

DAVID MACBRAYNE LIMITED

MINUTES of a BOARD MEETING

held at the Ferry Terminal, Gourock, PA19 1QP on Wednesday 5 October 2016 at 10.00 am

[FOISA Status – Exemptions under Section 30 (Prejudice to effective conduct of public affairs) Section 33 (Commercial interests) and Section 36 (Confidentiality)]

Present:

- D C McGibbon (DM) (Chairman)
- M Dorchester (MD)
- R Drummond (RD)
- S Hagan (SH)
- J Stirling (JS)
- A Tait (AT)

In attendance:

- R Hadfield (Transport Scotland Assessor)
- B Fulton (BF) (item 6)
- C Patterson (CP) (Board Administrator)
- P Osman (PO) (Interim Company Secretary)

Item	Action
1. <u>Preliminaries</u>	
1.1 Welcome	
DM welcomed Richard Hadfield and all others present to the meeting.	
1.2 Safety Moment	
JS was pleased to note that even when under very public pressure to get the vessel to dry dock, the crew on MV Hebrides and staff supporting Hebrides had maintained their focus on safety. Lloyd's surveyor had insisted on attending sea trials before approving passage from Lochmaddy to dry dock in Greenock, but had not wanted to join the passage. He had requested to be put ashore again at Lochmaddy following the sea trials. The crew, supported by head office, refused on safety risk grounds to either return the vessel to Lochmaddy or to use the Fast Rescue Craft to take the surveyor ashore. As a result the surveyor – at Calmac's cost – had to remain on the vessel for several days while on passage to the Clyde and while waiting for the dry dock to become available.	
1.3 Declarations of interest	
There were no further declarations of interest, other than those previously made and known to all Directors.	

2. **Approval of minutes**

2.1 **22.6.16 and 4.8.16**

Subject to certain amendments, these were approved. PO undertook to make the necessary changes and to circulate the amended minutes to the Board.

PO
23.16

2.2 **Related matters**

RH asked that care be taken to ensure that any minutes of Board meetings should recognise the effect of the Freedom of Information Act.

He was concerned that he had not known about the Board meeting held on 4.8.16. It was explained that this had been held at very short notice (immediately after the CFL Board meeting that day) only to approve the subsidiary's initial expression of interest in bidding for the Gourock to Dunoon service, which had to be filed with Transport Scotland shortly thereafter.

3. **Chairman's Remarks**

[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

3.2 **Pensions**

(DM and CP declared an interest in this item as trustees of the CalMac pension scheme).

There was a discussion about pensions and a letter which was to be expected from TS.

3.3 **New NEDs**

DM reported that interviews had now taken place and that the two short-listed candidates would now be recommended to the Minister for approval. RH confirmed that he was moving the process forward with the expectation that the new appointment would be effective on 1.12.16.

3.4 **Tri-partite meetings**

DM reported that he had written to John Nicholls about future tri-partite meetings (DML/CMAL/TS), which should be received by RH today. He looked forward to TS's response.

RH
25.16

3.5 **Events**

DM reminded the meeting that DML would be represented at the MOD and at the Rural

Parliament, both of which would be held shortly. MD had agreed to speak at the Interferry Conference in Manila later in the year.

4. **Group Reports**

4.1 CEO Update

MD referred the meeting to his Update mentioning especially:-

4.1.1 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

4.1.2 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

4.1.3 **MV Hebridean Isles and MV Hebrides**

The Board was aware of the two recent incidents involving these vessels. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

MD
27.16

4.1.4 **CHFS2**

MD commented that the contract teams at TS and CalMac still had to fully understand the practical application of the new contract. RD confirmed that workshops had been arranged for those concerned. JS pointed out that, during all the discussions on redeployments to cover for temporary loss of MV Hebrides, no consideration had been given to penalty implications, but that this likely would not be the case in the event of similar events under CHFS2. RD accepted that a protocol for dealing with another such incident should be developed.

RD
28.16

4.1.6 **MV Catriona**

This vessel had been deployed on the Lochranza route, although it had broken down on its first crossing (and since been repaired).

4.1.7 **CV Forums**

MD said that these were a positive initiative and had proved to be a helpful forum.

SH was concerned that it had not been possible for MD to meet yet with the Western Isles Council since the award of CHFS2. MD explained that attempts had been made to agree suitable arrangements, but these had so far been in vain. He would contact the Council again.

MD
29.16

4.1.8 **AFL bid**

Slippage in the timing of this bid had started with the ITT, originally scheduled for 7.9.16, being postponed to 30.10.196.

4.1.9 **RET**

MD was concerned that the full impact of RET would not become apparent until 2017. Since its introduction, travel patterns had changed significantly with greatly increased usage.

