

Scottish Canals

Corporate and Operational Governance Arrangements

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(1) Overview

A Two Level Framework

Scottish Canals is a public body wholly owned by and responsible to the Scottish Government. It is led by a board which shall consist of a Chair, and between one and four other Members*. All but one of the board (the Chief Executive) are appointed by Scottish Ministers as non-executive Members. Scottish Ministers agreed that the Chief Executive be appointed to the board. An important consequence of this is that, while responsibility for overall corporate governance sits firmly with the board, operational governance is largely delegated to an Executive Team comprising four executive directors including the Chief Executive. The purpose of this document is to set out clearly where governance responsibilities sit within this split level framework, and the main consequences of this for governance in practice.

The Board

The board has overall responsibility for leadership and governance of the organisation, and is accountable through its Chair to Scottish Ministers for organisational performance. The board meets at least eight times a year, and all board minutes are publicly available (redacted where appropriate). Strategic leadership is encapsulated in the board's three year Corporate Plan which is kept under regular review. Performance at a strategic and corporate level is monitored by the board on a quarterly basis through a set of high level and corporate KPIs. A corporate risk register provides the basis for risk management at board level, and, together with any escalated operational risks, is reviewed on a quarterly basis.

The Executive Team

Responsibility for day to day operational management of the organisation is delegated through the Chief Executive to the Executive Team which meets formally every month with Heads of Services and informally on a weekly basis. Board members may request sight of all papers and minutes for formal Executive Team meetings for information. Operational leadership based on the Corporate Plan is coordinated through annual business plans that are subject to continuous review throughout the year. Operational performance is monitored on a monthly basis through a set of operational KPIs derived from higher level strategic indicators. Departmental risk registers summarising key risks across all functions are reviewed at monthly Executive Team meetings.

Framework Integration

Effective governance of the organisation is only possible if both corporate and operational elements work as two parts of a single integrated team. A shared understanding of roles, responsibilities, procedures and expectations is essential. The basis for key decisions, whether strategic or operational, must be fully explored and formally recorded, and where those decisions involve significant revision to either corporate or annual business plans the Scottish Government must be consulted with regard to significant change to the corporate plan and informed of changes to the business plan. Tight control of performance and risk management at both corporate and operational levels is particularly important, and ultimately governance of the organisation will only be fully effective if it operates in an integrated manner through really excellent ongoing communication between the board and Executive Team.

*Reference: Section 6 of Part 1 of the Transport Act 1962 (as amended)

(2) Role of the Board

Responsibilities

The board is accountable to Scottish Ministers for all aspects of the leadership and governance of Scottish Canals. In particular, it is responsible for devising and keeping under review a three year Corporate Plan for the organisation, ensuring effective operational planning to deliver the priorities identified at corporate level, monitoring performance against those priorities, and initiating timely and appropriate action when circumstances require adjustments to be made. Integral to all of this is a responsibility to keep the Scottish Government informed of progress and related issues, in particular where unforeseen circumstances arise.

Procedures

The board meets formally at least eight times a year. Arrangements for those meetings are outlined in appendix A. Agendas are kept sufficiently flexible to enable an effective response to evolving circumstances, but in general the core agenda for each meeting alternates between detailed quarterly performance reviews against corporate KPIs and detailed quarterly strategic reviews against Corporate Plan themes and the evolving strategic context. Corporate risks, including movements in the corporate risk register and any escalated operational risks, are reviewed quarterly.

Board Committees

Given the small size of the board it has not been felt appropriate to delegate functions to sub-committees of the board other than to an Audit and Risk Committee (ARC) and a Remuneration Committee. The terms of reference of the ARC are attached as appendix B. The ARC is chaired by a Board member, and includes at least one external member who is not a member of the board. It provides scrutiny and advice with respect to both board and Executive Team functions and it reports formally to the full board on a quarterly basis. Of central significance to its work is the high level of importance that the organisation attaches to ensuring effective integration between strategic prioritisation, risk management and audit planning. The terms of reference of the Remuneration Committee, comprising the non-executive members, are attached as appendix C

Delegation of Functions

The board delegates most operational functions through the Chief Executive to the Executive Team. This is formalised through a schedule of matters reserved for the board attached as appendix D, all other operational decisions being delegated unless escalated by the Executive Team. The board maintains effective oversight of these delegated functions through regular performance reporting and review, and through having the right of sight of all papers for and minutes of formal monthly Executive Team meetings. The Chief Executive, as the Accountable Officer, also has a small number of functions delegated directly to him by the Permanent Secretary to the Scottish Government.

Performance Appraisal

The board operates both individual and collective performance appraisal systems based on 360 degree feedback. Appraisal reports and development priorities are reported to the Scottish Government on an annual basis.

(3) Role of the Executive Team

Responsibilities

The Executive Team is responsible to the board for all aspects of operational management and delivery within Scottish Canals. In particular it is responsible for devising and keeping under review annual business plans (including resource budgets) to deliver the priorities identified in the Corporate Plan, monitoring performance against operational priorities identified in the business plans, and initiating timely and appropriate action when circumstances require adjustments to be made. Integral to all of this is a responsibility to keep the board informed of progress and related issues, in particular where unforeseen circumstances arise.

Procedures

The Executive Team meets formally each month, as well as informally on a weekly basis in order to ensure ongoing effective communication and a shared awareness of emerging issues. Arrangements for these meetings are outlined in appendix E. The Executive Team has established a Project Executive Board to ensure effective management of Scottish Canals' capital and revenue funded projects. The terms of reference of the Project Executive Board are attached as Appendix F. Core agendas each month are relatively standard, and include a full review of management accounts and operational KPIs. Operational risks, including movements in the operational risk register and any risks that may need escalated to board level, are reviewed at every meeting. Other agenda items reflect emerging circumstances and work plans, and will include items on any operational matter of significance where it is appropriate for a record of the basis for decisions to be kept.

Delegation of Functions

The Executive Team delivers most of its functions through a Heads of Services management structure, including a number of specialised head office functions where these are best delivered centrally. Functions are delegated through individual Executive Team members (directors), and through delegation of individual budgetary elements. A scheme of delegation is in place which complements the specific delegated financial authorities of the Scottish Canals Framework Document.

The Accountable Officer

The Chief Executive, as the organisation's Accountable Officer, has a number of responsibilities that are delivered within the context of the Executive Team but which may not be delegated or shared. He is personally responsible and accountable direct to Parliament, for the propriety and regularity of the finances under his stewardship and for the economic, efficient and effective use of all related resources. This means that, where these Accountable Officer functions are being discharged, there must be an adequate record maintained within the minutes of the Executive Team (or otherwise) as to any significant decision that is made.

(4) Leadership and Planning

Strategic Leadership and the Corporate Plan

A core responsibility of the board is to provide effective strategic leadership for the organisation, and to articulate this through maintaining and keeping under review a three year Corporate Plan. In order to do this effectively the board must have an up to date understanding of Scottish Government strategic and policy priorities, and it must keep the wider strategic context within which the organisation operates under review. It must also develop and continuously adapt corporate strategy in the light of operational factors and experience. All of this demands that the process of strategic leadership, while being very much the responsibility of the board, must also involve close and integrated working between the board and the Executive Team. Scrutiny and advice regarding this process will be provided to the board by the Audit & Risk Committee utilising the internal auditors for assurance.

Organisational Culture

Integral to good strategic leadership is cultural leadership. In a public corporation owned by and reporting to the Scottish Government this brings particular challenges, because the organisational values inherent in effective public service must be integrated with the innovative commercial values that are essential for long term financial sustainability. Responsibility for providing this leadership, setting tone and determining core values sits squarely with the board, but delivery in practice depends heavily on this feeding through to the operational leadership provided by the Executive Team. That in turn demands a collective approach to the issue, because while the board has the strategic understanding of cultural priorities, it is the Executive Team that understands the issue much better from an employee perspective.

External Leadership and Communication

Scottish Canals, as a public corporation, is a public service organisation. Outward facing communication and leadership are therefore essential in order to ensure a shared agenda and understanding between the organisation and those on whose behalf it operates. Of immediate priority in this respect is the relationship with the Scottish Government, but there is also a more general responsibility on the organisation, and in particular on the board, to ensure effective leadership and communication in relation to the wider stakeholder community and the Scottish people as a whole. While the board should expect to be supported in this task by the Executive Team and relevant communications staff, it is the board's responsibility to lead this work and ensure that it is fully effective at a strategic level.

Operational Leadership and the Business Plan

A core responsibility of the Executive Team is to provide effective operational leadership through devising and keeping under review a robust business planning system. This must include effective resource planning, and it must be sufficiently flexible to enable timely in-year adjustments and re-profiling where circumstances require this. The business plan then provides the framework for line management throughout the Heads of Services management structure including head office specialist functions and it is in effect the core text for agenda planning in relation to monthly Executive Team meetings. For the most part the board will have little involvement in this, but an exceptions reporting and risk escalation system must ensure that where deviations are of corporate significance the board's attention is engaged.

(5) Performance Monitoring

Performance Framework

Scottish Canals operates a performance management system based on the Scottish Government's National Performance Framework. The National Outcomes of most relevance to Scottish Canals' strategic priorities are identified in the Corporate Plan, and from these are derived a small number of high level outcome based KPIs that are monitored on an annual basis. The specific strategic aims that underlie these provide the source for a number of corporate KPIs that are monitored by the board on a quarterly basis, as well as a suite of operational KPIs that are monitored by the Executive Team at monthly (or more frequent) intervals.

