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DAVID MACBRAYNE LIMITED
MINUTES of the BOARD MEETING
held on Wednesday 27 February 2019 at 9.00 a.m.
at the Ferry Terminal, Gourrock, PA19 1QP

[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)
- R Drummond (RD)
- S Hagan (SH)
- J Stirling (JS)
- A Tait (AT)

In attendance:

- J Beckett (JB) –Finance Director
- B Fulton (BF) – Community and Stakeholder Engagement Director (part)
- N Brown (NB) – Bid Board Chairman (part)
- K McGregor (KMcG) – Business Development Director (part)
- D Gledhill (DG) – Bid Director (part)
- S R Griffin (SRG) – Company Secretary

Item		Action
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1. **GOVERNANCE**

1.1 **SAFETY MOMENT**

R Drummond commented that there was increasing pressure from some communities on Masters to sail and that CalMac management would be seeking to mitigate this by increasing understanding with a series of presentations to Ferry Committees covering the training & quality requirements of Masters, the support network including communications and weather tools (with weather incident examples) and marine legislation. Masters would also be in attendance. This information package would also be communicated to staff, the Community Board and the Minister. He reported that although there had been more cancelled sailings to, for example, Craignure, there were also more sailings than previously (6-7 sailings daily versus 3 daylight sailings). M Comerford advised that he would pass R Drummond the contact details of a former MCA enforcement officer who might be available to attend these sessions and J Stirling indicated that he would be happy to attend as chair of the Safety Committee. The Board felt that it was not acceptable that R Drummond was receiving personal communications from MSPs regarding the availability of individual sailings, however it was agreed that they would await the roll-out of the information presentation to see if this improved matters.

R Drummond advised that it was difficult to establish benchmarking information regarding the experience of other ferry companies however there was ongoing collaboration with the airline industry. J Stirling reported that the Safety Committee had received a good presentation on Bridge Resource Management within CalMac.

S Hagan had attended a road safety awareness course which had highlighted the need for

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regular training refreshers.

1.2 APOLOGIES FOR ABSENCE

There were no apologies for absence from Board members, although the assessor, R Hadfield, had tendered his apologies.

1.3 DECLARATIONS OF INTEREST

There were no new declarations of interest.

1.4 MINUTES FROM BOARD MEETING OF 23 JANUARY 2019

The Minutes of the Board meeting held on 23 January 2019 were **APPROVED**, subject to minor amendments under 1.4, 2.4, 2.6, 2.9 and 6.1, and the Chairman was **AUTHORISED** to sign the minutes.

1.5 ACTION LOG

The action log was discussed as follows:-

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

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.*

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

The March Board meeting would take place on the network. Action complete.

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

AT

99.18 GROUP CEO UPDATE - Key Achievements Last Month

➤ **Meeting with the Minister (M Matheson)** *The Board discussed fleet resilience and how to progress these discussions. Vessel obsolescence was a CMAL responsibility and long-term strategy was a Transport Scotland one but these matters impacted on CalMac who had to repair the vessels. The Board noted that at the Tripartite meetings CMAL had been given an action to look into obsolescence and they discussed whether CalMac should secure external resource to progress this matter (in conjunction with CMAL) given the anticipated increasing future impacts on their business. The Board discussed the potential costs of this work and beneficial outputs such as an agreed definition of obsolescence. **Action:** The Board would discuss fleet resilience, obsolescence and the role of CalMac (i.e. DML as a government asset rather than CFL as the service operator under the CHFS2 contract), CMAL and Transport Scotland with the Minister, however before that D McGibbon would discuss this matter with F Pacitti.*

106.18 CALMAC COMMUNITY BOARD - Other Issues

➤ **Disabled access** – *Community Board members had reported that getting on board ferries was good but that finding seating on board was sometimes an issue. **Action:** R Drummond agreed to look into labelling some seating as priority for disabled customers. R Drummond reported that Service Delivery were looking into immediate practical solutions and then longer-term solutions once their review was complete.*

R Drummond reported that this labelling had now been carried out and the Community Board had been informed. Action complete.

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111.18 GROUP CEO UPDATE - Key Issues Last Month

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

[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)].

118.18 ANY OTHER BUSINESS - STRATEGY

The Board agreed that they should hold a strategy session on 23 January based on the previous session work collated by D Gledhill. 23.01.19 Update; Strategy date to be arranged. C/fwd - This would be discussed with the new CEO.

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

1.19 COMMUNITY BOARD – ACTION LOG - Prioritisation Matrix

Action: The Board requested sight of the Matrix.

The Board had received this and R Drummond reported that it had been verified by being applied to past incidents and produced the correct results. Action complete.

DMcG/RD

2.19 BOARD GOVERNANCE SESSION

Action (16) ExCo KPIs Report to be included in DML Board Pack. C/fwd.

