value second and third order issues and impact, to ensure decision makers are satisfied with progress, to give decision makers early indication of issues and concerns.

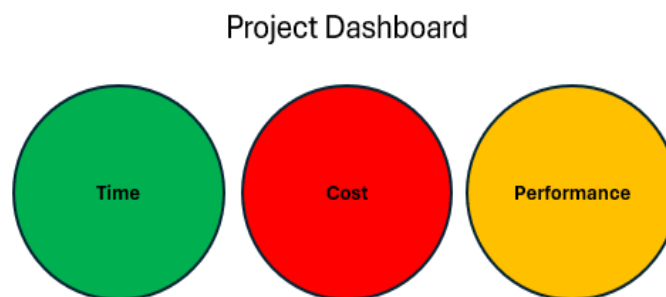
Recommendation 5. The PAC recommends that FIG considers that the project team is augmented by a Management Accountant / Finance Officer. This person would be responsible for giving impartial and independent assessment and evaluation of project costs and budget trends. This appointment could provide support across a range of projects and Capital infrastructure projects. The individual would have the skills to focus and understand the impact of real-world costs escalation as the project moves into the implementation phase. With the responsibility to forecast and extrapolate cost increase across the whole project delivery targets and timeline. This role would be independent to the project team. Optimism bias from a project team is a known behaviour which the PAC has made recommendations on previously. The effect of bias meant the MLAs taking multiple decisions, veering from one option to another, missed opportunities to highlight accelerating costs at an early stage (Aug 2020) with a consequence of budget beyond the initial decision remit and without a clear picture of the economic benefits and VfM. An independent Management Accountant would track budgets, increase in costs, question the reasons for increase (inflation, supply chain, material costs, project scope creep) and predict a forecast of final project costs. This skill and measure methodology would assist to remove project uncertainty and support ExCo members and MLA decision making.

Recommendation 6. The PAC recommends that for large capital projects FIG have planned project management in place at the start, particularly during the requirement scoping stage, which should decide the goals of the project and the responsibilities of key parties and stakeholders. This project management team should prepare a detailed requirement document, which will form the baseline for the ITT. This will help to ensure detailed project requirement,

the operational need, the economic benefit and that outcomes are researched and developed at an early stage. A good ITT with a researched project requirement definition will ensure more accurate contractor bids. Early researched requirements will deliver a focused project with defined outputs and known operational capabilities needed to deliver the economic benefit. Requirements that are not sufficiently refined generate uncertainty and project scope changes that adds cost and time. Two years after the ITT documents were published the ExCo paper in September 2022 detailing project scope reduction included:

- Reduction to quay size
- Reduction to Buildings on quay and the Gatehouse at the end of the Causeway
- Changes to resupply pontoons, and confirmed deletion of the RoRo
- Changes to the design for fire protection and firefighting
- Changes to reduce heavy load surfacing where not required around buildings/ walkways.

Recommendation 9. It is recommended that future Capital Infrastructure project teams develop a Dashboard reporting model to allow Governance decision makers (Project Board/ ExCo members / MLAS) regular access to interpret project progress. It is recommended that within the ITT process contractors are asked to present their solution for a project progress Dashboard reporting model. This must be open to allow access for project Governance members. An example dashboard is RAG (Red, Amber Green) illustrated below; the buttons should then allow the user to drill into the detail of various project milestones and Gantt chart progression targets.



Uncontrolled project delay and accelerating costs were not presented to the project team or ExCo members in a timely manner. ExCo meeting 127/22 dated Sep 2022, the report author states at this meeting:

“Failure to appreciate the scope of works necessary has led to the addition of several items that have increased the totals significantly.”

“BAM’s failure to appreciate these, to control them, or even report them, has led to the speed of escalation”.

(This is an amended version of the letter: these statements were incorrectly attributed in the original version - however, although they were wrongly attributed, it remains the case that the statements were made in the ExCo report. An appropriate apology has been made for the incorrect attribution of these statements.)

In Summary:

This review addresses the background to the project and concludes, as stated above, that value for money has not been achieved.

It is our intention to publish this report at our earliest convenience, but the committee wanted to give the Government prior notice of our intention.

Yours sincerely



Bernie Goodwin
Chairperson, Public Accounts Committee

c.c. HE The Governor
Chief Executive

Enc. Public Accounts Committee Review of Deep Water Port Project

Public Accounts Committee

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Email: pacsecretary@horizon.co.fk

Ref: PAC 26/04/04

8th April 2026

Cherie Clifford
Clerk of the Legislative Assembly and Executive Council
Legislative Assembly and Executive Council Members
Sullivan House
Stanley
Falkland Islands

Dear Members

Review of the Deep Water Port project

By a previous letter dated 17 March 2026, the Public Accounts Committee (PAC) reported its conclusions and recommendations in relation to the Deep Water Port project.

That letter and the report on which the conclusions and recommendations were based were laid on the table at a meeting of the Legislative Assembly on 26 March 2026 and, following a debate, it was resolved that the comments and recommendations of the PAC be noted.

However, during the debate, the Attorney General told the Assembly that he had not made statements attributed to him on page 6 of the letter and on pages 18 and 20 of the report.

This was investigated and it became clear that the statements were made in ExCo paper 127/22, but not by the Attorney General.

An appropriate apology has been made for the incorrect attribution of these statements and an apology for the error is now made to the Legislative Assembly as well.

It is emphasised that, although the statements were incorrectly attributed, they were made and continue to be relevant as evidence in support of the PAC's recommendations - these are not changed nor affected.

