



CALEDONIAN SLEEPER LIMITED (CSL)

MINUTES OF BOARD MEETING

Wednesday 29 November 2023, 12:30 – 16:00

Tara House, 46 Bath Street, Glasgow

- Present:** David Lowrie (Non-Executive Director – Chair), John MacQuarrie (Non-Executive Director), 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), Graham Eastwood, Sam Price (CSL General Counsel), [REDACTED] (minute taker)
- Apologies:** None

Item No.	Item
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1. Welcome

DL welcomed all to the meeting. GE was welcomed to the Board.

2. Apologies for absence and quorum

No apologies were noted. The meeting was quorate.

GE's appointment as a Director of the Company was approved with effect from 1 December. The Board noted that this was an internal recruit.

ACTIONS

- ED to arrange filing of GE's appointment as a Director with Companies House

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.



ACTIONS

- ED to obtain GE's declaration of interests for register.

4. Rail Delivery Group Scheme Representative Appointment Agreement

The Board considered the proposed resolutions to confirm how CSL would be represented under the various Rail Delivery Group schemes noted in the paper provided.

The decision-making bodies constituted under the Schemes are referred to as the 'Scheme Councils'.

The Board resolved that CSL:

- (a) revoke any existing delegations or other appointments authorising individuals to represent, or otherwise act on behalf of, CSL on any Scheme Councils, such revocation to take effect from 30 November 2023 (the 'Revocation'); and
- (b) appoint John MacQuarrie, Scottish Rail Holding Limited's Rail Business Director (the 'Company Representative'), as its representative on the Scheme Councils:
 - (i) with effect immediately following the Revocation; and
 - (ii) in accordance with the conditions set out in the paper previously provided to the Board (Conditions of Appointment of Company Representative) (the Conditions of Appointment; the appointment effected by this resolution being the 'Appointment');
- (c) approve any two directors to execute the Scheme Representative Appointment Agreement (a copy of which was included in the paper previously circulated to the Board).

ACTIONS:

- a. Scheme Representative Appointment Agreement to be executed (ED).

5. Statutory Accounts

The Board approved the draft accounts for the year ended 31 March 2023.

The Board authorised DL to sign the accounts.

ACTIONS

- ED to arrange for accounts to be filed with Companies House.

6. Risk/Compliance Organisational Design



The paper had been brought to the Board for consideration as it proposed increasing the overall headcount of CSL. The Audit & Risk Committee retains delegated responsibility for oversight of audit and risk matters.

A paper had been circulated in advance of the meeting describing compliance functions previously provided by Serco Group, which need to be replaced within the new CSL model, to ensure the business has an effective compliance framework to meet its legal and contractual obligations. The Board **noted** that two new compliance roles were approved during mobilisation, and that the business had now assessed that, within the same budget, the overall compliance requirements could be better address by creating two different roles and regrading two existing roles. The Board was **assured** that the proposals outlined in the paper would fill any compliance gaps.

The Board **noted** that costs were both within the forecast and that there should be a small saving.

There was a general discussion on compliance. The Board discussed:

- Whistleblowing and protected disclosures policies.
- Internal audit.

The Board **approved** the paper.

7. **Future Rolling Stock Strategy Update**

The Operations Director had prepared a paper to consider the Company's contribution to Scotland's decarbonisation plans to update to the Board on progress.

The paper was considered, and the following **noted**:

- It may have a long pay back period project. The benefits may be improved once a feasibility study is completed as a public sector organisation.
- Work has to develop the scope for the feasibility study has commenced and to test the market in line with the proposed timescales, assuming that TS approve the Accountable Officer (AO) submission.

The paper was **noted**.

ACTIONS

- **GE** and **JM** to consider future plan.
- AO request to be submitted to TS for approval (**CGemmell**).

8. **Procurement Policy**

The Commercial and Procurement Director reported that CSL is currently in the process of completing its Procurement Policy, which now required approval and adheres to the Scottish Public Finance Manual and applicable law. There was a general discussion on The Utilities Contracts (Scotland) Regulations 2016 and the requirements for tenders.

The Board **noted** that CSL is using both the CCS framework and the Scottish Government framework in addition to its own procurement process. The proposed



procurement policy is also consistent with the procurement process of ScotRail Trains Limited (SRT).

The Board **approved** the procurement policy.

