

**DRAFT
ANNUAL
REPORT &
ACCOUNTS
2023/24**

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Performance Report



Scottish
Canals

A Foreword from the Board

I am pleased to be writing this foreword as Chair of Scottish Canals and as a passionate canal user. This past year has seen Scottish Canals continue its transition since becoming a Non-Departmental Public Body (NDPB) in April 2020. Thanks to our dedicated people, volunteers, and partners, we have made positive progress in delivering vibrant canals for people, heritage and nature.

In August 2023, we launched our new Corporate Plan 2023-28 'Better Lives by Water', setting out our strategic direction for the future. The plan was shaped with extensive consultation and engagement with canal users, partners, customers, residents, employees, tourists, and boaters all having a say in where our resources should be prioritised. We are thankful to everyone who took the time to engage in this process and as a result, 'Better Lives by Water', will not only see us care for our canal network and nurture our environment, but will ensure we continue to engage with communities and invest in opportunities to provide vibrancy and lasting benefit.

Throughout 2023/24 our team worked incredibly hard to complete the challenging technical financial accounting and asset valuation work, which was required to be completed since the change in status to reporting as an NDPB and associated technical requirements under the Government Financial Reporting Manual (FReM).

This extensive multi-year programme of work resulted in an unmodified external audit opinion in the 2022/23 accounts. We are pleased that the huge effort, initiative, and dedication of our team, working alongside Audit Scotland and Transport Scotland, was rewarded with an unmodified opinion for the first time since the reporting requirements changed.

On behalf of the Board, I would like to thank everyone involved.

It is important to recognise the support and continued funding from Scottish Government and third parties which, coupled with our self-generated income (circa 46% of turnover), has resulted in 2023/24 being a successful year.

Financially, there is no escaping the fact that we need to build greater long-term resilience into our operating model. As well as increasing inflationary costs, Scottish Canals has had a significant new VAT burden, both of which present challenges in the management, maintenance and core task of preservation of our canal network.

Our new Investment Strategy, coupled with creative thinking, partnerships and openness to reform will support us in this area. We will have greater focus on this in 2024/25, ensuring that our people and key stakeholders are fully engaged with an opportunity to share their ideas and experience.

We were delighted to see the results of a new report, supported by Scottish Canals, highlighting the importance of Marine Tourism to the Scottish economy. The 'Economic Value of Boating Tourism in Scotland Survey 2022' estimated that

sailing/boating contributes £84m Gross Value Added, and 3,100 full time equivalent jobs to the Scottish economy, including in many rural towns. Boating is essential to delivering vibrant canals, and investing in caring for our asset remains a priority for us.

Our canals also continue to play a vital role in protecting and enhancing our environment, mitigating the impact of climate change and supporting Scotland's journey to net zero. Our 'Net Zero Route Map' was launched in November 2023. This sets out the practical steps Scottish Canals is taking to align to Scottish Government's commitment towards net zero by 2045, whilst also committing us to working with others to deliver essential community resilience and wider emissions reduction. Our commitment to supporting Scotland's climate ambitions will help guide our decision-making over the next five years and beyond.

Scotland's 141 miles of canal network continues to be a wonderful and important asset to the country. We invite you all to come and explore and enjoy some **#canalmagic** with us.

Chief Executive's Statement

As Chief Executive and Accountable Officer, I am pleased to present Scottish Canals' Annual Report & Accounts for the year ended 31 March 2024.

As the public body responsible for managing Scotland's canals, we are committed to protecting and enhancing the nation's canal network and the surrounding environment to deliver value for the people of Scotland.

I am delighted to be writing this having now marked my first full year in the role of Chief Executive. I am proud to be a part of a public body that delivers so much for the people of Scotland, whilst drawing in visitors from all over the world.

As detailed in the Financial Performance section, Scottish Government provided £11.3m revenue grant in aid and £12.2m capital for the year towards safeguarding our canals for future generations.

This was another busy year for us as we invested our resources where they were needed most and would have the greatest impact, in line with our Asset Management Strategy.

There is no doubt the costs of maintaining and preserving our assets are growing faster than our available resources, and this is presenting a risk to all our assets and our ability to comply with statutory obligations.

Investing in these assets is critical to preserving and extending the lasting legacy of our historic infrastructure and the more recent 25-year-old extensive Millennium Link project that reconnected the Forth & Clyde and Union Canals. Significant capital and revenue maintenance budgets are required to adequately preserve and operate safe navigation along all 141 miles of our canals. The entire canal infrastructure plays a key role in health and wellbeing, tourism, active travel networks, connectivity, and both local and national economies. It is essential that we protect and preserve these national scheduled monuments for future generations.

Major projects this year included an extensive programme to upgrade the world's only rotating boat lift, The Falkirk Wheel. Now 22 years old, the £2.7m upgrade saw new and innovative technologies installed including: state of the art water level sensor technology, improved energy efficiency and enhanced safety systems. installed to safeguard this popular tourist attraction and unique boat lift for many more years to come. As an added benefit of these works, we will offer regular 'Behind the Wheel' tours allowing visitors to see inside this unique feat of engineering in the summer of 2024.

As part of our major multi-year Lock-Gate Refurbishment and Replacement Programme, lock gates were replaced with hardwood timber at a cost of £751,000 at Lock 5, Falkirk, on the Forth & Clyde Canal. This is part of a wider lock gate replacement programme which will continue in the years to come. Through replacing these gates, our holiday hire boats, canal societies, charity vessels, local boaters and paddlers will enjoy a better and safer experience transiting the canal.

It is not only the Lowland canals which have ageing assets. For a third year we invested in the future of the Crinan Canal by carrying out extensive lock gate replacement and associated works at Lock 15. Our teams worked in very challenging conditions throughout the winter, and we were pleased to have the canal back open to navigation in April 2023. This £2.2m project brings the total capital invested in Crinan Canal to £9.6m in the past three years.

Major engineering works were also completed along the Caledonian Canal with over £1m spent on the upgrade of operational moorings and jetties at Seaport Marina, Gairloch and Fort Augustus.

We rounded off a fantastic year with the unveiling of the Kelpies' cousin, Bella The Beithir, at Stockingfield Bridge. Formed from material excavated from the construction of this national award-winning active travel bridge, Bella has provided a purpose for waste material which would have otherwise been sent to landfill at great expense. She is a testament to community-led regeneration, and meaningful partnership working. A colourful sight to behold, I would invite everyone to go and visit her.

Looking ahead we will continue to be an organisation that cares, creates and collaborates and together we can ensure lives are better by water.

Performance Overview

Our Work

Scottish Canals is the operating name of the British Waterways Board, originally established by the Transport Act 1962. Since 1 April 2020, it has been a Non-Departmental Public Body sponsored through Transport Scotland, an agency of Scottish Government, and is responsible to Scottish Ministers. Scottish Canals receives grant in aid funding which provides circa 53% of the revenue each year contributing to the delivery of Scottish Government's strategic objectives as set out in the National Performance Framework.

Scottish Canals' statutory duties are contained in the Transport Acts 1962 and 1968, and the British Waterways Acts 1971, 1975 and 1995. Scottish Canals is required to provide services and facilities on the inland waterways and port facilities with due regard to efficiency, economy, and safety.

Scottish Canals also has a right to act as if it were a company engaged in a commercial enterprise, with a reliance on commercial activities bringing in 47% of its revenue resources. Our principal revenue-generating activities in the financial year are canal moorings and boating licences, rental of land and property, tourism, retail, and leisure services.

Scottish Canals is responsible for 19 'controlled reservoirs' which come within the scope of the Reservoirs (Scotland) Act 2011. It operates and manages all five canals in Scotland: The Forth & Clyde, Union, and Monklands canals in the Lowlands, the Crinan Canal in Argyll & Bute, and the Caledonian Canal in the Highlands. The Caledonian and Crinan canals are classified as commercial waterways and the Forth & Clyde and Union canals are classified as cruising waterways, with the Monklands Canal being a remainder canal. These five canals are also classed as scheduled monuments of national importance and are protected by the requirements of the Ancient Monuments and Archaeological Areas Act 1979.

Scottish Canals is responsible for the maintenance, management, and development of Scotland's canals; delivering safe navigation, protecting assets and maximising the potential of our inland waterways for the people of Scotland. The wide range of activities across our network relies on the support of all canal users, whether boating, paddling, walking, wheeling, cycling, volunteering, holidaying, fishing, working, living or playing; our canals are there for everyone to enjoy equally.

Our teams bring deep understanding of how canals work, drawing on the original designs from great engineers like Thomas Telford. We are innovators and through collaboration and partnership working dedicate our resources to improving the condition of the canal network and the services we offer to our visitors and local communities. Maintaining navigation requires hours of regular inspection, maintenance and small projects carried out by our dedicated team with the support of specialists and volunteers. Water stewardship is particularly important as our canals hold one fifth of Scotland's freshwater. Our vision, ambitions, and strategic themes are underpinned by engineering and heritage restoration works and by daily, weekly and annual defect resolutions keeping our waterways in good condition for boaters and other to enjoy.

Scottish Government's long-term aspirations for Scotland's canals, as agreed by the Scottish Ministers, are summarised in a paper published in 2013 "[Making the most of Scotland's Canals](#)". The canals are recognised as important national assets which make a significant contribution to the Scottish economy. Scottish Ministers wish to encourage the full and sustainable development of the canals in a way that impacts positively across the widest possible range of people by:

1. Valuing the use of our canals
2. Fulfilling statutory and regulatory obligations
3. Addressing risk management and safety
4. Increasing the awareness of the potential contribution canals can make
5. Delivering a high-quality visitor experience
6. Working through partnership and collaboration
7. Monitoring and measuring outcomes

Our Vision

Our vision is ensuring Scotland's canals are for people, heritage and nature. Our ambition is to create a vibrant network of canals which help improve people's lives and benefit communities across Scotland.

Proximity to water and greenspaces is proven to enhance health and wellbeing. Our canals however offer so much more; they connect people and communities, provide rich habitats for flora and fauna to thrive, and support economic growth. These 250-year canals, born out of the Industrial Revolution, are integral to our future climate change resilience. As leaders in managing inland waterways we will prioritise sustainable use of canals and canalside land for recreation, tourism and regeneration.

By taking a collaborative and inclusive approach, we will continue to modernise the network whilst conserving our distinctive industrial heritage and taking positive action on climate change.

Our Board

Our Board is appointed by and accountable to Scottish Ministers and is responsible for ensuring we fulfil the aims and objectives agreed with Scottish Ministers. Further detail on Board members and the role of the Audit & Risk Committee is covered in the Corporate Governance Report.

Our Executive Management Team

More details of our Executive Management Team are included in the Corporate Governance Statement. The biographies of the members of the Executive Management Team are available on our website. Under the CEO as Accountable Officer, the Executive Management Team is responsible for business management, performance management, strategic planning, and change management.

Our Performance

With the launch of our new Corporate Plan 2023-2028, over the next five years our work will be driven by four themes:

1. Explore and experience

We will continue to focus on visitor safety so more people can enjoy our waterways, towpaths and destinations. We will engage communities and volunteers to help care for our canals; promote sustainable tourism, active travel and the benefits of living waterways.

2. Places and spaces

Scotland's canals provide vibrant corridors for people to live, work, visit and play. They contribute hugely to health and wellbeing and quality of life. We will work with partners and communities to create opportunities, repurposing land and buildings, so our canals have a lasting and positive impact.

3. Canals for the future

Investing in Scotland's canal infrastructure to safeguard navigation is our core purpose. We will continue to embrace new research, technology, and innovation to improve water stewardship, support renewable energy production, and transform our network to respond to the global challenges of climate change and biodiversity loss. Business development and commercial activity will drive greater organisational sustainability over time.

4. People and business

The success and impact of Scotland's canals is reflected in the abilities, commitment and diversity of our team. Delivering high quality services and customer experiences remains a priority and living our values will guide us.

Key Risks

As the custodian of Scotland's canals, we have a low-risk appetite for asset failure and use risk-based assessments to inform decision making on the management of our assets against available resources without compromising safety.

Significant Asset Failure Risk

Asset degradation continues to be a key challenge in managing our asset failure risks. During 2023/24 we continued investment into repairs, maintenance, and minor works with the available revenue funding. We continued to align our available Capital Investment Programme with our Asset Management Strategy to treat several major and minor operational risks which we have described in more detail in our performance analysis section. Overall, we expect to see a static position on operational risk across the asset network with weighting to the

Caledonian and Crinan canals, aligned with the Asset Management Strategy and investment and maintenance programmes, however as available resources are finite, we continue to operate at risk at a significant number of locations.

Financial Resilience Risk

Scottish Canals is carrying a significant structural deficit. Due to the effects of new VAT arrangements, Corporation Tax, increasing utilities and materials costs, inflation and pay pressures, the existing grant in aid revenue budget of £11.3m (2022/23 £11.1m) is not sufficient to maintain and repair the existing ageing assets, which continue to erode. Our generation of commercial income from properties, investment and destinations is critical to narrowing the gap between the cost of maintaining and operating Scotland's canals and the grant in aid made available. However, the commercial income-generating parts of the organisation also require both revenue and capital investment to maintain and further increase those income levels.

Budgeting to repay any in-year VAT liability has been incorporated within the 2024/25 budget, however no additional grant in aid for revenue or capital has been provided to accommodate this significant increase in core costs. The increases in funding between 2022/23 and next year 2024/25 (£11.8m) were welcome but considered insufficient to cover payroll increases in line with Scottish Government policy on public sector pay. In appreciation of the transparency of the existing structural deficit position, Transport Scotland supported Scottish Canals with an additional £1m of revenue on top of the £11.845m budget for 2024/25 as part of a late budget revision in February 2025.

A full assessment of Scottish Canals' statutory requirements is required, with a full financial needs assessment to meet those requirements. However, without additional resources and policy to support transformation, and with an existing shortfall in staffing of 30 vacancies due to budgetary constraints, progression on developing a full medium-term financial strategy without additional support has been slow. There has, however been a financial strategy overview presented in 2023, detailed financial presentations to Board and Transport Scotland during February 2024, an authorised investment strategy, and additional presentations during the 2024/25 financial year.

Health & Safety Risk

This risk has been assessed considering the operational exposure to risk encountered by visitors and the public using the canals and related services. Health and safety resources are in the process of being strengthened to manage this risk. A new health & safety management system, EcoOnline, has been purchased and rolled out.

Workforce Planning Risk

Challenges to recruit, retain or maintain sufficient workforce with appropriate skills and capabilities continued during the financial year. Recruitment processes for essential roles are ongoing to mitigate this risk, however, significant recruitment challenges remain. Determination of our optimum workforce model will be a core element underpinning the medium-term financial sustainability model going forward.

Cyber Vulnerability Risk

Our risk has been reviewed and assessed. There is no significant change in risk as at the end of the financial year. An internal audit was undertaken on cyber resilience during the year which concluded there was reasonable assurance in this area. People remain our first line of defence, and an improved training plan was rolled out during the year to support all our staff.

Climate Change Resilience

There was no increase in this risk as resource and budget were committed as planned during the year. This risk was robustly managed, with measures taken to increase the climate change resilience of the network. The Climate Emergency and associated biodiversity loss remain a global priority concern. In response, Scottish Canals is aiming to reach net zero with associated plans to strengthen our response to biodiversity and other climate change impacts.

Water Control

As a result of climate change and asset degradation, Scottish Canals is experiencing water scarcity events across the system on a more regular basis which challenges our infrastructure.

The canals contain a significant number of major earth structures and masonry, both of which can be affected by drying out and saturation failure. These 200–250-year-old structures hold vast quantities of water with a substantial inherent risk. In addition to this, the canals are faced with an increased occurrence of very intense rainfall events as a result of changing weather patterns, with risks of associated asset breaches and floods.

The canals can assist with the management of surface water and supporting regeneration by safely redirecting significant quantities of water through the continuing investment in the technology of Smart Canals across the network.

Performance Analysis

Scottish Canals is focused on long-term socio-economic improvement and is well placed to respond to Scottish Government's programme for government, generating long term transformational benefits by leveraging and repurposing our unique green and blue canal assets. By taking a collaborative approach we are continuing to modernise the network whilst conserving our distinctive industrial heritage and taking positive action on climate change against a backdrop of financial pressures and public sector reform.

A Year in Review

Boating customers transiting the canals enjoyed a good summer season with a range of large, commercial operators and smaller craft providing vibrancy along the network. Leisure moorings and longer-term residential moorings, for people living on water, remain strong. Our work on creating additional moorings, including the new Winchburgh Marina is intended to respond to demand and waiting lists. Online booking via our newly launched website also supported more effective occupancy management. We did experience a slight reduction during the autumn/winter due to major engineering works commencing.

During the financial year, against ongoing financial challenges, Scottish Canals made significant progress.

The Falkirk Wheel received £2.7m investment, the biggest overhaul the engineering marvel has seen since it was built 22 years ago. The works included: state of the art water level sensor technology, improved energy efficiency and enhanced safety systems.

Along the Crinan Canal, upgrades continued for a third year with the lock gate replacement programme seeing the installation of new gates at Lock 15, the Crinan sea lock. This included upgrading the existing life-expired operating equipment for new electrical gate actuators. Working with Mackenzie Construction Ltd, Scottish Canals commissioned an innovative 'over-lock crane platform' to ensure disruption to the community was kept to a minimum whilst these works were being carried out.

Continuing with our lock gate replacement programme along the Forth & Clyde Canal, work has concluded on replacing gates at lock 5, Falkirk, with new hard wood timber lock gates.

Upgrades to operational moorings and jetties at Seaport Marina, Gairloch and Fort Augustus along the Caledonian Canal were concluded, including upgrades to pontoons, damaged jetties and fenders. Further investment was made to the entrance jetties at Clachnaharry Sea Lock, including coastal protection works.

In partnership with City of Edinburgh Council Scottish Canals published the Edinburgh Union Canal strategy 2024-2029 presenting opportunities in which user behaviour, access, safety, development opportunities and biodiversity can be improved.

Scottish Canals Net Zero Routemap was launched to bolster our commitment to tackle Scotland's climate emergency. The Routemap outlines the course we will take to achieve our target of reaching net zero for direct carbon emissions by 2030.

Bella The Beithir, was unveiled at Stockingfield Bridge, in North Glasgow, along the Forth & Clyde Canal. The 121m long artwork was made from thousands of tonnes of soil excavated when the bridge was being built. Bella is the centrepiece of 22 works commissioned for the site, all of which draw on the history of the area. Bella The Beithir will become Scotland's largest mosaic art project.

Finally work to re-evaluate our fixed assets to confirm the value of our entire estate, including heritage infrastructure, was completed as part of a substantial programme of improvements in financial reporting.

Key Performance Indicators (KPIs)

Scottish Canals measures the progress of its activities against supporting indicators. This includes evidence generated through surveys, contextual data and qualitative assessment drawn from case studies and feedback. Ensuring we achieve desired progress we have established robust internal governance and reporting mechanisms to monitor and evaluate our impact over time.

Strategic, operational, and financial targets were set out in the 2023/24 Business Plan. Key Performance Indicators (KPIs) reported to the Board were determined in line with key objectives of Scottish Government's National Performance Framework and The Scottish Government policy 'Making the most of Scotland's canals'. The balanced scorecard below reports against a comprehensive suite of KPIs across the organisation aligned to the four themes of our new Corporate Plan 2023/28. It demonstrates how Scottish Canals measured and managed performance and delivered its operational, commercial, and corporate targets in accordance with its strategic aims and objectives in 2023/24.

By the end of the year, Scottish Canals had successfully completed nine Business Plan activities, with eight partially completed and six not achieved. The KPIs partially and not completed were impacted by resourcing challenges over the financial year, with Scottish Canals focused on the key priorities of health and safety of employees, customers, volunteers, partners, contractors, and the general public.

The organisation delivers to a corporate health and safety action plan that is underpinned by seven local health and safety action plans and a related suite of KPIs which monitors RIDDOR, (incidents requiring reporting under injuries, diseases, and dangerous occurrences regulations) lost time injuries and near misses.

Explore and experience

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|--|---|---|------------------------|---|
| 1. Implement Customer Delivery Standards Programme | <p>Launched our new website with improved accessibility through online delivery of services.</p> <p>Rolled out additional customer service training.</p> <p>Audited and defined our customer delivery standards and initiated programme of improvements.</p> | <p>New website delivered.</p> <p>Customer service training delivered.</p> <p>Customer service standards revised and embedded.</p> | | <p>Customer Service training delivered to staff in Caledonian and Lowlands. Ticket system progressed. Outstanding Audit Glasgow queries were resolved and additional improvements initiated, such as a new enquiry handling process. The new website continued to be developed, carried over from 2022-23 objectives, as it was delayed due to external design deliverables being late, and was launched in a phased manner from summer 2023 until February 2024. This included links to a new Electronic Point of Sale system (EPOS) and online booking system improving and simplifying the customer journey, with integration of systems to support internal tracking and reporting.</p> |
| 2. Develop a network-wide Active Travel Strategy | <p>Created our Active Travel Strategy (through our Sustrans embedded officer) focusing on improved access, community connections, safety, lighting, and public transport interchanges.</p> <p>Created a 5-year strategic funding pipeline for Sustrans/partner-funded projects that reflects the priorities of the Corporate Plan and the Active Travel Strategy.</p> <p>Agreed and started to implement the roll out of a 5-year network-wide signage upgrade.</p> | <p>Active Travel Strategy in place.</p> <p>Fundraising pipeline developed.</p> <p>Network signage programme progress.</p> | | <p>The Active Travel Strategy development, carried over from 2022-23 objectives to develop a towpath strategy and supporting a five-year Active Travel action plan in conjunction with Sustrans, and other groups, to increase visitor numbers across the canal network has not progressed this year due to the withdrawal of the Sustrans Embedded Officer Programme.</p> <p>Recruitment is progressing to support strategy development, safety and access agendas.</p> |

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|--|--|---|------------------------|---|
| 3. Grow volunteering capacity and pilot in new locations | Secured a revenue funding pipeline to support volunteering capacity and employability initiatives across the network focusing initially on partnerships in Inverness. | Volunteer hours and increased frequency/time given. Volunteering Strategy in place. Fundraising pipeline developed. | | Applications for fundraising are underway. Resource challenges are impacting volunteer on strategy development, and this will be reassessed in 2024/25. |
| 4. Navigation, transits, and moorings provision | Reduce unnecessary closures throughout the 2023/24 season impacting on boat movements. Agreed a Moorings Strategy to scope mooring upgrades and new locations for installation. Continue the first phase of the Caledonian canal bollard installation to automate services and improve customer usability as part of a Service Bollard Replacement and Metering Programme. | Lost time from unplanned navigation closures. Mooring Strategy in place. Bollard programme roll-out progress. | | Moorings strategy scoping and preparatory work continues. |
| 5. Maintain visitor safety management | Carried out strategic review and development of organisational policy/standards relating to water safety. Developed an organisational strategy, standards and associated plans that will bring together a wide evidence base to support visitor safety. | Zero-harm approach to notifiable accidents. Visitor Safety Plans updated. | | These objectives, carried over from 2022-23, to implement visitor safety improvements resulted in a Benchmarking exercise to complete and the development of new framework. Both are underway. The new model has been trialled with a robust methodology which will be subject to continuous improvement. |

Places and spaces

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|---|--|--|------------------------|---|
| 6. Development Plan for Canal Centre/ Lock 16 and Art Park, Falkirk | Completed the Outline Business Cases and secured Growth Deal funding to initiate development at Lock 16 in 2023/24. Scoped out partner involvement and opportunity work for Lock 16 to host volunteering, employability and learning programmes. | Growth Deal secured. | | Lock 16 Outline Business Case has been resubmitted, with a Full Business Case delayed until 2024/25. There has been continued development of Head of Terms with partner organisation to create Lock 16 as a hub for employability, training and volunteering. The Art Park interim Outline Business Case resubmitted. |
| 7. Progress North Glasgow regeneration | Clear plans/priorities, developed with partners, for the remaining land and buildings at Canal House and Applecross Street, ensuring coherence with other developments. | Plan development progress and prospectus produced. | | A submission has been made, in partnership with Glasgow City Council, to the C40 Cities global competition for zero-carbon and resilient urban projects, but outcomes may not be known until the end of 2024/25. |
| 8. Falkirk Wheel Masterplan and Implementation Programme | Made initial investment in the masterplan priorities through the allocated capital funding and have agreement on the medium-and long-term programme of investment to ensure The Falkirk Wheel becomes a leading sustainable tourism destination. | Masterplan in place. | | Planning approval for this workstream is progressing. Work is anticipated to proceed during 2024/25. |
| 9. Customer Facilities Improvement and Development Programme | Procure a Design and Build contractor to deliver programme of works for modular facilities. An agreed 5-year programme across the network to replace existing facilities and identify locations for new provision. | Design scope confirmed. Plan in place and implementation progress. | | Discussions are ongoing as to most appropriate procurement route for tender during 2024/25. Work is being aligned to the Welfare facility improvement programme and a time-limited working group formed to create a multi-year programme of prioritised projects to commence 2024/25. |

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|---|---|--|------------------------|---|
| 10. Maximising the impact of land and estate holdings | Assessed our vacant land and property to prioritise future potential use and capital investment requirements. | Proportion of estate occupied or zoned and utilised. | | The working group has completed analysis and prioritisation of long-term derelict buildings. Vacant land review underway but completion has been delayed to 2024/25 due to resource challenges. |

Canals for the future

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|---|---|---|------------------------|---|
| 11. Improving asset health and resilience | <p>Undertaken regular inspections of infrastructure assets to support maintenance and fulfil compliance responsibilities.</p> <p>Design, investigation and enabling works for Townhead reservoir spillway upgrade and install new syphon at Lilly Loch.</p> <p>Carried out embankment investigations as part of planned asset risk mitigation.</p> <p>Developed options for more resilient supply for the Monklands canal.</p> <p>Prioritised good maintenance based on planned asset health assessments to extend the effective operational life of canal assets.</p> <p>A tree survey contract in place with particular focus on responding to Ash Die-back and vegetation management to maintain navigation.</p> | Progress against programme. | | Asset Inspectors continue to carry out and report inspections and defects throughout the network, prioritising works in compliance with the Asset Management Strategy 2018-2030 and Asset Management Plan 2021-2024. A backlog of Principal Inspections, primarily created by delays throughout the Covid Pandemic, has been highlighted. This will be addressed through 2024/25, although budgetary limitations will likely affect the conclusion of inspection and reporting. |
| 12. Network-wide climate change resilience assessment | <p>A pilot hydrological model of the Crinan canal to support analysis of future climate change scenarios to understand likelihood and severity of resilience events on supply.</p> <p>Further partnership working in place to support flood mitigation developments.</p> | Model in place and future approach to resilience and water stewardship developed. | | Resource challenges have delayed this initiative, and the work will be rescoped during 2024/25. |
| 13. Net Zero Routemap implementation | Additional EV charge points to support further transition of fleet to low carbon | Percentage of carbon emission reduction. | | An Action Plan to achieve key outcomes and commitments is in development for implementation in 2024/25. Four EV operational |

