

[These Minutes were agreed by the Board at its meeting on 28 July 2005]

FOR PUBLICATION

Minute Nos. 05/61 to 05/80

BRITISH WATERWAYS BOARD

Minutes of the Board Meeting held
at the Hilton Hotel, Glasgow
on Thursday 9 June 2005 at 9.00am

PRESENT:

Dr G P Greener Chairman
Ms S Achmatowicz
Mr R Bowker
Dr C Christie
Mr I M Darling
Professor G Fleming
Mrs H Gordon
Dr D R Langslow
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 & Customer Service Director
Mr S A Sim Technical Director
Mr J Stirling Director Scotland
Ms Sally Roberts Acting Finance Director

Mr C J Howells Assistant Secretary

The Board welcomed Ms Roberts to her first meeting as Acting Finance Director.

MINUTES

The Minutes of the Board Meetings on 16 and 17 March 2005 were confirmed and signed.

BOARD VISIT

The Board thanked Mr Stirling for the arrangements for the visit to Port Dundas, Glasgow, the previous day and the discussion and reception with the BW Scotland team.

MATTERS ARISING

Board Members' Remuneration (Minute 05/30)

- 05/61 The Chairman reported that he and the Chief Executive would be meeting the new Waterways Minister, Mr Jim Knight, MP, on 15th June. They had asked for Board Members' remuneration to be a discussion item and would follow this up with a detailed letter.

Chairman's Appointment (Minute 05/40)

- 05/62 The Chairman confirmed that he would write to DEFRA to put on record the Board's views on the process for the appointment of future BW Chairmen.

CHIEF EXECUTIVE'S REPORT & FINANCIAL REVIEW

- 05/63 The Board noted BWB 3189.

Performance Overviews 2004/05

- 05/64 The Chief Executive referred to the Performance Overview highlighting the "high", "noteworthy" and "low" outcomes of 2004/05. He felt the overall performance was creditable. The main lesson that had emerged from the end of year review and was being addressed was the need for clearly understood and measurable milestones.

The Acting Finance Director then highlighted the main features of the Financial Review for the year ended 31 March 2005. Points in the discussion included:

- the contingency of £2.9 million had not been used and would be rolled forward. This was welcomed as a good result;
- the Executive confirmed in regard to the impairment charges associated with two commercial fisheries (Makins and Blythe) that a full review of the causes and lessons for the future was underway and the Board would be advised of the outcome. The need for a "hands-on" and focussed commercial approach to new leisure investments from the outset was acknowledged;
- more generally, the focus on EVC in the business now enabled the true cost/benefit of enterprises to be identified thereby allowing objective decisions and avoiding past mistakes;
- the additional cost of agency staff under payroll was questioned e.g. whether it was pragmatically based or had become systemic and the Personnel Director confirmed he would investigate further;

Board Members highlighted two issues that had emerged in the discussion of EVC at the reception with the BW Scotland team the previous evening. The first was that the "profit generating" and "value consuming" dichotomy characterised the latter in a negative way, which could easily be misunderstood by those not familiar with the

concept. The positive contribution, particularly of core assets to the business, needed to be better explained.

Similarly, EVC was not the only pertinent measure of performance of BW as a public service exemplar organisation. Social and environmental benefit was still not clearly defined and measured. Work was in hand on this in several areas in BW and outside. The Board agreed that this needed to be brought together so that it could be incorporated into strategic thinking in terms of valuing assets and guiding spending decisions. This would be a topic when the outline Strategic Business Plan was discussed in September.

Technical Director

05/65 Progress in appointing a Technical Director to succeed Mr Sim, who retires in February, was noted. Whilst Mr Bowker and Professor Fleming would be directly involved as members of the interview panel, it was also agreed all other Board Members would be kept fully informed.

Risk

05/66 Referring to the risk dashboard, the Chief Executive re-confirmed the Executive approach to the “red” and “yellow” risks it contained. Red was actively managed and remained the priority until there was greater confidence that the risk was under control. For yellow risks, whilst they were being controlled, there was no complacency; they were only manageable if the controls succeeded.

Dr Langslow added that the Audit Committee regularly reviewed the risks and had accepted the adequacy of management action at its recent meeting.

Stakeholder Relations

05/67 The Legal Director advised that a successor to Mr Edell as Waterways Ombudsman had been selected by the Waterways Ombudsman Committee and her appointment would be publicly announced by the Committee shortly.

