

Meeting Minutes (redacted version)

Minutes of the Meeting of the Board of Scottish Canals held on 26th March 2015 at The Whisky Bond, Glasgow

Present:	Andrew Thin	- Chair
	Geoff Aitkenhead	- Vice Chair
	Tanya Castell	- Non-Executive Director
	Martin Latimer	- Non-Executive Director
	Steve Dunlop	- Chief Executive
In Attendance:	Nicola Christie	- Head of Legal Services (Secretary)
	Katie Hughes	- Director of Estates and Commerce
	David Lamont	- Director of Operations
	Claire Lithgow	- Director of Finance
	Richard Millar	- Director of Heritage, Environment and Sustainability
	Josie Saunders	- Head of Communications
	Lesley Corr	- PA to Chief Executive
	John Nicholls	- Transport Scotland, Scottish Government
Elsa Jack	- Observer	

1. Welcome

The Chair welcomed Elsa Jack as an observer. John Nicholls would join the meeting for a focused discussion of the refreshed Corporate Plan as well as the financial implications of the weir breach at Cullochry on the Caledonian Canal.

2. Stakeholder Engagement Update

The Chair advised the Board that a presentation by Scottish Canals on the ongoing regeneration of North Glasgow to key stakeholders (including Glasgow City Council, Scottish Enterprise, SEPA and the Moffat Centre for Travel and Tourism Business Development at Glasgow Caledonian University) had led to an encouraging discussion and a willingness to work collaboratively on the ongoing regeneration of the area.

3. Apologies for Absence

No apologies had been received.

4. Declaration of Interests

There were no declarations of interest.

5. Approval of the Minutes from Previous meeting

The minutes of the Board meetings held on 5th February 2015 were approved.

6. Matters Arising and Review of Previous Actions

Progress on the actions from the previous meetings was discussed. It was agreed that several actions would be closed as the Board was satisfied that they were tracked in the quarterly performance reports. A strategic discussion of future engagement with the Scottish Waterways Trust, aligned to the refreshed Corporate Plan, would be planned for the next meeting. The environmental strategy would be reported to the Board once complete. It was anticipated this would be in June 2015

The format of an Annual Review, linked to the outputs of the Corporate Plan, as a communication tool in addition to the Annual Report & Accounts would be presented to the Board at a future meeting.

Action:

A Board paper on Scottish Canals' engagement with the Scottish Waterways Trust to be considered at the next Board meeting.

The environmental strategy would be reported to the Board once complete.

The proposed format of an Annual Review to be considered at a future Board meeting.

7. Quarterly Finance Report

The Board considered the quarterly finance report including the summary profit and loss account for the eleven month period to 28th February together with the balance sheet as at 28th February, with the comparative figures as at 31st January 2015. An anticipated surplus for reinvestment was now caveated due to the cost of repairs following the breach at Cullochay Weir yet to be fully determined.

The Board was pleased with the progress made to reduce the working capital deficit and recognised that it was unlikely that this would be reduced further. The Board thanked the Finance team for their rigorous financial management. The Board noted that discussions were ongoing with Scottish Government regarding future investment based on the pipeline of projects as reflected in the investment prospectus.

For further clarity the quarterly finance report would be refined to include detailed footnotes of operational and capital receipts.

The Finance team continued to liaise with Audit Scotland in planning the annual audit for 2014/15. The accounting conventions had been agreed and were acceptable to Audit Scotland.

The summary of the financial statements for current Joint Ventures and Partnerships was noted.

Action:

The quarterly finance report to be refined to include detailed footnotes for operational and capital receipts.

The statutory accounts of Edinburgh Quay Limited to be circulated to the Board for information.

8. Quarterly Performance Report – Building Stronger Communities

The Board noted acceptable progress toward the 14 corporate objectives of the Building Stronger Communities theme of the current Corporate Plan. Progress updates on key current issues were noted as follows:

Cullochy Weir breach

Following an immediate and effective response by the engineering team a phased plan was underway to replace the weir & embankment at Cullochay which had been washed away following heavy rain. The Board noted that there was understood to be no current risk to people or property. It was anticipated that the Caledonian Canal would be navigable by the end of April 2015 with the new weir installed by the end of July 2015. A proactive communications programme to local media, stakeholders and customers had been helpful in containing the impact on local businesses.

The strategic lessons to be learned from the Cullochay Weir breach to be discussed with John Nicholls later in the meeting.

Asset Management Strategy

The Board noted continuing progress on the asset management strategy with the asset team undertaking site visits to key sites to validate the risk profile of each of these critical assets to inform the lifecycle model.

Dredging

The Board was advised that dredging by the upskilled in-house team had resulted in the removal of significant levels of silt from the Forth & Clyde and Union Canals. An in-house dredging operation was also planned for 2015/16. The Board noted that despite these efforts the expectations of some customers had not been met and concerns had been raised that the published navigation depths on the Lowland canals were not being achieved. The Scottish Government sponsor team had been advised that the canals were being maintained at navigable depths for the majority of boat transits and that a programme of dredging was ongoing to deal with re-occurring high spots of silt based on current available funding. The Board further noted that known non-compliance with the statutory dredging requirements was an exception and did not affect the stated risk appetite of other legislative compliance issues.

Action:

A progress report on the Asset Management Strategy would be reported to the September Board meeting.

A report on achievable navigation depth across Scotlands' Canals, supported by a realistic dredging programme, to be reported to the September Board.

Details of the Asset Backlog / Risk KPI to be circulated to the Board for information.

9. Quarterly Performance Report – Attracting New Customers and Income

The Board noted acceptable progress toward the 7 corporate objectives of the Attracting Customers and Income theme of the current Corporate Plan. Progress updates on key current issues were noted as follows:

Living On Water

The Board was advised that the Estates and Marketing teams were working hard to promote this new market and that take up on lettings was generally strong. Up take was being monitored and further action was under active consideration for areas where demand was slower.

Customer Numbers

The Board noted that transits and short-term licences were marginally down across Scotland compared to target. The Board discussed whether the marketing spend was adequate and noted that customer focused initiatives and marine tourism marketing was underway with focus on the European market.

Progress briefings on the current plans for tourism nodes and The Falkirk Wheel together with a property development opportunity at Maryhill would be presented to Board members following the meeting.

Action:

Further projects added to the draft investment prospectus to be circulated to the Board.

10. Quarterly Performance Report – Empowered and Motivated People

The Board noted acceptable progress toward the 4 corporate objectives of the Attracting Customers and Income theme of the current Corporate Plan.

Following a detailed discussion of the risks and required investment, the Board endorsed the proposed significant expansion of Scottish Canals' volunteer capacity. Whilst this was an ambitious project the Board acknowledged the systematic approach adopted by the Executive team, including tight management controls and monitoring of risks together with effective communications with existing staff and the Trade Unions. The pilot project involving a third sector organisation taking responsibility for lock and bridge operations within a section of the Forth & Clyde Canal was approved.

11. Corporate Risks Update and Review

The Corporate Risk Register, previously reviewed by the Executive team on 18th February 2015 and the Audit & Risk Committee on 12th Mar 2015, was reviewed and discussed. The Board noted

that there were four risks with a high risk rating: Strategic Asset Management; Statutory & Legislative Compliance; Employment Tribunal and Navigation which were all being actively managed to mitigate risk. A risk relating to the Commercial Portfolio would be reinstated on the Corporate Risk Register.

A workshop for the Board and Audit & Risk Committee, facilitated by BDO, to align the corporate plan with the corporate risk register and to re-visit the risk appetite statement relating to people was scheduled for 1st May.

Action:

A risk relating to the Commercial Portfolio to be reinstated on the Corporate Risk Register.

12. Health and Safety report and review

The Board welcomed the revised Health & Safety report with the requisite quarterly reporting of Health & Safety statistics together with assurance regarding consequent improvement planning. The Board noted that there were no areas of concern. The Board was also reassured with regard to the level of forward improvement planning being undertaken.

In addition to the safety policy, strategy and annual safety action plan, waterway based safety action plans had been developed to further local ownership of safety issues and respond to discrete local safety concerns.

Action:

A data gap regarding sub-contractors health & safety monitoring to be added to future reports as part of the contractor supply chain reporting.

The safety policy, strategy, annual safety action plan and local waterway based safety action plans to be approved at the next Board meeting.

13. Audit and Risk Committee quarterly report

John Nicholls of Transport Scotland joined the meeting.

The Chair of the Audit & Risk Committee provided a verbal update on the following matters following the Committee meeting held on 12th March 2015:

Insurance

A Board briefing paper regarding the Insurance renewals for 2015/16 would be circulated to the Board for information in accordance with the Corporate and Operational Governance Framework and as agreed at the Audit & Risk Committee together with the draft Audit & Risk Committee minutes to replace the version circulated with the Board papers. A review of Scottish Canals approach to insurance would also be added to the Board forward plan.

Actions:

A Board briefing paper on the Insurance renewals for 2015/16 would be circulated to the Board for information.

Draft Audit & Risk Committee minutes to replace the version circulated with the Board papers to be circulated to the Board.

A review of Scottish Canals approach to insurance to be added to the Board forward plan.

Audit Actions Report

The Committee was satisfied with progress of the actions recommended from both the external and internal audits. A timing issue regarding the planned disaster recovery test was raised and would be addressed by the Executive team.

Compliance

The compliance programme was due to complete at the end of March and an ongoing review process was being developed. The Audit & Risk Committee had expressed its gratitude to Scottish Canals for the huge amount of work done given such a challenging process.

Annual Internal Audit Plan 2015/16

The scope of the proposed annual audit plan was outlined and the Board confirmed its acceptance of the plan as outlined. A self-assurance review of the Corporate and Operational Governance Arrangements would be undertaken involving BDO. The Finance team should be commended that there were no recommendations arising from the internal audit of the financial processes.

Year End Timetable 2014/15

The year end timetable had been agreed with the sponsor team and Audit Scotland.

Cullochy Weir Breach

There had been a thorough discussion and review of risks arising from the Cullochy weir breach.

The Board thanked the Chair of the Audit & Risk Committee for a thorough report and commended the finance team for an excellent internal audit report regarding financial processes.

14. Corporate Plan 2015 / 18 Decision paper

The refreshed Corporate Plan 2015/18, reflecting the Scottish Government One Scotland Programme and Scotland's Economic Strategy as recently launched by the First Minister, was based on the core principle of sustainability with three core, interdependent, strategic themes reworded as follows:

Growing Public Value
Increasing Financial Sustainability
Empowering and Motivating People

Following a detailed discussion, additional modifications to the Corporate Plan were noted:

Diversity of Scottish Canals business: A broader description of Scottish Canals' diverse business to be added in the introduction, drawing on past successes which demonstrated Scottish Canals positive track record and ability to deliver.

Climate Change/Environmental Strategy: Further emphasis to be added on the impact of climate change on the canal infrastructure as well as more details of Scottish Canals' environmental strategy/carbon footprint.

Contingency/Risk Appetite: the asset management strategy underpinned by an asset action plan would reflect that there were insufficient resources in the short-term to sustain deteriorating assets.

Diversity: a broader approach to diversity was recommended.

The refreshed Corporate Plan developed Scottish Canals' strategic direction to achieve long-term sustainability, resilience and viability attuned to the Scottish Government objectives. Scottish Government accepted this shift in emphasis but wished to reflect on the significance of the proposed changes in terms of financing and in practice linked to Scottish Canals' statutory requirements and added value. The impact of Scottish Canals Corporate Plan on Transport Scotland's wider transport responsibilities was also noted.

The Board was reminded that the current Corporate Plan 2014/17 was approved by Keith Brown MSP, formerly Minister for Transport and Veterans and currently Cabinet Secretary for

Infrastructure, Investment and Cities who would be involved in the approval of the revised Corporate Plan as well as Derek Mackay MSP, Minister for Transport and Islands. It was agreed that Scottish Canals would circulate a discussion paper on its developing corporate strategy for further discussion at the planned annual meeting with the Minister on 27th May 2015.

Action:

Scottish Canals to provide Scottish Government with a discussion paper on its developing corporate strategy for further discussion at the planned annual meeting with the Minister on 27th May 2015.

15. Business Plan 2015 / 16 Decision paper

The Board discussed the Business Plan 2015/16 and agreed that it clearly articulated the operational delivery of the key activities and projects in support of the strategic objectives of the current Corporate Plan. The focus on key project areas, strategic procurement, business systems, workflow and productivity and ICT was also noted, specifically, the procurement strategy would be informed by the internal audit recommendations as reported to the Audit & Risk Committee.

Subject to the addition of further detail on the promotion of gender balance, the Board approved the Business Plan 2015/16.

Action:

Further detail on the promotion of gender balance to be included in the Business Plan 2015/16.

16. Strategic Lessons of Cullochry Weir breach

The Minister had been advised of the known costs in connection with the reinstatement and improvement of Cullochry Weir and the Board was pleased to be advised that Transport Scotland had offered Scottish Canals a grant of up to £1m. The Board expressed its gratitude to the Minister, the sponsor team and all involved at Scottish canals for their exemplary response to this event.

The Board was further advised that as a consequence of lowered water levels during this unforeseen event, the opportunity had been taken to inspect structures close to the Weir and further repairs may be required which would impact the Business Plan 2015/16. In addition, the canal, as a historic water management system, was inter-linked with assets owned by partners such as Transport Scotland. It was agreed that there was a need for a forum of stakeholders and partners to share information and collectively agree a resilience strategy requiring future investment.

Any Other Business

Following the Vice Chair's decision not to continue on the Board for a further three years, the closing date for applications for the recruitment of two non-executive Board members was 8th April.

The Board congratulated Tanya who had been short-listed as a finalist in the non-executive category of the Institute of Director awards.

The next meeting would be a strategy session to be held on Thursday 14th May 2015 at the Glenmoriston Town House, Inverness IV2 4SF.

Signed Andrew Thin

Date