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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 28 August 2019 at 10.15 a.m.
at the Ferry Terminal, Gourock, PA19 1QP

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

Present: A Tait (AT) (Chairman)
S M Browell (SMB)
M Comerford (MC)
R Drummond (RD)
S Hagan (SH)
D Mackison (DM)
J Stirling (JS)

In attendance: J Beckett (JB) – Finance Director
R Hadfield (RH) – Assessor, Transport Scotland
S R Griffin (SRG) – Company Secretary

Apologies: D C McGibbon (DMcG)

Item		Action
1.	<u>GOVERNANCE</u>	
1.1	APOLOGIES FOR ABSENCE Apologies for absence had been received from D McGibbon due to illness and the Board agreed that A Tait should chair the meeting. The Board sent its best wishes to D McGibbon for a speedy recovery.	
1.2	SAFETY MOMENT D Mackison noted that there had been two incidents recently with passengers ending up in the water near the pier and being rescued either by or with the assistance of CalMac staff. One of these was due to intoxication and R Drummond confirmed that there was a policy on refusing boarding to intoxicated passengers however the difficulty came if this was discovered en route (compared to rail). There were also issues with local police asking CalMac to remove intoxicated visitors from islands and there was no specific legislation covering ferries – the Transport Police covered rail travel only. It was noted that there was often limited police support for CalMac, especially on smaller islands which had a limited police presence. R Drummond reported that CalMac were reviewing their policies in respect of aggressive passengers and a staff group had been set up. He confirmed that port staff must report all incidents to the police. M Comerford suggested the use of deterrents be considered.	
1.3	DECLARATIONS OF INTEREST The Board noted the register of their interests which had been updated following completion of the annual declarations. There were no declarations of interest in addition to those previously declared.	
1.4	MINUTES FROM BOARD MEETING OF 3 JULY 2019 The Minutes of the Board meeting held on 3 July 2019 were APPROVED and the Chairman was AUTHORISED to sign the minutes.	

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The Board discussed topics to discuss with the Minister and noted that these included:

- Transport Scotland – conflict of interest
- Matters discussed at the previous meeting with the Minister (communication, business development, economic enablers including the Fraser of Allander Institute opportunity).
- Customer satisfaction / performance statistics handout
- Board network visits
- FMEL (801 & 802)
- Contract Variations
- CalMac input to vessel strategy including vessel/bridge standardisation
- Non-alignment of priorities between CMAL & CalMac (innovation/whole life costs/fuel economy/operating resilience & costs)

Action: R Hadfield confirmed he would send the Minister's Agenda items by Friday 6 September.

RH

Action: The Board agreed that they should hold a telephone conference meeting prior to the meeting with the Minister to discuss the Agenda.

DM

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)].

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.

RD
(LDW)

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.

The Board noted the update and R Drummond reported that it would be a challenge to source this information which didn't currently exist.

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)

The Board noted the progress towards organising this event and that it was likely to be held after March 2020 (unless a suitable cancellation came up). It was agreed that holding the event offsite from the Scottish Parliament would not be suitable.

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

DM

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

D Mackison reported that the meeting between himself and C Wilcock had been postponed due to FMEL matters but would be re-scheduled prior to the Board's meeting with the Minister.

JB

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

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

DM

R Drummond reported that B Fulton had collated themes captured in Islay, with updates & responses to community groups being collated for review by himself & D Mackison. C/fwd.

RD

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

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

The Board noted the paper from J Philpott on Brexit and J Beckett confirmed that the risk had been costed and would be mitigated by a combination of additional, specialist resource and process/system changes for international orders. R Drummond reported that management were working with suppliers regarding stock held, with the main risk being short term and related to vessel parts. Action complete.

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

DM/RD

At this point R Hadfield left and K McGregor joined the meeting.

2. STRATEGIC ITEMS

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

At this point R Hadfield re-joined the meeting.

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

At this point K McGregor and J Beckett left the meeting.

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

2.4 **STRATEGY DAY**

The Board agreed that this had been a useful process and noted that there were a number of actions agreed to progress matters.

Action: D Mackison would produce a paper for Board approval on where the business was (per the McKinsey paper).

DM

3. **CHAIRMAN'S UPDATE**

The chair invited R Hadfield to update the Board on progress on a current Board appointment and he noted that it was hoped to complete the activity by 1 January 2020.

