

CLOSING DATE FOR RESPONSES: 16 JUNE 2003

ENTRUST consultation: Successor Landfill Tax Credit Scheme

In his Budget Report 2003 (paragraph 7.52) the Chancellor described a successor to the current Landfill Tax Credit Scheme. He stated that; 'The Government will continue work with Entrust, and other stakeholders to improve the scheme's operation. Administration of the scheme will be simplified through a reduction in the level of information required from projects and through the use of common systems wherever possible. Better information will be recorded on project funding and audit processes will be improved. The Government will also improve monitoring and evaluation of the scheme and develop measures of value for money'.

HM Customs and Excise (with whose approval ENTRUST regulates the Landfill Tax Credit Scheme), held a workshop on 28 May 2003 in Manchester to which a selection of LTCS stakeholders were invited to consult on this issue. Consequently, ENTRUST is now interested in hearing the views of other interested parties on the detail of the discussion as outlined below.

Responses to this document are invited, preferably by e-mail with 'Successor Scheme' in the subject line by **16 June 2003** to:

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SUCCESSOR SCHEME

Discussion on the successor scheme focused on administration, simplification, promotion, commonality and value for money. (Proposals for a new biodiversity object are discussed in a separate paper.)

Scheme administration

Participants were asked to suggest priorities for changes/improvements to the scheme, comments included:

- Commonality. Common forms, systems, processes, information demanded, held and reported.
- Third party funding. This is a complication that could be avoided. It creates difficulties where the 10% has to be treated as a reimbursement to the LOs. In some cases, especially charities there are legal restrictions on paying monies to commercial organisations.
- Improve available information on how the scheme works. The entry point for new projects can be daunting. The information is generally provided at too detailed a level to encourage groups that are often not tuned in to the bureaucracy. Should

be a simple one pager that gives a headline description of the scheme with contacts to get information about funding, management, and application requirements.

- Start off with a simplified scheme and keep it simple.
- Uniform and consistent dissemination of information
- Information on how the annual review of the £47million will be completed. Ideally, people would like to be reassured that the £47 million will not simply be kept in real terms but that there would be an increase to meet what they see as the probable increase in interest. Apart from that hope, they need firmer information on how the real value would be maintained, which would help them plan.
- Look at waste contracts that direct where funds should go. While the ESA code of conduct had identified this potential abuse and brought its incidence down, there were still pressures on LOs to provide assurance in tendering that they would make their LTC contribution to a project identified by the waste producer. This was an Entrust matter and they would investigate where it was made known to them.
- Ways to minimise risk for LOs of clawback. Dan pointed out that operators were forced to resource internal activity to reassure themselves that the risk of clawback had been minimised. They would welcome any proposals that would reduce the risk.
- Simplification to reduce the number of people involved.
- The 10% contribution issues. Operators were keen to contribute but the 10% is a significant hit on their bottom lines in a low margin business. They have set up systems that mean they can cope with the delay in reimbursement but the attendant risk that they might not be re-imbursed is an unwelcome pressure and diversion that might dampen interest in making a contribution.
- What is the foregone tax being spent on and how effective is the spend?

Do you have any comments to add to this list? In framing administration of the new scheme, upon which issues should we focus?

Simplification

Participants were asked to suggest priorities for simplification of the scheme, comments included:

- Consistent core data, collected held and reported.
- Provide better information on entry into the scheme.
- Manage projects through D-EBs. While not seeking to disallow individual project promoters to approach landfill site operators and set themselves up as EBs, the D-EBs consider that they add so much additional value that they should be seen as the preferred conduit for project funding. The advantages are:
 - The D-EBs are not beneficiaries but managers.
 - They are skilled and experienced in managing the scheme and have deep expertise.
 - They have established conduits to funding streams and have expertise in generating and leveraging funds.
 - Economies of scale on management costs. Relieves the project promoters of having to establish and fund separate admin activity.

Given the proviso that individual EBs could still be viable (although it was stressed that they would have to be treated by ENTRUST on the same terms re compliance

management as the D-EBs) then nobody had any objection to this approach. The relationship between Entrust and D-EBs would be that Entrust retained the right to audit the D-EB systems at both project and D-EB level. Left that Customs would come back with its views.

How else might the successor scheme be simplified? Do any of these proposals risk over-simplification and, if so, how?

Promotion

It was agreed that this is not a function of the regulator and that:

- Promotion should be targeted.
- Project promoters should be given guidance on promoting scheme.
- ADEB would consider the idea of taking on promotion provided that they were given reassurance about it's allowability in running costs. Promotion costs are legitimate running costs that should be reflected that in Regulations.
- It is acknowledge that successful promotion would increase the number of applicants. This will bring greater competition and so better projects.

How do you feel the scheme should be promoted? By whom and to whom should it be promoted?

Commonality

It was proposed that all D-EBs have access to a common database. While such an approach would present practical difficulties, it is achievable in terms of core data requirements, presentation of data on forms and common reporting requirements to ENTRUST and other interested parties.

Is the construction of a common database, to which all D-EBs (as well as the regulator) would have access desirable and, if so, why?

Value for money

Discussion centred on the following:

- Is there scope for building measures into the object description?
- Is there a possibility of comparing across projects?
- Use the three VFM criteria used in public sector: economy, efficiency and effectiveness.
- Amount of leveraged funds. Major catalyst to get funds. Matched and complementary funding. Time limits met. Banded funding for mixed projects.
- Cost income ratios.
- Social measures – need to look at relativity (is a playground worth more than a church roof?) social engagement, local collaborative partnerships, local ownership, milestones in parish plans, number of volunteers, etc
- Great benefit of LTCS has been local social engagement.
- Degree to which recovered/recycled material used.
- Sustainability factors.
- Speed of application to funding route compared to others, say Lottery.
- Possible knock on effects, ie if kids are in playgrounds you don't need a Yob patrol.

How else might value for money be measured?