

[These Minutes were agreed by the Board at its meeting on 22 September 2005]

FOR PUBLICATION

Minute Nos. 05/81 to 05/101

BRITISH WATERWAYS BOARD

Minutes of the Board Meeting held at
Kilworth House Hotel, North Kilworth, Leicestershire
on Thursday 28 July 2005 at 9.00am

PRESENT:

Mr T Hales Chairman
Ms S Achmatowicz
Mr R Bowker
Dr C Christie
Mr I M Darling
Professor G Fleming
Mrs H Gordon
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 Lancaster Managing Director, Southern Waterways
Mr M Bensted Director - London
Ms Sally Roberts Acting Finance Director

Mr C J Howells Assistant Secretary

APOLOGY FOR ABSENCE

Dr D R Langslow

CHAIRMAN'S INTRODUCTION

Mr Hales, taking the Chair for his first Meeting, remarked that he very much looked forward to working with the Board over the next 3 years to continue the good progress made by British Waterways.

MINUTES

The Minutes of the Board Meeting on 9 June 2005 were confirmed and signed, subject to the following amendments: -

On Minute 05/70, End-to-End Review, Second Para. To read "..... Scottish Executive now appeared receptive to BW's view that a separate Governance Letter should apply in Scotland...."

On Minute 05/73 Edinburgh Quay, Mrs Gordon's declaration of interest was in respect of Phase 1, not Phase 2.

MATTERS ARISING

05/81 **Board Members' Remuneration (Minute 05/61)**

The Chairman advised that the intimations he had received of the likely response of the new Waterway's Minister to the Board's representations on remuneration were not encouraging. A letter from the Minister was expected shortly.

Professor Fleming expressed his concern about the 18 months that it had taken to reach this wholly unsatisfactory position and if there was no prospect of progress, he might have to consider his position.

Use of Agency Staff (Minute 05/64)

05/82 The Personnel Director advised that he had further examined BW's approach to the use of Agency Staff and could confirm this was kept to a minimum.

British Waterways Advisory Forum (Minute 05/67)

05/83 In response to Mr Tricker, the Legal Director explained the meeting arrangements for the BWA Forum. It would hold two Agenda Meetings and two full meetings a year and the date of the first Agenda Meeting would be confirmed shortly. The Forum would welcome the attendance of some Board Members at the Agenda Meeting and he would follow this up with Members when the date was known.

Audit Committee (Minute 05/76)

05/84 Mr Bowker on behalf of the Chairman of the Audit Committee reported on two points that had arisen since the Committee's Meeting on 26 May.

- The PWC Management Letter had been received. Whilst long, this was not onerous in terms of actions and management had an action plan underway. The most critical issue, changes to the control environment for payrolls, was being looked at by the Personnel Director;
- The Corporate Governance Letter with DEFRA was now agreed and there is a commitment in it to carry out regular compliance audits, notably under the contract management regime. The Head of Audit will be bringing forward proposals and a plan to the Audit Committee.

CHIEF EXECUTIVE'S REPORT & FINANCIAL REVIEW

05/85 The Board noted BWB 3195.

Financial Review

05/86 The Acting Finance Director gave the headlines of the First Quarter Financial Performance and full year forecast outturn and the performance of the individual business areas. She advised that whilst the movements reported in Quarter 1 were larger than might be expected they were being fully managed.

The Chief Executive added that Scottish Executive had indicated that £3 million additional grant would be made available in 2005/06.

The Legal Director referred to the significant exposure to rates which BW now faced totalling some £600k per annum. It was contesting both the decision that the waterway track should be rated and that it did not qualify for transitional relief.

Dr Christie referred to the concentration on the safety backlog and the decision to undertake £3 million of additional dredging, funded from reserves. Some staff had expressed concerns at the previous evening's reception that not enough weighting was being given to investing in the towpath where the majority of waterway visits took place.

Responding, the Chief Executive advised that BW had been targeting those areas that customers wanted to be improved e.g. dredging, lock gate repairs and vegetation control, but he acknowledged the benefits of much of the expenditure was not immediately visible. There would be £25 million of "below the water" improvements over the next two years and this inevitably competed with other more tangible improvements. The Executive had already recognised the need to re-phase the profile of the maintenance backlog expenditure and put more of the funding into customer orientated repairs. Specifically, the Directors were holding a one-day session on the results of the customer insight programme and how best to address these.

Mr Evans confirmed that the work in progress on the steady-state model would allow a segmental analysis of costs by waterway, type of asset, geographical area (e.g. urban/rural) and this would further inform investment priorities. The Chairman pointed to changes in these costs brought about by outside influences e.g. Health & Safety regulation. Professor Fleming also cited dredging costs which had risen substantially. Mr Evans advised that in the discussions on the contract with Government, BW would be asking for changes in regulatory costs to be factored in.

The Finance Director referred to improved reporting of the cash balance sheet effective from Quarter 2 and undertook to share this with the Board.

Waterscape

- 05/87 Mr Bowker and Ms Achmatowicz had viewed the re-vamped Waterscape website and both agreed it to be a significant improvement. The Executive confirmed the Board would review the revised Waterscape Business Plan in September.

Fair Trading

- 05/88 Mr Bowker reported on the meeting of the Fair Trade Group the previous day. The principal issue had been relations with BMF and specifically their reaction to the decision by the Office of Fair Trading to decline an invitation to review BW's fair trading procedures. It was now intended to commission an expert arms length report and share the brief for this with the BMF. Meetings were being arranged with BMF at Executive and Council level to progress this.

London 2012 Olympics

05/89 The Director, London gave an overview of the implications for BW of the 2012 Olympics and work needed to grasp this potentially immense opportunity.

Points in the discussion which followed included:

- BW was in a position to assist both the regeneration priority of the ODPM for the Olympics and the sustainability goals of the Secretary of State at DEFRA;
- securing a common approach with the Environment Agency was critical. The Chairman was aiming to meet his EA counterpart and Chief Executive meetings would follow;
- momentum was crucial; the Olympic Delivery Authority would not be in place until March. In the meantime, BW should work with the key players and consultants who were likely to stay the course;
- the problem of water quality and raw sewage discharges by Thames Water into some of the watercourses was an immediate issue to address. The Legal Director would check the legal position concerning these discharges;
- the BW brochure "The Bow Back Rivers" would be updated and re-issued.

The Board welcomed the report and that regular updates would be provided. BW would need to press ahead immediately, both to achieve acceptable decisions and to minimise exposure to inevitably escalating costs.

Chief Executive's Briefing

05/90 The Marketing and Customer Service Director confirmed that the reasons for the significant increase in the level of complaints in the first quarter of 2005/06 were being closely examined.

Professor Fleming welcomed the waterway freight initiatives on the Grand Union (Paddington Arm), the River Severn and Sheffield and South Yorkshire Navigation.

It had been confirmed that the Scottish Minister, Tavish Scott, MSP, would visit the canals in Scotland on 20 September and would be accompanied by the Chairman and Vice-Chairman.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

05/91 The Board considered BWB 3193 by the Technical Director.

Mr Sim accepted that the three reportable incidents in June, following three in the previous month, was disappointing. Every effort was now

being made to ensure the 2006 target for improvements in reportable incidents was still met. He cited the "Point of Work" risk assessments that were being produced throughout the business as one initiative that would help in that respect. Mr Sim also highlighted the collection of visitor incident information as a helpful tool in safety management. In some cases it also reflected visitor dis-satisfaction with the waterways and often things that could be addressed.

Board Members remarked that they had been encouraged by the real focus on safety issues amongst the BW people they had met on the visit and reception the previous day. Because of this, the unsafe ramp at Foxton had been all the more disappointing. The Technical Director advised he had already taken action to have this rectified.

With reference to the physical attacks on waterway visitors, the Chief Executive conceded these could become a particular problem for a leisure business. They were not excessive in terms of overall number of waterway visits, however, and where there were concentrations, BW worked with local communities and the police. The most effective remedy was BW presence on the towpath with canal rangers being particularly successful.

The Chairman noted that as BW moved into new ventures, such as cafes, it needed to be aware of their particular risks e.g. slips and burns.

OPERATIONAL PROJECTS (BWB 3194)

05/92 The Board considered progress reports on two prospective projects:

- **Coal Authority Funding & the Bridgewater Canal**

[Text omitted as commercially confidential].

- **Cotswold Canal Restoration**

The Managing Director, South, in introducing the progress report highlighted the likely £1 million shortfall in funding which had now been identified together with additional costs in the order of £5 million. The implications for the project were fundamental since BW would not be able to fund this itself, given other competing priorities. Discussions were in hand with the HLF and SWDRA on funding options. Also every endeavour was being made to secure voluntary and private sector funding, although prospects were not good. The Commercial Director referred to BW's current commercial sponsorship project and undertook to consider whether it could assist with the Cotswold Canal.

The Board agreed that the downgrading of the prospects for the project would need sensitive communication to all involved, internally and externally. It was accepted that the presentational balance between leading a project campaign and undertaking the objective assessment of its prospects and the risks involved was a difficult one. The restoration process endorsed by the Board at its previous meeting for immediate implementation would be helpful in that respect.

COMMERCIAL UPDATE & COMMERCIAL PROJECTS

05/93 The Board considered BWB 3192.

Investment & Disposal Strategy

05/94 The Board noted progress on the 2005/06 investment and disposal strategy.

Edinburgh Quay

05/95 The Board:

- agreed the recommendation of the Edinburgh Quay Directors to proceed with the sale of the Phase 1 investment to D B Real Estate;
- agreed that the final approval on Phase 2 funding should be delegated to the Edinburgh Quay Board;
- *[Text omitted as commercially confidential]*

[Text omitted as commercially confidential]. Finally, it was noted that the Phase 1 increase in costs had been cancelled out by a similar increase in yields. Risks remained in Phase 2, albeit less substantial, and yields should not be relied on to compensate.

H2O Urban Limited

05/96 The members of the Property Sub-Group confirmed that they had received and were content with the reports from the Executive on best value and due process and the increase in equity investment in H2O Urban from £1.46 million to £1.66 million was therefore confirmed.

Weston Point

05/97 The progress report on the planned disposal at Weston Point was noted.

[Professor Fleming declared an interest because of his consultancy's work for Peel Holdings].

Project for Approval

- **Taylor's Boat Yard, Chester**

05/98 Approval was given in principle to submitting a Stage 1 bid to HLF for a £4.7 million project to be funded by £2 million from HLF, £1.7 million commercial capital, £0.9 million Third Party funding and £0.1 million BW revenue. The project would refurbish important heritage buildings and deliver improved boatyard facilities and new office space. The project was welcomed as central to many of BW's core values and, in particular, working waterside heritage.

The need, once funding was secured, for a highly experienced project manager was underlined by the Board with access to full technical

advice from the outset.

Returning to the Commercial Update, the Board agreed that regular reviews of the property portfolio performance would be helpful and would be included with future updates.

MINUTES OF AUDIT COMMITTEE

05/99 The Minutes of the Audit Committee held on 26 May 2005 were noted.

SEAL REGISTER

05/100 The Seal Register shows that documents 18,071 to 18,165 had been sealed since the last meeting of the Board was received.

MEETING DATES IN 2006

05/101 The Board Meeting dates in 2006 were confirmed, viz:

1-2 February
22-23 March
24-25 May
19-20 July
27-28 September
22-23 November

The Board reviewed the arrangements for its visits, receptions with staff and Board Dinners on the day preceding Board Meetings and whether changes were needed to improve effectiveness and value for all involved. A number of proposals were made, which it was agreed the Executive would progress, including any additional points from Board members after the meeting.

Of particular importance was the need for staff to know their views were valued and to receive feedback from the Board. There would be a regular Board agenda item "Feedback from the Board Visit".

DATE OF NEXT MEETING

22nd September 2005