

# **SCOTTISH CANALS FRAMEWORK DOCUMENT**

Issued June 2013

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## Introduction

1. This framework document has been drawn up by the Scottish Government (SG) in consultation with Scottish Canals (SC). It sets out the broad framework within which SC, a Scottish public corporation, will operate and defines key roles and responsibilities which underpin the relationship between SC and the SG. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and should be reviewed and updated as necessary, and at least every 2-3 years. Any proposals to amend the framework document either by the SG or SC will be taken forward in consultation and in the light of SG priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the SG after consultation with SC. Legislative provisions shall take precedence over any part of the document.
2. Scottish Canals is the operating name of the British Waterways Board (BWB). References to SC include any subsidiaries and joint ventures owned or controlled by SC. SC shall not establish subsidiaries or enter into joint ventures without the express approval of the SG.
3. References to SG include Transport Scotland (TS) as an agency of the SG.
4. Copies of the document shall be placed in the Scottish Parliament Reference Centre. It shall also be published on the SG and the SC websites.

## Purpose

5. SC is to contribute to the achievement of the SG's primary purpose of increasing sustainable economic growth by aligning its aims and objectives with the SG's published Economic Strategy and National Performance Framework.

## Statutory Duties

6. SC has responsibility for 220 km of canals in Scotland: the Forth & Clyde, Union and Monkland Canals in the Lowlands, the Crinan Canal in Argyll and the Caledonian Canal in the Highlands.
7. SC's major statutory duties are set out in the Transport Act 1962, Transport Act 1968, British Waterways Act 1971, British Waterways Act 1975 and British Waterways Act 1995. Essentially it is required to:
  - provide services and facilities on the inland waterways and port facilities owned or managed by them with due regard to efficiency, economy and safety, (Transport Act 1962, S10);
  - exploit commercial opportunities to raise income in support of its navigation and safety function and the duty to act as if it "were a company engaged in a commercial enterprise in its non-navigation commercial activities." (Transport Act 1968, S134);

8. Scotland's canals (excepting the Monkland Canal) are classed as scheduled monuments of national importance and protected by the requirements of the Ancient Monuments and Archaeological Areas Act 1979. There are also 22 Sites of Special Scientific Interest (SSSI) on or within 500m of a canal protected by the requirements of The Nature Conservation (Scotland) Act 2004.

9. SC are responsible for 21 'large raised reservoirs' which come within the scope of the Reservoir Act 1975. The Reservoirs (Scotland) Act 2011 has yet to be commenced. These are subject to an external inspection regime and SC are required to implement recommendations made in the interests of safety.

10. SC is also required to comply with other legislation, including:

- The Ethical Standards in Public Life etc. (Scotland) Act 2000;
- The Public Finance and Accountability (Scotland) Act 2000;
- The Freedom of Information (Scotland) Act 2002;
- The Scottish Public Services Ombudsman Act 2002;
- Water Environment and Water Services (Scotland) Act 2003;
- The Environmental Information (Scotland) Regulations 2004;
- Water Environment (Controlled Activities) (Scotland) Regulations 2005;
- The Public Services Reform (Scotland) Act 2010;
- The Public Records (Scotland) Act 2011.

11. The SG's aspirations for Scotland's canals are set out in the policy document [\*Making the most of Scotland's canals\*](#), published in April 2013. It states that:

"Our canals are an asset that we wish to use wisely in order to enhance the future quality of life for Scotland's inhabitants and to help create a more successful, sustainable country. We look to build on the encouraging start made since 2002 in revitalising our canals and in gaining wider public benefits from them. We wish to encourage their full and sustainable development in the future in a way that impacts positively across the widest possible range of people (whilst ensuring that safety issues remain to the fore)."

12. The strategy to achieve this is based on 7 principles which are summarised below:

- **Valuing the heritage of our canals** - Scotland's canals should be preserved in good condition, SC should continue to work with Historic Scotland to deliver a canal system that contributes to the commercial and recreational life of Scotland, whilst acknowledging their important industrial legacy.
- **Fulfilling statutory and regulatory obligations** – Statutory and regulatory obligations are a fundamental responsibility of the board of SC.
- **Risk management and safety** - SC should apply the highest possible standards of care to the management of all canal operations to ensure risks to the public are properly managed. Equally the public should use the canals in a responsible manner.

