

Board: March 2026
Item: Q3 2025/26 Capital Investment Programme Report
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CORPORATE / APPROVAL / OPEN

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EMT APPROVED DATE:	

PURPOSE

This paper sets out the changes to the Capital Investment Programme (CIP) that occurred during Quarter 3 2025/26 and seeks Board approval for greater than £500k increase on one project and greater than £100k for Accountable Officer Transport Scotland approval.

RECOMMENDATION

Approval sought for board approval for Q3 adjustments in Capital Investment.

For board awareness some movements have occurred within the Q3 period, these adjustments have been reviewed at PAC and are below the scheme of delegation (Board/ SGov). These priority projects are key to the safe delivery of our asset management plan and our legal compliance with the Transport Act 1968 and Reservoir (Scotland) Act 2011.

The Board is asked to note the adjustments, approve the changes and the adjustment in overall contingency to facilitate this successful delivery of the Capital Investment programme.

BACKGROUND

The 2025/26 CIP continues the delivery of significant capital investment into Scottish Canals Assets. The Asset Management Strategy 2018-2030 has successfully supported the case for investment, due to funding challenges over recent years, SC has 'Operated at Risk' resulting in an increase in canal asset failures, threatened the continued operation of the canals as well as the safety of wider communities and infrastructure. This has been highlighted to the board and our sponsor body through recent reports and has resulted in a significant rebase-lining of GIA via the Scottish Budget (Feb 2026).

The Asset management Strategy and Asset management Plan are now being revised to align with the recently updated Asset Inspection Procedures (AIP) and a revised Asset Strategy 2026-2036 is also being developed. All of these updated and improved documents reinforce the robust and continuing asset inspection, management and maintenance regimes being provided to maintain the canal network.

The Asset Inspection regime and the continued development of "top tens" has identified various locations and asset types requiring upgrading. During 2025/26 emergency works have primarily related to the deterioration and failure of the gates on the Falkirk Flight and embankment failures on the Crinan Canal and leakage on the Kelvin Aqueduct

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

Key points to note are:

Scottish Canals continues to focus investment on a risk-based approach across all corporate themes. In addition to the works progressing on the Falkirk Flight, Reservoirs remain a key safety priority; Townhead Reservoir project is now moving forward with a revised and more efficient design and a new construction programme being developed. A significant reduction of investment can be seen of [REDACTED] at Townhead due to technical and landownership delays. Additional concerns have been realised at Gleann Reservoir which supplies the Crinan Canal, and detailed Electrical Resistivity Tomography surveys carried out in Q3 have provided in-depth understanding of the leakage into the embankment and a design is now underway with support from our All Reservoir Panel Engineer. He is satisfied with our mitigation to date at both locations, reducing water levels and monitoring while further design is progressed by the design team.

As discussed in the Q2 report, the condition of our lock gates across the estate remains a significant concern. Throughout Q3 we have continued to focus on works between Lk12- Lk16 F&C. The works here have now completed, with a new bypass constructed at Lock 16 and new steel gates installed. Lower hardwood timber gates at Locks 12 – 15 are now complete with new stop plank grooves to aid future resilience at the locks. In addition, our own Lowlands Maintenance Team have re-planked the upper gates at Locks 12 – 15. Phase 2 of the works was tendered and awarded in December 2025 which will see the delivery of a further 4 sets of lower gates, in hardwood to Locks 11, 10, 9 and 7. The works are currently programmed for completion during August 2026. It is expected that further works will be identified as we dewater further down the flight putting pressure on budgets in 2026/27. While the budget for this financial year has risen to [REDACTED], with the award of the Phase 2 works the total projected budget is now estimated at [REDACTED]. The completion of these works is planned for August 2026 aligning with the 25th Anniversary of the Millennium Link project.

Within our embankment programme, additional reactive works were carried out at various locations across the network, as discussed in the previous Q2 report. The most severe failures occurred at Bellanoch and at Embankment 16 on the Crinan Canal. These sudden failures were identified thanks to the vigilance of our Asset Inspectors.

The principal inspections programme continues, and the backlog is being reduced in line with our plan. The project is highlighting further remediation works and a further pressure financially going forward in asset management and maintenance of these historically significant assets.

