

EXECUTIVE DIRECTOR SPONSOR: RICHARD MILLAR

Q2 2024/25 CAPITAL INVESTMENT PROGRAMME REPORT

The Board should note that this paper was considered and agreed by the EMT.

Purpose

This paper sets out the proposed changes to the Capital Investment Programme (CIP) that have been identified during Quarter 2 2024/25. In line with the scheme of Delegation this paper also seeks Board approval for the increased allocation of [REDACTED] additional funds to the Falkirk Flight (Locks 3-16 Forth and Clyde Canal). Transport Scotland (TS) have already approved this investment which includes an additional GIA allocation of £500k of capital.

Priority

This is a routine matter.

Background

The 2024/25 CIP continues the delivery of significant capital investment into Scottish Canals Assets. As a result of the case for investment set out in Asset Management Strategy 2018, Transport Scotland increased Scottish Government investment in 2020/21 to £12.2m and have maintained this level supporting SC to deliver partially against our Asset Management Plan. We continue to see our Asset backlog grow; this is presently sitting at £125m Capital/ £34m Revenue.

A full breakdown of the Capital Improvement plan allocation of funding, adjustments and commentary are provided in Appendix 1.

Key points to note are:

As highlighted in the Q1 capital investment paper in August, Scottish Canals continues to focus investment across all corporate themes. Our major asset investment continues into our Lowland Reservoirs at both Lily Loch and the completion of the design of Townhead Reservoirs replacement spillway. Lily Loch is progressing well and works in the interest of safety will complete before the statutory deadline of end of December 2024 as set by SEPA

As discussed at the previous board the degradation of our lock gates is progressing faster than was predicted in our Lockgate Strategy and remains a significant concern. We are focussing on continued works at both the Crinan & Lowland canals. As highlighted the gates on the Falkirk Flight have been failing to maintain water, this situation worsened rapidly in July/ August, forcing us to intermittently close the flight. During September we closed the navigation between Lock 16 and The Kelpies and undertook a full physical inspection with divers, these inspections discovered significant safety issues below water level with decay/ reduced sections present. With the failure of the gates on the Falkirk

flight we have assessed the engineering risks that they represent to both boaters and the local community and determined that we need to act. We have realigned our funding to deliver as planned Steel cassette gates at Lk16 (however across financial years 24/25 & 25/26) but also to widen works across the entire flight from Lock 3-16. This programme will include the replacement of lock gates at locks 7, 9, 11 & 14 and planking of lock gates at locks 3, 4, 10, 12, 13, & 15. The outline programme requires the suspension to navigation for 18 months to allow all works to be completed.

To accommodate these works, adjustments have been made to the wider programme on a risk cognisant basis, reducing planned investment in the design of Fort Augustus actuators (), purchase of GRP mesh () reduction in development of aqueduct inspection and design (), reallocation of funding within Lock 16 works ().

A full suite of communications has been produced informing customers, boaters, boating organisations, partners and political representatives. Initial feedback has been relatively positive.

Corporate Considerations

- **Strategic Priorities:** The allocation of the CIP aligns with the themes defined within the 2023-2028 Corporate Plan.
- **Health & Safety:** Numerous projects relate to emerging H&S concerns, relating to welfare & customer facilities as well as issues identified in local H&S plans.
- **Risk/Risk Appetite:** CIP allocations are prioritised against risks as set out in the Asset Management Plan, we continue to operate at risk with a significant backlog due to both staff and financial resources.
- **Legal:** CIP allocations are aligned with meeting our Statutory Duties. Transport Scotland have been informed of the temporary suspension of navigation on the Forth & Clyde.
- **Financial:** CIP allocations are only associated with CDEL GIA. The proposed investment in the Forth & Clyde has been reviewed and approved by PAC and EMT and the () has been approved. Discussions have been held with Transport Scotland and additional in year investment (£0.5m) has been identified and approved. Total spend for 24/25 is planned at (). We have reviewed the required investment next financial year and can confirm that an additional () will be required to undertake the installation of the gates and undertake lock upgrades. SG have confirmed that this additional funding beyond £12.2m will not be available in 2025/26. We have assessed our CIP allocations, should the TS investment levels remain the same at £12.2m we believe we should be able to accommodate by delaying works and mitigating risks. Should capital investment fall below this level we will struggle to cover the risks, we remain cognisant that we are already underfunded from the required Asset Management Investment levels, and we continue to operate at risk.
- **Human Resources:** Project management resources remain extremely tight, the planned investment on a PMO resource will strengthen and further professionalise our Project management approach.
- **Fair Work First:** Scottish Canals seeks to comply with the SG Fair Work First criteria as far as possible.
- **Communication:** Asset investment works will require significant canal closures in winter 24/25 and continued communication of planned works and interruptions is required specifically for the Falkirk Flight (16 – 3) for the 18month suspension of navigation.

- **Community & Third Sector:** Nothing significant to note at this stage.
- **Commercial:** Nothing significant to note at this stage.
- **Asset:** The CIP allocations take cognisance of the Asset Management Strategy 2018-2030 and Asset Management Plan 2021-2024. These plans will be revisited in 24/25 if resources allow.
- **Environment:** CIP allocations invest in energy and efficiency projects acknowledge the requirement to develop solutions to inform the future programme of appropriate investment choices in responding to global challenges of climate and biodiversity crisis.

Conclusions and Recommendations

The CIP budget allocations have been approved by both the Board and Scottish Government.

The Board is asked to approve the adjusted CIP allocation of [REDACTED] and the increased TS funding of £500k to the Falkirk Flight project. These priority projects are key to the safe delivery of our asset management plan and our legal compliance with the Transport (Scotland) Act 1968 and Reservoir (Scotland) Act 2011.

The Board is asked to note the adjustment to other projects and our overall contingency to facilitate this increased investment.

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