



Landfill Communities Fund (LCF)

Benchmarking Data 2022/2023

June 2023

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.

Sector benchmarking data is compiled based on the data provided by EBs on their 2022/2023 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 raised with those EBs subject to a compliance review during 2022/2023.
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 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 note that it is within the top quartile of EBs holding uncommitted funds. 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 benchmarking 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, 48% of EBs are requested by their funding LOs to source a CTP payment of 7.5% 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 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.

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, to be at, or below 7.5% of an EB's annual project expenditure.

The calculation of the administration costs ratio benchmark is compiled from the data provided by the 34 EBs who reported incurring administration costs on their 2022/2023 Statutory Annual Return (Form 4). The ratio is calculated using the total administration costs compared to 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 2022/2023 returns:

- Band 1 includes EBs incurring costs in excess of 15% of expenditure and 6 (18%) EBs which incurred administration costs during 2022/2023 fall into this banding. The EBs falling in this Band includes two organisations that revoked during 2022/2023 and three EBs with minimal, or no project activity during 2022/2023; and
- The majority of EBs 24 (70%) incurring administration costs during 2022/2023 are within the lowest banding and incurred costs equating to 7.5% or less, of project expenditure, which is within the current guidance level which EBs are expected to achieve.

Based on the information provided the Sector's administration costs to project expenditure ratio for 2022/2023, (excluding increases in winding up provisions) is 5.4%.

| 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% | | 18% |
| Band 2 | 10.01% | 15% | 6% |
| Band 3 | 7.51% | 10% | 6% |
| Band 4 | 0.1% | 7.5% | 70% |

2. Unspent funds

HMRC has also set as one of its strategic priorities for the management of the LCF, that EBs should continue to aim to reduce the level of unspent funds held. In this respect, 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 2023 (Benchmark 2A) and 35% were in the top Band holding more than 2.0 times the amount of income received during 2022/2023. The majority of EBs holding funds of £1,000, or more (57%) 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 of unspent funds as a ratio to income for 2022/2023 was within guidance at 1.08:

| Benchmark 2A: Banding by value of unspent funds > £1000 as a ratio to income | | |
|--|---|---|
| | Unspent Funds Ratio of amount held to income of 2022/2023 | Percentage of EBs with funds >£1000 as at 31 March 2023 in each banding |
| Band 1 | 2.0 and above | 35% |
| Band 2 | 1.5 to 2.0 | 8% |
| Band 3 | 1.5 and below | 57% |

The unspent funds benchmarks (Benchmarks 2B and 2C) are compiled from the data provided by EBs which reported holding unspent funds at 31 March 2023, of £100 or more on their 2022/2023 Statutory Annual Return (Form 4).

The top Band for unspent funds of £100, or more (Benchmark 2B), shows 10% of EBs were holding more than £1m each. The majority of EBs holding funds of £100, or more (57%) 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 | | 10% |
| Band 2 | £400,000 | £999,999 | 11% |
| Band 3 | £100,000 | £399,999 | 18% |
| Band 4 | £50,000 | £99,999 | 5% |
| Band 5 | £100 | £49,999 | 57% |

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:

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 | £292,000 and over | | 25% |
| Quartile 2 | £40,000 | £291,999 | 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 2023 on their Statutory Annual Return (Form 4).

Uncommitted funds are funds that have not been allocated to individual projects. 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 these funds by the reporting deadline of 31 March.

4% of EBs are in the top Band 1 (Benchmark 3A) and hold uncommitted funds of over £1m. The majority of EBs (47%) 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 | | 4% |
| Band 2 | £400,000 | £999,999 | 7% |
| Band 3 | £100,000 | £399,999 | 25% |
| Band 4 | £50,000 | £99,999 | 5% |
| Band 5 | £20,000 | £49,999 | 12% |
| Band 6 | £100 | £19,999 | 47% |

Uncommitted funds data is also analysed by quartile (Benchmark 3B) and shows that the top 25% of EBs are holding £210,000, or more of LCF funding at the year-end:

| 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 | £210,000 and over | | 25% |
| Quartile 2 | £25,000 | £209,999 | 25% |
| Quartile 3 | £4,000 | £24,999 | 25% |
| Quartile 4 | £100 | £3,999 | 25% |

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

Analysis of LOs' CTP requirements have been compiled from data provided by EBs via Notification of a Contribution (Form 3) during 2022/2023. It is HMRC's position that LOs should absorb some, or all the 10% shortfall that they incur, as they receive a 90% 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 donations on projects of a certain value, thus reducing the overall CTP requirement percentage.

Analysis of the returns shows that:

- 59% of EBs, which received a contribution from an LO during 2022/2023 were asked to source a CTP of more than 7.50% (Band 1) (Benchmark 4A); and
- 40% of LOs making contributions during 2022/2023 did not request any CTP payment (Benchmark 4B).

| Benchmark 4A: EB Banding by CTP requirement | | | |
|---|-----------|--------|--|
| | CTP Value | | Percentage of EBs receiving a contribution during 2022/2023 in each band |
| | From | To | |
| Band 1 | 7.51% | 10.00% | 59% |
| Band 2 | 5.01% | 7.50% | 1% |
| Band 3 | 2.51% | 5.00% | 0% |
| Band 4 | 0.00% | 2.50% | 40% |

| Benchmark 4B: LO Banding by CTP requirement | | | | |
|---|-----------|--------|--|--|
| | CTP Value | | Number of LO's making contributions in 2022/2023 | Percentage of LO's making contributions in 2022/2023 |
| | From | To | | |
| Band 1 | 10.00% | 10.00% | 25 | 48% |
| Band 2 | 6.00% | 9.99% | 3 | 12% |
| Band 3 | 1.00% | 5.00% | 0 | 0% |
| Band 4 | 0.00% | 0.00% | 16 | 40% |

5. EB Risk Score

An EB's risk score is a key element in determining how often Entrust will undertake a compliance inspection, or review of an EB. Calculations are based on the information provided on the Statutory Annual Return submitted by the EB and from other information, including the findings of 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 2023/2024 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 by quartile for EBs holding £100, or more of unspent funds as at 31 March 2023 (Benchmark 5C), which therefore excludes those which are unfunded, or currently inactive.

Individual EB risk scores are included in compliance inspection reports, or can be requested from our Compliance Team by email: compliance@entrust.org.uk.

The 2022/2023 data shows that:

- 2% of all EBs and 24% of EBs holding £100 or more, fall into the highest risk banding (Band 1) (Benchmark 5A);
- The majority (41%) 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 2023, 42% fall within the top two Risk 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 2023 in each banding |
| | From | To | | |
| Band 1 | Over 1,140 | | 2% | 24% |
| Band 2 | 640 | 1,139 | 5% | 18% |
| Band 3 | 400 | 639 | 9% | 10% |
| Band 4 | 180 | 399 | 33% | 24% |
| Band 5 | 131 | 179 | 9% | 6% |
| Band 6 | 1 | 130 | 41% | 19% |

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 | 277 | 2,217 | 25% |
| Quartile 2 | 181 | 276 | 25% |
| Quartile 3 | 59 | 180 | 25% |
| Quartile 4 | 1 | 58 | 25% |

The Risk Score Quartile table 5C for EBs that held £100, or more at 31 March 2023 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 2023 in each quartile |
| | From | To | |
| Quartile 1 | 1,138 | 2,217 | 25% |
| Quartile 2 | 516 | 1137 | 25% |
| Quartile 3 | 184 | 515 | 25% |
| Quartile 4 | 1 | 183 | 25% |

6. Non-compliant recommendations 2022/2023

The non-compliant recommendations data is compiled from the findings identified and raised with the 211 EBs which were subject to a compliance review during 2022/2023.

Details of all our compliance findings are also published on the Entrust website on a quarterly basis and include links to the current EB Guidance Manual and suggestions for EBs to prevent a re-occurrence of the issues raised at inspections:

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

From the review work completed in 2022/2023, we identified that:

- 79% (167) of compliance reviews during 2022/2023 raised no non-compliant findings (Band 5);
- 15% (32) of inspections raised one non-compliant finding (Band 4); and
- Less than 1% of reviews identified four or more non-compliant findings.

| Benchmark 6: Number of non-compliant recommendations 2022/2023 | | |
|---|---|---|
| | Number of non-compliant findings | Percentage of EBs inspected during 2022/2023 in each banding |
| Band 1 | 4 or more | 1% |
| Band 2 | 3 | 2% |
| Band 3 | 2 | 3% |
| Band 4 | 1 | 15% |
| Band 5 | Nil | 79% |

7. Project data

The project benchmarking data is compiled from the 2022/2023 Statutory Annual Return individual project breakdown details submitted 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. The information provided shows that:

- 24% of projects completing during 2022/2023 incurred LCF expenditure of £10,000 or less (Band 7) (Benchmark 7A); and
- The highest Band 1 (greater than £100,000) made up just 2% of all projects.

| Benchmark 7A: Banding by value of projects completing in 2022/2023 | | | |
|---|-----------------|----------|------------------------|
| | LCF expenditure | | Percentage of projects |
| | From | To | |
| Band 1 | Over £100,000 | | 2% |
| Band 2 | £50,001 | £100,000 | 16% |
| Band 3 | £40,001 | £50,000 | 15% |
| Band 4 | £30,001 | £40,000 | 9% |
| Band 5 | £20,001 | £30,000 | 16% |
| Band 6 | £10,001 | £20,000 | 18% |
| Band 7 | Up to £10,000 | | 24% |

The duration of projects completing during 2022/2023 has been categorised on a monthly basis calculated from the date of first and last payment of LCF funds to the project. The majority (78%) of projects completed within six months of the first payment being made (Band 5 to Band 7). 1% of projects took more than 36 months to complete:

| Benchmark 7B: Banding by duration of projects completing in 2022/2023 | | | |
|--|-------------------|----|------------------------|
| | Duration (months) | | Percentage of projects |
| | From | To | |
| Band 1 | Over 36 | | 1% |
| Band 2 | 25 | 36 | 1% |
| Band 3 | 13 | 24 | 7% |
| Band 4 | 7 | 12 | 12% |
| Band 5 | 4 | 6 | 15% |
| Band 6 | 1 | 3 | 18% |
| Band 7 | 0 | 1 | 45% |