



## Minutes of Meeting

Scottish Rail Holdings Limited – Board Meeting

Thursday 19 September 2024, 12.00 to 17.30

Location: St Vincent Plaza / Via Teams\*

Present: Richard Cairns – Chair  
Graeme Cook – Chief Executive  
Carolyn Griffiths – Non-Executive Director  
Brian Baverstock – Non-Executive Director  
Roz Foyer – Non-Executive Director (until 3pm)  
Campbell Davidson – Finance Director  
John MacQuarrie – Rail Business Director

In attendance: Bill Reeve – Transport Scotland Director of Rail  
Jackie Bergen – Board Secretary

### Agenda Item 1: Notice, apologies, and quorum

1. The Chair welcomed everyone to the meeting.
2. There were no apologies. The meeting was quorate.
3. The Board noted that the permanent Chief Executive, Hannah Ross, would commence employment with SRH from 23 September 2024. The Board agreed to her appointment as an executive director of the SRH Board and as Chair of the ScotRail and CSL Boards and asked that the necessary companies house filings be made.

### Agenda item 2: Declarations of interests and conflicts of interest

4. Roz Foyer declared a conflict of interest in relation to item seven on the agenda, Rest Day Working, and absented herself from the meeting for this discussion. She also declared a potential conflict of interest in relation to part of item 16 on the agenda, ScotRail efficiencies, and left the meeting prior to this item being discussed.

### Agenda Item 3: Minutes from previous meetings

5. The Board approved the minutes of the meeting held on 22 August 2024 subject to amendments to paragraphs 13, 15 and 33, and an amendment under agenda item seven to note the Transport Scotland Director of Rail's request for efficiencies to be gained through the Alliance to be included as an efficiency initiative.

#### **Agenda Item 4: Actions and matters arising**

6. The Board considered the list of actions and matters arising from previous meetings. A Non-Executive Director said that some of the actions marked for closing should not be closed and she would provide detail of this after the meeting.

The Chair asked for the actions list to note the paragraph number of the minutes to which actions refer.

##### *Trade Union Recognition Agreement*

7. The Board noted that the Trade Union Recognition Agreement had been approved by the SRH Remuneration Committee and would be signed in the near future. A Non-Executive Director asked if the agreement could be sent to her for information. She said that clarity is needed on approval authority for SRH committees. It was noted that this would be addressed through the work of the task group on governance review.

##### *Whistleblowing Policy*

8. The Board noted previously that the draft Whistleblowing Policy would be considered by the SRH Audit and Risk Committee at its next meeting. The meeting had been set for 18 September 2024 and has been rescheduled to 22 October 2024. The Chief Executive agreed to issue a list detailing all SRH policies in place, in progress and still required.

##### *Update on Non-Executive Directors approved days*

9. The Board noted that all Non-Executive Directors had received formal notification of number of approved days per annum and all had given their consent for this information to be shared with the Finance Director.

##### *Audit Scotland meeting with Chair, ARC*

10. The Chair of the ARC informed the Board of a meeting he had with Audit Scotland in July. He said Audit Scotland, in its 2023/24 audit, will expect to see progress on the recommendations made from the 2022/23 audit and the ARC can provide a report on this. He said that, over and above the financial audit of the accounts and annual reporting statements, Audit Scotland has included in its audit plan for 2023/24 the following wider scope areas: Financial Management, Financial Sustainability, Vision, Leadership and Governance, and Use of Resources to Improve Outcomes.

11. The Chair of the ARC said that a new auditing standard will be in place from next year regarding group accounting and reporting and Audit Scotland will place more reliance on the external audit work for ScotRail and CSL. He said that he had asked Audit Scotland to find out why the external auditors for ScotRail and CSL were not appointed by the Auditor General. He said that the current external auditors for ScotRail and CSL only undertake audit work on the financial aspects of the accounts and do not undertake any audit work on the wider scope matters as noted above for the SRH external audit. He said that SRH should have an opinion on the appointment of external auditors for ScotRail and CSL and he would take this forward with Audit Scotland as part of the 2023/24 audit work.

12. A Non-Executive Director asked if Audit Scotland would be looking at safety aspects as part of its audit work. The Chair of the ARC said that he would share Audit Scotland's 2023/24 audit plan

with the Non-Executive Director and said that he did not expect the audit to go into the detail of safety matters.

#### *Framework Agreement and RACI Matrix review*

13. The Board noted that due to other business commitments the review of the framework agreement would be undertaken and submitted to the Board at its October or November meeting. The Chief Executive said that this work would be prioritised once the permanent Chief Executive commences employment.

14. The Chair said that the current Chief Executive will remain in SRH employment until the Christmas holidays to support the new Chief Executive assuming the role of Chief Operating Officer for that period, and he will be discussing task allocation and priorities with the Chief Executive. He said that he would share the outcome of these discussions with the Board in advance of the October Board meeting.

#### *Interim Gate Review Framework for Capital Projects*

15. A Non-Executive Director asked for this action to remain open until the framework was in place.

#### **Agenda Item 5: SRH Business Plan 2024/25**

16. The Board considered the draft 2024/25 business plan. The Board noted that this plan had been prepared in-year due to the timing of the recent approval of the 2024 to 2029 strategic plan, and that the plan for 2025/26 would be prepared and considered by the Board before submission to Transport Scotland before 10 January 2025. The Board also noted that the draft 2024/25 plan would be considered by the Strategic Rail Board at its meeting on 23 September.

17. The Chief Executive said that Transport Scotland had already provided useful feedback on the 2024/25 draft plan. He said that integrating and ultimately aligning the annual SRH business plan with the annual business plans for ScotRail and CSL would be a main focus for preparation of the 2025/26 plan and going forward. The Board discussed the draft 2024/25 plan and noted the following:

- The draft is for the period 1 April 2024 to 31 March 2025 and should include key achievements from 1 April 2024
- More detail of key metrics should be included
- Maximising the value of physical assets eg stations and the opportunities for partnerships and revenue generation should be included
- Mention of the work being undertaken on cost efficiencies, revenue generation, mapping of people skills and competencies, governance review should be included
- Ambitions on SRH Group shared services should be included
- Update the Alliancing section to record that the review of the alliance agreement has been completed and will be embedded in collaborative working

18. The Transport Scotland Director of Rail said that the targets in relation to subsidiary company performance need to be reviewed with the target date of 2029 needing to be brought forward. He said that the plan should include detail of the action SRH is taking to reverse the current trends in relation to performance. [REDACTED] He said that this can be covered more fully in the 2025/26 plan.

19. The Board noted that the deliverability of the SRH business plan was dependent on having the required staffing resources in place.

#### **Agenda Item 6: Levenmouth Services**

20. The Board considered the paper setting out the options for commencing a two trains per hour service from Leven to Edinburgh. [REDACTED]

21. [REDACTED]

22. The Board agreed that SRH must ensure that Scottish Ministers commitments are actioned and implemented by its subsidiary companies. A Non-Executive Director suggested that the Transport Scotland Director of Rail could provide a formal report to the SRH Board, at its monthly meetings, of the forward look for ministerial commitments and priorities which would assist SRH in ensuring that these are actioned timeously. The Board noted that the priority areas which form the basics of good rail management are performance, journey times, resource efficiency and increasing revenue and patronage. The Board agreed that the Chief Executive and Rail Business Director would review the implementation of the Leven project and take forward any actions from this with ScotRail to inform any future projects.

#### **Agenda Items 7 and 8: Rest day working payment and Lifting the temporary ScotRail timetable**

23. [REDACTED] .

