

**CALEDONIAN SLEEPER LIMITED (CSL)
MINUTES OF BOARD MEETING****Wednesday 12 June 2024, 13:00 – 16:00
Pacific House, Glasgow / Microsoft Teams ***

Present: David Lowrie – Chair
Graham Kelly – Commercial and Procurement Director (deputising for Kathryn Darbandi)
Carolyn Griffiths – Non-Executive Director
Graham Eastwood – Operations Director*
Hugh Anderson – Finance Director

In Attendance: Sam Price – General Counsel
Campbell Davidson – SRH Finance Director
Richard Cairns – SRH Chair (for Item 4)
Agnes McKeever – Transport Scotland* (for Item 4)
Graeme Cook – Interim SRH Chief Executive (from end June)
[REDACTED] – Board Secretary

Apologies: Kathryn Darbandi – Managing Director
John MacQuarrie – Non-Executive Director

Agenda Item 1: Welcome

1. The Chair welcomed everyone to the meeting. The Chair noted that Agnes McKeever was in attendance on behalf of Bill Reeve to keep Transport Scotland appraised regarding Coach Cracking matters. The Chair introduced Graeme Cook as an observer at the meeting in his prospective role as the new interim SRH Chief Executive from end June 2024, and Campbell Davidson as the interim SRH Finance Director. The Chair welcomed the SRH Chair to the meeting for Coach Cracking matters.

Agenda Item 2: Apologies and Quorum

2. Apologies were noted from the Managing Director and from John MacQuarrie. The meeting was quorate.

Agenda Item 3: Declaration of Interest

3. No new conflicts of interest were declared.

Agenda Item 4: Coach Cracking Update

4. The Operations Director gave the Board an update on the coach cracking issues. He said that CSL continues to operate a reduced capacity service with seven coaches removed from service due to cracking. He said the current focus is the ongoing safe operation of the service while developing an interim solution to get the cracking fixed and coaches back into operation.

5. The Operations Director said that in relation to the ongoing safe operation of the service, inspections of the

entire fleet were being conducted on a two weekly basis and site visits had taken place, and more planned, with different suppliers to understand the feasibility of assessing any underlying damage across the rest of the fleet using non-destructive testing. He said that, following a meeting on 7th May, CSL had received more information from CAF covering derailment risk and contingency scenarios for those risks. He said that CSL was considering the information to gain a better understanding of the different scenarios. [REDACTED]

[REDACTED]

6. In relation to an interim solution to fix the cracking on the seven coaches that are out of service, the Operations Director said that he had seen early design models from CAF and these were discussed at the initial design review meeting on 7th June. He said that while the design review was at an early stage, the outlook for CAF to deal with this matter on a temporary basis was positive. He said that instrumented running would commence in July with the interim design approval completed by August allowing installation in September.

7. Agnes McKeever asked if the risks mentioned were being documented in CSL paperwork. The Operations Director said that comprehensive records are being maintained and retained and that he could share these with Transport Scotland if required. Agnes McKeever said that she was disappointed that the interim design approval could not happen until August but noted the good progression on this issue. The SRH Chair said that he remained assured by the rigour that was being applied to resolving the cracking problem.

8. The Operations Director said that development of a design life solution has been limited while work has been ongoing on the interim solution. He said that progress on the development of a life time solution will need to start but noted that this will be complex. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Agenda Item 5: TSSSA Update

11. The Operations Director asked the Board to note that the position with CAF in respect of wheelset overhauls remains as notified to the Board at its meeting on 17th April, [REDACTED]

[REDACTED]

14. The Board agreed:

- that the work has to be undertaken and started soon.
- that a short notice Board meeting can be convened for the Board to decide and approve the costs and commencement of this work.
- That CSL budget forecasts be updated to include the estimated costs for the overhaul work and submit these to the SRH Finance Director as soon as possible

15. Carolyn Griffith asked if there was any other heavy overhaul work that would be required before 2030. The Board requested cost estimates for all overhaul work required over the next six years with a phasing timeline, to be produced for the meeting of the Board in August.

Agenda Item 6: Grant Agreement Report

16. The Commercial and Procurement Director highlighted the following information from the Grant Agreement Report for reporting period 2:

- CSL's new website went live on 29th May
- There were no reportable health & safety incidents
- Good progress has been made with CSL compliance programme with new policies and eLearning ready to launch
- CSL has launched a "sleeper stars" recognition programme to key partners
- CSL Gin product will launch on 18th June
- Excellent guest experience and operational performance stats were achieved for the period
- The IT transition project is progressing well

17. The Commercial and Procurement Director informed the Board that there had been two natural cause fatalities on CSL train journeys. He confirmed that the chain of care procedures in place for CSL staff and counselling services for affected people were in place. He also confirmed that all CSL service staff are trained in first aid as part of their induction process and as ongoing CPD.

18. Carolyn Griffiths asked about the process for safety critical training for on-board staff compared with non-safety critical training. The Operations Director said that he would cover this matter in the update for the special SHEC meeting. The Chair asked that the Board be made aware of the outcome of the SHEC meeting.

