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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 3 July 2019 at 1.00 p.m.
at Marchwood, Hampshire, SO40 4UT

[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)
M Comerford (MC)
S Hagan (SH)
D Mackison (DM)
J Stirling (JS)
A Tait (AT)

In attendance: R Parkinson (RP) – SGL Port Director
B Fulton (BF) – Director of Community & Stakeholder Engagement
R Hadfield (RH) – Assessor, Transport Scotland
S R Griffin (SRG) – Company Secretary

Apologies: R Drummond (RD)

Item	Action
1. <u>GOVERNANCE</u>	
1.1 SAFETY MOMENT J Stirling commented that he had booked his car into a car park at the beginning of a long-haul holiday without considering whether he would be fit to drive home after the flight back. It was an example where sufficient prior thought should have been given.	
1.2 APOLOGIES FOR ABSENCE Apologies for absence had been received from R Drummond (as well as from attendee J Beckett).	
1.3 DECLARATIONS OF INTEREST There were no declarations of interest in addition to those previously declared.	
1.4 MINUTES FROM BOARD MEETING OF 29 MAY 2019 The Minutes of the Board meeting held on 29 May 2019 were APPROVED , subject to a clarification to the wording of 6.2.2.2, and the Chairman was AUTHORISED to sign the minutes. The Board discussed the Islay stakeholder visit, noting that the key points had been circulated and that follow up to these was required. They agreed that there was merit in going back to Islay stakeholders to confirm that the messages from the visit had been received. It was also felt that this was a suitable subject to discuss with the Minister at the meeting in September.	

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DM

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1.5 **ACTION LOG**

The action log was discussed as follows:-

36.18 FRAMEWORK AGREEMENT

ANY OTHER BUSINESS - FRAMEWORK AGREEMENT

R Hadfield reported that he had had discussions at Transport Scotland about the Transport Scotland CEO's role within the Framework Agreement. A Tait reported that, further to discussions at the Audit & Risk Committee, he would be reviewing the scope of the Framework Agreement to ensure that it was appropriate for the current situation i.e. now that the CHFS2 Contract was in place. A Tait reported that the draft Framework Agreement had been discussed at the May ARC and the next step was to engage with Transport Scotland before reporting back to the Board.

AT/SRG

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

RD

118.18 ANY OTHER BUSINESS - STRATEGY

The Board agreed that they should hold a strategy session based on the previous session work collated by D Gledhill. D Mackison would liaise with N Brown to organise a strategy session. D Mackison reported that N Brown would be attending this session with a facilitator also engaged. He would send out a note confirming the timings and process for the day shortly.

DM

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5.19 MEETING WITH MINISTER 26 FEBRUARY 2019

It was noted that CalMac offered a unique proposition for the communities across the network and could act as an economic enabler. It was noted that this topic had been discussed at the DML-Community Board joint meeting with DML agreeing to commission a piece of work.

R Drummond to develop a scope & terms of reference for the work & circulate to Board. The costs for this activity would need to be included in the Plan.

This action was in progress with B Fulton developing the specification which was being discussed with the Community Board and Glasgow & Strathclyde Universities. The Board asked that the specification be circulated to them.

RD
(LDW)

15.19 GROUP CEO REPORT

M Comerford commented that the Minister had encouraged CalMac to organise a reception for the Scottish Parliament & it was agreed that consideration should be given to inviting CMAL. The Board noted ScotRail held regular drop-in events for MSPs and CalMac could also consider doing something similar.

A Allan, Western Isles MSP had agreed to sponsor this event - with consideration being given to a stand with CMAL. J Stirling reported that the Safety Committee had suggested that the information on Masters' Decision Making should be included.

RD (BF)

D Mackison reported that D Cannon was working on this event and, given the long lead time required, aiming for 2020.

17.19 CALMAC COMMUNITY BOARD UPDATE

A second joint DML-Community Board meeting had been arranged for Thursday 29 August at 2pm. The Board agreed that there should be a discussion regarding what DML wished to discuss at this meeting. D Mackison reported that he was keen for clarity and recognition of achievements/deliverables for the Community Board.

Action: D Mackison and R Drummond should pull together key points and this should be an Agenda item for the August Board meeting.

18.19 CALMAC MD UPDATE

Action: It was agreed it would be good to have dinner with the Minister.

DM

D Mackison reported that the Minister had advised that he did not have availability for a dinner but would look for availability for an informal meeting. D Mackison confirmed that he would be meeting informally with P Wheelhouse the following week. Action complete.

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29.19 GROUP FINANCE UPDATE - Group Balance Sheet as at 30 April 2019

DM/RD

30.19 GROUP FINANCE UPDATE - Contract Variations (CVs) & Funding Update

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

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

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

At this point B Fulton and R Parkinson joined the meeting.

2. **ITEMS FOR APPROVAL**

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

At this point R Parkinson left the meeting.

3. **STRATEGIC ITEMS**

3.1 **ISLAY STAKEHOLDERS MEETINGS**

D McGibbon advised B Fulton that the Board had discussed the recent Islay stakeholder meetings and agreed that it was important that stakeholders were aware that the DML Board was listening and responding to concerns expressed. It was also considered important to keep the Community Board in the loop and that they were appropriately credited for actions taken as result of their activity. B Fulton was asked for his views on the best way to feedback to Islay stakeholders and he suggested contacting a number of individuals and groups, with the Islay Community Board member, J Porteous being contacted first.

Action: B Fulton to pull together a list of those individuals and groups to be contacted by the Board both for Islay and the Western Isles following the network visits and stakeholder meetings held in May and March.

DM (BF)

At this point B Fulton and R Hadfield left the meeting.

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

At this point R Hadfield re-joined the meeting.

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

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

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

4. **ITEMS FOR APPROVAL (CONT'D)**

4.1 **BANK AUTHORISED SIGNATORIES**

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The Board noted the report from J Beckett seeking approval to add D Mackison, CEO as an authorised bank signatory to the following bank accounts within the DML group:-

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

Decision

The Board **APPROVED** adding to add D Mackison as an authorised bank signatory to the above-listed David MacBrayne Limited bank accounts.

It was **RESOLVED THAT** the Authorised Signatories in the current mandate, for the accounts detailed in the Account Information section, be changed in accordance with the section Authorised Signatories and the current mandate will continue as amended.

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

5. **BOARD COMMITTEES**

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

The Board noted the draft minutes from the ARC meeting held on 31 May 2019.

A Tait reported that the Committee had reviewed its Terms of Reference and would review the proposed amendments at their August meeting after which they would come to the Board. L De Wolff had reported on his discussions with individual Board members on the Risk Appetite. The Internal Audit Plan 19/20 had been reviewed and there had been a subsequent discussion with PWC on the Corporate Governance review and advisory work to be carried out. The Internal Review on Staff Development had been circulated to the Board as it contained a high finding.

A Tait also reported that the Committee had discussed the Framework Agreement. They had also received a report from G Leitch on recent IT Security testing exercises and noted that more training would be carried out with action to be taken for future failures. The Committee had reviewed the updated Declaration of Interests for the Board as well as the Gifts & Hospitality Policy and requirements.

The Board noted that a review of the procurement function including supply chain was underway with input from KPMG and that the Head of Procurement vacancy was being filled.

5.2 **SAFETY COMMITTEE**

The Board noted the draft minutes of Safety Committee meeting held on 24 May 2019 and that J Stirling had updated them verbally on this meeting at the May Board.

5.3 **REMUNERATION COMMITTEE**

The Board noted that the draft minutes of the Remuneration Committee held on 29 May 2019 had been previously circulated and S Hagan reported that three senior management vacancies had been approved and D Mackison confirmed that recruitment was underway.

6. **GROUP REPORTS**

6.1 **GROUP CEO REPORT**

The Board noted the report from D Mackison and he reported as follows:

Key Activities Last Month

- CMAL – he had received an update on the FMEL vessel builds.

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- Scottish Government – he had a business development meeting with special advisors to the First Minister.

Action: D Mackison to circulate his Holyrood Magazine interview to the Board.

DM

Key Activities Next Month

These were noted.

6.2 GROUP FINANCE UPDATE

The Board noted the report from J Beckett covering the month to end May and A Tait reported that he had discussed these results with her.

6.2.1 DML Group Financial Results – end May 2019

6.2.1.1 Group Profit & Loss versus Plan

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

6.2.1.2 Group Balance Sheet as at 31 May 2019

This was noted.

6.2.2 CHFS2 Contract Year 3 Performance

6.2.2.1 Summary Contract Year 3 Financial Performance

The key variances included a positive impact from Farebox revenues. **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

D Mackison confirmed that the new vacancies would strengthen existing pockets of weakness including staff engagement which would fall under the remit of the Group Communications Director. A Tait reported that he had attended a mental health engagement meeting which had comprised a good mix of staff from different parts of the business working harmoniously to prioritise mental health within the business.

6.2.2.2 Contract Variations (CVs) & Funding Update

These were noted.

6.2.2.3 Performance Penalties Deductions

These were noted.

6.2.2.4 Bid Commitments Update

This update was noted.

6.2.3 [FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

6.3 [FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

7. ANY OTHER BUSINESS

7.1 EXTERNAL AUDIT TENDER

The Board noted that they had received the report from management on the results of the External Audit Tender and the recommendation from management and from the Audit & Risk Committee to re-appoint KPMG and that this had been approved by the Board between meetings.

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Decision

The Board **RATIFIED** its **APPROVAL** of the re-appointment of KPMG as External Auditor to the DML Group following completion of the tender process.

7.2 KILCREGGAN SERVICE

It was noted that a decision on the operation of the Kilcreggan ferry service was due on 13 July and there had been no contact from Transport Scotland to date.

CFL MINUTES FROM BOARD MEETING OF 29 MAY 2019

The Minutes of the Board meeting held on 29 May 2019 were **APPROVED**, subject to a clarification to the wording of 4.2.1.2, and the Chairman was **AUTHORISED** to sign the minutes.

8. MANAGEMENT REPORTS

8.1 MANAGING DIRECTOR'S REPORT

The report from R Drummond was noted.

Key Issues Last Month:

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

Key Achievements Last Month:

- Ferry Stakeholder Groups – it was noted that there had been positive interactions.
- Masters Decision Making – it was noted that CalMac management had pushed back hard on ill-informed comments and that B Fulton was working to stress the need for respect for CalMac staff. The Board indicated their support of the Managing Director and staff and believed they were acting with integrity and in good faith and should not be subject to such treatment. RD
- Vessel overhaul specification, procurement and award – this had been completed significantly ahead of previous years and the Board noted the hard work done to complete this. DM
- IT Transition from HNS – this had been completed successfully and the Board noted the work done by the IT team.

Key Issues Next Month:

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

8.2 KPIs

The Board noted this paper which they felt was very good and provided the Board with assurance that management were reviewing these areas.

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

Action: It was suggested that Table 3 (on punctuality and reliability) be scaled more appropriately to show the trends clearly. RD

9. ADDITIONAL PAPERS

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

Project Portfolio Report

A Tait noted that this report would be improved with the following: RD

- Start and finish dates
- Costs
- Savings benefit/target
- An explanation of why red project were rated red

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10. **DATE OF NEXT MEETING**

Wednesday 28 August 2019 at 10.15 a.m.

Signed:
D C McGibbon
Chairman

Date: