



## **Landfill Communities Fund (LCF)**

### **Benchmarking Data 2021/2022**

**July 2022**

## 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. Sector benchmarking data is compiled based on the data provided by EBs on their 2021/2022 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 £210,000 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, 54 per cent of EBs are requested by their funding LOs to source a CTP payment of 7.5 per cent or above (Band 1).

If your EB is within a benchmark category, or quartile that is rated red, this will alert you to an area which may require some further consideration, or action by your organisation.

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](mailto: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, to 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 who reported incurring administration costs on their 2021/2022 Statutory Annual Return (Form 4). The ratio is calculated using the total administration costs compared to annual project expenditure. Project 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 2021/2022 returns, ENTRUST noted that:

- Band 1 includes EBs incurring costs in excess of 15 per cent of expenditure and 13.9 per cent of EBs which incurred administration costs during 2021/2022 fall into this banding. The EBs falling in this Band includes one organisation that revoked during 2021/2022 and three EBs with minimal, or no project activity during 2021/2022; and
- The majority of EBs (69.4 per cent) incurring administration costs during 2021/2022 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.

On the basis of the information provided to ENTRUST, we have calculated the Sector's administration costs to project expenditure ratio for 2021/2022 to be 5.8 per cent.

<b>Benchmark 1: Banding by administration costs to project 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%		13.9%
<b>Band 2</b>	10.01%	15%	5.6%
<b>Band 3</b>	7.51%	10%	11.1%
<b>Band 4</b>	0.1%	7.5%	69.4%

\* The 13.9 per cent of EBs recording administration costs above 15 per cent includes one organisation that revoked during 2021/2022 and three EBs that had minimal, or no project activity during 2021/2022

## 2. Unspent funds

HMRC has also set as one of its 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 LCF monies of £1,000, or more as at 31 March 2022 (Benchmark 2A).

For EBs holding unspent funds of £1,000, or more as at 31 March 2022, 38 per cent were in the top Band holding more than 2.0 times the amount of income received during 2021/2022. The majority of EBs holding funds of £1,000, or more (55 per cent) fall within Band 3 which is within the current guidance level that they are expected to achieve at the year-end.

The overall Sector performance (for all EBs) of unspent funds (as a ratio to income of previous financial year) for 2021/2022 was within guidance at 1.38, which is slightly higher than last year's position:

<b>Benchmark 2A: Banding by value of unspent funds &gt; £1000 as a ratio to income</b>		
	<b>Unspent Funds Ratio of amount held to income of 2021/2022</b>	<b>Percentage of EBs with funds &gt;£1000 as at 31 March 2022 in each banding</b>
<b>Band 1</b>	2.0 and above	38%
<b>Band 2</b>	1.5 to 2.0	7%
<b>Band 3</b>	1.5 and below	55%

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 2022, of £100, or more on their 2021/2022 Statutory Annual Return (Form 4).

The top Band for unspent funds of £100, or more (Benchmark 2B), shows 14 per cent of EBs were holding more than £1m each. The majority of EBs holding funds of £100, or more (51 per cent) fall within Band 5 and each are holding less than £50,000. Compared to the previous year's figure there was a slight increase in the percentage of EBs holding funding above £400,000 at the year-end:

<b>Benchmark 2B: 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	9%
<b>Band 3</b>	£100,000	£399,999	15%
<b>Band 4</b>	£50,000	£99,999	12%
<b>Band 5</b>	£100	£49,999	51%

The upper quartile of EBs with unspent funds (Benchmark 2C) are holding £292,000, or more which was higher than the previous year's figure of £230,000:

<b>Benchmark 2C: 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>	£292,000 and over		25%
<b>Quartile 2</b>	£40,000	£291,999	25%
<b>Quartile 3</b>	£7,500	£39,999	25%
<b>Quartile 4</b>	£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 2022 on their Statutory Annual Return (Form 4).

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 focussed on minimising the level of uncommitted funds they hold, as this will assist them in meeting HMRC's unspent funds guidance level. ENTRUST and HMRC recognise and note that for some EBs who receive contributions late in the financial year, that it may not be possible to have committed all of these funds by the reporting deadline of 31 March.

5 per cent of EBs are in the top Band 1 (Benchmark 3A) and hold uncommitted funds of over £1m, which is a slight increase over the previous year's figure. The majority of EBs (49 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		5%
<b>Band 2</b>	£400,000	£999,999	11%
<b>Band 3</b>	£100,000	£399,999	19%
<b>Band 4</b>	£50,000	£99,999	2%
<b>Band 5</b>	£20,000	£49,999	14%
<b>Band 6</b>	£100	£19,999	49%

Uncommitted funds data is also analysed by quartile (Benchmark 3B) and shows that the top 25 per cent of EBs are holding £210,000, or more of LCF funding at the year-end, which has increased from £90,000 in 2020/2021:

<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>	£210,000 and over		25%
<b>Quartile 2</b>	£25,000	£209,999	25%
<b>Quartile 3</b>	£4,000	£24,999	25%
<b>Quartile 4</b>	£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 an LO and which was reported to ENTRUST on Notification of a Contribution (Form 3) during 2021/2022. 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 incur, as they receive a 90 per cent tax credit for any contributions that they make to the LCF.

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:

- 54 percent of EBs, which received a contribution from an LO during 2021/2022 were asked to source a CTP of more than 7.5 per cent (Band 1) (Benchmark 4A); and
- 36 percent of LOs making contributions during 2021/2022 did not request any CTP payment (Benchmark 4B).

Benchmark 4A: EB Banding by CTP requirement			
	CTP Value		Percentage of EBs receiving a contribution during 2021/2022 in each band
	From	To	
Band 1	7.51%	10.00%	54%
Band 2	5.01%	7.50%	0%
Band 3	2.51%	5.00%	3%
Band 4	0.00%	2.50%	43%

Benchmark 4B: LO Banding by CTP requirement				
	CTP Value		Number of LO's making contributions in 2021/2022	Percentage of LO's making contributions in 2021/2022
	From	To		
Band 1	10.00%	10.00%	25	57%
Band 2	6.00%	9.99%	3	7%
Band 3	1.00%	5.00%	0	0%
Band 4	0.00%	0.00%	16	36%



## 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 2022/2023 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 2022 (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 email: [compliance@entrust.org.uk](mailto:compliance@entrust.org.uk).

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

- Two per cent of all EBs and twenty-five per cent of EBs holding £100, or more fall into the highest risk banding (Band 1) (Benchmark 5A);
- The majority (45 percent) of all EBs fall within the lowest Band 6 (Benchmark 5A); and
- Of those EBs holding funds of £100, or more as at 31 March 2022, 44 percent fall within the top two Bands (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 2022 in each banding
	From	To		
Band 1	Over 1,140		2%	25%
Band 2	640	1,139	5%	19%
Band 3	400	639	6%	7%
Band 4	180	399	29%	25%
Band 5	131	179	13%	7%
Band 6	1	130	45%	16%

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>	246	1,993	25%
<b>Quartile 2</b>	178	245	26%*
<b>Quartile 3</b>	41	177	23%
<b>Quartile 4</b>	1	40	26%**

\* Includes 94 EBs with the same risk score of 178  
 \*\* Includes 241 EBs with the same risk score of 40

The Risk Score Quartile table 5C for EBs that held £100, or more at 31 March 2022 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 2022 in each quartile</b>
	<b>From</b>	<b>To</b>	
<b>Quartile 1</b>	1,141	1,993	25%
<b>Quartile 2</b>	400	1140	25%
<b>Quartile 3</b>	181	399	25%
<b>Quartile 4</b>	1	180	25%

## 6. Non-compliant recommendations 2021/2022

The non-compliant recommendations data is compiled from the findings identified and raised with EBs which were subject to an ENTRUST compliance review during 2021/2022.

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 2021/2022, we identified that:

- The majority (87.0 per cent) of compliance reviews during 2021/2022 raised no non-compliant findings (Band 5);
- 8.8 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 2021/2022		
	Number of non-compliant findings	Percentage of EBs inspected during 2021/2022 in each banding
Band 1	4 or more	1.0%
Band 2	3	0.5%
Band 3	2	2.8%
Band 4	1	8.8%
Band 5	Nil	87.0%

## 7. Project data

The project benchmarking data is compiled from the 2021/2022 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 LCF funding. From the information provided, ENTRUST identified that:

- More than a quarter (27.9 per cent) of individual projects completing during 2021/2022 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 1.4 percent of all projects.

<b>Benchmark 7A: Banding by value of projects completing in 2021/2022</b>			
	LCF expenditure		Percentage of projects
	From	To	
<b>Band 1</b>	Over £100,000		1.4%
<b>Band 2</b>	£50,001	£100,000	15.2%
<b>Band 3</b>	£40,001	£50,000	10.3%
<b>Band 4</b>	£30,001	£40,000	7.9%
<b>Band 5</b>	£20,001	£30,000	16.3%
<b>Band 6</b>	£10,001	£20,000	21.0%
<b>Band 7</b>	Up to £10,000		27.9%

The duration of projects completing during 2021/2022 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 (51.7 per cent) of projects completed within six months of the first payment being made (Band 5 and Band 6), which was a 23.9 per cent reduction compared to the 2020/2021 returns. Only 1.3 per cent of projects completing in 2021/2022 took more than 36 months to complete, which was a slight reduction compared to the previous year:

<b>Benchmark 7B: Banding by duration of projects completing in 2020/2021</b>			
	Duration (months)		Percentage of projects
	From	To	
<b>Band 1</b>	Over 36		1.3%
<b>Band 2</b>	25	36	3.7%
<b>Band 3</b>	13	24	15.8%
<b>Band 4</b>	7	12	27.5%
<b>Band 5</b>	4	6	23.9%
<b>Band 6</b>	1	3	27.8%