- **Increasing awareness of the potential contribution which canals can make** –The SG wish to see further growth in the numbers of boats navigating our canals, and encourage SC and other parties to work together towards achieving this.
- **Delivering a high quality experience** - SC should offer high quality services and adopt an open and honest approach to engaging with all customers and stakeholders.
- **Working through partnership and collaboration** - Extensive partnership and collaborative working has proved to be key to the restoration and renewal of Scotland’s canals. This should continue at both national and local level to ensure that the momentum is maintained.
- **Monitoring and measuring outcomes** – The SG encourages effective monitoring and measuring of outcomes achieved, so that the benefit gained from initiatives can be assessed and demonstrated.

## Relationship between Scottish Government and Scottish Canals

13. Effective strategic engagement between the SG and SC is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and SC will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on „Strategic Engagement between the Scottish Government and Scotland’s NDPBs“.

## Governance and accountability

### Legal origins of powers and duties

14. The BWB was established by the Transport Act 1962 to manage and maintain the inland waterways, and certain of the docks, originally nationalised under the Transport Act 1948 and managed by the British Transport Commission. Prior to devolution, the sponsorship of BWB lay fully with the then Department of the Environment, Transport and the Regions (DETR).

15. As a consequence of the Scotland Act 1998, legislative competence regarding inland waterways in Scotland was devolved to the Scottish Parliament – at that time BWB was designated as a cross-border public authority under the Scotland Act 1998 (Cross-Border Public Authorities) (Specification) Order 1999. The Scotland Act 1998 (Cross-Border Public Authorities) (Adoption of Functions etc.) (No.2) Order 2000 made under section 89 of the Scotland Act 1998 transferred responsibilities to the then Scottish Executive on 13 December 2000 and resulted in Scottish Ministers holding largely the same functions with regard to BWB in Scotland as those held by UK Ministers with regard to BWB in England & Wales.

16. Accordingly BWB was jointly sponsored by SG in relation to its activities in Scotland and by the Department for Environment, Food and Rural Affairs (Defra) in England and Wales. Defra were the lead sponsor department, with BWB classed as a Public Corporation of the UK Government for National Accounts purposes, because its overall (GB) income from trading activities exceeded 50% of its overall revenues. This classification was determined at a GB level from the scale of its trading activities, reflecting mostly the scale of activities in England & Wales but is proposed to be retained for Scottish Canals as income from trading is expected to exceed 50% of its overall revenues in the near future.

17. In October 2010 the UK Government decided that BWB's functions and assets in England & Wales would transfer to a new waterways charity, Canal & River Trust (CRT). Scottish Ministers decided to make no change to the arrangements for the ownership, care and maintenance of the Scottish canals. The UK Government used powers under the Public Bodies Act 2011 to promote The British Waterways Board (Transfer of Functions) Order 2012 ("the BW Order") which provided for the transfer of BWB's functions in England & Wales to this charity. The removal of England & Wales operations, and of UK Ministers' powers in relation to the organisation, led to a requirement for the BW Order to include a number of consequential amendments for Scotland, necessary to allow BWB to continue to operate effectively in Scotland on a self-standing basis, without involvement from UK Ministers and to remove BWB's status as a cross-border public authority.

18. On 2nd July 2012, BWB, operating as "Scottish Canals", became a public corporation in the Scottish public sector wholly accountable to Scottish Ministers. The board of SC assumed responsibility and accountability for SC in accordance with the Transport Act 1962 Schedule 1 (as amended by the BW Order). SC does not carry out its functions on behalf of the Crown.

### **Ministerial responsibilities**

19. The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities of SC and use of related resources. They are not however responsible for day to day operational matters. Their responsibilities include:

- agreeing the SC's strategic aims and objectives and key targets as part of the corporate planning process;
- agreeing the budget and the associated grant in aid requirement to be paid to SC, and securing the necessary Parliamentary approval;
- those specified in the Transport Acts 1962 and 1968 such as making appointments to the board of SC and issuing relevant directions;
- other matters such as approving the SC pay remit and laying the annual report and accounts before the parliament.

