



**TRANSPORT
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Scottish Canals Framework Document

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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 the body 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 three years.
2. 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.
3. Scottish Canals is the operating name for the British Waterways Board and 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. References to SG include Transport Scotland (TS) as an Executive Agency of the Scottish Government.
4. Copies of the document shall be placed in the Scottish Parliament Information Centre. It shall also be published on the TS and SC websites.

Purpose

5. As a public body within the Scottish public sector, 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. SC is responsible for 140 miles of canals in Scotland: the Forth and Clyde, Union and Monkland Canals in the Lowlands, the Crinan Canal in Argyll and the Caledonian Canal in the Highlands.
6. SC's major statutory duties are contained in the Transport Acts 1962 and 1968, and the British Waterways Acts 1971, 1975 and 1995. SC is required to provide services and facilities on the inland waterways and port facilities managed by them with due regard to efficiency, economy and safety (Transport Act 1962, s10). SC also has a duty to act as if it "were a company engaged in a commercial enterprise" in certain cases (Transport Act 1968, s134). SC are responsible for 21 'large raised reservoirs' which come within the scope of the Reservoirs (Scotland) Act 2011. Scotland's canals are classed as scheduled monuments of national importance which are protected by the requirements of the Ancient Monuments and Archaeological Areas Act 1979.
7. SG's long term aspirations for Scotland's canals, as agreed by the Scottish Ministers, are summarised in a paper published by the SG in 2013 entitled "Making the Most of Scotland's Canals". In particular Scottish Ministers wish to encourage the

full and sustainable development of the canals in a way that impacts positively across the widest possible range of people.

8. The SG also encourages SC, in so far as the organisation has particular experience, skills and insights to offer, to actively contribute to wider SG public service reform and Scottish Ministers priorities in line with its current Corporate Plan 2017 - 2020.

Relationship between the Scottish Government and Scottish Canals

9. 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 a fully collaborative manner.

10. In particular, and recognising the cross-cutting nature of significant elements within SC's work, the SG will ensure that SC is supported strategically across all relevant directorates as may be appropriate to make sure that Ministerial aspirations for Scotland's canals are fully realised.

Governance and accountability

11. SC is a public body. Its board is appointed by and is accountable to Scottish Ministers.

12. The Chief Executive of SC reports to the board, and is the designated Accountable Officer for the organisation.

Legal origins of powers and duties

13. The British Waterways Board (BWB) was established by the Transport Act 1962 to manage and maintain the inland waterways, and certain docks, originally nationalised under the Transport Act 1948 and managed by the British Transport Commission. As a consequence of the Scotland Act 1998, legislative competence regarding inland waterways in Scotland was devolved to the Scottish Parliament.

14. In 2012, BWB, operating as SC, became a public body in the Scottish public sector, wholly accountable to Scottish Ministers. This followed the transfer of the functions and assets in England to a new charity, Canal and River Trust.

Ministerial responsibilities

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

- agreeing 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
- carrying out responsibilities specified in the Transport Acts of 1962 and 1968 such as appointments to SC's board, and approving the terms and conditions of board members, issuing relevant directions and
- other matters such as approving SC's pay remit and laying the accounts (together with the annual report) before the Scottish Parliament

Scottish Canals Board responsibilities

16. The SC board, consisting of the Chair, Vice Chair and between one and four other members (with a quorum of three required for a meeting), is appointed by Scottish Ministers following good practice in line with the Code of Practice for Ministerial Appointments in Scotland. The Chief Executive has also been appointed to the Board by Scottish Ministers in their executive role. The role of the board is to provide leadership, direction, support and guidance to ensure that SC delivers and is committed to delivering its functions effectively and efficiently in accordance with the aims, policies and priorities of the Scottish Ministers. It has corporate responsibility, under the leadership of the Chair, for the following:

- taking forward the strategic aims and objectives for SC 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 and performance of SC and is informed in a timely manner about any concerns regarding the activities of SC
- approving the annual accounts and ensuring Scottish Ministers are provided with the annual report and accounts to be laid before the Scottish Parliament. The Chief Executive as the Accountable Officer of the public body is responsible for signing the accounts and ultimately responsible to the Scottish Parliament for their actions
- appointing, with the approval of the Scottish Ministers, the SC Chief Executive and, in consultation with the SG, setting appropriate performance objectives and remuneration terms linked to these objectives which give due weight to the proper management 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

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

18. 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, in accordance with recognised good practice in corporate governance, is diverse both in terms of relevant skills, experience and knowledge appropriate to directing the business, and in terms of protected characteristics under the Equality Act
- the board members are fully briefed on terms of appointment, duties, rights and responsibilities
- he/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 and
- there is a code of conduct for board members in place, approved by the Scottish Ministers

19. 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

20. Individual board 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 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'.

Scottish Canals Chief Executive responsibilities

21. The Chief Executive of SC is employed and appointed by the board with the approval of the Scottish Ministers. 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, to ensure that the board's aims and objectives are met, and that 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 - A guide for Board Members of Public Bodies in Scotland'. Specific responsibilities to the board 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 SG's Programme and Project Management (PPM) 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. Risk management arrangements should include full consideration of organisational resilience to physical, personnel and cyber risks/threats/hazards
- 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 consistent with the Delegated Authority section of the SPFM
- advising the board on the performance of SC compared with its aims and objectives
- preparing SC's corporate and business plans, in 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 under spends are likely and that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the SG in a timely fashion

Scottish Canals Accountable Officer responsibilities

22. 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 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 inconsistent with the proper performance of the Accountable Officer functions and
- ensuring staff pay proposals are in line with SG Pay Policy and submitted in time and the necessary approvals obtained prior to implementing any annual award

23. 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.

Transport Scotland Accountable Officer responsibilities

24. The Principal Accountable Officer for the Scottish Administration will designate the Chief Executive of Transport Scotland (TS) as the Accountable Officer for Transport Scotland. This designation will cover any grant in aid paid to SC. Withdrawal of the Accountable Officer designation would also be a matter for the Principal Accountable Officer. The responsibilities of the TS Accountable Officer are set out in detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration. He/she is personally answerable to the Scottish Parliament for ensuring that:

- the financial and other management controls applied by the SG are appropriate and sufficient to safeguard public funds and, more generally that those being applied by SC conform to the requirements both of propriety and of good financial management
- the key roles and responsibilities which underpin the relationship between the SG and SC are set out in a framework document - and that this document is regularly reviewed
- effective relationships are in place at Director and Deputy-Director level between the SG and SC in accordance with the strategic engagement principles and
- there is effective continuous assessment and appraisal of the performance of the Chair of SC, in line with the requirements of the Code of Practice for Ministerial Public Appointments in Scotland

Scottish Government Director and Deputy Director

25. The Director for Aviation, Maritime, Freight and Canals and the Head of Ports, Shipping, Freight and Canals have responsibility for overseeing and ensuring effective relationships between the SG and SC which support alignment of SC's business to the SG's Purpose and National Outcomes, and high performance by SC. They will work closely with the SC Chief Executive and be answerable to the TS Chief Executive for maintaining and developing positive relationships with SC characterised by openness, trust, respect and mutual support. They will be supported by a sponsor unit in discharging these functions. The Director shall be responsible for assessing the performance of the SC Chair, at least annually.

Sponsor unit responsibilities

26. The SG sponsor unit for SC is the Ports, Shipping, Freight and Canals branch within TS. It is the normal point of contact for SC in dealing with the SG. The branch, under the direction of the Deputy Director, 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 TS Accountable Officer on his/her behalf. Specific responsibilities include:

- discharging sponsorship responsibilities in line with the principles and framework set out in relevant SG guidance, and ensuring that sponsorship is suitably flexible, proportionate and responsive to the needs of the Scottish Ministers and SC
- ensuring that appointments to the SC board are made timeously and, follow good practice in line with 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 TS 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

