

FRAMEWORK AGREEMENT

between

The Scottish Ministers acting through Transport Scotland

and

Scottish Rail Holdings Limited

This Framework Agreement is legally binding and supplemented by the Financial Memorandum (which includes legally binding provisions regarding the provision of Grant in Aid to Scottish Rail Holdings Limited).

Noted as regards public body classification that Scottish Rail Holdings Limited is to be a Non Departmental Public Body (NDPB).

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FRAMEWORK AGREEMENT

between

THE SCOTTISH MINISTERS acting through **TRANSPORT SCOTLAND**

and

SCOTTISH RAIL HOLDINGS LIMITED, a limited company incorporated under the Companies Acts with registration number SC548826 and having its registered office at Buchanan House, 58 Port Dundas Road, Glasgow, G4 0HF.

INTRODUCTION

THIS FRAMEWORK AGREEMENT, VARIATIONS AND INTERPRETATION

1. This Framework Agreement has been drawn up by the Sponsor on behalf of the Scottish Ministers in consultation with SRH, in connection with discharging the Scottish Ministers' Section 30 Duties. This Framework Agreement sets out the broad framework within which SRH and its subsidiaries will operate. This Framework Agreement forms a key part of the accountability and governance framework which sets out how the Scottish Ministers discharge their Section 30 Duties and should be reviewed and updated as necessary prior to Mobilisation of the Rail Operation and every 12 months for the first 3 years after Mobilisation of the Rail Operation and at least every 2 years thereafter. This Framework Agreement is signed and dated on behalf of the Scottish Ministers, acting through the Sponsor, and SRH. Copies of this Framework Agreement shall be placed in the Scottish Parliament Information Centre. This Framework Agreement shall also be published on the Sponsor's website. This Framework Agreement is legally binding on the Scottish Ministers and SRH. This Framework Agreement is governed by and interpreted in accordance with Scots law and (subject to clause 20) the parties submit to the exclusive jurisdiction of the Scottish courts.
2. SRH or the Sponsor may propose variations to this Framework Agreement at any time. Any such proposals by SRH will be considered in the light of evolving policy, structural and operational needs for the governance of SRH, SRT and any other subsidiary of SRH. The Sponsor will determine what changes, if any, are to be incorporated in this Framework Agreement.
3. This Framework Agreement shall commence on (and have full force and effect from) the last date of execution hereof and shall continue until the Sponsor gives SRH written notice of termination.
4. Defined terms used in this Framework Agreement have the meanings attributed to them in Appendix 7 (Definitions). Any outstanding question regarding the interpretation of this Framework Agreement or the instructions or guidance set out in any of the documents listed at Appendix 1 (General Guidance and Instructions) shall be resolved by the Sponsor after consultation with SRH.

PURPOSE OF SRH AND ITS RELATIONSHIP WITH SRT

5. SRH is established under the Companies Acts 2006 as a company limited by shares wholly owned by the Scottish Ministers. The constitution of SRH is set out in its Articles of Association. SRH was established as an arm's length entity in 2018 for the purpose of managing SRT and any other operating company established to further the discharge of the Section 30 Duties. SRH does not carry out its functions on behalf of the Crown.
6. SRH and SRT are to contribute to the achievement of the Scottish Government's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the Programme for Government, Scotland's Economic Strategy and National Performance Framework. The National Performance Framework is reflected in (a) the required policy outcomes for SRH and SRT as detailed in the Policy Compendium and (b) the key performance indicators measures detailed in, or determined by, the ScotRail Grant Agreement.
7. SRH's responsibilities include, on behalf of the Scottish Ministers, providing stewardship and oversight of and managing the mobilisation of SRT and the operation management of any Rail

Operation of SRT (and any other operating company subsequently established by the Scottish Ministers in furtherance of their duties).

8. SRT is a wholly owned subsidiary of SRH, both of which were incorporated and established for the following reasons:
 - a) to enable the continuation of passenger rail services and discharge of Section 30 Duties on behalf of the Scottish Ministers by an undertaking which is able to provide the services as a train operating group in the private sector would;
 - b) to provide for clear separation of the following functions and activities and associated governance and stewardship, namely:
 - i. the objective-setting, franchising, strategic review and control functions of the Scottish Ministers (in their capacity as “Franchising Authority”); and
 - ii. the discharge of the Section 30 Duties and functions of the Scottish Ministers, through SRH and the SRH Group;
 - c) to enable the Scottish Ministers to satisfy themselves that the necessary resources and governance arrangements are in place within SRT to ensure compliance by SRT with all relevant obligations;
 - d) to enable governance in accordance with the Financial Memorandum and this Framework Agreement; and
 - e) to produce and deliver a strategy or related strategies which will set out at a high-level the activities to achieve the outcome required in each of the policy statements in the Policy Compendium.
9. On and from the date of a Transfer in respect of a Rail Operation, SRH:
 - a) shall assume the oversight, governance and stewardship role in respect of all of the activities of SRT for that Rail Operation; and
 - b) shall ensure that SRT operates the relevant Rail Operation fully in accordance with the specification agreed with the Sponsor for that Rail Operation, all of its contractual commitments, licences and undertakings and assure itself that SRT is in compliance with all relevant health and safety obligations,and shall provide strategic direction and governance to SRT in that regard.
10. In respect of a Transfer and Mobilisation of SRT, the Scottish Ministers, the Sponsor and SRH shall comply with the provisions of Appendix 2 (Transfer and Mobilisation) and with this Framework Agreement.

GOVERNANCE

STRATEGIC RAIL BOARD ROLE

11. With the support of the Strategic Rail Board, the Sponsor Representative provides strategic direction, policy and guidance to the SRH Board for the period after Day One. The Strategic Rail Board will hold regular meetings to review the performance of the SRH Group and to support the Sponsor Representative’s decisions in relation to the SRH Group’s goals and objectives. The Sponsor Representative through the Strategic Rail Board will monitor the progress of SRH’s business plan commitments and those of its subsidiary companies in achieving the policy outcomes detailed in the Policy Compendium. Further detail on the Strategic Rail Board’s functions and responsibilities is set out in Appendix 6 (Strategic Rail Board Function and Responsibilities).

12. In relation to any disputes which require escalation to the Sponsor Representative and the Strategic Rail Board, the Strategic Rail Board will discuss such disputes with the Sponsor Representative in accordance with clause 20.
13. The relationship between the Sponsor Representative and the Strategic Rail Board is critically important and needs careful management. The quality of this relationship influences the ability of each organisation to do its job, and is important in ensuring value for money and proper accountability. Effective partnerships between the Sponsor Representative and the Strategic Rail Board should be characterised by trust, mutual respect, communication, evidence-based assurance and by being clear about what it can expect from the Strategic Rail Board and what they can expect from the Sponsor Representative.

SRH BOARD ROLE

14. SRH is a public body. The SRH Board is accountable to the Sponsor who acts on behalf of the Scottish Ministers.
15. The Chief Executive of SRH reports to the SRH Board and is the designated SRH Accountable Officer for SRH.

SPONSORSHIP ROLE

16. The Sponsor's role is to represent the Scottish Ministers' interests as the sole shareholder and sponsor of SRH.
17. The Sponsor Representative has responsibility for overseeing and ensuring effective relationships between the Sponsor and SRH in order to achieve alignment of the SRH business objectives to the Scottish Government's Purpose and National Outcomes, as set out in the National Performance Framework, and the achievement by the SRH Group of the specific outcomes detailed in the Policy Compendium. The Sponsor Representative will work closely with the Chief Executive and be answerable to the Sponsor's chief executive for maintaining and developing positive relationships with SRH characterised by openness, trust, respect and mutual support and the delivery of the outcomes detailed in the Policy Compendium. The Sponsor Representative will be supported by the TS Sponsor Team in discharging these functions. The Sponsor Representative shall be responsible for assessing the performance of the SRH Board at least semi-annually and delivery of the outcomes detailed in the Policy Compendium as reported in the policy outcomes report.
18. In respect of the Scottish Ministers' / the Sponsor's role as sole shareholder and sponsor of SRH, the TS Sponsor Team, under the direction of the Sponsor Representative, is responsible for managing the relationship with SRH and is the contact point for SRH with the Scottish Government. The TS Sponsor Team's responsibilities include:
 - a) providing advice to the responsible Scottish Minister and Cabinet Secretary on the discharge of his or her responsibilities in respect of Section 30 Duties;
 - b) supporting the TS AO in their responsibility towards SRH;
 - c) establishing and maintaining a good relationship with the SRH Board;
 - d) proportionate oversight of SRH activities through an adequate and timely flow of appropriate information on performance, budgeting, control and risk management, which information will be provided by (without limitation) reports by SRH and meetings with SRH;
 - e) acting as a focal point of contact for SRH;
 - f) advising the SRH Board of central policy developments that might impact on SRH and steering their activities to ensure the SRH Group effectively support the delivery of the Sponsor's objectives;
 - g) assisting SRH Board in working through the implications of any recommendations emerging from policy considerations elsewhere in the Sponsor;

- h) addressing in a timely manner any significant problems arising in SRH, and alerting the TS Accountable Officer and the responsible Scottish Minister(s) where considered appropriate;
- i) ensuring that appointments to the SRH Board are made timeously and, where appropriate, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;
- j) actively monitoring performance of SRH against agreed targets and objectives set out in the SRH business/delivery plans; and
- k) reviewing SRH risks (including their management risks, reporting risks, reputational risks, and project and legal risks), as discussed at the SRH audit and risk committee, and informing the Sponsor Representative of any risks that might impact on the Sponsor or the Scottish Ministers.

OPERATION MANAGEMENT ROLE

19. SRH shall perform the operation oversight of SRT in accordance with the ScotRail Grant Agreement (including, without limitation, any key performance indicators detailed therein) and shall be responsible for managing the relationship between the Sponsor and SRT to deliver and report on the policy outcomes detailed in the Policy Compendium and shall comply with the Financial Memorandum. SRH will cooperate with the TS Sponsor Team to agree appropriate procedures and policies to give full effect to this Framework Agreement.

DISPUTE RESOLUTION

20. Any disputes between the Sponsor and SRH will be discussed in the first instance by the Sponsor and SRH (to include the Chair and Chief Executive) and if a resolution cannot be agreed, the dispute will be discussed between the Sponsor Representative and the Strategic Rail Board. If a resolution cannot be agreed, then the dispute shall be escalated to the TS AO and the SRH Accountable Officer for discussion and resolution. Ultimately TS AO may determine the course of action to be taken (except to the extent that the SRH Accountable Officer can adequately evidence that such course of action would lead to safety concerns) and the SRH Accountable Officer will implement that course of action, and TS AO may instruct SRH and/or SRT directly should this be required (and SRH and/or SRT shall comply with such instruction(s)).

ACCOUNTABILITY

MINISTERIAL RESPONSIBILITY

21. The Scottish Ministers are accountable ultimately to the Scottish Parliament for the activities of the SRH Group and its use of resources. The Scottish Ministers are not responsible for determining the day to day operational matters. The Scottish Ministers responsibilities include:
- a) keeping the Scottish Parliament informed about SRH's performance;
 - b) approving SRH's strategic aims and objectives and strategic plan;
 - c) approving the budget, including loans and grant in aid for investment into the company and securing the necessary Scottish Parliament approval;
 - d) laying the group consolidated accounts (together with the annual report) before the Scottish Parliament; and
 - e) liaising with and providing the Sponsor with direction on government policy objectives of SRH and others matters as relevant to the Sponsor's Section 30 Duties.

TS ACCOUNTABLE OFFICER RESPONSIBILITIES

22. The Principal Accountable officer for the Scottish Administration has designated the Chief Executive of Transport Scotland (the TS AO) as the Accountable Officer for the TS Sponsor Team with responsibility for the budget for SRH. The responsibilities of an Accountable Officer are set out in

detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration. They are personally answerable to the Scottish Parliament for ensuring that:

- a) the financial and other management controls applied by the Sponsor are appropriate and sufficient to safeguard public funds and, more generally, that those being applied by SRH, as the sponsored body, to the requirements both of propriety and good financial management;
- b) key roles and responsibilities which underpin the relationship between the Scottish Ministers and SRH, as the sponsored body, are set out in this Framework Agreement and that the Framework Agreement is regularly reviewed;
- c) effective relationships are in place at director level between the Sponsor Representative within Transport Scotland (on behalf of the Scottish Ministers) and SRH, as the sponsored body, in accordance with the strategic engagement principles; and
- d) there is effective, continuous, assessment and appraisal of the performance of the Chair of SRH, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland.

23. In particular, the TS AO shall ensure that:

- a) SRH's strategic aims and objectives are in line with the Scottish Ministers' wider strategic aims;
- b) the financial and other management controls applied by the Sponsor to SRH are appropriate and sufficient to safeguard public funds and for ensuring that compliance with those controls is effectively monitored ("public funds" include not only any funds provided to SRH by the Scottish Ministers but also any other funds falling within the stewardship of SRH, including gifts, bequests and donations); and
- c) that the SRH Board signs off the annual accounts and associated governance statements.

SPONSOR TEAM - SPECIFIC ACCOUNTABILITIES AND RESPONSIBILITIES

24. The TS AO is responsible for appointing the Chief Executive of SRH on behalf of the Scottish Ministers, for proposing the Principal Accountable Officer to designate the Chief Executive of SRH as Accountable Officer for SRH.
25. The Chief Executive of SRH, upon being designated as Accountable Officer for the NDPB (Non Departmental Public Body), provides assurance to the TS AO that SRH has adequate financial management and control systems and procedures in place to promote the efficient and economic conduct of business, management of risk and to safeguard financial propriety and regularity.
26. The TS AO is accountable to the Scottish Parliament for the issue of any public funding to SRH. The TS AO is also responsible for advising the responsible Scottish Minister:
 - a) on an appropriate framework of objectives and targets for SRH in the light of the Sponsor's wider strategic aims and priorities as detailed in the Policy Compendium, and updated from time to time;
 - b) on an appropriate budget for SRH in the light of the Scottish Ministers' overall public expenditure priorities; and
 - c) on how well SRH is achieving its strategic objectives and whether it is delivering value for money including through the outcomes report at least annually.
27. The TS AO is also responsible for ensuring arrangements are in place to undertake the sponsorship role within TS in order to:
 - a) monitor SRH's activities;
 - b) address significant problems in SRH, making such interventions as are judged necessary;

- c) carry out periodic assessments of the risks to the Scottish Ministers' and SRH's objectives and activities;
 - d) inform SRH of relevant government policy in a timely manner and any updates to the Policy Compendium that are associated; and
 - e) bring concerns about the activities of SRH to the Strategic Rail Board requiring explanations and assurances that appropriate action has been taken.
- The TS AO duties are normally undertaken on their behalf in practice on a periodic basis by the Sponsor Representative and TS S30 Board (before Day One) or Strategic Rail Board (after Day One) which will advise the TS AO of any concerns that need their intervention or attention.

RESPONSIBILITIES OF SRH'S CHIEF EXECUTIVE

28. The Chief Executive of SRH is employed and appointed by the SRH Board with the approval of the Scottish Ministers confirmed by the TS AO. The Chief Executive's role is to provide operational leadership to SRH and ensure that the SRH Board's aims and objectives are met and the functions of SRH are delivered and targets met through effective and properly controlled executive action. Their general responsibilities include the performance, management and staffing of SRH and also the appointment of the Chief Operating Officer of SRT. General guidance on the role and responsibilities of the Chief Executive is contained in On Board A Guide for Members of Statutory Boards¹. Specific responsibilities to the SRH Board are outlined in more detail in Appendix 3 (Board Responsibilities).

RESPONSIBILITIES OF SRH'S ACCOUNTABLE OFFICER

29. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the Scottish Government) will be advised to designate the Chief Executive as the Accountable Officer for SRH. Accountable Officers are accountable to the Scottish Ministers and personally answerable to the Scottish Ministers for the exercise of their functions, as set out in the Memorandum to Accountable Officers for Other Public Bodies². These include:
- a) ensuring the propriety and regularity of the body's finances and that there are sound and effective arrangements for internal control and risk management and for the day-to-day operations and management;
 - b) ensuring that the resources of the public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value and deliver Value for Money. This includes the concepts of good corporate governance, performance management and continuous improvement. The Chief Executive shall have regard to guidance on what their organisation should be able to demonstrate in fulfilment of the duties which make up a Best Value regime as included in the Best Value section of the Scottish Public Finance Manual ("SPFM");
 - c) ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM and the Public Sector Pay Policy;
 - d) signing the annual accounts and associated governance statements, alongside the SRH Board; and
 - e) a statutory duty for the SRH Accountable Officer to obtain written authority from the SRH Board before acting on instructions which the SRH Accountable Officer considers inconsistent with the proper performance of their Accountable Officer functions. The SRH Accountable Officer should also notify the portfolio Accountable Officer, the TS AO, before taking such action.

¹ <https://www.gov.scot/publications/board-guide-members-statutory-boards/>

² <https://www.gov.scot/publications/scottish-public-finance-manual/accountability/annex-2-memorandum-to-accountable-officers-other-public-bodies/>

30. It is incumbent on the SRH Chief Executive to combine their Accountable Officer responsibilities to the Scottish Parliament with their wider responsibilities to the SRH Board. The SRH Board should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the SRH Chief Executive, including the statutory duty described above.

SRH BOARD RESPONSIBILITIES

31. In respect of the activities of SRH and SRT, SRH shall comply with the provisions of Appendix 3 (Board Responsibilities) and this Framework Agreement.

AUDIT COMMITTEE/INTERNAL AUDIT

32. The SRH Board shall:

- a) establish and maintain arrangements for internal audit in accordance with the 'Public Sector Internal Audit Standards'³ and the 'Internal Audit' section⁴ of the SPFM;
- b) set up an audit and risk committee in accordance with the guidance on Audit Committees in the SPFM, to advise both the SRH Board and the Chief Executive in their capacity as SRH Accountable Officer;
- c) forward timeously to the TS Sponsor Team the audit charter, strategy, periodic audit plans and annual audit assurance report, including SRH's opinion on risk management, control and governance and other relevant reports as requested; and
- d) keep records of and prepare and forward to the TS Sponsor Team: an annual report on fraud (including theft) suffered by SRH and SRT; notify any unusual or major incidents as soon as possible; and notify any changes to its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

33. The Scottish Government's Internal Audit Directorate has a right of access to all documents held by the SRH internal auditor, including where the service is contracted out. The Scottish Government has a right of access to all SRH records and personnel and those of any other subsidiary of SRH (including but without limitation, SRT) for any purpose.

PLANNING AND BUDGETING

GRANT IN AID AND FINANCIAL MANAGEMENT

34. Grant in Aid (i.e. the funding provided to SRH by Sponsor to support the allocated budget) shall be paid to SRH in accordance with and for the purposes set out in the Financial Memorandum.
35. Additional provision regarding financial management is set out in the Financial Memorandum. SRH and the SRH Group shall operate in accordance with the terms of the Financial Memorandum and so far as that is not complied with, the Sponsor Representative (acting on behalf of the Scottish Ministers) may direct and/or veto operational decisions of the SRH Group, which the SRH Group shall be obliged to comply with (except to the extent that SRH can adequately evidence that such directions and/or vetoes would lead to safety concerns).
36. Any Grant in Aid for the year in question must be authorised by the Scottish Parliament in the annual Budget Act as part of the portfolio allocation to Transport Scotland as Sponsor.
37. Grant in Aid will normally be paid in four weekly instalments on the basis of updated profiles and information on unrestricted cash reserves.
38. Payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure.

³ <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

⁴ <https://www.gov.scot/publications/scottish-public-finance-manual/internal-audit/internal-audit/>

39. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the SRH Group - and the level of funds required to meet any relevant liabilities at the year-end. Grant in Aid not drawn down by the end of the financial year shall lapse. Grant in Aid shall not be paid into any restricted reserve held by SRH.

THE STRATEGIC PLAN (5 YEAR)

40. SRH must ensure that a strategic plan for 5 years from Day One and refreshed annually thereafter, agreed by the Strategic Rail Board on behalf of the Scottish Ministers, is in place and published on an appropriate website. SRH shall agree with TS Sponsor Team the issues to be addressed in the strategic plan and the timetable for its preparation and review. The finalised plan shall reflect the SRH's strategic aims and objectives as agreed by the Sponsor including specifically the strategies which will deliver the Policy Compendium outcomes, indicative budgets and any priorities set by the Sponsor. It shall demonstrate how SRH contributes to the achievement of the Scottish Government's primary purpose of increasing sustainable economic growth and alignment with the Purpose, Values and National Outcomes as defined in the Scottish Government's National Performance Framework ("NPF") as detailed in the Policy Compendium. The plan should be aligned with the Scottish Government's strategic objectives as detailed in the Policy Compendium.
41. Key performance targets detailed within the strategic plan should seek to measure the achievement or otherwise of the outcomes as set out in the Policy Compendium. The outputs therein are illustrative of measures that might be applied. The key performance targets should align with the operational and strategic targets set out by the Scottish Government through the NPF and Scottish Government Economic Strategy. In parallel with the timetable for public spending reviews SRH shall submit to the Strategic Rail Board a draft of their strategic plan covering the spending review period.
42. The strategic plan shall reflect the SRH Group's functions and, within those functions, any priorities set from time to time by the Sponsor. The strategic plan for SRH shall set out:
- a) key objectives, expenditure plans (including capital plans) and associated key performance targets all in detail for the following three (3) years, and in less detail for the following five (5) years, and its strategy for achieving those objectives;
 - b) a review of SRH's performance in the preceding financial year;
 - c) indicators against which performance can be judged;
 - d) details of planned efficiencies, describing how SRH proposes to achieve better value for money, including through collaboration and shared services;
 - e) alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast; and
 - f) other matters as agreed between the TS Sponsor Team and SRH.
43. The plan (including the key performance targets) shall be agreed between the Sponsor Representative and SRH with consideration of the Sponsor's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions. The plan shall be submitted, via the Sponsor Representative, for approval by the Scottish Ministers. The timetable for such submission will be agreed with the Sponsor Representative as required.

