

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

Wednesday 27 November 2024, 13:00 – 16:15
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
Carolyn Griffiths – Non-Executive Director and Chair of SHEC*
Campbell Davidson – Non-Executive Director and SRH Finance Director*
John MacQuarrie – Non-Executive Director and SRH Rail Business Director
Hugh Anderson – Finance Director

In Attendance: Sam Price – General Counsel
Jackie Robertson – SRH Rail Management Lead
[REDACTED] – Board Secretary

Apologies: Richard Cairns – SRH Chair
Bill Reeve – Transport Scotland Director of Rail

Agenda Item 1: Welcome

1. The Chair welcomed everyone to the meeting. The Chair noted her thanks to all CSL staff involved in her recent induction session which included a visit to Polmadie depot, Inverness station and her trip to London on the Caledonian Sleeper train.

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 30 October 2024 subject to amendment to paragraphs 6 (under *Action 18*), 7 and 22.

5. For the amendment required at paragraph 6 under Action 18, *Risk assessment operational framework and assurance requirements for SHEC*, Carolyn Griffiths said that the original action was in relation to better alignment between the SHEC and the Audit and Risk Committee and this action should remain open. She said that the role of SHEC is to provide assurance to the Board on safety, health and environmental matters. In relation to the assurance statements for the annual governance statements from the Accountable Officer, to be included in the annual report and accounts, she said that SHEC has not been involved in this process. The

Chair confirmed that there is nothing relating to safety matters in the governance statements and non-executive directors will have sight of the draft statements as the annual accounts go through the sign-off process.

Agenda Item 5: Matters Arising

6. The Board considered the list of actions arising from previous meetings and agreed the following:

Action 3: Terms of Reference for Remuneration and Appointments Committee

Chairs of CSL Board, SHEC and ARC to meet to discuss terms of reference regarding pay remit approvals process. Update Board at next meeting.

Action 8: SHEC reporting – item on agenda, close action.

Action 9: Risk appetite

SRH Audit & Risk Manager is preparing a paper on risk appetite for the SRH Group which will be sent to CSL Executive team for discussion and will likely be submitted to the SRH Board at its meeting in February. Update CSL Board at next meeting.

Action 23: Coach cracking modification pack

The Chair of SHEC had received the modification pack, close action.

Action 24: Share approvals tracker with Transport Scotland

General Counsel confirmed that the updated approvals tracker would be shared with Transport Scotland after this Board meeting, close action.

Action 25: Confirm process for approval of derogations

General Counsel and the SRH Rail Business Director agreed that they were both content with the process for the approval of derogations, close action. General Counsel said that in relation to specific derogations, these had been moved to the approvals tracker and an update would be provided at the meeting of the Board in January.

Action 26: SRH feedback on CSL policy delivery report

The SRH Rail Business Director said that feedback had not yet been received from Transport Scotland. He said that he would inform Transport Scotland of the timescale for publication of the report and ask for comments prior to then.

Actions 27 to 31

The Board agreed that these actions would be updated in line with the discussion of the Locomotive Strategy paper for discussion later on the agenda.

Action 32: Comments on draft strategic plan and business plan

Carolyn Griffiths said she had not yet provided her comments on the draft plans and would do so. She asked if the actions list from board meetings could be issued more quickly to non-executive directors. The Board Secretary will notify non-executive members of any specific actions they have to progress, within one day of the board meeting and will issue reminders two weeks prior to the next meeting.

Carolyn Griffiths asked for items for Board decision/approval to be highlighted more clearly on the agenda.

Action 33: Discussion of KPIs and extension to deadline to submit business plan

The Chair confirmed that the deadline to submit the draft 2025/26 business plan had been extended until 31 January 2025.

Proposals for KPIs and business plan commitments had been sent to SRH on 5 November and feedback was awaited. The SRH Rail Business Director said that he will progress this action. The Chair said that this will be taken forward by the SRH Executive Team and then discussed with CSL at a meeting the week after next.

The Chair of SHEC said that there had not yet been any discussion of SHEC KPIs for inclusion in the business plan. The Operations Director said that the intention was to table this for discussion at the next SHEC meeting on 24 February 2025 and General Counsel confirmed that the draft business plan would be submitted to the CSL Board at its January meeting highlighting that the draft is subject to inclusion of the recommendations on KPIs from SHEC.

Action 35: Funding to remove Totems

The Board noted that funding for this had now been approved, close action.

Action 36: Schedule 8 charges

The Finance Director confirmed that he had reviewed the previous period figures and reported the outcome to Carolyn Griffiths who said she was content with the explanation, close action.

Agenda Item 6: Coach Cracking Update

7. The Operations Director said that a key milestone had been reached with the first installation of the interim solution modification having been fitted successfully on one coach on 15 November. He said one challenge was encountered in relation to suspension and further due diligence was being taken forward on this matter with CAF. This challenge has pushed the final engineering submission and third party approvals back by around one week but confidence remains in being able to fit the modification to the remaining six coaches and return all coaches back to service by 16 December. He confirmed that the ORR Common Safety Method (CSM) for risk evaluation and assessment had been followed and independent expert advisers had been used for approval of the modification. He said that a risk assessed modification had been produced using the CSM approach.

8. [REDACTED]

[REDACTED]

10. The Board noted that a full programme of works will commence in early 2025 to work through the permanent design life solution for the cracking problem.

11. [REDACTED]

Agenda Item 7: TSSSA Update

12. The Operations Director said that arrangements are in place with CAF for the first set of wheelset overhauls and management of the time, strategy, governance, material availability is in place [REDACTED]

Agenda Item 8: Approvals Tracker

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

Implementation of proposed lounge closures

The Board noted that this had been approved by Transport Scotland on 5 November and work was on-going to develop an implementation and communications plan. The Managing Director said that the planned announcement date was for 6 December subject to internal readiness review, including as to the comms plan which is being developed with suitable TS input.

[REDACTED]

[REDACTED]

Fares increase for January 2025

General Counsel informed the Board that the CSL management recommendations had now been approved by Transport Scotland. The SRH Chief Operating Officer asked about the impact on current year income from the increased fares. The Finance Director said that there would be no material impact in the current year and the opportunities for increased revenue would be realised in the next financial year.

Transitional roles approval

The Board noted that the additional transitional roles had now been approved by Transport Scotland and backfilling of roles was on-going as these arise.

Removal of Totems

The Board noted that this had been approved by Transport Scotland on 21 November and implementation was being progressed.

Derogation on Grant Agreement patronage KPI

The Board noted that the patronage target was not being met due to coaches being out of service as a result of the coach cracking issue, which is a matter outwith the control of CSL. SRH and CSL have discussed this and SRH is to provide feedback to CSL to support the case for submission to Transport Scotland.

Request to extend deadline for submission of business plan 2025/26

The Board noted that the extension had been approved to 31 January 2025.

Agenda Item 9: Locomotive Strategy Update

14. The Board considered the paper setting out the latest position and next steps to secure locomotive provision from 2030. The Board noted the following key points:

- The feasibility study work is progressing well with outputs expected by end December 2024 which will inform the development of the outline business case in first/second quarters 2025
- Market engagement is urgent and a Prior Information Notice (PIN) should be issued, as agreed at the previous meeting of the Board
- [REDACTED]
- Briefing sessions with Transport Scotland and SRH should be held asap, as agreed at the previous

meeting of the Board

- The AO request for funding for project resource and external advisors for 2025/26 will be developed for submission in December
- Procurement to be initiated in quarter four 2025

15. After discussion, the Board agreed that:

- the key activities documented in the paper should be progressed
- a procurement focus meeting would be set for relevant members of the CSL executive team, the SRH Chief Operating Officer and the SRH Rail Business Director
- the draft PIN should be prepared and include sufficient scope to explore the differing/developing options available to CSL for this procurement
- set a meeting asap and before Christmas with CSL, [REDACTED] Transport Scotland and [REDACTED] SRH Head of New Fleet Procurement and Delivery to discuss the draft PIN and highlight any potential issues that Transport Scotland would need to be aware of
- the Chair will update the Transport Scotland Director of Rail on the above at her meeting with him next week

Agenda Item 10: CAF MSA proposed variation to programme (VO96)

16. The Board considered the paper setting out the latest position regarding the Master Service Agreement (MSA) with CAF and the request for approval to sign the variation to the contract. The Board noted that the variation order (VO96) was required to align contractual dates in accordance with the current update programme from CAF [REDACTED]

[REDACTED]

[REDACTED]

18. The Board gave its approval for the variation order to be signed, subject to Transport Scotland consent.

Agenda Item 11: Grant Agreement Report

19. The Board considered the Grant Agreement periodic report.

20. The Managing Director said that period eight had been another strong performance month for CSL taking into consideration that it was Autumn leaf fall season. She said that Right Time performance was good and there was good performance on guest satisfaction, and she highlighted that the guest service centre hit their aspirational target of 85% for first contact resolution, for the first time, which was excellent.

21. In relation to the business transition programme, the Managing Director said that a key milestone in the project had been reached with all users migrated to the new tenant. She said that considering the scale of this work it had all gone very well, and all risks were being well managed. She said that the finance and HR functions would be managed in-house by the beginning of 2025. [REDACTED]

[REDACTED] The Commercial and Procurement Director said that the programme team has worked really well and shown excellent delivery of the project so far with no interruption to operations.

21. In relation to cost efficiencies, the Managing Director said that in the effort to continuously improve, CSL continue to add opportunities for cost efficiencies throughout the business. She said that there had also been internal discussion of CSL's KPIs and how these could be more user friendly.

22. Carolyn Griffiths said that the grant agreement report was very positive, and the success of the business transition programme deserved congratulations to all involved. She said that the next meeting of CSL SHEC would be discussing environmental, health and well-being KPIs and the degree of reporting on these to the Board. She referred to the berth availability data and asked what action is being taken in regard to long standing defects, and what was being done about the high number of CCTV failures. General Counsel said that berth availability issues would be covered in the quarterly fleet stewardship report at the January Board meeting. The Commercial and Procurement Director said that the CCTV failures were in relation to wifi connections and updates required to the operating system. He said that this matter would also be covered in the report for the January Board meeting.

Agenda Item 12: Finance Report

23. The Board considered the finance report.

24. [REDACTED]

[REDACTED]

Agenda Item 13: Financial Approvals

26. The Commercial and Procurement Director said that two contracts required Board approval, the first being an extension of an existing contract for provision of uniforms that had been put in place after a full procurement exercise, and the second being a direct award contract for design and development to replace the guest service centre case management system. He said that this had been a direct contract award due to the urgency to replace the system as the current supplier has stopped supporting the system, and the direct award was to a company that had been used previously by CSL. The Board approved the two contracts.

27. The Commercial and Procurement Director said that he would add a column to the financial approvals table confirming the procurement route taken for each contract. He said that as there is no Board meeting in December, if there are any financial approvals required, he would submit these for Board approval by email with copy to the Board Secretary for audit trail purposes.

(The SRH Finance Director left the meeting due to other work commitments)

Agenda Item 14: Committee Updates

SHEC Report

28. The Board considered the report from SHEC prepared by the Chair of SHEC. The Board was asked to:
- note the summary of SHEC's work
 - note the live issues
 - consider the extent of CSL's assurance requirements in relation to Network Rail delivery of a safe infrastructure and whether this should be reviewed by SHEC

- agree that the requirement for SHEC to provide an annual report to the Board should be evaluated once decisions are made about a wider CSL assurance report

29. The Chair said that the report mentioned that British Transport Police (BTP) would be attending a future meeting of SHEC and asked what the main concern was in relation to BTP. The Chair of SHEC said that CSL had reported at SHEC that as an additional safety measure, they would encourage a greater police presence at Euston prior to train departures. [REDACTED]

30. In relation to assurances regarding Network Rail, the Board noted that the review would be to make sure that CSL has arrangements in place to allow it to report sufficient assurance on Network Rail as a supplier, in the way that CSL has infrastructure in place for assurances from other suppliers, and not a review of Network Rail's performance. The Board agreed that SHEC should undertake a review to ascertain the assurance systems in place and/or needed in relation to the service provided by Network Rail.

31. The Board agreed that the need for annual SHEC reports would be evaluated once decisions are made about wider CSL assurance reports. The Board noted that the SRH Audit and Risk Manager was taking forward work in relation to assurance reporting and feedback on this work may be available after the next audit and risk committee meeting scheduled for next week. The Chair of SHEC said that an assurance framework should be expedited as soon as possible.

Approved minutes of Committee meetings

32. The Board noted the approved minutes of the meeting of SHEC on 14 August 2024.

Agenda Item 15: Any Other Business

33. General Counsel asked the Board to consider taking coach cracking off the agenda as a standing item with additional attendance from SRH/Transport Scotland given the progress with this matter as noted earlier in the meeting. The Board agreed this, and General Counsel confirmed that the Board would be kept up to date on the permanent solution for the coach cracking through the periodic Board updates.

34. The Board agreed that the Locomotive procurement project would be added as a standing item on the agenda.

35. The Chair confirmed that CSL Board meetings would continue on a monthly basis and the frequency of meetings could be reviewed after the outcome from the SRH Group governance review.

Date of Next meeting

36. The next meeting of the Board will be held on 10 December 2024 as a special single item meeting for 2023/24 annual accounts sign-off. The next monthly meeting of the Board will be held on 22 January 2025.