



Landfill Communities Fund (LCF)

Benchmarking Data 2020/2021

June 2021

Introduction

ENTRUST has committed to publish anonymised data against some of the key metrics for the Landfill Communities Fund (LCF), which we believe will help Environmental Bodies (EBs) to benchmark their own performance, when compared to other EBs and the overall performance of the Fund.

The metrics were first developed in December 2017, based on the data provided by EBs via their Statutory Annual Return (Form 4) and other reporting requirements. This is the fifth year that benchmarking data has been made available to the Sector, which we have compiled based on the data provided by EBs in their 2020/2021 Statutory Annual Returns and other information. The areas covered by the metrics are:

1. Administration costs incurred by EBs against the HMRC guidance level.
2. Value of unspent funds held by EBs against the ENTRUST 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 made by ENTRUST for EBs subject to a compliance review.
7. Value of project and project duration information.

How to use the benchmark data

The data is provided by quartiles, 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 Board and Management should be aware; and
- Identify the areas where actions could be taken to adapt and improve an individual EB's performance, for example:
 - An EB which is holding £90,000 of uncommitted funds can refer to the benchmark data (see Benchmark 3B) and it should note that it is within the top quartile of EBs holding uncommitted funds. ENTRUST would therefore recommend that the EB should take positive action to address this issue as HMRC has requested that EBs continue to reduce the level of unspent funds held; and
 - EBs will have limited control over some measures and these are provided for EB information only, for example the level of CTP payments required by LOs (see Benchmark 4). However, EBs may choose to share this information with their funding LO in order that they can see other LO's requirements. For example, 46.5 per cent of EBs are requested by their funding LOs to source a CTP payment of 2.5 per cent or less (Band 4).

In the 2020/2021 Benchmarking Report, we have included new red/amber/green ratings on some of the benchmarks where this is relevant. If your EB is within a benchmark category or quartile that is rated red, this will alert you to an area which may need some further attention.

It should also be noted that an individual EB's benchmarking data is included in ENTRUST's compliance review reports. ENTRUST would encourage EBs to publish data about their own

performance in order to further increase the transparency of the LCF and the performance of the Sector.

ENTRUST also uses the data provided by EBs to develop our compliance risk assessment process, which ensures our limited resources are targeted towards those EBs who are not performing as strongly as others, in order that we are able to support them in complying with the Landfill Tax Regulations 1996 (Regulations).

If you have any questions about the benchmarking data, your own EB benchmark data or how to make use of the benchmarks, please contact the ENTRUST Helpline helpline@entrust.org.uk or telephone 01926 488300 for assistance.

1. Administration costs

HMRC has set as one of its strategic priorities for the operation of the Fund that the level of administration costs incurred by EBs, be at or below 7.5 per cent of an EB's annual project expenditure.

The calculation of the administration costs ratio benchmark is compiled from the data provided by those EBs which reported administration costs on their 2020/2021 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, where the transfer does **not** also include a value for administration costs for the receiving EB.

In relation to the 2020/2021 returns, ENTRUST noted that:

- Band 1 includes EBs incurring costs in excess of 15 per cent of expenditure and 5.5 per cent of EBs which incurred administration costs during 2020/2021 fall into this banding. The 5.5 per cent of EBs recording administration costs above 15 per cent includes one organisation that revoked during 2020/2021 and one that is in the process of leaving the scheme during 2021/2022 and consequently both EBs had minimal, or no project activity during 2020/2021; and
- The majority of EBs (69.5 per cent) incurring administration costs during 2020/2021 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.

On the basis of the information provided to ENTRUST, we have calculated the Sector's administration costs to project expenditure ratio for 2020/2021 to be 6.65 per cent.

Benchmark 1: Banding by administration costs to project expenditure ratio			
	Administration cost ratio		Percentage of EBs incurring administration costs in each banding
	From	To	
Band 1	Over 15%		5.5% *
Band 2	10.01%	15%	11%
Band 3	7.51%	10%	14%
Band 4	0.1%	7.5%	69.5%

* The 5.5 per cent of EBs recording administration costs above 15 per cent includes one organisation that revoked during 2020/2021 and one that is in the process of leaving the LCF scheme during 2021/2022 and consequently both EBs had minimal, or no project activity during 2020/2021

2. Unspent funds

Another of HMRC's strategic priorities for the management of the LCF, is that EBs should continue to aim to reduce the level of unspent funds held. In this respect, ENTRUST's current guidance requires that the total unspent funds held at year end by an EB should be no more than 1.5 times an EB's LCF income (including contributions and transfers) in that year.

For benchmarking purposes, unspent funds include all committed and uncommitted funds. A benchmark against the 1.5 times income guidance value has been produced for those EBs holding £1,000 or more as at 31 March 2021 (Benchmark 2A).

