



Closure of the LCF in Wales

October 2017

When will the Landfill Communities Fund close in Wales? Effective dates in 2018 - 2020

Relevant dates

1 April 2018	Transitional period in Wales begins
31 March 2018	Last date when UK LCF operates fully in Wales
1 April 2018	UK LCF ceases to operate in Wales
	Welsh LDT CS commences
1 April 2018 – 30 June 2018	Last dates for EBs in Wales to receive UK LCF contributions from Landfill Operators (dependant on the date that the contributing LO files its UK Landfill Tax return). These contributions must arise from waste put into landfill sites anywhere in the UK on or before 31 March 2018
30 September 2019	Last date for Welsh EB enrolment and project registration
31 March 2020	Transitional period in Wales ends

Project registration & EB enrolment applications

- To allow for the efficient closure of the scheme, enrolment of organisations as EBs and project registrations will cease in Wales 6 months prior to the end of the transitional period on 30 September 2019

Relevant terms

- “Old monies” - LCF contributions arising from waste put into landfill sites on or before 31 March 2018
- “New monies” - LCF contributions arising from waste put into landfill sites in England and Northern Ireland on or after 1 April 2018
- “LDT CS monies” - contributions arising under the Welsh Landfill Tax Disposal Communities Scheme on waste put into landfill sites in Wales on or after 1 April 2018
- “Other monies” – any other funding

What records do I have to keep?

EBs record-keeping

- All EBs must keep a record of LCF contributions received
- All EBs must check whether any qualifying contribution or transfer received on or after 1 April 2018 is “old monies” or “new monies” - it is vital to check with the relevant LO or transferring EB as to the original source of the contribution
- All EBs must keep separate records of their “old monies” (contributions arising from waste put into landfill sites on or before 31 March 2018) and their “new monies” (contributions arising from waste put into landfill sites in England or Northern Ireland on or after 1 April 2018)
- All EBs must be able to distinguish between their LCF contributions and all other sources of funding (including Welsh LDT CF monies)

Additional reporting requirements

Additional reporting requirements during the transitional period

- For Welsh EBs holding LCF funds during the transitional period there will be additional reporting requirements
 - Reminders will be sent out prior to the reporting deadlines advising how to complete the reports
- From October 2019 all EBs holding projects in Wales will be required to provide monthly updates on said projects

Dates for additional reporting

Date report required	Period covered by report
14 October 2018	1 April to 30 September 2018
14 October 2019	1 April 2019 to 30 September 2019
14 November 2019	1 October 2019 to 31 October 2019
14 December 2019	1 November 2019 to 30 November 2019
14 January 2020	1 December 2019 to 31 December 2019
14 February 2020	1 January 2020 to 31 January 2020
14 March 2020	1 February 2020 to 28 February 2020
31 March 2020	1 April 2019 to 31 March 2020

What can I spend LCF money
on?

Projects and project completion

Spending “old monies” up to 31 March 2020

- Any EB, based anywhere in the UK, which is running a LCF project in Wales must complete the LCF spending on that Welsh project by 31 March 2020
- No LCF “old monies” can be spent on LCF projects in Wales after 31 March 2020 (so unfinished LCF projects will become non compliant unless they are completed with funding from another source)

Spending “old monies” up to 31 March 2020

- All unspent “old monies” held by EBs in Wales must be spent by 31 March 2020 (unless that EB intends to undertake projects in England or Northern Ireland from 1 April 2020)
- Up to 31 March 2020, LCF “old monies” can be spent in any part of the UK on the LCF approved objects, i.e. projects and running costs
- Up to 31 March 2020, LCF “old monies” can also be transferred to another EB

Spending “old monies” after 31 March 2020

- From 1 April 2020 any EB will only be able to spend “old monies” on approved objects in England and Northern Ireland
- If an EB in Wales
 - holds LCF “old monies” on 1 April 2020, and
 - will not be running one or more LCF projects in England or Northern Ireland

then HMRC will consider clawback of the relevant amount from the LO which made the original contribution

Spending “new monies”

- From 1 April 2018 “new monies” held by any EB can only be spent on;
 - approved projects in England and Northern Ireland
 - reasonable and relevant running costs, up to 7.5% of total LCF expenditure, where costs are attributable to the management of approved projects in England and Northern Ireland
- “New monies” may also be transferred to another EB during the transitional period

What do I have to do to protect /
monitor my LCF assets or projects?

Monitoring & protection of LCF assets in Wales

- During the transitional period (1 April 2018 to 31 March 2020)
 - EBs will be able to spend “old monies” on monitoring LCF assets in Wales
 - EBs should continue to follow ENTRUST guidance on the monitoring and protection of LCF funded projects and assets
- From 1 April 2020 there will be no obligation on EBs to monitor or protect LCF funded projects and assets in Wales and no LCF monies may be spent on the monitoring or protection of LCF funded projects and assets in Wales

What counts as “spent funds” ?
What about investments?

Unspent funds

- If an EB in Wales
 - holds LCF “old monies” on 1 April 2020 as unspent funds, and
 - will not be running one or more LCF projects in England, Wales or Northern Irelandthen HMRC will consider clawback from the LO which made the original contribution
- Unspent funds are all LCF funds which are not spent
- We recommend that EBs in Wales holding money should ensure that any money is spent or transferred before the end of February 2020

Spent funds

- The Landfill Tax Regulations 1996 provide that LCF funds are spent by an EB where the contribution is:
 - Spent on approved objects and running costs
 - Transferred to another EB
 - Invested prior to April 2016 to meet a condition that the contribution be invested to generate income, and all the income is spent, or
 - Invested when given unconditionally, and all the contribution and all the income is spent

What about my running costs?

Running costs – transitional period

- During the transitional period (1 April 2018 to 31 March 2020) an EB holding LCF monies may meet its reasonable and relevant running costs up to a maximum of 7.5% of total LCF expenditure, where the running costs are attributable to its LCF activities from the LCF ‘old’ monies which it holds
- Where an EB has running costs which are incurred managing LCF projects in Wales then only “old monies” can be used to meet those running costs
- “New monies” can only be used to meet the running costs of an EB when those running costs are incurred managing LCF projects in England and Northern Ireland
- ‘New’ monies cannot be spent on the running costs of an EB (wherever based) which are attributable to the management of LCF projects in Wales
- Funding received under the Welsh LDT CS will be considered as “other funds” when considering the total funds held by the EB
- “Old monies” and “new monies” will both be considered to be LCF funds when considering what proportion of an EB’s total funds are LCF funds

Running costs – 1 April 2020 onwards

- From 1 April 2020 any EB will be able to meet its running costs from LCF funds (“old monies” or “new monies”) only if it is running LCF projects in England and Northern Ireland

Winding up costs – transitional period

- Only ‘old monies’ may be spent on the winding up costs of EBs based in Wales
- Any funds held for the winding up of business should be reviewed periodically to ensure the level is appropriate to meet statutory and contractual obligations
- A reserves policy should be kept to justify the level of funds held back
- If an EB is not carrying on operations after the transitional period any funds held for winding up should be spent by 31 March 2020

Allowable winding up costs

- The cost of employees not involved in the day-to-day running of the EB required to wind up the EB;
- Contractual redundancy payments set at a reasonable level;
- Outplacement costs, such as costs relating to support given to individuals who are being made redundant;
- Pension liabilities set at a reasonable level;
- Office rental payments required to the end of a lease period;
- Dilapidations due at the end of a lease period; and
- Costs relating to any legal and financial advice required when winding up the organisation

Winding up costs – 1 April 2020 onwards

- In some circumstances Welsh EBs may be allowed to carry forward funds for the winding up of their business activities to address statutory and contractual obligations
- In order to do so EBs must submit a request, in writing, to ENTRUST by 30 September 2019
- Requests will be reviewed with the HMRC on a case by case basis

Can I carry on being an EB?
Do I have any continuing obligations?

End of enrolment for Welsh EBs

- The enrolment of Welsh EBs in the UK LCF will cease automatically at the end of the transitional period unless they notify ENTRUST that they wish to remain enrolled
- This automatic process will only apply to EBs with all funds accounted for
- If Welsh EBs wish to remain enrolled in the UK LCF they must notify ENTRUST by 30 September 2019
- Welsh EBs should only retain their enrolment if they intend to operate in England or Northern Ireland
- EBs can, at any time, request voluntary revocation from the scheme

Can I carry on as an EB?

- After 31 March 2020, LCF projects may only be undertaken in England and Northern Ireland
- Any EB in Wales may continue to be enrolled as an EB from 1 April 2020 if they request to be so by 30 September 2019, otherwise their enrolment will cease automatically
- If an EB in Wales does not have LCF projects in England or Northern Ireland on 1 April 2020 then HMRC will consider clawback from the contributing LO of the tax credit the LO received for any part of a contribution which the EB still holds as unspent funds (90% of that EB's unspent funds)
- Therefore an EB in Wales which remains as an EB but which does not have LCF projects in England or Northern Ireland, will have continuing obligations but no LCF monies

Continuing obligations

- All EBs enrolled with us will continue to be required to meet the recording and reporting obligations set out in the Regulations, such as:
 - Submit an annual return to us
 - Provide access and information to us upon requestHowever those EBs not operating in England or Northern Ireland may not use LCF monies to prepare and submit their annual return
- After 31 March 2020, EBs enrolled with us who have completed projects in Wales will not be expected to monitor the LCF assets in Wales for which they have responsibility

Next steps up to 31 March 2018

Wales LCF closure guidance

- Guidance on the closure of the UK LCF in Wales is currently under review and will be published in October
- The slides presented here will be available on the Wales section of our website shortly