

CORPORATE / ASSURANCE / OPEN

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|---------------------|-------------------------------------------------------------|
| <b>EMT SPONSOR:</b> | John Paterson, CEO                                          |
| <b>AUTHOR:</b>      | Brian Auld, Interim Director of People, Safety & Governance |

## PURPOSE

To provide a summary on strategic alignment and high-level insights. The report also details any critical risks and clear actionable recommendations or decisions required.

## RECOMMENDATION

The Board is invited to note the update and provide comments or observations.

## BACKGROUND

This report forms part of the wider suite of routine reporting for Board with the primary aim of keeping the board informed in support of good governance and assurance.

## ASSESSMENT

This report is intended to provide the Board with organisational intelligence on internal and external horizon scanning, alongside consideration of wider organisational developments and key areas of performance.

## Strategic Overview

### **SCOTTISH GOVERNMENT/ Transport Scotland**

#### **Budget 2026/27**

A final and more detailed letter has now been received from our new Director of our TS sponsor unit, Chris Wilcock, Director of Ferries & Ports, confirming the substantial [REDACTED] increase in our approved Capital and Revenue budget allocation. The appended letter confirms Transport Scotland's expectations that this funding should be focussed on asset improvements and statutory compliance, including reporting on asset condition for inclusion in the wider TS National Asset management strategy updates.

[REDACTED]

This milestone securing of a marked improvement in GIA allocation is the result of a strong collaborative team effort, over a considerable period of time, to raise awareness of the importance of Scottish Canals' services to communities and the wider Scottish economy amongst influential stakeholders. Our Revenue allocation has been increased by £5.4m from £12.85m to £18.255m, with our Capital allocation seeing a further increase of £5.8m from £12.6m to £18.395m. Whilst it is a welcomed rebasing of the budget, it should be recognised that it will take some time to be able to demonstrate overall improvement in asset health, as the enhanced programme of revenue and capital works takes effect.

The "Get More" part of the financial strategy approved by Board has now been secured, however the organisation remains focussed on achieving the "make more and save more" remaining components of the medium-term financial strategy, which remains no less challenging than before. Maximising collaboration between public bodies to deliver Scottish Government priorities is one of SC's core aims of "Better Lives by Water" Corporate Plan and there is increasing system pressure to engage and deliver on Public Service Reform (PSR), satisfy audit scrutiny and achieve statutory compliance.

The sponsorship arrangements for SC have changed within TS and currently being crystalised; Andy Robinson, Head of Sponsorship and team, who reports to TS Director of Finance remains our main link for all matters relating to finance and governance, whereas Chris Wilcock, Director of Ferries & Ports, is the Director responsible for canals' policy and is the representative for canals at TS Leadership team. A programme of regular scheduled meetings with SC CEO is being refreshed so that a strategic level meeting occurs bimonthly. Regular contact with TS finance team continues, noting several new staff members are now in the TS finance team.

### **Public Service Reform (PSR)**

Board will note the new creation of a Cabinet Secretary role (Ivan McKee) for PSR. SC CEO continues to regularly attend the PSR Transport Leadership Group to drive forward PSR within a transport cluster. A further meeting of the group (chaired by Transport Scotland CEO) was attended by John Paterson CEO. The group continues to explore and establish areas for collaboration. What is emerging is a direction of travel whereby the two ferry entities will closer collaborate on shared services, and Scottish Canals will be expected to form PSR activities with Highlands & Islands Airport. An initial CEO level meeting between SC and HIAL was held on 27 April 2026. Further exploratory talks were held with HIAL and TS on 19 May 2026. Both CEOs have agreed to a joint EMT exploratory meeting, scheduled for 29 June 2026. The next meeting of the TS led group is 22 June 2026 and on this occasion each organisation's chair is invited. SC continues to be a member of the environment PSR cluster which also has similar work streams.

### **Invest to Save PSR Fund 26/27**

Whilst the guidance for submissions suggests that invest to save (loan) funding could be given for invest to save programmes that reduce demand for public services. Further meetings with the PSR team suggested that wider invest to save projects could be considered and the advice was to submit any proposals that made sense to the organisation for consideration. The deadline for submissions was tight, allowing only for basic concept bid preparation, with high level cost estimates.

Four applications were quickly prepared as potential projects, then submitted based on testing concepts using projects which were quick wins and/or in scope for SC future delivery anyway. Some may test the criteria for selection, including a potential enabling fund to implement the findings of workforce planning, revenue raising projects and investment in finance IT system planning.

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

At this stage there is no commitment to accept any offer of the loans or at these levels, and it is expected that there will be further dialogue with PSR team assessing bids.

### **Developments in Relation to Scottish Canals Report to DGNZ ("Review of Sustainable Finance & Associated Escalating Risk")**

As SC's GIA budgetary concerns in relation to asset health have been acknowledged with an increase in budget settlement, it has been agreed with TS that there is no longer a requirement to finalise a report on the subject to the new DGNZ. A report more focussed on describing asset health and backlog maintenance financial investment required has since been submitted to TS entitled "State of the Asset Report 2026". [REDACTED]

Following receipt of comments, the SC report has now been finalised. It has also been agreed with TS that this report will be subject to a full update every 2 years with an annual summary progress report each alternate year. In addition, SC will be invited by TS to submit a more comprehensive budget requirement assessment, with reference to asset condition and needs, so that TS may be more fully informed for consideration of next budget year GIA allocation. A meeting is planned with TS Sponsorship and finance teams to explore what this fuller submission should contain going forward.

### **Ministerial & MSP Engagement – Mr Fairlie MSP, Minister for Agriculture & Connectivity**

Mr Fairlie hosted a Ministerial “Round table” meeting with relevant stakeholders to discuss Pump Storage and future use of the Caledonian Canal for Freight. The meeting was well attended with key stakeholders including: John Paterson CEO, Richard Miller COO, Highland Council, Highlands & Islands Enterprise (HIE), HITrans, Prosper, British Hydro Association, Port of Inverness, Statera, Statkraft, Glenearrach and SSE. Scottish Canals presented (Pump Storage Hydro: rethinking Scotland’s Blue Highway: Reinvigorating Waterborne Freight on the Caledonian Canal ([presentation link below](#))). The meeting was positive with those in attendance supportive of waterborne freight. The Minister was fully engaged and after a fruitful discussion which affirmed some level of need by developers for freight on the Caledonian Canal, Mr Fairlie instructed TS to lead a freight coordination working group, aimed at ultimately crystallising the level of demand and profile of need for the canal in this role versus road transportation. This should in turn assist Scottish Canals in ultimately being able to quantify and finalise a business case for investment in the Caledonian Canal. [REDACTED]

### **The Kirking for the Seventh Session of the Scottish Parliament on 13<sup>th</sup> May 26**

Scottish Canals were invited to attend this multifaith and multicultural religious ceremony to mark the new Parliament. CEO attended the service at St Giles Cathedral. The service was attended by the newly elected and returning Members of the Scottish Parliament following the election on 7<sup>th</sup> May 2026. This was followed by an opportunity to meet MSPs at a networking reception in Parliament Hall. Several new contacts were made and a prioritised proactive programme of meetings and building relationships with the new cohort of MSPs is being formed for a forthcoming CEO MSP engagement programme. Offers from MSPs to sponsor SC’s application to parliament for a reception to mark the 25<sup>th</sup> anniversary of the Millenium Link has already been received, which will enable us to lodge the application for a parliamentary reception later in 2026.

## **STRATEGIC PARTNERSHIPS**

### **East Dunbartonshire Council**

A stakeholder session meeting on 20 January 2026 was Chaired by SC CEO, with concerned Kirkintilloch Marina users, representatives of Strathkelvin and Bearsden MSP Rona MacKay, Police Scotland and SFCA Chair to review current legal position, understand historic and current issues and agree a way forward in relation to increased and sustained anti-social behaviour issues at Southbank Marina. Local boaters aired concerns and suggestions on how the issues can be addressed. It was agreed that the public sector partners involved would continue a working group to develop ideas for improvement in the alleviation of sustained antisocial behaviour.

SC CEO held a follow up meeting on 16 February 2026, with East Dunbartonshire Council Leader to discuss how both organisations can collaborate to enhance the canal experience for all users. It is understood that the long standing annual Kirkintilloch Canal Festival will no longer be supported by EDC in the same way due to resource constraints and any future version is likely to be volunteer/community led.

