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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 30 October 2019 at 10.30 a.m.
in North Meeting Room, Custom House, Greenock

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

Item	Action
1. <u>GOVERNANCE</u>	
1.1 SAFETY MOMENT J Stirling noted that the Grenfell inquiry had found that there were systemic and institutionalised issues within the London Fire Service and that the Fire Chief had made a statement to the effect that they wouldn't have changed their response. He felt that this showed the importance of continuing to challenge safety measures and that even if the business felt it was doing everything it should that may not be the case. It was agreed that CalMac should continue to learn from events and incidents experienced by others in order to refine its systems and training.	
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 25 SEPTEMBER 2019 The Minutes of the Board meeting held on 25 September 2019 were APPROVED and the Chairman was AUTHORISED to sign the minutes. D Mackison confirmed that CalMac currently had a provider of post-trauma training however he would be happy to discuss M Comerford's experience of other providers.	
1.5 ACTION LOG The action log was discussed as follows:-	

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

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33.19 ANY OTHER BUSINESS

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

55.19 MANAGING DIRECTOR'S REPORT

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

AT

56.19 ADDITIONAL PAPERS - Commercial Update

The Board discussed the gambling machines on board vessels and it was agreed that this should be discussed further. A discussion paper on the gambling machines on board vessels, including alternative uses for the space, should be brought to the Board.

The Board noted the On-board Gaming paper and that CalMac was in compliance with the regulations including gaming machines being situated in a separate area. R Drummond reported that no customer complaints had been received about this matter and that the machines installed were low stakes, low prize machines. He confirmed that crew did carry out monitoring of the age limit restriction and would remove younger people from the area if necessary. He also confirmed that there were notices covering help for problem gambling near the machines – as required by BACTA rules. The Board discussed whether having on-board gaming machines fitted with the brand and values of the business and they noted that both alcohol and sweets were available for sale on board and agreed that it was important to consider individual freedom of choice. The Board concluded that they were comfortable with the type of on-board gaming machines on vessels and the measures being taken to comply with regulations and it was agreed that a further review should be undertaken at the end of the contract period in 2022. Action complete.

RD

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

DM

1.6 UPDATED TERMS OF REFERENCE FROM BOARD COMMITTEES

The Board noted the paper from S R Griffin and she reported that the report outlined the changes made to the Terms of Reference by the Audit & Risk Committee (ARC) and Safety Committee as part of their annual review (no changes had been made by the Remuneration Committee).

J Stirling reported that he had been considering the potential role of the Committees in scrutinising policies given that all policies came to the Board under the policy review process. This was discussed and it was agreed that the process should remain unchanged.

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

It was agreed that the two policies attached to the ARC should now be removed as appendices as they had now been incorporated into the policy review process.

Decision

The updated ARC and Safety Committee Terms of Reference were **APPROVED**.

At this point R Hadfield left 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)]

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3. **CHAIRMAN'S UPDATE**

3.1 **MOD GLASGOW**

D McGibbon reported that a number of Directors had attended the Mod's opening ceremony at which R Drummond had given a speech. The feedback on the Mod was that it had gone well but had perhaps got a rather lost in the city and worked better in smaller locations where it was the main focus. It was also felt that CalMac did not receive the publicity they could have and now that the current sponsorship term had ended the business would be looking at future arrangements.

3.2 **STAFF CHANGES**

D McGibbon outlined to the Board a number of recent senior staff hires and promotions.

3.3 **MULL NETWORK VISIT**

D McGibbon reported that B Fulton was working on the details and timetable for the forthcoming network visit to Mull with the Board meeting being held in Oban.

4. **ITEMS FOR APPROVAL**

4.1 **POLICY CHANGES**

The Board noted the report from L De Wolff and the revised Crewing Expenses Policy which R Drummond reported was part of a larger piece of work on expenses across the business. He confirmed that the unions had been consulted and were in agreement with the changes which were to be cascaded to staff. He reported that further work on the expenses project would include use of technology and also an assessment of whether travel should be booked by CalMac. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

Action: R Drummond would find out whether CalMac paid professional membership subscriptions for staff. RD

Decision

The Board **APPROVED** the revised Crewing Expenses Policy.

