

BOARD MEETING

Minutes of the Meeting of the Board held at Sheldon Square, Paddington Central on 24 January 2008 at 9 a.m.

PRESENT:

Mr T Hales	Chairman
Mr J Bridgeman	
Mr J Bywater	
Dr C Christie	
Mrs M Carver	
Mr N Hugill	
Mr E Prescott	
Mr P Sarwal	
Mr D Sutherland	

IN ATTENDANCE

Mr R Evans	Chief Executive
Mr M Bensted	London Director
Mr S Dunlop	Director Scotland
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 C Howells	Assistant Secretary

APOLOGIES

Mr R Bowker

MINUTES

The Minutes of the Board Meeting on 22 November 2007 were confirmed and signed.

MATTERS ARISING

Invasive Species (Minute 07/126)

08/01 Mr. Bridgeman advised that he would review information on this topic that had been provided for him by the Technical Director and come back to him on any points arising.

Leadership Development Programme (Minute 07/135)

08/02 The Chairman reported that the Nomination Committee had received a report on work underway on this programme with the Centre for High Performance Development, and fully endorsed it.

Pension Fund (Minute 07/138)

08/03 It was noted that the Pension Fund had adopted the 15% hedge fund element in the investment strategy.

Limited Liability Partnerships (Minute 07/141)

08/04 Mr. Sutherland explained that his concern in raising this matter had been in respect of changes to tax rules generally and their potential effect on the tax transparency of LLPs. The Chief Executive confirmed this had been checked and there were no effects to BW's LLPs.

Asset Condition (Minute 07/140)

08/05 The Board expressed satisfaction with the prompt response of the Technical Director confirming there were no E5 assets in BW.

CHIEF EXECUTIVE'S REPORT

08/06 The Board noted BWB 3306.

Commercial Director

08/07 The Board noted the appointment of the Commercial Director as a National Lottery Commissioner.

London Olympics

08/08 The Board welcomed the assurance of the Director London in respect of expected cost overruns on BW's Olympic budget that these would be recovered from the principal funders. BW's contribution to the overspend would be capped at £500k. Cost pressures were easing at the present time.

It was noted that the next Board Meeting would be hosted by BW London and the Executive was asked to consider a visit to the Olympic site and a presentation on progress there and with regeneration of the Lower Lee Valley.

Beaver Reintroduction in Scotland

08/09 The Chief Executive explained that BW's concerns in regard to plans to reintroduce beavers into Knapdale, Argyll were in regard to their damaging the embankments of the Crinan Canal by burrowing and also causing obstructions with dams.

Rotton Park Reservoir

08/10 The Executive advised in regard to the reference to Rotton Park Reservoir, in the Channel 4 programme 'Britain under Water', that the Reservoir was in good condition with a low risk of failure at a 1 in 17,000 year likelihood.

Project Approvals

08/11 The following project, approved by the Chief Executive, was noted:

- **Swellands Reservoir - £1,650,385.**

FINANCE REPORT

08/12 The Finance Director introduced BWB 3303.

The Board noted the latest cash position and the trading results for the eight months to November 2007 and an explanation of the F8 full year forecast. Also noted were an update on the valuation of the BW Pension Fund and the business plan milestones report for 2007/08.

The Board then considered a report on the progress and issues arising from the 2008-2011 Business Plan. Background papers showing business plan projections and commercial capital cash flow forecasts over the plan period were tabled.

The Board reviewed the main issues which included funding the Monmouthshire & Brecon Canal breach, completing the minimum Safety Standard works, the remodelling of the increases in boat licence prices, the dependence on JV profits and their funding requirements and affordability of proposed restorations.

In the discussion that followed, the Board reviewed three issues in particular:

- On ISIS and the Brentford option, the range of possible outcomes for business planning purposes was noted. There would be a negotiation between the Partners and the Board would be updated on that. Board Members' initial views were noted by the Executive.
- On the Monmouthshire & Brecon Canal breach the Board agreed in principle to fund the expenditure necessary to achieve the reopening of the canal (approximately £7½ million - a final approval request would follow). Expenditure to subsequently secure the economic benefit of this investment would be sought from Welsh Government and other external funding sources.
- On the Cotswolds Canal 1A project, the Board noted that Stroud District Council would not indemnify BW for non-performance in constructing the Brimscombe Port section. In the light of this, together with the funding position generally and the need to fund the Monmouthshire & Brecon Canal breach in particular, the Board agreed to withdraw from the project. A full explanation of the reasons for this would be prepared for funding partners and other stakeholders.

The Chief Executive undertook to review whether the current £3 million benchmark for risk appetite in BW (as reflected in the Risk Register and insurance arrangements) was appropriate in view of the Monmouthshire & Brecon breach and deferred major works.

ANNUAL REPORT – HEALTH & SAFETY IN BW

08/13 The Technical Director introduced BWB 3308, the Annual Report on Health & Safety in BW in 2007. He explained that this had been expanded to cover the 4 areas of risk identified by the Chief Executive in his report to the Audit Committee in September, i.e. Assets, Visitors, Contractors and Volunteers and BW's people.

In response to the Board's concern that the rate of reduction in the level of occupational injuries had plateaued, Mr. Stirling advised that there had been a focus on behavioural safety in the past six months and the benefits of this could now be expected to feed through.

On the Monmouthshire & Brecon Canal breach, Mr. Stirling was questioned about the

nature of the damage to residential properties. Asked whether this could happen elsewhere on the canal system, he responded that this was most unlikely given that the particular surface geology of the Monmouthshire & Brecon Canal had resulted in the mobilisation of the whole hillside.

Finally, the Technical Director referred to an early warning received from the Head of Audit that a Working in Confined Spaces draft audit report gave an emerging risk of non-compliance. Management had responded promptly by issuing an immediate safety alert and all General Managers had been required to check all current sites.

COMMERCIAL DIRECTOR'S REPORT (BWB 3304)

08/14 The Commercial Director highlighted the abatement of the short term cash sensitivities referred to in his previous report.

The Board noted the preparatory work on a project for BW's remaining residential properties with a recommendation expected to follow by the November Board. The Commercial Director confirmed that this report would cover all the options and would fully address any reputational issues, including for Scottish Government and Defra.

Mr. Froomberg then referred the Board to his Joint Ventures – 2007 Review and Summary 2008 Business Plan. This included Wood Wharf and Gloucester Quays.

On the JVs as a whole, he indicated that BW's total assets are worth over £600m, of which about £80m is represented as current equity in JVs. The total commercial contribution excluding JVs is between £60m and £70m per annum and this is relatively low risk. The projected venture profit, as set out in the Finance Director's report is the growth potential on top of that, and is the more risky element. He added that the Property Committee had also considered Ventures and there would be a brief report later in the meeting.

The Board delegated approval of the following project to the Property Committee:

- *Confidential minute*

BOAT LICENCE PRICES AND ENFORCEMENT, 2008-2011

08/15 The Marketing and Customer Service Director introduced BWB 3309. Additionally he showed a slide summarising the licence contribution options.

The memorandum reported on the outcomes of the 3 month public consultation on the level of boat licence fees to be set for the 3 years 2008/09 to 2010/11 and recommended significant changes to the original proposals in the light of these.

The Board considered and agreed the recommendations.

The Chief Executive confirmed that all the significant issues and ideas put forward in the consultation would be explored.

A note from Wyvern Shipping on the effects of Continuous Cruisers was tabled for information.

CORE WATERWAY/INFRASTRUCTURE (BWB 3307)

08/16 The Technical Director highlighted recent modelling work undertaken by a member of his team on the breach on the Monmouthshire & Brecon Canal. This was of such a

high predictive value, that subject to validation by H.R. Wallingford, it would inform the programme of repairs on the canal.

The Board noted the work in hand on the issue of South Yorkshire commercial dredging that was being done in advance of a management proposal being put to the Board.

The Board approved a revised appropriation request for the Liverpool Canal Link. This increased the planned contribution from BW to £2m (with risk of a further £1.3m) within a total project budget of £27.694m (previously £1.148m and £25.027m respectively).

Mr. Sutherland suggested that an approach for funding be made to Mr. Gill, recently appointed Chief Executive of Liverpool Inc.

INSURANCE REPORT

08/17 The Board noted BWB 3305 by the Finance Director. This explained BW's current insurance arrangements, the background and rationale for setting up the reinsurance captive and the outlook for insurance premiums at renewal in 2008.

Mr. Ridal added that the canal track was uninsurable on an economic basis.

BOARD COMMITTEES

08/18 The Board received oral reports on the meeting of the Audit Committee on 16 January 2008 and of the Property Committee on 21 January 2008.

The recommendation of the Audit Committee that the Board adopt IFRS for this accounting year was approved. It was noted that an approach would be made to Defra requesting an accounts direction be made that included a requirement to show the transfer to capital reserves on the face of the income statement.

The Chairman advised that the Property Committee had urged a cautious approach in the current market to the ISIS Brentford, Manchester and Leeds sites and not to commit to the construction contract at Gloucester Quays until the Conditions Precedent had been met. The Executive's approach at Wood Wharf where the outline planning permission was about to be lodged, was endorsed.

HELIX PROJECT

08/19 The Board received a presentation from the Director, Scotland on the Helix project which had been selected for a Big Lottery Grant. The final decision to proceed was expected at the end of March when confirmation that all funding was in place was needed.

OTHER BUSINESS

Pension Trustees

08/20 The appointment of Mr. Bridgeman as a director of the pension fund corporate trustee, in place of Dr. Christie, who was retiring, was agreed.

STATUS REVIEW PROJECT BOARD UPDATE/STRATEGY REVIEW

08/21 The Board reviewed the outcomes of its Strategy Review the previous day together with BWB 3310, a report on the Status Review Project Board Meeting on 16 January 2008.

The Board agreed the following:

- Mr. Sarwal and Mr. Sutherland would join the Project Board with Dr. Christie stepping down
- There would be a Project Board meeting prior to a full report at the March Board
- The Chief Executive would consider the need to extend KPMG's appointment and any additional fees.

DATE OF NEXT MEETING

20 March 2008.