It was noted that the first meeting of the British Waterways Advisory Forum was held on 11 May. Meetings were being held with the Chairman (Mr Pridding) and Vice-Chairman (Dr Fletcher) on how to get maximum benefit from the discussion forum. The Memorandum of Understanding codifying the work of the Forum had been signed.

Mr Bowker referred to the Fair Trading Group update given to the Audit Committee on 26 May. He highlighted the constructive meetings both the Group and the Chief Executive had attended separately with representatives of BMF. BW’s proposal to invite the Office of Fair Trading to discuss its fair trading procedures and any potential shortcomings had been particularly welcomed by BMF. The invitation had been issued.

Chief Executive’s Briefing

05/68 Board Members received amplification on topics in the Chief Executive’s Briefing.

On the consultation on licence fee structure and the proposed re-classification of multi-user boats and continuously cruising boats into the higher rate category, Mr Salem explained that the case for this had been made by the economic consultants OXERA. It would be handled sensitively, including some pre-consultation discussion with user groups.

The Technical Director explained that the issue with the Caen Hill Flight was that most of the gates had been renewed at the same time some 20 years ago and were now all reaching the end of their normal life-span.

Complaints

05/69 The Board reviewed the Summary of Complaints data for Quarter 4 2004/05 and noted the actions the Executive were taking to ensure the 20 working day response standard would be met at all times.

END-TO-END REVIEW – PROGRESS REPORT

05/70 The Board noted BWB 3186, reporting progress on the Governance Letter, on securing wider powers for BW through the Natural Environment & Rural Communities Bill, and on the contract with Government. This would be the main item for discussion at the meeting with the new Waterways Minister.

Dr Christie advised that the Scottish Executive now appeared receptive to BW's view that the Governance letter should also apply in Scotland and confirmation was awaited.

[N.B.: It was agreed at the meeting of the Board on 28 July 2005 that the paragraph above should be amended to read in part "..... Scottish Executive now appeared receptive to BW's view that a separate Governance Letter should apply in Scotland].

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

05/71 The Board considered BWB 3190.

The Technical Director highlighted the performance of the North West Business Unit in becoming the fourth unit to go for a year without a reportable accident.

The Board expressed its appreciation of improvement in overall safety performance. The improved score in the employee mini-survey on their involvement in health and safety issues relevant to the job was a further demonstration of the progress being made.

As a member of the inquiry teams acting on behalf of the Legal Director, the Technical Director gave an update on the investigations concerning the fatal diving accident at Upper Lode on the River Severn and the fatal tractor incident on the Kennet & Avon canal. In both cases the outcome of the formal investigations was not expected until 2006.

ANNUAL REPORT & ACCOUNTS 2004/05

05/72 The Board considered the final designed draft of the Annual Report & Accounts for 2004/05 (BWB 3188).

The Board endorsed the overall approach to the Annual Report & Accounts 2004/05 and delegated to the Chairman, Chief Executive, Finance and Marketing and Customer Service Directors to take the final actions required to publish the document.

The Commercial Director added that the Accounts for the first 15 months reporting period of BW Marinas Limited would be completed shortly. It was agreed the Fair Trading Group Members would receive an early copy.

COMMERCIAL UPDATE & COMMERCIAL PROJECTS [BWB 3185]

05/73 The Board noted the revisions to the June 2003 investment strategy and progress on the 2005/06 investment and disposal strategy.

The importance of encouraging waterside businesses to deliver BW values was acknowledged and work on this with London canalside traders was highlighted as a good example.

Referring to the two projects agreed at the Board Meeting on 16 March 2005, the Commercial Director advised that the acquisition of Giants Basin, Manchester, had been completed. Middle Warehouse, Manchester had been withdrawn from the market, but might re-emerge as an investment opportunity.

The Commercial Director also reported that, disappointingly, the planning application for Gloucester Quays had been "called-in" by the ODPM and would be scrutinised by a Public Inquiry. BW will now be considering the implications of this decision.

The following commercial projects were approved on the basis set out in the memorandum.

- **Midlands** – acquisition of a freehold portfolio of four industrial properties let to at a price of; [*Text omitted as commercially confidential*].

Approval was subject to completion of due diligence, addressing particularly: [*Text omitted as commercially confidential*]. The outcome of the due diligence would be confirmed with the Property Sub-Group.

