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**DAVID MACBRAYNE LIMITED ("DML")**  
**MINUTES of the BOARD MEETING**  
**held on Wednesday 28 November 2019 at 9.00 a.m.**  
in The Ferry Terminal, Oban, PA34 4DB

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

**In attendance:** F Pacitti (FP) – Director of Aviation, Maritime, Freight & Canals,  
Transport Scotland  
J Beckett (JB) – Finance Director  
S R Griffin (SRG) – Company Secretary

**Item**

**Action**

1. **GOVERNANCE**

D McGibbon welcomed F Pacitti to her first DML Board meeting.

1.1 **SAFETY MOMENT**

J Stirling noted that M Comerford had circulated information on a Norwegian cruise ship that had suffered a loss of power and come within minutes of running aground. This was due to oil pressure levels which had led to an automatic cutting of power to all engines and complete engine blackout. He pointed out that this was a relatively new Norwegian-flagged vessel with a competent crew and that oil levels were within manufacturers guidelines but still the vessel had got into a position it should never have been in. He queried whether, with CalMac's ageing fleet, there was likely to be an increased risk of a vessel blacking out.

1.2 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

1.3 **DECLARATIONS OF INTEREST**

There were no declarations of interest in addition to those previously declared.

1.4 **MINUTES FROM BOARD MEETING OF 30 OCTOBER 2019**

The Minutes of the Board meeting held on 30 October 2019 were **APPROVED** and the Chairman was **AUTHORISED** to sign the minutes.

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

1.5 **ACTION LOG**

The action log was discussed as follows:-

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**36.18 ANY OTHER BUSINESS -**

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

**115.18 GROUP CEO UPDATE - Key Issues Last Month**

**[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. 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 paper outlining the scope of the socio-economic report which would contribute to building an economic impact business case. The Board network visit had highlighted that the communities on Mull were looking to understand the costs associated with delays e.g. opportunity costs.

F Pacitti reported that Transport Scotland were carrying out work for the Strategic Transport Projects Review (STPR) and that there should be liaison to establish what data Transport Scotland already had. Action complete.

**55.19 MANAGING DIRECTOR'S REPORT – Key Issues Last Month:**

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

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

2. **STRATEGIC ITEMS**

2.1 **MULL NETWORK VISIT**

D McGibbon commented that the Breakfast Briefing Session had been positive with a good mix of attendees. It was felt that there was clarity on the different roles of CalMac, CMAL and Transport Scotland and that there was a good understanding of the issues; a major one of which was Craignure Pier. It was noted that the community was frustrated at the lack of influence CalMac and Transport Scotland were able to bring to bear on Argyll & Bute Council to improve the pier, given the criticality of the route and that there was an opportunity for CalMac to assist the community

M Comerford noted that the group that had visited Iona had had strategic discussions about environmental impact, green power and economic development on Mull & Iona and that the community representatives had been constructively engaged and well informed.

It was noted that there were different views across Mull regarding whether the timetable should be amended to allow commuting or focus on travel off the island for weekends. It was suggested that there be a switch of emphasis to view the ferry as from Mull to the mainland rather than from the mainland to Mull and thus looking at the economic contribution of Mull via its exports. It was also felt that smaller vessels would be more efficient and contribute to economic development.

S Browell commented that although Mull-specific issues had been raised at the meetings, there were common themes emerging from the network visits; namely housing, ageing population, schools and ferry service. M Comerford commented that economic development, including tourism, should take into account the qualities that made a place attractive.

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J Stirling noted that he had made note of a safety point at Tobermory which he would be raising at the Safety Committee.

It was felt that it was striking that conversations had moved on from operational issues to strategic ones and agreed that there was an opportunity to work with the community over the next 18 months or so and that the challenge would be to demonstrate results.

F Pacitti commented that Transport Scotland and CalMac should have awareness of each other's community engagement to avoid consultation fatigue and share information. She agreed that it was important not to be too busy listening to respond. She felt that the feedback regarding economic development and strategic goals was positive.