## Responsibilities of the board of Scottish Canals

20. The board of SC consists of the Chair, Vice Chair and between one and four other members who are appointed by the Scottish Ministers following good practice principles (the Code of Practice for Ministerial Public Appointments in Scotland). Scottish Ministers agreed that the Chief Executive should be appointed to the board initially for a 12 month period from 2 July 2012, but with scope for extending this by mutual agreement. No other executive staff shall sit on the board.

21. The role of the board is to provide leadership, direction, support and guidance to ensure SC delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for

- taking forward the strategic aims and objectives agreed by the Scottish Ministers;
- determining the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of SC or on the attainability of its operational targets;
- promoting the efficient, economic and effective use of staff and other resources by SC consistent with the principles of [Best Value](#), including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that SC acts corporately in accordance with the priorities set out in the SG's statement of corporate expectations;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control. (The board must set up an audit committee chaired by a non-executive member to provide independent advice and assurance on the effectiveness of the internal control and risk management systems.);
- in reaching decisions, taking into account relevant guidance issued by the Scottish Ministers;
- ensuring that the board receives and reviews regular financial information concerning the management of SC and is informed in a timely manner about any concerns regarding the activities of SC;
- appointing the SC Chief Executive and, in consultation with the SG, set appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management and use of public funds and use of resources within the stewardship of SC and the delivery of outcomes; and
- demonstrating high standards of corporate governance at all times, including openness and transparency in its decision making.

Further guidance on how the board should discharge its duties is provided in appointment letters and in „On Board – A guide for Board Members of Public Bodies in Scotland“.

### **The Chair’s Responsibilities**

22. The Chair is accountable to the Scottish Ministers and, in common with any individual with responsibility of devolved functions, may also be held to account by the Scottish Parliament. Communications between the board of SC and the Scottish Ministers should normally be through the chair. He or she is responsible for ensuring that the SC’s policies and actions support the Scottish Ministers’ wider strategic policies and that its affairs are conducted with probity.

23. In leading the board the Chair must ensure that:

- the work of the board is subject to regular self-assessment and that the board is working effectively;
- the board has a balance of skills appropriate to directing SC’s business, in accordance with recognised good practice in corporate governance;
- the board members are fully briefed in terms of appointment, duties, rights and responsibilities;
- he or she, together with the other board members, receives appropriate induction training, including on financial management and reporting requirements and, as appropriate, on any differences that may exist between private and public sector practice;
- the Scottish Ministers are advised of SC’s needs when board vacancies arise;
- there is a code of conduct for board members in place, approved by the Scottish Ministers.

24. The Chair assesses the performance of individual board members on a continuous basis and undertakes a formal appraisal at least annually. The Chair, in consultation with the board members (other than the Chief Executive), is also responsible for undertaking an annual appraisal of the performance of the Chief Executive.

### **Individual Board Members’ Responsibilities**

25. Individual members should act in accordance with the responsibilities of the board as a whole and comply at all times with the code of conduct adopted by SC and with the rules relating to the use of public funds and to conflicts of interest. (In this context “public funds” means not only any funds provided to SC by the Scottish Ministers but also any other funds falling within the stewardship of SC, including trading and investment income, gifts, bequests and donations.) General guidance on board members’ responsibilities is summarised in their appointment letters and is also provided in [On Board: A Guide for Board Members of Public Bodies in Scotland](#).

## Responsibilities of Scottish Canals' Chief Executive

26. The SC Chief Executive is employed and appointed by the board. He/she is the board's principal adviser on the discharge of its functions and is accountable to the board. His/her role is to provide operational leadership to SC and ensure that the board's aims and objectives are met and SC's functions are delivered and targets met through effective and properly controlled executive action. His/her general responsibilities include the performance, management and staffing of SC. General guidance on the role and responsibilities of the Chief Executive is contained in „On Board“. Specific responsibilities include:

