

<b>Meeting Subject:</b>	
FMPG Board Meeting	
<b>Location</b>	The Boardroom, FMPG
<b>Date</b>	16/10/24
<b>Time:</b>	09:30am
<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 (SJC)            Jim Gibson, Non-Executive Director (JG)</p> <p><b><u>Executive Members, FMPG</u></b>            David Dishon, Chief Financial Officer &amp; Accountable Officer (DD)</p> <p><b><u>FMPG Guests for individual slots:</u></b>            Carol-Anne Knight, HR Director/Company Secretary (CAK)            Paul Blake, Interim Chief Operating Officer (PB)            David McVeigh, Business Development Director (DMcV) (part)            Alex Logan, Trade Union Representative (AL) (part)</p> <p><b><u>Scottish Government</u></b>            [REDACTED] (CC)            [REDACTED] (VH)</p> <p><b><u>Apologies</u></b>            John Petticrew, Interim Chief Executive Officer (JP)</p>

Item	Minutes	Action
1.	<p><b>Welcome and Apologies</b>            The Chair welcomed everyone to the meeting.</p> <p>Apologies from JP.</p>	
2.	<p><b><u>Declarations of Interest/Conflict</u></b>            No declarations of interest were made.</p>	
3.	<p><b><u>Update from Health, Safety, Environment &amp; Security Chair, SNS</u></b></p> <ul style="list-style-type: none"> <li>HSE Committee sat 15<sup>th</sup> October 2024</li> <li>Reviewed Board pack and actions</li> <li>Pre-employment screening &amp; Fitness to work policies need amended , Occupational Health to sign off – being progressed. Draft policy complete; medical screening &amp; support available.</li> <li>Scaffolder Incident – SNS advised Board of incident – report to be circulated round HSE Committee members</li> <li>There was an update on Accident Claims, the process needs improving</li> </ul>	

	<ul style="list-style-type: none"> <li>• HAVS Software rolled out and good feedback</li> <li>• PPE Compliance and Work Permits campaigns happening soon</li> <li>• Age and Safety incidents – included in the main Board pack</li> <li>• Emergency Management Plan needs updated, who is needed for each position</li> <li>• Local Fire Service awaiting date for visit</li> <li>• Training needed for Senior Leadership – should be part of induction and also HSE recommendation that it is the Board responsibility to do HSE training.</li> <li>• JG highlighted that there was a common theme coming through that the matters that are brought to HSE Committee are more operational level matters that should come to Senior Leadership Team to deal with in the first instance before it comes to HSE Committee.</li> <li>• Good progress is being made on ISO 14001 and 45001 accreditations, so now looking to invite LRQA to complete Stage 1 assessment. Looking at Full accreditation at Dec '24.</li> <li>• SNS update Board that there was a vacancy for Chair of the HSE Committee as he steps down, so JG will take over, with a background from industry (BAE) and Risk. The approval was given for this to happen. AM proposed and Board seconded unanimously.</li> </ul>	<p>SLT</p>
<p>4.</p>	<p><b><u>Update from RemCom Chair, VS</u></b></p> <ul style="list-style-type: none"> <li>• RemCom Committee sat 15<sup>th</sup> October 2024</li> <li>• Additional RemCom to discuss Matters Arising <ul style="list-style-type: none"> <li>○ Manpower Planning – High level piece of work to get ready for next year based on work based on delivery of 801, progress on 802 and other projects as we enter an important time coming up for the yard. This resource Plan will help with scenario planning for new business, rightsizing, questions on the future of the yard, etc.</li> <li>○ Capability of our Middle Managers - We do not have a clear model to give analysis to determine capability. We know views on technical &amp; people leadership, but we need to look at a capability assessment model for the new future shipyard, whatever the size is.</li> <li>○ Settlement Agreements – Payment of two settlement agreements outside the scope of governance. It was discussed about how did this happen outside governance and what were the lessons learned to ensure this does not happen.</li> </ul> </li> <li>• AM updated Board on important upcoming items for engagement with SG Sponsorship Team – Year End Accounts, PAC &amp; NZET Meetings, s22 Report – all needing resource and support. AM to give Board &amp; Committees a diagram of comms relationships that will need to be in place regarding all the important events happening over next 3-4 months.</li> <li>• DD updated Board on PR, Public Affairs &amp; Comms tender process. The tender process is coming to an end and the presentations have been completed, and scoring is being reviewed, with a view to appointing a new agency in November.</li> <li>• CC, AM &amp; VS discussed the importance of the Framework Agreement over the next 3-4 months and there was an agreement that we need to operationalise this. AM asked for an All-Day Workshop Meeting to do a deep dive into this. Invites NXDs / FMPG Board members &amp; relevant parties from SG Sponsorship Departments (incl. Finance, Legal, etc if needed?)</li> </ul>	<p>AM</p> <p>CC</p>
<p>5.</p>	<p><b><u>Update from ARC Chair, SJC</u></b></p> <ul style="list-style-type: none"> <li>• Two ARC meetings have been held since last FMPG Board meeting</li> </ul> <p><b><u>ARC sat on 18<sup>th</sup> September to discuss:</u></b></p> <ul style="list-style-type: none"> <li>• Contract variation (Capacity agreed to be changed, not the date) – confirmed with Scottish Government</li> </ul>	

