Compliance and Breach Management Update

April 2026 to September 2026

October 2026

1. Introduction

1.1. Entrust has a duty under the Landfill Tax Regulations 1996 (Regulations) to ensure that all LCF monies received by an Environmental Body (EB) are spent compliantly. As part of our compliance assurance work for HMRC, we conduct an annual programme of risk-based reviews of EBs and projects.

1.2. The inspection process evaluates the extent to which an EB has complied with the Regulations and managed projects in accordance with our guidance and wider good practice.

1.3. Control weaknesses identified during the inspection process are detailed within a compliance report together with appropriate recommendations for corrective action by the EB. A summary of the findings raised with EBs during April 2026 to September 2026 is outlined below.

1.4. Breaches of the Regulations by EBs are managed in accordance with Entrust's Breach Management Framework, which we have agreed with HMRC, and which complies with best regulatory practice.

1.5. The aim of this report is to highlight examples of non-compliance and to provide advice and guidance to EBs on how to mitigate the risk of these issues occurring within their own organisations.

1.6. The report covers our activity during April 2026 to September 2026 and is split into the following sections:

- **Failure to comply with the Regulations** – instances of non-compliance;
- **Analysis of issues** – provides a more in-depth analysis of the issues identified;
- **Recommended corrective actions** – the actions that EBs can implement to manage the most frequently identified compliance issues;
- **Breach management –** provides details of EBs' late form submissions and spending outside of the prescribed period (SOPP);
- **Breach management cases –** details Entrust's breach management case work and/or referrals to HMRC; and
- **Non return of Statutory Annual Returns –** details the late submission of Annual Returns and numbers of EBs whose activity is frozen for failure to submit returns.

1.7 If Stakeholders have any questions regarding the content of this report, or for more information on our compliance and breach management processes please contact our Compliance team on 01926 488 300, or by emailing compliance@entrust.org.uk Further information is also available on our website.

2. Compliance Reviews

2.1. Failure to comply with the Landfill Tax Regulations 1996 (Regulations)

2.1.1. Non-compliant recommendations are raised where we identify that an EB has failed to comply with the Regulations. Advice and guidance is provided to EBs to enable them to resolve the issues and mitigate any future breaches.

2.1.2. During April 2026 to September 2026, twenty final Compliance reports were issued in which there were five recommendations raised to correct non-compliant issues.

Non-compliant issue	Number of recommendations					% of non-compliant recommendations
	Q1	Q2	Q3	Q4	Total	
Failure to maintain records of LCF expenditure	0	0			**0**	0
Statutory reporting - Annual Returns	0	0			**0**	0
Project expenditure outside of the prescribed period	0	0			**0**	0
Non-compliant use of LCF funds	0	0			**0**	0
Project non-compliance	0	3			**3**	60%
Failure to notify change of Directors, Contacts/Trustees, or governing document	0	1			**1**	20%
Other - Non compliant	0	0			**0**	0
Statutory reporting - Contributions	0	0			**0**	0
CTP compliance	0	1			**1**	20%
Statutory reporting - Transfers	0	0			**0**	0
Failure to maintain records of LCF income	0	0			**0**	0
Failure to maintain CTP records	0	0			**0**	0
Totals	**0**	**0**	**0**	**0**	**5**	**100%**

3. Analysis of Issues

3.1. Non-compliant issues

3.1.1 Three instances (60%) of non-compliance regarding projects has been identified since April 2026. Project expenditure must be reported accurately and evidence of the costs provided, which have to be verified. In addition, expenditure is only permissible on the specific items as detailed within the project approval. Purchase of items, works or materials which have not been specified is a non-compliant use of funds and in most cases will require the funds to be returned under the terms of the funding agreement.

When first registering a project, the requirements of the object under which your project has been placed must be met.

3.1.2 Another area of non-compliance identified since April 2026 included a failure by EBs to advise Entrust of changes to their Trustees/Directors (one occasion.) EBs must ensure that the records held by Entrust are up to date and changes advised as soon as they occur.

3.1.3 One instance of non-compliant Contributing Third Party (CTP) records or payments has also been identified. EBs must maintain records of all donors to projects and ensure that the CTP funds are from actual 'third-party' sources, i.e. not the EB's own funds.