27. SC shall:

- establish and maintain arrangements for internal audit in accordance with the Public Sector Internal Audit Standards and the Internal Audit sections of the SPFM
- set up an audit and risk committee of its board, in accordance with the Audit Committee section of the SPFM, to advise both the board and the Chief Executive in his/her capacity as SC's Accountable Officer
- forward timeously to the SG the audit charter, strategy, periodic audit plans and annual audit assurance report, including the SC Head of Internal Audit opinion on risk management, control and governance and other relevant reports as requested and
- keep records of, and prepare and forward timeously 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

28. The SG's Directorate for Internal Audit has a right of access to all documents held by the SC internal auditor, including where the service is contracted out. The SG has a right of access to all SC records and personnel for any purpose.

External audit

29. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, SC's annual accounts and passes them to 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.

30. 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

31. 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 the control of SC. It should comply with the Government Financial Reporting Manual (FReM) and outline SC's main activities and performance against agreed objectives and targets for the previous financial year.

32. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) 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 accounts 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 International Financial Reporting Standards as adapted and interpreted for the public sector context.

33. The draft report should be submitted to the SG for comment, and the draft accounts for information, by 30 June. The final version should be available for laying before the Scottish Parliament by the Scottish Ministers by 31 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 as early as possible. 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 e.g. on SC's website.

Management responsibilities

Corporate and business plans

34. SC must ensure that a corporate plan, agreed with the Scottish Ministers, is in place and published on SC's website. The plan should normally be reviewed and if necessary revised at least every three years in the light of evolving SG priorities, including availability of grant in aid support to SC. 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), and with the SG's priorities for public service reform. The corporate plan for SC should include:

- the purpose and principal aims of SC
- an analysis of the environment in 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
- details of SC's strategy for ensuring the long term sustainability of its services, including any priorities for "preventative spend"
- details of SC's strategy for maximising the sustainable productivity of public assets for which it is responsible
- details of SC's strategy for contributing in other areas of public service reform where it has a particular contribution to make and
- other matters as agreed between the SG and SC

35. 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 unit prior to the start of the relevant financial year.

Budget management

36. Each year, in the light of decisions by the Scottish Ministers on the allocation of budgets for the forthcoming financial year, the SG will send to SC by 1 March a formal statement of its grant in aid provision, split between resource and capital grant in aid. Any proposal to transfer between the resource and capital budget allocation must be submitted to the sponsor unit for approval by SG Finance. There will be appropriate in-year budget monitoring dialogue between SG and SC to support Transport Scotland and SG processes.

37. SC's business model includes an intention to generate trading surpluses in some years in order to meet future investment and/or expenditure needs. If the trading and other resource income - or the net book value of disposals of non-current assets – realised in year is less than included in the most up to date agreed budget SC shall normally, unless otherwise agreed with the SG, ensure a corresponding reduction in its gross expenditure. If income realised in year is **more** than included in the most up to date agreed budgets SC shall normally, with the agreement of the SG, use any excess to fund additional in year expenditure or retain it to meet future investment and/or expenditure needs.

Cash management

38. Any grant in aid 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 spend profiles. Payment will not be made in advance of need, as determined by the level of planned expenditure. 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.

39. 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 and achieve capital growth.

Risk management

40. 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, consistent 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 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. In accordance with its duty to act as if it “were a company engaged in a commercial enterprise” in certain cases, 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.

Organisational security and resilience

41. As part of risk management arrangements, SC shall ensure that it has a clear understanding at board level of the key risks, threats and hazards it may face in the personnel, physical and cyber domains, and take action to ensure appropriate organisational resilience to those risks/threats/hazards. SC should have particular regard to the following key sources of information to help guide its approach:

- Having and Promoting Business Resilience (part of the Preparing Scotland suite of guidance)^[1]

^[1] <http://www.gov.scot/Resource/0043/00439483.pdf>

- The Scottish Public Sector Action Plan on Cyber Resilience^[2]

Fraud management

42. SC should adopt and implement policies and practices to safeguard 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

43. 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 SC board 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 Scottish Minister shall meet the SC Chair at least once a year.

