



**CALEDONIAN SLEEPER LIMITED (CSL)**

**MINUTES OF BOARD MEETING**

**Wednesday 6 September 2023, 13:00 – 15:00**

**Tara House, 46 Bath Street, Glasgow**

**Present:** David Lowrie (Non-Executive Director – Chair), John MacQuarrie (Non-Executive Director), Emma Dixon (Non-Executive Director & Company Secretary), Carolyn Griffiths (Non-Executive Director), Kathryn Darbandi (Managing Director), Christopher Gemmell (Finance Director)

**In attendance:** Magnus Conn (Operations Director), Graham Kelly (Commercial & Procurement Director), Sam Price (CSL General Counsel), [REDACTED] (minute taker)

**Apologies:** None

Item No.	Item
----------	------

**1. Welcome**

DL welcomed all to the meeting.

It was noted that GK is joining the board as a Statutory Director. ED to arrange for the necessary Companies House filings.

**ACTION**

- GK to complete AP01 form.

**2. Apologies for absence and quorum**

No apologies were received. The meeting was quorate.

**3. Declaration of interest and conflicts**

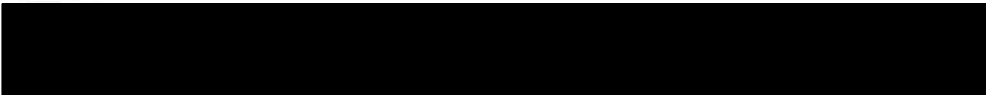
If the Chair determines a Director has a conflict in relation to any matter, they may decide that the Director absents themselves from any discussion or decision on that matter, relating to the matter; remains present during any discussion or decision but may not participate in the discussion or decision; or remain present and participate in the discussion, but contribute only statements of fact. In no case may a Director whom the Chair has determined to have a conflict of interest in relation to a matter either vote on a decision concerning that matter or contribute more than statements of fact to any discussion of the matter.

No declarations were made.

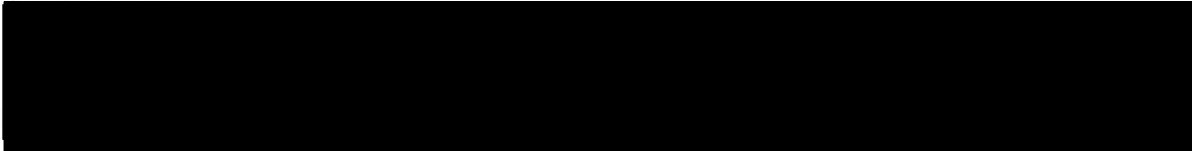


**4. IT transformation next steps**

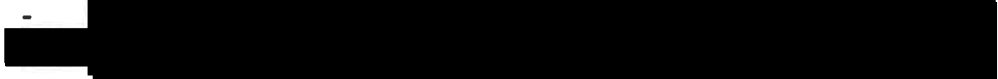
KD presented a paper on Caledonian Sleeper Microsoft tenancy. Under the Serco franchise model, all shared services (technology and people) were provided by Serco and integrated into the Serco business. The Transitional Services Agreement provides that these services must be exited within 18 months from the date the franchise moved to public ownership. It was noted that it was critical for CSL to have its own Microsoft tenancy created under an IT Transition Programme. To set up the tenancy, the expertise of an IT partner is required to complete a 'discovery phase' which will outline the architectural design of the new tenancy, build requirements including security and identity management, as well as producing development roadmap and migration strategy from Serco. This work will also provide the end state cost.



KD confirmed that CSL have discussed IT requirements with ScotRail Trains Limited (SRT), however as they are working to a slower timeline, CSL will need to progress first, ensuring that any IT changes will everything CSL do will be shareable and scalable to the wider Group.



