

A - Quick Start Guide to the Landfill Communities Fund

An overview of the Landfill Communities Fund

Contents	Page
1. Background to the Landfill Communities Fund (LCF)	A2
2. Receiving Money through the LCF	A2
2.1 Directly from a Landfill Operator (LO)	A2
2.2 From a distributive Environmental Body	A2
3. Do I Need to Enrol as an Environmental Body?	A3
4. Applying to Enrol as an Environmental Body	A3
5. Projects that can be undertaken with LCF Monies	A3
5.1 Object A: Remediation of Land	A3
5.2 Object B: Reduction of Pollution	A4
5.4 Object D: Public Amenities	A4
5.5 Object DA: Conservation of Biodiversity	A5
5.6 Object E: Restoration of Buildings of Religious or Historical Interest	A5
5.7 Object F: Administrative Services to another EB	A5
6. Project Approval Process	A6
7. Project/Enrolment Review Panel	A6
8. Reporting to ENTRUST	A6
9. Contributing Third Parties	A8
10. Compliance and how ENTRUST Manages Breaches in the Regulations	A9
11. Revocation and Clawback	A10
12. ENTRUST Enforcement Sanctions	A11
13. Budget 2011 Challenge – Reducing the level of unspent LCF funds	A12
14. Further Information	A14

1. Background to the Landfill Communities Fund (“LCF”)

- 1.1 The LCF (formerly known as the Landfill Tax Credit Scheme) is an innovative tax credit scheme that allows Landfill Operators (“LO”) to use some of their landfill tax to directly fund not-for-profit organisations. The LCF allows LOs to contribute a portion of the monies paid as Landfill Tax directly to projects that improve the lives of communities living in the vicinity of the landfill sites.
- 1.2 The LCF is regulated by ENTRUST and managed by Her Majesty’s Revenue & Customs (“HMRC”). It is ENTRUST’s role to ensure that the LCF monies are received and spent by organisations on projects which satisfy the objects set out in The Landfill Tax Regulations 1996 (the “Regulations”).
- 1.3 ENTRUST regulates the LCF in a number of ways including reviewing and enrolling each environmental body before they receive LCF monies, evaluating each project proposal before expenditure starts and undertaking visits to ensure organisations are acting compliantly within the Regulations.
- 1.4 ENTRUST provides this Guidance Manual to assist organisations and individuals to comply with the Regulations.

2. Receiving money through the LCF

There are two methods for an organisation to receive funding through the LCF: directly from a LO, or from a distributive Environmental Body.

2.1 Directly from a Landfill Operator (LO)

- 2.1.1 You might be able to find LOs who will give landfill tax money directly to your organisation. However, the funding available directly from LOs varies across the country. While many LOs take part in the LCF, not all do. Not all LOs will be potential sources of funding for your project. The only way to find out whether funding will be provided is for you to contact them directly.
- 2.1.2 Lists of applicable landfill sites can be found on the HMRC website (www.hmrc.gov.uk) or through the relevant registering authority, e.g. Environment Agency.

2.2 From a distributive Environmental Body distributive EB

- 2.2.1 The most common way for an organisation to receive funding is for it to approach a distributive EB. These bodies distribute funds on behalf of a LO or for more than one LO. Distributive EBs help other organisations to access the LCF monies.
- 2.2.2 Most distributive EBs will require your organisation to meet certain conditions about the way you will spend the LCF money they may give you.
- 2.2.3 Some distributive EBs provides funds only one geographical area or only one type of project. Each distributive EB will have its own policies and application form. There is a list of all the distributive EBs, their funding policies and contact details on the [finding funding](#) section of the ENTRUST website.
- 2.2.4 A distributive EB will want to make sure your project and proposed LCF expenditure complies with the Regulations and ENTRUST guidelines. However, the distributive EB’s criteria for accepting applications may be more stringent than the Regulations because there is a high level of demand for the monies or because the distributive EB wishes to focus on a specific area of the LCF.

3. Do I need to enroll as an Environmental Body (“EB”)?

3.1 It will depend on who you are approaching for funding.

- If you are approaching a LO directly, you will need to enrol your organisation as an EB with ENTRUST.
- If you are approaching a distributive EB, you may need to enrol with ENTRUST. It will depend on who you are approaching for funding and the value of the project. Enrolling as an EB will allow you to register your own project under your organisation’s enrolment.

3.2 Due to the enrolment charge and the administrative requirements as outlined below, we recommend you confirm with your proposed funder if you are required to enrol before undergoing the process of becoming an EB yourself.

4. Applying to enrol as an Environmental Body (EB)

4.1 In order to enrol as an EB, your organisation must comply with the following criteria:

- It must be a not-for-profit organisation;
- It must not be controlled either by a Landfill Operator or a Local Authority (please note that a Parish Council is deemed to be a Local Authority); and
- It must share an aim/objective with the aims/objects of the LCF (as outlined in section 5 - Projects that can be undertaken with LCF monies).

4.2 To enrol as an EB, it is necessary to complete a Form 1: Applying to enrol as an Environmental Body. In support of the application, ENTRUST require the most up to date version of your governing document, a copy of your accounts and an application fee of £100 made payable to ENTRUST. This application fee covers the cost of enrolling your organisation into the LCF. Please note that this fee is non-refundable

4.3 For further details on how to enrol as an ‘Environmental Body’ and what is required, please consult the separate ENTRUST guidance note: *B - Enrolling as an EB* (which incorporates *Guidance Note 3.2 - Information required for enrolment as an Environmental Body*).

5. Projects that can be undertaken with LCF monies

5.1 OBJECT A: Remediation of Land

5.1.1 The remediation or restoration of land, which cannot now be used because of a ceased activity.

5.1.2 The work must be on a single site where there was once something that took place that now stops the land being used. The site may have been contaminated in some way. The principle is that the person who polluted the land must not own or operate from the land. LCF monies must not be used to fulfil any statutory orders that the current landowner is under from the Environment Agency, or similar organisation.

5.1.3 When submitting an application, an organisation will be asked to confirm the following:

- The ceased activity;
- Who carried it out;
- When it stopped;
- How the person who polluted the land will not benefit (financially or through obligations being met); and

- How the ceased activity caused or is causing pollution.

5.1.4 For further details regarding Object A projects, please contact the ENTRUST Project Registration Department.

5.2 OBJECT B: Reduction of Pollution

5.2.1 The reduction, prevention or mitigation of effects of pollution that has resulted, or may result, from an activity which has now ceased.

5.2.2 An organisation must be able to demonstrate that the pollution identified by the project is directly linked to the activity which is intended to help mitigate, prevent or reduce pollution (as opposed to Object A that is concentrating on reclaiming or remediating the land, Object B focuses on the pollution itself).

5.2.3 When submitting an application, you will be asked to confirm the following:

- The ceased activity;
- Who carried it out;
- When it stopped;
- How the person who polluted the land will not benefit (financially or through obligations being met); and
- How the ceased activity caused or is causing pollution.

5.2.4 For further details regarding Object B projects, please contact the ENTRUST Project Registration department.

5.3 OBJECT D: Public parks and amenities

5.3.1 The primary intent of this object is to facilitate the protection of the environment by the provision, maintenance or improvement of a public park or other public amenity. The site where the work takes place must be open and accessible to the general public.

5.3.2 You will therefore be asked to confirm the following points:

- How the park or amenity that you are providing, maintaining or improving makes the environment more pleasant or comfortable and/or improves the aesthetic qualities of an area for the general public;
- That the park or amenity directly benefits the general public and they have open access to, or use of, it;
- It is somewhere where the general public can go, join or use without any unreasonable limit or restrictions of use (or with “reasonable” access costs) being in place;
- The costs of the project directly relate to the actual improvement, maintenance or provision of the identified park or amenity, rather than its management or its administration;
- How the park or amenity is for the protection of the environment;
- The project site is in the vicinity of a landfill site;
- The works are not a requirement of a relevant condition placed on the Landfill Operator or a Contributing Third Party;
- The park or amenity must be set up on a not-for-profit basis and any income made as a result of the LCF funded works must be handled appropriately as LCF derived income; and
- Each project is a single park, amenity or defined area.

5.3.3 For further details on public park or amenity projects which can be approved under the LCF, please consult the ENTRUST Guidance Note: *D - Object D (Public Parks and Amenities) Guidance*.