Since the initial meetings, Scottish Canals have now installed additional "no fishing" signage, as well as additional railings and gates to clearly define boater-only areas. East Dunbartonshire Council CCTV is now fully operational and actively monitored. Work is ongoing with Police Scotland to enhance patrols and vigilance, alongside police engagement with young people identified as being involved in anti-social or criminal activity. While challenges remain, complaint levels have reduced, and regular, ongoing engagement with key stakeholders continue.

#### **Lock 16: Scotland's Centre for Excellence for Canals and Traditional Skills- Site works underway**

Roberston Construction have now taken ownership of the site and works are commencing at pace. This project contributes to economic regeneration for the Falkirk and Grangemouth area and reinforces the canal corridor as a destination asset.

#### **Scotland's Marine Tourism Conference 2026**

SC CEO attended as a speaker at the conference which focused on the strategic importance of marine tourism, sustainable and responsible consumer behaviour and the importance of continued investment in marketing, infrastructure and product development.

#### **Prosper Transport Summit – Route to Scotland's Growth**

CEO attended this networking event where the then Cabinet Secretary for Transport Fiona Hyslop was in attendance and spoke. The summit brought together leaders across government, industry and regional partnerships to focus on what it will take to unlock growth through Transport across Scotland. Industry leaders and experts discussed challenges and opportunities to find practical solutions that will influence policy and deliver lasting benefits for communities across Scotland. The main message from the summit was clear: delivery now matters and Transport plays a key role in Scotland's success.

#### **Regional Transport Partnerships**

Due to a change in funding streams for Active Travel projects, SC can no longer expect the same magnitude of support from Walk Wheel Cycle Trust (formerly Sustrans). SC are now required to work with individual local authorities who can access this funding through Regional Transport Partnerships.

The first of a series of meetings with Senior Regional Transport partnerships was held by CEO, COO and Active Travel Officer to explore how Scottish Canals can support councils and access third party active travel infrastructure funding. This will mean that SC must proactively engage with each council and RTP individually, whereas in the past our main projects were funded and developed in partnership directly with Walk, Wheel and Cycle Trust. Meetings held with SEStran and SPT. Further follow up contact at active travel officer level is now planned with each council and RTP. Please note however, an anticipated delay as SC's Active Travel Officer is leaving the organisation and consideration is currently being given to how to appropriately fill this role.

Following the meeting with CEO of SPT, an invitation was extended to CEO and COO to attend and present to SPT's Strategy Leadership team in June, to explore potential opportunities for greater collaboration.

#### **Young Scot Partnership**

Scottish Canals' Young Scot panel members met with EMT to discuss the three-year partnership which concluded in March. The young people presented their findings and made recommendations on how Scottish Canals could best engage with the young people of Scotland. Young Scot praised the partnership and complimented the engagement from the organisation as one of the best partnership organisations they have worked with. It is clear the cohort of young people involved found it a very positive experience, and there was learning by all parties from the programme.

SC committed to further discussion regarding future working with Young Scot, but it is unlikely that the current form of the existing agreement (at a cost of £20.8K annually) will be repeated, but that the engagement of Young people be considered as part of the longer-term formation of the Volunteering Strategy.

### **Audit Scotland**

Following conclusion of the positive External audit of 24/25 accounts, a meeting was held with Audit Scotland leads on 02 April 2026, to identify lessons learned. A further internal meeting was held on 13 April 2026, to discuss reflections from the meeting with Audit Scotland.

### **Inland Waterways Association**

Scottish Canals hosted a visitation from a large delegation of IWA members and associates. They enjoyed an informative tour of our canals network and guided heritage walks. All were extremely complementary of what Scottish Canals have achieved thus far and the wide scope of our work.

### **MEDIA & BRAND**

#### **25<sup>th</sup> anniversary of the Millennium Link**

Scottish Canals launched its plans to celebrate 25 years of The Millennium Link project and brand. A social media soft launch was followed by the planting of a community orchard at The Falkirk Wheel with further woodland restoration and orchard conservation events taking place later this year. A mini flotilla led by Scottish Waterways for All (SWFA) is also planned, alongside STEM engagement sessions with education establishments and participation at science festivals to highlight the project, heritage walk and talk tours. A special paid entry light-up event is also planned for The Falkirk Wheel for September with the year's celebrations culminating in a potential parliamentary reception.

### **Filming**

Filming requests along the canal network continued to generate additional revenue and profile for the organisation. A total of 39 requests were received throughout the year including Sky Arts Landscape Artist of the Year Final held at the Falkirk Wheel and more recently BT used our waterways to film their latest advert. The total revenue raised from filming and photography for 2025/26 was £13k, surpassing the Marketing and Communications target of £10K.

### **PEOPLE**

#### **Baker Tilly /Workforce Planning Study**

A Strategic Workforce Planning Steering Group is held weekly with Baker Tilly as the lead consultant. The Baker Tilly-led workforce engagement has offered several opportunities for staff, managers, Board representatives, and Trade Unions to be involved. Sessions have been held with teams across the network, a staff pulse survey issued, and Heads of Service resource meetings have been held. Baker Tilly verbally reported on their initial findings, providing an overview of the current state and where their recommendations will focus. A further workshop is planned for mid-June with Baker Tilly to discuss their draft report. EMT intend to build an implementation plan based on the BT findings and wider considerations and are aiming to share this report and the proposed action plan with the Board in the autumn of 2026.

## **Recruitment**

EMT and the wider team are welcoming of the news of our improved GIA allocation. There is a more optimistic mood in relation to what SC can now achieve with the improved funding available. Gearing up for future delivery is a challenge with the need to revisit workforce requirements earlier than the ongoing formal workforce review timetable allows. Rapid selective recruitment is underway mainly in relation to asset facing posts with some to replacing those who have left. This is a result of the need to increase the monthly spend profile early in the new financial year, targeting asset condition and statutory compliance. The overall sentiment is this is a welcome problem to have, and our teams are prepared for the challenge. However, team capacity remains one of our biggest challenges currently.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## **Review of Organisational Culture**

Meeting held to discuss the Organisational Culture Draft Report and Culture Survey conducted as part of the planned internal audit programme. The results of the survey were tabled to ARC and it was agreed to form an action plan and bring both to Board in Autumn 26.

## **EMT VACANCY AND SMT REVIEW**

### **New Director of People & Strategy**

Kirsty Berchtenbreiter has accepted the appointment as the new Director of People & Strategy. Kirsty will join Scottish Canals from The University of the West of Scotland, where she is currently Director of People and Wellbeing. Kirsty will now join earlier than expected on 09 June 2026.

### **New Deputy Director of Operations**

Rory Van Hannigan has accepted the appointment and will join Scottish Canals on 22 June 2026. Rory brings a strong background in retail and logistics, having served as Regional Manager for Tim Hortons over the past seven years. In this role, he led the expansion of the franchise across Scotland, northern England and Northern Ireland, overseeing the delivery, staffing and operation of 80 restaurants. Rory's focus on delivery, change management and efficiency and customer service came across strongly at interview.

### **Head of Health & Safety Vacancy**

Brian Auld, Interim Director of People, Safety & Governance, has resigned to pursue an opportunity outside of Scottish Canals and his last working day is 12 June 2026. We would like to extend our thanks to Brian for his support in acting up into the Director of People, Safety and Governance role during its review and recruitment. Brian's departure creates a vacancy in his substantive role of Head of Health & Safety and Sustainability (newly redesignated as Deputy Director), which will now be subject to review by EMT to determine the best arrangement for these functions going forward.

## **EMPLOYEE ENGAGEMENT**

### **One Team Huddle**

As part of ongoing staff engagement, the regular programme of all staff “huddles continues”. 117 staff attended the last session on 05 March 2026 and were given important updates: budget announcement, business planning, recruitment updates (Non-exec Board member, Director of People & Strategy, Deputy Director roles), Transformational Change Management Plans, Strategic Workforce Review (Baker Tilly), SMT level restructure and a Lock 16 update on capital works. The next huddle is scheduled for 24 June 2026.

### **Staff Visit – Falkirk Flight Engineering Works**

Around 30 Scottish Canals employees attended a site visit to Lock 16: Scotland’s Centre of Excellence for Canals and Traditional Skills. The teams were shown inside the building and given an insight into the construction works already underway and the development plans for the project. The group were also given a further opportunity to see first-hand progress works taking place along the Falkirk Flight East Reach Lock Gate Replacement Programme. The visit was positively received by all who attended.

## **CORPORATE BUSINESS PLAN UPDATE**

Following receipt of comments from Board and Transport Scotland on the draft of the 26/27 Business plan, this has now been finalised and circulated. A new suite of KPIs is under development to reflect the agreed outcomes and it is intended that these are ready for reporting in arrears (for Q1 of 26/27) at next Board.