RH stated that TS was already considering the best time to review the effect of RET.

4.1.10 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

4.1.11 **Future events**

MD suggested that DML should review the number and type of event at which it wished to be represented in future. He would prepare a paper on the subject for the next Board meeting.

MD
30.16

4.2 **Group Finance Update**

[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)] Adverse costs more recently had been due to a **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]** spend on crew accommodation, unplanned maintenance costs and greater staff levels than expected by Port Operations due to additional RET traffic and timetable changes. Total unplanned costs for the year to date were **[FOISA Status - Exemption under Section 33 (Commercial Interests and the Economy)]**

RD noted that no subsidy income would be received in October, 2016 due to the effect of CHFS2.

He explained that the first 6 months of the CHFS2 contract would be reported within the 2016-17 DML group accounts for the year ending 31.3.17.

4.2.1 *CHFS1 Update – Year 9*

This had run at a profit to 31.8.16.

4.2.2 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

4.2.3 *Management accounts*

The Board considered the way in which financial results were presented to it and asked if forecasts could be included. RD confirmed that these were produced internally and reviewed with department heads at Quarterly Financial Reviews each quarter. These would now be shared with the Board.

He confirmed that, once CHFS2 contract variations had been agreed with TS, their effect would be incorporated into the 2017-18 budget, which would itself be reviewed at internal meetings early next year. A full budget for the coming year would be presented to the Board in about April 2017.

DM thanked MD and RD for their reports and comprehensive coverage of their contents.

5. **AGMs**

It had not been possible for RH, as the Assessor, to review the draft DML annual report and accounts. As a result, it was agreed to postpone the AGMs for DML and its

subsidiaries until the following week.

6. [FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]

7. 2017 Board and Committee Dates

The meeting reviewed the schedule of dates that had been circulated previously. It was agreed that these would be amended and PO would re-circulate the revisions for agreement by directors. He pointed out that these revised dates might change if the Board accepted the proposal in his paper to ask for a report on the possible future structure and regularity of board and committee meetings within the DML group. This was agreed and PO hoped that, after discussions with the directors of DML and CFL, such a report would be ready for DML's next Board meeting.

PO
33.16

PO
34.16

Consideration was then given to the possibility of some Board meetings taking place at locations over the CalMac network. It was agreed that SH would speak to BF, as the CFL Communities Director, as to how the Board might become better known across the Group.

SH/BF
(35.16)

8. Terms of reference

8.1 Matters Reserved to the Board

The red amendments in the draft in the Board pack were accepted.

PO explained that Annex 1 (being an extract from the Framework Document) listed those items of expenditure which the Board was authorised to approve and that any proposed expenditure outwith those limits required TS approval.

JS asked where corporate identity was covered in these terms of reference and, after some debate, it was agreed that this would be included in new terms of reference which PO would draft for CFL.

PO
36.16

8.2 Remco

It was agreed that, as was common practice, the provisions in the earlier draft of these terms of reference relating to the Chairman of DML not being a member of the Remco would be re-instated.

It was agreed that SH be appointed as the Chairman of the Remco with immediate effect.

8.3 Safety Committee

PO was asked to check with Louis de Wolff that the list of Policies in these terms of reference was complete.

PO
37.16

It was agreed that the name of this Committee would remain as the 'Safety Committee'.

8.4 Approval and adoption

Subject to the above points, it was agreed that the draft Schedule of Matters Reserved and terms of reference for the three Board committees be approved and become effective immediately.

When amended as above, PO would circulate final copies to those present.

PO
38.16

9. Items for Update

9.1 Strategic Board discussions

MD undertook to arrange an awayday for the Board to which RH would be invited.

MD
39.16

9.2 Minutes and operational reports

The minutes of the Safety Committee and Audit & Risk Committee held on 1.6.16 and 6.7.16 respectively were noted.

The Board acknowledged the reports from SES, Operations, HR, Commercial, Technical, Finance (Projects) and Risk.

10. AOB

10.1 Branding

RD agreed to circulate a paper on this subject to the Board. New branding had been launched on 1.10.16 for CFL as operator of the Clyde and Hebrides network to mark the start of CHFS2 and distinguish it from CMAL as asset owner.

RD
40.16

10.2 Board training

SH mentioned that he had attended a seminar on the High Performing Board. He felt this might be helpful to the prospective two new NEDs. DM commented on a CIPFA course for NEDs of publicly owned companies, which he thought would also be of value.

10.3 Gender balance

MD asked whether the two new NED candidates would have an effect on the Scottish Government's board gender balance requirements (50/50 by 2020). RH replied that new legislation on this issue would soon be published, though he did not know what it would contain.

11. Close

There being no further business, the meeting was declared closed.

Signed:
D C McGibbon
Chairman

Date:

2016