Corporate KPIs

Corporate KPIs ensure that the board has timely information on progress against core strategic priorities identified in the Corporate Plan. They therefore measure both outcomes and activities, and are partially or wholly qualitative in nature. Quarterly reports provided to the board by the Executive Team review progress against each indicator through a simple colour coding system accompanied by explanatory narrative which indicates why a particular colour coding is appropriate in each case. This enables the board to identify quickly where attention and/or review may be required. As part of the board's responsibility to keep the Corporate Plan under continuous review, corporate KPIs may at times be revised, removed, replaced or added to, and the whole process is subject to periodic review by internal audit.

Operational KPIs

Operational KPIs provide the Executive Team with frequent, accurate and relevant information on progress against all major operational priorities. They tend to measure activity and effort, but they are designed so as to link this with strategic priority and intended outcomes. They act as a summary of what is happening within each geographical area and functional specialism within the organisation, and they allow the Executive Team to review performance on something approaching a real time basis so that timely corrective action can be taken where appropriate. The Executive Team formally reviews operational KPIs on a monthly basis, but individual directors maintain ongoing oversight in their specific area of responsibility and alert the Executive Team through informal weekly meetings if this is required.

Flexibility and Development

The performance monitoring system used by Scottish Canals is subject to an ongoing process of development and improvement in consultation with internal audit. In part this is inherent in a system designed to monitor progress against evolving strategic priorities. In particular, and recognising the limitations inherent in a small organisation with very limited corporate resources, development efforts will focus not only on improving the indicators used but also on better separating the monitoring and reporting function from that of delivery wherever practicable.

(6) Risk Management

The Audit and Risk Committee

Primary responsibility for risk management rests with the board and the Accountable Officer. Scrutiny and advice are provided to both the board and the Accountable Officer by the Audit and Risk Committee (ARC), which plays a vital and pivotal role in the overall process. In accordance with its terms of reference, the ARC meets on a quarterly basis, with additional meetings if circumstances require this. It works closely with internal audit, and follows a regular agenda cycle in line with Scottish Government published guidance. The ARC Chair reports formally to the board on a quarterly basis, and has access to the Board Chair at any time. The ARC Chair also has access to the Scottish Government ARC (within Transport Scotland) with direct responsibility for Scottish Canals if required. Notification of significant issues are reported to Scottish Canals sponsor team for reporting to Scottish Government ARC (within Transport Scotland).

Corporate Risk

The Board regularly reviews the Statement of Risk Policy and Appetite which specifies the amount of risk Scottish Canals is willing to accept in the pursuit of its long term objectives, as set out within its Corporate Plan. It indicates the parameters within which Scottish Canals would want to conduct its activities.

Risk at a strategic level is monitored and managed through the corporate risk register. This includes, from time to time, operational risks where these are considered to be of corporate significance. Individual risks are owned by specified members of the Executive Team, all of whom attend and participate in board meetings. The corporate risk register is reviewed by the board on a quarterly basis, with a focus on movements in risk assessments. The board conducts a formal corporate risk identification review at the beginning of every financial year, but will add and remove risks throughout the year as circumstances dictate. The Scottish Government sponsor team receives a copy of the corporate risk register every quarter along with other board papers.

Operational Risk

Operational risk is managed at a number of levels within the organisation. Area based teams as well as head office teams with a functional speciality maintain their own day to day risk registers, and all of this is pulled together through an overarching operational risk register maintained by the Executive Team. This includes all operational risks of organisation wide significance, and may overlap at times with the corporate risk register. Individual operational risks, like corporate risks, are “owned” by specified members of the Executive Team. The operational risk register is reviewed by the Executive Team on a monthly basis, with a formal risk identification review twice a year. A copy of the operational risk register is available to board members along with associated Executive Team papers and minutes on request.

Risk Escalation

Risk escalation operates throughout the organisation on the basis of discretion, and there are no automatic triggers. This reflects the small size of the organisation and the high levels of ongoing communication that occur up and down management lines on a daily basis. The possibility of risk escalation forms an integral part of monthly risk register reviews by the Executive Team, and on a quarterly basis by the board. Where the board concludes that a risk should be escalated to Scottish Government level this is notified to the sponsor team, who are then responsible for notifying the relevant Audit and Risk Committee (usually Transport Scotland) within the Scottish Government.

(7) Reporting to the Scottish Government

Board Papers and Minutes

All board papers and minutes are sent to the Scottish Government sponsor team in advance of each board meeting. This keeps sponsor team officials fully sighted on the work of the organisation at a strategic level, and it enables contact to be made with the Board Chair on any points of detail in a timely manner. Responsibility for circulating board papers and minutes more widely within the Scottish Government, including within Transport Scotland and other relevant directorates, rests with the sponsor team.

Formal Reporting

Scottish Canals reports formally to Scottish Ministers through the Board Chair. In practice this is managed through direct formal reporting between the Board Chair and the Director for Aviation, Maritime, Freight and Canals within Transport Scotland. These meetings take place on at least a quarterly basis in addition to an annual reporting meeting between the board and the responsible Minister. In addition the Director for Aviation, Maritime, Freight and Canals within Transport Scotland attends at least one board meeting a year. The Board Chair provides verbal updates to the Board at Board meetings.

Briefing meetings take place between Scottish Canals and the Scottish Government at a variety of levels. Regular quarterly briefings are provided by the Chief Executive to members of the sponsor team, and additionally as and when required. In line with sponsor arrangements other parts of the Scottish Government with an interest in Scottish Canals' work are also provided with briefings, prepared by the Scottish Government canals policy team, liaising as appropriate with Scottish Canals Executive team whenever required, including providing site visits and opportunities for in depth discussion between relevant Scottish Government officials and members of the Executive Team.

Appendix A – Arrangements for Meetings of the Board

The following are the procedures which apply to meetings of the Board.

Membership and Participation

The board shall consist of a Chair and between one and four other Members*. The Chair is appointed by Scottish Ministers through open recruitment, and the Vice Chair is appointed by Scottish Ministers on the advice of the Chair. Scottish Ministers also agreed that the Chief Executive be appointed to the board.

The quorum of the board shall be three. This will apply regardless of vacancies in membership. No business will be transacted at a board meeting unless a quorum is present. If the Chair of the meeting finds during a board meeting that the number of members present has reduced below the quorum, the meeting shall end at that point. All attendance and absences shall be recorded in the minutes of the meeting.

Participation will normally be in person, but may exceptionally (with agreement of the Chair of the meeting) be by telephone or video-conference provided the Member's contribution is fully accessible to all members and others attending the meeting. In these cases, such members will be deemed to be present and constitute part of the board for the purpose of the meeting.

People who are not members of the board may be invited by the Chair to attend and speak for all or part of the meeting, but they will not be entitled to vote.

The Chief Executive is responsible for overall organisation, management and staffing of Scottish Canals. It is the responsibility of the Chief Executive to advise the board on matters of financial propriety and regularity. The Chief Executive, as a member of the board, shall have the right to attend and speak at all board meetings, except for parts of meetings when agreed by the majority of other board members present that the matters under discussion should not involve the Chief Executive (for example where performance, remuneration or conduct of the Chief Executive is under discussion).

Schedule of Meetings

The board shall approve in advance of each calendar year a provisional set of dates and venues for its board meetings.

The Chair may convene a special meeting of the board when it appears that an item of business requires urgent attention. In the absence of the Chair, such a meeting may be convened by the Vice Chair. Any member may request that such a meeting be called, but the final decision rests with the Chair (or Vice Chair in his/her absence).

Board Agendas, Papers and Minutes

Board agendas will be determined by the Chair in consultation with the Chief Executive and following input from the lead non-executive board member for each strategy meeting. Members wishing to propose items or raise any additional matter in formal session should notify the Chair in advance.

Board papers will normally be prepared by staff, and considered and approved by the Chief Executive prior to submission to the board. The policy will be to circulate papers to members by email seven clear days in advance of a meeting. Papers will also be sent by email to the sponsor division of the Scottish Government.

*Reference: Section 6 of Part 1 of the Transport Act 1962 (as amended)

Core agendas for each meeting will be approximately as follows –

February

- Q3 financial and performance review
- Q3 Asset Management Report
- Corporate risk register update
- Business planning
- Annual Review of Corporate and Operational Governance Arrangements

March

- Review of wider strategic context
- Corporate plan progress review
- Corporate finance in depth review

May

- Q4 financial and performance review
- Q4 Asset Management Report
- Corporate risk register update
- Audit and Risk Committee Report
- Health & Safety review (including Policy and Strategy annual review)

June

- Annual Corporate risk identification review
- Audit and Risk Committee Annual Report
- Approval of Annual Report & Accounts
- Business plan re-profiling (if required)

August

- Q1 financial and performance review
- Q1 Asset Management Report
- Corporate risk register update
- Health & Safety review
- Review of investment portfolio

September

- Review of any emerging SG policy priorities
- Review of wider strategic context
- Corporate plan progress review
- Increasing Financial Sustainability in depth review
- Board performance appraisal and development
- Audit & Risk Committee Report

November

- Q2 financial and performance review
- Q2 Asset Management Report
- Corporate risk register update
- Health & Safety review

December

- Review of any emerging SG policy priorities
- Review of wider strategic context

- Corporate plan progress review
- Empowering People in depth review
- Audit and Risk Committee Report
- Review of investment portfolio

Chairing Meetings

At a meeting of the board, the Chair will preside. In his/her absence the Chair will indicate which other member should preside. If no advice from the Chair is available, members present will choose by majority vote of those present which one of their number will preside.

The Chair of a board meeting will preserve order, determine all matters of order, competency and relevancy, and will ensure members have sufficient opportunity to express their views on any matter under consideration.

Board Decisions

Decisions of the board will generally be by consensus of attending members. A member departing early will be treated as a non-attending member for the purpose of any decision taken after the time of departure. A board member may have his/her dissent recorded to a decision of the board provided he/she has attended for the whole of the discussion and decision, and asks to record his/her dissent immediately after the decision is concluded.

Written comments on agenda items submitted in advance by board members who are not attending will be circulated to members for information.

Exceptionally, if a board decision is required urgently and it is not possible to convene a meeting, the matter will be dealt with through correspondence. The decision to do this will be made by the Chair. In such circumstances, views will be sent to the board by email and the Chair will make the decision on the basis of collated comments. The decision will be ratified at the next Board meeting.

At board meetings, where a decision is necessary it will be reached by simple majority following a vote (with the Chair having the casting vote in cases of a tied vote) on the following occasions:

- when the Chair detects that there is a body of opinion among members who either disagree with a proposal or have expressed reservations about it and no clear consensus has emerged;
- when a member requests a vote to be taken and this is supported by another member in attendance;
- any other circumstances where at the Chair's discretion it is felt that a decision should be preceded by a vote.

Only attending members will be able to vote, and generally this will be done by a show of hands. At the Chair's discretion, this may be conducted through a secret ballot.

A decision made by the board will not generally be reconsidered by the board within 6 months of that decision being carried, other than in exceptional circumstances and with the agreement of the board.

Declaration of Interests

Scottish Canals holds a register of members' interests, available for public inspection. The rules on registration and declaration of interests are set out in the members' Code of Conduct.

Corporate Responsibility and Confidentiality

Board members share corporate responsibility for decisions taken by the board as a whole. Members must therefore accept and support the collective decision of the board. Members must respect the

confidentiality of sensitive information held by the organisation, as well as the discussions and papers taken in private session.

Board Minutes

Minutes of all board meetings will be taken by a member of staff designated by the Chief Executive. Taken in conjunction with the papers presented to the meeting, the minutes should provide a correct record of the meeting and the decisions reached, and sufficient detail to indicate the issues discussed in reaching those decisions.

Minutes should include the action points agreed at the meeting, and those carried forward to following meetings until discharged.

Draft minutes will be circulated to members who may propose amendments at the next board meeting.

Minutes, once approved at the following meeting, will be signed by the Chair as a correct record (subject to any amendments agreed).

Appendix B - Audit & Risk Committee: Terms of Reference

The latest Terms of Reference for the Audit & Risk Committee of Scottish Canals can be found below:-

1.0 Membership

- 1.1** The members of the Audit & Risk Committee are appointed by the Board of Scottish Canals and shall consist of at least two non-executive Board members and one independent, external member. Appointments are usually for three years unless the Board decides otherwise.
- 1.2** Additional members may also be co-opted for a period not exceeding one year to provide specialist skills, knowledge and experience, although this period may be extended at the discretion of the Board.
- 1.3** The secretary to the Board of Scottish Canals will also be the secretary to the Audit & Risk Committee.

2.0 Reporting

- 2.1** The Audit & Risk Committee will formally report in writing to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.
- 2.2** The Audit & Risk Committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

3.0 Responsibilities

The Audit & Risk Committee will provide oversight and advise the Board and Accountable Officer as required on:

3.1 Financial Reporting

- The draft Annual Report and Accounts of Scottish Canals with particular regard to the integrity of the accounts, clarity of disclosures, significant financial reporting issues and judgments and all requisite narrative statements.
- The accounting policies and any changes to accounting policies or assumptions made
- The application of appropriate reporting standards
- Scottish Canal's letter of representation to the external auditors.
- An annual report on fraud and theft

3.2 Internal Control and Risk Management

- Consideration of the scope and effectiveness of the internal control systems established by management
- Consideration of internal audit and, where appropriate, management's assessments and reports on effectiveness.
- The risk management framework as determined by the Scottish Canal's Board

3.3 Internal Audit

- The Internal Audit Strategy
- The Internal Audit Annual Plan
- Internal Audit's Annual Opinion and Report
- The effectiveness of the internal control environment
- Recommendations for the appointment, re-appointment or removal of the internal auditors, including overseeing the selection process and related criteria.
- A progress report from Internal Audit summarising:
 - work performed (and a comparison with work planned)
 - key issues emerging from Internal Audit work
 - management response to audit recommendations
 - significant changes to the audit plan
 - any resourcing issues affecting the delivery of Internal Audit objectives
 - Review and monitor management's responsiveness to the findings of internal audit.

3.4 External Audit

- The planned activity and results of external audit
- Assurances relating to the corporate governance requirements for the organisation
- Proposals for external audit services
- A progress report from External Audit summarising work done and emerging findings as and when appropriate
- External Audit's management letter/report

3.5 Other

- Proposals for the purchase of non-audit services from contractors who provide audit services
- The adequacy and security of Scottish Canal's whistle-blowing process for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit & Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
- Anti-fraud and anti-bribery standards
- The effectiveness of Scottish Canal's insurance arrangements
- The complaints handling procedure
- The procurement strategy
- Implementation of the Record's Management Plan
- A report on any tender specification for audit functions
- The Audit & Risk Committee will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

4.0 Rights

The Audit & Risk Committee may:

- Procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.

