



Landfill Communities Fund Scotland Closure Report

August 2017

1. Introduction

- 1.1 In May 2017 ENTRUST provided HM Revenue & Customs (HMRC) with a Scotland Landfill Communities Fund (LCF) closure report. The report provided HMRC with a final position regarding the closure of the Landfill Communities Fund (LCF) in Scotland. It also detailed ENTRUST's analysis of the lessons learnt from managing the run down.
- 1.2 We are publishing a summary of the data contained in that report so that interested parties may access it and have an understanding of the closure of the scheme in Scotland. A number of lessons learnt have been submitted to HMRC for their consideration to take forward in future scheme closures, such as the closure of the LCF in Wales from 1 April 2018.

2. Executive Summary

- 2.1 The scheme ended in Scotland on 31 March 2017 after a two year transitional period. Environmental Bodies (EBs) with approved projects were contacted on a monthly basis up to this point to ensure that the projects were on track to complete and that all monies were spent before the end of March. Furthermore EBs in Scotland holding money were required to submit monthly returns to show progress in spending their funds and outline their plans for any uncommitted funds.
- 2.2 The table below details the value of funds held at 31 March 2017 by EBs in Scotland compared to 30 March 2015 and 31 March 2016. The final balance of funds held by EBs in Scotland was £844,222.06:

	31 March 2015	31 March 2016	31 March 2017
Total funds held £	12,617,373	8,178,952	844,222.06

- 2.3 The small amount of funds remaining as at 31 March 2017 were held by EBs who are continuing to operate in England, Northern Ireland and Wales or who have received agreement from HMRC to carry over a small amount of funding for winding up costs.
- 2.4 There were 130 EBs remaining enrolled in Scotland as at 31 May 2017.

3. Background

- 3.1 The United Kingdom Government (UKG) announced in the Scotland Act 2012 arrangements for the devolution of landfill tax to the Scottish Government. The closure arrangements of the LCF in Scotland were set out in the Devolution of Landfill Tax (Consequential, Transitional and Saving Provisions) Order 2015 (Order). This established a two year transitional period for EBs in Scotland to spend their remaining (at the time devolution occurred) monies and all EBs to complete their projects in Scotland.
- 3.2 Responsibility for the collection and administration of Landfill Tax in Scotland was transferred to the Scottish Government from 1 April 2015. As a result the UK LCF would no longer receive any funding from landfill tax generated in Scotland from that day and the LCF would be closed in Scotland by 31 March 2017.
- 3.3 On the basis of the Order, ENTRUST in conjunction with HMRC developed and implemented a two year closure programme targeted at EBs based in Scotland and those based in the rest of the UK who funded projects in Scotland.

4. Closure Programme

4.1 ENTRUST's closure programme was implemented in order to mitigate the potential non-compliant use of LCF funding in Scotland. The overarching objectives of the work were to ensure that all LCF monies relating to Scottish projects were fully accounted for and spent compliantly. Against the objectives of the closure programme ENTRUST delivered the following key actions:

- We undertook specific registrations activities to include:
 - Advising potential new EBs of the closure of the fund in Scotland and how it may restrict their enrolment application;
 - Assessing estimated project completion dates at registration stage to ensure that no projects were registered with an end date past 31 March 2017; and
 - Contacting EBs with projects in Scotland on a monthly basis from August 2016 to obtain progress reports and to ensure accurate recording of the project status.
- We implemented a regulatory compliance inspection and reporting schedule to include:
 - Compliance inspection reviews;
 - Administering voluntary revocations by performing checks on the EB's compliance before being referred for revocation; and
 - Administering the submission of interim annual returns by those EBs holding LCF monies to show progress in spending their funds and outlining their plans for any uncommitted funds. Funded EBs in Scotland were required to complete an interim return in September 2015 and monthly returns from September 2016.

4.2 We also worked in partnership with both the Scottish Environment Protection Agency (SEPA) and Revenue Scotland in the development of the new Scottish scheme and in exchanging information about projects and EBs where relevant. We established an information sharing protocol with SEPA that enabled us to work together for the benefit of both schemes.

4.3 The closure plan's objectives were all met with the assurance provided to HMRC and the ENTRUST Board that all LCF monies were spent compliantly. We consider that the closure programme delivered its objectives within the required timescale.

5. Enrolments

5.1 Two EBs were enrolled during 2016/2017 and 12 in 2015/2016. The last enrolment in 2016/2017 occurred in June 2016:

Year	Enrolments in Scotland
2016/2017	2
2015/2016	12

5.2 We did not experience any issues in enrolling organisations during the transitional period and all enrolling EBs were informed of the closure and key milestone dates. There were no enrolments in the last part of the transitional period.

5.3 There are 130 remaining enrolled EBs (as at 30 May 2017) in Scotland of which one is continuing to operate outside Scotland.

6. Project Registration

- 6.1 93 projects were registered during 2016/2017 and 312 in 2015/2016. In the last six months of 2016/2017, 21 projects were registered. The following table sets out the number of projects registered during the closure period:

Year	Project registrations in Scotland
2016/2017	93
2015/2016	312

- 6.2 The monthly contact with EBs to ensure that projects were on track and that all monies were spent led to an orderly and effective closure of the scheme. The majority of projects in Scotland were completed by 31 March 2017; however we received advanced notification from five projects that they may overrun due to exceptional circumstances. These projects were reviewed on a case by case basis by HMRC and were granted exceptional approval to complete after 31 March 2017, if necessary. All projects that this applied to were required to submit a works plan outlining when the works will complete.

7. Compliance

- 7.1 Compliance activity during the two-year closure period was targeted towards those EBs based in Scotland which held larger sums of LCF monies and those with higher value projects to ensure that all LCF activity would be completed by the closure date of 31 March 2017. EBs based in the rest of the UK with projects in Scotland were subject to the normal compliance programme and projects reviewed at planned visits. Individual projects in Scotland were monitored, regardless of the location of the EB. By October 2016, of the remaining projects in Scotland, there were 22 held by six EBs based in the rest of the UK.

- 7.2 A total of 142 compliance reviews were completed in Scotland during the closure period: 65 during 2015-2016 and 77 during 2016-2017:

	2015-2016	2016-2017	Totals
Number of compliance reviews (EBs based in Scotland)	65	77	142
Number of compliance reviews (all EBs)	354	309	663
% of compliance activity on EBs based in Scotland	18.4%	24.9%	21.4%
Number of non-compliant findings	25	9	34

8. EB Voluntary Revocation

- 8.1 As part of the arrangements for closing the LCF in Scotland, HMRC determined that the registration of EBs based in Scotland would not be automatically withdrawn on closure of the scheme. If an EB based in Scotland is not continuing to operate in England, Northern Ireland or Wales they were therefore required to request voluntary revocation from the scheme once their LCF activity has completed. This process resulted in a significant decrease in the number of EBs in Scotland from 529 at the end of March 2015 to 130 (as at 30 May 2017).

9. Enforcement

- 9.1 Enforcement action was taken against three EBs that did not file their monthly interim financial returns in the form of advice and guidance letters. In two cases we were required to contact the contributing LOs as the EBs were non-responsive; however once contact had been made we received the required information. 11 EBs were forcibly revoked during the transitional period for repeated non-return of the Annual Return. 35 EBs have failed to complete an annual return for 2016/2017. All funded EBs in Scotland have completed their annual returns.
- 9.2 There were no enforcement cases in Scotland during the transitional period.

10. Communications

- 10.1 In the 2015 EB Satisfaction Survey we included a question to evaluate how well we supported EBs regarding the closure of the LCF in Scotland. The question was only asked of those EBs who funded or undertook projects in Scotland. Almost three quarters of EBs who responded to the survey agreed that they had received sufficient information in 2015. By 2016 this had risen to 100 per cent of EBs who responded to the survey:

