

## BOARD MEETING

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Minutes of a meeting of the British Waterways Board (the **Board**) held at The Jury's Inn Hotel, 245 Broad Street, Birmingham B1 2HQ on Wednesday 21 September 2011 at 2.00pm

### PRESENT:

Mr T Hales	Chairman
Mr J Bridgeman	
Mr J Bywater	
Mr R Green	
Dr J Hargreaves	
Mr N Hugill	
Mr P Sarwal	
Mr D Sutherland	

### IN ATTENDANCE:

Mr R Evans	Chief Executive
Mr S Dunlop	Director Scotland
Mr N Johnson	Corporate Services Director & Secretary to the Board
Mr S Mills	Property and Enterprise Director
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing Director
Mr J Stirling	Technical Director

Ms L Berry	Transition Trustee, as an observer
Ms J Cotton	Transition Trustee, as an observer
Mr J Dodwell	Transition Trustee, as an observer
Mr T Franklin	Transition Trustee, as an observer
Mr S Thurley	Transition Trustee, as an observer

Mr A Gordon	Member of BW Scotland Group, as an observer
Mr C Henderson	Inland Waterways Association, as an observer
Mr M Devin	Prism Cosec, Secretary of the Meeting

### INTRODUCTION

11/125 The Chairman welcomed everyone to the meeting.

### DECLARATION OF INTERESTS IN MATTERS ON THE AGENDA

11/126 Mr Sarwal declared in his interest in the POLP loan.

### MINUTES OF THE PREVIOUS MEETING

11/127 The minutes of the meeting of the Board held on 21 July 2011 were approved.

### MATTERS ARISING

Health and safety (minute 11/101)

11/128 Mr Moran would report at the next Board meeting his assessment as to whether additional safety signage was required at Pontcysyllte.

VM

Waterway Ombudsman Scheme (minute 11/111)

11/129 It was noted that the Board would receive a report from the Chief Executive in due course.

RE

Disaggregation Committee (minute 11/110)

11/130 Following its report to the Audit Committee meeting on 14 September, Mr Hugill, Chairman of the Audit Committee, recommended that the Board adopt the proposals of the Disaggregation Committee, which were summarised by Mr Sarwal as follows:

1. BW Scotland's balance sheet as at the date of separation would have a net worth of £30m; and
2. BW England & Wales would retain the rest of the BW balance sheet and assume responsibility for the whole of past service pension liabilities up to a level of £65m as per the last actuarial valuation.

Since the Audit Committee meeting, the apportionment of utility income in respect of the BskyB contract had also been agreed.

The Board, after due consideration, resolved to adopt the Audit Committee's recommendations.

In the light of the Board's approval, Mr Sarwal did not envisage convening any further meetings of the Disaggregation Committee save for reviewing the heads of terms of the agreed settlement as and when this becomes available and meeting to consider any ad hoc issues as these arise. The next step would be for the draft memorandum of understanding to be considered by the Inter Government Working Party.

On behalf of the Audit Committee, the Chairman thanked Mr Sarwal and members of the Disaggregation Committee and the staff who had supported its work.

**CHIEF EXECUTIVE'S REPORT (BWB 3428)**

11/131 **Health & Safety Report:** The health and safety report was taken as read.

11/132 **Inland Waterways Advisory Council ('IWAC'):** The Board considered and, after due consideration, endorsed a recommendation to support the Government's proposal to abolish the IWAC.

11/133 **HR Activity Report, July to September 2011:** The decision to make performance-related payments under the existing scheme to some 200plus employees had not been well received with regard to the payments (albeit reduced in accordance with government guidelines) to executive directors. A meeting with the relevant trades unions had been arranged to discuss remuneration policy issues. In the meantime, it was noted that the transition trustees would be meeting on Thursday 22 September to consider future remuneration policy in time for the AGM in October.

11/134 **NWC Transition:** Mr Evans updated the Board. Funding negotiations would begin on 3 October with a view to concluding these by the first week

in November.

- 11/135 **Waterways Ombudsman’s Annual Report:** Mr Bridgeman recommended that past reports of the Waterways Ombudsman should be reviewed with a view to ensuring that best practice on the waterways is noted and adopted where deemed appropriate. Mr Johnson commented that lessons from adverse judgements were embedded in the culture and processes of BW. Nevertheless, Mr Evans said that he would arrange for a review to be carried out.

RE

#### **FINANCE DIRECTOR’S REPORT (BWB 3429)**

- 11/136 **Cashflow:** Mr Ridal reported that the trading account cash balance was tracking to plan and expected this to remain in line with the profit and loss forecast.
- 11/137 [Confidential material exempt from disclosure under s43 Freedom of Information Act 2000 removed]
- 11/138 [Confidential material exempt from disclosure under s43 Freedom of Information Act 2000 removed]
- 11/139 **KPIs:** The schedule of KPIs was reviewed and its contents noted.
- 11/140 **Pension Fund Deficit:** Mr Ridal explained that the pension scheme deficit as at the date of the last actuarial valuation (March 2010) was £65m. Agreement had been reached with the Trustee to amortise the deficit over 20 years on the strength of the BW employer’s covenant which was perceived by the Pension Trustees as government backed. It was noted that that a covenant of this strength would not be available from NWC, although it would nevertheless still be very strong by corporate standards.

Discussions had been taking place with Defra with regard to the most effective means of managing the deficit reduction. A potential solution was the setting-up of a Pension Funding Partnership (PFP) which Mr Ridal proceeded to outline.

A PFP involved the transfer of income-generating property assets into a Scottish limited partnership in which the pension fund would be a limited partner granted and NWC, as principal employer, would be the general partner. The partnership would have a life of 20 years. The assets of the partnership would available to the Pension Fund on its termination to the extent that any deficit remained. A fixed income yield would be paid to the Pension Fund in the meantime (in the stead of amortisation payments). Revenue in excess of that fixed yield to the Pension Fund would be paid to NWC. The interest of the Pension Fund in the PFP would count as assets of the Fund and on a technical provisions basis would eliminate, or near eliminate, the deficit.

With regard to implementation, Mr Ridal explained that, were the scheme to be adopted, this would be best done after the vesting date, 1 April 2012.

The Board debated the advantages and disadvantages of the scheme. It was noted that, at this stage, the Board was being asked only to comment on the key features of the proposed scheme and authorise Mr Ridal to explore the scheme in greater detail. This was agreed.

PR

## **SCOTLAND DIRECTOR'S REPORT (BWB 3430A)**

11/141 Mr Dunlop presented a paper and asked the Board to:

1. Approve the appointment of AMOR Group as the preferred supplier to manage the outsourced IT contract in Scotland; and
2. Authorise the Chief Executive, Scotland Director, Mr Hales and Dr Hargreaves (Chair Designate) to approve the signing of the contract with AMOR Group after due diligence has been carried out.

The issue of funding was unresolved. Negotiations between the respective governments was ongoing and was closely linked to the issue of disaggregation (minute 11/130 above refers). It was noted that, subject to assurances over specification, cost controls and project management, Defra was minded to fund the project.

The Board was aware of the criticality of this project, given the complexity of the project and the scope for time and cost overruns. For this reason, it was essential to secure the services of the preferred contractor as soon as possible.

After due consideration, the Board resolved to approve the Scottish Director's proposal, conditional upon a settlement between Defra and the Scottish Government on funding and there being no residual risks to the BW Board.

**RE/SD**

## **CORPORATE SERVICES REPORT (BWB 3430B)**

11/142 Mr Johnson supplemented his written report with an update on the progress of the Public Bodies Bill. The final meeting of the House of Commons Bill Committee ("the Committee") was scheduled to take place on Thursday 13 October. Debate on the provisions in the bill directly relevant to BW/NWC was timetabled for 11 or 13 October. The Transfer Order was on track to be laid before Parliament in the week beginning 5 December. The other critical path issue was the State aid application, which was due to be submitted by the beginning of October.

## **OPERATIONS REPORT (BWB 3430C)**

11/143 Mr Moran reported to the Board on plans to expend around £3m of additional funds during the remainder of the current financial year and plans were being made to ensure the most effective use of this money. To date, £500k had been committed to two reservoir projects whilst water levels remained low and preparatory work on 30 key maintenance/vegetation projects to ensure readiness for delivery during April-June 2012.

