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DAVID MACBRAYNE LIMITED ("DML")
MINUTES of the BOARD MEETING
held on Wednesday 30 September 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)
D Mackison (DM)
J Stirling (JS)

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

Apologies: A Tait (AT)

Item		Action
1.	<u>GOVERNANCE</u>	
1.1	SAFETY MOMENT S Hagan reported that a recent fishing boat accident off Westray showed the importance of keeping to safe waters and not taking undue risks. The lifeboat attempts to pull the boat off the rocks were not successful however this turned out to be fortunate as the boat had been holed by the rocks and would have sunk – sometimes the obvious thing to do is not the right thing to do. M Comerford commented that the risk of complacency was increased with remote working and that leaders of companies needed to make extra effort and continue to inspire employees, which was particularly difficult in the current circumstances. R Drummond advised that the lack of visible leadership had been discussed within the senior management team.	
1.2	APOLOGIES FOR ABSENCE Apologies for absence had been received from A Tait.	
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 29 JULY & 9 SEPTEMBER 2020 The Minutes of the Board meetings held on 29 July and 9 September 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.

SRG

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.

DM

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All other actions were complete.

RD

2. CHAIRMAN'S UPDATE

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

2.2 DIRECTOR'S RE-APPOINTMENTS

D McGibbon reported that the following Director re-appointments had been made by the Minister:

- A Tait, Director, from 21 November 2020 to 28 February 2022
- D McGibbon, Chairman, from 21 November 2020 to 20 August 2021
- J Stirling & S Hagan, Directors, from 21 November 2020 to 20 August 2021

2.3 MEETING WITH MINISTERS

D McGibbon reported on the recent meeting with M Matheson and P Wheelhouse **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

2.4 COMMUNITY BOARD

The Joint meeting of the DML and Community Boards for 2020 was being discussed with A Campbell, particularly the logistics of a large meeting being held virtually. A proposal that the Boards be divided up and two meetings held had been made to A Campbell.

3. STRATEGIC ITEMS

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

3.2 EXECUTIVE MANAGEMENT MEETING STRUCTURES

D Mackison presented slides and he outlined the current executive management structure and the proposed changes which would foster a one team mindset within the business without a distinction between DML and CFL.

The new model would have an Executive Group at its head with three committees below that:

- Contract board (OpExCo) which would look at CHFS2 Contract operational matters
- Growth board to review business development activity

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- Change board to review change and transformation projects within the business

D Mackison outlined the purpose, attendees, and frequency of meetings for these groups and noted that OpExCo and the Change Board meetings had already started with the Growth Board to follow shortly. Reporting to the DML/CFL Boards would be via summary reports from these groups and he welcomed Board input and feedback on these documents which would be produced for the November Board meeting.

D McGibbon advised that he had spoken to Non-Executive Board members regarding providing a link to the Board and S M Browell had agreed to be the Change Board sponsor and M Comerford had agreed to be the Growth Board sponsor.

The Board noted that they were supportive of these changes made by management to the management committee structure and agreed that this fitted well with the implementation of the Board's growth strategy.

4. **ITEMS FOR APPROVAL**

4.1 **RISK APPETITE**

The Board noted the Risk Appetite which had been reviewed in detail by the Audit & Risk Committee and D Mackison reported that there had been a change to the Compliance risk appetite from adverse to minimalist. He reported that this was an active document which was used at the start of the business planning process and would be used for business development projects.

M Comerford commented that safety was not identified as a particular focus although reputation and compliance were categories which included safety components. He felt that safety should feature more prominently in the Risk Appetite and he also questioned why Reputation was the first category listed.

Action: D Mackison agreed to look into the points M Comerford had raised.

DM

M Comerford asked queried whether procurement within the business was required to follow Scottish Government guidance and D Mackison confirmed that the business had received legal advice in this area and that a paper would be presented to the November Board once the interpretation and impacts of the legal advice had been assessed.

Decision

The Board **APPROVED** the updated Risk Appetite, subject to review of the points discussed.

5. **BOARD COMMITTEES**

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

5.1.1 **ARC - 12 AUGUST AND 9 SEPTEMBER 2020**

The Board noted these draft minutes.

5.1.2 **COVID-19 ROLE OF INTERNAL AUDIT**

The Board noted this report. S M Browell reported that the ARC had carried out detailed review of this report, the output from work carried out by the Internal Auditor and noted that there were no issues identified. J Stirling advised that it had confirmed that the business' approach to Covid-19 had been well organised and well implemented.

5.1.3 **ARC ANNUAL REPORT**

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The Board noted the report and S M Browell reported that it covered the work carried out by the ARC during the year.

The Board discussed whether having an external provider of internal audit services remained the best approach for the business and concluded that it remained appropriate. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

5.2 SAFETY COMMITTEE – 12 AUGUST 2020

J Stirling reported that the Safety Committee had considered safety and environmental risks and that Bull Hole had been discussed. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

J Stirling reported that the small fleet had been discussed and management were taking action to make improvements. He also noted that CalMac staff had provided significant input to an external Bridge Resource Management Guidance booklet and were now viewed as industry leaders. The Safety Committee was now also reviewing occupational health as part of its broader remit. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**. J Stirling reported that the Safety Committee were pleased to note that the quality of reporting they received was consistently improving.

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

6. GROUP REPORTS

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

6.2 **GROUP FINANCE UPDATE**

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

6.2.1 **DML Group Financial Results – end August 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)]**, (versus **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, in Plan) with carryings at 501,000 (67% higher than July's figure of 300,000).
- Covid-19 CV of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, for August compared to the originally forecast CV of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**

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)]**, (against Plan), key positive variances were:

- IT third party spend
- Corporate training spend – R Drummond confirmed that online training was utilised where practical and, now that the MCA extension had been removed, all mandatory training was being carried out. He confirmed that mandatory training was overseen by HR & the crewing team but it was an individual's responsibility to ensure they were properly certificated to be allowed to work. Previous issues regarding contacting individuals had been due to self-isolation and this had now improved.
- Crew absence – improvements had been achieved following management initiatives.
- Business Development

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- Project spend – although this was due to timing and forecast to move back in line with Plan.

She confirmed that the cash balance was **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, and that the **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, banking facility remained in place, noting that reduced fees had been negotiated last year.

6.2.1.2 Net Group profit split by DML Group Company – August 2020

This was noted.

6.2.2 **CHFS2 Contract Year 4 Performance – Month 11 – August 2020**

6.2.2.1 Key Highlights

J Beckett reported that there was a forecast net Operator Return of **[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]**, and that the final CY4 results were being produced over the next few weeks.

It was confirmed that the fuel hedge had been entered into because of the contract but was not a contract commitment.

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)]**

6.2.4.1 **[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)]**

6.4 **RISK REPORT**

The Board noted the Risk Report which had been reviewed by the ARC at their August meeting and received updates as follows:-

- Risk 6 – Asset Management lose key members of their management team: following the recent recruitment of two senior managers (with extensive experience) this risk had been reduced.

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Action: R Drummond would detail the issues and background for a Board discussion on this risks and contingency plans.

RD

7. **ANY OTHER BUSINESS**

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

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8. **DATE OF NEXT MEETING**

Wednesday 18 November 2020 at 10.30 a.m.

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Signed:
D C McGibbon, Chairman

Date: