

FRAMEWORK AGREEMENT

**DAVID MACBRAYNE LIMITED
CALMAC FERRIES LIMITED
AND THE
SCOTTISH MINISTERS**

Contents

Introduction.....	1
Conflicting Terms	1
Purpose	1
Governance and Accountability	2
The Board	2
The Chief Executive.....	3
The Scottish Ministers.....	4
Transport Scotland Accountable Officer	4
Relationship between Scottish Government and the Companies.....	5
Staff management responsibilities	5
Broad responsibilities for Company staff	5
Pay and conditions of service	6
Pensions, redundancy and compensation	6
Corporate plan and budget	6
Annual report and accounts	7
Internal audit	7
Budget management and delegated authority	8
Governance and Risk.....	8
Risk management	8
Internal control	9
Budget and finance	9
Remuneration.....	11
Banking and cash management	11
Dispute Resolution	11
Counterparts	11
Delivery	12
Annex A: Specific Delegated Financial Authorities for each Company	14

This Framework Agreement is dated 23rd September 2025 and takes effect from 1st October 2025.

Introduction

1. This framework agreement is agreed between the Scottish Ministers acting through Transport Scotland (**TS**) and each of David MacBrayne Limited (SC015304) (**DML**) and CalMac Ferries Limited (SC302282) (**CFL**) (each a **Company** and together the **Companies**) (the **Framework Agreement**). This Framework Agreement sets out the broad framework within which the relationship between the Companies and the Scottish Ministers will function and defines key roles and responsibilities of and between the Companies and the Scottish Ministers. It summarises how the Companies and Scottish Government (**SG**) will work together, and the key roles and responsibilities of:
 - a. the Boards of each of the Companies (and references herein to **the Board** shall be deemed to be a reference to each of those Boards)
 - b. the Chief Executives of each of the Companies (and references herein to **the Chief Executive** shall be deemed to be a reference to each of those Chief Executives);
 - c. the Scottish Ministers; and
 - d. the TS Accountable Officer within the SG whose remit includes the Companies.
2. This Framework Agreement forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and the Companies regularly, and at least every 2-3 years. Any significant changes will be determined by the Scottish Ministers, consulting the Companies, taking account of Scottish Ministers' priorities and policy aims.
3. This Framework Agreement is legally binding on the Scottish Ministers and the Companies; it is governed by and interpreted in accordance with Scots law.
4. A copy of this Framework Agreement will be published by each of the Companies on their respective website(s).

Conflicting Terms

5. The Companies' respective Articles and the shareholders' agreement entered into among DML, CFL (the **Shareholders' Agreement**) and the Scottish Ministers shall take precedence in the event of any conflict between their terms and the terms of this Framework Agreement. This Framework Agreement should accordingly be interpreted in light of the Companies' respective Articles, applicable company law, and Scots Law and is without prejudice to the statutory and other rights and obligations of the Scottish Ministers (as Shareholder) or the Companies. Any question regarding the interpretation of this Framework Agreement will be determined by the SG. Legislative provisions take precedence over any part of this Framework Agreement.

Purpose

6. DML was incorporated on 21 October 1928 as a private limited company established under the Companies (Consolidation) Act 1908. DML is wholly owned by the Scottish Ministers and is the parent company of CFL. CFL was incorporated on 12 May 2006 as a private limited company. CFL is wholly owned by DML.
7. The functions, duties, and powers for which each of the Companies is established are as set out in the respective Company's Articles.
8. The Companies will each contribute to the achievement of the Scottish Ministers' strategic objectives and priorities, including its purpose of creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth, by aligning its aims and objectives with the National Performance Framework, Programme for Government, Scotland's National Strategy for Economic Transformation, National Transport Strategy, the National Islands Plan, the Islands Connectivity Plan and other key policies, plans and priorities of Scottish Ministers. The purpose will be

delivered through the provision of high quality, safe, reliable, resilient and inclusive public ferry services.

Governance and Accountability

9. This section summarises the specific responsibilities and accountabilities of the key people involved in governance of the Companies and is without prejudice to the specific arrangements provided for in the Shareholders' Agreement.

