

5 Organization

The overall structure

History

5.1. At the time of the MMC inquiry which reported in 1987, BWB had a management structure based on central departments responsible for particular functions throughout the organization. The overall structure was that shown at Figure 5.1.

5.2. Operational, maintenance and engineering matters were the responsibility of the Engineering Department, as shown at Figure 5.2.

5.3. In the spring of 1988 a firm of management consultants was engaged by BWB to carry out an organizational study. In consequence the Board decided to move to a regional structure. Six regions were established, with a Regional Manager for each, and by April 1989 had become fully operational. By May 1990 there were 28 Waterway Managers within BWB, each responsible for his or her particular waterway and reporting to the Regional Manager.

Current structure

5.4. Two changes to the regional structure have since taken place. First the Midlands and South West Regions have merged. Second, the Scotland Regional Manager now reports on day-to-day matters to the North West Regional Manager. In Scotland, there are Canal Managers for the Crinan and Caledonian Canals and Canal Supervisors for the Lowland Canals.

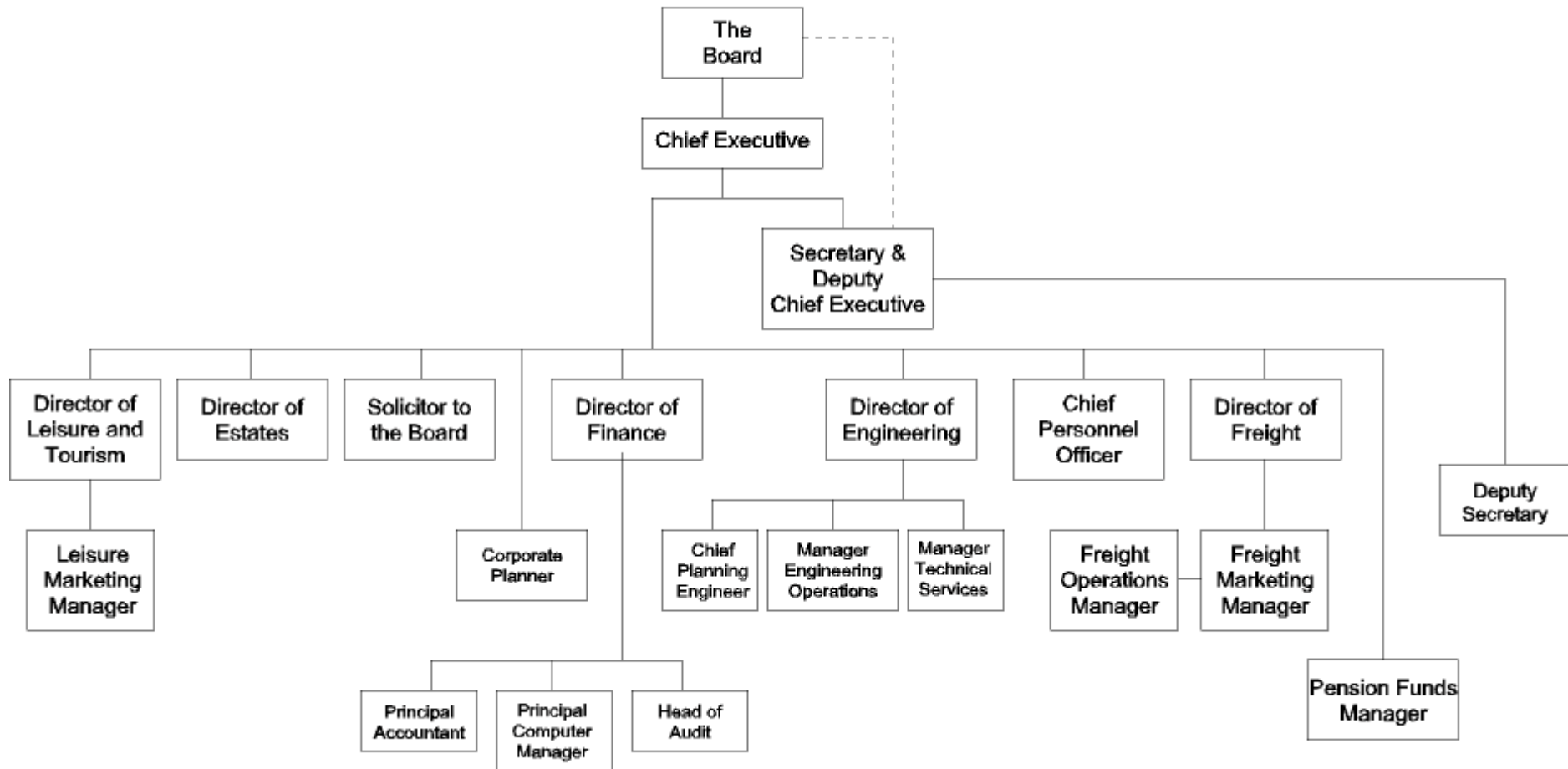
5.5. The current structure is shown in diagrammatic form at Figure 5.3. A comparison with Figure 5.1 shows the effect of restructuring in order to make the organization more market-oriented and bring management into closer contact with customers and potential sources of revenue. At waterway level, managers have well-defined responsibilities and are busy and enthusiastic.

