



## Minutes of Meeting

Scottish Rail Holdings Limited – Board Meeting

Thursday 6 February 2025, 12.00 to 16.45

Location: St Vincent Plaza / Via Teams\*

Present:               Iain Docherty – Chair  
                          Hannah Ross – Chief Executive  
                          Carolyn Griffiths – Non-Executive Director  
                          Brian Baverstock – Non-Executive Director  
                          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  
                          [Redacted] – Board Secretary

Apologies:           Neil Amner – General Counsel

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

1. The Chair welcomed everyone to the meeting. The Chair said that he was pleased to join the SRH Board and extended his thanks to the previous Chair, Richard Cairns, for his dedication, commitment and contribution to Scotland's Railway during his tenure as SRH Chair.
2. Apologies were noted. The meeting was quorate.

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

3. Roz Foyer declared a potential conflict of interest in relation to agenda item 11, ScotRail pay talks strategy, and said that she would recuse herself from the meeting for that discussion.

### **Agenda Item 3: Minutes from previous meetings**

4. The Board approved the minutes of the meeting held on 12 December 2024.

### **Agenda Item 4(a): Actions and matters arising**

5. The Board considered the list of actions from previous meetings and agreed to close actions 44, 45, 49 and 50.
6. In reference to action 5, paper for the Board on potential impact on ScotRail [Redacted] the Board noted that a meeting still had to take place between ScotRail [Redacted] to discuss this matter. The Board agreed to close this action and move it to the Board planner.
7. In reference to action 11, Leven and East Kilbride projects, the Board noted an update was provided in the Chief Executive's report. The Board agreed to close this action, and further updates will be provided through the Chief Executive's Report at future Board meetings.

8. In reference to actions 24, 46 and 47, all relating to performance reporting to the Board and the data required for this, after discussion the Board agreed to close these actions and that performance reporting to the Board should be done through the Chief Executive's report. The Chief Executive will send to the Board by email proposed headings for performance reporting and thereafter agree the categories of data that will be required to support the reports, this should be added as a new action.

9. The Board also agreed that for future meetings the format for the main items on the Board agenda should be:

- Chief Executive's Report
- Safety
- Performance
- Finance
- Compliance

10. In reference to action 36, process for submitting capital investment panel business cases to the Board for approval, the Chief Executive said that the SRH Capital and Other Projects Lead had been redeployed on other work over the past few months and should be back in post to work on the capital projects programme in the near future. She said that work was ongoing to secure resources from Network Rail to assist with the alignment of SRH Group capital projects in the Transport Scotland TSEP process. She said that Network Rail had been using this process for a number of years and their experience would be beneficial to SRH to work towards a single focus outlook for capital projects for Scotland's Railway. A timeline for action 36 should be considered when additional resources are in place.

11. In reference to action 48, Board self-assessment, Brian Baverstock said that he would take this work forward. The Board agreed to close this action and add it to the Board planner.

12. In relation to action 51, new fleet procurement, the Board noted the update and the two remaining action points would be carried over to the next meeting.

13. The Chair referred to paragraph 71 of the previous minutes and asked about the risk management process. The Chief Executive explained the position within the SRH Group and said that the SRH Audit and Risk Manager was developing a risk management strategy for SRH. This will be considered by the Audit and Risk Committee at its meeting on 12 February 2025. The Chair asked for the strategic risk register to be emailed to him. The Chair also asked for a summary of the CSL coach cracking issues to be sent to him.

#### **Agenda Item 4(b): Ratification of SRH Board December 2024 approval decisions by correspondence**

14. The Board considered the paper from General Counsel seeking ratification of decisions made, outwith the normal Board meeting cycle, by Directors of all three SRH Group Boards, by correspondence in mid to late December 2024. The Board noted that some of the decisions, taken in the best interests of the organisation, were taken by a majority of the Boards, but the Articles of Association require decisions outwith a meeting to be unanimous. The Chief Executive apologised to the Board for the incorrect approach that had been taken and said that some of the urgency of the requests relating to capital spend may have arisen due to inadequate planning. She said that going forward, the work of the capital investment panel will provide better planning and capital spend requests will be built into the normal Board meeting schedules. The Board agreed that if any true urgent matters arise requiring Board decision, special meetings of the relevant Board will be called. After discussion the Board agreed: to remit back to CSL and ScotRail Boards decisions taken by correspondence for ratification, to ratify SRH Board decisions taken, and for the Chief Operating Officer to provide clarity on the current decision position in relation to works at Haymarket.

#### **Agenda Item 5: Proposals on inflationary increases for Managing Directors and [Redacted]**

15. The Board considered the paper from the CSL Remuneration Committee recommending an inflationary increase of 3% for the CSL Managing Director effective from 1 April 2024. The Board agreed with the recommendation and approved the increase. The Chief Executive will take this forward to obtain Transport Scotland approval.

16. The Board considered the paper from the ScotRail Remuneration Committee recommending:

- an inflationary pay award of 3%, applied to the Chief Operating Officer salary from 1 April 2024, should awarded to the ScotRail Interim Managing Director.
- [Redacted]
- [Redacted]

17. [Redacted]

18. [Redacted]

19. [Redacted]

20. [Redacted]

21. [Redacted] The Board agreed the inflationary pay increase of 3% for the interim Managing Director's substantive post of Chief Operating Officer from 1 April 2024 to the date she took up the interim promoted post.

#### **Agenda Item 6: SRH Executive pay inflationary increase 2024/25**

The Rail Business Director and the Finance Director left the meeting for this discussion.

22. The Board considered the paper setting out a recommendation to award the SRH executive an inflationary pay award of 2% from 1 April 2024 and 1% from 1 January 2025, in line with the pay awards made to non-executive staff. The Board noted that this pay increase only affected the Rail Business Director as all other members of the executive team had been in post for less than 12 months. The Board agreed with the recommendation and approved the inflationary pay increase.

23. The Chair said that pay harmonisation was needed on executive pay across the SRH Group. The Chief Executive said that she had initiated work on this with the CSL and ScotRail Managing Directors.

#### **Agenda Item 7: Governance review task group**

24. The Board considered the paper from the Governance Review Task Group setting out proposals for change to the SRH Group governance structure.

25. Brian Baverstock said that the review group had met on 3 February to consider the paper which proposed to recommend to the Board a [Redacted]. He said that the review group did not reach a consensus on the recommendations, but the following main points were agreed:

- the composition of the three existing Boards is not compliant with normal public sector arms length body boards where all directors are non-executive, with the exception of the Chief Executive
- [Redacted]
- [Redacted]
- The skills and experience requirements for non-executive directors would need to be looked at to ensure a good level of independent scrutiny

- [Redacted]

26. Brian Baverstock said that the work of the governance review group has now been completed and suggested that a paper should be submitted to the next meeting of the Board covering the pros and cons of having [Redacted]

27. The Board agreed that the matters raised required in-depth discussion by the Board and asked for a day session to be set-up to facilitate this before the next meeting of the Board on 6 March.

28. The Transport Scotland Director of Rail said that he welcomed these matters being addressed as ensuring the right governance system is necessary for the success of the SRH Group. He said that the Board should also include in its discussions the importance of the Alliance and that any proposals for change would need to be rail reform tolerant.

29. Brian Baverstock said that he would like to give credit to the work undertaken by the SRH Chief Operating Officer and the SRH Business Analyst for the governance review group.

#### **Agenda Item 8: Group Tax Strategy Review**

30. The Board considered the paper recommending approval of the SRH Group tax strategy for the financial year ending 31 March 2025. The Board approved the tax strategy and authorised the Finance Director to instruct ScotRail and CSL to comply with the SRH Group Tax Strategy and publish a copy on their websites.

#### **Agenda Item 9: SRH draft strategic plan and 2025/26 business plan**

31. The Board considered the draft strategic plan for 2025 to 2023 and the draft business plan for 2025/26.

32. The Chief Executive said that she had received comments on the plans from Transport Scotland and these were included in the papers. She said that she welcomed feedback from the Board which she would take onboard and submit the final drafts to the Board at its next meeting for approval before submission to TS for final approval by 31 March 2025. She said that the delivery timescales have not yet been incorporated in the drafts as she needs the SRH organisational design review work to conclude first but she said that she would include a plan for the Board on the timescales required to get to this.