**VM**

11/144 Whilst noting that no closures had taken place on the waterways network during the recent dry spell, the risk going forward was of a dry winter.

11/145 The Board had been previously apprised of two significant issues on the Monmouthshire and Brecon Canal. First, infrastructure fragility and, second, ongoing water supplies. The significant development since Mr Moran last reported to the Board was that an approach was to be made to the Welsh Assembly for their direct support in obtaining water from Welsh Water to address the ongoing threat to the water supply to the canal with a view to securing its long-term sustainability.

**VM**

**PROPERTY (BWB 3430D)**

11/146 [Confidential material exempt from disclosure under s43 Freedom of Information Act 2000 removed]

11/147 [Confidential material exempt from disclosure under s43 Freedom of Information Act 2000 removed]

11/148 **Granary Wharf Maintenance Limited:** It was noted that, in connection with the investment in the remaining units at Granary Wharf, Leeds, the Board had approved by email in August the acquisition of 22% of the issued share capital of Granary Wharf Maintenance Limited ('GWML'). GWML is an estate management company responsible for the common parts on the Granary Wharf estate. The Board formally ratified the acquisition of this shareholding.

**SM**

**ENTERPRISE (BWB 3430E)**

11/149 **Manchester Bolton and Bury Canal:** Mr Mills reported that the Middlewood Locks canalside development had been acquired from administrators by Scarborough Manchester Developments Limited. [Confidential material exempt from disclosure under s43 Freedom of Information Act 2000 removed].

**MARKETING (BWB 3430F)**

11/150 **Licence Prices 2012/13:** Mr Salem's written report set out the rationale underpinning a proposal to increase licence prices by 6.4% for 2012/13. This represented an increase of 2% above July CPI as proposed in a paper to the Board in November 2010. This proposal was adopted by the Board. However, Mr Bridgeman stressed the importance of communicating effectively the reasons for the increase.

**SS**

11/151 **Merger with the Waterways Trust:** The Board noted the content of Mr Salem's progress report for September and agreed that work should continue to quantify and resolve the emerging issues.

**SS**

**GREEN PLAN (BWB 3431)**

11/152 The Board received the Finance Director's written report and noted and commented upon the information in the report, which explained the approach to sustainable development within BW, the development of the Green Plan and progress to date.

There were four principal areas to which efforts were being directed, namely, energy, resources (procurement), waste and environment/public benefit (setting environmental standards for the waterways and considering the public benefit of the waterways for customers). The BW Carbon Management Plan had been completed in March 2011, not March 2010 as stated in Mr Ridal's written report.

Ms Cotton encouraged the Green Plan Team, headed up by Mr Ridal, to consider the use of 'staff champions' and volunteers. Mr Bywater suggested that consideration be given to applying for accreditation by the Carbon Trust. Mr Ridal had considered this and agreed to include it on the agenda for the next team meeting.

**PR**

## **BOARD COMMITTEES**

- 11/153 **Audit Committee:** The minutes of the meeting of the Audit Committee held on 14 September 2011 had not been finalised and circulated. Mr Hugill therefore highlighted the principal areas of discussion at the meeting, including (i) the work of the Disaggregation Committee (minute 11/130 above refers); the dartboard risk analysis covering not only BWB but also the NWC and BWS; (iii) a presentation by Mr Comerford, Group Hydrology Manager, on the current water resource position and an overview of how BW manages the risk of insufficient water to maintain navigation; and (iv) an award by the Institute of Internal Auditors to Keith Labbett. Mr Hugill commented that Mr Comerford's presentation and the award to Mr Labbett underlined the strength of BW's management team.
- 11/154 **Remuneration Committee:** Mr Green commented on progress to date across a number of areas, chief amongst which was the workstream to formulate a remuneration policy for the NWC in time for the AGM.

## **DATE OF NEXT MEETING**

- 11/155 The next meeting of the Board would be held at 1:30pm on Wednesday 23 November 2011 (Paddington).

There being no further business the meeting concluded at 5.00pm.

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**Chairman**