- advising the board on the discharge of its responsibilities - as set out in this document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers - and implementing the decisions of the board;
- ensuring that financial considerations are taken fully into account by the board at all stages in reaching and executing its decisions, and that appropriate financial appraisal and evaluation techniques, consistent with the [Appraisal and Evaluation](#) section of the [Scottish Public Finance Manual](#) (SPFM), are followed;
- ensuring that SC adheres, where appropriate, to the [Programme and Project Management Principles](#);
- having robust performance and risk management arrangements - consistent with the [Risk Management](#) section of the SPFM - in place that support the achievement of SC's aims and objectives and that facilitate comprehensive reporting to the board, the SG and the wider public;
- ensuring that adequate systems of internal control are maintained by SC, including effective measures against fraud and theft consistent with the [Fraud](#) section of the SPFM;
- establishing appropriate documented internal delegated authority arrangements in accordance with the [Delegated Authority](#) section of the SPFM;
- advising the board on the performance of SC compared with its aim[s] and objectives.
- Preparing SC's corporate and business plans, in the light of the strategic aims and objectives agreed by the Scottish Ministers.
- Ensuring effective relationships with SG officials; and
- Ensuring that timely forecasts and monitoring information on performance and finance are provided to the SG; that the SG is notified promptly if over or underspends are likely and that corrective actions is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or other means, are notified to the SG in a timely fashion.



## **Responsibilities of Scottish Canals' Accountable Officer**

27. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) will designate the Chief Executive as the Accountable Officer for SC. Accountable Officers are personally answerable to the Scottish Parliament for the exercise of their functions, as set out in the [Memorandum to Accountable Officers for Other Public Bodies](#). These include:

- ensuring that the propriety and regularity of SC's finances and that there are sound and effective arrangements for internal control and risk management;
- ensuring that the resources of SC are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value;
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM;
- signing the annual accounts and associated governance statements;
- a statutory duty to obtain written authority from the board/Chair before taking any action which he/she considered would be consistent with the proper performance of the Accountable Officer functions.

28. It is incumbent on the Chief Executive to combine his/her Accountable Officer responsibilities to the Scottish Parliament with his/her wider responsibilities to the board. The board/Chair should be fully aware of, and have regard to, the Accountable Officer responsibilities placed upon the Chief Executive, including the statutory duty described above.

## **Responsibilities of Transport Scotland Accountable Officer and Director**

29. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) designates the Chief Executive of Transport Scotland as Accountable Officer for all Transport Scotland's responsibilities.

30. Within Transport Scotland, the Director for Aviation, Maritime, Freight and Canals (The Director) has responsibility for overseeing and ensuring effective relationships between the SG and SC which support alignment of SC's business to the Government's Purpose and National Outcomes and high performance by SC. The Director will work closely with SC's Chief Executive and be answerable to the Transport Scotland Accountable Officer for maintaining and developing positive relationships with SC characterised by openness, trust, respect and mutual support. The Director shall also be responsible for assessing the performance of the Chair of SC, at least annually.

31. In discharging these functions, the Director will be supported by a sponsor unit.

## Sponsor unit responsibilities

32. The Freight and Inland Waterways branch within the TS Directorate of Aviation, Maritime, Freight and Canals, sponsors Scottish Canals and is the normal point of contact for SC in dealing with the TS and SG. The branch, under the direction of the TS Chief Executive/ Director of Aviation, Maritime, Freight and Canals, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of SC and undertakes the responsibilities of the Portfolio Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in the document „Strategic Engagement between the Scottish Government and Scotland’s NDPBs“ and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and SC;
- ensuring that appointments to the board of SC are made timeously and follow good practice similar to that in the Code of Practice for Ministerial Appointments to Public Bodies in Scotland;
- proportionate monitoring of SC’s activities through an adequate and timely flow of appropriate information, agreed with SC, on performance, budgeting, control and risk management;
- addressing in a timely manner any significant problems arising in SC, alerting the portfolio Accountable Officer and the responsible Minister(s) where considered appropriate;
- ensuring that the objectives of SC and the risks to them are properly and appropriately taken into account in the SG’s risk assessment and management systems; and
- informing SC of relevant SG policy in a timely manner.

## Internal audit

33. SC shall:

- establish and maintain arrangements for internal audit in accordance with the [Government Internal Audit Standards \(GIAS\)](#) and the [Internal Audit](#) section of the SPFM.
- set up an Audit and Risk committee of its board in accordance with the [Audit Committees](#) section of the SPFM, to advise both the board and the Chief Executive in his/her capacity as the SC Accountable Officer;
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including the SC’s Head of Internal Audit or equivalent’s opinion on risk management, control and governance and other relevant reports as requested; and

- keep records of, and prepare and forward promptly to the SG an annual report on fraud and theft suffered by SC and notify the SG at the earliest opportunity of any unusual or major incidents.