THE BUSINESS PLAN (1 YEAR)

44. The strategic plan should inform the development of a detailed business plan for each financial year (such business plans to be approved by the Strategic Rail Board on behalf of the Scottish Ministers prior to the start of each financial year). The business plan for SRH for the year immediately ahead after Day One (and as refreshed for each subsequent year thereafter) should include key targets and milestones, aligned to the NPF as detailed in the Policy Compendium, and shall be linked to detailed budgeting information so that resources allocated to achieve specific objectives can be readily identified.

BUDGETING PROCEDURES

45. In August of each year, the Sponsor will set out the objectives and requirements of SRT (and/or any changes to existing objectives and requirements) for the purpose of allowing SRH to propose a budget. Each year, Scotland's Railway Financial Model (covering the next 5 year period) shall also be updated and submitted by SRH, along with the business plan, to the Sponsor Representative (acting on behalf of the Scottish Ministers) for approval in September of each year prior to the beginning of the financial year in question. The Strategic Rail Board will consider the budget proposed by SRH when the Scottish Ministers publish the Scottish Budget and the Sponsor Representative will discuss approvals and/or changes required with SRH. In light of such discussions and decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the Sponsor Representative will send to SRH a formal statement of its budgetary provision, and a note of any related matters and details of the budget monitoring information required by the Scottish Government (the "**Budget Allocation and Monitoring Letter**"). The terms of that Budget Allocation and Monitoring Letter should be viewed as complementing the terms of this Framework Agreement.
46. Monthly monitoring (in such format as required by the Scottish Government from time to time, with the inclusion of meetings where deemed appropriate) is the primary means of in-year budgetary control across the Scottish Government, but Reporting Periods generally are used for rail operations. SRH must comply with the format and timing of the monitoring together with any requests for further information – reporting by SRH will usually be provided for each Reporting Period with further information provided as necessary from time to time. The statement of budgetary provision will set out the budget within the classifications of Resource Departmental Expenditure Limits ("**RDEL**"), Capital Departmental Expenditure Limits ("**CDEL**") and Ring-fenced (non-cash) Departmental Expenditure Limits ("**RfDEL**"). SRH will inform the Sponsor Representative at the earliest opportunity if a requirement for Annually Managed Expenditure ("**AME**") budget is identified. The Scottish Government should also be advised in the event that estimated net expenditure is forecast to be lower than budget provision. Transfers of budgetary provision between the different classifications require the prior approval of the Scottish Government. Any proposals for such transfers should therefore be submitted to the Sponsor Representative. Transfers of provision within the classifications may be undertaken without reference to the Scottish Government, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.
47. If the trading and other resource income realised (including profit or loss on disposal of non-current assets) – scored as negative RDEL, or the net book value of disposals of non-current assets – scored as negative CDEL is less than included in the agreed budget, SRH shall, unless otherwise agreed with the Sponsor Representative, ensure a corresponding reduction in its gross expenditure. The extent to which SRH exceeds agreed budgets shall normally be met by a corresponding reduction in the budgets for the following financial year, unless otherwise agreed with the Sponsor Representative. If income realised is more than included in the agreed budgets SRH must consult and obtain the prior approval of the Sponsor Representative before using any excess to fund additional expenditure or to meet existing pressures. Failure to obtain prior approval for the use of excess income to fund additional expenditure may result in corresponding reductions in budgets for the following financial year. The only exception is where the income is from gifts, bequests and donations but this must be spent within the same financial year as the receipt, otherwise additional budget allocation will be required. In any event, income from all sources and all planned expenditure should be reflected in the budget monitoring statement for each Reporting Period.

EXTERNAL ACCOUNTABILITY

THE ANNUAL REPORT AND ACCOUNTS

48. At the end of each financial year SRH shall publish an annual report of its activities together with its audited annual accounts. The report shall consolidate the activities of any subsidiary or joint venture under the control of SRH.

49. SRH shall produce accounts, including consolidated group accounts, in accordance with the Companies Act. While the Companies Act takes precedence, the accounts will, in so far as appropriate, comply with the Accounts Direction issued by the Scottish Ministers.
50. The report and accounts shall be submitted in draft to the Sponsor for comment by 1 August in any given year and the final versions shall be laid before the Scottish Parliament later that year by the Scottish Ministers in keeping with the timetable as advised by the Sponsor. The accounts must not be laid before they have been formally sent by the Auditor General for Scotland (“**AGS**”) to the Scottish Ministers and must not be published before they have been laid. SRH shall be responsible for the publication of the report and accounts, including any requirement to lodge same at Companies House.
51. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published as early as possible. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers.
52. SRH shall comply, to the extent required by the Accounts Direction issued by the Scottish Ministers, with the Government Financial Reporting Manual (“**FReM**”) and outline SRH’s main activities and performance against agreed objectives and targets for the previous financial year.
53. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by SRH shall be consolidated in its accounts in accordance with International Financial Reporting Standards as adapted and interpreted for the public sector context.

EXTERNAL AUDIT

54. The AGS audits or appoints auditors to audit SRH’s annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor’s report and any report prepared by the AGS. Auditors have a statutory right of access to documents and information held by relevant persons. SRH shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the Scottish Government.
55. The AGS or examiners appointed by the AGS may carry out examinations into the economy, efficiency and effectiveness with which SRH has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by SRH to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons.
56. SRH shall provide in contracts and any conditions to grants for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations. SRH shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

RIGHT OF ACCESS

57. The Sponsor and Audit Scotland have the right of access to the SRH Group’s records and personnel for any purpose including, for example, assurance audits and operational investigations.

MANAGEMENT AND FINANCIAL RESPONSIBILITIES

58. Unless agreed by the Sponsor, SRH shall follow the principles, rules, guidance and advice in the Scottish Public Finance Manual and the additional guidance and instructions in Appendix 1 (General Guidance and Instructions), referring any difficulties or potential bids for exceptions to the Strategic Rail Board in the first instance and then to the Sponsor Representative.

MANAGEMENT AND OPERATIONS

RISK MANAGEMENT

59. SRH shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop an approach to risk management consistent with the '[Risk Management](#)' section of the SPFM. Reporting arrangements should ensure that the TS Sponsor Team is made aware of relevant risks and how they are being managed by SRH.
60. SRH is required, at the earliest opportunity, to notify the TS Sponsor Team if it considers that it has identified a significant problem which may have wider implications, including without limitation, any problem which may give rise to significant financial, legal, political and/or presentational issues.
61. SRH shall adopt and implement policies and practices to safeguard itself against [fraud](#) and theft, in line with the '[Fraud](#)' section of the SPFM. Application of these processes must be monitored actively, supported by a fraud action plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud.
62. Each member of the SRH Group shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract.

ORGANISATIONAL SECURITY AND RESILIENCE

63. As part of risk management arrangements, SRH shall ensure that it has a clear understanding at board level of the key risks, threats and hazards it may face in personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks, threats and / or hazards. It should have particular regard to the following key sources of information to help guide its approach:
 - [Having and Promoting Business Resilience \(part of the Preparing Scotland suite of guidance\)](#)⁵; and
 - [The Scottish Public Sector Action Plan on Cyber Resilience and associated guidance](#)⁶.

SPFM

64. To the extent applicable, SRH shall adhere to all relevant guidance in the SPFM.

ASSET AND PROPERTY MANAGEMENT

LEASE ARRANGEMENTS

65. Unless expressly authorised by a specific delegated authority, SRH shall not enter into any finance, property or accommodation related lease arrangement, including the extension of an existing lease or the non-exercise of a tenant's lease break, without the prior approval of the Sponsor Representative. Before entering or continuing such arrangements, SRH must be able to demonstrate that the lease offers better value for money than purchase (taking better social or environmental benefits into account in the case of property leases), and that all options of sharing existing public sector space have been explored. SRH must have CDEL provision for finance leases and/or other transactions which are in substance borrowing.

⁵ <https://www.gov.scot/publications/preparing-scotland-having-promoting-business-resilience/>

⁶ <https://www.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/>

TAX ARRANGEMENTS

66. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Sponsor Representative. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. SRH must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is SRH's responsibility to observe VAT legislation and only recover input tax where it is entitled to do so. The implications of VAT in relation to procurement and shared services should be considered at an early stage to ensure that financial efficiency is achieved. SRH must also ensure that it accounts properly for any output tax on sales or disposals.

SUBSIDIARY COMPANIES AND JOINT VENTURES

67. The SRH Group shall not establish subsidiary companies or joint ventures without the express approval of the Sponsor Representative. In judging such proposals, the Sponsor Representative will have regard to the Scottish Ministers' wider strategic aims and objectives. Any subsidiary company or joint venture controlled or owned by SRH shall be consolidated with it in accordance with International Financial Reporting Standards.
68. Where SRH has financed expenditure on assets by a third party, SRH shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without SRH's and the Sponsor's prior written consent.
69. SRH shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds from sale(s) of assets or an appropriate proportion of them if SRH contributed less than the whole cost of acquisition or improvement. SRH shall also ensure that if assets financed by SRH cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to SRH.

REPORTING PERFORMANCE TO THE SPONSOR

70. SRH shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its corporate and business plans and the outcomes detailed in the Policy Compendium. The Policy Compendium contains the requirement that SRH and its subsidiaries are to make Outcome Reports public in respect of particular policies.
71. SRH shall, in accordance with clauses 78 and 79, inform the Sponsor Representative of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in its corporate or business plans. If any changes involve an increase in annual net funding required then approval of the Sponsor Representative is required.
72. The SRH Group's performance in helping to deliver the Scottish Ministers' policies, including the achievement of agreed key objectives, shall be formally reviewed at least twice yearly by the Sponsor Representative. Additionally, SRH (to be represented by, as a minimum, the Chair and the Chief Executive) shall meet with the Strategic Rail Board at least every three Reporting Periods to discuss progress against agreed objectives. It is expected that the Transport Minister will meet the SRH Board each year to discuss the SRH Group's performance, its current and future activities and any policy developments relevant to those activities. In the event of an emergency, the Sponsor shall be entitled to require the Chair, the Chief Executive and any other relevant personnel of the SRH Group (as determined by the Sponsor) to meet with the Strategic Rail Board and/or Transport Minister (and the Chair, the Chief Executive and any other relevant personnel of the SRH Group as determined by the Sponsor, shall attend such meeting) immediately upon notice.
73. The SRH Group's performance against key targets shall be reported in the SRH Group's annual report and accounts. Other forms of reporting performance to the public should also be considered.
74. The role of the SRH Group shall be reviewed periodically by the parties in accordance with the business needs of the Scottish Government and SRH, normally at least every five years.

75. The Sponsor may require SRH to use pre-approved template(s) for any reporting obligations contained in this Framework Agreement, which template(s) may be updated as and when required following discussion between SRH and the TS Sponsor Team and agreement by the Sponsor Representative.

SUBMISSIONS TO MINISTERS

76. The TS Sponsor Team, on behalf of the Sponsor Representative, will compile the content of any Ministerial submission, and determine the appropriate clearances required. SRH will cooperate with, and work with, the TS Sponsor Team to provide any information required for this purpose.
77. The Sponsor Representative should steer submissions through the relevant functional areas of the Sponsor/ and the Scottish Government and should include clearance from, but not be limited to, the Scottish Government's Legal Directorate/others.

PROVIDING MONITORING AND ASSURANCE INFORMATION TO THE SPONSOR

78. As a minimum (and without limitation) (and subject to any templates required or agreed in accordance with clause 75), SRH shall provide TS Sponsor Team with information each Reporting Period for assurance purposes, which will enable the Sponsor to satisfactorily monitor:
- a) SRH's cash management;
 - b) its draw-down of grant-in-aid;
 - c) forecast outturn by resource headings;
 - d) report against achievement of objectives set out in the business plan (1 year) and the overall agreed SRH strategic plan (5 year) as detailed in the outcomes of the Policy Compendium;
 - e) other data required for the Online System for Central Accounting and Reporting ("**OSCAR**");
 - f) respond to the Sponsor's annual Management Assurance exercise through the supply of accurate and timely responses based on retained evidence; and
 - g) budget and operational performance.
79. SRH will report to the TS Sponsor Team for each Reporting Period, and each report shall be provided in such timescales as are required by the TS Sponsor Team to allow the TS Sponsor Team to properly report matters to the Strategic Rail Board. This report shall describe how SRH has satisfied itself that SRT is adequately resourced to discharge its safety responsibilities and that those resources are adequately and appropriately deployed.
80. In the event that SRH and/or the Sponsor identifies a serious deficiency in SRT's operation of its business, or in SRH's stewardship of SRT:
- a) SRH shall; or
 - b) the Sponsor may (at its sole discretion), through Sponsor Representative and/or TS AO, should it deem it to be necessary,

intervene and devise appropriate remedial solutions (and for the avoidance of doubt, the Sponsor may instruct SRH and/or SRT directly in relation to such solutions should this be required) and SRT, and/or as the case may be SRH, shall comply with such remedial solutions and/or instructions (except to the extent that the SRH Accountable Officer can adequately evidence that the Sponsor Representative's and/or TS AO's proposed solutions or instructions would lead to safety concerns). To the extent that the Scottish Ministers' rights under the ScotRail Grant Agreement prove not to be sufficient for this purpose, the Sponsor will rely on the Scottish Ministers' powers as sole shareholder of SRH to take the necessary action.

STAFF MANAGEMENT

81. Within the conditions approved by the Scottish Ministers, SRH shall have responsibility for the recruitment, retention, management, and well-being of its staff. To this end SRH shall ensure that:
- a) the recruitment of its staff is based on fair and open competition and equal opportunities;
 - b) the level and structure of its staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
 - c) the performance of its staff at all levels is managed effectively and efficiently;
 - d) staff are satisfactorily appraised;
 - e) performance appraisal and promotion systems are reviewed regularly;
 - f) its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the objectives;
 - g) proper consultation with staff takes place on key issues affecting them;
 - h) adequate grievance and disciplinary procedures are in place;
 - i) whistle blowing procedures are in place consistent with the Public Interest Disclosure Act 1998;
 - j) it complies in full with the Public Sector Pay Policy;
 - k) a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Departmental Public Bodies*; and
 - l) it complies, and it shall procure that SRT shall comply, with The Fair Work Convention 2015, The Fair Work Framework 2016 and the Scottish Government's Fair Work First Guidance (all as updated from time to time).
82. SRH is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. Any changes in staff numbers, staff remuneration, organisational structure and/or pension arrangements must be approved in advance by the Board and Sponsor Representative.
83. The parties acknowledge and agree that the public sector equality duty at Section 149 of the Equality Act 2010 shall be deemed to apply to SRH and SRT. SRH therefore undertakes to comply with such duty, and to procure that SRT complies with such duty, including (without limitation) complying with all obligations under The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.

REVIEW OF SRH STATUS

84. SRH will be subjected to a 'tailored review' once in every parliament. The principal aim of such tailored reviews is to ensure public bodies remain fit for purpose, are well governed and properly accountable for what they do, and relevant guidance is available at <https://www.gov.uk/government/publications/tailored-reviews-of-public-bodies-guidance>. The first review will be in five (5) years following execution of this Framework Agreement. In addition to this, and without prejudice to clauses 1 or 2, the Sponsor Representative and SRH agree to review this Framework Agreement within twelve (12) months of the date of execution to ensure it is fit for purpose and is delivering everything it is designed to. All amendments identified will be undertaken in accordance with Scottish Government normal review process as set out in the SPFM.

ARRANGEMENTS IN THE EVENT THAT SRH IS WOUND UP

85. The Sponsor shall put in place arrangements to ensure the orderly winding up of SRH. In particular, without limitation, it should ensure that the assets and liabilities are passed to any SRH successor organisation(s) and accounted for properly, and in the event that the successor organisation(s) is a private sector organisation(s), such arrangements may include the creation of a new list of primary franchise assets and lease arrangements. In the event that there is no successor organisation, the assets and liabilities should revert to the Scottish Ministers. To this end, the Sponsor shall:

- a) ensure that procedures are in place in SRH to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- b) specify the basis for the valuation and accounting treatment of SRH's assets and liabilities; and
- c) arrange for closing accounts.

IN WITNESS whereof the parties hereto have executed this Framework Agreement (which includes the 7 Appendices) as follows:-

SIGNED for and on behalf of **SCOTTISH MINISTERS** acting through **TRANSPORT SCOTLAND**:

At
On the 18th day of March 2022

By 
William Joseph Reeve, Director – Rail, Transport Scotland

Before this witness:-


Witness

...Sarah Aitken..... Full Name

...Buchanan House, Glasgow..... Address

SIGNED for and on behalf of **SCOTTISH RAIL HOLDINGS LIMITED**:

On behalf of Scottish Rail Holdings Limited I accept the whole terms and conditions of this Framework Agreement and the Appendices hereto. I confirm that I hold the relevant signing authority.

At
On the 18th day of March 2022

By  Director
James Lee Shedden, Director – Scottish Rail Holdings Limited

Before this witness:-


Witness

...Alastair Richards..... Full Name

...Buchanan House, Glasgow..... Address

Appendix 1 – General Guidance and Instructions

SRH shall comply with the following general guidance and instructions within this Framework Agreement and associated documentation:

The Scottish Public Finance Manual, <https://www.gov.scot/publications/scottish-public-finance-manual/>

HMT Green Book, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

Public Sector Internal Audit Standards, <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

On Board: a guide for members of statutory boards, <https://www.gov.scot/publications/board-guide-members-statutory-boards/>

Scottish Government Audit and Assurance committee handbook, <https://www.gov.scot/publications/audit-assurance-committee-handbook/>

Relevant Freedom of Information (Scotland) Act guidance and instructions;

Other relevant guidance and instructions issued by Scottish Government;

Other relevant instructions and guidance issued by the Sponsor;

Recommendations made under Scottish Parliamentary authority, accepted by the Scottish Government and relevant to SRH.

Appendix 2 – Transfer and Mobilisation

Mobilisation of SRH

The Mobilisation of SRH as an Executive Non-Departmental Public Body including but is not limited to staff establishment, processes, procedures and oversight arrangements with SRT.

Mobilisation of SRT

1. The Mobilisation of SRT's operations includes but is not limited to the following principal activities:
 - a) undertaking due diligence on the business that is to be transferred to the public sector, along with any associated businesses;
 - b) selection of property, other assets, rights and liabilities of the transferring TOC to be included in the Transfer of that business to SRT;
 - c) negotiation of the terms of that Transfer; and
 - d) putting into effect the Transfer, including by executing the necessary legal documentation.
2. SRH supports, and shall support, the Sponsor to undertake the mobilisation tasks listed above under the direction of the Scottish Ministers along with any other activities ancillary to the Mobilisation. (SRH provides commercial support to the Sponsor and Scottish Ministers.) The terms of the Transfer are subject to the agreement of the Scottish Ministers.
3. SRH requires the Scottish Ministers' approval for all significant decisions in respect of the Mobilisation. The Sponsor remains accountable for the Transfer and the Mobilisation, including obtaining value for money professional advice for SRH.
4. SRH necessarily will work closely with any external specialist or professional advisers appointed by the Scottish Ministers in connection with the Mobilisation. These advisers will work closely with SRH but will be required at all times to act and advise in the best interests of the Scottish Ministers, who will remain their client. If and to the extent that there is any conflict between the interests of the Scottish Ministers and those of SRH, the advisers will be required to disregard the interests of SRH. In the event that SRH, SRT and / or their respective directors might need to obtain their own professional advice they would be required to do so in accordance with their procurement procedures (which may be expedited where there is particular urgency).
5. During Mobilisation, the Section 30 Team shall report on the progress of the work streams required to deliver the Mobilisation:
 - a) to the TS S30 Board on a weekly basis; and
 - b) to the TS Sponsor Team for each Reporting Period.

Mobilisation Funding

6. Funding for Mobilisation activities is provided to SRH by way of grant-in-aid to it to act on behalf of the Scottish Ministers. These funds provide the initial working capital injection, to be drawn down on an agreed profile.

Transfer

7. Prior to the date of Transfer, a list of assets and liabilities of the TOC to be transferred will be drawn up based on the balance sheet position at the date of Transfer. This list will form the basis of negotiation of those assets and liabilities to be transferred to SRT at the date of Transfer.
8. SRH will support the Sponsor with the negotiation and the value of the assets and liabilities agreed being transferred under the terms of the Transfer Scheme (including but not limited any pension

deficit). These assets and liabilities are collectively known as and incorporated into the “Net Asset Statement” and will form SRT’s opening balance sheet position.

9. The value of the Net Asset Statement represents the purchase value at the date of Transfer.
10. If in addition to this SRT requires an injection of working capital (the “**Working Capital Requirement**”) to enable it to continue operations from the Transfer Date then this will be provided by the Sponsor through SRH.
11. A Transfer Scheme provides for any relevant primary franchise assets to be transferred to SRT. The majority of service assets such as leases and contracts are designated as primary franchise assets prior to the Transfer Scheme being executed in order for those assets to be included in it.
12. If, on legal and professional advice, an alternative method of transfer to SRT or SRH is agreed by the Sponsor, SRH will work under the Sponsor’s instructions to facilitate the transfer following that agreed alternative method.

Appendix 3 – SRH Board Responsibilities

Responsibilities to the SRH Board

1. The Chief Executive is responsible for:
 - a) advising the SRH Board on the discharge of its responsibilities (as set out in this Framework Agreement, the Railways Act and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers) and implementing the decisions of the SRH Board;
 - b) ensuring that financial considerations are taken fully into account by the SRH Board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the Appraisal and Evaluation section of the SPFM are followed;
 - c) taking action as set out in paragraph 3.8.6 of Managing Public Money if the Board, or any of its members is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical;
 - d) ensuring that SRH adheres, where appropriate, to the Scottish Government's Programme and Project Management (PPM) Principles;
 - e) having robust performance and risk management arrangements (consistent with the Risk Management section of the SPFM) in place that support the achievement of the SRH's aims and objectives and that facilitate comprehensive reporting to the SRH Board, the Scottish Government and the wider public. Risk management arrangements should include full consideration of organisational resilience to physical, personnel and cyber risks/threats/hazards;
 - f) ensuring that adequate systems of internal control are maintained by SRH, including effective measures against fraud and theft consistent with the Fraud section of the SPFM;
 - g) establishing appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM;
 - h) advising the SRH Board on the performance of SRH compared with its aims and objectives;
 - i) preparing SRH corporate and business plans in light of the strategic aims and objectives agreed by the Scottish Ministers;
 - j) ensuring effective relationships with the Sponsor's officials;
 - k) ensuring SRH Board complies with directions of the Sponsor and/or the Scottish Ministers';
 - l) ensuring that timely forecasts and monitoring information on performance and finance are provided to the Scottish Government; that the Scottish Government is notified promptly if over or under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Scottish Government in a timely fashion;
 - m) ensuring (through the SRH remuneration and appointments committee) that staff pay proposals are in line with Public Sector Pay Policy (or any specific pay policy agreed with the Scottish Ministers in place of Public Sector Pay Policy) and submitted in time and the necessary approvals obtained prior to implementing any annual award; and

- n) all other matters detailed as being the responsibility of the Chief Executive within the Code of Governance.

SRH's Board

2. The SRH Board, including the Chair, normally consists of members and non-executives appointed by the Scottish Ministers reflecting the principles of the Code of Practice for Ministerial Public Appointments in Scotland. The Chief Executive of SRH is employed and appointed by the SRH Board with the approval of the Scottish Ministers confirmed by the TS AO. The Sponsor shall appoint non-executive directors to the SRH Board who shall inter alia have the right to attend SRH Board meetings. The role of the SRH Board is to provide leadership, direction, support and guidance to ensure that SRH (including SRT and any other subsidiaries of SRH) delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. The SRH Board has corporate responsibility, under the leadership of the Chair, for the following:
 - a) establishing and taking forward the strategic aims and objectives for SRH as agreed by the Scottish Ministers;
 - b) determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of SRH or on the attainability of its operational targets;
 - c) promoting the efficient, economic and effective use of staff and other resources by SRH and where appropriate in line with the principles of Best Value, including, where appropriate, participation in shared services arrangements;
 - d) ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control. The SRH Board must set up an audit committee chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems);
 - e) demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making and providing assurance to the Strategic Rail Board on the effectiveness of SRH governance structures and processes;
 - f) in reaching decisions taking into account relevant guidance issued by the Scottish Ministers;
 - g) approving the annual accounts of SRH and ensuring the Scottish Ministers are provided with the annual report and accounts of SRH to be laid before the Scottish Parliament. The Chief Executive as the Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions;
 - h) ensuring that the Sponsor and Sponsor Representative receives and reviews regular financial information concerning the management and performance of SRH and is informed in a timely manner about any concerns regarding the activities of SRH;
 - i) appointing, with the Scottish Ministers' approval, a Chief Executive to SRH (and chief executives and chief operating officers to its subsidiaries where applicable) and, in consultation with the Sponsor, set performance objectives and remuneration terms linked to these objectives for the Chief Executive (and any chief executives of any subsidiaries) which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with the Scottish Ministers' priorities. Where applicable SRH will also seek appropriate approval under the Public Sector Pay Policy for Senior Appointments for the Chief Executive's (and any chief executives' of any subsidiaries) remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed; and

- j) all other matters detailed as being the responsibility of the SRH Board within the Code of Governance.

Further guidance on how the SRH Board should discharge its duties is provided in appointment letters and in On Board – A Guide for Members of Statutory Boards.

- 3. Formal communications between SRH's Board and the responsible Minister should normally be from the SRH Board through the Sponsor. The SRH Board is responsible for ensuring that policies and actions of SRH support the Scottish Ministers' strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout SRH.

The Chair's Personal Responsibilities

- 4. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility for devolved functions, may also be held to account by the Scottish Parliament. Communications between SRH and the Scottish Ministers should normally be through the Chair. The Chair is responsible for ensuring that the SRH's policies and actions support the Scottish Ministers' wider strategic policies and that its affairs are conducted with probity.
- 5. In leading the SRH Board the Chair has leadership responsibility for:
 - a) formulating the SRH Board's strategy;
 - b) ensuring that the Board, in reaching decisions, takes proper account of guidance issued by the Scottish Ministers;
 - c) promoting the efficient and effective use of staff and other resources;
 - d) encouraging high standards of propriety and regularity; and
 - e) representing the views of the SRH Board to the general public.
- 6. The Chair shall also ensure that:
 - a) the work of the SRH Board is subject to regular self-assessment and that the SRH Board is working effectively;
 - b) the SRH Board, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing the company business, and in terms of protected characteristics under the Equality Act;
 - c) the SRH Board directors are fully briefed on terms of appointment, duties, rights and training to include responsibilities of directors;
 - d) he or she, together with the other SRH Board members, receives appropriate induction training, including on financial management and reporting requirements, severance policy and, as appropriate, on any differences that may exist between private and public sector practice;
 - e) succession planning takes place to ensure that the SRH Board is diverse and effective, and the Scottish Ministers are advised of the company needs when SRH Board vacancies arise; and
 - f) there is a code of conduct for board members in place, approved by the Scottish Ministers.
- 7. The Chair shall assess the performance of individual SRH Board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the SRH Board as a whole, is also responsible for undertaking an annual appraisal of the performance of the Chief Executive.
- 8. The Chair shall have responsibility for all matters detailed as being the responsibility of the Chair within the Code of Governance.

Individual SRH Board Members' Responsibilities

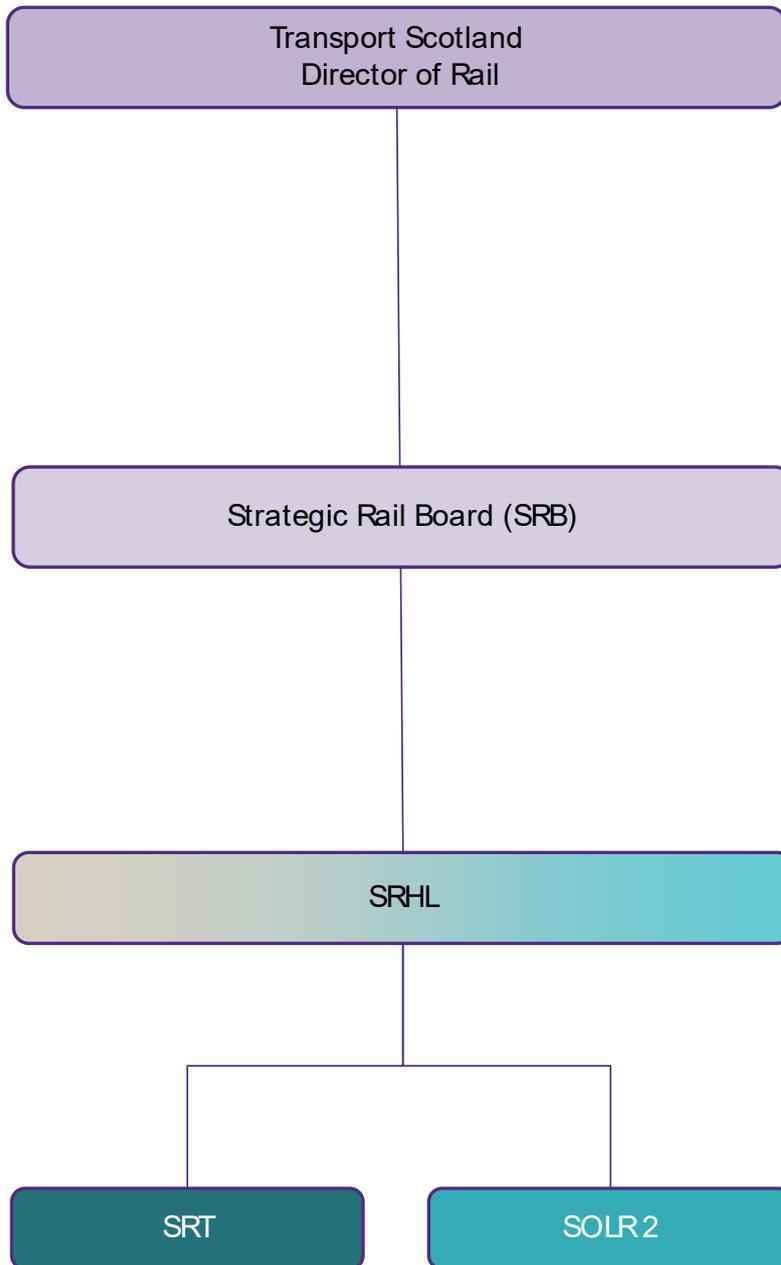
9. Individual SRH Board members (including without limitation, the Chair and the Chief Executive) should act in accordance with the responsibilities of the SRH Board as a whole and:
- a) comply at all times with the code of conduct adopted by SRH and with the rules relating to the use of public funds, conflicts of interest and confidentiality. (In this context "public funds" means not only any funds provided to SRH by the Scottish Ministers but also any other funds falling within the stewardship of SRH, including trading and investment income, gifts, bequests and donations.) In reaching decisions, the SRH Board should take into account relevant guidance issued by the Scottish Ministers;
 - b) not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations; and
 - c) act in good faith and in the best interests of SRH.

General guidance on board members' responsibilities is summarised in their appointment letters and is also provided within the Scottish Government publication 'On Board– a guide for Board Members of public bodies in Scotland' (<https://www.gov.scot/publications/board-guide-members-statutory-boards/>).

Members are expected to uphold the requirements of the Companies Act or the principles set out in the Nolan Report as regards ethical standards.

Appendix 4 – Governance Structure

Simplified Governance Model





TRANSPORT SCOTLAND RAIL SERVICES POST 2022 POLICY COMPENDIUM

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Welcome

The Policy Compendium is a collection of policies to guide and empower ScotRail Holdings Ltd and ScotRail Trains Ltd ‘the Business’ in the delivery of rail services on behalf of the Scottish Ministers. The Compendium should assist the Business in the production, execution and reporting of its corporate and business plans and the framing of its relationship with Transport Scotland and other stakeholders.

The policies specified in the Compendium sit within a broader policy context shaped by government. That context includes the National Performance Framework⁷ (which incorporates the United Nations Sustainable Development Goals⁸) the National Transport Strategy⁹, the Rail Services Decarbonisation Action Plan¹⁰, the Scottish Ministers’ High Level Output Specification¹¹, the Fourth National Planning Framework¹², Scotland’s Rail Freight Strategy¹³ and the update to the Climate Change Plan¹⁴.

As the National Performance Framework and the National Transport Strategy permeate all policy areas of the Business and guide its purpose, a short overview, for context, is provided below.

The Purpose of the Scottish Government is to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.

The National Performance Framework articulates that Purpose as being to:

- create a more successful country
- give opportunities to all people living in Scotland
- increase the wellbeing of people living in Scotland
- create sustainable and inclusive growth
- reduce inequalities and give equal importance to economic, environmental and social progress.

The values (see Figure 1) associated with those aims guide Scotland’s approach to:

- treat all our people with kindness, dignity and compassion
- respect the rule of law

⁷ www.nationalperformance.gov.scot

⁸ <https://sustainabledevelopment.un.org/>

⁹ <https://www.transport.gov.scot/our-approach/national-transport-strategy/>

¹⁰ <https://www.transport.gov.scot/publication/rail-services-decarbonisation-action-plan/>

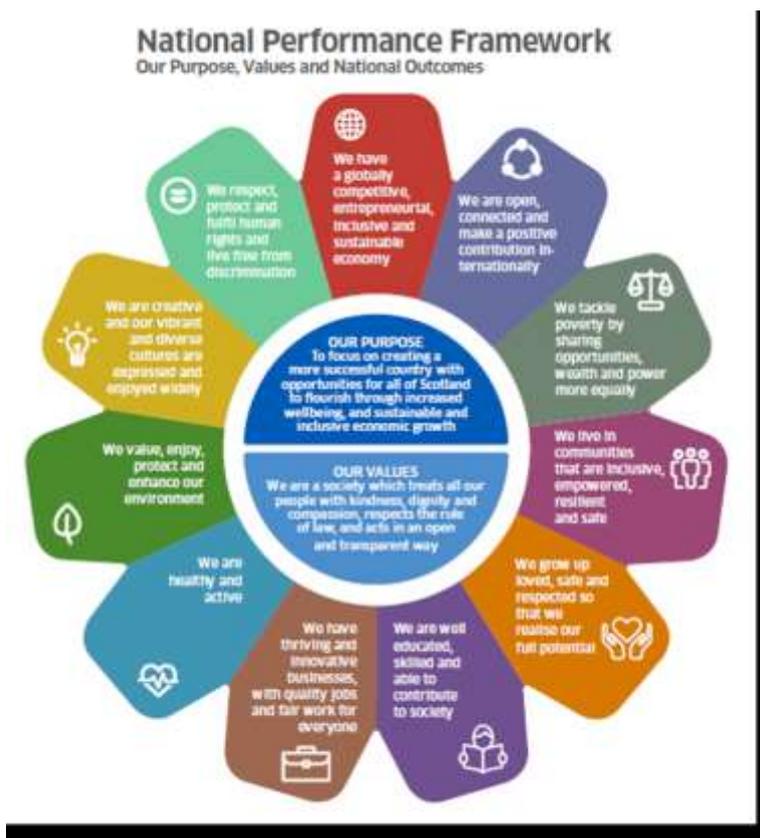
¹¹ <https://www.transport.gov.scot/publication/the-scottish-ministers-high-level-output-specification-for-control-period-6/>

¹² <https://www.gov.scot/publications/scotlands-fourth-national-planning-framework-position-statement/>

¹³ <https://www.transport.gov.scot/media/5362/ts-rail-freight-strategy-a4-aw3.pdf>

¹⁴ <https://www.gov.scot/publications/securing-green-recovery-path-net-zero-update-climate-change-plan-20182032/>

- act in an open and transparent way.



To help achieve the Government’s Purpose, the Framework sets out National Outcomes. These outcomes describe the kind of Scotland it aims to create.

The outcomes:

- reflect the values and aspirations of the people of Scotland
- are aligned with the United Nations Sustainable Development Goals
- help to track progress in reducing inequality

Figure 1:
The National Performance Framework; Purpose, Values and National Outcomes.

The National Performance Framework embeds the United Nations Sustainable Development Goals (see Figure 2), with the 17 Goals mapped against the 11 National Outcomes.



Figure 2:
The United Nations

Sustainable Development Goals.

To achieve the national outcomes, the National Performance Framework aims to get everyone in Scotland to work together. This includes national and local government, businesses, voluntary organisations and people living in Scotland. The Framework is

underpinned by statute, indeed, the Community Empowerment (Scotland) Act 2015 places a duty on the Scottish Ministers to consult on, develop and publish National Outcomes for Scotland and to review them every five years. It also places a duty on public authorities to have regard to the national outcomes in carrying out their functions.

ScotRail Trains Ltd is a public corporation and Scottish Rail Holdings will fall within the ambit of a public authority or body¹⁵ and, accordingly, have a significant contribution to make in the delivery of the national outcomes and objectives set out in the National Performance Framework.

The National Transport Strategy sets out the Vision, with a 20 year horizon, for a sustainable, inclusive, safe and accessible transport system helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

That Vision is underpinned by four interconnected Priorities, each with three associated Outcomes (see Figure 3).



Figure 3 The National Transport Strategy Vision – Interconnected Priorities
National Transport Strategy: Priorities and Outcomes.

The Vision, Priorities and Outcomes are at the heart of the National Transport Strategy and will be the basis upon which the Scottish Government will take decisions and evaluate the success of Scotland’s transport policies.

It is clear that nationally, and internationally, we are facing a global climate emergency. In response, the Scottish Government has committed to an ambitious statutory target of

¹⁵ Definition of public authority or body in Scotland - <https://www.gov.scot/publications/national-public-bodies-directory/>

net-zero greenhouse gas emissions by 2045. Transport will play a key role in achieving this important target and the contribution it can make is clearly reflected throughout the National Transport Strategy and the steps that the government has taken in respect of the Climate Change Plan¹⁶ and, more pertinently for the rail industry in Scotland, the Rail Services Decarbonisation Action Plan with its commitment to cease the operation of domestic passenger rail diesel traction by 2035.

The National Transport Strategy (see Figure 4) also sets out, at the national level, the Sustainable Investment Hierarchy which is used to inform future investment decisions and ensure transport options that focus on reducing inequalities and the need to travel unsustainably are prioritised. The Strategy also stresses the need to focus on maintaining and safely operating existing assets, taking due consideration of the need to adapt to the impacts of climate change. Investment promoting a range of measures, including innovative solutions, to make better use of existing capacity will then be considered, ensuring that existing transport networks and systems are fully optimised. Only following these steps will investment involving targeted infrastructure improvements be considered.



The 20 year horizon of the National Transport Strategy is also reflected within the Strategic Transport Projects Review (STPR)¹⁷.

On 3 February 2021 Transport Scotland published Phase 1 recommendations¹⁸ from the STPR2 review together with associated impact assessment progress reports.

Figure 4 Prioritisation of sustainable transport investment hierarchy.

The Phase 1 recommendations are the first STPR2 recommendations for transport investment, focussing on recommendations for transport projects or interventions that significantly contribute to STPR2 objectives, align well with National Transport Strategy priorities, and can be progressed or delivered within the current spending period, and will help support a green recovery from the COVID-19 pandemic.

In line with the thrust of the investment hierarchy approach a Rail Enhancements and Capital Investment Strategy¹⁹ (RECIS) has been adopted. RECIS looks beyond the

¹⁶ <https://www.legislation.gov.uk/asp/2019/15/enacted> Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 which sets a target date for net-zero emissions of all greenhouse gases by 2045

¹⁷ <https://www.transport.gov.scot/our-approach/strategy/strategic-transport-projects-review-2/>

¹⁸ <https://www.transport.gov.scot/publication/update-and-phase-1-recommendations-february-2021-stpr2/>

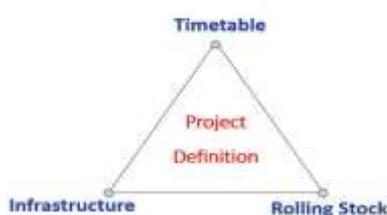
¹⁹ <https://www.transport.gov.scot/publication/rail-enhancements-capital-investment-strategy/>

traditional regulatory five-year railway industry planning cycle and takes a strategic approach to all rail investments, with a particular focus on making best use of the opportunities presented by the synergy of major renewal and enhancement works, alongside investment in rolling stock.

RECIS also acknowledges that future rail investment will compete more directly with other public spending priorities in transport and across other areas such as health and education, and the pressure on funds will become increasingly so in the post-Covid-19 environment. Accordingly, tighter scrutiny will be applied to all aspects of appraisal, design, development and delivery of rail projects including the articulation, within business cases and in benefits realisation, of how they optimise value for money in terms of economic, social and environmental benefits.

This investment approach necessarily means much closer alignment of the infrastructure and service provision or, as it is sometimes characterised, 'Track and Train'. This approach is characterised by:

- a focus on value for money and the identification of whole-life costs in addition to initial capital expenditure
- investment in rail interventions (e.g. services or infrastructure) only where they clearly represent the optimum value for money solution in terms of economic, social and environmental outcomes
- confidence for the supply chain through steady work-banks, promoting employment, training opportunities and innovation
- optimum coordination of all enhancement and major renewals projects
- decisions taken for the long-term
- rail corridors assessed holistically
- improved modal integration
- an environment which allows rail operators to deliver their franchise commitments
- environmentally sustainable connections



Additionally, there will be a need for 'whole-system' specification in project planning, so as to make sure that there is better co-ordination of infrastructure, rolling stock and timetabling considerations and implementation.

Figure 5

Whole-system consideration.

Future funding pressures will be such that for 2021/22 and onwards there can be no increase in the net cost of the railway. That net cost challenge relates to total rail operations and this includes costs that fall to Network Rail as well as those that befall service operations (i.e. the Business).

Accordingly, because of the emphasis on closer alignment of the infrastructure and service provision together with the net cost challenge, there will be a need for the Business together with Network Rail, under the auspices of the existing Alliance arrangements, to develop further their partnership and, building on the functionally-focussed activities of the Railway Recovery Task Force, drive greater operational and financial efficiencies. That work aligned with the policy drivers set out in this

Compendium will also require the Business to consider and then articulate how it will optimise value for money in terms of economic, social and environmental benefits.

Across Scotland's Railway work is taking place to develop a common set of nine overarching strategies as a framework for the sector. Those strategies are set out in Table 1.

Table 1: Relationship between Scotland Railways' overarching strategies and policies within the Policy Compendium

Strategy	Policy
Business Development	<ul style="list-style-type: none"> • Business Development • Brand & Marketing • Customer Engagement • Fares & Ticketing • Stations • Tourism • Train Service Specification & Rolling Stock
Greener Transport	<ul style="list-style-type: none"> • Business Development • Car Parking • Cycling • Transport Integration
Social Inclusion	<ul style="list-style-type: none"> • Accessible Travel • Community Rail • Fares & Ticketing • Heritage
Scotland's Railway Integration	<ul style="list-style-type: none"> • Alliancing
Efficiency	<ul style="list-style-type: none"> • Business Development • Performance Regimes • Sustainability • Train Service Specification & Rolling Stock
People	<ul style="list-style-type: none"> • People & Culture • Pensions
Investment	<ul style="list-style-type: none"> • Business Development • People & Culture • Rolling Stock • Sustainability
Climate Resilience	<ul style="list-style-type: none"> • Climate Resilience • Sustainability
Safety	<ul style="list-style-type: none"> • Business Continuity (Covid-19)

The policies contained within the Compendium are broadly aligned with those strategies, though there is no direct safety policy relating to the safety strategy as that strategy is covered by statutory obligations.

It should be noted that none of the policies contained within the Compendium alleviate any statutory or regulatory obligations of, or requirements placed on, the Business.

Where appropriate, the policy statements in the following chapters of the Compendium are framed in the following manner:

Outcome: the desired result or objective to which the Business' efforts should be directed.

Output: illustrative measures by which the Business can assess, measure or demonstrate its attainment of the Outcome.

Policy: a series of statements regarding the scope of empowerment or a direction to produce a particular strategy or related strategies which will set out at a high-level the activities to achieve the outcome.

These policy statements, together with the Framework Agreement between the Business and Transport Scotland, will inform the Business' Corporate and Business plans as well as the pre-April 2022 mobilisation plans. The execution of those plans and the attainment of policy outcomes together with compliance with the Framework Agreement will be considered as part of an ongoing assessment by Transport Scotland of the Business' effectiveness in delivering its responsibilities.

**Rail Directorate
Transport Scotland
July 2021**

1. Accessible Travel

1. Outcome:

A business that provides high quality services for all passengers and provides additional support for those passengers who may require assistance to access services.

1. Outputs:

- Compliance with licence conditions (as monitored by the Office of Rail and Road)
- Efficacy of the Accessible Travel Plan (measured by, for example, customer experience and public perception surveys)
- Improved access to stations and facilities. (Passenger surveys or physical audits)
- Increased patronage from customers who have disabilities or reduced mobility
- Improved passenger confidence to use rail services (Monitor and evaluate ongoing customer experience and passenger satisfaction through the annual Transport Focus National Passenger Survey and through direct engagement with Mobility Access Committee Scotland, Disability Equality Scotland and ScotRail's Equality Stakeholder Group and other key national forums).

1. Policy:

1.1 As required as a condition of licence, the Business shall publish an **Accessible Travel Policy** updated in a timescale determined by the Office of Rail and Road (ORR). The policy will include information for passengers on how to access stations and services and how to book assistance if required

1.2 The Accessible Travel Policy shall be developed through consultation with the Mobility Access Committee Scotland (MACS), Disability Equality Scotland and kept under review as to its relevance through continuing periodic engagement with MACS and other relevant stakeholders.

1.3 The Business shall engage with Transport Focus to influence the inclusion of specific survey data relating to disabled and other persons with reduced mobility who wish to use rail services as part of their end-to-end journey. The Business, if necessary, may consider and advance alternative methodologies to replace the Transport Focus survey provision.

1.4 The Business shall engage with the Rail Delivery Group to address advice from ORR that the future costs associated with producing the 'Measuring up Survey' as a condition of operating licence, is met by industry in future. The outcome of industry response shall be presented to the Authority for consideration.

1.5 To improve access to stations and facilities for persons with reduced mobility the Business shall:

- 1.5.1 participate and co-operate in national station improvement programmes (for example, Access for All) working in partnership with Network

Rail, Local Authorities, Regional Transport Partnerships and other train operating companies to maximise opportunities and support the efficient delivery of such programmes by aligning to other improvement programmes where possible.

1.5.2 develop an **Accessible Travel Programme**²⁰ in consultation with Network Rail, MACS and other stakeholders including other train companies, where appropriate. That programme, to the value of £2.5m over five years, shall be used to attract third-party funding and shall be presented each year to the Authority for review. The programme should then be delivered within the agreed budget with regular reporting of progress of projects so that the Authority can be assured that the programme is aligned with other wider investment projects on the network in order to maximise efficiency of operations and value to the taxpayer. If the allocated funds are not spent the Authority reserves the right to distribute any such funds to other appropriate projects or programmes.

1.6 The Business shall notify the Authority where:

1.6.1 in order to meet requirements of the Equality Act, there is a funding shortfall to meet obligations for physical improvements to a station to enable access of disabled persons to train services.

1.6.2 station access charges increase at stations owned by others as a consequence of physical improvements for disabled persons.

1.6.3 there is a claim of non-compliance with the Equality Act.

1.7 The Business shall, before April 2022, develop proposals, for consideration by the Authority, to support the existing Stakeholder Equality Group²¹ and in so doing assess the effectiveness of the Group in providing robust and meaningful input from appropriate stakeholders. The proposals must clearly demonstrate either the reasoning for a discrete budget, from April 2022, for this activity or that the cost can be absorbed into day-to-day operations of the Business.

END

²⁰ The Accessible Travel Programme replaces the current Minor Works Programme.

²¹ The Stakeholder Equality Group is currently supported with £50,000 per annum from Abellio.

2. Alliancing

2. Aim/Outcome

Scotland's railway is vital to our economy and its social wellbeing. Scottish Ministers continue to believe that a devolved railway, public sector controlled and operated in the service of the public, fully integrated and truly accountable, will deliver better and more efficient services for our people and our communities.

Since the executive devolution of powers under the Railway Act 2005, the industry has worked closely with Scottish Government to develop the expertise and structures to enable coordinated decisions to be made. This has to date, made progress with the creation of the ScotRail Alliance (supported by the Alliance Agreement), the operational transfer of the majority of Network Rail central functions to the Scotland Route, the implementation of the Team Scotland approach to the development and delivery of infrastructure investments and the Rail Recovery Task Force which demonstrated an agile approach to responding and recovering from the pandemic whilst ensuring high quality, shared analysis and insight to inform decision making on the short, medium and long term future of the industry.

Scottish Rail Holdings Limited (SRH) and ScotRail Trains Limited (SRT) will continue this trajectory and work towards greater integration with Network Rail during the first two years of the new arrangements, based on the 'ascent to depth' principle. This template covers alliance arrangements at the working level (level two) and not Alliance governance (level one). Nevertheless the same principles apply to arrangements at all levels, that they should:

- be legally compliant with all applicable railway law and acceptable to relevant regulatory authorities (including the ORR)
- be fair and non-discriminatory in application
- ultimately lead to whole system decision making, efficiencies and responsive decision making, which will improve outcomes for taxpayers and the travelling public
- not transfer unacceptable levels of financial or reputational risk to the Scottish Ministers
- recognise the separate roles and responsibilities of the individual organisations
- be flexible to accommodate any proposals which emerge from the UK Government Williams-Shapps Plan for Rail draft White Paper applicable to Scotland, and any legislative or structural changes which may arise as a result of that or other Scottish or UK reform initiatives

Transport Scotland is also confident that it should be possible to secure savings and output improvements both from removing duplication of effort and through a stronger alignment of incentives, particularly as the cost of renewals, operations and maintenance of the railway infrastructure accounts for such a large proportion of the total costs of the railway in Scotland.

2. Policy

A 'Task and Finish' group will be created with representatives from Network Rail, ScotRail and Transport Scotland to develop a plan for greater integration (compliant with the principles above) by summer 2021 for implementation from April 2022. The group will use the existing Alliance Agreement as the basis for this and areas of focus for the plan include (but are not limited to):

- integrated organisational structures and skills exchange
- renewals and possession optimisation, in particular the approach railway closures and maximising capital investments.
- timetabling
- integrated route control
- performance management (reliability) and delay attribution
- weather resilience
- asset management and commercial property
- bespoke (significant) communications and marketing campaigns

The plan will identify short, medium and longer term areas of focus and any necessary regulatory or legislative changes needed to achieve this. Senior managers from Network Rail, ScotRail Trains Ltd and Transport Scotland will be asked to endorse the plan prior to its rollout.

END

3. Brand & Marketing

3. Outcome:

To protect, use, develop and enhance the current ScotRail brand (a strong and powerful brand) and ensure focused and targeted marketing of Scotland's Railway thereby retaining railway patronage and attracting new passengers to the railway to help meet the Scottish Government's modal shift and emissions reduction objectives.

3. Outputs:

- Increased brand awareness
- New passenger growth

3. Policy:

3.1 The Business shall:

3.1.1 implement the **ScotRail brand**²² across the network, and recognise the role and high, and increasing, profile/reputation of the brand to the whole of Scottish rail network and by extension the Scottish Ministers by

- taking pride in the brand
- applying the Scotrail Brand Guidelines (in consultation with Transport Scotland)
- maintaining all station painting and signage in line with the Guidelines as well as any new equipment
- ensuring all existing and new rolling stock and staff uniforms are maintained in line with the Guidelines
- ensuring all advertising and marketing communications (as well as other communications in printed, audio, visual and social media) are branded in line with the Guidelines

3.1.2 work (in consultation with Transport Scotland) to continue to increase and further raise the profile and value of the brand

²² The term ScotRail has applied to the Scottish network since 1983 and is applied independently of the body which operates the infrastructure, trains and stations and over the years the Scottish rail network has gradually become more unified, consolidated by the launch of the ScotRail brand in 2008. The Scottish Ministers own the ScotRail brand and will licence this to the Business.

This brand is high quality and provides a consistent and recognisable look across the network. The success of ScotRail, improved passenger satisfaction scores and better quality stations and trains, means that we have to ensure that this brand is protected, and maximise its use and value to the business. Successful application of the brand mark across the railway will require a close working partnership with Network Rail.

Alongside clear information provision and a key focussed marketing strategy the brand is an important tool to bring passengers back to the rail network post-covid lockdowns and attract more passengers.

3.1.3 develop proposals for potential regional-style branding and for ScotRail-licensed ScotRail-branded products particularly in tourist destinations/scenic lines

3.1.4 provide all standard **customer information** in line with [ORR guidelines](#) (timetables, tickets & fares, disruption information etc)

3.1.5 develop an overarching **Marketing Strategy** with the aim of driving passenger journey growth through retaining and attracting new patronage which shall include:

- development of (phased) proposals to start in 2022
- considerations around seasonality
- short, medium, and long-term objectives
- consideration of the use of the 'Scotland's Railway' strapline and
- consideration of ScotRail brand optimisation

3.1.6 the marketing strategy and associated plans will clearly include:

- strong ambition
- passenger market segmentation (including the different service groups)
- details on market research, market reports and plans to target these segments and
- evaluation methodologies.

END

4. Business Continuity (Covid-19)

4. Outcome:

A business that has the confidence of passengers and staff in meeting and addressing the challenges of Covid-19.

4. Outputs:

- Increased passenger confidence (Transport Focus survey outputs)
- Increased patronage (Passenger demand figures)
- Increased staff confidence at work (Targeted employee surveys and dialogue with unions)

4. Policy:

4.1 To identify, develop and implement, a **mechanism** by which **assurance** can be provided to **Scottish Ministers** that the challenges, including financial, of Covid-19 on the Business are being addressed in line with prevailing restrictions, Government guidance and demand pressures whilst building passenger and staff confidence. This will also set out the means by which its effectiveness will be monitored, measured and evaluated both nationally and locally. It is expected that this will be developed and implemented in a collaborative manner with Network Rail and the Authority, akin to positive work delivered through the Rail Recovery Task Force, and other industry stakeholder such as the Rail Safety & Standards Board (RSSB) and the Rail Delivery Group (RDG). It will reflect and align with wider Scottish Government policy and include the deployment of best practice.

4.2 Key aspects which shall be covered include, but are not restricted to, the following:

4.2.1 a rolling stock resource plan to ensure strengthening of units, as required, to enable adherence, as far as reasonably practicable, to physical distancing in order to address increased demands consequent on the resumption of events, people returning to offices or visiting tourist locations.

4.2.2 the use of mobile 'phone applications to enable passengers to ascertain which trains/carriages are busy to allow them to make an informed decision as to whether to board train or wait for a subsequent service.

4.2.3 the use of ventilation systems on rolling stock, in stations, operational areas and offices which, combined with other measures i.e. physical distancing, face coverings, hand washing, may help reduce the risk of transmission of the virus.

4.2.4 the provision of hand sanitising facilities for staff and at major stations for passengers.

4.2.5 increased staff numbers at major terminal or interchange stations to marshal passenger flows.

4.2.6 a fair approach to customer refunds should changes occur to the ability of the public to travel – Scotland-wide or regionally - as a result of restrictions or government guidance.

4.2.7 a cleaning regime in stations, operational areas, offices and on rolling stock which may help reduce the risk of transmission of the virus.

4.2.8 the promotion to staff and passengers of information and guidance in on-line, printed, audio and visual formats (CIS, website, on train announcements etc), fully compliant with prevailing Scottish Government guidelines and legislation, regarding physical distancing, the wearing of face coverings and the application of hand washing. This information will align with wider Scottish Government policy and include the deployment of best practice as informed by relevant engagement and sharing of lessons learned.

4.2.9 establishing, agreeing and implementing emergency working principles with trade unions.

4.2.10 participation in cross-industry and cross-sector working groups that promote an agile, informed and co-ordinated response to the crisis and share good practice.

4.2.11 establishing informed relationships with the NHS, Regional Transport Partnerships, Transport Focus, British Transport Police, relevant trades unions, the CBI, the Federation of Small Business and the relevant Chambers of Commerce so as to gain intelligence that will support the operational response to the recovery of both the railway and wider economy post-pandemic.

4.3 The Business shall ensure that lessons learned throughout the pandemic are used to inform contingency planning around any potential future pandemic or other similar activity. Existing Business Continuity Plans shall be updated to reflect systems and processes implemented throughout the response to Covid-19.

4.4 The Business shall ensure that it records any direct costs or expenditure directly attributable to the response to Covid-19 and reports when asked to do so by the Authority.

END

5. Business Development

5. Outcome:

A business that understands the market and exploits its potential to drive revenue growth that leads to long-term, sustainable growth for itself and the wider economy.

5. Outputs:

- Improved market knowledge and data
- Increased penetration of individual markets (e.g. tourism, business, various social groups etc)
- Increased sustained patronage and revenue
- Improved targeting of products and services to meet market needs
- Impact statements on the economic contribution of the Business to various sectors or markets of the economy

5. Policy:

5.1 To develop and implement a **Market Growth Strategy** which will include:

5.1.1 a study to determine post Covid-19 markets (e.g. tourism, leisure, business, social/demographic sectors) and an associated data strategy so as to improve information about cost, revenue and market sector demand across its service sectors

5.1.2 a plan to develop and implement appropriate products, services, promotion and goals to address and grow those markets to deliver increased revenue against a back drop of Net Zero Carbon and modal shift (cf. 20% reduction target in car use by 2030) whilst not increasing the net cost of Scotland's Railway.

5.1.3 the means and measures to evaluate (and if necessary remediate the approach to) market penetration and achievement of goals on a quarterly basis.

5.1.4 a plan to engage Network Rail and other stakeholders in the development, execution and promotion of the Strategy

5.2 To develop and implement an **SME Engagement & Growth Strategy** which will include:

5.2.1 procurement processes in line with Scottish Government procurement guidance to encourage Small & Medium-sized Enterprises (SMEs) and particularly local SMEs to bid for its supply chain requirements

5.2.2 advertising all appropriate contracts on the Public Contracts Scotland portal

5.2.3 establishing an SME forum, to allow discussion in relation to the barriers to, and opportunities arising from, SME involvement in the supply chain and how the Business can assist SMEs.

5.2.4 participating in appropriate Transport Scotland or Scottish Enterprise initiatives (such as, for example, the Rail Cluster Builder, which seeks to build awareness and capability within Scotland's rail sector supply chain or the Zero Emissions Train Project which has brought academia, the industry, an SME entrant to the sector and government together to develop learning and industrial capability from the conversion of an electric train to hydrogen propulsion).

5.2.5 using reasonable endeavours to ensure that eligible contracts with large suppliers contain provision requiring them to contract with SMEs.

5.2.6 engaging with businesses, universities and colleges (including academic spin-outs and start-ups) under the auspices of Scotland's Railway to identify appropriate opportunities for collaborative working or research,

5.3 An **Annual Statement** of the economic contribution to, and impact of, the Business on the Scottish economy with analyses by economic sectors, geography and markets.

END

6. Car Parking

6. Outcome:

Railway passengers use their closest station to access the network and do so, where reasonably practical, by active or public transport modes rather than private vehicle.

6. Outputs:

- Increased numbers of passengers using their closest station (e.g. by survey)
- Increased use of active travel and public transport in accessing stations (e.g. by survey)
- Improved emissions levels (e.g. air quality measures)
- Improved net cost of the railway (e.g. measuring patronage, lower cost of providing and maintaining car parks)
- Improved amenity for proximal residents (e.g. reduced indiscriminate parking, car volumes, air quality)

6. Policy:

6.1 Scotland's Railway has jointly commissioned the *Railway Parking and Station Connectivity Strategy 2021-2040*. A draft strategy has been produced. The over-arching aim of the Strategy is to map out a long-term strategic framework for, one, the provision, ownership, operation and management of station car parks and, two, active travel and public transport connections to stations. ScotRail Trains Ltd is expected to play its part in developing, refining, promoting and delivering the Strategy and to engage actively and constructively with stakeholders (e.g. Network Rail, Transport Scotland, Regional Transport Partnerships, other rail operators, local authorities, Community Rail Partnerships etc) in discharging its functions under the Strategy.

6.2 The (draft) Strategy has the following Aims:

6.2.1 to ensure that the car parking estate and station access arrangements support the recovery of railway revenue.

6.2.2 to capitalise on people's increased willingness and means to walk / cycle and increase the level of active travel journeys to stations.

6.2.3 to ensure that future investment decisions are aligned with any permanent changes in travel behaviour emerging from the COVID-19 pandemic.

6.2.4 to ensure the Scotland's Railway car parks are managed and used in a consistent, safe and efficient way.

6.2.5 to achieve an equitable balance between generating revenue / reducing subsidy and encouraging desirable travel behaviours

6.2.6 to ensure that future investment and management decisions are aligned with long-term changes in travel behaviour as a result of societal change.

6.2.7 to ensure that the parking estate plays its part in facilitating the tailpipe decarbonisation of Scotland's vehicle fleet.

6.2.8 to ensure that future investment and management decisions are aligned with long-term changes in travel behaviour as a result of technological change.

6.2.9 to ensure that future investment in station parking and connectivity aligns with the Sustainable Travel Hierarchy and Sustainable Investment Hierarchy

END

7. Climate Resilience

7. Outcome:

A railway which is safe and reliable and able to demonstrate resilience in the face of increased frequency and severity of extreme weather conditions.

7. Output:

- Reduction in instances of disruption caused by severe weather events.

7. Policy:

7.1 To produce, in collaboration with Network Rail, a **Climate Change Adaptation Strategy** which sets out the actions, with an agreed programme for implementation, that will be taken to mitigate identified risks to services created by climate change impacts. The Strategy will be published on the website, implemented and reviewed annually to ensure it remains fit for purpose and responds to recommendations highlighted in previous reports on how the railway can better cope with extreme weather (e.g. the independent reviews carried out by Lord Robert Mair and Dame Julia Slingo).

7.2 The Strategy shall include a **People** element which sets out measures and provisions put in place to protect both staff and passengers from being impacted negatively by the effects of climate change e.g. temperature controls in operational areas, stocks of water on hand to address overheating (heat stress) from prolonged periods of warm weather.

7.3 To work in collaboration with Network Rail and the Authority to **monitor forecast severe weather events** and plan accordingly to ensure, as far as reasonably practicable, that services are not impacted. To carry out **lessons learned** activity, with Network Rail and the Authority, following such events to identify what worked well and areas for improvement to inform future responses.

7.4 To work with Network Rail and the Authority and industry stakeholders to **share best practice** and identify **initiatives or innovations**, such as telemetry equipment fitted to trains, which may reduce the impacts of severe weather events on services.

7.5 To **monitor and record** severe weather events and impact on services to enable **performance metrics** to be identified to measure performance and efficiency of initiatives.

7.6 To produce a **disruption handling plan** which sets out the steps that will be taken during periods of disruption to ensure, as far as reasonably practicable, that passengers are able to complete their intended journeys. The disruption handling plan should include protocols around Communication activity both in advance of, and during, severe weather events including collaboration with other modes to ensure passengers, and staff, are well informed and can plan accordingly.

7.7 To produce, in collaboration with Network Rail, an **Annual Outcome Report** which sets out performance of the network against days where severe weather events have been experienced and measures the efficacy of any specific initiatives, innovations or interventions that have been implemented to combat the effects of climate change.

End

8. Community Rail

8. Outcome:

A railway that maximises, recognises and promotes the social and economic value that communities can derive from, and contribute to, their railway and stations.

8. Outputs:

- Increased involvement, participation and engagement of local communities (e.g. level of collaborative working with communities, staff and wider stakeholders, active participation of volunteers and community groups in activities, improvements to community health and well-being, local economic growth, inequality and climate action).
- Increased local patronage and revenue.
- Increased efficiency in operations (e.g. maintenance cost reductions).
- Improved station environments (e.g. qualitative measures on sense of place and gateways to communities and local areas, reductions in litter, graffiti and anti-social behaviour).
- Improved local economic effects (e.g. contribution to local regeneration, enabling partnerships for investment and improvement schemes).
- An annual Outcome Report on the social, cultural and economic value delivered from the investment in community rail.

8. Policy:

8.1 To develop and implement a **Community Rail Strategy** that seeks to engage, encourage and support local communities to connect with the railway with the aim of sponsoring social inclusion, community wellbeing, biodiversity, and economic development as well as promoting rail as a sustainable mode of travel. The Strategy will set out goals and targets and the means to measure and evaluate success.

8.2 The Strategy shall support the continued development, sustainment, growth and geographic expansion of Community Rail Partnerships and their activities in Scotland. It should be attuned to local needs and aspirations, and seek to deliver a range of community engagement and activities as well as promoting an understanding of the importance of local railways, in terms of improving mobility and sustainable travel, community cohesion and wellbeing, and social and economic development.

8.3 The Strategy shall also seek to maximise the value of station adoption groups to both volunteers and the railway, and provide opportunities for volunteers, community groups, social enterprises, small and micro-businesses, charitable organisations and other stakeholders to be actively engaged in ensuring that stations are welcoming and productive hubs for the community.

8.4 The Strategy, in the spirit of being inclusive, shall seek to encourage participation representative of all sections of society, particularly, youth groups/younger members (with linkages to local authorities and schools with a view to ensuring young

people engage with rail services in a safe and secure manner and provide young people with access to opportunities and help tackle social exclusion).

8.5 The Strategy shall clearly articulate the support to be given to volunteers and the means of recognising their commitment and contribution to the railway.

8.6 The Business will receive and manage an investment of **£250,000**²³ annually to support the delivery of the programmes and activities of the Strategy.

8.7 To engage and work closely with the proposed Community Rail Scotland, the Community Rail Network, Community Rail Partnerships, Network Rail, the wider voluntary & community sector and the education sector in the formulation, assurance and delivery of the Strategy.

8.8 To ensure that the application and funding processes associated with the disbursement of funds under the Strategy is straightforward with consistently applied criteria.

8.9 To publish an annual **Outcome Report** (which may be combined into a single report covering also the Outcome Report of aspects covered by Scotland's Railway's Regeneration and Heritage Fund (SRRH Fund)) on the social, cultural, environmental, educational and economic value delivered from the investment and especially the contribution made to the well-being of local communities and the economic impact of volunteering to the railway.

END

²³ The Authority will consider revising this sum upwards should the Outcome Report clearly demonstrate the value derived from the investment.

9. Customer Engagement

9. Outcome:

A business noted for consistently delivering a good customer experience.²⁴

9. Outputs:

- A Passenger Charter that is easy to access and understand for passengers
 - clearly informs passengers of their rights when using ScotRail Trains Ltd services
 - directs passengers to detailed Accessible travel policy and Customer Complaints procedures
- Improved rail user experience (e.g. by survey)
- Increased and sustained patronage
- Improved public perception of customer service (e.g. by survey)

9. Policy:

9.1 To develop and implement a **Customer Engagement Strategy** which will define the customer service policies, procedures and processes to keep passengers safe, informed and to enhance their experience when using the Business' stations, facilities and trains and the means by which the Customer Engagement Strategy will be assured, monitored, measured and reported to the Authority and the public.

9.2 The Customer Engagement Strategy shall include:

9.2.1 a Passengers' Charter, based on the existing established ScotRail Charter, but refreshed to reflect a 'customer promise' and better packaged and more prominent on ScotRail digital platforms. The Passengers' Charter will as a minimum contain:

- information about planning a rail journey e.g. where to find information about train services and what other information is available at stations (including where to obtain information about onward travel and integration with other modes)
- information about stations and trains including, for example, staffing, facilities, interchanges, alcohol policies, ticket buying facilities, ticketless travel, reservations, booking assistance
- contact details of relevant organisations and partners e.g. National Rail Enquiries, British Transport Police, Transport Focus, Traveline Scotland

²⁴ As an addendum to this policy the Business is to produce a Food & Drink Strategy which includes the requirement for food and drink shall be provided on the following services:

- Inter7city services all year round
- Services from Glasgow to Oban or Fort William (and vice versa) all year round
- End to end services from Inverness to Kyle of Lochalsh, Wick or Thurso (and vice versa) (April or Easter (whichever is the earlier) to end of October)

The business may choose to provide food and drink on other services as it sees fit.

- the performance and quality standards at stations and on trains that users and passengers should expect to receive
- the rights of users and passengers when things go wrong and in respect of compensation details of its compensation scheme, based on the delay and repay model, and method of refund.

9.2.2 details of how the Business will assure and promote its Passengers' Charter, how it will assess the effectiveness of the Charter in communicating its offer to the public, how it will record and publish measures recording complaints and levels of reimbursements (compensation) and the particulars of the arrangements for the audit of any statistics related to matters covered by the Charter. The Authority expects such information to be publicly provided, as a minimum, on the ScotRail website.

9.2.3 details of how the Business intends to increase overall passenger awareness of its compensation scheme, how it will communicate compensation entitlement directly to passengers caught up in significant delays and how it will ensure that the claim process is efficient, timely and easily understood by passengers.

9.2.4 details of how the Business will contribute to, and enhance the services of Traveline Scotland.

9.2.5 in accordance with the Office of Rail & Road (ORR) License Conditions, publication of a Customer Complaints Handling Procedure (CCHP) and will, when required to do so by the ORR, review, revise and update the procedure in consultation with Transport Scotland, Transport Focus and any other body as directed by the ORR. The CHHP will be published, as a minimum, on the ScotRail website.

9.2.6 in accordance with the Office of Rail & Road (ORR) License Conditions, publication of an Accessible Travel Policy (ATP) and will, when required to do so by the ORR, review, revise and update the procedure in consultation with Transport Scotland, Transport Focus, Mobility Access Committee Scotland and any other body as directed by the ORR. The ATP will be published, as a minimum, on the Business' website.

9.2.7 a Passenger Disruption Information Plan for providing passengers with reliable and timely information at times of planned or unplanned disruption to services to minimise inconvenience and mitigate against the negative passenger experience that disruption can create.

9.2.8 contact details of relevant organisations and partners (e.g. National Rail Enquiries, BTP, Passenger Focus, Traveline Scotland) are available through the Business' website and its mobile app, tickets and signage.

9.2.9 details of how the Business will contribute to, and enhance the services of Traveline Scotland.

9.2.10 should the Business retain an enhanced standard of service and seating configuration (e.g. first or business class) as provided on existing or

planned rolling stock then the Business shall develop a product that delivers revenue (after deducting incremental variable costs) and enhances the ScotRail brand to engender pride amongst customers and employees. The strategy supporting the enhanced offer shall examine how best capacity is used, the markets, the product (which might include facilities at some stations) and its pricing.

9.2.11 confirmation that the Business will use all reasonable endeavours to maintain a minimum staffing level for every train service of two members of staff, one being the driver.

9.2.12 details of how the Business will independently assure the effectiveness of the Strategy.

9.3 The Customer Engagement Strategy shall be supported by a **Training & Development Programme** with appropriate accreditation for all staff engaged in the delivery of customer service within the Business. The focus shall be on customer service improvement and monitoring customer satisfaction. Within that focus, key topics shall include training of front line staff, the linkages with HR strategy and business modernisation initiatives, the use of apprentices and dedicated customer service specific roles, and the sources of external evidence used to monitor customer satisfaction, taking into consideration the changes planned for the NRPS survey.

End

10. Active Travel

10. Outcome:

A railway that enables the increased use of walking, wheeling and cycling as part of the passenger journey. This will help to deliver against policy objectives around sustainable travel modes whilst also having a positive impact on the health and wellbeing of the nation by promoting active travel as part of the journey.

10. Outputs:

- Increased use of walking, wheeling and cycling to access rail services (through passenger survey data)
- Improved awareness of rail facilities, at stations and on trains, to enable greater use of cycling as part of the daily passenger journey (passenger survey data)
- Increased use of rail by cyclists, as they seek to undertake/access leisure and tourist activity. (passenger survey data)
- Improved alignment between national and local cycling schemes and the use of rail services. (demand uplift in use of national and local cycling schemes through survey data)

10. Policy:

10.1 To produce and implement an **Active Travel Strategy (The Strategy)** which sets out how the railway asset(s) will be utilised to enable an uplift, with specific measurable targets, in the use of walking, wheeling and cycling as part of a passenger's journey. The Strategy should make reference to and be compatible with the Transport Scotland Active Travel Outcomes Framework and Cycling Framework for Active Travel (currently due for publication late 2022), and the Scottish Government Walking Strategy.

10.2 The Strategy shall set out how it is proposed to **Communicate and Promote** the facilities available at stations enabling walking, wheeling and cycling and on trains for cyclists. This should include where to locate factual information around the facilities available, including any security aspects in place to protect any valuable assets. In addition, promotional activity should be utilised to highlight the opportunities of the railway on particular routes in accessing tourist and leisure activities as well as promoting any specific initiatives that have been undertaken to encourage cycling i.e. Class 153 rolling stock reconfiguration. Due consideration should also be given to how to manage expectations on routes, such as busy commuter routes, where the carriage of numerous cycles would be inappropriate due to conflicts with other passengers. Consideration may be given to proposals by the Business to implementing a booking fee for the carriage of cycles. Any proposals coming forward as part of the Strategy shall be informed by data collection and market analysis.

10.3 The Strategy shall include an **Engagement Strategy** which sets out how the Business proposes to work in collaboration with other parties i.e. Transport Scotland, local authorities, Regional Transport Partnerships, Community Rail

Partnerships, Sustrans, cycling groups and associations, accessible transport groups, local and national cycling schemes to explore opportunities to enhance the offering in respect of cycling and other active travel modes integrating with the rail network, particularly connectivity between towns without a stations and their nearest stations.

10.4 The Strategy shall articulate how the Business proposes to undertake **Monitoring and Evaluation** activity to determine the success of the Strategy. It is expected that this activity will engage those stakeholders mentioned in respect of the Engagement Strategy above. This activity should also implement bespoke impact assessments for any innovation or initiatives which are implemented.

10.5 The Strategy shall set out how the Business will engage with wider industry to identify **Innovation and Initiatives** which may assist in delivering the objective to grow the use of walking, wheeling and cycling as part of the rail-related journey. This innovation or initiatives may be in the form of technological solutions i.e. use of applications to assist passengers to book bikes on trains or to determine in advance of the train arrival where there may be capacity for bike storage on the train, or the availability of shared bike schemes or other public bike share at the arrival point.

END

11. Fares & Ticketing

11. Outcome:

A competitive, affordable and attractive fares package that will stimulate and achieve increased patronage and revenue and is able to respond quickly and effectively to changes to travel behaviours and markets.

11. Outputs:

- Improved market knowledge
- Improved targeting of fares and ticketing products to meet market needs
- Increased revenue
- Increased patronage from target markets (e.g. tourism, education, business, commuter)
- Increased patronage from different sectors of society (e.g. social inclusiveness)
- Improved utilisation of rolling stock capacity
- Improved passenger loyalty (e.g. retention of rail users)
- A public impact statement on the competitiveness and affordability of fares in terms of other transport modes and income groups

11. Policy:

11.1 To develop and implement a **Fares & Ticketing Strategy** that will deliver increased patronage and revenue within an environment of changing travel behaviours and markets. The Strategy will also set out targets and the means by which those targets will be monitored, measured, evaluated and reported.

11.2 On 1 April 2022 fares will be based on the prevailing products so as to minimize confusion or disruption for passengers on transition.

11.3 Over the course of 2022, the Fares & Ticketing Strategy shall as a minimum:

11.3.1 implement fares and products that incentivise and support market growth based on an analysis and understanding of evolving and segmented markets to facilitate a flexible and rapid response to changes in those markets, in particular as a consequence of Covid-19 pandemic impacts on travel behaviours.

11.3.2 implement fares and products that incentivise greater use of lightly used services and that attract sustained and increased shift from car.

11.4 Implement a Retail Strategy which shall be a live document and should reflect the approach to ticketing retailing which is likely to evolve over time with advancing technologies and customer preference.

11.5 Accelerate growth of integrated ticketing by maximising utility of existing ITSO and bar-code infrastructure to support increase take up of Smartcard and agreed bar-code ticket products across the rail network in Scotland so as to make

travel across rail and other public transport modes a more convenient and attractive choice. From the first year of operation, evaluate the effectiveness of existing Smartcard and bar-code products as an attractive customer product within changing travel markets and develop new products embracing emerging technologies (including those used in other transport) to continually enhance the convenience for customers to use rail services as part of an integrated journey.

11.6 Review, remove and prevent future fares anomalies, where possible, so as to ensure passengers can clearly understand pricing and choose the lowest fare available for their journey.

11.7 Assess potential benefits / financial impacts of strengthening the existing Price Promise Guarantee.

11.8 Implement attractive products that offer concessions for the unemployed and/or job seekers, young people /modern apprentices, students, disabled persons and those of state-pension age.

11.9 Implement innovative family-friendly products to attract car-borne families.

11.10 Assess potential benefits / financial impacts of introducing a 15-minute Delay Repay compensation scheme by 1 April 2022 to potentially align with this product being offered by other train operators.

11.11 Develop and implement, should it not be in operation, a minimum fares policy for those travelling without having paid, when they had an opportunity at their boarding station to do so,

11.12 Develop and implement, should the Business deem it necessary, a nominal booking fee for bike reservations in order to manage capacity and deter no-shows.

11.13 Ensure regulated and protected fares include: restrictions relating to children under 16, individual fares including child price, protected fares, fares increase, and compulsory inter-available flows, to mitigate against exceeding the regulated price or child price.

11.14 Assess potential opportunities and impacts for replacing the existing unregulated fares offering with fares products based on demand from the changing market emerging from the impacts of Covid-19, through close engagement with the authority with expectation new products can be available from 1 April 2022 where feasible.

11.15 Develop impact assessments on the operation of the Business in changing regulated fares increases from RPI to CPI with subsequent presentation of proposals to the Authority for consideration and agreement by the end of the first year of operation.

11.16 The Authority will work with ScotRail Trains Ltd during 2022 to develop improved procedures and processes to:

11.16.1 approve changes to regulated fares for the lead operator / major flow operator

11.16.2 review, consider and approve the pricing structure of rounded/unrounded fares.

11.17 The Authority welcomes for its consideration any innovative commercial propositions, such as, for example, daily capped fares, that are likely to have a material bearing on the financial model.

11.18 The Business shall co-operate and participate in the public transport fares policy review to be initiated by Transport Scotland with the aim of supporting and implementing review outcomes in 2024.

END

12. Heritage

12. Outcome:

Scotland's Railway is publically acknowledged for the positive way in which it protects, restores and promotes Scotland's historic railway culture and built environment for the benefit of Scotland's communities and the manner by which it encourages participation in the funding and practical conservation of the railway's heritage.

12. Outputs:

- Improved public knowledge of Scotland's cultural railway assets (e.g. perception surveys, volume of positive printed material/social media)
- Improved conservation of nationally or locally significant cultural assets (e.g. condition surveys, annual reports of Railway Heritage Trust)
- Increased use of former redundant buildings (e.g. occupancy/revenue data, number of local businesses/social enterprises utilising buildings)
- An Outcome Report on the social, cultural and economic value delivered from the profile and investment of the SRRH Fund.

12. Policy:

12.1 To produce jointly with Network Rail a **Railway Heritage Strategy** which sets out the objectives and approach to build the profile of Scotland's railway heritage to deliver social, cultural or economic value and the measures by which that value will be evaluated and publicly reported.

12.2 To promote jointly with Network Rail the Strategy under the auspices of Scotland's Railway.

12.3 To seek to secure the endorsement and participation of the Railway Heritage Trust and other interested parties in the promotion and execution of the Strategy.

12.4 To encourage interest, opportunity and participation in architectural conservation within the railway sector within Scotland.

12.5 To establish and deliver Scotland's Railway's Regeneration and **Heritage Fund** (SRRH Fund) to support communities, local small or micro-businesses and third sector organisations to deliver new sustainable uses for disused and underutilised railway buildings through direct grant funding²⁵. The Fund, at

²⁵The HLOS (<https://www.transport.gov.scot/media/39496/high-level-output-specification-hlos-for-control-period-6-final.pdf>) places an obligation on Network Rail to exploit the potential of its asset which includes buildings and space under railway arches. The relevant text of the HLOS is reproduced below:

'Railway Assets

6.41 Whilst it remains the position that no railway assets on the Scottish network should be sold or disposed of without the express approval of the Scottish Ministers, it is acknowledged that opportunities may exist to exploit the potential of the extensive Scottish commercial and operational asset base to the benefit of funders, rail users or proximal communities.

£250,000²⁶ annually, will on disbursement generate not less than a matching contribution from other sources.

12.6 To ensure that the application and approval process associated with the disbursement of funds under the SRRH Fund is simple and straightforward with consistently applied criteria.

12.7 To engage and work closely with interested parties in the promotion and delivery of the SRRH Fund.

12.8 To publish an annual **Outcome Report** on the social, cultural or economic value delivered by the SRRH Fund which may be combined with aspects associated with Community Rail within a single report.

END

6.42 The Scottish Ministers require Network Rail to optimise the availability of redundant or underused assets, including land, for the benefit of the local community. Where Network Rail looks to relieve itself of the burden of assets by identifying a more appropriate party (or parties) that could discharge that obligation, it should first undertake a thorough assessment of the potential for railway use in the future.'

²⁶ The Authority will consider revising this sum upwards should the Outcome Report clearly demonstrate the value derived from the investment.

13. Pensions

13. Outcome:

To provide stability and continuity in the discharge of all relevant obligations in relation to railway industry employees' pensions thus protecting staff terms and conditions. The Authority/Transport Scotland does not intend for the Railways Pension Scheme to come under the auspices of the Scottish Public Pensions Agency.

13. Policy²⁷:

ScotRail Trains Limited shall:

- continue with all existing obligations in schedule 16 of the current franchise agreement
- become the Designated Employer for the active, retired and deferred members of the current shared cost sections of the Railways Pension Scheme ("RPS") defined as – ScotRail
- set out its approach to managing the existing pension scheme from 1 April 2022 onwards with all assumptions clearly stated in supporting plans
- subject to meeting its obligations under the RPS, at the end of the OLR Period the Business shall have no responsibility for any deficit in the scheme (other than contributions due and payable before and at the end of the Period by the Business) and the Business shall have no right to benefit from any surplus which may exist in the relevant section without prior approval from the Authority

The Authority will not provide any indemnity regarding any payments that may be required under the Railways Pensions (Protection and Designation of Schemes) Order 1994 (SI 1433) or otherwise.

END

²⁷ Our policy is to provide stability, continuity and a long-term sustainable pensions framework. We will keep this policy under review to ensure that it is optimised and aligned with policies around future industry structures/potential industry reform.

14. People & Culture

14. Outcome:

A well-trained, well-motivated workforce appropriate in scale to deliver the Business' objectives.

14. Outputs:

- Increased customer satisfaction (e.g. results from public perceptual sampling)
- Improved employee engagement scores (e.g. through employee surveys)
- Improved industrial relations (e.g. reduction in disputes and days lost)
- Increased productivity (e.g. lower levels of sick days per employee, improved ratio between staff costs and business outputs)
- Improved recruitment and retention (e.g. % of new hires achieving defined service length, average time to fill vacancy)
- Improved terms and conditions, better aligned to business needs (e.g. staff survey, internal operational metrics, reduced rest day and overtime requirements)
- Improved training & development (e.g. average training hours per employee, participant satisfaction with training courses, % of training plans completed, number of staff per work area with relevant, nationally-accredited qualifications, spend on training, number of apprenticeships)
- Improved leadership capability (e.g. staff survey, degree of interchange within and without sector)
- Improved succession planning (e.g. % of internal appointments, % of employees by age profile, % apprenticeships, % graduates)
- Improved performance management (e.g. evaluation of structures and processes to ensure alignment with strategic business principles, culture and measures of success)
- Improved diversity of employees across all functions (e.g. % gender or ethnicity or socio-economic background)

14. Policy:

14.1 To develop and implement a **People & Culture Strategy** which will define the policies, procedures and processes that are required to deliver the **Strategic Plan** and **Business Plan** and the means by which the People & Culture Strategy will be monitored, measured and reported to its staff, the Authority and the public.

14.2 The People & Culture Strategy shall, at least, include:

14.2.1 a **Recruitment, Retention, Succession & Resourcing Strategy** updated on a rolling basis aligned to the coverage of the Strategic Plan. This Strategy shall also include:

- an early careers programme setting out the actions to engage with schools, colleges and universities in order to promote opportunities for school leavers, apprenticeships, interns and graduates;
- a **Diversity and Inclusion Strategy** detailing the proactive steps to be taken to ensure the Business is representative of the communities it serves.

14.2.2 an **Organisational Development Strategy** which addresses organisational structures and organisational design in order to maximise the value of the people and assets within the Business in the delivery of the Business' outcomes. In promoting and developing its revised business objectives within the new operational context, with its associated values, culture and challenges, the Business shall place the development of its people at the core of its Strategy. The Strategy should also engage partners across Scotland's Railway to achieve wider improved organisational design.

14.2.3 a **Reward & Engagement Strategy** which supports the vision, business strategy and goals, and provides, for motivation and mitigation against the risk of Industrial Action, the approach to reward and retain employees. This Strategy should include:

- the engagement for collective consultation with staff and the bargaining framework with staff representatives
- a pay policy which is fair, affordable, sustainable and delivers value for money in exchange for workforce flexibilities.
- confirmation that all employees shall be paid not less than the Real Living Wage
- confirmation that any bonus payments will be conditional on securing improved operational efficiencies
- details of staff pensions' arrangements and staff travel entitlements
- confirmation, particularly as a result of the pandemic, that re-deployment and re-training of staff will precede consideration of any voluntary severance, the implementation of which must be agreed with staff representatives and shall be met through operational efficiencies so as to ensure no increase in the net cost of the Business;

14.2.4 a **Training & Development Strategy** which provides a competency framework which utilises, where appropriate, nationally accredited qualifications as well as providing a comprehensive training programme to deliver and develop the safety competence of the workforce. The Strategy should also provide opportunities for staff volunteering activities across different sectors in order to broaden and develop learning, skills and experience;

14.2.5 a commitment to achieve in 2022 **Investors in People**, or similar, accreditation for its people practices.

14.3 It is intended, in order to broaden skills and knowledge, that the organisations comprising Scotland's Railway will foster an **Interchange Programme** with opportunities for inward shadowing and secondment.

14.4 The Authority has requested of the Business and Network Rail a detailed proposition or business case for consideration on the concept of a **Rail Academy**. That proposition should come forward during 2021/22 financial year so that, if accepted, progress on the Academy can commence in the next financial year.

END

15. Performance Regimes (Passenger Train Reliability)

15. Outcome:

A safe and high performing reliable railway, with competitive journey times, is central to retaining and growing railway patronage and increasing modal shift to rail to hit Scotland's decarbonisation pathways and climate change targets.

15. Outputs:

- Measure of punctuality and reliability (for example PPM) with associated sub-metrics
- Measure of competitiveness (for example an assessment of journey times against other modes on particular routes such as against car on Inter7city and bus on other routes) (to be developed)

15. Policy:

15.1 The Business shall propose a suite of performance metrics (and sub-metrics) for 2022-2024 (phase one) and 2024-2029 (phase two) which should:

15.1.1 align with those of Network Rail (NR), the infrastructure manager, to achieve PPM of 92.50% as a minimum by the end of Control Period Six (CP6, March 2024);

15.1.2 working within the construct of the Alliance, and reflecting revised timetable patterns, seek improvement to performance beyond that required, with a view to out-performance and stretching towards PPM of 93% at the start of Control Period Seven, improvements in performance should not put at risk the delivery of journey time improvement targets; and

15.1.3 working through the construct of the Alliance, and in consultation with Transport Scotland, develop proposals for consideration by the Scottish Ministers on either a new approach to performance metrics, or a continuation of PPM, to commence from 1 April 2024 which should align with those of NR as per the Scottish Ministers' HLOS (or equivalent) of December 2022 for Control Period Seven (2024-2029).

15.2 All phase one and phase two metrics should:

15.2.1 be simple, clear and provide a direct line of sight to passenger impact (considering cancellations, significant lateness, capacity and the Business' own performance, remove any incentives to deploy skip-stopping and ensure passenger connectivity at key transport nodes/hubs)

15.2.2 cover each service group, with a target of 92.50% on aggregate with each service group meeting a minimum of 90.00% by the end of CP6, ensuring that poor performance in any particular service sector is not masked by an overall level of Scotland-wide performance

- 15.2.3 consider and provide proposals to the Authority for the potential of retrospectively 'voiding' extreme weather days and how to treat these.
- 15.2.4 provide a mechanism for consideration by the Scottish Ministers which in the event of high levels of performance provides an incentive, and for unacceptably poor levels of performance invokes a disincentive.
- 15.2.5 be cognisant of regulatory and other complexities which can result in perverse incentives.
- 15.2.6 whilst looking to reduce administration burdens, enable clear internal reporting and accountability mechanisms, including to the Scottish Ministers (consideration should also be given to appointing a performance manager/director).
- 15.2.7 be made publicly available in a clear, understandable format.

END

16. Stations

16. Outcome:

A station environment which is inclusive, safe and welcoming, and encourages travel by rail. This should be enabled by enhanced passenger facilities, the innovative use of technology and an increased focus on the role the station can play as part of the community, particularly acting as a gateway to our villages, towns and cities. The stations should also be accessible and well integrated with other modes, reflecting the hierarchy set out in the second National Transport Strategy.

16. Outputs:

- Increased passenger satisfaction levels in relation to the station environment, accessibility and facilities for passengers. (National Rail Passenger Survey outputs)
- Achieve, as a minimum, the SQUIRE performance level targets. (SQUIRE inspections)
- More sustainable stations focussing on reduced emissions, reduction in energy use, improved waste management, biodiversity initiatives and improved air quality. (Identification of Key Performance Indicators in relation to each of these aspects to measure performance)
- Increased revenue, and maximising of offering to passenger, generated through enhanced retail provision. (Financial cash flow to the rail industry in Scotland)
- Improved alignment of staff operations with passenger requirements at individual locations. (efficiency review/value for money)
- Increase in number of third party partnerships playing an active role in the station. (information to be supplied by ScotRail Trains Ltd regarding existing and new partnerships formed at individual stations)
- Improved integration with other transport modes, reflecting the hierarchy set out in the National Transport Strategy. (passenger surveys) (See also Transport Integration template)

16. Policy:

16.1 To produce a **Station Strategy** in collaboration with Network Rail, under the construct of the Alliance, which outlines the approach to the provision of functional and accessible stations that best serve the needs and aspirations of the passenger and which embeds the station as part of the wider community.

16.2 The Strategy shall set out the minimum specification and facilities to be available at all new and existing stations.

16.3 The Strategy shall reflect the approach to be taken to facilitate and improve **modal integration** both in physical layout and the prominent display, or availability, of information pertaining to onward connection by other modes. (Refer to Transport Integration template for additional requirements around modal integration)

16.4 The Strategy shall include proposals to maximise the social and economic value of the stations' estate including:

16.4.1 How stations can be better integrated with the wider Community through partnership working with local authorities and third sector organisations to become a positive influence and create a sense of place within the neighbourhood.

16.4.2 Potential third party operation of stations for specific consideration by the Authority.

16.4.3 A Retail Strategy which explores the opportunities to enhance the passenger offering, whilst generating additional revenue from rental income, as well as developing local retail partnerships and reflecting the approach to ticketing retailing which is likely to evolve over time with advancing technologies and customer preference.

16.5 An **Operating Plan** for each station should be developed which confirms arrangements around maintenance, cleaning, security, revenue collection, staffing levels, facilities available including customer service options available at staff stations i.e. booked assistance. Particular attention should be given to identifying efficiencies in staffing levels as well as focus on elements which will be monitored through SQUIRE. In addition the Operating Plan should articulate how ScotRail Trains Ltd will display information relating to rail services and relevant offers and how ScotRail Trains Ltd will work with local and national partners to display information to passengers/visitors about local attractions.

16.6 The Strategy and Operating Plan should set out how improvements will be made to station infrastructure design and construction (new and existing stations) and operating arrangements to improve **sustainability** of the whole rail system (non-traction).

16.7 The Business will deliver station investment projects at Motherwell, Aberdeen, Stirling and Fort William (Controlled Emission Toilet).

16.8 The Business will work collaboratively with Transport Scotland and Network Rail, or any other delivery agent, to inform the specification and delivery of any future station or depot projects. ScotRail Trains Ltd should carry out an efficient review of its own requirements feeding into the specification and, during construction, should have a lead role in ensuring disruption to operational activity is kept to a minimum. These projects will be delivered in accordance with the Rail Enhancement and Capital Investment Strategy and Team Scotland Execution Plan and be supported by robust Business Cases.

END

17. Sustainability

17. Outcome:

A business which contributes to a greener Scotland by being environmentally sustainable and in so doing helps to deliver the Scottish Government's vision of net-zero greenhouse gas emissions by 2045, the UN's sustainable development goals, the aims of the second National Transport Strategy and the delivery of the Rail Services Decarbonisation Action Plan.

17. Outputs:

- Improved environmental performance. (Identified Key Performance Indicators)
- Increased passenger demand due to rail being a more sustainable mode of travel. (Passenger Survey outputs)
- Achievement of overarching policy targets i.e. Decarbonisation Action Plan, Scottish Government net zero targets. (Engagement with wider Scottish Government policy colleagues; monitoring of implementation programme)

17. Policy:

17.1 To produce an **Environment & Sustainability Strategy** which sets out the objectives and approach of the Business to being more environmentally sustainable and how it will promote that objective in its operations so that rail is publically understood and acknowledged as a sustainable and resilient mode of travel. The contents of the Strategy should be capable of being subsumed within any overarching documentation produced collaboratively with Network Rail e.g. Scotland's Railways Sustainable Rail Strategy.

17.2 The Strategy shall cover, as a minimum, the following aspects:

- 17.2.1 Carbon Reduction
- 17.2.3 Air Quality
- 17.2.4 Circular Economy
- 17.2.5 Biodiversity
- 17.2.6 Social Value
- 17.2.7 Noise
- 17.2.8 Climate Change Adaptation
- 17.2.9 Water Efficiency and Management
- 17.2.10 Traction Energy
- 17.2.11 Non-Traction Energy
- 17.2.12 Fundamentals
- 17.2.13 Promotion
- 17.2.14 The means by which it will be monitored, measured and evaluated.

17.3 The Business shall **engage and work** with rail industry bodies and wider stakeholders, as appropriate, to help to deliver the Strategy and identify areas of

innovation or initiatives, and funding streams, to further improve sustainability and resilience of rail as a mode of travel.

17.4 The Business shall work with Network Rail and the Authority in delivering the **Rail Services Decarbonisation Action Plan**, which commits to decarbonising domestic passenger services in Scotland by 2035.

17.5 The Business shall engage with Network Rail to deliver an aligned Scotland's Railway's Sustainable Rail Strategy.

17.6 The Business shall develop a **rolling stock procurement strategy**, which aligns with **SPPN1/2021**, and will help achieve the commitment to decarbonise domestic passenger services in Scotland by 2035. The rolling stock procurement strategy shall be approved by the Authority.

17.7 The Business shall produce an **Annual Report** setting out, against key performance indicators agreed with the Authority, how it has performed against targets set out in the Environment & Sustainability Strategy.

End

18. Tourism

18. Outcome:

A dynamic railway which, in growing tourist sector revenue and patronage, through partnership working, is valued for the manner in which it facilitates and delivers authentic, positive, memorable experiences for tourists as well as its contribution to responsible tourism and sustainable prosperity for residents and businesses in those destinations that it serves.

18. Outputs:

- Improved customer satisfaction with the service offer (e.g. results from public perceptual sampling, results for social media monitoring)
- Increased use of rail as the mode of choice by the visitor economy (e.g. patronage growth figures, surveys of users and non-users)
- Improved information on the economic, social or cultural contribution of the railway to Scotland's economic life (e.g. benefit realisation and social, economic and cultural impact studies)
- Improved alignment of railway with tourism objectives, nationally and locally (e.g. evaluating through national and local reference panels the effectiveness of the railway in hitting mutually agreeable objectives)
- Improved operational commitment (e.g. realigning existing resources (ticketing, service schedules etc) to facilitate visitor travel, as well as additional resources)

18. Policy:

18.1 To develop and implement a **Rail Tourism Strategy** which will define the resources, products, processes, services and partnerships to promote and enrich the tourist opportunities and experiences of Scotland's Railway to a broader and greater customer-base and, in partnership with others, promote the communities and attractions that the railway serves. The Strategy will also set out the means by which it will be monitored, measured and evaluated both nationally and locally and how it will be publically reported.

18.2 The Strategy will be cognisant of **Scotland's Outlook 2030: Responsible tourism for a sustainable future** (<https://scottishtourismalliance.co.uk/wp-content/uploads/2020/03/Scotland-Outlook-2030.pdf>) and the ethos of the Strategy will align with the Mission Statement of Scotland's Outlook 2020:

"Together we will grow the value and positively enhance the benefits of tourism across Scotland by delivering the very best for our visitors, our businesses, our people, our communities and our environment."

18.3 The Strategy will recognise and address that Rail Tourism tends to fall into two categories²⁸ with different needs and expectations:

²⁸

https://toprail.org/IMG/pdf/20200331_guidelines_on_how_to_increase_attractiveness_for_rail_tourism.pdf

18.3.1 those domestic and international visitors whose tourism trips include the use of railways as the means of transportation to an area or destination or as a secondary means to explore the destination area during a leisure trip; and

18.3.2 those domestic and international visitors who use railway assets as the principal and prime reason for their tourism trip rather than as a means necessarily of facilitating access to destinations.

18.4 The Strategy will set out how the purpose, approach and expected consequence of engagement with Visit Scotland, Caledonian Sleeper, other railway and transport operators, BritRail, heritage railway operators, Scottish Tourism Alliance, owners and associations of visitor attractions, community rail partnerships and other interested parties in the development and promotion of rail-linked and rail-based tourism. The Strategy will set out the structure of engagement nationally and locally.

18.5 The Strategy will include a focussed **Marketing Strategy** (with reference to domestic, UK and international markets) with clear reference and use of appropriate media channels.

18.6 The Strategy will reflect as well as inform the **Rolling Stock Strategy** as it relates to the provision of rolling stock to meet the needs of tourists on the network, with particular emphasis on those services that operate on the scenic network (i.e. Inverness to Wick/Thurso/Kyle of Lochalsh, Glasgow to Oban/Fort William/Mallaig and Ayr to Stranraer). This should include the provision of appropriate rolling stock for transport of bikes/skis etc. on relevant routes, linking to key destinations and in support of both long distance cycling routes and day trips as well as facilities to enhance the onboard experience for passengers.

18.7 The Strategy will provide details of any premium tourist-related rail products operated by or initiated by the Business that will contribute to the net cost operational challenge.

18.8 The Strategy will reflect the requirement for ScotRail Trains Ltd to facilitate the operation of Charter Services either at its own hand or by other operators to promote tourism with a presumption of co-operation to facilitate alterations, if necessary, to the regular timetabled Passenger Services. Such changes being with full consultation of all affected parties including community and customer representatives.

18.9 The Strategy should also reflect the requirement to support Scottish Government Tourism initiatives, such as the tourist theme of each year, as well as one-off events and connectivity to key destinations, including access to those ports with railway stations serving Scotland's islands.

18.10 The Strategy will also contain plans to initiate and promote a **Rail Week** which will showcase, nationally and regionally, the railway's contribution to the economy (including tourism), environment and society. The annual event shall seek to engage stakeholders, including Transport Scotland, Network Rail, business, Scotland's Heritage Railways, Heritage Rail operators, VisitScotland, educational establishments and Community Rail Partnerships, in the promotion of offers, events, services and attractions that will engage the public and stimulate greater interest in and use of rail as well as rail as a potential career opportunity.

END

19. Train Service Specification (TSS) and Rolling Stock

19. Outcome:

A business that provides a level of service and connectivity commensurate with demand for a particular line of route and exploits the capability of its assets to enable passengers to use the railway for commuting and leisure purposes, as well as enabling freight and charter growth, to help grow the economy.

19. Outputs:

- Capacity aligned with demand, particularly in the recovery from Covid-19 figures.
- Increased satisfaction of the level of connectivity and service provision. (Passenger survey data and engagement with Transport User Groups and Regional Transport Partnerships)
- Improved integration of rail services with other modes of travel. (Passenger survey data and engagement with Transport User Groups, Regional Transport Partnerships and other transport operators)

19. Policy:

19.1 To implement the planned timetable and associated resource plan which is proposed to come into effect from 1 April 2022 and which reflects the work undertaken and agreed by the Rail Recovery Taskforce. From 1 April 2023 (or an earlier date (as proposed by the Business and agreed by the Authority)), and thereafter, the **Train Service Specification**, and associated timetable, shall be produced which reflects engagement and formal consultation with stakeholders so as to ensure the delivery of services to achieve an informed level of connectivity and frequency for the benefit of the travelling public.

19.2 The Train Service Specification, and associated timetable, shall take account of, but is not restricted to, the following:

19.2.1 analysis and Investigation by the Business of the costs of operating individual routes/services to enable informed proposals to be presented to the Authority, and stakeholders, regarding any increase or decrease of provision.

19.2.2 four sets of service, namely:

- Inter-city – providing hourly, at minimum, connections between Glasgow and Edinburgh with Stirling, Perth, Inverness and Aberdeen moving towards services which operate at speeds not less than 1 mile per minute, recognising that, in the interim, there may need to be compromises on specific routes due to competing freight demands.
- Metro/Commuter network – covering Edinburgh and Glasgow plus services with a strong focus on the employment, education, retail and leisure markets (particularly night time) for communities within the travel to work area of Glasgow, Edinburgh and Aberdeen.

- Rural/Scenic Railway – covering the Far North Line, Kyle, West Highland Line and Ayr-Stranraer routes.
- Intermediate/Express markets – more frequent stopping services on routes between cities, including Glasgow to Carlisle and Aberdeen and Inverness.

19.2.3 hours of operation (start and finish) on appropriate routes with earlier and later trains to enable maximisation of opportunities for all i.e. day trips to rural locations and better exploitation of night time economy for cities. Introduction of earlier and/or later services should be in response to demand and changing travel patterns informed by market analysis and engagement.

19.2.4 where possible, the utilisation of clock face departures, particularly serving key centres to provide consistency and familiarity to passengers. For other routes a regular timetable which can be replicated i.e. hourly or two hourly depending on circumstances.

19.2.5 connection management whereby departures from key nodes align with arrivals from connecting services to enable a joined up journey.

19.2.6 service provision throughout the week, including Saturday and Sunday, and seasonal provision, shall be informed by demand.

19.2.7 opportunities for freight paths, recognising the role freight will play in delivering against decarbonisation objectives. The realisation of such opportunities may necessitate the removal of some passenger services to accommodate freight paths.

19.2.8 opportunities for the running of additional Charter trains to encourage economic growth in line with demand.

19.2.9 making best use of the network capacity to offer attractive journey opportunities and reduced journey times where appropriate.

19.2.10 how any new infrastructure investment is reflected by way of realisation of benefits.

19.2.11 working with Network Rail, to understand fully the financial, social and economic impact of closures on the network, taking account of new and emerging timetables and seeking to limit closures to Christmas Day and New Year's Day.

19.2.12 exploration of any capacity issues, and consideration of other parameters, to be utilised when determining the maximum period a person should be required to stand. The Authority will consider proposals from the Business on maximum standing period, informed by evidence, on a case by case basis.

19.3 To develop an **Engagement Plan** in respect of the Train Service Specification which sets out how the Business proposes to work in collaboration with

Transport Scotland and key stakeholders such as Regional Transport Partnerships, Transport Focus and other train operators providing services to destinations covered within the specification. The Engagement Plan shall also set out how the Business proposes to engage with industry colleagues, across modes, to ensure consideration is given to modal integration in the development and implementation of the Train Service Specification and associated timetable. The Engagement Plan shall include engagement with Cross Border, freight and charter operators and reflect that, going forward, a Scotland's Railways approach to engagement with the Department for Transport will be adopted.

19.4 The response to Covid-19 has demonstrated a capability to turn round, at short notice, amendments to the Train Service Specification, informed by responses to passenger demand, outwith previously experienced prolonged industry timescales. Accordingly, the Business shall work with Transport Scotland and key stakeholders to identify, particularly through the period of recovery from Covid-19, any demand requirements which may merit amendment to the Train Service Specification outwith those timescales.

19.5 To work with Transport Scotland in the development of measures to monitor compliance of the Business against the Train Service Specification.

19.6 To produce a **Rolling Stock Strategy, with an associated resource plan**, which will meet the Train Service Specification including, in the short-term, provision of sufficient fleet coverage to provide strengthened formations as required by passenger demand, particularly in light of any on-going physical distancing constraints in relation to Covid-19 (see Business Continuity (Covid-19) policy specification for additional requirements in this regard) as well as planning for rolling stock needs through to 2050.

19.7 To ensure that the Rolling Stock Strategy takes account of the **Depot and Stabling Strategy** which is a Scottish Ministers' High Level Output Specification for Control Period 6 and any such future strategies so as to provide a coherent strategy across Scotland's Railway for the provision, maintenance and stabling of rolling stock.

19.8 To ensure that the Rolling Stock strategy is affordable, aligned with the policy contained within the Rail Services Decarbonisation Action Plan to remove diesel passenger trains from the Scottish fleet by 2035, and conducted in discrete steps rather than in a single stride.

19.9 The Business is to participate as a member of the **Fleet Procurement Board** and act in accordance with the Board's remit.

END

20. Transport Integration

20. Outcome:

A business that plays a leading role in facilitating and promoting a seamless transport network which combines rail journeys with bus, ferries, active travel, other transport modes and through smart and integrated ticketing, to improve accessibility, reliability, confidence and increase overall patronage in the public transport network by attracting journeys from cars.

20. Outputs:

- Increased rail patronage and revenue from target markets (e.g. tourism, education, business, commuter and social demographic groups)
- Increased use of active travel to access rail services
- Increased availability and use of integrated and smart ticketing and / or smart payment solutions for multi-modal integrated travel
- Improved rail user passenger retention
- Improved perception on an integrated transport network

20. Policy:

20.1 Under the auspices of Partnerships Agreements with individual Regional Transport Partnerships engage, in support of integration between and within transport modes, train, bus and ferry operators, local authorities, Network Rail and other relevant parties within a given regional geographic area. in order to:

20.1.1 evaluate existing products and initiatives to assess their effectiveness and, if necessary, initiate improvements or design and deliver new products that facilitate and promote improved travel experiences and attract patronage and revenue.

20.1.2 operate collaboratively to enhance timetabling efficiency between modes for the benefit of the passenger.

20.1.3 share information such as fares, demand and capacity on routes to improve the operation of a multi-modal network but in a manner which does not equate to collusion.

20.1.4 integrate public transport information and, at no increase to the net cost of the Business, fares and ticketing.

20.1.5 encourage increased modal shift from car to public transport by delivering co-ordinated strategies to help remove potential barriers to public transport access, particularly in line with Covid-19 Recovery strategies.

20.1.6 align the principles of the sustainable travel hierarchy, as set out in the National Transport Strategy, within products and initiatives with a

particular focus on active travel choices such as walking, wheeling and cycling when traveling to and from stations.

20.1.7 establish and regularly evaluate and review **Station Travel Plans** which seek to increase rail patronage through the delivery of enhancements to rail station facilities and improved onward connectivity and in so doing facilitate the role of rail stations and sustainable travel in driving forward sustainable economic development. These plans should be supported by strong community involvement.

20.1.8 provide digital, real-time information to facilitate the effective operation of connecting services for the benefit of passenger journeys²⁹.

20.1.9 improve timetabling of connecting services between rail and ferries to provide sufficient contingency for embarking/disembarking time.

20.1.10 develop co-ordinated engagement on station and car park design and the facilities provided.

20.1.11 promote and implement co-ordinated timetable planning of trains, buses, ferries, trams and other scheduled public transport networks to enable onward journeys.