- Annual Report & Accounts – Figures substantially confirmed and agreed and both Audit Scotland & ARC members were comfortable to approve figures with this at that stage.
- Audit Scotland Annual Report had made good progress but was still outstanding at that point, final draft to be issued as soon as finalised.
- SJC updated that JB (Audit Scotland) had advised ARC that a s22 Report from The Auditor General would be published possibly end November '24, at a similar time that the Audit Scotland Annual Report becomes a public document, highlighting areas where FMPG have breached the Scottish Public Finance Manual via two Settlement Agreements, but ARC and Board will have the opportunity to review draft report and check for factual accuracy.
- Looked at update Corporate Risk Register. Commendations to DD for significant progress in this area, also with Project Risk Registers for 801 & 802, highlighting the main risk of a lack of an updated detailed plan for 802 but this is in hand now.
- Internal Audit (BDO) – Annual Report was not available at the time of the 18/9 ARC meeting, but was circulated later and identifies work completed in the year 23-24, establishing Internal Audit as a relatively new area of the Governance Framework and completion of a handful of audits, which was less than planned, but recognised the challenges in engagement of management through staff turnover and capacity.
- Update from CFO – HMRC satisfied with the Voluntary Disclosure and the internal Investigation Report. It was also mentioned to Board that HMRC are doing a random inspection on VAT and Payroll, which is unrelated to the internal Investigation, with a visit from HMRC to the yard pencilled in for 26-27<sup>th</sup> November.

**ARC also sat on 16<sup>th</sup> October to discuss:**

- Single item agenda to discuss the Annual Report and Accounts.
- Audit Scotland
- It is intended to approve the accounts and sign off on 31<sup>st</sup> October 2024.
- SJC asked the Board to give DD delegated authority to sign off the Annual Report and Accounts on behalf of the FMPG Board, assuming no changes to the financials and for DD to work with Audit Scotland on minor changes to the narrative.

**Annual Report & Accounts:**

- DD issued to Board on Monday 14<sup>th</sup> October 2024 as pre-read
- ARC has reviewed and approved (subject to minor narrative changes)
- Makes reference to MV Glen Sannox – with assumptions that may change depending on whether handover is achieved in October 2024 or not?
- SJC asked Board to formally approve the Annual Report & Accounts on the basis of signing at 31<sup>st</sup> October 2024 and the narrative on MV Glen Sannox will reflect the handover position at that date (with Delegated Authority to DD to sign off Annual Report and Accounts, assuming no changes to the financials). This was approved.
- Audit Scotland Report will be formally signed off after Annual Report and Accounts have been signed off.