5. **BOARD COMMITTEES**

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

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

5.2 **SAFETY COMMITTEE**

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

5.3 **REMUNERATION COMMITTEE (REMCO) – 25 SEPTEMBER 2019**

The Board noted that the draft minutes of the RemCo meeting held on 25 September 2019 had been circulated to them. S Hagan reported that the RemCo had received an update on the succession planning work being carried out which included senior internal promotions. They had also approved the pay deal (which was the third and final year of the deal agreed with the unions).

6. **GROUP REPORTS**

6.1 **GROUP CEO REPORT**

The Board noted the report from D Mackison and he reported that he had visited the Small Isles. He had also had meetings with the Northern Lighthouse Board and Highland Council with a further meeting with Highland Council scheduled for himself and R Drummond. He would also be meeting with Marine Scotland shortly.

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6.2 GROUP FINANCE UPDATE

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

6.2.1 DML Group Financial Results – end September 2019

6.2.1.1 Group Profit & Loss versus Plan

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

➤ Key variances were:

Farebox Revenue was positive to Plan **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD

- Retail revenue was positive to Plan
- Cost of sales had had an adverse impact on the month which reflected the stock-take held at end September however the EPOS system should improve efficiency and remove this impact

Support Services were **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** ahead of Plan partly due to vacancies

- Vessel operations were +1% positive to Plan and the overhaul programme was underway with spend being monitored
- Project spend was positive to Plan - this was, though, predominantly due to timing

J Beckett reported that profit was broadly on Plan once timing variances were removed **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**. She reported that there was good management of costs including port operations **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

J Stirling queried how, given the Farebox revenue was ahead of Plan, the CO2 emissions per passenger km had risen. R Drummond advised that the increase in passengers was predominantly on the shorter routes and that the CO2 emissions reflected the impact of running lifeline services. It was also noted that turnaround times were challenging when routes were busy requiring vessels to speed up to meet the timetable, burning more fuel. R Hadfield commented that transparency in respect of these impacts should help facilitate discussion of the issues.

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

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

This was noted.

6.2.2.3 Performance Penalties Deductions

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

She advised that the CalMac team had a good working relationship with the Transport Scotland Contract Management Team.

6.2.2.4 Bid Commitments Update

The bid commitments update paper was noted and J Beckett reported that: 90% of all bid commitments had been met; HSQE and Stakeholder Engagement commitments have been

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completed and; HR strategy commitments continued to be met. There were 40 red bid commitments of which 20 were associated with ports & vessels and were being captured under the overhaul programme. R Drummond advised that the Ports & Vessels refurbishment programme had come in under budget and that, as the commitment was to a fixed pot of spend, the remaining monies would need to be allocated to additional works.

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

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7. **ANY OTHER BUSINESS**

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

7.2 **TRANSPORT SCOTLAND UPDATE**

Minister

R Hadfield reported that the Minister had no forthcoming visits to the CHFS2 network area planned but he would be appearing at the Rural Economy and Connectivity Committee meeting in November to discuss the proposed National Islands Plan.

Chairman Appointment

R Hadfield reported that the closing date had now passed and a sift of applicants would be held the following week with interviews the week after. He noted that the diversity of applicants was disappointing – something that was also an issue with CMAL appointments.

Transport Scotland Team

R Hadfield reported that, as he was changing role within Transport Scotland, a new assessor would be appointed for DML and he would introduce them at the November Board. He advised that a new senior appointment in the Contract Management Team had been made and this team was now complete. There were a number of appointments in the Policy Team still to be made.

7.3 **BOARD DATES 2020**

S R Griffin reported that the proposed dates for 2020 had been circulated.

8. **DATE OF NEXT MEETING**

Thursday 29 November 2019 at 09.00 a.m. in Oban.

Signed:
D C McGibbon, Chairman

Date: