

CONFIRMED MINUTES**90th BOARD MEETING****TUESDAY 29 JUNE 2010 AT HOLLY WALK, LEAMINGTON SPA**

PRESENT: PHILIP SMITH (Chairman)
JOHN KING (JK)
WILL LIFFORD (WL)
LORRAINE CLINTON (LC)
CHRISTOPHER WELFORD (Chief Executive)

IN ATTENDANCE: LEONNE JACKSON (LJ) HMRC
ANDY WIGGINS (AW) HMRC
MARK CROOK (Head of Finance)
MARY HAWKINS (Head of Operations)

COMMITTEE SECRETARY: VICTORIA RACE (VR)

1. INTRODUCTION

1.1 The Chairman welcomed everyone to the meeting.

2. APOLOGIES

2.1 There were no apologies for absence.

3. DECLARATIONS OF INTEREST

3.1 There were no Declarations of Interest recorded.

4. MINUTES OF THE PREVIOUS MEETING

4.1 The minutes of the 89th Board meeting were tabled and approved for signature by the Chairman, subject to two minor changes to the wording relating to the Naming and Shaming policy and the Regulations update.

4.2 **ACTION:** HMRC to provide amendments to the minutes to the Chief Executive.

5. ACTION POINTS

5.1 Research on the future of the Landfill Community Fund (LCF) - The Chief Executive provided an update on the current status. The Chairman considered it was appropriate to issue the tender document to universities who were already carrying out research in the sector.

5.2 **Governance Framework:** The Head of Finance had received comments from the Board and had updated the framework. LC requested a copy of the revised documents.

5.3 **ACTION:** The Head of Finance to forward a copy of the revised framework to LC.

5.4 **Whistle Blowing Hotline:** The Head of Finance confirmed that the internal and external contact lines are now in operation.

- 5.5 **Definition of Public Amenities:** The Head of Operations provided an update on the discussions with HMRC and the work that was currently being undertaken to manage this issue.
- 5.6 **EBs that no longer Exist:** The Head of Operations advised the Board that following legal advice and discussions with HMRC that once an Environmental Body (EB) has dissolved, we can no longer revoke them as they do not exist. The Board therefore directed the Head of Operations to agree with HMRC to take no further action against these EBs.
- 5.7 **ACTION:** The Head of Operations to agree with HMRC that no further action shall be taken to deal with dissolved EBs.
6. **OPERATIONAL REVIEW**
- 6.1 The Head of Finance introduced the paper and outlined the main issues contained in the report.
- 6.2 He also explained to the Board, why there is an ongoing difference between the budgeted income and the actual release of Deferred Income. Income received through the levy, although based on the current years resource requirement is released to the income and expenditure account over three financial periods. Additionally the forecast profile is based on an average of contributions received over recent years, which may differ significantly to the profile of contributions received in the current year. This makes it difficult to accurately forecast contribution levels in the year and at the point reported there is insufficient information to make an accurate assessment of outturn.
- 6.3 **ACTION:** The Head of Finance to provide a forecast for the next Board meeting.
- 6.4 We do not report on levy income in the same year it is received as it is deferred over three financial periods and we have experienced a loss of income compared to the resource requirement for the past three years. The Chairman feels HMRC should pay ENTRUST on the basis of the agreed amount and then address any issues should there be any. AW agreed that it was not a good situation this year and HMRC asked ENTRUST to come back to them with a preferred process. The Head of Finance is in discussions with the Chief Executive.
- 6.5 **ACTION:** ENTRUST to agree a preferred method for next year.
- 6.6 **Treasury Management:** The Head of Finance sought agreement from the Chairman to consider investing our income over a longer period of time. The Chairman indicated he was content for a single £500k amount to be invested for a period of up to one year with an appropriately rated financial institution.
- 6.7 **ACTION:** The Head of Finance to invest £500k with an appropriately rated financial institution for one year.
- 6.8 **KPI's and Management Targets:** Overall, while some of the targets were slightly behind, both the Head of Finance and Operations were confident that at the year end they would all be delivered.
- 6.9 **Form 4's:** The Head of Operations updated the Board on the details of the returns received this year and the extra effort that has gone in to contacting Directors of EBs who have not made returns. The Chief Executive drew the Board's attention to the increase in funding held by EBs.

- 6.10 **Expenditure:** The Head of Finance confirmed there are no unforeseen items to report so far. However, in light of the current economic climate, we were undertaking a fundamental review of all business expenditure.
- 6.11 **CEO Overview:** The Chief Executive gave a short overview of the current status of the sector and the potential changes that the Government had already implemented. The Board asked whether he could assess what impact this would have on our work and both he and HMRC advised that it was too early in the life of the parliament to make any judgements.
- 6.12 **Administration Costs:** The Head of Operations advised that we are continually reviewing the level of costs charged by EBs. The Chairman was keen to see some more structured analysis taking place and the Head of Operations agreed to follow this issue up.
- 6.13 **ACTION:** The Head of Operations to prepare some more analysis on Administration Costs charged by EBs for the next Board meeting.

7. COMPLIANCE UPDATE

- 7.1 The Head of Operations provided an overview of the paper. Since the last update a number of issues had been resolved satisfactorily.
- 7.2 **Inspections:** The Enforcement Manager is going on Maternity in July 2010 and her post will be covered by one of the current Inspectors. Consequently we kept a temporary Compliance Inspector on at the beginning of the year to compensate for the period of cover.
- 7.3 **Accreditation Review Panel Terms of Reference:** Currently the whole Board makes the decision to revoke an EB's accreditation system. The Board agreed the proposed appeals mechanism, which recommended that the Chairman and Chief Executive are excluded from the initial decision as they can hear any appeals.

8. REGULATIONS UPDATE

- 8.1 The Head of Operations introduced the paper. The retention of monies consultation paper had been presented to HMRC, who requested more information in order to consider limits on spending LCF monies. However, as the limits are not a priority for the Board, as they considered it was a policy matter for HMRC, this issue is not therefore being taken further.
- 8.2 **Contributing Third Parties.** The paper had been presented to HMRC, who had decided not to take our recommendations forward, although they have asked us to look at the timing of the data reporting. We only stopped collecting data in 2008. Further consultation was agreed as the consultation was fact finding and we have a better understanding of EBs difficulties with the current regulatory timescales.
- 8.3 **Further Object D Consultation:** The Head of Operations explained that HMRC were keen to explore the nature of public, especially in relation to entry charges. In addition our legal advice in response to a query, indicated we should include this in a consultation to provide a better audit trail to any guidance on opening hours, the Board agreed to a further consultation in this area.
- 8.4 **Asset Management:** The consultation document is well advanced, and we should be able to discuss this with HMRC in the next couple of weeks.

- 8.5 **Training:** The EB guidance manual will be published by the end of June 2010. The Chairman is concerned of the cost effectiveness of providing the current round of training courses. In response the Head of Operations advised that we are reviewing the market for training, and this will be considered when the training programme is developed for 2011/2012. Additionally, we are also purchasing on line training software, which will initially be used for ENTRUST On-Line (EOL), and has the potential for more general EB training.
- 8.6 **Satisfaction Survey:** The Head of Operations advised that we had received 320 responses to the satisfaction survey, which was up on last year.
- 8.7 **Change of Director Details:** In response to the Board's previous request, under paragraph 33(1) (f) & (g) of the Regulations, we require this information to ensure that the EB is complying with the Regulations. The Board suggested that Directors could be asked to self-certify some of the requirements, and the Head of Operations advised that this would be taken forwards in the new EOL.
- 8.8 **Small Grants Scheme (SGS):** The Head of Operations advised that none of the EBs are using the SGS as they consider the limits are too low. The Board considered the review of the current scheme and agreed to increase the current limits to £5,000 for any individual grant and a total annual value of £100,000 or 5% of the EBs previous years LCF income, whichever is the greater. The Chairman suggested a further review after 12 months and asked the Head of Operations to canvass the views of the EBs on an appropriate timescale.
- 8.9 **ACTION:** The Head of Operations to implement the new SGS limits and canvass the view of EBS on an appropriate timescale for review of the scheme.
9. **ENROLMENT & REVOCATIONS**
- 9.1 The Head of Operations provided an overview, the Board thanked her for the additional information as requested and approved the recommendations.
10. **REVIEW OF ENVIRONMENTAL BODIES RUNNING COSTS CONSULATION REPORT**
- 10.1 The Head of Operations introduced the paper. This paper follows on from last year's report on running costs. High percentages of running costs are not a common issue, as paragraph 2.6 explains. However, in the past there have been issues and even a few cases need to be addressed as they could lead to the LCF being brought into disrepute. EBs attending the focus groups often change their mind as they appreciate that the changes we address to the few EBs who do not behave properly. However, the EBs found the detailed guidance too prescriptive and were concerned that some EBs could try and spend up to the maximum if public sector comparators were used, so a more general approach to guidance is recommended. One of the learning points was the need to be clearer about the impact on compliance activity of the proposals.
- 10.2 No proposals are made for around Landfill Operator's (LOs) involvement as this needs discussion and agreement with HMRC. WL felt the proposed change is too loose and clever accountants could manipulate their figures. He felt we are using a sledge hammer to crack a peanut. The Chairman accepted that the issue is still far from resolved but is a step in the right direction. The Chief Executive supported the more summary approach to guidance as he had better understood the feeling that EBs would be undermined by the detailed guidance, having spoken to some of them. The interpretation of reasonable and relevant would be key to addressing bad practice.
- 10.3 The Board agreed that the paper be submitted to HMRC