However, in the interests of ensuring that the record of the Assembly can now reflect the correct version of events, revised versions of the letter of 17 March 2026 and the report laid on the table with it are now submitted

Yours sincerely



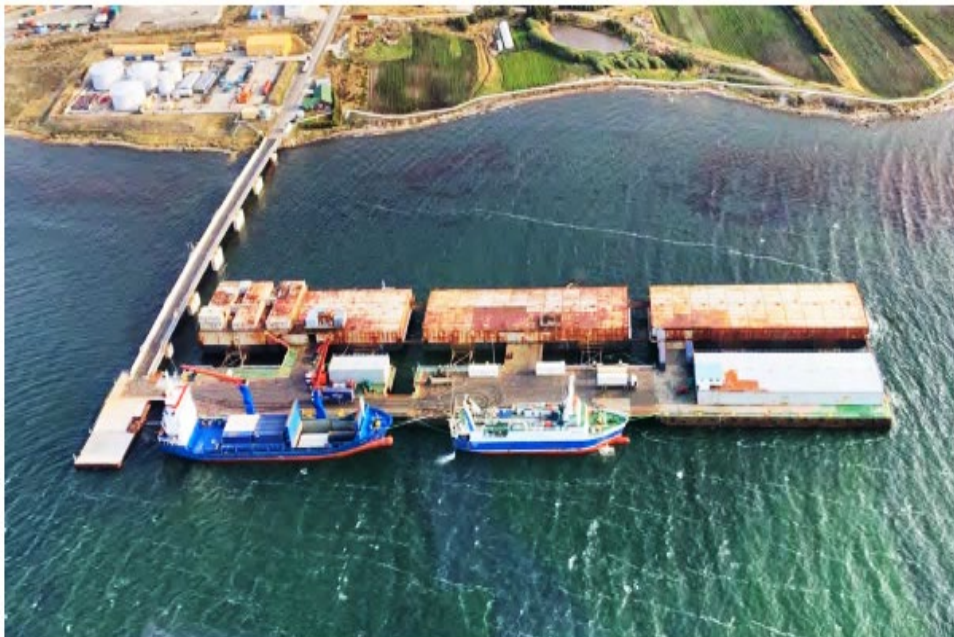
Bernie Goodwin
Chairperson, Public Accounts Committee

c.c. HE The Governor
Chief Executive

Enc. Amended Letter of Recommendations and Amended Public Accounts Committee Review
of Deep Water Port Project

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE NEW PORT FACILITY PROJECT



MARCH 2026

(This is an amended version of the report: corrections have been made on pages 18 and 20.)

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Abbreviations

FIPASS	Falklands Interim Port and Storage System
ExCo	Executive Council
MOD	Ministry of Defence
NPF	New Port Facility
PWD	Public Works Department
PAC	Public Accounts Committee
ROC	Rough Order Costs
ROM	Rough Order of Magnitude
ITT	Invitation To Tender
FIG	Falkland Islands Government
BAM	Contractor BAM Nuttall
MLAs	Members of the Legislative Assembly
UK	United Kingdom
VfM	Value for Money

Executive Summary

The need for a new port facility to serve Stanley and the wider Falkland Islands, in place of the Falklands Interim Port and Storage System (FIPASS) has long been recognised. There have been a variety of internal and external studies commissioned that stretch back over twenty years, with a range of proposals and options developed during that time in various locations. These studies have all incurred cost to the Falkland Islands Government (FIG).

In March 2017 Executive Council (ExCo) confirmed that new port infrastructure was needed to serve the needs of the traditional industries and support economic growth by the first part of the 2020's, it was also noted that the general state of FIPASS was worse than had been thought previously, and that its utility beyond 2021 could not be assured.¹ The Islands Plan 2018-22 stated the objective to 'ensure the development of a new port facility that supports industry.'

In March 2019 ExCo authorised a procurement exercise to identify a partner to deliver a new port facility.² After a tender process BAM Nuttall was awarded the contract for design and build of a new port for the Falkland Islands. It was agreed to follow an "Early Contractor Involvement" process as this would involve a construction partner from the outset, allowing them to work collaboratively with FIG during the development of concept and detailed design. This approach would help to ensure that industry best practice, knowledge and experience was used in the development of the project, reducing cost related design risk and allowing earlier cost certainty through the contractor's involvement.³

Detailed schedules for each stage were to be agreed as part of the formal decision to proceed to the next gateway (at end of Stage 1a and Stage 1b). This would allow for FIG to terminate and re-tender if not happy with the contract proposals at end of Stages 1a and 1b. The contract tendered sums for stages 1b and 2 for BAM Nuttall were estimated at £2,282,588 and £57,055,411 respectively. These would then be reviewed and confirmed as designs developed during stages 1a and 1b, and funds would be requested for the next stage at the end of Stage 1a Gateway. It was stated that this approach would deliver greater cost certainty as each stage progressed.

The decision not to proceed, due to escalating costs, was taken ExCo on 27 September 2022. The Director advised that BAM were willing to negotiate the fixed prices to £129 million which was the proposed fixed price minus the risk and inflation. ExCo supported the recommendation not to proceed with the BAM contract and to progress enabling affordable options to be brought forward.⁴

At the project conclusion it is assessed that the BAM New Port Facility project did not deliver value for money to the Falkland Islands Government and the Falkland Islands taxpayer.

¹ ExCo Paper 45/17

² ExCo Paper 22/19

³ ExCo Paper 05/20

⁴ ExCo Paper 127/22

About the Public Accounts Committee

The Public Accounts Committee (PAC) was established by section 81 of the Constitution and it is regulated by the Public Accounts Committee Ordinance 2009.

