

## **BOARD MEETING**

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Minutes of a meeting of the British Waterways Board (the **Board**) held at The Crinan Hotel, Crinan, By Lochgilphead, Argyll, PA31 8SR on Thursday 20 May 2010 at 9.00am

### **PRESENT:**

Mr T Hales	Chairman
Mr J Bridgeman	
Mr J Bywater	
Mrs M Carver	
Mr R Green	
Dr J Hargreaves	
Mr N Hugill	
Mr E Prescott	
Mr P Sarwal	
Mr D Sutherland	

### **IN ATTENDANCE**

Mr R Evans	Chief Executive
Mr N Johnson	Corporate Services Director & Secretary to the Board
Mr S Mills	Director of Property
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing Director
Mr S Dunlop	Regeneration Director & Director Scotland
Mr J Stirling	Technical Director
Mr C Stamp	Prism Cosec, Secretary of the Meeting

### **INTRODUCTION**

10/053 The meeting began with a brief review of the site visit and dinner the previous day. The BW Scotland team were thanked for their efforts in organising the day which had worked well.

### **MINUTES**

10/054 The minutes of the meeting of the Board held on 25 March 2010 were approved subject to the insertion of the words "per fortnight" after the words "...million people" in minute 10/049.

All of the matters arising from that meeting were included in the business of the meeting.

### **CHIEF EXECUTIVE'S REPORT (BWB 3400)**

10/055 **Health & Safety Report:** The Health & Safety Report was noted.

10/056 **Move to Third Sector:** Mr Evans reported that the initial indication from the new ministerial team at Defra was that they would support the move to the third sector provided that it was affordable. In this regard, Mr Evans reported that a 3% cut in the grant for the current year was expected as part of the Government's proposed cuts in public spending. More significant additional cuts were likely later in the year following the public spending review.

Defra officials were seeking a formal policy decision from the ministerial team on the move to the third sector and were not prepared to discuss the scope of the move until that formal decision had been taken. That said, Mr Evans explained that the move to the third sector was becoming a Defra "owned" project as the proposal became adopted as Government policy.

Mr Stirling presented an outline of the project structure and timeline. There were a number of key workstreams in the project and detailed plans for each workstream were being developed. The target date for the charity to go live was April 2012. Consultation on the governance framework was expected to commence in October 2010 and was expected to last until February 2011.

Mr Sarwal suggested that the procurement regulation implications arising from the legal structuring should be considered sooner rather than later within the process. Mr Johnson advised that this was in hand and initial advice from Counsel indicated no 'show-stoppers'.

The role of the Board in the whole process was discussed. Mr Evans explained that the key date for the Board would be its September 2010 meeting when the submission for consultation would be presented. This discussion would include key decisions about the proposed charitable objectives and exact governance model to be consulted on. He noted that there were two key discussions that would need to be concluded prior to consultation; (i) the ownership of the property portfolio and (ii) the level of funding that the charity would require from Government.

In the context of the level of Government funding for the new body it was recognised that there should be certain 'redlines' that the Board should express the view to Government should not be crossed. A key one in the view of the Chairman was that any arrangements should not require the closure of any canal, such closures in any event saving little money.

It was agreed that there should be an "in principle" Board discussion about the key issues in July, in order to provide a steer to management prior to a formal proposal being brought to the Board in September. Mr Evans was asked to prepare a "strawman" in relation to the key issues to the July meeting for review.

RE

Mr Salem outlined the communication issues and strategy around the move to the third sector.

10/057 **Staff Survey:** Mr Johnson presented an overview of the recent staff survey undertaken by Harris Interactive. Compared to previous surveys, the 2009 survey seemed to indicate that the restructure had not affected employee attitudes as adversely as previous reorganisation had done. In particular job satisfaction factors were still good. Nevertheless, the survey indicated that the office based employees were more positive than canalside employees. Confidence levels in leadership throughout organisation had been adversely affected by the restructure with a fall in overall scores since the last survey,

though the score for executive directors had improved marginally.

Mr Johnson explained that some further analysis of the findings was necessary and agreed to circulate the action plan arising from the survey with the next Corporate Services Report.

NJ

### **FINANCE DIRECTOR'S REPORT (BWB 3401)**

- 10/058 **Cashflow:** Mr Ridal confirmed that £7 million had been transferred from the Commercial Capital account at year-end as planned. There had been little change in the bank loan position of the joint ventures. [Remainder of minute commercially confidential]

The Commercial Capital Cash Forecast was presented and reviewed. A proposal to reduce the minimum cash balance from £20 million to £10 million was approved. [Remainder of minute commercially confidential]

- 10/059 **Year-end Audit:** Mr Ridal reported that the year-end audit was going well with a clearance meeting scheduled for the following day. It was anticipated that the Gloucester Quays provision might be the major single issue. The statutory format profit and loss account was presented.

- 10/060 **Group Business Plan:** A working draft of the Group Business Plan 2010-14 including a balance sheet and risk sensitivity analysis was presented. It was recognised that the move to the third sector would have significant implications for the plan. Cuts in the Government grant and pension fund liabilities would have significant short term implications for the plan whilst the revenue benefits of the move to the third sector would take much longer to be realised. Significant reductions in the costs would therefore be necessary including short term compromises on asset condition and other areas of activity. In this context, it was felt that there might be pressure to close parts of the network, however, the Chairman stressed that this was out of the question not least because the residual maintenance issues would result in any cost benefits being no more than marginal.

The provision of a balance sheet in the Business Plan was welcomed. Mr Sarwal noted that it did not show infrastructure liabilities. Mr Evans noted that the new Government was considering its policy on recognising liabilities within balance sheets.

Recognising that the Business Plan was a working document, the Board indicated its support for the general structure of the plan but noted that a revised budget would be needed once the quantum of the Government grant was known.

PR

### **DIRECTORS REPORTS (BWB 3402)**

- 10/061 **OLYMPICS STRATEGY:** Mr Dunlop briefed the Board on the development of an Olympics Strategy (which would be presented to the Board in July).

SD

The strategy anticipated three distinct phases: Infrastructure Development (which was almost complete); the Games themselves; and the Legacy. A number of ideas for using the Games (particularly the Paralympics) to promote BW were suggested. It was agreed, however, that legacy phase would be a critical stage. The July paper would focus on objectives and

priorities. It was recognised that this provided a good opportunity to develop fundraising and sponsorship capability which would be useful once the BW waterways moved to the third sector.

10/062 **CORPORATE SERVICES:** Mr Johnson's report was noted.

Revisions to the Statement of Investment Principles and the Statement of Investment Manager Arrangements for the British Waterways Pension Fund which had been previously reviewed and recommended by the Investment Sub-Committee of the Pension Fund Trustees were presented and approved.

10/063 **OPERATIONS:** Mr Moran reported that BW's involvement with the Future Jobs Fund Programme had been very beneficial.

Mrs Carver asked if there was a disability plan for the network. Mr Moran explained that a project was under way to categorise the whole network by user requirements (including disability). He agreed to present the output from that project at the next Board meeting.

VM

10/064 **TECHNICAL:** Mr Stirling updated the Board on the analysis work being undertaken on infrastructure risk.

The 2009/10 Omnibus Framework Annual Review was considered and noted.

The National Water Resource Report was noted. Leeds-Liverpool was the only hydrological unit giving cause for concern.

10/065 **SCOTLAND:** Mr Dunlop's report was noted. In relation to section 7.1 of that report, Mr Sutherland declared to the Board the interest of an associated person in the proposed 25 year lease with the Vivat Trust.

10/066 **PROPERTY:** Mr Mills briefly commented on the sections of his report dealing with property returns, the Valuation Tribunal decision in respect of the 2005 Central Rating Lists, negotiations with Thames Water, Gloucester Quays and WPP.

10/067 **MARKETING:** Mr Salem's report was noted.

10/068 **REGENERATION:** The Regeneration Report was noted. Mr Stirling reported that Worcestershire and Wychavon councils had promised £325,000 partnership funding for the Droitwich Canal. Work was under way to complete the canal and the work was expected to complete by the end of the summer.

It was suggested that projects that were dependent on RDA funding should be reviewed given the recent proposal to abolish the RDAs.

Mr Bridgeman reported on recent meeting of the Wales Advisory Group.

#### **BOARD COMMITTEES**

10/069 **Property Committee:** The minutes of the meeting of the Property

Committee held on 5 May 2010 were noted. [Remainder of minute commercially confidential]

**ANY OTHER BUSINESS**

10/070 The next meetings of the Board would be held on 17 June 2010 (to approve the annual accounts) and 22 July 2010. It was proposed that the July meeting would be held near the Olympic site in London.

There being no further business the meeting concluded at 12.30pm.

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**Chairman**