D Mackison felt that two things were needed following recent community engagement: 1) a long-term strategic plan and 2) local community input to strategic planning. He reported that feedback would be pulled together into a list of items to work through. It was agreed that a joined-up approach was required.

*At this point F Pacitti left the meeting.*

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

3. **CHAIRMAN'S UPDATE**

3.1 **HAROLD MILLS AND SAM JUDAH**

D McGibbon reported that H Mills, a former chairman of CalMac had passed away and that he had sent CalMac's condolences to his family and would attend the memorial service.

He further reported that S Judah, former Chief Executive and Chairman of GBA had also passed away and sympathies had been passed on to his family.

3.2 **CALMAC SERVICE UPDATES TEAM AWARD**

D McGibbon reported that the CalMac Contact Centre Team had won a prestigious award and asked that the Board's congratulations be passed on to the Team.

4. **BOARD COMMITTEES**

4.1 **AUDIT & RISK COMMITTEE (ARC) – 13 NOVEMBER 2019**

The Board noted the draft minutes of the meeting held on 13 November 2019 and A Tait reported that the ToRs produced for the Internal Audit Review of Corporate Governance did not cover what was required and discussions were ongoing with PWC. It was anticipated that SGL would be re-appointing KPMG as auditor for this year. The Internal Audit Plan 19/20 had been amended and PWC had confirmed that the work planned was sufficient for them to give an annual opinion. The ARC had reviewed the Information Security Report on the Phishing Tests carried out this year and management were working to ensure that the risks were minimised.

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

It was noted that the Director's Duties Briefing Note had been reviewed by the ARC then circulated to the Board.

SRG

**Action:** S R Griffin to look at the Northern Lighthouse Board Commissioners Handbook for production of something in a similar format.

A Tait updated the Board on the Internal Audit Tender process, noting that resource constraints within the Procurement Team meant that the original timelines would not be met. Therefore the current Internal Audit provider contract would be extended by either six or 12 months. Management had been asked to confirm a realistic timescale for completing the tender in order to confirm the contract extension period. J Beckett reported there was new Head of Procurement in place and that, as there had been difficulty in finding additional temporary resource, prioritisation of the workload had been undertaken that had resulted in the Internal Audit Tender being classified lower priority than other projects.

#### 4.2 SAFETY COMMITTEE

J Stirling reported that there would be a SafetyCo meeting the following week. He congratulated management for the October safety statistic of 423k passenger carryings and no passenger accidents.

#### 4.3 REMUNERATION COMMITTEE (REMCO) – 13 NOVEMBER 2019

S Hagan reported that the recent RemCo had noted the bonus scheme payments to be made to staff under the existing three year pay deal; namely 1.5% to non-management grade staff and bonuses to management grade staff within the range 1.5%-5%. He advised that there would be a RemCo meeting on 3 December to discuss the Executive Team bonus scheme payments.

### 5. GROUP REPORTS

#### 5.1 GROUP CEO REPORT

The Board noted the report from D Mackison and he reported as follows  
Key Activities This Month:

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

Key Activities Next Month:

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

- Northern Lighthouse Board CEO visit – this would cover business development opportunities and operational synergies/similarities. R Parkinson would also be attending this meeting. M Comerford commented that the NLB had revolutionised their business with the use of technology and were innovative in their remote employee engagement.
- Network trip to the Outer Hebrides
- Marine Scotland CEO meeting – this was being re-scheduled and would cover business development and synergies.
- FMEL Programme Board – there were no scheduled meetings currently and D Mackay had been due to publish the report at end October. F Pacitti confirmed that the report was in progress and would come to the Programme Board for review.

#### 5.2 GROUP FINANCE UPDATE

The Board noted the report from J Beckett covering to end October and end CY3.