24. The Chief Executive said that SRH has been working in-depth with ScotRail to identify efficiency savings to try and ease current year financial pressures [REDACTED]

25. The Board discussed the financial implications and timetable delivery implications, and associated risks, from the options in the papers and discussed the importance of the strategic priority for a full service timetable to be less reliant on rest day working. After discussion the Board agreed:  
[REDACTED]

#### **Agenda Item 9: [REDACTED]**

#### **Agenda Item 10: SRH Governance Review Task Group Update**

29. The Board noted that the first meeting of the SRH Group governance review task group had been held on 4 September 2024. The Chair of the task group said that the main issues from the initial discussion were:

- Effectiveness of company boards, current governance structure and the lack of independent non-executive directors on subsidiary company boards
- Potential conflicts of interest with SRH executive directors in role as non-executive directors of subsidiary company boards
- Clarification needed on roles, responsibilities and delegated authorities across the SRH group
- Duplication of work across the SRH Group
- Challenges of ensuring public sector ethos with commercial operating train companies

30. The Chair of the task group said that short papers will be prepared covering the main issues identified for discussion at the next meeting of the group in mid October. He said the current structure and the options for a new structure will also be discussed at a strategic level. He said the intention was for a draft report to be submitted to the Board at its November meeting but that may not now be a realistic timeframe. The Chair said that as a minimum, a paper should be submitted to the November Board setting out a summary of the issues discussed by the group any emerging options and a timetable for production of the report from the group.

#### **Agenda Item 11: Fleet Strategy Update**

31. The Board noted that the fleet strategy briefing session was being held on 20 September 2024.

#### **Agenda Item 12: SRH Risk Register**

32. The Board considered the SRH strategic risk register and noted the updates since the last meeting of the Board. The strategic risk registers for ScotRail and CSL had also been provided for the Board. The Finance Director said that interviews had been conducted for the SRH Audit and Risk Manager and a suitable candidate had been identified. He said that this recruitment was a positive move in the process to establish an SRH Group internal audit function.

33. In relation to risk scoring, the Finance Director said that consistency was needed across the SRH Group, and the Audit and Risk Manager would be taking this work forward. He said that the CSL risk management system was a good model, and the Audit and Risk Manager would be reviewing the systems for risk management and reporting to establish a consistent approach for the group. The Board noted that there should be collaboration between the SHEC and ARC committees to ensure that any safety risks that are escalated to strategic level are included in the SRH strategic risk register. The Chairs of both committees are looking at the process for this. The Chair said that detail should be included in the risk register to show the extent to which mitigating actions have been applied and the effectiveness of these actions.

34. [REDACTED]

35. A Non-Executive Director said that the Carmont fatal accident inquiry should feature on the strategic risk register. She said that SRH should be proactive and find out what the expectations from the inquiry will be for the SRH Group. She also informed the Board of various risks relating to safety that were being monitored and actioned through the SHEC committee and a deep dive review in relation to critical suppliers would be considered at the next meeting of the committee.

36. The Chair informed the Board, for information, that he had arranged an introductory meeting on 26 September with the Chief Executive of Scottish Engineering, ScotRail and Network Rail to start a discussion about the expectations from the supply chain and to explore any opportunities to increase the number and value of supplies from Scottish firms and firms based in Scotland.

37. The Finance Director informed the Board that there is a requirement for SRH to provide an annual report to Transport Scotland on any instances of fraudulent activity. He said that there had been three minor instances of fraud in ScotRail, and this had been discussed at the recent ScotRail Audit and Risk Committee meeting.

38. The Transport Scotland Director of Rail said that the SRH strategic risk register should include the risk to services of lower than required train performance. The Chair agreed with this and said that they key risks areas on performance should be broken down into separate categories.

39. In relation to the risk regarding capital funding delays, the Transport Scotland Director of Rail said that deliverability on previous capital spend has not been good and Transport Scotland needs to have confidence that capital projects will be delivered. The Finance Director said that the SRH Group Capital Investment Panel is making a difference in the capital funding approvals process and is aligning with the Team Scotland Execution Process (TSEP) systems and Pipeline Project Board approvals process. He said that this should provide more confidence around the capital spend programme. A Non-Executive Director said that there are serious risks around high value capital projects and getting this right. She said that a stage gate process is a vital mitigating system for capital projects to reduce the risk of failure to deliver.

40. The Transport Scotland Director of Rail said that the risk register should include the need to address efficiency savings, and the risk associated with not doing this. The Chief Executive said that he had discussed this at the recent ScotRail Audit and Risk Committee meeting and had asked for the Scot Rail risk register to be updated as the current wording of the risk of insufficient funding suggests that there is only one route for funding ie through Government subsidy, whereas the risk should cover all areas of funding ie to include increasing revenue and obtaining efficiency savings.

#### **Agenda Item 13: Committee updates**

41. The Chair of SHEC said she was preparing reports from SHEC to the ScotRail and CSL boards. She said that revised terms of reference for ScotRail SHEC had been agreed at committee and these would be submitted to the ScotRail Board for approval. She said that SHEC had considered a good report on Network Rail vegetation management, but she had asked for additional assurance on whether what was being done was enough. She said that work was on-going on the review of risks associated with signals passed at danger (SPADs) and she had arranged a presentation by the Irish Rail Security Adviser on combatting anti-social behaviour on trains. The presentation will be on 11 October via MS Teams.

#### **Agenda Item 14: Chief Executive's update**

42. The Board considered the Chief Executive's update paper. The Chief Executive said that the most significant points to note were:

- the work being done with ScotRail on efficiencies and revenue generation to address the current year RDEL pressures
- [REDACTED]
- On-going work to address ScotRail performance to get to optimal MAA
- CSL has recruited a Head of IT to lead the implementation of the IT transition work. This work requires an additional five members of staff to ensure that the project will not fail and is a critical spend to save recruitment which has already been budgeted for.

43. The Transport Scotland Director of Rail said that he was supportive of the request for additional critical staff for CSL and will seek to provide approval for this quickly. He asked if the proposed salary rates had been considered by the Remuneration Committee. The Chair of the, soon to be established, CSL Remuneration Committee said that the salary rates had been considered by the SRH Board.



### **Agenda Item 15: SRH Group Operational and Performance Update**

44. The Board considered the SRH Group Operational and Performance update paper. The Board discussed the negative trend on MAA performance and noted that it was essential for performance to be improved to obtain optimal MAA, and SRH and ScotRail should be doing everything possible to achieve this. The Board had an in-depth discussion of ScotRail performance and agreed that improvement action plans need to be put in place for the key parts of the business that need to improve performance, with executive director responsibility assigned for each plan, and the deliverability of each plan linked to the performance appraisal of the relevant executive director. The Board agreed that there has to be clear accountability in place for moving performance forward in all of the required areas. The Chief Executive will progress these matters with the new Chief Executive, the Rail Business Director and ScotRail.

45. The Board noted that once the SRH Group internal audit resource is in place, an internal audit review of performance management systems across the SRH Group should be undertaken.

### **Agenda Item 16: SRH Group Finance Update**

46. The Board noted the SRH Group finance update paper. The Board considered the list of ScotRail efficiency options and noted that all of the options were at initial build stage and business cases would be developed and submitted through the appropriate governance structures for decision on whether to proceed with the options, in due course.

47. The Transport Scotland Director of Rail gave the following points for consideration:

[REDACTED]

48. The Chief Executive said that the recent tripartite meeting with SRH, Transport Scotland and ScotRail to discuss efficiencies was very helpful and he said he would be setting up a similar meeting to discuss revenue generation. The Rail Business Director said that he had identified suitable rail bid writers to assist with the revenue generation work and he would be progressing matters with them in the coming week.

49. The Chief Executive said that even with the best assumptions, revenue generation may not be adequate to address the funding pressures [REDACTED] The Finance Director said that efficiencies and the need to keep looking for more, is a standing item on the agenda for the ScotRail Board. The Board gave its support to the Chief Executive and executive team to continue with the efficiencies and revenue generation drives.

### **Agenda Item 17: Group Monthly Communications Report**

50. The Board noted the Group Monthly Communications report.

### **Agenda Item 18: Board Lookahead**

51. The Board noted the lookahead paper.

### **Agenda Item 19: Any other business**

52. [REDACTED] This will enable SRH and Transport Scotland to properly assess the size of risk and opportunities for mitigation.

### **Agenda Item 20 – Date of Next Meeting**



53. The next meeting of the Board will be on 17 October 2024.