



Minutes of Meeting

Scottish Rail Holdings Limited – Board Meeting

Thursday 14 November 2024, 12.00 to 17.45

Location: St Vincent Plaza / Via Teams*

Present: Richard Cairns – Chair (until 4pm)
Hannah Ross – Chief Executive
Carolyn Griffiths – Non-Executive Director*
Brian Baverstock – Non-Executive Director (deputising for the Chair from 4pm)
Roz Foyer – Non-Executive Director
Graeme Cook – Chief Operating Officer
Campbell Davidson – Finance Director
John MacQuarrie – Rail Business Director

In attendance: Bill Reeve – Transport Scotland Director of Rail
Neil Amner – General Counsel
Jon Newton – Head of New Fleet Procurement & Delivery (for item 11)
Jacqui Mallin – People Puzzles (for item 5)
Jenna Dickson – Capital and Other Projects lead (for item 5)
Kathryn Chadwick – Active and Sustainable Travel Lead (for item 13)
Ken Adamson – Audit and Risk Manager (for items 15 and 17)
Jackie Bergen – Board Secretary

Apologies:

Agenda Item 1: Notice, apologies, and quorum

1. The Chair welcomed everyone to the meeting and welcomed Neil Amner, General Counsel to his first meeting of the Board.
2. Apologies were noted. The meeting was quorate.

Agenda item 2: Declarations of interests and conflicts of interest

3. There were no declarations of interest.

Agenda Item 3: Minutes from previous meetings

4. The Board approved the minutes of the meeting held on 17 October 2024 subject to an amendment from the Finance Director at paragraph 30 and an amendment from Brian Baverstock at paragraph 20.
5. The Chair asked for proposed amendments to the draft minutes to be sent to him and the Board Secretary in advance of meetings. The Chair said that non-executive directors should be referred to in the minutes by name to avoid confusion.

Agenda Item 4: Actions and matters arising

6. Carolyn Griffiths referred to paragraph six of the minutes of 17 October 2024 and said that an action should be listed for her and Brian Baverstock to agree the proposed audit plans for Board approval.

7. The Board considered the list of actions from previous meetings and agreed to close actions 5 (sub action 2), 19, 21, 22, 23, 28, 31, 32, 34, and 38

8. In reference to action 10, reducing reliance on rest day working, the Rail Business Director said that [Redacted] Carolyn Griffiths said that proposed budgets for 2025/26 will be discussed at the next meeting of the ScotRail Board and quantification of the risks to the budget, including reliance on rest day working, need to be considered, and the onward impact to the SRH budget.

The Chief Executive said that the Audit and Risk Manager will be preparing a risk register for the Board's consideration, to highlight the risks concerning budget setting including the risk to budgets from inclement weather, industrial relations, rest day working etc.

[Redacted]

9. The Board agreed to close this action as it is on the ScotRail and SRH Board meeting planners.

10. In reference to action 11, review of the Leven project, the Board noted that the Chief Executive and the SRH and ScotRail Executive teams are meeting to undertake this review and a review of the East Kilbride project with a view to submitting the outcome to the February Board meeting. Brian Baverstock said he would discuss with the Chief Executive how delivering on specific requests from Transport Scotland should feed into the work of the governance review group.

11. In reference to action 27, review of the RACI matrix, the Chief Operating Officer said that this would be undertaken as part of the governance review group work not after conclusion of the group's work.

12. In reference to action 30, CSL [Redacted] the Board noted that the proposals had been submitted to Transport Scotland due to time constraints to get agreed [Redacted] into the budget setting process and so that CSL could implement the [Redacted] in their systems for January. It was agreed to keep this action open for the Board to consider this matter once Transport Scotland responds on the proposals.

13. In reference to action 29, [Redacted], the Transport Scotland Director of Rail said that it was disappointing that an update was on the agenda rather than firm proposals for consideration.

14. In reference to action 33, revise reporting format for group monthly operational and performance update, it was agreed to keep this action open until the Board had considered the revised reporting format.

15. In reference to action 37, proposals for fleet procurement governance, it was agreed to keep this action open and update the action after discussion of the proposals later in the agenda.

16. In reference to action 39, SRH risk management procedures, it was noted that this would be submitted to the February Board meeting from the Audit and Risk Committee.

Agenda Item 5: SRH Strategy

17. The Board considered the paper setting out the update on the SRH strategic and business plan proposals and considered the presentation slides presented by the Capital and Other projects Lead and Jacqui Mallin, People Puzzles. The Board was asked to consider and approve the updated SRH purpose, vision, values and strategic goals to enable the detailed strategy and business plan to be developed for submission to the December Board meeting and thereafter to Transport Scotland by 10 January.

18. The Board noted that the outputs from the strategy sessions held in September would be included in the detail of the strategic and business plans and that a mapping exercise would be undertaken to ensure that all outputs are included. The Board noted that the proposals were high level and need more substance. Concern was noted on being able to undertake stakeholder engagement, undertake meaningful risk assessment, and provide detailed drafts in the proposed timescales. It was suggested that drafts could be circulated to Board members in between Board meetings for comment to assist in trying to meet required timescales. The Board agreed the following points to be included in developing the strategic and business plans:

- Delivering best value, value for money, and reducing subsidy must be very prominent in the plans
- All of the expectations set out in the recent strategic direction letter received from the Cabinet Secretary for Transport must be included with clear plans to deliver on these
- Safety should be covered as a separate strategic goal
- New services/new partnerships
- Modal shift
- Integrated and aligned rail business model
- SRH Board's governance duty to be included in the purpose
- The plan needs to be more specific to SRH and Scotland
- SRH should not be listed as a strategic goal, SRH is an enabler
- Net cost and budget are strong enablers
- Opportunities for efficiencies

Agenda Item 6: SRH Governance Review Update

19. The Board noted the paper providing an update from the second meeting of the Governance Review Task Group.

20. Brian Baverstock said that the group had considered two papers setting out the SRH group regulatory environment, and the current governance structures. He said that the main points from the meeting were:

[Redacted]

21. The Transport Scotland Director of Rail said that Transport Scotland welcomes the SRH initiative to review the current governance arrangements across the SRH Group. He said that the papers presented to the second meeting of the group were very good and suggested that comparisons with other similar railway bodies should be considered including the Network Rail structure and the Department for Transport in-house train operating companies.

22. The Chief Operating Officer said that he was undertaking work with the SRH Business Analyst on mapping the work being undertaken at the many meetings held across the SRH Group, to identify overlap of work and where the same information is being scrutinised at various different forums. He said that this work will align with the governance review group as part of the broader solution to work more efficiently and effectively across the SRH Group.

23. The SRH executive team will develop an options for change paper, taking account of the strategic relationships under the Alliance Agreement and with the Strategic Rail Board for discussion at the next meeting of the group. The recommendations from the group will then be presented to the Board for discussion.

Agenda Item 7: Capital Approvals

24. Business cases for five new ScotRail capital projects were presented to the Board for authority to spend. The Board noted that all five projects were included in the 2025/26 capital plan, all are must do/business as usual/continued service operation projects and have been identified as opportunities to bring forward to current year to utilise Transport Scotland Rail capital [Redacted] in 2024/25. Four of the projects were scrutinised by the Capital Investment Panel at its meeting on 16 October and thereafter approved by the ScotRail Board at its meeting on 31 October and approved through Transport Scotland's capital Team Scotland Execution Plan (TSEP) process. CDEL budget allocations have now been granted to SRH for these four projects.

25. The Finance Director said that SRH Board was being asked to approve the final sign-off for these four projects and asked the Board to note that as these were the first business cases to come to the Board through the Capital Investment Panel process, the order of approval stages was different from what it would be going forward. He said that the process going forward would be for SRH Board approval to be sought prior to going through the TSEP process and after the in-depth scrutiny of the proposals at ScotRail Board and Capital Investment Panel levels. He said that terms of reference for the Capital Investment Panel will be submitted to the Board for approval to enable the Board to take decisions on capital projects with assurances from the scrutiny of the detail by the panel. The Chief Operating Officer said that the schemes of delegated authority were being reviewed and proposals would come to the Board for the Capital Investment Panel to have delegated authority to approve capital projects up to a certain value. He said that the business cases that the Board was considering at this meeting, could give the Board assurance of the thorough scrutiny work undertaken at panel level.

26. Brian Baverstock said the capital projects programme should be approved at budget setting stage and there is recognition that on this occasion the process for these projects is the wrong way round but going forward there is a clear path as to proper approval stages and he congratulated the Finance Director for getting these processes in place.

27. The Finance Director said that the Capital Investment Panel and TSEP process has been efficient and effective and resulted in quicker decision making. The Transport Scotland Director of Rail said that this joined working approach has provided clarity and simplified the process for capital project approvals. He said that SRH should consider the reasons for capital project slippage on previous projects to ensure that the governance on deliverability of capital projects is more robust for future projects. The Finance Director said that SRH does not have a dedicated resource for the capital spend programme and approval to recruit is awaited from Transport Scotland.

28. The Board agreed that the annual capital programme should be approved by the Board and there should be a contingency project list to take forward in the event of slippage of other projects. Detailed business cases for capital projects should be considered by the subsidiary boards and the capital investment panel with adequate management and deliverability monitoring in place. In considering approval for authority to spend, the Board can then take assurance from the work of the capital investment panel rather than considering detailed business cases.

29. The Board gave authority to spend approval for four of the business cases. In relation to the fifth business case to commence phase one of the intercity fleet procurement, the Board agreed that the business case should proceed to the TSEP process for budget allocation approval. The Board noted that the external resources being requested were necessary as ScotRail does not have the capacity and certain expert skillset in-house for this work. The Board also noted that the external resources were being procured through existing framework agreements that had been established in line with Scottish Government procurement guidance.

Agenda Item 8: [Redacted]

30. The Rail Business Director said that ScotRail was looking at options to introduce [Redacted] He said that he had asked ScotRail to review the proposal as arrangements need to be more robust to cover instances [Redacted] He said that the target was to bring a detailed proposal to the Board for consideration at the February meeting of the Board.

31. After discussion the Board agreed that the proposal should consider alternative options such as [Redacted]

Agenda Item 9: [Redacted]

32. The Rail Business Director informed the Board that ScotRail had prepared proposals for the [Redacted] and these had been submitted to Transport Scotland for discussion. He said that once Transport Scotland comments are received, the proposals will be submitted to the ScotRail Board and thereafter to the SRH Board, hopefully for its December meeting.

33. The Board noted the position and agreed that the proposals should consider both the opportunity for [Redacted]

Agenda Item 10: Fares Development Strategy Requirements

34. The Board considered the paper setting out the steps being taken to develop a fares strategy for [Redacted] from [Redacted], which supports Scottish Government policy and financial objectives.

35. The Rail Business Director said that work had started with Transport Scotland to explore the introduction of a fares strategy which considers [Redacted]. He said that comparable train operating companies are being looked at and work to [Redacted] to fares development is being undertaken. He said that the strategy will be submitted to the Board by [Redacted]

36. After discussion, the Board agreed that the following should be taken into account in developing the strategy:

- Contact the [Redacted] as this organisation provides a range of economic intelligence related services including data analysis, economic modelling etc

- For the railway to support economic growth, [Redacted]
- The research needs to not only consider current users but also latent demand as this is an untapped potential revenue source
- [Redacted]
- Consider [Redacted], look at the dynamics to achieve this
- Consider the demand trajectory [Redacted]
- Consider wider commercial and other industry marketing and customer retention initiatives
- Source/recruit commercial and business development expertise

Agenda Item 11: Fleet Procurement Governance Proposals

37. The Board considered the papers setting out the proposed governance arrangements to manage the delivery of new fleet procurements. The board noted that the formal instruction from Transport Scotland to run a procurement for a replacement intercity fleet should be received imminently, and [Redacted]

38. The Board noted the excellent level of detail that had been produced for the Board's consideration of this matter and thanked the Head of New Fleet Procurement and Delivery for undertaking this work. The Board discussed the papers in depth and noted the following:

- Expert external assistance is being procured for the project
- Independent audit and assurance will be provided at each key stage of the project in terms of both process and outcomes from the process
- The Head of New fleet Procurement and Delivery will discuss the independent audit assurance evaluation process with Brian Baverstock
- Additional assistance on assurance may be available from Scottish Government Procurement, the Chief Operating officer will take this forward if needed
- Training to be arranged for non-executive and executive directors on the Board's oversight and governance role in a large scale procurement exercise and delivery from that procurement
- SRH Board needs to be informed of exactly what is required of the Board and given an understanding of what is required from the rest of the system
- Roles, responsibilities and accountability have to be very clear for all involved
- Set out who is not responsible at all stages to make the above even more clear
- This is a [Redacted] project and the criticality of getting it right is of paramount importance
- SRH should build confidence, at an early stage, of effectiveness of the assurance systems in place, deliverability and good management on existing capital projects will start to build confidence levels
- Clarity is required on the stage gates for SRH Board decision making, what is the escalation criteria and delegation criteria, stage gates for decision making below SRH Board level will need delegated authority from SRH Board
- A timeline with decision points is needed
- As the SRH Group internal audit function is developed this could be another resource available to assist with the assurances for the project

- Additional resources with different skill sets will be required, utilise the alliance agreement and the skill set and resources in Network Rail who have experience in large scale capital projects

39. The Chair had to leave the meeting at 4pm due to other commitments and Brian Baverstock chaired the remainder of the meeting.

40. The Board asked for all of the above matters to be considered, addressed and additional information provided where required, which could be provided by email. The governance proposals could then be brought back to a meeting of the Board for sign-off. [Redacted] The Board agreed that a single topic Board meeting could be arranged in early January for this purpose.

41. The Board noted that the immediate priority was to consider the draft Contract Notice, the draft remit to be issued by Transport Scotland, and the communication arrangements for launch of the project. The Board agreed:

- The draft Contract Notice to be issued to Board members and Transport Scotland. Comments to be submitted by close of business on 15 November
- Board members to provide any comments on the draft remit that will be issued to SRH from Transport Scotland
- The Chief Executive to confirm by close of business on 15 November that she has reviewed and is content with the communication approach for the launch of the project, assuming that she has received the communication document, the Board noted that this may not be received until next week
- The Contract Notice should be issued next week once the formal instruction/remit for the project is received from Transport Scotland and the communications document is received

42. The Board noted that a [Redacted] paper on governance proposals for [Redacted] would be submitted to the Board. Once the approval for the budget is given for the [Redacted] procurement [Redacted], a draft of which had been provided for the Board's information.

Agenda Item 12: Innotrans Presentation

43. The Board agreed to move this item to a future meeting of the Board.

Agenda Item 13: Climate Related Financial Disclosure Requirements

44. The Board considered the paper setting out recommendations for the work required for SRH Group to become compliant with the mandated Task Force on Climate Related Financial Disclosures and related environmental reporting. The Board agreed the recommendations and thanked the Active and Sustainable Travel Lead for the excellent work undertaken in bringing these matters to the Board and for continuing to progress the work.

Agenda Item 14: Visibility of KPIs – Operational and Performance Reporting Format

45. The Board agreed to carry this item over to the next meeting of the Board for discussion and asked that a written paper should be brought forward.

Agenda Item 15: Proposals for Developing a Risk Appetite

46. The Board considered the paper setting out proposals for progressing the development of an SRH risk appetite statement for subsequent discussion by the Board in early 2025. The Board agreed that this was a good paper and approved the proposals.

Agenda Item 16: Committee Updates

47. The Board noted the minutes of the Audit and Risk Committee meeting held on 6 June 2024.

Agenda Item 17: SRH Risk Register

48. The Board considered the paper providing the periodic summary of updates and changes to the SRH risk register.

49. In relation to the risk associated with the Transport Scotland AO approval process, the Board noted that the probability score had decreased by one point to reflect recent improvements in the process. [Redacted]

50. In relation to the risk of SRH not yet having a Best Value framework in place, the Board noted that the probability score had increased to five. The Finance Director said that this would likely be raised [Redacted].

51. The Audit and Risk Manager said that the format of the risk register will develop over the next few months as the strategic plan and objectives develop, and alignment with CSL and ScotRail risks is undertaken to ensure proper escalation of risks to the SRH risk register where required. The Board asked that the recent strategic direction letter from the Cabinet Secretary for Transport be reviewed to assess whether this highlighted any additional risks. He said this will be discussed by the SRH executive team and submitted to the next meeting of the Board for discussion.

52. The Finance Director said that Transport Scotland approval had not yet been given for the additional SRH permanent resources, but progress had been made through the recruitment of interim staff. The Chief Executive said that there was still a lot of pressure on the executive team and the workload will likely increase as SRH progresses to get to where it should be. She informed the Board that she had requested an extension of three months to the [Redacted] and she confirmed that everything is ready to proceed to recruitment for the additional staff positions as soon as Transport Scotland approval is received.

53. Carolyn Griffiths said that there is currently no SRH executive level resource for safety and environmental matters and this was needed to provide oversight and challenge to provide support for SHEC. The Chief Executive said that she would consider this. Brian Baverstock said that lack of resources remains a critical risk for SRH.

Agenda Item 18: Chief Executive's Update

54. The Board considered the Chief Executive's update paper.

55. The Chief Executive said that she will be drafting the response to the recent strategic direction letter from the Cabinet Secretary for Transport and will consider and take account of the potential risks to deliverability of some of the requests in the letter.

56. The Chief Executive said that CSL had undertaken a feasibility study for [Redacted]. She said that this had been discussed at the meeting of CSL Board on 30 October and the list of key

actions for the project will be agreed at the next meeting of the CSL Board on 27 November and thereafter a formal update and options will be presented to the SRH Board.

57. In relation to staff engagement, the Chief Executive said that a staff group session had been held on 13 November, facilitated by the SRH Business Analyst which had been positive for staff. She said that team meetings are now more structured to give staff updates on work going on across the group and staff engagement sessions will be held soon in relation to development of the SRH strategic plan.

Agenda Item 19: SRH Group Operational and Performance Update

58. This item was to be covered under agenda item 14 where the Board agreed to carry this over to the next meeting of the Board.

Agenda Item 20: SRH Group Finance Update

59. The Board noted the SRH Group finance update paper.

60. The Board noted that the [Redacted] The Chief Executive referred to the recent strategic direction letter received from the Cabinet Secretary for Transport which included a requirement for SRH to deliver its business plans in the current year with a balanced budget. She said that she has a meeting scheduled with the Transport Scotland Chief Executive and Finance Director to discuss this issue and she would report the outcome to the Board.

61. The Finance Director said that he would be circulating the draft 2023/24 annual report and accounts next week to give the Board early sight of this and give the opportunity to provide comments before formal consideration by the Audit Committee on 9 December.

Agenda Item 21: Group Monthly Communications Report

62. The Board noted the Group Monthly Communications report.

Agenda Item 22: Board Planning Calendar and Board Lookahead

63. The Board noted the board meeting planning calendar and the lookahead paper.

Agenda Item 23: Any other business

64. The Board had no other business to discuss.

Agenda Item 24: Date of Next Meeting

65. The next meeting of the Board will be on 12 December 2024.