## **OPERATIONAL**

### **Engineering and Infrastructure**

Q4 winter works were delivered across the network, including completion of major repairs to two significant leaks at Crinan and Kelvin Aqueduct. On the Falkirk Flight, Stage 2 works commenced (Lock 11–Lock 7); Lock 4 works are planned for winter 2026/27. Emergency works at Kelvin Aqueduct started in Q4; progress is constrained by water management requirements and will continue into Q1 2026/27.

Asset management work continued: The Asset Management Strategy and Plan have been updated; and recovery of the principal inspection backlog progressed. A 5-year capital investment plan and 2026/27 delivery plan were shared with Transport Scotland in advance of formal submission following Board approval (March 2026).

### **Operations**

Boat movements reduced in Q4, as expected, and were further affected by planned and emergency stoppages on the Crinan Canal and on the east and west sections of the Forth & Clyde Canal. Winter works and defect resolution remained the priority, with 192 defects addressed across the network alongside spring-season readiness works to towpaths and navigation channels. At Crinan, delivery was impacted by water-level management in the Bellanoch pound and Crinan basin; however, reopening preparations were completed in April. On the Caledonian Canal, teams delivered nine miles of towpath maintenance, drainage and culvert clearance, pontoon re-decking, vegetation management and storm-damage recovery to maintain safe access.

**Moorings**

Moorings continue to perform well with overall compliance (boat safety, insurance), remaining at target 85% for a consecutive quarter and residential occupancy continues to exceed target at 89%. Lowlands occupancy continues to be negatively impacted by the suspension of navigation of the Falkirk Flight. With navigation now also suspended at Kelvin Aqueduct boats are not able to access the canals via either sea lock. As craning into the canal is considerably more expensive, the team is reviewing options on how we can support customers. Works continue to remove abandoned and non-compliant boats. In the last quarter nine impounded boats have been lifted/removed and a further three evasion boats have been removed by the owners. Presently, we are managing nine boats via the evasion process. Moorings software is purchased and moorings data upload complete, ready for go live. Finance is working on integration of banking and finance systems, and then the system will be rolled out to customers.

**Estates and Placemaking**

Commercial and income activity continued to strengthen. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Destinations**

Q4 marked a period of consolidation, building on the strong cost-control measures implemented in earlier quarters. The transition of *Archimedes* from diesel to electric propulsion was completed in March. In parallel, the full winter maintenance programme was delivered across all 22 hire-boat vessels, as well as the visitor centre and grounds.

Confined space capability has been strengthened within Destinations, with improvements to skills, knowledge and operational processes now embedded across the team. At year end, The Falkirk Wheel delivered profit £73k ahead of budget. CCC finished below budget but £23k ahead of last year, resulting in a combined profit across all sites of £1.07m.

Development work on the TFW Masterplan and Chalet Park business cases continues to progress in line with the agreed schedule.

## **CORPORATE CONSIDERATIONS ANALYSIS**

|                                     |                                                                                                                                                                      |
|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strategic Priorities</b>         | This report is intended to fully reflect the Corporate Plan (2023-2028) strategic themes and commitments and is aligned to the Business Plan (2025-2026) activities. |
| <b>Health &amp; Safety</b>          | The Q4 health & safety report is reflected in the KPI and Business Plan progress update.                                                                             |
| <b>Financial</b>                    | This report complements the Q4 finance report.                                                                                                                       |
| <b>Legal</b>                        | N/A                                                                                                                                                                  |
| <b>Risk / Risk Appetite</b>         | This report complements the Q4 corporate risk report.                                                                                                                |
| <b>Sustainability</b>               | N/A                                                                                                                                                                  |
| <b>Environment</b>                  | N/A                                                                                                                                                                  |
| <b>People</b>                       | Specific people-related measures are reported.                                                                                                                       |
| <b>Fair Work</b>                    | N/A                                                                                                                                                                  |
| <b>Communication</b>                | This report complements the Q4 corporate communications and marketing report.                                                                                        |
| <b>Community &amp; Third Sector</b> | N/A                                                                                                                                                                  |
| <b>Commercial</b>                   | This report contains measures of commercial performance reflected in the KPI and Business Plan progress update.                                                      |
| <b>Asset</b>                        | This report contains measures of Asset performance reflected in the KPI and Business Plan progress update.                                                           |