

**CALEDONIAN SLEEPER LIMITED (CSL)****MINUTES OF BOARD MEETING**

**Wednesday 2 October 2024, 13:00 – 18:00
Pacific House, Glasgow / Microsoft Teams ***

Present: Graeme Cook – Chair
Hannah Ross – Non-Executive Director
Kathryn Darbandi – Managing Director
Graham Kelly – Commercial and Procurement Director
Carolyn Griffiths – Non-Executive Director*
Campbell Davidson – Non-Executive Director
John MacQuarrie – Non-Executive Director*
Graham Eastwood – Operations Director
Hugh Anderson – Finance Director

In Attendance: Sam Price – General Counsel
Bill Reeves - Transport Scotland Director of Rail (for Item 6 and 7)*
[REDACTED] – Head of Sales and Marketing (for Item 11)
[REDACTED] – Guest Experience Director (for Item 11)
Jackie Robertson – SRH Rail Management Lead
[REDACTED] – Board Secretary

Apologies: Richard Cairns – SRH Chair

Agenda Item 1: Welcome

1. The Chair welcomed Hannah Ross, SRH Chief Executive, to the meeting and informed the Board that she will be taking over as CSL Chair from the next meeting of the Board on 30 October. The Chair also welcomed the Transport Scotland Director of Rail to the meeting for Coach Cracking matters and welcomed Jackie Robertson, SRH Rail Management Lead for CSL.

Agenda Item 2: Apologies and Quorum

2. Apologies were noted from Richard Cairns. The meeting was quorate.

Agenda Item 3: Declaration of Interest

3. No conflicts of interest were declared.

Agenda Item 4: Minutes of previous meeting

4. The Board approved the minutes of the meeting on 7 August 2024, and approved the minutes of the meeting on 15 August 2024, subject to a minor amendment in paragraph ten.

5. The Board approved the proposed changes to the approved minutes of the meetings on 15 May 2024 and 20 March 2024, subject to additional minor amendment.

Agenda Item 5: Matters Arising

6. The Board considered the list of actions arising from previous meetings and agreed the following:

Action 1: Director's handbook

Superseded by training to be held on 30 October, close action. Invitation to the training session will be issued to SRH directors.

Action 2: Terms of Reference for CSL Audit & Risk Committee (ARC)

Terms of Reference approved, close action. New action for Chairs of CSL Board, SHEC and ARC to meet to discuss safety related risks and the operational framework for risk assessment by SHEC.

Action 3: Terms of Reference for Remuneration and Appointments Committee

Chairs of CSL Board, SHEC and ARC to meet to discuss terms of reference regarding pay remit approvals process. Update Board at next meeting.

Action 4: Locomotive strategy feasibility study

Funding approved for the study, close action.

Action 5: Locomotive strategy AO approval

Included as part of the Grant Agreement reporting, close action

Actions 6: Procurement policy and action 7: station lounge strategy

Both actions have been completed, close actions.

Action 8: SHEC reporting

To be considered at the next meeting of the Board.

Action 9: Risk appetite

To be considered by SRH to inform CSL discussion of risk appetite at the next meeting of the Board.

Action 10: Birmingham International proposal

Initial CSL Board approvals received for timetable change and rights application in Network Rail system for approval, close action.

Action 11: Winter fleet proposals

Approval received, close action.

Action 12: Finance reports

An additional reporting line excluding schedule four and eight payments and associated delay repay from Network Rail will be included once new system is in place as part of the transition project. Include timelines in the action table for this.

Action 13: Emergency windows

This will be covered in the CAF final settlement approval, close action.

Action 14: Matrix for decision tracking

Decision tracking in place and will be included in monthly Board packs, close action.

Action 15: Safety training and action 16: coach to loco electrical connection project

Both matters moved to SHEC, close actions.

Action 17: Voice of guest project

Move to January 2025 Board meeting.

Agenda Item 6: Coach Cracking Operational Update

7. The Operations Director gave the Board an update on the coach cracking issues. He said that CSL continues to operate with seven coaches out of service due to cracking issues, and mitigating inspections are on-going. He said that the programme of non-destructive testing has commenced, and no further issues have yet been found. The Board discussed the issue of whether the cracking problem was solely a design problem or whether it could also be a material defect problem. The Operations Director said that he was fairly confident that the design was the main factor of the cracking problem, but he would continue to explore the metallurgical aspect.

8. The Operations Director said that in relation to the interim solution to allow the seven cracked coaches to return to service, the modification instruction pack was almost complete, and it was likely that this would be submitted for third party approval the week commencing 14 October when the first in class fitment would also be undertaken. The Board noted that the modification pack had been through a robust process but as an additional measure of assurance the pack would be reviewed by the Chair of SHEC in her professional engineer capacity. The Board welcomed this review given the criticality of the circumstances.

9. The Transport Scotland Director of Rail said that he was impressed by the professionalism of CSL in dealing with the cracking problem and asked the Board to reflect on the contingency implications for the business if there is any timeline slippage for getting the coaches back into service. The Operations Director said that he had been involved personally in all forums relevant to these matters and while there is always a risk of slippage, this has been considered and discussed at length.

Agenda Item 7: Coach Cracking Commercial/Legal Update

10. General Counsel provided an update on the legal position arising from the coach cracking issue. This item was minuted separately due to it being privileged information.