JB

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

JB

2. STRATEGIC ITEMS

2.1 MEETING WITH MINISTER 26 FEBRUARY 2019

The Board felt that they had had a positive meeting with P Wheelhouse, Minister for Transport. They agreed that it was important for CalMac to raise its profile with MSPs and consideration should be given to hosting a presentation.

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.

Action: R Drummond would develop a scope & terms of reference for the work and circulate it to the Board.

RD

The Minister had noted the Board's concerns regarding conflicts of interest that the Minister & Transport Scotland had as both shareholder and contract holder and it had been agreed that this matter would be returned to.

DMcG (RH)

The Minister had agreed to meet the DML Board every six months.

Action: R Hadfield to be asked to arrange the next meeting.

The Board discussed vessel replacement and deployment planning and noted that there was a monthly Network Infrastructure meeting, however there was no forum for discussing the future replacement strategy.

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2.2 TRADE UNION MEETING

D McGibbon updated the Board on the trade union meeting update from R Hadfield.

At this point B Fulton joined the meeting.

2.3 SPONSORSHIP STRATEGY

The report from B Fulton, A Macnair and G McKillop was noted and B Fulton reported that the rationale for sponsorship was:-

- 1) Corporate Social Responsibility (CSR) – to promote the business and generate goodwill, act as an economic enabler for smaller events and support local culture and communities.
- 2) Commercial – increase passenger numbers, raise brand awareness and upsell on-board retail.

B Fulton reported that a number of events delivered both CSR and Commercial benefits and took the Board through an example (HebCelt). He confirmed that the monitoring process consisted of oversight by an account manager with agreed SLAs for the event (e.g. target number of attendees) which would be used for assessing sponsorship for the following year. There was an exit strategy for both existing and new sponsorship agreements with a maximum of three years of funding.

B Fulton reported that attendance at industry-specific events would be overseen by a key account manager from the relevant business area.

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

The Board discussed the report, noting that sponsorship was being monitored and reviewed. They asked, however, that a strategy was produced for Board approval in order to ensure that there was the best use of events in line with the strategy.

Action: B Fulton was asked to produce a sponsorship strategy which excluded commercial sponsorships and covered: who the business was trying to influence, how they were trying to influence them, what the objectives were and how would they be measured as well as how the sponsorship strategy aligned with commercial, marketing and business strategy. He was asked to include decision criteria including how conflicts, or the perception of conflicts, would be managed. They also asked that B Fulton provide clarity how the Non-Executive Directors could provide input or value by attending events.

RD (BF)

2.4 COMMUNICATIONS REVIEW

The Board noted the report from B Fulton and he reported that a PR firm, Stripe, had been engaged to undertake a review of communications within CalMac and a Communications specialist had been engaged to oversee the review and embed changes & improvements into the business.

M Comerford reported that he had received email communication from A Campbell2, CalMac Community Board member, in which he advised that he would be meeting with CalMac staff to find out what customer service measures were in place and refine the customer service report he had written for the Community Board) report accordingly. M Comerford noted that he would respond to A Campbell2, copying in B Fulton.

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3. **GROUP REPORTS**

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

At this point B Fulton left and N Brown, K McGregor and D Gledhill joined the meeting.

4. **STRATEGIC ITEMS (CONT'D)**

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

At this point N Brown, K McGregor, D Gledhill and R Drummond left the meeting.

5. **GROUP REPORTS (CONT'D)**

5.1 **GROUP FINANCE UPDATE**

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

5.1.1 **DML Group Financial Results – end January 2019**

5.1.1.1 Group Profit & Loss versus Plan

➤ Operating profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** in the month, positive to **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** and YTD was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** positive to revised Plan. Key variances were:

- Coruisk charter in January **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**
- Crew PC levels **[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)]** – savings targeted in Plan would not all be delivered this year but it was anticipated that the remaining savings would be achieved next year.
- Positive one-offs included ATOS expenses, Coruisk charter, office refurbishment delayed spend, fuel consumption, crew expenditure.

Discussions were ongoing with Transport Scotland regarding CVs for which grant income provision had been made. The Board welcomed the addition of the 2018/19 Outlook data.

5.1.1.2 2018/19 Group Financial Year Forecast

Group Balance Sheet

➤ Debtors – J Beckett confirmed that more than half of this was due to the timing of grant payments

5.1.2 **CHFS2 Contract Year 2 Performance**

5.1.2.1 Summary Contract Year 3 Financial Performance

It was noted that CHFS2 contract figures included CVs not yet approved.

5.1.2.2 Contract Variations & Funding Update

The position regarding CVs was noted.

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5.1.2.3 Performance Penalties Deductions
The Board noted the data.

5.1.2.4 Bid Commitments Update
J Beckett reported that I Slorach was speaking to the Executive Team members individually regarding their bid commitments and would be speaking to Transport Scotland regarding varying the dates of those commitments impacted by agreed re-phasing of work.

