

## **BOARD MEETING**

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Minutes of a meeting of the British Waterways Board (the **Board**) held at Jurys Inn, 245 Broad Street, Birmingham B1 2HQ on Thursday 19 May 2011 at 9.00am

### **PRESENT:**

Mr T Hales	Chairman
Mr J Bridgeman	
Mr J Bywater	
Mr R Green	
Dr J Hargreaves	
Mr N Hugill	
Mr E Prescott	
Mr P Sarwal	
Mr D Sutherland	

### **APOLOGY**

Mrs M Carver

### **IN ATTENDANCE**

Mr R Evans	Chief Executive
Mr S Dunlop	Director Scotland
Mr N Johnson	Corporate Services Director & Secretary to the Board
Mr S Mills	Director of Property
Mr V Moran	Customer Operations Director
Mr P Ridal	Finance Director
Mr S Salem	Marketing Director
Mr J Stirling	Technical Director
Mr A Gordon	Member of BW Scotland Group, as an observer
Mr C Henderson	Inland Waterways Association as an observer
Mr J Dodwell	Transition Trustee, as an observer
Ms L Berry	Transition Trustee, as an observer
Mr M Devin	Prism Cosec, Secretary of the Meeting

### **INTRODUCTION**

11/064 The Chairman welcomed Andrew Gordon, Lynn Berry and John Dodwell to the meeting.

Apologies were received from Maggie Carver, whose last Board meeting this would have been.

### **MINUTES OF THE PREVIOUS MEETING**

11/065 The minutes of the meeting of the Board held on 24 March 2011 were approved.

Approval of the minutes of the Board telephone meeting held on 26 April 2011 was deferred until the next scheduled Board meeting on 16 June 2011.

**MATTERS ARISING**

- 11/066 Mr Evans responded to issues in connection with the Monmouthshire and Brecon Canal raised by management following their presentations to the Board at the March meeting. There were two key points. First, the risk of a reduction in the water supply and, second, the possibility of a further £10m investment being required. Mr Evans would prepare a written report, which would present a balanced assessment of both the risks inherent in the project and the benefits to be delivered. The purpose of the report would be to stimulate a debate. Mr Evans confirmed that the Welsh Advisory Group would be a part of this process.

RE

**CHIEF EXECUTIVE'S REPORT (BWB 3420)**

- 11/067 **Health & Safety Report:** Mr Evans presented the health and safety report, highlighting a downward trend in the level of reportable incidents.
- 11/068 **Transition Trustees:** An announcement from Defra as to the identity of the Transition Trustees was expected week commencing 23 May 2011.
- 11/069 **Trial Local Partnerships:** Mr Evans supplemented his written report with a verbal update on progress appointing members to local partnerships.
- 11/070 **Waterway Classification:** Mr Evans explained that pressure was growing from within the boating community for waterways currently designated as 'remainder', i.e. in relation to which BW have no minimum maintenance standard obligations, to be upgraded to 'cruising' status, thereby requiring BW to maintain them to a minimum standard.

Mr Evans explained that reclassification can only be undertaken pursuant to the 1968 Transport Act and that it would be a challenge to achieve reclassification by April 2012, the date scheduled for BW's transfer to charitable status. This was as much an issue of Defra resources to facilitate the processes as BW resources, in the context of the substantial work going into the NWC project.

Notwithstanding this, BW was working on amendments to the wording of the Transport Act 1968 to be implemented as part of the Public Bodies Bill process which, if adopted, would enable the Transition Trustees to request ministerial consent for more reclassification of 'remainder' waterways.

Mr Evans invited questions. Replying to a question from the Chairman, Mr Johnson believed that this issue might attract the attention of the Charities Commission from the point of view of management of the charity's liabilities. Mr Evans, replying to a question from Mr Sarwal, explained that there were no significant adverse implications for cash resources.

RE

It was agreed that Mr Evans should prepare a paper articulating the key issues for consideration by the Transition Trustees.

- 11/071 **Trust Agreement:** Mr Evans, noting that the Government was to transfer the waterways to the NWC to be held 'in trust for the nation', explained that a major piece of work was being undertaken internally to determine the actual line of the waterways to be held in trust. Replying to a question from Mrs Berry, Mr Johnson said that the Charities Commission had confirmed that it was satisfied that the likely provisions of the trust obligations (and of the charitable objects of the proposed charity generally) would meet the public benefit test.

- 11/072 **Community Interest Company ('CIC')**: Mr Evans corrected a reference in his written report to the effect that 'only the JVs will be held within the CIC'. This was not tax advantageous. Mr Evans assured the Board that, notwithstanding this, the proposed model whereby the CIC is appointed by the NWC to manage all its property and commercial activities remained sustainable.
- 11/073 **All Parliamentary Waterways Group**: Mr Evans updated his written report following a meeting on 11 May on governance of the NWC. Neither BW nor Defra had been invited to present at this meeting but would be doing so at the finance session. The Chairman said that this would be an issue for the Transitional Trustees to deal with in the coming months.
- 11/074 **Pay and PRP Awards 2001**: Mr Evans noted that the Government's 2-year public sector pay freeze meant that there would be no increase across the board for BW staff in the current financial year but that the Government had sanctioned limited increases for those earning less than £21k per annum. Some were being considered in the context of forthcoming negotiations within the National Joint Forum. Replying to a question concerning the retention of key senior staff whose salaries were above the £21k threshold, Mr Evans explained that this could be achieved through the Performance Related Pay system but that the budget was limited.
- 11/075 **Legionella Risk**: Replying to a question from Mr Bywater, Mr Mills explained that there was now a legal requirement to carry out testing for Legionella's Disease in relation to residential property. Mr Moran would report on this issue more fully at the Board meeting in July.

VM

#### **FINANCE DIRECTOR'S REPORT (BWB 3421)**

- 11/076 **Cashflow**: Mr Ridal reported that the position on the trading account at the year-end had been impacted by a £6m pension contribution payment but that this had been offset by a £5m receipt from commercial capital for the purpose of part-funding revenue losses incurred in 2010/11. Deposits with Santander had been reduced to £12m and would be maintained at this level for the present.
- 11/077 **Trading Summary**: Mr Ridal noted that the full year results reflected the benefits of the previous year's re-organisation. The Chairman, on behalf of the Board, congratulated the executive on last year's financial performance.
- 11/078 **KPI's**: The KPI schedule was under development and certain measures were becoming more accurate and useful as data sources were developed. A smart metering programme, being managed by EDF, was tracking to plan and would result in a greater awareness of electricity consumption.
- 11/079 **Board Approval: Business Plan 2011/12**: The final draft business plan for England and Wales was reviewed. The major change was a reduction in the annual pension deficit amortisation payment from £6m to £4.8m.

Mr Green sought clarification on the following points:

1. Defra funding £2m of redundancy costs. Mr Ridal replied that redundancies had arisen following the reduction in BW's grant. The award was provisional and subject to confirmation at a meeting with Defra in July.

2. The level of fees to be paid to external advisors. Mr Hugill suggested that a detailed breakdown of this cost should be prepared for the next Board meeting and this was agreed.
3. Whether the business plan might not need to be made available for a wider audience following completion of the transfer to charitable status. Mr Evans explained that, at present, the business plan was written for BW's internal use but was approved by Defra. Although the plan was available on BW's website, more work was required to articulate BW's aims and action plans in a user-friendly format. Future publication of business plans by NWC would be a matter for the Trustees but it was anticipated they would wish to adopt an openness and transparency policy.

PR

After due consideration, the business plan was approved.

11/080 **Pension Fund Valuation:** The final valuation was in the course of preparation and would be signed by the Trustees and BW in June 2011. The Board authorised Mr Johnson to sign the valuation on behalf of BW. Mr Bridgeman suggested that BW should look at available de-risking options now that the valuation was almost complete, believing that this would best be done before the proposed separation into NWC and BW in Scotland.

NJ

Mr Johnson replied that it may be better to wait; uncertainty remained regarding the impact on the Pension Fund of the proposed separation and a final decision on whether BW in Scotland would wish to continue to be participating employer in the fund had yet to be made (though it presently appeared to be the optimal position).

Discussions with the Pensions Trustees were on-going on this issue. Mr Johnson, whilst happy to consider a de-risking strategy, suggested that the priority should be to establish the structure of the pension scheme following the transfer to the charitable sector. The Transition Trustees would require a full briefing on the available options.

#### **SCOTLAND DIRECTOR'S REPORT (BWB 3422)**

11/081 **Board Approval: Scotland Business Plan 2011/12:** The 2011/12 business plan for Scotland was considered. The plan for the first year showed a deficit of £500k as discussions continue on establishing the level of cost sharing for services provided and allocation of HQ costs. These will be agreed through discussion between the Chief Executive, Director Scotland and the Finance Director. The business plans will be amended to achieve a break even position accordingly and be put to the Board for approval at its September meeting.

RE/SD/PR

The issue of which assets and liabilities should transfer to the NWC and consequently which will remain with BW in Scotland was discussed. The creation of a sub group of the Board to deal with asset separation was agreed. The task of the sub-group will be to oversee and the guide the process of separation of assets and liabilities. It will report to the Board and also report and make recommendations to the Intergovernmental working Group (which has the overview on all separation matters) as necessary. It is anticipated that this process will be complete by the end of August.

## **PRESENTATION ON MARKETING STRATEGY FOR THE NEW WATERWAYS CHARITY**

- 11/082 The Board received a presentation from Mr Salem outlining the development of the marketing strategy preparatory for the move to the charitable sector in April 2012. Mr Salem explained that the content of his presentation would translate into papers for the Board and Transitional Trustees in the coming months.

## **DIRECTORS REPORTS (BWB 3423)**

- 11/083 **CORPORATE SERVICES:** Mr Johnson updated the Board on progress in relation to the passage of the Public Bodies Bill (PBB). The Bill had received its third reading in the House of Lords on 9 May and would now pass to the House of Commons. Royal Assent was anticipated in the late autumn.

Whilst the primary legislation was progressing, Mr Johnson explained that the principal risk to achieving charitable status in April 2012 was the preparation of the Transfer Order, which dealt with consequential amendments to existing BW-specific statute law. The legislative issues to be addressed by the Order were complex and the Parliamentary process for scrutiny of it once introduced were more elaborate than for 'normal' secondary legislation. The timetable for the Parliamentary processes was therefore very tight. A meeting had been arranged with Defra on Monday 23 May to address this issue.

NJ

Responding to the request of the Board made at its January meeting Mr Johnson reported back that it would not be possible nor would it be appropriate to seek any enhancement to existing licensing enforcement procedures using the PBB procedures. The appropriate method of seeking any change (if needed at all) was to apply for an Order under the Transport and Works Act 1992.

- 11/084 **OPERATIONS:** Mr Moran reported that the benefits of using May Gurney were now well established and that the framework contract had been extended, which in time would help deliver cost savings. Whilst 50% of major projects in 2010/11 had been delivered during the last quarter of the year, the objective for 2011/12 would be to achieve a more even spread of projects with minimal impact on navigation restrictions thereby maintaining customer service.

## **PROPERTY**

- 11/085 **Board Approval:** [*Commercially confidential text removed*] Mr Mills requested that the Board approve the acquisition of [*Confidential text removed*]. The Property Committee had considered the proposal in detail and had recommended referral to the Board for formal approval.

[*Commercially confidential text removed*].

The Board approved the acquisition.

SM

- 11/086 **Board Approval: City Road Basin JV Agreement:** The Board considered a request to extend the joint venture agreement with Miller Developments in relation to City Road Basin. The current agreement expires in May 2011 but, given current market activity levels, the parties wished to extend the agreement for a further ten years. This was approved.

SM

#### ENTERPRISE

- 11/087 **Olympic Activity:** Following the launch of the online moorings website, a significant number of bookings had been taken. The prices discussed at the previous Board meeting (minute 11/055 refers) had been retained but a flexible pricing structure had been adopted linked to demand. Levels of uptake and the pricing structure would be reviewed on a weekly basis, particularly after the announcement of ticket allocations for the games.

Discussions with the IWA were taking place regarding the IWA's proposal to manage the bookable mooring sites on BW's behalf for an agreed fee linked to turnover.

#### MARKETING

- 11/088 **Board Approval:** The Board considered and endorsed the proposed merger of the functions of The Waterways Trust in England & Wales into the New Waterways Charity in order to enable the executive to plan detailed transfer proposals to put to the NWC Transition Trustees and TWT board.

#### BOARD COMMITTEES

- 11/089 **Property Committee:** The minutes of the meeting of the Property Committee held on 11 April 2011 were noted. The minutes of the meeting held on 4 May 2011 were amended and noted.
- 11/090 **Remuneration Committee:** The minutes of the meeting of the Remuneration Committee held on 4 May 2011 were noted.
- 11/091 **Nominations Committee:** The Chairman reported that Mrs Carver had retired as chairman of the Remuneration Committee on 18 April 2011. The Chairman thanked Mrs Carver for her contribution to the Committee's proceedings. Mr Green had agreed to chair the Committee.

#### ANY OTHER BUSINESS

- 11/092 It was noted that Mrs Carver and Mr Prescott would retire from the Board at the conclusion of this meeting. On behalf of the Board, the Chairman thanked Mrs Carver and Mr Prescott for their respective contributions to the Board's deliberations.

#### DATE OF NEXT MEETING

- 11/093 The next meeting of the Board would be held on 16 June 2011 (special Board meeting).

There being no further business the meeting concluded at 12.45pm.

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Chairman