

BOARD MEETING

Minutes of the Board Meeting held at Hilton Hotel, Canary Wharf, London, E14 9SH on 20 March 2008 at 9 a.m.

PRESENT:

Mr T Hales	Chairman
Mr R Bowker	
Mr J Bridgeman	
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 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 J Bywater
Dr C Christie

MINUTES

The Minutes of the Board Meeting on 24 January 2008 were confirmed and signed.

MATTERS ARISING

Risk Appetite in BW (Minute 08/12).

08/22 The Chief Executive advised that the question of whether the £3 million benchmark for risk appetite in BW remained appropriate, in view of the Monmouthshire & Brecon Canal breach and deferred major works, would be referred to the Audit Committee.

CHIEF EXECUTIVE'S REPORT

08/23 The Board noted BWB 3313.

Stakeholder Relations - Defra

08/24 The Chairman and Chief Executive briefed the Board on their appearance as witnesses (together with the Legal Director and Technical Director) at the public hearing of the Environment, Food & Rural Affairs Committee. This had been on the topic of BW's restoration and regeneration programme and in particular the withdrawal from the Cotswold Canal project. BW's evidence had been well received. The Waterways Minister gave evidence to the Committee the following day. The Minister had also addressed the Parliamentary Waterways Group that evening.

The Chairman thanked the Marketing and Customer Service Director and his team for the preparatory work for the hearing.

Moorings Tender Trial

08/25 It was noted that the preliminary scoping paper on the consultation setting the price of moorings and allocating vacancies, would be considered by the Fair Trading Committee later in the day.

Employee Survey

08/26 The outcome of the employee survey would be reported at the next Board Meeting.

Corporate Manslaughter and Corporate Homicide Act 2007

08/27 The Board considered the note by the Legal Director on the new offence of corporate manslaughter/homicide that was set out in this Act. It was agreed to receive a fuller briefing on this, including HSG67 and the Institute of Directors' booklet on Directors' duties in respect of safety, before the next Board Meeting. The management team would also be briefed.

Status Review Project Board Update/Strategy Review

08/28 The Chief Executive referred to his "Strategy Discussion – Follow Up" report arising from the last Board Meeting and to the Status Review Project Update (BWB 3317) prepared by the Legal and Commercial Directors.

The Board endorsed his recommendations for the Executive to be charged with developing five main work streams (taking a 10 year perspective) and the outline timetable for achieving this:

- cost effective delivery of maintenance/customer service
- optimising current income streams and identifying new opportunities
- valuing and articulating the public benefit BW delivers
- validating the Integrated Business Strategy
- identifying the best modern governance arrangements to achieve the above.

It was agreed that early sight of more detailed timings and options under evaluation would be given to the Board.

Related matters particularly the publication of the KPMG report and the need for public consultation would be kept under review.

Sustainable Development

08/29 The Board noted the Executive Summary of the Arup's Report on BW's approach to sustainable development. It was agreed that the internal steering group that had been set up under the Finance Director to drive the action plan, would report initially to the July Board meeting

FINANCE REPORT

08/30 The Finance Director introduced BWB 3311 including:

- the latest cash position
- trading results for ten months to January 2008 and an explanation of the F10 full year forecast
- an update on financial transparency for BW Scotland and preparation of the BWS Business Plan
- the Business Plan milestones report for 2007/08.

The Board confirmed that it was satisfied with the existing banking policy of investing in the UK banks with an AA Standard and Poors credit rating with a £30 million limit.

Two issues arising from the Finance Director's report were then considered in detail:

08/31 2008-2011 BW Group Business Plan

The Finance and Commercial Directors responded to Board Members' questions about the balance of the risks in the plan. Overall a prudent approach had been taken. *[Confidential Minute]*.

It was agreed that in formally approving the Plan at its next meeting the Board would review its marinas and pubs strategy.

08/32 BW Pension Fund

[The Executive Directors declared their interests as members of the BW Pension Fund. Messrs Bridgeman, Prescott, Johnson and Ridal also declared their interests as Trustee Directors of the Fund. It was agreed that all should remain and participate in the discussion.]

The Finance Director reminded Board Members of the decisions which needed to be taken in respect of the pension fund actuarial valuation as at 31 March 2007 and the timetable for these. A meeting of the Trustees had been arranged for 29 April to conclude the final valuation and adopt any changes that may be necessary to the Scheme rules. Any resolutions required by the Company could then be considered at the May Board meeting. The final valuation and contribution rate details would need to be with the Pension Regulator by 30 June.

Mr. Ridal then presented a full review of the options for addressing the outcomes of the valuation. A detailed discussion followed at the conclusion of which his recommendations were agreed. These involved proposals to increase the employer and employee contribution rates, the introduction of a defined contribution scheme for new starters (during the waiting period) and smart pensions.

The Board noted that a major internal communications exercise would now be undertaken and agreement to the proposals would be sought from Trustees and employee representatives.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

08/33 In the discussion on the Technical Director's report (BWB 3314) the increase in boating incidents involving fire and explosion was highlighted. Mr. Stirling explained that much of the increase was accounted for by the receipt from 2007 of information from the Fire and Rescue Services together with improvements in information gathering. Nevertheless a continuing problem was the number of poor condition boats (often illegal live aboards) that were on the system. Further information on the extent of this and efforts to tackle it would be reported to the next Board Meeting.

COMMERCIAL DIRECTOR'S REPORT

08/34 The Commercial Director introduced BWB 3312.

He drew attention to the creditable returns of BW's property portfolio to March 2008 given the prevailing difficult market conditions.

The Board noted the updates on Wood Wharf, ISIS and Gloucester Quays.

[Confidential Minute].

The following project was approved:

- Tees Barrage White Water Course, Development Proposal – conditional approval for the investment of £370k of commercial capital into a £3.5 million upgrade of the Tees White Water Course

An update on the regeneration project at Attercliffe, Sheffield was noted.

CORE WATERWAY/INFRASTRUCTURE

08/35 The Board considered BWB 3316 by the Customer Operations Director and the Technical Director.

On the Monmouthshire & Brecon Canal breach the Board noted the negotiated terms with the existing Omnibus framework contractor, Morrison, to undertake the construction works. Proceeding with the proposed works on the basis of those negotiated terms was agreed, subject to confirmation by Internal Audit that they represented best value.

The ongoing work on delivering minimum safety standards (lock ladders, removing lock snags, consistent safety signage etc.) was highlighted by the Customer Operations Director. He also drew attention to the January flooding and estimated remediation costs in excess of £300k.

Prescott Lock

08/36 The Director London introduced his progress report on BW's involvement in preparations for the 2012 Olympics including construction of Prescott Lock, which the Board had visited the previous day. In the discussion Board Members suggested ways in which BW might strengthen its waterways Olympics profile and involvement and it was agreed these would be considered further by the Executive viz:

- Improving the visibility of the Olympics waterway brand
- Designating one manager for all aspects of Olympics PR, marketing, schools and community liaison
- Enhancing inclusiveness including improved access for disabled people and particularly a floating classroom.

Following confirmation by the Director London that the risks at Prescott Lock were now mostly understood and the funding would be in place to cover these, the Board approved the following revised appropriation request:

- Bow Back Rivers Restoration – Stage 3 (Prescott Lock). The BW contribution from operational resources to be increased from £1.75m to £1.91m. £0.5m to continue to be made available from commercial capital (funded by an income stream being acquired as a result of the works).

Accordingly the total project budget would be increased to £21.7m. The Board noted there was some prospect of the £1.91m BW contribution from operational resources being reduced if further applications for third party funding are successful.

MARKETING & CUSTOMER SERVICE 2007/08 REVIEW AND 2008/09 PLAN

08/37 The Board considered BWB 3315 by the Marketing & Customer Service Director.

The discussion focussed on achieving best value from the marketing budget. In particular the change of emphasis from measuring visit numbers to number of individual visitors and the confidence that could be put on the outcome was considered. It was accepted that Government needed to be assured of value for money for their grant and that BW needed to know that its customers were happy; the key was the right measure done in the best way. Suggestions included in depth group interviews instead of by telephone and putting a question in the national household survey. Mr. Salem undertook to consider these further.

The Board noted progress in 2007/08, and that this would be used by the Remuneration Committee to assess performance against the customer service hurdle. The Plan for 2008/09 was endorsed.

BOARD COMMITTEES

08/38 The Board noted the Minutes of the Audit Committee held on 16 January 2008 and the Minutes of the Property Committee meetings held on 21 January, 11 and 21 February 2008.

On the Audit Committee recommendation that BW adopt IFRS for the current year, which had been agreed by the Board, the Finance Director explained that this was now subject to Treasury approval. This was expected shortly. In addition, a direction was awaited from Defra on the cost of capital.

Mr. Bridgeman advised that a meeting of the Fair Trading Committee would follow the Board Meeting. He would be inviting a discussion on the basis for the licence fee charge and gave the Board his views on what this might entail. He also felt the basis of the network access charge should be revisited. It was agreed the conclusions of the Committee would be brought back to the Board for review.

FEEDBACK FROM BOARD VISIT

- 08/39 The Board thanked the Director London and his team for the arrangements for the visit the previous day to Prescott Lock and the Olympic Park and for the presentation on progress of the Wood Wharf development opportunity and other regeneration projects in London.

OTHER BUSINESS

- 08/40 The Chairman referred to the retirement of Dr. Christie at the end of the month. The Board asked to place on record its appreciation of the exceptional contribution by Dr Christie over 10 years to the work of BW particularly in Scotland where so much canal restoration, urban regeneration and public benefit had been created under his guidance.

DATE OF NEXT MEETING

22 May 2008 – Scotland.