Staff management

Broad responsibilities for SC staff

44. SC will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:
- HR policies, practices and systems comply with employment and equalities legislation, and 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

^[2] <https://beta.gov.scot/publications/cyber-resilience-strategy-scotland-public-sector-action-plan-2017-18/>

- 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 five of Public Bodies: A Guide for Departments

Pay and conditions of service

45. 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 Reward 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

46. Superannuation arrangements for SC staff are subject to the approval of the SG. SC staff shall normally be eligible for a pension, provided by the Local Government Pension Scheme or the defined contribution scheme provided by SC, depending on the date when their employment with SC (or the BWB) commenced. Staff may opt out of the occupational pension scheme provided by SC, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

47. Any proposal by SC to move from existing 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 severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, SC should engage with the SG prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

Asset and property management

48. SC shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the Management of Assets section of the SPFM. "Fixed" assets should be disposed of in accordance with the Disposal of Property, Plant and Equipment section of the SPFM. Any proposal to acquire land, buildings or other rights in property should comply with the Acquisition of Property section of the

SPFM. SC is responsible for the management of its estate in accordance with its objectives to achieve agreed policy aims and plan targets.

49. Before negotiating a joint venture (JV) SC should ensure:

- the choice of partner is subject to open competition in accordance with EU procurement rules
- in respect of any SC assets provided to the JV, the option of outright disposal is kept open to be considered
- the nature and purpose of the JV are consistent with SC's powers and objectives
- adequate safeguards for SC are available, such as an ability to sell or assign SC's interest if necessary and
- the express approval of the SG has been obtained

Specific financial provisions

50. SC is a public body, and the long term sustainability of its business model is based on a requirement to generate operating surpluses for reinvestment in SC assets, including assets likely to produce a trading income for the organisation. Under the terms of the Transport Act 1968, SC is required to act "as if it were a company engaged in a commercial enterprise" in certain cases. In effect this should act to prevent SC causing distortion in any commercial market within which it is operating.

Delegated authorities

51. SC's specific delegated financial authorities - as agreed in consultation between SC and the SG - are set out in the attached appendix. 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

52. SC shall seek to optimise income - grant in aid does not qualify as income - from all sources, 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 and Charges section of the SPFM.

53. 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. and what happened to them.

Financial investments

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

Borrowing

55. 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 and Investment section of the SPFM.

Lease arrangements

56. Unless covered by a specific delegated authority 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 of 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

57. 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

58. Any lending by SC must adhere to the guidance in the Borrowing, Lending and 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

59. 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

60. SC will require commercial insurance where there is a legal requirement to do so and may also take out insurance in compliance with the Insurance section of the SPFM. The SC policy on Insurance will be reviewed on a periodic basis by the SC Audit and Risk Committee. 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

61. 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 Finance, Economy and Fair Work and the Cabinet Secretary for Transport Infrastructure and Connectivity.

62. 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 plans must be reported to the SG's Information Services Investment Board.

63. SC shall pay all matured and properly authorised invoices relating to transactions with suppliers in accordance with the Expenditures 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 ten working days of their receipt.

Gifts made, special payments and losses

64. 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

65. 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.

State aid

66. State aid is a European Commission term which refers to forms of public assistance, given to undertakings on a discretionary basis, which has the potential to distort competition and affect trade between Member States of the European Union. Any activity that SC undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services is subject to state aid rules. A state aid assessment is therefore required prior to disbursing any funding and would be subject to the guidance in the state aid section of the SPFM.

Board expenses

67. 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. 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.

Appendix

Specific delegated financial authorities

Category	Topic	Delegated Limit
Operational assets		£500k
Non- Operational assets	New JV	Nil
	Existing JV, new project	Nil
	Existing JV, existing project	£250k
	Non JV projects (excl. novel/contentious)	£3M
Other	Max annual grant to Scottish Waterways Trust	£500k
	New leases – annual cost	£500k
	Write-off of bad debt or losses	£250k
	Claims waived or abandoned	£250k
	Special payments	£250k
	External management consultancies	£100k
	Single tender contracts	£10k
	Gifts	£500



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