

## **BOARD MEETING**

---

Minutes of the Board Meeting held at Leicester Hilton Hotel, Junction 21 Approach, Braunstone, Leicester, LR19 1WQ on Thursday, 20 September 2007 at 9 a.m.

### **PRESENT:**

Mr T Hales	Chairman
Ms. S Achmatowicz	
Mr R Bowker	
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 E Prescott	Board Member Designate
Mr P Sarwal	Board Member Designate

Mr. C.J. Howells	Assistant Secretary
------------------	---------------------

### **WELCOME**

The Board welcomed Eric Prescott and Pommy Sarwal to the meeting as observers pending them taking up their Board Member appointments on 10 October. Maggie Carver who had also been appointed a Member from that date was at the previous day's Board visits but was unable to be present at the meeting.

### **MINUTES**

The Minutes of the Board Meeting held on 19 July 2007 were confirmed and signed.

### **MATTERS ARISING**

#### **Cotswolds Canal (Minute 07/90)**

07/104 The Chief Executive advised that following a recent meeting with Stroud District Council, heads of terms for the Council to take on the £3½ million additional risk had

been confirmed in principle. He was hopeful this would shortly be translated into a final agreement.

#### **Utilities Business Presentation (Minute 07/100)**

- 07/105 The Commercial Director reported that Glaxo Smith Kline had approved the water cooling project referred to in the Utilities Business presentation at the last meeting.

#### **Planning Topics Presentation (Minute 07/100)**

- 07/106 The Chief Executive confirmed that the new investment opportunities identified in Heather Clarke's note would be followed up in the quarterly property reports.

#### **CHIEF EXECUTIVE'S REPORT**

- 07/107 The Board noted BWB 3290.

#### **Stakeholder Relations**

- 07/108 The Chairman reported that meetings and waterway visits, including one by the Waterways Minister to Birmingham, had further consolidated BW's good relations with the Minister and Defra. He also referred to a letter he had received from Martin Hurst, Director of Water at Defra. This included Mr. Hurst's view that recent changes in BW's sponsorship within Defra would be beneficial for both in placing BW more firmly within core Government objectives.

Similarly in Scotland, meetings were being held at MSP and ministerial levels to communicate how BW Scotland could contribute to the Government agenda. BW would be giving evidence to the Committee on the Economy, Energy and Tourism.

The Chairman also referred to the Conservative Party discussion paper in which it had been suggested BW take on Environment Agency and PLA responsibilities. The Board agreed this was not a debate in which BW should become involved.

#### **Implementing Marketing Strategy (B2C)**

- 07/109 The Board had received the results of the McCann Erickson marketing strategy on the previous day. Mr. Salem confirmed that although the emphasis in measuring footfall had moved to unique visitors, the number of visits would continue to be measured.

#### **Mooring Tenders Trial**

- 07/110 The Chief Executive reported on the mooring tenders trial which was due to start in late September. The topic had been reviewed by the Fair Trading Committee earlier in the day. The Marketing & Customer Service Director updated the Board on the main areas of user concern about the trial. He would circulate the briefing paper, that the FTC had received, to other Board Members.

#### **Leadership Development**

- 07/111 The Board noted progress to design a comprehensive leadership development programme in BW and that individual Board Members with particular interest in this field might be asked to contribute.

## **Tees Barrage**

- 07/112 The Board shared the Executive's disappointment that the EA had served notice revoking the provisional licence for the fish pass at the barrage (notwithstanding earlier constructive discussions), and noted that BW might now have to seek a judicial review.

## **Invasive Species**

- 07/113 Referring to the floating Pennywort problem which the Board had seen the previous day, Professor Fleming recommended an audit of all invasive species. Any additional management needs arising from this would be a further cost to BW.

## **Project Approvals**

- 07/114 The following project, approved by the Chief Executive, was noted:
- **Weaver Navigation** – Vale Royal Lock, Bullnose reconstruction £2,800,500.

## **FINANCE REPORT**

- 07/115 The Finance Director introduced BWB 3288.

Commenting on the F4 forecast of a loss for the year, Mr. Ridal explained the focus of the scrutiny of expenditure that was underway, particularly major works.

*[Confidential minute].* The Commercial Director undertook to circulate his note on the structure of the ISIS Limited Partnership to the new Board Members.

The Finance Director then highlighted the further discussions that had been held with the Scottish Government regarding accounting transparency and fulfilling the investment and income commitments given in 2004.

The Board reiterated its commitment to fulfil these undertakings. Mr. Bowker expressed concern that the outcome should be consistent with the Status Review. It was agreed this should not be an issue since the two would proceed in parallel. Further Defra would be kept fully aware of any decision.

The Board noted the investment strategy that had been adopted by the BW Pension Fund. Whilst accepting this was a matter for the Trustee Board advised by its Investment Committee, the Board endorsed the conservative approach taken given the current lack of transparency in the financial markets.

On Business Plan milestones, the Finance Director undertook to consider comments on recycled materials used in construction and the percentage reduction in BW waste into landfill sites.

## **BRITISH WATERWAYS – FUNDING OPTIONS PAPER – SEPTEMBER 2007**

- 07/116 Introducing BWB 3293, the Chief Executive advised that at the recent Strategy Away Day, BW had convinced Defra of the seriousness of its funding position as a result of cutbacks in public expenditure and internal pressures, e.g. the recent flooding. The paper's purpose was to clearly identify the funding shortfall and to concentrate on a solution that would prevent significant deterioration in the network in the current CSR round. The longer term options could be developed through the Status Review Process.

Following a review, the Board approved the proposal for a holding position (Option 2). It was further agreed that Option 5, Commercial Capital would be clarified.

There was a discussion on how the return on the expenditure should be assessed. It was agreed this would need to be demonstrated in terms of safeguarding the system.

### **STATUS REVIEW UPDATE**

07/117 The Board considered BWB 3294 by the Legal and Commercial Directors.

The Legal Director advised that following completion of the process agreed with the Board, KPMG/Merrill Lynch had been appointed as advisors for the Status Review. Terms of Reference for the Review had now been agreed with Defra and Scottish Government.

The Board approved the Terms of Reference of the Status Review and noted the programme, as set out in Appendices A and B respectively.

It was agreed that meetings of the Project Board would be arranged to precede BW Board Meetings in November, January and March respectively so that there could be a report back on each occasion.

Mr. Sarwal expressed an interest in meeting the advisors and this would be considered outside the meeting.

### **HEALTH & SAFETY MANAGEMENT REPORT**

07/118 The Board noted BWB 3292.

There was a discussion on the increase in the number of vessels catching on lock cills or lock gates often involving inexperienced boaters. It was agreed this was partly a matter for the trade and ensuring proper induction was given to boaters. It was suggested customer feedback leaflets would provide helpful data on this.

BW's role was also reviewed, including the attention being given to ensuring cill marking standards were met. The Technical Director additionally undertook to revisit work undertaken on hazard signs to see if these could be applicable in any way. He added that BW's Safety Conference the following week was on the theme of user safety.

Mr. Stirling highlighted the renewed effort to ensure the improving trend in lost time incidents was resumed following the recent plateauing. He would review the scope for additional comparators to be included in the Construction Industry Safety Benchmark Data.

### **COMMERCIAL DIRECTOR'S REPORT**

07/119 The Commercial Director introduced BWB 3289.

He advised, on the market commentary, that the Property Committee had concentrated on current financial/property market issues the previous day and had concluded that the Executive's approach to managing this was sound. The need to execute this with vigour had been underlined.

The Board noted the update on Wood Wharf, including the terms and structure of the acquisition of the Fulton site. It was agreed that whilst Wood Wharf timings would suffer from the perturbations in the property markets, its potential returns remained very substantial.

The Commercial Director then updated the Board on an issue, for the Wood Wharf Partnership, arising from the Government's request for it to help fund a Crossrail spur to Canary Wharf and Woolwich. He outlined the terms of a letter of comfort sent from the Wood Wharf Partnership Board to Canary Wharf, who were leading the discussions with the Department of Transport and H.M. Treasury. The Board endorsed the approach taken.

The update on Gloucester Quays was noted. The investment return benefits of building to the highest standards in terms of flooding risk were underlined.

On BWML, Board Members expressed interest in the way the business was being driven forward and future options and would focus on this at the Business Plan review.

### **CORE WATERWAY/INFRASTRUCTURE**

- 07/120 The Board welcomed BWB 3291 with its overview of performance in 'Core Waterway' as a helpful follow up to the presentation that had been made at the March meeting.

Professor Fleming referred to a Flooding Review established by the Prime Minister. It was agreed BW should consider contributing to this. The Board also referred to the presentation on SCADA the previous day and the conclusion that it had performed well in the recent flooding events.

The Board expressed its appreciation of the efforts of all concerned in responding so effectively to the July flooding emergency. The Chief Executive advised this would be recognised properly as had been the case for the June flooding.

Mr. Bowker referred the Board to a review of strategic aspects of safety that had been undertaken in response to a recommendation of the Audit Committee. The outcome was that whilst risks were being managed, the reporting and feedback was not sufficient. A general review of basic processes was now underway to identify deficiencies and implement zero tolerance.

### **RESTORATION UPDATE**

- 07/121 The Board noted BWB 3296.

On the Droitwich Canal, the delay in planning permission was noted with concern. It was agreed to press hard for a positive decision given the widespread support for the restoration.

### **BOARD COMMITTEES**

- 07/122 The Board received BWB 3295 by the Chairman and agreed the recommended membership of Board Committees from 10 October subject to including Dr. Christie's existing membership of the BW Pension Fund Board.

Mr. Bowker reported on the other principal matters discussed by the Audit Committee at its meeting on 12 September, in addition to the safety item referred to in minute 07/120. He highlighted:

- The IFRS restatement of the Accounts had been completed and provided there were no substantial changes required by the Audit, this would be submitted to the next Board Meeting
- The external audit management letter had raised no issues of concern
- The regular review of changes in risk was undertaken
- Internal Audit work had included ventures risk, the outcome of which was positive, and contract management which had not been satisfactory. The Executive had acted quickly however and a major management processes review was the outcome. The Audit Seconded who had prepared the contract report had himself presented it to the Committee
- The Committee had received assurances that both External and Internal Audit was functioning satisfactorily.

The Board also received oral reports on the meetings of the Property Committee on 19 September, the Fair Trading Committee earlier in the day and the Remuneration Committee on 12 September.

The Chairman gave initial feedback on the report by Professor Timperley on the Board's performance. A note of this would be circulated by the Legal Director and Board Members were asked to advise him of whether they wished Professor Timperley to present his report in person.

#### **FEEDBACK FROM BOARD VISIT**

- 07/123 Board Members expressed their appreciation to all who had assisted with the Board visit to the East Midlands Waterways the previous day. It was agreed that arranging presentations on national issues (e.g. invasive species) and then following them up with local examples (e.g. Pennywort) was a good formula which should be repeated.

#### **RETIREMENT OF BOARD MEMBERS**

- 07/124 The Chairman referred to the forthcoming retirement of Professor Fleming, Ms. Achmatowicz and Mr. Tricker. He thanked them for both their specialist contributions and their willingness to engage generally on issues affecting BW. The Chief Executive also expressed appreciation on behalf of the Executive.

#### **DATE OF NEXT MEETING**

22 November 2007 (Wales & Border Counties).