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 **Scottish Government**
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Convener
Net Zero, Energy and Transport Committee
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27 April 2023

Dear Edward

I write to provide the Committee with an update on remuneration and reward offer for senior management at FMPG.

The s22 Report undertaken by the Auditor General into the FMPG Annual Accounts for 2021/22 identified issues concerning performance related bonuses paid to senior FMPG staff in 2021/22 which totalled £87,000. The report's main criticism of these bonuses centres around the absence of appropriate governance arrangements, including no consultation with Scottish Government in relation to the payments. The Auditor General expresses opinion that FMPG's corporate governance around this kind of remuneration should have included liaison with Scottish Government as part of good governance practice. Consequently, Scottish Government were unsighted around the bonus scheme payments made in 2021/22 until being made aware on 2 February 2023, as part of the Section 22 process.

My predecessor as Deputy First Minister commented on the issues identified in the report in his Statement to Parliament on 16 March 2023. He made clear to Parliament that the Government did not know about them in advance of the contractual legacy commitment made by FMPG in November 2022, but found out about them as a consequence of the audit work. Mr Swinney was clear in his language to Parliament that he found them to be unacceptable, and that the Scottish Government was working to ensure such an eventuality did not arise in future years.

I concur with Mr Swinney's analysis, and I wanted to take this opportunity to provide a further update to the Committee as improved processes and arrangements are being developed by the Chair at the request of the Scottish Government.

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The FMPG Chair has committed to avoid a repeat in the current financial year and the work he is currently undertaking to reform the remuneration and reward arrangements and the governance associated with them will help achieve that. The Chair of FMPG is continuing to lead the development of new governance arrangements for senior staff remuneration through a programme of work aimed at rebalancing reward and remuneration for the senior management team. This will help fulfil the commitment made by Mr Swinney to Parliament in March to ensure that arrangements and commitments entered into for 2023/24 onwards are done so with the appropriate governance and transparency expected of a public body.

While this progress is welcome, due to those legacy contractual commitments made in November 2022 by FMPG, without the prior knowledge of the Scottish Government, further bonuses are legally required to be made for the year 2022-23. The first of two instalments of £23,609 each has already been processed. This first payment was made in FMPG's April 2023 payroll with the second payment of £23,609 due in June, subject to ongoing discussions involving the Chair. I know that the committee will share my disappointment, particularly at a time when the delivery of vessels MV Glen Sannox 801 and Hull 802 remain long overdue; that despite every effort being made to ensure that no bonuses were paid in 2022/23, the payment of bonuses for 2022/23 is contractually unavoidable.

Scottish Ministers remain committed to supporting FMPG and its workforce in delivery of MV Glen Sannox (801) and Hull 802 for our island communities. It is recognised that the commercial nature of ship building needs to be reflected in how senior staff are remunerated and their skills retained. I am confident that the Chair will ensure he is mindful of this in setting out his plans for the future remuneration of staff.

SHONA ROBISON

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