

FOR PUBLICATION

Minutes Nos 04/34 to 04/59

BRITISH WATERWAYS BOARD

Minutes of the Board Meeting held at
The Wild Pheasant Hotel, Llangollen
on Thursday 25 March 2004 at 9.00am

PRESENT:

Dr G P Greener	(Chairman)
Ms S T Achmatowicz	
Dr C Christie	
Mr I M Darling	
Professor G Fleming	
Mrs H Gordon	
Dr D R Langslow	
Ms J A Lewis-Jones	
Ms A Malik	
Sir Peter Soulsby	
Mr T Tricker	

IN ATTENDANCE:

Mr R Evans	Chief Executive
Mr J Froomberg	Commercial Director
Mr N Johnson	Legal Director
Mr V Moran	Personnel Director
Mr S Salem	Marketing & Communications Director
Mr S Sim	Technical Director
Mr M Smith	Finance Director
Mr D Cochrane	Managing Director Northern Waterways
Mr C J Howells	Assistant Secretary

APPRECIATION

The Chairman thanked Mr Cochrane and his team for the arrangements for the Board Visit and Dinner the previous day. There had been a productive discussion and useful contacts had been made.

MINUTES

The Minutes of the Meeting of the Board on 29 January 2004 were confirmed and signed subject to the following amendment:

Minute 04/32, 1st and 4th lines, after DEFRA insert "and Scottish Executive".

MATTERS ARISING

Caledonian Canal Commercial Operators (Minute 04/01)

- 04/34 The Chief Executive advised that contrary to his previous understanding of the position he had received reports that the Chairman of the Association of Pleasure Craft Operators, intended to represent the hotel operators in opposing the new charging system. He was seeking further clarification about this. He confirmed that BW would implement the new charging system from 1st April as previously announced. Also that a robust process, which was fully documented, had led up to this decision.

Non-Executive Directors' Remuneration (Minute 04/05)

- 04/35 The Personnel Director advised that there had been no progress on this matter since his report to the last Board Meeting. He was pressing for any early meeting with DEFRA officials.

Government Funding (Minute 04/09)

- 04/36 The Chief Executive reported that he had not received a satisfactory response from DEFRA on the rationale for the £2.5m cut in BW's grant in 2004/05. This had followed the £90m shortfall in DEFRA's budget caused by the Farm Cattle [30 months] Scheme. All he had been given was a list of DEFRA sponsored organisations and the quantum of the cut in each case. Nor had he been given information on how much of the £90m DEFRA had absorbed itself. On the basis of this limited response, however, it appeared that the cut had been applied across DEFRA organisations piecemeal with no account taken of merit.

The Board agreed for the reasons given at the previous meeting, particularly that DEFRA had seen BW as a good investment, that it was justified in seeking a fuller explanation. The Chairman and Chief Executive would consider the appropriate approach including raising the issue with the Waterways Minister and with officials when they next meet.

The Chairman, referring to the dinner with Ministers in Autumn 2003, reported that Government business had meant it had been necessary to re-arrange scheduled meetings with the Education Secretary and the PPS to the Chancellor of the Exchequer but it was hoped these would take place shortly.

Moorings – Prompt Payment Discount (Minute 04/16)

- 04/37 The Commercial Director advised that BW Marinas Limited was refining its approach to the withdrawal of the 10% prompt payment discount. It was now considering phasing this over 2 years and there might be differences between the marinas.

Mr Froemberg assured the Board that the approach was acceptable including in terms of the protocol and that this could be readily demonstrated. He would advise the Chief Executive further on the detail.

Operational Projects – Sustainability (Minute 04/17)

- 04/38 Professor Fleming reported that he had discussed further with the Technical Director the measuring and reporting of the sustainability element of projects and welcomed the progress being made. This involved a sustainability register for each project. This would lead in time to the preparation of spreadsheets allowing year-on-year comparisons of savings e.g. in the carriage of aggregates, re-cycled materials used. In addition to capturing progress made, this would inform future Board debates on environmental policy and sustainability. The Board welcomed the update and looked forward to receiving these reports.

Health & Safety in BW (Minute 04/18)

- 04/39 The Technical Director confirmed that he had circulated details of the Question and Answer session with the BW Safety Adviser, Mr Evans, which Board Members were invited to attend. Mr Sim also confirmed that the date for BW's National Safety Conference would be issued shortly.

BP Grangemouth (Minute 04/23)

- 04/40 The Chief Executive reported on progress in pursuing BW's concerns about the BP/Scottish Water contract at Grangemouth as agreed at the last meeting. An approach was about to be made to the Office of Fair Trading with advice from economic consultants. The agreed approach to the Scottish Executive Minister had not yet taken place but it remained the intention to do this. Dr Christie recommended that clarification of the views of Scottish Executive officials be sought also.

The Chairman advised that Board Members would be kept informed and he would remain in close touch with Members in Scotland.

Proposal for Captive Re-Insurance Company (Minute 04/27)

- 04/41 It was reported that arrangements to form the captive insurance company were nearly complete. Once Government approval was confirmed, it could commence trading. This would probably be a month later than originally expected with existing policies extended for that period (i.e. to end April).

BW Monthly (Minute 04/28)

- 04/42 The Board agreed that the emphasis of articles featuring Members in BW Monthly should be their integral part in the work of BW and the relevance of this to all employees.

CHIEF EXECUTIVE'S REPORT & FINANCIAL REVIEW

- 04/43 The Board noted BWB 3127.

3-Year Plan 2004/05 to 2006/07

- 04/44 The Chief Executive introduced the 3-Year Plan with a presentation of its principal themes. He stressed that this was now fully joined up and driven by the 10-Year Strategy, which in turn is derived from

Government Policy. He invited discussion and endorsement of the plan.

The Board turned first to a schedule of suggested performance indicators that had been prepared for discussion. The objective of this was to create a corporate dashboard to report on performance critical to the delivery of the strategy. The Chief Executive invited comments on the suitability of the potential dashboard indicators.

In addition to Board Members' detailed comments, the following overarching issues and concerns were identified:

- (i) under the heading of "visitors" Board members expressed particular interest in the definition and measurement of customer satisfaction. The value of outcomes depended on the quality of the questions asked. There was a need for precision, including across groups of customers, with this feeding back to segmentation and brand awareness. This precision applied equally to establishing why people did not visit (e.g. the slow progress in attracting ethnic minority communities to the waterways.)

The Executive advised that a paper was being prepared for the next Board Meeting on customer market research and it would concentrate on these issues in the broadest sense with opportunity for a full debate;

- (ii) under "Our People" the Chairman pointed to the contribution of good corporate governance and to the current and proposed work of the Remuneration and Nominations Committees, particularly succession planning. Ms Malik reiterated her previous undertaking to help with BW workshops to take forward its policy on diversity;
- (iii) "Investment" was about more than acquisitions and disposals; it provided a dowry giving a long-term income. Ways had to be found of dealing with the unevenness of these types of income;
- (iv) numbers of licences and moorings were not considered adequate performance indicators for "Boating". A measure was needed of comparative waterway performance with a feel of problems and opportunities;
- (v) "self-sufficiency" was defined by the Executive in cost terms and was as such "efficiency". "Efficiency" should be a dashboard heading but with further consideration of the most appropriate indicators;

"Self-sufficiency" as a dashboard heading would be considered further under para. 6 of the Chief Executive's Report.

- (vi) it was felt “environment and heritage” should feature in the list of headings and account should be taken of the “wider societal” benefits of BW work.

The Executive acknowledged that the areas and indicators would need to be reviewed further to ensure consistency and relevance. Further, it was accepted that there were too many headings. Revised proposals would follow in correspondence, or with the Board Minutes, for further comment and subsequent incorporation in the Plan. This would be recognised as “Work in Progress” that would be taken up again when the Board reviewed the Strategy Plan later in the year.

The Board accepted that the dashboard approach was for use inside BW and was designed for this purpose. However, external audiences, notably Government, might have an interest. The Board reviewed the degree to which Government could or should be integrated into this approach. This was felt to touch on fundamental issues of the relationship of BW with Government e.g. BW’s duty to run the business, DEFRA as shareholder. The End-to-End Review was an early opportunity to explore these issues further.

The Board then considered the detail of the 3-Year Plan.

Particular attention was given to the Section of the Plan on Sustainable Development and to the corresponding section in “Our Plan for the Future” on Corporate Social Responsibility (CSR). The Executive had accepted that the suggested approach was unsatisfactory and inconsistent. Details of a proposed new format for incorporation in each document were tabled. This again would be the subject of further refinement in the light of Board Members’ comments. The objective was to achieve an effective linkage of BW’s principal areas of work and CSR.

Professor Fleming highlighted BW’s Environmental Code of Practice and was disappointed that there was no linkage of its review outcomes with the 3-Year Plan section on Environment and Heritage. The Chief Executive acknowledged that account should have been taken of this valuable working document which he added was being updated.

It was noted that plans were in hand for another CSR workshop, which would include Members of the Board. It was agreed this would be the opportunity to grasp the issues and achieve a meaningful and consistent approach.

Subject to the revisions to the section on sustainable development and the incorporation of a number of detailed points agreed in the Board’s discussion, the 3-Year Plan was endorsed as an excellent piece of work with a good balance between challenge and achievability.

Self-Sufficiency

04/45

Dr Christie commented on the explanation of what was meant by “largely self-sufficient” as included in the Chief Executive’s report. This had been provided at the Board’s request following the

discussion on the vision statement at the last meeting. He expressed concern that the emphasis on BW being able in time to fund essential work from its own income leaving Government to fund desirable or optional elements might lead to the conclusion that Government could walk away from its responsibilities for a national asset.

Responding, Mr Evans distinguished between public ownership and public funding; the Waterways will always be a public asset but this did not mean BW should not seek to obtain the necessary funding from all possible sources to reduce the pressure on the public purse. Whilst there might be a question of the most appropriate terminology “self-sufficient” conveyed a clear meaning and a basis for planning to people in BW.

The Board agreed that the topic raised fundamental issues of principle that would require further considered debate. Central to these was the nature of BW’s relationship with Government, which had been discussed earlier in considering the 3-Year Plan. Also, what was meant by “essential” works as opposed to “desirable” and “optional” works needed to be clarified.

[Mr Christie left the meeting for a previously arranged engagement].

It was agreed a further discussion would be arranged.

BW Announcement of 15 March 2004

04/46 The Chief Executive referred to the announcement of 140 proposed redundancies following the Executive’s January Business Plan Review. Board Members had been fully advised of this. Meetings had been held by Managers across BW when the announcement was made.

Dr Langslow advised that he had asked the Head of Audit to undertake a preliminary review of the risks and was re-assured by the outcome.

OPERATIONAL PROJECTS [BWB 3125]

04/47 The following project was approved:

- **River Lee - Sustainable Communities Programme Project £1.055m gross/£0 net**

On the following project, which had been agreed previously [Minute 03/134]:

- **Forth & Clyde – Glasgow Branch Port Dundas Re-connection £5.65m.** The Board agreed to proceed on the basis of the appointment of the proposed joint management team and the sharing of risk between Glasgow City Council, ISIS and BW.

The following projects which had been agreed by the Executive Directors were noted:

- **Grand Union Canal, Lock 73, Hunton Bridge, Watford £375k (Backlog)**

- **North Oxford Canal Stretton Embankment £289k (Backlog)**
- **Oxford Canal Weir Repairs £311k (Backlog)**
- **Calder & Hebble Crowthorne Bridge Embankment Work £260k (Arrears)**
- **River Lee Limehouse Cut £280k (Arrears)**
- **Leeds & Liverpool Canal Rufford Branch Dredging £400k (Arrears)**
- **Caledonian Canal Clachnaharry Sea Lock and Dochgarroch Locks £315k (Arrears)**
- **River Weaver – Phase 1 Vale Royal Locks £478k**
- **Leeds & Liverpool Liverpool Link Project Development Work £393k**
- **Aire & Calder Navigation - Hunslet Trading Estate £758k Gross/£50k net**
- **Foxton Locks Renovation of Top Lock Cottage, Landscape Works, Geo-technical Investigation £375k gross/£75k net**
- **Forth & Clyde Canal Auchinstarry £355k**

[Professor Fleming declared an interest in the Forth & Clyde – Port Dundas project as a Director of EnviroCentre (University of Strathclyde)].

It was agreed that future project reports should include a brief note of the planned scheduling of the works.

THE WATERWAYS TRUST

04/48 The Board noted BWB 3129.

The Chief Executive advised that the final details of the new contract with the Trust had been agreed and this would be signed off in a few days.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

04/49 The Board noted BWB 3128.

The Board welcomed the incorporation of a table showing reportable accidents by location in BW. The Chief Executive did not feel that the relatively poor performance of the Yorkshire Waterway in terms of accidents and answering customer complaints (the latter reported in the Chief Executive's briefing paper) pointed to any underlying issues.

**OUR PLAN FOR THE FUTURE
ANNUAL REPORT & ACCOUNTS 2003-04 [BWB 3126]**

04/50 The Board noted the content of our Plan for the Future 2004-2008 and that changes would be made to the CSR section [Page 11] arising from the previous discussion on the 3-Year Plan. When these were drawn up, the Board would see and approve them. It was also noted that an acknowledgement would be added to Regional Assemblies under Partnerships. The Chairman, Chief Executive and Marketing & Communications Director were authorised to make the final changes necessary to publish it, subject to the agreement of the Board on Page 11.

The Board welcomed the Plan as a succinct and remarkably open document full of relevant information and challenging targets.

The Board endorsed the proposals for publishing the Strategic Business Plan from 2005 onwards.

The Board noted the arrangements for completing the Annual Report & Accounts 2003/04.

COMMERCIAL UPDATE & COMMERCIAL PROJECTS
(BWB 3124)

Progress on Waterside Pub Partnership

04/51

[Text excluded for reasons of commercial confidentiality].

Update on BW Masts Business

04/52 The Board endorsed the appointment of New Edge Telecommunications as BW's new mast partner on the basis set out in the memorandum.

Projects

04/53 The Board approved the following project:

· [Text excluded for reasons of commercial confidentiality].

City Road Basin

04/54 [Text excluded for reasons of commercial confidentiality].

MONTGOMERY CANAL MANAGEMENT PLAN

04/55 The Board welcomed the management plan, which it had considered during the Board Visit the previous afternoon.

CORPORATE GOVERNANCE UPDATE

04/56 The Board considered BWB 3130 and:

- (i) approved the revised/new terms of reference of the Remuneration Committee and of the Nominations Committee (subject to a change of Clause 1.1 of the latter to read "at least 2 other Board Members";
- (ii) agreed the appointment of G. Greener, P. Soulsby, C. Christie, D. Langslow and J. Lewis-Jones as the Members of the Nominations Committee;
- (iii) agreed the appointment of J. Lewis-Jones to the Remuneration Committee in place of G. Greener and of S. Achmatowicz to the Audit Committee in place of P. Soulsby;
- (iv) approved the Statement of Reserved Matters and of High Level Delegation (Revised Annex 3 which was tabled);
- (v) approved the Statement of Division of Responsibility between the Chairman and the Chief Executive.

It was noted this information would be incorporated into a manual for Board Members.

AUDIT COMMITTEE MEETING – 21 JANUARY 2004

04/57 The Board noted the Minutes of the Audit Committee held on 21 January 2004.

REMUNERATION COMMITTEE MEETING – 10 FEBRUARY 2004

04/58 The Board noted the Minutes of the Remuneration Committee held on 10 February 2004.

SEAL REGISTER

04/59 The Seal Register showing that document numbers 17,242 to 17,342 had been sealed since the last meeting of the Board was received.

DATE OF NEXT MEETING

3 June 2004