

Scottish Canals Corporate Plan 2017 – 2020

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Foreword

It is over four years since Scottish Canals was separated from its UK parent, and the complexities inherent in fully uncoupling Scottish assets and operations from those located elsewhere in the UK are now well behind us. It is to the credit of everyone that the process has been managed so smoothly, and that the entire organisation is now able to focus on its future contribution as a significant player wholly within the Scottish public sector.

Our vision for Scotland's canals will continue to evolve over time. On that basis, the vision for Scotland's Canals has been refreshed and updated to reflect the circumstances within which we operate. The extraordinary heritage assets, that are the canals, must be cared for and sensitively managed so that we maximise their contemporary value to all of Scotland's people. The experience that we have gained over recent years, along with changes in Scottish Government priorities, has led the board to conclude that a review of the corporate plan, alongside the new vision is now timely and appropriate.

This new Corporate Plan for 2017-2020 builds on our first Corporate Plan 2014-17 and signals some important strategic changes. It shifts our financial strategy to place much greater emphasis on long term financial sustainability and resilience, it extends our operational asset management strategy towards a longer term planning horizon, and it moves to centre stage the core Scottish Government policy priorities set out in the National Performance Framework.

Underpinning our overall vision for the future of Scotland's canals are three strategic themes (increasing sustainable income; growing public value; empowering and motivating people). These are interdependent and of equal importance, and together they describe a strategic approach that is soundly based on the long term sustainability of our finances, our heritage assets, and of the communities who we serve.

Scotland's canals have undergone a process of tremendous restoration in recent years, and they are currently experiencing an extraordinary renaissance. The contribution that they now make to so many areas of our public life has transformed their significance to the Scottish people. This Corporate Plan builds on that success and signals an intention to extend their relevance much further and to many more Scots.

This is an ambitious Corporate Plan, which can only be delivered in partnership with the Scottish Government and the many public, private and third sector organisations with whom we work. Scottish Canals has developed a reputation for energy, decisiveness, innovation and passion in all that we do. We will continue to hold these qualities dear, and coupled with robust governance and risk management processes they will continue to be the key drivers behind our success. This Corporate Plan demonstrates how Scottish Canals will take a leadership role and work with partners to go beyond its wide-ranging statutory and regulatory responsibilities set out by Scottish Ministers while creating a sustainable bright new future, which benefits Scotland as a whole.

Andrew Thin
Chair

Steve Dunlop
Chief Executive

(1) Context

Scottish Government Priorities

The Scottish Government's Purpose is to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth. Scottish Canals is a public body accountable to the Scottish Government. This new corporate plan, covering the three-year period from 1 April 2017 to 31 March 2020, describes how we will continue to help deliver this Purpose through imaginative revitalisation of a remarkable set of heritage assets.

The context for our work is delineated by statute, in particular the Transport Acts of 1962 and 1968, and by the National Performance Framework. The activities of Scottish Canals are diverse, and contribute to several National Outcomes and Indicators. The common factor is that they are all based on maximising the public value that the Scottish people derive from their canal system, including contributions to inclusive regeneration, business development, employment creation, sustainable transport, carbon reduction, sustainable water management, recreation and health.

The Scottish public sector faces significant challenges over the coming years if we are to create a more inclusive and successful Scotland in the face of continuing pressures on our public finances. This cannot be achieved through "business as usual", and the four priorities themes of Public Service Reform (people, partnership, prevention, performance) create a framework for vital and fundamental change. These themes provide the basis on which this corporate plan is built.

The Scottish Government's aspirations for the canals were outlined in a policy statement "Making the Most of Scotland's Canals," published in 2013. The implicit exhortation to deliver more value to more Scots is one that has been taken to heart by everyone at Scottish Canals. Four years on those aspirations have grown to reflect what we now know about the potential inherent in the canals, and a new and more ambitious vision for the canals has been published.

Public Spending Outlook

The outlook for public spending over the period of this corporate plan will be very challenging. The Scottish Government continues to provide significant revenue support to Scottish Canals, but given the wider public spending context, a "spend to save" agenda is one that we must embrace if we are to reduce longer term dependence on grant-in-aid subsidy. Integral to responsible revitalisation of Scotland's canal system is the need to build greater financial sustainability, and this challenge has both practical and cultural implications. It is, however, also one where there is no shortage of opportunity.

The public policy context for our work is a highly supportive one. The potential to make more of Scotland's canals is widely recognised, and there is no shortage of ambition in national and local government to see this realised. There is a strong emphasis on increasing and making more inclusive the public value of our canals, thereby underpinning public financial support. But this also creates a significant pressure on Scottish Canals if we are to find the capital investment that is critical to delivering greater public value. This emphasis on capital rather than revenue support from government is a recurring theme in this corporate plan.

Significant Trends

Contemporary trends towards greater divergence between high and low income earners, combined with a legacy of industrial decline in some parts of Scotland, have resulted in significant areas of economic and social inequality within what is otherwise a wealthy country. Many of these communities are concentrated in Central Scotland, and adjacent to the Forth and Clyde, Union, and Monkland Canals. At the same time other

social trends are changing the composition of local communities so that Scottish Canals must continually adjust its strategic thinking in order to adapt to different needs.

Canals were originally conceived as a central element in the rapid industrialisation that occurred in Scotland in the 18th and 19th centuries. While their relevance has changed beyond all recognition, they remain significant economic drivers in relation to our visitor economy. Increased international competition in the tourism sector will continue to place new demands on our services, and we will need to adapt and respond. Scottish Canals is creating new visitor markets and contributing to Scotland's profile on the international stage, the Kelpies and Helix Park being a particularly good example of this. We must continue to understand, predict and help to shape market positioning in this sector. Scottish Canals will also continue to support local enterprise ventures and commercial operators to encourage tourism and investment on the canal network itself.

Scotland experiences some of the greatest inequalities of public health outcomes in Europe, as well as having some of the lowest average life expectancy outcomes. The underlying causes of this are complex and relate to social exclusion, but the trends continue to be of real concern. Part of the solution lies in increasing participation in outdoor recreation, described as the "best buy" available in public health by Scotland's Chief Medical Officer. This makes Scottish Canals a partner in an evolving area of public policy priority, and one where greater integration between our work and that of the health sector will become ever more important.

Carbon reduction and climate change mitigation will continue to be key areas of priority for Scottish Canals. Canals are now a major element in sustainable transport provision, especially in Central Scotland, and we must continue to increase the use made of both towpaths and waterways to support carbon reduction ambitions. At the same time climate change will continue to impact on our canals. Increased levels of erosion and silting will add to our ongoing costs, while damage arising from extreme weather events will require ever more robust risk management processes and contingency arrangements.

(2) Strategic Aspirations

Vision and Purpose

Our vision for Scotland's canals is built firmly on the core principles of inclusion and sustainability. Canals are part of our national inheritance, and they belong to all of us. They enjoy statutory protection, and they must be cared for and passed on to the next generation in good order. This requires efficient financial management and careful application of available resources, but the public value for all of Scotland's people that can be generated from well managed canals far exceeds their cost.

The potential to deliver increased public value is huge. At their heart the canals remain a key piece of transport infrastructure, enabling thousands of people to travel safely and sustainably to their destination every day on foot, by bicycle and on the water. They are also, as they have long been, a remarkable heritage asset, providing inspiration and a sense of wonder to countless individuals of all ages and circumstances. We will of course continue to ensure that the canals remain safe and navigable. But their economic and social significance is now becoming more diverse, extending their contribution into new areas and increasing their overall value to people for whom they might previously have been of little relevance.

That value is primarily of a public nature, and closely associated with the wider socio-economic sustainability of local communities. This explains a strong emphasis placed in the past on access to public sector revenue support for managing and maintaining the canals. In recent years, however, that emphasis has shifted in line with the Scottish Government's "spend to save" agenda towards a more self-financing model achieved through sensitive commercial exploitation of opportunities related to their public use. While Scotland's canals will continue to depend on a degree of revenue grant-in-aid for many years to come, we believe that in the long term Scottish Canals has the potential to become self-financing in revenue terms if sufficient investment capital can be found to fully develop the potential that exists for sustainable income generation.

Core Themes

The detailed strategic aims and delivery priorities that are derived from this vision are built on three core themes that are interdependent –

- Increasing Financial Sustainability – by generating reliable sources of income from a growing range of canal related services and goods for which markets exist or can be developed.
- Growing Public Value - along the canal routes and within specific user groups, directed and driven by the policy priorities of the Scottish Government.
- Empowering and Motivating People – through whose inspiration, motivation and efforts we will ensure dynamic, innovative and highly productive management of our canals for the benefit of all.

Underneath each of these lies a set of priority strategic aims for the period of this corporate plan that will frame our annual business plans and help to determine deployment of available resources. The three strategic themes are of equal importance and support each other, so that resource prioritisation is a complex process within which there is a need for some care.

Priority Aims

The theme of Increasing Financial Sustainability is key to the wider concept of sustainability that underpins our vision. While we greatly value the continuing revenue support from the Scottish Government, we also recognise the risks inherent in relying unduly on an income source that is subject to competing public

spending priorities. In a period of severe and sustained public spending restraint this concern is of exceptional significance, and we have taken careful note of the importance attached to “spend to save” approaches across the Scottish public sector within the context of public service reform priorities. Over the period of this corporate plan we will focus specifically on -

1. Collaborating with business
2. Growing sustainable income
3. Optimising asset utilisation

The theme of Growing Public Value is central to our purpose and to the realisation of our vision. Scotland has one of the highest ratios of canal length per person in Europe, and many of the underlying assets are old, fragile, and subject to real and unpredictable risks of asset failure. This remarkable legacy brings with it a significant ongoing maintenance challenge, and unless the cost of this is exceeded by the public value that is derived from our canals then (as we saw throughout much of the 20th century) long term sustainability will be difficult to achieve. Our vision is long term and underpinned by flexibility and dynamism to respond to challenges. If we are to increase the relevance of our canals to more and more people, and if the canal system is eventually to stand on its own financial feet, then the range of benefits that are derived from our canals must grow considerably. Over the period of this corporate plan we will focus specifically on -

1. Safeguarding our canals
2. Increasing and diversifying use
3. Driving inclusive regeneration

The theme of Empowering and Motivating People lies at the heart of our purpose as a publicly owned corporation charged with caring for and making the most of publicly owned assets for the benefit of all. It encompasses our staff, partners, volunteers, the business community and many others, and it aims to harness their innovation, dynamism and drive in all that we do. Concepts of public service delivery have evolved significantly in recent years, but few more so than in relation to maximising the productivity of heritage assets. Gone are the days of remote, disconnected and protectionist decision making. If the productivity and public value of our cultural and natural heritage is to be maximised then it is essential that everyone, whether in local communities or dispersed communities of interest, is motivated and empowered to play their full part in fast moving and innovative ways. Over the period of this corporate plan we will focus specifically on –

1. Enabling our workforce
2. Working through partnerships
3. Promoting diversity and inclusion

(3) Delivery – Increasing Financial Sustainability

Rationale

Creating a strong, inclusive, regionally cohesive and sustainable economy is central to the Scottish Government's Purpose, and to all the policies and programmes that flow from it. Our vision for Scotland's canals is of an intensively used, busy and vibrant waterway system that underpins mixed economies serving all those who use, visit or live adjacent to it. Maintaining the underlying infrastructure involves significant recurring costs, and implicit in the emphasis that we place on sustainability is the idea that this economic activity should contribute to the cost of the canal system on which it is based.

Scottish Canal's total annual revenue is currently in the region of £18M per year, but we estimate the average annual cost of managing the canals in a safe and operational condition to be in the region of £21-£23M at today's prices. The demand for investment and expenditure will not be static from year to year, and in some years it will significantly exceed £21-23M while in others it may be less. Both revenue and capital expenditure will be required, and even with current levels of grant-in-aid we must therefore increase commercial income generation by at least 30% if we are to be confident of long term financial sustainability.

We now know from our recent asset management modelling work that the Scottish Government inherited from the predecessor UK body, at separation, a backlog of under investment in fixed assets on the canals. In the short to medium term this backlog will rise further until we manage to grow income (and/or cut costs) to a level where we can start to reduce the backlog.

The number of people using the canals has mushroomed in recent years, but the commercial opportunities that arise from this growing footfall remain underexploited. A central constraint has been the inability of Scottish Canals as a public body to raise investment capital from commercial sources, so that it has had to rely on a mix of capital grant-in-aid from government, capital grants from other sources, and a variety of joint venture arrangements. A central priority is to identify available options to address this capital requirement to underpin our efforts to secure a more financially sustainable future for the canals.

Collaborating with Business

Scottish Canals is publicly owned. It operates in commercial markets for certain of its activities, and as required by the Transport Act 1968 it must do so "as if it were a company engaged in commercial enterprise". Scottish Canals owns and/or has access to various canal related assets which have considerable commercial potential. Many of these are best exploited by Scottish Canals directly, but some require levels of commercial expertise and investment that are better sourced through a variety of collaborative arrangements with other businesses.

The underlying reason for Scottish Canals becoming involved in commercial activity is to contribute to the long term financial sustainability of the organisation, and therefore of the canal system itself. Most partnerships with business will therefore be undertaken with an eye firmly on long term sustainable income generation. In a small number of cases there may be an opportunity for a short term return, usually by way of capital appreciation, but for the most part the priority is to build over time a portfolio based endowment approach to investment and income generation.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Identify the core locations and regions within the canal system where commercial potential is greatest, and devise detailed income generation development plans for each of these

- Develop relationships with a small number of reliable business partners who have appropriate expertise in areas of relevance including tourism, retail, catering and property development

Growing Sustainable Income

Delivering financial sustainability is not simply a matter of maximising short term income streams. Volatility and risk are key factors for Scottish Canals, and the long term aim must be to build a portfolio based approach across all income generating investments to deliver predictable and sustainable income streams (while acknowledging the additional diversification risk associated with such investments being constrained within the canal environment). If this is to be achieved then skilled portfolio management will be required to ensure that financial risk is diversified and well managed, and so that volatility of financial returns is minimised.