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|---|--|---|------------------------|---|
| | <p>options and enable greater use of current electric fleet.</p> <p>Developed transition plans for our fleet to renewable fuels in line with Net Zero targets.</p> <p>Supported scoping work and potential partnership activity for pump hydro-related freight projects.</p> | <p>Progress on EV network roll-out.</p> <p>Fleet roll-out progress.</p> | | <p>charging points were commissioned for implementation. A wider network assessment will be prepared in early 2024/25.</p> <p>The Route map was completed in 2023.</p> |
| 14. Devise and implement Canal-specific strategies | Updated the Union Canal Strategy with clear delivery and funding plans developed in partnership with City of Edinburgh Council. | Union Canal Strategy in place. | | <p>The City of Edinburgh Council joint canal strategy was launched in winter 23/24.</p> <p>The Council Canal Officer has left the role so there is no longer a dedicated resource for delivery. Strategic partnership meetings are in place, and Scottish Canals continues to collaborate on key projects. Good progress against the strategy to date including preparation for towpath upgrades to be undertaken during 2024/25.</p> |
| 15. Deliver Operational Moorings Upgrade Programme | <p>Developed plans for Clachnaharry sea lock, entrance jetties and coastal protection works.</p> <p>Upgraded mooring and jetties to Seaport Marina, Inverness, Gairloch Fingers and Fort Augustus.</p> | Progress against programme. | | Winter works this year included upgraded mooring and jetties to Seaport Marina, Inverness, Gairloch Fingers and Moy. |
| 16. Implement Lock Gate and Infrastructure Automation Replacement Programme | <p>Replaced Crinan canal locks gates (gates 15 and 7).</p> <p>Replaced and upgraded Forth & Clyde canal lock gate and automation (gates 20, 21, 31, 32, 36, 5 and 12).</p> | Progress against programme. | | A canal-wide Lock gate replacement strategy is nearing completion, with further information on Caledonian Canal locks reports yet to be added. The strategy is based on embedded information within our Asset Management software system |

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|----------|--|----------------------|------------------------|--|
| | Undertaken installation of remote telemetry to support fault diagnostic and improve efficiency of repair works. Upgraded bridge infrastructure at Hillhead and Erskine. | | | and associated risk analysis and works programmed from the strategy for 2024/25. |

People and Business

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|---|---|---|------------------------|--|
| 17. Scope our future Workforce Plan | Improved recruitment and retention, development of passive talent pool, cost-effective filling of vacancies and reduced attrition. Scoped a new Workforce Plan to support customer service delivery and ongoing automation of canal infrastructure whilst planning for succession. | Workforce Plan in place. Apprenticeship scheme developed. | | A revised option is in development for Board consideration and scheduled for autumn 2024. Other projects are progressing towards the launch of an apprenticeship scheme in late summer 2024. |
| 18. Community Engagement and Employability Programmes | Hosted our first year of Youth Engagement Forums through our YoungScot partnership, helping to shape plans. | Number of young people engaged. | | On-track. Twenty young people form the panel and have met 3 times during 2023/24. Discussions have focused on engaging young people in Scotland's canals; health & safety (hazards and risks, water safety messaging for young people); volunteering, and accessibility and The Falkirk Wheel. All YoungScot card holders have been extended discounts to encourage them to visit The Falkirk Wheel. The Panel will meet with the Board in 2024/25. |
| 19. Deliver additional learning and development | Improved compliance with essential training, increased and enhanced personal and professional development and investment in customer service programme. | Percentage of turnover invested in learning. Number of people trained. | | 166 employees completed accredited training during the year – encompassing a variety of sessions including vegetation management, skippering, vehicle and driving safety, food hygiene and radio/telecoms. First line management training through the Institute of Leadership and Management (ILM) has been commissioned with 46 managers enrolled. The Senior Management Team also |

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|--|---|--|------------------------|--|
| | | | | undertook a leadership development programme led by The Keil Centre. |
| 20. Ongoing investment in employee wellbeing, health, and safety | <p>Determined our standard for welfare facilities and initiated year 1 of a 5-year programme of upgrades.</p> <p>Made improvements to the office accommodation at Canal House.</p> <p>Made further short-term improvement to support the office, operational and destinations requirements and integrated long-term requirements into plans at The Falkirk Wheel.</p> | Progress on upgrade plans. | | <p>A Short life working group commenced for welfare Improvement. A plan is in the final stages of development, including upgrades to Canal House and The Falkirk Wheel, creating new welfare space and additional workstations.</p> <p>An expenditure commitment has been made within the Capital Investment Plan. A new Healthcare Cash Plan was launched alongside other resources e.g. Headspace App.</p> |
| 21. Ensure Scottish Canals are progressing digital, cyber security, and safety | Introduced further improvements to process, security and service to reduce risk from cyber-crime. Analysed infrastructure and implemented upgrades where necessary. | Disaster recovery plan implemented. | | <p>Further revisions to existing business impact analysis paperwork to meet internal audit recommendations are ongoing and will be part of a work programme during 2024/25.</p> <p>Documentation for succession planning is ongoing.</p> <p>System Wide Overview Training is in place for knowledge-sharing.</p> <p>Planning is ongoing for "offsite" access to the Disaster Recovery plan and related documents, with key systems such as finance and payroll being prioritised in 2024/25.</p> |
| 22. Establish a Programme Management Office | Scoped requirements informed by maturity assessments, prioritised Capital Investment Programme, and Internal Audit recommendations. | Enterprise PMO established and progress against implementation plan. | | ePMO set-up was delayed to 2024/25 due to resourcing pressures. The focus will be on delivering workshops and reviewing project stage gate paperwork and supporting guidance by the end of the calendar year. |

| Activity | By March 2024 we will have | Performance measures | 2023/24 RAG assessment | Update as at 31 March 2024 |
|---------------------------|--|---|------------------------|--|
| | <p>Implemented improvements to support more efficient and effective management of projects.</p> <p>Delivered training and support, establishing a Community of Practice for project managers.</p> | | | |
| 23. Invest in our systems | A stakeholder led requirements and specification capture exercise, a detailed procurement approach, and a fully developed installation and BAU plan for an integrated system for recruitment, HR, and payroll. | HR system scoped and implementation progress. | | <p>This project has been postponed and will not be taken further as we seek to align with wider Public Service Reform agenda and shared services opportunities over the next two years.</p> <p>Introduction of new rota planning software to support seasonal deployments for waterway management and destinations activities. Corporate roll-out is in development for early 2024/25. The new system will create greater efficiency in planning and eliminate paper-based timesheets.</p> |

Our Service

Scottish Canals continued to monitor engagement with customers, staff, elected members, partners, and the general public through social media reach and engagement. This includes the number of times people are liking, commenting, or sharing our content as well as the number of followers across Twitter, Facebook, LinkedIn, and Instagram.

Complaints

Our complaints handling procedure reflects Scottish Canal's commitment to providing good customer service. It seeks to resolve customer issues quickly, create better customer relations with our local teams across our network, reducing both the need for escalation and unnecessary administration and workload.

Complaints give us valuable information we can use to improve customer satisfaction. For our staff, complaints provide a first-hand account of the customer's views and experience and can highlight problems we may otherwise miss. Handled well, complaints can give our customers a form of redress when things go wrong and can also help us continuously improve our services.

We commit to conduct thorough, impartial, and fair investigations of customer complaints so that, where appropriate, we can make evidence-based decisions on the facts of the case. The number of complaints handled during this financial year were:

| | 2023/24 | 2022/23 |
|--|---------|---------|
| Stage one | 15 | 31 |
| Escalation to stage two | 1 | 9 |
| Escalation to Scottish Public Services Ombudsman | - | 1 |

Financial Performance

Revenue Funding

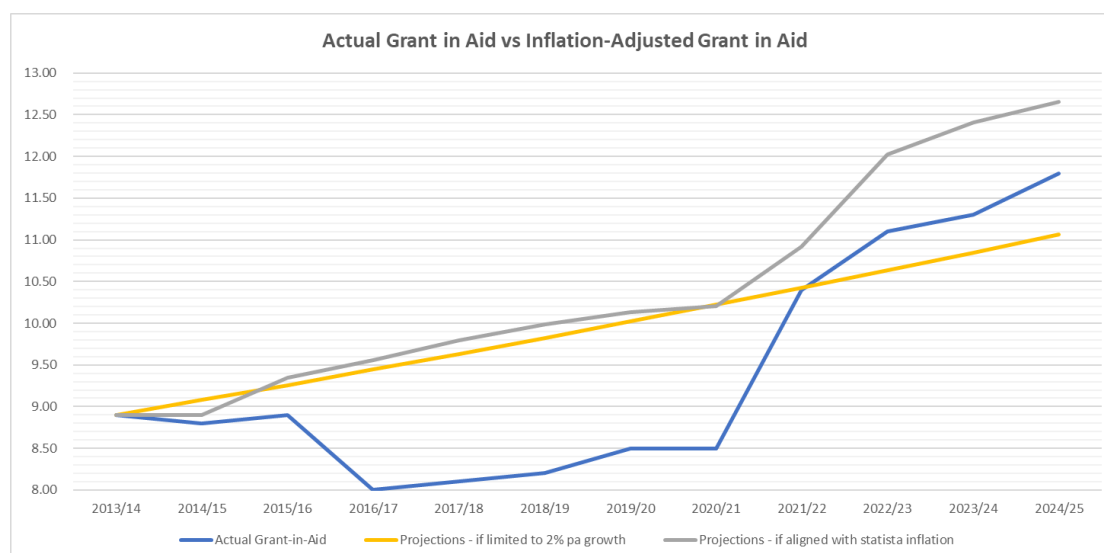
The original 2023/24 budget was presented to the Board on 30 March 2023, showing a break-even position. This showed a total expenditure of £21.0m (2022/23: £20.6m) against revenue grant in aid for the year of £11.292m (2022/23: £11.119m) and Commercial Income of £10.1m (2022/23: £9.5m) – an overall revenue break-even position. Revenue funding represented 53% of Scottish Canals' income, and only increased by 1.56% from the previous year against a backdrop of inflationary increases of 3.2% on our £11m operating costs excluding our £11.6m payroll, which had a higher than inflation increase from 2022/23.

Scottish Canals was required to take account of:

1. an additional £720k of estimated VAT costs for revenue expenditure
2. increased costs of permanent employee terms and conditions as a result of job evaluation of £400k
3. pressure to introduce a more generous pay award than budgeted in line with the Scottish Government pay policy published in the summer of 2023 which added an extra £520k to the permanent staff salaries excluding the £100k additional costs for pay progression
4. the continuing increase of around 33% in building materials costs since December 2020
5. exceptional increases in utilities of around £700k since 2021/22 under our government contract
6. additional financial costs due to adopting statutory accounting as a non-departmental public body of £300k. This includes additional audit fees, taxation fees, and rolling valuation fees. However, once every five years (likely for the financial year ending 31 March 2027) there will be valuation of the infrastructure assets at least every five years.

From a starting point of £8.9m revenue grant in aid funding provided in 2013/14: if adjusted for inflation and assuming no other changes it would now have been £12.7m.

This does not take into account some of the additional cost burdens noted above. An inflation-based funding gap alone has built over the last ten years to a total of £13.8m as shown below.



The methodology and calculation of VAT due to 31 March 2024 has been agreed and settled with HMRC and is reflected in the outturn for the year. However, the proposal for the basis of the calculations going forward for 2024/25 onwards is still awaiting sign-off by HMRC. This is expected in January/February 2025.

This uncertainty is required to be settled before a medium-term financial strategy is developed. It is prudently being assumed that VAT will be due on all expenditure – both capital and revenue – on a ‘mixed-use’ basis, with only dedicated destinations and non-residential property expenditure being fully allowable as business-related.

The Director of Finance & Business Services is at the last stages of agreeing a treatment with HMRC based on treating the different sectors (or divisions) of the organisation slightly differently depending on how much commercial income they each contribute per annum.

The future outlook remains challenging, with no guarantee or likely prospects of inflationary or pay policy increases being recognised in the Grant-in-Aid funding for future years.

Initiating Scottish Canals new investment strategy, focused on investment in Dundashill with the Sustrans monies (Stockingfield Bridge) and Glasgow City Council (Smart Canal), was expected to realise income from the letting of new housing generating additional income from 2024/25 onwards. This reflects partnering in the existing joint venture/vehicle to transform Dundashill and the area of north Glasgow. It aligns with Scottish Canals’ commitments to secure investment returns on the funding from Sustrans to create sustainable revenue to maintain Stockingfield Bridge and the Bowline Highline at Bowling Harbour, and form Glasgow City Council to maintain and operate the Smart Canal.

During the course of the year, there were some additional pressures due to some key changes in expenditure assumptions.

Notwithstanding, Scottish Canals managed to rely on additional revenue from commercial activities to cover this lack of funding, resulting in an overspend of £394k for the year (2022/23 £180k). An initial expected overspend position reached £249k for the year, which would have remained within the materiality level of break-even, however an unbudgeted

£145k pension additional accrual arose in June 2024 and was adjusted in the year. Details of this are provided below.

During February, Scottish Canals and Transport Scotland collaborated in a workshop to identify the key pressures the organisation was facing in preparation of the 2024/25 budget.

The organisation will focus on driving efficiencies, productivity and investment through third party funders and existing commercial arrangements to increase our future available commercial income and reduce reliance on revenue grant in aid. A transformation committee and investment committee will lead a programme of efficiency and investment respectively during the next financial year.

Unfortunately, without access to a clear transformation fund and/or coordination in looking at the underlying structures of the organisations reporting to Scottish Government, constant cutting of budgets will be the only remedy to a lack of revenue resource, and this is now significantly increasing the risk of asset failure and/or canal closure.

A key priority is a duty of care to our staff, and in February the People team secured a two-year agreement for a pay increase in 2024/25 to take the overall increase over two years to a level in parity with Scottish Government pay policy. This provides stability and security for our staff during this cost-of-living crisis.

However, with the bulk of costs for Scottish Canals lying within contractual wages and salaries, as well as rapidly rising utilities and rent and rates which are also contractual, it is expenditure on materials and repairs which has been eroded over the years.

Whilst repairs required under compliance with legislation will be prioritised, the organisation is operating at a high level of risk with regard to the degradation of its assets. As noted in the risk register 'Scottish Canals has insufficient capital and revenue investment for canal improvements and maintenance programmes leading to unmanaged asset degradation.'

Budgets on maintenance have been eroded over the years – the expenditure was recently part of a parliamentary query, and the overall net revenue expenditure on assets over the years is currently significantly below average since 2015/16 to enable the organisation to keep up with wages and salary demands, utility costs and other pressures.

Below is the year-on-year expenditure on material repairs and maintenance contracts. In 2015/16 and 2016/17, the expenditure levels were £4.8m and £5.8m respectively. With inflation having reduced spending power over the last two years by 13%, this is resulting in an increased asset failure risk. The teams across the network have raised concerns about the overall asset health diminishing. This is reflected in the corporate risks regarding our canal infrastructure.

| | 2023/24 £'000 | 2022/23 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2019/20 £'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Net expenditure | £3,497 | £4,027 | £3,740 | £2,834 | £4,249 |
| VAT burden | £699 | - | - | - | - |
| Expenditure on repairs and maintenance | £4,196 | £4,027 | £3,740 | £2,834 | £4,249 |

In order to maintain expenditure at the levels in 2019/20 of £4.2m, incorporating the burden of VAT would mean that the equivalent gross expenditure in 2023/24 would have been £6.2m. This means there have been a full 33% drop in repairs across the canal network since 2019/20 due to pressures in budgets. Since the level provided in 2015/16 of £4.8m, the equivalent gross expenditure would have been £7.2m, representing an erosion of 42% of our expenditure since then.

Scottish Canals continues to maintain a risk protection programme balanced between self-insurance of the canal infrastructure and commercially insured risks for 2023/24 based on value for money, appetite for risk and claims history compared to insurance premium costs.

For any legal cases arising from events such as Muiravonside, Scottish Government advise that the first port of call would be to settle any amounts due within the allocated budget. Scottish Government does not retain any reserves to meet insurance claims on behalf of public bodies.

There have similarly been cuts in the estates maintenance programme in order to meet budgets. There has been very little budget for any large reactive and planned repairs across the network – whether these are estates-based repairs or incidents such as bridge strikes which could affect transport links. This risk is continuing to build in the 2024/25 financial year.

With the 2023/24 financial year being the first year where an internal valuation on the canal infrastructure has been completed, there have been additional recommendations from external audit arising on both the original categorisation and valuation of certain assets. Due to those recommendations having a material effect on the non-current assets and associated disclosures, the valuation methodology has been reviewed again, with prior year comparatives for the valuations as at 31 March 2022 and 31 March 2023 restated. A restated Statement of Comprehensive Net Expenditure (SoCNE) and Statement of Financial Position (SoFP) is provided in the notes to the accounts, which reflects the changes in the valuation of the operational canal infrastructure.

Income from Commercial Activities

Just as in prior years, Scottish Canals relies on income from commercial activities to cover around 47% of its expenditure. This rose by 4.2% during the year to £10.1m (2022/23: £9.7m).

Scottish Canals generated income from retail at its destinations such as The Falkirk Wheel and Caledonian Canal Centre of £3.8m (2022/23: £3.4m). These retail sales have finally exceeded the pre-pandemic levels of income in 2019/20 of £3.6m, however the increase is not in line with inflation.

Income from property rental fell slightly to £2.56m (2022/23: £2.68m) with a number of void properties, tenants struggling to pay rents after the pandemic, and an overall increase in a provision for expected bad debt.

Income from water and utility agreements remained consistent at £1.4m (2022/23: £1.4m), as did income from moorings.

Core Expenditure Costs

Wages and salaries increased significantly from budget throughout the year due to a lower-than-expected level of staff attrition after the conclusion of the job evaluation project. The project significantly changed our pay structure, with the median total pay of our staff rising from £28,527 in 2022/23 to £34,035 – an increase of 19.3% based on amounts through payroll during the year, as can be seen in the Remuneration & Staff Report.

Average levels of employees remained reasonably consistent with 215 full-time equivalent employees compared to 219 in the prior year, and 73 seasonal/casual workers compared to 78 in the previous year.

The overall pay bill rose only 1.8% from £11.6m to £11.8m, however Scottish Canals continued to hold around 40 vacancies unfilled by the end of the financial year, which has affected progress on key performance indicators and on capital project management changes. As at December 2022, the establishment was at 86% occupancy, with 226 posts filled. Given the new pay and grading structure was put in place in order to achieve necessary equity in wages and salaries across the organisation, the increase in the pay bill has resulted in a drop in overall resources given the very small increase in grant in aid, and the limited ability to invest in commercial activities.

The organisation has a limited ability to make real grass roots changes to its staffing structures in the short-term due to the strict no compulsory redundancy policy in place by Scottish Government. Therefore any changes to structure will have to come as part of a more medium-term workforce plan, reviewing roles and structures in line with vacancies as they arise.

An internal review of the Scottish Widows defined contribution pension scheme was conducted after the year-end. It emerged that 'pensionable pay' for the Scottish Widows scheme has only included current pay and has failed to incorporate 'back-pay' and some 'salary adjustments' within the calculation. As a result, there has been an underpayment of pension contributions for the Scottish Widows scheme for both employer and employees' contributions since the scheme was set up in June 2017. A pension rectification exercise was carried out after the year-end which resulted in unexpected additional compensatory pension contributions of £145k being accrued in the 2023/24 financial year.

Capital Funding

During the year, Scottish Canals was funded through Capital Grant-in-Aid from Scottish Government of £12.2m (2022/23: £9.95m).

The Grant-in-Aid (GIA) Capital Investment Programme (CIP) of £12.2m was authorised at the start of the year, and was again allocated under the four key themes associated with the Corporate Plan:

- Transform Our Canals;
- Create New Opportunities;
- Excel in What We Do;
- Respond to Global Challenges.

The original programme as set out at the start of the year progressed and evolved in response to project scoping, procurement, internal resource, and supply chain capacity.




























Highlights of our capital programme included the following:



- £2.7m on the upgrade of The Falkirk Wheel
- £2.2m on the Crinan lock gate replacement programme
- £650k on moorings and jetties
- £1.6m on lock gate mechanical and engineering works
- work on Cullochy Lock and the Caledonian Middle District

Further to the Grant-in-Aid received, Third Party funding was received as per note 19, to the value of £6.3m (2022/23: £8m)

Environmental Sustainability

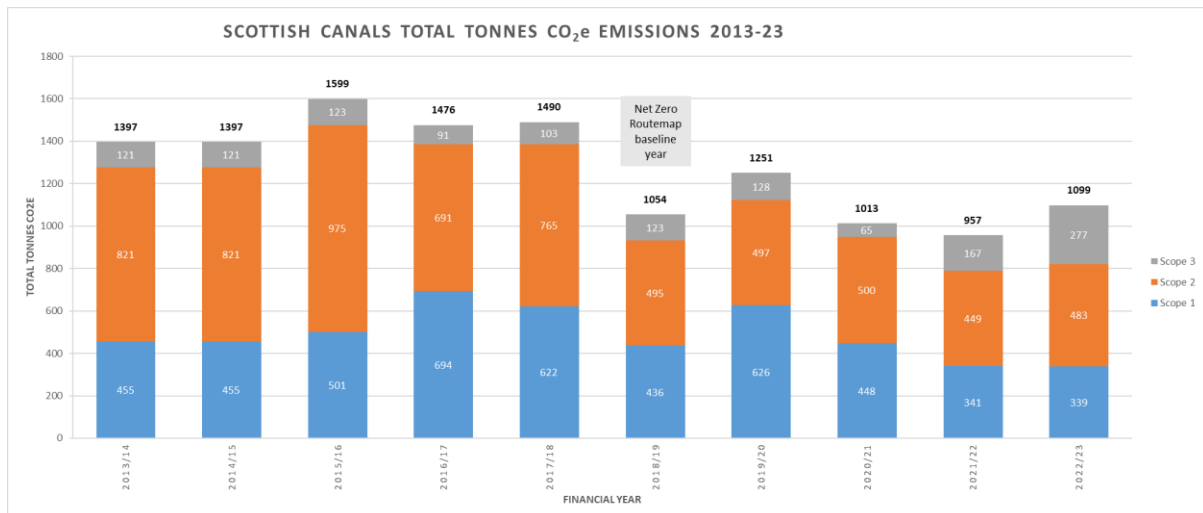
In 2023, we set out the five key pillars of our sustainability ambition which link directly to Scottish Government's National Performance Framework and the United Nations Sustainable Development Goals. The following sections detail our progress during financial year 2023-24 in these core areas.

| Climate positive canals | Leaders in water and biodiversity stewardship | Connecting people and communities | Protected Heritage | Best practice governance |
|---|---|--|--|--|
|      |        |      |      |      |
| <p>The challenge presented by the Climate Emergency requires bold ambition and solutions. This plan is our statement of intent and forms one of the key pillars of our 2030 Sustainability Strategy.</p> <p>Whilst we recognise the need to take direct action to reduce our own emissions, and this plan sets out how we intend to achieve this primary goal, we will not view this in isolation but as an integrated part of our broader strategy, leveraging the available synergies with the other pillars.</p> | <p>Scotland's canals are key blue-green corridors supporting a wealth of biodiversity. We will aim to manage them to further enhance this through opportunities to further sequester carbon. Whilst our canals are largely gravity fed we will identify and enact any water stewardship opportunities that reduce fuel use and carbon emissions.</p> | <p>The Climate Emergency is a shared challenge and a just energy transition is essential – we aim to accept responsibility for but not limit our efforts to our direct emissions. We will seek opportunities at all scales to support and partner with the communities within which operate, local business and other stakeholders.</p> | <p>Our net zero goals will require radical change but whilst we will embrace a new future we will continue to respect our past and our role as custodians of our canals scheduled monument status.</p> | <p>We are committed to achieving our goals within current regulatory frameworks but will seek to partner with regulators to pioneer new ways of working to achieve our net zero and other beyond compliance goals.</p> |

Climate Positive Canals

[Scottish Canals' greenhouse gas emissions for the 2022/23 reporting year](#) (as defined by the Climate Change (Duties of Public Bodies Reporting Requirements) (Scotland) Order 2015 (as amended)) were 1099 tonnes of carbon dioxide equivalent (CO₂e) representing a 12% decrease (152 tonnes CO₂e) from our 2019/20 baseline year. This fall is particularly significant, as our reporting boundary has widened to include the Treehouse, a new community centre in Inverness, and an additional 91 tonnes CO₂e Scope 3 emissions arising from waste disposal, water supply and treatment. Scope 1 emissions fell by 46% (287 tonnes CO₂e) compared to the baseline year, reflecting the impacts of emissions reduction projects such as the switchover to electric vehicle fleet and the installation of solar PV and heat pump technology at The Falkirk Wheel. The consequence of these technological changes is an increase in electricity usage with Scope 2 electricity use emissions only falling by only a small amount (14 tonnes), largely reflecting decarbonisation of the grid. Full details of Scottish Canals' last ten years of emissions reporting are hosted on the [Sustainable Scotland website](#) and summarised below.



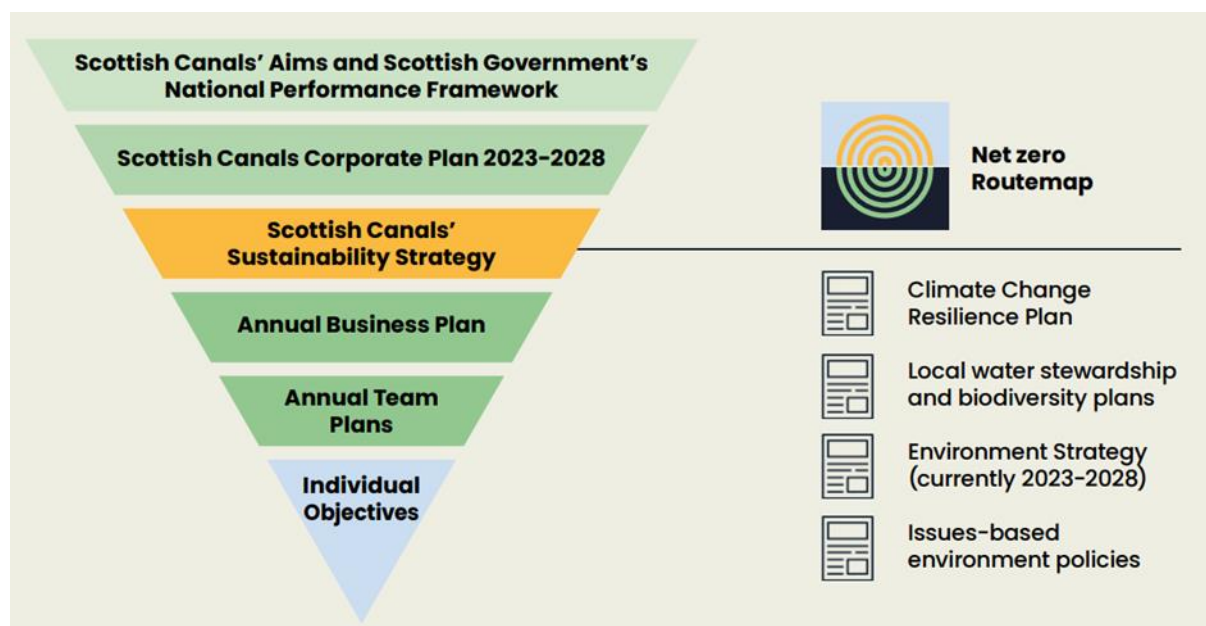
In November 2023, Transport Minister Fiona Hyslop MSP joined Scottish Canals' CEO John Paterson to launch our first [Net Zero Routemap](#), building on our commitment in 2021 to reach zero direct greenhouse gas emissions from our operations by 2030.



The Routemap details Scottish Canals' approach to climate change mitigation and represents the culmination of two years of work to create a more comprehensive baseline of our greenhouse gas emissions and energy usage patterns, better understand the opportunities existing to reduce emissions and improve energy efficiency, and outlines which of these opportunities we will enact, and timelines for doing so. The Routemap also provides a transparent set of targets against which we will report in the years between now and 2030.

| | BASE TARGET |
|---|---|
| Overall | A robust, transparent, disclosed claim to Net Zero emissions from direct operations (Scope 1 & 2). |
| Targets | Transparent numerical targets disclosed. |
| Scope 1 Heating | Greater than 30% reduction in emissions by 2026, reaching at least 90% by 2030. |
| Company Vehicles (Scope 1) | Greater than 40% reduction in emissions by 2026, reaching at least 90% by 2030. |
| Scope 2 (purchased electricity) | Greater than 25% reduction in emissions by 2026, reaching at least 90% by 2030 (market based methodology). |
| Scope 3 | Emissions defined and quantified by 2024; action plans in place with key suppliers 2024-26; reduced emissions trajectory established and disclosed 2025-2030. |
| Supporting a wider Net Zero transition | Throughout the lifespan of this plan seek opportunities to leverage our estate, infrastructure and other resources to support Net Zero activity and goals within the communities in which we operate. |
| Disclosure | Progress against targets subject to public disclosure on an annual basis. We will also fully disclose and justify any amendments to the targets set out in this plan. |

The Net Zero Routemap is one of a suite of existing and forthcoming documents which informs both the Scottish Canals' Sustainability Strategy and the Annual Business Plan going forward.



Key achievements in **climate change mitigation** through reduced greenhouse gas emissions in 2023/24 included;

- The Scottish Canals' fleet is now 35% decarbonised following the addition of further fully electric vehicles. This supports our commitment to replace all vehicles using fossil fuels with electric vehicles (EVs) or other low carbon alternatives within five

years where operationally feasible and safe to do so. We also completed the design for electric trip boats at The Falkirk Wheel which will facilitate the reduction of CO₂e emissions from our vessel fleet at our flagship destination.

- Further investment in upgrading the EV charge network available for Scottish Canals' current and future EV fleet. The focus in 2023/24 has been on the Caledonian Canal to increase fleet charging points from a single location to all three districts of the 60-mile-long canal corridor between Fort William and Inverness. This investment will form part of a broader strategy towards EV rollout that includes increasing charging facilities for both staff and customers. We are examining various financial models to achieve this with the aim of generating additional revenue from our landholdings whilst offering affordable charging for those that need it.
- We continued to generate renewable energy at several canal locations to power water resource management telemetry and the solar photovoltaics installed at The Falkirk Wheel in 2022 delivered up to 10% of daily site demand during the reporting year. Air source heat pumps provided renewable heat in four canal-side properties, including community buildings in Inverness, Glasgow and Ardrishaig. We also initiated a feasibility assessment for a small hydropower scheme on the Forth & Clyde Canal in Glasgow with the potential to power the Smart Canal (North Glasgow Integrated Water Management System).
- The £2.7 million major refurbishment of The Falkirk Wheel during winter 23/24 has enabled significant a reduction in power demand to rotate the wheel.

We are fully aware that climate change has the potential to have a significant impact on Scotland's canal infrastructure, operations and the important wildlife habitats it supports. The more frequent instances of both flooding and drought in the last ten years have adversely impacted Scottish Canals' operations and historic assets and will continue to do so without further intervention.

Scottish Canals' new Corporate Plan 2023-28 published in August 2023 mapped out how we plan to tackle the impacts of climate change whilst improving canal asset health and protecting natural habitats, flora and fauna to secure biodiversity gain. The outcome of the plan will be a more resilient canal network which actively supports a just transition to a net zero and greener Scotland.

Key achievements in **climate change adaptation** to increase resilience by adjusting to the current and future effects of climate change in 2023/24 included;

- Recognition of Scottish Canals in the draft Scottish National Adaptation Plan 3 and active involvement in a number of regional and national infrastructure specific groups developing new and collaborative ways to tackle the impacts of climate change.

- In support of climate change adaptation planning, we prepared our lock gate replacement strategy, initiated reservoir safety upgrade works and are developing our high-risk embankment strategy.
- Over £10m of investment during the asset and infrastructure winter 23/24 works programme delivered climate change resilience on the ground with significant lock repair and upgrade projects on the Crinan and Forth & Clyde Canal and embankment upgrades on the Union Canal and coastal protection works on the Caledonian Canal.

Leaders in Water and Biodiversity Stewardship

Water stewardship

Climate induced water scarcity and flooding events both at home and around the world in summer and winter 2023 were a stark reminder that we are in the middle of a climate crisis and Scottish Canals, like other water dependent organisations, is also being affected by these risks. These changes are impacting on Scottish Canals' water supply assets which were sized and designed for 18th and 19th century climatic conditions.

During the summer 2023 drought, water supplies on the Lowland Canals, Crinan Canal and Caledonian Canal were reduced and had the potential to impact on safe navigation of our waterways. We liaised closely with the Scottish Environment Protection Agency and enacted our drought plans and risk assessments to ensure the canals remained open to navigation. We also continued our reservoir upgrade works to safeguard water resources.

Going forward to address this risk and to manage our water resources responsibly in a changing climate, we're adopting a stakeholder-driven stewardship approach to water management. We'll listen to the views of all relevant canal users and other stakeholders, identify the key opportunities and challenges presented by the water abstracted and held within the canal network, and form coherent but flexible plans to maximise opportunity and address challenge.

As part of our stewardship work, we're also focussing in on the short- and long-term impacts of climate change, both on our network and physical assets as well as broader socio-economic impacts on Scottish Canals and our stakeholders. Climate change awareness is already being built into our asset management and annual maintenance works, but awareness of climate change issues will form a key component of our water stewardship plans, with this knowledge drawn together to develop a Scottish Canals' Climate Change Resilience Plan.

To inform our own water stewardship work, we have also represented Scottish Canals interests in Scottish Government's Centre for Expertise for in Waters (CREW) led 2023/24 research projects [on mitigation and adaptation to water scarcity](#) and the [impact of water scarcity on the agricultural and whisky distillery sectors](#).

Biodiversity stewardship

Our stewardship approach encompasses our goal to both protect and enhance the biodiversity of the canal network. Over 250 years of colonisation has resulted in a unique and special biodiversity resource that is recognised at local, national and international levels and will be of increasing value in Scotland's response to the biodiversity emergency. Our 1500ha estate is already a refuge for protected plant and animal species and provides invaluable blue-green infrastructure connecting nature habitats across Scotland. Going forward, we will work with partners to maximise the opportunities for nature-based solutions to climate change, volunteer participation and support visitor well-being.

Our main **biodiversity stewardship** achievements in 2023/24 were:

- We were pleased to support the [Pollinator Strategy for Scotland](#) through our holistic approach to vegetation management which allows the key food sources for pollinators, native plants and wild flowers, to flourish on our largely linear estate. Scottish Canals' work is highlighted in Nature Scot's [Annual Pollinator Strategy progress report 2023](#).
- As part of Scottish Canals' commitment made in the Scottish Government's [Wild Salmon Strategy](#), we've continued our work to maximise the safe passage of migratory fish species including salmon, eels and lamprey down those rivers with which the canals interact. A key focus this year has been on the development of high-level fish passage and screening options in consultation with the Scottish Environment Protection Agency, the Ness, Lochaber and Forth District Salmon Fishery Boards and the Clyde Rivers Foundation, for permanent solutions on the River Almond (Union Canal feeder), the Caledonian Canal which interacts with the River Ness system and the North Calder Water which feeds into the Monkland Canal. We are mindful of multiple proposals for third-party pumped storage schemes on Loch Ness where Scottish Canals exercises some water control on the loch via our weir at Dochgarroch will be important considerations as designs are developed further.
- Storm damaged and felled trees have been a feature of 2023 across our network, in particular because of more frequent extreme storm events. In response, we commissioned new hazardous tree surveys to inform future tree management, including planning for the increasing number of trees affected by Ash Dieback in line with [The Tree Council's Ash Dieback: Action Plan Toolkit for Scotland](#). We also enhanced our woodland stock with native hedgerow and tree planting round the new campervan parking facilities at The Falkirk Wheel.
- Since its official opening in July 2021, Hamiltonhill Claypits Nature Reserve, a former vacant and derelict industrial site linked to the Forth & Clyde canal in Glasgow, has become a thriving inner-city community and nature hub. Community led activities in 2023/24 grew from strength to strength with hundreds of volunteer hours throughout the seasons dedicated to monitoring and recording wildlife as part of

national initiatives such as the City Nature Challenge and RSPB's Big Garden Bird Watch, managing litter and controlling invasive plant species. The reserve also hosted well-being events including a Health Walk in May and Recovery Through Nature Day in partnership with North West Recovery Communities in August 2023. Testament to the biodiversity value of the reserve was the discovery of an Orache moth, the only place it has been recorded in Scotland.

- At the strategic level, we responded to the Scottish Biodiversity Strategy consultation highlighting the range positive contributions that the canal network can make to national targets, co-wrote the biodiversity sections of the Edinburgh Union Canal Strategy 2024-29 and were represented on Scottish Public Sector Natural Capital Network a Scottish Government-led project to identify and prioritise actions to address biodiversity/climate crises.
- Our stewardship approach encompasses our goal to both protect and enhance the biodiversity of the canal network. The introduction of invasive non-native species (INNS) remains a key concern in this respect. We took an active role, therefore, in the annual Invasive Species Week 15th-21st May, promoting our three step Check-Clean-Dry approach for all canal users. This included use of bespoke video material via our social media channels, culminating in volunteer sessions on the Forth & Clyde Canal at Bowling to remove Himalayan Balsam, one of several INNS impacting our waterways, towpaths, and landholdings. Our innovation project to control another INNS, New Zealand Pigmyweed, on the Caledonian Canal was supported by the CAN-DO Innovation Challenge, and used non-chemical techniques which can potentially be applied to a variety of other water bodies where this INNS presents a threat to native biodiversity. We have also been working collaboratively on strategic national INNS management projects including the Boating Priority Action Plan for invasive species management and the Scottish Invasive Species Initiative in the Highlands. At the local level, operational staff have received training on the use of stem injection equipment for the control of Japanese Knotweed.

Connecting People and Communities

The canal network is recognised for its value as blue-green infrastructure which provides a wide range of benefits for people and nature. During the report year, we have undertaken a number of initiatives to connect with the communities we serve.

- We organised and led STEM learning and wildflower planting at key access points events for three primary schools in the Falkirk Area including the Safer Communities Youth Action Group. Falkirk and Tamfourhill residents also took part in tile design workshops with Make it in Glasgow for new benches along the route between The Falkirk Wheel and Lock 16 on the Forth & Clyde Canal.

- Further upgrades of access routes and towpath surfaces in partnership with Sustrans were completed to provide safer connections for low carbon commuting and leisure travel.
- The Treehouse community building, located between the Carse Industrial estate and Caledonian Canal in Inverness, is an exemplar for our ambition to connect our communities with our sustainability vision, officially opened during the reporting year. The space is now being used for a range of community events, supported by our dedicated Volunteer Coordinator and also provides shared office facilities for local businesses.
- In March 2024, Scottish Canals celebrated the unveiling of the completed head of Bella the Beithir, a 121-metre mythical serpent, the centrepiece on the site of the new active travel Stockingfield Bridge across the Forth & Clyde Canal in North Glasgow. The first tile was placed by the Lord Provost of Glasgow, Jacqueline McLaren who commended the project team for 'the imaginative artwork and community involvement that it inspired'. The bridge itself links the communities of Maryhill, Gilshochill and Ruchill for the first time since the waterway opened in 1790 and the artwork will now tie these communities together. Work will continue over the next five years to complete the sculpture with mosaic tiles for the scales being made by three local communities. It is envisaged that the project, funded by Scottish Government's Places for Everyone fund, Sustrans Scotland, Glasgow City Council Vacant and Derelict land fund and SCAPE, could involve up to 30,000 people.
- As part of the sustainable and sensitive development of Winchburgh, on the Union Canal, a new marina and housing project developed through public, third and private sector partnership was nearing completion during the reporting year and will provide new opportunities for those living on or near water when it opens in 2024/25.
- Through partnership with the Scottish Federation for Coarse Angling via the Let's Fish programme funded by EB Scotland (The Scottish Landfill Communities Fund), we offered young people across the Central Belt the opportunity to try fishing for free in quiet, safe, canal-side environment alongside experienced coaches. The sessions also provided the opportunity to inform participants about the canal biodiversity, keeping safe near water and the importance of positive social behaviour, awareness and responsibility when engaging with the waterways and the wider public.

Protected Network Assets & Good Governance

Our 250-year history is what makes Scottish Canals unique, and one of our core aims is to not only preserve but enhance that heritage as an integral part of our sustainable future. Asset maintenance is an ongoing task – our canals may be scheduled monuments but they're very much working, functioning ones rather than museum pieces.

- During the reporting year we invested £10m in asset repairs including a major refurbishment of The Falkirk Wheel and significant lock repair and upgrade projects

on the Crinan and Forth & Clyde Canal in collaboration with our framework engineering contractor and a diverse range of minor works being undertaken by our expert direct labour operational teams. Planning and liaison with environmental regulators was a key element of these projects. Through our environmental appraisal process, we identified and delivered sustainable environmental compliance and enhancement opportunities through collaborative working with Historic Environment Scotland, the Scottish Environment Protection Agency and Nature Scot.

- To identify potential new opportunities for good governance and to ensure future compliance, we kept abreast of emerging environmental and sustainability regulations during 2023/24 through our responses to environmental consultations including Environmental Authorisations (Scotland) 2018 regulations and Scotland's Strategic Framework for Biodiversity.
- We maintain compliance with the Water Environment Controlled Activities Regulations which govern our use of water as a precious natural resource and maintain vigilance to enact a swift response should there be any pollution issues impacting the canal from any source. As with HES, we maintain an open dialogue with the Scottish Environment Protection Agency, working together on common issues, no more so than when addressing water scarcity concerns this summer. We were able to enact prepared drought mitigation plans and continue to manage our canals and reservoirs responsibly in line with our good stewardship principles.

Board Oversight

Scottish Canals Net Zero Routemap was launched in November 2023. The document sets out a baseline for carbon emissions and actions to reduce direct emissions and is aligned to the Scottish Canals Corporate Plan 2023-28, in particular the organisation's contribution to the National Performance Outcomes and UN Sustainable Development Goals.

A range of sustainability KPIs are reported to the Board on a quarterly basis alongside topical issues and an annual progress report will be presented to the Board in quarter 4 2024/25.

All Board reports include consideration of environment issues. This is complemented by a specific risk appetite statement and position for climate change reflected in Scottish Canals risk appetite framework, 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. A specific corporate risk is in place for climate change resilience reflecting the ongoing impact of extreme weather events, water control management and the risks to canal asset health and resilience. Scottish Canals has a role in mitigating and adapting to climate change.

The Executive Management Team, Audit and Risk Committee and Board review corporate risks on a quarterly basis and risk appetite categories, statements, and position annually.

The Director of People, Safety and Guidance has oversight of sustainability issues including climate-related risks and opportunities. Issues are reported to the Executive Management Team comprising the Chief Executive Officer and other Directors. A Project Assurance Committee is responsible for assessing all capital projects with an annual investment of £12.2m (excluding third party monies) per annum. The committee meets at least fortnightly and provides a dashboard report to the EMT monthly. Supporting project management procedures have established responsibilities for project managers to prepare stage gate paperwork for each project including an assessment of any technical advice requirements or statutory approvals, for example works on historic monuments. This assessment considers sustainability and environment issues. A significant number of projects are specifically focused on improving asset health and resilience.

The approval of the annual Climate Duties Report is delegated to the Director and supported by an in-house Sustainability Team responsible for technical advice, compliance and projects on climate change, biodiversity, water, and waste management. The report utilises the Sustainable Scotland Network reporting procedures, in accordance with the Climate Change (Duties of Public Bodies Reporting Requirements) (Scotland) Order 2015, as amended by the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020. A baseline for Scottish Canals GHG emissions (2019/20 1,251 tCO₂e scopes 1,2, and 3) was established as part of the Net Zero Routemap. Total emissions reported for 2023/24 are estimated at 966 tCO₂e for scopes 1,2 and 3 reflecting a downward trend in overall emissions.

Maureen Campbell
Chair

John Paterson
Chief Executive and Accountable Officer

Date

Date

Accountability Report



Scottish
Canals

Corporate Governance Report

Overview

The Accountable Officer has responsibility for maintaining a sound system of internal controls which support the achievement of strategy, aims, objectives and policies as agreed with Transport Scotland and Scottish Government. These responsibilities extend to personal accountability for the safeguarding of public funds administered by Scottish Canals for its management and operation.

Corporate Governance is central to the effective operation of all public bodies. Scottish Canals operates best practice as detailed within HM Treasury and Cabinet Office Corporate Governance Code of Good Practice, and the seven principles of public life highlighted within HM Treasury guidance on Managing Public Money.

Scottish Canals' Framework Agreement sets out the arrangements for corporate governance matters, including the role of the Accountable Officer and Interim Accountable Officer, and the duties around financial and budgetary management, risk management, business planning, audit, and assurance. Scottish Canals' Framework Agreement is currently under review; however, the current version can be viewed at

<https://d1hxd0sho1wxko.cloudfront.net/production/general/Scottish-Canals-Framework-Document.pdf>

In this Accountability Report, I have detailed Scottish Canals' governance arrangements. It includes information about the Executive Management Team (EMT), the Board and the Audit & Risk Committee (ARC). It explains their activities in establishing strategic direction, delivering against objectives, and managing risk. I am satisfied that these fora represent, and deliver, effective corporate governance within Scottish Canals.

Directors' Report

Board members provide support and advice on matters relating to strategy, performance, audit, and risk. Board members come from a variety of public sector, third sector and business backgrounds, and bring with them a wealth of strategic leadership experience, knowledge, and expertise, as well as passion for Scotland's canals, all of which helps us to deliver the organisation's strategic purpose. The Board members holding office during this financial year were as follows:

| Name | Period of Appointment | Date of Appointment | Date of Re-Appointment | Expected End of Appointment |
|--------------------------|-----------------------|---------------------|------------------------|-----------------------------|
| Maureen Campbell (Chair) | 3 years | 1 April 2022 | - | 31 March 2025 |
| Rob McGregor | 6 years | 1 May 2019 | 1 July 2022 | 30 June 2025 |
| Carolyn Sawers* | 6 years | 1 July 2018 | 1 July 2021 | 30 June 2024 |
| Robin Strang | 3 years | 1 July 2022 | - | 30 June 2025 |
| Michelle Wailes | 6 years | 1 April 2019 | 1 July 2022 | 30 June 2025 |

**Following the year end, Carolyn Sawers was re-appointed as a Board member and was also appointed Vice Chair with effect from 1 July 2024 to 30 June 2026.*

John Paterson joined Scottish Canals as Chief Executive Officer and Accountable Officer on 22 May 2023 and, in alignment with Scottish Government recommendations, is not a Board member.

Board and Committee Attendance

Attendance by members at the Board and the ARC for the financial year to 31 March 2024 is shown in the table below. There were eight Board meetings and six ARC meetings during the year.

| Board Member | Number of Board Meetings | | Audit & Risk Committee Meetings | |
|------------------|--------------------------|----------|---------------------------------|----------|
| | Available to Attend | Attended | Available to attend | Attended |
| Maureen Campbell | 8 | 7 | n/a | n/a |
| Rob McGregor | 8 | 7 | 6 | 6 |
| Carolyn Sawers | 8 | 8 | n/a | n/a |
| Robin Strang | 8 | 8 | n/a | n/a |
| Michelle Wailes | 8 | 8 | 6 | 6 |

Members of our Transport Scotland sponsor unit attend Board meetings in an observer capacity.

A private session takes place at Board meetings as required to consider remuneration matters. This ensures all Board members scrutinise and challenge people matters, specifically succession planning, job evaluation and pay, in line with Scottish Government public sector pay policy. The Chief Executive Officer and other relevant attendees attend these private sessions only as required.

Board and Committee Performance

Formal annual evaluation processes are in place for all Board members including the Chair. Induction and training are provided for Board and Committee members.

Register of Interests

All Board members complete a declaration of any directorships held and other significant interests which may conflict with their role or the conduct of Scottish Canals. No conflicts were noted during the financial year. A register of interests is published at <https://www.scottishcanals.co.uk/business-governance/team-corporate-structure/meet-the-board>.

Code of Conduct

Scottish Canals has a Code of Conduct for Board members approved by Scottish Ministers. In compliance with the Ethical Standards in Public Life, etc. (Scotland) Act 2000, Scottish Canals' Code of Conduct for Board members is published at

[Scottish Canals | Board Code of Conduct](#)

Statement of Accountable Officer's Responsibilities

Under the Scottish Parliament, pursuant to section 24 (3) of the Transport Act 1962 as amended by The British Waterways Board (Transfer of Functions) Order 2012, article 2(2) and paragraph 15 of Schedule 2 and article 5(1) and paragraph 3 of Schedule 4, Scottish Ministers have directed Scottish Canals to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction determined by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Scottish Canals, its income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the accounts, I am required as the Accountable Officer for Scottish Canals, as designated by the Permanent Secretary of Scottish Government to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, to:

- observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts is fair, balanced, and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced, and understandable.

As the Accountable Officer for Scottish Canals, my responsibilities include the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding Scottish Canals assets, as set out in the Memorandum to Accountable Officers of Other Public Bodies. I am personally responsible for the duties specifically assigned to me including:

- ensuring the propriety and regularity of Scottish Canals' finances and ensuring there are sound and effective arrangements for internal control and risk management;
- ensuring the resources of Scottish Canals are used economically, efficiently, and effectively and that appropriate arrangements are in place to secure Best Value;
- ensuring compliance with relevant guidance issued by Scottish Ministers, in particular the Scottish Public Finance Manual (SPFM);
- signing the annual accounts and associated governance statements; and
- ensuring the executive directors have completed satisfactory assurance statements.

In line with the FReM, during the financial year Scottish Canals continued to address the incorporation of a valuation of the entire operational canal. As the Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit

information and to establish that Scottish Canals' auditors are aware of that information. As far as I am aware, there is no relevant audit information of which the auditors are unaware.

John Paterson
Chief Executive and Accountable Officer
Date

Governance Statement

Governance Framework

The broad framework in which Scottish Canals operates is set out in the Framework Document, which also defines key roles and responsibilities that underpin the relationship between Scottish Canals and Scottish Government. While this document does not confer any legal powers or responsibilities, it forms a key part of Scottish Canals' accountability and governance framework.

Scottish Canals must comply with the Scottish Public Finance Manual (SPFM). The SPFM provides guidance on the proper handling of public funds to ensure:

- compliance with statutory and parliamentary requirements
- value for money
- high standards of propriety
- effective accountability and robust systems of internal control.

Role of the Board

The Board has a collective responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of Scottish Canals' policies, aims and objectives whilst safeguarding public funds and assets. This means they are responsible for the overall direction and performance of Scottish Canals, including its efficiency and effectiveness as a public body.

Board appointments are made by Scottish Ministers. The appointments are made in line with the Code of Practice for Ministerial Public Appointments in Scotland. Appointments are for a three-year term with the possibility of an additional three years and a further two years up to a maximum of eight years in total. Appointments are subject to evidence of effective performance and satisfying the skills, knowledge and personal qualities required on the Board at the time of re-appointment.

The Board members are responsible for preparing the Board members' Report and financial statements in accordance with applicable law and regulations.

Throughout the financial year, Scottish Canals operated under an organisational structure with clearly defined lines of authority and accountability to provide:

- assurance to Scottish Government that Scottish Canals has in place an effective governance system, accountable to Scottish Ministers.
- transparency of the roles and responsibilities of the Board, ARC, and Executive Management Team to demonstrate a shared governance agenda across Scottish Canals to contribute to the achievement of Scottish Government's Economic Strategy and National Performance Framework.
- assurance that the Board is focussed on ensuring effective strategic leadership.