For EBs holding unspent funds of £1,000 or more as at 31 March 2021, 37 per cent were in the top band holding more than 2.0 times the amount of income received during 2020/2021. The majority of EBs holding funds of £1,000 or more (61 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 2020/2021 was within guidance at 1.27.

Benchmark 2A: Banding by value of unspent funds > £1000 as a ratio to income		
	Unspent Funds Ratio of amount held to income of 2020/2021	Percentage of EBs with funds >£1000 as at 31 March 2021 in each banding
Band 1	2.0 and above	37%
Band 2	1.5 to 2.0	2%
Band 3	1.5 and below	61%

The unspent funds benchmark data (Benchmarks 2B and 2C) are compiled from the data provided by EBs which reported holding unspent funds at 31 March 2021, of £100 or more on their 2020/2021 Statutory Annual Return (Form 4).

The top band for unspent funds of £100 or more (Benchmark 2B), shows 12 per cent of EBs were holding more than £1m each. The majority of EBs holding funds of £100 or more (55 per cent) fall within band 5 and each are holding less than £50,000:

Benchmark 2B: Banding by unspent funds held of £100 or more			
	Funds held		Percentage of EBs holding £100 or more in each banding
	From	To	
Band 1	£1m and over		12%
Band 2	£400,000	£999,999	5%
Band 3	£100,000	£399,999	15%
Band 4	£50,000	£99,999	13%
Band 5	£100	£49,999	55%

The upper quartile of EBs with unspent funds (Benchmark 2C) are holding £230,000 or more and 75 per cent were holding less than £230,000:

Benchmark 2C: Quartile by unspent funds of £100 or more			
	Funds held		Percentage of EBs holding £100 or more in each quartile
	From	To	
Quartile 1	£230,000 and over		25%
Quartile 2	£40,000	£229,999	25%
Quartile 3	£7,500	£39,999	25%
Quartile 4	£100	£7,499	25%

3. Uncommitted funds

The uncommitted funds benchmark is compiled from the data provided by those EBs which reported holding uncommitted funds of £100 or more at 31 March 2021 on their Statutory Annual Return.

Uncommitted funds are funds that have not been allocated to individual projects. ENTRUST's view is that in improving the efficiency and effectiveness of the Fund, EBs should be focused on minimising the level of uncommitted funds they hold, as this will assist them in meeting the unspent funds guidance level. It is noted that for contributions received late in the financial year, for some EBs it may not be possible to have committed all funds by the reporting date of 31 March.

3.5 per cent of EBs are in the top Band 1 (Benchmark 3A) and hold uncommitted funds of over £1m. The majority of EBs (44 per cent) holding uncommitted funds fall within Band 6 and hold between £100 and £19,999:

Benchmark 3A: Banding by value of uncommitted funds of £100 or more			
	Funds held		Percentage of EBs holding £100 or more uncommitted funds in each banding
	From	To	
Band 1	£1m and over		3.5%
Band 2	£400,000	£999,999	5%
Band 3	£100,000	£399,999	15.25%
Band 4	£50,000	£99,999	17%
Band 5	£20,000	£49,999	15.25%
Band 6	£100	£19,999	44%

Uncommitted funds data is also analysed by quartile (Benchmark 3B) and shows that the top 25 per cent of EBs are holding £90,000 or more and 75 per cent were holding less than £90,000 each:

Benchmark 3B: Quartile by EBs holding uncommitted funds of £100 or more			
	Funds held		Percentage of EBs holding £100 or more uncommitted funds in each quartile
	From	To	
Quartile 1	£90,000 and over		25%
Quartile 2	£25,000	£89,999	25%
Quartile 3	£4,000	£24,999	25%
Quartile 4	£100	£3,999	25%

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

ENTRUST's analysis of LOs' CTP requirements have been compiled from data provided by EBs, which received a contribution from a LO and which was reported to ENTRUST on Notification of a Contribution (Form 3) forms during 2020/2021. In order to demonstrate a LO's commitment to the LCF, it is HMRC's position 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 with their own practice.

It should be noted that 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:

- 49.5 percent of EBs, which received a contribution from a LO during 2020/2021 were asked to source a CTP of more than 7.5 per cent (Band 1) (Benchmark 4A); and
- 41.9 percent of LOs making contributions during 2020/2021 did not request any CTP payment (Benchmark 4B).

Benchmark 4A: EB Banding by CTP requirement			
	CTP Value		Percentage of EBs receiving a contribution during 2020/2021 in each band
	From	To	
Band 1	7.51%	10.00%	49.5%
Band 2	5.01%	7.50%	3.5%
Band 3	2.51%	5.00%	0.5%
Band 4	0.00%	2.50%	46.5%

Benchmark 4B: LO Banding by CTP requirement				
	CTP Value		Number of LOs making contributions in 2020/2021	Percentage of LOs making contributions in 2020/2021
	From	To		
Band 1	10.00%	10.00%	17	39.5%
Band 2	6.00%	9.99%	5	11.6%
Band 3	1.00%	5.00%	3	7.0%
Band 4	0.00%	0.00%	18	41.9%

5. EB Risk Score

An EB's risk score is a key element in determining how often ENTRUST will undertake a formal compliance inspection, or review of an EB. It is calculated on the basis of the information provided on the Statutory Annual Return submitted by the EB to ENTRUST and from other information, including 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 2021/2022 are published on our website:

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

The risk score can be used by an EB to help assess its level of corporate risk. 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 or more of unspent funds as at 31 March 2021 (Benchmark 5C), which therefore excludes those which are unfunded or currently inactive.

ENTRUST's risk score for an EB is included in their most recent compliance report, or can be provided by requesting the information from our Compliance Team by emailing:

compliance@entrust.org.uk.

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

- Two per cent of all EBs and nineteen per cent of EBs holding £100 or more fall into the highest risk banding (Band 1) (Benchmark 5A);
- The majority (37 percent) of all EBs fall within Band 6 (Benchmark 5A); and
- Of those EBs holding funds of £100 or more as at 31 March 2021, the majority (38 percent) fall within Band 4 (Benchmark 5A).

Benchmark 5A: Banding by risk score				
	Risk score		Percentage of all EBs in each banding	Percentage of EBs with funds of £100 or more as at 31 March 2021 in each banding
	From	To		
Band 1	Over 1,140		2%	19%
Band 2	640	1,139	2%	14.5%
Band 3	400	639	8%	11%
Band 4	180	399	34%	38%
Band 5	131	179	17%	4.5%
Band 6	1	130	37%	14%

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

Benchmark 5B: Quartile by risk score range (All EBs)			
	Risk Scores		Percentage of all EBs in each quartile
	From	To	
Quartile 1	255	2,015	25%
Quartile 2	200	254	18%
Quartile 3	120	199	31%*
Quartile 4	1	119	26%

* Includes 108 EBs with the same risk score of 120

The Risk Score Quartile table 5C for EBs that held £100 or more at 31 March 2021 is detailed below:

Benchmark 5C: Quartile by risk score range (EBs holding a balance of £100 or more)			
	Risk Scores		Percentage of EBs holding a balance £100 or more as at 31 March 2021 in each quartile
	From	To	
Quartile 1	990	2,015	25%
Quartile 2	356	989	25%
Quartile 3	216	355	25%
Quartile 4	1	215	25%

6. Non-compliant recommendations 2020/2021

The non-compliant recommendations data is compiled from the findings identified and raised with EBs which were subject to an ENTRUST compliance review during 2020/2021.

Details of all our compliance findings are also published on the ENTRUST website on a quarterly basis and, to support EBs, links to our current EB Guidance Manual, and suggestions to improve EB operations to prevent a re-occurrence of the issues raised at inspection, are available using the following link:

<http://www.entrust.org.uk/environmental-bodies/compliance-process/inspection-findings/>

From ENTRUST's review work in 2020/2021, we identified that:

- The majority (77.5 per cent) of compliance reviews during 2020/2021 raised no non-compliant findings (Band 5);
- 16 per cent of inspections raised one non-compliant finding (Band 4); and
- Just 1 per cent identified four or more non-compliant findings.

Benchmark 6: Number of non-compliant recommendations 2020/2021		
	Number of non-compliant findings	Percentage of EBs inspected during 2020/2021 in each banding
Band 1	4 or more	1%
Band 2	3	0%
Band 3	2	5.5%
Band 4	1	16%
Band 5	Nil	77.5%

7. Project data

The project benchmarking data is compiled from the 2020/2021 Statutory Annual Return 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 help assess its relative performance in utilising its funds. From the information provided, ENTRUST identified that:

- More than a quarter (27.3 per cent) of individual projects completing during 2020/2021 incurred LCF expenditure of £10,000 or less (Band 7) (Benchmark 7A); and
- The highest value projects (Band 1 - greater than £100,000) made up just 2.2 percent of all projects.

Benchmark 7A: Banding by value of projects completing in 2020/2021			
	LCF expenditure		Percentage of projects
	From	To	
Band 1	Over £100,000		2.2%
Band 2	£50,001	£100,000	14%
Band 3	£40,001	£50,000	10.3%
Band 4	£30,001	£40,000	8%
Band 5	£20,001	£30,000	17%
Band 6	£10,001	£20,000	21.2%
Band 7	Up to £10,000		27.3%

The duration of projects completing during 2020/2021 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 per cent) of projects are within Band 6 and completed within three months of the first payment. Only 3.4 per cent of projects completing in 2020/2021 took more than 36 months to complete.

Benchmark 7B: Banding by duration of projects completing in 2020/2021			
	Duration (months)		Percentage of projects
	From	To	
Band 1	Over 36		1.9%
Band 2	25	36	2.14%
Band 3	13	24	7.5%
Band 4	7	12	12.9%
Band 5	4	6	10.6%
Band 6	1	3	65%