

Minutes of Meeting

Scottish Rail Holdings Limited – Board Meeting

Thursday 3 April 2025, 12.00 to 18.55

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
 Neil Amner – General Counsel and Company Secretary
 Graeme Cook – Chief Operating Officer
 Campbell Davidson – Finance Director

In attendance: Bill Reeve – Transport Scotland Director of Rail
 Graham Kelly – CSL Commercial and Procurement Director
 Joanne Maguire – ScotRail Managing Director
 [Redacted] – Culture and People Lead (for item 15)
 [Redacted] – Audit and Risk Manager (for item 10)
 [Redacted] – Head of New Fleet Procurement and Delivery (for item 13)

Apologies: John MacQuarrie – Rail Business Director
 [Redacted] – Board Secretary

Agenda Item 1: Notice, apologies, and quorum

1. The Chair welcomed everyone to the meeting.
2. Apologies were noted. The meeting was quorate. The Chair noted that all attendees had consented to this meeting being recorded to allow the Board Secretary to prepare the Minutes upon her return from leave, on the basis that the recording on the recording device would be deleted immediately upon the Minutes being drafted.

Agenda item 2: Declarations of interests and conflicts of interest

3. Roz Foyer declared a conflict of interest in relation to part of item three of the agenda, and item six of the agenda, Pay Mandate ScotRail and CSL, and recused herself from the meeting for that discussion.

Agenda Item 3: Minutes from previous meetings

4. The Board noted that the draft minutes of the meeting held on 6 March 2025 had been circulated to the Board on 10 March 2025 with no comments received. Some minor amendments had been suggested prior to the meeting and the Board agreed that the draft should be recirculated by email to Board Members for approval.
5. The Board considered the unredacted draft minutes of the special Board meeting held on 25 February 2025. Roz Foyer declared an interest in relation to part of the minutes and recused herself from the meeting.

6. The Board noted that the draft minutes had been circulated by email and General Counsel confirmed the amendments shown in tracked changes at paragraphs 26 and 27 of the draft in the Board pack. The Board approved the minutes subject to (a) the insertion of “SRH” before “Board” in paragraph 27 and (b) Brian Baverstock confirming he was content with the amendments from the version initially circulated.

7. Roz Foyer re-joined the meeting and confirmed that she had viewed the redacted version of the minutes and was content with these.

Agenda Item 4: Actions and matters arising

8. The Board considered the actions arising from previous meetings.

Action 51: New Fleet Procurement

The Board noted that this would be discussed under item 13 of the agenda.

Action 11/2025: Performance Plan ScotRail

The Board noted that it would likely be around six weeks for the joint improvement work plan to be available.

Action 12/2025: Structure CE Report Appendices

The Board noted that revision had been made to some of the appendices to the Chief Executive’s report. The Chief Executive said that she was happy to take suggestions for further amendment as and when Board Members thought it necessary. Close action.

Action 13/2025: CSL Staff Grievance Settlement Position

The Chief Executive confirmed that [Redacted], and Brian Baverstock would be informed in the event that [Redacted]. The Chief Executive undertook to brief Roz Foyer separately given the sensitive nature of the matter.

Action 14/2025 and 15/2025: CSL Staff Grievance Notification to SHEC

General Counsel confirmed that he had actioned this matter. He confirmed that the report from the legal review will be shared with SHEC when it is available. Carolyn Griffiths said that a lessons learned review should also be undertaken to ensure timely notification to Board and SHEC of such matters in the future. Close action.

Action 16/2025: Action ScotRail Managing Director Pay Increase

The Chief Executive confirmed that this action had been completed. Close action.

9. In relation to the CSL coach cracking issues discussed at the previous meeting of the Board, the Chair said that good progress had been made. He thanked Carolyn Griffiths for the vast amount of work she had undertaken and the expert input that she had given on this matter and for going above and beyond in her role as a non-executive director. He said that a letter had been received from [Redacted] and the attestation statement had been received from [Redacted]. He said that while assurance could be taken from the [Redacted] letter there were some outstanding matters which would continue to be pushed for progression. He said that a meeting had been arranged with CSL for 25 April 2025 that he would attend with the Chief Executive where a timetable would be requested for completion of any matters still outstanding at that date.

Agenda Item 5: Chief Executive's Report

10. The ScotRail Managing Director and the CSL Commercial and Procurement Director (deputising for the Managing Director) joined the meeting. The Chair welcomed both to the meeting and confirmed that both Managing Directors would be invited to the monthly SRH Board meetings going forward.

11. The Board considered the Chief Executive's report and appendices.

12. The Chief Executive said that ScotRail and Network Rail are preparing a joint performance improvement plan that will be available in around six weeks. She said that the original target for Scotland Train Performance Measure (STPM) for year two of the control period was 91.24, however this target was considered unrealistic given the performance position at the end of year one of the control period. She said that through discussion with ScotRail, Network Rail, SRH and Transport Scotland it has been agreed for a recovery plan target for year two to be set at 90.7 STPM with a view to increasing this if it is achievable as the year progresses.

13. The Chief Executive said that she had commissioned a gateway review on the new fleet procurement programme. She said that she has had meetings with the review panel every evening and the initial reflections are that the programme [Redacted] across the SRH Group. She said that she will likely receive the draft report from the review on 4 April and she would submit the report to the next meeting of the Board with a plan to deal with issues raised in the report.

14. In relation to the UK Government consultation on the forthcoming Railways Bill, the Chief Executive said that the SRH Group would not be submitting its own response to the consultation as this would be dealt with by Transport Scotland. The Transport Scotland Director of Rail said that government departments don't respond to another government department's consultation as such but rather responses are dealt with at Ministerial level.

ScotRail and CSL Outlook

15. The Chair invited the ScotRail Managing Director and the CSL Commercial and Procurement Director to give the Board an overview of the outlook for the next quarter and highlight any matters that they would like SRH to consider.

ScotRail

16. The ScotRail Managing Director thanked the Board for the opportunity to attend the Board meeting and highlighted the following:

- Significant focus has and is being placed on improving performance and growing revenue
- The last few periods have seen a decline in revenue from the leisure market, this is being seen across all sectors and not just rail
- This decline is modelling an adverse variance in budget of [Redacted] going into period one of 2025/26
- The Easter holiday period is a significant opportunity for leisure rail travel to increase particularly if there is good weather
- Marketing campaigns are being rigorously progressed to grow revenue
- Schedule 17 implementation was completed by end March 2025 and this will free up more staffing resources to focus on revenue collection
- Additional revenue growth streams are being developed through marketing ScotRail's estate and the use of station space
- Transport Focus surveys are showing positive customer satisfaction results with nine out of ten customers surveyed being content with ScotRail services

- Despite the temporary reduction in the STPM performance target, ScotRail is committed to increasing performance [Redacted]
- Some of the biggest challenges to performance are train crew and an ageing fleet
- Securing early agreement on the pay awards will avoid industrial action which has a significant effect on performance and revenue
- ScotRail welcomes the support being given by SRH and Transport Scotland to secure early agreements on pay
- Capital improvement plans to support the ageing fleet are being taken forward with the support of SRH
- The new Engineering Director commences employment 22 April and ScotRail will retain the part-time services of the interim Engineering Director for a six month period to ensure dedicated focus on delivery of capital projects

17. The Board discussed the [Redacted] improvement and asked the Managing Director for information on the plan to achieve this.

18. The Managing Director said that one of the key elements of the plan is that rather than focusing on one high level performance target across the business, this is being broken down into sectors split by delay incidents and delay minutes to develop targets for each depot, which are then broken down by route. She said that this makes clear where responsibility for achievement of targets across the business and the setting of improvement plans lies.

19. The Chief Executive said that SRH is working with ScotRail and Network Rail to analyse performance data and the recovery target plan. She said that a report will be prepared on monitoring progress on the performance recovery target plan, and this will be reported to the Board.