5.0 Access

- The representative of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit & Risk Committee.

6.0 Meetings

The procedures for meetings are:

- The Audit & Risk Committee will meet at least four times a year
- The Chair of the Audit & Risk Committee may convene additional meetings, as he/she deems necessary with adequate notice
- A minimum of two members of the Audit & Risk Committee will be present for the meeting to be deemed quorate
- Additional attendees of Audit & Risk Committee meetings will be decided by the Chair. Meetings will generally also be attended by the Accountable Officer, the Finance Director and a representative of External and Internal Audit
- All Non – Executive Directors of the Board of Scottish Canals, with the exception of the Chair, may attend any meeting of the Audit & Risk Committee
- The Audit & Risk Committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter
- The Audit & Risk Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters
- The Board or Accountable Officer may ask the Audit & Risk Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

Appendix C – Remuneration Committee: Terms of Reference

The Board of Scottish Canals (“the Board”) has established a Remuneration Committee of Scottish Canals (“the Committee”).

1. Membership

The Committee shall consist of all the non-executive members of the Board and be chaired by the Chair of Scottish Canals. In the absence of the Committee chairman, the remaining members shall elect one of themselves to chair the meeting.

Only members of the Remuneration Committee have the right to attend Committee meetings. Other individuals such as the Chief Executive, the Finance Director, the Head of Human Resources and Organisational Development and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

2. Quorum

The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

3. Meetings

The Committee shall meet as required.

4. Notice of meetings

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

5. Minutes of meetings

Minutes of the Committee meetings, including the names of those present and in attendance, shall be taken by a nominated member of the Committee.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and approved.

6. Responsibilities

The Committee shall:

- review the annual report of Scottish Canal’s remuneration policy and practices which will form part of the Annual Report & Accounts for approval by the Board;
- determine the remuneration package of the Chief Executive and the Executive Directors of Scottish Canals, taking into account all factors which it deems necessary in line with the Scottish Government pay policy remit;
- review and approve the ongoing appropriateness and relevance of the remuneration policy and practices of Scottish Canals in line with the Scottish Government pay policy remit;

- ensure that contractual terms on termination, and any payments made, are fair to the individual Executive Directors and to Scottish Canals;
- consider issues of succession planning in relation to the Chief Executive and the Executive Directors of Scottish Canals;
- consider such other issues as may be prescribed by the Board or as the Scottish Ministers may direct from time to time;
- oversee any major changes in Scottish Canal's employee benefits structure;
- agree the policy for authorising claims for expenses from the Chairman and Chief Executive.

7. Other Matters

The Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the secretariat for assistance as required.
- arrange for periodic reviews of its own performance and and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- invite the Chief Executive of Scottish Canals to attend meetings of the Committee to discuss the performance of the Executive Directors and to make proposals as necessary and shall have the right to address the Committee.
- be authorised by the Board to investigate any activity within its terms of reference and seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- be authorised by the Board to obtain outside legal or other independent professional advice including where appropriate from Remuneration Consultants and to obtain reliable, up-to-date information about remuneration in other organisations.

Appendix D: Schedule of Matters Reserved for the Board

1.	Strategy and Management
1.1	Responsibility for the overall leadership of Scottish Canals and setting our values and standards, including approval of the Code of Conduct.
1.2	Approval of Scottish Canals' strategic aims and objectives including specific strategies on: <ul style="list-style-type: none"> • Health and Safety; • Environment and Sustainability; • Heritage; • Communications.
1.3	Oversight of Scottish Canals operations ensuring: <ul style="list-style-type: none"> • competent and prudent management; • sound planning; • maintenance of sound management and internal control systems; • adequate accounting and other records; and • compliance with statutory and regulatory obligations.
1.4	Review of performance in the light of Scottish Canals strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken.
1.5	Extension of Scottish Canals' activities into new business or geographic areas.
1.6	Any decision to cease to operate all or any material part of Scottish Canals business.
2.	Financial reporting and controls
2.1	Approval of the annual report and accounts, including the corporate governance statement and directors' remuneration report as recommended by the Audit & Risk and Remuneration Committees.
2.2	Approvals of the annual operating and capital expenditure budgets and any material changes to them.
2.3	Oversight of periodic management accounts.
3.	Internal controls
3.1	Ensuring maintenance of a sound system of internal control and risk management including: <ul style="list-style-type: none"> • Approving Scottish Canals risk appetite statements; • Receiving reports on, and reviewing the effectiveness of, Scottish Canals risk and control processes to support its strategy and objectives; • Approving policies for Health & Safety, the detection of fraud and the prevention of bribery; • Undertaking an annual assessment of these processes; and • Approving an appropriate statement for inclusion in the annual report and accounts.
4.	Contracts/Joint Ventures
4.1	Approval of major projects (over £250k in value) involving operational assets.
4.2	Non Joint Venture major projects over £3m in value.
4.3	Approval of new Joint Ventures.
4.4	Approval of new projects within an existing Joint Venture.
4.5	Approval for an existing project in an existing Joint Venture over £250k in value.
4.6	Contracts not in the ordinary course of business.
5.	Communication
5.1	Ensuring a satisfactory dialogue with stakeholders based on the mutual understanding of objectives.

6.	Board Committee membership and other appointments
6.1	Membership and Chairmanship of Board committees.
6.2	Continuation in office of any director at any time, including the suspension or termination of service of an Executive Director as an employee, subject to the law and their service contract.
6.3	Appointment or removal of the Secretary to the Board.
6.4	Appointment, reappointment or removal of the internal auditor, following the recommendation of the Audit & Risk Committee.
6.5	Appointments to Boards of Joint Ventures and associated companies to represent Scottish Canal's interests.
6.6	Appointment of a member of the senior management team of Scottish Canal's to Boards of external bodies.
7.	Remuneration
7.1	Determining the remuneration for the Chief Executive and the remuneration policy for Scottish Canals in line with the agreed SG pay policy remit.
8.	Delegation of authority
8.1	The division of responsibilities between the Chairman, the Chief Executive and other Executive Directors, which should be clearly established, set out in writing and agreed by the Board.
8.2	Approval of the delegated levels of authority, including the Chief Executive's authority limits (which must be in writing).
8.3	Establishing Board committees and approving their terms of reference, and approving material changes thereto.
8.4	Receiving reports from Board committees on their activities.
9.	Corporate governance matters
9.1	Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual Directors (in light of their character, judgment and relationships), and the division of responsibilities.
9.2	Considering the balance of interests between stakeholders, employees, customers and the community.
9.3	Review of Scottish Canal's overall corporate governance arrangements.
10.	Other
10.1	Prosecution, commencement, defence or settlement of litigation, or an alternative dispute resolution mechanism involving above £250k or being otherwise material to the interests of Scottish Canals.
10.2	Any decision likely to have a material impact on Scottish Canals from any perspective, including, but not limited to, financial, operational, strategic or reputational.
10.3	This schedule of matters reserved for Board decisions.

Appendix E – Arrangements for Formal Monthly Meetings of the Executive Team

The following are the procedures which apply to formal monthly meetings of the Executive Team.

Membership and Participation

The Executive Team comprises four members including the Chief Executive, the Director of Finance, the Director of Estates & Commerce and the Director of Infrastructure .

The quorum of the Executive Team will be three members. This will apply regardless of vacancies in membership. No business will be transacted at an Executive Team meeting unless a quorum is present. If the Chair of the meeting finds during a meeting that the number of members present has reduced below the quorum, the meeting shall end at that point. All attendance and absences shall be recorded in the minutes of the meeting.

Participation will normally be in person, but may exceptionally (with agreement of the Chief Executive) be by telephone or video-conference provided the member's contribution is fully accessible to all members and others attending the meeting. In these cases, such members will be deemed to be present for the purpose of the meeting.

People who are not members of the Executive Team may be invited to attend and speak for all or part of the meeting.

Schedule of Meetings

The Executive Team shall approve in advance of each calendar year a provisional set of dates and venues for its formal monthly meetings.

The Chief Executive may convene a special formal meeting of the Executive Team when it appears that an item of business requires urgent attention. Any member may request that such a meeting be called, but the final decision rests with the Chief Executive.

Executive Team Agendas, Papers and Minutes

Executive Team agendas will be determined by the Chief Executive. Members wishing to propose items or raise any additional matter in formal session should notify the Chief Executive in advance.

Papers will be prepared by staff, and considered and approved by the Chief Executive prior to submission to the Executive Team. The policy will be to circulate papers to members by email at least two working days in advance of a meeting.

Papers will also be sent by email to Board members on request. Board members will normally be expected to note the contents, but in a situation where they may wish to comment on a particular matter they should do so to the Board Chair who will discuss the matter with the Chief Executive.

Core agendas for each meeting will include –

- Monthly operational review
- Monthly financial review
- Monthly H+S review
- Monthly risk review
- Monthly HR review
- Forward planning for Board/Committee meetings and Stakeholder Engagement

- Horizon Scanning/Legislative Changes

In addition agenda items relating to external or internal audit planning and/or specific management decisions of a significant nature will be included as required.

Chairing Meetings

At a meeting of the Executive Team, the Chief Executive will preside. In the absence of the Chief Executive, the Chief Executive will nominate a deputy. If the Chief Executive does not do so members present will choose by majority vote of those present which one of their number will preside.

The Chair of the meeting will preserve order, determine all matters of order, competency and relevancy, and will ensure members have sufficient opportunity to express their views on any matter under consideration.

Executive Team Decisions

Decisions of the Executive Team will be by consensus of attending members. A member departing early will be treated as a non-attending member for the purpose of any decision taken after the time of departure. A member may have his/her dissent recorded to a decision of the Executive Team provided he/she has attended for the whole of the discussion and decision, and asks to record his/her dissent immediately after the decision is concluded.