The PAC's membership

The PAC has a total of five members. Of these the Governor appoints three: the PAC Chair and two other PAC members. This is done in consultation with Members of the Legislative Assembly (MLAs), however, none of these specific appointments can be MLAs, nor can the Financial Secretary, described in the Constitution as Director of Finance, be a member of the PAC.)

The Legislative Assembly will then elect 2 MLAs to be the other two PAC members. (An MLA cannot serve on the PAC at the same time as being a member of Executive Council nor at the same time as being the Chair or Deputy Chair of the Standing Finance Committee - see section 81(1) of the Constitution and section 5 of the Ordinance.)

The current members of the PAC are:

- Bernie Goodwin (Chair)
- Sacha Cleminson (Deputy Chair)
- Vacancy (Lay Member)
- MLA Stacy Bragger (joined the PAC March 2026)
- MLA Dot Gould (joined the PAC March 2026)

The work of the PAC is supported by a full time Clerk, Nancy Locke, and it can also engage other people to assist in its work.

The PAC's role

The functions of the PAC can be summarised as follows:

- to examine and report on public accounts and audit reports, including those of FIG itself, as well as statutory bodies, bodies that receive public money and bodies in which FIG or a statutory body is a shareholder;
- to advise on external audit arrangements and to examine and report on all reports produced by FIG's Internal Audit Department;
- to consider and report on the effectiveness of the regulation of bodies that have been granted franchises to provide services of a public nature;
- to consider and report on any other matter that the Governor may refer to the PAC.

When carrying out its functions, the PAC has to look at the value for money derived from the public money that has been spent. It can also look at the arrangements made to manage financial risk.

The Ordinance uses the terms "economy, efficiency and effectiveness", which are widely used in relation to PAC activities worldwide. Economy, efficiency and effectiveness can be described as "spending less, spending well, and spending wisely".

One way of measuring these involves looking at:

- Inputs, such as staff and buildings vs costs in monetary terms (economy),
- Outputs of a particular good or service vs inputs (efficiency),
- Outcomes in terms of the impact on society vs outputs (effectiveness),
- Value for money is the overall relationship between costs and outcomes.

The role of the PAC does not include considering matters of policy: the PAC's job is not to look at why money has been spent, but how.

However, although the Ordinance provides that the PAC's functions do not include considering matters of policy, it does not define what are matters of policy and there is a clear potential for overlap between policy and delivery, particularly when looking at effectiveness.

A common-sense approach is being taken in this review to determine what are matters of policy and what are matters of delivery.

Value for money (VfM)

Value for money (VfM) in government refers to ensuring that public resources are used efficiently and effectively to achieve the best possible outcomes for taxpayers. It's about maximizing the value derived from every pound spent on government policies, projects, and programmes.

FIG New Port Facility – A Capital Infrastructure Requirement

‘The proposal a new port, offering greater berthing capacity, to be built in the vicinity of the current port, with changes to causeway position that will be developed and confirmed during concept and detailed design. There will be a carefully planned programme which allows for the port to remain operational throughout the construction period of the new port, before FIPASS is de-commissioned at the end of the project. Stage 1a will include programming work with the Public Works Department (PWD) to ensure appropriate plans are in place for production, storage and transport of construction material required from the quarry.’⁵

New Port Facility Background and Key Decision Points

The need for a new port facility to serve Stanley and the wider Falkland Islands, in place of the Falklands Interim Port and Storage System (FIPASS) has long been recognised. There have been a variety of internal and external studies commissioned that stretch back over twenty years, with a range of proposals and options developed during that time in various locations. These studies have all incurred cost to the Falkland Islands Government (FIG).

Executive Council confirmed in March 2017 that new port infrastructure was needed to serve the needs of the traditional industries and support economic growth by the first part of the 2020’s, it noted that the general state of FIPASS was worse than had been thought previously, and that its utility beyond 2021 could not be assured.⁶

Legislative Assembly’s Islands Plan 2018-22 stated the objective to ensure the development of a new port facility that would support Falkland Islands industry.

Executive Council in March 2019⁷ authorised a procurement exercise to identify a partner to deliver a new port facility. An Invitation to Tender was issued on 31st May 2019 and the tender response deadline was extended from 31st August 2019 to 30th September 2019. Three tenders were received, two tenders were evaluated. The highest combined technical and commercial score was BAM Nuttall, which scored a total weighted score of 79.96% against the score of 59.19% for Volker Stevin. As a result, the recommendation from the FIG professional team to the Project Board, and ExCo, was that BAM Nuttall should be awarded the contract for design and build of a new port for the Falkland Islands.

At ExCo in February 2020 it was agreed to follow an “Early Contractor Involvement” process as this would involve a construction partner from the outset, allowing them to work collaboratively with FIG during the development of concept and detailed design. This approach would help to ensure that industry best practice, knowledge and experience was used in the development of the project, reducing cost related design risk and allowing earlier cost certainty through the contractor’s involvement.⁸

⁵ New Port Facility at the Falklands Project Initiation Document

⁶ ExCo Paper 45/17

⁷ ExCo Paper 22/19

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In an ExCo Paper in September 2021, the Director of Development and Commercial Services reminded ExCo members that there had been twenty years of Government deliberation on the port. The importance the port had towards the economic sustainability of the Islands, forming part of the critical national infrastructure was emphasised. It was highlighted that the port would support future economic development and revenue and, with FIPASS reaching the end of its operational life, ensuring future port operations was critical for the Islands.¹⁰ Although almost certainly true, no cost benefit analysis was presented, nor economic strategy to validate this statement.