33. The Board had the following comments on the plans:

- The forewords to the plans should be from the Board
- The annual plan should be annual business plan not annual strategic plan
- More reference should be made to the views of passengers
- Careful reflection should be given to the resources required to achieve everything set out in the plans
- The wording did not fully reflect the public sector status and ethos of Scotland's Railway
- SRH resource for safety should be built into the organisational design

34. The Chief Executive said that going forward she will be instructing preparation of the next annual business plan (2026/27) so that it can be submitted to the Board in October 2025 for approval and that can then feed into the annual business plans for ScotRail and CSL so that there is complete alignment of the SRH Group business plans.

#### **Agenda Item 10: SRH draft budget 2025/26**

35. The Board considered the draft budget for SRH for 2025/26 and noted that the SRH Group budget for 2025/26 will be submitted to the next meeting of the Board for approval.

36. The Chair said that the requirement for [Redacted] is an emerging outcome of the governance review and provision for [Redacted] should be built into the budget. It was noted that the costs for non-executive directors should be separate from payroll costs as non-executive directors are not classified as staff.

37. Carolyn Griffiths asked if the work being undertaken by the SRH Business Analyst would require additional staff and if this should be reflected in the budget. The Chief Executive said that the budget includes the provision for the 10 additional staff previously agreed by the Board and if any additional staff was required the costs would need to be found from efficiencies. The Transport Scotland Director of Rail said that the Board should also give more thought to the use of staff resources that it has throughout the SRH Group rather than just looking at the resources within SRH as a single entity.

38. Brian Baverstock said that he would have preferred to see the subsidiary company draft budgets also rather than look at the SRH Budget in isolation. He said that assurance is needed that subsidiary company application of resources is being used in alignment with SRH strategic and business plans. The Chief Executive said that the SRH Executive has reviewed the subsidiary company business plans and they are based on the National Transport Strategy and she is working with the subsidiary companies to ensure full alignment in business planning for 2026/27 and beyond.

#### **Agenda Item 11: ScotRail pay talks strategy**

Roz Foyer declared a potential conflict of interest and left the meeting for this discussion

39. The Chief Executive said that a pay talks strategy paper had been considered by the ScotRail Board at its meeting on 23 January. [Redacted] She referred to the pay process for last year's pay awards and the action taken to clarify the process to make for a smoother and more efficient process for this year. She said that a process has been drafted by SRH which includes giving the Chief Executive delegated authority [Redacted] if needed at that stage, and to avoid the numerous remuneration committee and board meetings that had to take place last year.

40. The Rail Business Director said that he had a helpful meeting with Transport Scotland to discuss the draft pay proposals and he wanted to engage with ScotRail to discuss Transport Scotland feedback [Redacted]

41. The Chief Executive said that prior to the last ScotRail Board she had asked ScotRail to work with the SRH Culture and People Lead to develop the pay strategy [Redacted]

42. The Board [Redacted] passed a special resolution supporting the Chief Executive in instructing ScotRail to engage with SRH to prepare an updated paper on the pay strategy for the ScotRail Board.

#### **Agenda Item 12: SRH Organisational design**

43. The Chief Executive said that work was being done on a new organisational design for SRH which will focus more on delivery of business plan commitments. She said that there will be a set staff structure for the core business functions eg finance, and there will be a more project based approach to staffing where resources from other parts of the public sector can be brought in to assist eg CSL, ScotRail and Visit Scotland to assist with the tourism strategy. She said that as Chief Executive she can determine the structure required for business delivery, but she would keep the Board up to date with progress.

#### **Agenda Item 13: Requirements to develop SRH Group executive pay reform**

44. This agenda item was covered under the discussion of agenda item 6.

#### **Agenda Item 14: Fleet procurement update**

45. The Board noted the paper setting out an update on the [Redacted] fleet procurement activities.

46. [Redacted]

#### **Agenda Item 15: Train performance monitoring strategy – PPM trajectory**

47. The Board considered the paper setting out the status of delivery of train performance for the year, the contribution of ScotRail and the actions planned by SRH.

