



CALEDONIAN SLEEPER LIMITED (CSL)
MINUTES OF BOARD MEETING

Wednesday 7 August 2024, 13:00 – 16:00
Pacific House, Glasgow / Microsoft Teams *

Present: Graeme Cook – Chair
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
Richard Cairns – SRH Chair (for Items 6 and 7)
Peter Lloyd – SRH Rail Management Lead
[REDACTED] – Board Secretary

Apologies: Bill Reeves - Transport Scotland (for Items 6 and 7)

Agenda Item 1: Welcome

1. The Chair welcomed the SRH Chair to the meeting for Coach Cracking matters and welcomed Peter Lloyd, SRH Rail Management Lead for CSL.

Agenda Item 2: Apologies and Quorum

2. Apologies were noted from Bill Reeves. The meeting was quorate.

Agenda Item 3: Declaration of Interest

3. No new conflicts of interest were declared.

Agenda Item 4: Minutes of previous meeting

4. The Board approved the minutes of the meeting on 12 June 2024 subject to a minor amendment in paragraph five.

5. The Board approved the minutes of the special meeting on 24 June 2024.

Agenda Item 5: Matters Arising

6. The Board agreed to take written update on the matters arising outwith the 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 inspections are continuing every two weeks to identify any additional cracking on other coaches. He said that aside from the interim solution, the present focus is implementing non destructive testing (NDT) across the fleet to allow for assessment of any damage below the surface that would not have ordinarily been detected as part of the inspection regime. He said that the NDT had been successfully trialed and CSL are engaging with the supplier to put a plan in place for the fleet survey as well as the action to be taken should damage be found through this process. Carolyn Griffiths said that a second strand of testing could be needed and asked if this could be explored and what the time and cost of this would be. The Operations Director said that he would explore this and provide an update at the next Board meeting.

8. The Operations Director said that in relation to the interim solution to allow the seven cracked coaches to return to service, CSL was working with CAF on the submission for approval. He said that a third party is being engaged to provide independent verification of the design solution prior to any coaches being returned to service. [REDACTED]

[REDACTED] On the design life solution, the Operations Director said that exploratory work is being done and proposals should be received within the next four to six months.

9. The Board noted the update and agreed that coach cracking should remain as a standing item on the board agenda.

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 agenda item was minuted separately due to it being privileged information.

11. The SRH Chair left the meeting after this discussion.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Agenda Item 9: Pay proposal

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

19. The Board agreed to endorse the recommendation in the pay proposals paper and submit this to SRH for them to consider and, if content, to pass to Transport Scotland for an approved pay mandate.

Agenda Item 10: Birmingham International Proposal

20. The Board considered the proposal for CSL to introduce a permanent stop on its Highlander route at Birmingham International Airport. The Board noted that this proposal is subject to getting Office of Rail and Road (ORR) track access agreement from May 2025 with a view to commencing services from Autumn 2025. The application to ORR has been submitted.

21. The Managing Director said that the provision of this service taps into the second highest populated area in the UK and has an ideal market to promote the unique and sustainable travel option of Caledonian Sleeper. She said that discussions are also ongoing with ScotRail to link services. She said that the costs involved in this proposal were low and in the main variable relating to such items as marketing, software and track access charges. The Board noted that the proposal would involve an estimated 30 minute timetable change (exact timings will be confirmed through the track application process) and that Transport Scotland approval for this should be sought through SRH while awaiting the decision on track access from ORR.

22. The Board agreed the recommendation for this proposal and agreed that a review should be undertaken after 12 months from the start of operations.

Agenda Item 11: Winter fleet proposals to facilitate modification programme

23. The Board considered the paper setting out the proposed approach to adopt a hybrid Aberdeen/Fort William service during January- mid-February 2025 and a short formation service in February/March 2025 to enable CSL to manage multiple maintenance workstreams, against the backdrop of a small fleet size. [REDACTED]

24. The Operations Director said that the coach cracking has had a big impact on coach availability which has resulted in different proposals being put forward for this year's Winter period. He said that there would be no pre-Christmas maintenance works which would provide additional capacity to sell more seats when demand is higher, and in the lower demand period of January to March, services could be reduced and short formations used.

25. The Board agreed the recommendations in the paper and noted that the temporary timetable changes would have to be submitted to the SRH Board to consider and seek Transport Scotland approval. The Board agreed that the paper for the SRH Board can be dealt with by correspondence to allow CSL to implement the temporary timetable changes timeously.

Agenda Item 12: Business Transition Programme Update

26. The Board noted the paper on the business transition project. The Managing Director said that this was a staged project which has progressed smoothly so far. She said that the next stages covering the migration of data from the Serco systems raises new risks over quality of data and the time to migrate the data. General Counsel said that a deep dive review had been done on the project which provided assurance that good risk management processes are in place for the project.

27. The Board congratulated CSL on the smooth running of this complex project so far and for the identification of potential risks going forward and the measures in place for mitigation of the risks.

Agenda Item 13: Grant Agreement Report

28. The Board considered the Grant Agreement periodic report. General Counsel said that the new format of the Grant Agreement Report was based on alignment with CSL strategic and business plan key performance indicators and the intention was for a more detailed quarterly report for the Board to cover deep dive reviews into specific issues.

29. Carolyn Griffiths referred to the business plan commitment to undertake financial analysis to support future strategic development and said that this would need to be kept under review for any impact on SRH strategic planning. The Managing Director said that more strategic proposals would be submitted to the Board in October but CSL would need to be aware of SRH strategic planning timelines. The Chair said that CSL and ScotRail would be invited to the forthcoming SRH strategic planning sessions to be held in the near future.

Agenda Item 14: Finance Report

30. The Board noted the finance report.

31. Carolyn Griffiths said that for relevant areas of spend, she would like to see an additional reporting line excluding schedule four and eight payments and the associated delay repay from Network Rail. The Finance Director said that once the new system is in place, as part of the business transition project, more detailed reports can be provided. The Board noted this and asked if CSL could determine if this additional information can be produced from existing systems.

Agenda Item 15: Committee Updates

SHEC

32. Carolyn Griffiths, as Chair of the CSL SHEC Committee, said that the committee had held a special meeting on 24 June to discuss three serious incidents that had occurred. She said that she was able to take assurance from the discussions at the meeting that CSL safety arrangements are fit for purpose. She proposed to the Board that reports from the SHEC committee will be by exception rather than after each meeting and she would prepare a six monthly or annual assurance report for the Board. She said that she would also prepare a paper for the next meeting of the Board setting out her proposals for SHEC reporting to the Board.

Audit and Risk Committee

33. Campbell Davidson, as a member of the CSL Audit and Risk Committee (ARC) gave the Board an update from the last meeting of the committee on 18 July. He said that one of the items discussed by the committee

was the type and form of annual assurance reports that would be required from CSL to the committee and from the committee to the Board. Carolyn Griffiths said that in relation to assurances on safety, IT safety was covered by the ARC and personal safety was covered by SHEC but safety assurances on eg physical security of buildings did not seem to be covered by any committee. She asked for the Board to consider whether this was a matter that should be undertaken at Board level or whether an appropriate expert should be brought in at committee level to cover this.

34. The Board considered the draft terms of reference for the CSL ARC and noted that the requirement to liaise with the SHEC committee had been added but further consideration was needed to ensure that all matters in relation to security were covered in the terms of reference for the SHEC and ARC.

35. Carolyn Griffiths said that the Board should consider risk appetite for CSL. The Board asked that this be considered by the ARC and discussed at the next meeting of the Board.

Remuneration Committee

36. The Board considered the draft terms of reference for the CSL Remuneration and Appointments Committee.

37. Carolyn Griffiths said that, in her view, the annual pay remit should be discussed and approved at Board level and not at committee level. The Managing Director said that she had had a very helpful discussion with Brian Baverstock who would become the Chair of the Remuneration Committee once the committee is established, and agreed with his view that pay matters should be delegated by the Board to the committee. She said that CSL had various matters coming up in the near future that she would like discussed under the remit of the Remuneration Committee.

38. The Board agreed that the Chair, Carolyn Griffiths and Brian Baverstock (SRH Non-Executive Board member and Chair of CSL ARC) would meet to discuss terms of reference for all CSL committees and bring proposals and revised terms of reference to the next meeting of the Board for approval.

Agenda item 16: Any other business

39. The Chair informed the Board that Hannah Ross had been appointed as the new Chief Executive of SRH and would take up appointment from end September.

40. The Board noted the dates for board and committee meetings for 2025.

Date of Next meeting

41. The next meeting of the Board will be held on 4 September 2024.