

10 Summary of Findings and Recommendations

In this chapter we summarise our findings and recommendations. Our full conclusions are to be found in the chapters to which they refer: cross-references to them appear in the left-hand margin of this chapter.

Maintenance

10.1. Although BWB provides adequate specification for work done under contracts placed outside, and has begun to define standards for the maintenance tasks undertaken by its direct labour force, it has not yet defined standards and tasks in the appropriate detail for application throughout the system. It should complete this work within two years.

[Paragraph 3.32]

10.2. When appropriate standards have been defined, BWB needs to establish optimum methods and procedures for all maintenance work: to this end it should develop regular arrangements for co-operation in research with similar bodies.

[Paragraph 3.33]

10.3. When maintenance standards, tasks and task elements have been determined, work should be carried on throughout the waterways system on the basis of these definitions. This will improve the spread of best practices.

[Paragraph 3.34]

10.4. The definitions of maintenance standards, tasks and task elements should form the basis against which achievements, time taken, and costs are reported. Until that can be done BWB will lack a reliable basis for calculating unit costs, or for providing physical performance indicators, which can be used for evaluating comparative performance. The established T-card system should be developed into a computerised data-base for these purposes.

[Paragraph 3.35]

[Paragraph 3.36]

10.5. Once the new standards are in place, the optimum size and distribution of BWB's direct labour force can be more effectively determined. BWB should assess what needs to be done, starting at the lowest level of detail, before deciding what should be contracted-out.

[Paragraph 3.37]

10.6. We note that at present BWB justifies the present size and allocation of its direct labour force by reference to the need to provide emergency cover, to secure waterway safety, and to provide staff for operations. It needs to improve its emergency radio communications, within a year.

[Paragraph 3.38]

10.7. When there is reliable data on in-house costs, BWB should systematically compare such costs with those of using contractors for all tasks where there is a realistic choice between using its direct labour force and contractors.

[Paragraph 3.70]

10.8. BWB should produce a formal statement of its contracting-out policy in the interests of a clear understanding of that policy. An initial statement, covering at least present policy, should be produced within a year, after consultation with the trade unions.

[Paragraph 3.71]

10.9. When there is reliable data on in-house costs, decisions can be taken on whether to do the work internally or to use contractors or consultants. We recommend that BWB should pay particularly close attention to the case for using contractors for dredging, lock-gate manufacture, and the fabrication and major overhaul of vessels. It should also consider using outside consultants for 'heavy' civil engineering. Its costs on bridge maintenance should be compared with the cost of decentralising the work to the highway authorities.

[Paragraphs 3.72 and 3.73]

**Project appraisal
and setting priorities**
[Paragraph 4.15]

10.10. We believe that the system of classifying waterways into categories based on their use in 1967 imposes unnecessary constraints on the most efficient use of BWB's maintenance resources.

[Paragraph 4.60]

10.11. However, within the existing classification system, we find a number of weaknesses in resource allocation. Most maintenance projects are appraised by a points system which is unsatisfactory. Expenditure on vessels, plant and equipment is appraised without proper consideration of the options, and is not expressed in NPV terms.

[Paragraph 4.61]

[Paragraphs 4.62 and 4.63]

10.12. We recommend that these methods should be replaced by a system in which projections of user demand play a central part, and in which costs and benefits are so far as is possible quantified in money terms, and discounted to present value.

[Paragraphs 4.64 and
4.63(f)]

10.13. The size of a project should determine the appropriate appraisal technique, not the basis on which BWB is funding it. The full range of appraisal techniques we recommend should be applied to major projects, costing over £100,000, and the DoE should see all such appraisals. For projects costing less than £100,000 but more than £20,000 a more limited system of appraisal should be employed. For projects costing less than £20,000 the recommendations made on maintenance will be appropriate.

[Paragraph 4.65]

10.14. The authority to approve smaller projects should be further delegated within BWB. The threshold for approval by the Chief Executive should be raised to £100,000, the lower limit for full project appraisal.

**Financial and budgetary
framework and controls**

[Paragraph 5.7]

10.15. We think there can be little doubt that BWB will depend substantially on grants from the Government for the funding of the maintenance programme for many years ahead, if not permanently. To enable BWB to plan its maintenance programme with some confidence, we think it is important that the guidance figures which it is given on grant levels for future years should be respected

[Paragraphs 5.14 and 5.15]

10.16. While BWB has had some success in responding to the Government's request that it should increase its revenue from users—and thus reduce its dependence on Government grant—it cannot charge for some of the public service requirements for which it maintains the waterways. We therefore recommend that DoE should consider the possibility of relating part of the grant to meeting the cost of those requirements. The remainder of the grant, which helps to meet the cost of doing maintenance work for users who can be charged, could then be more closely related to BWB's success in obtaining revenue from such users.

[Paragraph 5.18]

10.17. We think nevertheless that BWB should have a clear incentive to increase its income from users, and recommend that DoE should consider an arrangement whereby BWB could keep at least part of any such increase, over a period of years ahead, to devote to priority maintenance tasks.

[Paragraph 5.32]

10.18. BWB should press ahead strongly with its policy of developing revenue from its estate, particularly if success in doing so could be expected to lead to more funds being available to reduce the arrears of high priority maintenance. BWB should consider setting up a separate subsidiary board or agency to develop its estate, with outside directors to assist it.

[Paragraphs 5.61 and 5.62]

10.19. In looking at the information BWB uses to decide on budgets and set priorities, we found that it does not systematically analyse the amount of expenditure and income, or other indicators of usage, on individual canals or groups of waterways (such as the 'rings' used for cruising). We suggest that it should make greater use of this information; that BWB's Board should see an overall analysis as part of the process of approving the annual budget; and that the

data could also be useful in helping to decide on priorities for the Area budgets and in setting targets to improve income or reduce costs on individual waterways or groups of waterways.

[Paragraph 5.72]

10.20. BWB should have an improved accounting system in place by the end of financial year 1988–89 to meet the criticisms made by its external auditors.

[Paragraph 5.74]

10.21. An effective internal audit team should be operational in BWB by the end of financial year 1987–88.

**Freight and leisure uses
of the waterways**

[Paragraphs 6.16 and 6.17]

10.22. We believe that the waterways have only limited potential for freight usage. BWB intends to exploit opportunities to obtain more freight business, but it needs to inject more realism into its forecasts of freight revenue. Such forecasts are an important part of the information BWB needs to consider in deciding whether to continue with any of its freight operations, which as a whole continue to make losses. We can see no justification for that situation to continue when BWB needs more funds to reduce the arrears of maintenance.

[Paragraph 6.39]

10.23. BWB also needs, as it acknowledges, to give further care and attention to its methods of charging and the levels of its fees for leisure uses of the waterways. To help in that, it needs to supplement its market research by studying systematically the relationship between price and demand.

[Paragraph 6.41]

10.24. As with freight, so with leisure activities BWB needs to be more realistic in forecasting future levels of revenue.

[Paragraph 6.42]

10.25. BWB should apply the same approach to its own leisure-related activities as to its freight operations; unless they can earn the required rate of return BWB should terminate them. Meantime, it should show the profit or loss situation of these activities in its published accounts.

**Manpower and industrial
relations**

[Paragraphs 7.8 and 7.9]

10.26. We have found several indications of the need for BWB to improve its arrangements for consultations with the trade unions; to that end, it should consider with the unions the setting up of a joint working party, to decide what formal machinery best meets their joint needs, and whether independent advice and assistance should be sought. BWB also needs to reach agreement with the unions on the matters on which there is to be formal consultation with the unions.

[Paragraph 7.12]

10.27. Improvements in formal consultation need to be supplemented by improvements in BWB's arrangements for communication between management and workforce; this too, should be reviewed jointly with the trade unions.

[Paragraphs 7.40 and 7.41]

10.28. Turning to BWB's use of its manpower resources, we were concerned to find that it cannot accurately estimate the manpower it needs to perform particular functions because it has no satisfactory means for measuring workload and output; it therefore has no basis on which to form a manpower policy. It should introduce arrangements which will enable it to make objective assessments of its manpower needs, as expeditiously as possible, after it has improved the definition of maintenance standards and tasks, and the management of the maintenance programme, as already recommended (see paragraphs 10.1 to 10.4 above).

[Paragraphs 7.42 and 7.43]

10.29. The most obvious manifestation of the above problem was the situation we found in BWB's bonus schemes, which we think should be terminated. BWB should, as it acknowledges, reconsider its position on bonus schemes.

[Paragraphs 7.49. and 7.50]

10.30. While acknowledging the importance of the amount and cost of overtime and travelling time, BWB has no means of readily ascertaining their costs on a national basis. It should arrange for this and other elements which constitute average earnings to be readily available on a routine basis, to the senior management and to the Board; this should be done within one year.

[Paragraph 7.57]

10.31. BWB needs to negotiate with the unions a much simpler pay system for its manual workforce; it should aim to do this within two years.

[Paragraph 7.66]

10.32. BWB also needs to review with the unions the present job evaluation scheme for manual grades, which has not been changed in the 12 years since it was introduced; this review should be completed within a year.

[Paragraphs 7.68 and 7.69]

10.33. Connected with the two preceding paragraphs is the question whether the workforce on the canals should be reorganised on the basis of the lengthsman concept. We think that BWB should proceed with the proposed trials, but should not go further unless it can demonstrate improvements in efficiency in the long term. If, for whatever reason, BWB does not proceed with the lengthsman approach, it needs to find other ways of improving the pay system and grading structure of the manual workforce as a matter of high priority.

[Paragraph 7.67]

10.34. BWB also needs to introduce job evaluation for salaried staff, and should aim to bring to completion the work of the joint salary structure review group within one year.

[Paragraph 7.85]

10.35. Looking at the whole field of personnel and industrial relations matters, we have found that BWB has no codified instructions or guidelines on the implementation of its policies and procedures, except for guidance on pay and personnel matters. We recommend that all aspects of BWB's personnel and industrial relations policies and procedures should be brought together into a manual, and that the Personnel Department at Head Office should ensure that it is consistently applied, by means of a simple monitoring system.

[Paragraph 7.86]

10.36. An important contribution to making the Personnel Department more effective is, in our view, the upgrading of the post of Chief Personnel Officer.

[Paragraph 7.75]

10.37. BWB needs to consider afresh the training it needs to provide for all of its staff.

[Paragraph 7.78]

10.38. We commend the steps which BWB is taking to introduce a staff appraisal and career development scheme for salaried staff. It should consider whether, if the scheme proves satisfactory, similar arrangements could be extended to some manual grades.

**Computing and other
management systems**

10.39. We endorse BWB's plan to strengthen its central Computer Department, and to develop a management information system encompassing the existing RAIN programme to provide a comprehensive planning and progressing works system.

[Paragraph 8.19]

10.40. We endorse BWB's continuing work on numerical models on manning requirements, including those for dealing with emergency situations. This work should be done in conjunction with the improved definition of maintenance standards and tasks we have recommended; BWB also needs to give more attention to assessing the risks of emergencies occurring.

[Paragraphs 8.30 and 8.31]

10.41. We have found BWB's purchasing and stock control system to be efficient and satisfactory, but it needs to ensure that the system is fully understood at all levels and that there is full compliance with procedures; those procedures should ensure that local management undertakes more regular checking of stock, because of the reduced security inherent in the wide dispersal of stockholdings.

[Paragraph 8.32]

10.42. Now that it has distributed stockholdings in 78 locations, BWB should introduce new arrangements to compare stock turnover ratios with those experienced under the previous system. If the comparison shows that dispersal has led to increased costs, the Board should decide whether any further changes in the arrangements are needed.

[Paragraphs 8.60 and 8.62] 10.43. We have found BWB's systems and procedures for procurement, servicing and replacement of vehicles to be generally satisfactory. We have however, found some inadequacies in its recording of vessels and plant, which need to be corrected.

[Paragraph 8.61] 10.44. BWB needs to improve the quality of its estimating of plant utilisation.

[Paragraph 8.63] 10.45. An organisational matter that needs attention is the situation in the Glasgow Area. We can see no reason for the administrative and monitoring arrangements for plant and vessels for that Area being different from the rest of the country, and recommend that the Glasgow Area be brought fully into line within the year

Management, structure and planning
[Paragraph 9.7] 10.46. While we are satisfied that the Chief Executive is able to play a full part in the discussions of the Board, we see advantages in his being formally appointed as a member of the Board.

[Paragraphs 9.21 and 9.23] 10.47. We are concerned that a number of important staff who should be located at Head Office are based in other locations: this applies particularly to the Engineering Department. BWB should ensure that all Head Office staff are accommodated in its Head Office. It intends to do so as part of its plan to build a new Head Office at Watford, but if that project does not go ahead, BWB should persist with its intention to bring all its Head Office staff together. In that event, it should also consider whether its Head Office could be in a location more central to the waterways system.

[Paragraph 9.24] 10.48. We regard the Area organisation of the Engineering Department as appropriate, but see a need for a greater degree of standardisation in reporting and control.

[Paragraph 9.25] 10.49. While the Area organisation as such is satisfactory, we endorse BWB's intention to look again at the allocation of responsibilities to senior staff in the Areas.

[Paragraph 9.40] 10.50. While BWB needs a long-term structural framework for its planning, we do not think that it should, for example, attempt to forecast revenue from users for as long as ten years ahead, as it does at present. We welcome the current reconsideration, by BWB and DoE, of the present structure of BWB's planning system and the timescale to which it should be applied.

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31 December 1986