The decision not to proceed, due to escalating costs, was taken 12 months later by ExCo on 27 September 2022.¹¹ ExCo were advised that BAM were willing to negotiate the fixed prices to £129 million which was the proposed fixed price minus the risk and inflation. ExCo supported the recommendation not to proceed with the BAM contract and to progress enabling affordable options to be brought forward.

In February 2023 ExCo Members approved the option for replacement of FIPASS Barges - Progress to Invitation to Tender (ITT), the replacement of the existing FIPASS barges with a new floating barge solution. The indicative, rough order costs, was detailed at £131 million.¹²

Implicitly within this project design and commercial model is the acceptance to terminate the contract if required but also accepts the loss of capital in the process. Whilst the BAM stage 1a and 1b outputs may be useful for subsequent infrastructure delivery it would be naive at best to conclude that a new contractor would be entirely satisfied with a design product of such complexity and

⁹ ExCo Paper 05/20

¹⁰ ExCo Paper 160/21

¹¹ ExCo Paper 127/22

¹² ExCo Paper 17/23

accept entirely the risk without explicitly reworking many of the technical assumptions. At this stage ExCo should have been exposed to the financial risk that total circa +£12 million would be wasted if at the end of Stage 1a/1b FIG choose not to proceed with BAM (with BAM and FIG costs included this value is circa £20 million including project team costs, FIPASS costs, added legal and consultancy fees).

In 2019 the option for a like-for-like floating barge replacement was rejected on rough order cost assessment, yet 4 years later – and with time wasted and millions of Falkland Islanders tax payers money spent - ExCo reverted to progressing the option of the replacement of the floating barges enabling an affordable solution to be brought forward.

The cost of the BAM project was negotiated to an offer of £129 million (fixed price but a cost share of inflation and risk). The indicative cost of replacement barges is £131 million which does not include risk or inflation, which when set against real world cost increase of capital infrastructure projects “benchmarked against UK Govt and UK MOD capital infrastructure projects” could (is most likely) to be in the order of upto 40% added cost. It is highly likely that the replacement barge solution will cost more than £131 million (40% £183.4 million).

The PAC notes year on year maintenance costs to keep FIPASS operational is circa £1 million. If the decision had been taken in 2019 to replace like for like – floating barges, this would have potentially saved FIG between £5 million and £9 million. In contrast the BAM option progressed has cost FIG and the Tax payer circa £14 million and taking into account added FIPASS maintenance costs at circa £20 million. Interrogating the various ExCo papers and other documents it is difficult for the PAC researcher to get a definitive total cost across all FIG spending directly and indirectly related to this project. It is assessed that the circa £20 million is conservative.

Financial Summary – New Port Facility

Table below Stage 1a (Port Cost Code 7087) for Stage 1a of the contract, to completion of Concept Design. Table 5 details cost increase over the period Feb 2020 to Dec 2022.

Table 5. BAM Nuttall Project Costs Over Time (Feb 2020 to Dec 2022).

	Feb 2020 (5/20)	Sep 2020	Sep 2021 (160/21)	Sep 2022 (127/22)	Dec 2022 (167/22)
Tendered value 1a	£3,688,060	Plus FIG resources costs and Contingency total £605,605 Total project Cost Stage 1a £4,491,665			
Tendered value 1b	£2,282,588		BAM fixed cost now increased to £4,762,106 (47% increase). Including FIG resources, fees, enabling works etc total budget requested £9,309,631		Forecast total spend for Stage 1b £6,975,52 return to Treasury at the close of Stage 1b £2,334,108
Tendered value Port Build Completion Operational	£57,055,411				
Total Combined BAM Nuttall Tender / or funding request Total	£57,055,411	£63,026,060	£80,841,526 (£24 million cost increase / 42% increase)	£157,752,738 BAM final project cost offer. Plus FIOG costs total £177 million	

Stage 1a Cost Increase

The Senior Project Manager's Presentation to the Project Board 30th October 2020 detailed the increase on costs set against the original BAM tender. Over a 3-month period the costs increased by 17% from £3,688.060 to £4,303,391. If the project team has extrapolated this level of cost increase over the project timeline, then in October 2020 it would have been possible to forecast a potential total project cost which would have been circa £138 million (see table below developed by PAC Researcher). This should have set the alarm bells ringing and MLAs / ExCo presented with an information note.

Table 6. Changes to Contract Sum October 2020 Forecast

Description	Contract Sum	August 2020	September 2020	Forecast October 2020	Forecast Movement
Contract Sum	£63,026,060.10				
Stage One A	£3,688,060.06	£3,688,060.06	£3,688,060.06	£3,688,060.06	
Implemented PMI/CE			£77,825.89	£77,825.89	
Estimated PMI/CE			£70,000.00	£248,000.00	
Potential (EWN)		£19,953.50			
Forecast cost movement		£130,635.27	£130,173.18	£130,173.18	
Stage to Stage movement			£127,987.45	£159,332.23	
Anticipated changes					
SUBTOTAL		£3,838,648.83	£4,094,046.58	£4,303,391.36	£615,331.30

Table 7. Realised Inflation Cost to Project Over a 3 Month Period Oct 2020 and Extrapolated Potential Project Costs