The Board

10. Members of the Board of each of the Companies, including the Chair, are appointed by the Scottish Ministers in line with the [Code of Practice for Ministerial Public Appointments in Scotland](#). The Chair and Board Members are accountable to the Scottish Ministers and also to the Scottish Parliament and may be required to give evidence to Parliamentary Committees. References herein to **the Chair** shall be deemed to be a reference to each of those Chairs.
11. **Each Board has overall responsibility for the delivery of the functions of the relevant Company**, as set out above and more fully in the relevant Company's Memorandum and Articles of Association, in accordance with the aims, policies and priorities of the Scottish Ministers. Each Board has corporate responsibility, under the leadership of its Chair, to:
- a. set strategic plans to deliver the functions of the relevant Company, focusing on how the work of that Company and the Companies can most effectively contribute to achievement of the outcomes in the [National Performance Framework](#), the [Programme for Government](#) and [Scotland's Economic Strategy](#), alongside the National Transport Strategy, the National Islands Plan and the Islands Connectivity Plan and other key policies, plans and priorities of Scottish Ministers in collaboration with the SG and other public bodies;
 - b. regularly scrutinise current and projected performance against the aims, objectives and targets set out in plans and take decisions on remedial action where required;
 - c. ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Audit and Risk Committee, ensure that key risks are identified and managed;
 - d. approve the annual report and accounts and ensure these are provided to the Scottish Ministers to be laid before the Scottish Parliament;
 - e. promote the efficient, economic and effective use of resources consistent with the principles of [Best Value](#), and regularly scrutinise financial performance and compliance with financial guidance issued by the SG;
 - f. promote the wellbeing, learning and development of staff, provide support and challenge to the Chief Executive on staffing matters and ensure that the relevant Company and the Companies meets the **Staff management responsibilities** described in the section below; and
 - g. work in partnership with TS, Caledonian Maritime Assets Limited and other stakeholders to implement all relevant plans, policies and strategies of the Scottish Ministers.
12. Each Chair will:
- a. lead the relevant Board, ensuring that all Board members have suitable induction to understand the role and their responsibilities, that the skills and experience of all Board Members are used effectively and that the Board undertakes regular self-assessment of its performance;
 - b. ensure that the performance of each Board member is reviewed at least once per year and that the Board and/or individual Board members undertake development activity when required to ensure the effectiveness of the Board;
 - c. ensure that the Board reviews its effectiveness annually;

- d. ensure that a Code of Conduct (aligned to the Model Code of Conduct for Board Members) is in place, that corporate actions are taken to implement it as required and that Members understand their responsibilities, using the guidance provided by the Standards Commission; and
 - e. work with the TS Accountable Officer (AO) or their delegate(s) and the Public Appointments Team in SG on succession planning for the Board, action necessary to fill vacancies as they arise, skills requirements and promoting diversity by encouraging applications from less represented groups, including younger people, people from minority ethnic backgrounds and people with disabilities.
13. Specific guidance on how the Chair and Board Members should discharge their duties was provided in their appointment letters and is also contained in [On Board – A Guide for Members of Statutory Boards](#). Guidance on governance good practice is available in the Scottish Public Finance Manual and from the sponsor team, who may consult the SG Governance and Risk Team. A list of key aspects of governance to consider is included in the section on Governance and Risk below.

The Chief Executive

- 14. Each Chief Executive may be appointed by i) the relevant Board (with the approval of the Scottish Ministers) or (ii) by the Scottish Ministers. Each Chief Executive is employed by the relevant Company, is the principal adviser to the relevant Board on the discharge of its functions, and is accountable to that Board. The Chief Executive role is to provide operational leadership to staff working for the relevant Company and to ensure that its aims and objectives are met, its functions are delivered, and its targets are met through effective and properly controlled executive action.
- 15. The specific duties of the Chief Executive will be set out in a job description, and annual objectives will be agreed with the Chair and used in appraisal of the Chief Executive's performance.
- 16. In addition to any other specific duties, the Chief Executive will:
 - a. advise the relevant Board on the discharge of its responsibilities – as set out in this Framework Agreement and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
 - b. implement or oversee implementation of the decisions of the relevant Board;
 - c. work with the relevant Board on preparation of the Corporate Plan, including liaising with the Senior Sponsor and/or Sponsor Team on key points which need to be addressed and the timetable for preparation and review, and work with that Board to ensure that budgets are put in place to meet the Corporate Plan aims, objectives and performance measures;
 - d. lead and manage the staff of the relevant Company, ensuring their wellbeing, learning and development are prioritised, and ensuring that the Staff management responsibilities set out in the section below are addressed;
 - e. manage the budget for that Company in line with relevant clauses in the Shareholders' Agreement together with this Framework Agreement and in accordance with SG finance guidance, policies and procedures, including the Scottish Public Finance Manual, and advise the Board on financial implications of all Board decisions, ensuring that appropriate financial appraisal and evaluation techniques are followed (see the Appraisal and Evaluation section of the SPFM);
 - f. agree with the relevant Board and the TS AO or Senior Sponsor what information is required to enable that Board and SG to scrutinise the performance of the Company and the Companies and progress against overall strategic and corporate plan / budget aims and objectives, and ensure that the agreed information is provided and that it is both accurate and timely; and