11. ADDENDUM FOR BOARD ONLY**12. NECF ADMINISTRATION COSTS**

12.1 The Head of Finance provided an update. The Board thanked him for the update and also noted the additional controls that had been put into operation to mitigate the Company's exposure in the future.

13. IT STRATEGY

13.1 The Head of Finance introduced the paper, which updated the previously presented strategy. The main issues to note was the plans to upgrade our existing systems and the cost implications of doing so.

13.2 The Chairman thanked him for his paper and raised his concerns regarding the financing of some of the activities, which the Head of Finance explained how they would be funded. The Head of Finance also stated that the indicative costs for future years were those that ENTRUST should plan to incur although before resources for any future replacement programmes were requested a thorough and robust assessment of existing IT equipment would be undertaken to determine actual need.

13.3 ACTION: The Board approved the IT Strategy, but asked if the costs be subject to robust review.

14. RELOCATION OF SERVERS

14.1 The Head of Finance introduced the paper and outlined to the Board the various options and costs involved in selecting an appropriate provider. The Board thanked him for his paper and recommendation. The major concern that they raised was suitability of the facilities offered by the selected provider and the transfer of responsibilities to the new organisation. The Head of Finance advised that this issue would be addressed by RSM Tenon carrying out an independent assessment of the selected organisation. Taking into consideration this fact, the Board approved the engagement of UK Solutions to provide hosting facilities' for our servers, subject to a due diligence review being carried out by our External Auditors.

14.2 ACTION: The Head of Finance to ensure Internal Audit are involved in the development of the project.

15. ANNUAL REPORT

15.1 The Chief Executive presented the paper, which the Board endorsed subject to a number of amendments.

15.2 ACTION: VR to send final copy of the report to the Board by post and email.

16. EOL UPDATE

16.1 The Head of Finance updated the Board on the current progress being made on selecting the IT provider and the next steps in the process.

17. AUDIT COMMITTEE MEETING OVERVIEW

17.1 WL provided a review of the items covered within the Audit Committee meeting including:

- Registrations process;
- KPMG risk model review;
- Risk Management Update;
- Operational Risks; Annual Accounts – ENTRUST;

- Annual Accounts – ENTRUST Limited; and
- Delegation to WL to approve the account on behalf of the Board subject to the Audit Committees comments.

17.2 APPROVAL: The Board approved the Annual Accounts of ENTRUST and ENTRUST Limited.

18. HUMAN RESOURCES & REMUNERATION COMMITTEE MEETING OVERVIEW

18.1 JK provided an overview of the items covered within above meeting including:

- The Human Resources Report;
- Health and Safety matters;
- Staff Bonuses; and
- CEO Objectives.

19. HMRC

19.1 AW provided the Board with an update on a number of issues including:

- The Government's commitment to implement the Calmann Review;
- Pressure on HMRC to reduce their spending plans in line with the Government's policy and the impact on their work; and
- The Government's policy in relation to environmental taxes.

20. AOB

20.1 **ADEB:** The Chief Executive sought the Board's approval to invite the Chairman of ADEB to attend our next Board meeting, as an observer, to encourage the furtherance of relationships with ADEB. HMRC endorsed this suggestion and therefore the Board agreed to his request.

21. NEXT MEETING

21.1 The next meeting is agreed to be at 12:30 on 28 September 2010, at 60 Holly Walk, Leamington Spa.