

Meeting Subject:			
FMPG Board Meeting - redacted			
Location:	Ferguson Marine (Port Glasgow)		
Date:	Thursday 25 th January 2024	Time:	9.00am
Chairperson:	Andrew Miller		
Participants:	<p><u>Non-Executive Members, FMPG</u> Andrew Miller, Chairperson (AM) Stuart Smith, Non-Executive Director (SNS) Chris Mackay, Non-Executive Director (CM) Valerie Scoular, Non-Executive Director (VS) John Petticrew, Non-Executive Director (JP) Simon Cunningham, Non-Executive Director (SC)</p> <p><u>Executive Members, FMPG</u> David Tydeman, Chief Executive Officer (DT) David Dishon, Chief Financial Officer (DD) Carla Roberts, Interim Ops Director (CR) Carol-Anne Knight, HR Director (CAK)</p> <p><u>FMPG</u> Alex Logan, Trade Union Representative (AL) (part) John McMunagle, Trade Union Representative (JM) (part)</p> <p><u>Scottish Government</u> Dermot Rhatigan, Head of Strategic Commercial Assets Division (Interim) Vikki Halliday, Head of Governance & Assurance Unit, Strategic Commercial Assets (VH)</p>		
Item	Minutes		
1	<p><u>Welcome and Apologies</u> The Chair welcomed everyone to the meeting. DR and DD introduced themselves to the group.</p>		
2	<p><u>Declarations of Interest/Conflict</u> No declaration of interests/conflict were given.</p>		
3	<p><u>Health, Safety, Environment & Security</u> SNS advised that a range of items were discussed at the H&S Committee following an update report given by SMcA, Head of H&S. A medical treatment case which is a potential LTI was highlighted, this incident is being investigated. The medical team responded correctly, first aid was applied on site and the worker was taken to hospital where he received five stitches and was then discharged. A safety alert was circulated about this. There is an underlying issue regarding our 'fitness for work' assessments which we do for staff but not Agency workers. DT taking this forward to look at whether we should be doing more pre-recruitment assessments and will also look at our older workforce. They discussed 801 in terms of sea trials and asked that H&S look at two phases for safety: one running up to sea trials and also during sea trials. The captain is on board Glen Sannox</p>		

	<p>organising sea trials. SMcA is happy with all the preparations being made and happy with the quality of his team of three people.</p> <p>The Committee are keen to develop a more strategic review and they had sight of the first draft of the Improvement Plan which will evolve into a quarterly and annual plan. The ISO certification work has commenced with final accreditation planned for August. The Committee's Work Plan is to be updated to include the emergency response plan. DT had circulated a Business Continuity Plan which has some references to safety but we require an updated Emergency Response Plan to cover all the things not on site e.g. who contacts Board, Senior Management if there was a major incident. DT had an action to see whether he could justify clean air spend on sheds, but we can't use ferry budget for this and he could not link it to the BAE budget which is deferred at present.</p>
<p>4</p>	<p><u>Update from RemCom Chair</u></p> <p>VS, Chair of RemCom gave an update from yesterday's meeting: CAK, in her new role as Company Secretary, will support the annual review of Board members. The Review Framework we currently have does not include the relationship with SG and we would like to include this in the criteria, so we will use the SG Review Framework in order that we are aligned with them.</p> <p>CAK had provided a set of updates including a focus on the urgent requirement to recruit an Interim COO. DD has joined the company as CFO which is positive. There was an update given on the role of the Company Secretary and a draft role specification has been done. CR will remain with FM for another month. DT was asked to speak to the Chair regarding the arrangement for CR.</p> <p>The pay deal was signed off by the Board in November and CAK updated on how that is going. The TUs have come back with demands that exceed our expectations, however, CAK is confident that we will get a solution that comes within the parameters expected. The RemCom approved a Cost-of-Living payment to be paid with this month's salary and asked the Board to approve this. The Board approved this request.</p> <p>VH advised that the pay deal went to SG pay policy and explained that Ministerial approval is required for anything significant that deviated from SG pay policy. This was written into the Framework Agreement when FM was brought into SG. She added that SG don't yet have a pay matrix for 2024/25 so there is nothing with which to benchmark those proposals, therefore the pay deal needs to be approved by Ministers. VH confirmed it is not approved at the moment. VS replied that looking at pay in the public sector doesn't work for FM, as FM needs to align itself with market place comparisons to secure and attract employees. In addition, public sector workers have the benefits of various non-salary benefits such as pensions etc which means simple salary comparisons with public sector workers are not relevant comparisons. She added that the Board approved the pay deal and CR had forwarded all the papers that needed actioning on 4th December and will forward this paper to DR. He advised SG may not be able to meet FM timeline on this and they can't make promises about what Ministers will come back with. They will want to look at this in relation to the cost of the vessels. VS confirmed the timescale for implementation is the start of April and we can furnish them with any evidence they need to progress this.</p> <p>The RemCom meeting also discussed the career framework we have for unskilled labour. This recognises different levels of capability and skill levels, and allows people to upskill to help fill gaps. Workforce planning at an operational and strategic level was also discussed.</p>