**Audit Scotland Annual Audit Report:**

- SJC updated Board on the status of the Annual Audit Report. This is a report that ARC considers, and it does not come to the FMPG Board.
- Key message: It is an unmodified report – a clean Audit report
- There is a material uncertainty / Matter of Emphasis on the Company's ability to continue as a Going Concern, not in the immediate basis – so it is appropriate for the Board to sign off the Accounts on a Going Concern basis as there is a Letter of Comfort from Scottish

	<p>Government to continue to support the Company from the date of signing 31<sup>st</sup> October 2024 for a period of twelve months. Audit Scotland pointed out that the uncertainties relate to the longer term beyond that year in relation to the ability to secure future work after the delivery of MV Glen Rosa.</p> <ul style="list-style-type: none"> <li>• SJC further added that Audit Scotland also made reference to the internal control environment last year in regard to the Settlement Agreements in 2023 and the IR35 issue, with an absence of governance, but noted the improvements that have been put in place since then.</li> <li>• Final point related to the decision to terminate the contract of the previous CEO at the outset of the Audit and the fact that the minute of that Board meeting was held outside the main Board meeting folders, due to the sensitive nature of the matter concerned, but this meant a delay in getting the minute to Audit Scotland as the operational Finance team fielding Audit queries were unaware where to locate it. DD to set up a separate folder for such sensitive minutes to be retain outside the main Board folders.</li> <li>• Important to note, the reporting period Audit Scotland are reporting on is the Year Ended 31<sup>st</sup> March 2024 and they are commenting based on events during that period, so they do not take into account the significant improvements in governance post year end, so this is not reflected in the report (Formation of Sub-Committees, Delegated Authorities, Purchase Orders)</li> <li>• CM asked that in time for the Reports being published, could the Board have a full record from Finance / HR on all the lessons learned and improvements made in the past year, to address any criticism on governance and demonstrate progress on the journey of improvements needed.</li> </ul> <p><b><u>Annual Report and Accounts document:</u></b></p> <ul style="list-style-type: none"> <li>• Figures agreed. Changes to narrative to be agreed between DD and Audit Scotland</li> <li>• FMPG Board formally approved the Annual Report and Accounts (subject to agreed changes discussed)</li> <li>• SJC thanked DD, LS and the wider Finance Team and the Audit Scotland team for the work on the Audit over the last year.</li> </ul>	<p>DD</p> <p>DD / CAK</p>
<p>6.</p>	<p><b><u>Update from Ops Committee Chair, CM</u></b></p> <ul style="list-style-type: none"> <li>• Ops Committee sat 7<sup>th</sup> October 2024</li> <li>• CM highlighted that minutes should be circulated to Board members as per other Committees – once new PA is in place. DD to speak to CN to ensure that this happens in a timely manner for future Board Meetings.</li> <li>• CC asked for an update on the new Detailed Plan for 802 and CM informed that an external planning team has been employed and are currently working through the key milestones and critical path timelines.</li> <li>• CM updated on top three risks – gypsies and anchor system, rope winches and repairs to the elevators and progress is being made on all of these items.</li> <li>• Comms was discussed on handover between all parties as handover moves from 21<sup>st</sup> October to 28<sup>th</sup> October as a possibility.</li> <li>• 802 – focus on external planners. Hopefully have a plan by next Ops Committee meeting on 4<sup>th</sup> November.</li> <li>• Top three risks are cost control, resource turnover improvement and planning scheduling.</li> <li>• Contracts amendments, CAPEX timeline and the CMO assessment vs Legal subsidy.</li> <li>• Concern that key staff may leave the business after 801 is delivered / morale issue.</li> </ul>	<p>DD</p>

