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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 29 July 2020 at 10.30 a.m.
by video/audio conference

[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: C Murrie (CM) – Assessor, Transport Scotland
C Wilcock – Transport Scotland
J Beckett (JB) – Finance Director
S R Griffin (SRG) - Company Secretary

Apologies: D Mackison (DM)

Item	Action
1. <u>GOVERNANCE</u>	
1.1 SAFETY MOMENT J Stirling noted that a Shetland Hotel had been destroyed by fire which appeared to have spread across the roof of the whole building. He commented that it showed the importance of people making themselves aware of fire exits and escape routes in unfamiliar buildings. J Stirling reported that two vessels had collided on the Welland Ship Canal when one crossed in front of the other which demonstrated that vessels' crews needed to stay alert at all time.	
1.2 APOLOGIES FOR ABSENCE Apologies for absence had been received from D Mackison.	
1.3 DECLARATIONS OF INTEREST There were no declarations of interest in addition to those previously declared (which included M Comerford's membership of the Board of the Port of Tyne).	
1.4 MINUTES FROM BOARD MEETING OF 27 MAY 2020 The Minutes of the Board meeting held on 27 May 2020 were APPROVED and the Chairman was AUTHORISED to sign the minutes.	

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1.5 **ACTION LOG**

The action log was discussed as follows:-

66.19 AUDIT & RISK COMMITTEE (ARC) – 13 NOVEMBER 2019

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

Action: S R Griffin to look at the Northern Lighthouse Board Commissioners Handbook for production of something in a similar format. Postponed due to Covid-19 prioritisation. S R Griffin reported that work was underway on elements of a governance handbook – currently Conflicts Guidance. C/fwd.

10.20 STAKEHOLDER MEETINGS WITH MINISTER

A Tait requested that a formal action be added to the log from the Minutes of 22 January as below: It was suggested that communicating with CalMac prior to these meetings to source information for the Minister's briefing rather than for correction of factual information after the meetings would be a more efficient process.

Action: It was agreed that CalMac and Transport Scotland would discuss the best approach and D Mackison had reported that this had been deferred due to the Covid-19 pandemic and he would discuss this with Transport Scotland when the time was right. C/fwd in D Mackison's absence.

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All other actions were complete.

2. **CHAIRMAN'S UPDATE**

2.1 **VIRTUAL MEETINGS DURING COVID-19**

D McGibbon noted that the use of Microsoft Teams had been effective, working well for Board and other meetings during the Covid-19 pandemic.

2.2 **SCOTTISH GOVERNMENT INTERACTION**

Rural Economy & Connectivity Committee

D McGibbon reported that R Drummond had given evidence to the REC Committee in respect of Covid-19 impacts.

Meetings with the Minister

A meeting for D McGibbon and D Mackison with P Wheelhouse was being scheduled for end August/ beginning September and C Wilcock confirmed that he would advise of the arrangements in the next few days.

3. **STRATEGIC ITEMS**

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

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

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

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

5. **BOARD COMMITTEES**

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

A Tait reported that the Annual Report & Accounts would be reviewed at the August ARC meeting which had a full agenda.

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5.2 SAFETY COMMITTEE

J Stirling reported that there would be a Safety Committee meeting in August and there were no matters to raise with the Board.

5.3 REMUNERATION COMMITTEE (REMCO)

S Hagan reported that there would be a RemCo meeting in August and there were no matters to raise with the Board.

6. GROUP REPORTS

6.1 GROUP CEO REPORT

The report from D Mackison was noted.

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

It was noted that the CFL Covid-19 Board Briefings held fortnightly since April had been excellent, and essential. The Board agreed that a further Covid-19 briefing should be held during the scheduled August CFL Board meeting. D McGibbon confirmed that further meetings would be scheduled if there were any major changes to the CalMac Covid-19 response.

6.2 GROUP FINANCE UPDATE

The Board noted the report from J Beckett covering to end June 2020 and CY4.

6.2.1 DML Group Financial Results – end June 2020

6.2.1.1 Key Financial Performance Highlights

J Beckett reported as below on Covid-19 impacts:

- Farebox revenue of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, a reduction of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** which represented 81%.
- Retail revenue in Plan of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** however the retail outlets were currently closed.
- Net Covid impact after reduced fuel, pier dues etc. was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** which was offset by the Covid-19 CVs.

Net profit was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** YTD **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, key variances were:

- Grant – YTD **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** – due to re-phasing of activities including marketing, projects, Argyll Flyer overhaul and no performance deductions.
- Vessel Operations **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** – due to timing of crew training and T&S as well as reduction in crew absence levels.
- Support Services **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** – positive impacts included IT support costs and re-phased Marketing and Corporate training.
- Projects and Business Investments - **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** including reduced business development activity

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6.2.1.2 Net Group profit split by DML Group Company – June 20

This was noted.

J Beckett reported that the 19/20 DML Group Annual Report & Accounts were in progress and would be submitted to the August ARC for review. The profit before tax was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**.

6.2.2 **CHFS2 Contract Year 4 Performance – Month 9 – June 2020**

6.2.2.1 Key Highlights

J Beckett reported that there was a forecast operator return of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** with a project spend of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]** giving a net operator return of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

The main focus was on preparing and agreeing the Covid-19 CVs and those covering until end June had been agreed and paid. J Beckett reported that the high level forecast of the total Covid-19 impact across 2020/21 was being reviewed, including input from Commercial, and an updated figure would be communicated to Transport Scotland shortly.

6.2.2.2 Contract Variations (CVs) & Funding Update – Covid-19

This was noted.

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

6.2.4 **[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**

7.1 **CORPORATE GOVERNANCE UPDATE**

The Board noted the report from S R Griffin and she reported that there were three corporate governance initiatives to note, namely:

- The Corporate Insolvency & Governance Act 2020 which had temporarily suspended the threat of wrongful trading against directors in order to allow companies a chance to weather the impact of the Covid-19 crisis. The suspension was from 1 March to 30 September 2020 and S R Griffin would update the Board should be it be extended further.
- S172 Companies Act reporting requirements in Statutory Accounts. This requirement would be in the Annual Report & Accounts being prepared currently and was designed to increase Board awareness and reporting on stakeholder engagement in line with their S172 directors' duty.
- Wates Corporate Governance Principles for Large Private Companies. This corporate governance code had been brought in for large private companies to report against for financial years starting from 1 January 2019 onwards. Although it did not currently apply to the DML Group, it was useful for the Board to note this new code which was designed to be more appropriate for large private companies than the UK Corporate Governance Code.

7.2 **TRANSPORT SCOTLAND UPDATE**

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8. **DATE OF NEXT MEETING**

Wednesday 30 September 2020 at 10.30 a.m.

Signed:
D C McGibbon, Chairman

Date: