

BOARD MEETING

Minutes of the Board Meeting held at 64 Clarendon Road, Watford, WD17 1DA on 23 January 2009 at 9 a.m.

PRESENT:

Mr T Hales	Chairman
Mr R Bowker	
Mr J Bridgeman	
Mr J Bywater	
Mrs M Carver	
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	Legal Director
Mr S Mills	Director of Property
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing & Customer Service Director
Mr J Stirling	Technical Director
Mr M Bensted	Director London
Mr S Dunlop	Director Scotland
Mr C Howells	Assistant Secretary

BOARD DINNER

09/01 The meeting commenced with a review of the discussion at the Board dinner the previous evening with Defra Minister, Huw Irranca-Davies, and his officials Robin Mortimer and Sarah Nason. The principal outcome was that BW would propose a programme of canal related public works to contribute to the Government's plans to revive the economy. The Board welcomed the opportunity to provide works of public benefit that were also in support of its overall waterway strategy.

MINUTES

09/02 The Minutes of the Board Meeting on 20 November 2008 were confirmed subject to the amendment below:

On Minute 08/116 on the Board's visit to the Kennet & Avon Canal, Mrs. Carver recalled that the Board had also expressed concern about the condition of the listed bridge at Bath which was in a World Heritage Site. There would be an update on how this was being addressed at the March Board meeting.

MATTERS ARISING

Welsh Assembly (Minute 08/103)

09/03 Mr. Sutherland referred to Mr. Bridgeman's meeting with the Welsh Assembly First Minister, Rhodri Morgan. He noted that there was a minister for each of the Regions in England and suggested that contact be made with them. It was agreed the Marketing & Customer Service Director would follow this up.

CHIEF EXECUTIVE'S REPORT

09/04 The Board noted BWB 3352.

Strategic Review

09/05 *[Confidential Minute].*

Annual Health & Safety Management Report

09/06 The Chief Executive highlighted the following from his report:

- Compliance with National Safety Standards had now reached 93%
- The measures that were in hand to ensure the downward trend in employee lost time incidents was resumed
- There was an issue of non-compliance revealed by recent audits which was being addressed urgently (see also Minute 09/17).

Canal Re-openings

09/07 The Board expressed its appreciation of the work of all involved in achieving the re-opening of the Stourbridge Canal and the Monmouthshire & Brecon Canal, following breaches, to time and budget. This would be conveyed to the managers concerned who were Jane Slaughter and Mark Durham. It was known that this achievement was widely appreciated by Stakeholders.

Annual Meeting

09/08 Board Members were asked to confirm their attendance at the next BW Annual Meeting on Tuesday, 6 October in Birmingham.

Subsidiary and JV Constitutions – Company Law Changes

09/09 The Legal Director referred to the provisions of the Companies Act 2006 which required new procedures to be observed in the management of potential conflicts of interest of Directors serving on the Boards of limited companies. This would require amendment to the constitutions of BW's subsidiary and associated companies (including JVs). He invited the Board to pass the resolution at Appendix 1 to these minutes. The Board RESOLVED accordingly.

Mr. Johnson accepted the view of Mrs. Carver that potential conflicts of interest in the Pension Fund required particular attention and assured her that the Directors of the Corporate Trustee of the fund, led by the independent Chairman, were very aware of the issue and addressed it at every meeting.

Brentford – Adverse Possession Litigation

09/10 The Board welcomed the successful outcome in the latest High Court action in which a claim of adverse possession of BW property in the Brentford area had been defeated. The Director London advised that the work of Greta O’Shea, Legal Executive, had been instrumental in this success.

Freight

09/11 Mr. Bowker referred to the recent study of charging for freight carriage on Commercial Waterways. He asked for confirmation that the incremental cost of accepting any new traffic was now fully recovered. The Chief Executive undertook to report further on this.

FINANCE REPORT

09/12 The Finance Director introduced BWB 3350 which covered:

- The latest cash position and the commercial capital forecast
- The trading results for the 8 months to November 2008 and the F8 full year forecast for 2008/09
- The F8 forecast shown in Group Consolidated Statutory accounts format.