5.1.3.1 **Gourock-Dunoon Summary Contract Extension Year 2: April-January 2019 Financial Performance**
This was noted.

5.1.3.2 Performance Penalty Deductions - AFL
This information was noted.

5.1.4.1 **P&L Performance to Plan**
This was noted.

J Beckett reported that as part of the 2019/21 planning process the Executive Team had reviewed the draft Plan the previous week. Assumptions would now be discussed in detail with individual Executive Team members.

Action: It was agreed that a Board and Executive Team Plan review session should be scheduled in early April, possibly after the Bid Board on 1 April.

JB

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

6. **STRATEGIC ITEMS (CONT'D)**

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

7. **GROUP REPORTS (CONT'D)**

7.1 **GROUP CEO UPDATE**

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

7.1.1 **Key Issues Last Month**

- **Mull & Barra** communities – the pressure on Masters had been discussed earlier in the meeting.
- **Overhaul Programme** – good progress was being made with four vessels still to undergo overhaul. The Minister had accepted an invitation to view dry dock work.
- **Oban Pier Incident** – this had been discussed in detail at the Safety Committee and HSE had advised that there would be no prosecution.
- **Arran & Islay communities** – there had been a challenge regarding the use of stand-by relief crews and CalMac had produced a 15-page strategy paper covering the options and costs of relief crews.

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

RD

7.1.2 **Key Achievements Last Month**

- **Operating Profit** – this was significantly ahead of Plan.

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- **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)].**
- **Oban** – successful informal meeting with the Minister in Oban.
- **Business Planning** – this had been discussed under Group Finance Update.
- **Business to Business** – block commercial bookings had been reduced by 55%, freeing up capacity.
- **VLOG** – the first one had been well received.
- **Executive Team Leadership Programme** – a two-day session had been received very positively and this would be rolled out to the Senior Management Team.

7.1.3 **Key Issues Next Month**

- **CMAL Joint Working** – efforts to improve the joint working relationship with CMAL, including the joint dinner with CMAL were discussed by the Board.
Action: B Fulton would be asked to circulate biographical information on the CMAL Board to the Board.

RD (BF)

8. **ITEMS FOR APPROVAL**

8.1 **ANNUAL ENVIRONMENTAL REPORT**

The Annual Environmental Report had been reviewed by the Safety Committee and circulated by email to the Board for review.

Decision

The Board **APPROVED** the Annual Environmental Report which was to be submitted to Transport Scotland.

8.2 **ANNUAL SAFETY REPORT**

The Annual Safety Report had been reviewed by the Safety Committee and circulated by email to the Board for review.

Decision

The Board **APPROVED** the Annual Safety Report which was to be submitted to Transport Scotland.

8.3 **POLICY CHANGES**

The Board noted the report from L De Wolff and the changes to Policies outlined.

Decision

The Board **APPROVED** the Policy Changes outlined in the report.

9. **BOARD COMMITTEES**

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

The minutes of the meeting held on 13 February 2019 were noted and A Tait reported that the ARC had been advised that the HMRC review of arrangements in Guernsey had concluded with no changes to be made. The ARC had discussed the red risks and L De Wolff and P Singh had been working, with input from PWC, on a Risk Appetite and would be speaking to Board members individually regarding the Risk Appetite and Risk Management Framework.

It was noted that the Internal Audit Review on IT Estate Management with high findings had been circulated to the Board. The Internal Audit Reviews on GDPR and Financial Planning had been very positive.

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The External Audit Tender was progressing with six firms being asked to tender. A Tait, J Beckett and R Drummond would be discussing any potential impacts on internal audit provision.

The ARC had discussed the Rostering System Project Closure report in detail including the lessons learned and as a result PMB reporting had been included in the Board pack.

9.2 SAFETY COMMITTEE

J Stirling reported that the Safety Committee on 13 February 2019 had received a presentation on Bridge Resource Management. They had discussed the Oban pier incident at length and were now comfortable that management had dealt with the issues. It had been agreed that red pre-mitigation issues would, in future, be included in the Safety Committee risk reporting.

It had been agreed that progress against the Total Safety Strategy should be reported regularly to the Board.

9.3 REMUNERATION COMMITTEE

S Hagan reported that there had been three Contractor Requisition Approval subcommittee meetings held recently covering Bid Team appointments and extension of the Service Delivery Director's contract.

10. ANY OTHER BUSINESS

10.1 MANAGING DIRECTOR

The Board thanked R Drummond for his hard work in covering the CEO role – as well as the good job he had been doing as CFL Managing Director.

11. ADDITIONAL PAPERS - FOR NOTING

11.1 ADDITIONAL PAPERS - DEPARTMENTAL REPORTS

The Board noted the Executive Committee Reports.

12. DATE OF NEXT MEETING

Wednesday 27 March 2019 in Stornoway at 10 a.m.

Signed:
D C McGibbon
Chairman

Date: