

MINUTES OF SCOTTISH RAIL HOLDINGS LIMITED BOARD (SRH) SPECIAL MEETING

Date **20th June 2023**
Time **1000 - 1000 UK time**
Location **Microsoft Teams**

Present: Richard Cairns (RC) – Chair
 David Lowrie (DL) – Chief Executive
 John MacQuarrie (JM) – Rail Business Director
 Emma Dixon (ED) – General Counsel and Company Secretary
 Roz Foyer (RF) – Non-Executive Director
 Carolyn Griffiths (CG) – Non-Executive Director

In attendance Campbell Davidson (CD), SRH Financial Controller
 Michelle Hampsey – Minute Taker
 Alastair Richards – Transport Scotland Mobilisation & Transition Team
 Sarah Aitken – Transport Scotland OLR Governance Manager
 John Provan – Transport Scotland

Apologies: Lee Shedden (LS) – Non-Executive Director
 Bill Reeve (BR) – Transport Scotland

Agenda No:	Subject	Action For
1.	<p><u>Welcome – Notice & Quorum</u> Noted and Quorate.</p> <p>The Chair noted that the timetable of this meeting and the papers being sent out at short notice constrains the Board's ability to review and make the requested decisions as directors appointed on behalf of the Scottish Ministers.</p>	
2.	<p><u>Declarations of Interest</u></p> <p>No changes noted.</p>	
3.	<p><u>Conflicts of Interest Register</u></p> <p>It was noted that David Lowrie, John MacQuarrie and Emma Dixon are directors of Caledonian Sleeper Limited.</p> <p>Carolyn Griffiths' proposed appointment to the Board of Caledonian Sleeper Limited was noted as being under discussion but not yet confirmed.</p> <p>No other conflicts noted.</p>	
4.	<p><u>Caledonian Sleeper Transitional Agreements</u></p> <p>The SRH General Counsel presented the paper for the SRH Board to</p>	

approve SRH's entry into the Framework Agreement Amendment and Caledonian Sleeper Grant Agreement, pursuant to a Scottish Ministerial decision to bring the Caledonian Sleeper rail service into public sector control by transferring the operation to Caledonian Sleeper Limited (CSL) a wholly owned subsidiary of SRH.

The Board were asked to:

- note the information set out in the paper;
- approve the terms of Framework Agreement Amendment and the CSL Grant Agreement (the Agreements).
- authorise any director of SRH to sign Agreements on behalf of SRH.

It was noted that the documentation included an external legal review of the Agreements intended to highlight any red flag issues, and it was noted that all such notes had been brought to the attention of the TS Mobilisation Team and deemed minor- or workable.

Alastair Richards gave some background to the Scottish Government's decision to transfer the Caledonian Sleeper rail service to SRH, including timing of the ongoing preparation to ensure CSL is set up and able to run on 25th June at 2pm when the legal transfer is anticipated to take place.

A description of the amended Framework Agreement and Policy Compendium and what these documents mean for the future running of CSL were provided.

The Board noted its concerns about providing approval for matters it is accountable for without an opportunity to fully explore all aspects of the transfer in order to satisfy itself that appropriate due diligence has been undertaken.

The Transport Scotland Mobilisation Team provided further context, explaining the transfer in detail and contingency planning.

The Chair asked Transport Scotland to confirm their opinion that sufficient due diligence and any mitigating arrangements had been put in place such that there were no material risks. Transport Scotland affirmed this view and confirmed that prudent financial arrangements had been put in place as far as practical.

The Board noted reassurance from the further information provided by Transport Scotland and observed that longer-standing Board members were privy to previous discussions and updates on the transfer undertaken at previous SRH Board meetings.

There was a discussion regarding the under-resourcing of SRH, observing that this will be exacerbated with CSL joining the Group. It was noted that Transport Scotland had commissioned a Gateway Review that is anticipated to identify this issue. The Board asserted that appropriate resourcing of SRH to support CSL is required and

	<p>that funding must be reviewed by Transport Scotland to continue this operation.</p> <p>The Board requested that the relevant due diligence information be made available, together with CSL’s handover risk register and handover summary of this register with links to relevant source documents.</p> <p>Clarification was sought from the Transport Scotland Mobilisation Team regarding how the 2023/24 budget and funding envelope has been determined, together with details of the reconciliation to Serco Caledonian Sleepers Limited proposed forecast. In addition, Transport Scotland was asked to clarify if the 2024/25 budget and funding envelope had been considered, and if so, to share workings with SRH. Based on responses to these 2023/24 and 2024/25 budget queries, SRH to consider how this, and any budget revisions, would fit into the Scottish Government finance timetable for budget commission and reviews. It was agreed that SRH would provide a note of its questions to Transport Scotland to action.</p> <p>RF left the meeting at 11.10am and the meeting remained quorate.</p> <p>Some aspects of the CSL Grant Agreement that SRH considered would not work as drafted were highlighted to the Transport Scotland Mobilisation Team and it was agreed that these should be clarified and if requires modification brought back to SRH Board. It was accepted that there was not time to agree such changes prior to the transfer date.</p> <p>The Board, being mindful of time pressures and good governance, concluded that a letter from Transport Scotland was required that recognised the challenging timescales of the transfer meant it would be prudent for all parties to be involved in a review of the transfer within three months to agree any required modifications to the CSL Grant Agreement. It was proposed that this be taken forward through changes to clause 10 of the Grant Agreement to include an earlier agreement review process.</p> <p>The Board approved the Framework Agreement Amendment and requested that the decision to approve the CSL Grant Agreement be brought to the 22nd June Board meeting with the appropriate amendments to the document.</p> <p>The Chair thanked all those involved and in particular the civil servants for their hard work and recognised the challenges to the SRH directors in respect of such decisions.</p>	<p>AR</p> <p>CD / JP</p>
	<p>The Chair closed the meeting at 12.05pm.</p>	