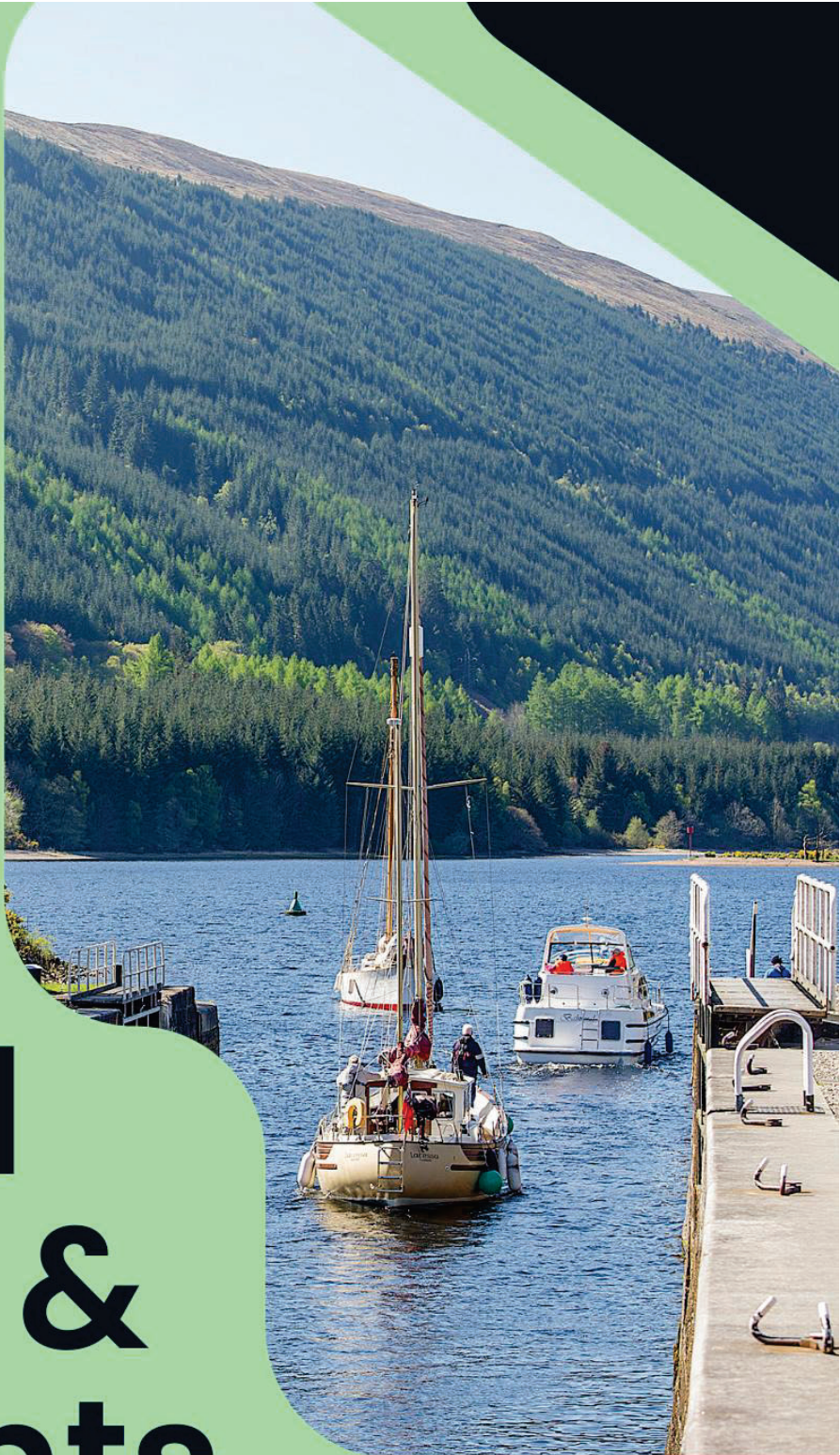


SG/2026/117: Scottish Canals

2024/25

Annual Report & Accounts



**Scottish
Canals**

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Performance Report



Scottish
Canals

A Foreword from the Board

I am delighted to be writing this foreword as Chair of Scottish Canals and as a self-confessed canal enthusiast.

Last year marked the second year of our 2023/28 Corporate Plan, 'Better lives by Water'. Once again thanks to our amazing people, volunteers, partners and wider stakeholders we have delivered another year of vibrant canals for people, heritage and nature.

As we celebrated 10 years of the now world-renowned Kelpies, it gave us pause to consider just how much impact a relatively small organisation like ours can have. Through getting the right partners together, coupled with the tenacity of our people, The Kelpies rose from the ground to generate over £81m of economic value to the area in that time, whilst also becoming a global beacon encouraging tourists to Scotland. This strategy of bringing the right partners together, engaging local communities and seeking third party funding is key to Scottish Canals' future as we seek to become more financially sustainable whilst delivering lasting benefit for the people of Scotland.

Throughout 2024/25 our teams continued to focus on organisational compliance, working alongside our auditors and Transport Scotland to build on our previous year's audit results and make further improvements to our non-current assets valuation and reporting. On behalf of the Board, I would like to thank everyone for their contribution to this year's audit and for the ongoing work in this area.

It is important to recognise the continued support and funding we receive from Scottish Government; this money is vital in helping us keep Scotland's 200-year-old historic canal network open and free for millions of people across Scotland to enjoy and benefit from daily. Unfortunately, this funding, coupled with our self-generated income (47% of total income), has been under more pressure than ever before with inflationary costs, irrecoverable VAT, and ageing assets all reducing our actual spending power and therefore impacting the services we can deliver and projects we can undertake. Like many public sector organisations, 2024/25 saw a greater shift in focus to long term financial planning and reform, with the organisation developing strategic workstreams that can support the delivery of a more sustainable operating model. This is a challenging piece of work due to the annual nature of budget settlements. However, in adapting how we operate and delivering against our Investment Strategy we will become more resilient and ensure that Scotland's canals are thriving for future generations to enjoy.

As we look to the future and legacy that we want to leave future generations, delivering against our Net Zero Route map is important, and in 2024/25 we exceeded our Net Zero Route map target of greater than 30% reduction in Heating scope 1 emissions by 2026, two years in advance of the deadline. It is fantastic to see the progress we are making in this space, and we'll continue to press to do more whether through our own projects or partnering with others to support Scotland's wider climate agenda.

Finally, I would like to thank all our staff and volunteers for their continued hard work and dedication to caring for these amazing heritage assets which are of national importance. Please go and explore them and share your experiences 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 2025.

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 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 £12.8m revenue grant in aid and £14.2m capital for the year towards safeguarding our canals for future generations.

The past year saw us celebrate some landmark milestones. We celebrated a decade of the world-renowned Kelpies. Delivered through third-party funding and one of Scotland's biggest attractions, the Kelpies and Helix Park have welcomed more than seven million visitors and generated £81m in economic value over the last 10 years. A report prepared by economic research partners confirmed our iconic attractions have also created 110 new full-time equivalent jobs and contributed £47m in wages. The report cements what Scottish Canals, and all involved in the creation of The Kelpies, knew from the outset that these truly special equine sculptures, linked so closely to Scotland and the canals' industrial heritage, have brought real economic value and vibrancy to the world. During this year we also launched the Kelpies Experience giving visitors a unique opportunity to climb safely to the top of the inside of the equine structures. The new attraction will provide a valuable platform not only for a unique experience, but for the generation of much needed funding for charities and other organisations.

Hundreds of people also turned out to mark the opening of Winchburgh Marina in West Lothian. The new marina on the Union Canal is in Winchburgh's emerging new town centre, and was opened with a flotilla of canal boats, e-boats, canoes, and paddleboards to the sound of bagpipes in the background. The marina is the latest addition to our growing mooring portfolio. We worked with Winchburgh Developments Ltd to develop the facility, which can accommodate up to 20 narrowboats for tourists and residential berths, with plans for a further 29 moorings along the canal.

We are also investing more than £3.5 million in a major programme of gate replacement and lock upgrade works along the Falkirk Flight of the Forth & Clyde

Canal over the next 18 months. The first tranche of construction work began in January 2025 at Lock 16, where a lock bypass was installed. It will provide an alternative route for water flows, allowing for better control over water levels and water quality in the canal network, and the project has also now begun to replace the upstream and downstream gates.

Towpath improvement works are also underway from Leamington Lift Bridge to the boundary of Edinburgh Quay. The project is backed by £605k funding from Scottish Government, and developed and delivered through partnership between Scottish Canals, Walk Wheel Cycle Trust (formerly Sustrans) and Vastint. The resurfacing will improve the experience of active travel and leisure users along the canal towpath.

In the Highlands, essential improvement works to Gairloch Swing Bridge were carried out with £300k funding from our Capital Investment Programme. The works involved our teams removing the existing hydraulic wedge system and installing a new system, driven by electrical actuators. This new system is designed primarily to improve reliability, with the components also having a longer lifespan. In the event of a fault, the new system will also reduce the time it takes to put the bridge back into operation. The new wedge support design is the result of investment in developing a reliable and robust standardised system for all swing bridges across the canal network.

The implementation of the new standardised design will provide further efficiencies across the canals, as we will no longer require bespoke components for each moving bridge, nor individual bespoke familiarisation for our operation and maintenance teams for each asset.

We continued with our investment in our assets along the Caledonian Canal at the Fort Augustus lock flight with £2.3m capital investment as part of our Asset Management Strategy. The planned work involved upgrading the lock gate cills (raised sections of the floor of the lock chamber) against which the lock gates seal shut. These new cills will improve the efficiency of the lock gates which, in turn, will help to prolong the life expectancy of the gates, improve water management requirements, and help us to provide a better experience for those visiting and transiting the lock flight.

Keeping our canal channels clear and navigable is essential to ensure that the canal has sufficient depth for vessels to pass through safely. As part of our works this year we conducted dredging operations in a section of the Union Canal between Gogar Bridge and the Scott Russell Aqueduct.

We also returned to Crinan to focus on the reinstatement of areas around the basin which were impacted by the major engineering work which took place over the last two winters. The project improved the landscape setting and accessibility at Crinan Basin, with the final design influenced by our community engagement sessions.

Our canals remain vibrant places to work and visit, and we will continue to invest in Scotland's canals to generate lasting benefit for people and communities allowing them to thrive.

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 rental of land and property, tourism, retail, canal moorings and boating licences, 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. Through collaboration and partnership working, we dedicate our resources to improving both 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 others 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 to ensure 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

In accordance with our Corporate Plan 2023–2028, 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 2024/25 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

Financial resilience has been a continued area of focus for the organisation and has been reported internally and in Scottish Canals' Annual Report & Accounts since 2020/21.

This year, amid a challenging public sector financial environment, funding increased from £11.3m in 2023/24 to £11.8m in 2024/25. Despite ongoing efficiency measures, cost pressures remain significant, primarily due to payroll adjustments in line with government pay policy and above-inflation increases in utilities and materials – key operational expenditures.

Budgets were also adjusted for the first time in 2024/25 for both revenue and capital to include irrecoverable VAT in line with a new methodology which has been assessed and settled with HMRC. This practice will continue in future years but has added an extraordinary financial burden to the annual budgets – with a final 2024/25 assessment agreed with HMRC of £794k irrecoverable VAT on

revenue expenditure and £1.86m irrecoverable VAT on capital expenditure for the year.

To mitigate the structural deficit and address these pressures, Transport Scotland provided an additional £1m allocated through the Spring Budget Revision in February, bringing the total 2024/25 budget to £12.8m.

However, there had been no guaranteed additional grant in aid for revenue or capital at the start of the year to accommodate the pressures, and so to support a move to reduce any overspend, an existing shortfall in staffing, over 34 vacancies were managed in-year to support the management of the predicted budget overspend. Work continued to be prioritised around essential operational functions, repairs and maintenance, and statutory responsibilities continued to be met. This picture remained similar at the beginning of the 2025/26 financial year.

Scottish Canals continued to face constraints like other infrastructure bodies across the public sector, necessitating a focus on essential works and targeted reactive repairs, prioritised in line with up-to-date asset risk assessment.

Approval of a full medium-term financial strategy was delayed until December 2025, however there had been continued detailed financial presentations made to Board and Transport Scotland during the 2024/25 financial year to present evidence around financial resilience and associated asset risks.

Through working collaboratively with Transport Scotland and Scottish Government colleagues on the existing structural deficit, and the growing risks and issues arising from Scottish Canals' complex ageing infrastructure, a more positive anticipated budget position is anticipated for 2026/27, where additional funding to start to address the severe backlog in asset infrastructure repairs and maintenance will be provided.

Generation of commercial income from properties, investment and destinations has been and continues to be critical to narrowing the gap between the cost of maintaining and operating Scotland's canals and the grant in aid available.

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 have been strengthened to manage this risk, including the embedding of a health & safety management system, EcoOnline.

Workforce Planning Risk

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

Workforce planning has become an increasing area of focus as we recognise the importance of aligning our people strategy with long-term organisational needs. Over the past year, we have started to identify potential gaps in skills and succession coverage. Succession planning and the availability of key skills will continue to be priority areas as we build a more proactive workforce strategy.

Cyber Vulnerability Risk

Our risk continues to be reviewed and assessed. There is no significant change in risk as at the end of the financial year. People remain our first line of defence, and an improved training plan was rolled out during the year to support all our staff. To provide additional resilience, investment in some key systems is planned for April/May 2025.

Climate Change Resilience

This risk continues to be 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 because 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.

Compliance

Over the past year, we have laid the foundations for a more structured approach to compliance risk management. Initial steps have included identifying key regulatory obligations and embedding awareness of compliance responsibilities across the organisation. While we acknowledge that further work is required to ensure continuous improvement of our compliance framework and to formalise policies, procedures, and oversight mechanisms, we are committed to building a more robust compliance culture and expect continued progress over the coming years.

Performance Analysis

The purpose of the performance analysis is to provide an overview of Scottish Canals' performance for 2024/25. The report includes insight into the KPI's, Strategic, operational and financial targets, Our Service, Engagement and Complaints.

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

In 2024/25 our vision for 'Vibrant Canals for People, Heritage and Nature' guided us as we worked with our people, partners, contractors, customers, volunteers, and boaters to deliver another year of canal magic whilst tackling some of the challenges that face us and the wider public sector. 2024/25 was another milestone year in our more than 200-year-old history, as we celebrated a decade of The Kelpies. In just 10 years these icons have become symbols for Scotland generating more than £81m for the Scottish economy and attracting millions of visitors since we opened. The occasion was marked with the first ever concert at The Kelpies, showcasing the site as an incredible event space with thousands of people showing up throughout the day and for the night-time concert in support of these now treasured artworks.

