

*[These Minutes were agreed by the Board at its meeting on 25 May 2006]*

**FOR PUBLICATION**

**Minute Nos. 06/23 to 06/50**

**BRITISH WATERWAYS**

Minutes of the Board Meeting held at  
Weston Park, Weston-under-Lizard, Shifnal, Shropshire  
On Thursday 23 March 2006 at 9.00am

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**PRESENT:**

Mr T Hales	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	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing & Customer Service Director
Mr J Stirling	Technical Director
Mr C J Howells	Assistant Secretary

**MINUTES**

The Minutes of the Board Meeting held on 2<sup>nd</sup> February 2006 were confirmed and signed, subject to the following amendment:-

Minute 06/17, second paragraph, final sentence to read:

"BW and Peel Holdings were also clients of his Company at Bowling Basin."

## **MATTERS ARISING**

### **BW Leisure Attractions – Falkirk Wheel (Minute 06/02)**

- 06/23 The Commercial Director advised in response to Dr Christie that the updated masterplan for the Falkirk Wheel site would be available around the end of 2006. Dr Christie added that he had met the Director, Scotland and was pleased that upgrading of the Wheel product was in hand.

### **BWML – Boat Sales (Minute 06/11)**

- 06/24 The Commercial Director confirmed that BWML was examining the option of its boat sales business being outsourced.

### **Audit Committee – Climate Change (Minute 06/19)**

- 06/25 Referring to the Audit Committee's review of climate change risks for BW, Professor Fleming observed that he was preparing a report for the Chief Executive on flood risk issues, including riparian property and reservoirs.

## **CHIEF EXECUTIVE'S REPORT**

- 06/26 The Board noted BWB 3221.

### **Media**

- 06/27 The Marketing & Customer Service Director confirmed that training was given to BW personnel who had contact with the media. This was tailored to the extent of their exposure.

### **Senior Management Changes**

- 06/28 The Customer Operations Director reported on the restructuring of the personnel function, including the appointment of Andrew Johnson as Head of HR reporting directly to him.

### **BMF Mediation**

- 06/29 The Board noted the positive outcome of the mediation with BMF. The process of working more closely together was in hand including a number of confidence building measures.

### **Port Dundas Re-connection Project**

- 06/30 The Board confirmed agreement to the increased project cost of the Port Dundas restoration project funded by Third Parties (£6,893,000/£5,650,000 approved previously).

### **The Water Framework Directive - Scotland**

- 06/31 Professor Fleming highlighted the restrictive approach of the Scottish Environment Protection Agency in applying the Water Framework Directive. He felt this would discourage developments along rivers and canals. He would take up his concerns with the Legal Director.

## **Judicial Review (Central Rates Transitional Relief)**

- 06/32 The Legal Director reported on the hearing of BW's judicial review claim against the ODPM. He was hopeful that the matter could be settled to BW's satisfaction without a judgement.

## **Demolition of Coal Chutes – Birmingham Canals**

- 06/33 The Chief Executive advised that public protests had led to the cessation of works to demolish redundant coal chutes on the Birmingham Canals. Discussions with those who had expressed concerns was now in progress. The Executive accepted that, whilst the demolition was justified, the PR message had not been handled well. Senior management was being advised of the importance of taking time to fully explain circumstances to local enthusiasts in future.

## **FINANCE DIRECTOR'S REPORT**

- 06/34 The Board noted BWB 3220.

## **Treasury Policies**

- 06/35 The Chairman highlighted the large amount of cash on deposit and was assured by the Finance Director that this was being actively managed and would significantly reduce in the coming months.

Mrs Gordon also noted that whilst the Financial Memorandum required BW to break-even, custom and practice allowed otherwise. Her suggestion that this should not be relied on for the future was accepted by the Executive.

It was agreed that the Finance Director would present his Treasury Policy in respect of BW's cash and its investments to the next Board Meeting as well as the Audit Committee.

PR

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

- 06/36 The Technical Director introduced BWB 3216.

The Technical Director gave an update on the incident at Plank Lane Lift Bridge on the Leeds & Liverpool Canal where the counterweight beam had fallen onto the road. He reported that the need for a more intensive inspection process was evident and the lessons of the incident would be extended to other structures, where appropriate.

Mr Stirling also updated the Board on the anomalies/errors in the data previously reported to the Board relating to RIDDOR Reportable Incidents. He advised that the problem in SAP had been corrected and reported data would, in future, be correct.

## **STRATEGY**

- 06/37 The Board considered BWB 3224 and the attached draft strategic statement together with a presentation by the Executive Directors. The presentation set out the plans to deliver key elements of BW's strategy:

- Setting the contract standard and delivering it at optimum cost;
- Creating secure income streams;
- Investing to grow visitor numbers and becoming totally customer focussed.

In summing up after the presentations by individual Directors, the Chief Executive emphasised two points. Firstly, the further work that was needed on efficiencies and factoring this into the cost line. Secondly, that the thrust was not about changing values; it was about doing it better.

Points in the discussion that followed included:

- Heritage and environment and also water quality, were benefits to the customer that should be articulated in the strategy;
- It was important that Government assumptions in regard to reducing grant were consistent with BW's: the emphasis was on becoming increasingly self-sufficient;
- The Executive confirmed that although it had not featured in the presentation, driving down HQ costs was a key element of the strategy;
- It was also suggested that reference should be included to our business partners;
- A number of views were expressed on freight and the Chief Executive was asked to prepare a fact based paper on the cost/benefits of freight to BW and the community, to help clarify further strategy and plans;
- A risk section could be added. Commercial risks were covered by contingency planning. Other risk were less easy to plan for (e.g. avian flu, drought, flooding) and flexibility would be needed in the contract with Government to allow for this;
- Whilst customer numbers was a good measure of public benefit, it was not exclusively so. There were wider benefits and activities which produced these (e.g. heritage or education) and which needed to be assessed on their merits. They would be brought to the Board on a case-by-case basis;
- The magnitude of the culture change required and winning hearts and minds was a major communications challenge.

The Board welcomed the strategy outlined by the Executive and confirmed its full support in implementing it.

### **3-YEAR CORPORATE PLAN**

06/38	The Finance Director introduced BWB 3225, the 3-Year Corporate Plan 2006/07 to 2008/09.
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The Chief Executive advised that Years 2 and 3 of the Plan did not contain sufficient contingency because of the lateness of DEFRA confirming the cut in BW's grant. The plan, therefore, showed unspecified savings of £1.5m and £3m in Years 2 and 3 to bring the contingency back to circa £4m. Details of how and where these savings would occur would emerge during the year.

A revised risks and opportunities section of the Plan was tabled.

In response to Board Members' comments, the Executive undertook to add some target efficiencies to core waterway. The Executive also undertook to present the outcome of its work on KPIs to the next meeting. These included property investment.

PR

The plan was approved, subject to these amendments and an updated version would be circulated.

RE

### **MEASURING PROGRESS TOWARDS THE VISION – CUSTOMER RESEARCH PROGRAMME 2005**

06/39 The Marketing & Customer Service Director introduced BWB 3219. This set out an assessment of BW's customer service performance in 2005/06 based on the outcomes of its market research programme and also set out key developments for 2006/07.

Mr Salem highlighted his overall performance assessment including:

- Progress in continuing to build a positive image of the waterways and British Waterways;
- Whilst there was no change to visit numbers, this was not part of the strategy for this year with the concentration on improving service etc.;
- Good customer service standards had been maintained with improvements in excellence for the passionate enthusiast and holiday boaters;

He concluded that this modest improvement was no cause for complacency. The key developments planned for 2006/07 were geared to the size of the challenge of becoming more customer focussed and increasing visitor numbers.

In the discussion, Mr Salem acknowledged that visit numbers by activity categories were very broadly based. The Marketing Strategy in the Autumn would contain further segmentation.

It was also accepted that there were groups of customers other than leisure users who should be identified more explicitly e.g. business and commercial users.

It was noted that the report findings would be reviewed by the Remuneration Committee at its May meeting.

### **BW PENSION FUND – IMPROVING GOVERNANCE**

06/40 The Board considered BWB 3222 by the Committee of Management Sub-Group. This set out the conclusions of a review it had asked to

be undertaken on the governance arrangements for the BW Pension Fund. The objectives of the review were to:

- Ensure compliance with changing pension regulation;
- Remove the potential risk of conflict within the current two tier structure of Trustee and Committee of Management;
- Improve the efficiency and effectiveness of the various committees required to properly govern the pension fund.

The recommendations as set out in the Memorandum for dissolution of the existing two tier governance structure and formation of a single Trustee Board were approved by the Board. It was noted that these would also be submitted to the Committee of Management and the Trustees during April for their approval.

VM

### **COMMERCIAL UPDATE & COMMERCIAL PROJECTS (BWB 3215)**

- 06/41 The Board noted progress on the 2005/06 investment and disposal strategy.

The following project was approved:

#### **Jericho**

- Disposal of the site at Jericho for a capital receipt of between [text omitted as commercially confidential] and to delegate to the Chief Executive the final decision on disposal once "best and final" offers are received.

The following project approved by the Executive was noted:

#### **Loughborough**

- In the September 2005 Commercial Update, the Board were informed (BWB 3196) of a project to invest [text omitted as commercially confidential] of cash and our land in the development of Loughborough Canal Basin to provide improved waterspace, customer facilities and produce serviced development plots for leisure, residential and student accommodation.

On the 1<sup>st</sup> March the Commercial Director confirmed, and the Chief Executive approved, final details of the project which now involved [text omitted as commercially confidential] of cash but with a base case return of 20% and an upside case of 24%.

### **RESTORATION UPDATE**

- 06/42 The Board noted BWB 3217 with a report by the Regeneration Director on the Liverpool Link, Droitwich, Cotswolds and Manchester, Bolton & Bury Canals restorations and an Olympics update by the London Director.

On the Olympics update, the Chief Executive reported that at a meeting the previous day, DEFRA had confirmed its acceptance of BW's proposals for the Bow Back Rivers. The Board agreed that Mark Bensted and Richard Rutter should be congratulated.

The Chief Executive also advised on the Cotswolds Canal that SWRDA continued to insist on their £6 million capital contribution being spent in the current financial year. This could be achieved by acquiring one of the commercial properties on the planned route of the canal where land was required to reinstate the canal channel. Following severance of the part required for the canal restoration, the remainder would be traded and the disposal proceeds applied towards the restoration costs.

An appropriate property had been identified, the purchase price of which could be 100% funded from the SWRDA contribution. The Executive proposed proceeding on this basis, subject to the level of risk being adequately managed through the funding arrangements with SWRDA. The Board endorsed this approach and approved the acquisition of the property on that basis.

RE

#### **ANNUAL REPORT & ACCOUNTS 2005/06 (BWB 3218)**

- 06/43 The Board considered outline proposals for the layout and content of the Annual Report & Accounts 2005/06. Initial design concepts were also attached.

The Board endorsed the overall approach and delegated to the Chairman, Chief Executive, Finance Director and Marketing and Customer Service Director to take the next steps required to publish the document.

#### **CORPORATE GOVERNANCE ISSUES**

- 06/44 The Legal Director introduced Memorandum BWB 3223.

The Board briefly reviewed whether it would be appropriate for Members to serve as Directors of JVs and subsidiaries. The Chairman's view that the Board's role was to ensure there was sufficient technical competence in the Executive and then delegate was endorsed. It was agreed that the paper from the Executive at the next meeting on Wood Wharf and ISIS would further help to clarify responsibilities.

Following its discussion, the Board approved the following:

- (i) To formally adopt the Board Objectives as set out in Appendix 1;
- (ii) the reconstitution of the Fair Trading Group as a full committee of the Board with Terms of Reference as set out in Appendix 2 and with an interim membership of Messrs Tricker (as Chairman), Bowker and Hales;
- (iii) the changes to BW appointments to the Boards of Edinburgh Quay and Timber Basin Limited;
- (iv) the amendments to the Board Policy as set out in red in Appendix 3B with one exception. This was in regard to appointments to directorships and company secretary of subsidiaries and associated undertakings between Board Meeting. Those with a risk score of 7 or over were to be emailed to Board Members for confirmation.

## **BOARD MEETING TIMETABLE & REPORTING FRAMEWORK**

- 06/45 A schedule setting out a timetable for Board Meetings and presentation of management information for the remainder of 2006 and for 2007 was approved. Board Members who had problems with any dates would advise the Secretariat.

### **AUDIT COMMITTEE**

- 06/46 The Minutes of the Meeting of the Audit Committee on 1<sup>st</sup> February 2006 were noted.

### **FAIR TRADING GROUP**

- 06/47 The Minutes of the Fair Trading Group on 2<sup>nd</sup> February 2006 were noted.

Additionally, Mr Tricker reported that at its meeting immediately preceding the Board Meeting, the Fair Trading Group had agreed a programme of audit reports and noted two draft reports from the Ombudsman on Willowtree and Kilworth Marinas.

### **TEMPORARY BORROWINGS**

- 06/48 The Board considered BWB 3214 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<sup>st</sup> April 2006 with the appropriate resolutions as attached to the Memorandum.

### **FEEDBACK FROM BOARD VISIT**

- 06/49 The Board reviewed the feedback on its visit to the West Midlands Waterways the previous day. It was agreed that the mix and match approach focussing on the particular character and issues of the waterways had worked well and would continue in respect of future visits.

### **SEAL REGISTER**

- 06/50 The Seal Register showing that documents 18,442 to 18,540 had been sealed since the last meeting of the Board was received.

### **DATE OF NEXT MEETING**

25 May 2006 (London Waterways)