5.4 OBJECT DA: Conservation of Biodiversity

5.4.1 The primary intent of this objective must be for the conservation of identified species or habitats. It is best practice that the species or habitats in question are detailed in a Biodiversity Action Plan (BAP) or a Local Biodiversity Action Plan (LBAP). If not, ENTRUST will wish to ensure that the proposal will protect a habitat or species that is otherwise deemed significant. The proposed costs of the work must be related to the identified species or habitats and the actual place where it naturally occurs.

5.4.2 You will be asked to confirm the following:

- Which species or habitats are going to be conserved directly by the project going ahead;
- The costs of the works solely relate to the conservation of the species or habitats; and
- The costs of the works you propose relate to the place where the species or habitat naturally occurs.

5.4.3 For further details of projects that can be approved under this element of the LCF, please consult the ENTRUST Guidance Note: *E - Object DA (Conservation of Biodiversity) Guidance*.

5.5 OBJECT E: Restoration of Religious Buildings or Buildings of Architectural or Historical Interest

5.5.1 The primary intent of this object is to maintain, repair or restore a place of worship; or a building or structure that must have listed status (or equivalent), where the general public can access the building. This objective does not allow works to private residences.

5.5.2 You will be asked to confirm the following:

- The building or structure is open and accessible to the general public;
- The works you propose are to repair, restore or maintain the place of worship or structure of architectural interest (i.e. no new works); and
- All the costs of the works relate to the actual place of worship or structure of architectural interest.

5.5.3 For further details on the requirements of an Object E project, please consult the ENTRUST Guidance Note: *F - Object E (Restoration of Religious Buildings or Buildings of Architectural or Historical Interest) Guidance*.

5.6 OBJECT F: Administrative Services to another EB

5.6.1 The provision of financial, administrative or other similar services by one organisation enrolled with ENTRUST to another.

5.6.2 This objective allows an enrolled EB to provide certain services to other EBs. These services may include core administrative or similar services to assist in the running of the other EB.

5.6.3 You will be asked to confirm the following:

- That your EB is going to provide a service to another EB, or you are going to pay a contractor to provide a service to another EB; and
- You are not simply transferring money to another EB to cover its administration costs.

5.6.4 For further details regarding Object F projects, please contact the ENTRUST Registration Department.

6. Project approval process

- 6.1** The project approval process is set up by ENTRUST to allow the proposed LCF expenditure to be managed and controlled to ensure compliance with the Regulations. Following the 2007 Landfill Tax (Amendment) Regulations, project approval is now a regulatory requirement and all works must be registered with ENTRUST before any LCF expenditure is incurred.
- 6.2** Project approval is obtained by completing the Form 2: Applying to Register a Project and the relevant object specific appendix for the LCF object relevant to your project. An enrolled EB is not limited in the number of projects that it can register. There is no fee for project approval.
- 6.3** Within ten working days of Form 2 submission you will receive a response from ENTRUST, either confirming the project has been approved or asking for further details to allow ENTRUST to ensure compliance with the Regulations. If there is a change to the original application after a project has been approved, or the project does not go ahead, ENTRUST must be informed.
- 6.4** For further details on the ENTRUST project approval process, asset management and project management requirements, please consult the Guidance Note *C - Project Approval and Spending LCF Monies*.
- 6.5** All project applicants must provide an estimated project completion date when the project is registered. If a project has not been completed by its estimated project completion date then an extension of time should be sought from ENTRUST. Once a project is complete, the EB holding project approval should fill in and submit Form 9: Project Completion Form to ENTRUST. For further details and guidance please consult Guidance Note *C – Project Approval and Spending LCF monies*.

7. Project/Enrolment Review panel

- 7.1** If, upon review by ENTRUST, the project is considered not to be compliant with The Landfill Tax Regulations, ENTRUST will refuse the project. A refusal to give project approval will automatically be referred to the Review Panel. This panel meets every month to review any project or enrolment application which has been refused and the panel ensures that the correct decision has been made in accordance with the Regulations. The project applicant is invited to attend the review panel to make the case for project approval.
- 7.2** For further details on the workings of the Review Panel, please consult the ENTRUST Guidance Note *G- Review Panel Terms of Reference*.

8. Reporting to ENTRUST

- 8.1** In accordance with the Regulations, all enrolled EBs are required to submit statutory returns to ENTRUST. Regulation 33A provides as follows:

(1) An approved body shall –

...

(e) provide the following information to the regulatory body ... within seven days of the receipt by it of any qualifying contribution—

- (i) the amount of the contribution;
- (ii) the date it was received;
- (iii) the name and registration number of the person making the contribution;

- (iv) the name and address of any contributing third party in relation to the contribution notified to it by virtue of regulation 32(2B) above;
- (f) notify the regulatory body within seven days of any transfer to or by it of qualifying contributions or of income derived therefrom of—
 - (i) the date of the transfer;
 - (ii) the enrolment number of the approved body by which the transfer was made;
 - (iii) the amount transferred;
 - (iv) the name and registration number of the person who made the qualifying contribution;
 - (v) the name and address of any contributing third party in relation to the contribution; and
 - (vi) the approved objects to which the transferred funds are to be applied;
- ...
- (h) submit to the regulatory body ... within 28 days of the end of the relevant period determined in accordance with paragraph (2) below details of—
 - (i) qualifying contributions and any other income or profit whatsoever received by it,
 - (ii) any expenditure made by it during the period, and
 - (iii) any balances held by it at the end of the period;

8.2 The ENTRUST forms are as follows:

Form 1: Applying to Enrol as an Environmental Body.

This form is completed when an organisation initially applies to enrol as an EB. This form is to be submitted with a £100 enrolment application fee made payable to 'ENTRUST', the current governing documents of the organisation and, if available, the most recent copy of accounts.

Form 2: Applying to Register a Project

This form is to be completed to register LCF project expenditure with ENTRUST before the expenditure takes place. To the back of each of these forms, the relevant Form 2 Object Specific appendix must be affixed depending on the LCF object that applies to your project proposal.

Form 2X: Applying for an extension of time to complete a Project

This form is for an EB holding project approval for a project to apply to ENTRUST for an extension of time in which to complete that project.

Form 3: Contributions from a Landfill Operator (LO)

This **statutory** return is to be completed and submitted to ENTRUST by the receiving EB within seven days. Upon receipt of the form, ENTRUST will invoice you a proportion of the amount you receive from the LO in accordance with the Regulations.

Form 4: Statutory Annual Return

Every enrolled EB must complete this **statutory** return within 28 days of the 31st March, **even if a zero balance is to be reported**. This outlines your organisation's LCF activities in the last

year, on an income and expenditure basis. Please note that it is not necessary to change your organisation's financial year-end to correspond with these dates.

Form 7: Transfer of LCF monies between EBs

This **statutory** form has to be completed by the transferring EB and submitted to ENTRUST within seven days of the transfer of monies taking place. The recipient is no longer required to inform ENTRUST at the time of transfer, however the funds received will be recorded on the relevant Form 4: Annual Return.

Form 9: Project completion form

This form is for an EB holding project approval to notify ENTRUST that a LCF project is complete.

Responsible Officer Update Form/Change of Director/Change of Main Contact Form

An enrolled EB is required to inform ENTRUST of any changes to the people who sit on the organisation's management committee (or Board of Directors) or of the rules governing that committee (or Board). This notification should occur within seven days of the change taking place. This is required to allow ENTRUST to ensure each organisation is not controlled by a Local Authority, a LO or an individual who has been previously removed from the LCF.

While the responsible officer form is required to be completed for each change to the management committee, it should also be used to advise of changes to the main contact or any other individuals involved with LCF monies.

8.3 For further details on the ENTRUST reporting forms and how to complete them, please consult the Guidance Notes on the back of each of the forms or contact ENTRUST directly. Please note that failure to return a form within the statutory timeframe represents non-compliance with the Regulations.

9. Contributing Third Parties

9.1 The contributing LO does not receive tax relief for all of its contribution to the EB. For every £100 given to the scheme, the LO receives a £90 tax credit, i.e. each contribution made to the LCF costs the LO 10% of the amount given.

9.2 In some cases the LO will absorb this loss themselves, aware of the benefits that can be derived from participating in the LCF.

9.3 In other cases, the LO will require a third party to pay it the 10% required to make the transaction 'cost neutral'. (For the major contributors to the LCF, the 10% difference can be a significant amount of money.) The third party which pays the required amount to the LO is known as the Contributing Third Party.