34. The SG's Internal Audit Division has a right of access to all documents held by the SC Audit and Risk committee. The SG has a right of access to all SC's records and personnel for any purpose.

### **External audit**

35. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, SC's annual accounts and reports on them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. For the purpose of audit the auditors have a statutory right of access to documents and information held by relevant persons. SC shall instruct its auditors to send copies of all management reports (and correspondence relating to those reports) and responses to the SG.

36. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which SC has used its resources in discharging its functions. The AGS may also carry out examinations into the arrangements made by SC to secure Best Value. For the purpose of these examinations the examiners have a statutory right of access to documents and information held by relevant persons. In addition, SC shall provide, in contracts and any conditions to grants, for the AGS to exercise such access to documents held by contractors and sub-contractors and grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

### **Annual report and accounts**

37. SC must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report must cover the activities of any corporate, subsidiary or joint ventures under SC's control. It should comply with the requirements set out in the Accounts Direction issued by Scottish Ministers and outline SC's main activities and performance against agreed objectives and targets for the previous financial year.

38. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the account and will therefore be within the scope of the audit. Any subsidiary or joint venture owned or controlled by SC shall be consolidated in its accounts in accordance with applicable accounting and reporting standards.

39. Section 24 of the Transport Act 1962 requires that:-

- SC must keep proper accounts and other records;
- SC must prepare an annual statement of accounts in accordance with the accounts direction issued by Scottish Ministers;
- SC must have the accounts audited by auditors appointed annually by the Auditor General for Scotland;
- SC must send a copy of the audited accounts to Scottish Ministers, together with a copy of the report made by the auditors on that statement;
- Scottish Ministers must lay this material annually before the Scottish Parliament.

40. The draft report and accounts shall be submitted to the SG for comment and information, by 30<sup>th</sup> June. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by 31<sup>st</sup> August. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, there is an expectation on the part of the Scottish Ministers that accounts will be laid and published at the earliest possible date following the completion of the formal sign-off and approval process. The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. SC shall be responsible for the publication of the report and accounts, including on SC's website.

41. Specific transitional arrangements apply to 2011/12 and 2012/13 accounts as detailed in the BW Order.

## **Management responsibilities**

### **Corporate and business plans**

42. SC must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on SC's website. SC shall agree with the SG the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan shall reflect SC's strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. It shall demonstrate how SC contributes to the achievement of the SG's primary purpose of increasing sustainable economic growth and alignment with the SG's [National Performance Framework \(NPF\)](#). The corporate plan for SC should include: :

- the purpose and principal aims of SC;
- an analysis of the environment within which SC operates;

- key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the SG's primary purpose and alignment with the NPF;
- indicators against which performance can be judged;
- details of planned efficiencies, describing how SC proposes to achieve better value for money, including through collaboration and shared services;
- other matters as agreed between the SG and SC.

43. The corporate plan should inform the development of a separate business plan for each financial year. The business plan for SC should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of SC's business plan should be provided to the sponsor branch prior to the start of the relevant financial year.

### **Budget management**

44. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, Transport Scotland will send to SC by March a formal statement of the budget allocated to SC, a note of any related matters and details of the budget monitoring information required by the SG.

45. If the trading and other resource income – or the net book value of disposals of non-current assets – realised is less than that included in the most up to date forecast SC shall, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure.

46. SC is required (under section 41(2) of the Transport Act 1968) to break even each year and budgets will reflect this for each year of the business plan. SC will produce quarterly forecasts and adapt expenditure to achieve break even throughout the financial year.

### **Cash management**

47. Any [grant in aid](#) provided to SC by the SG for the year in question must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid will normally be paid in monthly instalments on the basis of updated profiles and information on unrestricted cash reserves. Payment will not be made in advance of need. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of SC - and the level of funds required to meet any relevant liabilities at the year-end. Grant in aid not drawn down by the end of the financial year shall lapse. Grant in aid shall not be paid into any restricted reserve held by SC.

