



Minute Nos. 07/28 to 07/55

BOARD MEETING

Minutes of the Board Meeting held at the Hatton Court Hotel, Upton St. Leonards, Gloucester on Wednesday 28 March 2007 at 9.00 am

PRESENT:

Mr T Hales	Chairman
Ms. S Achmatowicz	
Mr J Bridgeman	
Mr J Bywater	
Dr C Christie	
Professor G Fleming	
Mr N Hugill	
Mr D Sutherland	
Mr T Tricker	

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 C J Howells	Assistant Secretary

APOLOGIES

Mr R Bowker

WELCOME

The Board welcomed Mr. Bywater to his first meeting.

MINUTES

The Minutes of the Board Meeting on 18 January 2007 were confirmed and signed.

MATTERS ARISING

Freight Study Group (Minute 07/07)

07/28 Mr. Salem confirmed that the report of the Freight Study Group would be available at the next Board Meeting.

Olympics Update (Minute 07/15)

07/29 *[Confidential Minute]*

CHIEF EXECUTIVE'S REPORT

07/30 The Board noted BWB 3269.

DEFRA Funding

07/31 The Chief Executive reported on the continuing discussions with DEFRA concerning grant funding for the CSR period.

The Chief Executive added that the dialogue with Civil Servants and Minister had been testing at times. The Board agreed that the completion of BW's four year Corporate Plan which was for review later in the meeting would be the opportunity for the Chairman to seek to meet the Minister and ensure that constructive working relationships were maintained.

The Executive also undertook to consider Board Members' views on how the expected restructuring of Government might impact on BW and how it should prepare for this.

Business Reorganisation

07/32 In response to Dr. Christie, the Chief Executive advised that with the restructuring nearly complete there was a sense of wanting to move on to new challenges in the business teams. Overall he was satisfied with the skill and experience level of the business, although property remained a very competitive area in recruitment terms. He nevertheless expected the restructuring to affect the outcome of the employee survey that was now in progress.

Pension Trustee

07/33 In the light of the Chief Executive's decision to resign as a director of BW Pension Trustees Ltd., it was agreed to appoint Nigel Johnson (Legal Director) in his place as one of the BW Board nominated Trustee Directors.

The Falkirk Wheel

07/34 The Chief Executive accepted that it was disappointing that recent awards for the Wheel and rise in visitor numbers in 2006 were not reflected in improved financial performance. There were wider objectives for the site which had to be considered also, however i.e. increasing footfall to attract a retail/catering operation and stimulating urban regeneration in the wider catchment.

Planning Enforcement Appeal – Long Term online moorings

07/35 The Board welcomed the successful outcome of the appeal by BW against a planning enforcement notice concerning long term moorings near Pewsey on the Kennet & Avon Canal. The Legal Director and Project Manager London (Madge Bailey) were thanked for their leading role in this.

EA Prosecution – Blue Green Algae – Grand Union Canal

- 07/36 The Board expressed disappointment that the Environment Agency were proceeding with a prosecution relating to the occurrence of blue green algae on the Tring Summit of the Grand Union Canal in August and September 2005. It was felt the Executive should resist this strongly with the best technical and legal advice.

DEFRA Financial Memorandum

- 07/37 The Chief Executive highlighted the welcome increase in the consent threshold level for Board approval of commercial property projects to £6 million with an additional threshold for 'property only' acquisitions of £10 million. Above those levels DEFRA consent was required with the threshold for H.M. Treasury consent increased to £10 million and £15 million respectively. Executive delegation of £3 million remained unchanged.

Crossrail

- 07/38 As an update to the Chief Executive's report, the Legal Director advised that the House of Commons Petition Select Committee had now asked BW to give evidence and this was being provided by the Manager Docklands.

Project for Approval

- 07/39 The Board approved the following project:
- Kellingley Mining Subsidence – Aire & Calder – Phase 8 (£3,510k fully funded by UK Coal).

FINANCE REPORT

- 07/40 The Board noted BWB 3270.

Commenting on the cash position, the Finance Director advised that attractive deposit rates had been offered by the Bank of Scotland and an account mandate was being finalised. The Board agreed to delegate the completion of the mandate to the Legal and Finance Directors.

The Board endorsed the Executive's work in progress on Scottish devolution and funding and accounting issues and asked that this be progressed urgently. The June Board meeting in Scotland would be an opportunity to meet Scottish officials and it would be helpful to have reached a conclusion by then. The format and content of the new high level Board report that included KPIs was welcomed.

ASSET & NETWORK MANAGEMENT

- 07/41 The Board received a presentation from the Technical Director and the Customer Operations Director on Asset & Network Management in BW.

The Board welcomed the new more focussed approach to the allocation of funding across the network to deliver the greatest benefit. A wide-ranging discussion followed on the overall state of the asset base. It was accepted that despite the improvements that had been outlined, the inability to achieve steady state meant that in overall terms the network was deteriorating. This needed to be highlighted as a theme in the Corporate Plan which the Board would review later in the meeting.

Other points included:

- The emphasis on unit costs gave the opportunity to continually increase efficiency and reduce costs
- The link of asset and operational management was particularly welcomed.
- It was confirmed the new approach was reflected in HR and reward strategy and the recent restructuring.
- It was agreed that some of the headlines of the report, e.g. number of structures managed, should be included in the Annual Report.

COTSWOLDS CANAL

07/42 The Board considered BWB 3274.

The Chief Executive advised that the full assessment of the project risk that the Executive had now completed showed a project shortfall of £8 million. This was additional to the £3 million BW had already committed if the project went ahead. The variance from previous costings was due to the need to reduce over optimistic assessments of value that could be achieved from land holdings post canal construction.

The Board expressed disappointment at this unacceptably high funding gap that had now arisen. It was agreed, however, that one last effort to bridge the gap should be made. There was a full discussion on options to achieve this which might be available to each of the principal funders. An indication of the risk which might be acceptable to BW was also given. Additionally the Board considered whether changes in the project scope might be achievable.

The Executive undertook to pursue these issues and report further. It was accepted that time was pressing but a short further delay in the decision on whether to proceed was justified in view of the significance of the restoration.

CORPORATE PLAN

07/43 The Board considered the 4 year Corporate Plan 2007/08 to 2010/11 [BWB 3271]. This had been prepared so that it covered the 3 year Comprehensive Spending Review period of 2008/09 to 2010/11.

Board Members welcomed the quality of the Plan and suggested some areas in which it might be further strengthened:

- Including a succinct graphical depiction of the change in the state of the asset base over the plan period

- Adding an upside/downside analysis including an explanation of the risks to the ventures income (e.g. the Brentford planning appeal)
- Highlighting BW's contribution to the government agenda and particularly regeneration, education, employment creation
- More prominent reference to Scottish Executive funding and its priorities, e.g. freight.

It was suggested that a full explanation of context and the key themes would be helpful for DEFRA and the Scottish Executive, but this did not need to be included for BW internal management. The Board would receive a copy of the newly worded Plan before issue.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

07/44 The Board noted BWB 3272 by the Technical Director.

COMMERCIAL DIRECTOR'S REPORT

07/45 The Commercial Director introduced BWB 3268.

The following projects were approved:

- *[Confidential Minute]*
- Daisyfield Mill, Appleby Street, Blackburn – freehold purchase *[Confidential information]*
- ISIS funding of Leeds Granary Wharf.

07/46 *[Confidential Minute]*

07/47 The following projects were noted:

- Eanham Wharf, Blackburn – acquisition of head leasehold interest *[Confidential information]*
- Samson Road North, Sparkbrook, Birmingham – acquisition of freehold industrial land and property with leaseback to Leggetts Freightways for 4 years *[Confidential information]*.

STATUS OPTIONS REVIEW

07/48 The Board considered memorandum BWB 3275 concerning a proposed review of future status options for BW.

The Board endorsed the proposals subject to extending the list of consultants to be invited to tender for undertaking the review. The separate Scottish dimension was highlighted. The Executive undertook to consider how best to accommodate this in the review.

The Board delegated the confirmation of the appointments of the consultants to the Chairman and Dr. Christie.

CUSTOMER SERVICES REPORT 2006

07/49 The Board noted BWB 3273 by the Marketing and Customer Service Director.

Board Members noted the disappointing trend in volume of visits and decline in some customer service hurdle performance indicators. Mr. Salem described the work in progress to determine the reasons for this and undertook to keep the Board advised.

ANNUAL REPORT & ACCOUNTS 2006/07

07/50 The Board received BWB 3267.

The overall approach to the Annual Report & Accounts 2006/07 was endorsed and the next steps to design and publish the document were delegated to the Chairman, Chief Executive, Finance and Marketing & Customer Service Directors.

BOARD COMMITTEES

07/51 The Board noted the Minutes of the Audit Committee on 10 January 2007 and of the Property Committee on 8 March 2007.

07/52 It was noted that the Fair Trading Committee had met on the previous day.

FEEDBACK FROM BOARD VISIT

07/53 The Board expressed appreciation of the informative visit the previous day to the new Netheridge Swing Bridge over the Gloucester & Sharpness Canal and to the Gloucester Quays Development site.

07/54 The visit had also taken in the Waterways Archives at Llanthony Warehouse. Board Members felt the priority was to safeguard that national asset in more suitable premises. Its full value could then be appreciated. Mr. Salem advised he was in discussion with The Waterways Trust about how to achieve this.

SEAL REGISTER

07/55 The Seal Register showing that Document Nos. 19066 to 19210 had been sealed since the last meeting of the Board was received.

DATE OF NEXT MEETING

13 June 2007