- assurance that there is a fully empowered Executive Management Team within Scottish Canals, able to maximise productivity within a robust strategic framework.

At the year end, the Board comprised five members, including the Chair. It held eight Board meetings during the financial year to ensure good governance and Board oversight of emerging strategic priorities, specifically to be fully sighted on the complex and challenging project to value the historic canal network to address the issues that gave rise to disclaimer opinions in the Annual Report & Accounts in 2020/21 and 2021/22, and to ensure compliance with the requirements of the FReM. It continued also to review Scottish Canals' operational and financial performance compared to plan, business strategy and risk management, as well as conducting a high-level review and scrutiny of health and safety issues.

Scottish Canals maintains an ongoing dialogue at all levels within Scottish Government. The Board meets the Cabinet Secretary for Transport and Minister for Agriculture and Connectivity annually to review key business results and plans. The Chair and Chief Executive Officer meet with officials from Scottish Government to discuss a range of business issues, and members of the executive team meet Scottish Government officials on a regular basis.

Audit and Risk Committee

The Audit and Risk Committee (ARC) is chaired by Michelle Wailes. The current members, positions and date of appointment and re-appointment to the ARC are as follows:

| Name | Period of Appointment | Date of Appointment | Date of Re-Appointment | Expected End of Appointment |
|---------------------------------------|-----------------------|---------------------|------------------------|-----------------------------|
| Michelle Wailes (Chair) | 6 years | 1 April 2019 | 1 July 2022 | 30 June 2025 |
| Rob McGregor | 6 years | 1 May 2019 | 1 July 2022 | 30 June 2025 |
| Katharina Kasper (Independent Member) | 6 years | 1 March 2021 | 1 March 2024 | 1 March 2027 |
| Nick Martin (Independent Member) | 6 years | 2 August 2021 | 2 August 2024 | 1 August 2027 |

In accordance with the good practice guidance of Scottish Government's Audit Committee Handbook, the ARC reviews the Financial Statements of Scottish Canals and considers the results of the Auditor's opinion and review of the financial controls. It meets with management and with internal and external auditors to review the effectiveness of internal controls and business risk management.

The ARC provided support to the Accountable Officer and the EMT in their responsibilities towards risk management, control, and corporate governance. The ARC provided additional transparency over the management of Scottish Canals' operations and assets, accounting policies (including the integrity of financial statements and the Annual Report & Accounts), practices relating to risk, control and governance, and the adequacy of response to audit findings.

The ARC reports to the Board and scrutinises certain areas of activity in greater depth and makes recommendations to the Board. The ARC provided the Board with a written minute of each meeting. All matters were reported openly, and no business required a confidential addendum or closed minute relating to commercial or personal sensitivities. The ARC provided its opinion in its annual report to the Board highlighting key issues to be addressed following the conclusion of the External Audit 2022/23. The ARC continues to receive regular reporting from management to monitor progress on the implementation of the external audit recommendations in accordance with the agreed action plan. In addition, the ARC confirmed it was assured by the actions in place to reinforce the relationship with internal audit and Scottish Canals' commitment to prioritise internal audit actions. The ARC continues to provide assurances on progress in its quarterly ARC Chair report to the Board to demonstrate the integrity of Scottish Canals' internal controls, financial statements, and annual report and that matters arising during the year have been, or are being, addressed by management.

A paper on "Annual Report & Accounts 2023/24 Accountability Report: Performance Overview; Corporate Governance Report and Internal Controls Assurance" was taken to the 25 July 2024 ARC meeting. This included a copy of the draft governance statement, a completed internal controls checklist and copies of assurance statements from directors. The committee reviewed, assessed, and approved this paper.

Executive Management Team

The Executive Management Team (EMT) supports the Accountable Officer in the day-to-day management and operation of Scottish Canals. The EMT is responsible to the Board for all aspects of operational management and delivery within Scottish Canals. It is responsible for devising and keeping under review annual business plans (including resource budgets) to deliver the priorities identified in the Corporate Plan, monitoring performance against operational priorities identified in the business plans as well as reputation management, corporate communications and initiating timely and appropriate action when circumstances require adjustments to be made. Integral to all of this is a responsibility to keep the Board informed of progress and risks, where unforeseen novel and contentious issues arise.

During 2023/24, the EMT members were as follows:

| Name | Position | Date of Appointment | Date of Resignation |
|-------------------|---|---------------------|---------------------|
| John Paterson | Chief Executive and Accountable Officer | 22 May 2023 | - |
| Richard Millar | Chief Operating Officer* | 1 October 2013 | - |
| Amelia Morgan | Director of People, Safety & Governance | 8 February 2021 | - |
| Sarah Jane Hannah | Director of Finance & Business Services | 1 March 2021 | - |

* Richard Millar was also the Interim Chief Executive and Accountable Officer until 21 May 2023, with Fiona MacFadyen stepping in as Interim Director of Operations during that time until the appointment of John Paterson as permanent Chief Executive and Accountable Officer.

In the discharge of its duties, the EMT was informed by advice from the Scottish Canals Board and ARC, together with specific reports relating to financial accounting, operational performance, risk management, business transformation, people management, policy, and health and safety.

The quality and organisation-wide relevance of this management information provided the EMT with an acceptable level of detail with which to monitor and react to all matters relating to organisational activity and performance. This ensured decisions were taken with objectivity, transparency, and a clear focus on achieving organisational objectives.

Scottish Canals' Operational Committee Structure

Scottish Canals' internal committee structure provides clear and transparent processes and documentation to support assurance and audit requirements in line with the SPFM.

Transformation Committee

The Transformation Programme was supported through the development of a Transformation Committee which had its inaugural meeting post year-end. The aim of the committee's programme of work is to optimise productivity through innovation, cultural change, and cost management, to enhance quality of service and customer care, organisational resilience, efficiency, and effectiveness. The Transformation Programme, aligned with Scottish Canals Corporate Plan and Annual Business Plan, seeks to maximise Best Value and Scottish Canals contribution to the National Performance Framework, Sustainable Development Goals and Public Service Reform agenda.

The EMT meet as the Transformation Committee which is attended by the appointed Heads of Service for specific workstreams relating to Customer Service; Digital & Automation; People & Estate; and Net Zero & Environment. The Transformation Committee enables well informed, evidence-led decisions to implement the Transformation Programme. It supports Scottish Canals' core statutory duties and financial sustainability and reflects Scottish Canals skills, capacity, and capability requirements and service delivery standards with due regard to delegated authority limits, risk management and legislative and regulatory compliance.

Investment Committee

The Investment Programme optimises Scottish Canals' portfolio of investment to promote future financial sustainability whilst seeking to maximise Best Value and Scottish Canals contribution to the National Performance Framework, Sustainable Development Goals and Public Service Reform Agenda.

The EMT meet as the Investment Committee with relevant Heads of Service in attendance to develop investment opportunities to secure additional funding to enhance organisational resilience in accordance with Scottish Canals Investment Strategy and five-year Investment Plan, aligned with the strategic investment objectives of Scottish Canals Corporate Plan and annual Business Plan.

The Investment Committee directs prioritisation, shaping and implementation of activities to enable the EMT and/or the Board and the Scottish Government to take well informed,

evidence-led decisions about Scottish Canals' portfolio of investment, in accordance with delegated authority limits.

National Health and Safety Committee

The National Health & Safety Committee monitors performance and control arrangements in relation to health and safety and reports to the EMT. The Committee scrutinises delivery of the National Health & Safety Strategy and Action Plan and Local Health, Safety and Wellbeing Action Plans (LHSWAPs) within local H&S group areas via performance reports from the Caledonian, Crinan, Glasgow, Lowlands & The Falkirk Wheel.

Project Assurance Committee

The Project Assurance Committee monitors governance and control arrangements to ensure that investment decisions are delivered efficiently and effectively, provide best value for money, in compliance with delegated authority limits, and with agreed processes and procedures.

Senior Managers Team

The Senior Management Team (SMT) is a collective forum of Heads of Service and senior managers to discuss issues, identify solutions and action operational and strategic activities to support Scottish Canals' vision and corporate priorities. The forum provides a space for collaboration, learning and reflection to support leadership development, enhance internal communication, and promote continuous improvement across Scottish Canals.

Monthly Directorate Meetings

Reflecting the directorate model, each directorate holds a formal monthly team meeting with their relevant director. This ensures risks and issues are managed timeously and any performance exceptions are identified early. Each director is accountable, in their role as a member of the EMT, to provide regular updates as to the management of risk and performance in their business areas. This allows for dynamic assessment in between the regular quarterly corporate reporting cycles.

Several working groups are established to support the business planning activities required in year in pursuit of the strategic objectives and Corporate Plan outcomes. These are agreed by the EMT and are routinely reviewed to ensure they remain fit for purpose. Each working group agrees terms of reference and regular reporting requirements to demonstrate good governance.

Audit Assurance and Risk Assessment

Compliance

Throughout the financial year and up to the date of approval of the Annual Report & Accounts, Scottish Canals complied with the Framework Document, the accountability and governance framework, including delegated financial authority limits, as revised by Scottish Ministers in February 2019. In addition, Scottish Canals complied with the SPFM which sets

out the relevant statutory, parliamentary, and administrative requirements, unless amended by the Framework Document.

Approach to Risk Management

The Board of Scottish Canals is committed to ensuring that the effective management of risk underpins all its activities and has adopted Scottish Government's approach to risk management to ensure risk identification has a clear strategy and clarity of purpose.

Scottish Canals' risk management strategy and policy includes processes for the identification, evaluation, and mitigation of risk. Clear and concise Risk Appetite Statements, approved by the Board, inform business decision making in the context of the Corporate Plan and Business Plan whilst ensuring that sensible measures to mitigate risk are established.

Risk identification is an important part of business/project planning. Reviewing and reporting of risk is undertaken at corporate, director, departmental and project level to manage performance and prioritise effectively. Each risk has a designated owner, and actions are taken to manage the risk accordingly. As new or changed risks emerge, they are identified, evaluated, reviewed for potential impact on the delivery of the Business Plan and Corporate Plan and escalated to the level most appropriate to manage. When escalated to the Executive Management Team, appropriate risks are added to the Corporate Risk Register together with a mitigation plan. Directorates conduct monthly reviews of departmental risks.

All corporate level risks are actively managed, reviewed and updated by the Executive Management Team on a quarterly basis following monthly Directorate reviews, or as an emerging risk is identified. Corporate risks are reported to and reviewed by the ARC and Board formally on a quarterly basis or as an emerging risk is identified for escalation.

This ensures Scottish Canals adopts effective management of risk across the organisation, business impacts are widely understood, and risks are controlled to assist performance.

Internal Control Framework

At the year end, a suite of documents covering operational management for all areas of the business was in place and remains so as at the date of approval of the Annual Report & Accounts. There is strong commitment across the organisation to drive continuous improvement to address document development, management and revision, compliance monitoring and internal audit to support the internal control environment.

Annually the Audit & Risk Committee reviews the Internal Controls Checklist and Certificates of Assurance, in accordance with the templates included in the Scottish Public Finance Manual and the FReM and report to the Board.

The Internal Controls checklist questions are completed by the relevant Heads of Service for each service area. Following review of the Internal Controls checklist by the Executive Management Team, the Certificates of Assurance are executed by each Executive Director. This process provides reasonable assurance to the Board and Accountable Officer on the maintenance and review of the internal control systems regarding the effectiveness of internal controls and risk management arrangements within Scottish Canals. This process also informs the external and internal auditors of Scottish Canals internal governance as part

of their annual audits.

Internal Audit Objectives

The internal annual audit plan is designed to support an internal audit opinion on the adequacy and effectiveness of governance, risk management and control through which:

- oversight, structures, authorities and responsibilities and reporting support a clear understanding of risks and controls and effective decision-making
- objectives are specified with sufficient clarity to enable the identification and assessment of risks
- risks to the achievement of objectives are identified and assessed to determine how they should be managed
- changes that could significantly affect the system of internal control are identified and assessed
- control activities are designed adequately and operated as intended to mitigate risks to acceptable levels
- relevant, accurate, complete, and timely information is available and used to support the functioning of internal control.

Internal Audit Activity

A programme of internal audit was approved by the ARC and undertaken by the appointed Internal Auditors, Audit Glasgow, in accordance with the Public Sector internal audit standards. This provided scrutiny over the adequacy, effectiveness and reliability of controls operating over the following management functions:

| Audit area | Level of Assurance |
|----------------------------|--------------------|
| Cyber Information Security | Reasonable |
| Procurement Review | Reasonable |
| Financial Management | Reasonable |

In addition, Scottish Canals and internal audit participated in collaborative workshops to review the current project management processes and documentation, as well as sharing best practice and guidance to address the existing Capital Project and Governance internal audit actions.

Due to resourcing challenges Scottish Canals has found it difficult to implement agreed audit recommendations for project management within reasonable timescales to address risks identified from previous audits. A detailed action plan has been agreed with management and these actions continue to be monitored by internal audit with progress being reported to future meetings of the ARC.

Internal Audit Opinion

Internal audit placed **reasonable assurance** upon the adequacy and effectiveness of the governance and control environment operating during 2023/24 in Scottish Canals compared to limited assurance during 2022/23.

All internal audit reports conducted during the year had a reasonable assurance opinion. There were 14 recommendations for improvement made during the year, with only two deemed as high priority. The agreed audit recommendations to address risks identified from previous audits continued to be monitored by internal audit with progress reported to ARC meetings, however with limited resources several recommendations remain outstanding.

External Audit

Scottish Canals produces a statement of accounts in accordance with Section 24(2) of the Transport Act 1962, which states that the British Waterways Board must send the statement of accounts to the Auditor General for Scotland for auditing.

The Auditor General for Scotland is responsible to the Scottish Parliament for securing the audit of the financial statements of Scottish Canals. Audit Scotland continued its appointment by the Auditor General for Scotland as the external auditor for Scottish Canals for the year ended 31 March 2024.

On 2 July 2012, the assets, liabilities, and operations in respect of England & Wales transferred to the Canal & River Trust, leaving Scottish Canals' assets and liabilities now reporting wholly to Scottish Government.

Personal Data Related Incidents

During 2023/24, there were six breaches reported under the data security policy during the year (2022/23: three) however no data breaches were required to be reported to the Information Commissioner's Office (2022/23: nil).

Whistleblowing

A Scottish Canals Whistleblowing Policy is aligned with Scottish Government Whistleblowing process and is shared with all staff on the internal policy management tool. Following the end of the financial year 2023/24, one whistleblowing submission was received (2022/23: one). This was investigated and reported to the Audit & Risk Committee, with further action recommended. The anti-fraud and anti-bribery standards both further support vigilance around potential for bribery and corrupt practice.

Public Services Reform (Scotland) Act 2010

In accordance with the Public Services Reform (Scotland) Act 2010, Scottish Canals will publish the information on expenditure and certain other matters as required on the Scottish Canals' website (www.scottishcanals.co.uk) following the publication of the Annual Report & Accounts 2023/24.

Conclusion

As Accountable Officer, I have responsibility for maintaining sound systems of internal control, which support the achievement of the organisation's policies, aims and objectives set by Scottish Ministers, while safeguarding public funds and assets for which I am personally responsible. As a public body Scottish Canals operates in an open and accountable manner, providing high quality public services. We are committed to accessibility, openness and accountability and aim for the highest standards in corporate governance.

In addition, I have a statutory duty to obtain written authority from the Chair of the Board before taking any action considered to be inconsistent with the proper performance of the Accountable Officer functions.

I am confident that this statement provides a comprehensive account of the corporate governance, risk management and control arrangements operating across Scottish Canals. I am satisfied that these governance arrangements offered effective control and transparency over achievement of the objectives and accountabilities of Scottish Canals and have been instrumental in improving the quality of services during 2023/24.

John Paterson
Chief Executive and Accountable Officer

Date

Remuneration & Staff Report

Overview from the Chair for the year ended 31 March 2024

During the course of the year, John Paterson was appointed as Chief Executive and Accountable Officer. Richard Millar, who had been Interim Chief Executive, reverted to his substantive role of Chief Operating Officer. Otherwise, the Executive Team remained unchanged.

Employee turnover and recruitment challenges were managed and reported to the Board, representing an improving position and reduced risk to the organisation.

Remuneration Policy – Non-Executive Directors (Subject to Audit)

The terms of Board members' appointments are determined by Scottish Ministers and for the non-executive members they are for a fixed term of three years. These contracts are terminable by the members upon serving three months written notice. The emoluments of Board members are determined by Scottish Ministers. The executive directors report to the CEO and attend the Board at invitation only but are not Board members. They have the responsibility for the management of the organisation and the development of the business strategy and policies, subject to approval and general oversight by the Board.

The Chair is remunerated at up to £14,070 (2022/23: £14,070) for up to 42 days' service over the year. Other Board Members are remunerated at up to £4,800 (2022/23: £4,800) based on up to 20 days' service, with the Chair of the Audit & Risk Committee remunerated at up to £5,760 (2022/23 £5,760) based on up to 24 days' service. The independent members of the Audit & Risk Committee are remunerated at £960 (2022/23 £960) for an expected 4 days' service over the year. A one-off extra payment of £960 was made to the independent members due to additional meetings during the period of restating the prior year Annual Report & Accounts for the canal valuation. There were 9 additional meetings in 2022/23, and 6 during 2023/24.

The remuneration for the Chair and Non-Executive Directors during the year was as follows:

| | 2023/24 | | | 2022/23 | | |
|------------------|--------------------------------|--|----------------|--------------------------------|--|----------------|
| | Salary And Allowances £'000 | Taxable Expenses (to nearest £100) | Total £'000 | Salary and Allowances £'000 | Taxable Expenses (to nearest £100) | Total £'000 |
| Maureen Campbell | 10-15 | - | 10-15 | 10-15 | - | 10-15 |
| Rob McGregor | 0-5 | - | 0-5 | 0-5 | - | 0-5 |
| David Middleton | n/a | n/a | n/a | 0-5 | - | 0-5 |
| Carolyn Sawers | 0-5 | - | 0-5 | 0-5 | - | 0-5 |
| Robin Strang | 0-5 | - | 0-5 | 0-5 | - | 0-5 |
| Michelle Wailes | 5-10 | - | 5-10 | 5-10 | - | 5-10 |

The remuneration for the independent members of the Audit & Risk Committee during the year was as follows:

| | 2023/24 | | | 2022/23 | | |
|------------------|--------------------------------|---------------------------------------|----------------|--------------------------------|---------------------------------------|----------------|
| | Salary and Allowances £'000 | Taxable Expenses (to nearest £100) | Total £'000 | Salary and Allowances £'000 | Taxable Expenses (to nearest £100) | Total £'000 |
| Katharina Kasper | 0-5 | - | 0-5 | 0-5 | - | 0-5 |
| Nick Martin | 0-5 | - | 0-5 | 0-5 | - | 0-5 |

Remuneration Policy – Executive Management Team (Subject to Audit)

As detailed in the Governance Statement, the Board's remit is to ensure that the remuneration policy and packages offered by Scottish Canals is sufficient, considering Scottish Canals' financial position and the wider remuneration context across the organisation as it aims to attract, retain, and motivate a high-quality team of executive directors who can deliver the strategic goals and objectives of the organisation.

Pay and Benefits

Basic salaries are reviewed annually, and increases are determined by reference to Scottish Canals' pay and reward pay scales as agreed through job evaluation. Settlement of any changes to salaries on account of the job evaluation project was made during the 2023/24 financial year.

In line with Scottish Government policy on public sector pay in Scotland, no performance-related payments were made for the financial years ending 31 March 2024 or 31 March 2023.

During the financial year, Scottish Canals had no secondments, with Catherine Topley's secondment ending during the previous year on 31 December 2022.

| | 2023/24 Total Salary and Allowances incl pension benefits £'000 | 2022/23 Total Salary and Allowances incl pension benefits £'000 |
|----------------------|---|---|
| Catherine Topley | - | 115-120 |
| Full-time equivalent | - | 155-160 |

The below tables of remuneration for the permanent members of the EMT during the year are based on salaries paid through the payroll.

John Paterson joined the EMT as Chief Executive and Accountable officer on 22 May 2023, with Richard Millar reverting back to his role as Chief Operating Officer.

John Paterson, Amelia Morgan and Sarah Jane Hannah contributed to Scottish Canals' defined contribution scheme and as such, the employers' pension contribution has been disclosed in line with Employer Pension Notice 626.

Richard Millar is the only executive director who participated in the defined benefit Strathclyde Pension Fund, and as such his pension benefits are calculated in a different manner to the other directors.

The value of accrued pension benefits for this defined benefit pension scheme is calculated as the real increase in pension multiplied by the HMRC multiplier of 20 plus the real increase in any lump sum less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Remuneration Executive management team.

| | 2023/24 | | | |
|--|--------------------------------|---------------------------|--------------------|---------------------------|
| | Salary and Allowances £'000 | Taxable Benefit* £'000 | Pension* £'000 | Total £'000 |
| John Paterson <i>Full-time equivalent</i> | 95-100 <i>105-110</i> | - - | 9.2 <i>10.6</i> | 100-105 <i>120-125</i> |
| Richard Millar | 95-100 | 7.8 | 47.5 | 150-155 |
| Amelia Morgan | 95-100 | - | 5.5 | 100-105 |
| Sarah Jane Hannah | 90-95 | - | 8.6 | 100-105 |

| | 2022/23 | | | |
|-------------------|--------------------------------|---------------------------|-------------------|----------------|
| | Salary and Allowances £'000 | Taxable Benefit* £'000 | Pension* £'000 | Total £'000 |
| Richard Millar | 90-95 | 7.8 | 17.5 | 115-120 |
| Amelia Morgan | 85-90 | - | 5.3 | 90-95 |
| Sarah Jane Hannah | 80-85 | - | 5.0 | 85-90 |

*The only taxable benefit and/or expense is a car allowance paid to Richard Millar. Taxable benefits/expenses and pensions are disclosed to the nearest £100.

Please see below the defined benefit pension disclosure relating to the Executive Management Team

| Accrued pension at pension age as at 31 March 2024* | Accrued pension at pension age as at 31 March 2023* | Real Increase in accrued pension during the year to 31 March 2024* | Real Increase in accrued pension during the year to 31 March 2023* | CETV as at 31 March 2024** | CETV as at 31 March 2023 ** | Increase in CETV net of inflation** |
|---|---|--|--|----------------------------|-----------------------------|-------------------------------------|
| 15-17.5 | 10.0 - 12.5 | 2.5-5 | 0 - 2.5 | 224,000 | 149,000 | 70,000 |

* These columns are disclosed in bands of £2,500. There was no accrued lump sum at either 31 March 2024 or 31 March 2023.

** These columns are disclosed to the nearest £1,000.

Please see below the details on the number of board members and/or senior officials with significant financial responsibility:

| | 2023/24 | 2022/23 |
|--|---------|---------|
| Number of engagements/secondments of board members and/or senior officials with significant financial responsibility during the financial year | 4 | 3 |
| Total number of board members and/or senior officials with significant financial responsibility during the financial year | 9 | 12 |

Remuneration Policy – Staff

Pay and Benefits

All salaries are reviewed annually and in accordance with Scottish Government pay policy for the year. Scottish Canals did not pay any performance-related payments to employees during the year (2022/23: nil).

Employees at Scottish Canals benefit from a range of non-monetary remuneration including:

- enhanced occupational sick pay;
- life assurance cover of up to 4 x annual salary payable to their estate upon death in service; discounts and vouchers for retail, travel, and entertainment, including Scottish Canals' own products and services;
- flexible working options;
- childcare, cycling equipment and technology support.

Pensions

Scottish Canals has three pension funds which require disclosure:

1. Scottish Widows Defined Contribution Scheme
2. Waterways Pension Fund (closed to future accrual)
3. Strathclyde Pension Fund (Local Government Pension Scheme)

1. Scottish Widows Defined Contribution Pension Plan

Scottish Canals participates in a Scottish Widows defined contribution pension plan for employees who commenced employment after 31 March 2011. This scheme meets Scottish Canals' statutory auto-enrolment obligation.

For permanent employees, employee contributions are set between 3% and 5% dependent on pensionable earnings. An employee may request to alter the percentage of their employee contributions at any time. Scottish Canals contributes twice the employees' contributions up to a maximum of 10% of pensionable earnings. Fixed term and seasonal workers contribute 5% on their pensionable earnings, with Scottish Canals contributing 4%.

2. Waterways Pension Fund

This scheme was previously open to all employees that commenced employment with British Waterways before 31 March 2011. Following the British Waterways Board (Transfer of Functions) Order 2012, British Waterways ceased to be the Principal Employer in the existing Waterways Pension Fund (WPF), but like Canal & River Trust, Scottish Canals remains a participating employer for a small number of employees, paying £7,200 per month as a contribution to trustee's administration expenses (2022/23: £8,400) representing 9.4% (2022/23: 9.5%) of the total administration fees of the fund of £76,700 (2022/23 £88,500). The Scheme closed to future accrual on 30 September 2016.

3. Strathclyde Pension Fund

Scottish Canals participates in the Local Government Pension Scheme via Strathclyde Pension Fund (SPF). This fund provides a pension on a defined benefit basis. SPF has been closed to new members since 31 March 2011.

Full-time Equivalent Employee Numbers by Grade and Gender (Subject to Audit)

| 2023/24 | Board* | Executive Directors | Heads of Service | Other Staff including seasonal/casual workers | Total |
|--------------|----------|---------------------|------------------|---|------------|
| Female | 4 | 2 | 5 | 114 | 125 |
| Male | 3 | 2 | 7 | 185 | 197 |
| Total | 7 | 4 | 12 | 299 | 322 |

| 2022/23 | Board* | Executive Directors | Heads of Service | Other Staff including seasonal/casual workers | Total |
|--------------|----------|---------------------|------------------|---|------------|
| Female | 4 | 3 | 5 | 109 | 121 |
| Male | 3 | 1 | 7 | 182 | 193 |
| Total | 7 | 4 | 12 | 291 | 314 |

* Board members includes independent and co-opted members of the Audit & Risk Committee and excludes the CEO who is incorporated in the Executive Directors column.