It has been necessary to adjust the CIP significant to accommodate the movements associated with asset failures as can be seen in the table below:

Project Area	Plan	Q2 Changes Reported	Commentary	Board Approval Required
F&C East Gates	████	████	Additional investment identified from Townhead Reservoir/Fort Augustus Delays and contingency.	Reported Q2
Townhead Reservoir	████	████	Ground Investigation and design phase commenced.	Reduction Reported Q2
Fort Augustus	████	███	Resource challenge required delay.	Reduction Reported Q2

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

ASSESSMENT

These adjustments fully align with SC's Asset Management Strategy and aligned with asset risk and efficient project deliverability. As can be seen in the attached table no movements greater than £100k increase have occurred within the CIP, however Q4 may see further significant adjustments as the price for the emergency works at Crinan and at the Kelvin Aqueduct become clear.

CORPORATE CONSIDERATIONS ANALYSIS

Strategic Priorities	The allocation of the CIP aligns with the themes defined within the 2023-2028 Corporate Plan.
Health & Safety	Numerous projects relate to emerging H&S concerns, relating to welfare & customer facilities as well as issues identified in local H&S plans.
Financial	CIP allocations are only associated with CDEL GIA.
Legal	CIP allocations are aligned with meeting our Statutory Duties.
Risk / Risk Appetite	CIP allocations are prioritised against risks as set out in the Asset Management Plan, we continue to operate at risk with a significant backlog due to both staff and financial resource restrictions.
Sustainability	Proposal aligns with asset maintenance and the need to extend asset life.
Environment	Limited CIP allocations invest in energy and efficiency projects acknowledge the requirement to develop solutions and third-party funding to support SC's future programme of appropriate investment choices in responding to global challenges of climate and biodiversity crisis. This at present remains insufficient due to wider pressures.

People	Project management resources remain extremely tight and Q3 has been a significant challenge, the planned investment on a PMO resource will strengthen and further professionalise our Project management approach.
Fair Work	Scottish Canals seeks to comply with the SG Fair Work First criteria as far as possible.
Communication	Asset investment works will require significant canal closures in winter 25/26 and continued communication of planned works and interruptions is required specifically for the Falkirk Flight (3– 16) for the 18+month suspension of navigation.
Community & Third Sector	Community Fund realised and committed as part of the Falkirk Flight project for the local communities affected.
Commercial	N/A
Asset	The CIP allocations take cognisance of the Asset Management Strategy 2018–2030 and Asset Management Plan 2021–2024. These plans will be revisited in 26/27.

Project No.	Corporate Plan Theme	Project Name	Board Approved Budget – March 2025	Revised CIP for SG approval	Q3 Forecast	Quarter 3 final spend	Change against Board approval 2025/26	Change against Board approval over 100K 2025/26	Comments
N/A	Our team	Contingency					£0.00		
N/A	People & Business	PMO (PM Futures)			£		£0.00		
N/A	Our team	Internal Cost Recovery – capitalisation of PM wages				£301,386.66	£0.00		
N/A	Our team	VAT Liability (proportionate to expenditure profile)				£0.00			additional VAT generated due to changes in projects and associated VAT liability.
N/A	People & Business	Capitalisation of property leases					£0.00		
N/A	People & Business	Capitalisation of Fleet Lease costs					£0.00		
N/A		Portion of VAT incurred by TPF projects but paid by SC			£0.00	£0.00	£0.00		
A01698	Canals for the Future	Townhead – design work 23/24, enabling works 24/25, rebuild weir 25/26							Reduced budget created due to land ownership purchase delays. Programme was stopped until land purchase agreed and concluded. Further review of design proposals due to new hydrological information, has realigned programme. Projected underspend Allocated to Bellanoch (Falkirk Flight ()).
	Canals for the Future	Reservoir upgrades (MIOS)							Various MIOS works programmed in Q4 while vegetation low to complete spend.