- g. the Chief Executive's Executive Team will manage the day-to-day relationship with the Senior Sponsor and/or Sponsor Team, with other SG officials who have an interest in the work of the Companies and other key stakeholders, including staff of other public bodies.
17. In advising the relevant Board, the Chief Executive will ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Scottish Ministers

18. The Scottish Ministers appoint each Chair and Board Members and hold the Boards to account for the performance of the Companies and their respective use of resources. Ministers are ultimately accountable to the Scottish Parliament for ensuring that each Board is discharging its duties effectively, although the Parliament will scrutinise the performance of the Companies directly as it does with all public sector bodies. The Scottish Ministers are not directly responsible for the operation of the Companies but they exercise the same level of control over the Companies as they do over their own internal departments.
19. The Scottish Ministers will:
- a. agree the strategic aims, objectives and key targets of the Companies as part of the corporate planning process;
 - b. agree the budget for the Companies, and secure the necessary Parliamentary approval;
 - c. approve the Code of Conduct of the Boards of each of the Companies;
 - d. approve pay remits or proposals and superannuation arrangements for the staff, Chief Executive, Chair and Board members; and
 - e. lay the accounts of the Companies before the Scottish Parliament.

Transport Scotland Accountable Officer

20. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Chief Executive of TS as the TS AO for the TS budget which will provide funding for the Companies.
21. The TS AO's duties are to establish a framework for the relationship between SG and a public body, oversee the operation of that framework, ensure the public appointments to the body are made appropriately and ensure that appropriate assurance is provided on the performance and governance of the body. These activities are known collectively as '**sponsorship**'. In practice, the TS AO is likely to delegate some or all sponsorship duties to a Director or Deputy Director as Senior Sponsor and/or to other SG officials in a 'Sponsor Team'. The responsibilities of an AO are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#).
22. The TS AO will:
- a. make sure this Framework Agreement is agreed between the Scottish Ministers and the Boards of each of the Companies, reviewed regularly and oversee the operation of the roles and responsibilities set out;
 - b. ensure that financial and other management controls being applied by each of the Companies are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
 - c. in line with Code of Practice for Ministerial Appointments, ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning; that there is effective induction for new appointees; and ensure that there is regular review and a formal annual appraisal of the performance of the Chair;
 - d. support regular and effective engagement between the Companies and the relevant Scottish Minister(s); and

- e. make sure there is clear, documented delegation of responsibilities to a Senior Sponsor and/or Sponsor Team and that the Board and senior officials of the Companies are aware of these delegated responsibilities.
23. The TS AO remains personally answerable to the Scottish Parliament for the effectiveness of sponsorship activity.

Relationship between Scottish Government and the Companies

24. Strategic engagement between the SG and the Companies is essential in order that the organisations work together as effectively as possible to maintain and improve public ferry and harbour services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and the Companies will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on [‘Strategic Engagement between the Scottish Government and Scotland’s NDPBs’](#). This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of the Companies (or either of them).
25. The Sponsor Team’s primary function is to carry out the responsibilities delegated to it by the TS AO, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this Framework Agreement operate effectively, managing public appointments and providing assurance to the TS AO, the Sponsor Team will usually be the first point of contact for the body on any issue with SG. As part of the assurance they provide to the TS AO, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

Staff management responsibilities

Broad responsibilities for Company staff

26. Each Chief Executive, challenged and supported by the Board, has responsibility for the recruitment, retention and motivation of the staff of that Company. The broad responsibilities toward staff are to ensure that:
- a. HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
 - b. the level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits);
 - c. the performance of staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
 - d. staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the body’s objectives;
 - e. proper consultation with staff takes place on key issues affecting them, as appropriate, including working in partnership with trade unions;
 - f. effective grievance and disciplinary procedures are in place and ensures that staff know where to access and how to use;
 - g. effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place and ensures that staff know where to access and how to use; and
 - h. a code of conduct for staff is in place.