Number of Employees for the Year (Subject to Audit)

| | 2023/24 | 2022/23 |
|--|------------|------------|
| Average full-time equivalent employees | 215 | 219 |
| Average seasonal/casual workers | 73 | 78 |
| Total | 288 | 297 |

Employee Turnover and Engagement

2023/24 was a more stable year with less staff turnover for Scottish Canals, the job evaluation project concluded in March 2023, and a new framework for evaluating and recruiting new roles established.

Employee attrition rates fell from 21.7% in 2022/23 on an employee establishment of 240 at year-end to 12.9%.

Employees are engaged in a number of ways. Employees have met in regular 'Staff Huddles' (online, via MS Teams) since the pandemic, where they hear from management, ask questions, and discuss burning issues. Snap polls in these huddles have gauged employee opinion on a range of topics. In addition, we distribute a regular Employee E-zine and utilise Viva (internally) and other social media (externally) to promote workforce discussion. Pulse surveys will commence in 2024/25.

Wages and Salaries (Subject to Audit)

| | 2023/24 £'000 | 2022/23 £'000 |
|-----------------------|------------------|------------------|
| Wages and salaries | 9,687 | 9,387 |
| Social security costs | 986 | 1,005 |
| Pension costs | 1,111 | 1,178 |
| Total | 11,784 | 11,570 |

Agency and Consultancy Fees

With staff turnover being high, costs for staff paid through an agency, excluding secondments in the Executive Management Team was £89k (2022/23: £147k). Other consultancy fees can be found in the expenditure note to the financial statements.

Median and Fair Pay (Subject to Audit)

The CEO was the highest paid member of the EMT during the years ended 31 March 2024 and 31 March 2023. His annualised remuneration excluding pension benefits was in the range £105,000 to £110,000 (2022/23: £105,000 to £110,000). This was 3.2 times (2022/23: 3.8 times) the median remuneration paid to Scottish Canals employees in 2023/24, which was £34,035 (2022/23: £28,527).

For all employees, the range of remuneration in 2023/24 was from £23,978 to £110,000 (2022/23: £20,336 to £108,600).

The percentage change in average salary (based on total employees on an annualised basis divided by full time equivalent number of employees) is 13% (2022/23: 1.7%), with the percentage change of the highest paid director, the CEO, between 2022/23 and 2023/24 being 2% (2022/23: nil%). There was some significant change during the year, the result of job evaluation crystallising during 2023/24, the Scottish Government Pay policy being applied, and more skilled roles being filled, the average salary increased significantly.

Median pay is calculated on actual salaries paid out by 31 March 2024, and excludes any accruals as part of the calculation. The movement in the ratio for median pay for Scottish Canals employees to Chief Executive is a change in the employee salaries, as a result of job evaluation.

The median pay ratio reflects the pay, rewards, and progression policy for employees as a whole.

| | 2023/24 | | | 2022/23 | | |
|--|--------------------------------|---------|--------------------------------|--------------------------------|---------|--------------------------------|
| | 25 th Percentile | Median | 75 th Percentile | 25 th Percentile | Median | 75 th Percentile |
| Total pay | £29,437 | £34,035 | £42,859 | £24,368 | £28,527 | £37,766 |
| Salary | £24,697 | £28,670 | £38,656 | £21,052 | £25,453 | £33,767 |
| Total Pay ratio for highest paid employee | 3.7 | 3.1 | 2.5 | 4.4 | 3.8 | 2.9 |
| Salary Pay ratio for highest paid employee | 4.5 | 3.8 | 2.8 | 5.1 | 4.2 | 3.2 |

Severance Payments (Subject to Audit)

Scottish Canals agreed and paid no severance payments during the year (2022/23: one) as detailed below. No severance payments were made to members of the EMT during the year (2022/23: nil).

| | 2023/24 | 2022/23 |
|--------------------------|---------|---------|
| Total cash payments made | - | £10,000 |

| | 2023/24 | 2022/23 |
|---------------------------------|----------|----------|
| < £25,000 | - | 1 |
| £25,000 - £50,000 | - | - |
| Total number of payments | - | 1 |

Health, Safety & Wellbeing

Scottish Canals remains committed to continually improving our performance in relation to health, safety, and wellbeing. This commitment is underlined by a health and safety strategy and action plan to put policies into practice on a day-to-day basis. The health and safety policy is reviewed annually by the Board.

Through an extensive programme of ongoing safety awareness campaigns, safety briefings and training, awareness of health and safety continues to be supported and embedded among employees and partners. Scottish Canals also recognises the importance of health and safety commitments, not only to employees, but also to contractors, volunteers, and visitors and this is underpinned through local and national health and safety committees and associated action plans.

We share the Healthy Working Lives belief that a healthier workforce really does make for a healthier organisation and continue to offer practical information and advice to help improve health and safety including the physical and mental wellbeing of everyone who works for Scottish Canals. We offer a free, confidential Employee Assistance Programme to all our

employees. This service provides counselling, signposting, and information to help employees with personal or work-related problems that may be affecting their health, wellbeing, or performance.

Trade Union Disclosure (Not Subject to Audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

Our Joint Negotiating Committee (JNC), involving full time officials and employee representatives from both our recognised trade unions - Unison, and Unite the Union – has met more frequently, our local trade union meetings have been revived, and union representatives also take part in a working group reviewing our policies and procedures, and health and safety committees.

| Union Officials | 2023/24 | 2022/23 |
|--|---------|---------|
| Employees identified as union officials | 6 | 6 |
| Full time equivalent identified as union officials | 1 | 1 |

| Proportion of working time spend on facility time by employee: | 2023/24 | 2022/23 |
|--|---------|---------|
| 0% of working time | 2 | - |
| 1-50% of working time | 4 | 6 |
| 51-99% of working time | - | - |
| 100% of working time | - | - |

| Proportion of pay bill spent on facility time: | 2023/24 | 2022/23 |
|--|-------------|-------------|
| Amount of pay bill spend on facility time | £5,750 | £19,290 |
| Total Pay bill | £11,784,000 | £11,570,000 |
| %age of pay bill spent on facility time | 0.05% | 0.17% |
| Time spent on paid trade union activities as a % of total paid facility time | 100% | 100% |

Equality, Diversity, and Inclusion

Scottish Canals strongly believes in equality of opportunity, we fully recognise our legal responsibilities, particularly in respect of age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity. We have a range of policies, procedures, and guidance in place to promote and ensure continuous improvement to support our employees from bankside to the Boardroom, and we apply Equalities Impact Assessments to all new initiatives.

We adhere to Scottish Government's Pay Policy by providing all employees with an annual pay award, while also maintaining our Living Wage accredited employer status. We also adhere to Scottish Government's Fair Work First policy, ensuring flexible ways of working, with a variety of flexible options on offer to support our diverse workforce in ensuring a good work and home life balance, along with the Right to Disconnect.

Learning and Development

We aim to continuously develop our workforce to ensure we have a sustainable, successful business now and in the future, invest in the learning and development of our employees, and value the vast range of skills and knowledge across all our people. As such, we want to empower our employees to identify and take ownership of their own, and their teams', wider development. Everyone knows what skills their jobs require and what is required to make it effective and is aware there are further opportunities for personal development.

We have increased our learning and development investments year-on-year. We are implementing innovative solutions, and we have ensured that everyone knows what is expected of them in terms of performance, job outcomes, attitudes, and behaviours. We have implemented large-scale online compliance training, national first aid and health and safety training, customer service improvements, and leadership and management development. While other budgets have been cut to achieve savings, we have maintained our central training budget, and additional funds were sourced from elsewhere, including the Flexible Workforce Development Fund, before it ended in 2024.

Social and Community Issues

Scottish Canals has worked closely with partners to open employment, training, and development opportunities for members of the communities through which the canals pass. During the year this has included developing relationships with local colleges and third sector organisations.

Sickness Absence

The absence rate for 2023/24 was 3.22% (2022/23: 2.47%). The calculation is based on actual FTE and includes all working time and sickness absence for employees who left and/or joined during the year.

Parliamentary Accountability and Audit Report

Statement of Outturn against Parliamentary Supply (not subject to audit)

Resource Outturn - Cash Funding

Resource funding is provided through monthly payments of grant in aid. The overall outturn was £24.1m (2022/23 £37.9m), an overspend of £566,000 (2022/23 £211,000 overspend) against budget, as shown below. The overspends reflect accounting adjustments at each year-end which were not incorporated within the original management accounts figures during the course of the year.

| | 2023/24 | | | 2022/23 Restated | | |
|------------------------|---------------|---------------|------------|------------------|---------------|-----------------------|
| | Budget | Outturn | Overspend | Budget | Outturn | (Under)/ Overspend |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue | 11,292 | 11,686 | 394 | 11,119 | 11,299 | 180 |
| Capital | 12,200 | 12,372 | 172 | 9,950 | 9,981 | 31 |
| | 23,492 | 24,058 | 566 | 21,069 | 21,280 | 211 |
| VAT Funding | - | - | - | 16,582 | 16,582 | - |
| Total Resources | 23,492 | 24,058 | 566 | 37,651 | 37,862 | 211 |

Scottish Canals does not receive a specific budget allocation for Annual Managed Expenditure (AME) for items such as IAS 19 adjustments as highlighted in staff costs and finance expenses below.

Resource Outturn - Non-Cash Funding

Ring-fenced non-cash funding is provided to cover **depreciation** each year. There has been a significant change in this expenditure due to the incorporation of a valuation of Scottish Canals' canal infrastructure in property, plant, and equipment since the change in status to a Non-Departmental Public Body.

Although Scottish Canals increased its depreciation due to the requirement to conduct a valuation of the canal infrastructure, there was no official corresponding change in the allocation of budget for depreciation, with the last two financial years resulting in the following overspend position:

| | 2023/24 | | | 2022/23 Restated | | |
|------------------------|--------------|---------------|---------------|------------------|---------------|--------------|
| | Budget | Outturn | Overspend | Budget | Outturn | Overspend |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total Resources | 2,700 | 15,213 | 12,513 | 2,700 | 10,539 | 7,839 |

Reconciliation of Revenue Outturn to Statement of Comprehensive Net Expenditure

| | Note | 2024 £'000 | 2023 Restated £'000 |
|---|------|-----------------|---------------------------|
| Net comprehensive expenditure per SoCNE after tax | | (16,946) | (22,260) |
| Add back non-cash grant in aid net expenditure: | | | |
| Staff costs – IAS 19 adjustment | 16 | (170) | 174 |
| Finance expenses – IAS 19 adjustment | 16 | 4 | 9 |
| Lease interest expense | | 79 | 72 |
| Share of Profit on Investment | | (79) | 46 |
| Depreciation, amortisation & impairment of non-current assets | 6 | 15,448 | 10,539 |
| (Gain)/loss on revaluation of investment properties | 8 | 2,965 | 1,242 |
| Capital grant release | 4 | (13,425) | (1,950) |
| In-year VAT liability | | 438 | 829 |
| Total non-cash grant in aid net (income)/expenditure | | 5,260 | 10,961 |
| | | | |
| Net Expenditure after Tax | | (11,686) | (11,299) |

Auditor's Remuneration

The Auditor General for Scotland is responsible to the Scottish Parliament for securing the audit of the financial statements of Scottish Canals. Audit Scotland was appointed by the Auditor General for Scotland as the external auditors for Scottish Canals for the year ended 31 March 2024. Payment of fees are expected to be £100,700 (2022/23: £95,000).

Political Expenditure

Scottish Canals made no political donations and incurred no political expenditure in the financial year (2022/23: £nil).

Gifts and Charitable Donations

Scottish Canals made no gifts or charitable donations in the financial year (2022/23: £nil).

Fraud

No instances of fraud were identified during the year.

Losses, Special Payments, and Write-offs

As detailed in the Remuneration and Staff Report, there was no severance payment made during the year (2022/23: one) and no special payments made (2022/23: nil).

There were some small elements of breakages and stock write-offs during the year which amounted to £3,000 (2022/23: £1,000).

There were two overpayments of salaries to ex-employees totalling £5,300, which is deemed to be irrecoverable. Boat damage occurred to a customer's boat, and payment of £8,500 was

made to the customer, and there was one payment of £50,000 for an alleged effluent leak as disclosed in the prior year accounts.

Bad debts provided for or written off during the year totalled £211k (2022/23 £177k).

Information, Equipment and Personal Data Losses

Speakers, screens and cameras have gone missing from The Falkirk Wheel meeting rooms which are rented out (2023/24: 19 mobile phones and 15 laptops). During 2023/24, there was one breach reported under the data security policy during the year (2022/23: three), however none required to be reported to the ICO (2022/23: nil) as detailed in the Corporate Governance Report.

Supplier Payment Policy

Scottish Canals aims to comply with Scottish Government's Better Payment Practice Code. Unless otherwise stated in the contract, Scottish Canals aims to pay within ten working days from either the receipt of goods or the presentation of a valid invoice, whichever is the later.

100% of supplier invoices were paid within the normal trading terms of 30 days (2022/23: 99%). The percentage of invoices paid within ten working days was 54% (2022/23: 70%). The overall trade creditor days was 12 days (2022/23: 49 days).

Contingent Liabilities

Scottish Canals had no new guarantees, indemnities, letters of comfort or any remote contingent liabilities during 2023/24.

Fees and Charges

Scottish Canals had no material fees and charges income during the year.

John Paterson
Chief Executive and Accountable Officer
Date

Independent Auditor's Report

Independent Auditor's Report to Scottish Canals, the Auditor General for Scotland, and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Canals for the year ended 31 March 2024 under section 24 of the Transport Act 1962. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of section 24 of the Transport Act 1962 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating

to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that section 24 of the Transport Act 1962 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website

www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration & Staff Report

I have audited the parts of the Remuneration & Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the section 24 of the Transport Act 1962 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report & accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with section 24 of the Transport Act 1962 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with section 24 of the Transport Act 1962 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

**Rachel Browne CPFA
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN**

Financial Statements



Scottish
Canals

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2024

| | Note | 2024 £'000 | 2023 Restated £'000 |
|--|------|-----------------|---------------------------|
| Income | | | |
| Income from commercial activities | 3 | (10,119) | (9,711) |
| Other operational income | 3 | (13,549) | (2,411) |
| Total Operating Income | | (23,668) | (12,122) |
| Expenditure | | | |
| Staff costs | 4 | 11,784 | 11,570 |
| Depreciation, amortisation & impairment of non-current assets | 6 | 15,448 | 10,539 |
| (Profit)/loss on sale of assets | | (5) | - |
| (Gain)/loss on revaluation of investment properties | 8 | 2,965 | 1,242 |
| Other operating charges | 4 | 10,349 | 10,882 |
| Total Operating Expenditure | | 40,541 | 34,233 |
| Net Operating Expenditure | | 16,873 | 22,111 |
| Finance expenses | 4 | 179 | 104 |
| Finance Income | 4 | (62) | (1) |
| Share of (profit)/loss on investments | 9 | (79) | 46 |
| Net Expenditure before Tax | | 16,911 | 22,260 |
| Taxation | 5 | 35 | - |
| Net Expenditure after Tax | | 16,946 | 22,260 |
| Other Comprehensive (Income)/Expenditure | | | |
| (Gain)/loss on revaluation reserve for property, plant & equipment | 6 | (25,430) | (4,116) |
| Deferred Tax | 5 | (365) | 343 |
| Actuarial (gain) in pension schemes | | (1,652) | (1,661) |
| Other Comprehensive (Income)/Expenditure | | (27,447) | (5,434) |
| Comprehensive Net (Income)/ Expenditure for the year | | (10,501) | 16,824 |

Statement of Financial Position as at 31 March 2024

| | Note | 31 March 2024 £'000 | 31 March 2023 Restated £'000 | 01 April 2022 £'000 |
|--------------------------------|------|------------------------|------------------------------------|------------------------|
| Non-current assets | | | | |
| Property, plant & equipment | 6 | 468,934 | 449,496 | 441,412 |
| Heritage assets | 7 | 7,468 | 7,063 | 6,988 |
| Investment property | 8 | 23,182 | 22,578 | 23,819 |
| Investments | 9 | 6,350 | 6,271 | 6,317 |
| Right-of-use assets | 11 | 2,300 | 652 | - |
| Intangible assets | 10 | 225 | 24 | - |
| Total non-current assets | | 508,459 | 486,084 | 478,536 |
| Current assets | | | | |
| Inventories | 12 | 113 | 97 | 84 |
| Trade & other receivables | 13 | 8,121 | 8,160 | 7,456 |
| Cash & cash equivalents | 14 | 2,409 | 2,842 | 1,857 |
| Total current assets | | 10,643 | 11,099 | 9,397 |
| Total assets | | 519,102 | 497,183 | 487,933 |
| Current liabilities | | | | |
| Trade & other payables | 15 | 13,908 | 16,329 | 15,173 |
| Lease Liabilities | 11 | 463 | 160 | - |
| Total current liabilities | | 14,371 | 16,489 | 15,173 |
| Non-current liabilities | | | | |
| Pension liability | 16 | 259 | 202 | 262 |
| Lease liabilities | 11 | 1,876 | 501 | 15,546 |
| Long-term liabilities | | - | - | - |
| Deferred capital income | 17 | 19,964 | 29,341 | 25,814 |
| Total non-current liabilities | | 22,099 | 30,044 | 41,622 |
| Total liabilities | | 36,470 | 46,533 | 56,795 |
| Net assets | | 482,632 | 450,650 | 431,138 |

| | | | | |
|--------------------------------|----|----------------|----------------|----------------|
| Taxpayers' equity | | | | |
| General fund | | 118,546 | 100,357 | 86,675 |
| Pension reserve | 16 | (259) | (202) | (262) |
| Revaluation reserve | | 364,345 | 350,495 | 344,725 |
| Total taxpayers' equity | | 482,632 | 450,650 | 431,138 |

Approved and authorised for issue by the Board. Signed on behalf of the Board:

John Paterson
Chief Executive and Accountable Officer
Date

Statement of Cashflows

For the Year Ended 31 March 2024

| | Note | 31 March 2024 £'000 | | 31 March 2023 Restated £'000 | |
|---|------|------------------------|-----------------|------------------------------------|-----------------|
| Cash flows from operating activities | | | | | |
| Net expenditure before tax | | (16,911) | | (22,260) | |
| Adjustment for non-cash items: | | | | | |
| Depreciation and impairment of non-current assets | 6 | 15,448 | | 10,539 | |
| Net interest cost - IAS 19 adjustment | 16 | 4 | | 9 | |
| Interest on obligation - IAS 19 adjustment | 16 | 538 | | 794 | |
| VAT calculation for in-year assessment | | 260 | | 738 | |
| Gain/(Loss) on revaluation of Investment Properties | | 2,965 | | 1,242 | |
| Release of deferred capital income | | (16,059) | | (6,310) | |
| (Gain)/loss on sale of non-current assets | 6 | - | | - | |
| Gain/loss on disposal of assets | | 62 | | - | |
| Share of (profit)/loss on investments | 9 | (79) | | 46 | |
| | | (13,772) | | (15,202) | |
| Movements in working capital | | | | | |
| (Increase)/decrease in inventories | 12 | (16) | | (11) | |
| (Increase)/decrease in receivables | 13 | 39 | | (703) | |
| Increase in payables | 15 | (2,421) | | 1,156 | |
| Net cash flows from operating activities | | | (16,170) | | (14,760) |
| Cash flows from investing activities | | | | | |
| Acquisition of property, plant, and equipment | 6 | (9,430) | | (14,913) | |
| Acquisition of Right to Use Assets | | (1,866) | | (876) | |
| Proceeds from disposal of non-current assets | 6 | 5 | | 3 | |
| Net cash flows from investing activities | | | (11,291) | | (15,786) |
| Cash flows from financing activities | | | | | |
| Deferred capital income received | | 9,374 | | 9,531 | |
| Repayment of principal on right-of-use assets | | 385 | | 242 | |
| VAT Liability | | (3,606) | | (14,476) | |
| Increase in right-of-use liabilities | | (2,617) | | (1,417) | |
| Grant in aid | | 23,492 | | 37,651 | |
| Net cash flows from financing activities | | | 27,028 | | 31,531 |
| Net (decrease)/increase in cash and cash equivalents | | | (433) | | 985 |
| Cash and cash equivalents at beginning of year | | | 2,842 | | 1,857 |
| Cash and cash equivalents at the end of the year | | | 2,409 | | 2,842 |

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2024

| Year Ended 31 March 2024 | | | | |
|--|-----------------------|--------------------------|------------------------------|----------------|
| | General Fund £'000 | Pension Reserve £'000 | Revaluation Reserve £'000 | Total £'000 |
| Balance at 1 April 2023 | 100,357 | (202) | 350,494 | 450,649 |
| Grant from sponsoring department | 23,492 | - | - | 23,492 |
| Net expenditure for the year | (16,745) | 166 | - | (16,579) |
| Actuarial loss on retirement benefit obligations | - | (223) | - | (223) |
| Disposals of Non-Current Assets | (38) | - | (180) | (218) |
| Amortisation of Revaluation Reserve | 11,480 | - | (11,480) | - |
| Revaluation of non-current assets | - | - | 25,511 | 25,511 |
| Balance at 31 March 2024 | 118,546 | (259) | 364,345 | 482,632 |

| Year Ended 31 March 2023 Restated | | | | |
|--|-----------------------|--------------------------|------------------------------|----------------|
| | General Fund £'000 | Pension Reserve £'000 | Revaluation Reserve £'000 | Total £'000 |
| Balance at 1 April 2023 | 77,761 | (262) | 360,934 | 438,433 |
| Grant from sponsoring department | 37,651 | - | - | 37,651 |
| Net expenditure for the year | (22,077) | (183) | - | (22,260) |
| Actuarial gain on retirement benefit obligations | - | 243 | - | 243 |
| Disposals of Non-Current Assets | 730 | - | (730) | - |
| Amortisation of Revaluation Reserve | 8,073 | - | (8,073) | - |
| Revaluation of non-current assets | (1,781) | - | (1,637) | (3,418) |
| Balance at 31 March 2023 | 100,357 | (202) | 350,494 | 450,649 |

Notes to the Accounts

1.1 Statement of accounting policies

The Annual Report & Accounts have been prepared in accordance with the Accounts Direction issued by Scottish Government, and in a form directed by Scottish Ministers in accordance with the Scottish Public Finance Manual (SPFM), the 2023/24 Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards, IFRIC Interpretations and the Companies Acts to the extent they are meaningful and appropriate to the public sector.

Scottish Canals has restated some of its property, plant, and equipment to take into account additional valuation adjustments. Full details of the effect of the restatement, together with a restated SoFP as at 31 March 2023 and 1 April 2022, and restated SoCNE and SoFP for the year ended 31 March 2023 is included in the notes to the Accounts.

Going concern

The Directors consider Scottish Canals to be a going concern due to its responsibilities and position under the Transport Scotland directorate of Scottish Government. Revenue grant in aid of £12.8m for 2024/25 has been approved and there is no reason to believe that future financial support will not continue.

Under its Framework Document, Scottish Canals also has a right to act as if it were a company engaged in commercial enterprise. The percentage of revenue the organisation relies upon from its commercial income has increased as support from Scottish Government has decreased, as can be seen in note 3. Therefore, support from Transport Scotland to enable Scottish Canals to invest in its commercial ventures is essential to ensure the financial resilience of Scottish Canals in the medium to long-term.

New accounting standards

There are no new standards not yet effective that will have an impact on the Annual Report & Accounts for the year ended 31 March 2024.

Segmental reporting

During the year, the reporting of segments to the Executive Management Team has been updated to reflect each Directorate separately. As a result, the segmental reporting has been restated for the year ended 31 March 2023 to reflect the comparative information.

The directorate information is made up as follows:

Chief Executive and Corporate Affairs – this is made up of the Board and CEO expenditure, and expenditure on marketing with corresponding income such as income from filming.

Finance & Business Services – this is made up of the back-office functions of finance, procurement and ICT. Post year-end, the Governance and Legal team moved to the Finance & Business Services function, and so in future years this will be incorporated within this section, with comparatives restated.

People, Places and Governance – this contains the rest of the back-office functions of health and safety, heritage environment and sustainability and people.

Operations – operations is the largest directorate, and contains the core day-to-day running costs of engineering, operational fleet, core infrastructure and related projects such as the Smart Canal and operations across the Caledonian, Crinan and Lowlands canals.

Operations also contains the commercial parts of our business, which include the following:

Living on Water - includes the income and management of the organisation's investment moorings

Destinations – this comprises catering, retail income, and accommodation income at the Caledonian Canal Centre, Fort Augustus

The Falkirk Wheel – comprising boat trip income, activities, catering and retail income from The Falkirk Wheel and the Kelpies

Property - includes the income and management of the organisation's commercial and residential properties and the management of operational properties.

Placemaking – the team dedicated to seeking investment opportunities and partnerships to regenerate areas along our canals and benefit canalside local communities

Key Sources of Judgement and Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

1. Asset Categorisation – Canal Infrastructure

Scottish Canals performed a benchmarking exercise to compare the appropriate classification of the canal infrastructure assets with other entities in the public and private sectors.

Management has determined that, in accordance with the FReM, the most appropriate classification of these canal assets is that they form a 'networked asset.' The primary purpose of the canals was to provide a waterways network in order to facilitate travel by boat, and this continues to this day. Many parts of the canal infrastructure are of historic significance; however, this was not originally and still is not assessed as being the primary purpose of the canals.

Networked assets across the canal network includes all assets that contribute directly to the network such as bridges, aqueducts, and the embankments. All canal infrastructure assets within the network are being valued as individual assets at either fair value or current value in existing use.

Scottish Canals considers that the canal infrastructure assets have an appropriate level of componentisation to a suitable level based on asset lives and available cost data.

Where an asset is used operationally as part of the network but also holds heritage value (for example it is designated) it is still treated as part of the networked asset. The categorisation of networked asset takes precedence over the heritage nature of the asset.

An option is available under the non-operational heritage assets category to carry the assets at historical cost or to not include when fair value cannot be obtained. Scottish Canals determines the canal network to be operational and a valuation is obtainable.

The canal network is determined to be specialised assets, valued at Depreciated Replacement Cost (DRC). There is no open market for the sale of the canal network and as such, the DRC approach is an accepted method of valuation per the FReM.

The network asset is valued at Depreciated Replacement Cost (DRC) by our valuers.

The valuation of the network asset is based on the modern equivalent asset value (MEA) of the asset, with the conditions of the assets being regularly assessed by waterways operatives along the canal network.