	Canals for the Future	Principal Inspections Strategy							Works progressed no invoices received in Q3. Current budget allocation (Q4) on target to be spent.
A01741 & A01805	Canals for the Future	Falkirk Flight Upgrade Works Locks 16 – 3 and Bypasses at Lock 16, and Locks 20/21							Additional works highlighted once canal dewatered which was not visible through survey works completed previously. Additional funding from Townhead () and Fort Augustus Actuators. () and Contingency ().
A01731	Canals for the Future	Fort Augustus Actuator replacement & operational ground works including Cullochy							Programme reviewed and opportunity taken to develop detailed proposals over multiple years. This has released budget to fund Forth and Clyde Flight.
A01495	Canals for the Future	Crinan Lock 15 / Basin Public Realm works							100k on two lines on CIP. 100k carry over from 2024/25 and additional 100k for 2025/26. Added into one line.
	Canals for the Future	Almond feeder							project delayed due to landownership and access delays.
	Canals for the Future	High Risk Asset Risk Mitigation Programme HRA Emb. Improvements							Project development underway; spend progressed in Q4.
	Canals for the Future	New Moorings Strategy – modernisation & efficiency inc. development & delivery							Project development underway spend progressed in Q4.
	Canals for the Future	Efficiency: Digital Moorings and licence compliance software/ User							

		Operation Fuel and pump out (£50k)							
A01546	Spaces and Places	Smart Bollards & Metering Prog. (Caledonian, then Crinan, then Lowlands)							Cashless mooring bollards installed at various locations on Caledonian and Crinan in Q3, invoiced in Q4.
A01641	Canals for the Future	Operational Moorings Upgrade Programme							Q4 spend.
A01790	Canals for the Future	Dredging							
A01801	Canals for the Future	Boaters Mail facilities Phases 2 and 3							
A01734	Canals for the Future	Canal Bridge Strikes							
A01780	Canals for the Future	Aqueduct Upgrades							Inspections progressing, spend programmed Q4.
A01829	Canals for the Future	Culvert upgrade works (Culvert Strategy)							Contract let in Q4.
	Canals for the Future	Welfare & Customer Facilities upgrade / replacement programme							PAC approval received end of Q2.
A01816 & A01871	Canals for the Future	Residential Portfolio - Energy Efficiency Regulation (EPC minimum standards)							
	Explore and	Facilities Management -							Q4 works.

	Experience	buildings & plant refurbishment & replacement works (reactive capital works)							
	Explore and Experience	Operational building upgrade & optimisation programme							
A01055 B	Spaces and Places	Lock 16: Redesign, proceed to site start/link to TFW Masterplan; delivery of Lock 16 project							PAC approval received end of Q2 project progressing to timescales, 100% spend by end of Q4 programmed.
A01200	Our team	Dundashill - fulfil final planning conditions							Q4 progression expected.
	Canals for the Future	Applecross masterplan							
A01713 & A0173 2	Spaces and Places	TFW Toilets & Entrance revitalisation							Q4 progression expected.
		Visitor Centre WC Improvements							
	Explore and Experience	TFW Masterplan implementation - attraction development & digital experiences							
A01873	Spaces and Places	Digital Replacement Programme - Rolling Laptop refurbishment							Final Laptop costs slightly less.
A01826		Smart Canal Critical IT Hardware Replacement							

		Electrification of TFW trip boats (Boat 1)							Committed end of Q2.
A01866	Our team	Floating plant replacement							
A01867	Canals for the Future	Further Development of Pump Storage Hydro Schemes							Q4 commitment.
		Caledonian Canal – East District Upgrade Works							
A01868	Spaces and Places	Sustainability							SGI approved end of Q2.
	Canals for the Future	Slip trips and falls sites (uneven surfaces etc)							
A01830	Canals for the Future	Workspaces and workplaces (Health Safety & Wellbeing)							
	Canals for the Future	Environmental							
	Spaces and Places	Minor Works (under £10k) approvals							
A01746	Canals for the Future	Lock20 Bypass remaining costs (delayed due to land ownership and badger set discovery)							
A01731	Canals for the Future	Fort Augustus							Kytra remedial works.

A01495	Canals for the Future	Crinan Lock Gates							As above, 2 lines in CIP rolled into 1.
A01826	Canals for the Future	Telemetry Upgrades							
A01200	Canals for the Future	Dundashill							3rd Party funding to be received.
A01783	Canals for the Future	Aqueducts and Embankments Principal Inspections							Conclusion of works from 2024.25FY and delay to receipt of invoices.