

[These Minutes were agreed by the Board at its meeting on 24 November 2005]

FOR PUBLICATION

Minute Nos. 05/102 to 05/123

BRITISH WATERWAYS BOARD

Minutes of the Board Meeting held at
British Waterways Offices
1 Sheldon Square Paddington London W2 6TT
on Thursday 22nd September 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
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 Personnel Director
Mr S Salem Marketing & Customer Service Director
Mr S A Sim Technical Director
Mr M Bensted Director - London
Mr P Ridal Finance Director
Ms Sally Roberts Acting Finance Director

Mr C J Howells Assistant Secretary

The Chairman welcomed Philip Ridal to his first Board Meeting as Finance Director and thanked Sally Roberts for her contribution as acting Finance Director since May.

MINUTES

The Minutes of the Board Meeting on 28 July 2005 were confirmed and signed.

MATTERS ARISING

Fair Trading (Minute 05/88)

- 05/102 Mr Tricker reported on behalf of the Fair Trade Group that the prospects of progress in the discussions with BMF on its fair trade concerns had received a setback with the receipt of a four page legal opinion from the BMF Counsel in response to his informal email. There was a further meeting with BMF on 26 September. BW would continue to make the case, supported clearly by its own Counsel's legal opinion that its procedures were robust and it was trading fairly. BW would also seek input from BMF on the brief for OXERA on the economic issues.

Dr Langslow referred to BW's commitment to publish the PWC report on the marina protocol. This had been sent to BMF some time ago and was, therefore, in the public domain. The Audit Committee had agreed that the report should now be published on BW's external website.

London Olympics 2012 (Minute 05/89)

- 05/103 The Director London confirmed that the BW brochure "The Bow Back Rivers" would be updated in October (particularly the photographs) and re-issued.

Cotswold Canal Restoration (Minute 05/92)

- 05/104 The Commercial Director confirmed that the prospects for commercial sponsorship of the canal restoration had been assessed, but were not significant in terms of the total funding gap. (See also Minute 05/108).

CHIEF EXECUTIVE'S REPORT & FINANCIAL REVIEW

- 05/105 The Board noted BWB 3198.

Financial Performance

- 05/106 The Group Financial Controller presented the highlights of the Financial Performance for the five months to 31 August and the forecast full year outturn.

Dr Christie noted that the Falkirk Visitor Centre was performing under budget and questioned whether there were issues for BW attractions generally. Board Members pointed to their own, albeit sometimes anecdotal evidence, of a fairly general decline in visitor numbers. The Chief Executive added that the Association of Leading Visitor Attractions, of which BW was a member, had evidence that paid attractions were suffering a decline and that whilst numbers were up at free attractions, spending was reduced. Mr Evans added that the costs of the BW's Visitor Centres were kept under close review. It was agreed to review the position again at the next Board Meeting when the Quarter 2 year-end re-forecast was available.

The Board welcomed the cash flow statement for the five months ended 31 August. The Finance Director advised this would be refined and improved further and included in the full management accounts from now on.

Managing Director Units

05/107 The Board noted the Chief Executive's decision that with the Managing Directors having successfully performed the crucial role of establishing the new Business Units in BW, the time was right for further changes to take the business forward. The changes were as set out in BWB 3198.

In response to comments from Board Members on the changes, the Chief Executive confirmed he was confident there would be no adverse impact on the effectiveness of his own role or in meeting BW's priorities for regeneration and for the Olympics. He felt the changes would be welcomed in the business.

The Chairman commented that the Board recognised that the appropriate BW operational structure was a matter for the Executive. Its own interest would be in terms of ensuring proper succession planning in BW, and this would be considered at the next Nominations Committee meeting. It would also wish to be satisfied that the level of the Chief Executive's overall responsibilities were manageable.

Cotswolds Canal

05/108 The Chief Executive gave an update on the meeting with major stakeholders on 15 September when the project funding gap of £9.2 million had been discussed. Mr Evans advised that the meeting had been constructive, but that the prospect of increased funding was not good. Several stakeholders had, however, suggested they might help underwrite the risks. The possibility of reducing some of the quoted costings for the works had also been raised. His response to this was that he had to work on the basis of the costs as they stood unless there was reliable evidence to do otherwise. If the partners were able to come close to funding the gap, then he would be prepared to ask his Board for a contribution.