Realised inflation costs over a period of 3 months					
BAM Contract sum	Aug-20	Sep-20	Oct-20		
£3,688,060	£3,838,648	£4,094,056	£4,303,391		
Increase costs	£150,588	£405,996	£615,331		
% increase of contracted sum	4%	11%	17%	extrapolated over 12 months increase 68%	
BAM Contract sum	Direct extrapolation of % increase costs as indicative future increase whole project costs over 3 months			Over 1 year this would equate to an additional cost	Over 2 year this would equate to an additional cost
	Aug-20	Sep-20	Oct-20		
£57,055,411	£2,329,642	£6,280,882	£9,519,358	Aug-21	Aug-22
% increase of contracted sum	4%	11%	17%	68%	136%
Total project cost	£59,385,053	£63,336,293	£66,574,769	£40,381,836	£80,763,672
Total project forecast cost based on real world actual inflation costs realised Aug 2020 to Oct 2022				£99,766,889	£137,819,083
Note: As early Oct 2020 it was entirely possible to forecast total project cost increase for Aug 2022					

Stage 1b Cost Increase

Stage 1b costs increased from the original BAM tender submission of £2,282,588 noted at ExCo meeting February 2020¹³ to **£4,762,106** a 47% increase over a 12-month period¹⁴. Such a level of increase should have been another indicator in September 2021 to the Project Team that the total project costs were in real terms going to be significantly higher than the BAM tender contractual agreement. It would have been prudent for MLAs and ExCo to be informed of this potential in September 2021.

Early indication of project cost escalation was available in Oct 2020 and Feb 2021. No evidence was found that informed ExCo of the potential cost increase to the total value of the project.

However, this is not the total costs for Stage 1b which also included FIG resources costs, enabling works, consultation fees etc and sums up to a total of **£9,309,631**. This was the value requested for financial approval ExCo September 2021. The original business case¹⁵ only detailed the BAM costs, this was a failure of the project team not to expose the real (total) project cost to the ExCo. Even if at the early stage these might not have been 100% quantifiable, financial transparency at the earliest stage should be presented to ExCo.

This inflation increase from October 2020 should have set alarm bells ringing. It would have been a simple extrapolation in early 2020 of % increase to gain an understanding of the potential cost increase to the overall project, by the assumptions of a linear increase as realised over the period

¹³ ExCo Paper 5/20

¹⁴ ExCo Paper 160/21

¹⁵ ExCo Paper 5/20

August 2020 to October 2020 would have amounted to circa added £80 million cost to the original £57 million original BAM tender bid. The extrapolated cost £80 million added to the original tender value £57 million gives a total £138 million, a value the project team could have foreseen or predicated or extrapolated as early as October 2020. This value closely matches the final offer from BAM of £157 million in August 2022 or the alternative [informal] proposal of a Fixed Cost of £129 million (albeit this final figure did not include risk and inflation cost).

It must also be noted that these are only BAM project costs, they do not include additional project costs FIG resources, aggregate, legal fees, consultancy fees etc which are estimated to give a total project cost of £177 million in 2022.

Project due diligence is a responsibility across all stages of project Governance. It is a fundamental responsibility for the Project Board to provide scrutiny, ask the second and third order questions, question impact to the project set against time, cost, performance and challenge the project team. It is human nature for the individual involved in the detail of the project to have a narrower personal vision, immersed in the daily detail of project and problem solving. This is why there are layers of management intervention within the Governance structure - to lift the view wider and consider implications and impact. A failure of the project was for this scrutiny to take place at a timely stage. It is impossible in hindsight to know if ExCo would have approved continuation in October 2020 with a knowledge that project cost forecasts could have been circa £138 million. However, what is true is that information at an early stage would have conditioned ExCo to expect cost increase, instead information was received late and was unexpected and received as a shock. The reality was that as early as October 2020 costs were increasing absolutely. Project team early action to highlight total project cost increase forecast or extrapolated against real world impact (COVID pandemic) should have given ExCo early warning of increase to project total costs.

Within the February 2020 ExCo paper¹⁶ it stated ongoing costs for Professional Team fees, FIG client-side Project Manager and Admin Assistant, external legal support, capital financing consultancy and project contingency. Based on these costs and the tendered sum, a total project budget in the order of £66 million could be envisaged, excluding contingency. Within the Risk Matrix the financial contingency was set at between £300,000 and £700,000 (0.5% and 1.23% of project costs). Within the ExCo paper it did not indicate the level of financial Risk that should be assigned to this Capital project, this information would have been valuable for ExCo members.

For infrastructure projects of this scale, it would have been judicious to allocate an indicative contingency cost of at least 20% (UK MoD projects at this stage of planning routinely allocate up to 40% financial risk Rough Order Costs (ROC)).

It was also stated that Capital Financing work was being undertaken to identify financing options for the project, within the context of the government's 10-year Capital Programme being considered as part of the 2020-21 Budget process. A further report to ExCo on capital financing proposals will be brought towards the end of Stage 1a (within the project plan this is forecast to be January 2021). More engagement with potential lenders will also be undertaken during 2020, in order to identify the most suitable options for funding, which will form the basis of a further report to ExCo later in Stage 1a. As part of the management of financial risk, the potential for changes to any interest rate basis would need to be considered.

ExCo have been requested to approve a Capital infrastructure project without assured finances. It should have been identified at this stage that Bond markets (financial lenders) are volatile and subject to economic shocks. In hindsight the past 10 years (from this paper date 2020) was relative

¹⁶ ExCo Paper 5/20

stability and the project team may have anticipated a future stable financial market. Clear thinking would have realised that the relative stability was not assured, the UK Government was impacted severely by the 2008 Global financial crisis, which triggered a global economic downturn. It should have been clear and evident that impact of potential risk for changes to any interest rate basis should have been presented at an early stage to ExCo.

In addition, the 2017 report from Marine Design International identified that there is no guarantee that FIPASS can remain operational after 2021. Costs for simply keeping FIPASS safe to operate on an indefinite basis are at the present moment unknown, with a minimum budget for maintenance of £3m allocated over the next three years. As stated above, there is a rising risk of partial or complete failure of FIPASS. Pro-rata £1m per year to ensure FIPASS remains operational (2020 cost assessed).

Value for money focused the team to detail that if no contract was agreed, options to look at what might be done to keep FIPASS operational would have to start again. This incurs cost to the FIG, and time-consuming and involve additional procurement of consultants and contractors to carry out surveys, design and cost other potential works and then procure these. Funds would be required for this. A high level assessment of like-for-like replacement of the current FIPASS was undertaken by Ramboll UK at the same time as the ECI procurement, including market engagement with global manufacturers to identify likely costs and supply chains. The costs for this option were identified as broadly comparable to those proposed by the proposed winning tenderer.

At this stage notwithstanding the near future global economic shocks, the project team were certain that detail assessment and fact finding had determined a VfM option to proceed with the requirement for a new port facility.

Stage 2 Cost increase

During the September 2022 ExCo meeting the New Port Facility – Stage 2 Options were presented.¹⁷ BAM's budget cost for Stage 2 at end of Stage 1a was £80,841,526, versus the initial tender of £57,055,411. This no longer included the scope of the work that was transferred to FIG to deliver and manage directly such as quarried material, laydown areas and fuel delivery systems. Under the Stage 1b contract, BAM submitted a fixed price on 3rd August 2022. This price was £157,752,738 and was issued as a fixed price offer for the duration of the project. This price is a significant increase from all previously submitted budgets. Table 8 below summarises the movement between BAM's initial tender and BAM's Stage 2 fixed price submission. The total cost has increased by 95% in the 11 months from the start of Stage 1b, and while a proportion of this is the effect of inflation in tendered activities, a significant driver of cost increases, that does not explain the entire uplift.

¹⁷ ExCo Paper 127/22

Table 8. Project Cost Movement Aug 2022.

Table 1 – Cost movement ¹

Element	Tender	End of Stage 1a (September 21)	Fixed Price at the end of Stage 1b (August 22)	Variance from 1a to 1b
Pre-commencement and preliminaries	11,255,697	17,856,558	27,075,961	9,219,403
Decommissioning FIPASS	3,368,974	5,883,671	7,484,154	1,600,483
Construction	34,932,469	42,300,636	69,574,756	27,274,120
Inflation	0	0	19,510,818	19,510,818
Risk	-598,700	3,294,125	10,350,400	7,056,275
Insurances	423,074	633,441	2,539,083	1,905,642
Fee	7,673,889	10,873,094	21,217,566	10,344,472
Total	57,055,403	80,841,525	157,752,738	76,911,213

The ExCo paper in February 2023¹⁸ contradicts this stating that a more affordable option is a like-for-like replacement of barges (indicative costs of £131 million) and this is again contradicted from the 2019 assessment for a 'like for like' replacement of FIPASS with more floating barges. After a high-level review with a rough order of magnitude (ROM) cost estimate, a fixed quay solution was preferred (assumption must be VfM with lower costs).

¹⁸ ExCo Paper 17/23

Geopolitical Event and Financial Impacts

For context it is important to understand the external (to the Falkland Islands) geopolitical factors that at this period effected global financial markets, supply chains, materials, equipment and resource impact. These all had a direct implication to the financial model for the Stanley Port facility, increasing costs. These dates are also important to view against the new port facility decision making key dates.

Since 2020 global financial markets have been significantly impacted by several geopolitical events, most notably COVID-19 pandemic and the war in Ukraine:

COVID-19 pandemic March 2020 – June 2022. For the UK lockdown impact was from March 2020 to March 2021 – noting in the Falklands Islands COVID-19 testing started April 2020 with restriction easing around May 2022 and June 2022 COVID-19 virus was considered endemic due to low infection rates.

Brexit 2020. United Kingdom withdrawal from the European Union 31 January 2020. Brexit was also a legacy issue creating structural barriers to trade and investments.

Ukraine war February 2022. February 2022 when Russia invaded Ukraine it triggered multi-faceted impacts on the global economy, causing disruptions to financial markets, supply chains and economic growth.

Whilst the project model had a level of contingency in Stage 1a there was limited financial contingency (upper level 1.23% taken from Risk Matrix) costed into the most significant part of the project: the building of the infrastructure port facility. Increasing costs were presented through BAM Nuttall to the FIG project team.

The FIG project team should have understood the risk, detailed a realistic financial contingency and presented this to ExCo outside of the BAM Nuttall tendered costs. The project team were undoubtedly wishing to present the best financial case for an expensive capital project and failed to detail absolute risk to ExCo members to understand.

How the review was carried out

In 2024, the PAC requested expressions of interest for assistance with the work of the PAC on a consultancy basis. This was to specifically review the Capital infrastructure project of the New Port Facility. The PAC researcher started the working in late 2024 coming to a temporary pause whilst the request for additional ExCo papers and unredacted reports and minutes were requested. The researcher was able to recommence this work in May 2025, with a draft completed in July 2025.

The methodology used was to follow project team progress through reviewing documenting such as Business Case, Project Implementation Documents, Steering Group meeting reports and updates, Project Board meeting minutes and ExCo papers. The method logic was to track key decision points and to understand how the decisions were made and what detail underpinned this decision-making process.

The PAC researcher objective was to determine if value for money for this project for FIG and the Falkland Islands taxpayer was achieved and was the efficacy of the decision-making process effective and efficient. The important output from the PAC review is to highlight Lessons Learnt so to improve future decision making and deliver value for money projects. This process is not to place blame.

The report was finalised by the PAC's full time Secretary and a first draft of the report was presented to the PAC meeting held in September 2025. The second draft was presented to the PAC when it became quorate again at a meeting held in February 2026.

Potential Recommendations the PAC may want to consider

Suggested Recommendation 1. The project team are to ensure full project costs are assessed at the start of the process. This must include all costs: initial assessment and market evaluation, ITT cost, contractor bids, FIG full operating costs specific to the project to include legal fees, consultancy costs, environmental impact assessment, extended support and maintained costs for the infrastructure being replaced.

Evidence: ExCo Paper in February 2020¹⁹, contractor bid costs failed to include FIG material production costs, project team resources Stage 1a £3,680,060 with total costs £4,491,6784 and Stage 1b costs £2,282,583. ExCo Paper dated September 2021²⁰ Stage 1b costs increased £4,762,106 contractor and a total budget request of £9,309,631 to include FIG costs.

Suggested Recommendation 2. To develop a transparent and open model and methodology to demonstrate the value for money of a project and specifically capital infrastructure projects. A process to detail the economic benefits of investment and the projected value added to the Falkland Islands Government and wider community economy and GDP.

Evidence: The UK Government uses the “Green Book” this refers to HM Treasury's guidance on appraising policies, programmes, and projects within the public sector. It provides a framework for assessing the costs, benefits, and risks of different options to achieve government objectives. Essentially, it helps ensure that public spending is effective and provides value for money. In ExCo paper in September 2022²¹, MLAs expressed concern over accelerating costs but were not provided with the data to value the economic VfM benefits. Without the VfM data and economic benefit outcomes specified it makes MLA decision making difficult.

Suggested Recommendation 3. The project team must develop a realistic and detailed project cost / financial risk evaluation.

Evidence: The project cost risk impact was woefully inaccurate by an order of £92,000,000 (the final BAM project offer £155,000,000 less contingency and risk). The published cost risk (2020) matrix ranged between **£300,000 to £700,000** set against the BAM Nuttall tender of £57 million represents an overall project risk between 0.5% and 1.23%. This figure shows an over optimistic assessment of the cost risk. It proved to be an unrealistic and the impact of this risk being actualised was to stop the project progressing, resulting in a waste of time, resources and money.

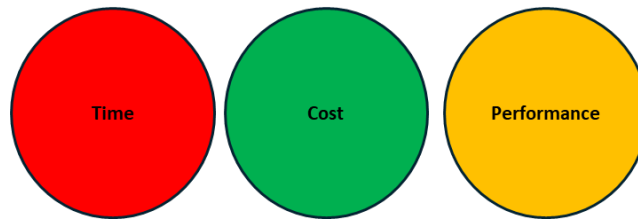
Suggested Recommendation 4. Financial risk must be reviewed continually thought out the project and Risk factors adjusted as “real-world” impact take effect. Changes to risk must be communicated through the Governance framework in a timely way – reporting to Project Board and ExCo on a regular basis. For ExCo more frequently than once every 12 months [New Port Facility ExCo papers / meetings: Mar 2019, February 2020, September 21, September 2022]. It is further recommended that a top-level project risk reporting Dashboard is developed, with MLAs / decision makers enabled access to review project progress and risk.

¹⁹ ExCo Paper 5/20

²⁰ ExCo Paper 160/21

²¹ ExCo Paper 127/22

Risk Dashboard



Evidence: ExCo meeting dated September 2022²².

“Failure to appreciate the scope of works necessary has led to the addition of several items that have increased the totals significantly.”

“BAM’s failure to appreciate these, to control them, or even report them, has led to the speed of escalation”.

“But it would likely be better to reconsider the entirety of the budget inputs before crystallising a decision that will breach the currently agreed reserves policy.”

(NOTE: This is an amended version of the report: these statements were incorrectly attributed in the original version - however, although they were wrongly attributed, it remains the case that the statements were made in the ExCo report. An appropriate apology has been made for the incorrect attribution of these statements.)

Suggested Recommendation 5. FIG can delegate the task of project financial management, but it cannot abrogate the responsibility for financial control. For future capital infrastructure projects, a separated project financial risk reporting process should be established and presented to MLAs frequently (minimum every FY quarter).

Evidence: At the ExCo meeting in September 2022²³ an MLA statement said, “moving forward, capital projects need to be given more realistic and achievable targets and costings”. Members of ExCo, MLAs and the general public are going to be legitimately questioning of how costs will be controlled in the next phase (development of interim solutions and remedial work on FIPASS).

Suggested Recommendation 6. Capital infrastructure project team should ensure frequent briefings to MLAs and ExCo Members. This is to ensure Governance compliance, to allow MLAs and ExCo Members the opportunity to value second and third order issues and impact, to ensure decision makers are satisfied with progress, to give decision makers early indication of issues and concerns.

Evidence: Project updates to ExCo were broadly every 12 months. [New Port Facility ExCo papers / meetings: Mar 2019, February 2020, September 21, September 2022 and February 2023].

Suggested Recommendation 7. It is recommended that the project team is augmented by a Management Accountant / Finance Officer. This person would be responsible for giving impartial and independent assessment and evaluation of project costs and budget trends. This appointment could provide support across a range of projects and capital infrastructure projects. The individual

²² ExCo Paper 127/22

²³ ExCo Paper 127/22

would have the skills to focus and understand the impact of real-world cost escalation as the project moves into the implementation phase, with the responsibility to forecast and extrapolate cost increases across the whole project delivery targets and timeline. This role would be independent to the project team.