- **BWML Capital Call** – 3 year programme of investment; [*Text omitted as commercially confidential*];
- **Edinburgh Quay Phase 2** – equity investment in Edinburgh Quay Limited for the development of Phase 2, [*Text omitted as commercially confidential*].

The Board agreed that the decision to proceed was reinforced by the planned waterspace developments adjacent to Edinburgh Quay and the increasing enthusiasm of Edinburgh City Council for the canals. The development was an

important component of BW's commitment to the Scottish Executive to invest in Scotland.

- **Hale Wharf Tottenham** – disposal to ISIS Waterside Regeneration for £5.0m plus overage.
- **H2O Joint Venture** – increase equity from £1.46m to £1.66m for an additional scheme.

Approval was given on the basis that the report to the Property Sub-Group requested at the previous meeting (Board Minute 05/46) on best value and due process, which remained outstanding, was agreed by the Sub-Group and then confirmed to the Board.

It was agreed the Property Sub-Group will have earlier receipt in future of the relevant Board papers.

OPERATIONAL PROJECTS (BWB 3191)

05/74 The following projects were approved:

- **Stourport HLF Project - £3.17m (£1m net);**

In addition to the benefits in the report, Dr Langslow highlighted the social and environmental benefits stemming from reconnecting the town and community of Stourport to its waterway.

- **Droitwich Canal Restoration £11.5m (£0.75m net plus risk of further £1.2m);**

Before recommending the restoration project, the Chief Executive advised that he had first satisfied himself on three key points:

- that it met BW's standards for customer satisfaction;
- that the costs and risks were clearly understood;
- that funding by BW was appropriate in terms of the many other competing demands of the network.

The Board particularly welcomed the clarity of the project proposal which was a model for others. Its relevance to the earlier debate about quantifying social benefit was also noted.

An update of the following project was noted:

- **Liverpool Link £17.5m (£0 net);**

The Executive expected to submit a further more detailed report to the next meeting with a request for approval being submitted to the September meeting.

RESTORATION APPROVAL PROCESS

05/75 The Board considered BWB 3187 by the Chief Executive.

Mr Evans advised that the reasons for introducing a restoration approval process in BW were: -

- So that BW's commitment to expanding the network could be better understood;
- To provide clarity, consistency, openness and rigour so that BW is seen to be effective and efficient;
- So that BW's commitments are clearly understood internally and externally and are proportionate to the scope and deliverability of the project.

The Board welcomed these objectives. Stakeholders and users would justifiably take a keen interest in the published process. For this reason it was essential to determine exactly what each stage comprised and how it would be applied. Use of a "Gateway" process was one possibility. Additional approval criteria were suggested for the Executive's consideration. The linkage with partners' programme sensitivities e.g. HLF also needed to be kept in mind. Finally, it was suggested BW might consider building obligations on itself into the process as well as those on others.

The Chief Executive confirmed that the process would be reassessed in the light of the Board's comments with further recommendations on its content and how it would be promulgated to follow, probably as part of the strategic debate in September. The Executive would commence using it in the business for restoration proposals with immediate effect.

AUDIT COMMITTEE MEETING

05/76 Dr Langslow, Chairman of the Audit Committee, reported on the meeting of the Committee on 26 May 2005.

In addition to matters already referred to, he highlighted:

- That the External Audit had been completed and had identified no major accounting or control issues;
- On project control, the Committee had welcomed the improvement in preparation of post project appraisals;
- Three internal audit reports had shown inadequate control but the Committee had accepted the adequacy of the actions now in hand by management to address these;

SEAL REGISTER

- 05/77 The Seal Register, showing that document numbers 17,915 to 18,070 had been sealed since the last Board Meeting, was received.

CHAIRMAN

- 05/78 Dr Christie referred to the impending retirement of Dr Greener from the Board after six years as Chairman. On behalf of Board Members, he thanked Dr Greener for his outstanding stewardship over that time. Dr Greener responded suitably.

REMUNERATION COMMITTEE MEETING

- 05/79 [The Executive Directors, except the Chief Executive and Personnel Director, withdrew from the meeting].

Mr Tricker, Chairman of the Remuneration Committee, reported on the meeting of the Committee on 26 May 2005.

BOARD PERFORMANCE EVALUATION

- 05/80 The Legal Director returned to the meeting. After a brief discussion, it was agreed to follow up the outcome of the Board Performance Evaluation Questionnaire outside the meeting.

DATE OF NEXT MEETING

28 July 2005