



CALEDONIAN SLEEPER LIMITED (CSL)

MINUTES OF BOARD MEETING

Wednesday 4 October 2023, 12:30 – 16:30

Tara House, 46 Bath Street, Glasgow

- Present:** David Lowrie (Non-Executive Director – Chair), Emma Dixon (Non-Executive Director & Company Secretary), Carolyn Griffiths (Non-Executive Director), Kathryn Darbandi (Managing Director), Christopher Gemmell (Finance Director) and Graham Kelly (Commercial & Procurement Director)
- In attendance:** Magnus Conn (Operations Director), Sam Price (CSL General Counsel), [REDACTED] (minute taker)
- Apologies:** John MacQuarrie (Non-Executive Director)

Item No.	Item
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1. Welcome

DL welcomed all to the meeting.

2. Apologies for absence and quorum

Apologies were noted from JM. 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 new declarations were made.

4. Euston food and beverage space lease

GK provided a brief summary:



- The space at Euston had been occupied by CSL since January 2023. CSL had been operating services from the property since then.
- TS's agreement in principle to the lease had been evidenced by email exchange with KD prior to mobilisation. The Board was requested to authorise entrance into the lease to formalise the position.

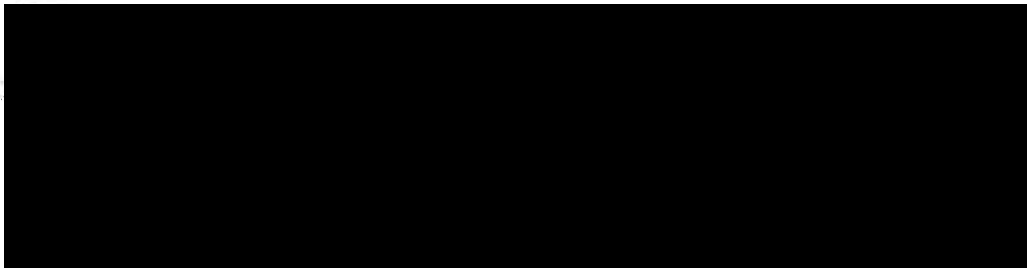
The Board APPROVED the proposal and AGREED authorised authorise KD to sign the lease, copy of TS being retained.

ACTION

- KD to execute lease on behalf of CSL and retain evidence of TS' approval.

5. Control Period 7 Schedule 4

GK explained Network Rail required a response from CSL to confirm it would either 'opt in' or 'opt out' of CP7 by 3 November 2023.



The Board asked if the rates had been confirmed for the next period. GK said there was no indication of a material change to the current rates but he would seek confirmation of this through continued dialogue with Network Rail.

It was noted most Network Rail disruption occurs at night, hence disproportionately affecting CSL services, in comparison to other operators.

It was considered was that some of the compensation would flow from UK Government, as well as the Scottish Government. It was further noted that an agreement to opt in was in effect exercising an option within existing contractual arrangements for track access. Therefore, the Board considered that opting in should be favourable for the reasons discussed, but Transport Scotland (TS) should be notified.

The Board discussed whether the financial projection referred to by GK, based on the recent activity, was an appropriate benchmark or if there had been exceptional activity during in the last two years. It was noted that activity in the last couple of years had been exceptional, but that pattern would continue with projects such as the forthcoming electrification programme. So a similar level of disruption could therefore be reasonably forecast, as an average level, for the next few years. It was also confirmed the existing formula for calculating cost contributions would continue.



Therefore, IT WAS AGREED that the company should continue to "opt in" to the Schedule 4 regime for CP7, provided this continues to be expected to be significantly favourable to the company.

ACTION

- GK to confirm compensation rates for CP7.
- SP to notify TS of the board's decision to opt in for CP7.

6. Transitional Services Agreement Change Control Note

GK summarised the significant negotiations with Serco over redefining delivery of shared services on behalf of CSL in order to agree the Change Control Note. This process had started, but was not completed, before transition. GK concluded CSL was now in best practically achievable position and the CCN should be agreed. This would allow both parties to move on to focus on the next phases of the TSA. It was noted that agreement of the CCN was an operational change to an existing contract.

[REDACTED]

[REDACTED]

[REDACTED]

The Board AUTHORISED KD to sign the Change Control Notice on behalf of CSL.

ACTION

- KD to send response email from TS on additional costs to CSL to the Board and sign the CCN.

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ACTION

[REDACTED]

8. Safety, Health & Environment Committee (SHEC) terms of reference

GCG reported on the first SHEC meeting where the SHEC had proposed revisions to its Terms of Reference (ToRs). CG had amended the ToRs in



terms of both format and content. It was noted the ToR would continue to be an evolving document, subject to annual review.

