

**DAVID MACBRAYNE LIMITED**

**MINUTES of a BOARD MEETING**

held at the Ferry Terminal, Gourock, PA19 1QP on Tuesday 4 May 2017 at 10.00 am

[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 (DM) (Chairman)
- S M Browell (SB)
- M Comerford (MC)
- M Dorchester (MD)
- R Drummond (RD)
- S Hagan (SH)
- J Stirling (JS)
- A Tait (AT)

**In attendance:**

- R Hadfield (Assessor) (Transport Scotland)
- J Beckett (JB) Interim Finance Director (items 4.2 – 6)
- J Philpott (JP) (item 6.2)
- P Osman (PO) (Interim Company Secretary)

Item	Action
1. <b><u>Preliminaries</u></b>	
1.1 <b>Safety moment</b>	
<p>SB commented that a recent publication from the RNLI she had been reading reminded her of the importance of safety on beaches and she hoped that CalMac would use the arrival of summer as an opportunity to emphasise this and work with the RNLI to raise public awareness of the dangers of open water. MD noted that CalMac already works with the RNLI in this connection and, this year and last, co-sponsors relevant promotions.</p> <p>JS commented that the two recent incidents of saving individuals from the sea involving a diver and a surfer showed just how many services were often deployed in rescue operations. These people may well have survived (36 hours in the sea in the case of the surfer), because they were wearing appropriate clothing and using the right equipment.</p>	
1.2 <b>Declarations of interest</b>	
<p>There were no further declarations of interest on the part of directors, other than those previously made.</p>	
2. <b><u>Minutes, matters arising and Action Log</u></b>	
2.1 <b>Minutes from 4.4.17</b>	
<p>These were approved, subject to certain amendments.</p>	

2.2 **Action Log from 4.4.17**

Please see attached latest version.

3. **Chairman's Remarks**

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 **Network visits**

DM reported that he had spent time on the network over the past week and had circulated an email to Board members about his trip. He encouraged all NEDs to carry out such visits and MD stressed the importance of Directors being seen on CalMac's most popular (and shorter) routes, e.g. Ardrossan-Brodick, Largs-Cumbrae.

3.4 **Interferry**

DML and CFL were now fully engaged with Interferry and MD emphasised the importance of this because of its involvement with setting regulations and the relevance of these to so many of the Group's activities.

3.5 **Board training day – 12.5.17**

DM reminded the meeting of this event and it was agreed that MD should invite the Executive Directors to attend.

MD

4. **Group Reports**

4.1 **Group CEO Update**

MD referred to his Update dated 1.5.17 and highlighted the following:-

4.1.1 ***Fynshav*** – MD commented that the recent publicity and communication concerning the possible acquisition of this vessel had shown that different user groups were now in contact with each other to a greater extent than in the past. This might give rise to a future campaign about redundant vessels.

4.1.2 ***Sleat*** – TS and CalMac were visiting the Sleat user group shortly and he pointed out that the winter timetable and the loss of the local bus service might be subjects raised at the meeting. RD stated that he had sent a report on achievements on the Armadale-Mallaig route to the Minister and would copy this to those present.

RD

4.1.3 **CHFS2** – service continued to be delivered under the new contract and CalMac's image and market presence should be boosted by its entry to 6 awards, especially that for 'employee of the year', Amanda Burns.

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

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

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

4.1.6 **Ardrossan-Troon** – MD expressed concern, citing the enquiry into this potential route as an example, that DML/CFL might be at risk of becoming involved in governmental reviews and enquiries in respect of which it would be best if they remained impartial. Where this might be a possibility in the future he asked that the Group be engaged by TS early in the planning of such processes in the future so as to preserve its detachment to the extent necessary.

## 4.2 **Group Finance Update**

[JB joined the meeting at 11.40 am].

JB outlined the contents of the management accounts to 31.3.17 and highlighted the following:-

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

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

4.2.3 **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**. She explained that the clawback figure in the management accounts was only an estimate at this stage and was usually calculated at the year end.

Details of contract variations were shown, the process for the approval of which was being improved with TS. RD noted that this was onerous and time-consuming and the new contract would, in any event, give rise to changing processes throughout its life.

4.2.4 **Gourock – Dunoon** – Whilst revenue was on plan, additional costs had been incurred due to pier repairs.

4.2.5 **SGL** – revenue for the past month was 21% above plan, though costs, some of which were only estimates at this stage, were adverse to plan.

4.2.6 **Summary** – full year profit, which was currently showing an upward trend, could reach **[FOISA Status - Exemption under Section 33 (Commercial Interest and the Economy)]** at the year end and JB suggested that the Board might wish to consider how such a result

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should be presented to a wider audience.

4.2.7 **IFRS 15** – AT stated that this new Reporting Standard had been discussed at some length at the recent ARC meeting on 14.4.17 and the Committee had agreed with KPMG’s advice that it should be adopted forthwith even though it did not become mandatory until 2018. The ARC was, therefore, recommending the Board to agree with this proposal. JB commented that she did not expect IFRS 15 to have a material effect on the Group’s reporting. The Board agreed to adopt IFRS 15 immediately.

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

5. **Board committee reports**

DM noted that it had not yet been possible to produce approved minutes from the most recent meetings of these committees, which was why their Chairmen were giving verbal updates.

5.1 **Audit & Risk (ARC)** – AT summarised the discussions of the ARC meeting held on 19.4.17 which, apart from the IFRS15 discussion (see item 4.2.7 above), considered the level of non-audit fees received by KPMG. It had been agreed that the ARC would review these and consider whether to put some non-audit activities to tender in the future.

Consideration would be given also to the Board’s risk appetite at the ARC’s next meeting. Good progress had been made in completing a number of outstanding Internal Audit action points, some of which had been identified in 2016. The meeting discussed the importance of managers setting realistic target dates.

MD commented that he was pleased to see that the ARC was considering risk appetite and that this process would include Punjab Singh.

5.2 **Safety Committee ('SC')** – JS confirmed that it had now been agreed with AT that whistle-blowing would transfer to the ARC.

RD had agreed to revert to the SC about Marchwood Safety and how this should be monitored.

RD

The issue of unintended vessel movement had been discussed and, whilst it was important for this to be regarded as a line management responsibility, the SC was required to monitor the activities of the Safety team to ensure that there were adequate systems of control in place.

HSQE’s new environment manager had produced a good management plan and Marc Stevenson had given a helpful explanatory presentation on the Group’s new Company Management System which was due to go live a little later in the year.

Louis de Wolff and Will Lins had expressed concern on speed of approach, though work was being carried out with the University of Strathclyde on this issue.

SH stated that there had been much improvement in the work of this team while he had been a member of the SC over the past few years.

RH asked about re-built pontoons at Lochmaddy; MD noted that the accident investigation had still to conclude but he undertook to raise the matter within CalMac and revert when he knew what had been said to the local authority.

MD

5.3 **RemCo** – SH confirmed that the next formal meeting of this Committee would take place on 14.6.17.

5.4 **ExCo** – MD stated that these meetings were now running more smoothly than when they started and that some good challenge was offered by some members. The Board should remember that some of the Executive Directors had only recently assumed additional responsibilities and this would involve a learning curve for them. There remained a need to better prioritise target dates agreed at meetings (though this was not just an ExCo issue). He encouraged Board members to attend these meetings as AT had done on 26.4.17.

AT considered that good quality papers had been available for the meeting, but that the lengthy action log might be reduced to concentrate on high level matters.

It was agreed that the Executive Directors should be invited to attend the next Board training day on 12.5.17.

MD

MD noted that good talent was emerging at more junior levels (a view endorsed by RD), but stressed that this must be nurtured and encouraged for the future of the business.

## 6. **Decision and discussion topics**

### 6.1 **Policy Procedure**

DM referred to the revised paper on this subject which had been considered at the previous Board meeting. It had been changed to provide that the Board would have final approval of policies by way of a summary reviewed by the Executive Committee. After some discussion, a further amendment was agreed to clarify this point further, subject to which the paper and the procedure it contained were approved.

(JP joined the meeting at 1.05 pm).

### 6.2 **Vessel maintenance and procurement**

The meeting noted JP's paper circulated just prior to the meeting and MD introduced the issue of vessel maintenance by reflecting on the apparent conflict between using larger, commercial, shipyards (usually England-based) as opposed to more local yards. She confirmed that she had taken a decision to postpone for a year a switch to larger yards for the CalMac fleet as a whole and MC believed that this provided an opportunity for Scottish Enterprise to be approached to support the development of the local yards.

MD outlined the recent history of this issue and asked the Board for its guidance as to how it wished vessel maintenance to be carried out in the future. A long discussion then took place and it was agreed that:-

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

JP explained that lack of resources had made it very difficult to prepare repair bids for 2017-18, but that, over the coming months, she would be building the ability for her team to manage the process for the following winter (2018-19). Any decision of the type of yard to be used for that overhaul period would have to be taken by the end of this year so that there was time for bids to be issued and processed. MD  
RH

(JP and JB left the meeting at 2.03 pm).

7. **Additional papers - Departmental reports**

Reports from HSQE, Service Delivery, HR, Commercial, Asset Management, CSE, Transition, Finance, Enterprise & IT and PMO & Risk were noted.

8. **Any Other Business**

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

8.2 **Gourock/Dunoon**

RH enquired as to the progress with the contract extension base case for this service and RD undertook to find out and inform the Board of the present position. RD

8.3 **Audit Scotland Advisory Group**

RH and RD had attended this forum on the previous day and the report into TS's ferry division would be released in October.

8.4 **Asset Strategy paper**

RD will circulate a copy of this to the Board. RD

8.5 **TV programme**

JS noted that there had been a suggestion that CalMac might feature in a TV series and the Board agreed that it should first discuss this proposal in detail. BOARD

8.5 **Vessel Replacement and Deployment Plan**

RH confirmed that the Annual Report for 2015 was now available on the TS website.

9. **Date of next meeting**

14.6.17 – Gourock – 1000.

10. **Close**

There being no further business, the meeting was declared closed at 2.40 pm.

Signed:  
**D C McGibbon**  
Chairman