Evidence: Optimism bias from a project team is a known behaviour. The team members enveloped in the daily detail and a deep desire to succeed. This can create an unintended bias behaviour. The effect of bias meant the MLAs taking multiple decisions, veering from one option to another, missed opportunities to highlight accelerating costs at an early stage (Aug 2020) with a consequence of budget beyond the initial decision remit and without a clear picture of the economic benefits and VfM. An independent Management Accountant would track budgets, increase in costs, question the reasons for increase (inflation, supply chain, material costs, project scope creep) and predict a forecast of final project costs. This skill and measure methodology would assist to remove project uncertainty and support ExCo members and MLA decision making.

Suggested Recommendation 8. The infrastructure project team should work within a similar technical professional ecosystem. It is recommended that any future capital infrastructure project team sit within the functional Director of PWD. Benefiting from working within a similar cohort of colleagues, benefiting from a technical support structure and a Director professionalised in delivering infrastructure projects.

Evidence: Best practice within the UK MOD has the defence infrastructure organisation (DIO) responsible for the delivery of both the routine facilities management, maintenance (ie power and water distribution, road and lighting) and the delivery of Capital works projects (ie new powers station, water ring main, runway repair). This aggregation of professional technicians adds value to the process and delivery.

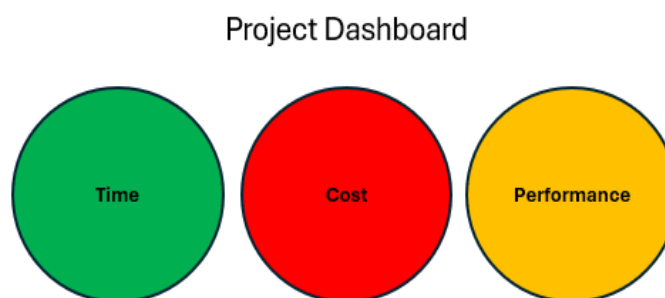
Note: it is understood that there is a proposal for organisation change and to put Capital Infrastructure teams under the DWP. **It is recommended that this proposal is implemented immediately at pace.**

Suggested Recommendation 8. The PAC recommends that for the capital projects FIG have planned project management in place at the start, particularly during the requirement scoping stage, which should decide the goals of the project and the responsibilities of key parties and stockholders. The requirements document is the baseline for the ITT, to ensure detailed project requirement, the operational need, the economic benefit and outcomes are researched and developed at an early stage. A good ITT with a researched project requirement definition will ensure accurate contractor bid. Early researched requirements will deliver a focused project with defined outputs and known operational capabilities needed to deliver the economic benefit.

Evidence Requirements not refined generates uncertainty and project scope changes that adds cost and time. Two years after the ITT documents were published the ExCo paper in September 2022²⁴ detailed project scope reduction which included a reduction to quay size, reduction to buildings on quay and the gatehouse at the end of the causeway. Also there were changes to resupply pontoons and confirmed deletion of the Roll-on/Roll-off jetty following stakeholder engagement; changes to the design for fire protection and firefighting and changes to reduce heavy load surfacing where not required around buildings/ walkways.

²⁴ ExCo Paper 127/22

Suggested Recommendation 9. It is recommended that future Capital Infrastructure project teams develop a Dashboard reporting model to allow Governance decision makers (Project Board/ ExCo members / MLAS) regular access to interpret project progress. It is recommended that within the ITT process contractors are asked to present their solution for a project progress Dashboard reporting model. This must be open to allow access for project Governance members. An example dashboard is RAG (Red, Amber Green) illustrated below; the buttons should then allow the user to drill into the detail of various project milestones and Gantt chart progression targets.



Evidence Uncontrolled project delay and accelerating costs were not presented to the project team or ExCo members in a timely manner.

“Failure to appreciate the scope of works necessary has led to the addition of several items that have increased the totals significantly.”

“BAM’s failure to appreciate these, to control them, or even report them, has led to the speed of escalation”.

(NOTE: This is an amended version of the report: these statements were incorrectly attributed in the original version - however, although they were wrongly attributed, it remains the case that the statements were made in the ExCo report. An appropriate apology has been made for the incorrect attribution of these statements.)

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Hydromartech Hydrographic and Geophysical Survey
Morrison Survey of FIPASS September 2012
Planet Ocean Wave Monitoring Buoy
PWC PPP Joint Venture
Shallow Marine Environmental Survey
Port William Business Case – Income and Cost Assumption

Meeting Papers (CONSIDER NOT PUBLIC)

Steering Group Meeting of 17th December 2020
Port Steering Group Meeting 04 February 2021 Action Notes
ExCo Decision Making – ExCo Meeting Minutes
ExCo Meeting - 160/21 (Sep 2021) Port - Stage One B Proposals
ExCo Meeting – 127/22 DDCS (Sep 22) Port – New Port Facility – Stage 2 Options
ExCo Meeting - 17/23 (Feb 2023) New Port Facility – Options
Project Implementation Document (PID)
PID – Governance Process
Project Risks

ExCo Papers (CONSIDER NOT PUBLIC UNLESS STATED)

ExCo Paper 117/12
ExCo Paper 125/12
ExCo Paper 82/13 (OPEN)
ExCo Paper 171/14 (OPEN)
ExCo Paper 45/17
ExCo Paper 22/19
ExCo Paper 05/20
ExCo Paper 160/21
ExCo Paper 127/22
ExCo Paper 21/23
ExCo Paper 17/23

PAC Port Timeline/Scoping
Decision Making ExCo MLAs and Civil Service Relationship
Value for Money Detailed Guidance and Definition to Support Decision makers, Project Team, and Government Officers.

Good Project Management a Guide