

**CONFIRMED MINUTES****94<sup>th</sup> BOARD MEETING****TUESDAY 29 JUNE 2011 AT HOLLY WALK, LEAMINGTON SPA**

<b>PRESENT:</b>	PHILIP SMITH (PS) (Chairman) WILL LIFFORD (WL) JOHN KING (JK) CHRISTOPHER WELFORD (Chief Executive)
<b>APOLOGIES:</b>	LORRAINE CLINTON (LC)
<b>IN ATTENDANCE:</b>	MARK CROOK (Head of Finance) MARY HAWKINS (Head of Operations)
<b>BY CONFERENCE CALL:</b>	LEONNE JACKSON (LJ) HMRC ANDY WIGGINS (AW) HMRC
<b>BOARD SECRETARY:</b>	HELEN MACCALLUM (HM)

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**1. INTRODUCTION**

1.1 The Chairman welcomed everyone to the meeting.

**2. APOLOGIES**

2.1 Lorraine Clinton (LC) submitted her apologies, which was due to a misunderstanding relating to the dates of the meeting.

**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 last Board meeting were tabled and it was agreed that they were a true record of the meeting. The Chairman asked whether the minutes of the December 2010, meeting had been amended to reflect the discussion at paragraph 8.1 between the Head of Operations (HOO) and Leonne Jackson (LJ). It was confirmed that they had and he agreed to sign the minutes.

**5. ACTION POINTS****5.1 – 5.2 Addendum items for the Board**

5.3 **Value for Money:** The HOO reported that she is preparing a further paper for HMRC on changes to the Value for Money (VFM) questions in the light of the new Government's priorities and this will be completed by the next Board meeting.

5.4 **ACTION:** The HOO to report on progress with amended VFM questions to the next Board meeting.

5.5 **Contributing Third Party (CTP) Consultation Report:** The HOO reported that a further report had been sent to HMRC to discuss a number of regulatory issues. LJ confirmed that she had received the report.

**6. OPERATIONAL REVIEW**

- 6.1 **Financial:** The Head of Finance (HOF) updated the Board on the current financial position of the Company. Overall, expenditure continues to be closely managed and we currently are forecasting a surplus for the year of £ 24k.
- 6.2 **Contributions:** The Contributions declared by Environmental Bodies (EBs) during the period are slightly ahead of those received in the same period in the previous year, which means that we should meet our resource requirement for the year.
- 6.3 **Levy Forecast:** The HOF presented a revised levy forecast model that provided information on the impact on levy income should waste tonnage sent to landfill continue to reduce. The HOF stated that based on the three year average in the reduction in waste tonnage sent to landfill of 13%, we would generate a larger surplus on our agreed resource requirement. However, any end year surplus would be used to offset our 2012/2013, resource requirement. The HOF will continue to monitor tonnage levels throughout the year and revise the forecast model as more detailed information becomes available.
- 6.4 **Treasury Management:** There was a discussion about what action is considered when an investment matures. The HOF explained that the aim was to maximise our return but mitigate our exposure to loss, by using only AAA rated Banks. In the current economic climate it was not always easy to achieve the best rates available without compromising our exposure to risk, but we continually review the rates available through our selected banks and have achieved higher than forecast returns using a mixed investment portfolio.
- 6.5 **Key Performance Indicators/Management Targets (KPI/MT):** All but one KPI and MT are reported as being on target. The HOO advised she was very disappointed that five compliance reports were not issued by the due date, but she had taken appropriate action to prevent this issue reoccurring and confirmed that all targets would be achieved by the year end.
- 6.6 **General Reserves:** The HOF outlined the current position and drew the Board's attention to the level of free reserves that we hold. In ensuring our reserves were maintained at a appropriate level, this issue would be discussed with HMRC as part of the 2012/2103, Corporate Plan discussion, which HMRC agreed would form part of our discussion.
7. **COMPLIANCE - 7.1 – 7.5 Addendum items for the Board**
- 7.6 **Form 4's:** At the start of the financial year, we had a higher level of returns compared to last year. However, this dropped off by the statutory return date at the end of April 2011, which could have been due to Easter, the bank holidays and the Royal Wedding. Enforcement letters have been sent and those EBs who have still not returned their forms have now been published on the naming and shaming list.
- 7.7 **Revised KPIs for Compliance:** The Compliance Team's workbooks have been amended to take into account the revised KPIs and the HOO reported that more work would now be undertaken at compliance inspections as a result. The additional work had been taken into account in agreeing the revised KPIs.
- 7.8 The Board asked about the new work on deferred income, and the HOO explained that EBs should be reporting income derived from LCF projects on their completed form, but it is clear not all are complying. The CEO explained that EBs think that derived income to Zoos and Museums has nothing to do with the LCF, and it is their own money to spend on operational matters. The work will enable us to ascertain the scale of non-compliance and consider what action needs to be taken.

- 7.9 **Accreditation:** The review of our accreditation process to consider if it is still fit for purpose is underway and EBs, whether accredited or not, will be invited to comment as part of this work.
- 7.10 The Board asked if we have received legal advice on an administrator's responsibilities, and the HOO reported that this had been done. The Board asked the HOO to clarify if a liquidator has the same responsibilities as an administrator.
- 7.11 **ACTION:** The HOO to clarify whether liquidator's responsibilities are similar to an Administrator under the LCF

## 8. REGULATIONS UPDATE

- 8.1 The HOO introduced this paper. On serial 6 of Appendix A the Chairman questioned HMRC on the amount of evidence required when a proposed change to the Regulations was common sense. HMRC explained that all changes to the Regulations need to be evidence based, and if there was insufficient evidence to support a proposal, it could not proceed, however sensible it might seem.
- 8.2 The Chairman asked HMRC that after 13 years of existence could the Regulations be looked at to ensure they are they fit for purpose. HMRC explained that this had been raised with the Treasury with the change in Government, but their view was that there are other priorities.
- 8.3 On Serial 4 of Appendix A regarding a good practice funding agreement, the Board asked whether it was in our remit to provide this type of advice and whether it raised any potential risks to us. The HOO advised that our legal advice is that this shouldn't be a risk as we will advise EBs they need to tailor the document to their own circumstances and seek further legal advice if necessary. It was noted that some Regulators give templates for firms to follow, and this will give a framework for EBs enrolled with us.
- 8.4 Serial 7 of Appendix A on the implications of EBs having separate bank accounts was discussed. On reflection the Board considered that we should be clearer that EBs should be able to account for their LCF monies, and they should only have separate bank accounts if they consider it appropriate.
- 8.5 **Training:** The HOO reported that the recent training seminar in Belfast received a feedback rating on 4.8 out of 5. The Board noted that this feedback was higher than the training in Leamington Spa but from a smaller sample The HOO explained that we have found that when an EB has a particular issue which is not on the agenda they can dominate the discussion leading to negative feedback from others.. To address this matter trainers have been advised to close down irrelevant conversations for the benefit of the attendees, and offer to address such matters in break times.
- 8.6 **Small Grant Scheme (SGS):** The Chairman requested further evidence to support the HOOs view that the risk of doing this was too great given that EBs would be registering their own projects, and it was agreed that a further report would be prepared for the next meeting.
- 8.7 **ACTION:** The HOO to provide a further report with more evidence of the risk of extending the SGS to all EBs.
- 8.8 **Review Panel:** The HOO highlighted that the report now contains information on projects that have been rejected.
- 8.9 **Red Letter Issues:** One red letter issue has been removed.

## 9. ENROLMENT AND REVOCATIONS – ADDENDUM ITEM FOR THE BOARD

**10. ANNUAL REPORT**

10.1 The CEO introduced the paper and explained the objectives of the report. The Board thanked him for the update and it was agreed that any comments should be provided to the CEO by 06 July 2011. The Board also agreed to delegate the final sign off to the Chairman and CEO.

10.2 **ACTIONS:** Comments on the Annual Report to be submitted to the CEO by 06 July 2011.

**11. ADDENDUM ITEM FOR THE BOARD****12. ENTRUST ON-LINE (EOL) PROJECT**

12.1 The HOF introduced this paper. The system went live on 01 April 2011 and although it is still early days, there appears to have been an increase in the level of returns that have been submitted on line and we have received positive feedback from EB users.

12.2 The HOF informed the Board that the Internal Auditor (IA) will be presenting a post implementation report at the September Audit Committee as part of the Internal Audit programme for 2011/12.

12.3 The HOF also sought approval from the Board for an increase (3%) on the approved budget of £165k to fund additional works not in the original specification.

12.4 The Board approved the increase, but made it clear that they would not authorise any further expenditure. In line with best practice, HMRC were advised of the plans for the post implementation project review, which would be submitted at the December 2011, Board meeting.

**13. THE FUTURE OF THE WASTE MANAGEMENT SECTOR IN THE UNITED KINGDOM OVER THE NEXT FIVE TO TEN YEARS**

13.1 The CEO updated the board on the background to the research project and the progress that was being made in delivering it. The CEO asked the Board if they had any comments on the project, which they did not other than to consider publication matters when they have received the report. The CEO went on to explain the aim was to provide the Board with a report at the September 2011, meeting. The board endorsed the proposal.

13.2 **ACTION:** The CEO to present a report on the future of the waste management sector to the next meeting.

**14. VERBAL UPDATES**

14.1 **Terms of Approval (TOA):** The CEO gave a verbal update on the progress of agreement of a new set of Terms of Approval (TOA). There have been very robust discussions with HMRC on four areas where we have outstanding issues with HMRC, but it is hoped that the document will be finalised during July 2011. The Chairman thanked the CEO for his update and stressed the importance of ensuring that the document is finalised as quickly as possible but also meets ENTRUST requirements.

14.2 **Challenge 2011:** The CEO updated the Board on this issue and the ongoing discussions between EBs and HMRC. He made it clear that ENTRUST's role in this matter was only to support both HMRC and EBs in delivering the Challenge by providing information and facilitating discussions as to how it can be met. Overall, from his perspective, he considered that EBs were attempting to positively respond to the Challenge.

**15. AUDIT COMMITTEE UPDATE**

15.1 WL provided a review of the items discussed including:

- Review and approval of accounts, some wording has been changed;
- RSM Tenon had taken the committee through the audit report
- Three internal audit reports were discussed which gave assurances on the controls and processes in place within the areas reviewed.
- The Bribery Act – the Board were requested to approve the issuance of a statement on a zero tolerance approach to bribery. This was approved by the board.

15.2 The Chairman added that approval for the accounts and dormant report was required for submission to the AGM.

15.3 **ACTION:** The HOF to send a copy of the Bribery Act paper to HMRC for information.

**16. HUMAN RESOURCES & REMUNERATION COMMITTEE UPDATE**

16.1 JK provided a review of the items discussed including:

- Human resource report
- Health & Safety update

**17. HMRC UPDATE**

17.1 HMRC provided an update on

- The Calman report.
- DEFRA – AW reported the Government plans for a zero waste economy which he said was very aspirational, there would be further consultation on the matter.

17.2 HMRC left the meeting at this point.

**18. ANY OTHER BUSINESS**

18.1 **Checkpoint Meetings** – The Board indicated that they would like to see the minutes of Checkpoint Meetings with HMRC in the future.

18.2 **ACTION:** The HOF to attach Checkpoint minutes to the Board papers for information purposes.

18.3 – 18.5 **Addendum items for Board**

**19. NEXT MEETING**

19.1 The next meeting is to be held on 27 September 2011, at 12.45 at 60 Holly Walk, Leamington Spa.

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**CHAIRMAN SIGNATURE**

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**DATE**