3.2 Recommended corrective actions

3.2.1 Wherever possible, LCF expenditure should be supported by formal VAT invoices. Guidance on valid invoices has been issued as a news item in July 2023 on the Entrust website.

3.2.2 As most changes to Trustees/Management Teams occur at an organisations' AGM it is recommended that the requirement to update Entrust details via Entrust Online is either minuted or diarised as an action immediately following the AGM. Many EBs are also required to update the Charity Commission with the same details as required by Entrust and so both tasks could be done at the same time.

3.2.3 EBs are required to maintain records of all CTP donors which detail the donor's name; address and the amount of the donation. These donations must be from a separate third party organisation or individual and cannot be made from LCF funds or from the EBs own funds.

3.2.4 As there is no longer a requirement for organisations to enrol as an EB to receive funding from distributive EBs, it is recommended that EBs which do not receive regular contributions from a Landfill Operator consider revoking from the scheme, as this will remove the record-keeping requirement and also allow them to use their own funds as CTP donations on future projects instead of having to identify a separate donor.

4. Breach Management

4.1 Minor Breaches

4.1.1 EBs which breach the Regulations are subject to action under Entrust's Breach Management Framework. Breach management action will begin with the issuing of an Advice and Guidance or Warning letter, with repeated breaches escalated to a higher intervention stage.

4.1.2 The following table provides a summary of the number of breach management letters issued during April 2026 - September 2026. Where an EB has multiple breaches in one month, then they receive one letter covering all of their breaches to minimise any additional administrative burden. For clarity purposes, the table also sets out some actions that EBs should take to avoid and mitigate these issues arising. For more detailed information as to the obligations of EBs please see our Guidance Manual:

Regulatory breach	Breach Management stage	No. of letters					Action EBs should take
		Q1	Q2	Q3	Q4	Total	
Late Statutory reporting – Notification of a contribution from Landfill Operator (LO)	Advice and Guidance letter	2	2			**4**	EBs should monitor bank accounts to ensure that they are aware of when money has been received from a LO. Internet banking is recommended as best practice so alerts can be received when payments are received.
	Warning letter	1	0			**1**	
	Final Warning letter	0	0			**0**	
Late Statutory reporting – Notification of a transfer of monies between Environmental Bodies	Advice and Guidance letter	2	0			**2**	EBs should ensure they have an established process to identify if an organisation they are funding is an EB and to report EB transfers in the appropriate timeframe.
	Warning letter	0	0			**0**	
	Final Warning letter	0	0			**0**	
Late levy payment	Advice and Guidance letter	2	1			**3**	EBs should have a process to pay the levy invoice within the required timeframe.
	Warning letter	0	0			**0**	
	Final Warning letter	0	0			**0**	
Project expenditure outside of the prescribed period	Advice and Guidance letter	0	5			**5**	EBs should monitor the delivery of projects and request extensions for projects which may not fully complete by their original approved completion date.
	Warning letter	0	0			**0**	
	Final Warning letter	0	0			**0**	
Total	**All letters**	**7**	**7**	**0**	**0**	**15**	

4.1.3 Breach Management actions were taken on seven minor breaches of late reporting of contributions, transfers and SOPP incidents, identified during quarter two. There was also one instance of a late levy payment being made.

4.2 Breach Management Cases

4.2.1 A case file will be opened for all material breaches of the Regulations. Entrust will work with the EB to fully investigate the nature of the breach and seek an appropriate resolution.

4.2.2 Cases which cannot be satisfactorily resolved by working with EBs will be referred to Entrust's Board for review. The Board may consider that the breach is so serious it should be referred to HMRC for their consideration, or no further action is required.

4.3 Non Return of Statutory Annual Return

4.3.1 At the end of September 2026, 17 EBs remained frozen (seven for not submitting their 2025/2026 Statutory Annual Return.) The completion of the Statutory Annual Return provides key information to ensure Entrust can provide HMRC with independent assurance that LCF funds are being spent compliantly. Without this information, it is not possible to assess compliance, therefore, EBs are set to frozen status and cannot participate in the scheme until this information is provided.

4.3.2 Currently, there are seven EBs who have been frozen for two years. If an EB fails to submit their Annual Return for two consecutive years, they are referred to HMRC to consider forcible revocation. Every effort is made to contact these organisations prior to making referral decisions.

Entrust
October 2026