



Scottish Landfill  
Communities Fund

The Scottish Landfill Communities Fund  
**Five Year Review**



Scottish Environment  
Protection Agency

Buidheann Dion  
Àrainneachd na h-Alba

December 2020

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# Foreword

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Scottish Landfill Tax is a tax on the disposal of waste to landfill. It underpins our efforts to find economical alternatives to landfill that will minimise waste and help to create a more circular economy. The Scottish Landfill Communities Fund (SLCF) is part of the Landfill Tax package, allowing Landfill Operators to contribute to the improvement of the environment and communities in Scotland.



SEPA is delighted to be the regulator of the SLCF. We are confident that the funding is being distributed fairly and in accordance with the legislation. The network of Approved Bodies distributing the funds do an excellent job of assessing applications and deciding where the funding is awarded.

This report shows that over the last five years, the SLCF has been a real success and is a great example of positive payback into communities affected by waste management facilities.

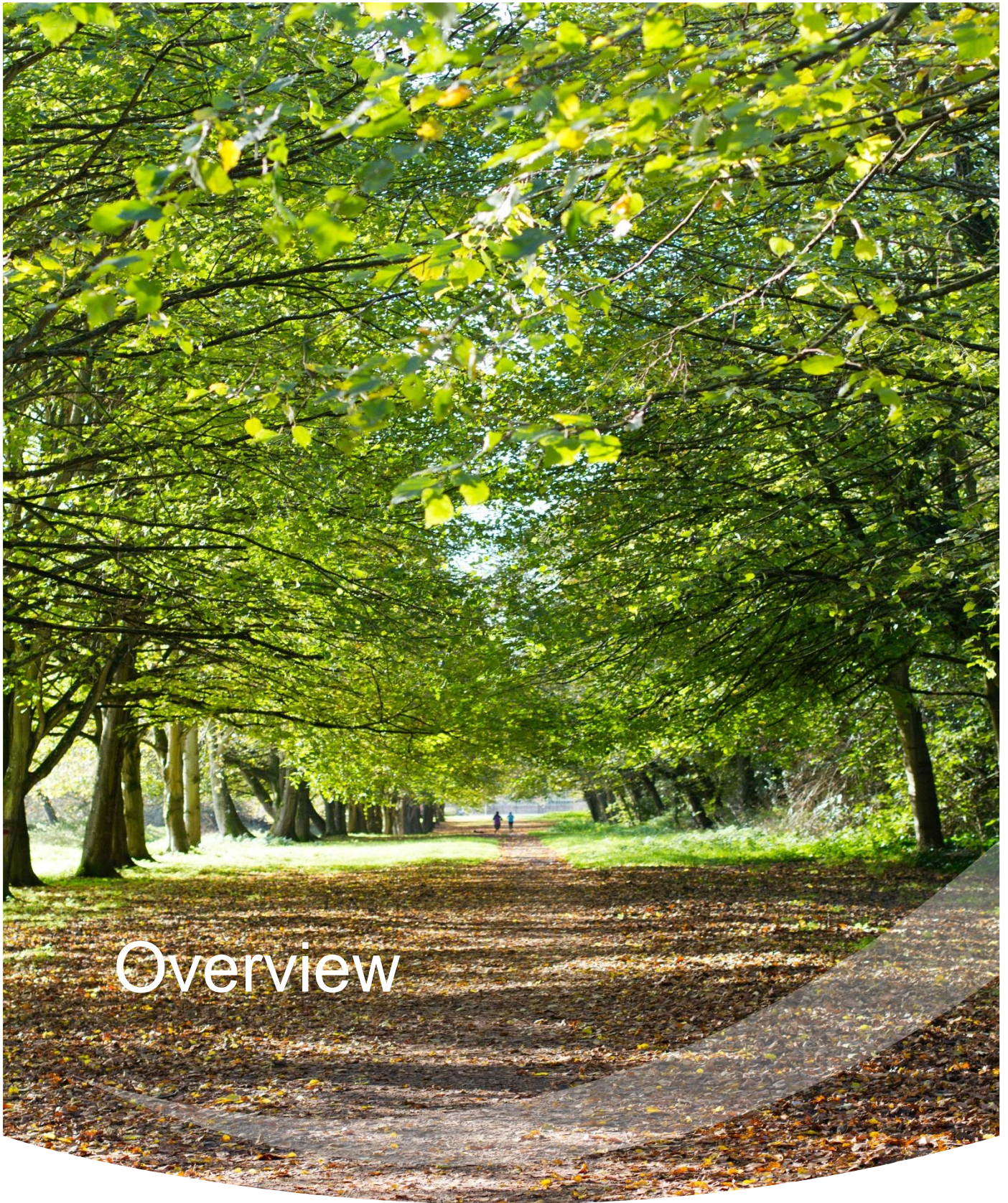
Scotland's environment and communities benefit greatly from projects funded through the SLCF. Clearly, however, it is a declining fund as it is tied into the ever-reducing amount of waste landfilled. Now more than ever, we need support for a Green Recovery that will help make communities more resilient and enhance biodiversity. The SLCF will be a crucial resource in this recovery and beyond.

Terry A'Hearn  
Chief Executive Officer  
December 2020

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# Overview

# Overview

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Landfill tax is a cornerstone of Scotland's Zero Waste Plan. By making landfill a prohibitively expensive option, Landfill Tax encourages the prevention, reuse and recycling of waste and helps keep valuable resources circulating in the Scottish economy. In 2015, Scotland started collecting Landfill Tax and established the Scottish Landfill Communities Fund (SLCF). This fund is to provide funding for community or environmental projects in recognition of the disamenity of landfill activity. SEPA is the regulator of the SLCF.

We were asked to carry out a review of the SLCF by Revenue Scotland. The purpose of this five year review is to report on the performance of the fund to date, and to highlight areas of concern or improvement.

The SLCF is an important and valued funding source for many community and environmental projects. A [review of other funding available](#)<sup>1</sup> shows that although there are various funds offering funding for similar projects, no single fund offers awards for the breadth of project types and the geographical spread offered by the SLCF.

As the regulator of the fund, we provide appropriate scrutiny to help ensure accountability and transparency. Our main task is to provide a safeguard that funds are being used properly against the objectives of the scheme. We report to Revenue Scotland regularly on the performance of the fund.

The future of the fund, in its current form, is limited due to the reducing reliance on landfilling as a waste option. Upcoming bans of waste to landfill will further reduce the volume of waste being landfilled and so the potential for contributions to the SLCF. Considering the unique nature of the SLCF, its popularity and the benefits it provides to local communities and the environment, we strongly believe that it is worth considering options to boost contributions and prolong the life of the fund.

The data in this publication covers the period 1 April 2015 to 14 May 2020 (unless otherwise stated). The data was extracted from the SLCF database on 18 August 2020 and reflects information submitted by Approved Bodies up to and including this date.

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<sup>1</sup> Review by the SLCF Team, of funding similar to the SLCF, available in Scotland. Carried out, June 2020.

# 2015-2020

CONTRIBUTIONS

£40.3M



LANDFILL OPERATORS  
REGULARLY  
CONTRIBUTING

55%



PROJECTS FUNDED

£32.7M

NUMBER FUNDED

1426



PROJECT  
DISTRIBUTION



ADMINISTRATION  
COSTS

£4.2M



UNSPENT FUNDS

£3.4M

## Operational structure of the SLCF

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The SLCF was established to provide funding for community or environmental projects in recognition of the dis-amenity experienced in the vicinity of landfill sites. Landfill operators can give a percentage of their tax liability to an Approved Body to distribute funding to community and environmental projects. When contributing to the SLCF, landfill operators receive a 90% tax credit.

Over the last five years, 21 organisations have applied to SEPA for approval to distribute funds. Of those who applied, 15 were approved, one was rejected and five withdrew their applications. By the end of year five, there were 12 active approved bodies; with two Approved Bodies (ABs) having voluntarily revoked from the SLCF and one application to voluntarily revoke in progress. The voluntary revocations have arisen due to cessation of funding due to landfill closure.

Projects are what we call the organisations using funding to deliver the objects of the fund. 1,426 funding awards have been made to projects over the last five years.

SEPA is a non-departmental public body, accountable through Scottish Ministers to the Scottish Parliament. We were established under Section 20 and Schedule 6 to the Environment Act 1995 and are Scotland's environmental regulator. We were appointed by Revenue Scotland as the regulator of the SLCF in 2015. Our duties are set out in the legislation<sup>2</sup> and are primarily to ensure that the rules of the fund are complied with. To date, SEPA has carried out around 5,000 compliance checks of Approved Bodies. Overall, compliance is very high. During this time, we have only taken formal enforcement action against one Approved Body (due to its ambiguous use of funds). This resulted in compliance and no loss of funds to the SLCF.

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<sup>2</sup> [Regulation 31 of the Scottish Landfill Tax \(administration\) Regulations 2015 \(as amended\)](#)



## Corporate governance

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SEPA is an executive non-departmental public body. Our purpose, as set out in the [Regulatory Reform \(Scotland\) Act 2014](#), is to ensure that Scotland's environment is protected and improving, including ensuring that natural resources are managed in a sustainable way. In carrying out our functions, we must contribute to improving the health and wellbeing of people in Scotland and to achieving sustainable economic growth<sup>3</sup>. This purpose aligns well with the aims of the SLCF.

The broad framework within which we operate is set out in a [framework document](#), which also defines key roles and responsibilities underpinning the relationship between SEPA and the Scottish Government. SEPA is governed by a Board, responsible for the overall direction and performance of our organisation, including our efficiency and effectiveness as a public body. Duties are delegated by the Board to our staff.

The SLCF team in SEPA consists of 3 members of staff (2.65 FTE), supported by senior managers (0.15 FTE). All SLCF work is funded by a regulatory fee paid by the Approved Bodies we regulate. This regulatory fee is a proportion of the contributions received and amounts to 1.82% of contributions to the fund. In the last five years, SEPA has received £734k in regulatory fees from the SLCF.

## Statement of assurance

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Each year, following an external audit, SEPA provides an annual certificate of assurance to Revenue Scotland confirming that adequate internal controls are in place to enable SEPA to do its duties for the SLCF, that these controls have been complied with, and that any reporting is a true reflection of what has occurred. No concerns have been raised about our internal controls.

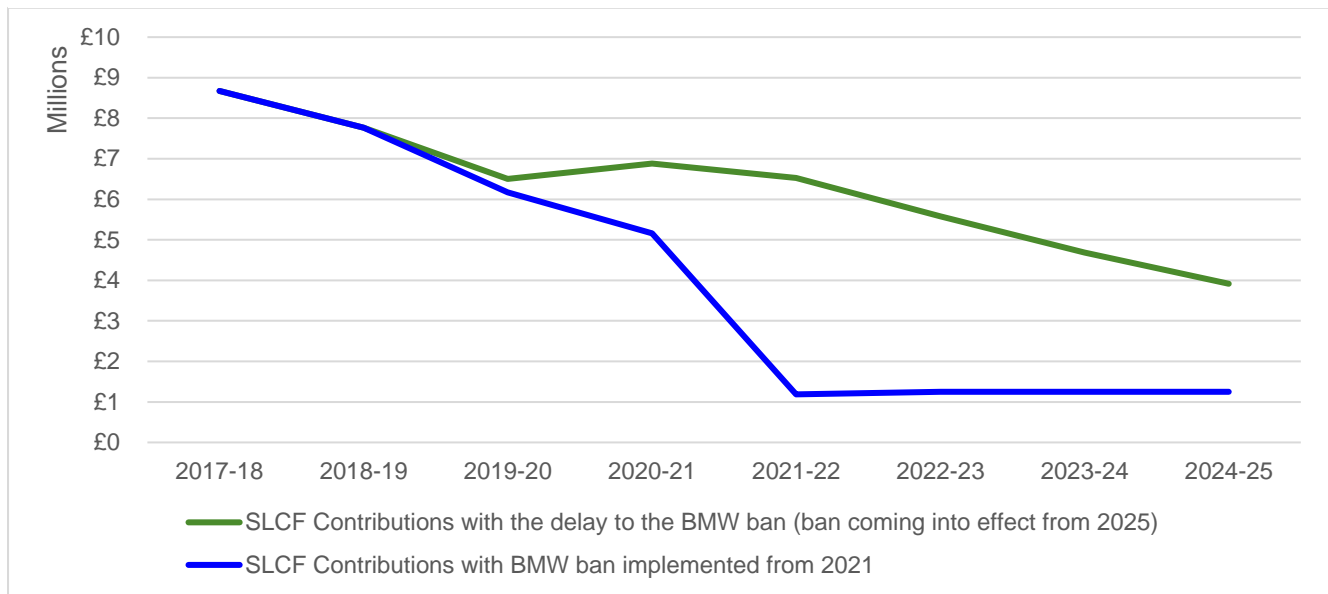
## Disclosures about future risks

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We know that the ban on landfilling Biodegradable Municipal Waste (BMW) in Scotland, will reduce the Scottish Landfill Tax yield and so the contributions to the SLCF. This ban was due to come into effect from 2021, however, it has been delayed until January 2025. The most recent forecasts by the Scottish Fiscal Commission<sup>4</sup> take account of the impact of this delay: meaning SLfT yield will be on average £98m for the next 5 years. This should allow an average contribution to the SLCF of around £5.5m over the same time period.

These figures are much higher than was forecast if the ban had been implemented in 2021. This difference is illustrated in Figure 1 below. Beyond 2025, the implementation of the ban will leave the SLCF in a much reduced position; with an average contribution to the SLCF of around £2m over the 5 year period following the ban. We should ensure that we plan for the decline in funding over the next 5 years.

*Figure 1 - Forecast contributions to the SLCF with and without the delay to the implementation of the BMW ban*



The UK's exit from the EU will also have an impact on the SLCF. Overall, there will be a loss of funding to the third sector, either through funding supplied by Europe or other support mechanisms available to the projects that typically also apply to the SLCF. This in turn will mean a greater reliance and pressure on funds like the SLCF. Applications for funding are likely to increase, putting strain on Approved Bodies administration at a time when contributions will be reducing.

<sup>3</sup> As defined in International Financial Reporting Standard (IFRS)

<sup>4</sup> Scottish Fiscal Commission: [Scotland's Economic and Fiscal Forecasts February 2020](#)

## Availability of similar funding

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There are many sources of environmental and community funding in Scotland, including: independent Trusts and Foundations, the giving arm of public and private lotteries (including the Big Lottery Fund and the People's Postcode Lottery), statutory organisations (including the Scottish Government, local authorities, non-departmental public bodies and the EU), businesses and individual philanthropists. Organisations looking for funding do not have a single location where they can compare funding opportunities, although websites such as [Funding Scotland](#)<sup>5</sup> provide a very good starting point.

A brief analysis of funders available on Funding Scotland carried out by the SLCF Team in June 2020, showed that of 851 Funds listed, 39 funders offer funding similar to the objects of the SLCF, although none offer funding for the range of project types available from the SLCF. 61% of these funds are geographically restricted (i.e. only available to projects within a restricted geographic location).

The 39 funds disperse, a total of £430m per year, with an average fund size of £11m per year. The SLCF has dispersed on average £6.5m per year. Therefore, we can say that the SLCF is providing around 10% of similar funding available in Scotland each year. This makes the SLCF a significant source of funding for environmental and community projects in Scotland. The added benefits of the SLCF over other funds is that:

1. It is available to most Scottish people.
2. It is available for match funding so can boost funding from other sources.
3. It supports several different project types, all aiming to improve the environment and/or communities.
4. It is not prescriptive; applications are based on the expressed needs of the communities applying and not on the objectives of the awarding body.

In addition to the above, we know that the fund is incredibly popular. Approved Bodies report that they always have applications for more funding than they have available. The fund is not widely advertised, and applicants appear to find the fund through word of mouth in communities or through prior knowledge of the Approved Bodies.

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<sup>5</sup> <https://fundingscotland.com/>

# UN Sustainable Development Goals

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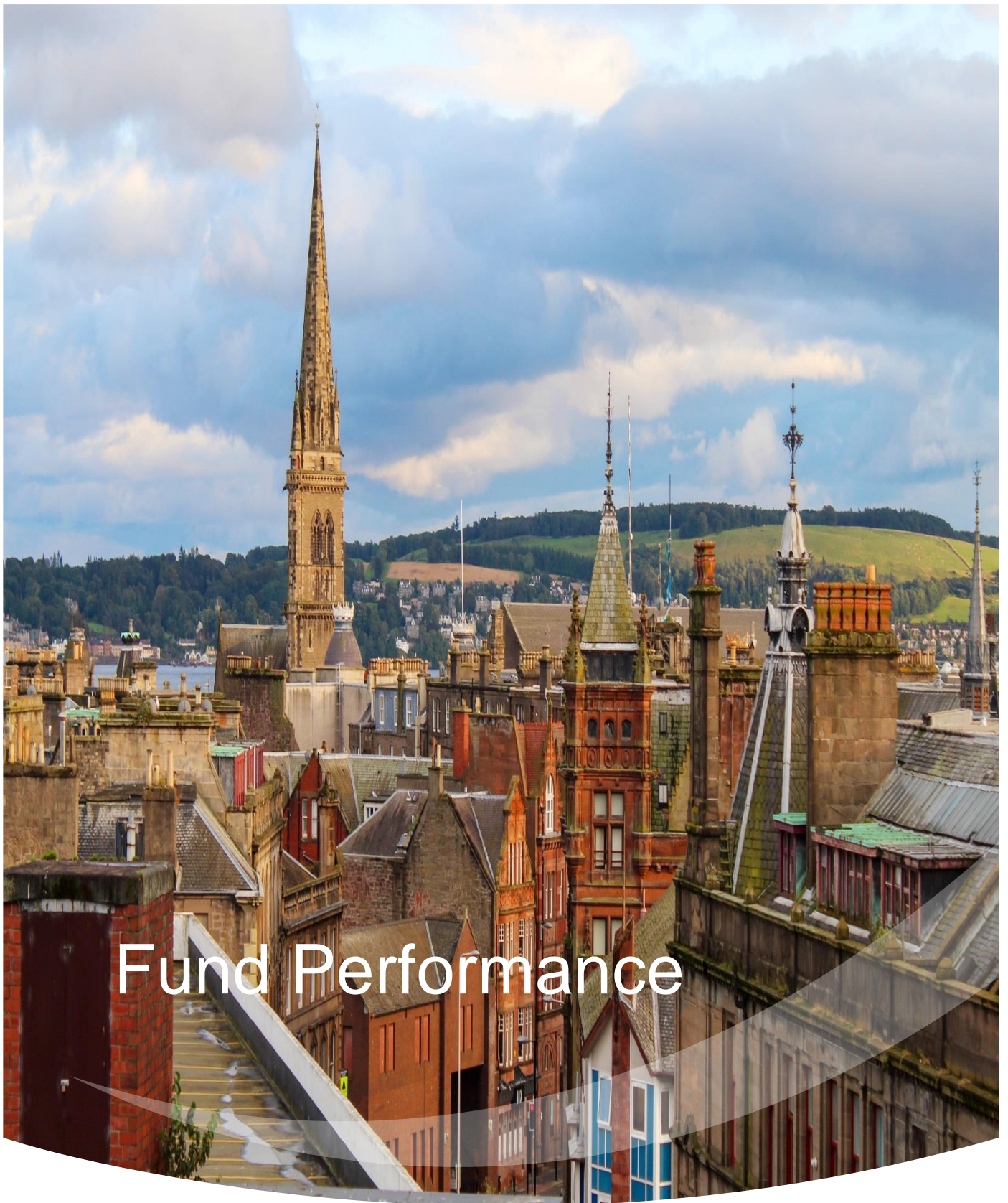
In 2015, the First Minister pledged that Scotland would lead the way to deliver a more equal, more just world, by signing Scotland up to the [United Nation \(UN\) Sustainable Development Goals](#). These global goals give us the framework to achieve real change, from eradicating poverty to ensuring a good home for us all. This vision is supported by SEPA's own regulatory strategy, [One Planet Prosperity](#), which aims to deliver environmental protection and improvement in ways which help communities and businesses thrive within the resources of our planet.

Many projects awarded funding by the SLCF contribute towards achieving the United Nations (UN) Sustainable Development Goals and targets set in the Scottish National Performance



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<sup>6</sup> <https://nationalperformance.gov.scot/>



# Fund Performance

# Fund Performance

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The following section illustrates the performance of the fund during the financial years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20.

## Contributions received

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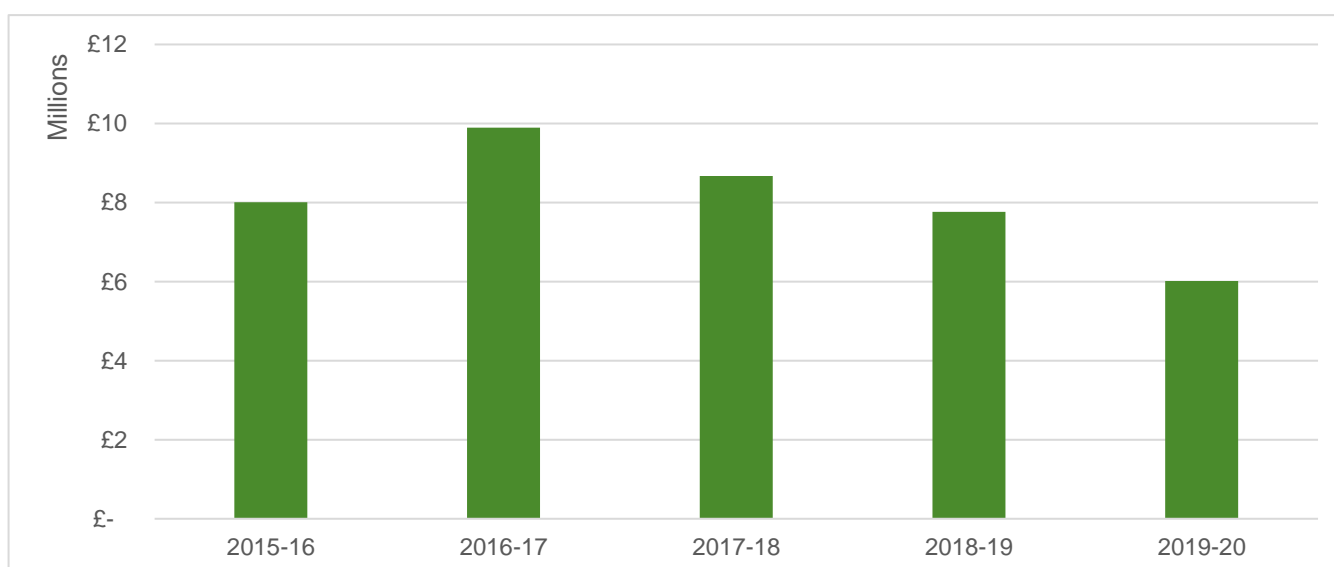
Landfill Operators contribute directly to the SLCF by making a payment to a body approved by SEPA to distribute the funds (Approved Body).

In the last five years, Revenue Scotland have listed 36 landfill operators on the [Scottish Landfill Tax Register](#). Of these, eight have deregistered due to landfill closure or no tax liabilities. 58% of registered Landfill Operators have contributed to the fund and 55% contribute regularly.

A total of £40.3m was contributed to the fund between 2015 and 2020. The annual contributions can be seen in Figure 2 below.

The realised contributions are very similar to the forecasts made by the Scottish Government (Budgets) and Scottish Fiscal Commission (Fiscal Forecasts). The downturn in contributions since 2016-17 is due to a reduction in landfilled waste. A combination of increasing landfill tax and the banning of certain waste to landfill has forced the waste industry to invest in other methods of waste recovery and reduce reliance on disposal by landfill.

*Figure 2 - Qualifying Contributions (£m) made to the SLCF between 2015 and 2020*



## Investment income

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Approved bodies are permitted to invest their contributions providing that contribution is spent within two years of receipt and the income from these investments is spent on the objects of the fund.

Ten of the 15 Bodies approved have generated income from their contributions. The total value of additional income to the fund from investments from 2015 to 2020 amounts to £100k making the total income to the SLCF £40.4m.

## Tax credit for contributions made

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Having made a qualifying contribution to the SLCF, landfill operators can claim a tax credit of 90% of their contributions. All landfill operators claim the full 90% tax credit from Revenue Scotland.

It potentially costs the landfill operator 10% of contributions to be associated with the SLCF. In some cases, the landfill operator will absorb the cost themselves, being aware of the benefits that can be derived from participating in the fund. Alternatively, the landfill operator may find a third party to reimburse them the 10% required to make their contribution to the SLCF cost neutral. This third party is known as the Contributing Third Party (CTP). The payment by the CTP is made to ensure that the landfill operator can continue contributing to the fund.

An approved body may require that projects arrange or secure a third party contribution before releasing the payment of agreed SLCF funds. All Contributing Third Party payments are made directly to the landfill operator(s) that made the qualifying contribution(s) and not to the Approved Body.

Around 57% of contributing Landfill Operators seek a CTP with the other 43% absorbing the cost themselves. Over the last 5 years, £2.4m has been paid to landfill operators as third party payments. This equates to 6% of contributions made.

## Projects enrolled

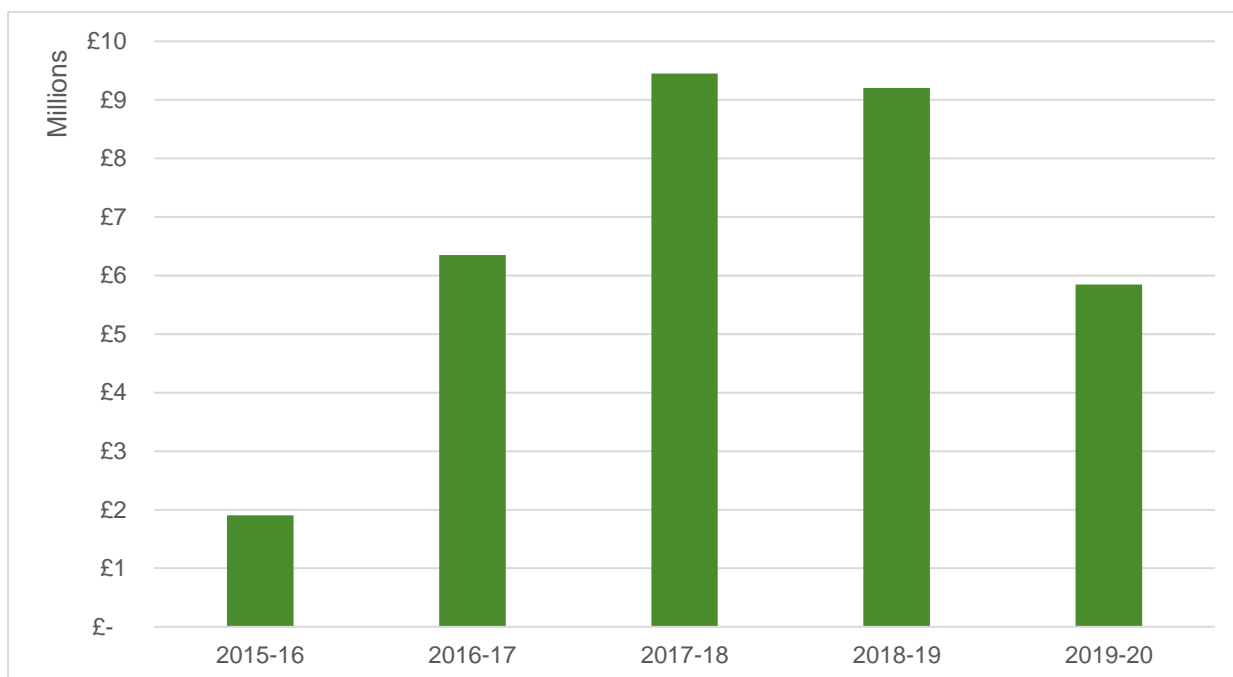
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Approved Bodies enrol projects, ensure that all monies are spent in accordance within their objects and report to SEPA.

1426 projects have been enrolled over the last 5 years. The total value of funds committed to enrolled projects was £32.7m. (See Figure 3 below)

Of the 15 organisations approved to distribute the SLCF, 14 have enrolled projects. The remaining AB (Belhelvie Community Council) did not manage to attract any contributions and so voluntarily revoked from the SLCF in 2016.

*Figure 3- Value of funds committed to enrolled projects between 2015 and 2020*





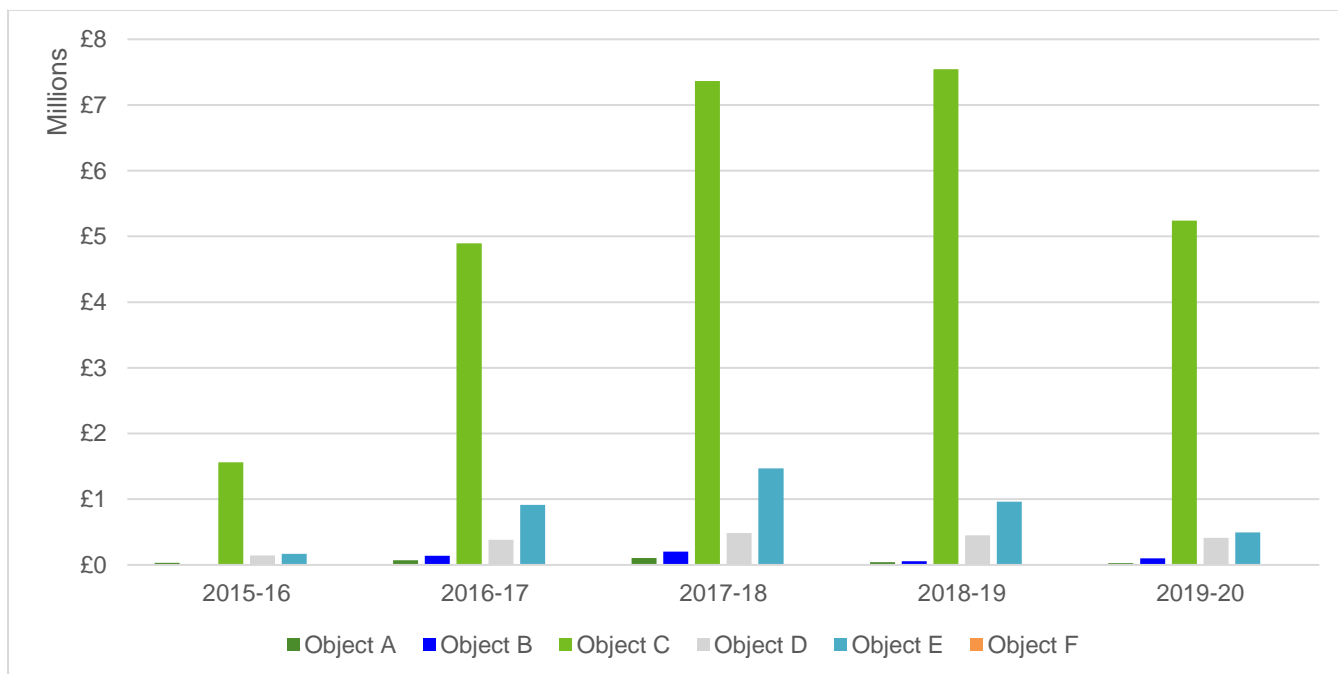
## Funding per object

The SLCF funds six different project types (Objects A-F).

- Object A: Reclamation, remediation, restoration or other operation on land to facilitate economic, social or environmental use.
- Object B: Community based recycling, re-use and waste prevention projects.
- Object C: Provision, maintenance or improvement of a public park or other public amenity.
- Object D: Conservation or promotion of biological diversity.
- Object E: Maintenance, repair or restoration of a building, other structure or a site of archaeological interest which is a place of religious worship, or a site of historic or architectural or archaeological interest and is open to the public.
- Object F: Provision of financial, administration and other similar services to projects.

Only projects delivering Objects A-E have been funded to date. The proportion of funding awarded to each object has been similar each year and can be seen in Figure 4 below.

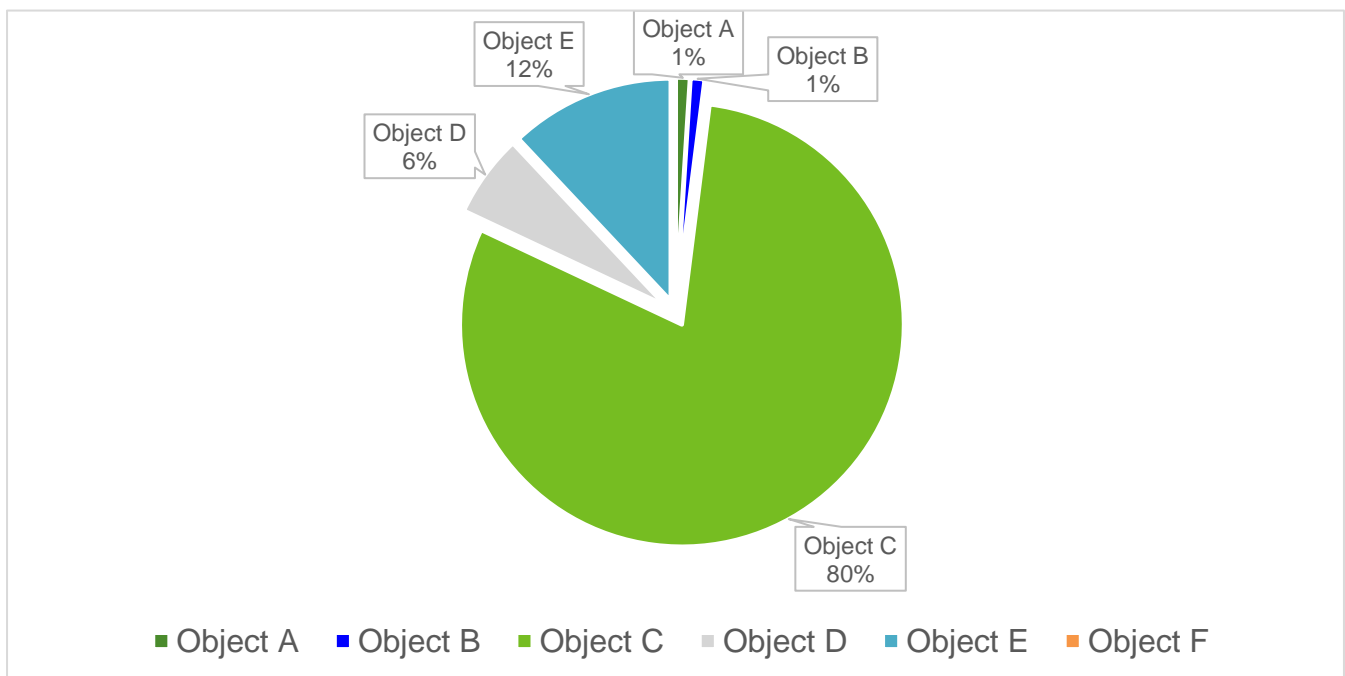
Figure 4- Value of enrolled projects per SLCF Object



Most funding has been awarded to Object C (public amenity) projects (total £26.6m), followed by Object E (historic buildings) (total £4m) and Object D (biodiversity) (total £1.8m). Object A (reclamation) (total £275k) and Object B (recycling / reuse) (total £500k) have also been funded but to a lesser degree. Object F (services) projects have neither been applied for nor funded in the last 5 years.

Approved Bodies must support all project types and may not discriminate in selecting a project based on the objective of the project. During compliance inspections, we assess whether any approved bodies are showing discrimination in the projects they are choosing to support. We have not found any evidence of this. There is no requirement for ABs to actively seek projects delivering a specific Object, therefore the projects that an AB funds is largely dependent on the applications it receives.

*Figure 5 - Proportion of funding awarded to each Object between 2015 and 2020*



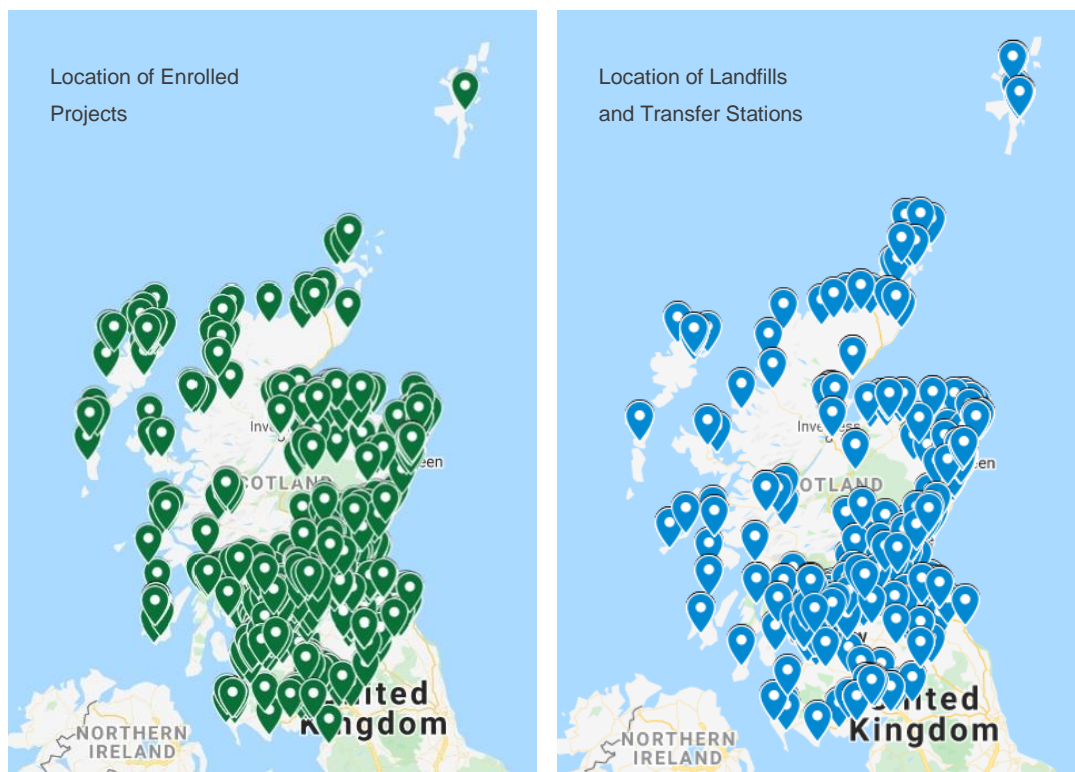
Further information on each object and examples of projects funded can be found in the Funded Projects section of this report.

## Geographical distribution of funding

The rules of the fund specifically state that an approved body must not discriminate in selecting a project on the grounds of geographic location of the project. However, projects for objects C, D and E must be located within 10 miles of a landfill site or transfer station therefore location must be considered for these projects to assess eligibility.

Map 1 below shows the location of enrolled projects between 2015 and 2020 (green pins) compared with the location of landfill sites and transfer stations (blue pins). You can see that projects have been funded throughout Scotland. Considering objects C, D and E receive the most funding, it is not peculiar to find the location of projects funded echo the location of landfill sites and transfer stations. Parts of the Highlands that have not received funding are likely to be due to the location of landfills and transfer stations restricting funding in those locations.

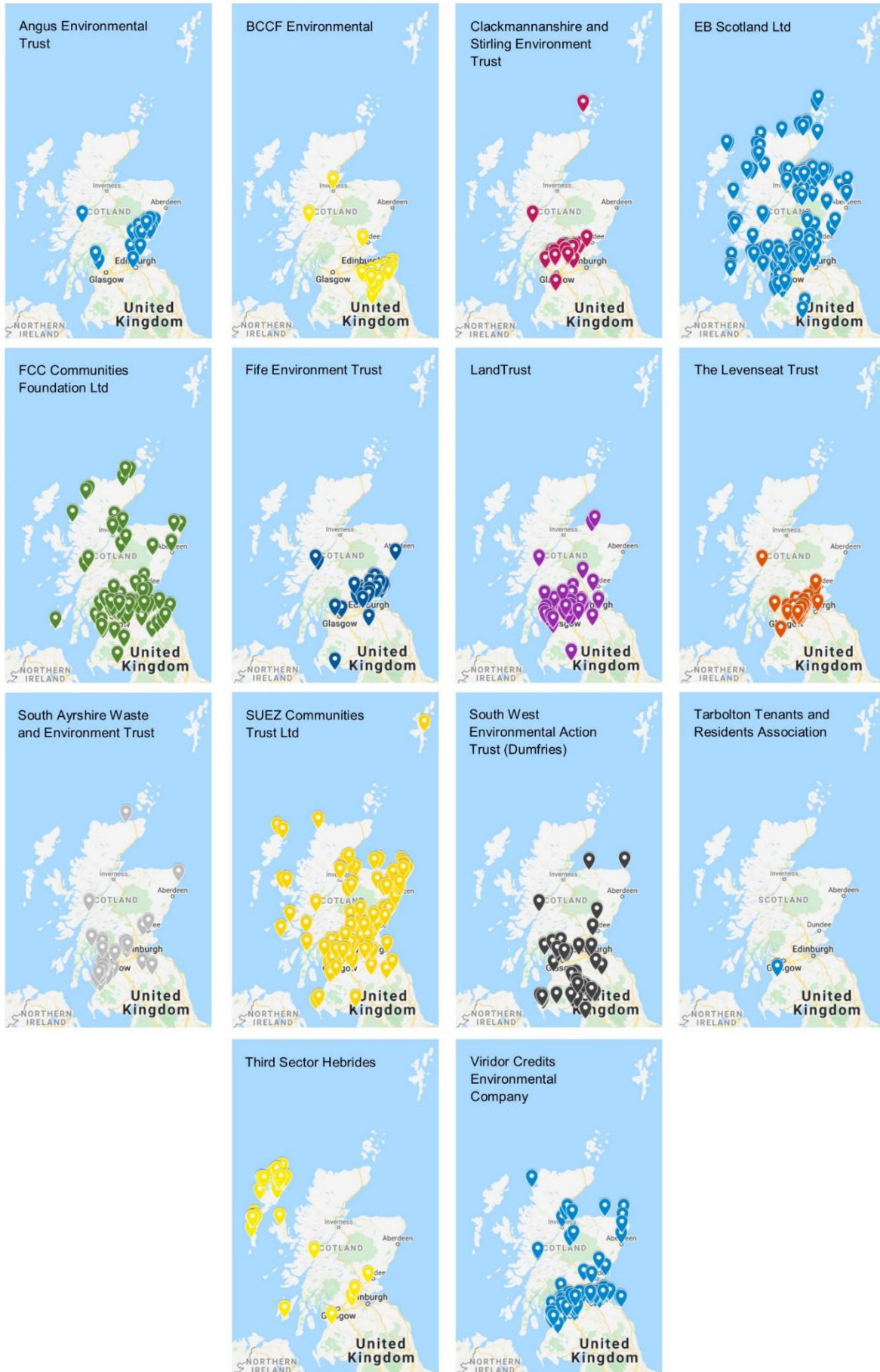
*Map 1 - Distribution of all projects enrolled 2015-20 (green) compared to location of Landfills and Transfer Stations (blue)*



During compliance inspections, we assess whether any approved bodies are showing discrimination in the projects they are choosing to support. We have not found any evidence of this. A comparison of the location of projects funded by each Approved Body (see Map 2 below) shows that most ABs have a dispersed distribution of projects they have funded.

There is no requirement for ABs to actively seek projects to fund in areas they have not funded before, therefore the projects an AB funds is largely dependent on the applications it receives. We have found, during inspections, that ABs with a geographically based name (e.g. Angus Environment Trust, BCCF Environmental, Clackmannanshire and Stirling Environment Trust, Fife Environment Trust, The Levenseat Trust, Tarbolton TARA and Third Sector Hebrides) tend to receive more applications from locations connected to their name and therefore fund the majority of their projects in that area. Conversely, ABs with non-geographic names (e.g. EB Scotland, FCC Communities Foundation, LandTrust, SAWET, SUEZ Communities Trust, SWEAT and Viridor Credits) receive applications from a range of locations and their project distribution is more spread out.

Map 2 - Distribution of projects funded per Approved Body 2015-20



## Cost of administering the fund

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Approved Bodies may use up to 10% of their total income for their running costs. ABs report their running costs to SEPA at the end of April each year. We then carry out a compliance check to ensure that each ABs administration costs are under 10% of their total income. All ABs have been compliant with this measure and the average administration cost is 6.26% of income.

SEPA charges regulatory fees to each AB as a proportion of the contributions they receive from Landfill Operators. In the last five years this “subvention Fee” has been set at 1.82% of income. The fee is set annually by Revenue Scotland and is based on the Fiscal Commission<sup>7</sup> forecast of Scottish Landfill Tax (SLfT) tax receipts and SEPA forecast of regulatory costs.

The cost of having a regulator and distributing bodies has cost the fund £4.2m over the last five years. This equates to 10.5% of the total fund. This is within the costs permitted by the legislation (maximum 15% of income). It is difficult to compare this figure to that of other funds as they may be organised differently to the SLCF or operating on a different scale. However, the National Lottery Communities Fund, with an income of around £650m per year has an operating cost of 8%.

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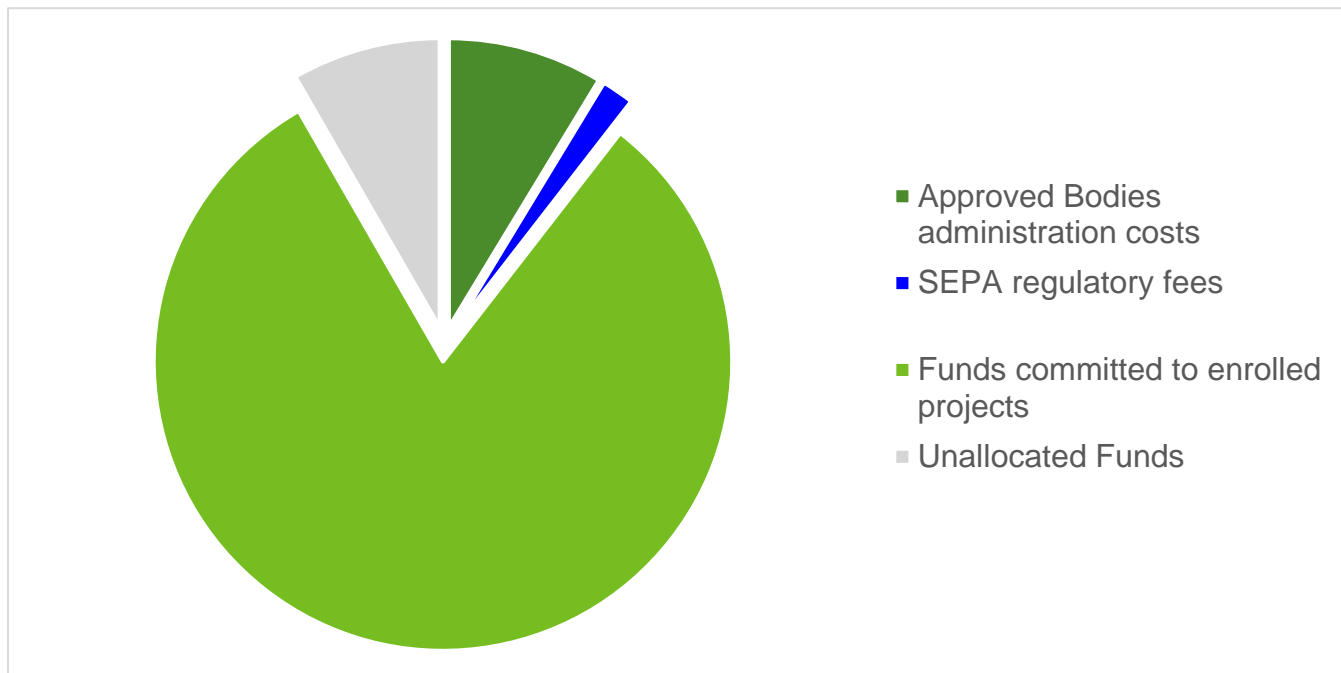
<sup>7</sup> <https://www.fiscalcommission.scot/>

## Unallocated funds

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Approved Bodies have two years to spend each contribution they receive. All ABs have good

Figure 6 - Costs to the fund 2015 to 2020



systems in place to track the spend of their qualifying contributions. All ABs enrol projects regularly and therefore there is a constant flow of SLCF funds in and out. Over the last five years all but £3.4m has been spent either on funding projects or on the administration of the fund. This represents 8.3% of funds currently unallocated. We have every expectation that these funds will be committed to projects as applications for funding are received.

## Compliance and taking opportunities to go beyond compliance

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Overall, the compliance record of the Approved Bodies has been very good. There have been some clerical non-compliances such as late notifications of inputs / movement of funds, however all ABs have good systems and procedures in place to ensure that money is tracked and accounted for.

We investigated one serious non-compliance of potential mis-use of funds. This case was referred to Revenue Scotland and the Scottish Charity Regulator (OSCR) to consider formal enforcement options. The mis-use of funds was identified during our routine inspection where anomalies in expected figures were noticed. Our enforcement resulted in the return of SLCF Funds and better governance around financial controls within the Approved Body.

SEPA's own regulatory strategy, [One Planet Prosperity](#), aims to deliver environmental protection and improvement in ways which help communities and businesses thrive within the resources of our planet. We aim to get all those we regulate to meet their legal obligation and reach compliance; and help as many regulated entities as possible move 'beyond compliance'. Although written primarily for environmental regulation, this approach is applicable to the way we regulate the SLCF.

Working with Approved Bodies to ensure their governance, controls and record keeping is appropriate, we are pleased to say that the ABs are compliant. In 2018-19, we spoke to ABs about their willingness and ability to go beyond compliance (i.e. one step further than the legislation requires). To support UN Sustainable Development Goals 11 (Sustainable cities and communities) and 12 (Responsible Consumption and Production) and Aim 4 of our [Waste to Resources Framework](#) (Maximum value is derived from resources circulating in the economy) we introduced a measure of Resource Efficiency into funding decisions. In partnership with [NetRegs](#) we developed a "[Resource Efficiency: Best Practice Checklist](#)" that ABs can use as part of their application process. The checklist guides applicants through topics of energy efficiency, water use, energy, waste, biodiversity, use of resources and transport. Submitting a completed checklist with their application, allows ABs to make informed funding decisions between projects that are otherwise identical.

The Resource Efficiency: Best practice Checklist has been well received by ABs and is also available on the NetRegs site for any new start businesses, existing businesses or charities to use. Further information on how we are helping ABs and applicants can be found in the "Tools for making decisions" section below.





# SEPA Performance

# SEPA Performance

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Both SEPA and Revenue Scotland are responsible for ensuring compliance with the Scottish Landfill Tax (Administration) Regulations 2015. We regulate the fund in accordance with our Regulatory Strategy ([One Planet Prosperity](#)) and [Revenue Scotland's Compliance Strategy](#) which applies the five principles set out in the Scottish Government's ['Better Regulation Agenda'](#).

Our compliance activity is:

- proportionate,
- accountable,
- consistent,
- transparent and
- targeted (only at cases in which action is needed).

We want to make it as easy as possible for Approved Bodies (ABs) to understand and comply with their obligations. Most ABs want to meet their obligations and do the right thing; therefore, our overall compliance approach is focused on enabling ABs to comply with the law.

The following section illustrates SEPA's performance as the regulator of the fund during the financial years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20.

## Key Performance Indicators

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Since 2015, we have reported quarterly and annually to Revenue Scotland on our performance and the performance of the fund.

Our performance measures include:

- Application processing times
- Accuracy of the register of approved bodies
- Number of compliance inspections completed
- Communication response times
- Number of complaints / complements received
- Number of security breaches

Our performance has always been well within the targets / limits agreed with Revenue Scotland.

## Compliance checks

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We carry out several compliance checks at different points in the lifecycle of contributions and carry out an inspection/audit for each Approved Body every year. Between 2015 and 2020, the SLCF Team carried out around 5,000 compliance assessments. We have carried out the following assessments:

### **Receipt of notifications**

Approved Bodies submit a notification to SEPA at each stage in the lifecycle of the qualifying contribution (e.g. receipt, project enrolment, transfer of funds). This data is manually entered into the SLCF database upon receipt. Part of the entering process is to check the validity of the data and that it accords with previously submitted data. We have carried out 4,716 notification checks in total.

### **Inspection / Audit**

We have a duty to ensure that Approved Bodies adhere to the Regulations. We do this by carrying out an annual compliance inspection of every Approved Body on our register. Each Approved Body receives at least one full inspection / audit each year. The focus of these inspections has changed over time. Initial inspections were about checking AB governance and ensuring ABs understood the requirements of the Fund. After checking the foundations, the next step was to look at decision making procedures and recording. We have carried out 72 inspection/audits over the five year period and followed up on any actions required.

### **Annual Report Assessment**

Every Approved Body must submit an annual report by 28 April each year showing their income, expenditures and balances. The annual reports are the only place where approved bodies notify us of their administration costs for the year. Once submitted, a compliance check is carried out on the administration costs to ensure that they are less than the 10% of income permitted in the regulations. The information is also checked against the data held in the database. This also allows an annual refresh of data where we know the information contained in the database is correct. We have carried out 65 annual report assessments.

### **Accounts Assessment**

The regulations allow SEPA to request financial accounts from each approved body 10 months following the closure of their financial year. We have asked this of each approved body each year. This allows us another check on the database data and could potentially highlight any financial anomalies. We have carried out 57 assessments of accounts.

## Project Inspection

In 2019-20 we extended our compliance assessment to the inspection of a sample of projects each year. This aspect of inspection was requested by the Revenue Scotland board and allows SEPA to expand on the current scope of SLCF regulation, giving a more rounded view of the performance of the Fund.

On average, each year, 275 projects receive funding from the SLCF. Until 2019 our scrutiny of the fund centred solely on Approved Bodies. We felt that scrutiny of the projects was lacking. As such, we developed an inspection programme for projects.

The project inspection programme aims to:

- check if the assessment and processing of the project application was carried out correctly;
- check the funding decision was made in accordance with regulations, guidance and AB funding strategy;
- check the project is using the funds as stated in the project application and funding award contract;
- check the project is still in operation for the period required by the funding award contract and AB monitoring strategy is fit for purpose.

We identified projects to inspect using a priority framework. The first projects selected for inspection were those that were finished / delivered and had received multiple funding awards (either from the same AB or multiple ABs), with the projects receiving the largest awards being inspected first.

We carried out 33 project inspections between August 2019 and March 2020. All projects were found to be compliant.

## Enforcement

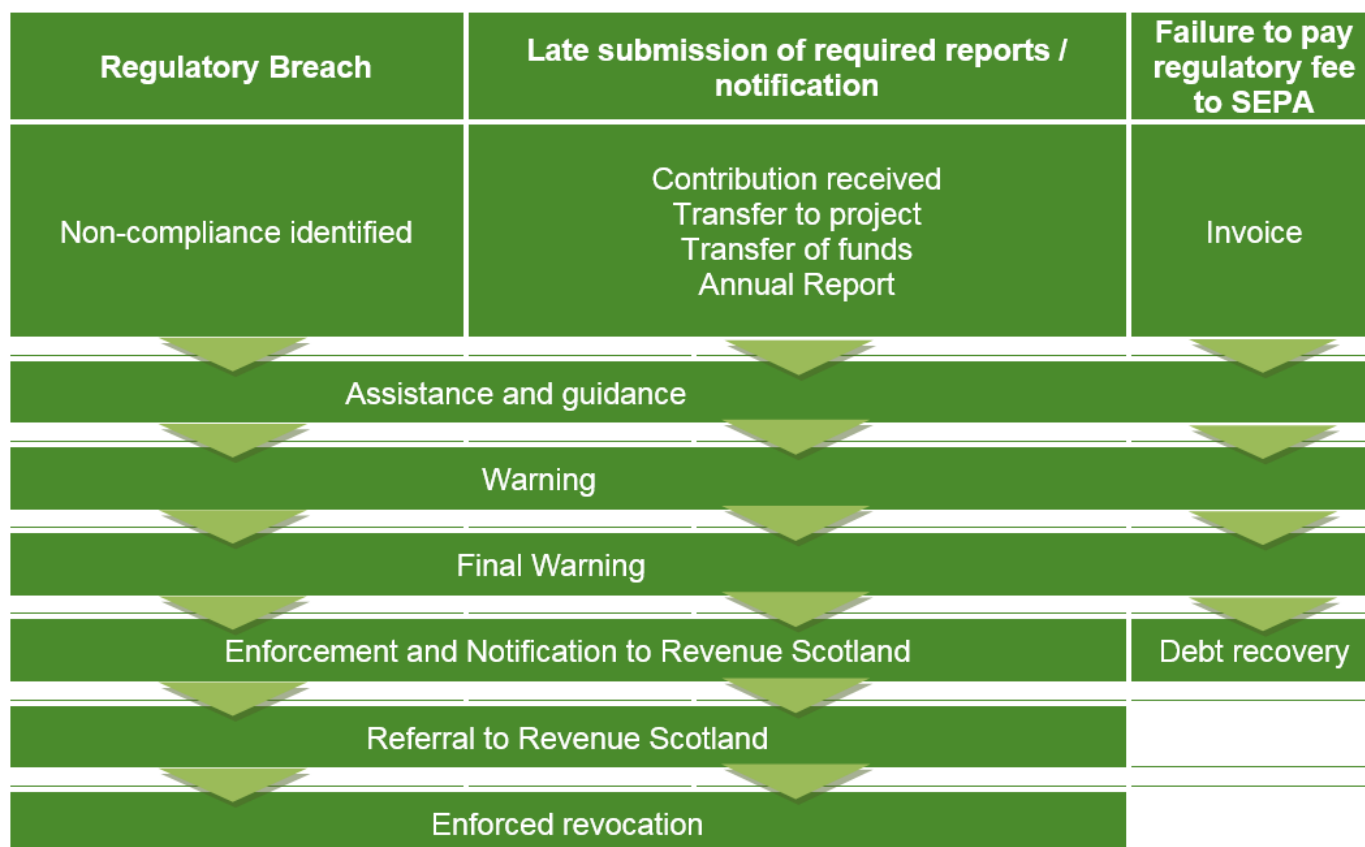
In cases of suspected non-compliance, we consider the circumstances and act in line with our SLCF Enforcement Framework (see Figure 7 below). By and large, compliance by the Approved Bodies is extremely high. There have been some clerical non-compliances such as late notifications of inputs / movement of funds, however all ABs have good systems and procedures in place to ensure that money is tracked and accounted for.

These minor non-compliances are usually rectified by assisting and guiding the AB. Occasionally a warning letter has been issued.

We investigated one serious non-compliance of potential mis-use of funds. This case was referred to Revenue Scotland and the Scottish Charity Regulator (OSCR) to consider formal enforcement options. The mis-use of funds was identified during our routine inspection where anomalies in expected figures were noticed. Our enforcement resulted in the return of SLCF Funds and better governance around financial controls within the Approved Body.

All regulatory charges to Approved Bodies (SEPA's regulatory income) have been paid so there has never been a need to trigger debt recovery.

Figure 7 - SLCF Enforcement Framework



## Costs

Our main costs are staff costs. We employ three members of staff (2.65 FTE), supported by senior managers (0.15 FTE). In the last five years, SEPA's SLCF costs have amounted to £670k.

All SLCF work is funded by a regulatory fee paid by the Approved Bodies we regulate. This regulatory fee is a proportion of the contributions received and is set by Revenue Scotland each year after discussions with us. We have agreed with Revenue Scotland that the regulation of the SLCF should be cost neutral to us.

The legislation allows the regulator to charge ABs up to 5% of their income. To date, the subvention percentage has been set significantly below this at 1.82%.

From 2015-2018, the income provided by the subvention percentage exceeded our costs in regulating the fund. The main reason for this is that the actual contributions to the fund (£8m, £9.8m and £8.6m) exceeded the estimated contributions (£6.9m, £7.8m and £7.9m<sup>8</sup>). In 2018-19 and 2019-20, the subvention percentage was kept at 1.82% to draw down some of the accumulated surplus. However, the actual contributions to the Fund were higher than that forecast, meaning that the SEPA income was higher than predicted. This resulted in less of the surplus being used up than expected. We reduced the surplus from £114k in 2017-18 to £65k by the end of 2019-20. In future years, we will continue to try to match income to expenditure to minimise the generation of surplus or overspend.

*Table 1 - SEPA income and expenditure over time*

<b>Year</b>	<b>Income £,000</b>	<b>Expenditure £,000</b>	<b>Annual Surplus £,000</b>	<b>Cumulative Surplus £,000</b>
<b>2015-16</b>	146	97	49	49
<b>2016-17</b>	180	128	52	100
<b>2017-18</b>	158	144	14	114
<b>2018-19</b>	141	149	(8)	106
<b>2019-20</b>	108	152	(48)	65
<b>TOTAL</b>	734	670		

## Tools for making decisions

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SEPA's regulatory strategy, [One Planet Prosperity](#), sets out our Organisational Characteristics. One of these is "Producing information and evidence that people use to make decisions". Implementing this intention allows us to regulate for maximum, benefit.

Over the last five years, we have produced the following tools and information which we hope assists people making decisions about the fund:

### **SLCF Website**

We maintain the SLCF webpages<sup>9</sup> on SEPA's website<sup>10</sup>. These webpages provide general information on the SLCF, the statutory list of Approved Bodies, guidance, tools SEPA have developed to help make funding decisions and SLCF publications.

### **List of Approved Bodies**

It is a statutory requirement of the regulator to maintain a [register of approved bodies](#). This list is the first port of call for many projects seeking funding. Mindful of this, we have enhanced the minimum requirements and published it on our website to increase usefulness and reach. Information that can be found from the register includes; contact details, funding limits, application timescales, CTP requirements, funding criteria and any exclusions or elements not funded. We believe this additional information makes the register more useful for projects to decide who to approach for funding.

### **Guidance**

We produce an SLCF guidance manual that aims to further clarify the requirements of the SLCF. The first version of this guidance was developed with Revenue Scotland in March 2015. We have since revised the guidance (2017 and 2019) to include clarification on parts of the fund that raised the most questions. This guidance document will continue to be maintained and revised as necessary.

We also provide links to Revenue Scotland [Legislative Guidance](#) on our website.

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9 <https://www.sepa.org.uk/environment/waste/scottish-landfill-communities-fund/>

10 <https://www.sepa.org.uk/>

## **Project Location Tool**

Projects under objects C, D and E are only eligible for funding if the project site is within 10 miles of a landfill site or transfer station. In March 2015, we produced a [map based tool](#) to allow both Approved Bodies and prospective applicants to check if a project site is within 10 miles of a landfill site or transfer station. To use the tool, the user needs the National Grid Reference (NGR) or postcode of the project site. If these are not known, the zoom function can be used to identify the correct location. This tool is used multiple times a day and allows the eligibility of project location to be assessed quickly and easily.

