

<b>Meeting Subject:</b>			
<b>FMPG Board Meeting</b>			
<b>Location:</b>	The Boardroom, FMPG		
<b>Date:</b>	28/03/24	<b>Time:</b>	8.30am
<b>Chairman:</b>	Andrew Miller		
<b>Participants:</b>	<p><b><u>Non-Executive Members, FMPG</u></b>            Andrew Miller, Chairperson (AM)            Stuart Smith, Non-Executive Director (SNS)            Chris Mackay, Non-Executive Director (CM)            Valerie Scoular, Non-Executive Director (VS)            Simon Cunningham, Non-Executive Director (SC)            Jim Gibson, Non-Executive Director (JG)</p> <p><b><u>Executive Members, FMPG</u></b>            John Petticrew, Interim Chief Executive Officer (JP)            David Dishon, Interim Chief Financial Officer (DD)            Carol-Anne Knight, HR Director (CAK)            Paul Blake, Interim Chief Operating Officer (PB)</p> <p><b><u>FMPG</u></b>            Alex Logan, Trade Union Representative (AL) (part)            John McMunagle, Trade Union Representative (JM) (part)</p> <p><b><u>Scottish Government</u></b>            Dermot Rhatigan, Head of Strategic Commercial Assets Division (Interim)            Vikki Halliday, Head of Governance &amp; Assurance Unit, Strategic Commercial Assets (VH)</p>		

Item	Minutes	Action
1.	<p><b>Welcome and Apologies</b>            The Chair welcomed everyone to the meeting.            JP was welcomed to his first Board meeting as Interim CEO.            Apologies received from CC, Scottish Government</p>	
2.	<p><b><u>Declarations of Interest/Conflict</u></b>            No declarations of interest were made.</p>	
3.	<p><b><u>Health, Safety, Environment &amp; Security</u></b>            Update from H&amp;S Chair, SNS:</p> <ul style="list-style-type: none"> <li>H&amp;S Committee meeting took place yesterday at which regular stats were discussed. The Committee are happy with the report and supporting documents. Some extra work is being done on working at height. There was a slight concern regarding an incident with a scaffold board which is being investigated.</li> <li>PPE compliance was discussed. PB to look at a programme of PPE compliance in a broad sense as well as at a more strategic level by putting a PPE compliance campaign in place.</li> <li>They also looked at fitness to work and actions from this are to be taken forward by PB, JP and CAK who explained that annual fitness assessments are done for all our core workers. We are now looking at this for agency workers, however, this needs further discussion.</li> <li>Emergency response planning was discussed regarding how this is managed in terms of our major stakeholders and management response to this.</li> </ul>	

