

END OF YEAR REPORT 2017-18



SEPA Scottish Landfill Communities Fund Team

Contents

1. Introduction	3
2. Dates used.....	3
3. Key Performance Indicator (KPI) Discussion.....	4
i. Approved Body Applications.....	4
ii. Register of Approved Bodies	4
iii. Compliance Inspections	4
iv. Enforcement.....	5
v. Written Communication Response Times.....	6
vi. Number of Complaints and Compliments	6
vii. Number of Data Security Breaches	6
viii. Qualifying Contributions made to the Fund.....	7
ix. Funds Committed to Projects	8
x. Approved Body Running Costs.....	13
xi. Subvention income	14
xii. SEPA Costs.....	14
4. CONCLUSION	16
5. APPENDIX 1 - SUMMARY OF KEY PERFORMANCE INDICATORS.....	17
6. APPENDIX 2 – END-OF-YEAR SUMMARY INFOGRAPHIC	20

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1. Introduction

2017-18 marks the third year of the Scottish Landfill Communities Fund (SLCF). Overall, the SLCF has continued to function well. 14 Approved Bodies (ABs) were eligible to receive funds from landfill operators registered for Scottish Landfill Tax and distribute the funds to eligible projects. All 14 ABs were active this year. Qualifying contributions of £8.6m were made to the fund and funds were committed to 386 projects (total value £9.2m). 55% of eligible taxpayers chose to contribute to the fund.

All Approved Bodies were found to be compliant this year. SEPA continues to enjoy an effective relationship with the ABs. We carried out an in-depth compliance inspection at each AB this year and a desk inspection of each notification received (1318).

The SEPA team responsible for administration of the SLCF comprises three staff members. We have responded to over 200 queries from ABs, projects and landfill operators on the SLCF, and continue to promote the fund wherever possible.

This report presents the information SEPA has collected on the fund over 2017-18.

2. Dates used

The data reported for qualifying contributions made to the fund, funds committed to projects and SEPA Regulatory Fees (income) have been reported over the financial year on an accruals basis. This is to take account of, and align with, the 44 days following the end of each quarter, within which Scottish Landfill Tax payers are allowed to make qualifying contributions to the fund and claim credit for them in their tax returns. As the amount of SLCF contributions that qualify for credit are restricted to a maximum of 5.6% of the taxpayers total tax liability for the year and because contributions must have been made to an AB before a corresponding tax credit can be claimed, most qualifying contributions are calculated and made during the 44 days following the end of the tax quarter. Therefore, to understand and present a representative picture of qualifying contributions made to the fund, the reporting period for the SLCF has been aligned to include these 44 day periods.

Three measures have been adjusted to account for the 44 day reporting period so that they are directly comparable, providing a true picture of income and expenditure from the fund:

1. Qualifying contributions reported as received by ABs,
2. Funds committed to projects,
3. SEPA Regulatory Fees¹

All other data has been reported using the financial year from 1 April to 31 March.

¹ SEPA Regulatory Fees are invoiced once Qualifying Contributions have been notified to SEPA and therefore also have the 44 day time lag.

3. Key Performance Indicator (KPI) Discussion

Revenue Scotland and SEPA agreed a set of key performance indicators (KPIs) to monitor and evaluate the performance of the SLCF. The key performance indicators are listed in Appendix 1, which shows the relevant data collated by SEPA for the two reporting timeframes described in Section 2. The detail of each measure is discussed below.

i. Approved Body Applications

No applications were received this year either for approval to distribute SLCF funds or to revoke approval.

No enforced revocations were needed this year under enforcement activities.

14 ABs have been active within the fund this year. The ABs are located throughout Scotland, from the Western Isles to the Borders. Three SLCF ABs have their offices based in England and administer their projects remotely.

ii. Register of Approved Bodies

SEPA continues to maintain a Register of Approved Bodies, published on [SEPA's website](#)². The register has been updated once, reflecting a change to contact details only. The update was made within 24 hours, which is well within the 7 day target.

iii. Compliance Inspections

2017-18	Q1	Q2	Q3	Q4	Total
a. Number of compliance inspections completed by the SLCF team	16	32	18	3	140
Assessment of AB accounts	0	2	0	12	14
Assessment of Annual Reports	14	0	0	11	25
Database compliance checks	0	29	11	47	87
Inspection / Audit of AB	2	1	7	4	14
b. Number of ABs deemed compliant following a compliance inspection	14	14	14	14	14

² <https://www.sepa.org.uk/media/219234/register-of-approved-bodies.pdf>

Our approach to compliance assessments has changed subtly this year. We have carried out one full compliance inspection at each AB during the year, as we have in previous years. We have also recorded a number of “database assessments”. These interrogate the data collected in the database and assess compliance with factors such as notification timings, transfer and spending of contributions and payments made by Contributing Third Parties.

In addition to compliance inspections, the SLCF team has processed 1430 notifications received from ABs and landfill operators. This is 33% higher than last year (939), and comprises:

- 78 qualifying contributions;
- 453 project enrolments;
- 636 transfers of funds;
- 235 contributing third party payments
- 14 statements of account and
- 14 annual reports.

iv. **Enforcement**

2017-18	Q1	Q2	Q3	Q4	Total
a. Number of enforcement actions started	0	0	0	1	1
b. Number of enforcement actions concluded and outcome	0	0	0	1 (final warning issued after continued late payment of fees)	1

Of the 14 compliance inspections carried out, every AB was deemed to be working in compliance with the regulations and their conditions of approval. The database checks identified a small number of minor non-compliances at an early stage and we have worked with ABs to change practices and improve compliance. One non-compliance (continued late payment of fees) resulted in a warning letter being sent. This was the only enforcement action required this year. All 14 ABs were found to be otherwise compliant.

In general, all ABs are notifying SEPA of required information within the time limits stated in the regulations. The good working relationship that SEPA maintains with the ABs has helped ensure ABs know when notifications are due to be submitted.

v. **Written Communication Response Times**

2017-18	Q1	Q2	Q3	Q4	Total
a. Total number of queries responded to	60	50	56	42	208
b. Number of queries responded to from ABs including response period (10 and 25 days)	27 (27<10 days) (0<25 days) (0 >25 days)	18 (18<10 days) (0<25 days) (0 >25 days)	19 (19<10 days) (0<25 days) (0 >25 days)	19 (18<10 days) (1<25 days) (0 >25 days)	83 (82<10 days) (1<25 days) (0 >25 days)
c. Number of queries responded to from Projects including response period (10 and 25 days)	26 (26<10 days) (0<25 days) (0 >25 days)	29 (29<10 days) (0<25 days) (0 >25 days)	31 (30<10 days) (1<25 days) (0 >25 days)	20 (17<10 days) (3<25 days) (0 >25 days)	106 (102<10 days) (4<25 days) (0 >25 days)
d. Number of queries responded to from others ³ including response period (10 and 25 days)	8 (8<10 days) (0<25 days) (0 >25 days)	3 (3<10 days) (0<25 days) (0 >25 days)	6 (6<10 days) (0<25 days) (0 >25 days)	3 (3<10 days) (0<25 days) (0 >25 days)	20 (20<10 days) (0<25 days) (0 >25 days)

The SLCF team has responded to over 200 queries from ABs, projects, landfill operators and members of the public about the SLCF. This is a 33% decrease on last year (314).

The majority of queries were responded to within 10 days. Four queries took longer to respond but were still within the overall target of less than 25 days response. These responses took a little longer than we would like because further investigation / information gathering was needed before we were in a position to respond.

vi. **Number of Complaints and Compliments**

No complaints on SEPA's regulation of the fund have been reported to SEPA or Revenue Scotland.

The SLCF team received seven compliments, relating to our quick and comprehensive responses to queries.

vii. **Number of Data Security Breaches**

There have been no data security breaches.

We continue to use the SLCF database to store all notifications received. This database is only available to restricted staff working on SLCF.

³ Includes landfill operators and any other people, not linked to projects or ABs.

SLCF data is not considered to be Protected Taxpayer Information (PTI)⁴ unless and until it is extracted for tax purposes. Details of qualifying contributions reported by ABs as received are shared with Revenue Scotland using a secure collaborative workspace to enable them to check Landfill Operator compliance with their obligations in respect of Scottish Landfill Tax.

Although PTI is not a feature of day-to-day SLCF work, SEPA SLCF staff are trained in and understand the requirement not to disclose PTI to a third party unless there is a legal gateway that allows them to do so.

viii. **Qualifying Contributions made to the Fund**

2017-18	Q1	Q2	Q3	Q4	Total
a. Total value of qualifying contributions notified by ABs as having been made to the fund	£1,683,320	£2,574,247	£1,876,271	£2,538,724	£8,672,563

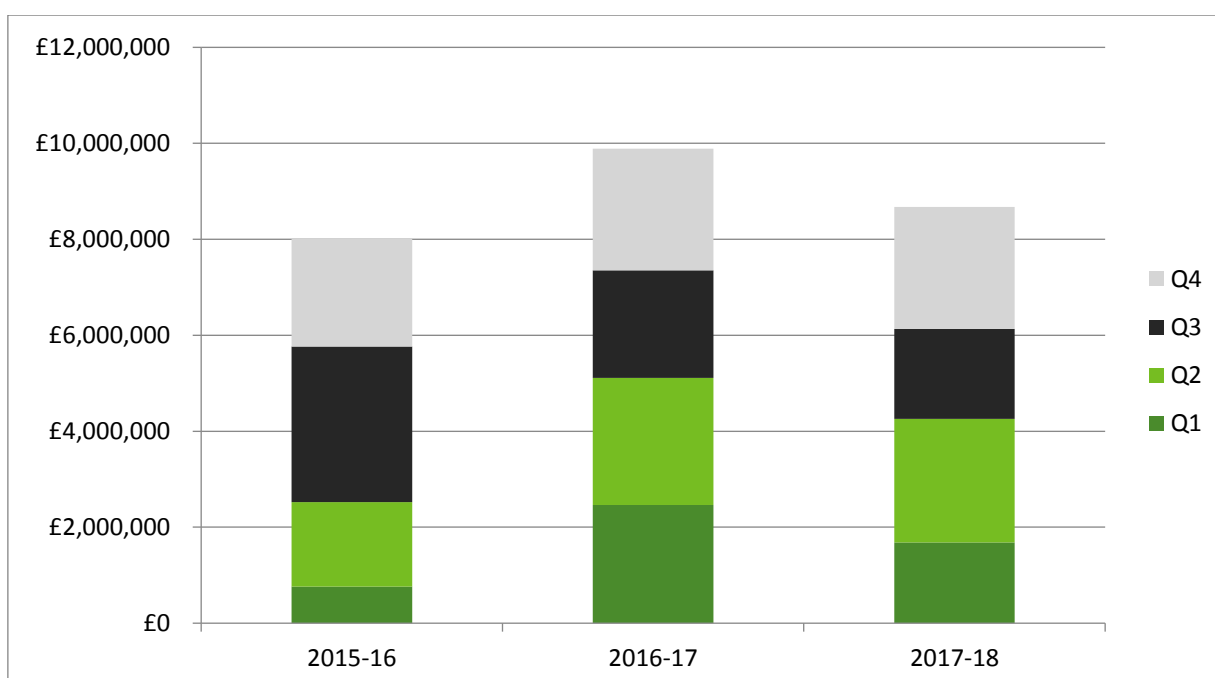


Figure 1 - Qualifying contributions made to the fund

This year, 78 qualifying contributions were notified to SEPA with a total value of £8.6m. This is significantly less than the £9.8m contributed in year two but still more than the £7.4m annual contribution forecast by Scottish Government in 2015.

⁴ See [Revenue Scotland and Tax Powers Act 2014: S14](#)

20 registered tax payers contributed to the fund this year. 55% of registered taxpayers made a contribution in 2017-18.

