

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

**Wednesday 30 October 2024, 13:00 – 17:00**  
**Pacific House, Glasgow / Microsoft Teams \***

**Present:** Hannah Ross – Chair  
Kathryn Darbandi – Managing Director  
Graham Kelly – Commercial and Procurement Director  
Carolyn Griffiths – Non-Executive Director and Chair of SHEC\*  
Campbell Davidson – Non-Executive Director and SRH Finance Director  
John MacQuarrie – Non-Executive Director and SRH Rail Business Director  
Hugh Anderson – Finance Director

**In Attendance:** Sam Price – General Counsel  
Bill Reeves - Transport Scotland Director of Rail (for Item 6 and 7)\*  
Neil Amner – SRH General Counsel  
Jon Newton – SRH Head of New Fleet Procurement and Delivery (for Item 12)  
Jackie Robertson – SRH Rail Management Lead  
[REDACTED] – Board Secretary

**Apologies:** Richard Cairns – SRH Chair  
Graham Eastwood – Operations Director  
Graeme Cook – Non-Executive Director

**Agenda Item 1: Welcome**

1. The Chair welcomed everyone to the meeting.

**Agenda Item 2: Apologies and Quorum**

2. Apologies were noted. The meeting was quorate.

**Agenda Item 3: Declaration of Interest**

3. A potential conflict of interest was declared by the SRH Rail Business Director under agenda item 13.

**Agenda Item 4: Minutes of previous meeting**

4. The Board approved the minutes of the meeting on 2 October 2024.

**Agenda Item 5: Matters Arising**

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

*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 8: SHEC reporting*

To be considered at the next meeting of the Board.

*Action 9: Risk appetite*

SRH Audit & Risk Manager is preparing a paper on risk appetite for the SRH Board at its meeting on 14 November. Update CSL Board at next meeting.

*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. Included in CSL forward work plan, close action.

*Action 18: Risk assessment operational framework and assurance requirements for SHEC*

The Chair of SHEC said that she had discussed this matter with the SRH Audit & Risk Manager and there has to be better alignment with the SHEC and Audit & Risk Committee. She said that the Audit & Risk Manager is considering how to resolve this and will be preparing a paper for the SRH Board on assurance reporting for the SRH Group. The SRH Finance Director said that the Audit & Risk Manager is considering the risk assessment process for the SRH Group and the work on this will be reported to the Boards and the Audit & Risk Committees. This action should remain open.

The SRH Finance Director said that for the annual Accountable Officer governance statement for the SRH Group annual report and accounts, a high-level assurance check list review had been undertaken by the SRH Executive Team and by the Managing Directors of CSL and ScotRail.

*Actions 19 and 20: Fares increase*

The proposal on the fares increase had been submitted to Transport Scotland and a decision was awaited. The submission had drawn attention to the recommendations of the CSL Board and provided the options and risks associated with an increase above the Board's recommendations. Close actions and move to approvals tracker.

*Action 21: Glasgow lounge proposal*

The proposals had been approved by the SRH Board and submitted to Transport Scotland. The Transport Scotland Project Pipeline Board had considered the proposals, and a decision was expected by 1 November for the change control approval. Close action.

*Action 22: Change to approved Audit and Risk Committee minute*

This action was moved to next Audit and Risk Committee meeting. Close action.

**Agenda Item 6: Coach Cracking Operational Update**

7. The Managing Director said that the timeline for the first in class fitment had been pushed back slightly and this would now be undertaken week beginning 11 November with third party approval work commencing week beginning 18 November. She said that the slippage was due to the robust due diligence and governance being undertaken by the Operations Director and the Fleet Engineering Manager. The Operations Director will send the modification pack to the Chair of SHEC and arrange a meeting to discuss the documentation.

8. The Commercial and Procurement Director said that once the first in class fitment has been completed and all has progressed well, then fitment will commence for the remaining coaches currently out of service. He said that the coaches can then be added back into the sales system for booking availability. He said that CSL has the highest level of assurance on bringing coaches back into service in current timelines that it can have at this point and until the first in class fitment has been completed. He confirmed that only coaches out of service would have the fitment work undertaken and there would be additional materials readily available should any further coaches require to have this fitted before the final solution is in place. He confirmed that the programme of enhanced checking will continue until the final solution is in place.

9. [REDACTED]

**Agenda Item 7: Coach Cracking Commercial/Legal Update**

10. [REDACTED]

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

**Agenda Item 8: TSSSA Update**

12. There was no update for this standing agenda item.

**Agenda Item 9: Approvals Tracker**

13. The Board considered the status of outstanding approvals from SRH and Transport Scotland and noted that this will be a standing item for the Board agenda.

*Implementation of proposed lounge closures*

The Board noted that this had been submitted to Transport Scotland and a decision was awaited. [REDACTED]

[REDACTED] The Chair said that she would speak to Transport Scotland to try and get a decision on the proposed lounge closures as quickly as possible. The SRH Rail Management Lead said that she would be meeting Transport Scotland to review the timeline for decision making on this matter to try and avoid delays for future decisions.

*Lounge Strategy*

The Board noted that the overall lounge strategy had been approved by SRH and submitted to Transport Scotland. Feedback on this had not yet been received.

[REDACTED]

*Transitional roles approval*

The Chair said that she was taking this matter forward and would report back to the Managing Director. In relation to backfilling of other staff positions, the Managing Director said that approval from Transport Scotland is now needed, and these should be added to the approvals tracker.

14. General Counsel said that Transport Scotland had mentioned having an approvals tracker in place and suggested sharing the CSL tracker with Transport Scotland. The Chair said this was a good idea and may

help in highlighting any logjams.

15. General Counsel said there was an outstanding matter relating to a proposal for a derogation to the grant agreement which was not yet on the tracker. The SRH Rail Business Director said the process for approval of derogations was being put in place and thereafter this would be added to the tracker.

**Agenda Item 10: Fraser of Allander Study on the Economic Contribution of Caledonian Sleeper**

16. The Board considered the presentation on the study undertaken by the Fraser of Allander Institute on the economic benefit that Caledonian Sleeper provides to Scotland. The Commercial and Procurement Director said that the presentation was a summary of the outcomes of the report. The full report has been finalised and a follow up briefing will be arranged for the CSL Board with Fraser of Allander Institute to run through this. This will be arranged as a separate session outwith the Board meeting to allow more time to consider.

17. The Board noted one of the key outcomes from the report is that the sleeper service not only helps to support national growth, but benefits are distributed across the areas where the train stops, particularly in the Highland region. The Commercial and Procurement Director said that there is opportunity to develop this work further with the Fraser of Allander Institute to show the benefits and value of CSL over and above the inward investment that it provides for the Scottish economy. The Managing Director said that the study will be used to inform strategy and marketing plans and provide advocacy for CSL.

18. [REDACTED]

**Agenda Item 11: CSL Policy Delivery Report**

19. The Board considered the report detailing progress on policy delivery for CSL from mobilisation to current day. General Counsel said that the report was prepared as a business commitment and to give assurance to SRH and Transport Scotland that CSL is delivering on policy areas. He said that the report is a good position point for the formal appraisal of CSL’s performance as required under the grant agreement. The Managing Director confirmed that the report will be updated next year to reflect ongoing workstreams in policy areas such as employee well-being and environmental matters. She said that these areas will also be developed further as part of business plan commitments related to long term strategy development..

**Agenda Item 12: Locomotive Feasibility Study Update**

20. The Board considered the report on stage one of the feasibility study into the future provision of locomotives for the Caledonian sleeper service. The current arrangements with GBRf for the provision of locomotives and drivers comes to an end in 2030. [REDACTED]

[REDACTED]

21. After discussion the Board agreed that all of the required actions listed in the feasibility study report need to be considered and added to the Board action tracker, including:

- Setting up briefing sessions at a senior level with SRH and Transport Scotland as soon as possible
- Build capacity into resources as more resources will be required to deliver on this project
- Ensure resources include adequate technical support and any additional required expert support
- [REDACTED]
- [REDACTED]
- Discuss the governance of the project with the SRH Head of New Fleet Procurement & Delivery
- Start the process for building the business case for financial approvals
- For the next meeting of the Board prepare a paper setting out the finance requirements to progress the next phase of work
- Set key dates and milestones to get an invitation to tender available by quarter four of 2025
- Issue a Prior Information Notice (PIN) to allow market discussion in a structured and controlled manner

### **Agenda Items 13 and 14: CSL 5 Year Strategy Development and 2025/26 Business Plan**

22. The Managing Director said that the CSL current three year strategic plan ends in 2025 and she had submitted the paper to the Board to give them early sight of the high level plan for the CSL strategy from 2025 to 2030. She said that CSL's vision, mission and values will stay the same and a new strategic pillar will be added covering the environment and communities. She said that a lot of CSL's larger contracts expire in 2030 and the new five year plan will provide opportunity to develop a strategic way forward to plan for this. She said the plan will become more aligned with the SRH strategic plan once that is developed. The Chair said that the initial SRH strategic plan was recently published and a revised plan for the SRH Group was being developed for submission to Transport Scotland by 10 January 2025. She said a small working group had been established by SRH to undertake this work and General Counsel will represent CSL in that group. The Managing Director said that depot strategy also needs to be lead at SRH Group level and General Counsel agreed to feed this into the SRH working group.

