

CONFIRMED MINUTES**91st BOARD MEETING****TUESDAY 28 SEPTEMBER 2010 AT HOLLY WALK, LEAMINGTON SPA**

PRESENT:	WILL LIFFORD (Acting Chairman) JOHN KING (JK) LORRAINE CLINTON (LC) CHRISTOPHER WELFORD (Chief Executive)
IN ATTENDANCE:	MARK CROOK (Head of Finance) MARY HAWKINS (Head of Operations)
BY CONFERENCE CALL:	LEONNE JACKSON (LJ) HMRC MARTIN SHAW (MS) HMRC
APOLOGIES:	PHILIP SMITH (PS)
BOARD SECRETARY:	BECCY MARLOW (BM)

1. INTRODUCTION

1.1 The Acting Chairman welcomed everyone to the meeting.

2. APOLOGIES

2.1 Apologies were received from Philip Smith.

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 90th Board meeting were tabled and approved for signature by the Acting Chairman, subject to the re-wording of Point 2.1

4.2 **ACTION:** BM to provide amended minutes to the Acting Chairman.

5. ACTION POINTS

5.1 **NECF:** The Head of Operations (HOO) confirmed that she had received a letter on 13 September 2010, from HMRC the details of which are reported in the Compliance paper.

5.2 **IT STRATEGY:** The Acting Chairman asked if we should be re-examining the costs of the strategy. The Head of Finance (HOF) requested that this issue be deferred and discussed at the first Board meeting in 2011.

5.3 **ACTION:** The HOF to provide an update at the first Board meeting in 2011.

5.4 **RELOCATION OF SERVERS:** The HOF briefed the Board on the current status of the plan to migrate the servers in early November. As part of the process, the HOF would be arranging for the Internal Auditor to undertake a post evaluation assessment of the move.

5.5 **RESEARCH TENDER:** The Chief Executive (CEO) advised that a tender document had been issued to research universities across the UK with a closing date for receipt of bids of 15 October 2010. Once the tenders were received, a decision would be

made as to how to proceed and it was anticipated that if the research was commissioned it would be completed by the summer of 2011. The Board therefore requested an update be provided at its next meeting.

5.6 ACTION: The CEO to provide the Board with a further update at its next meeting.

5.7 SMALL GRANTS SCHEME: The Board asked for an update on the Small Grants Scheme (SGS) to review the changes that had been made.

5.8 ACTION: The HOO to provide an update on the SGS.

6. OPERATIONAL REVIEW

6.1 The HOF introduced the paper outlining the main issues contained in the report and highlighting that all of our Key Performance Indicators (KPI) are on target to be achieved. He updated the position on the Form 4 Annual Returns and gave an interim forecast on Operations activity for the year. He considered that the Company was operating to the agreed forecast and that staffing cost and running costs were being managed effectively.

6.2 He also drew the Board's attention to the slight overspend on legal costs and stated that the Company has currently used approximately 60% of the budget; £13k out of £20k. The Acting Chairman suggested that we should be looking at using alternative suppliers as a cost comparison exercise and the Board asked if there would be any merit in tendering some of our work to alternative suppliers.

6.3 ACTION: The SMT to consider using alternative suppliers to provide legal services.

6.4 The Acting Chairman asked if the Company was able to hit the level of forecast turnover this year via the levy. The HOF couldn't at this time accurately forecast whether this would be achieved because of the nature of the funding stream, however, he was carefully monitoring this issue and also all of our expenditure. As part of this process, we had re-negotiated a number of contracts and made a number of savings. The Board thanked him for his update and asked that the following was provided in future reports.

6.5 ACTION: The HOF to ensure that a contract matrix, which details all of our contracts and renewable dates is included in future reports.

6.6 ACTION The HOF to ensure that a statement of our reserve position was included in future papers.

7. Addendum item for the Board

8. REGULATIONS UPDATE

8.1 The HOO provided the Board with a progress report, which included an update on the following:

8.2 Running costs consultation: HMRC felt that there was not enough evidence for regulatory change. Although this consultation had followed on from a previous consultation, it was now planned to amend the guidance and monitor the situation.

8.3 Asset Management: This document is being re-drafted after comments made by HMRC.

8.4 Object D: This report is to be discussed later on the agenda.

8.5 **Training:** EB advanced training took place in Leamington Spa last week with 43 attendees. Feedback was less positive than for previous events and most comments concerned the unsuitability of on the venue. There was also an issue as some of the larger DEBs are much more knowledgeable than smaller EBs, some of whom were lost by some elements of the training.

8.6 **Value for Money questions:** A report has been prepared for HMRC to amend these questions. However, HMRC have now asked for further consideration of the data aggregation as they wish the data to be reported when a project has finished, which EBs do not always report to us.

8.7 **Derived income:** HMRC have now submitted the case for revising the Regulations to the Minister. HMRC confirmed that this is secondary legislation and does not require an Act of Parliament.

8.8 **Annual LCF Forum:** This meeting will be held at our offices on 05 October 2010.

9. ENROLMENT & REVOCATIONS

9.1 The HOO introduced the paper and the Board approved the list of recommendations.

10. STAKEHOLDER SATISFACTION SURVEY

10.1 The HOO explained that in this years' survey the methodology had been changed, which did not allow a full comparison with the previous year. However, it was important to note that there had been an increase in returns and a number of key actions for improvement had emerged:

- Simplification of the enrolment process;
- EBs require guidance on asset protection;
- Guidance manual – preparing one with no pictures as easier to print; and
- More guidance next to the questions on the Form 4 return.

She noted that there were comments about the helpful staff, and that the performance of compliance had improved. The Board found the report useful and was also pleased with the improvement in performance; the Board thought it would be useful if the data could be further analysed to help identify any trends.

10.2 **ACTION:** The HOO to investigate whether a more detailed analysis of the satisfaction survey results could be undertaken.

11. PROPOSED 2011 MEETING DATES

11.1 The CEO introduced the paper. The Board agreed the dates, subject to moving the strategic planning day to the 28/29 June 2011.

11.2 **Action:** The Board Secretary to update the schedule and re-circulate to the Board.

12. ENTRUST CONSULTATION PROCESS

12.1 The HOO introduced the paper and reminded the Board that it had asked how our current procedures could be enhanced. The Board was content that the process should be implemented, subject to the amendment that the final sign off for the reports was delegated to the CEO. The only time that the Board wishes to formally review a report is where it proposed regulatory change. However, as a safeguard it wished to be provided with an update of consultations at Board meetings.

12.2 **ACTION:** The HOO to update the consultation process to take into consideration the Board's comments.

13. OBJECT D REPORT

13.1 The HOO introduced the paper and reminded the Board of the reasons for this consultation. She advised the Board that she had held discussions with HMRC on a way forward that maintained the status quo as far as possible. The Board agreed that it was crucial that an agreed definition was implemented as soon as possible and sought assurance from HMRC that they had considered all pertinent matters, so that the recommendations could find favour with HMRC.

13.2 ACTION: The HOO to submit the report to HMRC.

14. Addendum item for the Board**15. Addendum item for the Board****16. ENTRUST FUNDING MECHANISM**

16.1 The CEO introduced the paper, which had previously been circulated to the Board and which it had requested be discussed at this meeting. The HOF then went on to explain the issues regarding the current system, which over the last three years had resulted in a shortfall of £100k in our income. To address this problem, it was proposed that the current system is amended to allow HMRC to use the previous year's actual contribution level rather than an average of the last two years percentage of take up in the levy circulation, and make an adjustment to future resource requirements for any funding shortfalls, or surpluses that arise through the operation of the funding mechanism. Following his explanation, the Board endorsed the paper and requested that it be submitted to HMRC.

16.2 ACTION: The HOF to formally submit the paper to HMRC.

17. VERBAL REPORTS

17.1 Leonne Jackson (LJ) from HMRC provided verbal updates on the following issues from the previous meeting:

- The Calman Review relating to the delegation of tax matters to Scotland has gone to the Chancellor and LJ is awaiting for feedback as to how this policy would be developed; and
- Like all Government Departments, HMRC was awaiting the outcome of the Comprehensive Spending Review, but as yet had not had any feedback regarding any changes to the LCF.

18. AUDIT BOARD MEETING OVERVIEW

18.1 WL provided a review of the items covered within the Audit Board meeting including:

- Functionality of EOL;
- Internal Audit reports; and
- Risk Management.

19. HUMAN RESOURCES & REMUNERATION BOARD

19.1 JK provided an overview of the items covered within the meeting with the main issues being:

- Staff Pension;
- Health & Safety guidelines for Compliance Inspectors; and
- An update on the progress with the Staff Survey.

20. SERVER RELOCATION UPDATE

20.1 The HOF advised that notice has been given to the current providers and the plan to relocate the servers in early November 2010, was on track.

21. ANY OTHER BUSINESS

21.1 None.

22. NEXT MEETING

22.1 The next meeting is to be held at 12.30 on 14 December 2010, at 60 Holly Walk, Leamington Spa.

.....

CHAIRMAN SIGNATURE

.....

DATE