	<ul style="list-style-type: none"> <li>• There was focus on the work for the launch, particularly regarding public safety. DD confirmed insurance is in place.</li> <li>• NorthStar Shipping visited the yard to carry out a customer audit and we are waiting on the report from this. They did a yard tour on the first day and went through HSE and QSE procedures on the second day and were impressed with the quality of the work.</li> <li>• ISO Certification consultants have done a gap analysis on 45001 and 14001. They have now got monthly actions to achieve certification and we will hopefully have this by August.</li> <li>• JG asked about the TUs joining the H&amp;S Committee. It was confirmed they attend the H&amp;S Forum. JP, PB and CAK to discuss further.</li> </ul>	
<p>4.</p>	<p><b>Update from RemCom Chair, VS</b></p> <ul style="list-style-type: none"> <li>• As part of Board governance, a review of the Board, Chair and the NXDs will be done, and this will include an NXD survey.</li> <li>• Updated Pay Deal proposal was discussed. The revised pay proposals have not been approved by the SG and we are disappointed that the meeting to discuss this was cancelled. DR explained that due to inflationary pressures, Ministers have formed a new group to look at pay policy as they want to collectively sign off pay deals across all the portfolios, however, they have yet to meet. DR added there is no pay remit for the year ahead yet and, as sponsors, they are working behind the scenes to accelerate things for FM. VH added the pay proposal will now go straight to Ministers. VS advised that the paper was approved at RemCom yesterday and they are looking for Board approval today.</li> <li>• A review of the RemCom Terms of Reference and how the committee works was discussed. The ToR was endorsed. JG raised the point of becoming more strategic and they are going to realign to three NXDs and JP will leave the Committee.</li> <li>• RemCom aligned to a long-term strategy of the business in terms of productivity.</li> <li>• They are looking at external insights into the Committee via head-hunters aligned to market for perceptions of the organisation as part of our stakeholder engagement and are working harder on SG engagement on a strategic level.</li> <li>• TU agreement needs to be updated so this will be reviewed to ensure it is current, contemporary, and fit for purpose.</li> <li>• Living wage assessment only impacts on one individual.</li> <li>• Gender pay report for 22/23 was reviewed and a few changes were made to ensure it was current for that period.</li> <li>• Permanent CEO post: external recruitment process to be activated via Odgers. VH advised that if they are looking externally for a CEO, the package needs to be approved by SG before engaging a head-hunter. VS suggested we need to understand the market data before looking at this. VH confirmed that no adverts should go out before discussing this with SG.</li> <li>• The Board will provide an annual statement to show what they have been doing. All Committees will also provide a statement to be incorporated into the Annual Report.</li> </ul>	
<p>5.</p>	<p><b>Update from ARC Chair, SC</b></p> <ul style="list-style-type: none"> <li>• ARC looked at priorities and actions going forward.</li> <li>• Terms of Reference were discussed.</li> <li>• Under recoveries were outlined and an agreement is being sought from SG for these by the end of the year.</li> <li>• Corporate Risk Register to be updated by DD and SC. Cyber security will be addressed as a priority in early April.</li> <li>• The plans for year-end audit are in hand and papers will be tabled at May ARC.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Looking at the July Board for the annual accounts to be signed off.</li> <li>• Whistleblowing Policy is on the priority list for awareness raising in the yard.</li> <li>• BCP was considered – SNS and SC to coordinate emergency response prep.</li> <li>• Disaster recovery exercise to be set up later in the year.</li> <li>• 801 and 802 warranties paper was discussed.</li> <li>• Internal review of risk management developed an indicative risk management framework plan which is consistent with SGFM. Indicative document addressed related issues raised in the report so some more work to be done on that.</li> <li>• IT and Payroll reports have been done by the Internal Auditor and will be circulated following the Board meeting. DD will coordinate with IA re management responses.</li> <li>• Environmental reports and property evaluations are in hand.</li> <li>• A review of the Committees’ effectiveness and bringing together Terms of Reference are being looked at across all the remits.</li> <li>• Discussion on current Committee members. JG to join ARC and H&amp;S.</li> <li>• Next ARC meeting will take place on 16<sup>th</sup> May. Some of the ARC meetings are timetabled for accounts sign off. VS suggested a whole year calendar with an annual agenda to look at relationships across the committees and working at a strategic level would be useful.</li> </ul>	
<p>6.</p>	<ul style="list-style-type: none"> <li>• <b><u>Update from Ops Committee Chair, CM</u></b></li> <li>• Ops Committee met three times in quick succession to look at 801 and 802 dates, did diligence, NZET letter dated 26 February recorded the Board position re forecast to go figures.</li> <li>• The meetings have focused on when 801 was going to be completed looking at dry docking and extra trials such as speed trials.</li> <li>• The issue with the lifts on 801 is being resolved.</li> <li>• Recommendation from Ops Committee was 31 July contract variation, holding letter for NZET and confirm delivery of 801 on 8/4</li> <li>• Following discussion, Board members agreed that CM would liaise with VH re further action The Ops Committee would meet on 9<sup>th</sup> or 10<sup>th</sup> April, followed by the Board meeting at the end of April to consider dates. Will update NZET following that meeting.</li> <li>• Ops Committee ToR have been circulated to be approved at next Board meeting.</li> </ul>	
<p>7.</p>	<p><b><u>Engagement with Workforce/Trade Union Representatives</u></b></p> <p>AL and JMCG joined the meeting.</p> <p>AL asked if the pay deal has been approved by RemCom, the Board and SG. VS confirmed it has been approved by RemCom and the Board but not yet approved by SG. She explained about the new process SG has in place to look at pay deals. VH added the new group covers all the different portfolio areas and they don’t yet have sight of what they are getting from the UK Government and not likely to get that until May so the new group will look at this then. In the interim, VH has agreed to take forward a single paper to Ministers. JMCM asked for a timeline to resolve this and VH replied they are looking at week commencing 8 April and it may well have to go to a cross Ministerial decision.</p> <p>JMCM asked JP if there are set monthly targets to take forward the launch and getting the two vessels out. JP confirmed there are regular meetings taking place and his job is to get the two vessels out. JMCM added there is concern about the mezzanine and JP confirmed he will update them about the plans for this.</p>	