	<p>AM is looking for feedback following meetings between Ministers and TUs due to the limitations of his role in the oversight Committees. DR replied that from the time of SG ownership Ministers would be working directly with TUs, however, most times they have been meeting unions together and he suggested it is worth him asking the TUs about this.</p>
5	<p><u>Engagement with Workforce/Trade Union Representatives</u></p> <p>AL and JMcM joined the meeting. AM asked what the key issues are for them. AL asked about the new managers who have been employed and suggested that managerial staff turnover is an issue. AM replied we are trying to deal with the delays and some of the new staff will be looking at analysis. The NZET are concerned about the finances of the business, and we need to show this is under control, so we are bringing quality into the business. JMcM suggested any moves towards privatisation would be detrimental to our apprentices who are not being utilised well at present. He added that we don't have enough work once the ships move and there is not enough work from BAE systems.</p> <p>In answer to a question, AL confirmed he was happy with the recent meeting with the CabSec. SG has been transparent that FM will go back to the private sector, however, TUs are unhappy with the present proposals. AL and JMcM suggested that, given FM is a nationalised business, we should look at merging with CMal and CalMac. AM replied there are governance and accountability issues around that, and we want to pass on a business that has a long-term future, and this will be a Ministerial decision. JMcM commented that if we have found a niche market of small ships and turn a profit, why wouldn't the SG keep it as a nationalised company. AM replied we need to be accountable to the public purse.</p> <p>JMcM advised that a local MP wants to meet with the CEO and management team. DT will update the trade unions next week on the 802 launch.</p>
6	<p><u>Matters Arising</u></p> <p>FOI Log</p>
6a	<p><u>Approval of Minutes of Board Meeting held on 30 November 2023</u></p> <p>Previous Board Minutes were approved.</p>
6b	<p><u>Approval of Minutes of RemCom Meeting held on 29 November 2023</u></p> <p>RemCom Minutes were approved.</p>
6c	<p><u>Approval of Minutes of H&S Committee meeting held on 29 November 2023</u></p> <p>H&S Committee Minutes were approved.</p>
7	<p><u>801 Reports/802 Reports</u></p> <p>DT circulated reports on 801/802 today which he spoke to. CM confirmed the Ops Committee had seen the reports. DT advised that low productivity in delivering the work is an issue but hasn't got better or worse over the past 18 months. What makes forecasting difficult is the scope of work keeps changing and recent changes from the OOR's have added to the workload, including undersetting pipework for LNG. Time related cost is also an issue and every time we move the delivery date, we add additional overhead recovery into the budget.</p> <p>DT advised that from September 23 to January 24 there has been an increase in man hours on 802 and the challenge has been forecasting the work. When we finish the design scope, handover reports and request for final changes we will finally know what the scope has been on 801 and will know what it will be on 802. We need the Glen Sannox to finish before we get a final scope for 802 and as long as the scope is variable, we can't fix a price. CM commented we are substantially adrift from the approved budget and suggested this is an uncomfortable place to be. VH added the September 23 figures are the most up to date figures that the SG has, and it is still a very uncomfortable increase to put forward. AM asked DT what assurances he can give to the Board regarding these figures. SNS stated he has several concerns on the</p>

financial numbers. Recognizing not only the importance of the matter, but also the recent heavy workload, he would prefer a considered response in two weeks rather than an impromptu answer. We know some of these are already a work in progress. Basically, it is updates or assurance on the following given the gravity and importance of the situation. This is not a criticism, but it is about stepping back and taking a deep breath.