20. The Transport Scotland Director of Rail said that he welcomed ScotRail's focus on improving performance and growing revenue. He said that he welcomed the marketing initiatives but noted that these appeared to cover existing markets. He said that CSL had been innovative in penetrating new market areas and suggested that ScotRail may wish to consider sharing this approach. He asked ScotRail to consider strategic initiatives for capacity and capability regarding the maintenance programme and supply base to assist in increasing performance targets.

21. The Chair said that consideration should be given in the near future on [Redacted]. The Transport Scotland Director of Rail said that Transport Scotland would welcome proposals on this.

CSL

22. The CSL Commercial and Procurement Director thanked the Board for the opportunity to attend the Board meeting and highlighted the following:

- Significant progress has been made in relation to coach cracking since the last meeting of the Board with the attestation certificate having been received, the interim modification fitment programme progressing well and coaches being returned to service
- Visual inspections on all coaches is being undertaken on a weekly basis and the second round of non-destructive testing is being undertaken
- [Redacted]
- [Redacted]
- In relation to the transition programme, the system went live on 1 April and the finance systems have been fully transitioned and are live which is a significant achievement
- The human resource system will go live next week

- The system will have a positive impact on the business and provide information to hand rather than relying on a third party to provide this
- The locomotive procurement project, which is the biggest single procurement activity to be undertaken by CSL, has commenced for four main service areas: provision of locomotives, drivers, maintenance and operational control
- [Redacted] parties have so far indicated an interest in the procurement
- The pre-qualification stage will end in mid-April then engagement with qualified parties will commence

23. In relation to the interim modification costs, the Commercial and Procurement Director confirmed that the costs of the modification on cracked coaches would be [Redacted]

24. The Board congratulated CSL on the transition project and noted its thanks for all the hard work undertaken in relation to the interim modification.

Agenda Item 6: Pay Mandate ScotRail and CSL

25. Roz Foyer had declared a conflict of interest and left the meeting for this discussion.

26. The Board considered the paper requesting a pay mandate from SRH for ScotRail and CSL to allow them to enter into pay negotiations with the trade unions. The Board had agreed at its meeting on 25 February for a mandate to be sought from Transport Scotland. The Board had also requested [Redacted]

27. The Chief Executive confirmed that Transport Scotland had issued to SRH a pay mandate for ScotRail and CSL for a [Redacted] The Chief Executive said that the Board should now take the decision on the terms of the mandate to be extended to ScotRail and CSL.

28. Brian Baverstock said that the [Redacted] had been considered in-depth at a joint meeting of the SRH and ScotRail Remuneration Committees on 28 March, and the recommendation from the Committee was to agree to support a mandate being issued to ScotRail and CSL under the terms received in the mandate to SRH from Transport Scotland.

29. Carolyn Griffiths referred to previous discussion by the Board on whether [Redacted] should be discussed as part of the pay negotiations with the trade unions and asked what the current thinking was on this.

30. The Chief Executive said this was discussed at by the Remuneration Committee where it was noted that:

- The pay negotiations are for inflationary pay increases. [Redacted]
- [Redacted]

31. Brian Baverstock said that the main focus of the discussions at the Committee were the matters discussed at the special Board meeting on 25 February and [Redacted] He said that for the reasons mentioned above and to reduce the risk of industrial action, which has a huge negative impact on performance and revenue, the Committee is recommending to the Board [Redacted]

32. [Redacted]

33. The Chair referred to the paper under consideration and asked if the Board was willing to approve the recommendations. The Board approved the recommendation for a pay mandate to be issued to ScotRail and CSL under the same terms as the mandate received from Transport Scotland.

34. The Chair said that the remaining agenda items will be taken in an order to accommodate time rather than to follow the agenda.