5.6. The essence of the new structure is decentralization. BWB has devolved many functions and activities to regional management which includes functional officers, that is a Regional Commercial Manager, a Regional Engineering Manager and a Regional Finance Manager. Each of these has dotted line responsibility to headquarters. In turn, regional management has devolved some functions to waterway management. Appropriate devolved budgets accompany the devolved functions and activities. A full breakdown of responsibilities is shown at Appendix 5.1. The most significant feature of the arrangement is that Waterway Managers are the key level of command and are the local representatives of BWB as a whole. As such they have major responsibility for maintenance and operation but much less responsibility for property disposal or development matters on their waterways. Any property proposal relating to a waterway must be agreed between the Waterway Manager, the Regional Commercial Manager and the Regional Manager. In the event of disagreement, the final decision rests with the Regional Manager. Property disposals are subject to approval by the Commercial Director.

5.7. The chart at Figure 5.4 presents a typical waterway structure for England. One of the features of the structure both within waterways and within regions is that the engineering function is no longer part of the main command chain. Engineers now act as advisers to managers at all levels.

FIGURE 5.1

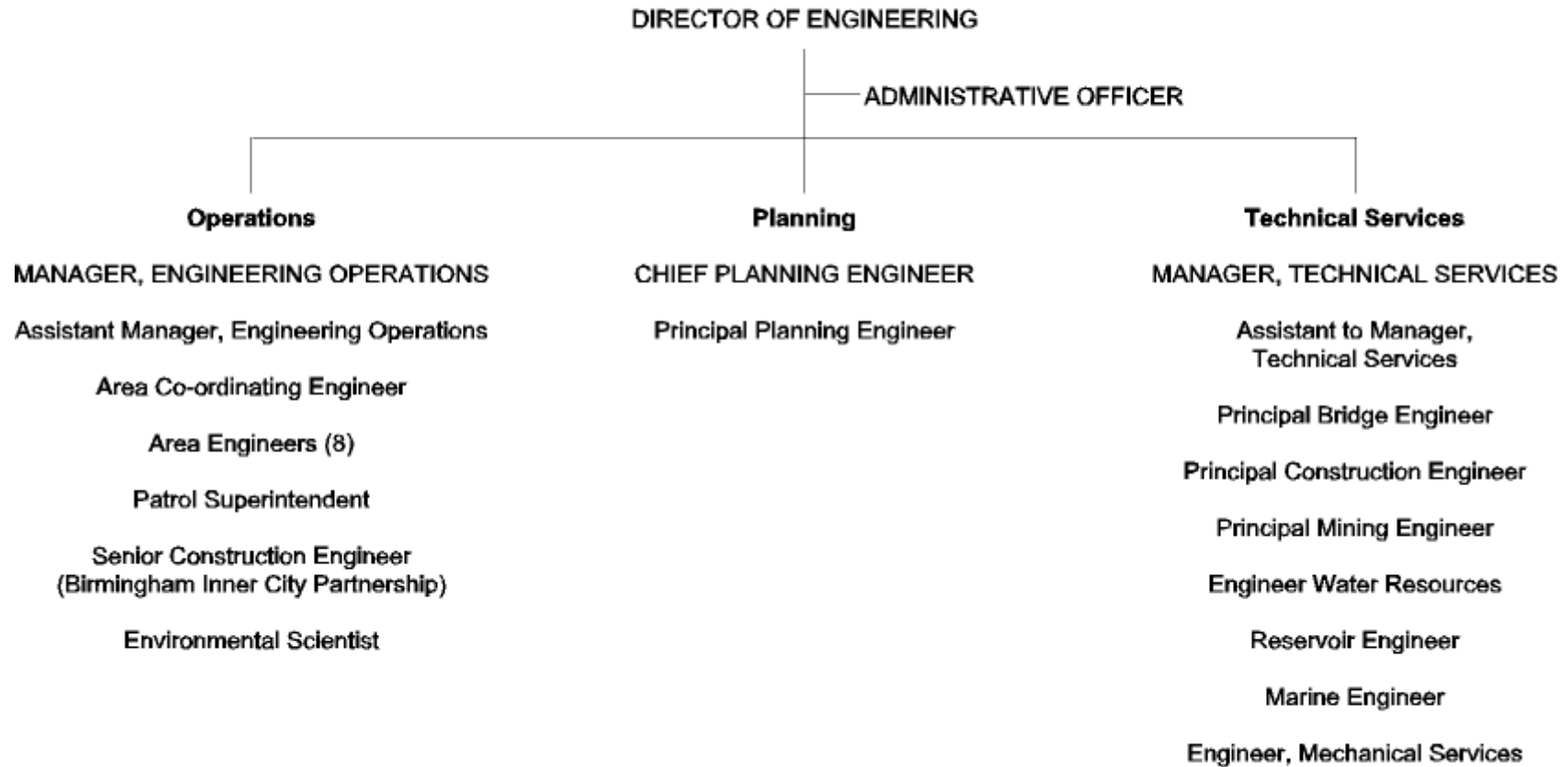
BWB: senior management structure, 1987



Source: BWB.

FIGURE 5.2

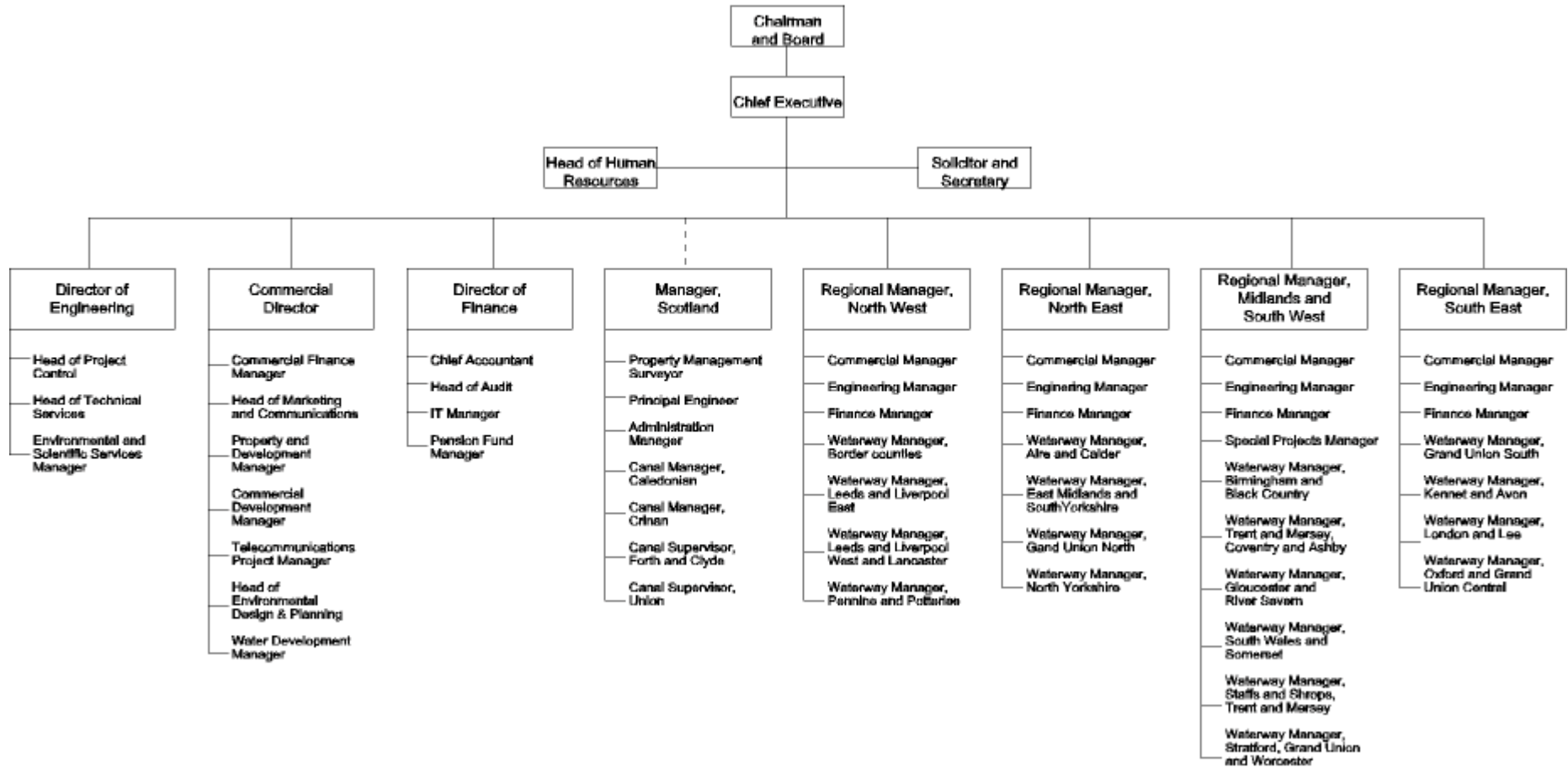
BWB: structure of Engineering Department, 1987



