



## LANDFILL OPERATOR ANNUAL BRIEFING: LANDFILL COMMUNITIES FUND (LCF)

### 1. Operational Information

- 1.1 Since the Landfill Communities Fund (LCF) was created in 1996, Landfill Operators (LOs) have contributed more than £1.65bn to the fund and Environmental Bodies (EBs) have spent more than £1.52bn on projects that benefit local communities who suffer the disamenity of living within 10 miles of a landfill site. The following table shows the money spent, across the life of the fund\*, on each of the LCF 'Object' types:

LCF Objects	Total spent*
The remediation of land (Object A)	£25,902,768
The prevention of pollution (Object B)	£2,151,746
The reduction of waste (Object C) <sup>1</sup>	£240,973,390
The recycling of waste (Object CC) <sup>1</sup>	£4,707,622
Public parks and public amenities (Object D)	£1,010,941,675
Biodiversity conservation (Object DA)	£124,724,045
The restoration of places of worship and historic buildings (Object E)	£108,579,694
The provision of services to other EBs (Object F) <sup>2</sup>	£2,540,032

\* as at 24 July 2019

- 1.2 There are currently 2,038 EBs enrolled with ENTRUST, and during 2018/2019, ENTRUST enrolled 36 EBs and registered 1,548 projects.
- 1.3 In September 2018 ENTRUST published our annual Value for Money (VfM) report on the operation of the LCF. The report provides a summary of data collected from the Form 9 Project Completion Form between April 2015 and March 2018, which can be read on our website at: [www.entrust.org.uk/news/lcf-value-for-money-vfm-2017-2018-report](http://www.entrust.org.uk/news/lcf-value-for-money-vfm-2017-2018-report)

### 2. 2018/2019 Landfill Communities Fund (LCF) summary briefing

- 2.1 As part of ENTRUST's continuing engagement strategy with the largest EBs we held the annual meeting between ENTRUST/HMRC and the Chairs and Chief Executives (CEOs) of the largest funding EBs on 19 June 2019.
- 2.2 At the meeting we provided key statistics on the performance of the LCF in 2018/2019, including EB administration costs and unspent funds. This information was also published on 27 June 2019 within the ENTRUST 2018/2019 Annual Report, which we have summarised as follows:

<sup>1</sup> Objects C and CC were removed from the Regulations in April 2003

<sup>2</sup> Object F was removed from the Regulations in April 2016

<b>Environmental Body Administration Costs</b>	<b>2017/2018</b>	<b>2018/2019</b>
EB administration costs (total value)	£ 3.4m	£ 2.7m
EB administration costs (percentage)	7.32%	5.97%
Number of EBs above 7.5% guideline	31	6
<b>Environmental Body Unspent Funds</b>	<b>2017/2018</b>	<b>2018/2019</b>
Unspent funds held by EBs at year end	£ 62.8m	£ 54.7m
Ratio of sector unspent funds to in year income (contributions)	1.46	1.35
Number of EBs above 1.5 times guidance	54*	60

\*Note: the guidance level was not introduced until 2018/2019

2.3 During 2018/2019 we managed several enforcement cases where ENTRUST had a number of EBs spending LCF funds non-compliantly. In case managing these issues, we worked with the individual EBs to mitigate the loss to the fund. We recovered over £ 300k and we are still actively working on two further cases to recover the non-compliant spend of LCF monies. EB non-compliance can be a significant risk for LOs, as HMRC have the power to reclaim tax credits (claw-back) from the LOs where qualifying contributions have not been spent compliantly.

2.4 The closure of the LCF in Wales continued smoothly during the first closure year:

<b>Closure of the LCF in Wales</b>	<b>At 30 June 2018</b>	<b>At 31 March 2019</b>
Value of Funds held	£ 1.3m	£ 801k
Number of EBs registered in Wales	178	131

2.5 During the year, ENTRUST also made some key changes to our procedures:

- The Project Registration process was updated as some EBs were still trying to provide minimum evidence and/or submit projects that may not comply with the Landfill Tax Regulations 1996 (Regulations). This was communicated to EBs in April 2019 by email and in the Chairs Quarterly Briefing – April 2019;
- In November 2019 we published our framework for reviewing, monitoring and managing the level of administration costs claimed and unspent funds and held by EBs, to help facilitate the delivery of two of HMRC’s strategic priorities for the LCF; and
- Our Evidence Standards for the submission of case files to HMRC have been reviewed and improved.

2.6 Further information about key scheme statistics and the work that ENTRUST has undertaken in 2018/2019 can be read in the Annual Report on the ENTRUST website at:

[www.entrust.org.uk/assets/uploads/documents/2018\\_2019\\_Annual\\_Report.pdf](http://www.entrust.org.uk/assets/uploads/documents/2018_2019_Annual_Report.pdf)

### **3. Benchmarking**

3.1 In December 2017 we published the first set of annual benchmarks to allow organisations to assess their performance against key scheme metrics. This was followed in July 2018 by the second year of benchmarking data for the period 2017/2018 and this was updated in May 2019 with the third year of benchmarking measures for the period 2018/2019. This allows EBs to now assess their performance against the sector in the last three financial years.

3.2 You can review the current benchmarking data here:

[www.entrust.org.uk/news/environmental-body-benchmarking-data-2018-2019](http://www.entrust.org.uk/news/environmental-body-benchmarking-data-2018-2019)

### **4. Government's Reform of the LCF: Contributing Third Party (CTP) payments**

4.1 When a LO makes a contribution to an EB it can only claim a tax credit from HMRC on 90 per cent of this contribution and is therefore left with a 10 per cent shortfall. Some LOs will absorb this cost, or a portion of it, themselves. In some cases LOs will require EBs to find a separate third party, termed a CTP payment to provide the 10 per cent shortfall, or a portion of it, to limit the cost to the LO of participating in the scheme.

4.2 LOs are reminded that it is expected that they will absorb some or all of the 10 per cent shortfall. EBs are required to report to ENTRUST how much of the shortfall is being met by their contributing LO, and for the sector the overall figure is currently that LOs are requesting an average of 8 per cent of their own shortfall. This information will be monitored by HMRC and the relevant data may be published.

### **5. ENTRUST assistance to LOs**

5.1 ENTRUST's Chief Executive, Christopher Welford, and members of the ENTRUST Board have a schedule of meetings with a number of LOs once a year to brief and discuss matters relating to the operation of the LCF. Following discussions with HMRC we agreed to issue an annual briefing note to all LOs who have participated in the scheme within the last three years. If you would like to participate in further engagement with ENTRUST about the LCF please contact Christopher Welford's PA, Helen Maccallum by emailing:

[helenmaccallum@entrust.org.uk](mailto:helenmaccallum@entrust.org.uk) or she can be reached by telephone on 01926 488317.

5.2 Following discussions with the Environmental Services Agency (ESA), and with HMRC's agreement, during 2018/2019 we developed a document setting out the help which ENTRUST is able to provide to LOs, which we published on 1 April 2019.

[www.entrust.org.uk/news/entrust-services-to-landfill-operators-los](http://www.entrust.org.uk/news/entrust-services-to-landfill-operators-los)

**ENTRUST**  
**August 2019**