

[These Minutes were agreed by the Board at its meeting on 23 November 2006]

FOR PUBLICATION



Minute Nos. 06/116 to 06/137

BOARD MEETING

Minutes of the Board Meeting held at British Waterway's offices, Fearn's Wharf, Leeds on Thursday 28 September 2006 at 9.00am

PRESENT:

Mr T Hales	Chairman
Ms S Achmatowicz	
Dr C Christie	
Mr N Hugill	
Mr D Sutherland	
Mr T Tricker	

IN ATTENDANCE

Mr R Evans	Chief Executive
Mr J Froemberg	Commercial Director
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing & Customer Service Director
Mr C J Howells	Assistant Secretary

APOLOGIES

Mr R Bowker	
Mr J Bridgeman	
Professor G Fleming	
Mr N Johnson	Legal Director

WELCOME

The Chairman welcomed Mr Hugill and Mr Sutherland to their first Board Meeting. The appointment to the Board of Mr J Bridgeman, who was unable to attend the meeting, was also noted.

MINUTES

The Minutes of the Board Meeting on 20 July 2006 were confirmed and signed.

MATTERS ARISING

Presentation by Waterways Ombudsman (Minute 06/83)

- 06/116 Mr Tricker referred to a proposed change to the quorum prescribed by the Waterways Ombudsman Scheme for the Waterway Ombudsman Committee. He recalled that the objective was to achieve British and Irish Ombudsman's Associations accreditation for the scheme and this required a minor change to increase the Committee quorum from four to five. The Ombudsman and Professor Jowell were both content with the change. There would be a full meeting of B.I.O.A. in October and it was hoped that this change would enable its endorsement of the scheme then. The Board agreed the change as recommended (Rule 6).

Climate Change (Minute 06/87)

- 06/117 It was reported that the paper on climate change and flood risk issues had been given to Professor Fleming, who had originally asked for this. It was available for other members of the Board on request.

Jericho (Minute 06/96)

- 06/118 The Commercial Director explained the reasons for the delay in the Jericho sale. This was now imminent.

CHIEF EXECUTIVE'S REPORT

- 06/119 The Board noted BWB 3247.

Marina Investment Guide

- 06/120 The Commercial Director reported that the Marina Investment Guide had resulted in many new enquiries and the speeding up of those already in the pipeline.

Dundas Wharf

- 06/121 The Commercial Director considered that the withdrawal of the Port Dundas planning application would add one or two years to the completion of the Glasgow Development Programme. Most of the expenditure remained valid going forward, and a particular benefit had been securing the enthusiastic support of the City Council.

Planning Enforcement – Long Term Online Moorings Threat to VAT Funds – VAT Tribunal Birmingham

- 06/122 It was noted that both of these legal challenges would have serious repercussions for BW revenue and were being resisted strenuously.

Costing Inland Waterway Freight – Study Brief

- 06/123 The Board agreed that receipt of the study conclusions, expected early in the New Year, would give the opportunity for a full and realistic public debate on the future of waterway freight and BW's role.

Cycling – Regents Canal

06/124 Referring to the study of cycling on the Regents Canal towing paths and accommodating this with other uses, Mr Salem advised this was also a concern nationally and he was undertaking a general review. He undertook to share the outcomes with the Chairman and Ms Achmatowicz.

DEFRA GRANT 2006/07 – 2010/11

06/125 The Board considered BWB 3251.

The Chief Executive explained that further indications had been received from DEFRA on the level of grant BW should plan for from 2006/07 to 2010/11. These suggested a grant of £55.4 million this year and in 2007/08 and that the same figure would apply as the baseline for the CSR discussions in the 3 years following that. Further, DEFRA expected that efficiency savings by BW in the CSR period will allow additional reductions.

Mr Evans suggested the two principal issues for review were whether BW could persuade DEFRA to restore some or all of BW's grant and how BW could balance its budget if it would not do so.

Considering the former, the Board re-affirmed its previously stated view that whilst BW could contribute much to DEFRA's "One Planet Living" concept, by working in sustainable ways, its core responsibility was to maintain the waterways for public use. It was felt instead that BW needed to demonstrate more effectively the public benefit of its existing activities which spanned Government Departments and initiatives, including regeneration, flood control, transport, tourism and communities. A prime example was the £6.1 billion of waterside regeneration; the social and sustainable outputs of that needed to be identified and spelt out. Additionally, BW actively engaged with communities in a way that other players, such as RDAs and EP, did not. There would be an opportunity to make this case at meetings arranged with the Waterways Minister and his officials.

Mr Evans advised that notwithstanding these issues, it was imperative in the Executive's view to protect BW's vision of increasing self-sufficiency, maintaining steady state, improving standards and attracting more visitors to the waterways. He outlined planned efficiency measures and revenue generation initiatives to help achieve a balanced budget. This included losing approximately 175 office based jobs.

The Board expressed its support for the approach outlined. There would be an announcement on this at the BW Annual Meeting on 12 October about which Board Members would be kept fully advised.

FINANCE REPORT

06/126 The Board noted BWB 3249 containing:

- A summary of results for the 5 months to August 2006;

- Summary of the F4 full year forecast;
- Analysis of the Group balance sheet and cash flow;
- Traffic light schedule of business plan milestones.

The Finance Director highlighted the contingency and the reduction in the major works programme from £31 million to £26 million. The Executive had accepted the Technical Director's conclusion that value for money would not be obtained by attempting to restore the spending shortfall in what remained of the year. A more efficient regime was being instituted and this had been a focus at the recent BW Technical Conference under the heading of "repair not renew".

There was a brief discussion of the Edinburgh Quay milestone and the development of the adjoining Arnold Clark site. The Commercial Director could brief BW Scotland Board Members further on this outside the meeting, if needed.

On the Waterside Pub Partnership, the Commercial Director advised that the forecast profit for this year would not be achieved. He felt that there would still be a positive outcome to report. There would be a full update at the January meeting.

DEVELOPMENT OF KPIs

06/127 The Finance Director introduced BWB 3250.

Mr Ridal advised that this was a report of work in progress. The intention was to ensure that target KPIs were confirmed in completing the next business plan and regularly monitored thereafter.

Mr Tricker felt that the process was proving unnecessarily complex and time consuming. What was needed were a few simple high level KPIs at Board level which were then cascaded down in more detail through the organisation. This view was endorsed by the Board. It was also accepted that some qualitative indicators needed to be included. It was agreed that Board members would have the opportunity to comment further on the KPIs and how the process was best taken forward outside the meeting.

HEALTH & SAFETY MANAGEMENT PROGRESS REPORT

06/128 The Board noted BWB 3248.

The continuing steady progress on reducing RIDDOR reportable injury incidents, with the rolling 12 month average down to 19, was welcomed.

On the cases of Hand Arm Vibration Syndrome, Mr Moran acknowledged more was involved than managing the issue and he amplified the best practice approach that BW took to prevent future incidents.

COMMERCIAL DIRECTOR'S REPORT

06/129 The Commercial Director introduced BWB 3245.

The Board noted:

- The market commentary and other key issues (Quarter 2 2006/07);
- The capital programme 2006/07;
- A project approved by the Executive of £851k of commercial capital to complete the refurbishment of three historic buildings at Diglis;
- General update on progress with ISIS and Wood Wharf.

[Text omitted as commercially confidential]. The Board were assured in regard to Wood Wharf that the JV Board fully appreciated the issues in pursuing this complex and demanding project.

New Members of the Board welcomed the proposal that an early property presentation should be arranged covering the major projects in progress with inputs from the BW professionals involved and the JV Managing Directors.

ISIS Funding for Refinancing of Nottingham Overdraft with Barclays

06/130 *[Text omitted as commercially confidential]*

RESTORATION REPORT

06/131 The Board considered BWB 3252 and approved the following projects:

- Manchester Bolton & Bury Canal, Middlewood Section - increase of project cost to £5,532k with no net capital contribution from BW, but with a maximum cashflow risk of £175k over 3 years from 2007/08 mitigated by surplus cashflow from maintenance funding. Approval was subject to the removal of the five major risks identified at Para. 1.8.
- Port Dundas - increase in project scope of £3.54 million to £10.43 million for landscaping and public realm project in North Glasgow, fully funded;

Updates on the following were also noted: Cotswold Canal Phase 1A and 1B, Droitwich, Liverpool Canal Link, Manchester, Bolton & Bury and Olympics and Bow Back River Restoration.

On the latter, the Board confirmed approval of £409,000 BW funding for Stage 2 restoration feasibility.

The Chief Executive confirmed that the Regeneration team would provide support for the Falkirk Council Helix Scheme that had successfully passed the Big Lottery Fund second round of screening.

MARKETING STRATEGY 2007-2012

06/132 The Marketing & Customer Service Director introduced BWB 3246.

Mr Salem highlighted the far reaching scope of the document and particularly the clarity it gave on new visitors; for BW's commercial

strategy; and in focussing on the products and services BW should be providing in the current operating climate.

Some headlines were:

- The new focus on the functional visitor with the passionate enthusiast remaining important;
- The importance of B to B relationships;
- The “moments of truth” with the final workshop on 10 October. This would drive income generation and the things that made a difference for customers;
- The greater marketing efficiency that would be achieved.

Responding to Board Members, Mr Salem explained how the focus on functional visitors was linked to income generation. The priority would be the provision of facilities such as pubs, leisure and retail in those areas where footfall was forecast to increase as the result of regeneration and major development.

The Board welcomed the clear statement of principles embodied in the strategy, which would be invaluable to the business going forward. The continuing role of Waterscape, particularly for the passionate enthusiast, and which could be extended to other groups, was again welcomed.

The Board endorsed and adopted the Marketing Strategy 2007 – 2012.

AUDIT COMMITTEE

06/133 The Minutes of the Meeting of the Audit Committee held on 19 July 2006 were noted.

FAIR TRADING COMMITTEE

06/134 The Minutes of the Meeting of the Fair Trading Committee held on 20 July 2006 were noted.

NOMINATION COMMITTEE

06/135 The Chairman reported on the meeting of the Committee held earlier in the day.

The following changes to the membership of Board Committees were recommended to the Board for approval:

- Mr Hugill and Mr Sutherland to join the Property Group;
- Mr Bowker to chair the Audit Committee and Mr Hugill and Mr Bridgeman to become Members;
- Mr Bowker to step down from the Fair Trading Committee and to be replaced by Mr Bridgeman;

- Mr Sutherland to join the Remuneration Committee;
- Mr Bowker to join the Nomination Committee;
- Mr Sutherland to join the BW Scotland Group.

The Board approved these recommendations.

Mr Hales added that the Nomination Committee had agreed to hold a review of succession planning later in the year.

FEEDBACK FROM BOARD VISIT

06/136 The Board reviewed its visit the previous day to the Yorkshire Business Unit when it had reviewed freight activities and toured the development at Clarence Dock, Leeds.

The Board agreed the visit had been well structured and informative. The opportunity to engage with local staff and stakeholders around the dinner table was felt to be a particular benefit. It was suggested future visits/meetings should, wherever possible, be centred on BW offices. Board Members would maximise the opportunity to engage with staff, both at the sites visited and in travelling between them.

SEAL REGISTER

06/137 The Seal Register, showing that documents 18,771 to 18,875 had been sealed since the last meeting of the Board, was received.

DATE OF NEXT MEETING

23 November 2006; 10.00am - Willow Grange, Watford.