Carolyn Griffiths asked about incident de-briefing processes. The Commercial and Procurement Director said that after an incident, safety flash notices are documented and issued, safety coaches provide necessary training and investigation occurs.

19. The Board discussed various KPIs, in particular in relation to coach and berth availability. General Counsel said that CSL was in the process of bringing the reporting pack information more in line with the KPIs as set out on the CSL business plan and this would also take account of the Board discussions. The Board also discussed benchmarking with industry norms and noted that CSL's service was different to other UK train operating companies, which makes benchmarking more difficult. Carolyn Griffiths suggested benchmarking against European rail agencies who provide a similar service to CSL. The updated reporting pack would be developed by the CSL executive team and submitted to the Board in due course.

20. In relation to the CSL station lounge strategy, it was noted that CSL has put forward a submission to SRH for Transport Scotland approval. The Board asked that an update from SRH be obtained on this.

21. The Board asked that a matrix showing outstanding decisions from SRH and Transport Scotland be prepared and included in future reporting packs.

22. The Board requested that a briefing on the Voice of Guest project be submitted to a future meeting of the Board.

23. The Board requested that the Coach to Locomotive Electrical Connection project be discussed at SHEC and the Board informed of the outcome of that discussion in due course.

Agenda Item 7: Finance Report

24. The Board noted the finance report.

25. Carolyn Griffiths asked for clarification on the Network Rail charges and the shortfall against forecast of passenger revenue at Fort William.

Agenda Item 8: Pay Update

26. The Board noted that the pay offer for staff of [REDACTED] in the current year and [REDACTED] in early 2025 had been rejected. This offer was in line with Scottish Government Pay Policy. The Board noted that CSL was considering further options for the pay award. The Board requested that any revised pay offer be considered and approved by the Board before submission to SRH to obtain Scottish Government approval. The Board agreed that a special meeting of the Board should be convened if necessary to consider this matter.

Agenda Item 9: IT Transition Update

27. The Board congratulated the CSL team on the work undertaken on the IT Transition project. The Chair asked for CDEL estimates to be monitored closely for future funding requests. General Counsel confirmed that CSL has recently completed a risk review of the IT Transition project, the outputs of which will be shared with the Audit and Risk Committee for review.

Agenda Item 10: Finance/Contracts Update

28. The Board approved all items set out in the Financial Approvals table.

Agenda Item 11: Previous Meeting Minutes

29. The Board approved the minutes of the meeting held on 15 May 2024,

Agenda Item 12: Matters Arising

Item 12.1: Director's Handbook/Training

30. General Counsel said that he is progressing with a refreshed session of the training previously provided by Harper McLeod. He said that he will include Transport Scotland and other group personnel in invitations to partake in this training. It was agreed to continue review of this matter at the next meeting of the Board.

Item 12.2: Terms of Reference for ARC

31. It was agreed that General Counsel will take this forward at the next meeting of the CSL ARC. The Board requested that this matter be resolved by the next meeting of the Board.

Item 12.3: Terms of Reference for Nominations and Remuneration Committees

32. It was agreed that General Counsel will take this forward at the next meeting of the CSL ARC given the commonality of personnel. The Board requested that this matter be resolved by the next meeting of the Board.

Item 12.4 and 12.5: Locomotive Strategy – AO Approval and Future Plan

33. It was noted that Transport Scotland had requested further information for technical and budget approval on the feasibility study. The Board agreed that CSL should work with SRH to get the technical approval for the project approved and the Chair would write to Transport Scotland confirming that there is no money in the budget to approve this project and that Transport Scotland need to provide the funding for this.

Item 12.6: Procurement Policy

34. The Board agreed to forward this matter to Graeme Cook for review when he takes up his post as interim SRH Chief Executive.

Item 12.7: Performance Recording of KPIs

35. The Board requested that confirmation be sought from John MacQuarrie as to whether the required letter had been provided. Given the discussion earlier in the meeting about KPI reporting in line with the CSL business plan and the KPI information requested by Carolyn Griffiths, the Board agreed to close this matter.

Agenda Item 13: Any Other Business

36. The Board approved that the proposed DAM approvals should move back to being the responsibility of the CSL Finance Director now that he had settled into the role.

37. General Counsel noted the requirement for the revised CSL Grant Agreement to be published for FOI purposes and agreed to liaise with SRH prior to the next board meeting to agree how this should be done.

38. The Board noted Emma Dixon's resignation from the Board as of 30 May 2024. The Board noted its thanks to her for her service to the Board.

39. The Board approved the prospective appointment of Campbell Davidson and Graeme Cook as Directors of the CSL Board and noted that the appointments will take effect from their consenting to act. Once the appointments come into effect, the Board requested that the necessary Companies House filings be made, and the register of directors' interests be updated.

40. The Board noted that this was the Chair's last meeting with the CSL Board and his resignation from the Board would take effect from the end of June. The Board thanked the Chair for the expert guidance and support that he has given CSL in its move to public sector ownership and noted its appreciation of the

knowledge and experience that he has brought to the Board. The Board requested that the necessary Companies House filings be made in due course.

Date of Next meeting

41. The next meeting of the Board will be held on 7 August 2024.

There being no other business the Chair closed the meeting.