The network asset is componentised to meet the initial recognition rules of IAS 16. Where the cost of a part of the asset is significant in relation to the total cost of the item, it is depreciated separately.

2. Operational Land

Scottish Canals has reviewed the methodology used for the valuation of its 141 miles of canal lengths, and associated land under the canals, and still considers this methodology reasonable.

The length of the canal is split into kilometres within the existing AMX Engineering System and is aligned with the Geographic Information System which attributes title deed references to the associated land.

For the valuation of the real estate, the concept of the modern equivalent asset (MEA) was a significant part of the exercise. How much land Scottish Canals is valuing for its canal network represents a notional site that supports the modern equivalent assets, i.e. the land under the canal which would support the building of a new canal. This is deemed reasonable due to the varied widths of the canals across the 141 miles of network.

The land was measured using a blended rate per acre for each canal based on the unique features of the landscape of each of the canals, as seen below:

| | Square metres of land valued | Acres |
|---------------------|------------------------------|--------------|
| Caledonian Canal | 3,605,489 | 891 |
| Crinan Canal | 837,691 | 207 |
| Monklands Canal | 166,504 | 41 |
| Union Canal | 1,526,792 | 377 |
| Forth & Clyde Canal | 3,680,626 | 909 |
| Total | 9,817,102 | 2,425 |

The blended rate per acre depends on the various different uses of land across each unique canal. This rate is based on the following land categories, and will be subject to change if the use of land changes significantly across each canal network:

Non-developable Amenity land Commercial Urban Centre Residential Urban
 Non-developable Agricultural Commercial Urban Fringe Residential Suburban
 Non-developable Moor/Forest Commercial Small Town
 Non-developable Other

The appropriate price per acre was determined by professional valuers on the basis of independent research, considering market evidence, research publications and local agent insight, with an assessment that the land value should reflect the lowest amount that a hypothetical purchaser would pay. The rates per acre therefore do not reflect prime commercial or residential values in the relevant markets and are typically at the lower end of the range of comparable evidence. This is considered prudent given the specific current use of the land.

3. Useful Life

Scottish Canals has adopted useful lives that are an estimate of the period over which an asset is expected to be available for use by Scottish Canals. This estimate is based on the experience of Scottish Canals and its staff in operating and maintaining the canal network. The useful lives have been reviewed.

| Item Category | Useful Life Adopted |
|---|---------------------|
| Waterways/waterbodies | 10 to 450 years |
| Structures | 10 to 350 years |
| Operational real estate | 9 to 225 years |
| Canal/waterside accessories | 10 to 450 years |
| Transportation/crafts and miscellaneous equipment | 3 to 100 years |
| Heritage assets | 75 to 200 years |

Consolidation

Scottish Canals has several entities which can be regarded as related entities, and over which Scottish Canals and its Directors have an element of control as detailed in the notes to the accounts.

Scottish Canals has determined that due to the low materiality of the related parties, to not prepare Group accounts, but will assess the decision going forward.

1.2 Grant in aid and General Fund

Scottish Canals is primarily funded by Scottish Government. Grant in aid is received throughout the year and is intended to meet estimated expenditure. Scottish Government does not allow funding to be made available in advance of need, nor does it allow unused funding to be carried forward into future years.

1.3 Revenue Recognition

The organisation recognises revenue on an accruals' basis when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the organisation. Revenue is measured by reference to the fair value of consideration received or receivable by the organisation for goods supplied and services provided, excluding VAT and trade discounts.

To determine whether to recognise revenue, Scottish Canals follows a 5-step process:

1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when/as performance obligations are satisfied

Revenue is recognised either at a point in time or over time, when (or as) Scottish Canals satisfies performance obligations by transferring the promised goods or services to its customers.

SALE OF GOODS

Revenues from the sale of goods are recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, the organisation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue and costs incurred or to be incurred can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the organisation.

Water sales - Sales of water supplied from our waterway network under a water sales agreement allow access to a continuous supply of water over the period contracted. These are invoiced in arrears and revenue is accrued on a straight-line basis on the assumption that water is used at a constant rate.

Retail sales - Sales of goods from our waterway visitor centres are recognised on a point-of-sale basis.

Other sales of goods - These include such items as equipment for boaters such as lock and sanitary station keys, information booklets and other waterway related items. These are recognised on a point-of-sale basis.

Electricity sales - electricity is billed on an accruals' basis.

SALE OF SERVICES

Revenue is recognised by reference to the stage of completion of the transaction at the Statement of Financial Position. Stage of completion is measured by reference to the assessment of a suitably qualified expert as to the progress of the contracted work. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Boat licences and mooring permits - These are invoiced in advance and revenue is recognised on an accruals' basis over the term of the licence or permit.

Wayleaves and easements - This is income received from third parties in return for access to Scottish Canals' land, for example underground pipes. These agreements are for fixed time periods and revenue is recognised on a straight-line basis over the term of the agreement.

Maintenance agreements - This is income received from third parties (such as a local authority) to maintain an area of the waterway network. The revenue is recognised on a straight-line basis over the term of the agreement reflecting the assumption that maintenance is performed at a constant

rate over the term of the agreement. Improvements are capitalised when the conditions of IAS 16 are met.

Other income from third parties - This is income towards restoring and improving the waterways network. Revenue is recognised in proportion to the staged completion of the work being funded.

Other income from services - These are recognised either at the time of provision of the service or on an accruals' basis depending on the type of revenue.

c. Revenue Grants

Grants of a revenue nature are credited to the SoCNE when the conditions for the receipt of the grant have been complied with and there is a reasonable assurance that the grant will be received. These are disclosed as third-party funding under other operational income.

Monies for both capital and revenue grants and contributions received in advance for which conditions have not been satisfied are carried in the SoFP as creditors.

d. Capital Grants

Third party capital funding is received by the organisation from related parties such as councils, NHS bodies, other NDPBs and Sustrans as detailed in the notes to the accounts. Such grant income and third-party funding is drawn down in line with the conditions of the funding and award letters and released to the SoCNE under 'capital grant release' within other operational income once construction of the relevant asset has been completed and capitalised, or on the crystallising of other required conditions from the funder.

In accordance with the FReM, capital grants received with no specific condition applied are recognised as income through the Statement of Comprehensive Net Expenditure.

Bad Debts

Bad debts are provided for in year based on information available as the end of the financial year, it is only written off in the year following audit completion.

1.4 Taxation

Corporation Tax

Scottish Canals is currently in discussion with HMRC and has prepared calculations to demonstrate the impact of preparing the period ended 31 March 2021 onwards on the basis of taxing the commercial activities. In arriving at the commercial Tax EBITDA, the business has apportioned its costs between the core and commercial activities on an actual basis i.e. costs directly related to the commercial business have been allocated to the commercial business

Income from grant in aid is not chargeable to corporation tax. However, HMRC has determined that profit generated from commercial contract work undertaken by Scottish Canals is chargeable to corporation tax.

Tax on the profit or loss for the period comprises current and deferred tax. Corporation tax is recognised in the SoCNE except to the extent that it relates to items taken directly to equity. The

tax currently payable is based on taxable profit for the year from Commercial Activities. Taxable profit differs from net profit as reported in the SoCNE because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The organisation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Date of the SoFP.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the SoFP and the corresponding tax bases used in the computation of taxable profit and is accounted for using the SoFP liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures except where the organisation can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is provided on the full difference between the original cost of investment properties and their carrying amounts at the reporting date considering deductions and allowances which would apply if the properties concerned were to be sold.

The carrying amount of deferred tax assets is reviewed at each date of the SoFP and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited directly in equity or in the SoCNE, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also recognised in equity or other comprehensive income accordingly.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current and deferred tax assets against current and deferred tax liabilities and when they relate to income taxes levied by the same taxation authority and the organisation intends to settle its current tax assets and liabilities on a net basis.

VAT

Scottish Canals has been under investigation for some time regarding its ability to reclaim input VAT on purchases. Although Scottish Canals had previously been recording its activities as business-related, this treatment has been deemed inappropriate by HMRC.

An agreement in principle on a proposed methodology have been reached, and it is likely that Scottish Canals will remain able to reclaim input VAT on 100% of its revenue-generating expenses

for Property & Estates and The Falkirk Wheel and other Destinations, the recoverability of other expenditure going forward is lower.

As agreement has been reached post year end, Scottish canals has applied the agreement in principle during 2023/24 accounts preparation.

The organisation is fully budgeting for the effect of irrecoverable input VAT for 2024/25 onwards.

1.5 Property, Plant and Equipment

Property, plant, and equipment represents tangible items held for use by Scottish Canals in the provision of services and are all expected to be in use for more than one financial year.

De Minimis

Canal infrastructure assets have been reviewed individually in accordance with a de-minimis threshold of £10,000. All other non-current assets have been reviewed individually in accordance with a de-minimis threshold of £5,000.

The exception to this is where a bulk purchase has been made and the assets are expected to have the same useful economic life. Therefore, an asset which is ordinarily below the de-minimis individually may not be in aggregate – such as laptops, smart bollards. During the in-year valuation of our historic assets, where no evidence has been available of any bulk purchase of items, assets valued at below £5,000 in line with today's estimated value to purchase have not been capitalised.

Property, plant, and equipment is made up of several categories.

1. Waterways and waterbodies

- assets that contain or are required to contain water, this includes earth structures, retaining walls, certain smaller aqueducts, slipways, waterway lengths (canals and feeders), reservoirs, winding holes, and embankments. Capital dredging in line with the following guidance.

Scottish Canals only capitalises specific dredging where it is carried out to a depth not previously dredged, or to a depth not dredged within the last 10 years. This results in the creation or deepening of navigational channels and increases the capacity and the useful life of the canal.

It can also reduce the requirement for canal bank maintenance as the canal banking suffers less wave action and therefore erosion from passing traffic. This is due to the canal depth being deeper and water levels lower.

Furthermore, this type of dredging activity creates additional capacity for surface water runoff in the event of heavy rain thus adding to an area's available flood defences.

Maintenance dredging also occurs from time to time to maintain channels at their desired depths to remove sediment and is considered revenue expenditure and not capitalised.

2. Structures

- locks, bridges, tunnels, The Falkirk Wheel boat lift, culverts, sluices, weirs, breakwaters, and large aqueducts

3. Real Estate – Operational

- building assets needed for the operation of the canal, such as lighthouses, control cabins and pump-out station

4. Canal/waterside accessories

- canal-side furniture and artifacts, safety/stop gates, access points, watercourse/drain, all types of landings/moorings, leisure amenities, safety equipment, signage, stop planks, bollards, and land improvements

5. Transportation/crafts and miscellaneous equipment

- vessels, vehicles, tractors, mowers, excavators, weed cutters, mobile welfare units, cranes, MEICA, general equipment and office and IT equipment

Expenditure on repairs and renewals is charged to the SoCNE as it arises.

Capitalisation of Staff Costs

Where a staff member's time is directly attributable to a capital project, the time and cost will be capitalised as part of the asset cost. This is done through the completion of timesheets that record the time worked on these projects.

The following costs are capitalised

- Salaries
- Allowances
- Bonuses
- National Insurance Employers contributions
- Pension Employers contributions

The following staff expense costs are capitalised

- Travel
- Accommodation
- Subsistence

Valuation

The revaluation model from IAS16 is adopted for the measurement of PP&E balances after recognition.

1. Waterways and waterbodies

Asset valuations are appraised using the cost approach, with formal valuations conducted every five years, supplemented by annual indexation in alternate years. Formal valuations are carried out by a valuer who is a member of the Royal Institution of Chartered Surveyors (RICS), while annual indexations are executed internally by Scottish Canals.

Assets that are newly in use in the year do not have an indexation applied at the year end. Indexation is then applied in subsequent years before they are valued at the next formal valuation. However, if there are indicators that the impact of a valuation at year end would have a material impact on the carrying value, then a formal valuation will be carried out on the affected assets.

Some assets such as embankment upgrades, dredging and sheet piling are held at depreciated historic cost as a proxy for fair value. The value of these assets will be considered during the next formal quinquennial valuation. The most recent formal valuation was performed by EY for the financial year ended 31 March 2022.

2. Structures

Asset valuations are appraised using the cost approach, with formal valuations conducted every five years, supplemented by annual indexation in alternate years. Formal valuations are carried out by a valuer who is a member of the Royal Institution of Chartered Surveyors (RICS), while annual indexations are executed internally by Scottish Canals.

Assets that are newly in use in the year do not have an indexation applied at the year end. Indexation is then applied in subsequent years before they are valued at the next formal valuation. However, if there are indicators that the impact of a valuation at year end would have a material impact on the carrying value, then a formal valuation will be carried out on the affected assets.

Some assets such as steel lock gates, culverts and bridge resurfacing are held at depreciated historic cost as a proxy for fair value. The value of these assets will be considered during the next formal quinquennial valuation. The most recent formal valuation was performed by EY for the financial year ended 31 March 2022.

Asset valuations are appraised using the fair value approach, with formal valuations conducted every five years, supplemented by annual indexation in alternate years. Formal valuations are carried out by a valuer who is a member of the Royal Institution of Chartered Surveyors (RICS), while annual indexations are executed internally by Scottish Canals.

Assets that are newly in use in the year do not have an indexation applied at the year end. Indexation is then applied in subsequent years before they are valued at the next formal valuation. However, if there are indicators that the impact of a valuation at year end would have a material impact on the carrying value, then a formal valuation will be carried out on the affected assets.

Some assets such as some small parcels of operational land, pump houses and small outbuildings are held at depreciated historic cost as a proxy for fair value. The most recent formal valuation was performed by Gerald Eve and CBRE for the financial year ended 31 March 2024.

3. Canal/waterside accessories

Asset valuations are appraised using the cost approach, with formal valuations conducted every five years, supplemented by annual indexation in alternate years. Formal valuations are carried out by a valuer who is a member of the Royal Institution of Chartered Surveyors (RICS), while annual indexations are executed internally by Scottish Canals.

Assets that are newly in use in the year do not have an indexation applied at the year end. Indexation is then applied in subsequent years before they are valued at the next formal valuation. However, if there are indicators that the impact of a valuation at year end would have a material impact on the carrying value, then a formal valuation will be carried out on the affected assets.

Some assets such as Moorings, Bollards, stop planks, vessels/crafts, cranes, signage and Canalside furniture are held at depreciated historic cost as a proxy for fair value. The most recent formal valuation was performed by EY for the financial year ending 31 March 2022.

4. Real Estate - Operational

Asset valuations are appraised using the market approach with formal valuations conducted every five years, supplemented by annual indexation in alternate years. Formal valuations are carried out by a valuer who is a member of the Royal Institution of Chartered Surveyors (RICS), while annual indexations are executed internally by Scottish Canals.

Assets that are newly in use in the year do not have an indexation applied at the year end. Indexation is then applied in subsequent years before they are valued at the next formal valuation. However, if there are indicators that the impact of a valuation at year end would have a material impact on the carrying value, then a formal valuation will be carried out on the affected assets.

Some assets such as Stores, Smaller Commercial buildings, workshops and waste sites, or value less than £95 000 are held at depreciated historic cost as a proxy for fair value. The most recent formal valuation was performed by EY for the financial year ending 31 March 2022.

5. Transportation/crafts and miscellaneous equipment

Assets are held at their depreciated historic cost as proxy for fair value. The assets in this classification are considered to be of lower value and the impact of any valuation was not considered to be material.

This classification includes vehicles, telemetry, IT equipment and other smaller value assets.

Summary of Asset Classification by Valuation Method

| Asset Classification | Valuation Method | Lower value Valuation method |
|---------------------------------|-------------------------|--|
| Waterways and Waterbodies | Cost Approach | Depreciated Historic Cost (Net book value) |
| Structure | Cost Approach | Depreciated Historic Cost (Net book value) |
| Canal and Waterside Accessories | Cost Approach | Depreciated Historic Cost (Net book value) |
| Real Estate – Operational | Market Approach | Depreciated Historic Cost (Net book value) |

| | | |
|--|--|-----|
| Transportation/Craft and Miscellaneous equipment | Depreciated Historic Cost (Net book value) | n/a |
|--|--|-----|

Depreciation

Property, plant, and equipment stated at Depreciated Replacement Cost (DRC), are stated net of depreciation and any provision for permanent diminution in value.

Depreciation is calculated on a straight-line basis over an assets Useful Life.

Depreciation is provided on all property, plant, and equipment, other than land and assets under construction, when substantially all the risks and rewards of the asset have been transferred to Scottish Canals in the month following the date it is brought into use.

Depreciation is calculated up until the month prior to asset disposal.

Impairment

The carrying values of Scottish Canals' assets are reviewed at each date of the SoFP to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and its current value in use. An impairment loss is recognised in the SoCNE whenever the carrying amount of an asset exceeds its recoverable amount.

Revaluation Reserve

Operational assets which are held for their service potential and are in use are measured at current value in existing use to ensure the carrying value is not materially different from the current value.

Any subsequent increase in valuation is taken to a Revaluation Reserve except where they reverse an impairment previously recognised in the SoCNE, in which case they are recognised there.

Any decrease in the value of an asset will be set against the relevant asset's revaluation reserve until the reserve has been exhausted, and thereafter will be charged as an impairment in the SoCNE.

1.6 Heritage Assets

Non-operational assets are valued at current value in existing use or fair value or historic cost, where it is not practicable or commensurate to obtain a fair value in accordance with IFRS 13.

Such assets with a cost or fair value less than £5,000 are deemed not to have reached the required level of capitalisation and are not shown within the accounts.

Scottish Canals does not consider any of its assets meet the criteria to be operational heritage assets. Any canal infrastructure and associated assets with historical, scientific, geophysical, or environmental qualities are also an inherent part of the canal infrastructure network, are treated as property, plant, and equipment, and valued as such.

Scottish Canals considers 'The Kelpies' the only material heritage assets which meets the criteria in accordance with the FReM and has full details of their historic cost records. An annual valuation by Gerald Eve is carried out, as of 31 March 2023.

Similarly to property, plant and equipment, the revaluation of heritage assets may result in an increase or decrease in valuation at any point in time. Any increase in valuation is taken to a Revaluation Reserve except when it reverses an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised there.

Any decrease in the value of an asset will be set against the relevant asset's revaluation reserve until the reserve has been exhausted, and thereafter will be charged as an impairment in the Statement of Comprehensive Net Expenditure.

Scottish Canals is the custodian of canal-related historic records and artefacts that relate to the construction, maintenance, operations, and management of the canals in Scotland. The records are of enduring value which are worthy of permanent preservation for their historical, cultural and research value. Scottish Canals has a Memorandum of Understanding with National Records of Scotland for the transfer of these documents to the National Records.

In line with section 10.1.38 of the FReM, obtaining a meaningful valuation of these assets is not achievable at a cost commensurate with the benefit to the users of the financial statements. As a result, these assets have not been recognised in the SoFP. Expenditure to maintain, repair and preserve these assets is charged to the SoCNE as incurred.

1.7 Investment Property

Investment properties are classified as being held for long-term investment to earn rental income or for capital appreciation or both. Investment properties were measured initially at cost, including transaction costs, less any capital grants received.

The organisation uses the valuation performed by its external valuers, CBRE and Gerald Eve, as the fair value of its investment properties as at 31 March. The valuation is produced by suitably qualified (RICS) surveyors and based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also refer to market evidence of transaction prices for similar properties. The valuations are reviewed in the light of current market conditions each year. A summary of the results of this process is given in the notes to these accounts. The valuations were reviewed as 23 October 2023 for Gerald Eve and at 22 June 2023 for CBRE.

The investment property portfolio includes land and buildings which are mature investments let at open market rents and those which have potential for capital appreciation driven through wider regeneration activity and the planning process.

No depreciation is charged on investment properties. Investment properties are valued by independent, professionally certified valuers on a fair value basis based on the market value approach, using prices and other information generated by market transactions for comparable assets.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by end of owner-occupation, commencement of owner-occupation or where the asset meets the criteria for classification as held for sale i.e. immediately available for sale in its present condition, a programme for sale has been initiated and it is highly probable that a sale will occur within one year.

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from Scottish Canals and no more future economic benefits are expected.

Gains or losses arising from changes in the fair values of investment properties are included in the SoCNE.

1.8 Assets Under Construction

Assets classified as under construction are recognised in the SoFP at cost on an accruals' basis. The asset is not depreciated until fully commissioned and brought into use at the end of the relevant accounting year and is re-categorised as appropriate at that time.

The organisation is required to judge when there is sufficient objective evidence to require the impairment of assets under construction. It does this based on a robust project appraisal throughout the life cycle of each constituent aspect of the project.

1.9 Investments

Under the equity method, investments are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in Scottish Canals' share of profit or loss since the acquisition date.

The SoCNE reflects Scottish Canals' share of the results of operations of the investments. Any change in performance of those investees is presented as part of Scottish Canals' SoCNE.

After application of the equity method, Scottish Canals determines whether it is necessary to recognise an impairment loss on its investment. At each reporting date, it is determined whether there is objective evidence that it is impaired. If there is such evidence, the amount of impairment is calculated as the difference between the recoverable amount of the investment and carrying value, and then recognised as a loss within 'Share of profit of an investment' in the SoCNE.

1.10 Intangible Non-Current Assets

Scottish Canals has one type of intangible asset in respect of software, licences, and elements of ICT systems. Intangible non-current assets are capitalised if it is considered they have a life of more than one year and the expenditure, net of VAT, is greater than a de minimis threshold of £5,000. Software, licences, and elements of ICT systems are only capitalised and recognised in the SoFP when there is a future economic benefit or service potential which is identifiable.

1.11 Right-of-use Assets and Leases

Right-of-use Assets

Scottish Canals recognises a right-of-use asset upon commencement of a new lease agreements over 12 months. The right-of-use is initially measured at cost, being the initial amount of the lease liability adjusted for any lease payments made before the commencement date, less incentives received. At transition to IFRS 16 on 1 April 2022, the right-of-use assets have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments. The asset is then depreciated using the straight-line method from the commencement date of the lease term, provided the lease term is equal to or shorter than the assets' useful life. The estimated useful lives of the right of use assets are determined on the same basis as those of property, plant, and equipment assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HMT.

Management has made a judgement on the value of the leased assets and has excluded low value leases of items such as pontoons.

Organisation as a lessor

Assets leased out under operating leases are included in property, plant and equipment and investment property. Rental income, including the effect of lease incentives, is recognised on a straight-line basis over the lease term. As most operating leases are for commercial and residential properties, and the annual rent increases is negotiated at the onset of contract, the risks are mitigated.

Scottish Canals assesses if a contract is a lease at the inception of the contract, a contract is considered a lease if there is right of control of identified asset for a period of time, the organisation also identifies the use of the asset, the right to obtain majority of the economic benefit from the use of the asset and whether Scottish Canals have the right to direct the use of the asset. Where the organisation transfers substantially all the risks and rewards incidental to legal ownership of the asset, the arrangement is classified as a sale of an asset and the asset is derecognised.

Scottish Canals has entered into commercial property leases on its investment property portfolio and has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases as a lessor.

Scottish Canals has no operating leases relating to variable lease payments that do not depend on an index rate.

Grant of long lease over investment property

Scottish Canals has a statutory responsibility to maintain an interest in the future use of any land that is disposed of having issue onto or bordering the waterways. In situations where such disposals occur, the substance of the transaction is that the organisation effectively disposes of its interest, but retains a reversionary interest, and reflects the resultant profit / loss at the point of the disposal. Grants of long leasehold interests in land that transfer substantially all the risks and rewards of ownership are accounted as a sale of a lease with the proceeds and profit recognised on completion.

1.12 Inventories

Stocks are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each date of the SoFP, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the SoCNE.

1.13 Financial Instruments

Scottish Canals is funded through grant in aid in order that the organisation can meet its financial responsibilities as they fall due throughout the year and maintain an adequate level of working capital.

Scottish Canals has no power to borrow funds. Financial assets and liabilities are generated through day-to-day operational activities and there are no additional financial instruments held. Because of the nature of its activities and the way in which the Scottish Canals is financed, there is little exposure to the degree of financial risk faced by business entities.

Cash and cash equivalents are measured at fair value constituting Hierarchy Level 1

All other assets and liabilities are measured at fair value constituting Hierarchy Level 2 input.

Scottish Canals' financial assets are recognised when the organisation has a contractual right to receive and are derecognised when and if the rights to receive cashflows from the asset and associated risks and rewards of ownership have expired or transferred. The organisation's financial assets and liabilities are defined as follows:

a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

b) Trade & other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

This represents the invoiced amounts, less adjustments for estimated revenue deductions such as rebates and cash discounts, and a reduction for any doubtful debts.

c) Trade & other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at fair value which represents the invoiced amount, less adjustment for estimated revenue deductions and subsequently measured at amortised cost.

1.14 Provisions

A provision arises if there is a possible obligation arising from a present legal or constructive obligation as a result of past events. A provision is recognised even if the likelihood of an outflow may be small and is measured at the estimated value of the expenditure expected to be required to settle the obligation at the end of the relevant period.

1.15 Contingent Liabilities

A contingent liability arises if there is a possible obligation arising from a past event at the date of signature of the SoFP, and the amount of the obligation cannot be reliably measured.

1.16 Employee Benefits

Scottish Canals has three pension funds which require disclosure:

1. Scottish Widows Defined Contribution Scheme
2. Waterways Pension Fund (closed to future accrual)
3. Strathclyde Pension Fund (Local Government Pension Scheme)

Scottish Canals participates in a defined contribution pension plan for employees that commenced employment after 31 March 2011. Scottish Canals pays contributions to Scottish Widows who administer the pension. Scottish Canals has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

Scottish Canals participates in the Waterways Pension Fund, a funded defined benefit scheme that was open to all staff that commenced employment with British Waterways before 31 March 2011. Following the British Waterways Board (Transfer of Functions) Order 2012, British Waterways ceased to be the Principal Employer, but Scottish Canals remains a participating employer. In 2016, the Waterways Pension Fund (WPF) closed to future accrual.

Scottish Canals has been relieved indefinitely from any obligation to make deficit repair contributions for the Scottish Canals' share of the deficit on the British Waterways Pension Fund shown in an Actuary's interim valuation of the British Waterways Pension Fund as at Completion of the transfer of non-Scottish operations to Canal & River Trust. The only contribution made is towards an administration fee which is disclosed in the pension liabilities note to the accounts.

