

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

**Wednesday 19 February 2025, 13:00 – 16:30  
Pacific House, Glasgow / Microsoft Teams \***

- Present:** Hannah Ross – Chair  
Kathryn Darbandi – Managing Director  
Graham Kelly – Commercial and Procurement Director  
Graham Eastwood – Operations Director  
Graeme Cook - Non-Executive Director and SRH Chief Operating Officer\*  
Campbell Davidson – Non-Executive Director and SRH Finance Director  
Hugh Anderson – Finance Director  
Neil Amner – SRH General Counsel\*
- In Attendance:** Sam Price – General Counsel  
Jackie Robertson – SRH Rail Management Lead  
[REDACTED] – Board Secretary
- Apologies:** Carolyn Griffiths – Non-Executive Director and Chair of SHEC  
John MacQuarrie – Non-Executive Director and SRH Rail Business 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. There were no declarations of interest.

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

4. The Board approved the minutes of the meeting on 22 January 2025 subject to amendment to paragraphs six to note that reliance was placed on the forecast for 2025/26; paragraph nine to note that it would be approximately three days for the interim modification to be fitted to each coach; and at paragraph ten to note Carolyn Griffith's amendments.
5. The Board approved the separate restricted minute of agenda item 17 from the meeting on 22 January 2025.
6. The Board approved the restricted minutes of the meeting 27 January 2025

**Agenda Item 5: Matters Arising**

7. The Board considered the list of actions arising from previous meetings. The Board agreed to close actions 05/2025 and 8/2025 as these were covered under the agenda.

*Action 26: SRH feedback on CSL policy delivery report*

The Board noted that feedback had not yet been received. General Counsel said that publication of the report had been held back, and it would have been helpful to receive feedback as a means of validation of the work undertaken. The Board agreed that the SRH Rail Management Lead would speak to Transport Scotland to confirm that TS is content with the format of the report, and thereafter a publication approach for the report can be agreed. Close action.

(Graeme Cook joined the meeting via MS Teams)

*Action 1/2025: Update insurers re coach cracking*

The Board noted that General Counsel had advised the insurers of the position re coach cracking. General Counsel said that she is working with the SRH Finance Director to take forward the insurance renewal. Close action.

*Action 2/2025: Prepare stage gate review model for locomotive project*

The Board noted that a paper on a stage gate review process for major projects was to be considered at the ScotRail Board at its meeting on 20 February 2025. The Chair said that she would ask ScotRail to share this paper with CSL. The Board agreed that CSL would review the paper and map how this may work for CSL and feed this into SRH as the SRH Board would need to consider the stage gate process proposals for the SRH Group.

*Action 3/2025: 2025/26 Business Plan*

The Board noted that the revised draft business plan for 2025/26 would be submitted to the Board for final approval at the meeting on 19 March 2025. The Board asked the SRH Rail Management Lead to send SRH feedback to CSL and noted that the timing for SRH Board approval will be discussed once the feedback is provided.

*Action 4/2025: 2025/26 Budget*

The Board noted that the Finance Director and the SRH Finance Director had had some discussion of the proposed budget. The SRH Finance Director said that there were two main risk areas for the budget, [REDACTED] and coach cracking, and plans should be in place to achieve deadlines to mitigate these risks to the budget. He said that he would reply to the Finance Director about this. The Board noted that the final draft budget for 2025/26 will be submitted to the Board for approval at its meeting on 19 March 2025 along with the business plan.

*Action 6/2025: Ascertain process for lease signing*

The Board noted that the process was being drafted, and this would be in line with the process for previous lease signing. Close action.

*Action 7/2025: Policies*

The Chair said that she had discussed with the Chair of the CSL Audit and Risk Committee the large amount of policies that CSL is preparing as part of the transition from Serco. It was agreed that CSL could implement the policies and bring these to the Audit and Risk Committee to note and any required amendments can be picked up at the first policy review date. Close action.

*Ratification of December decisions taken by correspondence*

8. The Board considered the paper from SRH General Counsel seeking ratification of a decision on CCaaS platform made, outwith the normal Board meeting cycle, by CSL directors, by correspondence in late December 2024. The Board noted that the decision, taken in the best interests of the organisation, may have

been taken by a majority of the Board, but the Articles of Association require decisions outwith a meeting to be unanimous.

[REDACTED]

[REDACTED] After discussion the Board agreed to ratify the decision taken on CCaaS platform.

10. The Chair said that Carolyn Griffiths had said that the matter of taking decisions outwith a Board meeting had highlighted a need for training for Board members. The SRH Chief Operating Officer said that there is a need for Board training and for Board induction packs for all three SRH group companies to put in place. SRH General Counsel said that he will be taking this work forward.

**Agenda Item 6: Board Briefing – Staff Matter**

[REDACTED]

[REDACTED]

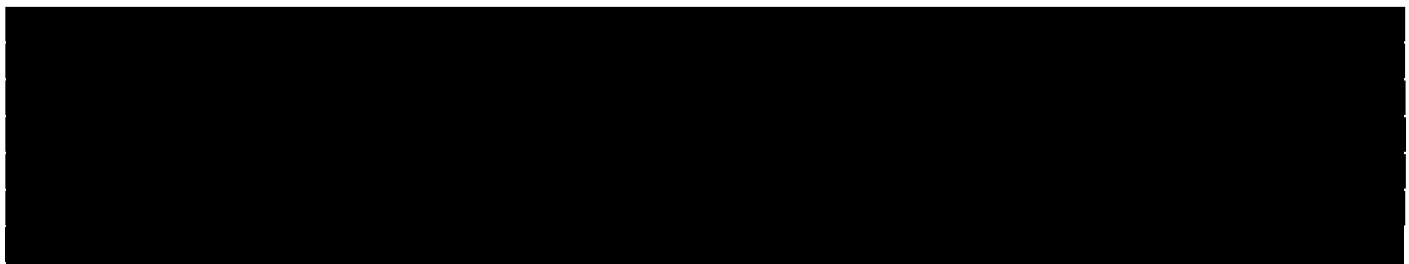
[REDACTED]

**Agenda Item 7: CSL Pay Strategy**

14. The Board considered the paper on the CSL pay strategy for 2025/26.

15. The Managing Director said that the proposal was in line with ScotRail’s pay proposals for a two year deal and the next step, after Board discussion, was to seek SRH approval to enable SRH to request a mandate from Transport Scotland for:

- [REDACTED] for 2025/26 and [REDACTED] for 2026/27 ([REDACTED]).
- Demonstrate efficiency savings, as laid out within the paper being considered by the Board, to Transport Scotland, in line with public sector pay policy.
- Include an RPI protector clause for 2026/27 allowing adjustments if RPI exceeds [REDACTED]



17. After discussion, the CSL Board noted the proposals and agreed that additional information on deliverability of efficiencies should be prepared and then the proposals should be submitted to SRH for consideration by SRH Remuneration Committee, on the understanding that the proposals, after SRH Remuneration Committee input, would need to come back to CSL Board for approval prior to SRH seeking a pay mandate from Transport Scotland. The Board noted that special meetings of the Board may be required to progress this matter for timely issuance of a pay mandate.

#### **Agenda Item 8: Update on CSL Grant Agreement Derogations**

18. The Board considered the paper on progress with completion of the work to close the time limited Grant Agreement derogations.


19. General Counsel said that of the original 21 derogations 15 have been closed and the work to complete the remaining six would be completed by the end of March 2025. He said that to close one of the derogations, CSL is required to make additions to its publication scheme and is required to publish information about its performance. He suggested a website page with a KPI dashboard covering operational performance, guest experience, finance and service quality.

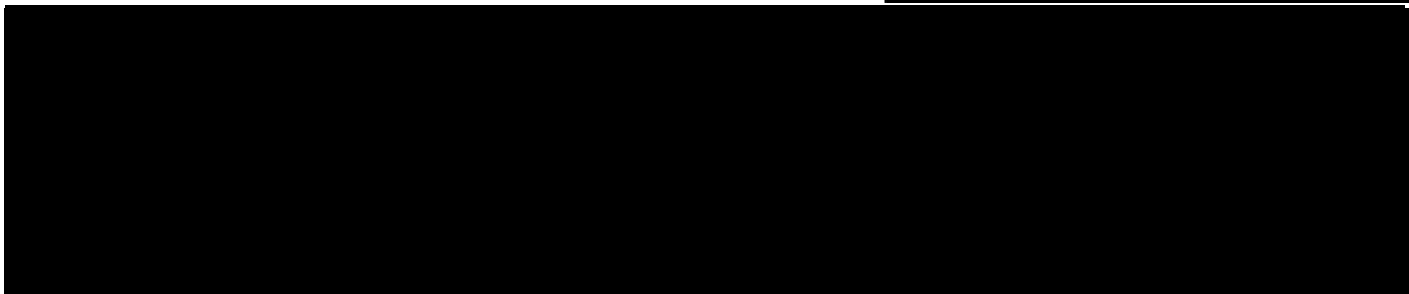
20. Campbell Davidson said that annual reporting under the Government Financial Reporting Manual (FRoM) provides a rigorous assessment of non-financial performance, and this is published on the website. He suggested that public reporting of financial information should be undertaken through the published annual accounts. Graeme Cook said that there needs to be consistency in public reporting across the SRH Group.

21. The Chair said that Carolyn Griffiths had asked to see the KPIs that were to be published. General Counsel said that the intention was not to publish any of the KPIs that fall to SHEC. He said that he would prepare the KPI report and publish this and bring it back to the Board as an update in due course. Graeme Cook said that CSL Communications Department should review the report before publication.

#### **Agenda Item 9: Update on Business Plan Commitment 2024/25 Nine (CSL Operating Model Review)**

22. The Board considered the paper summarising the work undertaken to review various potential initiatives relating to CSL's current operating model. This work had been undertaken under the 2024/25 Business Plan commitment which required CSL to develop and share with SRH analysis which would support future development of CSL's market growth strategy and operating model optimisation.

23. General Counsel said that of the possible initiatives reviewed, three were considered worthy of further analysis. The business case to include Birmingham International as a stop for CSL services has been approved and the project is progressing with a go live date of December 2025. 



[REDACTED]

[REDACTED]

25. Graeme Cook said that the paper was excellent and he asked about the plans to fill more seats in the lower demand months. General Counsel said that this will be addressed in the fares strategy.

#### **Agenda Item 10: Coach Cracking Update**

26. The Operations Director said that there are currently 12 coaches withdrawn from service due to cracks at the anti-roll bar mounting point and a further two coaches with sub-surface defects identified by non-destructive testing (NDT) which are subject to enhanced monitoring. He said that the risk of lost revenue, due to withdrawn coaches, over the February half-term period had been mitigated very well with only three bookings cancelled. He said that the staff had done an excellent job in moving services and communicating with customers to reduce the risk of cancellations.

27. The Operations Director said that work is continuing to further mitigate the risk associated with continued service operation and close out of the hazards identified. He said that the first round of NDT has been concluded on the fleet and another round planned to commence week beginning 10 March. He said that regular inspections are continuing using CAF and Alstom in addition to periodic NDT to identify any further cracks.

28. The Operations Director said that four coaches have had the interim modification fitted. He said that the fitment had been more challenging than anticipated but the issues were being addressed. He said that the modification had been submitted for third party approval, and it is anticipated that by the end of February withdrawn coaches can start to be brought back into service. He said that work was progressing in relation to the design life solution with instrumental running being undertaken to get better data on track forces over the various routes traveled.

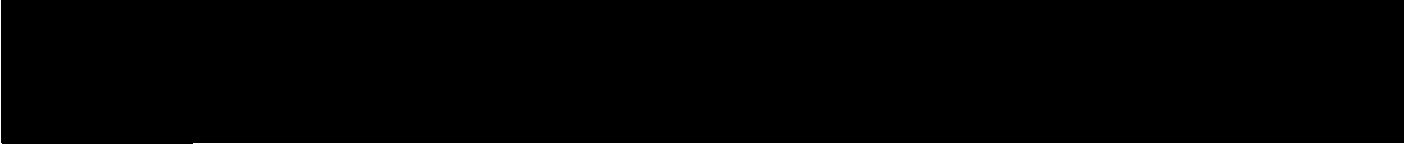
29. The Chair said that the planned meeting of SHEC for 24 February would be used as a special SHEC meeting to discuss questions raised by Carolyn Griffiths. The questions raised had arisen from the recent information provided to Carolyn Griffiths, as a result of the SHEC meeting on 16 January, and relate to risk and levels of defence against the possibility of and consequences of the detachment of parts of the damper assembly. Campbell Davidson asked about the process to bring withdrawn coaches back into service and whether this needed approval by the Board or SHEC. The Operations Director said that SHEC requires assurance on these matters and CSL is working to provide all assurance required, but CSL holds responsibility on the decision to put coaches back into service.

30. The SRH Rail Management Lead asked is there was a specific programme for periodic NDT. The Operations Director said that there is no specified timing for the NDT and normal testing is undertaken every two weeks. [REDACTED]

[REDACTED] The SRH Rail Management Lead asked about the stock of materials in place for the interim modification fitments. The Operations Director confirmed that stock was in place for a number of coaches and more materials were being procured and there was no risk in this area for the time being.

#### **Agenda Item 11: Approvals Tracker**

31. The Board considered the status of outstanding approvals from SRH and Transport Scotland.

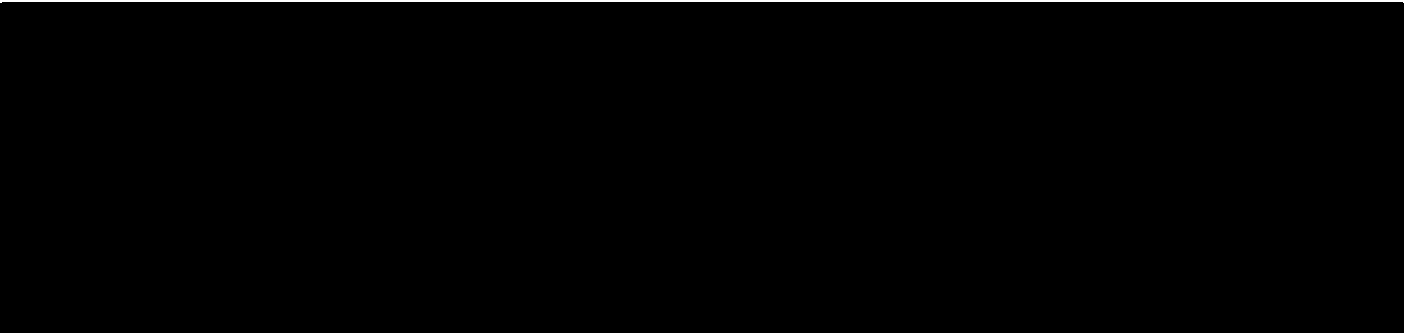


*Derogation relating to patronage KPI*

The Board noted that CSL was waiting for feedback from SRH. The SRH Rail Management Lead said that there is no delegated framework to deal with this matter and a paper had been drafted for SRH Board consideration, but a decision had to be taken on whether this needs SRH Board approval. She said that she would progress this within SRH.

*Delegated authority for CSL Executive Team to approve CSL policies*


The approach to approving policies was discussed earlier in the meeting under agenda item five.

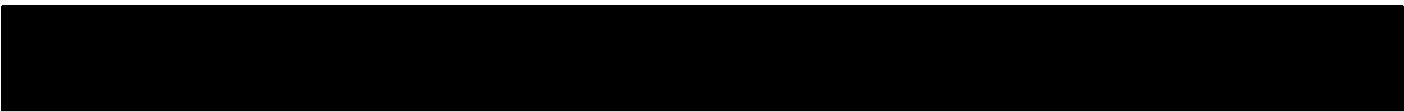
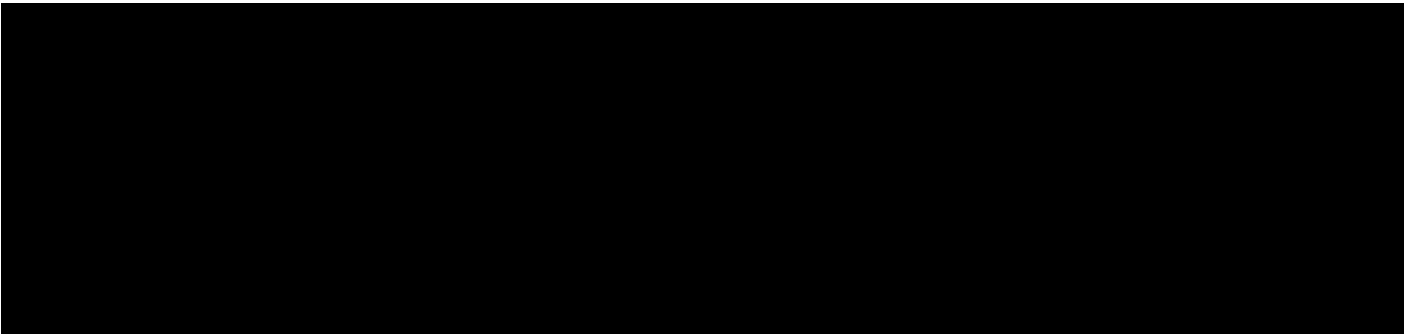
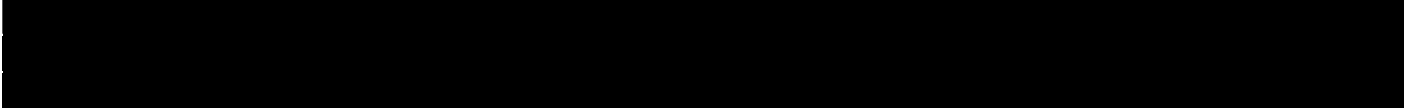


*VO96 Key Contract Approval*

The Board noted that this had now been dealt with by General Counsel and SRH General Counsel.

**Agenda Item 12: Locomotive Workstream Update**

32. The Commercial and Procurement Director said that the PIN had been issued and CSL was awaiting receipt of notice from interested parties. 



**Agenda Item 13: Grant Agreement Report**

35. The Board considered the Grant Agreement Report.

36. The Chair said that Carolyn Griffiths had asked about the causal factors underpinning “inconsistent or incorrect advice provided” as being a top reason for guest dissatisfaction. The Managing Director said that

the guest feedback related mostly to the period of bad weather with the storm and red weather warnings. She said that the reasons given for guest dissatisfaction are the reasons given by the guests and does not mean that CSL gave inconsistent or incorrect advice.

37. The Chair said that Carolyn Griffiths had referred to the two notable incidents during the period and said that the Board needs to be aware of the actions in place or that will be in place to prevent similar reoccurrence. The Board noted that this will be discussed by SHEC. The Chair referred to the matter discussed earlier in the meeting which involved police investigation and asked if this should be included in the Grant Agreement report. The Managing Director said she would discuss this at SHEC.

38. The Managing Director said that the business transition programme remains at a critical phase as CSL undertakes a significant amount of work to achieve key milestones for the migration to the new HR and finance systems. She said that risks are recorded at amber and are being well managed. She said that as the project moves to the business ready stage some risks may turn to red but that is normal for a project like this at the final stages and mitigating plans are in place where they can be in place.

39. The Managing Director said that the project is due for completion by end June 2025, but a lot of the work will have been completed by end April and there will be a lot of optimisation to do in the next year which will be set as business plan commitments. Campbell Davidson asked if the Transition Board is satisfied that contingencies are in place if there are aspects that are not ready by the cut-off date from the old system. Graeme Cook said that as Chair of the Transition Board he is aware that there is a lot of work to do but the risk level is acceptable, and the user testing is doing what it should be doing and flushing out issues that are being addressed. The Chair thanked everyone involved for the work undertaken on this project.

#### **Agenda Item 14: Updated 2024/25 Financial Forecast**

40. The Board considered the updated 2024/25 financial forecast.

41. The Finance Director said that the forecast has been a rolling forecast which is updated every period but this will change to quarterly forecasts in the next financial year. He said that the forecast supports the draft budget figures for 2025/26. [REDACTED]

[REDACTED] The Chair said that the forecast showed a good position of being favourable to budget of [REDACTED]

#### **Agenda Item 15: Finance Report**

42. The Board considered the finance report for the period.

43. The Finance Director said that the new IT system would allow for a better reporting format for the finance report and he was discussing the requirements for this with the SRH Finance Director. He said that the capital commitment over the next few periods will be discussed at the SRH Capital Investment Panel meeting next week.

#### **Agenda Item 16: Financial Approvals**

44. There were no financial approvals for the Board to consider.

#### **Agenda Item 17: Revised Terms of Reference for CSL Remuneration Committee**

45. The Board considered the revised terms of reference for the Remuneration Committee. The Chair informed the Board of the amendments suggested by Carolyn Griffiths. The Board approved the terms of reference subject to the addition of Carolyn Griffiths' suggested amendments.

46. The Board agreed that a schedule of quarterly meetings should be set for the Remuneration Committee and noted that the Board Secretary will liaise with the Committee Chair and General Counsel in this regard.

**Agenda Item 18: Committee Updates**

47. There were no updates for the Board to note.

**Agenda Item 19: Any Other Business**

48. There was no other business.

**Date of Next meeting**

49. The next meeting of the Board will be held on 19 March 2025.