

Meeting Minutes

Minutes of the Meeting of the Board of Scottish Canals held on 14th December 2017 at 2.30pm at The Moorings Hotel, Fort William

Present:	Andrew Thin	- Chair
	Tanya Castell	- Vice Chair
	Deborah Benson	- Non-Executive Director
	Martin Latimer	- Non-Executive Director
	Steve Dunlop	- Chief Executive
In Attendance:	Nicola Christie	- Head of Legal Services (Secretary)
	Lesley Corr	- Executive Assistant
	Claire Lithgow	- Director of Finance
	Richard Millar	- Director of Infrastructure
	Josie Saunders	- Head of Corporate Affairs
	Chris Wilcock	- Head of Ports, Shipping, Freight and Canals, Scottish Government
Apologies:	Cathie Bankier	- Non-Executive Director
	Katie Hughes	- Director of Estates and Commerce
	Naila Akram	- Observer

Stakeholder Engagement Meeting

The Scottish Canals Board meeting was preceded by presentations from local stakeholders including Fort William Marina & Shoreline Company, Lochaber Chamber of Commerce, The Highland Council and Northern Light Consultancy, a local company appointed to raise the capital funding needed to build a marina at Corpach.

The Board was informed of progress on planned major industrial development by Liberty British Aluminium in the area. Stakeholder engagement had informed the strategic focus for infrastructure, housing and local amenities masterplanning in anticipation of an increase to the working population of Fort William as a consequence of this investment.

It was noted that collaborative partnership working had led to an expansion to short stay berths for yachts, cruisers and a seaplane at Fort William. Funding applications were also progressing for the Thomas Telford Marina in Corpach. These initiatives would attract further marine tourism. The marina would also be the only slipway in the upper Loch Linnhe area to provide access to the water for the general public, educational groups and adventure organisations. It was noted that Scottish Canals was helping facilitate this project by incorporating the use of its existing buildings, which following restoration and upgrade, would be used as a reception and facilities.

Scottish Canals also provided an overview of the positive contribution of the Caledonian Canal with an increase in transits from both the domestic and overseas boating market and income from commercial operators. It was noted that investment in people and infrastructure was likely to be challenging but key to maintaining positive results.

The Stakeholders left the meeting.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. Apologies had been received from Cathie Bankier, Katie Hughes and Naila Akram.

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 2nd November 2017, subject to agreed amendment.

4. Matters Arising and Review of Previous Actions

The progress report on actions from the previous meeting was reviewed and progress noted.

It was reported to the Board that a review of public safety tolerances and reasonable controls at lock walkways across the network had been undertaken as a matter arising from the previous meeting. The Board was assured that the gaps recorded on all locks were of a significantly smaller scale than those encountered in relation to the previously reported incident. Scottish Canals would ensure that staff were regularly trained and customers advised that ensuring lock gates were properly mitred was critical to the safety of the waterways.

5. Audit & Risk Committee (ARC) Report

The ARC Chair reported to the Board on the key issues as detailed in the draft minutes of the ARC meeting held on 1st December 2017. The Board noted the ARC's views regarding the Corporate Risk Register and risk appetite which would be addressed by the current review by the Board. The Board was pleased to note that the internal audit work was on track and in line with the Internal Audit Plan 2017/18. The Board discussed the limited assurance of the internal audit review undertaken of the business continuity planning arrangements within Scottish Canals and noted that emergency response by Scottish Canals had been strong and that a thorough process was nearing completion to align the business continuity process with best practice. The draft Internal Audit Plan 2018/19, in line with the risk register, was under consideration and would be submitted to the Board meeting for approval in due course.

The Board noted that the draft External Audit Plan for the financial year ended 31 March 2018, setting out the audit approach, materiality, significant audit risks and wider scope audit for the work proposed to be undertaken was also under discussion. It was agreed that the Chair of the Board would meet the External Auditors to discuss succession planning.

The Board thanked the ARC Chair for a thorough report.