801

- Update on sea-trials readiness and associated detailed plan as an example – check list for launching says week 12 but it is actually week 11.
- Preliminary results/feedback from harbour trials (presea-trials)
- Update on MCA approvals for sea trials
- Update on MCA approvals overall
- Update on LNG
- Update on clam-shell doors/ramp/watertight bulkhead
- Better detail in weekly report

802

- How much electrical cable have we in store and how much to be ordered?
- Opportunities to improve electrical contractor schedule including progress on preparations to allow him to start
- Planners/new Project Managers view on opportunities and risk or updated and get buy-in as far as possible
- Update on 802 launching readiness/critical path/SOW
- Update on stock levels in stores/warehouse
- Update on Risk Register, e.g. extension of the risk only once (say 6 months)

Both:

- Review of spares commitment
- Review by new CFO
- Any revised numbers or schedule to be included

801:

JP suggested that the biggest issue, is that we underestimated the impact of LNG. During his last visit on 801 his concern at the time was the LNG and the painting. The painting is on the critical path because it is difficult to paint engine rooms while they are getting used. The production of the critical path is inadequate. It is easier to micromanage 801 at present and for the Board to have something of its status. He would have expected the cabins to be further on now and is still concerned with the May date because we have the sea trials right at the back. He thought we would have been finished on single fuel by this time and are only discussing LNG now. AM suggested the issue of the dual fuel is being the first ship to be certified by MCA, so there is increased risk for the opportunity of finishing the ships.

CM added that AC identified eleven bullet points in his report but gives no clue as to the importance of these and they could trouble the delivery. It is unclear what the likelihood is of the sea trials commencing in mid-February.

802:

JP suggested we have an opportunity on 802 to have a plan. We need to get resources profiled now to see what people we need. We could have made work packs simpler so should look at how we utilise that now. The ship manager must take more responsibility and we need to push to finalise the schedule.

	<p>SC suggested the key thing about the increase in figures, which have gone up substantially, is how reliable they are. He highlighted the differences in hours to go which they expected to go down but have gone up. The Board need to have more confidence that the figures are correct in terms of man hours to complete. DD replied they are in a better position than they were, and they have a detailed plan for this. He expects some of the figures will crystalise. CR added the project team are telling them hours to go are by trade per week, by headcount and who they need when until the end of the programme. There are several people pulling that information together for 801. The hours will go up if there are issues that come up which have not been included. They have a plan for 802 which is in first draft and we need the plan to identify the scope. There are some changes but still some gaps and the level of confidence in some gaps is still not high.</p> <p>DT suggested that new staff will improve management and plans. DT outlined that we have one opportunity to change the 802-launch date for the benefit of 801. The March launch date was a contingency and if we move this back to April, it will allow more flexibility for 802 and is a means of reducing risk for 801. A final decision is still to be made on this.</p>
8	<p><u>802 Reports</u> See above</p>
9	<p><u>Possible NZET Letter</u> There is a fixed timetable for DT and AM to appear at the NZET Committee, there will also be a visit by the Committee to the yard. The letter from NZET in November asked for information on any significant matter arising and DT undertook to reply to them by the end of January so was looking for Board feedback on the content of the letter. SC suggested the letter must contain something that we can, with integrity, state that we are more confident in the figures we are providing and that they are much more accurate and reliable than in the past. VH advised that the CabSec is looking for updated figures after this meeting. DT agreed he will draft a letter and send to CM, then circulate to other Board members.</p>
10	<p><u>BAE and New Business</u> DT advised that BAE are reviewing their outsourcing strategy and want to retain more work on site. Feedback from them is to leave the pilot project here until May and put as much outfitting in as they can which consists of small brackets etc so there is not a lot of work between now and May.</p> <div data-bbox="252 1435 1385 1585" style="background-color: black; width: 100%; height: 67px; margin: 10px 0;"></div> <p>Not much other work on the table at present.</p>
11	<p><u>CMal/CalMac LNG Outstanding Contractual Issues</u> CalMac are coming to the table more positively. The issue was mainly to do with how to get certified LNG crew when there are not many people in the marketplace available. The ability to commission LNG for the ship, requires certified crew. VH suggested they don't need certified crew for bunkering. DT commented that issues have not been resolved on what is needed on the ship, what is needed on shore, and what is needed on ship after it has been filled up. CalMac is asking for clarification on insurance. SNS explained that on many projects the shipbuilder and purchaser will both have insurance.</p>
12	<p><u>SLT Board Reports</u> <u>CEO Report</u> CEO report taken as read</p>

	<p>KPI's:</p> <ul style="list-style-type: none"> • ISO accreditation is on track. • Quality improvements will be discussed in February. • Development of business plan – timescale may change due to delaying impact of Teneo. • DT was asked for a more clarity on his update for the final two items. • SNS noted the full year figure for LTIs is still on track. • There has been a huge improvement in the number of lost days; and • KPI's are on track. <p><u>CFO Report</u></p> <p>Updated bridge report from September 2022 to January 2024 was circulated. There has been an increased in overhead and in materials. There has been a huge increase in the number of man hours over the course of 15 months. DD will ensure they are on top of finances for 802. DD advised he has gone through a list of main sub-contractors and is looking to see prices and plans done. We need to ensure we have individuals managing these suppliers and contract managers and project managers will help with the figures. JP asked about the rigour of making people give work scopes and DD agreed it is about ensuring there is a scope and planning. We have sub-contractors for 801 and 802 and are getting towards 50% over contract price and, if it goes over this, they should go out to tender due to public body rules.</p> <p>DT advised under recovery cost is significantly down. DT added we assumed 18 months ago we would recover £8M from BAE work but we haven't. There is no portion of under recoveries on the vessels. Going forward they are reporting it in Commercial, but it could also be FMPG Ltd. AM asked whether we reviewed contracts on acquisition and VH confirmed that contracts would have terminated on handover and all contracts we are working on at present are post-acquisition.</p> <p><u>Interim Ops Director Report</u></p> <p>Report taken as read.</p> <p><u>Functional Update</u></p> <p>CAK:</p> <ul style="list-style-type: none"> • Organisation charts were discussed. • Vacancy for Head of Yard and how that will interface with people on 801 and 802. • VS suggested the Interim COO should be appointed. • SNS asked about the plan for the 802-launch ceremony. DT advised that a working group is being set up involving CMal. SG has a list of people to attend the launch. Less than 100 people will be invited and will include local politicians and FM Board members. The vessel will be launched with a naming ceremony at a later date. • Decision on final date for launch will be made soon.
13	<p><u>Framework Agreement</u></p> <p>CM and VS discussed the FA yesterday. Letter under discussion which they will share with VH. They also discussed tension on pay policy issue and are keen to move things forward and get Framework and side letter agreed and then operationalise it. Two issues:</p> <ul style="list-style-type: none"> • Letter of comfort dated 14 May 23 which was written authority to continue funding 802 based on the cost projections of Sept 22. • CM feels that the under recoveries reported by finance as being £1.3M probably fit under Commercial and, as Directors of Commercial, they need comfort that SG is going to meet this. VH replied that a comfort letter was drafted, and legal advice taken on this. To give a

	<p>letter of comfort they need to know what they are doing doesn't encroach on any other provisions. They can't tell the Directors they are going to give them comfort until they know what framework they are doing that under. Directors need to assess whether another letter is needed.</p> <p>CM commented that an up to date and operationalised FA is needed. Potential liquidity issue re liabilities surrounding this. At the November Board meeting, CC had indicated that this would be resolved by Christmas. VH replied this would be resolved in the next month or so. Until today she did not know that CM wanted to visit the issue on the pay policy. The FA is very specific on pay policy: "will need to be approved" or "will seek approval". If they want to change that clause, this needs to be taken back to Ministers.</p> <p>CM confirmed that liability and risk is an ARC matter. VH reiterated they are trying to push to get this resolved but she needs to know what this sits under to do that. VS and VH to discuss the pay policy issue offline and then take to Ministers.</p>
<p>14</p>	<p>Project Updates (S & C)</p> <p>AM explained they are trying to ensure there is no duplication between the two projects. CM explained that EY were appointed in November and several meetings have taken place. SNS has taken a lead role, we have an agreed the timetable which is very challenging and agreed to push hard to get an extension for an additional four weeks. EY are helping, and modelling is taking place, and they will work together with SG on this. AM commented the Board have got to be kept fully informed of the three options previously put forward. Objective is for the shareholder to have three documents that cross reference the three options that have been picked. VH advised that she will discuss with her colleague re S timeline, but she can't time that against C and the pressure has been to get C delivered. She sees C as a separate timeline, but they have been asked to deliver this.</p>
<p>15</p>	<p>AOB</p> <p>CM raised the issue of the new lease for the warehouse. The landlord wants us to sign a new lease with a three-year commitment with a minimum of 18 months. AM suggested we are running out of time for negotiation on this and we need clarification on what is there and the value of this.</p> <p>The Chairman closed the meeting at 2.15pm</p>