9.4 If the LO, or the distributive EB providing the LCF monies on behalf of the LO, requires you to arrange a Contributing Third Party who can make payment of the required amount, you should bear in mind the following:

- The Contributing Third Party must be an entity which is entirely separate from the EB which receives the LCF funding;
- The Contributing Third Party must have the intention of making the payment to the LO in order to secure the LCF qualifying contribution;
- The Contributing Third Party payment should be made directly to the relevant LO to avoid any confusion between this payment and LCF monies held by the EB;

- The Contributing Third Party must not receive a unique benefit from the project going ahead or from having made the Contributing Third Party payment;
- The source of the funds for the Contributing Third Party payment to the LO cannot be LCF monies or derived from LCF monies.

9.5 For further details on the definition of unique benefit, who is considered acceptable as a Contributing Third Party and what is considered acceptable as a Contributing Third Party payment, please consult the ENTRUST Guidance Note H - *The Benefit Rules*.

10. Compliance and how ENTRUST manages breaches in the Regulations

10.1 ENTRUST ensures that activities undertaken under the LCF comply with the governing Regulations through the following methods:

10.1.1 All organisations that apply to ENTRUST for enrolment are reviewed to ensure they meet the required criteria as set out in the Regulations.

10.1.2 ENTRUST assesses the work EBs wish to undertake by reviewing individual proposals at the project approval phase (as referred to above), prior to landfill monies being spent.

10.1.3 ENTRUST undertakes compliance reviews to verify the project expenditure and the controls in place at the organisation. Before a visit takes place you will be advised of the details that will be required at the visit and upon completion you will receive a report confirming the visit findings; and will be expected to address any findings.

10.1.4 Finally, ENTRUST will investigate allegations of breaches of the Regulations.

10.2 You must maintain clear records to demonstrate that projects have been carried out in line with their project approval, and that contributions have been spent in compliance with the Regulations. ENTRUST will examine these records during the compliance review. These records may be paper or electronic records but must be in a format so that they are accessible and legible when provided to ENTRUST.

Regulation 33A provides:

(1) An approved body shall –

...

(d) make and retain records of the following:

- (i) the name, address and registration number of each registered person making a qualifying contribution to the body;
- (ii) the name and address of any contributing third party in relation to a qualifying contribution received by the body;
- (iii) the amount and date of receipt of each qualifying contribution and the amount and date of receipt of any income derived therefrom;
- (iv) in the case of a transfer of the whole or part of any qualifying contribution or income derived therefrom to or from the body, the date of the transfer, the amount transferred, the name and enrolment number of the body from or, as the case may require, to which it was transferred, the name, address and

registration number of the person who made the qualifying contribution and the name and address if any contributing third party in relation to the contribution;

(v) in respect of each qualifying contribution and any income derived therefrom, including any such amount transferred to the body by another approved body, the date of and all other details relating to its expenditure.

- 10.3** EBs are required to keep and maintain a clear audit trail to show a link between all qualifying contributions received and all expenditure from qualifying contributions. All records must clearly indicate which expenditure is funded by which LO contribution. This applies to all expenditure funded by LCF monies, including both project expenditure and the EB's legitimate running costs.
- 10.4** An EB must also record and report all income derived which it receives. The EB's own records of the income derived which it receives should be kept indefinitely.
- 10.4.1** Where a project generates income but the EB which registered the project is not entitled to receive any of that income derived itself, then the EB does not have to report the income derived by another party. However, it is the EB's responsibility to ensure that any income derived which is received by another party is only applied to an approved object. Therefore any EB which registers a project on behalf of another person or organisation must ensure that it has the necessary controls in place to comply with this requirement.
- 10.5** EBs are also required to keep and maintain a record of the name and address of any Contributing Third Party. In respect of each Contributing Third Party an EB must record the qualifying contribution which was secured by that Contributing Third party making payment.
- 10.6** Regulation 34 provides as following:
- (1) The regulatory body:-
- (i) shall satisfy itself, by reference to such records or other documents or information that it thinks fit, that all the qualifying contributions received by the body have been spent by it only in the course or furtherance of its approved objects.

Therefore, EBs will be required to produce their records for inspection by ENTRUST on request. Where information is held electronically, the EB must be able to convert the data into a satisfactory legible format on request.

11. Revocation and Clawback

- 11.1** Where an EB no longer wishes to remain enrolled, it can request voluntary revocation by writing to the Compliance Manager. Once an EB requests revocation, the Compliance Team will make certain checks to ensure that the projects and assets remain in compliant use and continue to benefit communities.
- 11.2** Where a serious breach of Regulations occurs and an EB is found not to have met its obligations as an approved body, HMRC have the power to compulsorily revoke an EB.
- 11.3** Where HMRC are not satisfied that an EB's expenditure is compliant or when an EB breaches a condition HMRC have the power to recover the tax credit claimed by the LO against their qualifying contribution. Re-payment of credit is known as "clawback".

- 11.4 LOs can seek to reclaim their contributions from an EB, for example, if the EB failed to honour a contractual obligation that the contribution was spent on approved objects. It is common for the funding agreement between a LO and an EB to provide that LCF monies will be repaid if the EB fails to comply with the Regulations.
- 11.5 Where an EB transfers a contribution to another EB, the LO is still treated as the contributor. Therefore the LO is still liable to clawback if there is non-compliance, even if that non compliance is by the EB to whom the contribution has been transferred.
- 11.6 HMRC have issued comprehensive notes to LOs with respect to clawback and the LCF. In particular HMRC advise LOs that:

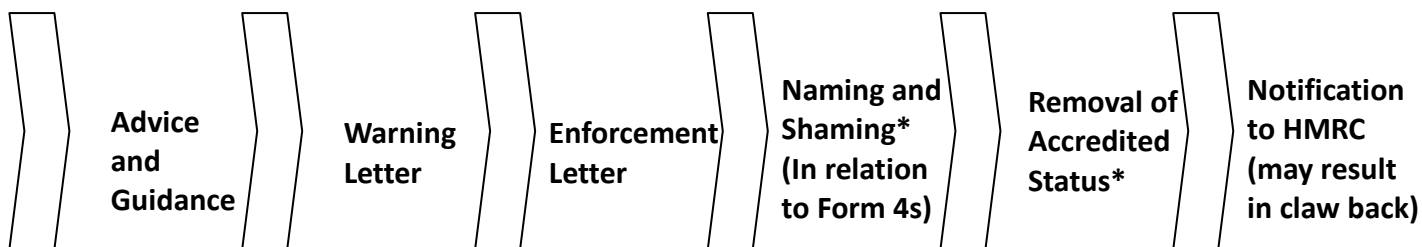
“The precautions you have taken to ensure that money is spent on approved objects will be an important factor in our decision on repayment of tax credits.”

 The HMRC guidance notes for LOs on the LCF are in Section 11 of the General Guide to Landfill tax found on [HMRC’s website](#)
- 11.7 For other details on the LCF and the activities of ENTRUST, please either consult the [ENTRUST website](#), contact [ENTRUST](#) or find further information in the following guidance notes as outlined in this document.

12. ENTRUST’s Enforcement Sanctions

- 12.1 The responsibility for managing breaches in Regulations is split between ENTRUST and HMRC.
- 12.2 If an EB’s expenditure is found to be non-compliant, HMRC can seek clawback of the mis-spent LCF funds from the LO and/or compulsory revoke an EB.
- 12.3 Where ENTRUST considers that a regulatory breach has occurred or there is a risk of a breach by an EB then a series of events will take place, under the general heading of the Enforcement Process. Whilst a diagrammatic representation of the enforcement process is shown below, the Enforcement Process may not be linear as the most appropriate sanction will be applied.

Diagrammatic Representation of the Enforcement Process:



**Only if applicable.*

- 12.4 ENTRUST has a policy of ‘Naming and Shaming’ EBs who do not return their Statutory Annual Returns (Form 4) in the first instance.
- 12.5 The decision to impose sanctions against an EB is a serious step. A fair, transparent and proportionate enforcement framework is essential to the maintenance of stakeholder confidence in the regulation of the LCF. Each case identified by ENTRUST is unique and will be considered on its own facts and merits. However, there are a number of principles that apply in all circumstances and which ENTRUST will adopt:

- ENTRUST must demonstrate that the process applied in arriving at a decision, is fair, independent and objective;
- The person or organisation with legal responsibility must be made accountable for the breach; and
- In assessing the case it is important that the relevant part of the Regulations is applied.

13. Budget 2011 Challenge and outcome – reducing the level of unspent LCF funds

13.1 In Budget 2011 the Chancellor of the Exchequer announced an increase, to 6.2%, in the percentage which LOs could contribute to the LCF in 2011/12 so that the value of the LCF could rise to a potential £78.1m, giving an increase in line with inflation. However, the Chancellor also announced that future decisions on the value of the LCF would take into account the success of EBs in reducing the level of unspent funds they hold.

13.2 The original Challenge issued to EBs was to reduce the level of unspent funds by 15% by 31 March 2012, with a corresponding increase in project expenditure. The reduction was 15% measured from the 2009/2010 baseline of £152m. In Budget 2012 the Chancellor announced that the Challenge would continue but with an increased target reduction (of 25%) and an extended deadline (31 March 2013). In Budget 2013 the Chancellor further extended the deadline to 31 March 2014 but maintained the target reduction at 25%. The percentage which LOs could contribute to the LCF was increased to 6.8%. In Budget 2014 the Chancellor reduced, to 5.1%, the percentage which LOs could contribute to the LCF. This reduction took into account the progress which EBs had made by that date to address the Government's Challenge.

13.3 In September 2014 HM Treasury published the outcome of the Challenge: EBs had achieved a reduction in unspent funds of 17% against the target of 25%. HM Treasury and HMRC set up a working group to discuss options for reform of the LCF in order to increase the flow of funding to communities. The outcomes from the working group are due to be incorporated into a public consultation on the options for reform of the LCF. This consultation is scheduled to be published after the Chancellor's Budget in spring 2015. Any further information and any updates will be published on our website.

13.4 While the discussion on reform continues, EBs should continue to work to reduce the level of unspent funds through the delivery of community and environmental projects. EBs will need to take a course of action which is appropriate for their own circumstances while complying with the Regulations and best practice. As the reduction in the level of unspent funds held by EBs should be matched by a corresponding increase in project expenditure, it is not appropriate for there to be an undue increase in the running costs of EBs. Running costs should be reasonable and relevant as set out in *Section C: Spending Landfill Communities Fund Monies*. Compliance visits will continue to include a focus on the level of unspent funds held by EBs and on EBs running costs.

13.5 Uncommitted funds

13.5.1 Many EBs do not commit funds until they have received them. EBs who have regular funders could discuss with their funders ways in which they may be able to get an in principle commitment to a minimal level of funds that will be paid, and so the EBs can commit (and hence spend) this minimal level earlier. This may be affected by the levels of waste which are sent to landfill throughout the year.

13.5.2 EBs who have contributing LOs who make single contributions on 31 March each year could discuss with the LOs the possibility of phasing in smaller payments during the year. This may not be appropriate for the funding LO in all cases due to the accounting policies and principles under which each operates.

13.5.3 EBs' funding policies may be having an impact on the speed at which LCF funds are committed because of the types of projects that are being supported. This is an area of which the EBs should be aware and keep under review in order to meet the Challenge.

13.5.4 EBs may wish to consider reducing the expected length of time projects will take to complete. Whilst it is a strength of the LCF that it can be a seed funder, this may not be appropriate if the timeframe for achieving funding from those other funders is excessive.

13.5.5 If EBs do not have sufficient demand for their funds they could consider broadening the scope of the types of project which they fund. This could be done by:

- Increasing the maximum level of funding which they can offer to projects;
- Decreasing the minimum level of funding which they can offer to projects;
- Supporting the full range of LCF objects (if their governing documents would allow for this); and
- Increasing the funding area up to ten miles, as per ENTRUST guidance (if the EB's funding criteria is currently more restricted).

If any of the methods outlined above are implemented, EBs must ensure that both their governing documents and funding agreements with LOs allow for the action to be taken.

13.5.6 EBs could also consider what practices they could adopt to streamline the time it takes to commit funds and this could include:

- More detailed project application forms to ensure that all relevant details are provided in advance;
- Monthly project approval board meetings;
- Delegation of responsibility for project approval of projects under a de minimus level to a nominated representative of the board; and
- Strategic planning of project approvals to fast track appropriate projects.