Agenda Item 15: People and Culture Strategy

35. The Culture and People Lead joined the meeting for this item.

36. The Culture and People Lead presented the People and Culture Strategy to the Board. The Board noted that the strategy would be implemented to enable delivery of the 2025/26 Business Plan and the 2025 to 2030 Strategic Plan.

37. Roz Foyer said that she welcomed the strategy, and this should evolve into a group strategy with the expertise and good work being undertaken by the subsidiary companies feeding into the group approach. The Culture and People Lead said that the first element of this work was to provide clarity and ownership for staff within SRH. She said that that work has been well received by staff and is on-going to ensure that the right people are in the right teams to take forward the business plan commitments. She said that she is working with the subsidiary companies and a collaborative approach for the group will evolve.

38. The Chair said the strategy was well presented and thanked the Culture and People Lead.

Agenda Item 7: 2025 to 2030 Strategic Plan Approval

39. The Chief Executive said that the Board had considered the draft strategic plan at its meeting on 6 February 2025, and she had sent by email a revised version to the Board on 21 March for approval prior to the meeting with the Cabinet Secretary. She said that the plan now needs to be published on the SRH website, and she was seeking Board formal approval of the plan.

40. The Board approved the Strategic Plan for 2025 to 2030.

Agenda Item 9: Framework for Control of Major Capital Projects

41. The Board considered the proposed framework for the control of major capital projects.

42. The Chief Operating Officer said that as the SRH Group had no single process for the control of major capital projects the SRH Board had requested that this be taken forward. The ScotRail Managing Director had agreed for her team to work closely with SRH, CSL and Carolyn Griffiths to prepare a draft process for the SRH Group. He said that due to the difference in size of the CSL business compared to ScotRail, CSL was currently looking at the process to adapt it in a proportionate way to best fit the CSL business.

43. The Board noted the following points:

- Fair work controls need to be included in all projects, these are detailed in the procurement policy that underpins all major capital projects rather than in the framework document
- Assurance is required on which measures are used to confirm fair work practices are being followed
- Assurance measures should be in the process to ensure that potential problems are highlighted early enough for the Board for preventative action to be taken
- Robust challenge has been built in at all key stages in the process
- Confidence that the process will flush out relevant issues at the right forums
- The Board needs to be well sighted on a clear plan for decisions and timings for all major projects, and assurance stages should be set out on a high level dashboard report for the Board
- Consideration should be given to the appropriate stage for independent review being brought in when project delivery is in flight
- Ensuring capability and experience is crucial in the delivery of major capital projects
- Benefits realisation based procurement is of paramount importance

- The importance of engagement with the Sponsor Department at key stages needs to be clear
- Wider monitoring and lessons learned is an important aspect of any strategy

44. The Chief Operating Officer said that the points discussed were helpful some of which were already captured in other documents that support the framework. The Board approved the framework.

Agenda Item 13: New Fleet Procurement: Escalation Criteria and Terms of Reference for PAG and FROG

45. The Head of New Fleet Procurement and Delivery joined the meeting for this item.

46. The Board noted the update on progress with the intercity fleet procurement, namely:

- The pre-qualification stage had concluded
- [Redacted]
- [Redacted]
- Confirmation was needed from Transport Scotland to inform the bidders of the results of the pre-qualification stage

47. The Board discussed the matter of proceeding with the procurement [Redacted] and noted that the invitation to negotiate would be discussed and approved by the Board. The Chief Operating Officer said that the procurement strategy would need to be adjusted to reflect [Redacted] and then robust market engagement would take place to determine [Redacted] can feasibly provide against the new fleet needs. He said that it was not possible at this stage to determine the specifics of the product required as the market engagement would need to be conducted to determine what is feasible. He referred to the briefing given to the Board in February where the high level key product requirements were discussed as being to provide [Redacted]

48. In relation to the document setting out the heads of terms for the Lease and the TSSSA the Board discussed this in detail with some Board Members content to approve as it was just the principles being approved and other Board Members requiring more discussion and information on the difference between this document and previous TSSSA terms. After discussion it was agreed that additional information would be provided on the difference in the heads of terms from previous TSSSA terms and the document would be circulated to the Board by email for approval by 8 April.