As part of the Kelpie 10 celebrations, we also took the opportunity to launch a new, one of a kind, climbing experience inside The Kelpies. The Kelpies' Experience is an aerial assault course which offers the brave and adventurous a chance to see the structures from mid-air before climbing to the top and seeing out the horse's mouth. This new high-quality experience complements the Behind the Wheel tours which were also launched in 2024/25, allowing engineering and canal enthusiasts an inside look at the world's only rotating boat lift. Both new experiences enhanced our existing destinations offering, helping to ensure that we had a successful year of welcoming visitors from home and across the globe whilst generating much needed income for reinvestment back into caring for the network.

In November we celebrated our first year of delivery against our Net Zero Route map as we continue our journey to becoming net zero in greenhouse gas emissions by 2030. Two years ahead of our 2026 deadline we delivered a greater than 30% reduction in heating scope 1 emissions as well as recording an 18% decrease in vehicle emissions compared to 2023/24 (186t CO₂e from 227t). At The Falkirk Wheel the recently installed solar panels generated 100% of the electricity required to operate the visitor centre air source heat pumps, effectively providing free renewable locally produced heat for the visitor centre for the year.

A total capital programme of £14.2m, covering over 40 significant projects was undertaken by our engineering and project teams as they tackled some of our major infrastructure concerns whilst also delivering a wealth of safety, community, and economic benefits for Scotland.

The Forth & Clyde Lock gate Replacement Programme took a big step forward as the difficult decision was taken to suspend navigation across the Falkirk flight (Locks 3– 16) of the Forth & Clyde Canal for a prolonged period to allow essential works to be undertaken. Thanks to additional funding from Transport Scotland and Scottish Government the project is seeing the replacement of five sets of lock gates and further improvements including cill replacement, quoin repair and over-planking at one time removing the need for multiple separate closures year on year. These works, once complete, will allow us to manage our water resources more diligently and will ensure that the canal can continue to operate safely for the next 20 plus years. A programme of c. £300k of works across our reservoirs was also started. These projects were prioritised based on safety and were essential to ensuring that we meet our statutory obligations under the Reservoir Scotland Act. A larger rolling programme of investment in our reservoirs is underway helping to safeguard our water resources and protect the rich wildlife and ecosystems of our canals.

Finally, in recognition of the ongoing financial challenges across the public sector and our drive to be a fully evidence-led organisation, two new internal initiatives were established. The new Transformation Programme aims to drive digital and organisational efficiencies whilst also birthing new projects to improve service design and delivery. Guided by internal audit recommendations, a new Project Management Office (PMO) was also established. The PMO will ensure consistency of project delivery and recording, keeping projects on track and ensure benefits realisation. In addition, they will lead the co-ordination and sharing of management information, including performance reporting and business

insights, to guide decision-making and hold Scottish Canals accountable in delivering against the targets within business plans.

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 2024/25 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 2024/25.

By the end of the year, Scottish Canals had successfully completed 3 Business Plan activities, with 20 partially completed and 0 not achieved. The KPIs partially 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 public. Additionally, some KPIs are multi-year objectives.

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

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

RAG	% complete
Red	80% and less
Amber	81-90%
Green	91% and above
Blue	100%

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
Maintain visitor safety management	Carried out a strategic review and development of organisational policy/standards relating to visitor and water safety. Developed an organisational strategy, standards and associated plans that will bring together a wide evidence base to support visitor safety. Reviewed towpath code of conduct to support visitor safety. Reviewed and upgraded Public Rescue Equipment.	Zero-harm approach to notifiable accidents. Visitor safety plans updated. New code of conduct produced and communicated. Network-wide plan published.		New integrated framework for visitor and water safety complete and currently being trialled. Water and Visitor Safety Strategy has been developed and will be taken forward in 2025/26 alongside the review of Minimum Safety Standards (operations). Towpath Code of Conduct engagement exercise will be carried out by end of 2025.
Develop and promote destination experiences	Introduced new experiences at The Kelpies and The Falkirk Wheel, including engineering tours and electric boat hire. Opened campervan sites along the	Visitor numbers for new experiences and income generated (£).		The Kelpies' Experience is ahead of target on bookings with 32 charity days. The first public dates have been delivered, and plans are on track/ in place to ramp up more public dates.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	Caledonian Canal and at The Falkirk Wheel.			Behind the Wheel tours are still receiving excellent feedback.
Refresh customer delivery standards	Standardised customer and stakeholder engagement, prioritising prompt enquiry handling and resolving issues within agreed standards. Developed policies and procedures for boating customer services including storage, access to electric vehicle charging points, aligned to plans for improvements to customer facilities. Introduced assisted passage support during peak season for customers transiting the Crinan Canal.	Customer service standards published. Customer surveys completed. Policies in place for 2025 season. Numbers using assisted passage and income generated (£). Fundraising pipeline developed.		Boater Charter feedback is still under review. A further update is due in quarter one 2025/26 prior to meeting with stakeholders and finalisation of document. Complaints handling progress improvements are still ongoing. There is a refreshed Net Consent / customer enquiry process still to be formalised. Our asset management software (AMX) has now been confirmed as having a Customer Relationship Management (CRM) function which will be used to track complaints from Q2 2025/26.
Active Travel Strategy and infrastructure upgrades	Initiated strategy development and capital co-investment programme.	Active Travel Strategy in development.		Stakeholder engagement and a significant mapping exercise has been undertaken to support strategy development and ensure that a holistic approach can be taken when prioritising projects. This has included Local Authority (LA) and Regional Transport Partnership transport networks, but also extends to LA development plans, and population demographic data. Similar steps are being undertaken to review and map completed projects, current projects, and proposed projects.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
				Framework now in place to develop strategy during FY 2025/26. Further development of strategy during FY2025/26 for final submission to Board towards the end of the year.
Grow volunteering capacity	Third-party revenue funding secured to support scheme development and growth.	Funding secured (£). Volunteering Strategy developed.		Funding is secure from 2027 via National Lottery Heritage Fund bid – looking to bring forward funding for volunteering posts.
Navigation, transits, and moorings provision	Completed a full review of new moorings locations along the lowland canals. Carried out spot dredging and weed control to maintain navigation. Activated automated bollards and streamlined processes for utilities billing for boating customers.	Action plans developed. Capital investment (£) to support greater automation.		Bollard installation is complete on Caledonian Canal. Ongoing installation at Crinan, due to engineering delays. Finance still to determine electricity costs to be recharged via bollards. Lowlands bollards are due to be installed during FY2025/26.

Places and spaces

Scotland’s canals provide thriving corridors for people to live, work, visit and play. We work with partners and communities to create opportunities, repurposing land, and buildings, so our canals have a lasting and positive impact.

RAG	% complete
Red	80% and less
Amber	81–90%
Green	91% and above
Blue	100%

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
Customer facilities improvements	Implemented year one priorities following the review carried out in 2023/24, focusing improvements to automate services and improve the customer experience.	Action plans developed. Capital investment in facilities and services (£).		Delivery working group has undertaken further detailed stakeholder engagement and developed a prioritised red list in all canal locations. Development of priority projects is underway, and some design work commenced. Priority compliance works were undertaken, although year one projects were delayed to 2025/26 due to resource constraints. Completion of design work to develop a set of standard specifications to enable scoping and costing of multiple projects.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
				Capital Investment Plan funding for 2025/26 capped at £75k, priority projects to be worked up and costed and a multi-year delivery programme developed, with a further review of usage required.
Maximising the impact of land and estate holdings	Review of operational estate initiated seeking to define future requirements to operational delivery. Categorised vacant properties and under-utilised land for future development. Delivered a programme of statutory compliance, planned maintenance and reactive repairs across our properties.	Proportion of estate occupied or zoned and utilised. Specific feasibility and investment plans developed.		A review of the operational estate has not progressed due to lack of resource. This work is delayed until 2025/26. Initial stakeholder sessions to be undertaken in the first half of the year. Categorisation of long-term derelict properties is complete and actions underway, with a review of land to follow informed by regular placemaking workshops. Statutory compliance programme and planned and reactive maintenance all underway.
Falkirk Wheel masterplan	Developed a design brief for a multi-year programme to renew The Falkirk Wheel visitor attraction and improve the fabric of the buildings aligned to our Net Zero Routemap. Commenced phase 1 works to upgrade customer facilities at the main visitor centre	Capital improvement programme investment (£).		Update presentation to Executive Management Team and Board across all LOTS on design, costs to date, inter-dependencies and timelines. In line with plan. Priorities to progress 2025/26 identified and Q1 target to lodge planning application.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	and dedicated facilities for boating customers.			
Canal Centre/Lock 16, Falkirk	Significantly progressed public sector and third sector partnerships to establish Lock 16 as a national training centre for traditional skills and shared space for operational delivery. Submitted a full business case to secure £4m of Growth Deal funding.	Full business case prepared.		Installation of roof access system slightly delayed but works will be completed early April 2025. Works to remove the remaining lead paint completed in Q4. Planning application was submitted to Falkirk Council in February 2025, target date for determination by Falkirk Council 16th April 2025. Full funding for the project achieved with additional funding confirmed from National Lottery Heritage Fund (£3.7m) and Transport Scotland for 2025/26 GIA (£550k). Board approval to the project was confirmed in March 2025. RIBA Stage 4 Design development completed in Q4 enabling building warrant submission during 2025/26 Q1 and market testing. Outline Business Case submission has a new target date of 2025/26 Q1. Final Business Case target date for submission is end of 2025/26 Q2. Building warrant submission during 2025/26 Q1 and market testing.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
North Glasgow regeneration	Progressed options for the land and buildings at Applecross Street, Glasgow which draw on community and partner engagement and align with wider plans and developments.	Action plan developed.		In Q4 a feedback session on phase 1 submission took place. All teams progressing to Phase 2 of the competition attended. Discussions progressed with C40 on Phase 2 and SC's commercial and operational aspirations crystalised. Phase 2 competition is delayed due to resource challenges but aims to be launched in 2025/26 Q1. Launch Phase 2 competition 2025/26 Q1.

Canals for the future

Our core purpose is to safeguard navigation. We embrace new research, technology, and innovation to improve water stewardship, support renewable energy production, and respond to climate change and impacts on biodiversity.

RAG	% complete
Red	80% and less
Amber	81–90%
Green	91% and above
Blue	100%

Activity	By March 2024 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
Improving asset health and resilience	Completed scoping exercise of high-risk assets and spaces to withstand impact of disruption and alignment with business continuity systems and processes. Delivered further embankment investigation and upgrading works on Union Canal. Completed a full audit of mechanical and electrical compliance regime for inspection and maintenance of canal structures.	Action plans developed. Audit findings reported and action plans in place.		5yr Capital plan continually evolving based on AMX scoring mechanisms. Projects limited by resources (staffing/financial limitations).
Network-wide climate change resilience assessment	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. Further partnership working in	Model in place and future approach to resilience and water stewardship developed.		Improvement work relating to water stewardship undertaken at Crinan including staff competency and confidence in approach has been undertaken.

Activity	By March 2024 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	place to support flood mitigation developments.			Further work to explore hydrology modelling to be considered in 2025/26 subject to resourcing.
Net Zero carbon	Progressed the potential for hydro, low voltage grids and battery storage along the canal network including development of prospectuses, reflecting national future infrastructure plans and policies to nurture opportunities and partnerships. Plans developed for additional electric vehicles charge points to support further transition of fleet to low carbon options and enable greater use of current electric fleet. Implemented transition plans for our fleet to renewable fuels in line with Net Zero targets. Supported scoping work and potential partnership activity for pump hydro-related freight projects.	Priorities and action plans developed. Carbon emission reduction (%). Progress on electric vehicle network roll-out.		Gap analysis of Net Zero strategic commitments complete and priority areas identified. Scoping exercise to develop commercial prospectus underway to explore energy source, production and storage capabilities across the canal network. Four additional EV charging points installed. Pump-Hydro scheme partnership development continues.
Devise and implement canal-specific strategies	Initiated improvement projects aligned to the Union Canal Strategy delivered in partnership with City of Edinburgh Council and working closely with local community and third sector partners. Fully implemented statutory harbour audit	Union Canal projects identified. Harbour audit recommendations implemented.		Separate elements of Moorings Strategy are underway - charity review complete, pricing review analysis complete. Ports & Marine Facilities Safety Code audits for Corpach and Ardrishaig are complete. Action

Activity	By March 2024 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	recommendations for Corpach and Adrishraig.			plans are in place to address outstanding items. Caledonian and Crinan will begin work on new canal strategy 2025/30 during this coming year.
Reservoir upgrades	Implemented measures to be taken in the interests of safety to Scottish Canals reservoirs. Upgraded the Lilly Loch siphon and enabling works at Townhead Reservoir ahead of rebuilding the weir in 2025/26.	Capital investment (£).		Lilly Loch works completed, Townhead design and land negotiations ongoing. 10yr s50 and yearly s47 visits/inspections continuing and MIOs developed from those report findings.
Implement local gate and infrastructure automation programme	New actuators and lock gate upgrades at Fort Augustus flight. Upgraded obsolete controls on a range of mechanised bridges. Concluded priority works to cover completion of lock15/dummy lock and asset failure at Lock 7 along the Crinan Canal and on the Forth & Clyde Canal replacement of locks 16 and 31 plus additional grouting work to reduce water leakage	Capital investment (£).		There has been minimum spend on these projects as funding reallocated to the Falkirk Flight works in the Lowlands
Biodiversity gain	Completed surveys to assess the risk and ecological impacts of invasive species, specifically floating water fern on the Monklands Canal. Undertaken measures to reduce the risk of wild salmon entering	Identified potential control measures to support biodiversity gain and compliance with statutory		Trial of innovative technology for invasive species is complete for canal locations. Scoping study to reduce the impact of salmon and other

Activity	By March 2024 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	the canal network. Refreshed approach to the risk of environmental pollution arising from boating traffic along the canal network including deployment of oil spill containment measures and training for employees to support prompt response. Maintained engagement with boat owners to ensure all vessels on the canal comply with the requirements of the Boat Safety Scheme.	obligations. Training implemented.		migratory fish entering the canal is complete. Updated oil spill kits have been installed at strategic locations across the canal network. Engagement with boaters regarding the Boat Safety Scheme continuing.

People and Business

Our values shape how we work; as a team, with partners, how we welcome our visitors or encourage volunteers to join us in caring for Scotland's canals.