48. The banking arrangements adopted by SC must comply with the [Banking](#) section of the SPFM where applicable. These would not apply to funds from commercial activities not financed by grant in aid which SC manage in commercial bank accounts such as their capital investment account used to generate additional revenue returns, achieve capital growth and retain a minimum of £1m for emergency expenditure on canal infrastructure.

### **Risk management**

49. SC shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of generally recognised best practice in corporate governance, and develop a risk management strategy, in accordance with the [Risk Management](#) section of the SPFM. Reporting arrangements should ensure that the sponsor unit is made aware of relevant risks and how they are being managed. The SC Risk and Audit committee is also required, at the earliest opportunity, to notify the TS Audit and Risk Committee if it considers that it has identified a significant problem which may have wider implications.

50. In accordance with its duty to act as if it “were a company engaged in a commercial enterprise” in its non-navigation commercial activities, SC shall work to secure an adequate rate of return in the context of an acceptable level of risk and with due regard to the economic, social and environmental impacts for the benefit of Scotland. Its Investments Strategy, agreed by the board of SC and the sponsor unit, establishes the overall risk/return balance of its activities portfolio, and is therefore a key element in articulating the level of exposure which is considered tolerable and justifiable and how much is actively put at risk for the benefits of the opportunity.

### **Fraud management**

51. SC should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud](#) section of the SPFM. Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements. This includes the establishment of avenues to report any suspicions of fraud. In addition SC should take risk-based and proportionate steps to appraise the financial standing of any supplier or other body with which it intends to enter into a contract or to provide funding.

### **Performance management**

52. SC shall operate management information and accounting systems that enable it to review, in a timely and effective manner, its financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in the corporate and business plans. The results of such reviews should be reported on a regular basis to the board of SC and copied to the SG. The SG shall assess SC’s performance on a continuous basis and undertake a formal internal review at least twice a year. The responsible Cabinet Secretary / Scottish Minister shall meet the SC Chair at least once a year.

## **Scottish Canals' staff management**

### *Broad responsibilities for Scottish Canals staff*

53. Application of agreed terms and conditions for staff which were unchanged from existing BW arrangements following the approval of the BW Order.

54. SC will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- personnel policies, practices and systems comply with employment and equalities legislation, and best practice standards expected of public sector employers;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay Policy for Staff Pay Remits);
- the performance of its staff at all levels is satisfactorily appraised and SC's performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve SC's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- a code of conduct for staff is in place based on the Model Code for Staff of Executive NDPBs – see chapter 5 of [Public Bodies: A Guide for Departments](#).

### *Pay and conditions of service*

55. SC shall submit to the SG for approval (normally annually unless a multi-year deal has been agreed) a pay remit in line with the SG Pay Policy for Staff Pay Remits and negotiate a pay settlement within the terms of the approved remit. Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. SC shall comply with employment and equalities legislation. The terms and conditions of the Chief Executive are subject to a separate approval exercise in line with the SG Pay Policy for Senior Appointments.

## *Pensions, redundancy and compensation*

### 56. SC pension arrangements:

- SC participate in The Waterways Pension Fund, a defined benefit scheme which was closed to new members in April 2011 and was changed from a final salary scheme to a career average revalued earnings (CARE) pension scheme. The principal sponsoring employer of the scheme is the Canal & River Trust (CRT);
- CRT absorbed all pension deficit liabilities for the whole scheme as at 1<sup>st</sup> July 2012 and SC will be responsible for any increase in deficit applicable to its proportion with effect from 2<sup>nd</sup> July 2012. The scheme rules and pension law result in a „last man standing“ scenario where the last remaining participating employer is responsible for the fund and any residual liabilities. This risk has been managed by the implementation of an asset back property fund of £125m and a UK Government guarantee of £125m;
- in addition SC operates a defined contribution pension fund, currently with Standard Life, for new employees who started after 1 April 2011– the employee contributes 3%-5% and the employer 6%-8% , with the employer currently capping the contribution from the employer at 8%. Employees can choose to contribute more than 5%

57. Any proposal by the board of SC to move from the above pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the SG of any proposed compensation payment being considered for any individual outwith any existing approved scheme and before the individual is approached and any offer made either orally or in writing.