49. The Board considered the terms of reference for the Procurement Assurance Group (PAG) and the Fleet Replacement Oversight Group (FROG). The Board noted that both groups were assurance groups and not decision making groups.

50. The Board approved the terms of reference for PAG.

51. There was in-depth discussion of the terms of reference and the constitution of the FROG during which the Head of New Fleet Procurement and Delivery left the meeting. [Redacted] After full and lengthy discussion, it was agreed that the Chief Executive would seek the views of the Gateway Review panel on this matter and a special meeting of the Board would be convened to discuss the view of the panel and to discuss this matter further.

52. The Board's decision on the recommendations in the paper were:

- The terms of reference for PAG were approved
- The terms of reference for FROG were not approved
- The risk escalation thresholds for the intercity procurement were not approved as dependant on the resolution of FROG terms of reference. It was noted that approval was only being sought for the procurement phase; the development phase may be different.

- The closure of the PQQ stage on the intercity procurement was noted
- The Board decided that the bidders should be notified of the outcome of the PQQ stage of the intercity procurement, whilst noting that (as a separate matter) TS sanction to do so was still awaiting.
- A commentary on the key principles for the heads of terms for the lease and the TSSSA would be prepared and issued to the Board with a view to the heads of terms for the lease and TSSSA being approved by the Board by correspondence by 8 April
- The approach for the initial ITN and engagement stage of the procurement is to be agreed by correspondence.
- Whilst the Board (once TS allow it) wish bidders to be notified of the PQQ outcome, the Board directed that no dialogue should be entered into with [Redacted] until the Initial ITN was approved and issued (the target date for which is 24th April 2025).

The Head of New Fleet Procurement and Delivery, having rejoined the meeting for the Board's decision on the recommendations of the paper, left the meeting.

Agenda Item 10: Risk Management Strategy and Risk Appetite Statement

53. The Audit and Risk Manager joined the meeting for this item.

54. The Board noted that consideration of the Risk Management Strategy and the Risk Appetite Statement had been deferred from the previous meeting of the Board due to time constraints. The Board noted that these had been discussed in-depth by the Audit and Risk Committee who had recommend approval to the Board.

55. The Audit and Risk Manager presented the strategy and risk appetite statement to the Board. The Board noted that the strategy was clear and concise and approved the strategy.

56. The Board was content with the risk appetite statement apart from Carolyn Griffiths who said that she did not have this document and had not reviewed it. The Board agreed that the statement should be sent again to Carolyn Griffiths to give her time to review it and reconsidered by the Board at the special meeting to be convened.

Agenda Item 16: ScotRail and CSL Gender Pay Gap Reports

57. The Chief Executive said that these reports were factual reports required under the Public Sector Equality Duty and there was a statutory requirement to publish these by 30 April 2025 and every two years thereafter. She confirmed that these had been noted by the ScotRail and CSL Boards.

58. The Board noted the reports.

The ScotRail Managing Director and the CSL commercial and Procurement Director left the meeting.

The Chief Executive and the Transport Scotland Director of Rail left the meeting to speak to the gateway review team. The Transport Scotland Director of Rail returned after 10 minutes. The Chief Executive returned after 50 minutes, towards the end of Agenda item 11.

Agenda Item 11: SRH Group Budget 2025/26

59. The Board considered the budget for 2025/26 for the SRH Group.

60. The Finance Director presented the budgets for 2025/26 for SRH, ScotRail and CSL to the Board and noted that the budget allocation letter from Transport Scotland had not yet been received. He said that all budgets include provision

for business plan commitments. He said that he was content with the budget for SRH and for CSL but had concerns regarding the ScotRail budget in respect of revenue. He said that the base revenue budget for 2025/26 is based on the final quarter revenue for 2024/25 which saw a downturn in revenue resulting in period one of 2025/26 having an adverse effect of [Redacted]. He said that ScotRail's explanation for this was a downturn in the leisure market and the current economic environment. He said that if these negative trends continue and, [Redacted]. He said that this was an area of concern as there were limited mitigations to deal with this.