##### 5.2.1 DML Group Financial Results – end October 2019

###### 5.2.1.1 Group Profit & Loss versus Plan

- Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Key variances were:
  - Farebox Revenue was positive to Plan: **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

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- Operational expenditure was under control and aligned to Plan. The Board congratulated the team on their control of expenditure.
- Areas of risk included vessel maintenance – the In-Service Maintenance Team were in place to carry out preventative maintenance and the overhaul programme was underway.
- Support Services were ahead of Plan partly due to vacancies and IT support & maintenance savings.
- Project expenditure was ahead of Plan due to phasing of spend on projects such as Gourrock Office refurbishment, ports & vessels refurbishments, Office 365 and Ar Turas.
- Adverse variances to Plan included funding.
- **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**.
- **Action:** F Pacitti and J Beckett to progress a joint meeting of their respective contract management teams.
- Transition funding was aligned to CHFS2 commitments
- **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

FP/JB

R Drummond confirmed that the stock-write off was a correction in assumptions following a stock-take and the EPOS system being put in place would allow tracking of actual stock loss and margin. J Beckett confirmed that the project manager was in place and this high priority project would include staff training & change management and would be in place in March/April next year.

#### 5.2.1.2 Group Balance Sheet as at 31 October 2019

Group cash balance was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with seasonal impacts starting to come through.

#### 5.2.2 **CHFS2 Contract Year 4 Performance**

##### 5.2.2.1 Key Highlights

These were noted.

##### 5.2.2.2 Summary Contract Year 4 Financial Performance

J Beckett reported that the CY4 summary figures were provisional until the CY3 CVs final position had been clarified. The provisional figures had been aligned to the Contract.

##### 5.2.2.3 **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)**

##### 5.2.2.4 Performance Penalties Deductions

J Beckett reported that there were no major issues and that the Performance Management Team and Transport Scotland Contract Management Team were working well together.

##### 5.2.2.5 Bid Commitments Update

This was noted and J Beckett reported that there were no items of concern.

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

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

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

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

*At this point D Mackison left the meeting.*

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R Drummond confirmed that a forecast for the CHFS2 Contract would be presented for discussion after the 20/21 Business Plan work had been completed.

*At this point D Mackison re-joined the meeting.*

### 5.3 **RISK REPORT**

The Board noted the risk report and R Drummond reported that the Exec Team had reviewed the report and presented on it to the Audit & Risk Committee (ARC) with a summary submitted to the Board for information. There were no material changes to the risks outlined although mitigations had been updated. It was noted that the report showed pre & post mitigation red risks and escalated risks and that two risks had been closed in the period. The recent Internal Audits of projects had been very positive. A Tait felt that the risk process had improved immensely and this report gave the Board visibility and reassurance of the management of risk. He advised that the ARC had thoroughly reviewed the risk report which had recently been improved with better reporting of mitigations. He advised that the ARC had discussed management looking at the maturity of the risk strategy now that the risk appetite was in place.

J Stirling noted that the asset management presentations to last month's Board indicated that positive progress was being made in that area but asked for reassurance from management that steps were being taken to mitigate Risk 6 – the risk that Asset Management loses key members of the team. R Drummond confirmed that there was a clear plan for recruitment & succession with one senior vacancy having been filled and J Philpott aware that she needed to get her senior team in place. He reported that work was being done to address this risk as a priority but that bringing in external contract resource was unlikely to be a suitable short-term solution.

R Drummond confirmed that senior management had improved their understanding of risk & risk mitigation significantly over the last two years and had taken ownership of risk. He felt that future development should include better alignment with the risk appetite. J Stirling stated that he felt that management were now better at identifying and surfacing risks.

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

#### 6. **ANY OTHER BUSINESS**

##### 6.1 **MENTAL FIRST AIDER TRAINING**

A Tait reported that good work was being done within CalMac (in conjunction with the RMT) regarding mental health first aider training with a broad spectrum of staff on the course he had attended. The Board confirmed their support for this initiative.

##### 6.2 **TRANSPORT SCOTLAND UPDATE**

F Pacitti asked how environmental performance was recorded and R Drummond confirmed that CalMac produced an Annual Environmental Report which was submitted to Transport Scotland.

**Action:** R Drummond agreed to ensure that the next Annual Environmental Report was sent directly to F Pacitti.

RD

#### 7. **DATE OF NEXT MEETING**

Wednesday 22 January 2020 at 10.30 a.m. in Gourrock.

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Signed:  
**D C McGibbon**, Chairman

Date: