

DAVID MACBRAYNE LIMITED

MINUTES of a BOARD MEETING

held at the Beacon Centre, Greenock, on Wednesday 9 August 2017 at 1.30 pm

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

In attendance:

- J Beckett (JB) Interim Finance Director, CalMac Ferries Ltd
- J Nicholls (JN), Director of Aviation, Maritime, Freight and Canals, Transport Scotland
- A Malone (AM), Head of Ferries Procurement, Transport Scotland (part attendance)
- C Murrie (CM), Ferries Procurement, Transport Scotland (part attendance)
- C Paterson (CP) (Board Administrator)

Item	Action
1. <u>Preliminaries</u>	
1.2 Apologies for absence	
	There were apologies from S M Browell
1.3 Declarations of interest	
	There were no further declarations of interest on the part of directors, other than those previously made.
3. <u>Chairman's Remarks</u>	
	MD introduced Transport Scotland officials; John Nicholls, Director of Aviation, Maritime, Freight and Canals; Alan Malone, Head of Ferries Procurement, and Cheryl Murrie, Ferries Procurement.
	JN noted that the Minister for Transport and the Islands, Humza Yousaf, MSP, had made a statement on the Teckal Review, who had also noted that while it would not be completed by September, an interim report should be released at that time.

JN indicated that he and his colleagues would accordingly be as open as they could be about the matter. He invited AM to present the current position.

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

AM and CM left the meeting.

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

2.1 **Minutes from 14.06.17**

Subject to an amendment in the Chairman's Remarks, these were approved.

2.2 **Action Log from 14.06.17**

Please see attached latest version.

3. **CHAIRMAN'S REMARKS**

DM noted that JN would be happy to consider other matters that may arise.

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

CP left the meeting.

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4. **GROUP REPORTS**

4.1 Group CEO update

MD referred to his Update and a number of highlights.

CP returned to the meeting.

The Board discussed the operational challenges presented by increasing traffic with vessels working to capacity on a regular basis. It had been noted that a lot of staff work long shifts on varied routes.

MC noted that it would be helpful to have a calendar note of island visits by TS staff and the Minister.

MC noted that Oban harbour waters was a congested area with many yacht activities. Owners had been leafleted on safe movements within the harbour area. MD noted that CFL was working closely with the Royal Yachting Association on safe operation within harbour areas. RD noted that the Company's Harbours division was also reviewing

4.2 Group Finance Update

JB presented her report. She highlighted the following key aspects:-

1 DML Group Financial Results

1.1 Group P & L

Operating profit of **[FOISA Status: Exemption under Section 33 (Commercial Interests and the Economy)]**. This was due, in part, to reduced Farebox revenue as a result of RET fare reductions and poorer weather patterns than expected. Other contributory factors included fuel costs and vessel maintenance, both adverse to budget.

1.2 Group balance sheet

Group net asset position was **[FOISA Status: Exemption under Section 33 (Commercial Interests and the Economy)]**. Group cash balance at **[FOISA Status: Exemption under Section 33 (Commercial Interests and the Economy)]** reflected no requirement to utilise the draw-down from the RBS Facility. This position may change when the annual dry-docking programme commences.

2 CHFS2 performance CY1

2.1 Summary Contract Financial Performance: 9 months

The Operator Return **[FOISA Status: Exemption under Section 33 (Commercial Interests and the Economy)]**. Details of contract variations were noted, with JB highlighting the various contributory factors.

JS noted that it would be helpful to have a note inserted into the table regarding Operational Penalties incurred.

2.2 Contract variations & Funding update

JB noted that Contract management, Finance and Service Delivery Planning were continuing to work closely with TS in order to gain Approval in Principle on variations. JB noted that a significant amount of re-modelling in CY2 was required due to the introduction of new RET routes. She noted that the approval process was a little slower than anticipated and there would be benefit to all parties if it could be reviewed. There was a degree of urgency in obtaining approval before CY end. MD noted he could discuss this aspect with Graham Laidlaw on Friday 11 August.

2.3 Bid Commitments

JB noted that she would discuss with Ian Slorach what other statistics would assist in highlighting Bid Commitment progress.

3. Gourock – Dunoon

JB noted the Operator Return had been adversely affected by significant adverse annual overhaul costs. Variations to Contract would be submitted, comprising of an increase in harbour dues, increased Employer Pension Fund contributions and higher vessel maintenance costs.

4. Business Development

JB noted the update.

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

7.

ITEMS FOR NOTING / SUPPORTING PAPERS

7.1 Group Audit and Risk Committee

AT asked for the Minutes to be taken as read.

He asked the Board to note that the Committee had review the final Accounts Strategy, aligned with the new IFRS15 accounting standards, and certain principles being adopted were helping to set out a new report format.

AT noted that a Committee paper would be presented to the Board in due course on the new report basis, with contributions from JB and KPMG.

In addition, Strategic Risk and the Audit Plan were reviewed.

7.2 Group Safety Committee

JS noted some highlights arising from the 19th July meeting. He indicated that there had been a step-change in the Company's approach to environmental matters. Klare Chamberlain had given an interesting Environmental Presentation to the Committee. SH suggested that LDW could arrange for her to present an executive version of it to the Board.

JS also noted that the Committee had expressed concern to LDW regarding an unintended vessel movement and was seeking a review of the incident. It was noted that MD and LDW had discussed how to progress mitigating action across the fleet.

JS also noted that it would be more effective to align the Annual Group Safety Report with Contract year end rather than the usual submission in July to TS.

7.3 Group Risk register

The Board noted the Risk register.

7.4 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 Contingency planning

MD noted that he had had a session with the ExCo on Contingency Planning. He underlined the preparation and processes that were in place.

8.2 Board Timetable

MD noted that there had been some challenges during a busy mid-summer season in supporting Board meetings and attendances. He proposed that next year's timetable should include a period between 1 July and mid-August where no meetings would be held.

8.3 Awards events

MD noted that the Company would make submissions to two awards programmes:

- National Apprenticeship Awards 2017

- 2017 National Transport Awards

8.4 Board Committee Meetings

MD noted that the structure and effectiveness of Board Committees had significantly improved over the last five years. He intended that Executive Team members should attend Committee meetings, where appropriate, to address particular topics.

9. **Date of next meeting**

05.09.17 – Gourock – with a new regular start time of 9am.

Signed:
D C McGibbon
Chairman

Date:

2017