Pay and conditions of service

27. Each Company will comply with SG Pay Policy in relation to staff and the Chief Executive. Each Chief Executive will ensure that a pay remit, in line with the SG [Pay Policy for Staff Pay Remits](#), is submitted to the SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance](#) section of the SPFM. Proposals on non-salary rewards will comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM.
28. The Companies will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the remuneration package of each Chief Executive and the Board prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

Pensions, redundancy and compensation

29. Superannuation arrangements for staff are subject to the approval of the Scottish Ministers. Company staff will normally be eligible for a pension provided by various schemes including the CalMac Pension Fund, the Merchant Navy Officers Pension Fund, the Merchant Navy Officers Pension Plan and the Merchant Navy Ratings Pension Plan. Staff may opt out of the occupational pension scheme provided, but the employers' contribution to any personal pension arrangement, including stakeholder pension, will normally be limited to the national insurance rebate level.
30. Any proposals by the Companies to move from existing pension arrangements or to pay redundancy or compensation for loss of office, requires the prior approval of Scottish Ministers. Proposals on compensation payments will comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the Sponsor Team prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

Corporate plan and budget

31. In accordance with the relevant clause of the Shareholders' Agreement, the Companies will prepare a draft corporate plan every 3 years (or for a time period to be agreed and no greater than every 5 years) setting out their strategic aims, objectives and targets over that period for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Sponsor Team to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the strategic or corporate plan will be published on the relevant Company's website.
32. The corporate plan will include each Company's:
 - a. purpose and principal aims;
 - b. contribution to the national outcomes set out in the National Performance Framework, the Programme for Government, Scotland's Economic Strategy in collaboration with the SG and other public bodies, alongside the National Transport Strategy, National Islands Plan and the Islands Connectivity Plan and other key policies, plans and priorities of Scottish Ministers;
 - c. analysis of the environment in which it operates;
 - d. key objectives, expenditure plans and associated key performance targets for the period of the plan, and the strategy for achieving those objectives;
 - e. indicators against which its performance can be judged;

- f. details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and use of shared services; and
 - g. other key points agreed with the Sponsor Team as described above.
33. The corporate plan will inform the development of a separate annual budget for the Companies for each financial year, which will include key targets and milestones for the year immediately ahead, aligned to the National Performance Framework and National Transport Strategy and other key policies, plans and priorities of Scottish Ministers, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the annual budget will be provided to the sponsor unit prior to the start of the relevant financial year.

Annual report and accounts

34. Each Company will publish an annual report of its activities together with its audited annual accounts after the end of each financial year. The annual report and accounts for each Company will cover the activities of any corporate, subsidiary or joint ventures under the control of that Company. The annual report and accounts for each Company will comply with the Government [Financial Reporting Manual](#) (FReM) and outline the NDPB's main activities and performance against agreed objectives and targets for the previous financial year. It is the responsibility of each Chief Executive to sign the respective accounts.
35. The accounts, including group accounts if necessary, will be prepared in accordance with the Companies Act. While the Companies Act takes precedence, the accounts will so far as is appropriate comply with the Scottish Government Finance Manual and other relevant guidance issued by the Scottish Ministers.
36. The SG Sponsor Team should receive a copy of the annual reports for comment, and a copy of the draft accounts for information, by the end of June of each financial year. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by the end of October in each financial year. Each of the Companies is responsible for the publication of the annual report and accounts after they have been laid by the Scottish Ministers. The Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published as early as possible, and no later than 31 December after the end of the relevant financial year.

Internal audit

37. Each Company will:
- a. establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards and the Internal Audit section of the SPFM;
 - b. set up an Audit Committee of its Board, in accordance with the Audit Committees section of the SPFM, to advise both the board and the Chief Executive;
 - c. ensure that the Sponsor Team and the TS AO/Senior Sponsor receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Head of Internal Audit opinion on risk management, control and governance – and provide any other relevant audit reports as requested by sponsors; and
 - d. keep records of and prepare and forward promptly to the SG an annual report on fraud and theft suffered by the Company and notify the TS AO or Senior Sponsor immediately of any unusual or major incidents.
38. The SG's Internal Audit and Assurance Directorate has an expectation of cooperation and access to relevant material when required, the parameters for which would be set out in an engagement document before information was shared. The Companies should make it clear on their own Privacy Notices that material may be shared with SG's Internal Audit and Assurance Directorate in certain circumstances