	<p><b><u>801 &amp; 802 Ship Visits, SNS</u></b></p> <ul style="list-style-type: none"> <li>• 801 – Passenger and public spaces very good. Gypsies and anchors main issue and we await a timescale for the delivery of these fixes.</li> <li>• 802 – SNS questioned how far behind is 802 in comparison to 801. If we have a year to go to the current handover date of September 2025, are we in the same place as we were a year ago with 801. SNS said in some aspects we were ahead (piping and electrical) and some behind (installation of the mezzanine decks) but we need to review where we are with all items, and even with better planned sequencing on 802 it is difficult to compare due to changes and rework.</li> <li>• SNS noted that there has been a three-month delay to delivering 801, which could have a knock-on effect to the delivery of 802, but the planning work will look at items such as piping and electrical that is on the critical path and we will have a much better view and higher confidence of the delivery date (and cost to complete £m) by the end of the year.</li> <li>• SNS stated that it looks like it will be very challenging to stick to the end date of September 2025.</li> <li>• CM asked if they are looking at back shifts and/or night shifts and AM informed him that JP has asked the planning team to stick to the September 2025 date as a plan and report on how that could be delivered in terms of resources, shift patterns and would that come at a cost? If so, we may need to discuss delay versus cost.</li> <li>• DD updated the Board that there was a Non-Competitive Award for APC to do a full, detailed plan. Finance will then need two weeks to compare and challenge the assumptions in the plan, across labour, sub-contractors and materials and key milestones to see if they make sense and are achievable before we can have confidence in the cost £m. We could get a fully costed first draft of the 802 Plan by 8<sup>th</sup> December, as long as Finance are handed a detailed scheduling plan by 4<sup>th</sup> November 2024.</li> <li>• SJC challenged why we are not using multiple shifts and DD agreed that JP wants to look at back shifts as a starting point and, if needed, night shifts also. Planning are looking at this.</li> <li>• CM highlighted that Ops are emphasising that there may be a challenge with supervision and ERT on back shift; this is not a view widely shared at Exec level.</li> </ul>	
<p>7.</p>	<p><b><u>Engagement with Workforce/Trade Union Representative</u></b></p> <p>AL joined the meeting -</p> <ul style="list-style-type: none"> <li>• AL shared the frustration that there is a lack of communication to the workforce regarding future of the yard and we have had a lot of leavers recently.</li> <li>• AL said even more frustration that we have had no work in some areas for 16 weeks. We should have had BAE work and that has not happened and the Scottish Government are funding our Company, so when will the money run out?</li> <li>• AL stated that we have wastage of costs with sub-contractors and he has had a walk round the yard with JP to highlight examples of wasted money.</li> <li>• AL noted concerns on wasted money on Westcott painting of car decks and having to be repainted. He also stated the workforce are saying to him that the sub-contractors are doing the same work as the FMPG staff. He has also spoken to DS and PB on this, but he has not received an answer.</li> <li>• AL added that the additional paint will give concern to the weight of the ships.</li> <li>• CM stressed that the Board is focused on pursuing BAE at the highest level to get work into the yard, but AL replied that this does not address the concerns for 90% of the workforce.</li> </ul>	

	<ul style="list-style-type: none"> <li>• CM reiterated that Board are pursuing Western Ferries and bidding for SVRP</li> <li>• AL said the view on the shop floor is that we have too many managers.</li> <li>• AL mentioned that, sadly, a Shipwright has passed away and passed on the thanks from the family for the support FMPG gave them and the staff.</li> <li>• AM said the Board will look at ways to open up comms to the workforce of high level financials, pipeline of future work, CAPEX for Yard improvements, SVRP Phase 1 - Procurement process.</li> <li>• JG suggested that the Board / Exec need to find a way to communicate when there is nothing to add.</li> <li>• AL informed the Board that he has received an anonymous letter regarding things the writer has seen on 801 in respect of standard of the paintwork and unprofessional work and if it continues to happen then they will come in personally to see AL.</li> <li>• It was acknowledged that it was difficult to address directly as the letter was anonymous, but CM mentioned about the Company Whistleblowing Policy. SNS also mentioned that, in his view, the painting was of a good standard now. AL has spoken to CAK /JM and JP about this letter.</li> <li>• AM thanked AL for his time.</li> </ul> <p>AL left the meeting.</p>	
<p><b>8.</b></p> <p><b>8a</b></p> <p><b>8b</b></p> <p><b>8c</b></p> <p><b>8d</b></p>	<p><b><u>Matters Arising</u></b> FOI Log – pre read. No issues. CN will share up to date log.</p> <p>JG asked to get electric sockets installed under Board room table. DD to instruct this via AL (I.T.)</p> <p>VH mentioned that the Framework Agreement is now approved and ready to publish. VH also mentioned that there are two minor points sitting with SG lawyers to finalise. FMPG can publish on their website when official approval is given by SG.</p> <p>VS suggested it would be helpful to get printed copies of the finalised Framework Agreement to all NXDs and FMPG Board members.</p> <p><b><u>Approval of Minutes of Board Meeting held on 25<sup>th</sup> July 2024</u></b> Board Minutes were approved.</p> <p><b><u>Approval of Minutes of ARC Meeting held on 17<sup>th</sup> July 2024</u></b> RemCom Minutes were approved.</p> <p><b><u>Approval of Minutes of RemCom Meeting held on 24<sup>th</sup> July 2024</u></b> RemCom Minutes were approved.</p> <p><b><u>Approval of Minutes of H&amp;S Committee meeting held on 24<sup>th</sup> July 2024</u></b> H&amp;S Committee Minutes were approved. AG amending minute.</p>	<p><b>CN</b></p> <p><b>DD</b></p> <p><b>DD</b></p> <p><b>DD</b></p>
<p><b>9.</b></p>	<p><b><u>SLT Board Reports:</u></b></p> <p><b><u>Interim CEO Report, DD on behalf of JP</u></b></p> <ul style="list-style-type: none"> <li>• DD updated Board from 9.00am meeting today – three main issues on 801; <ul style="list-style-type: none"> <li>○ Techwind on site this week to fix lifts</li> <li>○ Gypsies &amp; winches were getting delivered and picked up. Modifications to be completed this week and tested on Sea Trials – half day Wednesday 23<sup>rd</sup> October 2024.</li> </ul> </li> </ul>	



