

FOR PUBLICATION

Minute Nos. 04/60 to 04/99

BRITISH WATERWAYS BOARD

Minutes of the Board Meeting held at
The Grange Manor Hotel Grangemouth
on Thursday 3 June 2004 at 9.00am

PRESENT:

Dr G P Greener (Chairman)
Ms S T Achmatowicz
Dr C Christie
Mr I M Darling
Professor G Fleming
Mrs H Gordon
Dr D R Langslow
Ms J A Lewis-Jones
Ms A Malik
Sir Peter Soulsby

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 & Communications Director
Mr S Sim	Technical Director
Mr M Smith	Finance Director
Mr J Stirling	Director, Scotland
Mr C J Howells	Assistant Secretary

APOLOGY:

Mr T Tricker – sickness in the family.

BOARD VISIT/DINNER

The Board thanked Mr Stirling and his team for the arrangements for the visit to the Falkirk Wheel, the River Carron and Edinburgh Quays the previous day and for the dinner which followed. The Board had been most encouraged by the presentation of work in progress in BW Scotland and hoped that all those present had found Members' contributions helpful. It had been agreed that the Technical Director would report briefly on the safe use of the River Carron at the next Board Meeting.

MINUTES

The Minutes of the Meeting of the Board on 25 March 2004 were confirmed and signed.

MATTERS ARISING

Non Executive Directors' Remuneration (Minute 04/35)

- 04/60 The Personnel Director reported a continuing lack of progress in securing a satisfactory response from DEFRA officials to his representations on Board Members' remuneration. Board Members agreed that the delay in resolving this matter was unacceptable. The Chief Executive undertook to raise the matter with Mr Bird of DEFRA when he met him the following day.

Additionally, the Legal Director would confirm the provisions on Board Members' remuneration under the Transport Act 1962 and in particular, the remit of the Minister.

The Board would be updated at each meeting until the matter was resolved.

Government Funding (Minute 04/36)

- 04/61 The Chief Executive referred to the Waterway Minister's letter to the Chairman of which Board Members had received a copy. He felt that no further explanation of the reasons for the cut in Government Grant would be forthcoming. He added that the Minister was supportive of BW and would like to restore its grant to the pre-cut level at the earliest opportunity.

BP Grangemouth (Minute 04/40)

- 04/62 The Chairman recalled that Board Members had received a copy of his letter to Nicol Stephen, the Scottish Executive Minister, on BW's concerns about the Scottish Water/BP contract at Grangemouth. Subsequently, he had been contacted by the Chairman of Scottish Water and they had held a telephone conference. An outcome of this was that the Chief Executives of the two organisations should meet and this had been arranged for later in the day.

The Legal Director advised that the full submission to the Office of Fair Trading continued to be assembled. It appeared OFT would be receptive to a full presentation of the facts.

Proposal for Captive Re-Insurance Company (Minute 04/41)

- 04/63 It was confirmed the company had been formed and commenced trading from 1 June 2004.

BW's Environmental Code of Practice (Minute 04/44)

- 04/64 Professor Fleming referred to the review of the Code. Whilst noting this was a continual process, he advocated a quick and sharp update so that it encompassed the many and potentially onerous obligations to which BW was likely to be exposed in the near future (e.g. on dredgings). The Chief Executive undertook to give an update at the next Board Meeting.

“Self-Sufficiency” (Minute 04/45)

- 04/65 Continuation of the Board’s discussion was held over to a future meeting. The Board agreed that the topic would be an essential element of the Strategy Review.

City Road Basin (Minute 04/54)

- 04/66 It was confirmed that following due diligence under the delegated arrangements agreed at the last Board Meeting, it had been decided to establish the JV to acquire the site.

CHIEF EXECUTIVE’S REPORT & FINANCIAL REVIEW

- 04/67 The Board noted BWB 3137.

The Finance Director explained the key points in the full year financial out-turn, including how figures in the internal management accounts reconciled to those in the to be published financial statements. Provision had been made for restructure costs and this would be an exceptional item on the face of the published profit and loss account.

Annual Pay Review

- 04/68 The Personnel Director reported that he was meeting the national Trade Union officials on 7 June 2004 when he was hopeful that discussions on the pay claim would be completed.

It was confirmed in response to Dr Christie that at the conclusion of the pay process Board Members would receive a note on the change in the overall payroll, that of the Senior Management Group and those covered by the Remuneration Committee.

Corporate Social Responsibility

- 04/69 The Chairman noted that with BW’s planning process now fully synchronised, preparation for the Strategic Plan could begin almost immediately. This would include the sustainability development workshop involving some Board Members, which would shortly be reinstated.

Performance Against 2003/04 Critical Success Factors & Milestones

- 04/70 The Board welcomed the overview of performance in 2003/04, against critical success factors and key milestones (Appendix 1 to the Report).

Rating

- 04/71 It was reported that the Waterways Minister seemed supportive of BW’s case that it was not appropriate to apply a rateable value to BW’s core track assets from April 2005. Mr Darling indicated the same route could not be followed in respect of Scotland since there was an independent assessor there, who could only be challenged through the Lands Tribunal.

Brent Reservoir

- 04/72 The Board expressed strong support for the Executive's efforts to secure block grant funding from the Environment Agency for the repairs to Brent Reservoir, including approaches also made to DEFRA. This was consistent with statements previously made to BW by the Flood Minister, Elliot Morley, MP.

In response to the Chairman, it was confirmed that the works to Brent Reservoir would be presented as a series of options evaluating risk in each case and would need to be justified in terms of available funding.

Pension Fund Triennial Valuation

- 04/73 The Finance Director reported that in addition to the preparations for the outcome of the valuation outlined in the Board Report, a team was working on communicating this internally.

Ms Achmatowicz referred to an extraordinary meeting of the Pensions Trustee Board and the Management Committee to be held on 16 July 2004, when the Actuaries would present to both bodies. She concurred with the Chairman that there should be an open discussion with a range of options identified. The process should be explicit and understood by all and lead to decisions at the March 2005 Board when the Corporate Plan and the budget for 2005/06 would be agreed.

Meeting with Waterways Minister

- 04/74 The Chief Executive highlighted a productive meeting that he, the Chairman and the Finance Director had attended with the Waterways Minister to review BW's Corporate Plan. Other issues raised included the access to flood control money from EA block grant and the impending rating of canals.

Leisure Business

- 04/75 The Board welcomed the Executive's decision to give greater attention in the coming year to the core market of boats and boating. The Communications Director, who was leading a special task force, identified its three priorities:

- (i) improved relations with trade customers;
- (ii) growth in the moorings business;
- (iii) an efficient licensing process.

BWML

- 04/76 The Chief Executive reported that DEFRA now seemed minded to accept fully BW's case in respect of the transfer of assets. Confirmation was expected shortly.

Waterscape

- 04/77 Dr Christie referred to a weekend event he had attended with the Caledonian Trade Operators. It was clear that they retained reservations on Waterscape, particularly its quality. The

Communications Director advised of two recent helpful developments. The first was that BMF now supported Waterscape. Secondly, an upgrade of the site had been launched the previous week, which dealt with some of the issues. It was accepted the trade's primary concern was to see the market grow so that everyone benefited.

It was agreed that the small group of Board Members who had assisted the Executive in establishing Waterscape should meet again to consider these matters and in particular Waterscape's relation to other bookings and using it as a processing tool e.g. in servicing of licence applications. The Group comprises Sir Peter Soulsby, Ms Malik and Ms Achmatowicz.

2020 Vision

- 04/78 The Chief Executive reported that the publication of the 2020 Vision document was imminent. He advised that the Witham/Nene Link had been moved from Category (2) to Category (1). A 1½-mile length of the Ashby Canal was also now in Category (1). Bradford and Grantham canals, where there was much activity, would feature, but not in Category (1).

The Board endorsed these changes and the publication of the document.

Covelink

- 04/79 The Finance Director updated the Board on the latest position with regard to the Covelink amphibious vehicles. [Text excluded for reasons of commercial confidentiality].

Chief Executive's Briefing Paper

- 04/80 The Chief Executive's briefing paper, which accompanied the Board Papers, was received. Board Members had no specific issues to raise.

OPERATIONAL PROJECTS (BWB 3135)

- 04/81 The Board firstly returned to the discussion at its previous meeting on completing a sustainability register for each project. (Minute 04/38 referred).

The Chairman noted that progress on sustainability would only be covered in annual reports and therefore would be retrospective with no built in sustainability actions. The Technical Director advised that whilst this was the case, resource use minimisation and sustainability were high on the overall agenda and progress on individual projects would be captured in the PPAs. Dr Langslow added that the Board would have the additional comfort that the Audit Committee would be reviewing the PPA process.

Professor Fleming, who had originally raised the issue, indicated he was confident that a resource efficiency index was being achieved measuring progress in percentage terms. True sustainability meant being 100% resource efficient.

The following projects were approved:

- **Caledonian Canal – Lock Repairs, Stage 9 & 10 (Arrears). Refurbishment of Clachnaharry Sea and Working Locks, Dochgarroch Locks and Stage 10 Secondary Grouting and Coping Works (£2.885m);**

Approval was contingent on receiving the required additional grant from the Scottish Executive and would mean the overall Caledonian Lock Repair programme, which commenced in 1995/96, could be completed.

An intermediate Option 2, also dependent on Scottish Executive grant, involved refurbishment of the locks only (£2.185m).

If no grant was forthcoming, Option 1, which was currently funded in the budgets, would be undertaken (£1.355 million). This involved the refurbishment of the Clachnaharry Sea and Working Locks.

- **Shebdon Embankment £3.81m (Arrears) Shropshire Union Canal;**

Dr Langslow, noting the presence of badger sets at the site, underlined the work timing risks, which this could pose.

It was confirmed that PPAs would, in future, show the contingency in a separate column, which would be tracked by the Finance team through the project's life and not released until the need arose.

The following project was noted:

- **Llangollen Mooring Basin and Channel Lining Works. Original project £1.628m (Net £520k) Revised Project £1.958m (Net £849k);**

The Board was advised of the background to the delay in the project submission. The Executive would, in future, receive more rigorous and informative progress reports on all categories of projects, resulting in improved project management. It was accepted as essential, when issues such as these arose, that the most senior people became involved in a timely way.

The Board agreed that the full list of jobs proposed for the year (Appendix 1) was helpful in putting the approval of operational arrears projects in context. Mr Sim confirmed that the teams were now in place in the South West to complete the allocation of design fees to the projects there.

THE WATERWAYS TRUST

- 04/82 Memorandum BWB 3140 and an oral update by the Chief Executive were noted. He felt that the Trust's outturn for the year fully justified BW's decision to fix its contract at £890k for the current year.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

- 04/83 The Board considered Memorandum BWB 3133 by the Technical Director. Points in the discussion included:

- (i) Board Members had observed during their visit the previous day that staff welcomed and were signed up to the safety transformation programme;
- (ii) on reported concern that fewer BW people were used to operate locks on the Highland Canals, the Director Scotland confirmed that a full review had been conducted and all the issues addressed. He would further reassure anyone who still had concerns;
- (iii) a non-attributable safety questionnaire completed by front-line supervisors had revealed challenging views on safety that would be followed up;
- (iv) it was suggested that in addition to the detailed statement of BW's health and safety policy, which had been issued to everyone in BW, more creative, impactful and less complicated methods to get the messages across were also needed.

ANNUAL REPORT & ACCOUNTS 2003/04

04/84 The Board considered BWB 3139 containing the draft Annual Report.

Board Members' detailed comments were noted for incorporation in the report. Ms Lewis-Jones commented on the Directors' Remuneration Report and the importance of spelling out BW's approach to recruitment and retention to support growing a healthy business. This would be reviewed with her by the Personnel Director. Any changes would then be seen by the Chairman of the Remuneration Committee and signed off by the Chairman.

The Board endorsed the overall approach to the Annual Report & Accounts 2003-04 and delegated the Chairman, Chief Executive, Finance and Marketing and Communications Directors to take the final steps required to publish the document.

COMMERCIAL UPDATE & COMMERCIAL PROJECTS [BWB 3132]

Investment & Disposal Strategy

04/85 The Board noted the plan to invest £58.1 million in 2004/05. Whilst endorsing the overall approach, the Board retained discretion on individual projects coming forward. The proposal to dispose of £36 million of property in 2004/05 was also endorsed.

[Text excluded for reasons of commercial confidentiality].

Progress on Waterside Pub Partnership

04/86 The Board expressed reservations concerning the recommendation that the Executive approve the selection of preferred partner and the Final Business Case on its behalf. This was not felt to be appropriate for such an important venture and it did not give the Board the confidence they had been seeking that the values, range and width of options had been fully represented in the selection process.

It was agreed to establish a sub-committee of the Board to review the process leading up to the current position and to address the way forward. This to comprise the Chairman, Sir Peter Soulsby, Mrs

Gordon and Ms Achmatowicz. Other Board Members would be kept fully informed.

Progress on Wood Wharf

04/87 The Board noted progress since the last update in November 2003.

The Commercial Director would liaise with the property sub-group on the short-list of parties asked to participate in the Invitation to Negotiate stage of the procurement process. This would then be circulated to all Board Members for approval. There would be a note issued on the preferred bidders' relationship with BW nationally.

London Region Moorings

04/88 Following an explanation from the Chief Executive and Commercial Director of the process leading to the authorisation request and of the benefits of an omnibus approach, the Board approved expenditure of £775k for the refurbishment of 11 London mooring sites.

The Arches, Victoria Quays, Sheffield

04/89 [Text excluded for reasons of commercial confidentiality]

PROPERTY DEVELOPMENT POLICY

04/90 The Board considered BWB 3136 by the Commercial Director.

The Board formally endorsed the Property Development Policy attached to the Memorandum.

A copy would be sent to DEFRA, ODPM and the Scottish Executive following their request for such a policy framework.

"MEASURING THE VISION" – REPORT ON MARKET RESEARCH

04/91 The Marketing & Communications Director introduced Memorandum BWB 3131 setting out how BW was now measuring progress in achieving the customer-orientated parts of the strategic vision. He identified three themes:

- (i) ensuring that the measures were independent;
- (ii) BW's performance against the improved measures;
- (iii) use of the information to improve customer satisfaction.

Mr Salem described how he would be taking (iii) further, principally through the Service Managers.

In discussion, the Board welcomed the progress reported. It was considered vitally important that the right methodology and benchmarks were now in place and would stand the test of time. Mr Salem confirmed a high [90%] degree of confidence in this. Sir Peter Soulsby added this was equally welcome to the Board's Remuneration Committee, which considered customer satisfaction an important benchmark measure.

Two benefits of the approach were highlighted. The first was that the

commitment and enthusiasm of people in BW could now be focussed to deliver real customer benefits. Secondly, the confidence of businesses to invest beside the canals would increase as a result of the improving quality of the environment.

It was suggested the telephone survey questions could be re-packaged in a more acceptable way. Mr Salem undertook to attend to this.

Mr Salem confirmed that there had been no penny-pinching in selecting the survey company.

The Board endorsed the market research programme and the steps to build its conclusions into the management of the business.

REPORT FROM AUDIT COMMITTEE

04/92 The Board received a report from the Chairman of the Audit Committee, Dr Langslow, on its meeting on 27 May 2004. Full minutes would follow.

The principal topic had been the Annual Accounts financial issues. Supported by a presentation by the Finance Director, the Committee had reviewed the financial statements and related accounting policies. Following this review, the Committee was able to endorse the Annual Accounts to the Board. The auditors had confirmed they would be issuing an unqualified opinion on the 2003/04 financial statements.

The Committee had received a report on post-project appraisals and the improved project control measures now in place in BW.

Dr Greener highlighted the Committee's review of the corporate risk dashboard. There would be a substantive review at the Committee's September meeting with a report back to the full Board.

Also reviewed by the Committee had been the Waterways Trust, the Internal Audit Summary of Work, updating of BW Corporate Governance statement and the lead in to a review of the effectiveness of the internal and external audit functions at the September meeting.

REPORT FROM REMUNERATION COMMITTEE

04/93 Sir Peter Soulsby, Chairman of the Remuneration Committee, reported on its decisions at its meeting on 28 May 2004. He covered the Committee's general approach, Directors' Salaries and Bonus for 2004, targets for 2004/05 and further consideration of pension issues. A summary of the decisions would be circulated to Board Members in correspondence.

The Board welcomed the progress and especially the alignment of reward with Corporate Strategy.

TEMPORARY BORROWINGS

04/94 The Board considered BWB 3134 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 2004/05 with the appropriate resolutions as attached to the Memorandum.

SEAL REGISTER

- 04/95 The Seal Register, showing that document numbers 17,343 to 17,443 had been sealed since the last meeting of the Board was received.

OTHER BUSINESS

(i) DEFRA “End-to-End” Review

- 04/96 Copies of BW’s summary paper that had been submitted to the Review were tabled.

(ii) Nominations Committee

- 04/97 The Chairman had received a positive response from DEFRA on the utility of the Nominations Committee and expected them to follow this up with him. A meeting would be convened shortly. This would include a report from the Personnel Director on succession planning.

(iii) Short-term Seasonal Workers

- 04/98 The Chairman referred to disappointment expressed by some seasonal waterway workers during the visit the previous day that they did not share more of the benefits enjoyed by full time BW people. This would be considered further.

PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES & MEMBERS [BWB 3138]

- 04/99 The Chairman referred to the report prepared by the Legal Director summarising the returns provided by Board Members to the Evaluation Questionnaire distributed earlier. He particularly noted the value of those answers being provided that were non-attributable and being collated by the Legal Director on a confidential basis. He considered the report would be a valuable material for the preparation of a Board Improvement Plan to be considered at the informal meeting of the Board to be held on 19 July 2004. He further informed the Board that he had completed all but one of his appraisal meetings with individual Board Members.

The Chairman and Executive Directors (other than the Legal Director) then withdrew from the meeting to enable the Board to consider the Chairman’s performance. The Vice-Chairman took the chair. In the light of the absence of one Board Member and the little time remaining, it was decided to consider this on 19 July 2004.

DATE OF NEXT MEETING

22 July 2004