23. A Non-Executive Director said she would provide comments on the five year strategy to the Managing Director after the meeting but her initial thoughts were to include an efficiency strategy, an assurance strategy and international benchmarking. The Managing Director said that these would be considered within the business commitments for next year and international benchmarking can come from the market growth strategy.

24. The Chair said that the SRH Business Analyst is currently mapping all processes across the SRH Group with a view to looking at building processes and systems for wider SRH Group strategy development in key areas such as maintenance, depots etc.

25. The Board considered the proposals for the development of the CSL 2025/26 business plan. The SRH Rail Business Director declared a potential conflict of interest as he would be reviewing the draft business plan once it is submitted to SRH and he did not take part in this discussion.

26. The Chair said that the KPIs should be discussed and developed with the SRH Executive Team. The Managing Director said that the proposed nine business commitments would be challenging for CSL. The SRH Finance Director said that the business plan commitments would need to align with the SRH Group strategy and business commitments and should have a focus on a commitment to deliver growth and efficiency. The Managing Director agreed that there should be alignment and noted that more bespoke commitments were needed for CSL to continue to grow and develop the business.

27. The Board agreed that the business plan should be further developed through discussion with SRH and brought back to the Board for final approval at the meeting on 22 January 2025. The Board noted that the terms of the grant agreement require the business plan to be submitted to SRH by the end of reporting period 10 in early January. The Board agreed that an extension until 31 January should be requested from SRH. The Chair said that she would seek SRH Board approval of this and would check if Transport Scotland approval

was also required.

### **Agenda Item 15: Totems**

28. The Board considered the paper setting out the background and proposals on the CSL branded digital information points, known as totems, installed across stations used by CSL. The totems operate on an old Windows platform and old PC hardware and need to be upgraded or removed as they pose a cyber security risk. [REDACTED]

29. The Managing Director said that a decision had been taken previously to remove the totems as this would provide the best value and the cost of this could be found from within CSL's approved RDEL budget. [REDACTED]

[REDACTED] She said that the totems are in place under a lease agreement between CSL, Network Rail and ScotRail, the conditions of which require CSL to repair and maintain the totems in all respects. [REDACTED]

30. After discussion the Board agreed that the option to do nothing could be a breach of the lease conditions and was not credible, and the best value option would be to remove the totems to reduce the cyber attack and reputational risks. The Board agreed that the Finance Director should submit a further request to SRH for approval to spend to remove the totems. The Chair said that the SRH Finance Director would then take this forward quickly with Transport Scotland.

### **Agenda Item 16: Grant Agreement Report**

31. The Board considered the Grant Agreement periodic report.

32. A Non-Executive Director referred to the KPI reporting slide in relation to safety and asked if CSL had assurance that GBRf management download information was adequate. She said that this had been raised at the last CSL SHEC meeting. She also raised questions about the RAG scoring used and said this needs to be checked, and she said that close calls and near misses are not the same and should be separated in the report. General Counsel said that this reporting slide had been taken from the SHEC reporting pack and suggested that these issues could be discussed further at the next SHEC meeting.

33. [REDACTED]

### **Agenda Item 17: Finance Report**

34. The Board considered the finance report.

35. The Finance Director said that further work was being undertaken on variance analysis and this would be included in the finance report in due course.

36. A Non-Executive Director referred to the shortfall in Network Rail schedule eight charges and asked if these were attributable to CSL performance. The Finance Director said that the year to date figures for this were positive and he would review the period figures and report back on this.

### **Agenda Item 18: Financial Approvals**

37. The Commercial and Procurement Director said that of the three approvals requested, all were business

critical, public sector procurement practice had been followed, and the costs were within current budget. The Board noted and approved the financial approvals.

**Agenda Item 19: Committee Updates**

38. The Chair of SHEC gave a verbal update on the work undertaken by SHEC over the past year and said that the full report will be submitted to the Board at its next meeting.

**Agenda Item 20: Any Other Business**

39. There was no other business to discuss.

**Date of Next meeting**

40. The next meeting of the Board will be held on 27 November 2024.