48. The Rail Business Director said that ScotRail is behind target in its annual performance plan for the following main reasons:

- delays and cancellations associated with the temporary timetable that was implemented between July and October 2024 because of fewer Drivers than normal being available to work rest days and overtime
- delays and cancellations associated with shortage of traincrew
- the reliability of the fleet has been short of the standard that is required to deliver the performance plan

49. The Rail Business Director said that there have been other issues such as turnover of staff and delivering capital spend projects which have affected performance. He said that ScotRail has taken action in mitigation of this in recruiting more staff, particularly to the engineering directorate and an improved focus in the engineering team on project delivery. He said that SRH will continue to work with ScotRail and enhance SRH monitoring of the performance improvement plans, including accessing the full delivery programme and delivery of this.

50. Carolyn Griffiths said that the ScotRail Board has the opportunity to submit comments on the ScotRail draft business plan by 7 February and the focus for the next year should be placed on what ScotRail needs to get on track with the performance trajectory.

51. The Chair said that thought should be given to how the Board should address the under performance and suggested that the ScotRail Managing Director has a meeting with the Board or attends a Board meeting to discuss this.

#### **Agenda Item 16: ScotRail revenue protection**

52. The Board considered the paper setting out progress on reducing ticketless travel on ScotRail trains. The Board noted that ticketless travel had decreased from 8.8% in April 2022 to 3.9% in September 2024. The Board noted the initiatives that were planned for 2025 to reduce this further.

53. The Rail Business Director said that he had informed the SRH Board at its November 2024 meeting of a proposal from ScotRail for [Redacted]

54. The Chief Executive said that the role of the SRH Executive is to work with ScotRail executives to develop policy and proposals before submission to Boards for approval to give the SRH Board assurance that options had been given full consideration and that proposals were in line with Scottish Ministers requirements. She said that she would discuss this with the Managing Director to develop a more collaborative working approach. The Board agreed with this approach.

#### **Agenda Item 17: Carmont FAI update**

55. The Chief Executive said that General Counsel had issued an email with an update on the Carmont FAI.

56. [Redacted]

57. [Redacted]

58. The Chair asked if a summary briefing note on the FAI could be prepared and sent to him and he would also discuss this with General Counsel next week.

**Agenda Item 18: Committee updates**

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

**Agenda Item: 19 Chief Executive's update**

60. The Board noted the Chief Executive's update report.

61. The Chair referred to the current position with the East Kilbride project and the Chief Executive's recent correspondence with Transport Scotland regarding timescales for achieving a 100% electric train service. [Redacted]

62. Carolyn Griffiths said that a special meeting of CSL SHEC had been held on 16 January 2025 with four key actions having progressed by CSL. She said that she had not yet had a response on those matters and had followed up by email to the CSL Managing Director and Director of Operations. She said that she would send her email to the Board for awareness.

**Agenda Item 20: Operational performance update**

63. The Board noted the operational performance update report.

**Agenda Item 21: Finance update**

64. The Board noted the finance update.

**Agenda Item 22: SRH Group monthly communications report**

65. The Board noted the monthly communications report.

**Agenda Item 23: Any other business**

66. The Chair raised the matter of major incident response responsibility and cyber security responsibility. The Chief Executive said that General Counsel was taking forward work on cyber security with ScotRail and CSL.

67. Carolyn Griffiths said that at the meeting of ScotRail SHEC on 5 February, the Committee had approved the safety audit plan which will be submitted to the ScotRail Board. She said that the Committee had also considered work plans for [Redacted] and she has asked the ScotRail executive team to rework these and bring them back to the Committee for approval.

68. Carolyn Griffiths said that the SHEC also obtained a plan for [Redacted] The Chief Operating Officer said that he was meeting ScotRail Procurement on 7 February to discuss the procurement process for some of the [Redacted] projects.

**Agenda Item 24: Date of next meeting**

69. There will be a special meeting of the Board on 25 February 2025 to discuss the Intercity fleet procurement invitation to negotiate. The next regular meeting of the Board will be held on 6 March 2025.