The revised SHEC terms of reference were APPROVED.

9. Strategic risk update and register

SP spoke to the joint paper by SP and C Gemmell. SP referred to the recent introductory discussion on the audit and risk committee (A&RC) with members of the SRH Board, when the updated strategic risk register and mobilisation risk register were discussed, noting that the risk associated with the Transition Services Agreement (TSA) was identified as the main change and the largest risk facing the business.

[REDACTED]

[REDACTED]

The Board considered the frequency of review of risk register by the Board given its consideration within A&RC and by the Executive team.

It was RESOLVED that:

- KD was authorised to make the required IT consultancy employment offers on Friday 6 October.
- DL to initiate further discussion between SRH and TS on urgent need for approval of the AO submissions of the current phase of the IT program, given the critical business consequences of CSL being unable to proceed with it.
- To formally constitute the Audit & Risk Committee.

ACTIONS

- ED to draft A&RC terms of reference.
- ED to advise Board when a Risk Register reviewed by A&RC would return to Board.

10. Emergency windows

MC highlighted that the emergency windows for the fleet remain a subject of contention with CAF. The main concern was the need to justify the proposed change to the windows and the associated labour costs. The paper's purpose was to inform the board. It was expected that a full life cycle business case would be available for review in three months.



ACTION

- MC to provide a full proposal for consideration.

11. Brake cocks

MC noted that the major incident on 21 August 2019 and subsequent recommendations for required changes to brake cocks in the RAIB report had been implemented. However, CSL has considered how the human element could also be removed and asked CAF to make a proposal for a revised design.

The Board NOTED the issue, thanked MC for his paper and requested a business case be brought forward for approval.

ACTION

- MC to prepare business case for changes to brake cocks design.

12. Online souvenir shop

KD reported on feasibility work carried out in response to the opportunity to sell branded merchandise on trains, online and at stations, concluding this would be fulfilled by increased functionality embedded on CSL's existing website for consumer purchases.

It was noted that there was a need to ensure that the company had sufficient rights for branded products, as TS owns the IP.

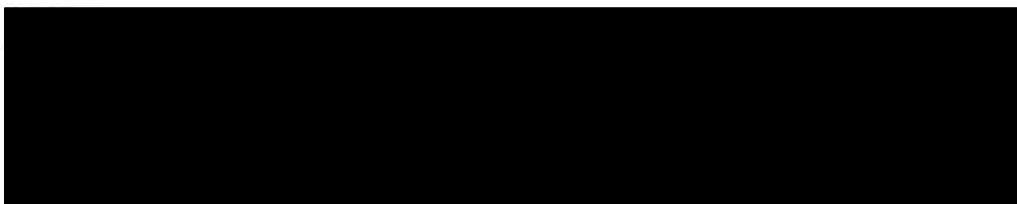
ACTION

- JM to confirm use of brand rights as required.

13. Grant Agreement period reporting pack

KD stated that she would review the reporting pack non-executive Board members to outside formal meetings. KD noted the new executive summary to the reporting pack to assist the Board and this was welcomed.

The Board considered and noted:



- CSL had 11 job vacancies.
- The Board **requested** information regarding the availability of berths and kitchen equipment and what prevented these not being 100% available to customers.



- That the SHEC's remit should include the activities of the industry incident care team for humanitarian response.

Two lowlights reported in the pack were noted:



- There were continuing difficulties and inaccuracies with payroll subsequent to TUPE transfer of employees to CSL following the significant errors in assigning tax codes. An investigation had been instigated with HMRC which was ongoing.

The Board NOTED its disappointment relative to ongoing issues with HMRC.

14. **Grant Agreement review update**

There was discussion and it was noted that:

- SP would represent CSL on the TS established a working group for the Grant Agreement review.
- The timescales were extending even to agree the short-term set of uncontentious amendments for Phase 1 and the commencement of Phase 2. Categorising the working group's priorities and immediate issues was proving difficult.

The Board thanked SP for his paper and the issues raised therein. The Board noted SP will join the working group for CSL and progress phase 1 work.

ACTION

- SP to provide update on progress with TS at next board meeting.

15. **Operations Director recruitment**

Note: This item was minuted separately.

16. **Previous meeting minutes — 6 September 2023**

ED thanked all for comments on minutes which would be consolidated. The Board authorised the Chair approve finalised minutes. It was requested that draft minutes were circulated with the 4 days after a meeting.

ACTION

- ED to finalise September minutes.

17. **Actions arising from previous meeting**

The action tracker was amended to reflect discussion.



18. **AOB**

There was discussion on:

- The positive Office of Road and Rail audit.

19. **Date of next meeting**

Wednesday 1 November 2023, Tara House, Glasgow