

Sent on behalf of John Yule

Hi, the planning and preparation of the Festive Services in December gave everyone on the Railway a much-needed focus and sense of direction. Indeed, the success of these Services from an operational, commercial and customer satisfaction perspective, has instilled a sense of confidence and a clarity of purpose in our current approach to the development and implementation of our 2024 Timetable.

As I write, we are two weeks past the turn of the Year, and I can clearly see that the Strathspey Railway has also turned a corner. With real and positive change happening across several areas as outlined below, it really is time for us all to put the concerns of last year firmly behind us and work hard toward ensuring that our Railway remains a successful business in 2024.

Operational, commercial and organisational challenges remain, but they are being worked through at various levels and whilst successful outcomes are by no means certain, I am reasonably confident of their satisfactory conclusion.

Stop Press: (I'm not kidding) I have just been advised by our FD Bob Anderson that the Royal Scotsman trains **will** be coming back to the SR in 2024. This may have been viewed by some as a given, but until today they have maintained a 'radio silence' since the FS shunt. However, thanks to Bob's diplomatic style, lines of communication are open again, and we will shortly be discussing new operational arrangements and dates for the RS in 2024, with their representative operational company GBRf. Well Done, Bob.

5-Point Recovery Plan for 2024:

- Run as many trains as we think we can reasonably fill;
- Offer a premium quality on-train catering product;
- Market and sell as many tickets as we can;
- Further develop additional revenue streams (TV, filming, photo shoots);
- Maximise SRA volunteer and funding inputs.

Colin Stirling: Due to his other business commitments having to take priority over dealing with the challenges currently facing the Railway, Colin decided to step down as Acting Chairman and to resign as a director from 8 January 2024. As you would expect of Colin, if you know him, he will continue to support the Railway, both on-site and remotely. My sincere thanks are due to Colin for his invaluable support to the SR over many years (IT, Dalfer Level Crossing, Spey Lodge, etc., etc.,) and for agreeing to chair the Board through what has been a very challenging period both for him and the Company. Being committed to the Railway, Colin has handled a difficult situation with real dignity, and he began the process which is leading to the changes outlined below.

SRC Board Update: We now view the current structure of the SRC Board as an interim arrangement whilst we move toward the planned Two-Tier Board structure, hopefully following the appointment of a transformational GM. To help drive and steer that transition, I have been co-opted on to the Board and elected as Interim Chair and I am pleased to advise that Ian Stanworth has agreed to join me as Interim Vice-Chair, to support that transition and ensure that the SRA has a seat at the table and are a party to

our key decision making. Stephen Muirhead has also agreed to add Health and Safety to his brief, with his role redesignated as Safety and Standards Director.

Proposed Two-Tier SRC Board Structure: Following the planned appointment of a General Manager (GM), it is planned to transition to a new two-tier management structure. The roles, responsibilities and authority of each will be clearly set out in a Schedule of Responsibilities which will be agreed with the GM.

Tier 1- SRC Board (Statutory)- focusing on Strategy, Finance and Regulatory Compliance.

Tier 2- Operations Board - overseeing the day-to-day running of the railway.

Our initial thoughts on the role make-up of the two Boards are set out below, but I would stress that these are still subject to further discussion and final agreement.

SRC Board:

- Chair
- Finance Director
- Safety & Standards Director
- Strategic & External Affairs Director
- SRA Representative
- In attendance:
 1. Company Secretary
 2. GM

Power will be given to co-opt Non-Executive Directors with specific areas of expertise.

Operations Board:

- GM – Chair
- HR
- Operations
- Events & Marketing
- Engineering
- Infrastructure

The GM will have flexibility to recommend changes in composition.

GM Update: The date for applications closed on Sunday 14th January with just short of 20 candidates applying. The standard of submitted application and candidate appears to be very high and early indications would suggest that this should prove to have been a fruitful exercise. An independent 'Assessment & Interview Panel' of 4 has been formed led by me and comprising Stephen Muirhead – Technical, Ian Stanworth – SRA/Technical, Linda Coe – HR/Legal. The process will be overseen by Duncan Gilmour to ensure due process and fairness. We have begun the process, identified the steps and a stretch timeline to make an appointment, with SRC approval and JBG support.

Joint Board Group (JBG) - Continues with a strong SRA/SRC working relationship, focused on strategic and key issues that need to be seen through inc. GM appointment and development of the planned two-tier management structure as explained above. We are also looking at ways to maximise the efficiency of donations to the SR; the VAT and

other tax implications of potential SRA/SRC relationships and the long-term security of key SR assets.

Way Forward Group (WFG) - Essentially now a Tier-2 type arrangement with Dept./Comm. Heads to ensure we produce a 2024 DH budget and act as a team to deliver our core train and catering services and thereby maximise our income potential.

Operational/Safety Matters: The Flying Scotsman RAIB Investigation continues with the Lead Investigator following up on some outstanding SR Staff Interviews. He is planning to visit Aviemore on the 25th January to familiarise himself with the site and Stephen Muirhead will host the visit. Work to address the ORR Improvement Notice and letter of concern on Footplate Competence Management continues with an updated Footplate Policy Document nearing completion. Overdue footplate competence Assessments are in the process of being addressed in accordance with the new policy. We have also responded to the ORR on some anonymously raised concerns about Working at Height (scaffolding training arranged for key staff on 8th Feb), access gates to Aviemore Yard, our Asbestos Register, our machine shop and training of future Responsible Officers. The ORR have noted our work in progress in these areas and accepted our responses. SEPA have also expressed concern about burning waste materials and our management of rainwater and sewerage at the Engine Shed Site. Removal of the toilet which was not connected to the septic tank and other improvements in staff welfare in the engine shed are being progressed. A new ramp to give better maintenance access to the drainage sump is under construction adjacent to Dalfaber Road by civil engineering colleagues.

Timetable Development : To take advantage of mid-term holiday breaks and visitors to Aviemore, we are running 'Branch Line Steam Services' (in lieu of the currently unavailable DMU) over 8 days in February with a Bar & Trolley catering service.

Similarly, two weekends around Easter are currently planned with a normal full-train formation, which will capture the Easter Holiday market and provide an operational and catering lead-in to our 2024 Timetabled season, commencing early April.

As explained in my previous statement, the current Timetable was based on a max. 4-day/week running until we were clearer around demand and available train crews, with a 6-day/week running in July & August always an ideal key target, to take advantage of the peak holiday season and maximise our income over 2024.

Early indications are that demand remains buoyant and whilst the train crew situation is improving almost on a weekly basis, this remains a fundamental challenge for various reasons - ageing volunteer base, lack of new/younger volunteers, etc. The various Committees, Groups, SRC Board and SRA Trustees are fully aware of this and are looking to jointly address the issue through various means, hopefully further explained in my next update.

Finance Manager (FM): The SRC have created this Volunteer position to support the Finance Director and provide an additional layer of rigour, scrutiny, analysis and transparency. As part of my remit to help the Railway through its current challenges, I

have also taken on this role, in the short-term at least, to better understand and help improve our financial situation and process controls where appropriate.

Cash Flow Update: We have taken a strong control of our outgoings and understand the major areas of expenditure in 2023. As a result, we have taken several initiatives, which are designed to both reduce and re-prioritise our overheads. At the time of writing there is some £90,000 in the bank, with no major creditors knocking on our door; a considerable improvement on the forecast back in October 23.

Catering Travel Options are about to go live for current timetabled dates, with payment on booking, providing vital cash flow ahead of actual train ticket sales. Whilst the planned services in February and around Easter will also be important.

Tight cost management over the next three low-income months will however be critical to ensuring we keep our heads well above water. Further, we are hopeful that the SRA through their various endeavours, will also be able to quickly support us through this difficult period.

Volunteer Travel/Mileage Claims: In terms of travel between home and the SR, this has always been seen as a **subsidy** to financially assist those who could not otherwise afford to volunteer. Whilst the vast majority are very fair with their claims, the Board and JBG are concerned that the level of some claims accrued over 2023 is simply unsustainable - we are not a cash-rich major corporation.

To be fair and transparent therefore, a new process is immediately effective:

- i) Prior to their first 2024 claim, potential claimants will email the Finance Manager (address to be advised), for 'in-principle' Board approval, giving a brief background and the basis of payment, either: Reimbursement of rail/bus costs as evidenced by a copy of a receipt OR Mileage at a rate of **25p per mile**. This reflects the Government's advisory fuel rates for company car users. As such this will be reviewed at least on an annual basis.
- ii) Subsequent Reimbursement or Mileage claim forms must be signed off or approved via email by the Dept. Head/Manager/etc, before all documents are submitted or uploaded into Xero.
- iii) Submitted claims in Xero are subject to final Finance Manager approval.
- iv) Mileage claims for volunteer travel incurred in conducting SR related business (e.g. picking up or delivering parts, components, etc., to or from third parties using own transport), do not require prior Board approval, if under £150 total (i.e. a 600 mile round trip).
- v) All other volunteer, staff and contractor expense claims will now be subject to final Finance Manager review and approval in Xero.

Staff Meeting: It had been the intention to hold another staff meeting on 16 March however the JBG and the WFG have agreed to postpone this until after the appointment of the GM and the adoption of the new management structure. This will give everyone the opportunity to meet those tasked with implementing the changes referred to above.

We have provisionally agreed a new date being the evening of Saturday 7 September which will coincide with the AGM of the SRC which will take place in the late afternoon of the same day. Please put this date in your diaries!

I hope the above gives you a better idea of where the Railway is heading and some of the challenges that remain. Fundamentally, the SR business model is sound, but the level of surplus income we have generated over the years, is insufficient to allow anything but constant vigilance in our behaviours, expenditures and cost controls, whilst maximising our revenue income and profit levels.

All the best to you and the SR in 2024.

JOHN YULE
Interim Chair



STRATHSPEY RAILWAY COMPANY LIMITED