	<p>JMcM advised they will continue lobbying Ministers through GMB regarding the future of the shipyard and asked if there is anything planned to make it competitive. AM suggested there are opportunities for SVRP work which we can lobby for, but it is not within our remit to say that we want this work due to legal issues. Ultimately it is the Cabinet Secretary’s decision to sign off on investment and the future of the yard. AL replied that they are able to start those ferries now.</p> <p>AL thanked DT (previous CEO) for his two years and two months service and acknowledged the amount of hard work he had put in during this time.</p>	
<p>8. 8a 8b 8c 8d</p>	<p><b><u>Matters Arising</u></b> FOI Log – pre read. No issues.</p> <p><b><u>Approval of Minutes of Board Meeting held on 25 January 2024</u></b> Previous Board Minutes were approved.</p> <p><b><u>Approval of Minutes of RemCom Meeting held on 24 January 2024</u></b> RemCom Minutes were approved.</p> <p><b><u>Approval of Minutes of H&amp;S Committee meeting held on 24 January 2024</u></b> H&amp;S Committee Minutes were approved.</p> <p><b><u>Approval of Minutes of ARC meeting held on 31 January 2024</u></b> ARC Minutes were approved.</p>	
<p>9.</p>	<p><b><u>SLT Board Reports:</u></b></p> <ul style="list-style-type: none"> <li>• CEO Report <ul style="list-style-type: none"> <li>• Approval of NZET Quarterly Update Letter to be discussed following this meeting.</li> <li>• Going forward JP will provide the Board with updates on 801 and 802.</li> <li>• JP to update Board on what is planned for the launch.</li> </ul> </li> <li>• CFO Report <ul style="list-style-type: none"> <li>• DD is looking for a decision on whether management accounts should be done monthly. This will provide clear comms to the Board, increase the professionalism of the finance team and will make no difference to reporting to SG. The Board agreed that management accounts will be reported monthly from 1 April.</li> <li>• DD does not expect any changes to forecast cost to go from what they had at NZET.</li> <li>• DD will carry out a review at year end of manhours and materials and provide a full risk analysis.</li> <li>• DD to provide a procurement update for the Board going forward. PB advised that the procurement group are aiming to get contractors/suppliers onto fixed contracts.</li> <li>• VH asked about risk assessment on 802. DD advised this will commence week beginning 8 April and will be done as part of year end.</li> <li>• CM raised the issue of under recoveries and VH advised this is with financial and legal at present, she is unable to give a timetable for this but there have been no concerns flagged about paying this.</li> </ul> </li> <li>• COO Report: <ul style="list-style-type: none"> <li>801 PB advised there are two areas of risk for 801; the complexity of LNG as it is first in class and the drying phase of the tanks had not been built into the schedule. They can get most of the pre-commissioning done and when it is run as a unit, they will pick up defects early. The problem of welding is reducing all the time. The contractor has brought back their own most skilled people and other contractors are being released. SC suggested that they were unaware of the real complexities with LNG and asked if we can learn lessons from 801 to take forward on 802. PB replied the issues are completely different as we will avoid</li> </ul> </li> </ul>	