- Capstans belzona modifications taking longer than expected but will be finished before Anchor Trials next week.
- 57 Compartments to be completed – plan is to sign off five a day to get sign off by 28<sup>th</sup> October 2024.
- FMPG going through the 58 MCA Survey items and a snagging punch list to complete as well.
- Post handover list – DMcV currently going through this line by line with his team to estimate the Resource Hours and Cost of this and it looks like being in the region of £1.5m.
- DD update on Cost to Complete. He mentioned that we have held the £149m Forecasted Cost to Complete for over six months now and that was based on a July 2024 handover, so every month’s delay adds to the total. The expected Final Build Cost is likely to be c£150m plus any Post Handover work, but Finance need time to substantiate this. This final total is needed for the Bill of Sale certificates.
- DD confirmed that Warranty (Guarantees) is a separate pot of £3.5m.
- Glen Rosa – main issue is planners need to do the full detailed plan. Currently Finance sticking with the September 2025 delivery date and £150m, but this is at risk due to the slippage in delivery of 801.

**New Business Development Report, DMcV**

DMcV joined the meeting.

Pre read report shared.

- CC updated that Scottish Government have spoken to BAE at high level to move to contract status.
- DMcV updated Board on SVRP Phase 1 – there has been a question for clarification to CMAL from other parties in the Procurement process as to why there has been a delay in informing the successful bidders to the Invitation To Tender stage. CMAL have replied that it is taking longer to review.
- SVRP Phase 2 – At the Concept Design stage.
- [REDACTED]
- BAE Units – Visit to the Yard by new BAE Production Director – more of a technical visit
- AM asked for a Sales Funnel that Board can track to show how each opportunity is moving each month up or down in terms of % confidence and an overall £m figure.
- AM further added that we need to move forward with a Joint Venture / Strategic Partnership, or we will lose some of the opportunities through being too expensive.
- SJC asked about Fair Isle Ferries – DMcV added that there will be nothing to submit.
- VS emphasised that this is looking like a very bleak situation if we do not get some future work and this was seconded by AM.