### **Asset and property management**

58. SC shall maintain an accurate and up-to-date record of its current and non-current assets in accordance with the [Management of Assets](#) section of the SPFM. “Fixed” assets should be disposed of in accordance with the [Disposal of Property, Plant & Equipment](#) section of the SPFM.

59. SC is responsible for the management of its estate in accordance with its objectives to achieve agreed policy aims and plan targets. Any proposal to acquire land, buildings or other rights in property for any purpose should comply with the [Acquisition of Property](#) section of the SPFM and approved delegated arrangements.

### *Joint Ventures*

### 60. Before negotiating a joint venture SC should ensure:

- the choice of participant is subject to open competition in accordance with EU procurement rules (however in Joint Ventures involving owners of neighbouring property with marriage value, no choice may be available);



- in respect of any SC assets provided to the venture, the option of outright disposal is kept open to be considered alongside partnership bid;
- the nature and purposes of the venture are consistent with SC's powers and objectives;
- all reasonable alternative options have been considered, including doing nothing, and full financial analysis has been undertaken;
- a robust sensitivity and risk analysis has been undertaken and adequate safeguards for SC are available, such as SC's ability to sell or assign its interest; and
- the express approval of the SG has been obtained.

## Specific financial provisions

### Delegated authorities

61. SC's specific delegated financial authorities – as agreed in consultation between SC and the SG - are listed in **Appendix 1**. SC shall obtain the SG's prior written approval before entering into any undertaking to incur any expenditure that falls outside these delegations. SC shall also comply with any requirements for prior SG approval included in the SPFM and/or this document. Prior SG approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

### Income generation

62. SC is required to act commercially in relation to its non-navigation commercial activities and shall seek to maximise income - grant in aid does not qualify as income - from all sources, including from the European Union, and ensure that the SG is kept informed. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by the SG. Fees or charges for any services supplied by SC shall be determined in accordance with the Fees & Charges section of the SPFM.

63. Gifts, bequests or donations received by SC score as income and SC should be able to demonstrate that expenditure funded by gifts etc is additional to expenditure normally supported by grant in aid (i.e. SG core funding) or by trading and other income. Before accepting such gifts etc. SC shall consider if there are any associated costs in doing so or any conflicts of interests arising. SC shall keep a written record of any such gifts etc., their estimated value and what happened to them.

## **Financial investments**

64. Unless covered by a specific delegated authority SC shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of SC. SC shall not invest in any venture of a speculative nature without agreement of Scottish Ministers.

## **Borrowing**

65. Borrowing cannot be used to increase SC's spending power. All borrowing by SC - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.

## **Lease arrangements**

66. Unless covered by a specific delegated limit or where leases were in place prior to 2<sup>nd</sup> July 2012, SC shall not, enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant's lease break - without the SG's prior approval. Before entering/continuing such arrangements SC must be able to demonstrate that the lease offers better value for money than purchase and that all options for sharing existing public sector space have been explored. Non-property / accommodation related operating leases are subject to a specific delegated authority. SC must have budget provision for finance leases and other transactions which are in substance borrowing.

## **Tax arrangements**

67. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. SC must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of SC to observe VAT legislation and recover input tax where it is entitled to do so. SC must also ensure that it accounts properly for any output tax on sales or disposals.

## **Lending and guarantees**

68. Any lending by SC must adhere to the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit SC shall not, without the SG's prior approval, lend money, charge any asset or security, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.

### **Third party grants**

69. Unless covered by a specific delegated authority SC shall not, without the SG's prior agreement, provide grant funding to a third party. Such funding would be subject to the guidance in the [State Aid](#) section of the SPFM. Guidance on a framework for the control of third party grants is provided as an [annex](#) to the Grant & Grant in Aid section of the SPFM.

### **Insurance**

70. SC will require commercial insurance, this will be reviewed on a periodic basis by the Risk & Audit Committee and will comply with the [Insurance](#) section of the SPFM. SC will not insure the canal infrastructure but in the event of uninsured losses being incurred, which commercial funds cannot cover up to the agreed limit, shall seek additional resources from SG. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to SC.