20.1.12 identify and collaborate with digital service providers, where applicable, on co-ordinated planning and provision of journey planning information and live updates, particularly on mobile platforms.

20.1.13 promote the usage of mobile app-based ticketing, to enable cross-modal, integrated ticketing as well as providing the potential for automatic delay repay compensation.

20.1.14 reduce inequalities by ensuring accessibility goals are met for users with mobility issues, enabling users to catch connecting services with additional support and assistance available at intermodal exchanges.

20.1.15 promote accessibility between modes by providing signage, ticketing and implement strategies to ensure seamless transition at transport nodes.

20.1.16 co-ordinate and maximise the funding of initiatives and interventions.

20.1.17 monitor, measure and evaluate the impact of interventions and the effectiveness of the Partnership Agreements.

20.2 To utilise an **Transport Integration Challenge Fund of £50,000³⁰ per annum** to deliver initiatives that will improve integration. Any funds disbursed must be matched by investment from other sources.

²⁹ This will also align with the vision of Mobility as a Service (MaaS) for seamless journeys made between rail and complementary transport modes, managed entirely via an app.

END

Glossary

Term	Definition
Active Travel Outcomes Framework	High level Active Travel outcomes subsumed within the Transport Scotland Active Travel Framework. https://www.transport.gov.scot/media/47158/sct09190900361.pdf
Air Quality	Air quality is the term we use to describe the level of pollution within the air. The Scottish Government has published its Cleaner Air for Scotland strategy https://www.gov.scot/news/new-action-to-improve-air-quality/#:~:text=New%20plans%20to%20put%20improvements,we,t%20wood%20and%20house%20coal. The need for improved Air Quality is also addressed within proposed Low Emissions Zones for Scotland's cities (and in which major railway stations are located). The indicative timeframe for the implementation of Low Emission Zones is set out in https://www.transport.gov.scot/news/new-indicative-timeline-for-introducing-scotland-s-low-emission-zones/
(The) Authority	Transport Scotland
Biodiversity	The variety of plant and animal life in the world or in a particular habitat, a high level of which is usually considered to be important and desirable. The Scottish Government has published its Biodiversity Strategy post 2020: Statement of Intent: https://www.gov.scot/publications/scottish-biodiversity-strategy-post-2020-statement-intent/pages/6/
Circular Economy	A circular economy is an economic system where products and services are traded in closed loops or 'cycles'. A circular economy is characterized as an economy which is regenerative by design, with the aim to retain as much value as possible of products, parts and materials. See also SPPN1/2021 below
Climate Change Adaptation	Climate change adaptation is the process of adjusting to current or expected climate change and its effects. It is one of the ways to respond to climate change, along with climate change mitigation. The Scottish Government published on 27 May its Scottish Climate Change Adaptation Programme: Progress Report 2021 https://www.gov.scot/publications/scottish-climate-change-adaptation-programme-progress-report-2021/
Cycling Framework for Active Travel	To be published late 2021.
Delay –Repay	Compensation / refund available to passengers whose service is delayed by more than 30 minutes, with the refund increasing on a scale related to the increased minutes of delay

³⁰ The Authority will consider increasing the amount in subsequent years in the light of evidence on the timeliness, responsiveness and value delivered by the funding in meeting the aims on improved integration between and within modes.

Term	Definition
Disability Equality Scotland	Disability Equality Scotland is a membership organisation which seeks to promote independent living, removing barriers to inequality for those affected by disability in Scotland. It works with many organisations to influence Scottish Government policies which affect how we live.
Fares anomalies	Inconsistencies such as, for example, when it is cheaper to buy two split-tickets for a journey rather than a single fare.
Fundamentals	The supporting structure which underpins all other environmental priority areas and includes data and reporting, risk and assurance, sustainable procurement, competency, communications and controls and processes.
Gross Cost	The total cost of operations
High Level Output Specification (HLOS)	The Government's statement of the outputs it requires from the rail network/rail industry for the next rail industry control period.
Investors in People	Investors in People is a standard for people management, offering accreditation to organisations that adhere to the Investors in People Standard.
Mobility Access Committee Scotland	The Mobility and Access Committee for Scotland (MACS) was established in 2002 and is an advisory non departmental public body. The Convener and Members are appointed by the Cabinet Secretary for Net Zero, Energy and Transport. MACS was formally constituted under section 72 of the Transport (Scotland) Act 2001. The role of MACS is as follows: <ul style="list-style-type: none"> • consider matters about the needs of disabled persons in connection with transport that the committee think are appropriate • advise the Scottish Ministers about those matters that the committee think are appropriate.
National Performance Framework	The framework measures Scotland's progress against the National Outcomes (https://nationalperformance.gov.scot/index.php/national-outcomes). To do this, it uses National Indicators (https://nationalperformance.gov.scot/measuring-progress). These indicators give a measure of national wellbeing. They include a range of economic, social and environmental indicators.
National Transport Strategy	The Strategy presents the Scottish Government's Vision for Scotland's transport system over the next 20 years https://www.transport.gov.scot/media/47052/national-transport-strategy.pdf
Net Cost	The cost of operations after all revenue and support payments have been deducted
Network Rail (NR)	Network Rail is the owner (via its subsidiary Network Rail Infrastructure Ltd, which was known as Railtrack plc before 2002) and infrastructure manager of most of the railway network in Great Britain.
Net Zero	The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets a target date for net-zero emissions of all greenhouse gases by 2045.

Term	Definition
Noise	Noise pollution is considered to be any unwanted or disturbing sound that affects the health and well-being of humans and other organisms. The Scottish Government has published https://www.environment.gov.scot/our-environment/people-and-the-environment/noise/
Non-traction energy	Energy for non-traction purposes including lighting stations/depots, heating and cooling buildings, IT etc. It relates to energy associated with buildings and infrastructure rather than that used to power rolling stock.
Office of Rail & Road (ORR)	The Office of Rail and Road is a non-ministerial government department responsible for the economic and safety regulation of Britain's railways, and the economic monitoring of Highways England. ORR regulates Network Rail by setting its activities and funding requirements for each Control Period, ensuring train operators have fair access to the railway network, and enforcing compliance with its network licence. ORR also regulates High Speed 1, the Channel Tunnel, and also acts as the appeal body, controls the network statement and monitors the competitive situation of rail services in Northern Ireland. It is the competition authority for the railways and enforces consumer protection law in relation to the railways.
Passengers with Reduced Mobility	Generally refers to disabled passengers but can be any passenger whose mobility is impaired (eg heavily pregnant, those using crutches etc)
Public Performance Measure (PPM)	The industry standard metric in Scotland and Network Rail's regulatory measure. PPM measures, as a percentage, the arrival punctuality of individual trains at their final destination against their planned timetable.
Rail Cluster Builder	<p>Scottish Engineering is working with Scottish Enterprise alongside Transport Scotland to set up a Rail Cluster Builder for the rail sector in Scotland. The rail cluster will link Scottish SMEs with rail manufacturers, contractors, academics and research centres across the country to identify more environmentally friendly track and train solutions.</p> <p>The purpose of the cluster builder is to communicate and raise awareness of the opportunities in the rail sector in Scotland and to support the recently issued Government's Rail Decarbonisation Action in which the aim is to make Scotland a world leader in creating net zero emissions railways.</p>
Rail Enhancements and Capital Investment Strategy	Published in March 2018 this document sets out the revised approach to planning and funding rail projects. https://www.transport.gov.scot/media/41836/rail-enhancements-and-capital-investment-strategy-15-march-2018.pdf
Rail Services Decarbonisation Action Plan	Published in July 2020 this document sets out the high level approach to delivering against the commitment to decarbonise domestic passenger services by 2035. https://www.transport.gov.scot/media/47906/rail-services-decarbonisation-action-plan.pdf

Term	Definition
Rail Recovery Taskforce	A group formed of representatives of the key organisations in the rail industry in Scotland tasked with leading, and planning, the recovery for Scotland's Railway from Covid-19 service levels back to normal operations, whilst ensuring that the health, safety and security of customers and staff is maintained.
Real Living Wage	An independently calculated hourly rate based on the cost of living and is paid voluntarily by employers. The rate is currently (May 2021) £9.50 and is calculated each year in November by The Resolution Foundation on an analysis of the wage that employees need to earn in order to afford the basket of goods required for a decent standard of living. This basket of goods includes housing, childcare, transport and heating costs. Accreditation, hosted by the Poverty Alliance, formally recognises and celebrates employers who choose to go further than the government minimum.
Regulated fares	Regulated fares are those in Strathclyde, the Edinburgh commuter area and off-peak (or equivalent) and Season Tickets on all remaining journeys. All other rail fares are unregulated and are a commercial matter for ScotRail.
Retail Price Index (RPI)	Regulated fares are linked to RPI with changes to regulated fares determined by RPI for peak fares and RPI-1% for off-peak fares. Regulated fares change in January of each year based on the July RPI of the previous year.
Revenue	Income from passengers, retail or other means but not including support payments from the Authority
Scottish Government Walking Strategy	A national walking strategy for Scotland with the vision that everyone benefits from walking as part of their everyday journeys, enjoys walking in the outdoors and where places are well designed for walking. the-national-walking-strategy-action-plan (1).pdf
Scottish Rail Holdings Ltd	Scottish Rail Holdings Ltd is incorporated and registered under the Companies Act. It is a public body and whilst not part of the Scottish Government nor the Scottish Administration it will perform commercial functions on behalf of Government and operate within a framework of governance and accountability set by Ministers. It will be funded by the Scottish Government through grant-in-aid. Holdings will employ staff (who are not civil servants) on its own terms and conditions subject to Scottish Public Sector Pay Policy, and manage its own budgets.
ScotRail Trains Ltd	ScotRail Trains Ltd is incorporated and registered under the Companies Act. It is also a public corporation controlled by Scottish Rail Holdings and Scottish Government (Transport Scotland) through a contractual mechanism. It has substantial day to day operating independence, employs its own staff, who are not civil servants, and manages its own budget.
SME	A Small or Medium-sized Enterprise with fewer than 250 employees.
Split-ticketing	When a fare can be less expensive for a journey that can be broken down into two or more parts with a separate train ticket for

Term	Definition
	each part instead of having one rail ticket from the departure station to the destination
SPPN1/2021	A Scottish Procurement Policy Note (SPPN) that clarifies expectations with respect to climate and circular economy considerations, aligning recently strengthened climate change reporting duties and current procurement policy and legislation which already requires public bodies to consider and act on opportunities to improve environmental wellbeing. It highlights that public bodies should use their public procurement spend to support climate and circular economy ambitions. https://www.gov.scot/publications/taking-account-of-climate-and-circular-economy-considerations-in-public-procurement-sppn-1-2021/
Support Payment	Monies paid by the Authority to meet the shortfall between revenue and gross cost.
Sustainable Investment Hierarchy	The prioritisation of investment decision making in accordance with the Sustainable Travel Hierarchy (see below)
Sustainable Travel Hierarchy	The prioritisation of walking, wheeling, cycling, public transport and shared transport options in preference to single occupancy private car use for the movement of people (see National Transport Strategy).
STPR2	The second Strategic Transport Projects Review (STPR2) is a Scotland-wide review of the strategic transport network across all transport modes, including walking, wheeling, cycling, bus, rail and car, as well as reviewing wider island and rural connectivity, to inform transport investment in Scotland for the next 20 years.
Team Scotland	Team Scotland is the name given to the collaborative efforts of Transport Scotland and Network Rail, support by ScotRail and the Office of Rail and Road in taking forward rail enhancements and capital investments in Scotland. This group will work closely to identify best practice and innovation across the industry and identify any lessons learned which can be applied to the Scottish Rail Industry.
Team Scotland Execution Plan	The overarching document which sets out the governance arrangements across Team Scotland, consisting of Transport Scotland, Network Rai, ScotRail and the Office of Rail and Road.
Third Sector	The part of an economy or society comprising non-governmental and not-for-personal profit organizations or associations, including charities, voluntary and community groups, cooperatives, etc.
Third Sector Organisation	The range of organisations that are neither public sector nor private sector. It includes voluntary and community organisations (both registered charities and other organisations such as associations, self-help groups and community groups), social enterprises, mutuals and co-operatives. Third sector organisations (TSOs) generally: are independent of government and are value drive (which is also an important part of the history and culture of the sector). This means they are generally motivated by the desire to achieve social goals (for example, improving public welfare, the environment or economic well-being) rather than the desire to

Term	Definition
	distribute profit; and reinvest any surpluses generated in the pursuit of their goals. For this reason such organisations are sometimes called 'not-for-personal profit' organisations.
Traction Energy	Traction energy refers to energy to power rolling stock (railway vehicles, including both powered and unpowered vehicles, such as locomotives, carriages and freight wagons) on Great Britain's rail network.
Wheeling	Refers to travelling by wheelchair

Appendix 6 – Strategic Rail Board Function and Responsibilities

The Strategic Rail Board provides the regular forum for the Scottish Ministers, as the sole Shareholder and owner of Scottish Rail Holdings (SRH), to review the performance of SRH and to make decisions in relation to the company's goals and overall performance that require the Shareholder's approval or guidance.

Through the Strategic Rail Board, the Shareholder will monitor the progress of SRH's business plan commitments and policy outcomes and those of its subsidiary companies, and consider whether SRH is being managed in accordance with the Framework Agreement between the Scottish Ministers and SRH, and is adequately resourced to discharge its responsibilities.

The Strategic Rail Board is the regular forum where the strategic direction and strategic opportunities and risks for SRH are discussed between the company and the Shareholder. When carrying out this role, the Strategic Rail Board will be mindful that: (i) its role is primarily to scrutinise and monitor the performance of SRH under the Framework Agreement and that of SRT in the provision of rail passenger services; (ii) SRH shall perform the operation management of SRT in accordance with the ScotRail Grant Agreement; and (iii) it is ultimately for the Scottish Ministers to secure the provision of services for the carriage of passengers by railway in accordance with their Section 30 Duties.

The Strategic Rail Board will regularly review:

- a) strategy and direction of SRH in relation to resilience and organisational requirements;
- b) key objectives and associated key performance targets, and the strategy for achieving those objectives;
- c) key non-financial performance targets;
- d) forward look at next steps for SRH;
- e) performance of SRH and SRT in the current financial year, and an estimate of performance in future years, for the purposes of determining whether SRH is taking all necessary steps to ensure that it and SRT are, as a minimum, achieving their financial and performance related targets and identifying any funding pressures for SRH on a forward-looking basis;
- f) changes and risks that may significantly affect the execution of the strategic plan and/or the business plan and/or the Scotland's Railway Financial Model, and mitigation actions proposed;
- g) that SRH's safety performance monitoring arrangements (including adequate resource) are in place; and
- h) other matters as agreed between the Sponsor and SRH.

To assist the Strategic Rail Board with this review, SRH will prepare reporting packs, in such form as the Strategic Rail Board will from time to time request, which will be circulated to members and to the Sponsor Team in advance of the meeting.

SRH will regularly provide the Strategic Rail Board with reports that demonstrate its financial and non-financial performance against the budgets and targets set out in the business plan. SRH will use the Strategic Rail Board meetings to inform the Shareholder of any changes that make achievement of objectives more or less difficult. SRH's performance shall be formally reviewed by the Sponsor Representative twice a year.

SRH shall provide the Strategic Rail Board meetings sufficient information to enable the Shareholder to perform its strategic role and to satisfactorily monitor SRH and SRT, including, for example:

Finance

- An overview of the financial performance of SRT;
- An overview of SRH's financial performance. This review will generally be limited to a high-level review of SRH's direct costs.

The financial information will include, amongst other things:

- SRH's cash management;
- SRH's draw-down of grant-in-aid;
- forecast outturn by resource headings;
- Other data required for the Scottish Executive Accounting System (SEAS).

Operations

- Operational performance of SRT;
- Material non-compliances by SRH and/or SRT of their contractual obligations relating to the operation of rail passenger services (including access agreements), and funding arrangements;
- Safety performance of SRT;
- Details of HR and IR issues for SRT, including where relevant succession planning for executive directors and any other senior managers who carry out key strategic and management functions.

Strategic

- Report against achievement of both (i) the short term and longer-term objectives set out in SRT's business plan and the strategic and business plans for SRH and the outcomes required in the Policy Compendium; and (ii) the development of any other objectives and strategies relating to future plans for medium to long term resilience and policy as requested from time to time by the Shareholder.
- Provision of risk management reports that conform to the Shareholder's requirements.
- Report on any input or involvement by SRH or SRT in industry led initiative and decisions arising as a result of SRT's membership of RDG, any successor body or any other industry bodies or fora. Where practicable, SRH shall report any such potential input or involvement to the Strategic Rail Board in advance to ensure that the Strategic Rail Board has the opportunity to comment fully on such input.

Membership and Attendance

The membership of the Strategic Rail Board is as follows:

- a) Transport Scotland Director of Rail (Chair) (or their nominated representative)
- b) Transport Scotland Director of Finance and Corporate Services
- c) Transport Scotland Head of Rail Policy
- d) Any other appointees or representatives nominated by the Chair from time to time
- e) The following individuals will attend meetings by invitation of the Strategic Rail Board
 - a. The Chief Executive of SRH
 - b. The Chairperson of SRH
 - c. The Finance Director of SRH
- f) Secretariat, a member of the Sponsor Team
- g) On invitation, observers

Members and attendees are expected to prioritise attendance at meetings wherever possible. Any unavoidable absence should be notified to the Secretariat at the earliest opportunity; in such cases, members and attendees will be expected to nominate a suitable deputy to assume their responsibilities at the meeting, and to notify this to the Secretariat.

The Chair will nominate an individual to Chair the meeting in the event of their absence.

Working Practices

Secretariat

The Sponsor will provide the secretariat function for the Strategic Rail Board, and will lead on meeting logistics; paper commissioning and circulation; minuting the meetings; and maintaining the actions log. The Sponsor secretariat will be a member of the SRH Board.

Meetings

The Strategic Rail Board meets at least once every quarter, unless otherwise agreed by the Chair.

The Chair may call additional meetings to examine and consider such other matters related to its responsibilities as considered desirable.

Papers, Management Information and minutes

Each SRH report should be developed and signed off by the SRH Board. The SRH Director(s) attending the Strategic Rail Board will be responsible for quality assuring and introducing each SRH report and for effective follow-up on actions arising at the Strategic Rail Board Meeting on the SRH report or other reports.

It is important that all the reports submitted for consideration are of a reasonable length to enable members to consider and effectively discuss matters in the time available before and during the relevant meeting.

Papers must be submitted to the Secretariat at least four working days preceding the meeting in order to ensure that they can be checked and collated by the Secretariat for distribution three working days before the meeting.

Draft minutes will be cleared by the Chair and circulated to all Strategic Rail Board members for comments within four working days of the meeting.

Actions will be recorded and an updated actions log will be circulated at the subsequent meeting.

Decision-making and Quoracy

The meeting will be quorate when the Chair and at least one Member of the Strategic Rail Board or the Chair's nominated representative and another Member of the Strategic Rail Board is present.

In arriving at decisions and recommendations, the Chair should aim to articulate a consensus view of the Board as a whole. Where, however, an individual member dissents from such a view they must speak up and ensure that their position is reflected in the minutes. Any disputes arising between the Sponsor Representative and the Strategic Rail Board will be referred to the TS Accountable Officer, who will take the ultimate decision. The TS Accountable Officer will determine the matter at their sole discretion.

Decisions can also be made through correspondence but should do so explicitly, with this decision recorded in the minutes of the following meeting and clear email records stored to evidence the decision.

Strategic Rail Board Effectiveness

The Strategic Rail Board will review its own effectiveness annually. The review should ideally be undertaken between January and March of each calendar year. The effectiveness review should be led by the Chair and administered by the Secretariat.

Appendix 7 – Definitions

“Best Value”	Means the principle of best value as outlined in the Scottish Public Finance Manual.
“Chair”	Means the chair of the SRH Board.
“Chief Executive”	Means the Chief Executive of SRH.
“Code of Governance”	Means the code of governance applicable to SRH as approved by the Sponsor.
“Day One”	Means the date on which the Rail Operation commences.
“Financial Memorandum”	Means the financial memorandum for the SRH Group drawn up on behalf of Scottish Government by the Sponsor which is supplemental to the Framework Agreement.
“Franchisee”	Means a (private sector operator) franchisee under a franchise agreement with the Scottish Ministers relating to the operation of passenger services, light maintenance services, station services and ancillary services before Day One.
“Franchise Management Team”	Means the Transport Scotland team that oversees and manages TOC franchises and their closedown upon expiry or termination prior to Day One Mobilisation of Rail Operation.
“FReM”	Means the Government Financial Reporting Manual.
“Mobilisation”	Means the process of transferring responsibilities from a Franchisee to a new operator, for the purpose of discharging the Section 30 Duties, once it is known that a TOC’s franchise is to terminate or otherwise come to an end and there is no new Franchisee appointed to take over such responsibilities.
“Policy Compendium”	Means the policy compendium developed by the Sponsor in collaboration with SRH, Network Rail, and the TOC in place at the time of preparation and set out in Appendix 5 and as updated from time to time.
“Principal Accountable Officer”	Means the principal accountable officer for the Scottish Administration.

