

Board Meeting Minutes



Meeting:	Scottish Canals Board
Date and Time:	Thursday 7th November 2024 09.30 – 13.00
Venue:	The Wheel Room, The Falkirk Wheel, Lime Road, Falkirk

Members:	Maureen Campbell	Chair
	Carolyn Sawers	Vice Chair
	Rob McGregor	Board Member
	Robin Strang	Board Member
	Michelle Wailes	Board Member
	Neil McDonald	Board Member
Attendees:	John Paterson	Chief Executive Officer
(agenda item 3 onwards)	Richard Millar	Chief Operating Officer
	Amelia Morgan	Director of People, Safety & Governance
	Sarah Jane Hannah	Director of Finance & Business Services
	Nicola Christie	Head of Governance & Legal Services – Secretary
	Vikki Fleming	Executive Personal Assistant – minutes
	Andy Robinson	Head of Governance and Special Projects, Transport Scotland

Item	Topic	Action
1.	Welcome, Apologies and Declaration of Interests 1.1 The Chair welcomed the Board members to the meeting, specifically Neil McDonald, who had been appointed as a Board member with effect from 1 October 2024. 1.2 There were no apologies for absence. 1.3 There were no declarations of interest.	
2.	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]	

3.	<p>Approval of Previous Board Minutes</p> <p>3.1 The Chair welcomed the attendees to the meeting, specifically Andy Robinson, Head of Governance and Special Projects, Transport Scotland, recently appointed as sponsor team lead for Scottish Canals.</p> <p>3.2 The Board considered and approved the draft minutes of the Board meeting held on 29 August 2024.</p>	
4.	<p>Review of Previous Actions and Matters Arising</p> <p>4.1 Scottish Canals maintains an action log of all key decisions and actions from the Board meetings. This ensures that requests can be actioned in a timely fashion by the correct individual.</p> <p>4.2 The updated action log was reviewed, and the Board approved the closure of the completed actions. It was noted that work shadowing opportunities would be shared with Board members to support the Health & Safety leadership training.</p> <p>(i) 35 Hour Working Week Update</p> <p>4.3 The Board was updated on the delay to the planned implementation of the 35-hour working week with effect from 01 October 2024. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>4.4 The Board was assured that the EMT was in continuing discussions with the trade unions to develop workable proposals with a revised timeline for implementation of a 35-hour working week with effect from 1 January 2025. The proposals would meet the Fair Work principles particularly given the engagement with the trade unions for collective voice. The Board noted that other public bodies had not met the October 2024 Scottish Government implementation guideline, and the sponsor team had acknowledged that Scottish Canals had been engaging with the trade unions regularly.</p> <p>4.5 The Board was assured of the continuing engagement and productivity of the workforce despite the delay and that no questions on this issue had been raised at the recent staff roadshow events.</p> <p>4.6 [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	

	<p>4.7 The Board delegated authority to the Executive Management Team to develop 35 hour working week workable proposals for management and trade unions for submission to the trade unions for consideration. A potential additional holiday on 3 January 2025 may be included in the trade union submission. The Board would be kept updated on progress.</p> <p>ACTION: (a) Scottish Canals to provide a further update to the Board by the end of Q3 2024/25.</p>	<p>Director of People, Safety & Governance</p>
5.	<p>Audit & Risk Committee (ARC) Chair Report</p> <p>5.1 The Board noted the written report from the ARC Chair together with the minutes of the ARC meeting held on 10 October 2024. The ARC Chair summarised the key issues.</p> <p>External Audit</p> <p>5.2 The draft Annual Report & Accounts 2023/24 had been submitted to Audit Scotland for review in accordance with the External Audit Plan 2023/24 timeline and the external audit was progressing. Transport Scotland had been advised that the timescale to lay the Annual Report & Accounts 2023/24 before the Scottish Parliament was anticipated to extend beyond the statutory filing deadline of 31st December 2024.</p> <p>Internal Audit</p> <p>5.3 The challenge to close outstanding internal audit recommendations from previously reported audits was ongoing. The ARC and Executive Management Team continued to closely monitor progress to implement the outstanding recommendations.</p> <p>Port Marine Safety Code Compliance (PMSC)</p> <p>5.4 The Board was updated on the audits of the harbours at Corpach, Caledonian Canal and Ardrishaig, Crinan Canal carried out by Marico Marine, the independent Designated Person service (DP). The DP was no longer able to assure Scottish Canals, the Duty Holder, that it was compliant with the Port Marine Safety Code (PMSC). This outcome was unexpected as the previous audits of the two harbours had confirmed that both facilities were being efficiently and safely managed with due regard to the requirements of the PMSC with some areas of good practice observed. Previous outstanding recommendations relating to the Scottish Canals Board undertaking Duty Holder training and improving the quality and visibility of harbour information on Scottish Canals website had also been completed. The Board noted that incomplete records had been highlighted as an ongoing issue and that the EMT was focussed on improving record keeping as part of its compliance agenda with due regard to resourcing challenges.</p>	

	<p>5.5 The Board was assured that this outcome did not impact either harbour's ability to operate. A review of current audit actions was ongoing to inform an adequately resourced and time-framed improvement plan which would be monitored by the ARC and regularly reported to the Board.</p> <p>5.6 The Board noted that the Maritime Coastguard Association had informed all Duty Holders nationwide that the three-yearly requirement to confirm PMSC compliance had been deferred until 2025.</p> <p>5.7 Following a compliant procurement process for the independent Designated Person services contract, Associated British Ports (ABP) had been appointed for an initial three-year term and would undertake the annual PMSC audits in Q3/Q4 2024/25 with PMSC compliance and waterway safety as a high priority.</p> <p>5.8 The Board was updated on the statutory and title ownership status of Ardrishaig harbour following communication from Peel Ports as the owner of Clydeport, that Clydeport had statutory harbour jurisdiction over Ardrishaig harbour. The legislation was historic and challenging to interpret and would benefit from clarification in discussion with Clydeport to inform a Memorandum of Understanding regarding the responsibilities to manage and maintain Ardrishaig harbour safely. The ARC would continue to monitor progress and update the Board.</p> <p>Annual Procurement Report 2023-24</p> <p>5.9 The Board reviewed the Annual Procurement Report which detailed Regulated Procurement activity carried out in the previous financial year as well as details of proposed procurement activity in the coming years. The Crinan Canal Community Benefits Case Study was welcomed. It was noted that Scottish Canals branding would be included to show Scottish Canals support for community benefits.</p> <p>5.10 The Board acknowledged the positive procurement processes and approved the Annual Procurement Report 2023-24 for submission to the Ministers and publication on Scottish Canals' website.</p> <p>Corporate Risk Appetite Statements</p> <p>5.11 The Board discussed the Corporate Risk Appetite Statements, a high-level tool to inform key decisions across Scottish Canals aligned with the definitions of risk appetite set out in the Scottish Public Finance Manual. The Board acknowledged the comprehensive review undertaken by the ARC and EMT.</p> <p>5.12 Following an in-depth discussion, the Board approved the Corporate Risk Appetite Statements as recommended by the ARC. The Board noted</p>	
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	that further analysis of the risk thresholds was ongoing with a view to further maturing the link between the risk appetite statements and the Corporate Risk Register. The Corporate Risk Statements would be kept under review during the year and proposed changes would be reported to the Board, specifically relating to cyber security and compliance.	
6.	Business Plan 2024/25 Q2 Performance Report	
(i)	<p>Chief Executive Officer (CEO) Overview</p> <p>6.1 The Board was advised of the continuing good progress with legacy issues ongoing from the Section 22 report. The Statutory Compliance Audit Improvement Project Board, currently focussed on Mechanical & Engineering had been working rigorously through a nine-point action plan. The Estates compliance improvement action plan was also ongoing.</p> <p>6.2 The CEO summarised progress of the internal review of Scottish Canals seasonal workers contract ahead of seasonal recruitment for 2025. The Board was also advised on recruitment and retention which had been especially challenging in the Lowlands for Mechanical & Engineering. A full team of mechanical engineers were in place at the Crinan Canal, and two civil engineering apprentices had joined Scottish Canals. The Board noted that further apprenticeship opportunities were being explored.</p> <p>6.3 Destinations had outperformed its Quarter Two targets. The Board welcomed the development of The Kelpie Experience as an innovative tourist offering which fully leveraged a core asset for income generation. Key stakeholders across the public, private and third sectors had been invited to join Scottish Canals for the launch of the new Kelpies Experience on 25th November 2024. The Board noted that discussions were ongoing with the third sector to utilise this tourist offering for fundraising.</p> <p>6.4 The CEO highlighted the key stakeholder engagements undertaken in Q2 including regular engagement with the CEO of Transport Scotland. Ivan McKee MSP had visited Dundashill and had subsequently highlighted Scottish Canals positive efforts to raise revenue in support of public services. During his site visit to the Caledonian Canal Jim Fairlie, MSP noted that Scottish Canals could provide sustainable access opportunities for potential pump storage hydro schemes. Scottish Canals had provided a follow up briefing report which would be circulated to the Board for information. A strategic Board discussion to consider the community benefits and opportunities for Scottish Canals would be planned.</p> <p>6.5 The Parliaments 25th Anniversary was very well attended. The CEO had discussed topics of interest to Scottish Canals with several MSPs and</p>	

	<p>follow up engagement, including invitations for MSPs to attend site visits was planned. The Board noted the topical issues and future noteworthy events and welcomed the update on key stakeholder engagement to further promote the impact of Scottish Canals.</p>	
	<p>6.6 The Board noted the update on the positive staff engagement following a series of well attended, in-person staff roadshow events to share locally themed updates and ask questions to promote a one team approach. An employee survey designed collaboratively by the communications, people and health, safety & wellbeing teams will be sent out in Q4 2024/25. This will benchmark employee sentiment and provide a backdrop for 2025/26 planning and staff engagement. To provide an effective voice to all staff, an annual employee and a suite of pulse surveys, with consistent questions, is planned to monitor and respond to staff sentiment.</p>	
	<p>6.7 The Board noted that the business planning strategic session in Q4 2024/25 would provide the Board with an opportunity to contribute to the strategic oversight, specifically in relation to workforce planning and medium-term financial sustainability.</p>	
	<p>6.8 The Head of Governance and Special Projects, Transport Scotland updated the Board on ongoing planning to formalise the future sponsor team relationship with Scottish Canals and its contribution to Public Service Reform. The Board would be updated following the announcement of the Budget 2025/26 anticipated on 4th December 2024.</p>	
(ii)	<p>Forth & Clyde Lock Gate Replacement and Restoration Programme Presentation</p>	
	<p>6.9 It was agreed that this presentation would be considered under agenda item 8.</p>	
(iii)	<p>Lock 16 Canal Centre Update</p>	
	<p>6.10 The Board was updated on progress of the Lock 16 Canal Centre. The significant milestones achieved in Q2 were highlighted. Partnership discussions with Historic Environment Scotland (HES) had progressed. A framework for collaboration had been agreed setting out key objectives for the proposed development of the centre of excellence, with a focus on the co-location opportunities, with both dedicated and shared accommodation and associated estates optimisation under Public Service Reform alongside traditional and heritage skills training and, learning and development requirements for both organisations. Co-investment profiles for the supporting funding portfolio were being scoped for the delivery of capital works in addition to modelling for a long-term lease agreement to support the ongoing running costs of the building.</p>	

	<p>6.11 The design development was also progressing steadily, with the successful sign-off of Royal Incorporation British Architects (RIBA) Stage 3 and design work had advanced to RIBA Stage 4 (Technical Design), anticipated to be completed by the end of December 2024, marking another significant step towards fully market-testing in early 2025.</p> <p>6.12 The funding strategy continued to evolve. A value engineering exercise had been completed resulting in a confirmed cost report. Additional funding to support the capital redevelopment and the supporting training and skills programme was also being sought from the National Lottery Heritage Fund (NLHF) in partnership with HES. The target date for submitting a funding application was 21 November 2024 for decision by the end of March 2025. [REDACTED]</p> <p>6.13 The Board noted that Lock 16 remained important to generating socio-economic benefit for Falkirk. It was also a broader project linked to Public Service Reform, volunteering, employability, and retaining heritage skills which met Scottish Canals' need to reduce overheads whilst addressing a long-term underutilised Scottish Canals asset.</p> <p>6.14 [REDACTED]</p> <p>6.15 A further update paper would be submitted to the Board in Q4 2024/25.</p> <p>(iv) Q2 Key Performance Indicators (KPIs)</p> <p>6.16 The Board reviewed Q2 performance against the Business Plan commitments and Corporate KPIs reflecting the corporate themes: Explore and experience; Place and spaces; Canals for the future; People and business and noted the overall KPIs were on or exceeding target. The Board noted that the Corporate Communications & Marketing overall KPIs were on track.</p> <p>6.17 The Board noted that resolving source data for towpath counters and interpretation of boat movement and transit records remained work in progress. An Active Travel Officer had been recruited to assess towpath usage linked to community benefits. The Board would be updated on progress at the next meeting.</p>	
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	<p>(d) Board to be updated on progress of data collection for towpath counters and interpretation of boat movement and transit KPIs.</p> <p>(e) An update on the application of the socio-economic framework to be reported to the Board in Q4 2024/25.</p>	
7.	<p>Q2 2024/25 Finance Report</p> <p>(i) Q2 Update</p> <p>7.1 The Director of Finance & Business Services reported on the financial position at the end of Q2 2024/25, and summarised ongoing financial issues. The reforecast for Q2 was ongoing and the Board was assured that a lot of work has been done to reduce the expenditure projected in July/August to be more in line with budget.</p> <p>7.2 The Director of Finance & Business Services advised that cyber security training for Board members had been arranged, and Board members were encouraged to complete the training.</p> <p>7.3 The Board was updated on the progress of the external audit and noted the delay in the reporting of the Annual Report & Accounts 2023/24 as advised by the ARC Chair at item 5.2 above due to resourcing challenges. A timeline with the intention to achieve the statutory reporting deadlines for the Annual Report & Accounts 2024/25 had been shared with the external auditors and would be monitored by the ARC. The Board would be kept updated on progress.</p> <p>7.4 The Board noted continuing engagement with HMRC to ensure compliance with the new VAT regime applied to Scottish Canals. The Board was assured that previous year VAT liability was fully accounted for.</p> <p>(ii) 2025/26 Financial Projections Presentation</p> <p>7.5 The Director of Finance & Business Services and the Director of People, Safety & Governance gave a presentation on Scottish Canals challenges and opportunities for transformation to achieve greater medium to long-term financial resilience.</p> <p>7.6 The key income generating activities in estates, moorings and destinations were highlighted. In addition, the pressures to operate core statutory activities within a legacy structural deficit were increasingly challenging, compounded by inflationary operational costs, the impact of additional VAT and pay bill increases arising from job evaluation pay progression and in-year Scottish Government pay policy increases.</p>	

	<p>7.7 The Board acknowledged that the presentation reaffirmed their current concerns regarding longer-term financial sustainability, and that Scottish Canals faced a significant funding deficit in 2025/26 if the anticipated Grant in Aid settlement remained at current levels.</p> <p>7.8 The Board recognised that the challenge for Scottish Canals was to progress with a transformation programme to enhance quality of service and customer care, organisational resilience, efficiency, and effectiveness through service re-design, innovation, cultural change, and cost control whilst overseeing Scottish Canals compliance and assurance processes. In addition, Scottish Canals must continue to optimise its portfolio of investment focused on future financial sustainability whilst maximising Best Value and Scottish Canals contribution to the National Performance Framework, Sustainable Development Goals and Public Service Reform Agenda.</p> <p>7.9 The EMT would continue to discuss Scottish Canals financial challenges with Transport Scotland. The EMT would also continue to seek more direct connection with the Public Bodies Unit on public sector reform as well as opportunities to network across the Scottish Government to explore shared services and efficient and effective ways of working. [REDACTED]</p> <p>7.10 The planned strategy session in Q4 2024/25 would provide a further opportunity for the Board to discuss Scottish Canals strategic challenges and opportunities for transformation to achieve greater long-term financial resilience.</p>	
8.	<p>Q2 2024/25 Capital Investment Programme Report</p> <p>Forth & Clyde Lock Gate Replacement and Restoration Programme</p> <p>8.1 The Chief Operating Officer presented an update on the planned capital works at Lilly Loch Reservoir to construct an emergency drawdown siphon at a cost of [REDACTED] and Townhead Reservoir to reconstruct the</p>	

	<p>spillway at a cost of [REDACTED]. Both projects would ensure safe management of water and flood control. The Chief Operating Officer further updated the Board on the decaying state of the lock flight at Falkirk on the Forth & Clyde Canal which required investment to instal new hardwood lock gates to replace aged lock gates installed as part of Millennium Link Project.</p> <p>Capital Investment Programme</p> <p>8.2 The Board discussed the proposed changes to the Capital Investment Programme (CIP) identified during Quarter two 2024/25. In line with the scheme of delegation, the Board approved the increased allocation of [REDACTED] additional funds to Locks 3-16 on the Forth & Clyde Canal. This programme would include the replacement of lock gates at locks 7, 9, 11 & 14 and planking of lock gates at locks 3, 4, 10, 12, 13, & 15. The Board noted the works were key to the safe delivery of our asset management plan and our statutory compliance with the Transport (Scotland) Act 1968 and Reservoir (Scotland) Act 2011.</p> <p>8.3 The outline programme required the suspension to navigation for 18 months to allow all works to be completed. The Board was assured that a full suite of communications had been produced informing customers, boaters, boating organisations, partners and political representatives of these planned works.</p> <p>8.4 The Board noted that Transport Scotland had also approved this investment which included a welcome additional Grant in Aid allocation of £500k of capital in recognition of the economic value of the Lowland canals.</p> <p>8.5 To accommodate these works, adjustments had been made to the wider programme on a risk cognisant basis, reducing planned investment in the design of Fort Augustus actuators, purchase of GRP mesh, reduction in development of aqueduct inspection and design and reallocation of funding within Lock 16 works.</p>	
9.	<p>Q2 2024/25 Commercial Investment Plan Report</p> <p>9.1 The Commercial Investment Plan was aligned with Scottish Canals' Investment Strategy and Corporate Plan 2023-28 to deliver returns and growth to contribute towards the future sustainability of Scottish Canals as well as fulfilling the Corporate Plan objectives regarding placemaking, community and public value. The Board noted progress of the Commercial Investment Programme 2024/25 during Q2, specifically the progress of The Falkirk Wheel Masterplan, and the impact of the delay to the approval of funding for works to Borron Street which would impact completion.</p>	

Date

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