



CALEDONIAN SLEEPER LIMITED (CSL)

MINUTES OF BOARD MEETING

Wednesday 1 November 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), John MacQuarrie (Non-Executive Director) Carolyn Griffiths (Non-Executive Director), Kathryn Darbandi (Managing Director), Christopher Gemmell (Finance Director), Graham Kelly (Commercial & Procurement Director)
- In attendance:** Magnus Conn (Operations Director), 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.

2. Apologies for absence and quorum

No apologies. 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. IT Transition Update and Governance

The Managing Director presented this paper. The following was reported:



- There is 14 months remaining of the existing CSL Transitional Services Agreement with Serco, during which time CSL need to complete transitions of major IT infrastructure.
- There is a programme governance structure and programme delivery timeline in place. CSL have commenced recruitment of a Programme Team, with a Programme Manager, Project Managers and Business Analyst due to start by November [REDACTED]
- This project is very time sensitive.

The Board **noted** the timescales and there was a general discussion on maintaining legal responsibility under contract to deliver services. The Board **noted** that there if the IT transition project does not progress, there is a risk to continuity of business. Accountable Officer submissions should be progressed as business critical.

The Board **agreed** that it was content to approve recruitment to capitalise on future IT programme, provided CSL can cover expenditure in the short term if the AO approval is delayed by Transport Scotland (TS).

The Board discussed the programme's governance to assure themselves that the Board has the appropriate oversight of risks and value for money. The Board requested routine reporting unless novel and contentious issues arise. The Board **noted** that an additional governance meeting was proposed and requested that representatives from SRH and TS attend. It was also recommended that ScotRail's Head of IT attends the meetings to ensure ScotRail's views are represented. The Board **noted** that shared services remains a longer term consideration.

TSA Extension Negotiations Strategy:

The Board **noted** that legal advice is currently being sought on the business's view that CSL has a firm right to extend the transitional services agreement for up to 12 months.

The Board **noted** that if the contract was extended for 12 months, Serco has indicated through the transition process, that software licences would start to present an issue from end of December 2024 (including Microsoft and SAP licences), as this is the end date the suppliers have authorised Serco to allow CSL to use its licence agreement. CSL would likely be liable for third party costs in addition to the cost of extending the licence

The Board **agreed** to add Serco charges into RDEL for Q1 of 2025 to use in discussion for approving RDEL/ CDEL.

ACTIONS:

- Submit broader AO including IT Transition and TSA extension as business critical.
- Provide salaries of staff already onboarded and proposed recruits. These should be circulated via email to the finance team Monthly figures to be provided to the IT Transition Approval Board
- SP to provide terms of reference for steering group and draft a letter to Bill Reeve (TS) about attendance at the steering group.
- CGemmell to add Serco charges to RDEL including system costs.



5. Grant Agreement Monthly pack

The Managing Director presented this paper.

The Board **noted** the following:

- Financial performance for the month shows a small positive against forecast.
- Sales and Revenue continue to be strong. Period 7 would have been a record month had it not been for the weather disruption in week 4.
- Euston Lounge will open on the 31 October and is a huge step forward for business and improving guest experience.
- Pacific House – practical completion was achieved 25 October, and the office would be ready to move into by January 2024.
- CSL staff have participated in mental health and wellbeing training
- CSL and ScotRail are sharing eLearning platforms.
- Hit operational performance (83.94%) and guest satisfaction (88%) KPIs.

The Managing Director **reported** the following risks:

- IT transition and business transition project is not moving quickly enough.
- Fare increases has not been approved by TS. There was a general discussion on increasing fares and ensuring guest satisfaction. It was **noted** that a fare increase was proportionate as fares have not been increased since 2020.
- Two formal dispute notices have been received from RMT and a ballot regarding the Lowlander service. The Board discussed industrial action and steps taken to engage with the unions. The Board **noted** the risk of a strike over the Christmas period and **agreed** urgent action to avoid industrial action.
- The Board **noted** the ongoing discussions with CAF.

The Board **noted** that an Incident Care Team will be recruited by 31 December. This initiative has been launched and CSL is currently finalising recruitment adverts. CSL wants to be in a position by April 2024 to have a fully trained team of 6 – 10.

There was a general discussion on performance against objectives, focusing on the number of guests giving 1 or 2 stars for their overall journey experience. The Board **noted** that the voice of the guest surveys are considered by the business.

Blanket speed restrictions were discussed generally. There is an ongoing discussion with SRT and Network Rail. The Board discussed concerns over the root cause of breakdown of communications and possible solutions.

ACTIONS:

- CGemmell to calculate what fares would have been if the pandemic has not caused regular price increased to be suspended.
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- KD to provide update on resolution with unions before next Board meeting.
- Present press cuttings to Board.
- MC to present berth availability and galley equipment at next meeting.
- KD to send CG one monthly pack on guest satisfaction.

6. CSL Finance Update

Caledonian Sleeper Limited is a limited company registered in Scotland with registered number SC328825.



The Finance Director presented this paper for **noting**. The following highlights were reported:

- RDEL is favourable, helped by staff costs being low due to vacancies, rolling stock maintenance budget not being used up. Catering and on train costs including toiletries, lines etc remain high. The Board **noted** that the cost of on-Board items was reviewed and reduced recently.
- CDEL is favourable.

The Board **noted** that the favourable variance results from timing differences and volumes will start to drop off due to seasonality of business.

ACTIONS:

- CGemmell to provide finance briefing to CG ahead of next meeting.

7. Operating Model

An update paper on the May 2024 Timetable was presented for noting.

The Board **noted** a stakeholder discussion was held with GBRf on 7 September and Network Rail on 9 September. The stakeholders are generally supportive but recognise the level of details required to enable the changes at Edinburgh Waverley.

The timeline will be updated to reflect a longer planning period for Edinburgh Waverley changes. Timeline may be moved to December 2024.

8. Grant Agreement progress

A paper on the Grant Agreement review was presented for discussion.

The Board **noted** the following:

- At the September Board the process and timescales for the Grant Agreement review were discussed and the CSL General Counsel and the SRH CSL Rail Management Lead were remitted to explore the possibility of adopting a two-step approach to the review process to expedite the implementation of a package of initial changes.
- An initial working has been convened by TS and engagement has been positive.
- The review of the Grant Agreement will be carried out in two phases. Phase 1 has picked up compliance risk issues. Phase 2 is to carry out an ambitious review of the Grant Agreement and Framework Agreement.

The Board **noted** that there is a steering group meeting on 21 November to discuss timing and scheduling for Phase 2. SRH input is required.

The Board **noted** that ED and JM will report at SRH on required changes and will report back to CSL.

ACTIONS:

- SP to provide Phase 1 updates to Board for next meeting.



- SP to prepare menu of what Board would like to put into Phase 2 and prioritise them.
- KD/SP to report back on what risks will be at end of Phase 1.

9. CAF Strategy

A paper on the current CAF strategy was presented to the Board for approval.

[REDACTED]

[REDACTED]

The Board **agreed** to progress with the strategy proposed in the paper and add a negotiation strategy that satisfies all stakeholders and allows the programme to deliver against its objectives and obligations.

ACTIONS:

[REDACTED]

10. Previous meeting minutes — 3 October 2023

IT WAS AGREED to approve the minute of 3 October 2023 subject to incorporating CG and KD comments.

11. Actions arising from previous meeting

The action tracker was amended to reflect discussion.

There was a discussion on action 30 'AO for Caledonian Sleeper website re-design'. The Board **agreed** to authorise KD to spend allocated CDEL funds [REDACTED]

[REDACTED]

ACTIONS:

- Circulate Directors Briefing.
- Circulate Nominations and Remunerations Risk & Audit and Remco terms of reference Committee Terms of Reference are required

12. AOB

The Board **noted** that Graham Eastwood's formal appointment as Operations Director commences on 1 December 2023. Graham Eastwood to be invited to next Board.

ACTIONS:

- Reference only documents folder to be uploaded to Admin control.



13. **Date of next meeting**
Wednesday 29 November 2023, Tara House, Glasgow