**ACTION**



**5. Caledonian Sleeper website re-design**

CSL presented a technology roadmap to TS in 2022, the roadmap was made up of three elements (1) booking engine enhancements; (2) CRM (customer relationship management); and (3) CMS (content management website). Booking engine enhancements was delivered during 2023 and the result to date are trending positive. Work on the CRM was paused due to the exit from Serco. As there is significant amount of work to be done to CSL's Microsoft Tenancy, the new CRM needs to be replanned to fit into the larger IT transformation. To ensure the business continues to move forward, CSL will pivot focus into the CMS. The project would renew the CMS and the website would be rebuilt to ensure it can be managed in-house. If an estimated 1% uplift in sales is achieved due to the enhancements this project will deliver the payback period would be 11 rail periods (based on historical sales).

It was noted that the overarching IT transformation plan had been previously approved prior to mobilisation and there was general consensus from the Board to progress as planned. Spend had been previously agreed for CRM and booking engine so the suggestion is to use this spend on CMS instead.



The Board requested that the spending be forecast in the capital departmental expenditure limit (CDEL) and resource departmental expenditure limit (RDEL) up to March 2024.

IT WAS AGREED to progress with the website re-design and include in the budgets.

**ACTION**

- KD to send website redesign AO to JM.

**6. Edinburgh office move**

A paper on the proposed Edinburgh office move was circulated in advance of the meeting.

The Board had a full discussion around the background to this move. The CSL management team based in Edinburgh currently operate from a serviced office located on St Andrew Sq. Caledonian Sleeper have been engaged with Network Rail for a number of years in attempts to locate suitable office accommodation within Waverley Station due to the security risks associated with having an office outside of Waverley Station. It was noted that CSL staff are outgrowing the current office space. Moving the office will result in an opex saving of £4,000 per annum.

CSL have proposed Heads of Terms from Network Rail. Approval was sought to progress with the governance and approval process for a new lease which would be ready to sign in approximately two months.

IT WAS AGREED to approve the lease for the new Edinburgh Office and to progress the procurement for fit out of office and staff accommodation spaces subject to obtaining consent from TS.

**ACTION**

- JM to seek TS approval to enter into lease. GK to send JM note of savings from moving office.

**7. Proposed KPIs**

A template KPI table was circulated in at the August 2023 meeting. The board discussed the opportunity to streamline and review the KPIs that CSL are measured on. CSL sought approval for the below KPIs to be what the business is measured against.

- Guest satisfaction Moving Annual Average (MAA) 85%.
- Operational performance MAA 80%.
- Service quality squires overall score of 3.
- Continual improvement on team employee engagement and wellbeing.
- Maximise opportunity to maximising revenue.
- Maximise opportunity to drive cost efficiency.



Health and safety KPIs would be set by the Safety, Health & Environment Committee (SHEC) and Audit and Risk KPIs would be set by the Audit & Risk Committee (A&RCommittee).

KD confirmed that the proposed KPIs do not provide a weaker measure than the ones they are currently working to. It was noted that the executive should influence KPIs in the absence of an appropriate Grants Agreement. Nonetheless, the proposed KPIs should be agreed with TS.

The board discussed creating a task group from SRH and CSL representatives to look at short term and long term KPIs based on the priorities of each group company.

IT WAS AGREED to work to the proposed KPIs until the end of the financial year. The 'new' KPIs should be reflected in the budget.

If the board was content with the new benchmarks, IT WAS AGREED that the appropriate amendments to the Grant Agreement should be proposed to reflect successful KPIs.

#### **ACTIONS**

- JM to discuss proposed balance of year KPIs with TS, alongside the potential new measure of combined boarding and arrival statistics in advance of the new financial year.
- JM to convene SRH/CSL task group to discuss KPIs.
- SP to compare proposed KPIs with contractually required KPIs in the Grant Agreement.

#### **8. RDEL and CDEL budget**

The board noted the RDEL and CDEL budgets.

Both budgets were built on current business strategy and KPIs which looked ahead. For example, website redesign and CRM plans were included in the CDEL budget. Both are critical for driving revenue.

The 2023/24 RDEL budget showed the requirement for the remainder of the financial year since commencement of service on 25 June 2023. [REDACTED]

The following points were discussed:

- Inflationary pressures of costs.
- Removing margins on third parties as a longer-term opportunity
- Upcoming Serco transition pressures.
- Health and Safety issues (windows) and removing issues which do not belong in safety category.

