BOARD: **JUNE 2026**
Item: **Capital Investment**
7 **Q4 2025/26 Capital Investment Programme Report**

CORPORATE / APPROVAL / OPEN

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PURPOSE
This paper summaries changes to the Capital Investment Programme (CIP) arising in Quarter 4 of 2025/26. The Board is asked to note movements across the programme and to approve significant adjustments (in excess of £500k) in line with the Scottish Canals Scheme of Delegation. During the quarter, emergency work was required to enable permanent repairs to two embankments on the Crinan Canal and to address increased leakage at the Kelvin Aqueduct. These pressures have driven budget adjustments across a number of projects. All individual project budget increases greater than £100k have been approved through the Transport Scotland Accountable Officer approval process.

RECOMMENDATION
The Board is asked to note the Q4 movements across the Capital Investment Programme and to approve those individual project budget adjustments and associated contingency movements that exceed the delegated threshold of £500k.

During Q4 several significant adjustments were required within the CIP. These movements have been reviewed through PAC and, where required, approved by Transport Scotland. The Board is asked to note the adjustments across the programme and to approve the individual project budget changes (and associated contingency movements) that exceed the delegated threshold of £500k, to support continued delivery of the 2025/26 Capital Investment Programme.

BACKGROUND
The 2025/26 CIP has focused on replacement and renewal of core canal assets. However, emergency works have required a significant diversion of funding ([redacted]) to manage unplanned asset failures. With additional capital funding now approved within the Scottish Government budget, we anticipate a more stable investment period. At the same time, an expanded inspection programme is improving our understanding of asset condition, enabling more pre-emptive interventions and reducing reactive spend. This approach is reflected in the revised Asset Management Policy, Strategy & Plan 2026–2036 and the associated State of the Infrastructure reporting to Transport Scotland.

The Asset Management Strategy refresh is nearing completion following a full review to ensure alignment with the Corporate Strategy and the updated funding context. The Asset Management Plan has been updated in line with the draft Strategy, alongside development of a new Asset Management Policy to strengthen asset resilience. Collectively, these updates reinforce robust inspection, maintenance and management arrangements across the canal network.

The asset inspection regime and the ongoing development of the ‘top ten’ priorities has identified locations and asset types requiring targeted investment. In 2025/26 this has included emergency works arising from deterioration and failure of gates on the Falkirk Flight and structural integrity upgrades at the Almond Feeder Aqueduct. In addition, proactive inspections highlighted embankment failures on the Crinan Canal and leakage at the Kelvin Aqueduct; both sets of works are now progressing on site.

A full breakdown of the Capital Investment Plan (CIP) allocation of funding is provided in Appendix 1 with adjustments and commentary provided.

Key points to note are:
Scottish Canals continues to prioritise investment using a risk-based approach aligned to corporate themes and statutory duties.

Engineering works continue across all major asset types. Reservoir works remain a key focus, with the Townhead project progressing through the design stage. The Falkirk Lock Flight has been the primary delivery focus, with Phase 2 nearing completion. Phase 3 works, centred on Lock 4, are being scoped and are expected to be tendered in Q1 2026/27. This phase is estimated at [redacted], bringing the total projected cost of the programme to approximately [redacted]. Emergency work is also continuing on the Kelvin Aqueduct to identify the source of leakage and to develop and implement a robust, permanent repair solution for this historic high-risk asset.

As highlighted in the Q3 report, emergency works were required on embankments at the Crinan Canal, with the most severe failures at Bellanoch (Embankment 14) and Embankment 16. These works were not included in the original 2025/26 CIP but were delivered by utilising movements within other projects. The works ensured the canal was rewatered and open ahead of the advertised completion date of 1st May 2026, improving resilience across the Crinan network.

The post-COVID recovery of the principal inspections programme has continued. All planned inspections have been completed, and results are being updated within the asset database (AMX). Assets are being rescored to inform the 'top ten' asset groups and the capital work programme for 2026–2031.

As agreed by the Board in December, a preemptive asset condition review of the Caledonian Canal (ahead of potential pump storage hydro development) was undertaken on the eastern reach.

An opportunity was taken to bring forward the purchase of upgraded server infrastructure, strengthening organisational ICT resilience.

It has been necessary to adjust the CIP significantly to accommodate movements arising from asset failures. The tables below set out previously reported changes at Q2 and Q3, alongside movements in Q4.

