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DAVID MACBRAYNE LIMITED
MINUTES of the BOARD MEETING

held on Wednesday 26 September 2018 at 12.45 p.m.

in Suite 3, Holyrood MacDonald Hotel, Edinburgh EH8 8AU

[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 (DMcG) (Chairman)
S M Browell (SMB)
R Drummond (RD)
S Hagan (SH)
J Stirling (JS)
A Tait (AT)

In attendance: J Beckett (JB) – Interim Finance Director
S R Griffin (SRG) – Company Secretary

Apologies: M Comerford (MC)

Item **Action**

1. **GOVERNANCE**

1.1 **SAFETY MOMENT**

D McGibbon reported that, during a fire at his golf club, access to water with sufficient pressure had been an issue for the fire brigade and the water access point had not been tested regularly by the local council. He also noted that the fire brigade had operated to a plan for the building and recovered historic valuables – fire plans having been drawn up for listed buildings following lessons learned from a previous listed building fire.

Action: J Stirling noted that the Safety Committee would look at the water provision at ports and harbours. **JS**

R Drummond reported that a cruise ship had broken its moorings in Greenock during the recent storm and had been drifting without power. Tugs had been mustered to assist the vessel and although there was no damage, there were costs incurred as well as the reputational impact. The incident had exposed the inadequacies in the port infrastructure and key crew were off the vessel while it was moored. He reported that L De Wolff and the CalMac crews would discuss their options in similar circumstances including conditions in which berthing might not be the best option. He confirmed that CalMac vessels had a higher number of mooring lines in place at night. He also reported that, following the MV Isle of Arran breakdown, CalMac would be speaking to the local council about their contingency plans.

1.2 **APOLOGIES FOR ABSENCE**

Apologies for absence had been received from M Comerford, as well as R Hadfield, the assessor.

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1.3 **DECLARATIONS OF INTEREST**

There were no new declarations of interest.

1.4 **DIRECTOR RE-APPOINTMENT**

D McGibbon reported that he had been re-appointed as Board Chairman until November 2019.

Action: He would provide a copy of his re-appointment to S R Griffin for the files.

DMcG

1.5 **MINUTES FROM BOARD MEETING OF 29 AUGUST 2018**

The Minutes of the Board meeting held on 29 August 2018 were **APPROVED**, subject to a minor change, and the Chairman was **AUTHORISED** to sign the minutes.

1.6 **ACTION LOG**

The action log was discussed as follows:-

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55.18 GROUP CEO UPDATE - Key Issues Last Month

➤ **Community Board** – The Board discussed holding a joint meeting with the Community Board members. S Hagan would suggest a joint DML Board and Community Board members meeting at the next Community Board.

S Hagan reported that he had attended the Community Board and work was underway to arrange a joint meeting.

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

RD (JP)

73.18 The Board agreed that they should have greater visibility and contact across the network. R Drummond agreed to arrange for a stakeholder map to be circulated to the Board. This was in progress – c/fwd.

74.18 BOARD COMMITTEES- AUDIT & RISK COMMITTEE (ARC)

Action: R Hadfield asked that the draft Accounts be circulated to Transport Scotland in good time for their review and J Beckett agreed to do so once the Accounts had been circulated to the Board for comment. Ongoing.

75.18 CHAIRMAN'S REMARKS - SCOTTISH CABINET MEETING – ARRAN

The full Board would like to meet with M Matheson and P Wheelhouse before the end of the year and have clarity on the different roles of each minister.

RH

Action: R Hadfield agreed to set up meetings for the full Board with the Ministers and provide clarification on the role of each Minister.

D McGibbon reported that a meeting had been scheduled for himself, A Tait and R Drummond with M Matheson to discuss strategy. It had also been clarified that CalMac would liaise with P Wheelhouse for day to day matters. The ministerial meeting with the whole Board should be arranged soon.

76.18 GROUP REPORTS - GROUP CEO UPDATE

Action: The Board agreed that they should be more visible out on the network and that Board meetings should be held out on the network with meetings to be organised with communities to make the most of the opportunity.

RD/SRG (BF)

The Board agreed that every other Board meeting should be held out on the network and it

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was noted that I MacKinnon of Outer Hebrides Tourism had requested a visit from the CalMac Board and it was thought that late Spring might be most suitable.

78.18 Q1 FORECAST UPDATE - 2018-19 Plan – Adjustments for Approval - Group Profit 2018-19 Full Year Movement

R Drummond confirmed that risk probability had been weighted and built into the Operator Return at the level it was expected to crystallise as 'evaluated risk'.

Action: J Beckett & R Drummond to review how much risk had been utilised to date. Ongoing.

All other actions were complete, for future meetings or covered under Agenda items.

2. **CHAIRMAN'S REMARKS**

2.1 **SCOTTISH PARLIAMENT MATTERS**

Rural Economy And Connectivity Committee

D McGibbon reported that he and R Drummond had attended the REC Committee to provide input to a discussion on investment. R Drummond confirmed that a CalMac response to the points made at the REC Committee (including those by the CalMac Community Board Chairman and Roy Pedersen) would be sent to the REC Committee.

Meeting with Minister

D McGibbon advised that he would send a note out to the Board following the meeting he, A Tait and R Drummond were to have with M Matheson.

2.2 **VESSEL ISSUES**

D McGibbon noted that R Drummond and the management team had been doing a sterling job in difficult circumstances to keep service disruption to a minimum.

3. **BOARD COMMITTEES**

3.1 **AUDIT & RISK COMMITTEE (ARC)**

No meetings in the period.

3.2 **SAFETY COMMITTEE**

The minutes of the meeting held on 29 August 2018 were noted.

J Stirling reported that the Safety Committee had changed its Agenda order to prioritise the review of strategic items. The Safety Committee had carried out a self-assessment exercise, the notes from which had been circulated to management for their comment and which would be submitted to the October Board.

He reported that a good paper on ALARP had been discussed and the Committee were now comfortable with the use of the term. He confirmed that the Bull Hole safety procedures had been improved.

3.3 **REMUNERATION COMMITTEE**

S Hagan reported that there would be a Remuneration Committee meeting later in the day.

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3.5 **BOARD COMMITTEE TERMS OF REFERENCE**

S R Griffin reported that the updated Committee Terms of Reference would be brought to the October Board for approval.

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

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4. **GROUP REPORTS**

4.1 **GROUP CEO UPDATE**

The Board noted the report from R Drummond and he reported as follows:-

4.1.1 **Key Issues Last Month**

- **Isle of Arran** – this vessel was now in dry dock with further problems with the oil distributor box. Given the major issues experienced with the oil distributor box, other potential contributory factors were being looked into.
- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**
- **Consultancy Agreements** – There were 11 of these outstanding. R Drummond reported that the CalMac preferred approach was to agree a team and provide services at cost to Transport Scotland. This would be cheaper as well as more efficient and he would discuss it with F Pacitti.
- **Port Ellen** – an HSE review of traffic management had resulted in a notice of contravention (not a formal improvement notice). Management were now conducting a review of the traffic management plans across the network and this may result in reduced flexibility in ports and responsibility for the resolution of issues sitting with local councils.

4.1.2 **Key Achievements Last Month**

- **Asset Management** – dry-docking schedule planning was three months ahead of last year with 9 contracts awarded and 10 remaining to award. J Beckett reported that additional procurement resource had been brought in to assist with Asset Management contracting and she was working with the Procurement team to assess their workload and move to a business partner model.
- **Team Brief** – ExCo were discussing the messages for cascading down the business which were being delivered as verbal updates to teams.
- **Individual Seafarer Employment Agreements** – these were being issued to all Guernsey employees.
- **Absence Rates** – these had continued to show a downward trend.

4.1.3 **Key Issues Next Month**

- **Northlink Bid** – the opening notice had been received the day before.
- **Gourock-Dunoon** – Transport Scotland had been pressed on this matter and unions had highlighted staff uncertainty. R Drummond confirmed that the contract had been extended on the basis that there was no additional risk to CalMac and included an uplift to the maintenance allowance.
- **CHFS2 Gate 5 Procurement Review** – the output of this review, which had been promised by Transport Scotland, was still awaited and R Drummond would raise this

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with F Pacitti.

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RD (BF)

J Beckett reported that the outstanding Contract Variation would be reviewed against the recent evidence of ramp issues.

R Drummond confirmed that the customer communications area was resourced sufficiently however there were challenges across the stakeholder area, particularly with B Fulton spending a great deal of time on SGL matters.

4.2 GROUP FINANCE UPDATE

The Board noted the reports from J Beckett covering the period to end August and she reported as follows:-

4.2.1 DML Group Financial Results – end August 2018

4.2.1.1 Group Profit & Loss

- Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, positive to revised Plan **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- . Key variances were:
 - Farebox revenue **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
 - Recovery of CMAL costs **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
 - CVs approved **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
 - Maintenance **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
 - Port staff costs **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

J Beckett reported that a prudent view had been taken of the maintenance overspend for the MV Isle of Arran and it had been included in the P&L. She also noted that the business development underspend was due to timing for the Northlink and Gourock-Dunoon bids.

