



BOARD MEETING

Minutes of the Board Meeting held at British Waterways offices, Willow Grange, Church Road, Watford on Thursday 23 November 2006 at 10.00am.

PRESENT:

Mr T Hales	Chairman
Ms S Achmatowicz	
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 D Cochrane	Regeneration Director
Mr C J Howells	Assistant Secretary

WELCOME

The Chairman welcomed Mr Bridgeman to his first meeting.

MINUTES

The Minutes of the Board Meeting on 28 September 2006 were confirmed and signed.

MATTERS ARISING

Jericho (Minute 06/118)

- 06/138 The Chairman referred to the letter that had been sent to Board Members by a member of the Jericho community about the eviction of squatters from the Castlemill Boatyard. After a discussion, the Board agreed that it remained satisfied with the handling of the matter in what were accepted to be difficult circumstances. The Executive was asked to continue its constructive dialogue locally.

The Commercial Director reported progress of the sale which was under contract, subject to planning permission.

Cycling Study – Regents Canal (Minute 06/124)

- 06/139 The Marketing and Customer Service Director advised that the recommendations in the Regents Canal cycling study were being implemented. It should be possible to have assessed their effectiveness by early Summer 2007 and decide then on their extension to other waterways. He would respond to points raised by Ms Achmatowicz outside the meeting.

Edinburgh Quay (Minute 06/126)

- 06/140 Dr Christie asked for an update on the provision of waterspace at Edinburgh Quay. The Executive explained that an analysis was in progress of the relative merits of Edinburgh Quay and the nearby Harrison Park site as a visitor destination and moorings site. It was acknowledged that the latter was a less central location. A note on this would be provided for the next Board Meeting.

Property Group (Minute 06/135)

- 06/141 The Legal Director advised that he was drawing up terms of reference for the Group, which would be formally constituted as a Committee of the Board. These would go firstly to the Committee and then to the Board.

Nomination Committee (Minute 06/135)

- 06/142 The meeting to discuss succession planning would be convened as soon as possible in 2007.

CHIEF EXECUTIVE'S REPORT

- 06/143 The Board noted BWB 3255.

The Chief Executive updated the Board on the discussions with DEFRA on BW's grant and the proposed contract with Government.

He advised that next year's grant (2007/08) had still not been confirmed. This was expected in December. £55.4 million seemed the most likely outcome.

[Text omitted as commercial sensitive]

The Board then briefly reviewed the concern of stakeholders to the grant funding position and the reported initiatives that they were taking to bring this to the attention of Government.

Finally, the Chief Executive referred to the announcement on the reorganisation of DEFRA which was thought to be imminent. The Board agreed that in this event it would be prudent for BW to be proactive about options for its own future and to propose to DEFRA that it instituted a study, including innovative models. This would be predicated on the achievement of a stable funding regime rather than a particular position in Government. Treasury and Scottish Executive would be kept closely informed.

Stakeholder Relations – Scottish Executive

- 06/144 The Chief Executive referred to the agreement with Scottish Executive in 2003 that in return for increased grant BW would invest commercial capital to grow earned income in Scotland. The Scottish Executive was now asking for the evidence, including through accounting transparency that this had been delivered.

The Board agreed it was essential that not only the spirit and the letter of the original agreement were honoured, but also that this was clearly demonstrated. The Finance Director explained the accounting complexities underlying this objective. He was working with the Director Scotland to resolve these before the Spring 2007 CSR settlement. The outcome would be a clear presentation of the balance of income and expenditure between Scotland and England and Wales in BW's Accounts.

Waterway Unit Restructure

- 06/145 The Customer Operations Director gave an update on the progress of the waterway restructuring. He gave an assurance in response to Dr Christie that with the resultant greater clarity and focus of activity there would be no reduction in the quality of service offered, though there may be some reduction in non-core activities.

Outsourcing was referred to as a component of the restructure. This allowed BW to concentrate on the core activities that it did best.

Police Award

- 06/146 It was agreed that the Chairman would write to congratulate Graham Smith, Operations Supervisor and Ray Farrow, Patrol Officer, who were to receive an award from the Metropolitan Police Marine Support Unit for their significant contribution in tackling serious and organised crime on London's Waterways.

Legal Matters

- 06/147 The Chief Executive drew the attention of the Board to the favourable decision of the VAT and Duties Tribunal in rejecting a challenge from a prominent boater to BW's treatment of VAT on River Registration Certificates. This removed the threat of a loss of significant VAT refunds.

The Legal Director drew the attention of the Board to the decision to plead guilty to a charge under the Health & Safety at Work Act 1974 concerning the tractor accident on the Kennet and Avon Canal in 2004 in which two contractors died. Sentencing was postponed to another date.

Invasive Plants/Habitats Regulations

06/148 Professor Fleming noted the reports on the invasive plant Floating Pennywort and the Habitats Regulations and BW's River Usk abstraction. He highlighted the increasing ramifications for managing waterways and the costs involved of these and other environmental regulations.

Tree Management - London

06/149 Responding to Mr Bridgeman, the Chief Executive undertook to consider BW's approach to tree management and carbon policy in the context of the overall review of sustainability and KPIs.

Bridgewater Canal – Coal Authority

06/150 A brief note on progress of discussion with Peel Holdings and the Coal Authority on the mining subsidence issues on the Bridgewater Canal would be provided for the next meeting.

FINANCE REPORT

06/151 The Board noted BWB 3256 covering the following:

- Statement of the BW cash position as at mid November 2006;
- A summary of the results for the 6 months period to September 2006;
- A summary of the F6 full year forecast;
- An explanation of the Business Plan timetable.
- Traffic light schedule of current year Business Plan milestones;

The Finance Director reported that he was working on a high level "Blue Book" finance report for the Board. Mr Tricker was providing advice on this.

On the Business Plan milestones, the Executive confirmed that a rationalisation to produce a more balanced approach reflecting the business as a whole was in progress, e.g. more focus on core waterway.

The Commercial Director explained the background to the slower than anticipated progress on some Waterside Pub Partnership milestones. He remained confident that the Partnership would deliver the expected benefits over time.

The Board noted the overall financial position and welcomed the progress being made.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

06/152 The Board noted BWB 3254.

The Technical Director highlighted the steady improvement in the health and safety performance. He also referred to the Executive's decision to address two priority safety issues involving customers and the public, i.e. swimming in canals and cycling on towpaths.

The Technical Director explained that the emphasis would change in future reports from RIDDOR reportable to lost time injuries.

The Board commended the performance of the East Midlands Business Unit in achieving the milestone of two years without a reportable incident.

THE WATERWAYS TRUST

06/153 The Board considered BWB 3259 by the Chief Executive.

Following a discussion, the Board agreed the action plan set out in the memorandum, including that BW should fund TWT for a further year (07/08) at current levels. It was further agreed that by the time of the next full review all remaining issues should have been addressed.

VOLUNTEERING

06/154 The Regeneration Director introduced BWB 3257. This considered the current involvement of BWB in volunteering and the outputs being achieved, together with a series of next steps agreed by the Executive for taking volunteering forward.

The Board endorsed the approach, including Mr Tricker's recommendation that a volunteer recognition scheme be included with an annual awards event.

COMMERCIAL DIRECTOR'S REPORT

06/155 The Commercial Director introduced BWB 3253.

The Board noted the Market Commentary and Other Key Issues together with the Capital Programme. Mr Froomberg alerted the Board to a future request for an increase in the approved equity funding for the Wood Wharf Partnership.

Project for Approval – Gloucester Quays Joint Venture

06/156 The Commercial Director recalled that in November 2001 the Board had approved, in principle, establishing a Joint Venture (JV) with Peel Holdings to develop their respective sites at Gloucester. (BWB 3000). An update paper was provided in July 2006 (BWB 3237) following the grant of outline planning consent for the development and detailed consent for the inner relief road and canal bridge crossing. Approval of the creation of the JV was now requested as set out in the memorandum.

Mr Hugill and the Chairman both commended the project to the Board.

The Board agreed the following: -

- The creation of a Joint Venture on the basis of a 50:50 Limited Liability Partnership with Peel Holdings, which was the same structure used for the Pub Partnership;
- *[Text omitted as commercially sensitive];*
- *[Text omitted as commercially sensitive];*
- To appoint Philip Ridal, Nigel Bell and Ian Jarvis as the three BW Directors of the partnership;
- Delegate the creation of the legal documentation of the partnership to the BW Executive;
- To authorise the project team to seek the approval of DEFRA/Treasury to these recommendations. DEFRA/Treasury reviewed this project in 2001 and 2002 and approved it in principle, subject to gaining a planning consent, securing grant funding from the RDA (now EP) and providing further sensitivity analysis on the figures;
- To commence construction of the canal bridge crossing in January 2007, subject to the creation of the Joint Venture.

Project for Noting – Attercliffe, Sheffield Regeneration

06/157 The Board considered the proposed approach to a major regeneration opportunity at Attercliffe, East Sheffield and the next steps for progressing this.

[Text omitted as commercially sensitive]

The Board agreed this approach.

RESTORATION REPORT (BWB 3258)

06/158 The Board considered a project submitted for approval.

- Cotswolds Canal Phase 1. To restore to full navigation the canals between Brimscombe Port and Stonehouse and create a trail between Stonehouse and Saul Junction.

In the discussion, the Regeneration Director confirmed to Mr Sutherland that he was confident that the Waterway Trust would raise its commitment of £469k over the term of the project.

The Board accepted there were significant risks, but on the basis that these were capped and with the project scoring highly in the core activity of regeneration, it was resolved to proceed as follows:

- BW's total contribution to be set at £3m;
- The Executive to be tasked to reduce the current risks of overspend or achieve additional income to deliver the project within the BW contribution of £3m;

- Approval be given to sign the HLF funding contract and cash drawn down to commence;
- Approval be given for construction to commence with expenditure subject to clawback limited to £3.2m by March 2007;
- The Executive to be instructed to advise the Board at or before the end of March 2007 that they can deliver the project within the agreed £3m BW contribution and that they are therefore proceeding to completion;
- If the Executive cannot reduce the risks, then BW will not proceed, the project will be abandoned, recognising the significant reputational risks and the risk of having to repay £1.6m of funding.

A progress report on the Olympic and Bow Back River Restoration by the Director London was noted.

AUDIT COMMITTEE

06/159 The Minutes of the Meeting of the Audit Committee on 2 November 2006 were noted.

Mr Bowker highlighted the Committee's first meeting with the newly appointed external auditors, Grant Thornton. The Committee had welcomed the Auditor's focus on BW's principal business risks.

SEAL REGISTER

06/160 The Seal Register, showing that documents 18,876 to 18,939 had been sealed since the last meeting of the Board, was received.

OTHER BUSINESS

British Waterways Pension Trustees Limited

06/161 The Board considered a paper tabled by the Finance Director and resolved as follows:

- To nominate Neil Chater, Barrie Milsom Tom Kent and Steve Pullinger as the member-nominated directors of the Trustee Company;
- To appoint BES Trustees plc as a director of the Company;
- To authorise Susan Achmatowicz to (a) attend as the BWB representative and vote on its behalf at the AGM of the Company, and any general meeting of the Company convened to amend the articles, and any adjournments of those meetings, and (b) give consent on behalf of BWB to accept short notice of those meetings, if necessary.

FEEDBACK FROM BOARD VISIT

06/162 Board Members would be visiting departments at Willow Grange in the afternoon and would receive presentations on their work. Feedback on the visits would be given to Mr Salem.

DATE OF NEXT MEETING

18 January 2007