



BOARD MEETING

Minutes of the Board Meeting held at Beardmore Hotel & Conference Centre, Clydebank, Glasgow, G81 4SA on Wednesday, 13 June 2007 at 9 a.m.

PRESENT:

Mr T Hales	Chairman
Ms. S Achmatowicz	
Mr R Bowker	
Mr J Bridgeman	
Mr J Bywater	
Professor G Fleming	
Mr N Hugill	
Mr D Sutherland	

IN ATTENDANCE

Mr R Evans	Chief Executive
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 S Dunlop	Director Scotland
Mr. C.J. Howells	Assistant Secretary

APOLOGIES

Dr C Christie
Mr T Tricker

MINUTES

The Minutes of the Board Meeting held on 28 March 2007 were confirmed and signed subject to the following amendment:

Minute 07/54, end of third sentence, delete 'realised' and substitute 'appreciated'.

MATTERS ARISING

Acquisition – Sampson Road North, Sparkbrook, Birmingham (Minute 07/47)

07/56 The Commercial Director advised that this acquisition agreed at the previous Board Meeting had not proceeded.

Status Options Review (Minute 07/48)

07/57 The Board was updated on the progress of appointing consultants to undertake a

review of future status options for BW. Short-listing was taking place with a view to final interviews by the Chairman and Vice-Chairman and some Executive Directors towards the end of July. The Commercial Director advised that the objective of the appointment was to produce a specific recommendation and not just evaluate a range of options. There was a strong emphasis in the brief of the overriding requirement of securing the future of the inland waterways. Board Members would receive the brief for the appointment of the advisers.

On the Scottish dimension to the review, it was noted that the position should be clarified by the meeting that the Chairman and Chief Executive were to attend with Mr. John Ewing, Head of Transport Group, Scottish Executive, later in the afternoon.

CHIEF EXECUTIVE'S REPORT

07/58 The Board noted BWB 3278.

Defra Relations

07/59 The Chief Executive reported that the robust exchange of view with Defra on the CSR award and the Status Review had not impeded the establishment of a good working relationship with the new Defra team. The meeting with the Shareholder Executive later in the month would be an opportunity to take this further. The Waterways Minister's office was proposing a meeting with the Chairman and Chief Executive and this was likely to take place in July.

Scottish Parliament Elections

07/60 The Director Scotland advised that he was awaiting confirmation of BW's position in regard to the new political administration in Scotland. When this was known, the opportunity would be sought to present BW's vision for the waterways in Scotland.

British Waterways Scotland Group (BWSG)

07/61 The Board considered and agreed recommendations for revising the membership and attendance at BWSG meetings as set out in the Chief Executive's Report. It was agreed that BWSG make a worthwhile contribution to the role and visibility of waterways in Scotland and would continue as presently constituted.

It was accepted that the route for recommendations from BWSG to BW was via the Director Scotland and the Executive. The Chairman of BWSG could also raise issues directly at Board Meetings.

Sustainability

07/62 The Board welcomed the endeavour of the Executive to set down BW's commitment to sustainable development and suggest how this might be achieved. The lack of generally accepted criteria and metrics was, however, felt to be an obstacle to demonstrating performance credibly. It was agreed that an external expert report that was objectively based was needed before this could be done. Additionally, it would be helpful if the expert presented his report to the Board in person. It was felt that the outcome might demonstrate that BW was in an advantageous position in regard to carbon trading. Professor Fleming described the possible advantages of considering the ecological footprint of BW rather than the more narrow carbon footprint.

Corporate Plan

- 07/63 It was noted that Defra was seeking amendment to the preamble of the 4 Year Corporate Plan before approving it. The Plan would be sent to Board Members as soon as these changes were agreed.

Market Pricing of BW Long Term Moorings

- 07/64 The Marketing & Customer Services Director reported on the mixed reaction to BW's announcement of plans to run a trial of tendering vacancies that arose on BW's directly managed long term moorings. Some users were asking for the consultation to be held first. The issue was recognised as sensitive and would continue to be managed carefully. The trial was a first step to achieving BW's longstanding commitment to market pricing and efforts would continue to convince boaters of the need for this.

It was agreed that the Fair Trading Committee would keep the topic under review.

Freight

- 07/65 The Board reviewed the plans for selective discussion followed by wider debate on the report it had received from OXERA on waterborne freight. This was accepted as appropriate. Issues highlighted by the Board for further consideration were achieving incremental cost recovery and the need for a separate review of canal freight potential in Scotland.

There would be an update at the next Board Meeting.

Rochdale Canal – Maden Fold Farm Embankment Damage

- 07/66 The Chief Executive advised that the cost of the repair of the damage to the Rochdale Canal embankment caused by the adjacent landowner would be between £300k and £400k. Legal proceedings were in hand to seek to recover this.

Kennet & Avon Canal – Lock Gearing

- 07/67 Mr. Bridgeman referred to the introduction of lock reduction gearing on the Kennet & Avon Canal. He suggested that it would be helpful to devise a torque standard for general application to waterways locks.

Ventures

- 07/68 The Board agreed the changes in the directorships of Joint Ventures and subsidiaries as set out in Appendix 2 to the Report.

FINANCE REPORT

- 07/69 The Board noted BWB 3276. This covered:

- A statement of the latest BW cash position
- A summary of results for the 12 month period to March 2007
- Traffic light schedules of current year business plan milestones
- The Business Performance Report.

In considering the latter report, the Board welcomed the progress in capturing key performance measures. The report on Asset Condition was particularly

commended and it was felt that by regularly reporting progress against target, this could be developed into an improved KPI. Other KPIs could also be strengthened, for instance, in the fields of environmental or waterway performance standards.

DEVOLVED FUNDING FOR BW SCOTLAND

07/70 The Finance Director introduced BWB 3279. This invited the Board to consider proposals for satisfying BW's past commitment to invest in Scotland and for delivering fully devolved transparent financial accounting.

The Chief Executive advised that the Scottish Executive's thinking on the topic was evolving and had changed since the preparation of the report. Further clarification would be expected at the meeting with Mr. Ewing that was to follow the Board Meeting.

Responding to Mr. Bowker, the Legal Director confirmed that the Executive was fully aware of the need to consider the Scottish Executive's request in the context of BW's overall statutory obligations.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

07/71 The Board noted BWB 3280 by the Technical Director.

COMMERCIAL DIRECTOR'S REPORT

07/72 The Board considered BWB 3277.

The Commercial Director referred to the decision of AMEC plc to sell AMEC developments Limited, one of BW's partners in the ISIS joint venture, to Morgan Sindall plc. ADL had been renamed 'Muse Limited'.

[Confidential minute]

Projects for Approval

07/73 The Board considered a proposal as follows for BW's participation in the Gloucester Quays joint venture development of the Factory Outlet Centre:

- the Construction of a Factory Outlet Centre (FOC) of 190,000 Sq Ft by Gloucester Quays LLP (GQLLP) at a total development cost of approximately *[Confidential information]*.
- delegate approval to the Directors of GQLLP to enter into non recourse debt finance arrangements with a banking institution on the best possible financial terms negotiable
- authorise the Project Team to seek and secure DEFRA and Shareholder Executive Approval to the construction of the FOC as per their conditional approval to the creation of the joint venture dated 10th January 2007.

The project was approved subject to consideration by the Executive and the Property Committee of additional information provided to them. [Post meeting note: It was confirmed immediately following the meeting that neither had any concerns arising from that information that they wished to put back to the Board prior to seeking Defra/Shareholder Executive approval].

The following projects were also approved:

- Pottery Lane, Knottingly, West Yorkshire - Disposal of 7.73 acres of residential development land to Barratt Homes Ltd for the sum of *[Confidential information]*.
- Armitage Road, Rugeley – Disposal of 3.5 acres of land to Spring Urban Limited for the sum of *[Confidential information]*.

Projects for Noting

07/74 The following projects which had been approved by the Executive were noted:

- Falkirk – Acquisition of the freehold of a vacant 2.24 acre site at Tamfourhill in Falkirk at a total cost of *[Confidential information]*.
- Merchants Quay – Acquisition of the long-leasehold interest in Merchant's Quay Shipley at a cost of *[Confidential information]*.
- National Property Business - The Property Committee has approved the outsourcing of the management of BW's higher value investment portfolio and development portfolio on a three year contract, to Atisreal at a cost of approximately *[Confidential information]*.
- Wood Wharf – Update.

On the Wood Wharf Update, the Commercial Director explained that Defra had required this to be a standing agenda item. *[Confidential Minute]*.

BW STRATEGY

07/75 The Board considered BWB 3282 by the Chief Executive. This contained a succinct 'Strategic Statement' that was intended to tie BW's Strategy in with the Government's stated strategic objectives, together with a draft 'BW Strategy 2007-2017'.

In regard to the Strategic Statement, the Board returned to its earlier discussion on sustainability and agreed that the section on this needed to move up towards the top of the statement and that it should benefit from the objective, creative thinking of the independent expert which it had been agreed to commission.

Other points which the Chief Executive undertook to consider were:

- how far it needed to match BW's vision
- emphasising the benefit of waterside regeneration to whole communities and not just those immediately adjacent to it. Also its relevance to Communities England and the Chancellor's regeneration agenda.

The Board agreed it was a useful statement which would help inform discussion with Defra about possible changes to BW's Policy Objectives.

On the 'BW Strategy 2007-2017', it was agreed that the extent of BW's involvement in £7 billion of waterside development needed to be clarified and specific examples of this development would be helpful.

RESTORATION UPDATE

07/76 The Board considered BW 3281.

On the Cotswolds Canal, it was noted that whilst efforts continued urgently to bridge the funding gap reported at the last meeting, the prospects of achieving this were not good. The Chief Executive confirmed that BW had conveyed this reality and its consequences to the other funders. It was likely that a final decision would have to be taken at the next Board Meeting.

On the Liverpool Link, the Board approved an increase in the project authorisation from £23,756 million to £25,207 million with BW's contribution increased from £0.390 million to £1.148 million. The Chief Executive explained the principal reason for the increase was the increased complexity of the Mann Island basin and lock works.

It was agreed the next report would include the measures to eradicate the Japanese Knotwood on the Bow Backs Rivers Olympic site.

ANNUAL REPORT & ACCOUNTS 2006/07

07/77 Mr. Bowker reported that the Audit Committee had considered the Annual Accounts 2006/07 on 7th June and had agreed to recommend them to the Board for acceptance. Three points arising in the Committee's discussion were:

- the intention of the Finance Director for greater transparency on the background behind the commercial and ventures financial numbers was welcomed
- the Committee had asked for stronger wording in the Accounts to signpost the potential extra pension liability arising from the Triennial Actuarial valuation at 31 March 2008
- the Committee had requested from next year a presentation from the property valuers.

It was also noted that the external auditors would issue a clean audit report and had found no significant control issues.

The Board agreed the going concern assumption as the appropriate basis for the accounts preparation.

It was agreed that any minor factual changes to the narrative reports that Board Members wished to suggest should be conveyed to the Marketing & Customer Services Director.

The Board approved the Accounts and delegated authority to the Chairman, Chief Executive and Chairman of the Audit Committee to do all things necessary to finalise, print, publish and lay the Annual Report before Parliament.

BOARD COMMITTEES

07/78 The Board noted the Minutes of the Fair Trading Committee on 27 March 2007.

An oral report was received from Mr. Hales on the Remuneration Committee

meeting on 27 April 2007 and from the Chairman of the Audit Committee on the meeting on 7 June 2007.

Mr. Bowker reported that in addition to the Annual Report & Accounts as reported earlier, the Audit Committee had:

- Agreed the approach leading up to the adoption of IFRS in BW
- Received a report from the Technical and the Customer Operations Directors on the management of Contractors in BW. The Committee supported the measures in hand to ensure compliance with the Directive and would carry out a follow up audit early in 2008
- Considered safety performance more generally including in the light of the BP refinery report and the Chief Executive would report to the next meeting on the effectiveness of the strategic approach to safety risk management
- The actions taken following the discovery of a serious fraud by a Manager (since dismissed) had been reviewed carefully and endorsed.
- Benchmarking of BW's Corporate Governance reporting arrangements by Grant Thornton had found that in some areas BW surpasses the quality of the majority of the FTSE 350.

FEEDBACK FROM BOARD VISIT

07/79 The Board thanked the Director Scotland and his team for the informative visit the previous day which had included Port Dundas Basin, Glasgow, Lomond Canal and Bowling.

Mr. Sutherland noted the substantial property developments that had been involved and asked how the Board would be kept updated. The Chief Executive advised this would be via updates of the Corporate Plan.

The Board agreed it would be timely to look again at its interaction with BW's people during Board visits to ensure this was effective as possible.

The requirements for protective clothing for each Board Visit would be clearly spelt out in future and adhered to.

SEAL REGISTER

07/80 The Seal Register showing that Document Nos. 19211 to 19388 had been sealed since the last meeting of the Board was received.

OTHER BUSINESS

07/81 The Board asked the Chairman to write on its behalf to Dr. Christie to wish him an early return to good health following his recent operation.

DATE OF NEXT MEETING

19 July 2007.