

EXECUTIVE DIRECTOR SPONSOR: RICHARD MILLAR

2025/26 CAPITAL INVESTMENT PROGRAMME

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

Purpose

This paper sets out the proposed allocation of funds within the Capital Investment Programme (CIP), deploying the £12.6m CDEL Grant in Aid confirmed within the 2025/26 Scottish Government budget.

The paper is seeking approval of the proposed allocation. As per the requirements under the Scheme of Delegation, Scottish Government approval will subsequently be sought.

Priority

This is a routine matter, however, approval is sought in advance of the 25/26 financial year in order that projects can be progressed timeously including procurement, contracting, design development, environmental and heritage consenting etc.

Background

The 2025/26 CIP continues the delivery of significant capital investment into Scottish Canals Assets. The increase in investment has been realised due to the delivery of the Asset Management Strategy and subsequent Asset Management Plans. This followed several asset failures which threatened the continued operation of the canals as well as the safety of wider communities and national infrastructure.

Full review was undertaken with all heads of service to assess capital demand across the business, this resulted in a submission in excess of £23.5m. Significant work was required to achieve the budget of £12.6m and the table presented in Appendix 1 shows both the proposed CIP and the items that have been delayed into future years, as a result of these difficult decisions we continue to operate at a heightened risk, which puts increased pressure on our capability to maintain consistent and efficient operation of the canals.

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

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

As per last year the CIP contains an element of corporate expenditure 5% including an allocation for property and fleet leases, the cost of which is now capitalised as part of IFRS 16 accounting, in addition [REDACTED] this has been calculated and applied to individual projects in accordance with HMRC agreement. Contingency and internal staff resource continue to be allocated across all projects in line with Scottish Government advice.

The allocations are further divided into the four Corporate Plan themes; Canals for the future (65%) which focuses on navigational infrastructure, net zero initiatives and innovation; Spaces and places (9%) delivering placemaking through Canalside regeneration and community investment; and Explore and experience (1%) delivering and improving customer experience as well as the fourth theme, People and business (25%) focussing on staff facilities and business improvements.

In terms of infrastructure, further work is planned on the Lowlands at Townhead Reservoir's replacement spillway. The condition of our lock gates remains a significant concern, we are focussing on continued works on the Eastern side of the Forth & Clyde and major replacement of the hydraulic power packs at Fort Augustus to safe, efficient, electric driven actuators.

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

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

Corporate Considerations

- **Strategic Priorities:** The allocation of the CIP aligns with the themes defined within our 2023-2028 Corporate Plan.
- **Health & Safety:** Numerous projects relate to emerging H&S concerns, relating to welfare and customer facilities as well as issues identified in the emerging H&S strategy.
- **Risk/Risk Appetite:** Resources remain exceedingly tight with the Engineering department and Asset department operating at 25% below the establishment. Presently CIP allocations are prioritised against risks as set out in the Asset Management Plan, we continue to operate at risk with a significant backlog due to both staff and financial resources.
- **Legal:** CIP allocations are aligned with meeting our statutory duties.
- **Financial:** CIP allocations are only associated with CDEL GIA. The proposed allocations have been reviewed by the finance team to confirm the allocations are aligned with appropriate funding. Individual project details will be subject to approval through the usual project assurance governance (Project Assurance Committee).
- **Human Resources:** Project management resources remain extremely tight, the ongoing investment in the 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:** The asset investment works will require significant canal closures in Forth & Clyde east and a broader programme of works will be required across the winter of 25/26 and continued communication of planned works and interruptions is required.
- **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 2025/26 subject to resources.
- **Environment:** CIP allocations invest in energy and efficiency projects acknowledge the requirement to develop solutions to inform the future programme of appropriate investment choices in responding to global challenges of climate and biodiversity crises.

Conclusions and Recommendations

The CIP budget allocations have been determined following the Scottish Government budget settlement, with £12.6m CDEL provided to Scottish Canals for 2025/26.

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

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

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