DMcV

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

DD

DMcV left the meeting

	<p><b><u>Interim COO Report</u></b>  PB joined the meeting  Pre read report shared.</p> <ul style="list-style-type: none"> <li>• 802 detailed plan underway with APC – 6 person team in place</li> <li>• First output within 2 weeks and will show the confidence level in the September 2025 date and then will be costed by Finance to look at the £150m Cost to Complete forecast.</li> <li>• Planning Team will look at critical paths, key milestones, mitigations, cost management, project codes, work packs and implementing a Change Board.</li> <li>• A new LNG contractor (Cryonorm) last week – positive visit to the yard with Engineering in attendance.</li> <li>• New documentation needs to be shared with Cryonorm asap. PB to action.</li> <li>• Lessons learned from 801 to be discussed and implemented into new plan.</li> <li>• Critical system is the bunker line, vacuum insulated double skin pipe.</li> <li>• Cryonorm will manufacture new pipes rather than reuse existing.</li> <li>• Resource for 802 still an issue as a lot of resource still on 801.</li> <li>• Electrical Manager and Nightshift Manager roles have now had applicants – progressing</li> <li>• PB meeting CAK in next week to finalise what the shift patterns will be and how they will be resourced with Direct Labour and sub-contractors. Union will need to support going to back shift.</li> <li>• Onboard Management – PB informed Board that we will be breaking up the management of 802 into areas and the management will perform two functions – they will be subject matter experts as well as area managers.</li> <li>• PB emphasised that there is still a considerable upset from production managers from the decision to remove overtime (even though it was not contractual)</li> </ul> <p>PB left the meeting.</p> <p><b><u>HR Director Report/Company Secretary Report</u></b>  CAK joined the meeting.  Pre read report shared.</p> <p><b><u>HR Report, CAK</u></b></p> <ul style="list-style-type: none"> <li>• Learning &amp; Development Manager appointed. Has an engineering background. Starts next week and will look at the competencies across the yard.</li> <li>• Employee Engagement survey – look to update Board next month and will give new CEO some quality information about the mood of the staff.</li> <li>• Planner role – reviewing with DD re: VISA for Planner from Romania – cost c£24k.</li> <li>• Employee Relations – anonymous letter and lack of comms to shopfloor workforce in (VS highlighted AL mentioned earlier) – CAK to give a copy of letter to JG as it mentioned Health &amp; Safety.</li> <li>• We have had a 20-page appeal in from the back of a grievance but it lacked substance.</li> <li>• Apprentices – 7 starters this year and all passed Drugs &amp; Alcohol tests.</li> <li>• Issue with local College – lack of portfolio Assessors – CAK to write AM a one-pager on this.</li> <li>• Death-In-Service – Sadly, we have had another death in service.</li> <li>• SpeakUp line – no use of this. CAK to do a refresher comms to improve awareness.</li> <li>• CAK discussed that we will need to discuss back shifts with Unions and agreed a premium.</li> </ul>	<p>PB</p> <p>PB/CAK</p> <p>CAK</p> <p>CAK</p> <p>CAK</p>
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	<p><b><u>Company Secretary Report, CAK</u></b></p> <ul style="list-style-type: none"> <li>• CAK has fortnightly meetings with AM.</li> <li>• CAK working on Metrics (Attendance, etc) and will present to AM.</li> <li>• AM mentioned that in his call with CAK he would like CAK to type up the minutes of the meeting – most recent meeting discussed NXD survey / Paperwork for SG / contracts on file, which was a Year End Audit issue. DD to send CAK a copy of Audit Scotland s22 Report when finalised.</li> </ul> <p>CAK left the meeting.</p> <p><b><u>CFO Report, DD</u></b></p> <p>Pre read reports shared.</p> <ul style="list-style-type: none"> <li>• DD talked through main points of Monthly financials, highlighting the fact SG have paid the Payment Applications significantly late in the last month, with VH informing Board that this was due to a change over in Finance Payment systems and the extended approval process, but promised that this was a one-off teething problem of the new system and there will be lessons learned.</li> <li>• Revenue £5.2m in the month, slightly under Forecast (£0.3m)</li> <li>• Under Recoveries (£181k) in the month - now billed on a monthly basis and reviewed by SG, as opposed to waiting until the year end.</li> <li>• YTD Under Recoveries now over £1.0m and will start to increase significantly after 801 is delivered. The run rate will move up to £0.5m a month soon and then £1.0m a month at peak in December month.</li> </ul> <p><b><u>Scottish Public Finance Manual (SPFM)</u></b></p> <ul style="list-style-type: none"> <li>• DD talked through main points of SPFM that NXDs and Board need to be aware of, majoring on Settlement Agreements and non-contractual spend, which was the focus of the Audit Scotland report on governance breaches in 2023.</li> </ul>	<p><b>CAK DD</b></p>
<p><b>10.</b></p>	<p><b>AOB</b></p> <p>Annual Board Effectiveness Survey – AM to write a review regarding teamwork between Chair, Board and NXDs.</p>	<p><b>AM</b></p>
<p><b>Next Meeting</b></p>	<p>Thursday 21<sup>st</sup> November 2024 at 9:00am</p>	

The meeting closed at 12.20pm