



Environmental Body Director's Background Briefing

Welcome to the Landfill Communities Fund (LCF)

"Non-Executive Directors have a critical part to play in ensuring that their organisations work efficiently to distribute funds which will improve communities and the environment. This work - often undertaken on a voluntary basis - is vital in maintaining the LCF and I am delighted to welcome you into the scheme."

Dr Ann Limb CBE DL
Chair of ENTRUST Board

The Landfill Communities Fund (LCF) is an innovative tax credit scheme which enables Landfill Operators (LOs) to contribute money to enrolled Environmental Bodies (EBs). The purpose of the LCF is to "offset" some of the negative impacts of living in the vicinity of a landfill site for affected communities by providing funds for community and environmental projects.

Although the LCF was introduced by government and is governed by The Landfill Tax Regulations 1996 (Regulations), it is classed by the Office for National Statistics as private rather than public funding, due to the voluntary nature of the fund. This enables project applicants to seek match funding from a wide range of providers, including public funding bodies.

How the Landfill Communities Fund (LCF) works

Under the LCF, a LO chooses to make a financial contribution – called a "qualifying contribution" - to an enrolled EB. The LO claims a credit, against its Landfill Tax liability, of up to 90% of the contributions it has made. The maximum credit which can be claimed by a LO is set in the UK government Budget each year.

As the tax credit which can be claimed is 90% of the contribution made into the LCF, a LO may ask for a contribution of up to 10% of its qualifying contribution from a Contributing Third Party (CTP). A CTP must be a separate person or entity from both the LO and the EB, and cannot use LCF monies to make the CTP payment.

The EB uses the contribution it has been given by the LO to deliver projects for the benefit of communities and the environment. There is more about the types of projects that can be undertaken, and the rules applying to them, below.

What is an Environmental Body

An EB is a not-for-profit organisation which delivers projects for the benefit of communities and the environment. In order to receive LCF funding a not-for-profit organisation must either become enrolled with us as an EB or submit its project to an existing EB. The role of these EBs is to fund the projects submitted to it by other organisations, rather than itself deliver projects.

As a Director of an EB, we will expect you to ensure that your EB displays good governance, is operated transparently and that it fulfils its responsibilities under the LCF. You will also have a role in setting the culture of your EB. We will expect that culture to align with government expectations and aspirations for the future of the LCF and that your EB will meet any challenges set by HM Treasury.

The legal responsibilities an Environmental Body needs to fulfil

An organisation will have satisfied certain criteria in order to enrol as an EB. Once enrolled as an EB, an organisation is under a continuing duty to comply with the Regulations.

As a Director, you must make sure that your EB continues to be a not-for-profit organisation that is not controlled by a local authority or LO. Any changes in your EB's constitution or control must be reported to us.

An EB also has other record-keeping and reporting obligations which must be fulfilled.

Record-keeping

An EB must keep records of:

- the LO and any CTP;
- any LCF money which is received and from whom that money is received; and
- how it spends its LCF money.

Reporting

An EB must complete and submit a statutory Annual Return to us. This must be completed for every reporting year (1 April to 31 March) even if your EB has had no activity and has not received or spent any LCF money in that period. The deadline for submitting the statutory Annual Return to us is 28 April each year.

The only way to remove the requirement on your EB to submit a statutory Annual Return is for it to revoke as an EB. If an EB no longer wants to be part of the LCF (perhaps because all projects have been successfully completed), then it must seek revocation from us in order to leave the LCF.

Your EB is also required to report to us:

- Within seven calendar days of receiving qualifying contributions from a LO;
- Within seven calendar days of transferring qualifying contributions to another EB; and
- To inform us of any changes to your EB's constitution or Directors.

Projects

There are also some requirements with which your EB must comply in relation to projects. The most important of these is that no LCF money can be spent on a project until it has been approved by us.

Your EB cannot use any of its funds for the unique benefit of its contributors. Your EB's contributors are any LO who makes contributions to your EB, and any CTP who makes a payment to the LO to release the contributions to your EB.

All LCF projects must be registered with us and must satisfy one or more of the approved Objects under the LCF (see below). All projects must be undertaken in England, Northern Ireland or Wales. The LCF is no longer available to fund projects in Scotland. For enquiries about the new Scottish Landfill Communities Fund (SLCF) or more information on the SLCF please contact the [Scottish Environment Protection Agency \(SEPA\)](#).

There are five Objects listed in the Regulations. These are the areas under which projects can be undertaken using LCF money. They are:

- Object A:** reclamation, remediation or restoration of land;
- Object B:** prevention or reduction of potential for pollution, or remediation or mitigation of the effects of pollution;
- Object D:** provision, improvement or maintenance of a public park or other public amenity;
- Object DA:** the conservation or promotion of biological diversity; and
- Object E:** restoration, repair or maintenance of a building or structure which is a place of religious worship or is of historical or architectural interest.

The Regulations also allow EBs to use LCF money for their running costs but these costs must be reasonable and relevant to the work undertaken by your EB.

Project approval

Before you are ready to commence, or fund a new project, your EB should submit details of the project to us for approval. Your EB may not spend any LCF funds on a project until we have approved the project. This is a separate process to the application that your EB will make to a funding provider (LO or EB) for LCF monies to spend on your project. We do not distribute LCF funding.

We review all projects submitted to us to ensure they are compliant with the Regulations. As part of this process we may need to ask your EB additional questions or seek additional information. Once a project that has been submitted to us for approval meets the criteria in the Regulations, we will issue project approval to your EB's main contact. Your EB is then able to spend LCF monies on the approved project. We have an independent review process for all projects which are rejected.

LCF Reform

In March 2015 a consultation was opened by HM Revenue and Customs (HMRC) on how the LCF could be reformed. The consultation sought views on proposals developed by a government-

industry working group established to identify ways of reforming the LCF to improve the flow of money to communities.

Following the closure of the consultation Government outlined its intention to reform the following elements of the LCF:

- Limiting the record keeping requirement for EBs to six years;
- Reducing the asset monitoring requirement for EBs to end the requirement to monitor land and buildings in perpetuity;
- Removing Object F – provision of financial and administration services to another EB;
- Removing the provision allowing the investment of LCF funds;
- Limiting EB running costs to 7.5%; and
- Requiring LOs to contribute more of the 10% shortfall between their qualifying contributions and the tax credit entitlement than they have historically.

These changes came into effect on 1 April 2016 and our [guidance manual](#) has been updated accordingly.

About ENTRUST – what we do.

ENTRUST is the regulator of the LCF. We report to HMRC. We regulate the LCF by:

- Enrolling eligible organisations as EBs; and
- Making sure that LCF monies are spent compliantly by EBs (through our project approval process and by compliance inspections).

We provide guidance on the LCF. This is available on our website: www.entrust.org.uk/guidance and also by contacting us (see details below). In addition, our Chief Executive will meet with the Chair and trustees or directors of the largest EBs on an annual basis, providing the opportunity for questions and sharing of information.

Our Vision, Mission and Values

Our aim, vision, mission and values affirm who we are and how we will work with both our key stakeholders (EBs, project applicants and HMRC) and our staff.

Aims

Our aims are:

- To be an independent, credible and professional Regulator that treats all stakeholders fairly in all of their dealings with us; and
- To improve awareness amongst our stakeholders of the regulatory role we perform and the work we do.

Vision

Our vision is that every registered EB will deliver compliant projects for the benefit of its community and the environment.

Mission

Our mission is assuring compliant use of LCF monies.

Values

Our values are:

- We're **transparent** – in all of our activities;
- We're **fair** – in our dealings with stakeholders, the sector and our staff;
- We're **consistent** – in our actions and approach; and
- We're **supportive** – promoting good practice, sharing information and providing focused training where it is needed.

EBs can contact ENTRUST about any concerns or queries regarding the LCF by telephone between 9:00 – 17:00 on Monday to Friday.

Our contact details:

www.entrust.org.uk

Email: helpline@entrust.org.uk

Tel: 01926 488 300

HMRC

HMRC are responsible for the administration and collection of Landfill Tax. HMRC Notice LFT1 provides a general guide to Landfill Tax and is available from HMRC's website. This notice is primarily for LOs but will also be of interest to EBs. Section 15 of Notice LFT1 introduces the LCF and explains how the fund works and the conditions that LOs must meet in order to claim a tax credit for contributions they make to approved EBs.

<https://www.gov.uk/business-tax/landfill-tax>

Other useful contacts:

The Association of Distributive and Environmental Bodies (ADEB) is a representative body for some of the practitioners within the LCF. ADEB's role is to:

- Promote best practice and provide a source of information for members
- Help, guide and support members with matters relating to the day-to-day running of the Fund;
- Act as a collective voice on behalf of its members;
- Promote the Fund's availability and ongoing success; and
- Organise and deliver education and training programs for its members.

<http://www.adebmembers.org.uk/>

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