

DAVID MACBRAYNE LIMITED

MINUTES of a BOARD MEETING

held at the Ferry Terminal, Gourrock, PA19 1QP on Wednesday 14 June 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 L Drummond (RD)
- S Hagan (SH)
- J Stirling (JS)
- A Tait (AT)

In attendance:

- R Hadfield (RH) (Assessor) (Transport Scotland)
- J Beckett (JB) Interim Finance Director (part attendance)
- C Paterson (CP) (Board Administrator)

Item	Action
1. <u>Preliminaries</u>	
1.1 Safety moment	
	Reflecting on recent tragic events, MC noted that staff should be encouraged to acquaint themselves with fire escape routes when in unfamiliar buildings. He noted that evacuation plans should be realistic and that fire escapes can sometimes be inadvertently blocked with furniture or other items.
1.2 Apologies for absence	
	There were no apologies for absence
1.3 Declarations of interest	
	There were no further declarations of interest on the part of directors, other than those previously made.

2. **Minutes, matters arising and Action Log**

2.1 **Minutes from 04.05.17**

These were approved.

2.2 **Action Log from 04.05.17**

Please see attached latest version.

3. **Chairman's Remarks**

DM referred to the recent terrorism incident in Manchester and the tragic loss of Eilidh MacLeod, **[FOISA Status - Exemption under Section 38 (Personal Information)]**. DM also included reference to Laura MacIntyre, who was badly injured and had a relation employed by CalMac. He felt that the Company had made every effort to respond sensitively to the matter.

MD noted that the Deputy First Minister and Cabinet Secretary for Education and Skills, John Swinney MSP and the Minister for Transport and Islands, Humza Yousaf, MSP, had attended Eilidh's funeral. He noted that the Company had been careful to adopt a very low-key but supportive approach and had re-arranged sailing times to accommodate funeral attendees. The Company had been represented at the funeral **[FOISA Status - Exemption under Section 38 (Personal Information)]** who had made significant efforts to support the families where needed.

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

DM noted that CalMac had been shortlisted for Scottish Transport Awards 2017 in the 'Public Transport Operator of the Year' and 'Frontline Employee of the Year' categories. DM also noted the attendance of Directors at an Institute of Directors' course on Friday 16 June.

DM congratulated GMcF on his appointment as Director of Customer Sales and Marketing. MD thanked SH for taking part in the interview process.

DM noted that PO had come to the end of his contract as Interim Company Secretary and thanked him for his efforts and support to the Board.

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

4. **Group Reports**

4.1 **Group CEO Update**

MD referred to his Update dated 07.06.17 and highlighted the following:-

Key issues last month

Security

MD met with LDW and discussed the current threat level.

CHFS1 and CHFS2

MD and RD met with Transport Scotland's Head of Ferries, Graham Laidlaw, and the Head of Ferries Policy & Contracts, Margaret Horne, and discussed a number of strategic issues. MD noted Transport Scotland had a better understanding of the cost of sailings additional to timetable. A challenge arose around the provision of justification reporting behind every additional sailing due the volume. MD was happy to share more information with TS to build a general understanding of community requirements for extra sailings. He additionally noted that DML is audited in a number of ways, and in future, more information would be shared.

Kerrera

MD noted that the community had a flexible service that they could call upon at any time. The introduction of a fixed timetable would take time to get used to.

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

Key achievements last month

Oban Live

MD noted that CalMac had supported Oban Live which had attracted 10,000 attendees.

MCA DOC Audit

MD congratulated LDW and his team for successfully passing the audit process.

Key issues next month

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

DM and CP left the meeting.

Pensions

The Board discussed a reply to a letter from AonHewitt, the Calmac Pension Fund's Administrators. MD will respond.

DM and CP returned to the meeting.

4.2 **Group Finance Update**

JB joined the meeting.

JB presented her report. She outlined the contents of the management accounts to 30.04.17 and highlighted the following:-

1 DML Group Financial Results

1.1 Group P & L

[FOISA Status – Exemption under Section 33 (Commercial Interests and the

Economy)] This was due, in part, to increased Farebox revenue. JB outlined the other variations to Plan shown in the management accounts and confirmed that there were no significant issues.

MD requested that JB consider three or four risks that might arise and to highlight them in the next report.

JB
(37.17)

1.2 Group balance sheet

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

2 CHFS2 performance CY1

2.1 Summary Contract Financial Performance

[FOISA Status – Exemption under Section 33 (Commercial Interests and the Economy)]. Details of contract variations were noted by JB.

2.2 Contract variations

JB advised that formal approval had been granted by TS on the Contract Variations submitted on 29.03.17. MD thanked JB for her efforts in this regard. He noted that the input to Contract Meetings by JB, BF and IS had brought improvements to the process.

2.3 Bid Commitments

JB noted that Green, Blue and Purple items were on track or already had been delivered.

JS asked if the results could alternatively be displayed by the pie-chart method.

RD noted that work was progressing on evidence-gathering to demonstrate achievements.

The Board requested that the data be presented with additional analysis so that the progress of Commitments could be reviewed.

JB
(38.17)

JB
(39.17)

3. Gourock – Dunoon

JB noted that revenue was ahead of plan. The Board discussed the Contract extension. **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**

It was agreed that MD would constitute a Board Meeting of Argyll Ferries Ltd to consider the implications and solutions to problems presented by the Contract Extension.

MD
(40.17)

4. Business Development

JB noted the update.

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

5. Review of Committee minutes

5.1 Audit & Risk (ARC)

AT asked for the Minutes to be taken as read. He asked the Board to note that KPMG had given a presentation to the Committee on the matter of revised VAT regulations. He also invited JB to comment on the Annual Audit.

JB indicated that the Audit Close-out meeting took place on Friday 9th June. She noted that nothing major had arisen, although some items had been discussed,

notably:

- A provision against work not done in CY9 required to be adjusted
- It required to be defined what is considered to be deliverables or revenues in the Contract

JB noted that KPMG were preparing their report.

JB left the meeting

5.2 Safety Committee ('SC')

JS noted that in relation to Marchwood, it was important to monitor its safety performance and that this had to be developed and reported.

3.2.1 Hebrides

RH enquired as to the potential cost of a modification to the pitch control system.

JS noted that costs arose around employing Rolls Royce Marine to install a new pitch control system and bridge and centre console controls upgrades.

MD noted that he would examine the issue and respond to RH separately.

MD
(42.17)

6. Decision and discussion topics

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

6.2 Environment strategy

RD noted that two key factors of the CHFS2 contract were i) the focus on delivering services as defined in the Contract both safely and legally and ii) how to develop the services. Out of these focuses an Environment Plan for CHFS2 and HOA has been created, out of which a strategy will be developed.

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 Service Delivery Report

RD clarified that the wording 'non-negatives' referred to D&A testing results. He noted that intent of the paper was to assist line management make clear decisions.

8.2 Asset Management Report

SH asked how greater focus was being brought to bear on the number of technical incidents. MD noted that there were more robust management systems in place to deal with an incident more speedily, but a side-effect of that in some incidents was not having the time-scale to apply a more resilient technical solution. He also noted that a potential option could be a small percentage of future funding for new tonnage being channelled towards vessel upgrades to improve fleet reliability, as vessels were subject to increased use under the Contract.

8.3 Community and Stakeholder Engagement report

RH asked for an update on the progress of the Community Board. MD noted that nominations for communities had been received and that an independent Chairman would be formally appointed on an initial 1 year term.

8.4 Transition report

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

8.5 Ardrossan Task Force

RD provided an update. He noted that Peel Ports and North Ayrshire Council were working **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]** improvements package which would be split between land and marine aspects. He noted that there had been some initial issues with the current Project scope, **[FOISA Status - Exemption under Section 30 (Prejudice to Effective Conduct of Public Affairs)]**. He considered that the Project scope needed to be reviewed.

MD noted that lessons had been learned from the Stornoway-Ullapool Task Force and that CalMac would prepare mitigations, in the event that facilities or the berth were not ready when the new vessel was delivered.

8.6 RemCom (14.06.17)

SH outlined some key meeting points. He noted that further details were to be provided for the Pay Deal Paper. He referred to a presentation that been given on Executive Benchmarking and indicated that some time would be required to examine the matter carefully.

8.7 Audit Scotland

RH noted that he had provided an update on the Pension Fund to Audit Scotland as part of their preparation of the Transport Scotland 2017/2018 Audit Plan. RD noted that a draft plan would be issued on 20 July. RH noted that some useful findings should result from the audit.

RH noted that Audit Scotland had raised some questions over increases to the annual subsidy. RD noted that he would approach Audit Scotland as soon as possible to provide them with context behind the factors that led to increases. RH noted it would be helpful to ensure that Audit Scotland had the necessary background to this aspect before they issued their draft report.

8.8 IoD Course

DM referred to the Institute of Directors course on Friday 16th and asked the Board what benefit they expected.

AT noted that it was worth considering if the Board could function more efficiently.

SH felt that the Board was functioning well.

MC indicated that the strategic direction of the Board was worth exploring.

MD noted that it would help explore the relationship between the Non-Executive and Executive Directors and the Executive team. He re-iterated the open invitation to RH to attend an ExCo at a suitable date.

9. **Date of next meeting**

09.08.17 – Gourock – 10am.

Signed:
D C McGibbon
Chairman

Date:

2017