13.5.7 If EBs have endowment funds then they should periodically review the need for these and the reasonableness of the timescales for planned expenditure.

13.6 Funds committed to projects which have not yet been approved

13.6.1 As set out in Section C: Registering Projects and Spending Landfill Communities Funds, no LCF funds can be spent on any LCF project until that project has first been approved by ENTRUST. Therefore we expect projects to be registered and approval obtained in a timely manner following any initial funding offer.

13.6.2 In order to reduce the level of funds which are committed to projects that are not yet registered with ENTRUST, EBs could consider what processes can be put in place to speed up the time which it takes for the registration of projects where funds have been committed. If the practices outlined in paragraph 13.7.6 above are adopted, these may also allow for quicker project registration with ENTRUST.

13.6.3 EBs may also wish to consider becoming Accredited as one of the benefits of Accreditation is that EBs are able to approve their own projects. This process is faster and simpler than submitting projects to ENTRUST for approval. If you would like further information on Accreditation, please contact one of our compliance managers, Mike Holland or Andrew Wood, on 01926 488 309/310.

13.7 Funds committed to projects approved by ENTRUST

13.7.1 EBS can reduce their level of unspent funds if they regularly chase project managers to submit invoices, so that they are able to make the staged payments at a faster rate.

13.7.2 Some EBs make staged payments to projects once they have received a copy of the invoices to be paid. This process ensures that projects are completed and Value for Money is obtained. However, there may be instances where an EB works frequently with a project applicant and in such cases it may be possible for the EB to make payment of the full amount of LCF funding to the project applicant if the EB considers that the project applicant is reliable and can hold the funds securely.

13.7.3 EBs can review the amount of time between funding being agreed for a project and the first payment being made. For example, if the project has not commenced after three months of funding being agreed, the EB may consider re-allocating the funding.

13.7.4 EBs which regularly extend a funding offer because a project has not commenced may wish to review and restrict this practice.

13.8 Funds retained for the winding up of the EB

13.8.1 Many EBs retain funds in the event of cessation of the LCF to ensure that they are able to continue to monitor approved projects until those projects are completed. These costs are referred to as “wind up costs”. If EBs hold reserves for wind up costs, these should be reviewed periodically to ensure that an appropriate amount is being held for the likely commitments.

14. Further Information

Please consult the following guidance notes for further information:

B - Enrolling as an Environmental Body (EB)

The governing Regulations and detailed guidance on what is required to enrol as an EB.

C – Project Approval and Spending LCF Monies

Guidance on the project approval process as a whole, with project management requirements and asset management guidance.

D - Object D Guidance

How to ensure your Object D: Public Amenities project is compliant.

E - Object DA Guidance

How to ensure your Object DA: Conservation of Biodiversity project is compliant.

F - Object E Guidance

How to ensure your Object E: Restoration of Religious Buildings and Buildings of Architectural Interest project is compliant.

G - Review Panel – Terms of Reference

The Terms of Reference covering the Review Panel.

H - The Benefit Rules

Guidance on the definition of ‘benefit’, and further details about Contributing Third Party payments.

I - Accreditation and Small Grants Scheme

The EB Accreditation process.

Useful links and contacts connected to the LCF

The Landfill Tax Regulations (1996)

- Available from Bookshops or <http://www.legislation.gov.uk/> (please note that the version on the legislation website is the version as originally enacted in 1996 and the updates and changes since 1996 will not be shown as these Regulations are not currently updated on this website)
- A copy of the Regulations (updated each year) is available on the ENTRUST website

Landfill Operators registered for tax purposes

- HMRC website: www.hmrc.gov.uk
- Tel: 0845 010 9000

Landfill Operators in your area

- Environment Agency (England and Wales) www.environment-agency.gov.uk
- Scottish Environmental Protection Agency (Scotland) www.sepa.gov.uk
- Environment and Heritage Service (N. Ireland) www.ehnsi.gov.uk

Directory of LCF Funders (distributive Environmental Bodies)

- Please check the ENTRUST [website](#) or contact the ENTRUST Registrations team on 01926 488 326 / 327 / 328

Application to Enrol

- Form 1: Applying to Enrol as an EB is available on the [ENTRUST website](#)