Budget management and delegated authority

39. Each year the Sponsor Team will send the Board a Budget Allocation and Monitoring letter, notifying the relevant Company of the budget provision, any related matters and details of the budget monitoring information required. The Companies will comply with the format and timing of the monitoring information requested and with any requests for further information.
40. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL) – and, where applicable, Annually Managed Expenditure (AME). These categories are explained in [Annual Budget Processing](#) in the SPFM, and the Companies will not transfer budgetary provision between the categories without the prior approval of the SG Finance Directorate, which should be sought via the Sponsor Team. Transfers within the categories are at the discretion of the Board or, subject to delegated authority, the Chief Executive or relevant senior manager, if these do not breach any other constraints, for instance the approved pay remit.
41. Where budgetary provision includes projected income, including any income from disposal of non-current assets, the Chief Executive will ensure that the TS/SG Finance Directorate and Sponsor Team are made aware promptly of any forecast changes in income – usually via the monthly budget monitoring statement. The Scottish Ministers expectation is that any shortfall in income will be offset by a matching reduction in gross expenditure, and prior approval from the TS/SG Finance Directorate and the Sponsor Team must be sought for any alternative arrangement.
42. Similarly, if income is higher than originally projected, this may only be used for additional spending or to meet pressures with the prior approval of the TS/SG Finance Directorate and Sponsor Team. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year. The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt.
43. The Companies' specific delegated financial authorities - as agreed in consultation between the Board and the Scottish Ministers - are set out in Annex A. The Board will obtain the prior written approval from sponsors and TS/SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Governance and Risk

44. Guidance on governance requirements is available in several documents referred to earlier in this Framework Agreement:
 - [the Scottish Public Finance Manual](#) (SPFM)
 - [the Audit and Assurance Committee Handbook](#)
 - [On Board - A Guide for Members of Statutory Boards](#)
45. If in any doubt about a governance issue, the Chair or Chief Executive should consult the Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.
46. The Board and Chief Executive are advised to pay particular attention to guidance on the following issues.

Risk management

47. The Companies must develop an approach to **risk management** consistent with the Risk Management section of the Scottish Public Finance Manual and establish reporting and escalation arrangements with the TS AO or Senior Sponsor.

48. The Board should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate **organisational resilience**, in line with the guidance in: [Having and Promoting Business Resilience](#) (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

Internal control

49. The Board should establish **clear internal delegated authorities** with the Chief Executive, who may in turn delegate responsibilities to other members of staff and establish an **assurance framework** consistent with the [internal control framework](#) in the SPFM.
50. **Counter-fraud** policies and practices should be adopted to safeguard against fraud and theft - see the [Fraud](#) section of the SPFM.
51. Any **major investment programmes or projects** undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. **ICT investment plans** must be reported to the SG's Office of the Chief Information Officer.
52. The Companies must comply with the requirements of the **Freedom of Information** (Scotland) Act 2002 and ensure that information is provided to members of the public in a spirit of openness and transparency. The Companies must also register with [Information Commissioners Office](#) and ensure that it complies with the **Data Protection Act 2018** and the General Data Protection Regulations, commonly known as **GDPR**.

Budget and finance

53. Unless covered by a specific delegated authority, **financial investments** are not permitted without the prior approval of sponsors and SG Finance. This includes equity shares in ventures which further a body's objectives. Public bodies should not invest in any venture of a speculative nature.
54. Non-standard **tax management** arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the TS AO and SG Finance. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. The Companies must comply with all relevant rules on taxation, including **VAT**, recover input tax where it is entitled to do so.
55. **Optimising income** (not including grant-in-aid) from all sources should be a priority, and sponsors should be kept informed about any significant projected changes in income. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by sponsors and SG Finance. Fees or charges for any services supplied must be determined in accordance with the [Fees & Charges](#) section of the SPFM.
56. **Gifts, bequests or donations** received score as income and should be provided for in the agreed resource DEL and capital DEL budgets, but should not fund activities or assets normally covered by SG grant-in-aid, trading or fee income, and conflicts of interest must be considered – see the principles in the [Gifts](#) section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct.
57. **Borrowing** cannot be used to increase the Companies' spending power. All borrowing - excluding agreed overdrafts - must be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.
58. Any lending must be in line with the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit the Companies must not **lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability** (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form,

without the prior approval of sponsors and SG Finance. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

