



## BOARD MEETING

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Minutes of the Board Meeting held at the Stourport Manor Hotel, Hartlebury Road, Worcestershire on Thursday 20 July 2006 at 09.00am

### **PRESENT:**

Mr T Hales	Chairman
Ms S Achmatowicz	
Mr R Bowker	
Dr C Christie	
Professor G Fleming	
Mrs H Gordon	
Dr D R Langslow	
Mr T Tricker	

### **IN ATTENDANCE**

Mr R Evans	Chief Executive
Mr D Cochrane	Regeneration Director
Mr J Froomberg	Commercial Director
Mr N Johnson	Legal Director
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr J Stirling	Technical Director
Mr C J Howells	Assistant Secretary

### **APOLOGIES**

Mr I M Darling

### **PRESENTATION BY WATERWAYS OMBUDSMAN**

06/83 The Chairman welcomed Hilary Bainbridge, the Waterways Ombudsman, to the meeting. The Ombudsman gave a short presentation on her first year's work in 2005/06 and responded to Board Members' questions.

Ms Bainbridge highlighted the importance of achieving acceptance of the scheme by the British and Irish Ombudsman's Association: this was expected shortly. The importance of follow through of recommendations was underlined. The Customer Operations Director confirmed he was working with the General Managers to implement a sampling process.

It was agreed to invite the Ombudsman to address the Board annually with follow-through of recommendations a main issue for review.

The Board welcomed the Ombudsman's review and expressed appreciation of the increased confidence she was engendering in the scheme both internally within BW and externally amongst BW customers and neighbours.

## **MINUTES**

The Minutes of the Board Meeting on 25 May 2006 were confirmed and signed.

## **MATTERS ARISING**

### **Audit Committee – Climate Change (Minute 06/52)**

- 06/84 There would be a report on flood risk issues in respect of development sites and the appropriate standard to build to at the next Board Meeting.

### **Big Lottery Canal Restorations – Helix Scheme (Minute 06/57)**

- 06/85 The Chief Executive responded to Dr Christies' request for confirmation of BW's support for the Falkirk Council Helix Scheme. He explained that whilst BW's priority for Big Lottery Funding was the Cotswold Canal Restoration, this did not preclude support for other BLF schemes at local level. He viewed the Helix Scheme as BW's project in Scotland. He felt it had a good chance of coming through the second round of filtering and in that event would work with everyone involved to ensure it received an award.

### **Algae Bloom (Minute 06/58)**

- 06/86 The Technical Director advised that nothing further had been heard from the Environment Agency regarding the algae bloom and fish loss incident at Tring and a possible prosecution of BW.

Mr Stirling added that there had been scattered incidents of Algae bloom in reservoirs and on the network this summer and BW co-operated with the EA on these as appropriate. Immersing barley straw in the water and aeration of the water were the two main ways of combating this problem.

### **DEFRA – Climate Change Objective (Minute 06/65)**

- 06/87 The Chief Executive referred to DEFRA's decision to adopt combating climate change as its principal objective. He considered that BW's primary duty was to run the waterways efficiently rather than be an exemplar body on climate change. The Board endorsed this approach.

### **Annual Report & Accounts 2005/06 (Minute 06/73)**

- 06/88 The written resolution of the Board made since its last meeting that approved the Finance Review, the Board Members' Report, the Annual Financial Statements and Notes to the Accounts for publication in the Annual Report and Accounts, was noted.

It was confirmed that the Report had been laid before Parliament on 18 July and a copy had been sent to each Board Member.

### **Freight (Minute 06/75)**

- 06/89 The Chief Executive advised that the brief for a study of the cost benefit of freight on BW's waterways was in preparation and would be shared with the Board's working group shortly.

### **CHAIRMAN'S MEETINGS**

- 06/90 Mr Hales reported on the meeting he and the Chief Executive had attended with the new Waterways Minister, Barry Gardiner. He felt there were positive messages with BW's status as an effective performing organisation again underlined. The discussion on the grant cut had been less satisfactory and there would be a full report later by the Chief Executive.

The Chairman also reported on a visit by boat to the Olympics site by two Conservative front bench spokesmen – Peter Ainsworth (Shadow Secretary of State for Environment, Food & Rural Affairs) and Hugo Swire (Shadow Secretary of State for Culture, Media & Sport).

Mr Hales had also visited BMF and described a friendly meeting in which he had concentrated on funding problems and the recent measures taken by BW to re-inforce its Corporate Governance e.g. the Ombudsman Committee, Audit approach and Fair Trade Committee.

### **CHIEF EXECUTIVE'S REPORT**

- 06/91 The Board noted BWB 3239.

### **Authorised Signatories to the Board's Seal**

- 06/92 The Board resolved that Paul Fendrich, Property Solicitor in the Legal Department, be authorised to authenticate the application of the Board's seal and that the authorisation of Alison Clegg be revoked forthwith and that of Stephen Mendham be revoked with effect from 15 September 2006.

### **Media Relations - Regeneration**

- 06/93 Dr Langslow welcomed the initiative with College Hill (PR consultancy) to promote a positive view of BW's regeneration activities. Careful targeting of messages to specific audiences and emphasising BW's public realm benefits were essential elements of this. The Commercial Director added that BW's Property Team was beginning a more systematic collation of the non-commercial benefits of BW activity and this would be fed into the next Annual Report.

### **Annual Pay Settlement**

- 06/94 The letter received from the Trade Unions on the BW Improved pay Offer 2006 was noted.

It had been agreed that Mr Tricker (Chairman of the Remuneration Committee) and the Customer Operations Director would meet the senior trade union officials shortly to explain BW's remuneration policy.

### **The Scottish Boat Show & Outdoor Leisure Festival**

06/95 Dr Christie referred to comments by attendees at the show on its changing content with more non-boating activities introduced. It was noted that a full review of the show format was now underway by the Director, Scotland.

### **Jericho**

06/96 The Chief Executive advised that completion of the Jericho sale was expected within a few days.

### **Gloucester Quays**

06/97 The Board expressed its satisfaction upon the achievement of outline planning permission for the Gloucester Quays scheme.

### **FINANCE REPORT**

06/98 The Board noted BWB 3240.

Referring to the F2 Forecast and the contingency, the Finance Director highlighted the ISIS 2007 performance as a potential issue in achieving this. The Commercial Director advised that the ISIS schemes at Scotland, Brentford and Nottingham were proving difficult to progress and other ventures were being examined in terms of accelerating their income to compensate.

The Board discussed the chart of Business Plan milestones that had been colour coded on a traffic light basis. Points included:

- It was noted that all red risks were in the ventures. It was explained that these were principally issues of timing. Professor Fleming suggested that a sensitivity analysis would be helpful to the Board in understanding their potential impact. The Chief Executive assured the Board that these risks to BW were fully appreciated and the appropriate level of internal resource was applied to them;
- It was important for the Board to have full visibility on the Wood Wharf JV which represented the greatest risk to the business. The Chief Executive advised that this would be assisted by the investor committee, which was about to be formed and would meet for the first time in September;
- The appetite of the Pubs Partnership for the more challenging sites e.g. Falkirk Wheel, Rosebank was discussed. It was agreed that it was for BW to take the initiative in unlocking such sites.

### **DEFRA GRANT – COMPREHENSIVE SPENDING REVIEW & CONTRACT**

06/99 The Board considered BWB 3241 by the Finance Director.

The Board was briefed on the recent discussions with DEFRA on grant and the likelihood of this being cut to £57 million for the coming two years compared with the official baseline grant of £62.6 million. BW had been further advised that it was likely to receive “flat cash” at this level for the period of the Comprehensive Spending Review (i.e. 2008/09 to 2010/11). The Board was asked to consider what response BW should make given its assessment of BW’s needs for the CSR period and recognising that this was also intended to be the basis of the contract with Government from 2008/09 to 2014/15.

The presentation which followed explained the Executive’s analysis of income and cost projections for the 7-year period, the risks and opportunities and an analysis of the funding need from Governments for the CSR review.

The Board firstly considered the Executive’s assessment that expenditure of £118 million p.a. with inflationary increases and some efficiency gains was needed to maintain the system in steady state and meet visitor number targets. With further amplification by the Technical Director, the analysis was accepted.

In the discussion, the Board expressed two principal concerns about a cut in grant. The first was the adverse impact on the achievement of the vision for the future of BW and that certain elements of this would be lost e.g. re-generation and increased use. It was felt a full assessment of the consequences should be made known to DEFRA.

Secondly, in assessing what was affordable, there were three significant areas of risk: (i) ventures income where the profits could be significantly deferred; (ii) the ability to achieve efficiencies (i.e. people, offices and suppliers) and (iii) levels of inflation. The cost effects of new planning and environmental legislation was also a concern. It was understood that provision for risks outside BW control e.g. inflation, might be included in the contract.

The Board agreed that in these circumstances, a robust approach should be taken to the CSR discussions with DEFRA with these risks and threats to BW’s vision fully underlined. The Board considered the current baseline grant of £62.6m from DEFRA must be restored in 2008/09 to ensure BW could deliver on its commitments. The Executive would work urgently to prepare this. This would include re-validating the figures in the Finance Director’s analysis. It was also recognised that the support of waterway users and organisations would be invaluable in underpinning BW’s approach. The Executive would also follow this up.

## **HEALTH & SAFETY MANAGEMENT PROGRESS REPORT**

06/100 The Technical Director presented BWB 3238.

Mr Stirling highlighted BW’s position on the Department of Trade & Industry’s “Constructing Excellence” benchmark for the major contractors group. This had been requested at the previous meeting. He also had graphs available showing the performance over time.

## **COMMERCIAL DIRECTOR'S REPORT (BWB 3237)**

### **Market Commentary & Other Key Issues**

06/101 The report to Quarter 1, 2006-07, was noted.

It was agreed to add the City of London office market index to future reports. It was also suggested that there should be a matrix indicating where there was a significant sensitivity of individual schemes to particular indicators.

### **Property Benchmarking & KPIs**

06/102 The Board endorsed the proposed approach to benchmarking BW returns from property during 2006/07.

### **Capital Programme**

06/103 BW's capital plan for 2006/07 was noted.

### **Projects**

06/104 An update on progressing the formation of a JV with Peel Holdings to develop the Gloucester Quays site, following the grant of planning permission, was noted.

The Pineham North Bridge Crossing, Northampton, approved by the Executive, was noted. This granted rights to construct two bridge crossings for which the developer would pay [*text omitted as commercially confidential*] plus [*text omitted as commercially confidential*] of BW's costs together with associated works [*text omitted as commercially confidential*].

### **Policy on Best Value**

06/105 It was recalled that at the February Audit Committee, the Board was asked to re-state its policy to maximise disposal value at the time of the transaction. The proposed policy set out in the memorandum was approved by the Board.

## **RESTORATION REPORT (BWB 3244)**

### **Liverpool Canal Link**

06/106 The Board approved a recommendation to increase the project authorisation from £17.156 million agreed in November 2005 (Board Minute 05/137 refers) to £23.756 million. This would enable BW to deliver £6.6 million of public realm landscaping works adjacent to the Liverpool Canal Link on the Pier Head at no additional cost to itself (given that these works were to be fully funded by third parties).

### **Olympic & Bow Back River Restoration**

06/107 The Board noted a progress report by the Director, London.

It was reported that the ODA had indicated a contribution of [*text omitted as commercially confidential*] to funding Prescotts Lock and associated water control features so that the full project funding of £16 million was now identified.

### **BW PEOPLE STRATEGY**

- 06/108 The Board considered BWB 3242 setting out a proposed revised BW People Strategy for the next 5 years together with a brief overview of progress made with the existing strategy approved by the Board in 2001.

The Customer Operations Director confirmed that the approach was shared with the Trade Unions.

The Board welcomed the update and revised strategy.

### **THE WATERWAYS TRUST : STRATEGIC REVIEW - UPDATE**

- 06/109 The Regeneration Director introduced BWB 3243 providing an update on the current strategic review by BW of its relationship with the Waterways Trust.

Dr Langslow, who had accompanied Mr Cochrane during the visits to TWT, also commented on their findings and conclusions.

Following a discussion, it was agreed a short paper recommending a way forward should be submitted to the November Board Meeting. This would be framed in the context of BW's grant reduction with the emphasis on effective contract delivery. The provision of proper storage facilities to preserve the waterways archive would be a key element of the report.

The role of BW in nominating certain Trustees was noted.

### **AUDIT COMMITTEE**

- 06/110 The Minutes of the Meetings of the Audit Committee held on 24 May and 7 June 2006 were noted.

Additionally, Dr Langslow, the Chairman of the Committee reported briefly on its meeting the previous day.

Dr Langslow advised that there were no issues in the Management Letter that he needed to highlight for the Board. It was agreed that those Board members not serving on the Committee would receive a copy of the letter.

The Legal Director reported on the outcome of the External Audit Tender appraisal and the Audit Committee's decision to recommend, subject to discussions on fee and terms in the Letter of Engagement, that Grant Thornton be recommended as the proposed external auditors. The Board approved the recommendation. The Secretary was authorised to advise the Secretary of State of the Board's recommendation. The Board noted that the formal power of appointment of the external auditors was vested in the Secretary of State.

### **FAIR TRADING COMMITTEE**

06/111 The Minutes of the Fair Trading Committee held on 25 May 2006 were noted.

Mr Tricker reported briefly on the meeting of the Committee held earlier in the day.

The Committee had accepted the Code of Practice on Fair Trading that had been prepared with the assistance of a working group that included trade representatives. It agreed to review its effectiveness in two years time. The Internal Audit Report on Protocol Compliance had been reviewed and the Committee had been re-assured by its findings.

### **FEEDBACK FROM BOARD VISIT**

06/112 The Board reviewed its visit to Diglis and Stourport the previous day followed by its Dinner with guests. The Waterway Manager was thanked for the arrangements.

It was agreed that the informal style of the meeting with staff at Stourport had worked well and should be repeated.

### **BOARD MEETING DATES 2007**

06/113 Board Visit/Meeting dates for 2007 were confirmed as follows:

Wednesday 17 January - Thursday 18 January  
Tuesday 27 March - Wednesday 28 March  
Tuesday 12 June – Wednesday 13 June  
Wednesday 18 July – Thursday 19 July  
Wednesday 19 September – Thursday 20 September  
Wednesday 21 November – Thursday 22 November

### **SEAL REGISTER**

06/114 The Seal Register, showing that documents 18,668 to 18,770 had been sealed since the last meeting of the Board, was received.

### **OTHER BUSINESS**

#### **Retirement of Board Members**

06/115 The Chairman referred to the retirement from the Board in September of Mr Darling, who, unfortunately, could not be present at the meeting, and



of Mrs Gordon and Dr Langslow. On behalf of the Board, he thanked them for the contributions they had made, both in their particular fields of expertise and generally. They were leaving a business which, with their help, was in sound shape. The Chief Executive also expressed appreciation of the substantial time and energy they had devoted to BW. Mrs Gordon and Dr Langslow responded suitably.

**DATE OF NEXT MEETING**

28 September 2006 (Leeds)