### **Procurement and payment**

71. SC's procurement policies shall reflect relevant guidance in the [Procurement](#) section of the SPFM and relevant guidance issued by the SG's Procurement and Commercial Directorate. Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving SC's objectives consistent with the principles of [Best Value](#), the highest professional standards and any legal requirements. Unless covered by a specific delegated authority any proposal to award a contract without competition (non-competitive action) must be approved in advance by the SG. Any external consultancy contracts with a value of more than £100,000 must be approved in advance by the Cabinet Secretary for Infrastructure, Investment and Cities and the Cabinet Secretary for Finance, Employment and Sustainable Growth.

72. Any major investment programmes or projects undertaken by SC shall be subject to the guidance in the [Major Investment Projects](#) section of the SPFM. The sponsor unit must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plan must be reported to the SG's Information Services Investment Board.

73. SC shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the [Expenditure and Payments](#) section of the SPFM and in doing so shall seek wherever possible and appropriate to meet the SG's target for the payment of invoices within 10 working days of their receipt.

## **Gifts made, special payments and losses**

74. Unless covered by a specific delegated authority SC shall not, without the SG's prior approval, make gifts or special payments or write-off of losses. Special payments and losses are subject to the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

## **Clawback**

75. Where SC has financed expenditure on assets by a third party, SC shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without SC's prior consent. SC shall put in place arrangements sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if SC contributed less than the whole cost of acquisition or improvement. SC shall also ensure that if assets financed by SC cease to be used by the third party for the intended purpose an appropriate proportion of the value of the asset shall be repaid to SC.

## **Board expenses**

76. Remuneration, allowances and expenses paid to board Members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

77. The SG is required by legislation in the Transport Act 1962, paragraph 8(2A) of schedule 1, to lay details before the Scottish Parliament of appointments to the board of SC and changes in their remuneration, as soon as possible. SC is therefore required to provide the SG with accurate details (including dates) of any such changes.

**June 2013**

**SCOTTISH CANALS FRAMEWORK DOCUMENT: APPENDIX**  
**SPECIFIC DELEGATED FINANCIAL AUTHORITIES**

<b>Category</b>	<b>Topic</b>	<b>Delegated Limit</b>
Operational assets	Major projects	£250k
Non-operational assets	New JV	£0
	Existing JV, new project	£0
	Existing JV, existing project	£250k
	Non JV projects (excl. novel/contentious proposals)	£3m
Other	** Scottish Waterways Trust	£500k per annum
	Leases	£500k per annum
	Write-off of bad debt	£250k
	Claims waived or abandoned	£250k
	Special Payments	£250k
	External management consultancies	£100k
	Single-tender contracts	£10k
	Gifts	£500

\*\* SC provides grant funding to the Scottish Waterways Trust which is the main channel for attracting voluntary income to benefit the canals.

Further copies of this document are available, on request, in audio and large print formats and in community languages (Urdu; Bengali; Gaelic; Hindi; Punjabi; Cantonese; Arabic; Polish).

اس دستاویز کی مزید کاپیاں آڈیو کیسٹ پر اور بڑے حروف کی چھپائی میں اور کیوئی کی زبانوں میں طلب کیے جانے پر دستیاب ہیں، برائے مہربانی اس پتے پر رابطہ کریں:

এই ডকুমেন্ট-এর (দলিল) অতিরিক্ত কপি, অডিও এবং বড়ো ছাপার আকারে এবং সম্প্রদায়ের ভাষায় অনুরোধের মাধ্যমে পাওয়া যাবে, অনুগ্রহ করে যোগাযোগ করুন:

Gheibhear lethbhreacan a bharrachd ann an cruth ris an èistear, ann an clò mòr agus ann an cànan coimhearsnachd. Cuir fios gu:

इस दस्तावेज़/कागजात की और प्रतियाँ, माँगे जाने पर, ऑडियो टैप पर और बड़े अक्षरों में तथा कम्प्यूनिटी भाषाओं में मिल सकती हैं, कृपया संपर्क करें:

ਇਸ ਦਸਤਾਵੇਜ਼/ਕਾਗਜ਼ਾਤ ਦੀਆਂ ਹੋਰ ਕਾਪੀਆਂ, ਮੰਗੇ ਜਾਣ 'ਤੇ, ਆੱਡਿਓ ਟੇਪ ਉੱਪਰ ਅਤੇ ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਕੰਮਿਊਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ:

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