



# **Landfill Communities Fund (LCF) Benchmarking Data 2019/2020**

**June 2020**

## Introduction

ENTRUST has committed to publish anonymised data against key scheme metrics to enable Environmental Bodies (EBs) to benchmark their own performance. A number of metrics were introduced in December 2017 based on the data provided by EBs via the Statutory Annual Return (Form 4) and other reporting requirements. This is the fourth year that benchmarking data has been made available to the sector, having now updated the metrics using the data provided by EBs on their 2019/2020 Statutory Annual Returns. The areas covered by the metrics are:

1. Administration costs incurred by EBs against the guidance level;
2. Value of unspent funds held by EBs against the guidance level;
3. Value of uncommitted funds held by EBs;
4. Landfill Operator (LOs) Contributing Third Party (CTP) requirements;
5. ENTRUST's assessed risk scores for EBs;
6. Number of non-compliant recommendations for EBs subject to a compliance review; and
7. Value of project and project duration data.

## How to use the benchmark data

The data is provided by quartiles, by banding value, or in some cases, both measures are used. The data does not allow EBs to be identified and is provided to allow individual EBs to:

- Assess their performance in relation to other EBs within the quartiles, or banding, on key performance areas relating to the operation of the scheme, of which ENTRUST believes an EB's Management Team should be aware; and
- Identify the areas where actions could be taken to adapt and improve performance on individual benchmarks.

Examples:

- An EB which is holding £250,000 of uncommitted funds can refer to the benchmark data (see Benchmark 3) and will see that it is within the top quartile of EBs holding uncommitted funds. As HMRC has requested that EBs continue to reduce the level of unspent funds held, the EB may be prompted to take action to reduce the level of uncommitted funds held if plans for project expenditure are not already in place; and
- EBs will have limited control over some measures and these are provided for EB information only, for example the level of Contributing Third Party (CTP) payments required by Landfill Operators (LOs) (see Benchmark 4). However, EBs may wish to inform their funding LOs of performance in relation to the requirements on other EBs. For example, 44.5 per cent of EBs are requested by their funding LOs to source a CTP payment of 2.5 per cent or less (Band 4).

It should also be noted that individual EB benchmarking data is included in ENTRUST's compliance reports for information and we would encourage EBs to publish data about their own performance in order to further increase the transparency of the Sector. ENTRUST will use the benchmarking data to complement the compliance risk assessment process to ensure our limited resources are targeted towards those EBs which are performing less well in key areas of the Landfill Communities Fund (LCF) scheme.

If you have any questions on the benchmarking data or how to make use of the benchmarks, please contact the ENTRUST Helpline [helpline@entrust.org.uk](mailto:helpline@entrust.org.uk) or telephone 01926 488300.

## 1. Administration costs

ENTRUST and HMRC expect the levels of administration costs incurred by EBs, to be at or below the guidance level of 7.5 per cent of annual project expenditure. The administration costs ratio benchmark is compiled from the data provided by those EBs which reported administration costs on the 2019/2020 Statutory Annual Returns (Form 4).

The ratio is calculated using the total administration costs compared to annual project expenditure. EB expenditure is defined as the total of expenditure on an EB's own projects, expenditure on projects registered by other EBs and transfers to other EBs.

In relation to the 2019/2020 returns, ENTRUST noted that:

- Band 1 includes EBs incurring costs in excess of 15 per cent of expenditure and 9 per cent of EBs which incurred administration costs during 2019/2020 fall into this banding. The 9 per cent of EBs recording administration costs above 15% relates to organisations that have, or are in the process of leaving the LCF scheme and consequently had minimal, or no project activity during 2019/2020; and
- The majority of EBs (80 per cent) incurring administration costs during 2019/2020 are within the lowest banding and incurred costs equating to 7.5 per cent or less, of project expenditure, which is within the current guidance level which EBs are expected to achieve. Most EBs are now meeting the guidance level or have plans to meet it in the following year.

The overall sector performance (all EBs) of administration costs to project expenditure for 2019/2020 was 5.97 per cent.

<b>Benchmark 1: Banding by administration costs to expenditure ratio</b>			
	<b>Administration cost ratio</b>		<b>Percentage of EBs incurring administration costs in each banding</b>
	<b>From</b>	<b>To</b>	
<b>Band 1</b>	Over 15%		9% *
<b>Band 2</b>	10.01%	15%	4.5%
<b>Band 3</b>	7.51%	10%	7%
<b>Band 4</b>	0.1%	7.5%	79.5%

\* The 9 per cent of EBs recording administration costs above 15 per cent relates to organisations that have, or are in the process of leaving the LCF scheme and consequently had minimal or no project activity during 2019/2020.

## 2. Unspent funds

EBs should continue to aim to reduce the level of unspent funds held. ENTRUST's current guidance requires that the total unspent funds held at yearend by an EB should be no more than 1.5 times an EB's LCF income (including contributions and transfers) in that year. The unspent funds benchmark data (Benchmarks 2A and 2B) are compiled from the data provided by EBs which reported holding unspent funds of £100, or more on their 2019/2020 Statutory Annual Return (Form 4).

For benchmarking purposes, unspent funds include committed and uncommitted funds. A benchmark against the 1.5 times income guidance value has also been produced for those EBs holding £1,000 or more as at 31 March 2020 (Benchmark 2C).

The top band for unspent funds of £100 or more, shows 14 per cent of EBs were holding more than £1m each. The majority of EBs holding funds of £100 or more (54 per cent) fall within band 5 and each are holding less than £50,000.

<b>Benchmark 2A: Banding by unspent funds held of £100 or more</b>			
	<b>Funds held</b>		<b>Percentage of EBs holding £100 or more in each banding</b>
	<b>From</b>	<b>To</b>	
<b>Band 1</b>	£1m and over		14%
<b>Band 2</b>	£400,000	£999,999	6%
<b>Band 3</b>	£100,000	£399,999	18%
<b>Band 4</b>	£50,000	£99,999	8%
<b>Band 5</b>	£100	£49,999	54%

The upper quartile of EBs with unspent funds are holding £324,001 or more and 75 per cent were holding less than £324,001.

<b>Benchmark 2B: Quartile by unspent funds of £100 or more</b>			
	<b>Funds held</b>		<b>Percentage of EBs holding £100 or more in each quartile</b>
	<b>From</b>	<b>To</b>	
<b>Quartile 1</b>	£324,001 and over		25%
<b>Quartile 2</b>	£40,201	£324,000	25%
<b>Quartile 3</b>	£10,000	£40,000	25%
<b>Quartile 4</b>	£100	£9,999	25%

For EBs holding unspent funds of £1,000 or more as at 31 March 2020, 32 per cent were in the top band holding more than 2.1 times the amount of income received during 2019/2020. The majority of EBs holding funds of £1,000 or more (67 per cent) fall within band 3 which is within the current guidance level which EBs are expected to achieve.

The overall sector performance (for all EBs) of unspent funds (as a ratio to income of previous financial year) for 2019/2020 was within guidance at 1.27.

<b>Benchmark 2C: Banding by value of unspent funds &gt; £1000 as a ratio to income</b>		
	<b>Unspent Funds Ratio of amount held to income of 2019/2020</b>	<b>Percentage of EBs with funds &gt;£1000 as at 31 March 2020 in each banding</b>
<b>Band 1</b>	2.1 and above	32%
<b>Band 2</b>	1.51 to 2.0	1%
<b>Band 3</b>	1.5 and below	67%

### 3. Uncommitted funds

The uncommitted funds data is compiled from the data provided by those EBs which reported holding uncommitted funds of £100 or more at 31 March 2020 on their Statutory Annual Returns. Uncommitted funds are funds that have not been allocated to individual projects. ENTRUST's view is that an EB should be working towards minimising the level of uncommitted funds they hold, as this will assist them in meeting the unspent funds guidance level.

4.5 per cent of EBs are in the top Band 1 (Benchmark 3A) and hold uncommitted funds of over £1m. The majority of EBs (50 per cent) holding uncommitted funds fall within Band 6 and hold between £100 and £19,999.

<b>Benchmark 3A: Banding by value of uncommitted funds of £100 or more</b>			
	<b>Funds held</b>		<b>Percentage of EBs holding £100 or more uncommitted funds in each banding</b>
	<b>From</b>	<b>To</b>	
<b>Band 1</b>	£1m and over		4.5%
<b>Band 2</b>	£400,000	£999,999	8%
<b>Band 3</b>	£100,000	£399,999	18.5%
<b>Band 4</b>	£50,000	£99,999	8%
<b>Band 5</b>	£20,000	£49,999	11%
<b>Band 6</b>	£100	£19,999	50%

Uncommitted funds data is also shown by quartile (Benchmark 3B) and shows that the top 25 per cent of EBs are holding £247,000 or more and 75 per cent were holding less than £247,000 each. An EB should be aiming to minimise uncommitted funds.

<b>Benchmark 3B: Quartile by EBs holding uncommitted funds of £100 or more</b>			
	<b>Funds held</b>		<b>Percentage of EBs holding £100 or more uncommitted funds in each quartile</b>
	<b>From</b>	<b>To</b>	
<b>Quartile 1</b>	£247,000 and over		25%
<b>Quartile 2</b>	£22,265	£246,999	25%
<b>Quartile 3</b>	£4,561	£22,264	25%
<b>Quartile 4</b>	£100	£4,560	25%

## 4. Landfill Operator (LOs) Contributing Third Party (CTP) requirements

CTP requirements have been compiled from data provided by EBs which received a contribution from an LO and which was reported to ENTRUST on the Notification of a Contribution (Form 3) forms during 2019/2020.

In order to demonstrate LOs' commitment to the scheme, it is the Government's policy that LOs should absorb some, or all of the 10 percent shortfall that they have when they receive a 90 per cent tax credit for any contributions that they make to the LCF scheme. ENTRUST recognises that this requirement is not within an EB's control, however the data can be used to demonstrate to a LO the CTP requirements of LOs across the sector for comparison purposes with their own practice.

Some LOs only require CTP donors on projects of a certain value, thus reducing the overall CTP requirement percentage. We note from the returns that:

- 53.5 percent of EBs, which received a contribution from an LO during 2019/2020 were asked to source a CTP of more than 7.5 per cent (Band 1); and
- A significant percentage of EBs (44.5%) were required to source no, or minimal CTP donations for their LOs (Band 4).

<b>Benchmark 4: Banding by CTP requirement</b>			
	<b>CTP Value</b>		<b>Percentage of EBs receiving a contribution during 2019/2020 in each band</b>
	<b>From</b>	<b>To</b>	
<b>Band 1</b>	7.51%	10.00%	53.5%
<b>Band 2</b>	5.01%	7.50%	0%
<b>Band 3</b>	2.51%	5.00%	2%
<b>Band 4</b>	0.00%	2.50%	44.5%

## 5. EB risk scores

An EB's risk score is based on the data provided on the Statutory Annual Return submitted to ENTRUST and from the findings of our previous compliance reviews of the EB. ENTRUST's EB Risk Model Indicators detail how an EB's risk score is calculated and the values for 2020/2021 are published on our website:

<https://www.entrust.org.uk/environmental-bodies/compliance-process/>.

An EB can use this information to review its own level of risk as assessed by ENTRUST using the EB Risk Model. The risk score benchmarking information detailed below is presented by banding (Benchmark 5A) and quartile for all EBs (Benchmark 5B) and also by quartile for EBs holding £100 (Benchmark 5C) or more of unspent funds as at 31 March 2020, which therefore excludes those which are unfunded or currently inactive. ENTRUST provides an EB with its individual risk score in their most recent compliance report, or on request by contacting our Compliance Team (email: [compliance@entrust.org.uk](mailto:compliance@entrust.org.uk)).

From the latest data provided to ENTRUST, we have identified that:

- One per cent of all EBs and ten per cent of EBs holding £100 or more fall into the highest risk banding (Band 1) (Benchmark 5A);
- The majority (38 percent) of all EBs fall within Band 6 (Benchmark 5A); and
- Of those EBs holding funds of £100 or more as at 31 March 2020, the majority (43 percent) fall within Band 4.

<b>Benchmark 5A: Banding by risk score</b>				
	<b>Risk score</b>		<b>Percentage of all EBs in each banding</b>	<b>Percentage of EBs with funds of £100 or more as at 31 March 2020 in each banding</b>
	<b>From</b>	<b>To</b>		
<b>Band 1</b>	Over 1140		1%	10%
<b>Band 2</b>	640	1139	1%	12%
<b>Band 3</b>	400	639	5%	13%
<b>Band 4</b>	180	399	35%	43%
<b>Band 5</b>	131	179	20%	7%
<b>Band 6</b>	1	130	38%	15%



The Risk Score Quartile table 5B for all EBs is detailed below.

<b>Benchmark 5B: Quartile by risk score range (All EBs)</b>			
	<b>Risk Scores</b>		<b>Percentage of all EBs in each quartile</b>
	<b>From</b>	<b>To</b>	
<b>Quartile 1</b>	219	2097	25%
<b>Quartile 2</b>	177	218	30%*
<b>Quartile 3</b>	61	176	20%
<b>Quartile 4</b>	1	60	25%

\* includes 159 EBs with the same risk score of 178

The Risk Score Quartile table 5C for EBs that held £100 or more at 31 March 2020 is detailed below.

<b>Benchmark 5C: Quartile by risk score range (EBs holding a balance of £100 or more)</b>			
	<b>Risk Scores</b>		<b>Percentage of EBs holding a balance £100 or more as at 31 March 2020 in each quartile</b>
	<b>From</b>	<b>To</b>	
<b>Quartile 1</b>	550	2097	25%
<b>Quartile 2</b>	287	549	25%
<b>Quartile 3</b>	180	286	25%
<b>Quartile 4</b>	12	179	25%

## 6. Non-compliant recommendations 2019/2020

The non-compliant recommendations data is compiled from the findings identified and raised with EBs which were subject to an ENTRUST compliance review during 2019/2020.

Details of all findings raised at compliance reviews are published on the ENTRUST website on a quarterly basis (<http://www.entrust.org.uk/environmental-bodies/compliance-process/inspection-findings/>) along with links to our current EB Guidance Manual and suggestions to improve EB operations to prevent a re-occurrence of the issues raised at inspection.

From ENTRUST's review work, we identified that:

- The majority (79 per cent) of compliance reviews during 2019/2020 raised no non-compliant findings (Band 5);
- 14 per cent of inspections raised one non-compliant finding (Band 4); and
- Just 0.5 per cent identified four or more non-compliant findings.

<b>Benchmark 6: Number of non-compliant recommendations 2019/2020</b>		
	<b>Number of non-compliant findings</b>	<b>Percentage of EBs inspected during 2019/2020 in each banding</b>
<b>Band 1</b>	4 or more	0.5%
<b>Band 2</b>	3	0%
<b>Band 3</b>	2	6.5%
<b>Band 4</b>	1	14%
<b>Band 5</b>	Nil	79%

## 7. Project data

The project benchmarking data is compiled from the 2019/2020 Statutory Annual Returns individual project breakdown details submitted to ENTRUST by EBs. An EB can compare the value and duration of its individual projects with projects across the sector in order to assess its relative performance in utilising its funds. From the information provided, ENTRUST identified that:

- More than a quarter (27 per cent) of individual projects completing during 2019/2020 incurred LCF expenditure of £10,000 or less (Band 7); and
- The highest value projects (Band 1 - greater than £100,000) made up 3 percent of all projects.

<b>Benchmark 7A: Banding by value of projects completing in 2019/2020</b>			
	LCF expenditure		Percentage of projects
	From	To	
<b>Band 1</b>	Over £100,000		3%
<b>Band 2</b>	£50,001	£100,000	12.5%
<b>Band 3</b>	£40,001	£50,000	11%
<b>Band 4</b>	£30,001	£40,000	8.5%
<b>Band 5</b>	£20,001	£30,000	16%
<b>Band 6</b>	£10,001	£20,000	22%
<b>Band 7</b>	Up to £10,000		27%

The duration of projects completing during 2019/2020 has been categorised on a monthly basis calculated from the date of first and last payment of LCF funds to the project. From our analysis of the information provided to ENTRUST the majority (65.3 per cent) of projects are within Band 6 and completed within three months of the first payment. Less than one per cent of projects completing in 2019/2020 took more than 36 months to complete.

<b>Benchmark 7B: Banding by duration of projects completing in 2019/2020</b>			
	Duration (months)		Percentage of projects
	From	To	
<b>Band 1</b>	Over 36		0.7%
<b>Band 2</b>	25	36	0.8%
<b>Band 3</b>	13	24	6.6%
<b>Band 4</b>	7	12	12.7%
<b>Band 5</b>	4	6	13.9%
<b>Band 6</b>	1	3	65.3%