

[These Minutes were agreed by the Board at its meeting on 28 March 2007]

FOR PUBLICATION



Minute Nos. 07/01 to 07/27

BOARD MEETING

Minutes of the Board Meeting held at the Paramount Daventry Hotel, Northants NN11 056 on Thursday 18 January 2007 at 9.00am

PRESENT:

Mr T Hales	Chairman
Mr R Bowker	
Mr J Bridgeman	
Dr C Christie	
Professor G Fleming	
Mr N Hugill	
Mr D Sutherland	
Mr T Tricker	

IN ATTENDANCE

Mr R Evans	Chief Executive
Mr J Froomberg	Commercial Director
Mr N Johnson	Legal Director
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing & Customer Service Director
Mr J Stirling	Technical Director
Mr M Bensted	Director - London
Mr C J Howells	Assistant Secretary

APOLOGIES

Ms S Achmatowicz

MINUTES

The Minutes of the Board Meeting on 23 November 2006 were confirmed and signed.

MATTERS ARISING

Legal Matters (Minute 06/147)

07/01 The Legal Director advised that sentencing following the decision to plead guilty to the charge concerning the tractor accident on the Kennet & Avon Canal would take place at Swindon Crown Court on 13 March.

Gloucester Quays Joint Venture (Minute 06/156)

07/02 The Chief Executive reported that the Executive had reconsidered the most appropriate Directors for the Joint Venture and now wished to recommend James Froomberg instead of Philip Ridal. The Board agreed

this change.

British Waterways Pension Trustees Limited (Minute 06/161)

- 07/03 It was reported that UNISON wished to nominate Steve Astles to be a director of the Trustee Company in place of Neil Chater. The Board accordingly resolved to appoint Steve Astles as a director of British Waterways Pension Trustees Limited.

CHIEF EXECUTIVE'S REPORT

- 07/04 The Board noted BWB 3264.

07/05 *[Confidential Minute]*

07/06 *[Confidential Minute]*

Scottish Executive - Freight

- 07/07 Professor Fleming referred to the weight given to securing freight opportunities by the Scottish Executive Transport Department.

The Chief Executive confirmed that BW Scotland recognised the potential and were majoring on two projects – timber on the Caledonian Canal and container traffic on the lowland waterways.

Mr Salem advised that the Review of the Freight Study Group was expected in March. He would update Professor Fleming and Mr Bowker, who were taking a particular interest in this for the Board. A briefing for the Scottish Executive on the outcome would also need to be considered.

Port Dundas

- 07/08 The Commercial Director assured the Board that BW's relationship with Glasgow City Council had not been undermined by the ISIS planning application. The Chief Executive added that the focus for further waterside regeneration in Glasgow was currently on Maryhill.

B2B Relationships

- 07/09 It was agreed the Board would be given the list of initiatives arising from the B2B Survey at the next meeting at the same time as it received the annual report on customer satisfaction. The need for an effective customer account programme that cascaded through the business was emphasised by Mr Tricker. The Executive Directors responded that this would require a cultural change that could only be achieved over time. It would, however, be accelerated by the current business restructuring and the appointment of Business Development Managers.

Restructuring

- 07/10 Professor Fleming referred to the early retirement of Mr Cochrane at the end of March. He applauded the contribution he had made to regeneration of the waterways in recent years. This was echoed by the Board. With regard to maintaining the momentum, the Chief Executive

advised that he would be taking on the lead on relationships with major local and regional authorities and the role of the General Managers in that regard would be more pro-active under the new structure.

Bridgewater Canal & the Coal Authority

- 07/11 The Board noted that whilst there had been no progress in the discussions on establishing a role for BW in managing the Bridgewater Canal as a vital link in the Cheshire Ring, the Executive would not let the matter slip and remained hopeful of a solution in the longer term.

Office Relocation

- 07/12 The Board noted the latest proposals for the Willow Grange office relocation and asked to be kept advised of progress. Progress reports would also be provided in regard to relocation of the BW Scotland office.