Source: BWB.

FIGURE 5.3

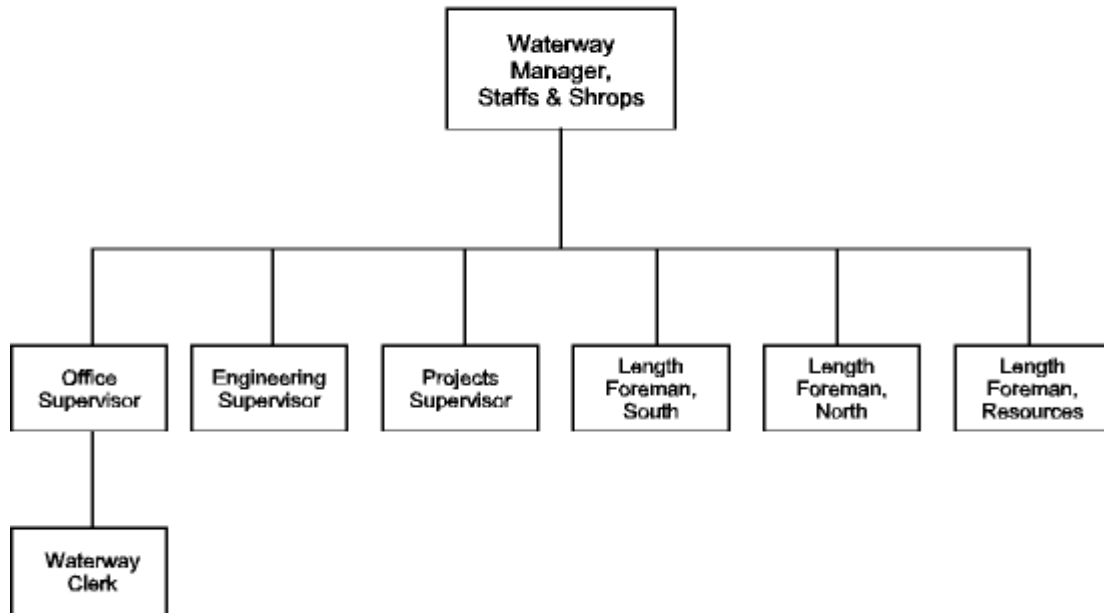
BWB: management structure



Source: BWB.

FIGURE 5.4

BWB: waterway management structure



Source: BWB.

5.8. The operatives who report to the foremen are not shown in Figure 5.4. They form the internal labour force and carry out a variety of tasks including water control, maintenance, inspection and repair. They carry out some 60 per cent of minor works and 10 per cent of major works, the rest being contracted out.

5.9. The 1987 MMC report commented on BWB's plans to introduce the *length concept* (see Chapter 14 of the present report). The intention was that particular operatives would be responsible for a wide range of functions over a specific length of canal. The term 'lengthsman' is now common within BWB: evidence from users indicates that they understand the term and think that the use of lengthsman has improved relations with users. Whilst the general meaning of the term appears clear to those concerned, there is no precise definition of it and it does not represent a formal grade within BWB.