Written comments on agenda items submitted in advance by members who are not attending will be circulated to members for information.

Exceptionally, if an Executive Team decision is required urgently and it is not possible to convene a meeting, the matter will be dealt with through correspondence. The decision to do this will be made by the Chief Executive. In such circumstances, views will be sent to the Chief Executive by email who will make the decision on the basis of collated comments. The decision will be ratified at the next meeting.

Declaration of Interests

Scottish Canals holds a register of interests for senior employees. The rules on registration and declaration of interests for Executive Team members are the same as for Board members.

Corporate Responsibility and Confidentiality

Executive Team members share corporate responsibility for decisions taken by the Executive Team as a whole. Members must therefore accept and support the collective decisions of the Executive Team.

Executive Team Minutes

Minutes of all Executive Team meetings will be taken by a member of staff. Taken in conjunction with the papers presented to the meeting, the minutes should provide a correct record of the meeting and the decisions reached, and sufficient detail to indicate the issues discussed in reaching those decisions.

Minutes should include the action points agreed at the meeting, and those carried forward to following meetings until discharged.

Draft minutes will be approved by the Chief Executive, marked clearly as “unapproved”, and circulated to members who can propose amendments at the next Executive Team meeting.

Minutes will be approved at the following meeting, and signed by the Chief Executive as a correct record (subject to any amendments agreed).

Appendix F – Project Executive Board: Terms of Reference

1. Role of the Project Executive Board

- 1.1 The Project Executive Board (the Board) was established to ensure effective management of Scottish Canals' (SC) capital and revenue funded projects with a total project cost of more than £10k or projects with a total project cost of less than £10k but which are deemed to have a high or reputational risk (the Programme).
- 1.2 It is a senior governance group whose role is to identify, approve and monitor the resources available to fund the Programme and monitor the progress of individual projects/programmes, and the overall Programme, across all SC's departments.
- 1.3 The Board ensures the capital programmes/projects are delivered efficiently and effectively and provide value for money.

2. Responsibilities of the Board

- 2.1 The remit and responsibilities of the Board are to:
 - i. Provide overall direction for the Programme;
 - ii. Provide visible leadership and commitment to the Programme;
 - iii. Determine and prioritise the overall Programme objectives and component programmes/projects;
 - iv. Make investment decisions by instructing and approving programme/project Business Cases brought forward by all departments;
 - v. Approve programme/project budgets, within delegated authority levels, programmes and scope;
 - vi. Approve contingency spend;
 - vii. Approve, within delegated authority levels, the division of capital budgets between projects and requests for budget adjustments;
 - viii. Provide and monitor governance and control arrangements to assure delivery of individual projects and the overall Programme, including compliance with the with SC's processes and procedures;
 - ix. Hold development and project managers to account for the delivery of their individual programmes/projects;
 - x. Ensure the overall Programme and individual programmes/projects are delivered within agreed parameters i.e. scope, budget, programme and benefits;

- xi. Receive regular progress reports from programmes/projects to scrutinise performance in terms of progress, scope, budgetary control, risk, issues, change and benefits realisation;
- xii. Receive and consider requests to restate programme/ project programmes and milestones, scope and budget;
- xiii. Instruct and monitor remedial action where variances are reported in terms of progress or budget;
- xiv. Ensure that overall Programme risks and issues are identified, owned, managed and reported;
- xv. Receive and disseminate reports on lessons learned activity across the Programme to ensure and embed best practice;
- xvi. Receive regular reports on the performance of the Programme and the benefits realised from investment;
- xvii. Act as advocates of the Programme and champion its intended benefits to help ensure its success, and
- xviii. Confirm successful delivery and sign off at the closure of individual projects / programmes within the overall Programme.

3. Decision Making

- 3.1 The Chief Executive (who sits on the Project Executive Board) has delegated authority to approve capital expenditure up to £250,000. Any request for expenditure beyond this level will be considered by the SC Board and by Scottish Government (if detailed in the financial memorandum that approval is required).

4. Membership

- 4.1 The members of the Board are the:
 - Director of Finance
 - Director of Infrastructure
 - Director of Estates and Commerce
 - Chief Executive
- 4.2 Board meetings will be quorate when 3 of the 4 members are present. Only when quorum is met can decisions be taken by the Board, however, meetings may still proceed to receive progress updates and attend to governance matters.
- 4.3 Should Board members be unable to attend meetings, suitable delegates may be nominated to represent them in acting as a Board member.

5. Frequency of Meetings

- 5.1 The Board will sit on a 2-weekly basis.

6. Reporting

6.1 All projects will complete a report when requested to attend the meeting on all their projects or when requesting to take a project to a further stage.

7. Secretariat

7.1 Secretariat will be provided by Operations. Board papers will be issued 7 days preceding the Board meeting.

7.2 Following each meeting, actions will be circulated in the master template spreadsheet.