Jericho

- 07/13 In response to Mr Bridgeman, the Marketing and Customer Service Director explained the background to the two sites in Oxford where boats had historically been sold with a mooring. He explained that these were an anomaly that had been entered into by an earlier management. The Board would be kept updated on progress generally at the sites.

The Chief Executive added that radical proposals were currently under consideration for dealing with the moorings premium issue and, if taken forward, these would need to be subject to a consultation. The proposals would be brought to the next meeting of the Fair Trading Committee and to the Board.

SS

Breach – Monmouthshire & Brecon Canal

- 07/14 The Chief Executive updated his report with details of a breach on the Monmouthshire & Brecon Canal the previous week. The situation was containable with the water flowing into the River Usk. Options for the repair were being considered.

Olympics Update

- 07/15 The Board received an update from the Director London on funding available for Prescott Locks, Bow Back Rivers and progress of the tendering process.

[Confidential Minute]

The statement of former Environment Minister, Elliot Morley, MP, that funding could be made available for BW waterway flood alleviation schemes was recalled. The Director London confirmed funds had been sought from the EA but the project, like all BW applications to date, did not score highly in their priorities.

COMMERCIAL DIRECTOR'S REPORT

- 07/16 The Commercial Director introduced BWB 3261.

The Board noted the market commentary and other key issues, including further amplification provided by the Commercial Director and by Mr Hugill. On the capital programme 2006/07, Mr Froomberg advised that the Executive remained confident of a satisfactory outcome.

Joint Ventures

07/17 The Board considered the 2006 review and summary 2007 business plan for the joint ventures. These were to be incorporated into the overall BW Group Plan that would be provided to the Board in March.

The Commercial Director referred firstly to the DEFRA approval of the Gloucester Quays JV. Whilst this was welcome, it had been caveated with the requirement that a decision by the BW Board to proceed with the factory outlet centre development would also require DEFRA approval.

Mr Froomberg then highlighted the substantial element of BW's share of the ISIS 2007/08 plan that depended on the outcome of the Brentford Planning appeal and the impact this would have on the overall Plan.

In considering the review, the Board welcomed the detailed reports on each JV, which would be particularly helpful for recently appointed Board Members in understanding their background and context. It was also felt, however, that a succinct high level analysis was needed drawing out the risk and sensitivities in the property portfolio as a whole. There were a number of large exogenous risks over which BW had no control. These were financial and reputational and of a greater magnitude than the business had been exposed to hitherto. Provisioning and identification of contingencies became important in containing these. As well as helping Board Members, it was felt that if allied with some of the "quick" wins, this approach would also enable DEFRA to appreciate the overall context and become more comfortable with this.

The Executive undertook to revise the ventures report for future Board Meetings so that it constituted a high level portfolio risk summary together with the decisions to be taken by the Board. The detailed venture reports would be appended.

JF

The Commercial Director referred the Board to the very significant potential returns from Wood Wharf Limited Partnership. It was expected a recommendation on extending the equity cap would be submitted to the Board at its next meeting.

[Confidential Minute]

Project for Approval – Edinburgh Quays JV

07/18 The following project was approved: £1.46 million equity investment into Edinburgh Quays to participate in a new JV with McTaggart & Mickel.

FINANCE REPORT

07/19 The Board noted BWB 3262 covering the following:

- A statement of the latest BW cash position;

- A summary of the results for the 8 month period to November 2006 and the F8 full-year forecast;
- The F8 forecast presented in statutory accounts format;
- A progress report on the Business Plan;
- A proposal for the high level new Board Report incorporating KPIs;
- Traffic light schedules of current year business plan milestones.

Mr Ridal explained that the KPIs were still being developed, with the method of presentation proving challenging. He welcomed Board Members' comments.

On milestones and core waterway, the Board were advised that the delay in recruiting the Head of SCADA was not considered a problem. The emphasis for now was on more effective use of SCADA in the waterway units and this would be assisted by the restructure.

It was agreed that an early draft of the revised property milestones would be presented to the next meeting of the Property Committee.

JF/PR

HEALTH & SAFETY IN BW – ANNUAL REPORT

07/20 The Board considered the annual report on health and safety in BW to the end of 2006 [BWB 3263].

Mr Stirling highlighted the good progress that had been made generally, particularly in regard to employee safety. It was recognised that this was not the only consideration, however, and there were two on-going concerns i.e. compliance with the managing contractors' procedures and getting a better understanding of accidents to members of the public.

Mr Tricker reminded the Board that the Remuneration Committee considered safety as a key hurdle. He would arrange for the methodology it used on this to be circulated.

VM

The move to lost-time injuries as the new headline employee measure was noted. RIDDOR would also continue as a measure, however, and it was agreed to instate this accordingly in the 2007-08 targets.

Mr Bowker reported that that the Audit Committee had considered the management of contractors Internal Audit Report and had agreed that the position was wholly unsatisfactory. Action had been taken by the Chief Executive to rectify this in the business and the Committee would be reviewing progress at its next meeting when the Technical Director and Customer Operations Directors would attend and give updates. The results of a follow-up Audit would be available soon afterwards.

It was accepted that this issue would be material to the Remuneration Committee's assessment of the safety hurdle performance and the Chief Executive undertook to forward the first findings from the follow-up Audit to its Chairman. Mr Bowker felt the Committee should also consider the extent to which this was a cultural issue in BW.

In response to Mr Bridgeman, the Customer Operations Director undertook to provide detailed briefing on BW's approach to managing

Hand Arm Vibration Syndrome outside the meeting.

VM

BOARD COMMITTEES

07/21 The Board noted the Minutes of the Fair Trading Committee held on 23 November 2006.

Oral reports from the Chairman of the Audit Committee on the meeting held on 10th January and from the Chairmen of the Remuneration & Nomination Committees on the meetings on 17 January were noted.

Board Property Committee

07/22 The Board considered BWB 3266 by the Legal Director.

The terms of reference for the Property Committee as attached to the memorandum were approved. The Board agreed to adopt the following standing order:

“All commercial property transactions requiring the approval and authorisation of the Board shall not be approved and authorised unless two members of the Property Committee of the Board are present at the Board Meeting at which the decision is taken unless (for reasons of urgency or necessary expedience only) the decision is delegated to the Property Committee”.

TEMPORARY BORROWINGS

07/23 The Board considered BWB 3260 and gave authority for an application to be made to the Secretary of State for the Environment, Food & Rural Affairs for the maintenance of the existing limit of temporary borrowings of £3 million for the financial year commencing 1 April 2007 with the appropriate resolutions as attached to the Memorandum.

BRITISH WATERWAYS PENSION FUND

07/24 The Board considered recommended changes to the BW Pension Fund (BWB 3265) and agreed:

- The completion of the Supplemental Deed incorporating the changes previously agreed on improving pension governance;
- Preparation of a Supplemental Deed to implement changes agreed by the Trustee Board to comply with the recently introduced Age Discrimination Legislation.

FEEDBACK FROM BOARD VISIT

07/25 The Board reviewed its visit to the South East Business Unit the previous day, which had included three marinas. A brief discussion followed on BW's approach to the acquisition of marinas. The Board expressed appreciation of the arrangements made for the visit by the SE Waterway team.

SEAL REGISTER

07/26 The Seal Register, showing that documents 18,940 to 19,065 had been sealed since the last meeting of the Board, was received.

OTHER BUSINESS

Authorised Signatories to the British Waterways Seal

07/27 The Board resolved that Greta O'Shea, Solicitor in the Legal Department, be authorised to authenticate the application of the Board's Seal.

DATE OF NEXT MEETING

28 March 2007