59. An accurate and up-to-date record of **current and non-current assets** should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. Each of the Companies is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.
60. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers **impairment**, when there is significant **movement in existing provisions** and/or where **a new provision needs to be created**, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for the NDPB's budget.
61. Any **funding for expenditure on assets by a third party** should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the [Clawback](#) guidance in the SPFM.
62. Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before **making gifts or special payments or writing off losses**. Special payments and losses are subject to the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.
63. Unless covered by a specific delegated authority the Companies must not enter into any **finance, property or accommodation related lease arrangement** – including the extension of an existing lease or the non-exercise of a tenant's lease break - without prior approval from sponsors. Before entering/ continuing such arrangements the NDPB must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored.
64. Non-property / accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget allocation for finance leases and other transactions which are in substance borrowing.
65. **Procurement** policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Property Directorate. The SG's directory of [SG Framework Agreements](#), is available to support organisations but they should check the Framework Agreement's 'buyer's guide' before proceeding to ensure they are eligible to use the Framework.
66. All matured and properly authorised **invoices** relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within Scottish Ministers' target of payment within 10 working days of their receipt.
67. Unless covered by a specific delegated authority the Companies must not provide **grant funding to a third party** without prior agreement from sponsors and SG Finance. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM. Subsidy control requirements for any such funding are discussed below.
68. The EU State aid regime was effectively revoked from UK law from 1 January 2021. Following this, subsidy control provisions were covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. However, a new UK subsidy control regime came into force on 4 January 2023 as a result of UK Government's Subsidy

Control Act 2022. Currently, any activity that a public body undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the regulations set out in the Subsidy Control Act 2022. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy control section of the SPFM.

Remuneration

69. **Remuneration, allowances and any expenses paid to the Chair and Board Members** must comply with the latest SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.
70. **Staff pay, pensions and any severance payments** must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on NDPB Staff Management Responsibilities.
71. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with **tax deducted at source**.

Banking and cash management

72. **Banking** arrangements must comply with the [Banking](#) section of the SPFM.
73. **Cash management** arrangements need to be addressed as well as overall budget management. Any [grant in aid](#) (i.e. the cash provided to the Companies by the SG to support the allocated budget) for the year in question will be authorised by the Scottish Parliament in the annual Budget Act. The Companies will normally receive monthly instalments based on updated profiles and information on unrestricted cash reserves and will not seek any payment in advance of need unless specifically agreed otherwise. DML will disseminate monies to CFL as required. Each of the Companies will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation and any relevant liabilities which have to be met at the year-end. Grant in aid not drawn down by the end of the financial year will lapse. The Companies will not pay Grant-in-Aid into any restricted reserve either of them holds.

Helpful information

74. The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the [PBSU mailbox](#).

Dispute Resolution

75. Any disputes between the SG and either or both of the Companies will be discussed in the first instance by the Sponsor Team and the Chief Executive and if a resolution cannot be agreed, the dispute will be escalated to the TS AO and the Board for discussion and resolution. Ultimately the TS AO may determine the course of action to be taken (except to the extent that the Company or Companies can adequately evidence that such course of action would lead to safety concerns or constitute a breach of applicable law) and the Company or Companies will implement that course of action, and the TS AO may instruct either or both of the Companies directly should this be required (and the Companies shall comply with such instruction(s)).

Counterparts

76. This Framework Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Framework Agreement.

Delivery

77. This Framework Agreement is dated and shall take effect from the date provided for that purpose on page 1.

In Witness whereof these presents consisting of this and the preceding 11 pages and the following Annex A are executed as follows:

Subscribed for and on behalf of **The Scottish Ministers**

by (*full name*)

at

on

in the presence of (*witness signature*)

Full name

Address

Subscribed for and on behalf of **David MacBrayne Limited**

by (*full name*)

at

on

in the presence of (*witness signature*)

Full name

Address

Subscribed for and on behalf of **CalMac Ferries**
Limited

by (*full name*)

at

on

in the presence of (*witness signature*)

Full name

Address

FINAL - SIGNED 23/09/25

Annex A: Specific Delegated Financial Authorities for each Company

Item	Delegated Limit
Delivery of annual business plan as approved by Scottish Ministers in accordance with the procedures provided for in this Framework Agreement	Aligned with and as provided for in relevant approved annual business plan
Leases – other than property/ accommodation, vessel, vehicle and related leases	£100,000
Gifts	£0
Special payments	£0
Claims waived or abandoned	£100,000
Write-off of bad debt and/or losses	£100,000
Guarantees etc. out with normal course of business	£0
Charges on assets	£0
Loans	£0
Grants	£0
Financial investments and equity shares	£0
Major investment programmes/ projects (on a whole life cost basis) (excluding expenditure that is or might be considered novel, contentious or repercussive which has or could have significant future cost implications) on the condition that expenditure is part of an annual business plan pre-approved by Scottish Ministers.	£3,000,000