RAG	% complete
Red	80% and less
Amber	81–90%
Green	91% and above
Blue	100%

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
Initiate a multi-year transformation programme	Launched transformation programme focused on improving effectiveness and efficiency across the organisation to deliver lasting benefits for customers and stakeholders, support employee engagement and wellbeing and a sustainable operating model. Established a robust, evidence-led socio-economic and environmental impact evaluation framework. Programme Management Office fully operational and supporting project and change management culture and framework for successful implementation of revenue and capital initiatives. Embedded	Annual and multi-year project portfolio in place (capital and revenue £). Impact evaluation framework published. Progress against internal audit recommendations and overall level of assurance for the 2024/25 audit programme. Proportion of compliant procurement spend.		Project management within team now in place and measured as part of Performance Review and Development.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	procurement policy to maximise value for money for contracted services and goods. Removed all non-compliant spend and improve planning.			
Workforce planning and development	Workforce Plan prepared with supporting actions for future skills, capacity, and expertise requirements seeking to position Scottish Canals as an employer of choice. All canal operational teams trained in 'Exceeding Visitor Experience' and 'Right First Time'.	Workforce Plan in place. Apprenticeship and trainee scheme developed. Percentage of turnover invested in learning. Number of people trained.		High level workforce plan produced and approved for publication. Internal Audit will support further work during the 2025/26 financial year.
Community engagement and employability programmes	The Treehouse, Inverness and The Eggshed, Ardrishaig operating as high-quality spaces available for community use. Refreshed stakeholder engagement with partners to shape projects and initiatives, securing support and attracting grant funding for implementation. Hosted the second year of Youth Engagement Forums through our YoungScot partnership, helping to shape plans which promote the voice of young people in the future of our canals.	Occupancy and use (bookings and income generated). Progress against plans. Number of young people engaged.		Committed to Green Skills Partnership with The Conservation Volunteers, met in steering group with other partners, and planned to have trainees on our estate from Q1 2025/26. On track.
Ongoing investment in employee wellbeing, health, and safety	progressed initiatives which support work-life balance including proposals for a shorter working week whilst	Progress on operating model and 35-hour working week business case.		35-Hour working week has been implemented successfully.

Activity	By March 2025 we will have	Performance measures	2024/25 RAG Assessment	Update as at March 2025
	fulfilling operational arrangements to manage canal assets safely 24/7, year-round. Implemented year one priorities following the welfare review carried out in 2023/24, adopting a risk-based approach to improvements. Occupational health surveillance refreshed for employees exposed to health hazards for all known activities.	Progress on welfare upgrade plans. Occupational health monitoring framework in place		Improvements with welfare facilities ongoing as part of a multi-year programme of work. Occupational Health surveillance arrangements in place for all employees.
Information management, digital systems, cyber security, and safety	Initiated phased delivery of improved records system, physical and digital records, ensuring compliance with Public Records Scotland Act (PRSA) and UK GDPR provisions. Progressed M365 consolidation and implemented recommendations for review carried out in 2023/24. Designed and implemented IT playbook and response plan for a variety of scenarios including cyber incidents and disaster recovery. Develop and procure a cyber-attack response partner for Scottish Canals.	Compliance performance. Progress against action plans. IT playbook in place.		Created disaster recovery and business continuity documents – work is ongoing to bring together business impact analysis and test systems. Ongoing engagement with HEFESTIS, Police, similar public sector bodies, and NCSC. A new contract beginning in Q1 2025/26 will provide a 24/7, 365 secure operations centres.

Our Service

Scottish Canals continued to monitor engagement with customers, staff, elected members, partners, and the 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 now has been updated to include customer claims:

	2024/25	2023/24
Stage one	18	15
Escalation to stage two	1	1
Escalation to Scottish Public Services Ombudsman	-	-

Financial Performance

Revenue Funding

The Executive Management Team has worked closely with our Transport Scotland Sponsor team during the year, producing detailed analysis of the structural deficit position that exists for Scottish Canals to invest in the canal infrastructure.

Scottish Canals was initially allocated the following budgets for the financial year:

	Budget 2024/25 £'000	2023/24 £'000	2022/23 £'000	2021/22 £'000	Total over four years £'000
Revenue funding	*11,845	11,300	11,100	10,400	44,645
Capital funding	**12,200	12,200	9,950	12,200	46,550
Total cash resources	24,045	23,500	21,050	22,600	90,195

* Excludes additional funding of £1m received from initial £11.845m

** Excludes additional funding of £2.030m received from initial £12.2m

With tight budgets across the Transport Scotland portfolio, the 4.8% increase in the revenue grant in aid from the initial funding settlement of £11.845 (2023/24: 1.8% increase) was welcome.

Funding Increases Year on Year

	Budget 2024/25 £'000	2023/24 £'000	2022/23 £'000
Revenue funding % increase	4.8%	1.8%	6.7%
Capital funding % increase	0.0%	22.6%	-18.4%
CPI*	2.6%	3.2%	10.1%

* 12months to March rates in accordance with the Office of National Statistics,

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/march2024>

There has been a significant challenging financial environment in the public sector over recent years. This, combined with year-on-year inflationary increases and higher construction industry inflationary rises have proved challenging for Scottish Canals to be able to address its structural revenue deficit, and resulted in significant budgetary pressures on the organisation throughout the year.

The capital budget of £12.2m requires the Scottish Canals Board to prioritise the investment in the canal infrastructure across Scotland, although the spending power was decreased this year once the new budgeted capital VAT burden of

£1.86m during the year was a. Scottish Canals does recognise its capital grant in aid is significantly greater than the original capital budgets awarded in 2017/18 and 2018/19 of £3m and £3.5m respectively, however this level of funding requires the organisation to carefully prioritise investment across its £2.2bn property, plant and equipment portfolio to ensure essential works are delivered.

After Storm Eowyn in January 2025, Transport Scotland recognised that significant unplanned maintenance was required which had not been incorporated into existing budgets. Teams across the country had to manage numerous incidents including fallen trees and debris on the Forth & Clyde, Union, and Monkland canals where channels required to be cleared and safe passage for boaters, paddlers and towpath users restored. An additional £1m revenue grant in aid was provided by Transport Scotland which enabled the organisation to direct resources over February and March to tackling tree management and other required repairs.

In addition to the burden of expenditure for the storm, this £1m alleviated the projected deficit in order that Scottish Canals year-end position resulted in a slight revenue underspend of £367k. This has provided balance in recognition of the working capital pressure from the overspend position of £394k in 2023/24 due to late adjustments post-audit that year.

The budget for the 2025/26 year has been confirmed as £12.8m revenue and a slightly increased £12.6m capital. However, the Board and EMT (Executive Management Team) recognise that this remains a challenging position. The initial budget for 2025/26 did not recognise a break-even position, but an overspend which has been similarly reflected in the latest reforecast analysis – with a latest expected revenue overspend of £350k for the 2025/26 financial year maintaining around 21 vacancies in-year to keep costs low.

A more favourable budget is anticipated for the 2026/27 year for both revenue and capital to fully reflect the burden on the organisation for maintaining the canal infrastructure with a mix of both revenue and capital resource. This will enable Scottish Canals to focus on reducing asset risk and increase performance measurement for key areas of compliance.

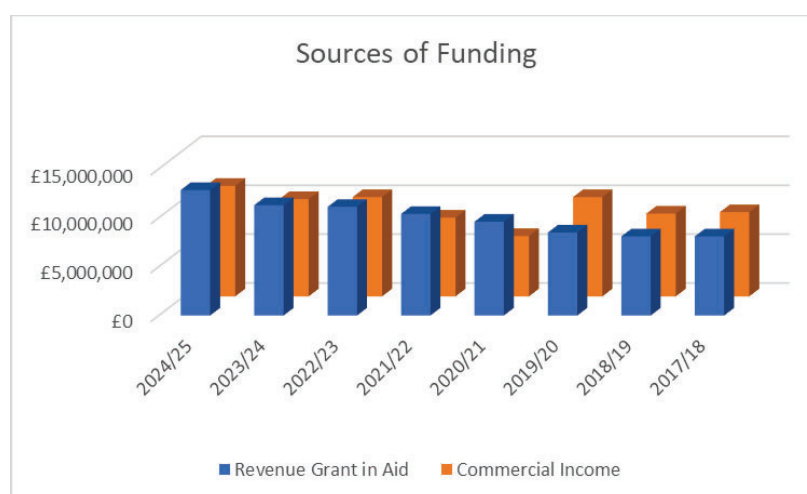
Restatement of Prior Year Statement of Comprehensive Net Income, Statement of Financial Performance, and Statement of Cashflows

2024/25 is only the second year that an internal indexation methodology has been used to value the canal infrastructure. During initial audit findings, recommendations on adjustments to the accounting policies, asset classifications and indexation methodology have been made, and there has been

a restatement on the prior years' statements as a result due to those recommendations having a material effect on the non-current assets and associated disclosures. 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

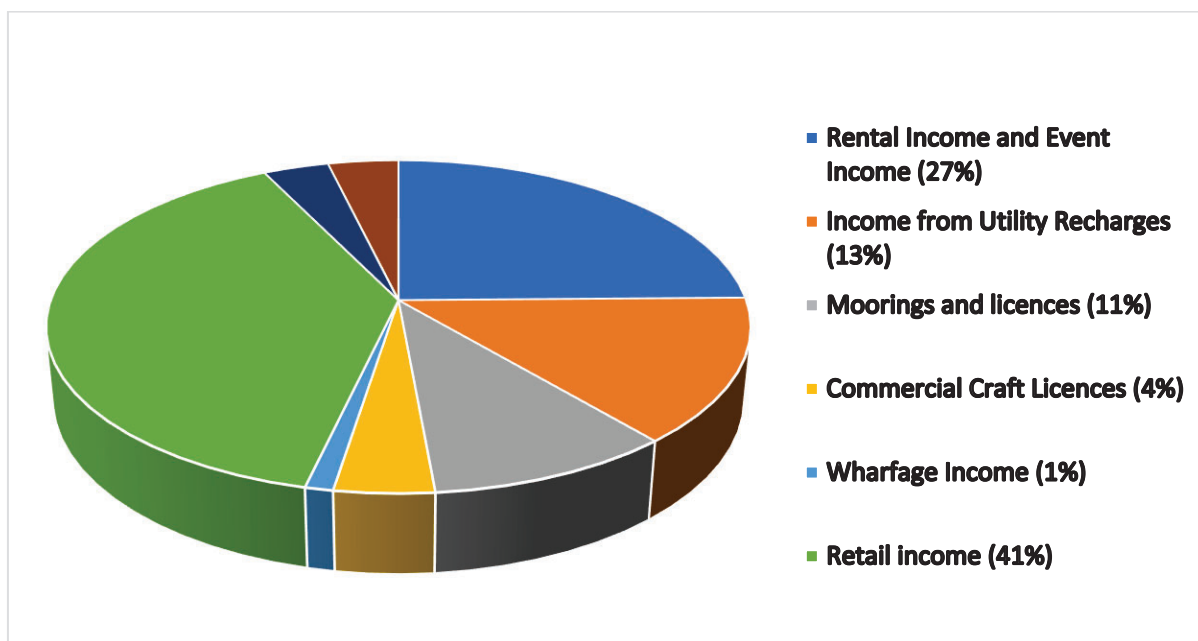
There have been limited resources to progress investment in commercial revenue streams. With a steady 47% of our revenue funding coming from commercial income, the organisation is heavily reliant on this resource.



Just as in prior years, Scottish Canals relies on income from commercial activities to cover around 47% of its expenditure. This rose by 7.9% during the year from £10.1m to £10.9m as can be seen in note 3 to the accounts.

Scottish Canals generated income from retail at its destinations such as The Falkirk Wheel and Caledonian Canal Centre of £4.4m (2023/24: £3.8m), a 15.7% increase. The additional monies have been attributed to over £200k additional income from the Caledonian Canal Centre, an increase of income from hire boats, and an increase of income from boat trips and retail at The Falkirk Wheel. Income from property rental increased 6.4% to £2.7m (2023/24: £2.6m). Income from water and utility agreements remained consistent at £1.6m (2023/24: £1.4m), as did income from moorings.

The chart below demonstrates the organisation's reliance on retail income, rental income and recharging utilities across the network.



Core Expenditure Costs

As can be seen in note 4 to the accounts, staff costs increased by 7.6% from £11.8m to £12.7m. This reflects a higher-than-average full-time equivalent number of employees and seasonal/casual workers when compared to the 2023/24 year as detailed in the Remuneration Report. Median pay has remained consistent with an 11.2% increase in total pay compared to the prior year when considering pay progression as well as pay awards and allowances.

At the previous year-end and during the year, the level of vacancies required Scottish Canals to concentrate expenditure in the key priority areas of asset health. Scottish Canals' EMT reviews every vacancy as it arises to ensure it is assessed for its criticality, its impact on health and safety and statutory duties, and cost-effective alternatives to replacement. As at August 2025, there were 34 vacancies held to support budget management, requiring continued prioritisation of engineering and project delivery for both revenue and capital engineering works across the canal network.

With the supplementary £1m grant in aid, it can be seen from the details above that there was additional expenditure on materials, repairs and maintenance of £645k across the canal network.

Capital Funding

During the year, Scottish Canals was originally funded through Capital Grant-in-Aid from Scottish Government of £12.2m (2023/24: £12.2m). However, during December 2024 an additional £2m was provided by Transport Scotland in support of the necessary investment in the Falkirk Lock flight, bringing the total capital

grant in aid at the year-end to £14.23m. Unlike other infrastructure public sector bodies, Scottish Canals is subject to input VAT. The VAT burden on the grant in aid funded capital programme this year was £1.86m, which substantially reduced the amount of capital investment that could be achieved.

The asset inspection regime had been improved during the year, with more principal inspections conducted than in the previous three years. However, this identified the rapid deterioration of the lock gates on the Falkirk Flight and highlighted the importance of planned intervention and maintenance. Scottish Canals welcomed the recognition of this essential work by Transport Scotland, and the subsequent capital injection to progress essential upgrades for the last quarter of the year. The Principal Inspections Programme continues at pace and is highlighting significant future asset challenges.

The condition of lock gates and embankments across the estate remains a significant concern, with additional reactive works undertaken at various locations throughout the network during the year, most notably at Maryhill Dry Dock, Linlithgow and Bellanoch Bay.

The original capital 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:

- £3.1m spent on the Caledonian Canal, with £2.5m on an extensive programme for lock gates and cill plates improvements, £300k on Gairloch Swing Bridge design works, and some expenditure on smart bollards and moorings and jetties
- Crinan's lock gate replacement programme continued with additional £1.2k on lock gate replacement and associated dummy lock repairs, having completed in the prior year

- In the Lowlands, £1.9m was invested in the Forth & Clyde Lock Gate replacement programme, £1.3m was invested in the Lilly Loch upgrade, and a further £600k on the Forth & Clyde Lock 20 bypass works
- At the Falkirk Wheel, £180k was invested in boating customer facilities, the Antonine Boat received a propulsion overhaul of £125k, and the wheel control system upgrade work continued with an additional £112k invested. The Destinations team, together with project management and finance also delivered a new electronic point of sale system in place in readiness for the new season in April 2025.

Further to the Grant-in-Aid received, Third Party funded capital works continued with a total of £2.5m spent during the year as detailed in note 19 (2023/24: £6.3m).

Environmental Sustainability

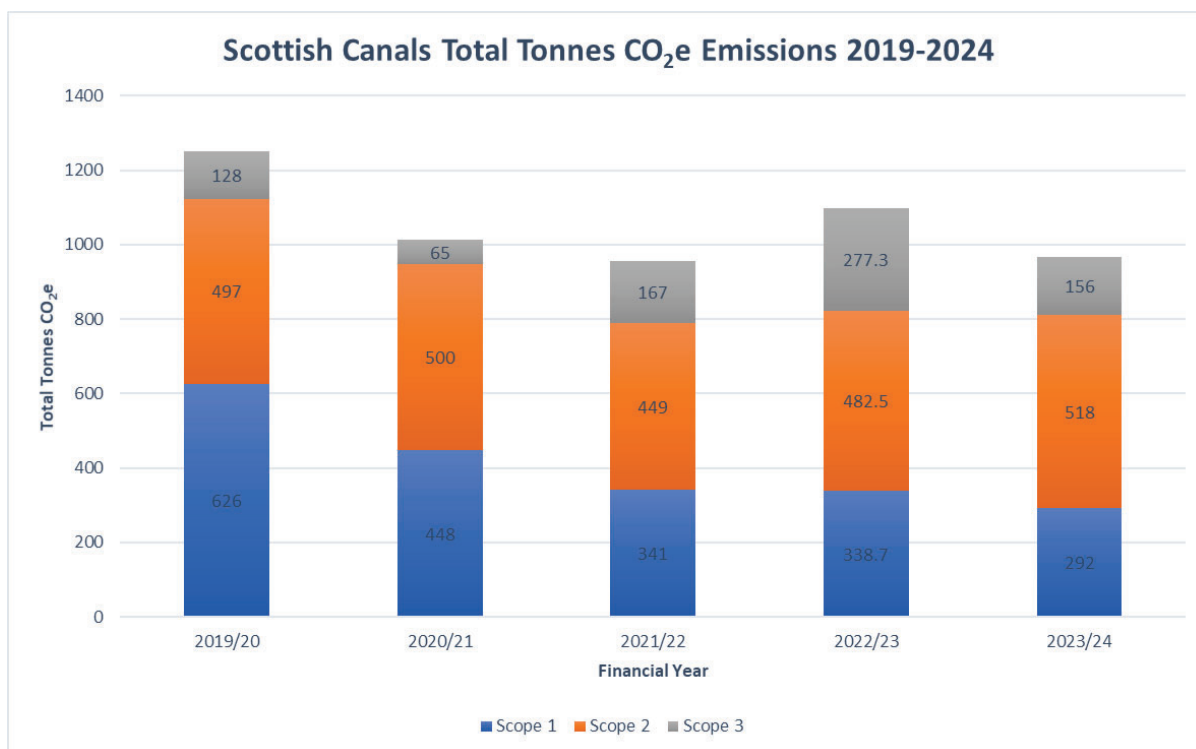
In 2023 we set out the five key pillars of our sustainability ambition which link directly to Scottish Government's National Performance Framework and the United Nations Sustainable Development Goals. The following sections detail our progress during financial year 2024/25 in these core areas.

Climate positive canals	Leaders in water and biodiversity stewardship	Connecting people and communities	Protected Heritage	Best practice governance
 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. 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.	 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.	 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.	 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.	 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.




Climate Positive Canals

[Scottish Canals' greenhouse gas emissions for the 2023/24 reporting year](#) (as defined by the Climate Change (Duties of Public Bodies Reporting Requirements) (Scotland) Order 2015 (as amended)) were 966 tonnes of carbon dioxide equivalent (CO₂e) representing a 23% decrease (285 tonnes CO₂e) from our 2019/20 baseline year. This fall is particularly significant, as our reporting boundary has widened over recent years, for example to include the Treehouse building, a combined office, meeting space and training room facility on the canal embankment at Muirtown Basin on the Caledonian Canal. Scope 1 emissions fell by 53% (334 tonnes CO₂e) compared to the baseline year, reflecting the impacts of emissions reduction projects such as the switchover to electric vehicle fleet and the fact that the solar panel arrays at The Falkirk Wheel produced enough renewable electricity to operate the heat pumps on the site. Scope 2 electricity use emissions rose by 7.5% reflecting the 7% increase in the [Department for Energy Security and Net Zero 2023 greenhouse gas conversion factor](#) for national grid electricity supplies compared to 2022. Full details of Scottish Canals' last ten years of emissions reporting are hosted on the [Sustainable Scotland website](#) and summarised below.



Scope 1: Direct emissions from sources the organisation owns e.g. fuel for fleet vehicles.

Scope 2: Indirect emissions caused by an organisation's actions e.g. the emissions produced in generating the electricity used.

Scope 3: Encompasses all emissions not produced by the company itself or because of activities by assets controlled by them e.g. the emissions associated with the production of products purchased from other organisations.

Scottish Canals' first [Net Zero Routemap](#), built on our commitment in 2021 to reach zero direct greenhouse gas emissions from our operations by 2030.

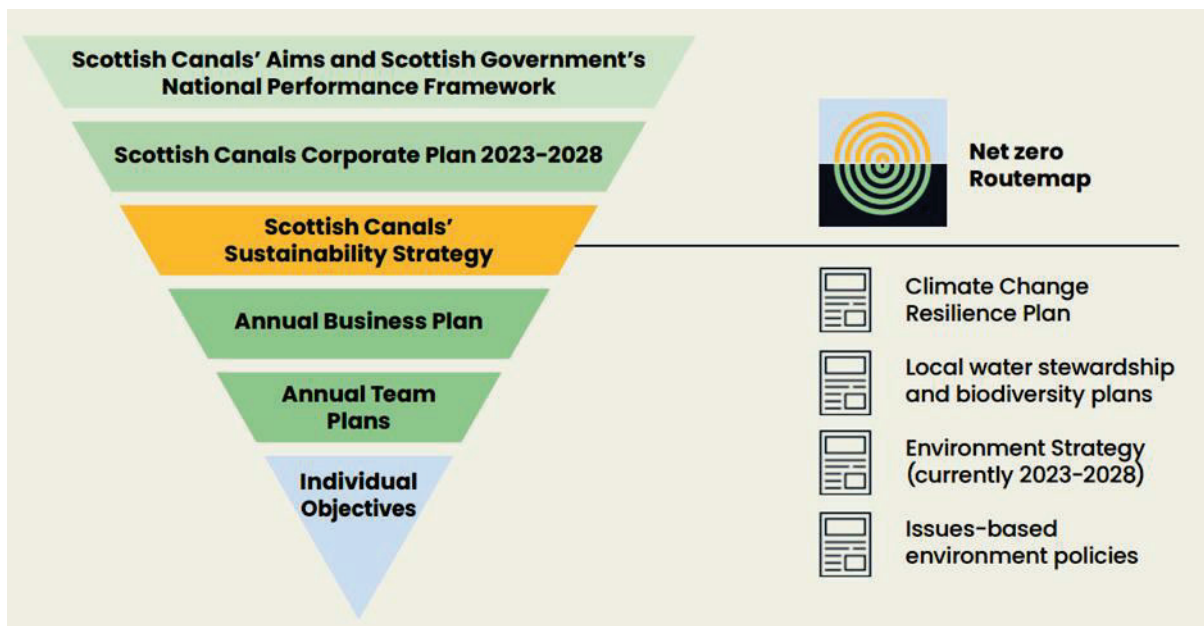
The Routemap details Scottish Canals' approach to climate change mitigation and represents the culmination of two years of work to create a more comprehensive baseline of our greenhouse gas emissions and energy usage patterns, better understand the opportunities existing to reduce emissions and improve energy efficiency. In 2024, Scottish Canals recruited a Sustainability and Climate Change Manager with the direct purpose of outlining which of these opportunities we will enact, and the timelines for doing so. A detailed Net Zero Action Plan was approved by the board in March 2025 enabling Scottish Canals to take continued steps towards achieving Net Zero. 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.

The Net Zero Action Plan laid out five key target areas:

1. Soft skills and communication – Raising awareness of sustainability through staff engagement and targeted training coupled with both internal and external communications using a variety of media.
2. Changes to buildings and assets – A broad spectrum programme of work to improve heating systems, improve lighting, the upgrade of external cladding and installation of smart metering to estate.
3. Fleet management – Building upon previous successes, continue with the decarbonisation of the corporate fleet including electric tour boats at The Falkirk Wheel and expansion of the electric vehicle charging infrastructure across the canal network.
4. Generation of renewable energy – Exploration of opportunities to work towards our aspiration to be fully energy resilient across the estate and operations. This will not only reduce direct emissions but drive cost reductions and improve efficiency.
5. Carbon Offsetting – Scottish Canals is committed through the Net Zero Routemap to achieve a 90% reduction in emissions by 2030 with 10% residual emissions offset.



Key achievements in **climate change mitigation** through reduced greenhouse gas emissions in 2024/25 included:

- The Scottish Canals' fleet is now 27% 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. The design and procurement process for electric tour boats at The Falkirk Wheel is complete and at least one will be operational in 2025/26 which will facilitate the reduction of CO₂e emissions from our vessel fleet at our flagship destination.
- Further investment in upgrading the electric vehicle (V) charge network available for Scottish Canals' current and future EV fleet. In 2024/25 charging equipment was installed at four new sites at Seaport Marina, Fort Augustus, Bowling and Edinburgh. This investment forms part of a broader strategy towards EV rollout that includes increasing the number and geographic spread of 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 2023/24. The renewable output was

sufficient to cover all heat pump operation on the site. Air source heat pumps provided renewable heat in four canal-side properties, including community buildings in Inverness, Glasgow and Ardrishaig. We also assessed the potential additional solar panel installations at the Ardrishaig workshop and the new Lock 16 centre.

- The £2.7 million major refurbishment of The Falkirk Wheel during winter 2023/24 enabled significant a reduction in power demand to rotate the wheel. As a follow up to this work, a feasibility study was undertaken in 24/25 to understand various options for reducing the energy consumption of the visitor centre and the New Port Downie customer toilet block was refurbished with sustainable resource use a key feature, including auto shut-off taps, showers and LED lights.

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' Corporate Plan 2023-28 maps 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 2024/25 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, including the Climate Ready Infrastructure Forum (CRIF).
- Scottish Canals also contributed to the following research activities:
 - [Future Predictions of Water Scarcity in Scotland: Impacts to Distilleries and Agricultural Abstractors | CREW | Scotland's Centre of Expertise for Waters](#)
 - [Environmentally effective and cost-efficient sediment management at impoundments | CREW | Scotland's Centre of Expertise for Waters](#)

- [Scottish Biodiversity Strategy to 2045 – gov. scot](https://www.gov.scot/biodiversity-strategy-2045)
- 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 £12m of investment during the asset and infrastructure winter 2024/25 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. At Lily Loch a project has been undertaken to increase drawdown capacity and resilience at the reservoir in response to guidance from the Environment Agency on reservoir safety and emergency planning. The Scottish Environment Protection Agency is due to sign off the commissioning in 2025.

Water Stewardship

Climate induced water scarcity and flooding events both at home and around the world are 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. In summer 2024, water resources on the Crinan Canal were reduced and had the potential to impact on safe navigation. We liaised closely with the Scottish Environment Protection Agency and Nature Scot and enacted our drought plan and risk assessments to ensure the canal remained open to navigation. We also continued our reservoir upgrade works to safeguard water resources.

The driest autumn/winter 2024 and spring 2025 in Scotland for sixty years will potentially bring further operational challenges. Going forward to address this risk and to manage our water resources responsibly in a changing climate, we are adopting a stakeholder-driven stewardship approach to water management. We will 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 challenges.

As part of our stewardship work, we are 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 research projects [on mitigation and adaptation to water scarcity](#) and the [impact of water scarcity on the agricultural and whisky distillery sectors](#). The results of these were published in 2024/25.

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 2024/25 included:

- 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 along 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. This work also contributes to fulfilling the commitments in the Scotland River Basin Management Plan.

- 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 2024](#).
- Storm damaged and felled trees have been a feature of the previous years and 2025 was no different with Storm Eowyn causing significant impact across our network. 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](#). The Ash dieback toolkit published in 2019 had 4 phases in responding to tree pest/disease: Awareness, planning, action and recovery. The Tree Council recognised that many land managers had progressed from the awareness and planning stages to the action and recovery stages. The update to the toolkit was drawn up to reflect the progress made and provide guidance and best practice in addressing the later stages of Ash dieback management based on improved knowledge gained during the intervening period. We also enhanced our woodland stock with native hedgerow and tree planting round the new campervan parking facilities at The Falkirk Wheel.
- At the strategic level, we responded to the Scottish Biodiversity Strategy consultation highlighting the range of 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 the 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, promoting our three step Check-Clean-Dry approach for all canal users which included use of bespoke video material via our social media channels. 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.

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 several 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.
- We also continued to work closely with the John Muir Way. This included fence removal around woodland at the Falkirk Wheel and meeting with the John Muir Way coordinator to discuss crown lifting the woodland to present vistas through the trees.
- A floating nesting platform was designed and constructed by the Port Dundas Basin group in Glasgow
- A new access ramp was built and installed at the lower basin in Bowling to allow cygnets safe access.
- Further upgrades of access routes and towpath surfaces in partnership with Walk Wheel Cycle Trust were completed to provide safer connections for low carbon commuting and leisure travel.
- A new 5K active travel route has been launched in Falkirk as part of Scottish Canals roll out of wellbeing opportunities along the canal network. The Falkirk Five encourages active travel and features six community-designed tiled benches and bike racks.
- The Falkirk Wheel (TFW) won the Gold Green Tourism Award with a score of 83%. This represents a great achievement as we maintained our high score

despite much tougher judging conditions, and this represents the fourth time in a row TFW has secured the gold award.



- At Stockingfield Bridge, the Beithir received a new addition with pupils from St Mary's Primary School in Maryhill creating a mosaic pod of fish which was added to the giant serpent in October 2024.
- 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 completed and there has been engagement with local schools over 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 and 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 are very much working, functioning ones rather than museum pieces. Our current environment strategy has entered its tenth and final year and is set for renewal in 2025/26.

- During the reporting year we invested £12m 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 were key elements 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 2024/25 through our responses to environmental consultations including Environmental Authorisations (Scotland) 2018 regulations, the flood resilience strategy and the Scottish National Adaptation Plan 2024–29. Scottish Canals contributed to the Scotland’s Infrastructure Leaders Landmark Climate Resilience Agreement as well as the Climate Change Duties consultation.
- 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 Historic Environment Scotland, 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 Scottish Canals' Corporate Plan 2023–28, and contribution to the National Performance Outcomes and UN Sustainable Development Goals.

Progress towards net zero can be tracked against the steps laid out in the Net Zero Action Plan.

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 Governance had 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 within the annual investment program of £14.2m (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 for 2024/25 are anticipated to be lower than 966 tCO₂e for scopes 1, 2 and 3 reflecting a downward trend in overall emissions.

Procurement

Sustainability is built into the tender and contract activity of Scottish Canals. Materials and processes that reduce the use of virgin materials and encourage recycling are actively considered in a proportionate manner to the contract value and complexity. For contracts where there is a waste element, we actively look for suppliers to minimise any waste to landfill and to recycle where possible. Scottish Canals has introduced a clause whereas if there is any “value” to any of the scrap materials the supplier must either offset that value from the contract total or donate that value to a charity in Scottish Canal’s name. Scottish Canal’s fleet is over 35% electric with an electric vehicle replacement policy. Community Benefit funds are embedded into major construction contracts with an agreed approach to ensure local communities or groups with a link to the canal benefit.

The use of video conferencing and the promotion of hybrid working continue to be actively encouraged for supplier meetings and contract management activity to promote the reduction of carbon emissions caused by site-to-site travel.

Maureen Campbell

Maureen Campbell
Chair

31 March 2026

John Paterson

John Paterson
Chief Executive and Accountable Officer

31 March 2026

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 and applies the seven core principles of good governance in the public sector as set out in the International Framework: Good Governance in the Public Sector.

<http://www.cipfa.org/policy-and-guidance/standards/international-framework-good-governance-in-the-public-sector>

Scottish Canals' Framework Document sets out the arrangements for corporate governance matters, including the role of the Accountable Officer, and the duties around financial and budgetary management, risk management, business planning, audit, and assurance. Scottish Canals' Framework Document can be viewed at <https://dlhxd0sholwxko.cloudfront.net/production/general/Scottish-Canals-Framework-Document-2025.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
Neil McDonald	3 years	1 October 2024	-	30 September 2027
Rob McGregor*	6 years	1 May 2019	1 July 2022	30 June 2025
Carolyn Sawers (Vice Chair)	8 years	1 July 2018	1 July 2024	30 June 2026
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, Maureen Campbell was re-appointed as Chair with effect from 1 April 2025 to 31 March 2028.*

Rob McGregor and Michelle Wailes were re-appointed as Board Members with effect from 1 July 2025 to 30 June 2027 respectively, and Robin Strang was re-appointed as a Board Member from 1 July 2025 to 30 June 2028.

The Chief Executive Officer is not a member of the Board.

Board and Committee Attendance

Attendance by members at the Board and the ARC for the financial year to 31 March 2025 is shown in the table below. There were five Board meetings and four 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	5	5	n/a	n/a
Neil McDonald	3	3	n/a	n/a
Rob McGregor	5	5	4	3
Carolyn Sawers	5	5	n/a	n/a
Robin Strang	5	5	n/a	n/a
Michelle Wailes	5	5	4	4

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.

As Accountable Officer I have reviewed arrangements for corporate governance, and risk management to inform the Governance Statement.

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

John Paterson

Chief Executive and Accountable Officer

31 March 2026

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 six members, including the Chair. It held five Board meetings during the financial year to ensure good governance and Board oversight of emerging strategic priorities 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 as required 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) ¹	6 years	1 April 2019	1 July 2022	30 June 2025
Rob McGregor ¹	6 years	1 May 2019	1 July 2022	30 June 2025
Katharina Kasper ²	6 years	1 March 2021	1 March 2024	28 February 2027
Nick Martin ²	6 years	2 August 2021	2 August 2024	1 August 2027

¹Following the year end Michelle Wailes and Rob McGregor were re-appointed as ARC Members with effect from 1 July 2025 to 30 June 2027 respectively.

²Katharina Kasper and Nick Martin are independent members of the ARC.

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 2024/25.

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 2024/25 Accountability Report: Performance Overview; Corporate Governance Report and Internal Controls Assurance" was reported to the ARC at its meeting on 5 June 2025. 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 2024/25, 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	-

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 optimises 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 meets as the Transformation Committee to enable 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.

The Transformation Committee is attended by the appointed Heads of Service for specific workstreams relating to Customer Service; Digital & Automation; People & Estate; and Net Zero & Environment.

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 meets 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 canals & 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 Leadership Team

The Senior Leadership Team is a collective forum of Heads of Service 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. 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 include 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
Board Operations	Effective
Financial Management of Commercial Income	Reasonable
Unannounced Spot Check Visits	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.

Internal Audit Opinion

Internal audit placed **reasonable assurance** upon the adequacy and effectiveness of the governance and control environment operating during 2024/25 in Scottish Canals (2023/24: reasonable assurance).

There were nineteen (2023/24: fourteen) recommendations for improvement made during the year, with only one (2023/24: two) deemed as high priority.

In the internal audit report after the end of 2023/24, a total of thirty-nine recommendations were still awaiting completion, however there was significant progress on this during 2024/25, with seventeen historic recommendations 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 2025.

On 2 July 2012, the assets, liabilities, and operations in respect of England & Wales transferred to the Canal & River Trust, leaving the British Waterways Board, operating as Scottish Canals reporting on its assets, liabilities and operations to the Scottish Government.

Personal Data Related Incidents

During 2024/25, there were six breaches reported under the data security policy (2023/24: one) however no data breaches were required to be reported to the Information Commissioner's Office (2023/24: 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. During the financial year 2024/25, one whistleblowing submission was received (2023/24: one). This was investigated and reported to the Audit & Risk Committee, where concerns raised were partially upheld, and have been satisfactorily addressed. 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 2024/25.

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 2024/25.

John Paterson

John Paterson

Chief Executive and Accountable Officer

31 March 2026

Remuneration and Staff Report

Overview from the Chair for the year ended 31 March 2025

The information in the Remuneration and Staff Report relating to the Remuneration Policy – Non-Executive Directors, Remuneration Policy – Executive Management Team, Remuneration Policy – Staff, Wages and Salaries, Median and Fair Pay and Severance payment have been audited by External auditors.

The other sections in the Remuneration Report are reviewed by the external auditors for consistency with the financial statements.

Scottish Canals does not have a Remuneration Committee. Remuneration, allowances and expenses paid to Board Members comply with guidance issued by Scottish Ministers.

During the year there were no changes to the Executive Management Team or the Senior Management Team. Employee Turnover fell to below 7% and some of the long-term engineering vacancies have been filled.

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 (2023/24: £14,070) for up to 42 days' service over the year. Other Board Members are remunerated at up to £4,800 (2023/24: £4,800) based on up to 20 days' service, with the Chair of the Audit & Risk Committee remunerated at up to £5,760 (2023/24: £5,760) based on up to 24 days' service. The independent members of the Audit & Risk Committee are remunerated at £960 (2023/24: £960) for an expected 4 days' service over the year.

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

	2024/25			2023/24		
	Salary and Allowances £'000	Taxable Expenses (to nearest £100)	Total £'000	Salary and Allowances £'000	Taxable Expenses (to nearest £100)	Total £'000
Maureen Campbell (Chair)	10-15	-	10-15	10-15	-	10-15
Rob McGregor	0-5	-	0-5	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
Neil McDonald*	0-5	-	0-5	n/a	n/a	n/a

*Neil McDonald started on 1 October 2024.

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

	2024/25			2023/24		
	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 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, in negotiation with recognised trade unions Unison and Unite, and incremental pay point increases are determined by reference to Scottish Canals' pay and reward pay bands as set by job evaluation.

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 2025 or 31 March 2024.

During the financial year, Scottish Canals had no secondments.

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, Amelia Morgan and Sarah Jane Hannah contributed to the Scottish Canals defined contribution scheme and as such, the employers' pension contribution has been disclosed in line with Employer Pension Notice 737.

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.

	2024/25			
	Salary and Allowances £'000	Taxable Benefit* £'000	Pension Benefit* £'000	Total £'000
John Paterson	110-115	-	12.6	125-130
Richard Millar	90-95	7.8	35.7	135-140
Amelia Morgan	90-95	-	6.3	100-105
Sarah Jane Hannah	95-100	-	11.1	105-110

	2023/24			
	Salary and Allowances £'000	Taxable Benefit* £'000	Pension Benefit* £'000	Total £'000
John Paterson	95-100	-	9.2	100-105
<i>Full-time equivalent</i>	<i>105-110</i>	-	<i>10.6</i>	<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

*The only taxable benefit and/or expense is a car allowance paid to Richard Millar. Car Allowances have been protected as part of job evaluation until 30 September 2025. 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

Defined benefit pension – Richard Millar

Accrued pension at pension age as at 31 March 2025*	Accrued pension at pension age as at 31 March 2024*	Real Increase in accrued pension during the year to 31 March 2025*	Real Increase in accrued pension during the year to 31 March 2024*	CETV as at 31 March 2025**	CETV as at 31 March 2024 **	Increase in CETV net of inflation**
17.5-20	15-17.5	1-2.5	2.5-5	273,000	224,000	49,000

* These columns are disclosed in bands of £2,500. There was no accrued lump sum at either 31 March 2025 or 31 March 2024.

** 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:

	2024/25	2023/24
Number of engagements/secondments of board members and/or senior officials with significant financial responsibility during the financial year	4	4
Total number of board members and/or senior officials with significant financial responsibility during the financial year	9	9

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 (2023/24: nil).

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

- enhanced occupational sick pay
- an employer-sponsored health cash plan paying for healthcare services that incur costs
- 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 (2023/24: £7,200) representing 9.4% (2023/24: 9.5%) of the total administration fees of the fund of £76,700 (2023/24: £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)

2024/25	Board Members*	Executive Directors	Heads of Service	Other Staff including seasonal/casual workers	Total
Female	4	2	5	157	168
Male	4	2	7	225	239
Total	8	4	12	383	407

2023/24	Board Members*	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

* Board members include 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)

	2024/25	2023/24
Average full-time equivalent employees	242	215
Average seasonal/casual workers	68	73
Total	310	288

2024/25 saw continued low employee turnover for Scottish Canals.

Employee attrition rates fell from 12.9% in 2023/24 on an employee establishment of 267 at year-end to 6.05%.

Employees are engaged in several 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. A new employee survey was conducted in the last quarter of 2024/25, with results and follow-up actions due in 2025/26. Further surveys will follow.

Wages and Salaries (Subject to Audit)

	2024/25 £'000	2023/24 £'000
Wages and salaries	10,596	9,687
Social security costs	1,090	986
Pension costs	969	1,111
Total	12,655	11,784

Other Departures (Subject to Audit)

	2024/25 No	2023/24 No
< £10,000	-	-
£10,000 - £25,000	1	-
Total number of exit packages	1	-

	2024/25 £	2023/24 £
Total cost	17,354	-

Severance Payments (Subject to Audit)

Scottish Canals agreed and paid no severance payments during the year (2023/24: none). No severance payments were made to members of the EMT during the year (2023/24: nil).

Agency and Consultancy Fees

Costs for staff paid through an agency, was £101k (2023/24: £89k). 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 2025 and 31 March 2024. His remuneration excluding pension benefits was in the range £110,000 to £115,000 (2023/24: £105,000 to £110,000). This was 3 times (2023/24: 3.2 times) the median remuneration paid to Scottish Canals employees in 2024/25, which was £37,945 (2023/24: £34,035). The movement in ratio is due to an uplift in the CEO salary.

For all employees, the range of remuneration in 2024/25 was from £21,924 to £115,000 (2023/24: £23,978 to £110,000).

The percentage change in average salary (based on total employees on an annualised basis divided by full time equivalent number of employees) is 11% (2023/24: 13%), with the percentage change of the highest paid director, the CEO, between 2023/24 and 2024/25 being 5.76% (2023/24: 2%)

Median pay is calculated on actual salaries paid out by 31 March 2025 and excludes any accruals as part of the calculation.

The median pay ratio reflects the pay, rewards, and any pay progression received during the year for employees.

The median pay for total has increased with 12%, due to annual increases and upward movements in pay bands, with the 25th and 75th percentile increasing with 12% showing alignment in increases.

There is a slight decrease in the ratios across the board when compared with the highest paid employee due to an increase in overall salaries.

	2024/25			2023/24		
	25 th Percentile	Median	75 th Percentile	25 th Percentile	Median	75 th Percentile
Total pay	£32,855	£37,853	£47,958	£29,437	£34,035	£42,859
Salary	£27,609	£31,809	£43,205	£24,697	£28,670	£38,656
Total Pay ratio for highest paid employee	3.49	3.03	2.38	3.7	3.1	2.5
Salary Pay ratio for highest paid employee	4.16	3.61	2.66	4.5	3.8	2.8

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.

In 2024/25 we formed a Wellbeing & Culture committee, and we 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 frequently, along with local trade union meetings and union representatives also take part in a working group reviewing our policies and procedures, and health and safety committees.

Union Officials	2024/25	2023/24
Employees identified as union officials	7	6
Full time equivalent identified as union officials	6.91	1

Proportion of working time spent on facility time by employee:	2024/25	2023/24
0% of working time	3	2
1-50% of working time	4	4
51-99% of working time	-	-
100% of working time	-	-

Proportion of pay bill spent on facility time:	2024/25	2023/24
Amount of pay bills spent on facility time	£7,081	£5,750
Total Pay bill	£12,573,000	£11,784,000
%age of pay bill spent on facility time	0.06%	0.05%
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.

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 2024/25 was 5.08% (2023/24: 3.22%). 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 £26.9m (2024/25 £24.1m), an underspend of £209,000 (2023/24 £566,000 overspend) against budget, as shown below.

	2024/25			2023/24		
	Budget	Outturn	Over/(under) spend	Budget	Outturn	Overspend
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	12,845	12,478	(367)	11,292	11,001	(291)
Capital	14,230	14,388	158	12,200	12,372	172
Total Resources	27,075	26,878	(209)	23,492	23,373	119

Scottish Canals does not receive a specific budget allocation in its annual Budget Allocation Letter for Annual Managed Expenditure (AME) for items such as IAS 19 adjustments as highlighted in staff costs and finance expenses below. It is expected going forward for 2025/26, this will be accommodated in the Spring Budget Revision.

Transport Scotland had previously provided funding to cover historic VAT liabilities, which was not recognised in the overall outturn for the organisation. For the 2024/25 financial year, Scottish Canals paid the required VAT for both capital and revenue expenditure and initially incorporated a provision for a liability for a possible penalty brought forward from the prior year. The penalty has now been expunged post year-end at the attributed end-date of 17 October 2025, and so an AME adjustment has been made to remove this.

Resource Outturn – Non-Cash Funding

Ring-fenced non-cash funding is provided to cover depreciation and amortisation 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.

	2024/25			2023/24		
	Budget £'000	Outturn £'000	Overspend £'000	Budget £'000	Outturn £'000	Overspend £'000
Total Resources	8,600	10,627	2,027	2,700	12,869	10,169

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, in the previous financial year, and an insufficient increase was allocated in 2024/25 resulting in the following position:

The non-cash funding budget for the 2025/26 financial year has been increased to £18m to accommodate this growing expenditure.

Reconciliation of Revenue Outturn to Statement of Comprehensive Net Expenditure

	Note	2025 £'000	2024 £'000
Net comprehensive expenditure per SoCNE after tax		(20,257)	(16,954)
Add back non-cash grant in aid net expenditure:			
Staff costs – IAS 19 adjustment	16	(50)	(170)
Finance expenses – IAS 19 adjustment	16	11	4
Lease interest expense		98	80
Share of Profit on Investment		(111)	(79)
Depreciation, amortisation & impairment of non-current assets	6	11,070	15,629
(Gain)/loss on revaluation of investment properties	8	369	3,476
Deferred tax movement	5	1,204	-
Capital grant release	3	(2,081)	(13,425)
Loss on disposal of assets		242	-
In-year VAT liability		(2,972)	438
Total non-cash grant in aid net (income)/expenditure		7,780	5,953
Net Expenditure after Tax		(12,478)	(11,001)

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 2025. Payment of fees are expected to be £102,650 (2023/24: £100,700). An additional audit fee of £16k was paid in relation to the 2023/24 audit due to additional time needed to complete the audit.

Political Expenditure

Scottish Canals made no political donations and incurred no political expenditure in the financial year (2023/24: £nil).

Gifts and Charitable Donations

Scottish Canals made no gifts or charitable donations in the financial year (2023/24: £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 were no severance payments made during the year (2023/24: nil) and no special payments made (2023/24: nil).

There were some small elements of breakages and stock write-offs during the year which amounted to around £400 (2023/24: £3,000).

There were three overpayments of salaries to ex-employees totalling £1,740 which is deemed to be irrecoverable and were written off.

Compensation of £8,650 was paid out to settle legal fees for a personal injury claim.

Bad debts provided for or written off during the year totalled £194k (2023/24: £211k).

A historic pension rectification exercise was fully accrued in the 2023/24 financial year; however, payments were made post year-end. This resulted in £164,100 paid to 183 current employees and 321 individuals who had left the organisation. Full disclosure is contained within the financial performance review within the 2023/24 financial statements.

Information, Equipment and Personal Data Losses

During 2024/25, there were six personal data breaches reported under the data security policy (2023/24: one) however no data breaches were required to be reported to the Information Commissioner's Office (2023/24: nil).

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.

99.8% of supplier invoices were paid within the normal trading terms of 30 days (2023/24: 100%). The percentage of invoices paid within ten working days was significantly higher than the previous year, with additional staff in place to provide a more streamlined accounts payable process. 2024/25 showed 80.8% (2023/24: 54%) of suppliers were paid within 10 days of a verified invoice. The overall trade creditor days at the year-end was 1 day (2023/24: 12 days).

Contingent Liabilities

Scottish Canals had no new guarantees, indemnities, letters of comfort or any remote contingent liabilities during 2024/25.

Fees and Charges

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

John Paterson

John Paterson

Chief Executive and Accountable Officer

Date 31 March 2026

Independent Auditor's Report

Independent auditor's report to the members of 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 2025 under section 24 of the Transport Act 1962. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the 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 2024/25 Government Financial Reporting Manual (the 2024/25 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 2025 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 2024/25 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 and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with 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 and 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

Rachel Browne CPFA

Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

31 March 2026

Financial Statements



Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2025

	Note	2025 £'000	2024 Restated £'000
Income			
Income from commercial activities	3	(10,915)	(10,119)
Other operational income	3	(2,472)	(13,549)
Total Operating Income		(13,387)	(23,668)
Expenditure			
Staff costs	4	12,676	11,784
Depreciation, amortisation & impairment of non-current assets and losses on PP&E valuation	6	11,070	15,629
(Profit)/loss on sale of assets		242	(513)
(Gain)/loss on revaluation of investment properties	8	369	3,476
Other operating charges	4	8,026	10,166
Total Operating Expenditure		32,383	40,542
Net Operating Expenditure		18,996	16,874
Finance expenses	4	221	185
Finance Income	4	(53)	(62)
Share of (profit)/loss on investments	9	(111)	(79)
Net Expenditure before Tax		19,053	16,918
Taxation	5	1,204	35
Net Expenditure after Tax		20,257	16,953

Other Comprehensive (Income)/ Expenditure			
(Gain)/loss on revaluation reserve for property, plant & equipment	6	(6,175)	(14,162)
Disposal from revaluation reserve		325	1,308
Deferred Tax	5	-	(366)
Actuarial (gain) in pension schemes		(2,769)	(1,652)
Other Comprehensive (Income)/ Expenditure		(8,619)	(14,872)

Comprehensive Net (Income)/ Expenditure for the year		11,638	2,081
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Statement of Financial Position as at 31 March 2025

	Note	31 March 2025 £'000	31 March 2024 Restated £'000	1 April 2023 Restated £'000
Non-current assets				
Property, plant & equipment	6	485,622	475,256	468,169
Heritage assets	7	7,953	7,920	7,470
Investment property	8	22,140	21,825	21,697
Investments	9	6,461	6,350	6,271
Right-of-use assets	11	2,605	2,444	653
Intangible assets	10	258	242	24
Total non-current assets		525,039	514,037	504,284
Current assets				
Inventories	12	113	113	95
Trade & other receivables	13	7,013	8,121	8,157
Cash & cash equivalents	14	1,292	2,409	2,842
Total current assets		8,418	10,643	11,094
Total assets		533,457	524,680	515,378
Current liabilities				
Trade & other payables	15	9,955	13,908	16,329
Lease Liabilities	11	481	463	160
Total current liabilities		10,436	14,371	16,489
Non-current liabilities				
Pension liability	16	242	259	202
Lease liabilities	11	2,028	2,035	501
Deferred capital income	17	20,020	19,964	29,342
Provision for liabilities	20	-	-	-
Total non-current liabilities		22,290	22,258	30,045
Total liabilities		32,726	36,629	46,534
Net assets		500,731	488,051	468,844

Taxpayers' equity				
General fund		116,037	101,777	85,634
Pension reserve	16	(242)	(259)	(202)
Revaluation reserve		384,936	386,533	383,212
Total taxpayers' equity		500,731	488,051	468,844

The Accountable Officer authorised these financial statements for issue on 31 March 2026

John Paterson

John Paterson

Chief Executive and Accountable Officer

31 March 2026

Statement of Cashflows

for the Year Ended 31 March

	Note	31 March 2025 £'000		31 March 2024 Restated £'000	
Cash flows from operating activities					
Net expenditure before tax		(19,053)		(16,918)	
Adjustment for non-cash items:					
Depreciation and impairment of non-current assets	6	11,070		15,629	
Net interest cost – IAS 19 adjustment	16	11		4	
Interest on obligation – IAS 19 adjustment		508		538	
VAT calculation for in-year assessment		(2,979)		260	
Gain/(Loss) on revaluation of Investment Properties		-		3,476	
Release of deferred capital income		(2,081)		(17,183)	
(Gain)/loss on sale of non-current assets	6	-		-	
Gain/loss on disposal of assets		237		513	
Share of (profit)/loss on investments	9	(111)		(79)	
		(12,398)		(13,761)	
Movements in working capital					
(Increase)/decrease in inventories	12	-		18	
(Increase)/decrease in receivables	13	1,108		(36)	
Increase in payables	15	(3,953)		(2,421)	
Net cash flows from operating activities			(15,243)		(16,200)
Cash flows from investing activities					
Acquisition of property, plant, and equipment	6	(16,106)		(13,535)	
Acquisition of Right to Use Assets		(410)		(1,574)	
Acquisition of Intangible Assets	10	(6)		-	
Proceeds from disposal of investment property	7	140		-	
Proceeds from disposal of non-current assets	6	88		16	
Net cash flows from investing activities			(16,294)		(15,093)
Cash flows from financing activities					
Deferred capital income received		3,337		9,374	
Repayment of principal on right-of-use assets		(401)		(385)	
VAT Liability		-		(3,606)	
Increase in right-of-use liabilities		410		1,985	
Grant in aid		27,075		23,492	
Net cash flows from financing activities			30,421		30,860
Net decrease in cash and cash equivalents			(1,117)		(433)
Cash and cash equivalents at beginning of year			2,409		2,842
Cash and cash equivalents at the end of the year			1,292		2,409

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2025

Year Ended 31 March 2025				
	General Fund £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2024	101,777	(259)	386,533	488,051
Grant from sponsoring department	27,075	-	-	27,075
Net expenditure for the year	(20,274)	17	-	(20,257)
Disposals of Non-Current Assets	12	-	(325)	(313)
Amortisation of Revaluation Reserve	7,447	-	(7,447)	-
Revaluation of non-current assets	-	-	6,175	6,175
Balance at 31 March 2025	116,037	(242)	384,936	500,731

Year Ended 31 March 2024 – Restated				
	General Fund £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2023	85,834	(202)	383,212	468,844
Grant from sponsoring department	23,492	-	-	23,492
Net expenditure for the year	(17,120)	166	-	(16,953)
Actuarial loss on retirement benefit obligations	-	(223)	-	(223)
Disposals of Non-Current Assets	38	-	(1,308)	(1,270)
Amortisation of Revaluation Reserve	9,533	-	(9,533)	-
Revaluation of non-current assets	-	-	14,162	14,162
Balance at 31 March 2024	101,777	(259)	386,533	488,051

Year Ended 31 March 2023 Restated				
	General Fund £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2023	78,087	(262)	366,533	444,358
Grant from sponsoring department	37,651	-	-	37,651
Net expenditure for the year	(38,235)	(183)	-	(38,418)
Actuarial gain on retirement benefit obligations	-	243	-	243
Disposals of Non-Current Assets	-	-	(780)	(780)
Amortisation of Revaluation Reserve	8,331	-	(8,331)	-
Revaluation of non-current assets	-	-	25,790	25,790
Balance at 31 March 2023	85,834	(202)	383,212	468,844

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 2024/25 Government Financial Reporting Manual (FRm) 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.

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 2025/26 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 2025.

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, legal and governance, and ICT.

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

Operations – this 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 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 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 based on 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 Walk Wheel Cycle Trust 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 based on 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 an agreement with HMRC to annually calculate irrecoverable VAT on purchases on an apportion basis for non-business activities which are funded by grant in aid.

The organisation fully budgets for the effect of irrecoverable input VAT during each year.

1.5 Property, Plant and Equipment

1. Property, Plant and Equipment (PP&E) comprises tangible assets held for use in the delivery of statutory functions and services. Assets are recognised when it is probable that future economic benefits or service potential will flow to the organisation and the cost can be measured reliably, in accordance with IAS 16 Property, Plant and Equipment and the Government Financial Reporting Manual (FReM).

Assets are initially measured at cost and subsequently measured in accordance with the valuation bases set out in this policy.

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.

2. Asset Categories

PP&E is classified into the following asset categories:

2.1 Waterways and Waterbodies

Includes canals, feeders, reservoirs, earth structures, embankments, retaining walls, slipways, winding holes, aqueducts, towpaths and capital dredging works.

2.2 Structures

Includes locks, bridges, tunnels, culverts, sluices, weirs, and breakwaters.

2.3 Real Estate – Operational

Operational buildings and Operational land necessary for the functioning of the canal network, including lighthouses, control cabins, workshops, and pump-out stations.

2.4 Canal and Waterside Accessories

Includes canal-side furniture, safety and stop gates, signage, bollards, moorings and landings, access points, drains, leisure amenities, and land improvements.

2.5 Transportation, Craft and Miscellaneous Equipment

Includes vessels, vehicles, plant, machinery, MEICA equipment, office equipment, and IT equipment.

2.6 Non-Operational Land

Land held for future investment or strategic purposes where no active development is currently planned.

3. Capitalisation of Dredging Works

3.1 Capital Dredging

Capital dredging is capitalised when:

- it deepens a navigational channel to a level not previously dredged, or
- the channel has not been dredged for at least 10 years.

Such works increase the capacity, service potential and useful life of the waterway, facilitate improved water flow, and may reduce structural erosion and maintenance requirements. Capital dredging also increases storage capacity for surface water and contributes to regional flood management.

3.2 Maintenance Dredging

Maintenance dredging undertaken to restore channels to previously established depths is treated as **revenue expenditure** and is not capitalised.

4. Non-Current Inventories

Spare parts for mechanical and electrical assets, and protective materials such as GRP mini-mesh, are held as **non-current inventory** where they are expected to be used in the long term to maintain service potential. Such

inventories are valued at **net book value**, reflecting their high importance and typically short-notice usage.

5. Expenditure on Repairs and Renewals

Routine repair and renewal expenditure is recognised as an expense in the **Statement of Comprehensive Net Expenditure (SoCNE)** as incurred, unless it meets the criteria for capitalisation.

6. Capitalisation of Staff Costs

Staff costs are capitalised when directly attributable to the construction or enhancement of an asset.

Capitalised staff costs include:

- Salaries
- Allowances and bonuses
- Employer National Insurance contributions
- Employer pension contributions

Directly attributable staff travel, subsistence, and accommodation are also capitalised. Staff must record time spent on capital projects using approved timesheets.

7. Valuation Policy

The organisation applies the **revaluation model** in accordance with IAS 16 and the FReM. Formal valuations are carried out by an external RICS-registered valuer every **five years**, with **indexation** applied in intervening years.

For **Revaluation model**, assets either valued using Market value or depreciation replacement cost to determine fair value, determined by the valuer based on available market information for each asset type.

Low-value, short-life assets are held at historic cost, with annual review at the asset-class level to confirm the appropriateness of their carrying value

and useful life. The **cost model** is applied as per IAS16, which is cost less accumulated depreciation and impairment.

Assets newly brought into use during the year are **not indexed** at year-end; indexation begins in the following financial year.

Where material movements in value are identified or indicators of impairment exist, additional valuations are commissioned.

7.1 Waterways and Waterbodies

- **Valuation method:** Revaluation model
- Indexed annually between five-yearly valuations
- Low-value assets are held at the **Cost model**

7.2 Structures

- **Valuation method:** Revaluation model
- Indexed annually between five-yearly valuations
- Low-value assets are held at the **Cost model**

7.3 Canal and Waterside Accessories

- **Valuation method:** Cost model
- General moorings valued using the **Revaluation model** based on future rental income, which is more volatile in the commercial market. Valued every 5 years, with a desktop valuation being performed in intervening years.

7.4 Real Estate – Operational

- **Valuation method:** Revaluation model
- Indexed annually between five-yearly valuations
- Assets under £50,000, and certain smaller buildings and stores, held at depreciated historic cost
- Last formal valuation conducted by Ryden for the year ending 31 March 2025.

7.5 Transportation, Craft and Miscellaneous Equipment

- **Valuation method:** Cost Model

- This class consists of lower-value, shorter-life assets and therefore the Cost Model is appropriate

7.6 Land

- **Valuation method:** Revaluation model
- Indexed annually between five-yearly valuations

8. Summary of Valuation Methods

Asset Classification	Primary Valuation Method	Lower-Value Asset Treatment
Waterways & Waterbodies	Revaluation Model	Cost Model
Structures	Revaluation Model	Cost Model
Canal & Waterside Accessories	Cost Model	n/a
Real Estate – Operational	Revaluation Model	Cost Model
Transportation & Misc. Equipment	Cost Model	n/a
Non-Operational Land	Revaluation Model	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.

The revaluation reserve is amortised over the remaining useful life of the assets. This amortisation is transferred directly to General Reserves

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. Formal valuations are conducted every five years, with the last one being 31 March 2022. Annual indexation valuation adjustment has been applied for the interim years until another formal valuation is due in 31 March 2027.

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, Ryden, 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.

Investment properties are revalued annually using the fair value model as outlined by IAS40 and the FReM.

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 because 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 2025				
	Chief Executive and Corporate Affairs £'000	Finance & Business Services £'000	People, Places and Governance £'000	Operations £'000	Total £'000
Income					
Income from commercial activities	(12)	-	-	(10,903)	(10,915)
Other operational income	-	(2,081)	(13)	(378)	(2,472)
Total Operating Income	(12)	(2,081)	(13)	(11,281)	(13,387)
Expenditure					
Staff costs	645	1,457	1,014	9,560	12,676
Depreciation, amortisation & impairment of non-current assets and losses on PP&E valuation	-	10,729	-	341	11,070
Profit and loss on sale of asset	-	247	-	(5)	242
Gain on revaluation of investment properties	-	-	-	369	369
Other operating charges	81	(1,259)	1,299	7,905	8,026
Total Operating Expenditure	726	11,174	2,313	18,170	32,383
Net Operating Expenditure	714	9,093	2,300	6,889	18,996
Finance income	-	(53)	-	-	(53)
Finance expenses	-	110	-	111	221
Share of profits from investments	-	-	-	(111)	(111)
Net Expenditure before Tax	714	9,150	2,300	6,889	19,053
Taxation	-	1,204	-	-	1,204
Net Expenditure after Tax	714	10,354	2,300	6,889	20,257

	Year Ended 31 March 2024 – Restated				
	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, amortisation & impairment of non-current assets and losses on PP&E valuation	-	15,063	-	566	15,629
Profit and loss on sale of asset	-	(513)	-	-	(513)
Gain on revaluation of investment properties	-	-	-	3,476	3,476
Other operating charges	81	1,966	1,223	6,896	10,166
Total Operating Expenditure	500	17,800	2,106	20,136	40,542
Net Operating Expenditure	498	4,375	2,102	9,899	16,874
Finance income	-	(62)	-	-	(62)
Finance expenses	-	93	-	92	185
Share of profits from investments	-	-	-	(79)	(79)
Net Expenditure before Tax	498	4,406	2,102	9,912	16,918
Taxation	-	35	-	-	35
Net Expenditure after Tax	498	4,441	2,102	9,912	16,953

Note 3 – Income

Income from commercial activities is made up of:

	2024/25 £'000	2023/24 £'000
Sale of goods		
Water and utility sales	1,588	1,430
Retail sales	4,440	3,836
Rendering services		
Property rents	2,719	2,555
Moorings	487	467
Boat licences	588	550
Third party recharges	460	626
Other income from services	633	655
	10,915	10,119

Property rentals make up a significant element of Scottish Canals' commercial income and amounted to £2.7m (2023/24 £2.5m) during the year. At 31 March 2025, Scottish Canals was due future minimum lease payments under non-cancellable operating leases as follows:

	2024/25 £'000	2023/24 £'000
Not later than 1 year	1,124	366
Later than 1 year and not later than 5 years	1,727	661
Later than 5 years	1,795	1,621
Total	4,646	2,648

Other operational income is made up of:

	2024/25 £'000	2023/24 £'000
Third party funding for infrastructure repairs	391	124
Capital grant release	2081	13,425
	2,472	13,549

Note 4 – Expenditure

Other operating charges are made up of:

	2024/25 £'000	Restated 2023/24 £'000
Materials, maintenance, and repairs	4,284	3,497
VAT costs	(2,185)	769
Professional fees	1,316	1,216
Travel and accommodation	341	543
Rent, rates and insurance	1,000	908
Telephone, heat, and light	1,154	1,125
Cost of goods sold	1,004	897
External audit fees	103	102
Additional external audit fee*	16	
Other expenditure	993	1,109
Total	8,026	10,166

- * Additional audit fee for 2023/24 additional time

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

	2024/25 £'000	Restated 2023/24 £'000
Wages and salaries	10,617	9,687
Social security costs	1,090	986
Pension costs	969	1,111
Total staff costs	12,676	11,784

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

	2024/25 £'000	Restated 2023/24 £'000
Lease interest	104	86
Finance transaction charges	117	99
Total Finance Expenses	221	185

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% (2023/24: 25%) of the assessable profits for the year.

	2024/25 £'000	2023/24 £'000
Current	4,764	5,095
Adjustment for prior years deferred tax	-	74
Refund	-	(41)
Current year Deferred Tax	1,204	(364)
	5,968	4,764

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:

	2024/25 £'000	2023/24 £'000
Deferred tax liabilities	996	669
Deferred tax assets	(6,964)	(5,433)
Total	(5,968)	(4,764)

Movement in deferred tax 2025

	Accelerated tax depreciation £'000	Revaluation of land & buildings – rolled over gains £'000	Short term temporary difference £'000	Retirement benefit obligations £'000	Tax losses £'000	Total £'000
At 1 April 2024	4,055	1,377	(58)	-	(610)	4,764
Current year	1,533	-	32	-	(361)	1,204
Prior year	-	-	-	-	-	-
Charge to equity	-	-	-	-	-	-
At 31 March 2025	5,588	1,377	(26)	-	(971)	5,968

Movement in deferred tax 2024

	Accelerated tax depreciation £'000	Revaluation of land & buildings - rolled over gains £'000	Short term temporary difference £'000	Retirement benefit obligations £'000	Tax losses £'000	Total £'000
At 1 April 2023	4,055	1,377	-	(128)	(551)	4,753
Current year	-	-	-	(36)	88	52
Prior year	-	-	-	-	-	-
Charge to equity	-	-	-	-	(235)	(235)
Post year end adjustment			(58)	164	88	194
At 31 March 2024	4,055	1,377	(58)	-	(610)	4,764

Reconciliation of Tax Charge

	2024/25 £'000	2023/24 £'000
Profit on ordinary activities before tax	(2,404)	27
Tax on profit on ordinary activities at a standard rate of 25%	(601)	7
Effects of:		
Fixed asset differences	1,681	-
Expenses not deductible for tax purposes	44	18
Adjustment brought forward values	-	2,762
Adjustment to losses	-	10
Adjustment to tax charge in respect of previous period - deferred tax	80	-
Reversal of OCI movement in PY on DB pension scheme	1	-
Movement in deferred tax not recognised	(1)	(2,762)
Total Tax	1,204	35

Note 6 – Property, Plant and Equipment

Year Ended 31 March 2025									
	Waterways / Waterbodies £'000	Structures £'000	Real Estate – Operational £'000	Non- Operational Land £'000	Canals / Waterside Accessories £'000	Transportation / Crafts and Misc. Equipment £'000	Non- Current Inventories £'000	Assets Under Construction £'000	Total £'000
Cost and Valuation									
At 1 April 2024	1,536,504	676,052	14,197	1,956	22,665	8,285	-	12,381	2,272,040
Reclassification	-	-	-	-	-	-	-	-	-
Additions	-	-	15	-	9	119	-	15,971	16,114
Transfer	1,215	6,304	151	-	2,000	500	226	(11,311)	(915)
Disposal	(126)	(2,537)	(18)	-	(40)	(102)	-	-	(2,823)
Impairment	-	-	-	-	-	-	-	(278)	(278)
Revaluation	15,615	6,776	1,015	45	291	17	-	-	23,759
At 31 March 2025	1,553,208	686,595	15,360	2,001	24,925	8,819	226	16,763	2,307,897
Depreciation									
At 1 April 2024	1,301,080	476,110	3,129	-	11,224	5,241	-	-	1,796,784
Charge for the year	4,143	3,853	209	-	1,073	495	-	-	9,773
Disposal	(114)	(2,168)	-	-	(5)	(99)	-	-	(2,385)
Revaluation	13,818	4,793	(152)	-	(364)	10	-	-	18,104
At 31 March 2025	1,318,927	482,588	3,186	-	11,928	5,647	-	-	1,822,275
Net book value 31 March 2025	234,281	204,007	12,174	2,002	12,997	3,172	226	16,763	485,622

Year Ended 31 March 2024 Restated								
	Waterways / Waterbodies £'000	Structures £'000	Real Estate - Operational £'000	Non- Operational Land £'000	Canal / Waterside Accessories £'000	Transportation / Crafts and Misc. Equipment £'000	Assets Under Construction £'000	Total £'000
Cost and Valuation								
At 1 April 2023	1,489,157	657,913	13,840	1,910	22,522	8,025	13,089	2,206,456
Additions	-	-	-	-	-	25	13,511	13,536
Transfer	2,502	4,945	619	-	1,323	492	(13,985)	(4,104)
Disposal	(749)	(6,572)	(158)	-	(17)	(230)	-	(7,726)
Impairment	-	-	(155)	-	-	-	(234)	(389)
Revaluation	45,594	19,766	51	46	(1,163)	(27)	-	64,267
At 31 March 2024	1,536,504	676,052	14,197	1,956	22,665	8,285	12,381	2,272,040
Depreciation								
At 1 April 2023	1,256,447	463,548	3,053	-	10,449	4,790	-	1,738,287
Charge for the year	4,007	4,258	258	-	2,976	594	-	12,093
Disposal	(599)	(5,884)	-	-	(16)	(141)	-	(6,640)
Revaluation	41,225	14,188	(182)	-	(2,185)	(2)	-	53,044
At 31 March 2024	1,301,080	476,110	3,129	-	11,224	5,241	-	1,796,784
Net book value 31 March 2024	235,424	199,942	11,068	1,956	11,441	3,044	12,381	475,256

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

	2024/25 £'000	2023/24 Restated £'000
Depreciation		
Property, Plant & Equipment	9,773	12,094
Heritage Assets	44	39
Intangible Assets	35	4
Right-of-Use Assets	428	343
	10,280	12,480
Impairment		
Assets under Construction	278	234
Property, Plant & Equipment	-	155
Investment Property	60	-
Adjustment for Rou Assets	9	-
Losses on PP&E Valuation charged to the profit & loss	443	2,760
	347	3,149
	11,070	15,629

A full revaluation of property, plant and equipment was completed as at 31 March 2022, a desktop roll forward was carried out for 2025, by Scottish Canals with additional valuations provided by Ernst & Young for additions to the asset register during the year.

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.

2025	
	£'000
Cost and Valuation	
At 1 April 2024	8,552
Transfer	-
Revaluation	86
At 31 March 2025	8,638
Depreciation	
At 1 April 2024	634
Charge for the year	44
Revaluation	7
At 31 March 2025	685
Net book value 31 March 2025	7,953

2024	
	£'000
Cost and Valuation	
At 1 April 2023	8,045
Transfer	258
Revaluation	249
At 31 March 2024	8,552
Depreciation	
At 1 April 2023	575
Charge for the year	39
Revaluation	19
At 31 March 2024	634
Net book value 31 March 2024	7,918



Scottish
Canals

Note 8 – Investment Property

	31 March 2025 £'000	31 March 2024 Restated £'000
At 1 April	21,825	21,697
Reclassification	-	-
Transfers	870	3,626
Disposal	(140)	(22)
Additions	14	-
Impairment	(60)	-
Revaluation	(369)	(3,476)
Valuation as at 31 March	22,140	21,825

In the Statement of Comprehensive Net Expenditure and the income note to the Accounts, the organisation has recognised £3,794,000 (2023/24: £3,679,000) of property rental and moorings income from investment properties.

Investment properties were valued as at 31 March 2025 by Ryden 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

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

	2024/25 £'000	2023/24 £'000
At 1 April	6,350	6,271
Share of (losses)/profits	111	79
Investment	-	-
Partner distribution	-	-
At 31 March	6,461	6,350

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 2025.

1. BWB (General Partner) Limited

- Net assets as at 31 March 2025 were £141,724 (2023/24: £149,548)
- Loss for the financial year ended 31 March 2025 was £5,353 (2023/24: £6,349 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 2025 were £815 (2023/24: £8,606)
- Loss for the financial year ended 31 March 2025 was £7,860 (2023/24: £11 loss)
- The registered office is Canal House, 1 Applecross Street, Glasgow, G4 9SP

3. Bigg Regeneration Limited Partnership

- Partners' interests as at 31 March 2025 were £12,051,306 (2023/24: £8,256,288)
- Profit for the financial year ended 31 March 2025 was £245,618 (2023/24: £174,666)
- The registered office is Canal House, 1 Applecross Street, Glasgow, G4 9SP

Note 10 – Intangible Assets

	31 March 2025 £'000	31 March 2024 £'000
Cost and Valuation		
At 1 April	245	24
Additions	6	-
Transfer	45	221
At 31 March	296	245
Depreciation		
At 1 April	3	-
Charge for the year	35	4
Revaluation	-	(1)
At 31 March	38	3
Net book value 31 March	258	242

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 £175,170 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.

2025	Premises £'000	Vehicles £'000	Total £'000
Cost			
At 1 April 2024 - Restated	1,246	1,650	2,896
Additions	410	-	410
Modifications	-	-	-
Disposal	(214)	(76)	(290)
At 31 March 2025	1,442	1,574	3,016
Depreciation			
At 1 April 2024 - Restated	206	242	448
Charge for the year	97	331	428
Disposal	(215)	(75)	(290)
At 31 March 2025	90	498	586
Dilapidation Provision	175	-	175
Net book value 31 March 2025	1,527	1,076	2,605

2024	Restated Premises £'000	Vehicles £'000	Total £'000
Cost			
At 1 April 2023	627	249	876
Additions	154	1,574	1,728
Modifications	465	(54)	411
Disposal	-	(119)	(119)
At 31 March 2024	1,246	1,650	2,896
Depreciation			
At 1 April 2023	88	136	224
Charge for the year	118	225	343
Disposal	-	(115)	(115)
At 31 March 2024	206	242	452
Net book value 31 March 2024	1,040	1,408	2,444

Note 11b – Operating Leases

	2024/25 £'000	Restated 2023/24 £'000
Premises		
Not later than one year	128	92
After one year but not more than five years	508	157
After five years	2,466	2,385
	3,102	2,634
Vehicles		
Not later than one year	354	372
After one year but not more than five years	850	1,203
After five years	-	-
Total	1,204	1,575

Total lease liabilities		
Not later than one year	482	463
After one year but not more than five years	1,358	1,361
After five years	2,466	2,385
Total	4,306	4,209
Less Interest	(1,797)	(1,711)
Present value of obligations	2,509	2,498

Note 12 – Inventories

	2024/25 £'000	2023/24 £'000
Consumables	19	26
Finished goods and goods for resale	94	87
Total	113	113

Note 13 – Trade & Other Receivables

	2024/25 £'000	2023/24 £'000
Trade receivables	3,096	1,533
<u>Less: provision for impairment of trade receivables</u>	(194)	(211)
	2,902	1,322
Prepayments and accrued income	1,912	2,947
Value added tax	2,148	1,803
Other Debtors	51	2,049
Total	7,013	8,121

Other debtors relate to a small amount due to HMRC for VAT at the year-end, together with a VAT holding account for capital expenditure. All capital expenditure is required to be capitalised gross including irrecoverable VAT and is adjusted at the year-end within non-current assets pending taxable invoices received post year-end.

The following trade receivables balances are past due but they are still considered receivable:

	2024/25 £'000	2023/24 £'000
Between 31 and 60 days overdue	2,044	125
Between 61 and 90 days overdue	13	405
Over 90 days overdue	845	792
Total	2,902	1,322

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 £9.8m (2023/24: £7.9m) 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

	2024/25 £'000	2023/24 £'000
Balance at 1 April	2,409	2,842
Net change in cash and cash equivalent balances	(1,117)	(433)
Total	1,292	2,409

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

Note 15 – Trade & Other Payables

	2024/25 £'000	2023/24 £'000
Trade payables	502	3,099
Taxation and social security	294	359
Accruals	2,585	5,268
Deferred income	347	338
Deferred Tax	5,968	4,764
Other payables	259	80
Total	9,955	13,908

Note 16 – Pension liabilities

Scottish Canal's current pension provider is Scottish Widows, under a defined contribution scheme.

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

	2024/25			2023/24		
	LGPS £'000	Waterways £'000	Total £'000	LGPS £'000	Waterways £'000	Total £'000
Opening Position as at 1 April	-	(259)	(259)	-	(202)	(202)
Actuarial gain/(loss) in year	2,740	29	2,769	1,700	(48)	1,652
	2,740	(230)	2,510	1,700	(250)	1,450
Interest on obligation	(436)	(72)	(508)	(437)	(101)	(538)
Net Interest cost	1	(12)	(11)	5	(9)	(4)
Employer Contributions	486	72	558	607	101	708
	51	(12)	39	175	(9)	166
Asset Ceiling Adjustment	(2,791)	-	(2,791)	(1,875)	-	(1,875)
Closing position as at 31 March	-	(242)	(242)	-	(259)	(259)

Actuarial adjustment summary within Statement of Changes in Taxpayers' Equity

	2024/25			2023/24		
	LGPS £'000	Waterways £'000	Total £'000	LGPS £'000	Waterways £'000	Total £'000
Actuarial gain/(loss) in year	2,740	29	2769	1,700	(48)	1,652
Asset Ceiling Adjustment	(2,791)	-	(2,791)	(1,875)	-	(1,875)
Actuarial gain/(loss)	(51)	29	(22)	(175)	(48)	(223)

Net defined benefit liability recognised on Statement of Financial Position	2024/25 £'000	2023/24 £'000
Fair value of assets – LGPS	7,154	6,383
Fair value of assets – Waterways	2,083	2,322
Net defined benefit asset	9,237	8,705
Present value of funded liabilities – LGPS	(4,363)	(4,508)
Present value of funded liabilities – Waterways	(2,325)	(2,581)
Total present value of funded liabilities	(6,688)	(7,089)
Adjustment for asset ceiling	(2,791)	(1,875)
Net liability	(242)	(259)

Amounts recognised in SOCNE as staff costs	2024/25 £'000	2023/24 £'000
Current service costs (including admin) – LGPS	436	437
Current service costs (including admin) – Waterways	72	101
Total Service Cost	508	538
Less contributions – LGPS	(486)	(607)
Less contributions – Waterways	(72)	(101)
Net IAS 19 adjustment	(50)	(170)

Amounts recognised in SOCNE as finance expenses	2024/25 £'000	2023/24 £'000
Interest cost on defined benefit obligation – LGPS	-	-
Interest cost on defined benefit obligation – Waterways	(12)	9
Total finance cost	(12)	9
Interest on assets – LGPS	1	(5)
Interest on assets – Waterways	-	-
Net IAS 19 adjustment	(11)	4

Amounts recognised in OCI in SOCNE	2024/25		2023/24	
	LGPS £'000	Waterways £'000	LGPS £'000	Waterways £'000
Changes in financial assumptions	799	251	256	41
Return on assets excluding amounts included in net interest	(87)	(218)	292	(71)
Changes in demographic assumptions	8	2	206	17
Other experience	54	(6)	(539)	(35)
Changes in the effect of asset ceiling	1,966	-	1,485	-
Total actuarial remeasurements through OCI	2,740	29	1,700	(48)

Explanation of amounts in the financial statements:

Reconciliation of assets and liabilities

Change in assets	2024/25		2023/24	
	LGPS £'000	Waterways £'000	LGPS £'000	Waterways £'000
Fair value of assets at the start of the period	6,383	2,322	5,410	2,402
Interest on assets	322	108	273	112
Actual return less interest on plan assets	-	-	-	(71)
Employer contributions	486	(72)	607	(101)
Administration costs	-	-	-	-
Contributions by Fund participants	119	72	122	101
Benefits paid (incl administration costs)	(69)	(129)	(92)	(121)
Actuarial adjustments	-	(218)	(229)	-
Other Experience	(87)	-	-	-
Return on assets excluding amounts in net interest	-	-	292	-
Fair value of assets at the year end	7,154	2,083	6,383	2,322

Change in liabilities	2024/25		2023/24	
	LGPS £'000	Waterways £'000	LGPS £'000	Waterways £'000
Liabilities at the start of the period	4,508	2,581	3,992	2,604
Current service cost	436	-	437	-
Contributions by Fund participants	119	-	122	-
Interest cost on defined benefit obligation	230	120	201	121
Benefits paid	(69)	(129)	(92)	(121)
Actuarial (gain)/loss	-	(247)	-	(23)
Other Experience	(54)	-	310	-
Changes to demographic assumptions	(8)	-	(206)	-
Changes to financial assumptions	(799)	-	(256)	-
Liabilities at the end of the year	4,363	2,325	4,508	2,581

Assets less liabilities	2024/25		2023/24	
	LGPS £'000	Waterways £'000	LGPS £'000	Waterways £'000
Fair value of assets	7,154	2,083	6,383	2,322
Liabilities	(4,363)	(2,325)	(4,508)	(2,581)
Asset ceiling adjustment	(2,791)	-	(1,875)	-
Liabilities at the end of the year	-	(242)	-	(259)

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

Asset type	2024/25		2023/24	
	LGPS %	Waterways %	LGPS %	Waterways %
Equities	21	–	20	3
Private Equity	23	–	24	–
Property	8	8	8	8
Investment funds	46	–	46	–
Diversified growth	–	9	–	8
Infrastructure	–	3	–	6
Bonds	–	33	–	29
LDI	–	44	–	44
Cash and cash equivalents	2	3	2	2
Total	100	100	100	100

Actuarial Assumptions – Waterways Pension Fund

	2024/25	2023/24
Pension increase rate	N/A	N/A
Salary increase rate	N/A	3.50%
Discount rate	5.7%	4.80%
Mortality	92.5% of S3PMA (males) 92.5% of S3PFA (females)	92.5% of S3PMA (males) 92.5% 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 2023 model, long-term trend rate 1.25% (males) 1.25% (females), smoothing factor 7.0	CMI 2022 model, long-term trend rate 1.25% (males) 1.25% (females), smoothing factor 7.0

Actuarial Assumptions – Strathclyde Pension Fund

	2024/25	2023/24
Pension increase rate	2.75%	2.75%
Salary increase rate	3.45%	3.45%
Discount rate	5.80%	4.85%
Male/female life expectancy at age 65 for current 65-year-old	21.3/21.9	21/25.3
Male/female life expectancy at age 65 for current 45-year-old	20.8/25.2	21.3/21.9
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 2022 model, with a 25% weighting of 2022 data, 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 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

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	2024/25 £'000	2023/24 £'000
Discount rate		
Plus 0.50%	(121)	(151)
Minus 0.50%	134	167
Inflation		
Plus 0.50%	102	129
Minus 0.50%	(195)	(119)
Rate of mortality		
Long-term trend rate increased from 1.25% per annum to 1.50% per annum	12	15

Sensitivity of the liabilities – Strathclyde Pension Fund

Adjustments to assumptions	2024/25 £'000	2023/24 £'000
Discount rate		
Minus 0.50%	75	83
Pension increase rate		
Plus 0.50%	77	85

Defined Contribution Scheme

Other employer contributions during the year for the defined contribution scheme were £422,021 (2023/24: £395,624).

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)

Hymans Robertson 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:

	2024/25 £'000	2023/24 £'000
Balance at 1 April	338	238
Received to mooring / licences / rental income	1,200	1,569
(Released) to mooring / licences / rental income	(1,191)	(1,470)
Balance at 31 March	347	337

Due over one year:

	2024/25 £'000	2023/24 £'000
Balance at 1 April	19,964	29,342
Received during the year	2,137	7,805
Released to statement of financial position	–	(3,758)
Released as operational income (see income note)	(2,081)	(13,425)
Balance at 31 March	20,020	19,964

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 (2023/24: £2.3m) and a corresponding lease liability of £1.7m (2023/24: £2.3m), under IFRS16 – 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, funded 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

	2024/25				
	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)	-	-	-	2,902	2,902
Cash and cash equivalents	-	-	-	1,292	1,292
Total financial assets	-	-	-	4,194	4,194
Financial liabilities at amortised cost					
Trade & other payables (excl deferred income and taxation and social security)	-	-	-	3,346	3,346
Total financial liabilities	-	-	-	3,346	3,346

	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

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 £27.1m (2023/24: £23.5). 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:

- a) the conditions of the funding and award letters met
- b) over the period of construction of the relevant asset

Apart from Scottish Canals and Scottish Government funding, the following projects funded to the value of £2.5m during the year were:

- Lock 16 Regeneration – Falkirk Council
- Falkirk Active Travel Trail – Falkirk Council.
- Forth & Clyde Towpath Upgrade – Walk Wheel Cycle Trust
- Fountain Bridge Towpath Upgrade – Vastint and Walk Wheel Cycle Trust
- Let's Fish – EB Scotland.

One of Scottish Canals' Non-Executive Directors, Carolyn Sawers' partner is a Director at Walk Wheel Cycle Trust. 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 Walk Wheel Cycle Trust.

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

The Director of People, Safety & Governance and the Head of Legal services were Trustees of Millennium Link Trust (MLT) during the year. During the year ended 31 March 2024, MLT incurred net rental charges of £5,425 per month and service charges of £1,739.59 per month until the commencement of winding up on 9 November 2023, with Scottish Canals providing financial support of £125,000 in April 2023. MLT was dissolved on 13 May 2025 with £48,546.55 repayable to Scottish Canals.

Note 20 – Provision for liabilities

Scottish Canals had a potential VAT penalty of £3.2m. The conditions of this penalty included ensuring all notification and filing obligations have now been met, and a fair and reasonable business/non-business apportionment method of VAT calculation has been applied. Scottish Canals has met the conditions, and the penalty has been suspended, therefore are no contingent liabilities

Note 21 – Capital Commitments

Transport Scotland has confirmed that £12.6m capital is available for the 2025/26 financial year, however similarly to the 2024/25 capital budget this will include irrecoverable VAT of up to £1.481m.

The multi-year projects which are committed and will continue through 2025/26 include the following:

- £3.5m Falkirk Flight Lock replacement program
- £1m Fort Augustus Actuator replacement program
- £1.3m Townhead Reservoir upgrades
- £550k on Lock 16 Masterplan

Note 22 – Events after the Reporting Period

In January 2026, HMRC confirmed that Scottish Canals has met the conditions relating to the VAT Penalty, as referenced in note 20. The accounts have been adjusted to remove the £3.2m provision from the Statement of Financial Position. There were no other significant events.

The financial statements were authorised for issue on 31 March 2026

Note 23 – Prior Period Errors

Following on from a review by Scottish Canals and audit findings by Audit Scotland, Scottish Canals has restated its non-current assets which has resulted in adjustments in 2022/23 flowing through to 2023/24 and 2024/25. Material adjustments for the 2023/24 financial year included the following:

- revised application of indexation (£6.564m net book value increase)

- inclusion of assets such as reservoirs where Scottish Canals has the rights and obligations of ownership but not legal title – these were originally not included in the fixed asset register (£13.664m increase)
- removal of duplication of asset values due to material components originally valued separately (£12.676m reduction)
- increase to Lease liability of £154k and increase to Right of Use assets of £148k due to an increase in agreement not updated.

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

Effect of restatement on Statement of Financial Position as at 31 March 2024

	Original as at 31 March 2024 £'000	As at 31 March 2024 Restated £'000	Difference £'000
Non-current assets			
Property, plant, & equipment	468,934	475,256	6,322
Heritage assets	7,468	7,920	452
Investment property	23,182	21,825	(1,357)
Right-of-use assets	2,300	2,444	144
Intangible assets	225	242	17
Total non-current assets	508,459	514,037	5,578
Total Assets	519,102	524,680	5,578
Non-current liabilities			
Lease liabilities	1,876	2,035	(159)
Net assets	482,632	488,051	5,419

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

	Original as at 31 March 2024 £'000	As at 31 March 2024 Restated £'000	Difference £'000
Expenditure			
Depreciation and impairment of non-current assets	15,448	15,629	181
(Profit)/loss on sale of assets	(5)	(513)	(508)
Gain/(loss) on revaluation of investment properties	2,965	3,476	511
Other operating charges	10,349	10,166	(183)
Finance expenses	179	185	6
Other Comprehensive (Income) / Expenditure			
(Gain)/loss on revaluation reserve	(25,430)	(14,162)	11,268
Total	3,506	14,781	11,275

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

	Original as at 31 March 2024 £'000	As at 31 March 2024 Restated £'000	Difference £'000
Balance as at 1 April 2023	450,649	468,844	18,195
Net Expenditure for the year	(16,579)	(16,954)	(375)
Disposals of non-current assets	(218)	(1,270)	(1,052)
Revaluation of non-current assets	25,511	14,162	(11,349)
Balance as at 31 March 2024	459,363	464,782	5,419

Effect of restatement on Statement of Financial Position as at 31 March 2023

	Original as at 31 March 2023 £'000	As at 31 March 2023 Restated £'000	Difference £'000
Non-current assets			
Property, plant, & equipment	449,496	468,169	18,673
Heritage assets	7,063	7,470	407
Investment property	22,578	21,697	(881)
Total non-current assets	486,084	504,284	18,200
Current Assets			
Inventories	97	95	(2)
Trade & other receivables	8,160	8,157	(3)
Total current assets	11,099	11,094	(5)
Total Assets	497,183	515,378	18,195
Net assets	450,650	468,844	18,195

Effect of restatement on Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2023

	Original as at 31 March 2023 £'000	As at 31 March 2023 Restated £'000	Difference £'000
Other Comprehensive (Income) / Expenditure			
(Gain)/loss on revaluation reserve	(4,116)	16,483	20,599
Total	(4,116)	16,483	20,599

Effect of restatement on Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2023

	Original as at 31 March 2023 £'000	As at 31 March 2023 Restated £'000	Difference £'000
Balance at 1 April 2022	438,433	438,433	-
Revaluation of non-current assets	(3,418)	16,483	18,196
Balance at 31 March 2023	435,015	453,211	18,196

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