Following the closure to future accrual of the WPF, Scottish Canals thereafter participated in the Local Government Pension Scheme via the Strathclyde Pension Fund (SPF). This Fund also provides a pension on a defined benefit basis. Those who did not meet the criterion for the Waterways Pension Fund were not eligible to join the SPF.

In accordance with IAS 19 Employee Benefits, remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the organisation recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Scottish Canals recognises the following changes in the net defined benefit obligation under 'staff costs', 'finance expenses' and 'other operating charges' in the statement of changes in net expenditure:

- Service costs comprising current service costs and past service costs
- Net interest expense or income

Actuarial assumptions and valuation in respect of post-employment benefits are provided by Hymans Robertson LLP for the Scottish Canals Local Government Pension Scheme and by Lane Clark & Peacock LLP for the Scottish Canals Waterways Pension Fund. Both schemes have triennial valuations

Pension Reserve Scottish Canals' pension reserve is made up of the deficit on the defined benefit pension schemes resulting in a liability being recognised. The movement during the year represents the actuarial gain/loss of the defined benefit schemes' liabilities falling due in future years in respect of pension liabilities arising from the application of IAS19, based on assumptions detailed in the notes to the accounts.

Note 2 – Segmental Reporting

Neither the revenues from external customers for each product and service, nor the geographical information of revenues have been disclosed as the cost to develop this level of reporting would be excessive. Our products and services are wide-ranging through sales at our destinations such as the Caledonian Canal Centre at Fort Augustus, The Falkirk Wheel, and the Eggshed at Ardrishaig. Our property income comes from properties and moorings across Scotland.

| | Year Ended 31 March 2024 | | | | |
|---|--|--------------------------------------|--|---------------------|---------------|
| | Chief Executive and Corporate Affairs £'000 | Finance & Business Services £'000 | People, Places and Governance £'000 | Operations £'000 | Total |
| Income | | | | | |
| Income from commercial activities | (2) | - | 5 | (10,122) | (10,119) |
| Other operational income | - | (13,425) | (9) | (115) | (13,549) |
| Total Operating Income | (2) | (13,425) | (4) | (10,237) | (23,668) |
| Expenditure | | | | | |
| Staff costs | 419 | 1,284 | 883 | 9,198 | 11,784 |
| Depreciation and impairment of non-current assets | - | 15,212 | - | 236 | 15,448 |
| Profit and loss on sale of asset | - | (5) | - | - | (5) |
| Gain on revaluation of investment properties | - | - | - | 2,965 | 2,965 |
| Other operating charges | 80 | 1,964 | 1,223 | 7,082 | 10,349 |
| Total Operating Expenditure | 499 | 18,455 | 2,106 | 19,481 | 40,541 |
| Net Operating Expenditure | 497 | 5,030 | 2,102 | 9,244 | 16,873 |
| Finance income | - | (62) | - | - | (62) |
| Finance expenses | - | 86 | - | 93 | 179 |
| Share of profits from investments | - | - | - | (79) | (79) |
| Net Expenditure before Tax | 497 | 5,054 | 2,102 | 9,258 | 16,911 |
| Taxation | - | 35 | - | - | 35 |
| Net Expenditure after Tax | 497 | 5,089 | 2,102 | 9,258 | 16,946 |

| | Year Ended 31 March 2023 Reclassified | | | | |
|---|--|--------------------------------------|--|---------------------|---------------|
| | Chief Executive and Corporate Affairs £'000 | Finance & Business Services £'000 | People, Places and Governance £'000 | Operations £'000 | Total |
| Income | | | | | |
| Income from commercial activities | (40) | (125) | - | (9,546) | (9,711) |
| Other operational income | - | (2,108) | (1) | (302) | (2,411) |
| Total Operating Income | (40) | (2,233) | (1) | (9,848) | (12,122) |
| Expenditure | | | | | |
| Staff costs | 455 | 2,518 | 805 | 7,792 | 11,570 |
| Depreciation & impairment of non-current assets | - | 10,539 | - | - | 10,539 |
| Profit and loss on sale of asset | - | - | - | - | - |
| Gain on revaluation of investment properties | - | - | - | 1,242 | 1,242 |
| Other operating charges | 170 | 2,703 | 1,214 | 6,795 | 10,882 |
| Total Operating Expenditure | 625 | 15,760 | 2,019 | 15,829 | 34,233 |
| Net Operating Expenditure | 585 | 13,527 | 2,018 | 5,981 | 22,111 |
| Finance expenses | - | 33 | - | 71 | 104 |
| Finance income | - | (1) | - | - | (1) |
| Share of profits from investments | - | - | - | 46 | 46 |
| Net Expenditure before Tax | 585 | 13,559 | 2,018 | 6,098 | 22,260 |
| Taxation | - | - | - | - | - |
| Net Expenditure after Tax | 585 | 13,559 | 2,018 | 6,098 | 22,260 |

Note 3 – Income

Income from commercial activities is made up of:

| | 2023/24 £'000 | 2022/23 £'000 |
|----------------------------|------------------|------------------|
| Sale of goods | | |
| Water and utility sales | 1,430 | 1,406 |
| Retail sales | 3,836 | 3,448 |
| Rendering services | | |
| Property rents | 2,555 | 2,684 |
| Moorings | 467 | 446 |
| Boat licences | 550 | 537 |
| Third party recharges | 626 | 691 |
| Other income from services | 655 | 499 |
| | 10,119 | 9,711 |

Property rentals make up a significant element of Scottish Canals' commercial income and amounted to £2.5m (2022/23 £2.7m) during the year. At 31 March 2024, Scottish Canals was due future minimum lease payments under non-cancellable operating leases as follows:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Not later than 1 year | 366 | 263 |
| Later than 1 year and not later than 5 years | 661 | 502 |
| Later than 5 years | 1,621 | 1,428 |
| Total | 2,648 | 2,193 |

Other operational income is made up of:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Third party funding for infrastructure repairs | 124 | 461 |
| Capital grant release | 13,425 | 1,950 |
| | 13,549 | 2,411 |

Note 4 – Expenditure

Other operating charges are made up of:

| | 2023/24 £'000 | 2022/23 £'000 |
|-------------------------------------|------------------|------------------|
| Materials, maintenance, and repairs | 3,497 | 4,027 |
| VAT costs | 769 | 739 |
| Professional fees | 1,218 | 1,817 |
| Travel and accommodation | 542 | 384 |
| Rent, rates and insurance | 915 | 1,128 |
| Telephone, heat, and light | 1,123 | 694 |
| Cost of goods sold | 901 | 678 |
| External audit fees | 102 | 95 |
| Other expenditure | 1,282 | 1,320 |
| Total | 10,349 | 10,882 |

There has been a significant decrease in professional fees for the year, due to the initial support provided in 2022/23 for the VAT investigation and the expenditure on an external valuation team to provide Scottish Canals with a valuation of the canal infrastructure not being needed in 2023/24.

Staff costs are shown below, with additional details included in the Remuneration and Staff Report:

| | 2023/24 £'000 | 2022/23 £'000 |
|--------------------------|------------------|------------------|
| Wages and salaries | 9,687 | 9,387 |
| Social security costs | 986 | 1,005 |
| Pension costs | 1,111 | 1,178 |
| Total staff costs | 11,784 | 11,570 |

All finance income is made up of bank interest receivable, and finance expenses are made up of the following:

| | 2023/24 £'000 | 2022/23 £'000 |
|-------------------------------|------------------|------------------|
| Lease interest | 80 | 26 |
| Finance transaction charges | 99 | 78 |
| Total Finance Expenses | 179 | 104 |

Note 5 – Taxation

Deferred tax liability

The tax computation is in draft form, the final tax computation will be submitted when the annual accounts are signed off. Corporation tax is calculated at 25% (2022/23: 19%) of the assessable profits for the year.

| | 2023/24 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Current | 5,095 | - |
| Adjustment for prior years deferred tax | 74 | 4,752 |
| Refund | (41) | - |
| Current year Deferred Tax | (365) | 343 |
| | 4,764 | 5,095 |

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | 2023/24 £'000 | 2022/23 £'000 |
|--------------------------|------------------|------------------|
| Deferred tax liabilities | 628 | 4,778 |
| Deferred tax assets | (5,432) | (99) |
| Total | (4,805) | (4,679) |

The current deferred tax movement is £365k reduction, and current corporation tax payable is £35k, reflected in the SOCNE of £331k movement in 2024.

Movement in deferred tax 2024

| | Accelerated tax depreciation £'000 | Revaluation of land & buildings - rolled over gains £'000 | Retirement benefit obligations £'000 | Tax losses £'000 | Total £'000 |
|-------------------------|---|--|---|------------------------|----------------|
| At 1 April 2023 | 3,981 | 1,377 | (128) | (551) | 4,679 |
| Current year | 74 | - | (36) | 88 | 126 |
| Prior year | - | - | - | - | - |
| Charge to equity | - | - | - | - | - |
| At 31 March 2024 | 4,055 | 1,377 | (164) | (463) | 4,805 |

Movement in deferred tax 2023

| | Accelerated tax depreciation £'000 | Revaluation of land & buildings - rolled over gains £'000 | Retirement benefit obligations £'000 | Tax losses £'000 | Total £'000 |
|-------------------------|---|--|---|---------------------------------|------------------------|
| At 1 April 2022 | 4,035 | 1,138 | (83) | (5,090) | - |
| Current year | (54) | 239 | (45) | 4,539 | 4,679 |
| Prior year | - | - | - | - | - |
| Charge to equity | - | - | - | - | - |
| At 31 March 2023 | 3,981 | 1,377 | (128) | (551) | 4,679 |

Reconciliation of Tax Charge

| | 2023/24 £'000 | 2022/23 Restated £'000 |
|---|--------------------------|---------------------------------------|
| Profit on ordinary activities before tax | 27 | (20,681) |
| Tax on profit on ordinary activities at a standard rate of 25% (PY 19%) | 7 | (3,929) |
| Effects of: | | |
| Fixed asset differences | - | 1,332 |
| Expenses not deductible for tax purposes | 18 | 2,357 |
| Income not taxable for tax purposes | - | (84) |
| Adjustment brought forward values | 2,762 | - |
| Adjustment to losses | 10 | 5,408 |
| Chargeable gains (loss) | - | 183 |
| Adjustment to tax charge in respect of previous period - deferred tax | - | 4,752 |
| Reversal of OCI movement in PY on DB pension scheme | - | (4,752) |
| Remeasurement of deferred tax for changes in tax rates | - | 1,663 |
| Movement in deferred tax not recognised | (2,762) | (2,250) |
| Total Tax | 35 | 4,679 |

Note 6 - Property, Plant and Equipment

| Year Ended 31 March 2024 | | | | | | | |
|-------------------------------------|-------------------------------------|--------------------|---------------------------------------|--|---|---------------------------------------|------------------|
| | Waterways / Waterbodies £'000 | Structure £'000 | Real Estate - Operational £'000 | Canal / Waterside Accessories £'000 | Transportation / Crafts and Misc. Equipment £'000 | Assets Under Construction £'000 | Total £'000 |
| Cost and Valuation | | | | | | | |
| At 1 April 2023 | 1,296,817 | 623,287 | 69,385 | 71,075 | 13,210 | 13,089 | 2,086,863 |
| Additions | - | - | - | - | 24 | 13,511 | 13,535 |
| Transfer | 978 | 1,718 | 618 | 6,057 | 509 | (13,985) | (4,105) |
| Disposal | - | (853) | (162) | (363) | (243) | - | (1,621) |
| Impairment | - | - | - | - | - | (235) | (235) |
| Revaluation | 41,653 | 18,731 | 942 | 2,105 | 2,505 | - | 65,933 |
| At 31 March 2024 | 1,339,448 | 642,883 | 70,783 | 78,874 | 16,005 | 12,380 | 2,160,373 |
| Depreciation | | | | | | | |
| At 1 April 2023 | 1,147,487 | 446,462 | 1,640 | 35,284 | 6,493 | - | 1,637,366 |
| Charge for the year | 1,174 | 3,313 | 492 | 8,961 | 895 | - | 14,835 |
| Disposal | - | (804) | - | (290) | (171) | - | (1,265) |
| Revaluation | 37,452 | 3,815 | 1,679 | (4,064) | 1,621 | - | 40,503 |
| At 31 March 2024 | 1,186,113 | 452,786 | 3,811 | 39,891 | 8,838 | - | 1,691,439 |
| | | | | | | | |
| Net book value 31 March 2024 | 153,335 | 190,097 | 66,972 | 38,983 | 7,167 | 12,380 | 468,934 |

| Year Ended 31 March 2023 Restated | | | | | | | |
|-------------------------------------|-------------------------------------|--------------------|---------------------------------------|--|---|---------------------------------------|------------------|
| | Waterways / Waterbodies £'000 | Structure £'000 | Real Estate - Operational £'000 | Canal / Waterside Accessories £'000 | Transportation / Crafts and Misc. Equipment £'000 | Assets Under Construction £'000 | Total £'000 |
| Cost and Valuation | | | | | | | |
| At 1 April 2022 | 1,270,310 | 584,089 | 70,310 | 66,176 | 12,640 | 34,519 | 2,038,044 |
| Additions | - | - | - | - | - | 14,913 | 14,913 |
| Transfer | 1,699 | 26,794 | 310 | 3,755 | 3,820 | (36,344) | 34 |
| Disposal | (280) | (3,525) | - | - | 19 | - | (3,786) |
| Revaluation | 25,089 | 15,930 | (1,236) | 1,144 | (3,270) | - | 37,657 |
| At 31 March 2023 | 1,296,818 | 623,288 | 69,384 | 71,075 | 13,209 | 13,088 | 2,086,862 |
| Depreciation | | | | | | | |
| At 1 April 2022 | 1,125,959 | 425,712 | 1,626 | 36,328 | 6,895 | - | 1,596,520 |
| Charge for the year | 997 | 2,910 | 181 | 5,085 | 1,106 | - | 10,279 |
| Disposal | (145) | (2,826) | - | - | - | - | (2,971) |
| Revaluation | 20,676 | 20,667 | (167) | (6,129) | (1,509) | - | 33,538 |
| At 31 March 2023 | 1,147,487 | 446,463 | 1,640 | 35,284 | 6,492 | - | 1,637,366 |
| | | | | | | | |
| Net book value 31 March 2023 | 149,331 | 176,825 | 67,744 | 35,791 | 6,717 | 13,088 | 449,496 |

Please refer to note 23 for details of restatement.

Depreciation and Impairment of non-current assets is summarised below:

| | 2023/24 £'000 | 2022/23 Restated £'000 |
|-----------------------------|------------------|------------------------------|
| Depreciation | | |
| Property, Plant & Equipment | 14,835 | 10,279 |
| Heritage Assets | 37 | 36 |
| Intangible Assets | 4 | - |
| Right-of-Use Assets | 337 | 224 |
| Impairment | | |
| Assets under Construction | 235 | - |
| | 15,448 | 10,539 |

A full revaluation of property, plant and equipment was completed as at 31 March 2022, a desktop roll forward was carried out for 2024, by Scottish Canals with support provided by Ernst & Young.

Waterways / Waterbodies, Structures and Canal/Waterside were valued by qualified valuers from Ernst & Young who represented the American Society of Appraisers and the Royal Institute of Chartered Surveyors (RICS).

Real Estate was valued either by qualified valuers from Ernst & Young from the Royal Institute of Chartered Surveyors (RICS) or Gerald Eve LLP, specialist real estate advisors.

Note 7 – Heritage Assets

Heritage assets held at EUV, existing use value, comprised of the Kelpies, public artworks in Grangemouth. <https://www.scottishcanals.co.uk/visit/canals/visit-the-union-canal/attractions/the-helix-including-the-kelpies>

These were completed in the year ended 31 March 2014 and were created from 30,000 pieces of steel. 'Baron' and 'Duke' were created by artist, Andy Scott, and funded through Big Lottery Fund's Living Landmarks Award and in partnership with Falkirk Council.

These 30-metre sculptures are visible from miles around and accessible to all, 365 days of the year at the Helix.

Regular maintenance inspections are conducted to ensure any degradation of the Kelpies is attended to timeously as part of Scottish Canals' asset management plan.

Heritage Assets were valued by qualified valuers from Ernst & Young who represented the American Society of Appraisers and the Royal Institute of Chartered Surveyors (RICS) on an indirect cost approach, as at 31 March 2023.

Scottish Canals holds Historic records (books and plans), which are dated pre-1962. The historical records date from the 1790's with the majority originating from the 18th and 19th centuries. They are produced on a range of materials, i.e., linen backed paper, vellum and include books and title deeds. Some are hand drawn and have artistic merit.

Scottish Canals are set to transfer the records to National Records Scotland, which will take approximately 5 years.

The transfer started pre covid – but was then halted and has not restarted. The continuation of this transfer includes the conservation and digitisation of historic maps and plans. The historic records are held at nil value.

| 2024 | |
|-------------------------------------|--------------|
| | £'000 |
| Cost and Valuation | |
| At 1 April 2023 | 7,635 |
| Transfer | 259 |
| Revaluation | 229 |
| At 31 March 2024 | 8,123 |
| Depreciation | |
| At 1 April 2023 | 572 |
| Charge for the year | 37 |
| Revaluation | 46 |
| At 31 March 2024 | 655 |
| | |
| Net book value 31 March 2024 | 7,468 |

| 2023 | |
|-------------------------------------|--------------|
| | £'000 |
| Cost and Valuation | |
| At 1 April 2022 | 7,487 |
| Transfer | - |
| Revaluation | 148 |
| At 31 March 2023 | 7,635 |
| Depreciation | |
| At 1 April 2022 | 499 |
| Charge for the year | 36 |
| Revaluation | 37 |
| At 31 March 2023 | 572 |
| | |
| Net book value 31 March 2023 | 7,063 |



Note 8 – Investment Property

| | 31 March 2024 £'000 | 31 March 2023 Restated £'000 |
|---------------------------------|------------------------|------------------------------------|
| At 1 April | 22,577 | 23,819 |
| Transfers | 3,626 | 56 |
| Disposal | (56) | (56) |
| Revaluation | (2,965) | (1,242) |
| Valuation as at 31 March | 23,182 | 22,577 |

In the Statement of Comprehensive Net Expenditure and the income note to the Accounts, the organisation has recognised £3,679,000 (2022/23: £3,005,000) of property rental and moorings income from investment properties.

| | 2023/24 £'000 | 2022/23 Restated £'000 |
|-----------------------|------------------|------------------------------|
| Historical cost | 26,342 | 38,997 |
| Revaluation movements | 2,372 | (959) |
| Total | 28,714 | 38,038 |

Investment properties were valued as at 31 March 2024 and 31 March 2023 by Gerald Eve LLP, and CBRE specialist real estate advisors. As stated in the Statement of Accounting Policies, valuations of the fair values of investment properties were based on the market value approach, using prices and other information generated by market transactions involving identical or comparable assets.

The inputs used in the valuation techniques for the assets are categorised as level 2. Level 2 inputs are inputs other than quoted market prices that are observable, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

Note 9 – Investments

| Name of Company/Partnership | Nature of Joint Venture | Holding | Scottish Canals voting rights | Nature of Business |
|--|---|-------------------|--------------------------------------|---|
| 1. BWB (General Partner) Limited | 100% subsidiary owned by Scottish Canals | Ordinary Shares | 100% | Management of real estate on a fee or contract basis |
| 2. Bigg Regeneration (General Partner) Limited | Joint venture with 50% Ordinary B shares owned by 1. BWB (General Partner) Limited | Ordinary B Shares | 50% | Development of building projects, other letting and operating of own or leased real estate |
| 3. Bigg Regeneration Limited Partnership | Joint venture. The limited partners are Scottish Canals and PFPC1 Limited Partnership, with 2. Bigg Regeneration (General Partner) Limited being the general partner. | n/a | 50% | Property investment within the United Kingdom |
| 4. Edinburgh Quay Limited* | Joint Venture between Scottish Canals and Miller Development Holdings Limited | Ordinary B Shares | 49% | Development of building projects, buying, and selling of real estate, renting, and operating of housing association real estate |
| 5. Edinburgh Quay (Three) Limited* | 100% owned by 4. Edinburgh Quay Limited | Ordinary Shares | 49% | Buying and selling of own real estate |

* Edinburgh Quay Limited and Edinburgh Quay (Three) Limited were both dissolved on 2 January 2024. Their last published Annual Report & Accounts were made up to 31 December 2022. Edinburgh Quay Limited's net assets at that date were £2, representing an investment in Edinburgh Quay (Three) Limited. Edinburgh Quay (Three) Limited has net assets at that date of £nil.

The following represents the total investments held in Bigg Regeneration Limited Partnership:

| | 2023/24 £'000 | 2022/23 £'000 |
|---------------------------|------------------|------------------|
| At 1 April | 6,271 | 6,317 |
| Share of (losses)/profits | 79 | (46) |
| Investment | - | - |
| Partner distribution | - | - |
| At 31 March | 6,350 | 6,271 |

Updated Annual Report & Accounts for BWB (General Partner) Limited, Bigg Regeneration (General Partner) Limited and Bigg Regeneration Limited Partnership for the year ended 31 March 2024 are not yet available.

1. BWB (General Partner) Limited

- Net assets as at 31 March 2024 were £149,548 (2022/23: £155,896)
- Profit/(Loss) for the financial year ended 31 March 2024 was (£6,349) (2022/23: £2,416 loss)
- The registered office is Canal House, 1 Applecross Street, Glasgow, G4 9SP

2. Bigg Regeneration (General Partner) Limited

- Net assets as at 31 March 2024 were £8,606 (2022/23: £8,617)
- Profit for the financial year ended 31 March 2024 was £11 (2022/23: £1,037 loss)
- The registered office is Canal House, 1 Applecross Street, Glasgow, G4 9SP

3. Bigg Regeneration Limited Partnership

- Partners' interests as at 31 March 2024 were £8,256,288 (2022/23: £8,081,623)
- Profit for the financial year ended 31 March 2024 was £174,666 (2022/23 £88,621 loss)
- The registered office is Canal House, 1 Applecross Street, Glasgow, G4 9SP

Note 10 – Intangible Assets

| | 31 March 2024 £'000 | 31 March 2023 Restated £'000 |
|--------------------------------|------------------------|------------------------------------|
| Cost and Valuation | | |
| At 1 April | 24 | - |
| Additions | - | 24 |
| Transfer | 220 | - |
| At 31 March | 244 | 24 |
| Depreciation | | |
| At 1 April | - | - |
| Charge for the year | 4 | - |
| Revaluation | 15 | - |
| At 31 March | 19 | - |
| | | |
| Net book value 31 March | 225 | 24 |

Note 11a – Right-of-use Assets

On transition to IFRS 16, lease liabilities have been measured at the cost of the remaining lease payments at 1 April 2022. Upon commencement of a new lease, the liability is measured at cost of unpaid lease payments. A dilapidation provision of £ 170,170 is included in the right to use assets. Below is an analysis included in trade & other payables and lease liabilities under non-current liabilities in the SoFP.

| | Premises £'000 | Vehicles £'000 | Total £'000 |
|-------------------------------------|-------------------|-------------------|----------------|
| Cost | | | |
| At 1 April 2023 | 627 | 249 | 876 |
| Additions | - | 1,574 | 1,574 |
| Modifications | 465 | (54) | 411 |
| Disposal | - | (119) | (119) |
| At 31 March 2024 | 1,092 | 1,650 | 2,742 |
| Depreciation | | | |
| At 1 April 2023 | 88 | 136 | 224 |
| Charge for the year | 112 | 225 | 337 |
| Disposal | - | (119) | (119) |
| At 31 March 2024 | 200 | 242 | 442 |
| | | | |
| Net book value 31 March 2024 | 892 | 1,408 | 2,300 |

| | Premises £'000 | Vehicles £'000 | Total £'000 |
|-------------------------------------|-------------------|-------------------|----------------|
| Cost | | | |
| At 1 April 2022 | - | - | - |
| Additions | 627 | 249 | 876 |
| At 31 March 2023 | 627 | 249 | 876 |
| Depreciation | | | |
| At 1 April 2022 | - | - | - |
| Charge for the year | 88 | 136 | 224 |
| At 31 March 2023 | 88 | 136 | 224 |
| | | | |
| Net book value 31 March 2023 | 539 | 113 | 652 |

Note 11b – Operating Leases

| | 2023/24 £'000 | 2022/23 Restated £'000 |
|---|------------------|------------------------------|
| Premises | | |
| Not later than one year | 92 | 110 |
| After one year but not more than five years | 157 | 150 |
| After five years | 2,226 | 1,096 |
| | 2,475 | 1,356 |
| Vehicles | | |
| Not later than one year | 372 | 50 |
| After one year but not more than five years | 1,203 | 17 |
| After five years | - | - |
| Total | 1,575 | 67 |

| | | |
|---|----------------|--------------|
| Total lease liabilities | | |
| Not later than one year | 464 | 160 |
| After one year but not more than five years | 1,360 | 167 |
| After five years | 2,226 | 1,096 |
| Total | 4,050 | 1,423 |
| Less Interest | (1,711) | (762) |
| Present value of obligations | 2,339 | 661 |

Note 12 – Inventories

| | 2023/24 £'000 | 2022/23 £'000 |
|-------------------------------------|------------------|------------------|
| Consumables | 26 | 28 |
| Finished goods and goods for resale | 87 | 69 |
| Total | 113 | 97 |

Note 13 – Trade & Other Receivables

| | 2023/24 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Trade receivables | 1,533 | 2,205 |
| Less: provision for impairment of trade receivables | (211) | (290) |
| | 1,322 | 1,915 |
| Prepayments and accrued income | 2,947 | 4,195 |
| Value added tax | 1,803 | 2,074 |
| Other Debtors | 2,049 | (24) |
| Total | 8,121 | 8,160 |

Other debtors relates to an amount due to HMRC for VAT. During 2022/23 the amount was reported as a current liability. The revised HMRC assessment to date has now been concluded, with the current position showing a VAT asset (overpayment) of £2m. Scottish Canals has sought a stay on any penalties pending discussions with HMRC on an agreed revised methodology of calculating Scottish Canals' VAT liability going forward in future years. It is expected that the calculation and methodology should be settled before the end of the 2024/25 financial year.