5.10. There are many variations within the system reflecting the diverse nature of the network and devolution of local management. However, many operatives describe themselves, and are indeed recognized, either as lengthsman or as members of a length gang. The implication is that the individual, or the gang, undertakes a wide variety of jobs over a specific length of waterway with the feeling of ownership and motivation which that induces. However, a lengthsman whose 'length' consists of a flight of locks could equally well be called a lock-keeper.

5.11. The organization of a length-based waterway might consist, below the Waterway Manager, of two or three foremen each in charge of two or three length gangs plus one or two individual operatives. A gang might consist of three operatives. The individual operatives might be specialist tradesmen, say bricklayers, or specialist operatives, say dredger operators.

Location

5.12. The 1987 MMC report recommended that all Head Office staff, particularly engineers, should be located at the Head Office. Certain central support functions are located elsewhere. Parts of Engineering Technical Services and the Human Resources organization are at Leeds. Water Environment Services are at Rugby and Environment and Scientific Services at Gloucester.

The Board and the Executive

Terminology

5.13. Terminology relating to the upper echelons of BWB can be confusing if considered in the light of common company terms. In this chapter 'Board' means the Board of BWB. BWB uses the term 'Director' to denote the person in charge of a central department, and there is no intended implication of Board membership. In this chapter we refer to 'Departmental Director' for clarity.

The Board

5.14. The 1962 Act governs the constitution of the Board of BWB. It requires that the Board consist of a Chairman, a Vice Chairman and not more than nine nor less than four other members. All of them are appointed by the Secretary of State for the Environment.

5.15. The Board presently consists of the Chairman, the Vice Chairman and five other members, all of whom are non-executive and part-time. The Chairman was appointed on 22 October 1987, some five months after the publication of the 1987 MMC report. Five members were appointed after that, the last in February 1993, and one was first appointed in January 1987.

5.16. The Chairman was appointed to provide three days a week of his time until 31 October 1992. At his request this was reduced to two days a week (with effect from 1 April 1993) on his reappointment in November 1992, although we are told that he spends considerably more time than this on BWB affairs. The letters of appointment of all other members refer to an expected input of 3½ days a month.

5.17. Board meetings take place each month apart from August and December with an extra Budget Meeting in January.

5.18. Each meeting follows a pre-circulated agenda. This regularly includes a monthly report from the Chief Executive based on information supplied to him by Departmental Directors. This replaces the former practice of individual reports from Departmental Directors, now considered too unwieldy.

5.19. All Board papers are serially numbered. The Senior Assistant Secretary is in attendance and takes notes. Minutes of each meeting are prepared and approved.

5.20. Each meeting is in two parts. The non-executive directors meet with the Chairman prior to the formal meeting. The formal, minuted, meeting then takes place with all Departmental Directors in attendance and normally lasts about 3 hours.

5.21. The Board's policy is that BWB should be market-orientated and act as nearly as possible like a plc. This contrasts with the former situation when BWB had more of the ethos of a central or local government organization. Despite this policy and the MMC's previous recommendation, the Chief Executive is still not a member of the Board.

Board decisions

5.22. BWB told us that minutes of meetings used to be lengthy and almost verbatim, but now the minutes are less extensive and BWB considers them too concise.

5.23. We have examined Board minutes for the period April 1992 to March 1993. There were some occasions in that period when the minutes are quite clear in the expression of a Board decision and the Board had 'agreed' a course of action. But we found many occasions when there was less clarity. The term 'noted' is frequently used without a particularly precise meaning. On many occasions the Board 'noted' BWB memoranda or material within them. On some occasions it 'noted' and then proceeded to 'agree' some matter, the implication being that to note does not mean to agree. On at least one occasion the Board 'noted with concern'.

5.24. In the case of the Statement of Accounts the Board 'approved' the draft and 'authorised' the finalization. The Executive Summary of the Corporate Plan was 'endorsed' by the Board. Within the year's minutes the Board 'RESOLVED' (in capitals and underlined) on one occasion: that every member, Departmental Director or employee of the Board be indemnified out of its assets against personal financial liability in the exercise of the Board's powers and duties.

5.25. That the approval process was inadequate in the past is evidenced by the fact that, as reported in another chapter, our investigation was unable to uncover Board approval for the development of the Head Office building at Willow Grange. In evidence the Chairman of the Board informed us that the term 'noted' would be used in the Board minutes to represent the position as perceived in this instance by the Board: that ultimate approval lay elsewhere, with the DoE.

Committees

5.26. The Board has three committees of non-executive directors: the Audit Committee, mentioned in Chapter 4, the Pensions Committee and the Remuneration Committee. Remuneration Committee meetings are attended by the Chief Executive except when his own remuneration is being considered.

The Executive Group

5.27. The Chief Executive, the Departmental Directors and the Regional Managers together form an Executive Group. It meets formally each month and minutes are kept. As already mentioned, the Chief Executive is still not a member of the Board although this was recommended in the 1987 MMC report. Nor is any other member of the Executive. Treasury Guidelines suggest that the most senior management posts within nationalized industries should normally be held by Board members.

Regional meetings

5.28. Regular monthly meetings take place between Regional Commercial Managers under the chairmanship of the Commercial Director, between Regional Finance Managers under the chairmanship of the Director of Finance and between Regional Engineers under the chairmanship of the Director of Engineering. Minutes are taken and approved at all of these meetings. In addition, monthly management meetings are held within each region.

5.29. Waterway Managers and regional functional managers submit monthly reports to Regional Managers. In turn the Regional Managers submit monthly reports to the Chief Executive.

Working groups

5.30. As opposed to the formal arrangements just described, BWB uses a relatively informal working group arrangement to deal with particular ventures or projects. Members of a group may be of any grade and from any geographic location. Groups in existence at the time of our investigation included:

- Automatic weed cutting
- Dredging
- Self operation of bascule bridges
- Telemetry
- Tunnel safety
- Automatic sluices
- ROTOR (Review of Tasks and Resources)
- Risk analysis for lock gates
- Travel time
- Call out
- Maintenance Management System
- Manning levels
- Emergency planning
- Inspection standards
- Boat standards
- Craft Licensing System
- Career planning
- Plant reporting
- Maintenance standards
- Detailed work specifications
- Safety standards
- Property Management System
- Financial systems
- Waterway maintenance, operation and planning.

Consultants

5.31. We have noted in the course of examining a number of issues discussed elsewhere in this report, including the IBS and management information systems, that BWB has had frequent recourse to outside consultants in matters of policy and development. In addition, although all Regional Commercial Managers are Chartered Surveyors, there has been considerable use of outside firms of surveyors.

5.32. From its General Ledger, BWB has been able to provide us with a list of consultancy firms engaged since April 1989 at a fee of £10,000 or more. There are 89 firms on that list and the totals spent are at out-turn prices over that period. These may well be underestimates as further work done by the same companies may be coded elsewhere. BWB told us that such omissions could include items charged to the training budget and computer advice charged to the Special Revenue Charge (see Chapter 7).

5.33. Bearing possible underestimates in mind, and recognizing that fees of less than £10,000 are excluded, the scale of use of outside consultancies is illustrated in the following table.

TABLE 5.1 Expenditure on consultants since April 1989

	<i>£'000</i>
Engineering	1,465
Commercial	685
Finance	407*
Human resources	133
Other	<u>521</u>
	3,211

Source: BWB.

*Of which £197,000 was on audit and tax advice.

Bonuses

5.34. The Remuneration Committee has played a particular part in setting the criteria for a bonus scheme for Departmental Directors and senior managers. Bonuses are drawn from an 'executive fund' and are distributed to Departmental Directors and Regional Managers according to criteria set by the Remuneration Committee each year. At the start of the scheme in 1988/89 the Committee chose to award a bonus of 5 per cent of salary for achievement of particular targets plus up to 15 per cent of salary drawn pro rata from the remainder of the fund. In 1993/94 the award for Departmental Directors and Regional Managers will be up to 13 per cent of salary based on non-financial items and up to 12 per cent based on financial items. Following awards to Departmental Directors and Regional Managers, any surplus in the fund, up to a fixed limit, may be awarded by Departmental Directors to selected managers. The limit was £10,000 for each year from 1988/89 until 1992/93 and is £25,000 for 1993/94. BWB informed us that the number of selected managers is normally no more than six and that they could be Waterway Managers, regional management staff below the Regional Manager or the equivalent at headquarters.

5.35. The method of arriving at the amount to be placed in the executive fund is consistent from year to year: a fixed percentage of the difference between budget and actual wages and salaries is placed in the fund along with a fixed percentage of the difference between actual and budget turnover. The Remuneration Committee sets the two percentages each year according to its view of the difficulty in achieving the targets. In 1988/89 the percentages appear to have been 5 per cent each. In 1993/94 they will be 8 per cent and 5 per cent respectively, the former figure reflecting a perceived increased difficulty in achieving savings in staff costs. Departmental Directors and Regional Managers exercise a major influence on budget-setting which can influence the size of the executive fund and these same people receive bonuses drawn from that fund.

Internal communications

5.36. Communication of general intelligence and BWB decisions throughout the management chain is based on a series of *Core Briefs*. These are produced around the 20th of each month by the Marketing and Communications Department under the guidance of the Chief Executive and cover in a few sentences each of the major issues exercising the organization. The scope of these briefs is exemplified by the headings in the Core Brief for 19 February 1993:

1. Customer Charter
2. General Powers Bill
3. Pensions
4. Early retirement scheme
5. Chairman's reappointment
6. Promoting the hireboat industry
7. Boat shows
8. Section 42 consultation
9. Houseboat moratorium
10. Monopolies and Mergers Commission reference

5.37. Information from the Core Brief is cascaded downward through the organization in a series of team briefings. Passage of information is selective depending on the interests of those involved, and on their need to know. Another source of general information is the house magazine *New Ways*.

External communications

5.38. In January 1992 BWB made available to the public a brochure entitled *Caring for our Customers*. It covers a number of matters relating to contact with the public, and the content of the brochure is summarized in a series of headings: 'We care ... we consult ... we help ... we plan ... we inform ... we respond'.

5.39. Two pieces of information are of particular interest to the general public. The first is about dealing with emergencies. It says that BWB responds promptly to emergencies 24 hours a day, 365 days a year through **Freephone Canals** or the mobile phone number given.

5.40. The second relates to the complaints procedure. The brochure asks that in the event of a complaint the local Waterway Manager should be contacted in the first instance. If the complainant feels that the complaint has not been reasonably handled then he or she should contact the Regional Manager. If the complainant is still dissatisfied he or she is directed to the Chief Executive whose name is given.

Complaints procedures

5.41. External communications cover a variety of other issues including publicity, commercial communications, and communications with Government departments and other bodies. We have taken a particular interest in BWB's complaints procedure.

5.42. Complaints may arise in a variety of ways. For example, a fleet owner may be at issue with BWB about an increase in mooring fees. If the issue is aired as part of the normal correspondence between the customer and a BWB commercial department and is settled as a result of that correspondence, it may never be registered as a complaint, either with BWB or in the mind of the customer. If on the other hand the customer decides to take the issue further it is likely to emerge as a complaint.

5.43. Before the appointment of the present Chairman, there was a Chairman's office of six staff. Complaints directed to the Chairman would be investigated by members of this staff and a reply would be sent from his office.

5.44. The present Chairman has in the past responded to complaints addressed to him by contacting the appropriate Waterway Manager and then writing his own reply. The burden of this work has proved to be too much and the Chairman now sends an acknowledgement to the complainant and passes the correspondence to the appropriate Waterway Manager. Since January 1992 this has in effect meant that the Chairman puts the complaint into the system described in the brochure.

5.45. Statistics of complaints are not held centrally but the Chief Executive informed us that since January 1992, no complaint passing upward through the normal system has had to reach him. There have, however, been complaints addressed directly to him. The intention for the future is that records will be held at each level (Waterway Manager, Regional Manager, Chief Executive) of the numbers and types of complaint received which progress no further up the scale. Figures will be collated centrally with the intention of including them in the Board's Annual Report.

5.46. In the course of our inquiry various interested parties have given evidence. These are listed in Appendix 5.2. Their views are summarized in Appendix 5.3. Amongst their criticisms are points which may or may not have been formally registered as complaints with BWB.

5.47. A point frequently raised in the complaints which we received concerned the attitude of BWB, and in particular the Estates Department, in its dealings with those individuals and organizations with whom it was in dispute. We were told, repeatedly, that BWB had taken an unnecessarily confrontational stance in disputes over such issues as rents and licences, including the use of threats and other measures designed to intimidate. Other common points made were that BWB had been slow to respond and appeared to have a 'hidden agenda' during

negotiations. We were mindful of the fact that these complaints came from a wide variety of customers and users, both large and small. These included trade organizations, commercial and leisure users, landowners, local authorities and charitable organizations.

The Citizen's Charter

5.48. In August 1993 BWB published a document under the banner of the Citizen's Charter entitled *Caring for Britain's Waterways*. It outlines BWB's activities, its commitments to the public at large and to waterways users in particular; and it shows to whom queries, suggestions and complaints should be directed. Its development involved consultation with user groups and with IWAAC. It makes an important reference to a Waterways Ombudsman. It also mentions the introduction of a Comments Card to complement BWB's annual sample surveys of walkers, anglers and boat users.

The Waterways Ombudsman

5.49. The Board has just appointed an Ombudsman whose precise duties are subject to agreement with BWB. The Ombudsman represents the top level in the complaint procedure chain. Any complaint of maladministration which cannot be resolved to the complainant's satisfaction by the Chief Executive may be referred by the complainant to the Ombudsman. BWB has publicly agreed to be bound by the Waterways Ombudsman's findings.

5.50. The complaints procedure will be displayed at each BWB office. The name and address of the Ombudsman will be shown and each notice will show the names and addresses of the appropriate Waterway and Regional Managers. The headquarters office will display its own version of this notice with a statement that the Customer Relations Manager will arrange for the complaint to be dealt with by the Departmental Director concerned.

5.51. The Ombudsman will present an annual report to BWB. Copies will be sent to the Secretary of State for the Environment and to IWAAC.

The customer comment card

5.52. During 1992 BWB piloted a scheme using customer comment cards to collect customer views. With the publication of *Caring for Britain's Waterways*, this scheme will come into general use. The card is a simple freepost postcard pre-addressed to the appropriate Waterway Manager or to the Customer Services Department. It has spaces for the writing of comments, a return address and the date. Blank cards will be available in a prominent place in all offices. An internal training package shows staff how to classify responses as complaint, compliment or comment with a subject classification into eight main categories, each of which may contain a number of subcategories.

Conclusions and recommendations

5.53. The bonus scheme for Departmental Directors and Regional Managers awards up to 25 per cent of individual salary in bonus. Bonuses are drawn from an 'executive fund' and the method of drawing may vary from year to year. For 1992/93 the bonus will be up to 13 per cent of salary based on non-financial items and up to 12 per cent based on financial items.

5.54. In past years, and for 1992/93 as well, the 'executive fund' available for bonuses to be shared between the Departmental Directors and the Regional Managers has been a fixed proportion of the difference between budget and actual wages and salaries plus a fixed proportion of the difference between actual and budget turnover. Departmental Directors and Regional Managers have a major influence on budget-setting and these same people receive the bonuses. We conclude that this is wrong in principle.

5.55. A new basis for calculating bonuses for Departmental Directors and Regional Managers should be sought in conjunction with the establishment of a new staff appraisal scheme (see paragraph 6.99). That basis should preclude the possibility of those receiving the bonuses setting the parameters which determine them. BWB's bonuses are an anomaly in the whole of the public sector. If BWB finds it impossible to construct a new basis, bonuses for Departmental Directors and Regional Managers should be abandoned.

5.56. There is a lack of clarity in the Board's minutes and approvals have not been appropriately recorded.

5.57. The Board of BWB should ensure that approval for all significant projects, developments or changes is sought at meetings of the Board and that the Board's decisions are recorded in the minutes. Terminology within the minutes should be clear and consistent.

5.58. BWB has relied heavily on outside consultants, not only for specialist advice in areas where it may have little expertise in-house but also for management policy and technical advice which its own staff could be expected to provide.

5.59. We recognize that an investigation of demand elasticity as proposed in Recommendation 40 of this report is a case where external consultants *are* likely to be needed.

5.60. BWB should place more reliance on its own management and professional staff and less on outside consultants.

5.61. Whilst we recognize that the Chief Executive and Departmental Directors play a full part in the Board's discussions, we conclude that it is in principle unsatisfactory that they are not on the Board and so do not share directly in the Board's responsibilities.

5.62. We recommend that the Chief Executive, the Director of Finance, the Commercial Director and the Director of Engineering should all be on the Board. Any consequent problems relating to salary should be addressed by BWB and the DoE.

5.63. An organization such as BWB with diverse objectives and dispersed geographical locations requires the attention of a Chairman for a minimum of four days a week.

5.64. At the first suitable opportunity the appointment of Chairman of BWB should be extended to a minimum of four days a week.

5.65. BWB should adopt a more transparent approach to those persons with whom it is in dispute, with a quicker response time, greater use of independent professionals and a less confrontational style in both oral and written communications.