

Meeting Minutes

Minutes of the Meeting of the Board of Scottish Canals held on 26th June 2017 at 9.30am at The Falkirk Wheel, Camelon, Falkirk

Present:	Andrew Thin	- Chair
	Tanya Castell	- Vice Chair
	Cathie Bankier	- Non-Executive Director
	Deborah Benson	- 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
	Claire Lithgow	- Director of Finance
	Richard Millar	- Director of Infrastructure
	Josie Saunders	- Head of Corporate Affairs
	Lesley Corr	- Executive Assistant
Apologies:	Wilma Kelly	- Observer

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. Apologies had been received from Wilma Kelly. It was noted that Wilma's six month board observer role was due to conclude in August 2017. Scottish Government had proposed Naila Akram, Community Relations Manager at Balfour Beatty, as a board observer, potentially effective from September 2017. The Chair had arranged an introductory meeting and would report back to the Board.

2. Declaration of Interests

There were no declarations of interest.

3. Approval of the Minutes from Previous Meeting

The Board considered and approved the draft minutes of the Board meeting held on 4th May 2017, subject to the agreed amendments.

4. Matters Arising and Review of Previous Actions

The progress report on actions from previous meetings was reviewed. It was noted that two actions were on the agenda for consideration and the further outstanding actions were not yet due.

5. Audit & Risk Committee (ARC) Report

The Chair welcomed the rigorous scrutiny from a competent ARC which provided a high level of assurance to the Board.

The ARC Chair referred to the Annual Report from the ARC. The Board was pleased to note that a strong working relationship had been developed with Internal Audit as a result of constructive engagement and sharing of best practice.

The Board reviewed the internal audit activity for the year and noted that limited assurance had been reported in the case of one of the internal audits undertaken. The Board was assured that Scottish Canals' management had rapidly implemented appropriate actions in response to all the internal audit recommendations. The Board further noted internal audit's annual statement of assurance.

The appointment of Jim Barton, formerly of Transport Scotland and Chair of BEAR Scotland, as a co-opted ARC member for a year brought an added value skill set and was welcomed as good practice. The Board recommended that the ARC reflect on its succession planning and continuous professional development.

Action:

The ARC to report to the Board on its succession planning and continuous professional development training.

The Board also noted the draft minutes of the ARC meeting held on 13th June 2017. The positive progress on business continuity and disaster recovery procedures and assurance mapping facilitated by Internal Audit was welcomed. The Board discussed whether there were resource issues arising from the actions identified from internal and external audits and was assured that capacity pressures were not an issue.

External Audit Annual Report to the Board and the Auditor General for Scotland

The Board welcomed the detailed, professional External Audit Report which reflected technical expertise and clear engagement with the business. The Board commended the finance team for an effective and efficient audit process resulting in an unqualified External Audit opinion on the Annual Report and Accounts 2016/17 and noted the strong assurance provided regarding the finance teams' capabilities and financial controls in place. The report would be published on the Audit Scotland website.

The Board reviewed External Audit's commentary against its specific wider scope risks as well as certain aspects of Scottish Canals' arrangements as they related to financial management; financial sustainability; governance and transparency and value for money. The Board welcomed confirmation of the appropriate accounting treatment of the Dundas Hill project which had been a significant transaction for Scottish Canals.

The key areas of accounting judgements, in particular going concern, value of investments and pension assumptions, were noted as acceptable.

The Board also noted the recommended action that Scottish Canals' financial sustainability should continue to be actively managed, with focus on income generation given the significant capital maintenance required to maintain the assets, as the ability to deliver would be dependent on the level of funding available to invest. The Board confirmed this was a key priority of Scottish Canals' plans to achieve the strategic priorities of the Corporate Plan, however, it was noted that the External Auditor recognised that even if Scottish Canals continued to generate additional income at the rate it has over the prior years this would not be sufficient to fund the necessary capital expenditure. However, the Board welcomed the endorsement of the benefits of pursuing a more commercial approach to improve key outcomes as well as proactively contributing to Scottish Canals' future financial sustainability.

In addition, the Board noted that external audit was comfortable with the governance arrangements which were considered appropriate and reflective of the organisational size and had submitted a return to Audit Scotland in relation to the Role of Boards.

The Board welcomed the positive recognition of Scottish Canals' approach to innovation demonstrated by the Dundas Hill project and the recommendation that Scottish Canals should continue to be open to future projects of this nature together with sharing innovations more widely with Scottish Government and other public sector partners. The Board further noted that External Audit would continue to monitor progress of this project and the effectiveness of the governance in place during 2017/18.

The Board further noted that the Key Performance Indicators (KPIs) were consistent with the Scottish Government national outcomes and agreed that these should be supplemented by KPIs specific to the business.

Action:

SG to be briefed to be fully sighted on the financial sustainability and going concern messages detailed in the External Audit report as the basis for further discussions.

Communications team to consider internal and wider stakeholder communications of the positive messages detailed in the External Audit Report regarding Scottish Canals' performance and innovative approach.

Approval of Annual Report and Accounts 2016/17

The Board noted the recommended approaches taken in the determination of the critical accounting judgements in relation to pension and other post-retirement benefits and investment properties.

It was noted that the assumptions for pension and other post-retirement benefits would be aligned for the 2017/18 Annual Report and Accounts.

Following the recommendation of the ARC, the Board:

- approved the Annual Report and Accounts 2016/17 and authorised signature, as required, on behalf of the Board;
- authorised the Chief Executive, as the Accountable Officer, to sign the management representation letter to Grant Thornton; and
- authorised the Secretary to do all things necessary to lay the Annual Report and Accounts 2016/17 before Parliament prior to publication.

6. Pay Remit 2017-18

The Board recognised the challenges of the current inflationary environment. However, as Scottish Canals was subject to the SG pay policy, the Board approved the recommendation to adopt the SG guidelines on pay policy for 2017/18. Scottish Canals is a Living Wage employer and would continue to pay the Living Wage throughout 2017/18 in support of the lower paid. The Board noted the pay claim made by the Trade Unions which was out-with the SG pay policy parameters. The Board agreed that this pay claim was an unaffordable cost to the business and that the Executive team would advise the Trade Unions accordingly.

7. Finance Strategy workshop

The Board and Executive team participated in a workshop focused on the way forward regarding the long term financial strategy of Scottish Canals as a going concern to deliver wider public value as part of Scottish Government.

The Board acknowledged that, following positive discussions with the Transport Agency based on Scottish Canals' justification for preventative maintenance, there was a shared accountability and acceptance that increased resources may be required from time to time to respond to the asset management challenges and infrastructure risks posed by Scotland's canals as aging public assets, underpinned by the recognition that, where issues of safety were concerned, these would be addressed as a priority. It was anticipated that these factors would be accounted for within the Transport Agency's forward financial strategy.

The Board further acknowledged that there was appreciation, as reinforced by the External Auditor's report to the Auditor General, of Scottish Canals' approach to generating self-earned income and innovative cross sector collaboration which could attract investment from other parts of SG to enable Scottish Canals to continue to play a significant role in delivering elements of the National Performance Framework.

The Board was supportive of engagement with multiple stakeholders and Ministers to co-create solutions to SG policy issues such as housing, tourism and climate change in recognition of the multiple core purposes of Scottish Canals which could deliver public value.

The Board would develop its strategic thinking to formalise multiple opportunities and solutions which Scottish Canals could deliver with appropriate investment and support from across SG to more effectively deliver multiple SG policies.

8. Corporate Risk workshop

The Board and Executive team participated in a workshop focused on managing the strategic corporate risks of Scottish Canals. The Board was assured that the key operational risks were advised to the ARC as part of the regular, key control briefings. Following the discussion recommended actions were agreed.

Actions:

The Chair to amend the risk descriptions in the Corporate Risk Register to reflect the negative risk and incorporate agreed changes to the political, economic and technical risks for further consideration by the Board.

The Executive team to advise on making the risk controls more specific.
The Executive team to advise on making the actions more SMART (Specific, Measurable, Attainable, Relevant and Timely).
The Executive team to identify an Executive Director owner for each risk.
Cathie Bankier to develop a draft concise and proportionate risk appetite/tolerance statement(s) to cover the Corporate Risk Register for further consideration by the Board at the next meeting.

9. Any Other Business

The Board noted helpful training opportunities. It was agreed the Finance Director would facilitate the identification of appropriate training for the non-executive directors for the current financial year.

Action:

The Finance Director would facilitate the identification of appropriate training for the non-executive directors for the current financial year.

The Board was assured that a fire risk assessment review of the cladding on buildings within Scottish Canals' estate was underway.

Date of Next Meeting

The next meeting would be held on 14th August 2017 at a venue to be confirmed.

Signed Andrew Thin Date