To date, HMRC has not provided a revised assessment for the years ended 31 March 2022, 2023, or 2024. Therefore, the potential additional liability for the year ended 31 March 2024 has been calculated on the provisional agreement by HMRC. It has been deemed appropriate to transfer the liability to a short-term asset with trade & other receivables.

The following trade receivables balances are past due but not impaired as they are still considered receivable:

| | 2023/24 £'000 | 2022/23 £'000 |
|--------------------------------|------------------|------------------|
| Between 31 and 60 days overdue | 125 | 93 |
| Between 61 and 90 days overdue | 405 | 35 |
| Over 90 days overdue | 791 | 573 |
| Total | 1,321 | 701 |

Credit risk in respect of receivables is limited, due to the organisation's customer base being large and diverse. Our historical experience of collecting receivables, supported by the level of defaults, is that the credit risk is low across all trade receivables. We do not consider fair values to be significantly different from their carrying values. Balances are considered for impairment on an individual basis and by reference to the extent they become overdue.

The maximum credit risk exposure at the reporting date is £7.9m (2022/23: £8.3m) being the difference between the value of financial assets and liabilities. The fair values are not materially different to carrying values.

Note 14 – Cash and Cash Equivalents

| | 2023/24 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Balance at 1 April | 2,842 | 1,857 |
| Net change in cash and cash equivalent balances | (433) | 985 |
| Total | 2,409 | 2,842 |

All cash and cash equivalent balances were held in commercial banks and cash in hand.

Note 15 – Trade & Other Payables

| | 2023/24 £'000 | 2022/23 £'000 |
|------------------------------|------------------|------------------|
| Trade payables | 3,099 | 4,073 |
| Taxation and social security | 359 | 2,084 |
| Accruals | 5,268 | 4,781 |
| Deferred income | 338 | 238 |
| Deferred Tax | 4,764 | 5,095 |
| Other payables | 80 | 58 |
| Total | 13,908 | 16,329 |

Note 16 – Pension liabilities

Defined Benefit

Scottish Canals participates in a defined benefit pension arrangement called the Waterways Pension Fund. In September 2016, the Waterways Pension Fund (WPF) closed to future accrual. Scottish Canals thereafter participated in the Local Government Pension Scheme via the Strathclyde Pension Fund (SPF) that also provides a pension on a defined benefit basis. Those who did not meet the criterion for WPF did not join the SPF scheme.

The WPF and SPF (the Funds) are subject to the Statutory Funding Objective under the Pensions Act 2004. Valuations of the Funds are carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, Scottish Canals must agree with the trustees of the Funds the contributions payable to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

A formal valuation for WPF was last undertaken as at 31 March 2022. The fund had sufficient assets to cover 106% of its technical provision, corresponding to a surplus of £36m (31 March 2019: deficit of £6m). The Trustees incur expenses of approximately £920,000 per year on average over the last three years, and this is expected to be a reasonable estimate for future years. Based on the calculations by the Scheme Actuary, Scottish Canals will contribute £86,400 per annum to the scheme (9.4% contribution), with Canal & River Trust contributing 90.2%, and OCS Group UK Limited contributing 0.4%.

The SPF was revalued as at 31 March 2023, and Scottish Canals is due to pay an additional £5,000 towards the ongoing deficit each year. The formal valuation is due to be carried out as at 31 March 2023, and the triennial valuation is available, with Assets decreasing with £229k and Obligations increasing with £140k. This is due to strong investment returns, increasing the assets, assumption changes were positive this year, lowering the value placed on obligations and the April 2024 6.7% increase accrued to LGPS benefits was factored into the accounting balance sheet, increasing the obligations.

Reconciliation of Pension Reserve

| | 2023/24 | | | 2022/23 | | |
|--|---------------|--------------------|----------------|---------------|--------------------|----------------|
| | LGPS £'000 | Waterways £'000 | Total £'000 | LGPS £'000 | Waterways £'000 | Total £'000 |
| Opening Position as at 1 April | - | (202) | (202) | (519) | 257 | (262) |
| Actuarial gain/(loss) in year | 1,700 | (48) | 1,652 | 2,127 | (466) | 1,661 |
| | 1,700 | (250) | 1,450 | 1,608 | (209) | 1,399 |
| Interest on obligation | (437) | (101) | (538) | (693) | (101) | (794) |
| Net Interest cost | 5 | (9) | (4) | (16) | 7 | (9) |
| Employer Contributions | 607 | 101 | 708 | 519 | 101 | 620 |
| | 175 | (9) | 166 | (190) | 7 | (183) |
| Asset Ceiling Adjustment | (1,875) | - | (1,875) | (1,418) | - | (1,418) |
| | | | | | | |
| Closing position as at 31 March | - | (259) | (259) | - | (202) | (202) |

Actuarial adjustment summary within Statement of Changes in Taxpayers' Equity

| | 2023/24 | | | 2022/23 | | |
|-------------------------------|---------------|--------------------|----------------|---------------|--------------------|----------------|
| | LGPS £'000 | Waterways £'000 | Total £'000 | LGPS £'000 | Waterways £'000 | Total £'000 |
| Actuarial gain/(loss) in year | 1,700 | (48) | 1,652 | 2,127 | (466) | 1,661 |
| Asset Ceiling Adjustment | (1,875) | - | (1,875) | (1,418) | - | (1,418) |
| Actuarial gain/(loss) | (175) | (48) | (223) | 709 | (466) | 243 |

| Net defined benefit liability recognised on Statement of Financial Position | 2023/24 £'000 | 2022/23 £'000 |
|--|--------------------------|--------------------------|
| Fair value of assets – LGPS | 6,383 | 5,410 |
| Fair value of assets – Waterways | 2,322 | 2,402 |
| Net defined benefit asset | 8,705 | 7,812 |
| Present value of funded liabilities – LGPS | (4,508) | (3,992) |
| Present value of funded liabilities – Waterways | (2,581) | (2,604) |
| Total present value of funded liabilities | (7,089) | (6,596) |
| Adjustment for asset ceiling | (1,875) | (1,418) |
| Net liability | (259) | (202) |

| Amounts recognised in SOCNE as staff costs | 2023/24 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Current service costs (including admin) – LGPS | 437 | 693 |
| Current service costs (including admin) - Waterways | 101 | 101 |
| Total Service Cost | 538 | 794 |
| Less contributions – LGPS | (607) | (519) |
| Less contributions – Waterways | (101) | (101) |
| Net IAS 19 adjustment | (170) | 174 |

| Amounts recognised in SOCNE as finance expenses | 2023/24 £'000 | 2022/23 £'000 |
|---|------------------|------------------|
| Interest cost on defined benefit obligation – LGPS | - | 159 |
| Interest cost on defined benefit obligation - Waterways | 9 | 91 |
| Total finance cost | 9 | 250 |
| Interest on assets – LGPS | (5) | (143) |
| Interest on assets – Waterways | - | (98) |
| Net IAS 19 adjustment | 4 | 9 |

| Amounts recognised in OCI in SOCNE | 2023/24 | | 2022/23 | |
|---|---------------|--------------------|---------------|--------------------|
| | LGPS £'000 | Waterways £'000 | LGPS £'000 | Waterways £'000 |
| Changes in financial assumptions | 256 | 41 | 2,735 | 914 |
| Return on assets excluding amounts included in net interest | 292 | (71) | (224) | (1,141) |
| Changes in demographic assumptions | 206 | 17 | 43 | - |
| Other experience | (539) | (35) | (427) | (239) |
| Changes in the effect of asset ceiling | 1,485 | - | - | - |
| Total actuarial remeasurements through OCI | 1,700 | (48) | 2,127 | (466) |

Explanation of amounts in the financial statements:

Reconciliation of assets and liabilities

| Change in assets | 2023/24 | | 2022/23 | |
|--|---------------|--------------------|---------------|--------------------|
| | LGPS £'000 | Waterways £'000 | LGPS £'000 | Waterways £'000 |
| Fair value of assets at the start of the period | 5,410 | 2,402 | 4,898 | 3,559 |
| Interest on assets | 273 | 112 | 143 | 98 |
| Actual return less interest on plan assets | - | (71) | - | - |
| Employer contributions | 607 | (101) | 519 | 101 |
| Administration costs | - | - | - | (101) |
| Contributions by Fund participants | 122 | 101 | 106 | - |
| Benefits paid (incl administration costs) | (92) | (121) | (32) | (114) |
| Actuarial adjustments | (229) | - | - | (1,141) |
| Return on assets excluding amounts in net interest | 292 | - | (224) | - |
| Fair value of assets at the year end | 6,383 | 2,322 | 5,410 | 2,402 |

| Change in liabilities | 2023/24 | | 2022/23 | |
|---|---------------|--------------------|---------------|--------------------|
| | LGPS £'000 | Waterways £'000 | LGPS £'000 | Waterways £'000 |
| Liabilities at the start of the period | 3,992 | 2,604 | 5,417 | 3,302 |
| Current service cost | 437 | - | 693 | - |
| Contributions by Fund participants | 122 | - | 106 | - |
| Interest cost on defined benefit obligation | 201 | 121 | 159 | 91 |
| Benefits paid | (92) | (121) | (32) | (114) |
| Actuarial (gain)/loss | - | (23) | - | (675) |
| Other Experience | 310 | - | 427 | - |
| Changes to demographic assumptions | (206) | - | (43) | - |
| Changes to financial assumptions | (256) | - | (2,735) | - |
| Liabilities at the end of the year | 4,508 | 2,581 | 3,992 | 2,604 |

| Assets less liabilities | 2023/24 | | 2022/23 | |
|---|---------------|--------------------|---------------|--------------------|
| | LGPS £'000 | Waterways £'000 | LGPS £'000 | Waterways £'000 |
| Fair value of assets | 6,383 | 2,322 | 5,410 | 2,402 |
| Liabilities | (4,508) | (2,581) | (3,992) | (2,604) |
| Asset ceiling adjustment | (1,875) | - | (1,418) | - |
| Liabilities at the end of the year | - | (259) | - | (202) |

The major categories of assets as a percentage of total assets are as follows:

| Asset type | 2023/24 | | 2022/23 | |
|---------------------------|------------|----------------|------------|----------------|
| | LGPS % | Waterways % | LGPS % | Waterways % |
| Equities | 20 | 3 | 19 | - |
| Private Equity | 24 | - | 25 | - |
| Property | 8 | 8 | 8 | 8 |
| Investment funds | 46 | - | 33 | - |
| Diversified growth | - | 8 | - | 7 |
| Infrastructure | - | 6 | 1 | 3 |
| Bonds | - | 29 | 12 | 28 |
| LDI | - | 44 | - | 51 |
| Cash and cash equivalents | 2 | 2 | 2 | 3 |
| Total | 100 | 100 | 100 | 100 |

Actuarial Assumptions – Waterways Pension Fund

| | 2023/24 | 2022/23 |
|-----------------------|--|--|
| Pension increase rate | N/A | N/A |
| Salary increase rate | 3.50% | 3.50% |
| Discount rate | 4.80% | 4.70% |
| Mortality | 92.5% of S3PMA (males) 92.5% of S3PFA (females) | 95% of S3PMA (males) 95% of S3PFA (females) |
| Commutation | Members commute 25% of pension at retirement based on current factors | Members commute 25% of pension at retirement based on current factors |
| Projections | CMI 2022 model, long-term trend rate 1.25% (males) 1.25% (females), smoothing factor 7.0 | CMI 2021 model, long-term trend rate 1.25% (males) 1.25% (females), smoothing factor 7.0 |

Actuarial Assumptions – Strathclyde Pension Fund

| | 2023/24 | 2022/23 |
|---|---|--|
| Pension increase rate | 2.75% | 2.95% |
| Salary increase rate | 3.45% | 3.65% |
| Discount rate | 4.85% | 4.75% |
| Male/female life expectancy at age 65 for current 65-year-old | 21/25.3 | 19.3/22.2 |
| Male/female life expectancy at age 65 for current 45-year-old | 21.3/21.9 | 20.5/24.2 |
| Commutation | 50% of pension of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service | 50% of pension of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service |
| Mortality | "CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% per annum | CMI 2018 model, long-term trend rate 1.5% (males) 1.25% (females) smoothing factor 7.0 |

The below sensitivities are approximate and show the likely effect of an assumption being adjusted whilst all other assumptions remain the same. The sensitivities shown are for the entire funds' active membership rather than the members employed by the organisation.

Sensitivity of the liabilities – Waterways Pension Fund

| Adjustments to assumptions | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Discount rate | | |
| Plus 0.50% | (151) | (161) |
| Minus 0.50% | 167 | 180 |
| Inflation | | |
| Plus 0.50% | 129 | 143 |
| Minus 0.50% | (119) | (133) |
| Rate of mortality | | |
| Long-term trend rate increased from 1.25% per annum to 1.50% per annum | 15 | 17 |

Sensitivity of the liabilities – Strathclyde Pension Fund

| Adjustments to assumptions | 2023/24 £'000 | 2022/23 £'000 |
|------------------------------|------------------|------------------|
| Discount rate | | |
| Minus 0.50% | 83 | 94 |
| Pension increase rate | | |
| Plus 0.50% | 85 | 95 |

Defined Contribution Scheme

As a result of an internal review of the Scottish Widows defined contribution pension scheme, an amount of £ 144,971 was accrued for underpaid pension contributions on backpay and paid out during the 2024/25 financial year.

Other employer contributions during the year for the defined contribution scheme were £395,624 (2022/23: £354,000).

Other Post Retirement Benefits

Under the terms of the 1962 Transport Act, employees transferring from the British Transport Commission to successor bodies were entitled to retain their reduced cost travel benefits. Successor bodies, including British Waterways trading as Scottish Canals, were made responsible for procuring the benefits on their behalf.

Employer instructed methodology (under IFRIC 14)**The economic benefit available as a refund**

The instructed methodology assumes that the employer has no unconditional right to a refund from the fund and therefore there is no economic benefit available as a refund.

The economic benefit available as a contribution reduction

The instructed methodology assumes that economic benefit is available to the employer as a reduction in future contributions.

The effect of a minimum funding requirement on the economic benefit available as a reduction in future contributions

The instructed methodology considers future service contributions as a minimum funding requirement.

When a minimum funding requirement may give rise to a liability

The instructed methodology considers past service contributions (where positive) as a minimum funding requirement which may give rise to an additional liability.

Employer instructed calculation (economic benefit available as a contribution reduction)

We have been instructed to calculate the economic benefit available as a reduction in future contributions as present value of future service costs less present value of future service contributions

Note 17 - Deferred Capital Income

Due within one year:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 238 | 546 |
| Received /(released) to mooring / licences / rental income | 101 | (308) |
| Balance at 31 March | 339 | 238 |

Due over one year:

| | 2023/24 £'000 | 2022/23 £'000 |
|--|------------------|------------------|
| Balance at 1 April | 29,342 | 25,814 |
| Received during the year | 7,805 | 8,072 |
| Released to statement of financial position | (3,758) | (2,594) |
| Released as operational income (see income note) | (13,425) | (1,951) |
| Balance at 31 March | 19,964 | 29,341 |

Note 18 - Financial Instruments

Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change by the risks facing Scottish Canals in undertaking its activities. Scottish Canals is not exposed to risks from currency fluctuations as business is conducted solely in Sterling.

Scottish Canals currently holds right to use assets of £2.3m (2022/23: £650k) and a corresponding lease liability of £2.3m (2022/23: £0.7m), under IAS19 – Leases adoption.

Liquidity risk

Liquidity risk is defined as the risk that the organisation could not be able to settle or meet its obligations on time or at a reasonable price. Liquidity and funding risks, related processes and policies are overseen by management. Scottish Canals manages its liquidity risk on a consolidated basis based on business needs, tax, capital, or regulatory considerations. Management monitors the organisation's net liquidity position through rolling forecasts based on expected cash flows. The organisation's cash and cash equivalents are held with major regulated financial institutions.

Scottish Canals has Commercial liquidity risk for activities not funded through grant in aid, is more susceptible to becoming insolvent, like normal market conditions, Scottish Canals mitigate this risk by regular Forecasts, monitoring results monthly and applying financial recommendations as early as possible.

Scottish Canals has non-commercial liquidity risks, fund through grant in aid.

Scottish Canals maintains short term liquidity by judicious management of its cash deposits. Scottish Canals is not exposed to significant liquidity risk due to ongoing government funding and the ability to release cash as necessary from current assets.

Interest rate risk

The main risk arising from Scottish Canals' financial instruments is interest rate risk. The financial liabilities held by Scottish Canals are Trade & other payables and the fair value of these liabilities is not materially different from carrying values.

Most of the financial assets held by Scottish Canals are cash equivalents and Trade & other receivables, and the fair value is not materially different to carrying amount. This asset has been stated at fair value, with changes in value year on year being accounted for through the Statement of Comprehensive Net Expenditure.

Credit risk

The credit risk in cash and cash equivalents is limited because the treasury investment policy has been defined as being restricted to counterparties that are specific UK registered banks which have Standard & Poor's long-term ratings of at least 'A- '. These policies are continually monitored and updated for the prevailing market conditions and follow guidance from Scottish Government. The organisation has no significant concentration of credit risk from its customers as exposure is spread over many entities.

Capital Management

Scottish Canals is not permitted to receive long term borrowings.

Financial assets and liabilities

| | 2023/24 | | | | |
|---|---------------------------------|---|--|-------------------------------|--------------|
| | Floating Interest Rate £'000 | Fixed Interest Rate < one year £'000 | Fixed Interest Rate 2-5 years £'000 | Non-Interest Bearing £'000 | Total £'000 |
| Trade & other receivables (excl prepayments and VAT) - amortised cost | | | | | |
| Trade and receivables (excl prepayments, accrued income and taxation and social security) | - | - | - | 1,322 | 1,322 |
| Cash and cash equivalents | - | - | - | 2,409 | 2,409 |
| Total financial assets | - | - | - | 3,731 | 3,731 |
| Financial liabilities at amortised cost | | | | | |
| Trade & other payables (excl deferred income and taxation and social security) | - | - | - | 8,447 | 8,447 |
| Total financial liabilities | - | - | - | 8,447 | 8,447 |

| | 2022/23 | | | | |
|---|------------------------------------|--|---|----------------------------------|----------------|
| | Floating Interest Rate £'000 | Fixed Interest Rate < one year £'000 | Fixed Interest Rate 2-5 years £'000 | Non-Interest Bearing £'000 | Total £'000 |
| Trade & other receivables (excl prepayments and VAT) - amortised cost | | | | | |
| Trade & other receivables (excl prepayments, accrued income and taxation and social security) | - | - | - | 1,915 | 1,915 |
| Cash & cash equivalents | - | - | - | 2,842 | 2,842 |
| Total financial assets | - | - | - | 4,757 | 4,757 |
| Financial liabilities at amortised cost | | | | | |
| Trade & other payables (excl deferred income and taxation and social security) | - | - | - | 8,913 | 8,913 |
| Total financial liabilities | - | - | - | 8,913 | 8,913 |

Note 19 – Related Party Transactions

The organisation has a relationship with Transport Scotland as its sponsor team in relation to funding received from the Scottish Government as directed by Scottish Ministers. The funding received during the year was £23.5m (2022/23: £37.6m). They are both considered related parties.

Third party funding was provided during the financial year for partnership capital projects. Scottish Canals' core responsibilities are not dependant on such funding, and there is no control or undue influence arising from these parties apart from the funding conditions agreed for the joint project. Such grant income and third-party funding is drawn down in line with either:

- the conditions of the funding and award letters met
- Over the period of construction of the relevant asset.

Apart from Scottish Canals and Scottish Government funding, the following projects were funded during the year were:

- Old Basin House funded by Glasgow City Council
- Carse Outdoor Hub (Treehouse) funded by NatureScot, Highland council through Inverness Common Good Fund and Highland Council.
- Central Canals Access improvements funded by Sustrans
- TFW Playparks funded by Falkirk Community Renewable fund
- Glasgow Towpath Improvements funded by Sustrans
- Falkirk Active travel Trails funded by Falkirk Council
- No other funding was received from councils, NHS bodies, or other NDPBs.

One of Scottish Canals' Non-Executive Directors, Carolyn Sawers' partner is a Director at Sustrans. Carolyn is not involved in any discussions on such third-party funding, and neither she nor her partner holds any financial interest in either Scottish Canals or Sustrans.

Related parties in Investments

| Name of Company/Partnership | Name of Employee | Position in Scottish canals |
|--|-------------------------------------|---|
| 1. BWB (General Partner) Limited | Nicola Christie Fiona MacFadyen | Head of Legal Head of Estates |
| 2. Bigg Regeneration (General Partner) Limited | Richard Millar Fiona MacFadyen | Chief Operating Officer Head of Estates |
| 3. Bigg Regeneration Limited Partnership | n/a | n/a |
| 4. Edinburgh Quay Limited* | Richard Millar Sarah Jane Hannah | Chief Operating Officer Finance & Business Services Director |
| 5. Edinburgh Quay (Three) Limited* | Richard Millar Sarah Jane Hannah | Chief Operating Officer Finance & Business Services Director |

* Edinburgh Quay Limited and Edinburgh Quay (Three) Limited were dissolved on 2 January 2024.

The Director of People, Safety & Governance and the Head of Legal services are Trustees of Millennium Link Trust (MLT). During the years ended 31 March 2024 and 31 March 2023, MLT incurred net rental charges of £5,425 per month and service charges of £1,739.59 per month, with Scottish Canals providing support to MLT of £125,000 in April 2023. MLT is in the process of members' voluntary liquidation, having served its purpose. It is expected that any amounts due to MLT will then transfer to Scottish Canals, as the sole creditor to MLT.

Note 20 – Contingent Liabilities

Scottish Canals has a potential VAT penalty of £1.6m. Conditions have not, as yet, been set for this penalty which will assess Scottish Canals' compliance with VAT legislation. This will depend on HMRC agreeing to and setting guidance around a new methodology for calculating VAT due on revenue and capital expenditure, with agreement due to be settled by the end of the 2024/25 financial year.

Note 21 – Capital Commitments

Transport Scotland has confirmed that £12.2m capital is available for the 2024/25 financial year, however this will include irrecoverable VAT for the first time of up to £1.6m, reducing the possible spending power to £10.6m. Some additional funding for some specific projects has been confirmed in December 2024.

The multi-year projects which are committed and will continue through 2024/25 include the following:

- £1.2m for the continued replacement of lock gates at Crinan, with a further £500k expected to be incurred in 2024/25
- £1.3m Lily Loch Siphon Upgrade
- £450k Reservoir upgrades
- £130k to upgrade operational moorings
- £250k to rebuild the weir and provide enhancements to Townhead Reservoir

Note 22 – Events after the Reporting Period

There have been no significant events after 31 March 2024 that require adjustment to, or disclosure in, the financial statements. The financial statements were authorised for issue on xxxx 2025.

Note 23 – Prior Period Errors

As a result of a review of the classification for infrastructure assets, and some valuations, Scottish Canals has restated its property, plant, and equipment.

- 1 - During the review of the assets, some assets were identified under the Investment properties as misclassified, these assets were transferred to their correct classifications of Structure, Real Estate - Operational, Canal and Waterside Accessories and Transportation/Crafts and Miscellaneous equipment, which had an impact on the Net Book Value.
- 2 - Some assets were not depreciating in line with their useful life, the corrections were made retrospectively and the valuation re-applied in the financial year 2023.
- 3 - Lock Gates were identified that came into use in financial year 2022, the asset was re-instated in the correct financial year, valuation applied and the notes were restated.
- 4 - A further analysis of the assets during the valuation process also determined assets that need to be reclassified to a more appropriate classification in line with the valuation policy, these changes had no impact on the net book value.

Full details of the effect of the restatement, on the SOFP, SOCNE and SOCTE is detailed below:

Note 23 – Prior Period Errors (continued)

| Effect of restatement on Statement of Financial Position 2023 | Original as at 31 March 2023 £'000 | As at 31 March 2023 Restated £'000 | Difference £'000 |
|---|---------------------------------------|--|---------------------|
| Non-current assets | | | |
| Property, plant, & equipment | 441,854 | 449,496 | 7,642 |
| Investment property | 38,038 | 22,578 | (15,460) |
| Intangible assets | 13 | 24 | 11 |
| Total non-current assets | 479,905 | 486,084 | (7,807) |
| Total Assets | 504,990 | 497,183 | (7,807) |
| Net assets | 458,457 | 450,650 | (7,807) |

| Effect of restatement on Statement of Comprehensive Net Expenditure | Original as at 31 March 2023 £'000 | As at 31 March 2023 Restated £'000 | Difference £'000 |
|---|---------------------------------------|--|---------------------|
| Expenditure | | | |
| Depreciation and impairment of non-current assets | 9,999 | 10,539 | 540 |
| Gain/(loss) on revaluation of investment properties | 959 | 1,242 | 283 |
| Other operating charges | 10,889 | 10,882 | (7) |
| Finance income | 1 | (1) | (2) |
| Other Comprehensive (Income)/Expenditure | | | |
| (Gain)/loss on revaluation reserve | 2,984 | (4,116) | (7,100) |
| Total | 24,832 | 18,546 | (6,286) |

| Effect of restatement on Statement of Changes in Taxpayers' Equity | Original as at 31 March 2023 £'000 | As at 31 March 2023 Restated £'000 | Difference £'000 |
|--|---------------------------------------|--|---------------------|
| Balance as at 1 April 2022 | 445,426 | 438,433 | (6,993) |
| Net Expenditure for the year | (21,102) | (22,260) | (1,158) |
| Revaluation of non-current assets | (3,762) | (3,418) | 344 |
| Balance as at 31 March 2023 | 420,562 | 412,755 | (7,807) |

Direction by the Scottish Ministers



BRITISH WATERWAYS BOARD (operating as Scottish Canals)

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in accordance with section 24 of the Transport Act 1962 hereby give the following direction:

The statement of accounts for the financial year ended 31 March 2021 shall be prepared by The British Waterways Board, operating as Scottish Canals and shall comprise:

- Statement of Comprehensive Net Income and Expenditure for the period;
- Statement of Financial Position;
- Statement of Changes in Taxpayers' Equity for the period;
- Statement of Cash Flows;
- Notes to the accounts.

The statement of accounts for the financial year ended 31 March 2021, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure, cash flows for the financial year, and of the state of affairs as at the end of the financial year.

On behalf of the Scottish Ministers

7 May 2021



Frances Pacitti
Director
Aviation, Maritime, Freight and Canals