Action:

To assist with the auditors best value assessment of governance and transparency it was agreed it may be beneficial for the external auditors to attend a Board meeting as an observer. The Chair of the Board to meet the External Auditors to discuss succession planning.

6. Corporate Financial Strategy

In light of the challenging outlook for public finances and growing liabilities, the Board reviewed the corporate financial strategy. The Board agreed that Scottish Canals' primary strategic priorities remained unchanged and that Scottish Canals should continue to invest for long term income streams to underpin the organisation's financial sustainability; rigorously control annual running costs to drive efficiency, Best Value and productivity; and strengthen the organisation's balance sheet, through both organic cash generation and external injection of new equity from government and/or other sources.

The Board agreed that this strategy would provide assurance to the external auditors and that appropriate corporate communications would be helpful to highlight the benefits of the financial strategy to Scottish Canals' long term sustainability.

7. North Glasgow Integrated Water Management System (NGIWMS) Decision Paper

The Board had been regularly updated on the nature and progress of the NGIWMS and supported the innovative thinking to deliver transformational change to the benefit of the public purse, recognising that this project was an important, significant strategic milestone towards sustainable income streams to invest in the Glasgow canal corridor, thereby protecting the canal.

Action:

The Board will discuss NGIWMS investment policy at a future meeting.

8. Dundas Hill Decision Paper

The Board had been regularly updated on progress of the Dundas Hill development project following Board approval and completion of the site acquisition in March 2017. The Board discussed in detail

the next stage of this project which would be the delivery of a grant supported, site enabling package of works. Following a competitive single stage Design and Build tender process, I&H Brown had been selected as the preferred contractor. The Board noted the key risks and schedule of payments of the site enabling phase and was assured that the risks and cashflow were manageable.

Action:

A dashboard of key performance indicators associated with the Dundashill project to be included in the quarterly business Board report following commencement of the project.

The Board approved Scottish Canals entering into a site enabling construction contract for the Dundas Hill site with I&H Brown subject to Scottish Government approval.

9. Scottish Government Financial Statement for 2018/19

In light of the Scottish Canals Grant in Aid (GIA) award and public sector pay policy for 2018/19 the Board considered the investment model and geographic spread of current investments and were updated on the progress of current investment options. The Board noted that the dowry funding was fully invested and that a cash contingency of £500k was under discussion with the Scottish Government. The Board agreed that it was essential that Scottish Canals continued to invest for long-term income generation, both to continue improving the outlook for financial sustainability and to ensure provision against NGIWMS contractual liabilities. The Board agreed that liquidity and cashflow generation were a key criteria for the pipeline of projects in light of continuing financial liabilities.

The Board further noted that the asset management strategy continued to show that the GIA award was below the estimated steady state asset investment requirement which would be considerably higher when major asset replacement works were required e.g. lock gate, bridge replacement. As a consequence of this continuing under investment, the Board also considered the asset investment options. It was noted that the asset renewal backlog would continue to grow and assets were likely to become temporarily non-operational as a consequence of under investment with sections of the canal likely to be temporarily closed. The Board also noted that the operation of two bridges had been temporarily suspended pending further investigation. The Board agreed it was essential that Scottish Canals continued to prioritise available asset renewal spend to prioritise safety while maximising the public value derived from the assets.

The Board agreed that a prudent and responsible approach, in the light of the longer-term financial outlook, was to continue rigorous cost control, however, this could not be achieved without a degree of service reduction. The Board discussed targeted services which could be temporarily reduced resulting in the least impact to the public. It was agreed that the Chair would advise the Minister of these challenges facing the business.

10. Any Other Business

Diversity in Governance Research

The Vice Chair advised that the Board's input to the Diversity in Governance research initiative would be submitted prior to the extended deadline. The Board thanked the Vice Chair for co-ordinating this feedback.

Date of Next Meeting

The next meeting would be held on 8th February 2018 at The Falkirk Wheel.

Signed Andrew Thin Date