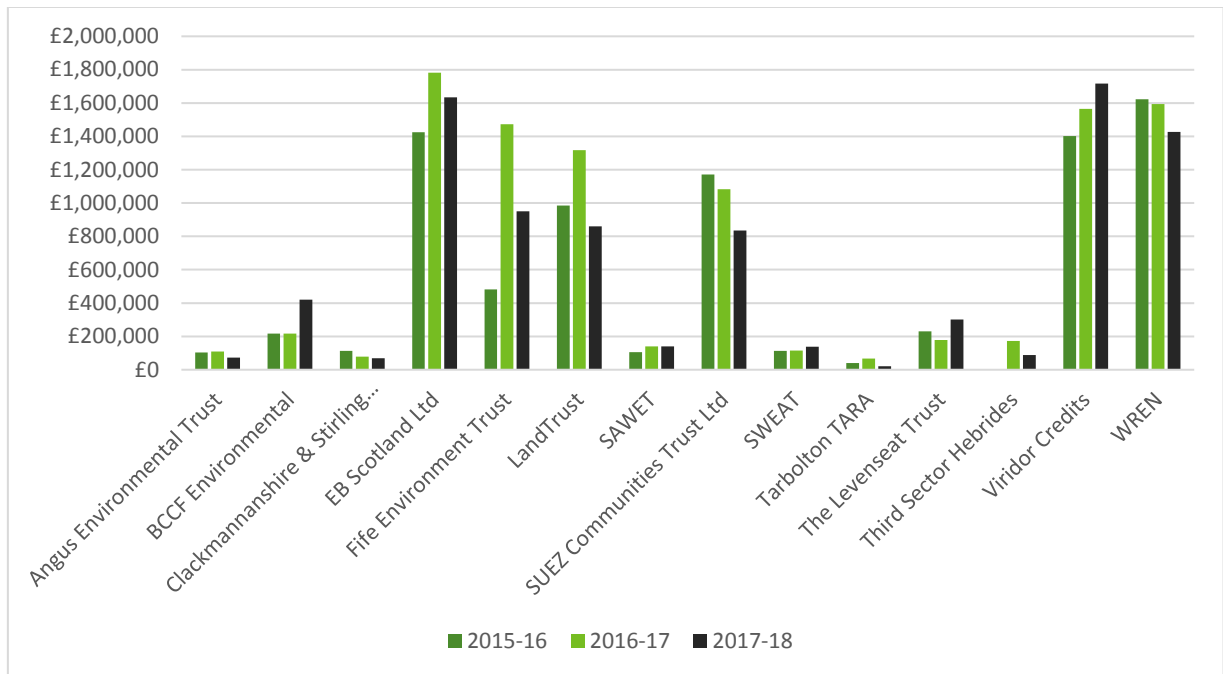


Figure 2 - Qualifying contributions received by each Approved Body

Most ABs have exclusive funding connections with one landfill operator meaning that they only receive contributions from one source. Two ABs have funding connections with multiple landfill operators, receiving funding from two and eight separate sources. Most landfill operators contribute to a single AB, but two choose to contribute to multiple ABs. All ABs received contributions this year.

ix. **Funds Committed to Projects**

2017-18	Q1	Q2	Q3	Q4	Total
a. Total value of funds notified by ABs as having been committed to projects (spent)	£2,490,165 (107 projects)	£1,556,833 (75 projects)	£2,647,956 (107 projects)	£2,582,663 (89 projects)	£9,277,617 (378 projects)

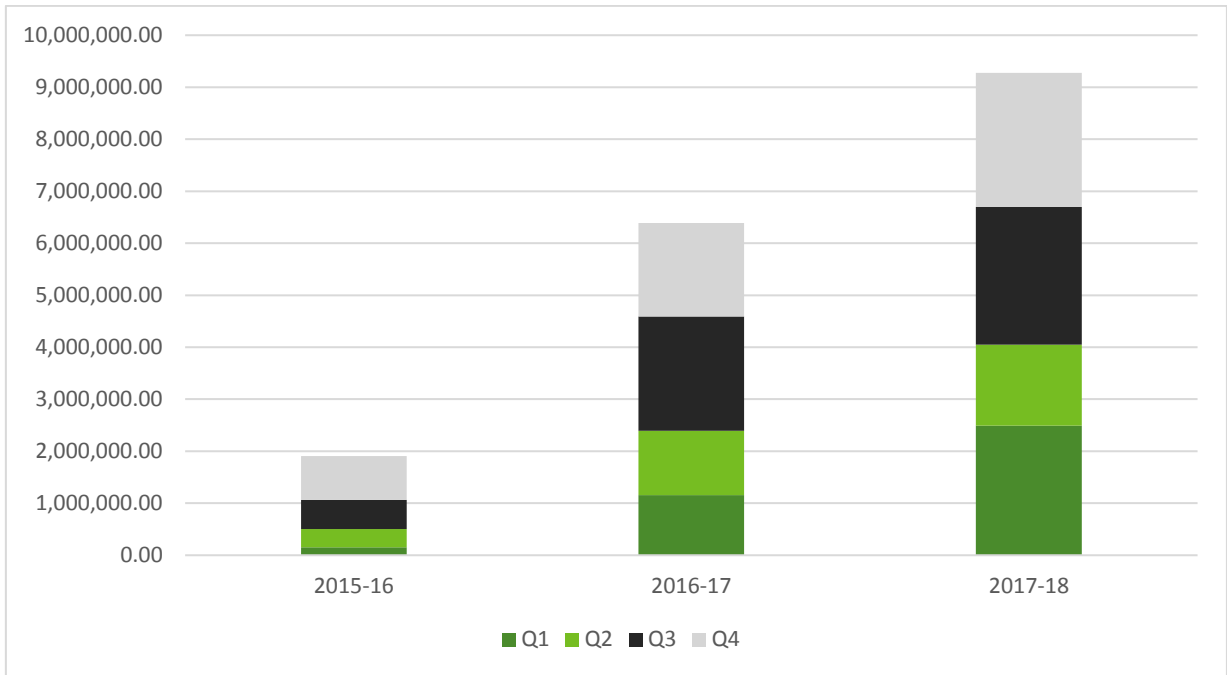


Figure 3 - Value of funds committed to projects over last 3 years

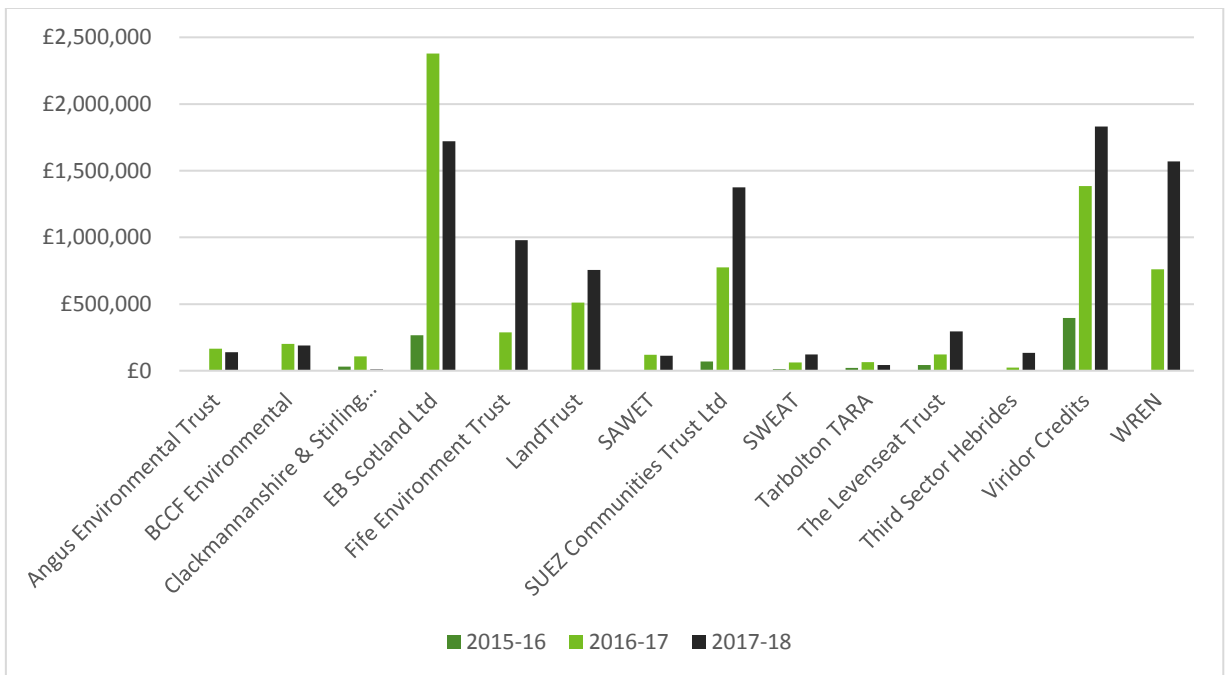


Figure 4 - Total value of funds committed to projects by each Approved Body

Almost, £9.3m was committed to projects this year. This is a measure of the value of funds that have been legally committed to projects and is not necessarily a measure of the full value of projects delivered. Actual transfers of money from ABs to projects amounted to £7m (636 transfers). This figure includes money transferred to projects that were enrolled in previous years. As a general rule, ABs do not transfer the full commitment to projects when enrolled.

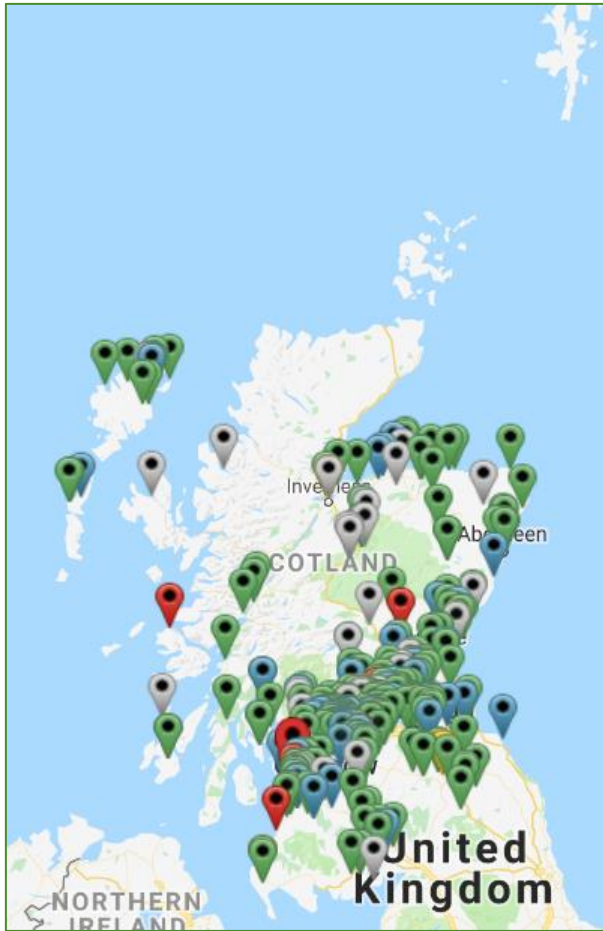


Figure 5 - Geographical distribution of projects enrolled in 2017-18

station.

This protects the funds and ensures that money is transferred to the project as and when needed rather than in one lump sum. Not all projects get underway as soon as funds have been committed. A legal commitment from the SLCF may be used by the project as leverage to attract other funding for the project or the seasonality of projects may mean that works are not started until sometime after funds are committed. ABs usually require an invoice as proof of cost before funds are released to projects.

The 378 projects that were enrolled in 2017-18 are well distributed around Scotland. As can be seen from the distribution map. **(Error! Reference source not found.)** The majority of projects have been enrolled in the concentrations of populations in the central belt and north east coast but projects in the highlands and islands have also been funded. The small number of projects being enrolled in the highlands may be explained by the small number of landfill sites and transfer stations in that area and the fact that most enrolled projects were for objects C and E, which require projects to be located within 10 miles of an eligible landfill or transfer

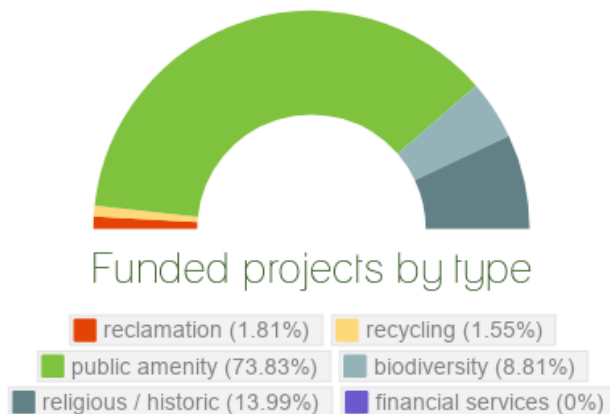


Figure 6 - Value of enrolled projects by project type 2017-18

The majority of projects funded this year were for object C – public amenity (76%: £7.2m). The second most funded project type was object E – religious or historic sites (15%: £1.45m). These two objects have consistently attracted the most funds in the UK LCF and so were predicted by Scottish Government and SEPA to be the most widely applied for and funded project type in the SLCF. The proportion of funds given to Objects C and E have remained largely the same since 2015. No projects were enrolled for object F – the provision of financial services from an AB to a project.

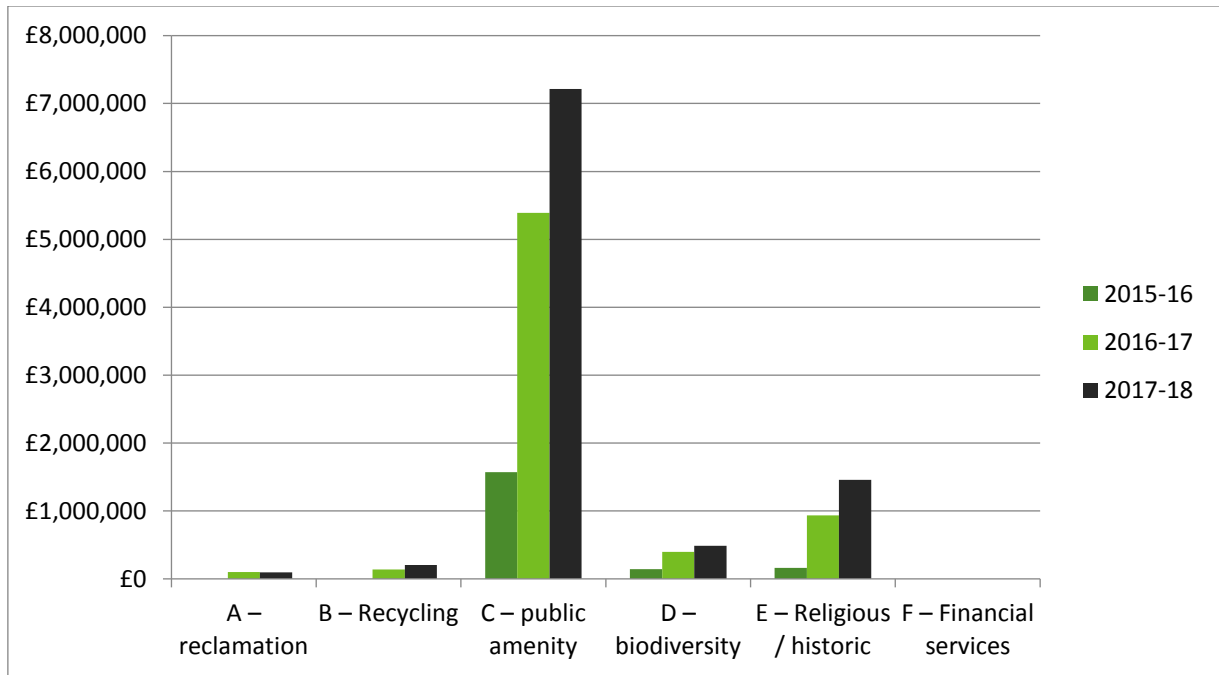


Figure 7 - Value of enrolled projects by project type

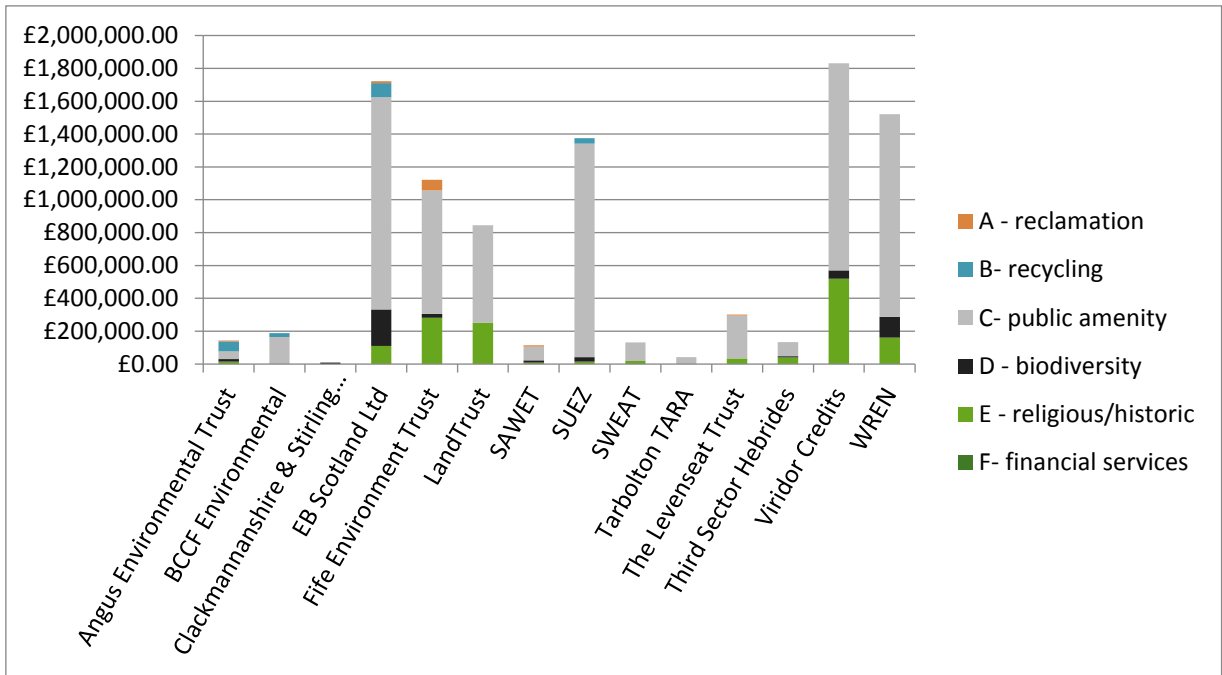


Figure 8 - Value of enrolled projects by type (object) and Approved Body 2017-18

If we look at the value of projects each AB enrolled by project type (object), there aren't any particular trends that can be picked out other than objects C, D and E being the most funded. ABs submit data on projects they have enrolled (committed funds to). SEPA does not receive notifications of applications received by ABs, therefore we cannot determine whether there has been any bias according to project type from the above data. This was however assessed during compliance inspections by examining a sub set of successful and unsuccessful funding applications. There is no evidence to suggest that any AB is favouring applications of any object type.

x. **Approved Body Running Costs**

2017-18	
a. Number of ABs with running costs <10% of contributions they received for the reporting period	14
b. Number of ABs with running costs >10% of contributions they received for the reporting period	0
c. Average % of running costs	5.38%
d. Total annual cost to fund of Approved Bodies running	£742,209

Regulation 29(12) sets out that qualifying contributions can be used to pay for the running costs of an AB, providing they “do not exceed 10% of the funds applied”. We consider all funds contributed to an AB as “applied” as the funds can only be used for SLCF purposes.

ABs notify SEPA of their running costs once per year via the submission of their Annual Report. This is a requirement of Regulation 30(1)(i) and covers the timeframe from 1 April to 31 March. The annual report gives a summary of income, expenditure and balances held by the AB.

All ABs submitted Annual Returns for 2017-18. The total value of funds used for AB running costs over the last two years was £742k which was less than last year (£883k) for a similar number of project enrolments and project monitoring. ABs running costs continue to be on average, significantly below the 10% of income permitted by the fund at 5.3%.

All running costs must be justified and open to scrutiny by SEPA. All ABs must keep records detailing how all SLCF funds have been spent (Regulation 30(1)(v)). SEPA may inspect these records. We assess compliance with the 10% rule by comparing the total cumulative income of the AB since it was approved with the total cumulative running costs declared in annual reports since approval. This will give a measure of the percentage of funds used for running costs.

This method of assessing compliance gives ABs an element of flexibility and future planning. Spending less than 10% in one year will give the ability to spend more than 10% in a future year, providing the overall spend remains less than 10%.

xi. **Subvention income**

2017-18	Q1	Q2	Q3	Q4	Total
a. 1.82% of qualifying contributions received	£30,636	£46,851	£34,148	£46,205	£157,841
b. Amount invoiced for	£30,636	£46,851	£34,148	£46,205	£157,841
c. Amount received	£30,636	£46,851	£34,148	£46,205	£157,841
d. Amount outstanding	£0	£0	£0	£0	£0
e. proportion of payments made within 14 days	81%	81%	77%	95%	84%

SEPA's subvention income from the SLCF is linked directly to the Qualifying Contributions (QCs). Regulation 30(1)(m) allows SEPA to charge a regulatory fee as a proportion of each QC received. The regulatory fee for 2017-18 remained at 1.82%.

QCs must be made to an Approved Body (AB) before tax credit can be claimed. Landfill Operators (taxpayers) are permitted 44 days after the end of the tax quarter to make their tax return. As a result, most QCs for each quarter are made during the 44 days following the closure of the tax quarter.

Once SEPA is notified of a qualifying contribution, SEPA raises an invoice for 1.82% of the contribution value. These are SEPA's regulatory fees as permitted by Regulation 30(1)(m). The majority of ABs pay their invoice within the 14 day requirement. All fees for 2017-18 have been received.

xii. **SEPA Costs**

2017-18	Q1	Q2	Q3	Q4	Total
Total costs of regulating the fund	£34,844	£34,928	£36,555	£37,226	£143,553

SEPA expenditure is calculated over the financial year from 1 April to 31 March.

The majority of SEPA's regulatory costs are staff costs. The overall expenses for SEPA were approximately £3k less than budgeted. This was due to small variations on budgeted salaries. Only a modest sum (£1,224) was drawn down from accumulated underspend. This was for the SLCF annual event and conference fees for 3 staff.

The SLCF Funding Protocol sets out that where the income to SEPA is greater than SEPA's running costs, SEPA may carry surplus funds forward from financial year to financial year, subject to any discussions between Revenue Scotland and SEPA. Revenue Scotland and SEPA have agreed that the accumulated underspend from the first 3 years (£114,398) will be

carried forward to 2018-19. The Revenue Scotland Board have agreed that SEPA can work with Revenue Scotland officials to agree draw down of this underspend.

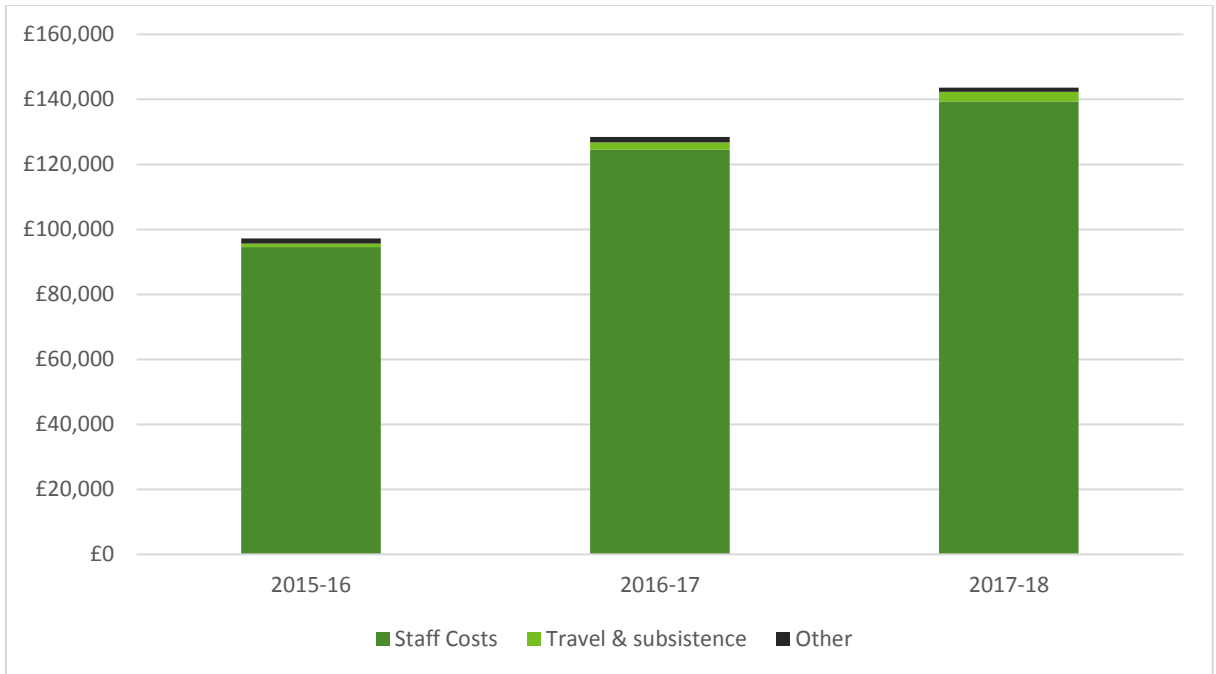


Figure 9 - SEPA costs

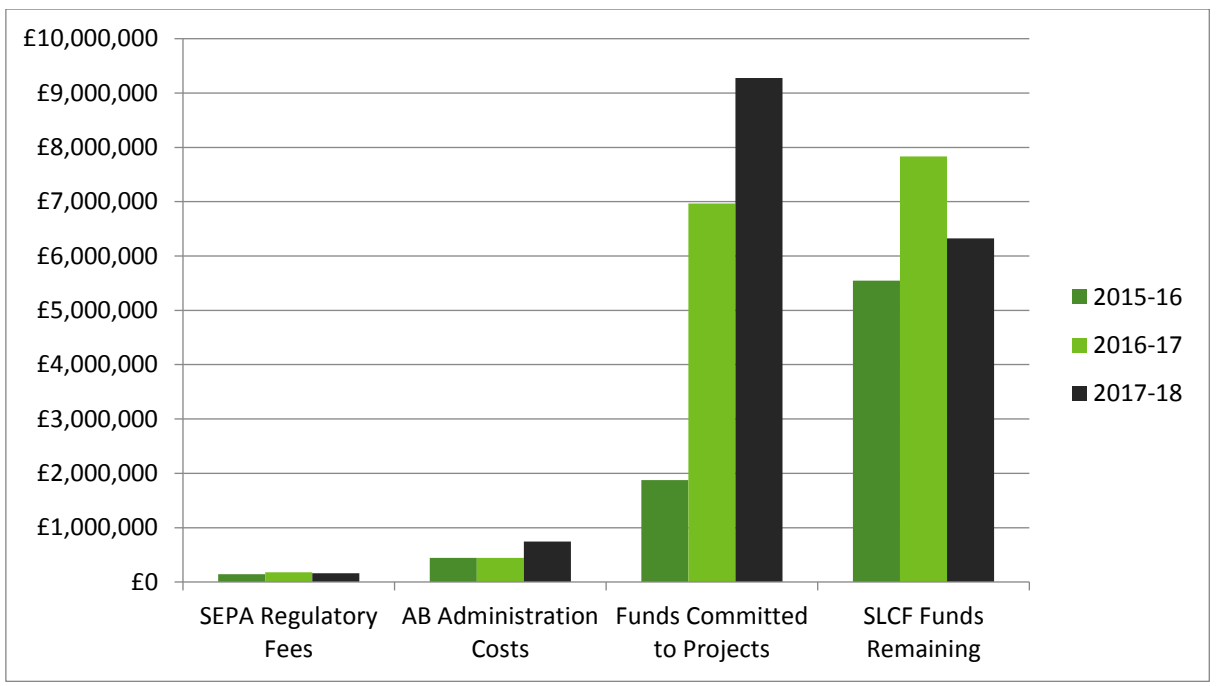


Figure 10 - Major expenditure from the SLCF

Both SEPA regulatory fees and AB running costs are funded out of contributions to the fund. The total administration cost (SEPA fees plus AB running costs) charged out of contributions to the fund in 2017-18 was £885,762. This is 10% of the fund as a whole. The major expenditure from the SLCF is illustrated in Figure 10 above.

4. CONCLUSION

The SLCF continues to function well. Approved Bodies continue to receive contributions, enrol projects and ensure that projects are delivered successfully. This year, Scotland's communities and environment benefitted from a further £9m of projects (378 projects) being enrolled that will be delivered over the coming year.

The value of qualifying contributions made to the fund was £1.2m less than last year. This is a trend that is forecast to continue⁵ with reduction of waste to landfill and an upcoming ban on biodegradable municipal waste to landfill in 2021. However, the value of funds contributed in 2017-18 (£8.6 m) was higher than the £6.3m forecast in the Scottish Government Draft Budget 2018-19 so perhaps the reduction of contributions will be slower than predicted.

We are happy with our performance in regulating the SLCF. The Approved Bodies are compliant overall and respond well to advice and guidance provided by SEPA. We look forward to 2018-19.

⁵ Based on forecast tax yield from [Scottish Government Draft budget 2018-19](#).

5. APPENDIX 1 - SUMMARY OF KEY PERFORMANCE INDICATORS

Subject	Information to be reported ⁶	Q1	Q2	Q3	Q4	Total 2017-18
1. AB Applications ⁷	a. Number of applications received	0	0	0	0	0
	b. Number of applications approved	0	0	0	0	0
	c. Number of applications withdrawn	0	0	0	0	0
	d. Number of applications rejected	0	0	0	0	0
	e. Number of applications ongoing	0	0	0	0	0
2. Register of ABs	a. Number of changes made to the Register including time taken to make the change ⁸	0	0	0	1 (completed within 24hrs)	1
3. Compliance Inspections	a. Number of compliance inspections completed by the SLCF team	16	32	18	74	140
	b. Number of ABs deemed compliant following a compliance inspection	14	14	14	14	14
4. Enforcement ⁹	a. Number of enforcement actions started	0	0	0	1	1

⁶ Information is reported on the tax quarters: 1 April to 30 June; 1 July to 30 September; 1 October to 31 December and 1 January to 31 March. ⁸ Qualifying Contributions made to the fund, ⁹ Funds committed to projects and ¹¹ Regulatory fee payments are reported on an accruals basis to account for the 44 day reporting period after the end of the tax quarter. These 3 measures are reported in this way so that they can be compared over the same time frame.

⁷ "Applications" includes applications of each type: Approval and Voluntary Revocation

⁸ The target for updating any changes to the register of approved bodies on the SEPA website is within 7 days of the change taking effect

⁹ Enforcement includes any action necessary to rectify non-compliances discovered by SEPA SLCF staff. It will include letters to ABs but will be deemed concluded once compliance is achieved or if passed to Revenue Scotland for forceful revocation of the Approval.

	b. Number of enforcement actions concluded and outcome	0	0	0	1 (final warning issued after continued late payment of fees)	1
5. Written communication response times	a. Total number of queries responded to	60	50	56	42	208
	b. Number of queries responded to from ABs including response period (10 and 25 days)	27 (27<10 days) (0<25 days) (0 >25 days)	18 (18<10 days) (0<25 days) (0 >25 days)	19 (19<10 days) (0<25 days) (0 >25 days)	19 (18<10 days) (1<25 days) (0 >25 days)	83 (82<10 days) (1<25 days) (0 >25 days)
	c. Number of queries responded to from Projects including response period (10 and 25 days)	26 (26<10 days) (0<25 days) (0 >25 days)	29 (29<10 days) (0<25 days) (0 >25 days)	31 (30<10 days) (1<25 days) (0 >25 days)	20 (17<10 days) (3<25 days) (0 >25 days)	106 (102<10 days) (4<25 days) (0 >25 days)
	d. Number of queries responded to from others ¹⁰ including response period (10 and 25 days)	8 (8<10 days) (0<25 days) (0 >25 days)	3 (3<10 days) (0<25 days) (0 >25 days)	6 (6<10 days) (0<25 days) (0 >25 days)	3 (3<10 days) (0<25 days) (0 >25 days)	20 (20<10 days) (0<25 days) (0 >25 days)
6. Number of complaints and compliments	a. Number of complaints considered under the SEPA Complaints Handling Procedure ¹¹	0	0	0	0	0
	b. Number of complaints concluded	N/A	N/A	N/A	N/A	N/A
	c. Number of complements received	4	2	0	1	7
7. Number of security breaches	a. Total number of security breaches as defined by the Revenue Scotland Security Breach and Incident Management Policy	0	0	0	0	0

¹⁰ Includes landfill operators and any other people, not linked to projects or ABs.

¹¹ <http://www.sepa.org.uk/about-us/complaints-handling-procedure/>

8. Qualifying contributions made to the fund	a. Total value of qualifying contributions notified by ABs as having been made to the fund	£1,683,320	£2,574,247	£1,876,271	£2,538,724	£8,672,563
9. Funds Committed to projects	a. Total value of funds notified by ABs as having been committed to projects (spent)	£2,490,165 (107 projects)	£1,556,833 (75 projects)	£2,647,956 (107 projects)	£2,582,663 (89 projects)	£9,277,617 (378 projects)
10. AB Running cost	a. Number of ABs with running costs <10% of contributions they received for the reporting period					14
	b. Number of ABs with running costs >10% of contributions they received for the reporting period					0
	c. Average % of running costs					5.38%
	d. Total annual cost to fund of Approved Bodies running					£742,209
11. Regulatory Fee Payments	a. 1.82% of qualifying contributions received	£30,636	£46,851	£34,148	£46,205	£157,841
	b. Amount invoiced for	£30,636	£46,851	£34,148	£46,205	£157,841
	c. Amount received	£30,636	£46,851	£34,148	£46,205	£157,841
	d. Amount outstanding	£0	£0	£0.	£0	£0
	e. proportion of payments made within 14 days	81%	81%	77%	95%	84%
12. SEPA Costs	a. Total costs of regulating the fund	£34,844	£34,928	£36,555	£37,226	£143,553

6. APPENDIX 2 – END-OF-YEAR SUMMARY INFOGRAPHIC

SLCF end-of-year REPORT 2017-18



The Scottish Landfill Communities Fund (SLCF) is a tax credit scheme, linked to Scottish Landfill Tax. It allows Scottish landfill operators to provide contributions to Approved Bodies, to fund community and environmental projects in Scotland.



Approved Bodies distributing SLCF Funds are located throughout the UK.



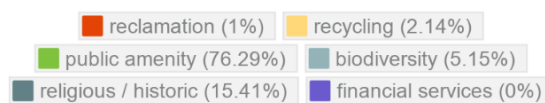
Distribution of funded projects



For the third year running, the most funded projects were to enhance public amenity. Projects included the restoration of public halls to the creation of walking and cycle paths. The second most funded project type was religious / historic sites. These included restoration works to churches and historic buildings. Biodiversity projects will protect a number of native species and habitats and help control invasive non-native species. 7 recycling / reuse projects were funded this year. These were for furniture and bike recycling centres. No projects were registered this year for financial services.



Funded projects by type



powered by