The Board endorsed the Chief Executive's approach and that every effort should continue to bridge the gap. It was agreed that any underwriting of risks would have to be contractually sound. It was recognised that a potentially most difficult decision was only a few weeks away.

Waterscape

05/109 It was noted that the review by the Waterscape Board of the options for the future of Waterscape would be completed shortly. The Executive would wish to discuss its decision with the Chairman as well as Mr Bowker and Ms Achmatowicz, who had taken a special interest in Waterscape, in advance of the next Board Meeting so that it could move ahead quickly and implement it.

Chief Executive's Briefing

05/110 Board Members commented on and received amplification on topics in the Chief Executive's briefing:

- it was accepted that the wording in Plan for the Future announcing the downgrading of the Bedford/Milton Keynes Link

from priority one status could have been better and less disruptive to the project's ambitions. Planning and prioritising restorations was on the agenda for discussion with BWAf;

- the media initiative to explain BW's responsible approach to caring for its historic estate was welcomed by Dr Langslow but he felt more could be done locally to demonstrate this to canal communities;
- it was accepted lessons should be learnt by BW from its failure to gain Millennium Commission approval for its proposal to restructure the visitor attraction offer at Standedge;
- referring to proposed waste recycling centres on the Trent & Mersey Canal, Mr Tricker recommended contact with Lichfield Council which was at the forefront of waste recycling in the UK. The Technical Director and Professor Fleming would review the scope for transporting waste on canals outside the meeting and report their conclusions;
- whilst there would not be a reception for MSP's before the Scottish Annual Meeting on 29 September, it was proposed to hold one early in 2006;
- Ms Achmatowicz reported that BW had been an award recipient at a recent Sustrans Award Ceremony. She then highlighted the reported increased use of towing paths for cycling in London and the discussion on managing potential towpath conflicts at the staff reception the previous evening. Much work was being done by Transport for London in this regard and Sustrans had issued good best practice guidance. The Board agreed that BW should engage with all involved to effect the best possible multi-use arrangements. The Customer Insight Programme would provide helpful information.

HEALTH & SAFETY MANAGEMENT REPORT

05/111 The Board considered BWB 3197 by the Technical Director.

The Technical Director advised that whilst good progress had been made in reducing reportable incidents and BW remained on target, the rate of the improvement was slowing. The Executive was resolved to redouble efforts, not least since the performance of those who BW benchmarked against was also continually improving.

The Board accepted that the response to some reportable incidents might seem overly detailed, e.g. replacing glass mugs with plastic and not using hand mowers in wet conditions, but this was felt to be justified in terms of the goal of no reportable incidents.

INVESTIGATION INTO THE DIVING ACCIDENT AT UPPER LODGE

05/112 The Board received a report by the Legal Director and a member of his enquiry team on the preliminary findings of his investigation into the fatal diving accident at Upper Lodge Lock on the River Severn.

COMMERCIAL UPDATE & COMMERCIAL PROJECTS

05/113 The Board considered BWB 3196.

Investment & Disposal Strategy

05/114 The Board noted progress on the 2005/06 investment and disposal strategy.

Property Portfolio Update

05/115 The Board noted the additional information on the property portfolio performance as requested at its previous meeting. The Commercial Director invited comments outside the meeting on the type of information provided and whether this met the Board's needs.

Wood Wharf

05/116 *[Text omitted as commercially confidential]*

Willow Grange Disposal & Relocation of Head Office

05/117 The Board considered an update and recommendation on the proposed sale of BW's Head Office at Willow Grange and the proposed relocation to Apsley Mills, near Hemel Hempstead.

On Government Approvals required, the Commercial Director advised that Treasury and DEFRA approval was expected to be needed for the procurement of the proposed new office at Apsley. He continued that DEFRA had confirmed that Government authorisation was not required for the office relocation.

The Chief Executive confirmed that no significant relocation costs were expected.

The Board agreed to delegate authority to the Chief Executive for taking the final decision on the best offer for the disposal of Willow Grange and endorsed the intention to conclude an option for the purchase at Apsley of a 1.25 acre site. It was further noted that the final deal proposed would be subject to subsequent Board approval.

Festival Waters, Stoke on Trent

05/118 The Board noted that further to its decision in November 2004 to approve a joint venture company with St Modwen plc, to be known as Festival Waters Limited, the partners had now decided for reasons

given in the Board report that formation should not proceed.

The Chief Executive confirmed that BW's relationship with St Modwen was good and BW continued to be seen as a key player in the area. There were no adverse PR implications.

The Board noted the following projects approved by the Executive:

- **Aquiva Floating Hotel** – lock out agreement leading to a lease for the Aquiva Floating Hotel at Thames Quay, Isle of Dogs. *[Text omitted as commercially confidential]*.
- **Loughborough Canal Basin** – capital investment of *[text omitted as commercially confidential]* cash, plus land value of *[text omitted as commercially confidential]*. Land assembly, infrastructure procurement and reconfiguration of public space and waterspace at Loughborough Canal Basin. The land is to be traded for residential development and student accommodation.
- **Braunston Pumping Station** - £422k commercial capital for the construction of a permanent pumping station at Braunston to facilitate new marina development.
- **Albion Mill, Canal Street, Clayton-le-Moors, Accrington** – purchase of the long leasehold interest in canalside site and buildings, at a total project cost of *[text omitted as commercially confidential]*. A land assembly and regeneration project in partnership with Hyndburn Council.

AUDIT COMMITTEE MEETING

05/119 Dr Langslow, Chairman of the Audit Committee, gave an oral report on the principal matters discussed at the Committee's meeting on 16 September.

- the Committee agreed to defer the adoption of International Financial Reporting Standards, to enable more work to be done on its implementation, including a dummy set of IFRS accounts. The intention remains to adopt as an exemplar organisation;
- the External Auditors Letter has been agreed and will be sent to DEFRA;
- the Committee noted the improvements to project appraisal and control procedures but that consistent high quality reports had not yet been achieved. It would continue to monitor progress.
- the External Audit Strategy for 2005-06 was agreed.
- the Committee had reviewed the effectiveness of external and internal audit functions as required by the combined code;
- the Committee reviewed risk and suggested some additional topics for the Executive to consider; it was content with risk processes generally and management actions;
- in reviewing internal audit progress, the Committee welcomed

the high compliance with inspection procedures now being achieved. The audit finding on project risk management and CDM Regulations was such, however, that the Committee had agreed to re-visit this.

The Board noted that the audit work on the HQ relocation had been instrumental in the Government giving prompt approval to the move. It was agreed the Head of Audit should be congratulated on this.

STRATEGIC PLANNING GUIDANCE

05/120 The Board considered BWB 3199 recommending a timetable for updating the Strategic Planning Guidance for 2006/07 to 2015/16 and the proposed changes to its format and content.

The Chief Executive invited the Board to consider whether, before embarking on a detailed review, it was timely to undertake a more wide ranging examination of the future options for BW in terms of funding, structure and accountability. Following a discussion, the Board endorsed this approach and it was agreed a report would be presented at its November meeting providing the basis for a full and open debate. A more detailed review would follow in January.

FEEDBACK FROM BOARD VISITS

05/121 The Board considered the views expressed by London staff at the round-table discussion the previous evening.

Anti-social behaviour had been a particular theme and it was agreed the Executive would progress ideas for tackling this. The Board agreed that it was unrealistic to rely on bye-laws; instead, BW could benefit from the powers of others e.g. rangers, local authorities and the police. This would also be a theme of the November Board Visit to Manchester.

The Board then reviewed the opportunity of the Olympics for furthering its aspirations for the London Canals. This included freight by water, impounding and the legacy.

Specific points from the visit were:

- establishing better top level relationships with the Environment Agency;
- getting closer to DEFRA and ODPM Ministers;
- demonstrating the link of BW's sustainable approach and the Olympic dream;
- demonstrating BW's contribution to land drainage and flood alleviation.

These would be followed up outside the meeting, possibly including a proposal by Professor Fleming for a meeting of key stakeholders to reinforce BW's credentials.

SEAL REGISTER

05/122 The Seal Register shows that documents 18,166 to 18,206 had been

sealed since the last meeting of the Board was received.

OTHER BUSINESS

Waterways Ombudsman Committee

- 05/123 The Board was reminded of the vacancy in one of the BW nominated positions on the Waterways Ombudsman Committee following the retirement of Dr Greener. Arrangements would be made for this to be filled by a Board Member.

DATE OF NEXT MEETING

24 November 2005 – Greater Manchester