11. The Transport Scotland Director of Rail left the meeting.

Agenda Item 8: TSSSA Update

12. The Operations Director said that the commencement of the overhaul programme is still on track for February 2025 although there have been some issues with obtaining the materials required for the work. He said that CSL was looking at options to obtain spare parts from alternative sources to manage the risk of any time slippage due to lack of materials. [REDACTED]

[REDACTED]

[REDACTED]

14. After discussion the Board agreed that the overhaul work was business critical and fell within RDEL

expenditure. The Board gave its approval for CSL to engage CAF to undertake the overhaul work.

15. The Board noted that CSL is exploring with CAF combining overhaul work for bogies and couplers in order to achieve better value overall for CSL, but it is not yet known if this work can be aligned. The Board will be updated on this in due course.

Agenda Item 9: Fares

16. The Board considered the paper setting out the options and analysis for a fares increase for implementation from 1 January 2025. [REDACTED]

17. After discussion, the Board agreed to accept the recommendation in the paper for an increase of [REDACTED]% from 1 January 2025. The Board noted that the increase will require Ministerial approval and will have to be presented to the SRH Board for approval and thereafter to Transport Scotland. The SRH Chief Executive will discuss the process for approval with the SRH Chair and whether this can be done by correspondence given time pressures.

Agenda Item 10: Pay

18. The Board noted that the pay negotiations for 2024/25 had been completed.

Agenda Item 11: Grant Agreement Report

19. The Board considered the Grant Agreement periodic report and noted that this was the first of the more detailed quarterly reports to allow deep dive reviews of specific business areas.

Deep Dive Review of CSL performance

20. The Guest Experience Director gave the Board a presentation on her business area covering:

- Boarding enhancements
- Disruption management
- Improving announcements
- Relaunching service standards
- Food and beverages

21. The Board noted that while the boarding enhancements work was primarily aimed at improving guest experience it also assists in better security. The Board noted a recent incident where two individuals boarded the train without tickets and hid in a toilet until the train departed and then caused disruption and violence towards staff. The Managing Director said that the door operating systems are being reviewed to find out if security can be tightened and a process will be put in place to check toilets before trains depart. The Board noted that this incident will be discussed further at the next SHEC meeting.

22. The Board noted that all of the work being undertaken in relation to guest experience was driving continuous improvement in this business area and was promoting a positive staff engagement culture. The Board agreed that this was excellent work and thanked the Guest Experience Director for the presentation.

23. The Head of Sales and Marketing gave the Board a presentation on his business area. The Board noted the various initiatives that had been taken forward including the recent launch of the new CSL website which has improved customer service. The Board noted the work that was being taken forward to attract more guests

during the lower demand winter months and also noted the higher demand summer months would need more train capacity to increase patronage.

24. The Chair said that the data on patronage from the winter formation arrangements could be useful to inform potential subsidy reduction initiatives from possible timetable changes during the lower demand winter months. The Managing Director said that this could be looked at as part of CSL's longer term strategy.

25. The Board agreed that the sales and marketing initiatives were another good example of continuous improvement in the business and thanked the Head of Sales and Marketing for his presentation.

26. The Operations Director gave the Board a presentation on fleet stewardship. He highlighted the top three issues that impact berth availability and the work being taken forward to address these issues. He informed the Board of the HVAC project where a proactive approach has been taken for winter and summer preparation. He provided an update on the coach to locomotive electrical connection/61 way jumper project and provided an overview of coach performance and reliability.

27. The Board thanked the Operations Director for the excellent and informative presentation.

Implementation of cost reduction and revenue generation initiatives update

28. The Board considered the update on the current active efficiency initiatives for 2024/25 [REDACTED]
[REDACTED]
[REDACTED]

Agenda Item 12: Finance Report

29. The Board noted the finance report and the reasons for variances from budget in the period. The Finance Director said that the financial data will be better presented once the new systems are in place as part of the transition project.

30. The Board considered the 2024/25 financial re-forecast paper. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
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[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

Agenda Item 14: Committee Updates

34. The Board noted the approved minutes of the SHEC meeting on 9 May 2024, and the approved minutes of the ARC meetings on 11 April and 18 July 2024.

35. A non-executive director raised a point in relation to the minutes of the ARC meeting which may need to be amended. The Board Secretary will liaise with the General Counsel and non-executive director to resolve the point raised.

36. General Counsel informed the Board of the assurance mapping exercise undertaken by CSL to identify assurance priorities that had been presented to the ARC at its meeting on 11 September. He said that he would send this to the Board members for information. The Chair said that this was an impressive piece of work. The Operations Director said that the assurance mapping work would be presented to the next meeting of SHEC. The SHEC Chair said that she welcomed this and reiterated the need for the SHEC and ARC committees to align in relation to assurance requirements.

37. The SRH Finance Director said that a suitable candidate for the position of interim SRH Group Internal Audit and Risk Manager had been identified and he would confirm the start date in due course.

Agenda item 15: Any other business

38. The Board noted and approved the financial approvals. The Chair asked that going forward these approvals should be forward looking.

39. The Managing Director said that the delay repay paper had been submitted to SRH by correspondence. The SRH Rail Management Lead said that she was waiting for a response from CSL on some questions raised. General Counsel agreed to follow up on this.

Date of Next meeting

40. The next meeting of the Board will be held on 30 October 2024.