Q2 Adjustments

Project Area	Plan	Q2 Adjustments	Transport Scotland AO Approval	Commentary	Board Approval Required
F&C East Gates	[redacted]	[redacted]	Yes	Additional investment identified from Townhead Reservoir/Fort Augustus Delays and contingency.	Reported Q2
Townhead Reservoir	[redacted]	[redacted]	N/A	Ground Investigation and design phase commenced utilising £[redacted]	Reduction Reported Q2
Fort Augustus	[redacted]	[redacted]	N/A	Resource challenge required delay [redacted]k allocated to projects.	Reduction Reported Q2

Q3 Adjustments

Project Area	Plan	Q3 Adjustments	Transport Scotland AO Approval	Commentary	Board Approval Required
Aqueducts	[redacted]	[redacted]	N/A	Managed through inspections and planned works 26/27.	No
Dundashill	[redacted]	[redacted]	N/A	Delayed until 26/27 due to third party involvement.	No
TFW Toilets	[redacted]	[redacted]	N/A	Delayed until 26/27.	No
Crinan Lockgates	[redacted]	[redacted]	N/A	Scope adjustment with awareness of embankment failures.	No

Q4 Adjustments

Project Area	Plan	Q4 Adjustments	Transport Scotland AO Approval	Commentary	Board Approval Required
Embankment 16 void, Crinan Basin	[redacted]	[redacted]	Yes	Emergency works vortex identified via regular inspection regime resulting in a void opening up in Nov 2025. Emergency works completed Dec 2025 – April 2026.	No
Kelvin Aqueduct partial leakage/barrel failure	[redacted]	[redacted]	Yes	Emergency works identified Sept 2025, water drawn down and works commenced October 2025 and ongoing.	No
Embankment investigations 14 sink hole, Bellanoch, Crinan	[redacted]	[redacted]	Yes	Original investigation works on embankments generally realigned for emergency works identified Sep 2025.	Yes
Further Development of Pump Storage Hydro Schemes	[redacted]	[redacted]	Yes	Early scheme investigation and development.	Yes (via paper)
Almond Feeder Aqueduct	[redacted]	[redacted]	No	Emergency temporary works and detailed structural investigation from PI findings.	No
Lock 16 Masterplan	[redacted]	[redacted]	N/A	The 2025/26 underspend reflects the later-than-forecast award of the construction contract and subsequent on-site start. The full £1.2m GiA budget, profiled across 2025/26 and 2026/27, remains fully committed and the project continues to be delivered in line with the agreed programme.	Adjustment for third party funding

Dundashill Final Planning	[redacted]	[redacted]	N/A	Delays generated by Planning conditions and timeline for SSE access to carry out essential works (moved fwd to 2026/27 CIP)	No
TFW Toilets & Entrance revitalisation & TFW Masterplan implementation - attraction development & digital experiences	[redacted]	[redacted]	N/A	Monies returned from various projects due to delay in start dates on site due to uncommitted Third party match funding. In addition, quality concerns raised on installed elements of the heating and cooling contract required termination of contract resulting in underspend to committed funding. This was deemed a competent move to appropriately manage public funds.	No
Server Infrastructure Upgrade	[redacted]	[redacted]		Opportunity to advance spend on critical infrastructure by two months from 2026/27 CIP.	No

ASSESSMENT

These adjustments align with the Scottish Canals Asset Management Strategy and reflect asset risk, value for money and deliverability. As set out in the tables and commentary above, Q4 includes significant movements to fund emergency works at the Crinan Canal and the Kelvin Aqueduct.

CORPORATE CONSIDERATIONS ANALYSIS

Strategic Priorities	The allocation of the CIP aligns with the themes defined within the 2023-2028 Corporate Plan.
Health & Safety	Numerous projects relate to emerging H&S concerns, relating to welfare & customer facilities as well as issues identified in local H&S plans.
Financial	CIP allocations are only associated with CDEL GIA. Significant movements highlighted in this paper have required submission of accountable officer letters vis Transport Scotland, all have been approved facilitating necessary investment on emergency works.
Legal	CIP allocations are aligned with meeting our Statutory Duties.
Risk / Risk Appetite	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 resource restrictions.
Sustainability	Proposal aligns with asset maintenance and the need to extend asset life.
Environment	Limited CIP allocations invest in energy and efficiency projects acknowledge the requirement to develop solutions and third-party funding to support SC's future programme of appropriate investment choices in responding to global challenges of climate and biodiversity crisis. This at present remains insufficient due to wider pressures.
People	Project management resources remain extremely tight and Q4 has been a significant challenge, the planned investment on a 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	Asset investment works has required significant canal closures in winter 25/26 and continued communication of planned works and interruptions was required specifically for the Falkirk Flight (3–16) for the 18+month suspension of navigation and the emergency works at Crinan Embankments and Kelvin Aqueduct.
Community & Third Sector	Community Fund realised and committed as part of the Falkirk Flight project for the local communities affected.
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 26/27.

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