It is possible to reduce volatility in part simply by investing wisely across different sectors of the economy and regions of the country with links to the canal environment. Ensuring effective diversification in this way is important, but for Scottish Canals a high priority must also be attached to the nature of specific investments and to the volatility/risk inherent in each. Asset based investments with secure rental streams will be preferred, but it is likely that other less secure investments will need to be included in the mix. The priority must be to ensure that investment opportunities are identified in a systematic manner, and that there is close ongoing dialogue with the Scottish Government to identify investment capital.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Develop a portfolio based investment strategy for the canals in line with the Scottish Government's Economic Strategy to increase total income
- Within that context to reduce dependence on revenue grant-in-aid in the longer-term
- To identify, using a risk based approach, the variability in annual capital investment requirements and how this relates to known and projected income streams
- To develop and agree with the Scottish Government a re-capitalisation strategy (from public and non-public sources) to raise additional capital support

Optimising Asset Utilisation

Scottish Canals has inherited a variety of canal related assets with income generating potential. Most of these are property related, and there may be opportunities to acquire additional assets of this nature. Some of these are already being brought into productive and profitable use, including buildings and moorings that have tourism or retail potential. Others remain underutilised, mainly because as a public body Scottish Canals is not able to raise capital in the same ways as would be open to a private owner.

Available investment capital means that it will be some time before Scottish Canals can fully utilise all the assets at its disposal, and therefore a prioritised approach will be taken to investment opportunities. The priority is to ensure a full understanding of their potential, and to identify associated assets not in public ownership where some form of commercial synergy could be achieved if they were acquired. This information can then be systematically fed into wider investment planning to ensure that optimal asset utilisation is achieved within the context of long term financial sustainability for the canal system as a whole.

Our priorities for delivery over the period of this corporate plan are therefore –

- Refine the full analysis of commercial potential already underway for all assets already owned by Scottish Canals

- Create an inventory of assets associated with the canals that are in other public or private ownership, and for which there is significant potential for synergy with assets already in our ownership.

(4) Delivery – Growing Public Value

Rationale

Productivity is of central significance to the achievement of the Scottish Government’s Purpose. History has bequeathed to Scotland a particularly rich assortment of heritage assets, and the policies of successive governments have ensured that these have been reasonably well looked after. The productivity of our heritage assets has only recently come under the spotlight however, and the potential to grow their public value is still considerable.

Scottish Canals is the second largest owner of cultural heritage assets in Scotland, and as such has a huge responsibility to look after them well and maximise their contemporary productivity. Their geographic location adjacent to some of the areas of greatest deprivation in Scotland increases their potential relevance to current public policy challenges, and the priority now is both to increase traditional uses and look for new sources of value such as flood mitigation and renewable energy generation.

Safeguarding Our Canals

Safeguarding our canals is central to their capacity to deliver public value. In extreme circumstances a major failure may have significant public safety implications and/or render entire sections of canal unusable for long periods of time. Climate change, and the inevitable deterioration of very old structures, means that the likelihood of this happening is growing. We therefore maintain asset integrity on a managed risk basis to ensure that the likelihood of major failure is as low as possible. Some failures do occur however, and as recently as March 2015 we experienced a major asset failure at Culloch on the Caledonian Canal which illustrated all too clearly the kind of challenge that we now face.

Maintaining the integrity of assets with Scheduled Ancient Monument status can be labour intensive and costly. It depends not only on rigorous prioritisation but also on being able to predict failures and take preventative action. This is relatively simple in relation to maintaining navigable depths or mooring resilience, but it is much harder when it comes to potential civil engineering, mechanical and electrical failures where vital moving parts may be hidden from easy view. Improving resilience therefore depends as much on monitoring asset condition and modelling to predict failure as it does on regular maintenance.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Develop a long term asset management strategy/plan, aligned to the planning horizons of the Scottish Government
- Maintain a clear, prioritised and risk based programme of repair and investment maximising the use of available resources to yield optimum outcomes for public use
- Support and build capacity in local communities to sustain their own part of the canal network, including through consideration of asset transfer into community ownership
- Strategically place the canals as an important asset in the national planning framework, local development plans, strategic tourist routes, national cycling plans, etc.

Increasing and Diversifying Use

The level of use made of canal related assets by members of the public has soared in recent years. Independent and reliable estimates suggest that the number of visits made to the canals has multiplied more than tenfold in little more than a decade, rising from 2 million in 1999 to over 22 million today. As a direct consequence the public value derived from the canals is far greater today than it was only a few years ago, and a central challenge for Scottish Canals is to maintain that upward trend into the foreseeable future.

Most current uses operate at well below their inherent capacity limits, so that increasing utilisation by existing categories of user is a relatively low cost way of increasing asset productivity. In addition to this is the potential to develop new uses and attract new users. In recent years, for example, entirely new groups of people have begun to derive value from developments as diverse as new tourism accommodation on the Caledonian Canal, Pinkston Watersports Centre, and novel floodwater management solutions. In the short term the priority is to drive up usage where capacity is already available, but at the same time investing to develop new uses will be important so that we maintain a growth trend into the future.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Increase walking and cycling use, particularly of less used sections of towpath
- Increase use by kayaks, canoes and other small craft, especially in Central Scotland
- Develop new uses such as watersports to attract new users
- Extend tourism boat use into the “shoulder months” either side of the peak season
- Increase moorings use, especially for long term residential and commercial purposes
- Create more canal side tourism accommodation and retail opportunities
- Develop the role of canals in sustainable urban water management and renewable energy
- Innovate around new and sustainable freight opportunities where practicable

Driving Inclusive Regeneration

Canals already play an important role in place-making for many communities, creating opportunities that are both attractive and accessible to all. Major regeneration initiatives, most notably around Falkirk and the Helix Park, have in large measure been based on proximity to an attractive and well managed stretch of canal. Other examples, such as new housing developments at Maryhill and Ratho, have similarly exploited synergies with the canal to deliver important and much needed new investment.

Promoting the canal setting as a catalyst for genuinely inclusive regeneration is a skilled business that demands exemplary and innovative urban design capacity. Scottish Canals cannot hope to maintain all of this within its own staff, and so building effective partnerships with other key players, especially with local planning authorities and appropriate developers, is vital. This in turn can unlock important synergies (for example in relation to planning gain and co-funding opportunities) that have important wider relevance to the development and financial sustainability of the canal system.

Our priorities for delivery over the period of this corporate plan are therefore to work with key Community Planning Partnerships to identify regeneration opportunities as follows –

- Edinburgh – with a focus on Edinburgh Quay, Harrison Park, Calder and Ratho
- Glasgow – Port Dundas, Maryhill, Bowling, Applecross, Firhill and Speirs Locks
- Falkirk – The Falkirk Wheel, Falkirk town centre, Rosebank, to The Helix and The Kelpies
- Highlands – Fort Augustus, Inverness, Laggan, Banavie/Corpach and Gairloch
- Argyll – the whole canal but predominantly Ardrishaig and Lochgilphead

(5) Delivery – Empowering and Motivating People

Rationale

Empowering people, whether as individuals or in communities, is a theme that runs through public policy thinking in Scotland. It was given emphasis in the Community Empowerment (Scotland) Act 2015, and it manifests itself in the variety of ways in which we deliver public services, encourage initiatives at community level, and combat social inequalities. For Scottish Canals it is fundamental to our business and to the ways in which we interact with the myriad of individuals and communities that have an interest in our work.

The potential to increase the productivity of Scotland’s canals through greater empowerment of people is considerable. Our workforce is geographically dispersed. Our staff deliver much of their work through interactions with other people, whether directly with users of the canal system or indirectly with wider communities and communities of interest. Scottish Canals may appear to be fundamentally an asset and engineering based operation, but in reality we are (and must be) very much a people business.

Enabling Our Workforce

The passion, commitment and initiative of all those who work for Scottish Canals lies at the heart of our vision, and they are the primary means whereby that vision will be sustained in the long term. We must attract and retain the very best people, and we must develop and empower those people so that each and every one of them is able to maximise their personal contribution both individually and as part of the team. Everyone must play their full part, and believe that they are doing so.

A significant proportion of Scottish Canals’ workforce is geographically dispersed and well connected within local communities, but in a small organisation with some centralisation of functions it will always be difficult to avoid the problems that can be associated with a “head office” mentality. Enabling and empowering are therefore not only priorities in relation to the management of individual employees, but they are also core themes that run through the management structure as a whole.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Attract and retain the very best people through progressive management, appropriate reward, investment, training and development, enshrining diversity and equality across the organisation
- Continually improve our health, safety and well-being performance
- Foster fast moving innovation and creativity to drive business improvement
- Devolve decision making, responsibility and accountability as close as possible to the front line of service delivery, while ensuring that there are supportive processes to escalate issues within the organisation as required

Working through Partnerships

Scottish Canals has wholeheartedly adopted the Scottish Government’s emphasis on involving local people in the design and delivery of public services. To do otherwise is to risk poorly informed top down decision making, and a failure to harness the energies and commitment of local communities. While Scottish Canals can and does manage the core operation of the network at its own hand, much of the potential to release value from the canals can only be realised through working in partnership with others.

Scottish Canals already has close working relationships with many other parts of the public and third sectors, but to diversify use of the canals even more there is a need to extend these relationships further. The same logic applies to the private sector and through the commercial partnerships which have been formed, and

even more so at a local community and individual level. There is significant potential to engage others for whom canals may not at present appear relevant, and we must go beyond existing partnerships to do so.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Target our engagement with local community councils, including participation in the work of relevant community planning partnerships across the network
- Develop more volunteering opportunities, including in conjunction with the third sector
- Transfer, where appropriate, aspects of canal operations to canal societies and other social enterprises
- Engage on a “Team Scotland” basis with key functions within the Scottish Government where the potential for collaboration is greatest
- Promote a fast moving and innovative culture across the delivery landscape

Promoting Diversity and Inclusion

A key feature of the renaissance of our canals has been the high level of involvement by third sector organisations. Several of these have as a major part of their remit a focus on aspects of inequality and exclusion which has given Scottish Canals an important base on which to build. It has enabled us to bring in other organisations whose work is not necessarily canal related. Open Gates, for example, is a prisoner rehabilitation programme in North Glasgow that has transformed two vacant canal side buildings into a workshop and showroom.

The priority for the period of this corporate plan will be to build on existing successes, and to do so through partners where there are real synergies to be found. We will continue to deliver most of our work relating to this priority through the third sector, and we will do so in a manner that channels opportunities and resources to those organisations most concerned with issues relating to access to employment, gender equality, and wider social inclusion.

Our priorities for delivery over the period of this corporate plan are therefore to –

- Involve more young people in our work by providing work experience and supporting planned routes into employment
- Become an accredited Living Wage employer, and encouraging all those with whom we work to do likewise
- Work with appropriate organisations to design and implement a programme to increase use of the canals by third sector organisations
- Foster and develop a culture of inclusivity, equality and diversity

(6) Financial Resources

Overview

As for any other business the issue of long term financial resilience and viability lies at the heart of our strategic thinking about financial resources. The current annual income of Scottish Canals is less than required to maintain canal assets in a safe operational condition moving forward, and even at this income level we depend heavily on revenue and capital grant-in-aid from the Scottish Government. Our long term intention is to become a financially self-sustaining organisation able to stand firmly on our own feet. To achieve this there are three fundamental priorities on which our financial strategy must focus –

- We must increase total annual income to a level that maintains the canal system in safe operational condition
- We must progressively reduce our annual trading deficit (before revenue grant-in-aid subsidy) as a proportion of total turnover
- We must aim to generate a trading surplus (after revenue grant-in-aid subsidy) to help finance long term capital investment

The scale of our revenue grant-in-aid subsidy (c.£8M on a total turnover of £18M) means that it will be several years before we can expect to achieve our financial ambitions. Four key requirements can be identified for this to happen –

- Sustained investment based on significant amounts of new capital raised from a portfolio of external public, private and third sector sources
- Continuing rigorous attention to cost control, and a culture which emphasises the importance of earning money before it is spent
- A prioritised approach to spending, focussed on a risk based approach to asset condition and income generation opportunities.
- Continuing an approach to budgeting that is predicated on generating a trading surplus for reinvestment and focussed on careful cash flow management to maintain liquidity

Investing for Sustainable Income

The Scottish Government has been a strong supporter of Scottish Canals, and previously of the cross border British Waterways organisation, since devolution in 1999. Even during the recent period of exceptionally tight controls on public spending the Scottish Government has contributed generously by way of revenue grant-in-aid subsidy and capital grant-in-aid for investment in operational assets. Significant support will continue to be required through the period of this corporate plan and beyond if our vision is to be realised, and a recurring theme throughout this document is the importance of delivering exceptional public value in return. Effective relationships and continued engagement between Scottish Canals and the Scottish Government will continue to be essential in delivering our vision.

Many canal related assets in Scotland were sold during the years prior to devolution, and on separation in 2012 some of the proceeds from this were transferred back to Scottish Canals in the form of a capital sum (£11M). Since then we have been carefully reinvesting this in canal related assets in Scotland that are likely to generate a healthy sustainable return over the longer term. During the period of this corporate plan and beyond we intend to continue that process. The speed at which we can do this will depend in part on identifying suitable canal related investment opportunities, and in part on sourcing sufficient new investment capital from a range of sources to allow us to exploit them. Both are now matters of priority.

Understanding and Controlling Costs

Maintaining 137 miles of inland waterways classed as Scheduled Ancient Monuments and 19 associated reservoirs is a complex business. Add to that a growing range of towpaths, moorings, buildings and other infrastructure, and in total we have a significant fixed cost base that must be operated and maintained. Much of this activity is predictable, but some elements are not. Planning ahead and maintaining the assets in viable operational condition is a complex business. Some parts of the system have been recently renewed, but others are elderly and it is vital that we understand all of this so that we can maintain asset integrity.

As part of our work to improve asset integrity we are developing a sophisticated asset management strategy and plan, and one of the central priorities for the organisation during the period of this corporate plan will be to use that model to extend our budgeting timeframe from its current relatively short term focus out to 20 years and beyond. That will enable us to predict income requirements and plan accordingly, and it will enable us to work more closely with the Scottish Government to engage in long term financial planning.

Budgeting and Forecasting

Our forecast of income for 2017/18, the first year of this corporate plan, is around £18M of which approximately £8M will be in the form of a revenue grant-in-aid. We project that revenue grant-in-aid will remain static in cash terms over the period of the plan, and we are planning for a relatively cautious growth in all other income in the region of +6% or circa £600,000 per year. Our capacity to accelerate this will in part be dependent on our ability to raise sufficient new investment capital. Even if this is possible there will be a time lag between raising/investing capital and this feeding through to sustainable recurrent income.

We will adopt a zero based approach to budgeting. Current levels of income will not be sufficient to fully maintain long term asset integrity. A key priority will be to deliver the Scottish Government's 3% efficiency savings target through rigorous modelling and tight cost control in accordance with Best Value principles. Some of this will come from new procurement procedures across the public sector, shared services and collaborative working, but we also anticipate that there are still further efficiencies to be achieved across the business as it continues to adapt following separation from management systems associated with canals in England and Wales.

We will manage cash flow requirements in consultation with the Scottish Government, drawing down revenue grant-in-aid when necessary. Within this context we will maintain a cash reserve sufficient to cover short term emergency cash requirements such as may arise in the event of a significant asset failure. At present we estimate that a prudent level of reserve will be £1M, but we will keep this under continuous review and adjust the level if this is felt necessary.

(7) Monitoring Outcomes

Canals Perform

One of the hallmarks of the Scottish Government's National Performance Framework (www.scotlandperforms.com) is its focus on outcomes as a measure of progress against strategic priorities. Monitoring is achieved through National Indicators derived from National Outcomes, these in turn arising from high level targets related to the Scottish Government's Purpose. As a subset of this Scottish Canals now aligns its work around seven National Outcomes, and we monitor our performance against fourteen National Indicators. We expect to maintain this approach to high level performance management throughout the period of this corporate plan, adjusting the outcomes and indicators being used as appropriate to reflect evolving Scottish Government priorities and our capacity to contribute.

Performance against the fourteen National Indicators will be monitored by the Scottish Canals Board on a quarterly basis. Our contributions will be assessed using a range of appropriate techniques that are proportionate and cost effective, and reported to the board in a "dashboard" format that will also be made available to the Scottish Government.

Priority National Outcomes

The outcomes on which we expect to focus during the period of this corporate plan are as follows -

- *We realise our full economic potential with more and better employment opportunities for our people* – through stimulating business development at key canal hub points, including in north Glasgow and at major tourist destinations like the Falkirk Wheel, Kelpies and Fort Augustus
- *We live longer, healthier lives* – through being one of the largest providers of outdoor recreational infrastructure in Scotland
- *We have tackled the significant inequalities in Scottish society* – through targeting our regeneration efforts on sections of canal adjacent to our least advantaged communities
- *We live our lives safe from crime, disorder and danger* – through making the canals more secure and welcoming for all visitors
- *We live in well-designed, sustainable places where we are able to access the amenities and services we need* – through progressively improving access to high amenity sections of canal
- *We value and enjoy our built and natural environment and protect it and enhance it for future generations* – through maintaining a high standard of built and natural heritage management incorporating a strong "access for all" policy emphasis
- *Our public services are high quality, continually improving, efficient and responsive to local people's needs* – through empowering our people, encouraging innovation and ensuring direct public involvement in the planning of all significant canal developments

Priority National Indicators

The indicators, on which we expect to focus, have been classified as either primary or secondary. Primary indicators are those which we make significant contribution towards and to which the majority of our

resources will be targeted. The secondary indicators are those which we make a reasonable contribution towards and which we will focus on as resources allow.

Primary focus:-

- *Improve Scotland's reputation* – through continually improving the quality of canal related tourism sites, especially high profile locations such as the Falkirk Wheel and Kelpies
- *Improve people's perceptions of the quality of public services* – through investing in our people and maintaining an unremitting focus on innovation in public service delivery
- *Improve the responsiveness of public services* – through further empowering local communities along the canals, including through diverse “planning for real” engagements
- *Improve people's perceptions of their neighbourhood* – through continuing amenity enhancement work along the canals, especially adjacent to sizeable communities
- *Improve the state of Scotland's historic sites* – through continuing to bring back into contemporary use buildings and structures of historic significance along the canals
- *Increase physical activity* – through stimulating ever higher levels of awareness of the diverse on and off water recreational activities now available on Scotland's canals
- *Increase people's use of Scotland's outdoors* – through extending the options for outdoor activity along the canals to accommodate an ever wider range of on and off water interests
- *Increase the proportion of journeys to work made by public or active transport* – through continuing to improve the quality of cycle commuting infrastructure along the canal corridors
- *Increase natural capital* – through managing the canal environs in a manner designed to further enhance biodiversity along all the canals
- *Improve access to local greenspace* – through improving physical access to the canals, and developing more effective signage and public information arrangements

Secondary focus:-

- *Reduce traffic congestion* – through increasing cycle commuting along the canal tow paths
- *Reduce deaths on Scotland's roads* – through further developing the contribution of our canal tow paths to national long distance and regional cycle and pedestrian routes
- *Increase the abundance of terrestrial breeding birds* – through managing the canal environs in a manner sympathetic to the needs of diverse bird species
- *Improve access to suitable housing options for those in housing need* - through further direct and indirect involvement in affordable housing developments, off and (if possible) on water

Contribution to Public Service Reform

During the period of this corporate plan we will also pay close attention to making further progress against the four pillars of public service reform, and to providing exemplary leadership relevant to other parts of the Scottish public sector where we have something of value to offer. Elsewhere in this corporate plan we have outlined how we will focus on *prevention* through an emphasis on financial sustainability, on *performance* through an unremitting concentration on our contribution to fourteen National Indicators, on *people* through an emphasis on empowerment and motivation, and on *partnership* through the formal and informal relationships that we establish with private, public and third sector organisations in all that we do.

Opportunity, Risk and Reward

Implicit in this corporate plan is a level of ambition that has associated with it significant opportunities and risks. At a strategic level the opportunity exists, if sufficient new capital can be found, to transform Scottish Canals from a subsidised organisation into one that (in the long term) can stand on its own financial feet and potentially generate financial surpluses. Pursuing such an ambitious strategy requires a highly dynamic and commercial corporate culture, and a management team with the skills and personal motivations required to support this.

The SC board has responsibility for management of strategic risk. While Scottish Canals undoubtedly has the potential to develop the business very rapidly, the board recognises the importance of doing so in a manner that is based on a risk appetite which is appropriate for a public sector organisation reporting to Scottish Ministers rather than that which might be found in an equivalent private equity company. Corporate risk monitoring by the board will therefore emphasise this important balance between risk and reward, seeking to exploit available opportunities with the utmost vigour while maintaining an appropriate overall risk profile.

(8) Our Organisation

Leadership and Governance

Scottish Canals is led by a small board of directors, all but one of whom (the Chief Executive) are non-executive. This means that leadership and governance are in effect split between the Board (strategic and corporate) and the Executive Team (operational). It requires particularly close collaboration between these two elements, and demands of all those involved high levels of team working and communication skills.

Meetings of the board take place eight times per year, and focus alternately on strategic leadership and performance management. In addition the chair and board members place a high level of priority on effective external engagement, both in order to better inform the leadership function and in order to ensure effective communication at a corporate level with key partners. This includes effective management of the relationship between Scottish Canals and the Scottish Government.

Gender balance has been achieved on both the Board and Executive Team in line with Ministerial priorities.

Management Structure

Operational management within Scottish Canals is led by a small Executive Team comprising four functional directors and the Chief Executive. The Executive Team meets formally every four weeks and informally every week. This ensures effective day to day management and control, with the Executive Team reporting on a strategic and corporate basis to the board.

Operational management is structured under the Executive Team on a regional basis, but small centralised operational teams are also maintained in relation to certain key head office functions (finance, communications, etc.). The regional structure is based on the geography of the canal network, with area managers covering Lowlands (Forth & Clyde, Union and Monkland canals), Caledonian and Crinan, and reporting to a member of the Executive Team.

Risk Management

In managing a multiplicity of complex public facing assets and services, effective risk management is of very high priority for Scottish Canals. Oversight at a corporate and strategic level is ensured on a quarterly basis by the board, and by an Audit and Risk Committee (ARC) which meets quarterly in its own right. The ARC is chaired by a board member and includes an external member. Day to day operational risk management is the responsibility of the Executive Team supported by the ARC.

Corporate (i.e. strategic) and operational risk registers are maintained and kept under regular review by the board and Executive Team respectively. In addition detailed risk registers relating to specific operational functions are maintained where appropriate. Risk escalation criteria and procedures ensure that, where appropriate, any matter of concern is brought to the attention of senior management and/or the board in a timely manner.

Management & Operational Structures & Approach

Scottish Canals, and the cross border British Waterways organisation that preceded it, has always adapted its approach to management and operations to reflect economic circumstances, labour market conditions, and the influence of the prevailing public policy context of the day. We will continue to adopt a flexible approach to deliver the activities we undertake in the most efficient, effective, value for money way possible.

We will continue to make significant progress towards better procurement of services from suppliers and contractors, we will maximise the contribution which the third sector (including volunteers) can make to the running of the canals, and we will constantly challenge and reduce the overheads and running costs of the business whilst always keeping investment into the asset and customer service as our main priorities.

Performance Management

The link between strategic performance management in Scottish Canals and the overall Scotland Performs system of the Scottish Government has been outlined earlier in this document. This high level focus by the board on ensuring an effective contribution to National Outcomes and Indicators is important, because it ensures a basis for the organisation wide performance management system that is ultimately driven by Scottish Government priorities.

Operational performance management is conducted at Executive Team level, with operational KPIs being monitored formally each month (and more frequently on an informal basis). A high level of linkage is maintained between the operational risk register and operational KPIs. Most operational KPIs are output or input related, and include key HR related measures alongside financial and productivity indicators. They link closely in turn to delivery of strategic KPIs.