	<p>the piping issues on 802. CMal issues will be addressed and OORs to be finished is a continuing programme. Some sit with CMal to deal with. Issue is going to be confusion between a snagging list and an OOR, however, this will not affect the use of the vehicle.</p> <p>802 The launch date is planned for the 9<sup>th</sup> April and the weather is the only thing that will stop the launch. The only thing to decide on is the funnels. Weight checks are fine and work packs have been given to us by ICE. There will be some contractor engagement, but they will work through what they have.</p> <ul style="list-style-type: none"> <li>• HR Director Report <ul style="list-style-type: none"> <li>• Recruitment is still ongoing for the permanent COO position. They are also looking at the permanent CEO position.</li> <li>• The HR team have filled a couple of technically challenging positions recently and have brought a new quality engineer and NDT inspector into the organisation.</li> <li>• Sea trial payments are going through a manual process of tying up names which hasn't been there for 801.</li> <li>• Pay negotiations - discussed earlier.</li> <li>• The team are working in the background to get security clearance for our workers moving to BAE.</li> <li>• There has been one death in service and the family were appreciative of our support.</li> </ul> </li> </ul>	
<p>10.</p>	<p><b><u>C – Board Approval Plan to go to SG</u></b> CM advised that weekly meetings have taken place throughout March and management have discussed the report. The Board fed back on the draft plan in mid-February. Ops NXDs continue to challenge business case assumptions and are working on the clarity of the message to be given. Revised draft was received today which SC will circulate to Board members for feedback by 2<sup>nd</sup> April as the final plan needs to be submitted by 5<sup>th</sup> April. CM happy to timetable a Teams meeting to deal with any queries.</p> <p><b><u>S Update</u></b> DR advised they should have an update for the Board after the Easter recess. AM replied they need to ensure the Board have time to scrutinise the options. DR replied they are not railroading a decision; it is more that they are behind where they expected to be at this stage. VH suggested that AM sets out his concerns in writing with suggestions of how he thinks the process can be improved.</p>	
<p>11.</p>	<p><b><u>Pay Deal Update</u></b> Discussed earlier. Everyone is supportive of the pay deal.</p>	
<p>12.</p>	<p><b><u>Audit Scotland Update</u></b> The first meeting with JB took place and a timetable has been provided. Four weeks have been booked in June for most of the final audit to do substantive testing and samples. Target dates are for the annual accounts to be reviewed and recommended for approval at the ARC meeting on 17<sup>th</sup> July (date tbc) and then for sign off by the Board at the Board meeting on 25<sup>th</sup> July. DD is looking at Best Value reporting to be done in April and this will also go into the Statutory Accounts. The Accountable Officer will have certain sign offs for the Annual Report and accounts and will ensure they are not addressed at the last minute.</p>	

<p><b>13.</b></p>	<p><b><u>Framework Agreement Update</u></b></p> <p>CM advised that the FA has been updated to split the roles of AO and CEO. There are separate statutory arrangements for the AO. Pay policy section to be amended and recognition that we are in a different sector should be acknowledged.</p> <p>In terms of the fundamental position of under recoveries going forward, CM is optimistic of the 2023/24 position. Currently the view for next year is that under recoveries will be in excess of the threshold which could cause issues. CM added that Directors should not be currently worried that we are breaching our director duties to our creditors but the position needs careful monitoring. VH replied that the position of under recoveries is separate from the Framework Agreement because it is about the liquidity of the group companies and whilst they understand the concerns around this, FM is a Scottish Government funded entity, and they cannot continue to fund in perpetuity where there is a subsidy control risk. She will work through the figures and get back to CM. CM agreed that if VH shares where she is next week and try to frame some questions which they can share with the Board, not just under recoveries. DD advised the forecast as it now stands depends on what happens with C or S and the whole range of what next year's forecast could be depending on that.</p> <p>VH will forward a final version of the document for Board approval and then it will go to Ministers.</p>	
<p><b>14.</b></p>	<p><b><u>Committees' Terms of Reference</u></b>  <b><u>Ops Committee, Terms of Reference</u></b></p> <p>A paper to be circulated to Board members.</p>	
<p><b>15.</b></p>	<p><b><u>Board Approval of ARC Terms of Reference</u></b></p> <p>SC outlined the changes to the ARC Terms of Reference which were approved by the Board.</p>	
<p><b>AOB</b></p>	<p>The Board agreed that its priority would be on strategic and directional matters as opposed to operational details.</p> <p>CM and JP to discuss NZET letter after meeting.</p>	
<p><b>Next Meeting</b></p>	<p><b>Thursday 30 May 2024 at 9.00am</b></p>	

The meeting closed at 2.00pm.