Board: **March 2026**
Item: **Annual Business Plan & Budget**
6iii **Capital Investment Programme 26/27**

CORPORATE / APPROVAL / OPEN

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EMT APPROVED DATE:	06 March 2026

PURPOSE

The Board is asked to approve this paper and attached CIP schedule enabling the timeous delivery of the CIP in the new financial year, subject to receipt of Scottish Government approval.

This paper sets out the proposed allocation of funds within the Capital Investment Programme (CIP), deploying the £[redacted] CDEL Grant in Aid confirmed within the 2026/27 Scottish Government budget and sets out the structure and investment areas for the following four years (2027/28 to 2030/31).

RECOMMENDATION

The paper is seeking approval of the proposed allocation 2026/27, as per the requirements under the Scheme of Delegation, Scottish Government approval will subsequently be sought. The five-year CIP is in development and is presented for noting and discussion.

This is a routine matter; however, approval is sought in advance of the 2026/27 financial year in order that projects can be progressed timeously including procurement, contracting, design development, environmental and heritage consenting etc.

BACKGROUND

The CIP budget allocations have been determined following the Scottish Government budget settlement, with [redacted] CDEL provided to Scottish Canals for 2026/27.

The CIP reflects a range of improvements to be delivered, recognising the core asset investment required to continue to operate the canals safely and in accordance with the Asset Management Strategy. It also includes investment in corporate efficiencies, sees us deliver on compliance, safety and corporate obligations and launches a series of initiatives to improve staff welfare and customer experience.

The 2026/27 CIP continues the delivery of significant capital investment into Scottish Canals Assets. This year's re-profiling budget settlement from Transport Scotland will support the delivery of the Asset Management Strategy and will inform the subsequent Asset Management Plans. As set out in the recent State of the Assets report Scottish Canals continues to "operate at risk" but can now move forward, focussed on holding the present asset condition and beginning to reduce the major asset risks associated with the backlog.

ASSESSMENT

Full review was undertaken with all Heads of Service to assess capital demand across the business, this resulted in a submission in excess of £25m. Significant work was required to achieve the budget of [redacted], projects have required to be delayed and held with the focus remaining firmly on delivering the asset and compliance improvements needed. [redacted]

The annual CIP allocation forms part of the business planning process and comprises several initiatives, aligned with the themes embedded within the Corporate Plan, as well as the core asset investment required to continue to operate the canals safely and in accordance with the Asset Management Strategy.

A full breakdown of the proposed allocation of funding is provided in Appendix 1. Key points to note are:

As per last year the CIP contains an element of corporate expenditure (5%) including an allocation for property and fleet leases, the cost of which is now capitalised as part of IFRS 16 accounting. In addition, we have also included the irrecoverable VAT ([redacted]) (subject to review by Scottish Canals' VAT consultants), calculated and applied to individual projects in accordance with HMRC agreed methodology. Contingency and internal staff resource continue to be allocated across all projects in line with Scottish Government advice.

The allocations are further divided into the four Corporate Plan themes; Canals for the future (87%) which focuses on navigational infrastructure, net zero initiatives and innovation; Spaces and places (7%) delivering placemaking through Canalside regeneration and community investment; and Explore and experience (3%) delivering and improving customer experience as well as the fourth theme, People and business (3%) focussing on staff facilities and business improvements.

Safety, compliance, and alignment with our risk-based Asset Management approach remains our primary focus in the 2026/27 CIP. Within our infrastructure portfolio, further works are planned across several reservoirs, including Townhead, Cobbinshaw, and Birkenburn on the Lowland Canals, as well as Gleann on the Crinan.

The condition of our lock gates continues to present significant challenges. Our efforts in 2026/27 will concentrate on ongoing works on the eastern section of the Forth & Clyde Canal, detailed assessment of the eastern Caledonian locks, and finalisation of lock improvements on the Crinan Canal. Emergency works at Crinan/Bellanoch and the Kelvin Aqueduct will also continue into 2026/27, impacting opening dates on both canals.

In addition, investment is planned for other high-risk assets, including embankments, feeders, and culverts. The standardisation of our moving bridge designs will drive efficiencies and support the modernisation of this critical infrastructure.

For the first time in many years, we have also been able to allocate significant capital funding to maintain statutory canal depths through a programme of capital dredging.

Spaces and places investment will continue to resolve planning conditions at Dundashill. Under the Explore and Experience theme we see a renewed focus on improving the standard of customer facilities across the network, with a particular focus on our premier income generating destination, The Falkirk Wheel including toilets, car parks and development of the improved entrance.

The People and business theme see further investment in digital infrastructure, user operation and digital electric meters allowing customers to manage their own electricity and reduce our administration burden significantly as this programme continues to roll out.

Five Year CIP (2026-2031)

In line with the State of Asset Report submitted to Transport Scotland, we have worked with the Heads of Service to develop a five-year investment programme. Demand for funding has exceeded the available budget, and difficult decisions have been required to ensure an asset focused and appropriate allocation of resources.

The proposed investment levels align with our planned priorities and with the potential rebase lined investment from Transport Scotland. This five-year CIP will be iterative and will become more accurate over time as our understanding of asset condition improves, the Asset Management Plan is updated in 2026/27, and investment levels enable more proactive long-term planning rather than reactive responses to canal failures.

Scottish Canals

[redacted]	[redacted]					[redacted]
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CORPORATE COSIDERATIONS ANALYSIS

Strategic Priorities	The allocation of the CIP aligns with the themes defined within our 2023-2028 Corporate Plan.
Health & Safety	Numerous projects relate to emerging H&S concerns, relating to welfare and customer facilities as well as issues identified in the emerging H&S strategy.
Financial	CIP allocations are only associated with CDEL GIA. The proposed allocations have been reviewed by the finance team to confirm the allocations are aligned with appropriate funding. Individual project details will be subject to approval through the usual project assurance governance (Project Assurance Committee).
Legal	CIP allocations are aligned with meeting our statutory duties.
Risk / Risk Appetite	Resources remain exceedingly tight with the Engineering department and Asset department, the welcome increase in investment will drive further demands and plans are being put in place to manage this. Presently CIP allocations are prioritised against risks as set out in the Asset Management Plan, we continue to operate at risk with a significant backlog due to both staff and financial resources.
Sustainability	
Environment	CIP allocations invest in energy and efficiency projects acknowledge the requirement to develop solutions to inform the future programme of appropriate investment choices in responding to global challenges of climate and biodiversity crises.
People	Project management resources remain extremely tight, the ongoing investment in the PMO resource will strengthen and further professionalise our project management approach.
Fair Work	Scottish Canals seeks to comply with the SG Fair Work First criteria as far as possible.
Communication	The asset investment works will require significant canal closures in Forth & Clyde east and a broader programme of works will be required across the winter of 26/27 and continued communication of planned works and interruptions is required.
Community & Third Sector	N/A
Commercial	N/A
Asset	The CIP allocations take cognisance of the Asset Management Strategy 2018-2030 and Asset Management Plan 2021-2024. These plans will be revisited in 2026/27 and revised considering the budget reprofiling.