4. **ITEMS FOR APPROVAL**

4.1 **RISK APPETITE AND RISK REPORT**

Risk Report

The Board noted the risk report which had been discussed at the Audit & Risk Committee (ARC).
[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].

R Drummond confirmed that risks were owned by the Executive Team and J Stirling advised that the Safety Committee had asked that all safety-related risks that were red pre-mitigation should be included in the Safety Committee risk report.

Action: L De Wolff to ensure that all future risk reporting to the Board or Committees included all pre-mitigation red risks.

Risk Appetite

R Drummond outlined the process that had been carried out to produce the risk appetite, including individual meetings with Board members, and confirmed that the risk appetite had been reviewed and signed off by the Executive Team. R Drummond confirmed that the Board and Executive Team had a shared understanding and view of risk appetite and the Executive Team now had a better understanding of the Board's risk appetite. He commented that the risk appetite would allow better discussions on risk for future activity such as projects. It was agreed that the risk appetite should be revisited annually.

RD
(LDW)

Decision

The Board **APPROVED** the Risk Appetite.

At this point S Hulme joined the meeting.

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

At this point S Hulme left and J Beckett joined the meeting.

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

4.4 **Q1 FORECAST UPDATE**

The report from J Beckett was noted.

DML Q1F Forecast Process

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She reported that the Business Plan approved in April had a group profit target of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** and there had been a review of business performance at end Q1 leading to forecast changes for the full year.

2019-20 Plan - [FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

The Board noted the Group Profit 2019-20 Full Year Movement and the forecast profit of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** (following Q1 business performance ahead of Plan by **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** and forecast full year project spend below Plan). The Board noted the adjustments to the full year forecast **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**.

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

Q1 Full Year Performance Highlights & KPIs

The Board noted the Full Year Group Profit and Full Year Vessel/Port Operations/Support Services information.

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

2019-20 [FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]

The DML Group Opportunities were noted.

5. BOARD COMMITTEES

5.1 AUDIT & RISK COMMITTEE (ARC)

The Board noted the draft minutes from the ARC meeting held on 14 August 2019.

A Tait reported that the Committee had received an update from J Beckett on Gourock-Dunoon revenue recognition in the Accounts (reduced from **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**) which had reduced profit to **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. The updated Accounts would be circulated to the ARC shortly and the Board thereafter then submitted to the September Board for approval. A clean opinion was anticipated from the External Auditor and the ARC had reviewed the Letter of Representation. The Dividend Policy had been reviewed and would be submitted to the September Board for approval.

5.1.1 ANNUAL REPORT TO THE BOARD

The Board noted the Annual Report from the ARC. A Tait reported that the Internal Auditor had given a 'Generally Satisfactory - Requires Improvement' annual opinion (level 2**[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**).

A Tait reported that the ARC would undertake a review of effectiveness with output to the Board and that the ARC continued to contribute to the governance framework and provide assurance to the Board.

5.2 SAFETY COMMITTEE

The Board noted the draft minutes of Safety Committee meeting held on 14 August 2019. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**.

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5.3 **REMUNERATION COMMITTEE (REMCO)**

The Board noted that there had been no RemCo meetings in the period.

6. **GROUP REPORTS**

6.1 **GROUP CEO REPORT**

The Board noted the report from D Mackison

6.2 **GROUP FINANCE UPDATE**

The Board noted the report from J Beckett covering to end July and the Board noted that business performance was good and the report was clear and transparent.

6.2.1 **DML Group Financial Results – end July 2019**

6.2.1.1 Group Profit & Loss versus Plan

Operating profit YTD was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** ahead of Plan.

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

6.2.1.2 Group Balance Sheet as at 31 July 2019

This was noted.

6.2.2 **CHFS2 Contract Year 3 Performance**

6.2.2.1 Summary Contract Year 3 Financial Performance

This was noted.

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

J Beckett reported that the Bid Commitments had now been updated to account for changes to deadlines

Action: The Board requested detail on the red-rated bid commitments for the next meeting.

JB

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

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

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

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

7. **ANY OTHER BUSINESS**

There was no other business.

8. **DATE OF NEXT MEETING**

Wednesday 25 September 2019 at 11.30 a.m. in Edinburgh

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Signed:
D C McGibbon
Chairman

Date: