



Landfill Communities Fund Wales Closure Report

September 2020

1. Introduction

- 1.1 In June 2020, ENTRUST provided HM Revenue and Customs (HMRC) with an assessment of the Wales Landfill Communities Fund (LCF) closure programme. The report provided HMRC with a final position regarding the closure of the LCF in Wales and included a summary of the actions ENTRUST took in 2019/2020 to deliver its aims.
- 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 final closure of the scheme in Wales.

2. Executive Summary

- 2.1 The scheme ended in Wales on 31 March 2020 after a two-year transitional period. Environmental Bodies (EBs) with approved projects were contacted on a regular 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.
- 2.2 The table below shows the reported value of Welsh LCF monies held by Environmental Bodies (EBs) at 31 March 2018, 2019 and 2020. LCF monies relating to Wales were spent by 31 March 2020 and the value of the monies held by EBs in Wales at this date was Nil:

Value of LCF monies:	31 March 2018	31 March 2019	31 March 2020
Total funds held	£1,056,222.23	£800,654.73	Nil

- 2.3 All EBs in Wales with remaining funds reported their funds as spent at 31 March 2020. A small number of EBs were subject to compliance scrutiny by ENTRUST in 2020/2021 to ensure that the expenditure was validated.
- 2.4 All projects based in Wales were reported as completed by 31 March 2020 and all EBs based in Wales that have completed their compliance activity have had their enrolment revoked through voluntary revocation or automatic cessation of enrolment in the LCF scheme in line with the published process.

3. Background

- 3.1 The responsibility for Landfill Tax in Wales was devolved to the Welsh Government on 1 April 2018. HMRC introduced legislation to provide for a two-year transitional period for the LCF scheme in Wales to ensure that all funds held by EBs were spent compliantly in accordance with the Landfill Tax Regulations 1996 (Regulations), and that all projects in Wales (including those by funding EBs based outside of Wales) were completed, by 31 March 2020.
- 3.2 The responsibility for the collection and administration of Landfill Tax in Wales was devolved to the Welsh Government from 1 April 2018 with funding from the LCF ceasing in Wales on 31 March 2018.

4. Closure Programme

4.1 The Wales closure programme was developed based on our experience of closing the LCF in Scotland. It set a framework to provide clear direction and leadership to EBs operating in Wales to allow them to comply with the Regulations. Despite the value of LCF funds held in Wales at the start of the transitional period being much lower than in Scotland, due to the smaller size of the scheme in Wales, there were still issues faced in ensuring that EBs met the requirement to spend compliantly their LCF funds by 31 March 2020. Our project monitoring framework, together with the Compliance inspection programme, mitigated any risks and overall ENTRUST considers that it delivered the desired outcomes of ensuring that:

- All LCF funds relating to Wales were reported as spent at 31 March 2020;
- All projects in Wales were reported as completed at 31 March 2020; and
- ENTRUST has not identified any funding not being accounted for in accordance with the Regulations.

4.2 Following the closure of the LCF in Scotland, ENTRUST carried out an evaluation review of the closure programme. Having completed this exercise, ENTRUST identified several opportunities to improve our overarching LCF closure framework which HMRC subsequently endorsed. These changes were communicated to EBs and are summarised below:

- Enrolment of organisations as EBs and project registrations ceased in Wales on 30 September 2019, 6 months prior to the end of the transitional period; and
- The enrolment of EBs based in Wales ceased automatically after the end of the transitional period, this automatic process was deemed voluntary revocation and applied to those EBs with all their funds accounted for. If an EB based in Wales wished to retain their enrolment they were required to notify ENTRUST by 30 September 2019. This would only be accepted if the EB also operated in England or Northern Ireland.

5. Activity to Support the Closure of the LCF in Wales

Information from Annual Returns

5.1 By 31 March 2020 all EBs operating in Wales had reported their LCF funds spent. The following table shows a comparison of monies held by EBs in Wales at the end of 2017/2018, 2018/2019 and 2019/2020 based on financial information submitted on the Form 4 Annual Returns submitted to ENTRUST by EBs operating in Wales:

Value of LCF monies:	31 March 2018	31 March 2019	31 March 2020
Total funds held	£1,056,222.23	£800,654.73	Nil

5.2 The following table provides further analysis of the Welsh funds held by EBs on 31 March 2019 and at 31 March 2020.

	31 March 2019	31 March 2020
No. of enrolled EBs based in Wales:	131	80
No. of Welsh EBs holding funds:	17	0

No. of Welsh EBs with Nil balances	114	80
Total funds held	£800,654.73	Nil
Total committed funds	£581,442.43	Nil
Total uncommitted funds	£219,012.30	Nil
Committed to winding up	£200	Nil
Value of funds not reported	Nil	Nil

Registrations

- 5.3 The deadline for registering projects and enrolling as an EB in Wales was 30 September 2019. By working with EBs with uncommitted funds remaining prior to this date we were able to ensure they submitted projects by the deadline. In total 10 projects were registered between June 2019 and October 2019, and one EB transferred their funding to another EB. Over the course of 2019/2020 we also contacted EBs with overrunning projects. The final element of our Wales project monitoring framework commenced in July 2019, which aimed to obtain updates on all ongoing projects in Wales to ensure that all projects would be completed on time and that funds were being spent. At the beginning of March 2020, there were 19 remaining approved projects still to be completed, all with completion dates of March 2020. All projects were reported as completed by 31 March 2020 and all project records were updated as appropriate.

Compliance

- 5.4 All EBs in Wales with funds reported their funds as spent by 31 March 2020. We did not receive any requests to carry over any project expenditure or any winding-up costs after 31 March 2020. A programme of inspections was conducted in 2019/2020 targeted at those that required assistance in completing their projects, those that had a balance of funds and those that had reported spending all of their funds. A small number of EBs were subject to compliance scrutiny in 2020/2021 by ENTRUST to ensure that we were able to validate their final expenditure.
- 5.5 EBs were required to seek permission by September 2019 to remain enrolled after 31 March 2020. No requests were received, therefore as agreed with HMRC the remaining EBs were revoked in September 2020 in line with the agreed process.

Enforcement

- 5.6 In 2019/2020 one late Form 3 (notification of a contribution) and one late form 7 (notification of a transfer) were submitted by EBs in Wales and handled according to our enforcement framework. There were also three incidences of Spend Outside the Prescribed Period (SOPP) that were addressed appropriately. In 2019/2020 enforcement action was taken against one Welsh EB and the action was closed following the EB providing all necessary information.

6. Closure Principles

6.1 Our closure programme facilitated the orderly closure of the scheme in Wales with all projects reported as completed and all funds reported as spent.

6.2 The Wales closure programme built on the lessons learned from our closure of the LCF in Scotland. Our experience of managing both these closures and the lessons learned from both programmes has been captured in a list of principles that we believe should be applied to any future closures, if and when they arise:

- Future closure programmes should consist of a two-year closure period to allow sufficient time for projects to complete and any closure period should be communicated as far as in advance as practicable;
- All registration activity (enrolments of EBs and registering projects) should be ceased six months prior to the end of a transitional period;
- Monitoring should focus at the individual project level to provide the highest level of scrutiny;
- EB enrolment should automatically cease once the EB has completed all of its reporting obligations and ENTRUST has carried out its compliance activities;
- EBs that are not responding to our requests for information in relation to their plans for any remaining funds or regarding their projects should be subject to formal enforcement proceedings as early on as possible, to ensure that any issues are resolved in good time;
- There should be frequent dedicated communications to ensure all stakeholders are fully informed, furthermore there should be a dedicated page of our website containing all relevant information in one place;
- Any EBs with inactive contact details should be monitored and followed-up to ensure that our database of contacts is fit for purpose and all EBs receive the information they need;
- Guidance should be provided that is specific to the closure programme, and the technicalities of it, and issued as early as possible and reviewed regularly;
- If appropriate, a framework of mutual information exchange between ENTRUST and the party responsible for any replacement scheme should be sought and implemented;
- All assets purchased with LCF monies should be subject to a specific check to ensure appropriate ongoing ownership;
- An agreed six-month period to follow the end of any transitional period should allow the completion of all compliance, enforcement and revocation work; and
- There needs to be the ongoing ability for ENTRUST to continue to have fit for purpose management reports allowing reporting at the country (or alternative applicable) level.