61. The Transport Scotland Director of Rail said that it is Scottish Government policy not to provide risk based funding as risk is managed at portfolio level.

62. The Board discussed the matter and noted that it is normal practice for [Redacted] After discussion, the Board approved the full year budgets for SRH and CSL and approved the first quarter budget for ScotRail. [Redacted]

63. In relation to CDEL, the Finance Director said that the capital programme for the year has been considered by the Rail Portfolio Board and business cases for authority to spend will come to the Board for approval through the SRH Capital Investment Panel process. The Transport Scotland Director of Rail noted his concerns of [Redacted] The Chief Executive said that she is putting more resources in place to support the capital approvals process with possible secondment in expertise from Network Rail.

Agenda Item 8: CSL Interim Managing Director

64. The Board considered the paper recommending the appointment of an interim Managing Director for CSL while the recruitment process is undertaken for a permanent replacement for the Managing Director who is retiring on 20 April 2025.

65. The Chief Executive said that the proposal for an interim Managing Director was considered and approved by the CSL Remuneration Committee on 18 March and the CSL Board on 19 March. Existing CSL Executive Directors were asked to apply for the post and the Commercial and Procurement Director applied, attended an interview and is recommended for appointment as interim Managing Director. Transport Scotland has also approved the appointment of an interim Managing Director and the proposed salary [Redacted] in keeping with the policy that the Managing Director should not receive a salary less than his/her direct reports. The Board approved the appointment of the Commercial and Procurement Director as interim Managing Director for up to a period of 12 months.

66. The Chief Executive said that she has engaged with recruitment consultants to commence the recruitment for the permanent Managing Director.

Agenda Item 12: Governance Review Outcome

67. The Board agreed to defer this item to the next meeting of the Board.

Agenda Item 14: Capital Approvals

68. The Board considered five capital business cases for authority to spend approval.

ScotRail Wheel Lathe at Cadder Depot

The Board considered the AO submission and noted that the wheel lathe would have a positive impact in improving performance. The Transport Scotland Director of Rail said that he fully supported the wheel lathe project but [Redacted]. The Chief Operating Officer said that he would obtain further information on this project and bring back to the Board in due course.

ScotRail Lifting Jack at Inverness

The Board considered the business case and approved authority to spend.

ScotRail Fleet Extension Works

The Board considered the AO submission and approved authority to spend.

ScotRail Caledonian Chambers Refurbishment

The Board considered the business case and approved authority to spend.

CSL Fleet Enhancements

The Board considered the business case and approved authority to spend subject to contracts being checked for any [Redacted]

Agenda Item 17: SRH Board Planner

69. The Board noted the board planner.

Agenda Item 17: Template for reporting to the Board on Capital spend

70. The Board noted that this was to be a verbal update and could be deferred to a future meeting of the Board.

Agenda Item 19: Committee Updates

71. The Board noted the Committee update.

Agenda Item 20: Any other business

72. The Chair asked the Board to give thought to the agendas for Board meetings as the volume of business that the Board is considering is unsustainable. He said that thought should be given to better use of the Committee system and structure that then feeds into the Board which, if functioning correctly, would reduce the Board's workload with the Board taking assurance from its committees. Brian Baverstock said that additional non-executive directors would be needed for the committee system to function efficiently and effectively. General Counsel said that consideration should also be given to whether committees are advisory or decision making forums and appropriate Board resolutions made in that regard.

73. [Redacted]

74. After discussion and noting the possibilities of change that may come from outcome from the Governance Review, UK rail reform, and the Alliance, the Board agreed that the process to recruit an additional two non-executive directors should be immediately initiated and as a priority

Agenda Item 21: Date of next meeting

75. The next meeting of the Board will be held on 1 May 2025.