

ENTRUST

# Annual Report 2012/2013



Regulating the Landfill Communities Fund  
Benefitting People and the Community

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Cover image - Fearnan Hall open day.  
Photo courtesy of Perth & Kinross Quality of  
Life Trust.

Since its establishment in 1996, £1.3bn of Landfill Communities Fund funding has been directed to local community projects across the UK

### Introduction

Welcome to our Annual Report for 2012/2013. In this report we'll provide you with an assessment of our performance during the last 12 months compared to the targets we outlined in our Corporate Plan.

Since the Landfill Communities Fund (LCF) was established in 1996, we have supported over 3,000 Environmental Bodies (EBs) comply with the Landfill Tax Regulations 1996 (Regulations) which has led to over £1.3 billion of LCF funding being directed to local community projects across the UK.

The Scottish Dark Sky Observatory, Dalmellington, East Ayrshire. Photograph courtesy of EB Scotland Limited t/a Score Environment.

## Chairman's overview

I would like to welcome you to this year's Annual Report. We continue to manage our operations closely and with a strong view to value for money to ensure that we deliver our priorities and objectives in an effective manner through Key Performance Indicators (KPI) agreed with HM Revenue and Customs (HMRC) and in addition our own challenging target objectives.

In addition, as a best practice organisation, we continue to develop our operations to provide stakeholders with added value services. In achieving this objective this year, we focussed on three key strategic areas which we believe will deliver longer term benefits to the Fund:

- **Communications:** The development of a new communications strategy to provide greater transparency on the operation of the Fund;
- **Quality Management:** The development of a new quality management framework which will move the focus of our operations away from simply processing information to helping to add value to our stakeholders operations; and
- **Organisational:** The implementation of a review of our organisational structure to ensure we have the right balance of operations to improve our regulation of the Fund.

We anticipate that we will realise the benefits of the new initiatives during 2013/2014.



**Dr Philip H Smith**  
Chairman



## Chief Executive's operational review

This has been another testing and challenging year for us as an organisation. It was therefore pleasing to note that despite a number of organisational changes, we have met all of our targets.

From an operational perspective it was also pleasing to note the following benefits that were delivered during the year:

- **Registrations:** Introducing new processes to engage with EBs at the point of registration to help make them aware of their regulatory requirements;

- **Regulations:** Providing HM Treasury (HMT) and HMRC with high quality and detailed reports, analysing the performance of the Fund at both a macro and micro level;
- **Compliance:** Exceeding our compliance review targets and implementing a new process to help protect and secure assets purchased with Fund monies once an organisation goes into administration;
- **Enforcement:** Reviewed our approach for carrying out enforcement action; and
- **Stakeholder Management:** Noted a continued improvement of the overall stakeholder satisfaction scores from the analysis of the survey results.

Once again I look forward to the next twelve months and ensuring that the strategic changes we implemented during the year, will come to fruition and deliver the planned benefits.



**Christopher Welford**  
Chief Executive



Tullie House Roman Garden.  
Photo courtesy of Cumbria Waste  
Management Environment Trust.

# Registrations

The role of the registrations team is to:

- review and approve applications from organisations that wish to enrol as EBs;
- provide advice and guidance to EBs on the application of the Regulations; and
- approve EBs project applications.

Over the last 12 months the focus of the registrations team's work has moved away from simply processing documentation

to a more proactive role in assisting EBs with compliance with the requirements of the Regulations.

An example of this is the new service we introduced this year to ensure EBs are aware of their obligations under the Regulations once they have received their first qualifying contribution from a Landfill Operator (LO). A member of the registrations team telephones the main contact at the EB to ensure they have prepared and submitted a notification form, and informs them of their obligations in complying with the Regulations going forward.

This more proactive approach has already prevented non-compliance in the case of an EB who had received a contribution but had not submitted a project for approval.

**Over 95% of project applications are now received online**

During the year the registrations team have also continued to promote ENTRUST online (EOL) by explaining the benefits of using the system, namely:

- quicker and more direct contact by email when further information is required to support a project application; and
- project approval letters being sent electronically once a project is approved.

Over 95% of project applications are now received online and, as a consequence, the registrations team have reduced the time it takes to approve a project (once all necessary information has been received) from ten working days to seven.

We still receive a number of incomplete project applications and in these instances the registrations team contacts the EB to ask for further information, wherever possible online, to speed up the process. With a view to reducing the number of incomplete applications we receive, we have conducted a review of the most common reasons for incorrect applications and have updated our guidance to mitigate these.



Bee Friendly in Godmanchester.  
Photo by Kerri Saxby, courtesy of Biffa Award.

## Regulations

Our regulations team work to standards that have been agreed with and are monitored by HMRC and which comply with best regulatory practice.

The regulations team focusses its work on four key areas:

- undertaking consultation exercises on current issues relating to the LCF and making recommendations for regulatory changes to HMRC based on evidence and findings from the consultations;
- introducing changes to the Regulations issued by HMRC;
- issuing and giving advice and guidance to EBs; and
- delivering training events and seminars to EBs.

### Consultation exercises

Where the regulations team identifies issues with the application of the Regulations, they consult with EBs to gather empirical evidence to make recommendations to HMRC to ensure that the Regulations remain fit for purpose.

During the year the team carried out a major data gathering exercise for HMRC and HMT. They undertook a comprehensive analysis of the levels of funds held by EBs at the end of 2011/2012 and the procedures that EBs follow to commit and spend funds. HMT will use this

analysis to form the basis of the future policy direction for the LCF.

The team did not undertake any formal consultation exercises during 2012/2013 due to data requests from HMRC and HMT. However we have been gathering a wide range of data and evidence through compliance activities which has allowed them to assess the scale of any regulatory issues and focus discussions on specific areas of the Regulations, such as income derived.

### Advice and Guidance

The regulations team issue advice and guidance to EBs to help them comply with the requirements of the Regulations.

As part of this process, the team meet regularly with EBs to discuss issues and to help them understand where improvements in the regulation of the Fund can be made. In March 2013 the team significantly revised the guidance on making payments to another EB to clarify the position on transfers between EBs. The revised guidance fully explained the different scenarios where multiple EBs are engaged in the management and delivery of projects; and how EBs should report project expenditure for projects where approval is held by another EB.

During the year the team updated the guidance on:

- Making payments to other EBs - to explain that payments from one EB to another

require a Form 7 as they are Transfers. Issued 26 October 2012;

- Making payments to other EBs to explain the process of recording and reporting payments between EBs. Issued 15 March 2013;
- Winding up guidance. Issued 1 March 2013; and
- Annual Return Guide. Issued March 2013.

### Training

Our ethos is to coach EBs to compliance with the Regulations and one of our key tools in delivering this objective is through the range of training events we run.

Our current suite of training consists of:

- responses to EBs requests for advice and guidance;
- formal training events for EBs to coach them to compliance;
- electronic training to EBs to help them effectively use EOL; and
- networking events to encourage smaller EBs to meet informally to discuss good practice.

We carry out three types of formal training:

- basic training events;
- EOL training; and
- advanced seminars.

The regulations team delivered nine basic training events and two advanced seminars during 2012/2013 to a total of 170 delegates. They also introduced a number of changes

to the training days following feedback from previous delegates. These changes have led to an increase in the positive feedback we receive from our training.

The team have produced a report analysing the 2012/20103 training programme and delegates feedback which is [available on our website\\*](#).

The regulations team post videos on our website to help EBs who use EOL complete the various returns required by ENTRUST.

### Information requests

During the year the team has received information requests from HMRC and HMT around the level of unspent funds held by EBs.

In the 2011 Budget the Government

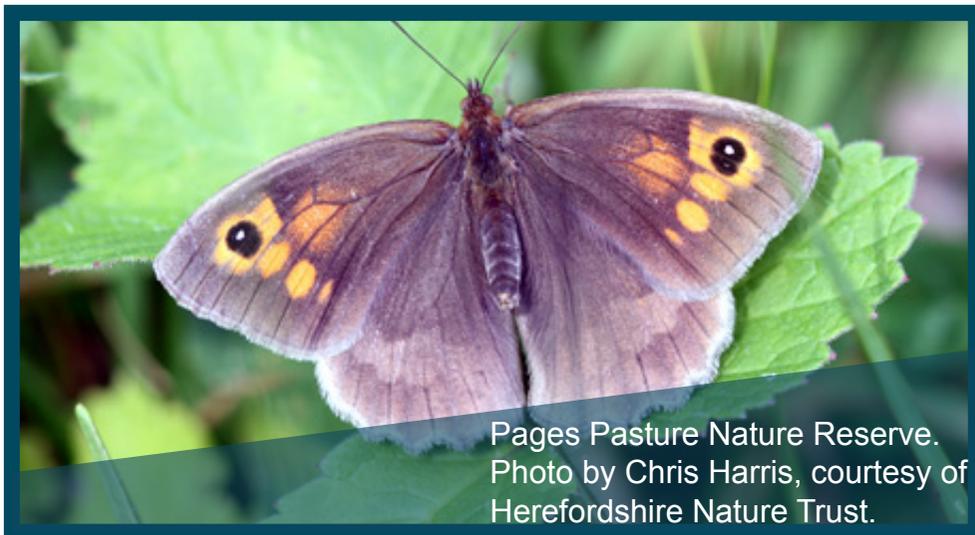
announced that future decisions on the value of the LCF will take into account the success of EBs in reducing the level of unspent funds that they hold. The Government therefore issued a challenge to all EBs to reduce the level of unspent funds by 25% by 31 March 2014.

In support of this challenge, the team worked with HMT in November 2012 to provide information on EBs running costs and unspent funds including:

- EB administration costs (including money reserved for award ceremonies and events) and any overtime changes to administration costs, e.g. salary increases;
- a breakdown of the figures for the top two distributive EBs (DEBs) covering income, costs, a breakdown of spend by project including the time between approval and

- first spend; and the time between first spend and final spend;
- examples of DEBs/EBs reducing their levels of committed funds;
- why uncommitted funds are so high; and
- information relating to how DEBs/EBs manage projects and how this affects unspent funds held, e.g. funding decisions being made quarterly; the management of under-spend from projects that have withdrawn or completed under budget; and funds held for projects awaiting finalisation of leases or planning permission.

The Government have challenged all EBs to reduce the level of unspent funds by 25% by 31 March 2014



Pages Pasture Nature Reserve.  
Photo by Chris Harris, courtesy of Herefordshire Nature Trust.

\* <http://www.entrust.org.uk/home/training/documentation?did=1202>

## Compliance

Our compliance team oversee the activities of all enrolled EBs. We have a statutory duty to monitor EBs compliance with the Regulations.

As part of our over-arching framework in achieving this objective, the compliance team carry out compliance inspection reviews and:

- adopt a risk based approach;
- publish quarterly data setting out the key issues identified at inspections and the corrections made; and
- coach EBs to compliance by giving advice and guidance.

In 2012/2013 the compliance team delivered:

- 296 project compliance reviews against a target of 280;
- 42 control framework inspections against a target of 35; and
- 99% of compliance reports within eight days of a project compliance review and 15 days of a control inspection framework.

In addition to core regulatory work, the compliance team also collect data and review EB processes on a number of key topics. In 2012/2013 the team provided reports to HMRC on their findings on:

### Challenge 2011

EBs were challenged to reduce the level

of their unspent funds by 15% in the 2011 Budget. As a result we agreed a KPI with HMRC to report on the progress being made by EBs towards achieving this.

### Income derived

The compliance team analysed data on income derived from LCF funded projects in order to help us understand how much income is being generated from LCF funding and the problems EBs have in managing this issue. The report was submitted to HMRC on 31 March 2013.

### EB running costs

Current guidance requires EB administration costs charged to the LCF to be reasonable and relevant. The compliance team routinely review all administration costs as part of their compliance inspections. In addition they also carry out a specific review of all EBs with administration costs in excess of 10% of their project expenditure and provide a report to HMRC.



Comrie Hub. Photo courtesy of Perth & Kinross Quality of Life Trust.

The compliance team delivered 120% of target on control framework inspections

## Accreditation

We introduced EB accreditation in 2007 to help EBs comply with the Regulations and to ensure organisations adopt a best practice framework within which to operate. At 31 March 2013 there were nine accredited EBs.

## Revocation

EBs who have completed their projects, or find they no longer need to be enrolled with us, may apply for voluntary revocation from the scheme. We review all cases where EBs request revocation to ensure the EB's assets remain compliant with the Regulations and all LCF funds are accounted for.

For EBs that have completed a large number of projects and who give notice of intent to wind down their operation, we follow our managed closure procedure. This is a three-stage process that looks in detail at the EB's arrangements for the safeguarding and ongoing protection of LCF assets.

During the year one accredited EB (due to a reduction in their qualifying contributions) and 112 EBs sought voluntary revocation from the scheme.

## Enforcement

We are required to demonstrate that we are fair, objective and independent when dealing with enforcement activities.

The enforcement team work to procedures that have been agreed with HMRC to carry out:

- enforcement action where there are breaches in the Regulations which have been identified through compliance inspection visits;
- enforcement action where EBs have failed to submit their annual return (Form 4), contribution notification (Form 3) or transfer notification (Form 7) by the statutory return date;
- enforcement action where EBs could potentially bring the LCF scheme into disrepute; and
- investigating and monitoring EBs who have gone into administration, liquidation or have been dissolved without being managed through the voluntary revocation process.

### Enforcement cases

During 2012/2013 the enforcement team formally reviewed and investigated 67 cases where EBs had failed to comply with the Regulations. Situations investigated included:

- EBs failing to keep adequate financial

records and failing to spend qualifying contributions on approved objects;

- EBs who had gone into administration so the team could identify and reduce the risk of the loss of LCF assets and to ensure LCF monies had been spent compliantly and any remaining assets remained in compliant use; and
- cases where the LCF scheme could have been brought into disrepute.

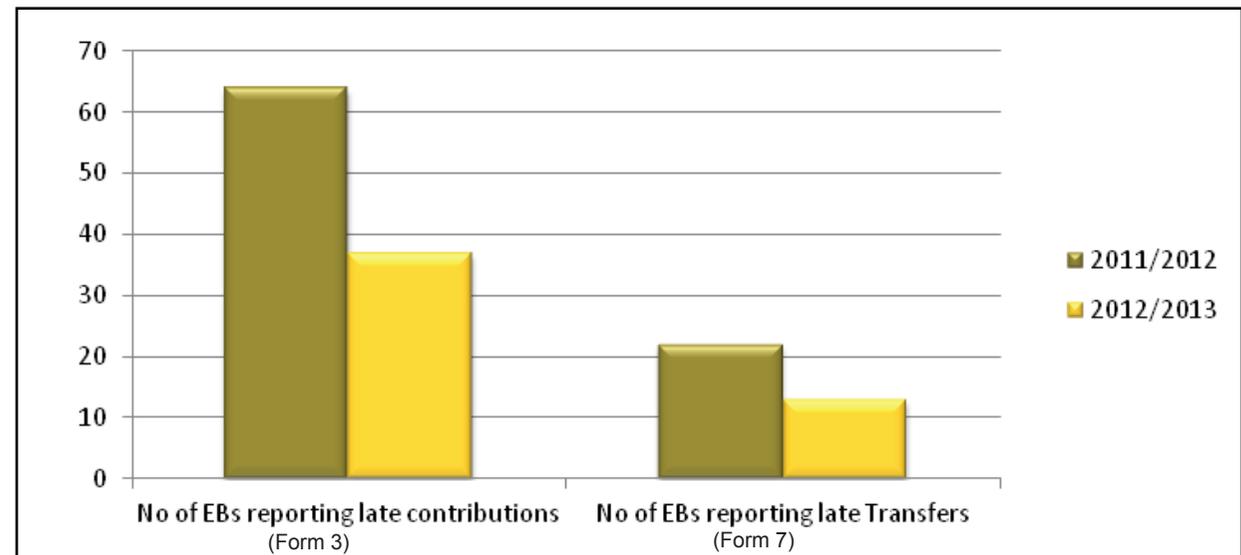
Enforcement action was taken in 17 cases and five were referred to HMRC for a breach of the Regulations.

- Four were cases where the LO had made a qualifying contribution to a project and the evidence demonstrated that the LO was receiving a unique benefit contrary to the Regulations; and
- the fifth case was referred due to non-compliance of a public amenity project.

Following the team's reviews, enforcement action was also taken against 50 EBs who breached the Regulations for late reporting of Form 3s and Form 7s.

### Management of repeat offenders for late reporting of contributions and transfers

Throughout 2012/2013 the enforcement team identified a number of EBs who continually failed to submit their returns relating to the reporting of contribution and transfer transactions. The team have taken enforcement action against these EBs and have asked them to advise us how they will amend their procedures to prevent future Regulation breaches.



To ensure the agreed action has been taken, the compliance team carry out follow up inspections as part of their normal compliance work. This approach has significantly reduced the number of EBs receiving enforcement action for late reporting of contributions.

### Management of annual returns

The enforcement team put a formal strategy in place to increase the number of EBs submitting their annual return on time using EOL. This was tailored to recognise the practices of those EBs who had submitted previous returns on time and those who had not.

Unfortunately the strategy was unsuccessful as we saw 774 EBs failing to comply with the Regulations due to late submission of their annual return, compared to 384 late

submissions in 2011/2012.

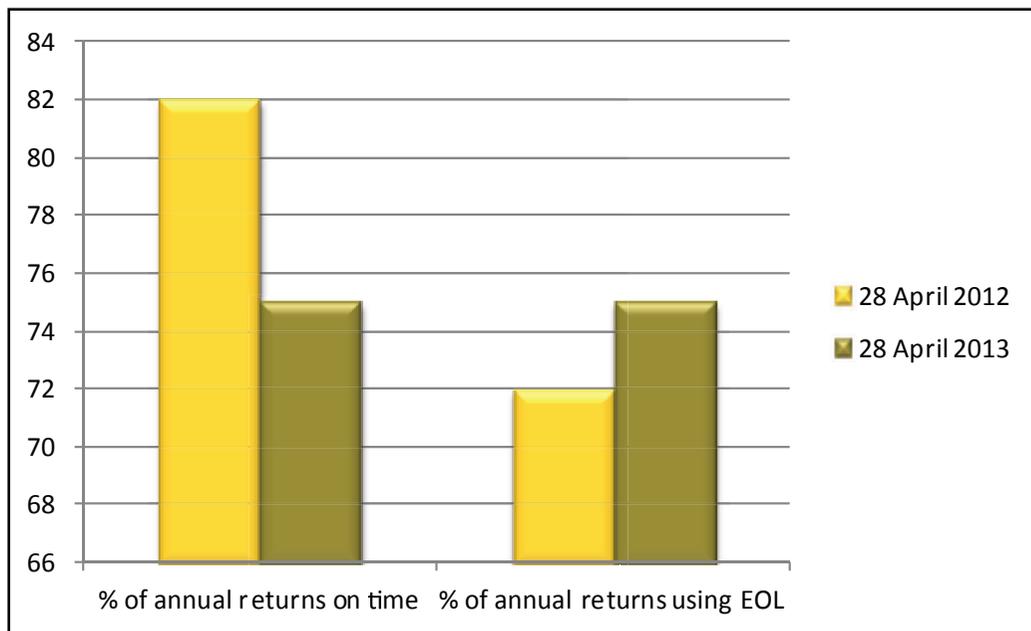
The enforcement team are reviewing the Form 4 strategy to identify areas that can be changed and improved before the 2013/2014 annual return process begins.

### Protecting LCF assets when EBs become inactive

The enforcement team have developed a process to help protect LCF assets when an EB goes into administration, liquidation or is dissolved (inactive EBs).

The economic climate has seen an increase in the number of EBs falling into these categories and throughout the year we have identified risks of assets being lost from the scheme. In developing this area of work we have:

- used our regulatory powers to obtain EBs financial records from administrators to check LCF monies have been spent compliantly;
- used our regulatory powers to obtain statutory annual returns from administrators acting for EBs; and
- monitored assets funded by inactive EBs to ensure they are still in compliant use.



## ENTRUST update

### Stakeholder satisfaction

We seek feedback on our performance each year from our stakeholders through an online satisfaction survey.

The results from the survey help us to understand how we are performing. From the responses, we have been able to develop an action plan to improve in all areas of our operations.

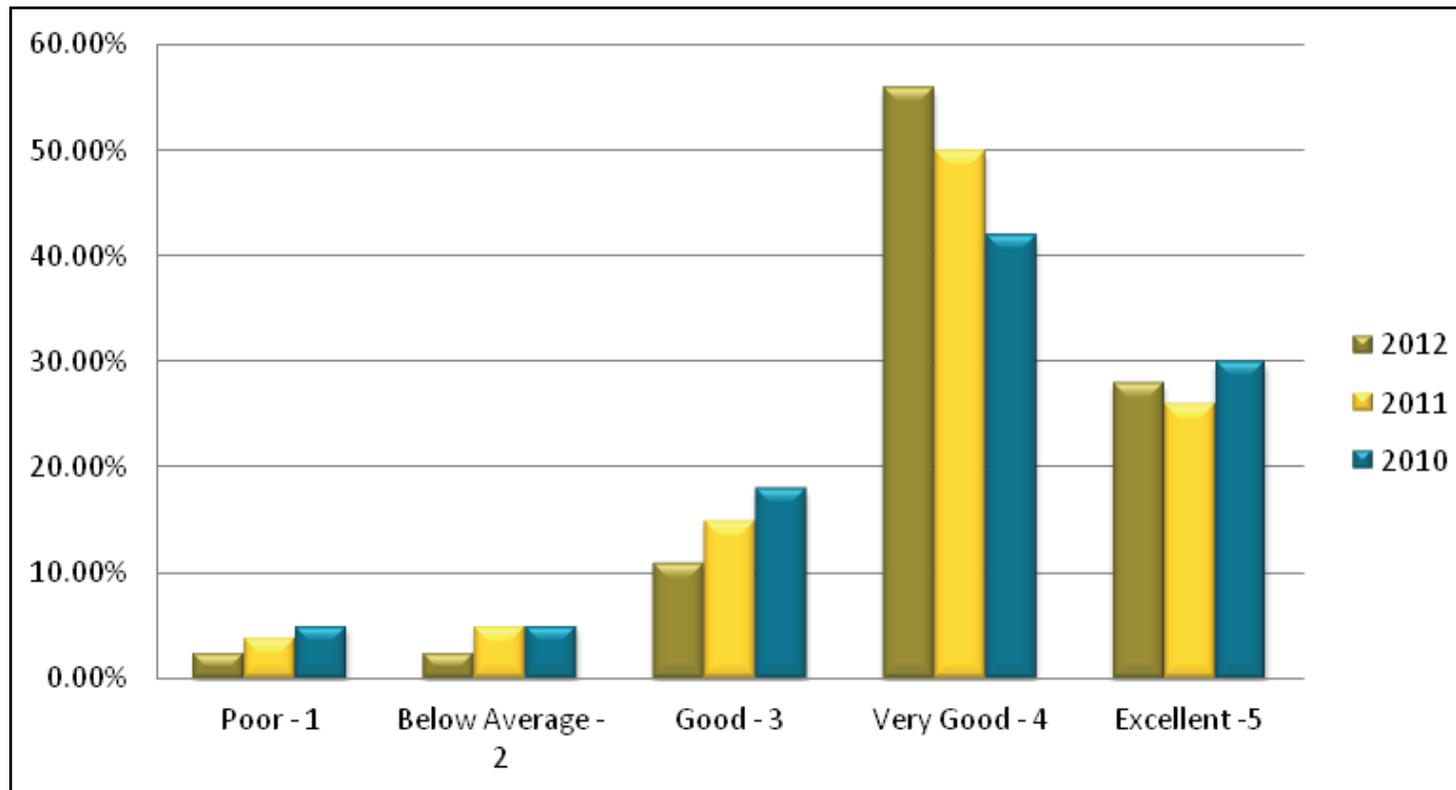
In 2012 we received 402 responses representing 16% of EBs registered with us. This was an increase of 3.2% on responses to the 2011 survey.

Overall satisfaction with ENTRUST and the way we operate has shown a continuous improvement over the last three years. As improving stakeholder satisfaction with ENTRUST was a key aim of our relocation to Leamington Spa at the start of 2009/2010, we are pleased to have delivered on this aim.

We received a 16% response rate to our annual satisfaction survey

Our action plan addresses the areas of concern indicated by the findings of the survey and sets out how we plan to drive forward performance improvement.

The table on the following page provides details of where we targeted our actions for improvement and what we have done to date to address these actions.



Area for improvement	Action to date
EBs are not getting the enrolment process right first time.	<ul style="list-style-type: none"> <li>We have carried out analysis to identify areas where we can improve our guidance on the enrolment process.</li> </ul>
Support to EBs going through the enrolment process.	<ul style="list-style-type: none"> <li>We have reviewed and updated a guidance note to EBs on the enrolment process.</li> <li>The guidance will be incorporated into the full guidance manual to help EBs understand the full enrolment process.</li> <li>We will ensure EBs are aware that they can contact us at any point in the enrolment process if they want to talk through the process as we understand this can seem complex, particularly to small community organisations.</li> </ul>
EBs don't understand how the value for money data is used.	<ul style="list-style-type: none"> <li>We published the report we prepared for HMRC on our website on 2 January 2013. This report contains value for money data.</li> </ul>
EBs don't understand the purpose of the value for money data.	<ul style="list-style-type: none"> <li>We are amending the project registration forms to make the purpose of the value for money data clearer.</li> <li>We are reviewing this action as part of the value for money consultation.</li> </ul>
EBs are not following the correct process when they receive their first funds.	<ul style="list-style-type: none"> <li>We have set up a system to monitor new EBs when they first get their funds.</li> <li>We now contact new EBs on a monthly basis to remind them of their obligations under the scheme and to offer assistance where required.</li> </ul>
Smaller EBs need additional support in understanding the Regulations.	<ul style="list-style-type: none"> <li>We have set up regional networking events to assist smaller EBs.</li> <li>These events also offer EBs a chance to share good practice and to make new connections.</li> </ul>

## Performance

At the start of the year we agreed five targets with HMRC which included ten KPIs which would be used to monitor our performance throughout the year.

We have again delivered against all of our agreed targets and feel this continuing success demonstrates the effectiveness of our focus on improving performance and quality that we have built into the company's culture over recent years.

### Effective governance, risk management and the quality assurance framework

Following the resignation of John King from the ENTRUST Board we took the opportunity to strengthen and expand the range of skills and experience of our non-executive Directors (NEDs) by increasing the number of NEDs from four to five.

This amended structure has brought about changes which have enhanced the governance of the company and ensured we continue to adhere to the main principle of the Combined Code on Corporate Governance - which is to have in place an effective Board who are collectively for the leadership and success of the company.

Our Board have set the strategic direction of the company and have set challenging objectives for the year, which have all been delivered. The Board have also defined the

company's risk appetite as part of our strategic approach to risk management.

Because of the well structured and mature risk management system we have in place, the Board were able to approve a much lighter internal audit programme for the year as part of our shift towards the development and implementation of a quality assurance framework to drive forward continuous performance and quality improvement.

As a result, the internal audit programme looked at the following areas:

- Our revised compliance inspection workbooks for accreditation, project inspections and Compliance Framework Inspections (CFI) for relevance and effectiveness in practice;
- The corporate governance framework to ensure that the documentation conforms to legislative requirements and governance best practice;
- The business continuity plan to ensure all staff are fully aware of their responsibilities in the event of a major incident and that the plan will enable an effective and efficient re-establishment of services;
- The effectiveness of the risk management system in operation to ensure that it continues to comply with best practice and enables risks to be accurately identified and assessed;

- Expense claims made by staff to ensure that they are for genuine business expenses and are supported by appropriate documentation, are accurate, comply with HMRC guidelines and are correctly authorised;
- Records relating to the use of personal cars for company business activities to ensure that all staff have appropriate licenses, business cover insurance and that cars have valid MOTs (where applicable) and vehicle excise duty;
- The operation and payment of the stakeholder pension scheme to ensure payments are calculated correctly and are made to pension providers within required timescales; and
- The accurate calculation of Director National Insurance Contributions in line with the Directors Annual Earnings Period.

As well as the internal audit review of our corporate governance framework, the Board also undertook a review of the framework to ensure it complied with both our revised governance and committee structure and that it continues to support an open and transparent approach to governance and accountability. The framework will be reviewed annually by our Board.



Loughborough Central Station Canopy Restoration. Photo courtesy of The David Clarke Railway Trust.

## Resourcing and financial overview

**We plan our resource requirements using the zero based budgeting (ZBB) approach to ensure we have the resources to achieve our performance and quality targets while targeting appropriate cost efficiencies from improving processes and changing the way we complete activity where we can.**

We are mindful of the challenging economic changes and have aimed to minimise the possible effects of these through the way resources are managed. In the past 12 months we have:

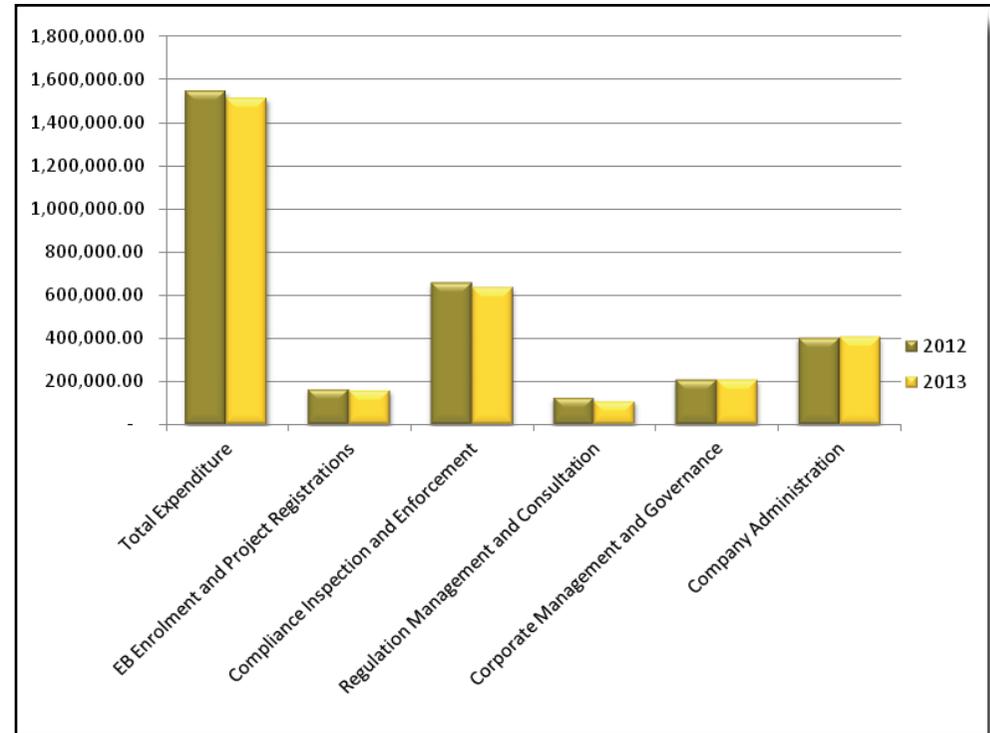
- carried out a fundamental review of all areas of our business to ensure that we continue to deliver value for money;
- examined our future staffing requirements and implemented a revised organisational structure to ensure that our structure remains fit for purpose;
- started developing and implementing a quality management system; and
- begun identifying areas of our business where we could make cost savings, for example renegotiating our office rental costs.

With the efficiencies identified above, and due to staffing cost reductions as a result of a delay in filling a number of vacancies, we are able to report an operating surplus on our regulatory activities of £55,507 after tax (2012 operating surplus £45,133).

Our income from the levy fee invoiced to EBs on the contributions received from LOs exceeded our approved resource requirement

for the year by £77,000. To ensure we do not gain any additional financial benefit from the increased level of income we have agreed a mechanism that will offset this excess against our 2014/2015 resource requirement.

The chart below provides a breakdown of our total expenditure last year and a comparison with our expenditure in 2011/2012.

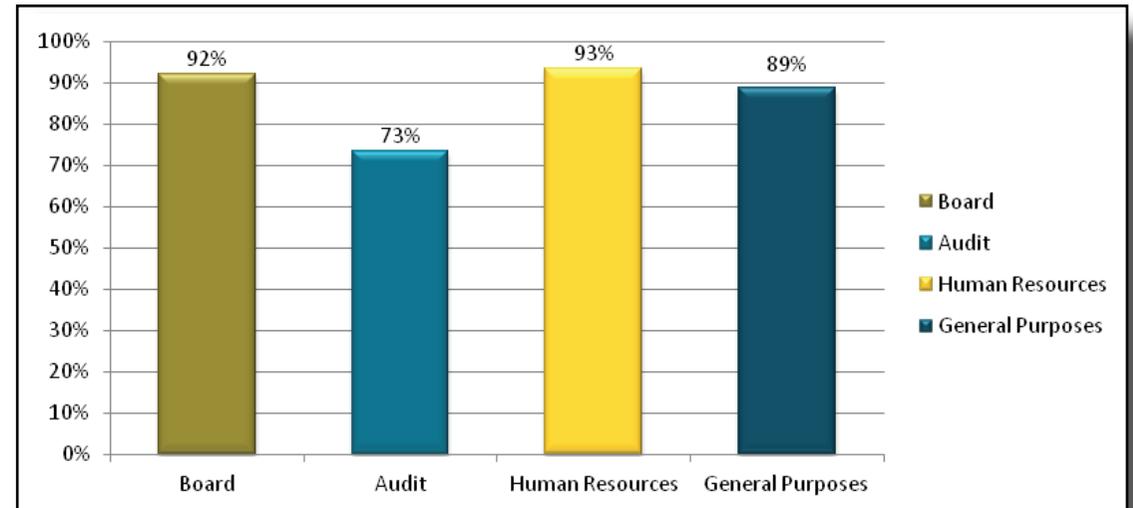


*We have reported an operating surplus of £55,507 due to operational efficiencies and staffing cost reductions due to a delay in filling a number of roles*

## The Board

The Board consists of five non-executive directors (NEDs); Dr Philip H Smith (Board Chair), Will Lifford (Audit Committee Chair), Lorraine Clinton, Dr Ann Limb OBE (Human Resources and Remuneration Committee Chair) and Anna East; and one executive director, Christopher Welford (Chief Executive).

The chart opposite gives details of the average attendance by the Board and Committee members at meetings during the year.



Biomass Boiler at the Sustainability Centre.  
Photo courtesy of the Sustainability Centre, Hampshire.



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Benefitting People and the Community

[www.entrust.org.uk](http://www.entrust.org.uk)