R Drummond reported that an awayday had been held to look at port staffing and D Gibson was aware that this was a priority.

The Board noted the summary of adjustments to Plan (as previously approved by the Board).

4.2.1.2 Group Balance Sheet

- Group net asset position was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Cash position was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. J Beckett reported this was due to seasonal fluctuations and that she was reviewing the cash deposit strategy & bank facility and a paper would come to the Board.

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4.2.2 **CHFS2 Contract Year 2 Performance**

4.2.2.1 Summary Contract Year 2 Financial Performance

Using a CalMac indicative estimate based on Contract Variations submitted, Operator Return pre-Clawback was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD against a target of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. Key adverse variances were:-

- GDPR project spend - which was the subject of an outstanding Contract Variation
- Retail income
- Crewing costs
- Maintenance
- Port Costs

It was noted that retail was on Plan, having been adverse due to performance in the early part of the year. K McGregor was restructuring the team and taking a strategic view of the items sold.

4.2.2.2 Contract Variations & Funding Update

J Beckett reported that it was an improving picture with smaller CVs going through the approval process quicker:-

- CY2-002 – vessel maintenance costs would be added to this outstanding CV
- CY019 – Argyll & Bute terminal dues increase.

4.2.2.3 Performance Penalties Deductions

The Board noted the detail giving a total of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** for CY2 to date.

4.2.3 **Gourock-Dunoon Summary Contract Year 7 Financial Performance**

4.2.3.1 Summary Contract Extension Year 2: April-August 2018 Financial Performance

This was in line with contract with no significant variations.

4.2.3.2 Performance Penalty Deductions - AFL

This information was noted.

4.2.4 **Solent Gateway JV Summary Contract Finance Performance Expenditure**

It was noted that reporting was now against the SGL approved 10 Year Plan. Operating Loss was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, being **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** adverse to Plan.

4.2.5 **Bid Commitments Update**

J Beckett reported that monthly recorded errors on the Kerrera route had reduced from 242 to 29 and that the staff member responsible for driving forward this improvement had now been transferred to Finance on a permanent basis.

A Tait commented that the detail in the report was excellent but he would like to see information on the long-term overall picture across the life of the CHFS2 contract.

Action: J Beckett reported that an exercise to look at the 8 year figures was underway with the first draft produced and she anticipated that it would be ready for the October Board.

JB

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

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4.4 **BID COMMITMENTS UPDATE**

The Board noted the report from I Slorach and J Beckett reported that I Slorach was reviewing all bid commitments with the relevant staff members with a view to reviewing the delivery dates with Transport Scotland.

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5. **STRATEGIC ITEMS**

5.1 **TOTAL SAFETY STRATEGY 2018-2020**

The Total Safety Strategy 2018-2020 was noted. This Strategy had been reviewed by the Safety Committee and recommended for Board approval.

The Board **APPROVED** the Total Safety Strategy 2018-2020.

5.2 **ENVIRONMENTAL STRATEGY 2018-2020**

The Environmental Strategy 2018-2020 was noted. This Strategy had been reviewed by the Safety Committee who had asked for revisions to be made. Following these revisions and final review by the Safety Committee, this strategy was recommended for Board approval.

The Board **APPROVED** the Environmental Strategy 2018-2020.

6. **ADDITIONAL PAPERS - FOR NOTING**

6.1 **ADDITIONAL PAPERS - DEPARTMENTAL REPORTS**

The Board noted the Executive Committee Reports.

6.2 **POLICY REVIEW UPDATE**

There were no Policy Updates in the period.

7. **ANY OTHER BUSINESS**

7.1 **BOARD MEETING DATES 2019**

S R Griffin confirmed that Board meeting dates 2019 would be discussed as part of the Board training follow up session to be scheduled for 24 October, following the Board meeting.

7.2 **COSLA**

It was noted that CalMac had been invited to contribute to the COSLA Local Governance Review and B Fulton was reviewing this for CalMac.

7.3 **RAIL MEETING**

It was noted that the Board had received the notes of this meeting and it was not anticipated that there would be any activity until 2020.

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At this point J Beckett left the meeting.

7.4 REMUNERATION COMMITTEE RECOMMENDATION

S Hagan reported that the Remuneration Committee recommended that the Board confirm J Beckett in role as Finance Director of CFL and noted that this would allow other positions and promotions within Finance to be confirmed.

The Board **APPROVED** the appointment of J Beckett as Finance Director of CFL.

8. DATE OF NEXT MEETING

Wednesday 24 October 2018 at 9.00 a.m.

Signed:
D C McGibbon
Chairman

Date: