

Meeting Minutes (redacted version)

Minutes of the Meeting of the Board of Scottish Canals held on 17th December 2015 at 11.00am at The Falkirk Wheel

Present:	Andrew Thin	- Chair
	Tanya Castell	- Vice Chair
	Martin Latimer	- Non-Executive Director
	Cathie Bankier	- Non-Executive Director
	Deborah Benson	- Non-Executive Director
	Steve Dunlop	- Chief Executive
In Attendance:	Nicola Christie	- Head of Legal Services (Secretary)
	Claire Lithgow	- Director of Finance
	Richard Millar	- Director of Heritage, Environment and Sustainability
	Josie Saunders	- Head of Corporate Affairs
	Lesley Corr	- PA to Chief Executive
	John Nicholls	- Transport Scotland
Apologies:	Katie Hughes	- Director of Estates and Commerce
	Elsa Jack	- Observer

1. Welcome and apologies

The Chair welcomed John Nicholls, Director of Aviation, Maritime, Freight and Canals, Transport Scotland to the meeting. The Scottish Canals budget as detailed in Scotland's Spending Plans and Draft Budget 2016-17 was noted and the Board thanked the Transport Scotland team.

Apologies from Katie Hughes, Director of Estates and Commerce and Elsa Jack, Observer, were accepted.

It was agreed to consider the Falkirk Wheel decision paper prior to the Business Plan 2016-17 on the agenda for the meeting.

2. Declaration of Interests

It was noted that Deborah Benson was a non-executive of EDI. This interest was recorded in the Register of Interests and would be declared, as required, at future Board meetings.

3. Approval of the Minutes from Previous meeting

The minutes of the Board meeting held on 5th November 2015 were approved, subject to review of the minute of the State Aid Briefing by the Scottish Government State Aid unit.

Action:

The minute of the State Aid Briefing to be forwarded to the Scottish Government State Aid unit for review.

4. Matters Arising and Review of Previous Actions

The update of progress of the actions from previous meetings was reviewed and it was noted that several actions had been discharged.

The Board was advised of further discussions with the Scottish Waterways Trust (tSWT) to reinforce its establishment as a viable, self-sufficient charity by diversifying and accessing different funding streams to raise income. The Board noted that tSWT was aligned with this approach and Scottish Canals would continue to work with tSWT to ensure manageable timescales to achieve this objective. The Board confirmed that the contract for services to be provided to Scottish Canals by tSWT, focused on volunteering, must reflect value for money and demonstrate a return on investment.

5. Corporate Plan 2016-19

The revised draft Corporate Plan 2016-19, incorporating appropriate feedback from the Scottish Government, was reviewed. Following discussion it was agreed that it set out a coherent, balanced medium to long term strategy for operational asset management and financial sustainability to increase public value.

The Board proposed further amendments to the sections on delivery of increasing financial sustainability to ensure consistency and delivery of empowering and motivating people to highlight aspirations with regard to succession planning and inclusivity as part of equality and diversity. John Nichols advised that alignment with the Scottish Government canal policy "Making the most of Scotland's Canals" be given due prominence to reflect the integral responsibilities to maintain Scotland's canals. Further comments on style were also noted.

It was agreed that the Chief Executive would further revise the draft Corporate Plan to incorporate the Board's amendments. Thereafter the Chair would submit the Corporate Plan to the Minister for consideration and approval.

Action:

The Chief Executive to further revise the draft Corporate Plan to incorporate the Board's amendments.

The Chair to submit the further revised Corporate Plan 2016-19 to the Minister for consideration.

6. The Falkirk Wheel Phase 1 Decision Paper

At the previous meeting it had been agreed, in principle, that the proposed investment in a visitor experience improvement programme was integral to the sustained future of The Falkirk Wheel and that the requisite tender process be commenced because it was time critical for the new season. The Board required to be satisfied that there was evidence of a robust due diligence justification to underpin the proposed investment in light of the current challenging financial circumstances.

The detailed due diligence process undertaken by the Executive Team of the visitor experience improvement programme at The Falkirk Wheel, in addition to the evolution of the project and its governance, was reviewed at a meeting organised by the Vice Chair and attended by a majority of the non-executive members of the Board. The Vice Chair reported to the Board that each workstream of the improvement programme had been presented by the Director of Estates and Commerce, highlighting the input of external consultants expertise and other stakeholders including tour operators and customers. The presentation had also included the project description and design, conservative financial assumptions, the internal rate of returns, net present values and outputs. Key potential risks had also been highlighted. The Board thanked the Vice Chair and non-executive Board members for undertaking this in depth appraisal.

Whilst the Board acknowledged the potential reputational risk associated with spending public money on a visitor attraction in a time of financial constraint, it recognised the significant public and economic benefit that would flow from this investment. Following a thorough examination and challenge of this investment proposal the Board agreed that the phased revitalisation programme was time critical and an excellent fit with the Scottish Government policy for Scotland's Canals and Corporate Plan as a high quality visitor experience meeting all the financial safeguards associated with public investment of this scale. The Board further agreed that the investment was essential to modernise The Falkirk Wheel customer offer given that the Falkirk Wheel was a key strategic asset for Scottish Canals which had not had significant investment in its customer experience since opening in 2002. In addition the programme would maximise productivity and mitigate the material risk of a reduction in income from the Falkirk Wheel. It was noted that the surroundings of the Wheel should be utilised to maximise income with enhancements to the consumer and corporate events strategy.

The Board recommended a coordinated communications strategy with the Scottish Government communications team, to include a launch event by the Minister, to promote the revitalised Falkirk Wheel and its surroundings as an asset to be maximised for Scotland.

7. Business Plan 2016-2017

The strategic high level approach to the development of the business plan and budget for the financial year 2016-17, in line with the Corporate Plan 2016-19, outlining key assumptions and revenue budget for the year was discussed. The Board supported the concept of earn before you spend and the focus on customer service which was integral to Scottish Canals tourism business.

The Board confirmed that the 2016-17 business planning exercise should aim to generate a surplus for reinvestment at a level of £1m by increasing sustainable income streams and sensitively determining how overhead costs can be reduced to provide flexibility to generate medium to long term financial returns for investment in the sustainability of Scotland's canals.

The Board agreed that a more detailed business plan and budget for 2016-17, based on the agreed strategic approach, be submitted to the Sponsor team for consideration and that the finalised business plan and budget 2016-17 be presented to the Board prior to the commencement of the new financial year.

Action:

The business plan and budget for 2016-17 be submitted to the Sponsor team for consideration. The finalised business plan and budget 2016-17 be presented to the Board prior to the new financial year.

8. Evolving Scottish Government priorities

The Board discussed the evolving SG priorities focused on a fair work agenda and social justice linked to economic growth. Scottish Canals recognised this important challenge and the need to be proactive in demonstrating prudent financial responsibility.

It was noted that the unforeseen closure of the Forth Road Bridge, which had been handled with a professional response by Transport Scotland, would be subject to a parliamentary inquiry. The Scottish Government sponsor team understood that Scottish Canals did have a risky portfolio of assets. The Board noted the need to share information at the earliest possible stage with Transport Scotland regarding potential issues identified on Scottish Canals assets which may impact Transport Scotland's key infrastructure.

The Board was advised that Roy Brannen had been appointed as chief executive of Transport Scotland following David Middleton's appointment as interim chief executive of Historic Environment Scotland. The chief executive would organise a canal based visit for the new chief executive of Transport Scotland.

Action:

A canal based visit to be arranged for the new chief executive of Transport Scotland.

9. World Canals Conference 2016 update

The Board was updated on steady progress to promote the World Canals Conference to be held in Inverness on 19th to 22nd September 2016 – linked to the Year of Innovation, Architecture and Design. Key-note speakers across four themes had been confirmed. Pre and post conference tours were also being promoted to showcase Scotland.

The dates of the conference and stakeholder events to promote the content and encourage delegate participation and sponsorship to be circulated to the Board to ensure the Board's involvement in raising the profile of the conference with their networks.

The Board discussed some of the potential risks of hosting the WCC and was comfortable that appropriate mitigation plans were in place. The Board requested to be regularly informed on progress and that the associated risks continue to be monitored.

Action:

The dates of the World Canal Conference 2016 and stakeholder events to be circulated to the Board.

The Board to be regularly updated on progress to arrange the World Canal Conference 2016.

10.Any Other Business

The Board expressed the need to keep in touch with the business on the ground and key stakeholders around Scotland’s canal network. The Board also requested an in depth review of the property investment portfolio.

Actions:

A discussion of different approaches to address the Board’s engagement with the business on the ground and key stakeholders to be added to the agenda for the next meeting.

A strategic review of the property investment portfolio including a review of financial returns to be added to the agenda for the next meeting.

The Board thanked John Nicholls, Director of Aviation, Maritime, Freight and Canals, Transport Scotland for attending the meeting at a busy time for Transport Scotland.

11.Date of Next Meeting

The next meeting would be held on February 4th 2016 at The Falkirk Wheel.

Signed Andrew Thin

Date