The Board agreed an exception to the Treasury Policy to allow continued deposits with RBS/Natwest up to the existing limit of £30 million notwithstanding the downgrading of its credit rating to A Plus.

On the Commercial capital forecast, Mr. Bowker referred to the focus by the Audit Committee at its recent meeting on the going concern/cash flow issue, reflecting both the current exceptional market conditions and the specific requirement of the FRC for Audit Committees to address this. He welcomed the transparency now in the business from the audit perspective.

He continued that the Board needed to be comfortable that the individual risks within the business were fully appreciated as were the consequences of these collectively turning out for the worse, e.g. JV performance, Treasury Review, Pension fund deficit. Further, that a plan was in place to address such an eventuality.

It was agreed that the opportunity to review these issues would be at the scheduled Property Committee meeting on 18 February. This would now be a full telephone meeting of the Board at which the Property Director would present an update report on the JVs, *[confidential information]* and the Finance Director would cover cash flow.

It was further agreed that these issues would be fully debated again when the Annual Report & Accounts were considered in the Spring.

On the Group Consolidated Statutory Accounts, Mr. Sarwal referred to the revenue deficit and asked whether previous capital gains could be transferred to extinguish it. It was agreed to look into the possibility of doing this in the next financial year.

PROPERTY UPDATE REPORT

09/13 The Board considered BWB 3351 by the Property Director.

The Board approved the following recommendations:

- *[Commercially confidential material removed]*
- To pass the resolution attached at Appendix 2 to these minutes and to enter into a Deed of Subordination in respect of the revised financing arrangements for ISIS.
- To remove AVIVA as the Operator of the ISIS Limited Partnership in the context of recent changes in the law which no longer required the role.
- *[Commercially confidential material removed]* .

Additionally the Board noted the following:

- Progress with the residential project
- The approval given by the Chairman and Executive Directors (with the concurrence of the Property Committee) under the arrangements for urgent project approvals to the sale of waterspace in Docklands for the Isle of Dogs Crossrail station.
- *[Commercially confidential material removed]* .
- The 'work in progress' Business Plans for BW's joint ventures from 2009 which would be finalised in time for the March presentation of the BW Corporate Plan to the Board.

It was reported that the Partners' opening event for the Gloucester Quays Factory Outlet Centre would be on 22 May.

BUSINESS PLAN

09/14 The Board received a presentation from the Finance Director of the Business Plan Summary 2009/10 to 2012/13.

The Chairman commented that this was work in progress. The Board would receive an updated summary before reviewing the full plan at the March Board Meeting. The Board welcomed the Executive's progress to date in the most testing economic conditions. There would be separate Scotland Plan which was in balance.

CORE WATERWAY/INFRASTRUCTURE

09/15 The Board noted BWB 3353 by the Customer Operations Director and the Technical Director.

It was reported that the Liverpool Link was now substantially complete with only minor works required ahead of the Spring opening. The Board asked that Richard Longton and his team be congratulated on an excellent outcome.

The Board also noted the update by the Director London on the restoration of the Olympic Waterways, BW's involvement in the preparation for the Games and the wider development of the Legacy Masterplan.

BYELAWS REVISION

09/16 The Board noted BWB 3356 by the Legal Director on the revision of the BW Byelaws.

He advised that the drafts of the proposed new Byelaws for England & Wales, and for Scotland would go out for informal stakeholder consultation in the Spring.

BOARD COMMITTEES

09/17 The Board received an oral report from Mr. Bowker, the Chairman of the Audit Committee, on the meeting on 14 January 2009.

He advised that the Committee had undertaken its regular risk management review and he highlighted the risk of non-compliance with standards and procedures particularly in regard to safety. The Chief Executive would be providing him with a monthly report on progress of management actions to address the issue.

Additionally the Committee had endorsed the proposed accounting policies to be included in the next Annual Report & Accounts, agreed the External Audit Strategy and the approach to determining the External Auditors' fees for the year ended 31 March 2009 and approved the Internal Audit Plan 2009/10.

The Board noted the minutes of the Fair Trading Committee on 19 November 2008.

The Board received an oral report from Mrs. Carver, the Chairman of the Remuneration Committee, on the meeting of that Committee on 9 December 2008.

FORMAL RESOLUTIONS

09/18 The Board agreed the following resolutions in respect of:

- Changes to the Barclays Global No.2 Call Account mandate
- 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 April 2009.

The appropriate resolutions are as appendices 3 and 4 to these minutes.

OTHER BUSINESS

09/19 It was confirmed that there would be an update on The Waterways Trust, particularly its role in BW's strategy and its funding in the Spring.

DATE OF NEXT MEETING

25 March 2009 (Liverpool).

APPENDIX 1

Subsidiary and JV Constitutions – Company law changes

RESOLUTION

The Board appoints the Secretary to the Board, Nigel Ian Johnson, as its corporate representative with full authority and discretion, on its behalf, to cast votes and exercise such other rights as the Board has as shareholder of any company incorporated under the Companies Acts for the purpose of approving or opposing any members' resolution of any such company that

- (a) addresses the ability of directors of that company to authorise a situation where a director of that company may have a direct or indirect interest that conflicts with an interest of that company; and
- (b) makes any other associated or consequential provisions.

APPENDIX 2

[Commercially confidential material removed]

APPENDIX 3

RENEWAL OF BANK MANDATE – JANUARY 2009 Barclays Bank Investment Account

RESOLUTION

The Board resolved to approve the following changes to the Barclays Global No.1 Call account (sort code 20-67-59 account No. 20622664) mandate:

To replace the existing mandate with a new mandate containing the following signatories:

Robin Evans, Chief Executive
Vince Moran, Director
Philip Ridal, Director
Nigel Johnson, Director & Secretary to the Board
Steve Pullinger, Head of Tax & Accounting
Paul Ashwell, Group Accounting Manager
Daniel Sanders, Group Management Information Manager

Changes to the authorised signatories or other arrangements for the account will require 2 signatories.

APPENDIX 4

TEMPORARY BORROWINGS (OTHERWISE THAN FROM THE DEPARTMENT FOR ENVIRONMENT, FOOD & RURAL AFFAIRS) UNDER SECTIONS 19 & 21 OF THE TRANSPORT ACT 1962

THE BOARD RESOLVED:

1. That in accordance with the provisions of the Transport Act 1962, applications be made:
 - a) Under Section 19, for the consent of the Secretary of State for the Environment, Food & Rural Affairs to the temporary borrowing by British Waterways otherwise than from the Secretary of State of such sums as may be required for meeting their obligations or discharging their functions under the above mentioned Act, provided that the aggregate amount so borrowed by British Waterways and outstanding at any time shall not exceed £3 million;
 - b) Under Section 21, for the guarantee of the treasury for the repayment of, and the payment of interest on, any monies borrowed by British Waterways pursuant to this Resolution.
2. That subject to the consent of the Secretary of State and the guarantee of the Treasury, arrangements be made for the temporary borrowing by British Waterways on the following terms and conditions.
 - a) British Waterways may borrow from the Royal Bank of Scotland (National Westminster Bank) such amounts as may from time to time be agreed with the aforesaid Bank provided that:
 - i) Any monies so borrowed may be accepted by British Waterways as loans or overdrafts subject to repayment on demand, and
 - ii) The aggregate amount outstanding in respect of such loans or overdraft to British Waterways shall not at any time exceed the sum of £3 million;
 - b) British Waterways may repay at any time the whole or any part of the monies which may have been borrowed by them from the aforesaid Bank and shall in any case repay such loans or overdraft in full not later than 31st March 2009, or such later date as may with the consent of the Secretary of State be determined, being a date to which the guarantee of the Treasury is extended; and
 - c) Interest on monies borrowed by British Waterways from National Westminster Bank pursuant to this Resolution shall be payable at such rate of ½% above Bank of England Base Rate.