The board made the following recommendations for the budgets:



- Sort appendixes into order of payback e.g. less than year should be top.

- Add column which states the long-term financial implications of not spending in the short term.

IT WAS AGREED to acknowledge the forecast, note the working forecast and mandate CGemmell to continue to communicate forecasts to SRH and TS.

IT WAS AGREED to form a capital subcommittee to assist with budgets.

**ACTIONS**

- CGemmell to form capital sub-committee.
- CGemmell to amend appendix to include priorities, outcomes and future spending.

**9. CDEL budget**

Considered in agenda item 8.

**10. TSA Communication to key stakeholders**

The board noted that this is a contract for shared services provided by Serco. CSL has proposed additions to the scope.

It was noted that the contract is already in place and CSL are required to sign a change notice removing Serco from responsibilities.

The board acknowledged concerns and requested a paper be brought to the next board meeting for approval.

**ACTION**

- KD to circulate TSA communications email. JM to follow up with TS.
- KD to provide paper for approval at the board meeting.

**11. Monthly Grant Agreement pack**

KD presented the Grant Agreement pack for period 5 which was circulated in advance of the meeting.

The pack was taken as read and the following points were discussed:

- The pack being sent to SRH for detailed review, noting the request for any additional information sought to be provided to board members.
- Measures to be added to the pack for targets, benchmarks etc.



- Reports timings are to be reviewed as it was acknowledged that a full Grant Agreement pack will not be required for each meeting.
- The Chair requested a session for the non-executive board members to be 'taught-in' on the pack.

The board thanked KD for the Grant Agreement pack and will send their thoughts and questions to KD via email.

**ACTION**

- JM to consider the interface between SRH team and CSL board when reviewing the Grant Agreement pack.
- Board to send KD questions via email copying other directors in.
- Session to be set up to take non-executive directors through the pack.

**12. Board Safety, Health & Environment subcommittee update**

The first Safety, Health and Environment Committee (SHEC) was held immediately before the CSL board meeting. CG (SHEC Chair) provided an update on the meeting.

The committee discussed its Terms of Reference (ToR) including meeting purpose and standing agenda items. The ToR will be circulated for approval at the next board meeting. CG noted that considerable time was spent considering the SRH governance document. The SHEC commends the RACI to be approved by the board with some minor editorial amendments. It was recommended that annexes to the governance document be reworked to make them more operational. It was noted that where Serco had previously provided safety services, CSL had been authorised to put in interim contractual arrangements to avoid risk.

The board thanked CG for her updated and noted that the next SHEC meeting will be January 2024.

**ACTION**

- CG to circulate ToR.

**13. Previous meeting minutes — 9 August 2023**

The minute of 9 August was APPROVED subject to KD clarification points.

It was noted KD's request for a £ [REDACTED] discretionary spending for salaries and employee loans was an outstanding action: [REDACTED]  
[REDACTED] This would be discussed with SRH.

**ACTION**

- KD to send clarification points to ED via email.
- JM to progress discretionary spend with SRH.

**14. Actions arising from previous meeting**

The action tracker was amended to reflect discussion.



15. AOB

**Due Diligence:** The board requested access to due diligence which was carried out during transition. ED noted that aspects of the due diligence relating to safety had been obtained from TS and e would be circulated to directors.

**ACTION**

- ED to send due diligence documents.

**Governance/ Grant Agreement:** The board discussed the Grant Agreement. There was a general understanding that the omissions need to be rectified to future proof decisions of the board.

**Shared Services:**



**Minutes and papers:** The board agreed that minutes should be circulated within four days of the meeting. It was noted that the cut off for papers should be the Friday before the meeting. The board discussed sharing decision taken at SRH board meeting which concerned CSL. JM to consider. The board discussed implementing a limit on number of papers and acknowledged the backlog of documents to get through following transition. It was proposed that the next meeting be extended by 30 minutes.

16. Date of next meeting

Wednesday 4 October 2023, Tara House, Glasgow