“Public Funds”	Means any funds provided to SRH by the Scottish Ministers and any other funds falling within the stewardship of SRH (including gifts, bequests and donations).
“Railways Act”	Means the Railways Act 1993 as amended by the Transport Act 2000 and the Railways Act 2005.
“Rail Operation”	Means the services provided by SRT under the ScotRail Grant Agreement.
“Reporting Period”	Means each consecutive period of 28 days commencing on 1 April in each year, provided that: (i) the length of the first and last such period in any year may be varied by notice from the Sponsor; and (ii) each such period shall start on the day following the last day of the preceding such period.
“Scotland’s Railway Financial Model”	Means the financial model relevant to the Rail Operation and SRH activities managed and updated from time to time by SRH.
“ScotRail Grant Agreement”	Means the agreement among SRT, SRH and the Scottish Ministers for the provision by SRT of passenger services, light maintenance services, station services and ancillary services.
“Section 30 Duties”	Means the Scottish Ministers’ duties from time to time under Section 30 of the Railways Act.
“Section 30 Team”	Means the team created by Transport Scotland to discharge the Scottish Ministers’ Section 30 Duties up to Day One.
“Shareholder”	Means the Scottish Ministers in their role as sole shareholder of SRH.
“Sponsor”	Means Transport Scotland.
“Sponsor Representative”	Means the Director of Rail, Transport Scotland.
“SRH Accountable Officer”	Means the Chief Executive.
“SRH”	Means Scottish Rail Holdings Limited, the parent company of SRT and which is a wholly owned subsidiary of the Scottish Ministers.
“SRH Board”	Means SRH’s board of directors as registered at Companies House.

“SRH Group”	Means the group of companies comprising SRH and its subsidiary SRT, and any other subsidiaries of SRH from time to time.
“SRT”	Means ScotRail Trains Limited, with registered number SC328826, a company established by the Scottish Ministers to enter into the ScotRail Grant Agreement (for the purposes of discharging the Section 30 Duties in respect of continuance of the ScotRail passenger rail services).
“Strategic Rail Board”	Means the governance board appointed by and accountable to the TS AO, and that supports the TS Sponsor Representative (a) on Day One matters and (b) on matters after Day One.
“Transfer”	Means a transfer under a Transfer Scheme.
“Transfer Scheme”	Means the scheme that lists which assets and liabilities (including, without limitation, where relevant personnel and/or systems) would be transferred from a TOC to SRT and provides for such Transfer to take effect in accordance with its terms.
“TOC”	Means a Train Operating Company.
“TS AO”	Means Transport Scotland’s Accountable Officer, the Chief Executive of Transport Scotland, as portfolio accountable officer for Transport Scotland.
“TS S30 Board”	Means the governance board that supports the TS Sponsor Team prior to Day One.
“TS Sponsor Team”	Means the team created by Transport Scotland to discharge the Scottish Ministers’ duties under Section 30 of the Railways Act 1993 and to act as a principal liaison between SRH and Transport Scotland.

FINANCIAL MEMORANDUM FOR SCOTTISH RAIL HOLDINGS LIMITED AND ITS SUBSIDIARIES

INTRODUCTION

1. The Scottish Ministers, in exercise of their powers under Section 70 of the Transport (Scotland) Act 2001, hereby offer to provide to Scottish Rail Holdings Limited (registration no SC548826) Grant in Aid for the purpose of funding the Rail Operation subject to the following terms of this Financial Memorandum (“**FM**”).
2. This Financial Memorandum has been drawn up by the Sponsor on behalf of the Scottish Ministers in consultation with SRH and supplements the Framework Agreement (which Framework Agreement was also drawn up by the Sponsor and which sets out the broad framework within which SRH and its subsidiaries will operate and which forms a key part of the accountability and governance framework related to SRH and the Group). This FM should be considered in context with the Framework Agreement. This FM sets out the terms on which Scottish Ministers are providing Grant in Aid to SRH and certain aspects of the financial framework in greater detail.
3. This FM is legally binding on Scottish Ministers and SRH. This FM is governed by and interpreted in accordance with Scots law and the parties submit to the exclusive jurisdiction of the Scottish courts.
4. Notwithstanding the dates of execution hereof, this FM shall commence on (and have full force and effect from) the date on which the Framework Agreement commences in accordance with the terms of the Framework Agreement (unless otherwise determined by the Sponsor by written notification to SRH), and shall continue until the Sponsor gives SRH written notice of termination of this FM.
5. All defined terms used in this FM have the meanings attributed to them in Appendix A. Any question regarding the interpretation of the FM shall be resolved by the Sponsor after consultation with SRH.

BACKGROUND AND CONTEXT

6. The Scottish Ministers, acting through the Scottish Government’s company, SRH own the share capital of SRT and SOLR2.
7. The Group has been established to provide Operator of Last Resort rail passenger services under the Railways Act 1993, should such a provision be required to be enacted. It is intended that SRH will act in the manner of a holding company, overseeing the operations of its subsidiary entities which subsidiaries will be expected to operate on a commercial basis independent from the Scottish Ministers who exercise their responsibility for the public funds invested in the Group through provision of Grant in Aid. The largest proportion of such Grant in

Aid is to be passed to SRT and applied in respect of rail passenger services under the ScotRail Grant Agreement.

8. The SRH Board will be responsible for ensuring that the Group operates in accordance with its Framework Agreement and this FM.

REVIEW AND AMENDMENT

9. This FM shall be reviewed and updated periodically by the Sponsor, initially every 12 months for the first 3 years of the Rail Operation by SRT, and thereafter at least every 2 years.
10. SRH, or the Sponsor, may propose amendments to this FM at any time. Any such proposals shall be considered in the light of the Scottish Ministers' / Sponsor's strategic objectives and policy aims, operational factors and the past performance of the Group. The guiding principle shall be that the extent of flexibility and freedom given to the Group shall reflect both the quality of its internal controls and its operational and commercial needs. The Sponsor shall determine what changes, if any, are to be incorporated into this FM and SRH shall agree to such changes so determined. Legislative provisions shall take precedence over any part of this FM. In addition, if there are any differences between the Framework Agreement and this FM, FM, this FM shall take precedence.
11. The Group shall (and SRH shall ensure that the Group shall) satisfy the conditions and requirements set out in the Framework Agreement and this FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers / Sponsor may from time to time impose. The Group are subject to the requirements of the Freedom of Information (Scotland) Act 2002.
12. Copies of this FM have been placed in the Scottish Parliament Information Centre and published on the Scottish Government website



William Joseph Reeve
Director – Rail
Transport Scotland

GRANT ACCEPTANCE

On behalf of **SCOTTISH RAIL HOLDINGS LIMITED**:

On behalf of Scottish Rail Holdings Limited I accept the whole terms and conditions of Grant-in-Aid as set out in the Financial Memorandum and annexations thereof. I confirm that I hold the relevant signing authority.

In witness whereof:

Signed: 
Print Name: Lee Shedden Director
Date: 31 March 2022
Place of Signing: Glasgow

Signed: 
Witness Name: Alastair Richards
Address: Buchanan House
Date: 31 March
Place of Signing: Glasgow

FINANCIAL MEMORANDUM FOR SCOTTISH RAIL HOLDINGS LIMITED

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FINANCIAL MEMORANDUM FOR SCOTTISH RAIL HOLDINGS LIMITED

1. SRH FUNDING

1.1 Grant in Aid

1.1.1 The terms on which Grant in Aid is paid to SRH by the Scottish Ministers under this Financial Memorandum are as set out in this Financial Memorandum.

1.1.2 Grant in Aid under this FM is to be applied by SRT under the ScotRail Grant Agreement and also in respect of the cost of SRH activities under the Framework Agreement.

1.2 Contracts Fees & Charges

1.2.1 SRH obtains funding from a range of sources through its subsidiaries including revenue from commercial operations and, from the Sponsor, Grant in Aid to fund ongoing operating expenditure and by exception loan funding to fund capital expenditure. Grant in Aid is provided to SRH on the terms of this Financial Memorandum.

1.2.2 Loan funding is not envisaged to be required and will only be provided to cover agreed capital investment on the basis of a written application from SRH showing details of agreed expenditure to be covered. The application shall provide the Sponsor with, as a minimum, information, which will enable the satisfactory monitoring by the Sponsor of:

- SRH's cash management; and
- actual and forecast outturn of receipts and payments.

1.2.3 Cash balances accumulated during the course of the year shall therefore be kept at the minimum level consistent with the efficient operation of SRH.

1.3 Fees or charges for services

1.3.1 Fees or charges for services supplied by SRH should be determined on a fully commercial basis and otherwise in accordance with the SPFM, whilst having due regard to its duty as a public body and to the public purse.

1.4 Authority to spend

1.4.1 SRH shall have authority to incur expenditure and to consume resources (principally under the ScotRail Grant Agreement with SRT), in accordance with the strategic, corporate and operational plans (agreed and/or developed in accordance with the Framework Agreement) without further reference to the Sponsor, on the following conditions:

- SRH shall comply with the specific delegations set out in the attached Appendix B. These delegations shall not be altered without the prior written agreement of the Sponsor;
- SRH shall seek written agreement of the Sponsor for any loan funding required;
- SRH shall comply with the conditions set out in this Financial Memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the SPFM;
- SRH shall provide the Sponsor with such information about its operations, performance, individual projects or other expenditure as the Sponsor may reasonably require; and
- SRH shall establish and agree with the Sponsor a comprehensive system of internal delegated authorities which should be notified to all staff, together with a system for regularly reviewing compliance with these delegations.

1.5 Bad Debt and Impairment of Assets

1.5.1 Write-off of bad debt and impairments is subject to the delegated limit set out in the attached Appendix B.

1.5.2 Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. Where an asset (including investments) suffers impairment it is important that the prospective impairment and background is communicated to the Sponsor Representative at the earliest possible point in the financial year to determine the implications for SRH's budget. Similarly any significant movement in existing provisions or the creation of new provisions should be discussed in advance with the TS Sponsor Team.

2. SRH INCOME

2.1 Borrowing

2.1.1. All borrowing by SRH - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of the SPFM and in accordance with the terms of the applicable funding agreement between the Sponsor and SRH.

2.2 Maximising income from other sources

2.2.1 SRH shall seek to maximise income from other sources provided that this is consistent with SRH's main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the Sponsor Representative.

2.3 Proceeds from disposal of assets

2.3.1 Disposals of land and buildings are dealt with in paragraph 7 below.

2.4 Gifts, bequests and donations

2.4.1 SRH is free to retain any gifts, bequests or similar donations. Before proceeding in this way SRH shall consider if there are any associated costs in doing so or any conflicts of interests arising. SRH shall keep an appropriate written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

2.4.2 Gifts, bequests or donations received by SRH are classed as income and should be provided for in the agreed Resource Departmental Expenditure Limits and capital Departmental Expenditure Limits budgets, updated as necessary in consultation with Strategic Rail Board. However, SRH should be able to demonstrate that expenditure funded by gifts etc. is additional to expenditure normally supported by grant in aid (i.e. Scottish Government core funding) or by trading and other income. Before accepting such gifts SRH shall consider if there are any associated costs in doing so or any conflicts of interests arising.

2.4.3 Unless covered by a specific delegated authority SRH shall not, without Sponsor Representative's prior written approval, make gifts or special payments or write-off of losses. Special payments and losses are subject to the guidance in the Losses and Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

3. SRH EXPENDITURE: GENERAL PRINCIPLES

3.1 Delegated authority

3.1.1 SRH shall not, without the prior written approval of the Sponsor, enter into any undertaking to incur any expenditure not previously approved via the corporate and business plans (agreed and/or developed in accordance with the Framework Agreement), which falls outside the specific limits on SRH's delegated authority as set out in the attached Appendix B.

3.2 Appraisal and Evaluation

3.2.1 All expenditure proposals shall be within the delegated limits set out in the attached Appendix B and, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

3.3 Procurement

3.3.1 SRH's procurement policies shall be consistent with the delegated limits and requirements set out in the attached Appendix B and, so far as appropriate, reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving SRH's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. SRH shall ensure that each member of the Group complies with any applicable procurement rules.

3.3.2 Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving SRH's objectives consistent with the principles of Value for Money, the highest professional standards and any legal requirements.

3.4 Competition

3.4.1 Contracts shall be placed on a competitive basis, in compliance with the delegated limits set out in the attached Appendix B, and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix B must be submitted to the Sponsor for approval.

3.5 Value for money

3.5.1 Procurement by SRH of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken. Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall.

3.6 Timeliness in paying bills

3.6.1 SRH shall pay all matured and properly authorised invoices in accordance with the guidance provided in the SPFM on Expenditure and Payments or within 10 working days of receipt as provided for within the Payments section of the SPFM.

3.7 Novel, contentious or repercussive proposals

3.7.1 SRH shall obtain the written approval of the Sponsor before:

- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the Sponsor (within the delegated limits set out in the attached Appendix B as appropriate);
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required;
- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits; and / or
- incurring any expenditure and/or other liabilities (contractual or otherwise) which will extend beyond the notified date of termination of the Framework Agreement.

3.8 Risk Management

3.8.1 SRH shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.

3.8.2 SRH shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.

3.8.3 SRH shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant.

4. EXPENDITURE ON BOARD MEMBERS

4.1.1 Remuneration, allowances and expenses paid to board members must comply with specific guidance on such matters issued by the Scottish Ministers including, without limitation, the Public Sector Pay Policy, the SPFM and as required the Scottish Government Remuneration Group.

5. EXPENDITURE ON STAFF

5.1 Staff costs

5.1.1 SRH is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers or organisational structure must be approved in advance by the Strategic Rail Board and Sponsor.

5.2 Pay and conditions of service

5.2.1 SRH will comply with Public Sector Pay Policy in relation to staff and the Chief Executive. SRH shall submit to the Sponsor for written approval (normally annually unless a multi-year deal has been agreed) a pay remit and negotiate a pay settlement by the 1st October in any given year within the terms of the subsequently agreed remit. Unless specifically agreed by Scottish Ministers otherwise, proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. Payment of salaries should also comply with the 'Tax Planning and Tax Avoidance' section of the SPFM. The Group shall comply with applicable laws on the treatment of fixed term employees, including the Fixed-term Employees (Prevention of Less Favourable Treatment) Regulations 2002/2034 (or as amended).

5.3 Pensions, redundancy / compensation

5.3.1 Superannuation arrangements for staff are subject to the written approval of the Sponsor.

5.3.2 Staff may opt out of the occupational pension scheme provided by SRH. However, staff will not be eligible for a cash alternative.

5.3.3 Any proposal by SRH to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the written approval of the Sponsor. Proposals on compensation payments must comply with the Settlement Agreements, Severance, Early Retirement and Redundancy Terms section of the SPFM. This includes referral to the

Scottish Government of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the Scottish Government prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

6. NON-STAFF EXPENDITURE

6.1 Capital expenditure

6.1.1 Subject to being above the Scottish Government's capitalisation threshold as set out in the published Scottish Government consolidated accounts all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.

6.1.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within SRH's corporate planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Construction Procurement Manual published by the Scottish Government's Construction Advice and Policy Division.

6.2 Lending, guarantees, indemnities, contingent liabilities, letters of comfort

6.2.1 SRH shall not, without the Sponsor's prior written consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Any lending by SRH shall adhere to the guidance in the Borrowing, Lending & Investment section of the SPFM. SRH shall undertake due diligence and seek appropriate security in relation to all lending activities. For the avoidance of doubt, the deposit of funds in SRH's bank account will not be considered as lending.

6.2.2 Unless covered by a specific delegated authority SRH shall not, without the Strategic Rail Board's prior agreement, provide grant funding to a third party. Such funding is subject to the guidance in the Subsidy Control section of the SPFM. Guidance on a framework for the control of third party grants is provided as an annex to the Grant & Grant in Aid section of the SPFM.

6.3 Gifts, losses and special payments

6.3.1 Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix B must have the prior written approval of the Sponsor. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

6.4 Leasing

6.4.1 Prior Sponsor written approval must be secured for all property and finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) SRH must demonstrate that the lease offers better value for money than purchase.

6.5 Subsidiary companies and joint ventures

6.5.1 SRH shall not establish subsidiary companies or joint ventures without the express written approval of the Sponsor. In judging such proposals the Sponsor will have regard to the Scottish Ministers' wider strategic aims and objectives.

6.5.2 Any subsidiary company or joint venture controlled or owned by SRH shall be consolidated with it in accordance with applicable Financial Reporting Standards.

6.6 Financial investments

6.6.1 SRH shall not make any financial investments without the prior written approval of the Sponsor, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of SRH shall equally be subject to Sponsor approval unless covered by a specific delegation. SRH shall not invest in any venture of a speculative nature. Any major investment programmes or projects undertaken by SRH shall be subject to the guidance in the Major Investment Projects section of the SPFM and is also subject to a specific delegated authority. The Strategic Rail Board must be kept informed of progress on such programmes and projects and the Scottish Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to Sponsor and by it to the Scottish Government's Office of the Chief Information Officer.

6.7 Unconventional financing

6.7.1 Unless otherwise agreed in writing with the Sponsor, SRH shall not enter into any unconventional financing arrangement.

6.8 Commercial insurance

6.8.1 SRH shall take out and maintain appropriate insurances to cover its operations from a legal, regulatory and contractual point of view and shall ensure that the OpCos take out and maintain appropriate insurance that satisfies the requirements of the UK rail industry, with the prior written approval of the Sponsor, and broadly in accordance with the guidance in the Insurance section of the SPFM.

6.8.2 In the event of uninsured losses being incurred the Scottish Government shall consider, on a case by case basis, whether or not it should make any additional resources available to SRH.

7. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

7.1 Register of assets

7.1.1 SRH shall maintain an accurate and up-to-date register of its fixed assets consistent with the Property: Acquisition, Disposal & Management section of the SPFM. 'Non-current' assets should be disposed of in accordance with the SPFM.

7.1.2 All assets (property, plant and equipment) are to be properly recorded and updated as necessary on an appropriate system.

7.2 Disposal of assets

7.2.1 SRH shall dispose of assets which are surplus to its requirements and in accordance with its long-term corporate strategy. Assets shall be sold for the best market price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Tangible Fixed Assets section of the SPFM. The Scottish Government's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 3 months prior to them being advertised on the open market.

7.3 Recovery of grant-financed assets

7.3.1 Where SRH has financed expenditure on capital assets by a third party, SRH shall use its best endeavours that any such assets above an agreed value are not disposed of by the third party without SRH's prior consent. SRH shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

7.3.2 SRH shall also ensure that if the assets created by grants made by SRH cease to be used by the recipient of the grant within five years from the date of completion for the intended purpose an appropriate proportion of the value of the asset shall be repaid to SRH.

8. BANKING

8.1.1 The Chief Executive is responsible for ensuring that SRH's banking arrangements safeguard public funds and are carried out efficiently, economically and effectively. The banking arrangements adopted by SRH must comply with the 'Banking' section of the SPFM.

APPENDIX A – DEFINITIONS

“Best Value”	Means the principle of best value as outline in the Scottish Public Finance Manual.
“Chief Executive”	Means the Chief Executive of SRH.
“Financial Memorandum”, “FM”	Means this Financial Memorandum between the Sponsor and SRH, including the appendices.
“FReM”	Means the Government Financial Reporting Manual.
“Framework Agreement”	Means the Framework Agreement between the Sponsor and SRH.
“Group”	Means the group of companies comprising SRH and its subsidiaries SRT and SOLR2.
“OLR Duties”	Means the Scottish Ministers’ duties from time to time under Section 30 of the Railways Act.
“OpCos”	Means SRT and SOLR2 (each an “OpCo”).
“Public Funds”	Means any funds provided to SRH by the Scottish Ministers and any other funds falling within the stewardship of SRH (including gifts, bequests and donations).
“Railways Act”	Means the Railways Act 1993 as amended by the Transport Act 2000 and the Railways Act 2005.
“Rail Operation”	Means the services provided by an OpCo under the Caledonian Sleeper Grant Agreement or the ScotRail Grant Agreement as relevant.
“ScotRail Grant Agreement”	Means the agreement among TS, SRT and SRH for the provision by SRT of passenger services, light maintenance services, station services and ancillary services.
“SRH”	Means Scottish Rail Holdings Limited, with registered number SC548826, the parent company of the OpCos and which is a wholly owned subsidiary of the Scottish Ministers.

“SRH Board”	Means SRH’s board of directors as registered at Companies House.
“SRT”	Means ScotRail Trains Limited, with registered number SC328826, a company established by the Scottish Ministers to enter into the ScotRail Grant Agreement (for the purposes of exercising the OLR Duties in respect of continuance of the ScotRail passenger rail services).
“SOLR2”	Means SOLR2 Limited, with registered number SC328825, a company established by the Scottish Ministers to enter into the Caledonian Sleeper Grant Agreement (for the purposes of exercising the OLR Duties in respect of continuance of the Caledonian Sleeper passenger rail services).
“SPFM”	Means the Scottish Public Finance Manual.
“Sponsor”	Means Transport Scotland.
“Sponsor Representative”	Means the Director of Rail, Transport Scotland or such nominee(s) as authorised by the Director of Rail from time to time.
“Strategic Rail Board”	Means the governance board appointed by and accountable to the TS AO, and that supports the TS Sponsor Representative (a) on Day One matters and (b) on matters after Day One.
“TS Sponsor Team”	Means the team created by Transport Scotland to discharge the Scottish Ministers’ duties under Section 30 of the Railways Act 1993 and to act as a principal liaison between SRH and Transport Scotland.

APPENDIX B - SPECIFIC LIMITS ON DELEGATED AUTHORITY

Delegation*	Limit
External business and management consultancies	£100,000
Non-competitive action	£50,000
Operating leases – other than property/ accommodation related leases	£50,000
Gifts	Nil
Special payments	£50,000
Claims waived or abandoned	£50,000
Write-off of bad debt and/or losses	£50,000
Guarantees out-with normal course of business	Nil
Charges on assets	Nil
Loans	£50,000
Grants	Nil
Financial investments and equity shares	Nil
Major investment programmes/ projects not incorporated in approved plans	Nil

Notes:

All external consultancy contracts over the value of £100,000 or any proposal to award a contract without competition (i.e. non-competitive actions) over the value of £100,000 (excluding VAT), must be agreed in advance by the Strategic Rail Board.

Proposals to let a single-tender or restricted contracts above the relevant delegated limit above, must be submitted to the Strategic Rail Board for approval.

*Further detail on the categories of 'Delegation' are set out in the SPFM.