9. **Budget**

The CSL RDEL Forecast/Budget for 2024/25 had been prepared in July 2023. It was built up from actual trends and contractually committed increases. There was expected to be a funding gap.

The Board noted the following potential improvements:

- Activities to increase revenue could help to bridge the budget gap— this could be achieved through price changes. The Board noted the proposed January ticket price increase of [REDACTED]. This could [partly] close the expected budget gap, reduce funding required from the Scottish Government, and lead to a cost reduction for the taxpayer. The Board acknowledged the impact Covid had on CSL as prices had not been increased throughout this period.

[REDACTED]

- Reduced wastage of catering by offering a pre order service to guests

[REDACTED]

Running a reduced catering service. The economics of this service were discussed, but the benefit remains high for guests. This proposal is not recommended.

- Longer term strategy and focus should be reducing margins that CSL pays to third parties. This is aligned with CSL's strategy and CDEL budget.

ACTIONS

- GK and CGemmell to review evidence of feedback received when no catering service is provided.
- CGemmell to provide figures regarding what CSL fares would have been had Covid not happened.
- Paper to be updated to include technology e.g. pre ordering catering and 2030 opportunity (CGemmell).



10. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

11. Grant Agreement Phase 1 update

The Board noted: (a) the paper describing the status of the Grant Agreement review process (including the Grant Agreement with tracked changes); and (b) that overall progress has been positive, with good levels of engagement, pragmatism and collaboration shown throughout by all parties and that the steering group was working well.

The Board agreed that more work is required on the Grant Agreement, considering removing or varying everything that is not a proportionate expectation. This further exercise should be linked to the budget discussion and requested that a budget be prepared for Grant Agreement requirements that CSL agrees to carry out.

Phase 2 was discussed as a matter of ongoing collaboration with TS. The Board noted that phase 1 could be concluded within two months and the phase 2 option would be reviewed shortly thereafter. In future an annual review of the Grant Agreement would be carried out.

ACTIONS

- Board to be sent final markup of phase 1 recommendations once ready (SP).
- Safety to be considered as part of the compliance tracker (SP).
- Budget to be prepared based on Grant Agreement expectations (CGemmell).

12. Minimum Service Levels Legislation

The Board noted that there was a risk of industrial action over the festive period and the application of The Strikes (Minimum Service Level) Act 2023 needed consideration.

The Board noted that (a) TS had not given any instruction to issue minimum service level notices; (b) it was not expected that TS would direct CSL to apply minimum service level notices during the life of the current Scottish government.

ACTIONS



- JM to confirm with TS, in writing, as to whether this should be applied or not.

13.

[REDACTED]

[REDACTED]

14. **Grant Agreement pack including finance update**

The Board was pleased to note that the industrial dispute had been resolved. A report on the vote had been requested and will be circulated to the Board.

Lowlights were noted as:

- Escalation with GBRF regarding locomotive fleet [REDACTED]
[REDACTED] A formal note will be circulated to the Board. The Board noted its disappointment that 25% of Aberdeen trains were part cancelled. The Board was assured that CSL is managing the cancellations.
- CAF package of work was discussed. The Board noted that the final acceptance programme will be deferred until the end of January.
- Draft audit report has been received back from ORR. This will initially be considered by the Safety, Health and Environment Subcommittee. No substantial concerns were included.

ACTIONS

- Note to be circulated on GBRF Class 99s (GE).
- Service disruptions to be included in the board pack, including part cancellations (GE).
- Memo from [REDACTED] on the train wheels to be shared with Board. (GE).

15. **Previous meeting minutes — 2 November 2023**

The minutes were approved subject to clarifying that under agenda item 4, that staff were brought on in a short term contract.

16. **Actions arising from previous meeting**

The action tracker was amended to reflect discussion.

ACTIONS

- Paper on mobilisation due diligence to be provided.
- Control Period 7 Schedule 4 — schedule 8 changes analysis to be provided for discussion at February meeting.
- Arrange pay strategy/ Delegated Authority Matrix meeting.



17. AOB

Director Resignation: The Finance Director tendered his resignation from the Board of Directors, effective 29 February 2023. The Board accepted this resignation.

It was noted that this was MC's last attendance at a Board meeting. The Board expressed their sincere gratitude to MC for his service and wished him continued success.

18. Date of next meeting

Wednesday 24 January 2023, Tara House, Glasgow