## **Resource Efficiency: Best practice checklist**

To support UN Sustainable Development Goals 11 (Sustainable cities and communities) and 12 (Responsible Consumption and Production) and Aim 4 of our [Waste to Resources Framework](#) (Maximum value is derived from resources circulating in the economy) we introduced a measure of Resource Efficiency into funding decisions. In partnership with NetRegs<sup>11</sup> we developed a "[Resource Efficiency: Best Practice Checklist](#)" that ABs can use as part of their application process. The checklist guides applicants through topics of energy efficiency, water use, energy, waste, biodiversity, use of resources and transport. Submitting a completed checklist with their application, allows ABs to make informed funding decisions between projects that are otherwise identical.

The Resource Efficiency: Best practice Checklist has been well received by ABs and is also available on the NetRegs site for any new start businesses, existing businesses or charities to use.

## **SLCF Eligibility Quiz**

Both SEPA and Approved Bodies receive numerous enquiries each week about whether a specific project is eligible for SLCF funding or not. This can take up a large proportion of time. Recognising that, as the contributions to the SLCF fall, Approved Bodies have a reduced administration budget (up to 10% of income is permitted) but are likely to continue receiving a similar level of applications for funding, we developed an online [Eligibility Quiz](#) in 2020.

Prospective applicants to the fund can be directed towards this quiz or can find it on SEPA's website. It asks several questions about the project and, depending on the answers, will give a "yes" or "no" response. Following the quiz, users are directed either to the list of Approved Bodies (if eligible) or towards possible alternative sources of funding (if ineligible).



Since this tool was published (June 2020), it has been viewed 282 times. 73% of people who viewed the tool completed it and of those 56% of respondents would be eligible to apply for funding (44% ineligible). It takes on average 3.5 minutes to complete the eligibility quiz. Interestingly, 51% of respondents said they had considered resource efficiency in the design of their project.

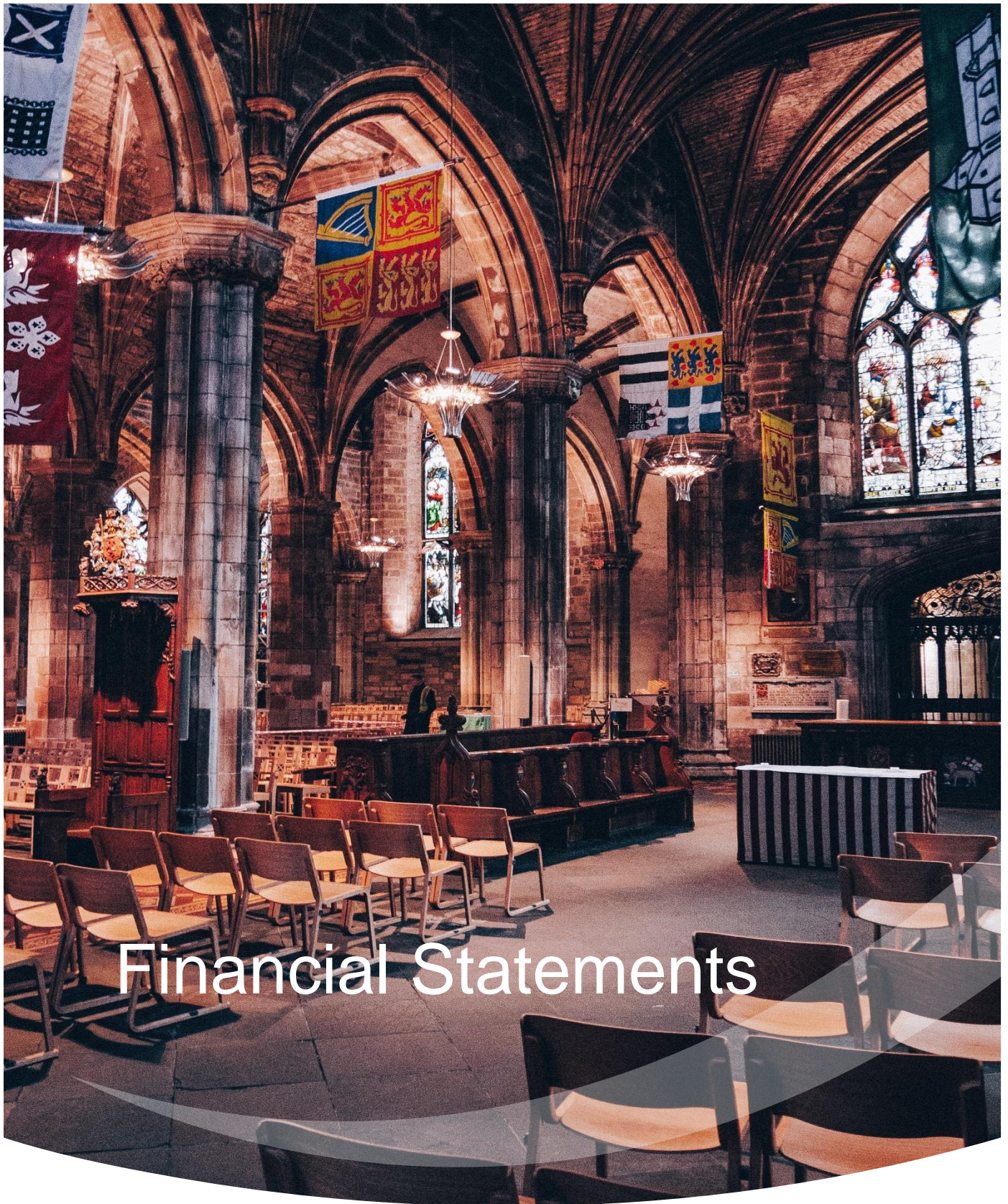
## **SLCF Publications**

Each year we produce an End-of-Year Report summarising the activity of the fund during that year. These reports are produced primarily for Revenue Scotland but are also published on our Guidance and Publications webpage<sup>12</sup>.

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<sup>11</sup> <https://www.netregs.org.uk/legislation/scotland-environmental-legislation/>

<sup>12</sup> <https://www.sepa.org.uk/environment/waste/scottish-landfill-communities-fund/guidance-and-publications/>



# Financial Statements

# Financial statements

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The following section gives financial statements for the SLCF, over financial years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20. It is based on information reported to SEPA by Approved Bodies and our own records.

## Statement of Financial Activities

At year end

Note	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000	Total £'000
<b>Income:</b>						
Donations (Contributions)	8,008	9,891	8,673	7,763	6,015	40,349
Investment Income	<sup>1</sup> 15	8	33	18	26	100
<b>Total income</b>	<b>8,023</b>	<b>9,899</b>	<b>8,705</b>	<b>7,781</b>	<b>6,041</b>	<b>40,450</b>
<b>Expenditure:</b>						
Regulatory fees	146	180	158	141	109	734
Administration costs	613	883	742	677	587	3,503
Funds committed to enrolled projects	1,906	6,350	9,452	9,204	5,846	32,757
<b>Total expenditure</b>	<b>2,664</b>	<b>7,413</b>	<b>10,352</b>	<b>10,023</b>	<b>6,543</b>	<b>36,995</b>
<b>Net income/(expenditur e):</b>	<b>5,359</b>	<b>2,486</b>	<b>(1,646)</b>	<b>(2,242)</b>	<b>(502)</b>	<b>3,455</b>
<b>Reconciliation of funds:</b>						
Total funds brought forward	-	5,359	7,845	6,199	3,957	
<b>Total funds carried forward</b>	<b>5,359</b>	<b>7,845</b>	<b>6,199</b>	<b>3,957</b>	<b>3,455</b>	

## Balance Sheet

At year end

Note	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
<b>Assets:</b>					
<b>Fixed Assets:</b>					
	2	-	-	-	-
<b>Current Assets:</b>					
Cash at bank and in hand	3	6,874	11,978	12,773	11,101
<b>Total Assets</b>		<b>6,874</b>	<b>11,978</b>	<b>12,773</b>	<b>11,101</b>
<b>Liabilities:</b>					
Amounts falling due within one year	4	1,515	4,133	6,574	7,144
<b>Net Current Assets</b>		<b>5,359</b>	<b>7,845</b>	<b>6,199</b>	<b>3,957</b>
<b>Total assets less current liabilities</b>		<b>5,359</b>	<b>7,845</b>	<b>6,199</b>	<b>3,957</b>
<b>Net Assets</b>		<b>5,359</b>	<b>7,845</b>	<b>6,199</b>	<b>3,957</b>
<b>Funds:</b>					
Unrestricted funds	5	5,359	7,845	6,199	3,957
Restricted funds		1,515	4,133	6,574	7,144
<b>Total Funds</b>		<b>6,874</b>	<b>11,978</b>	<b>12,773</b>	<b>11,101</b>

## Statement of Cash Flows

The following represents the flow of cash within the SLCF. SLCF funds are held in multiple accounts across the Approved Bodies and SEPA. There is no single account where these figures can be verified.

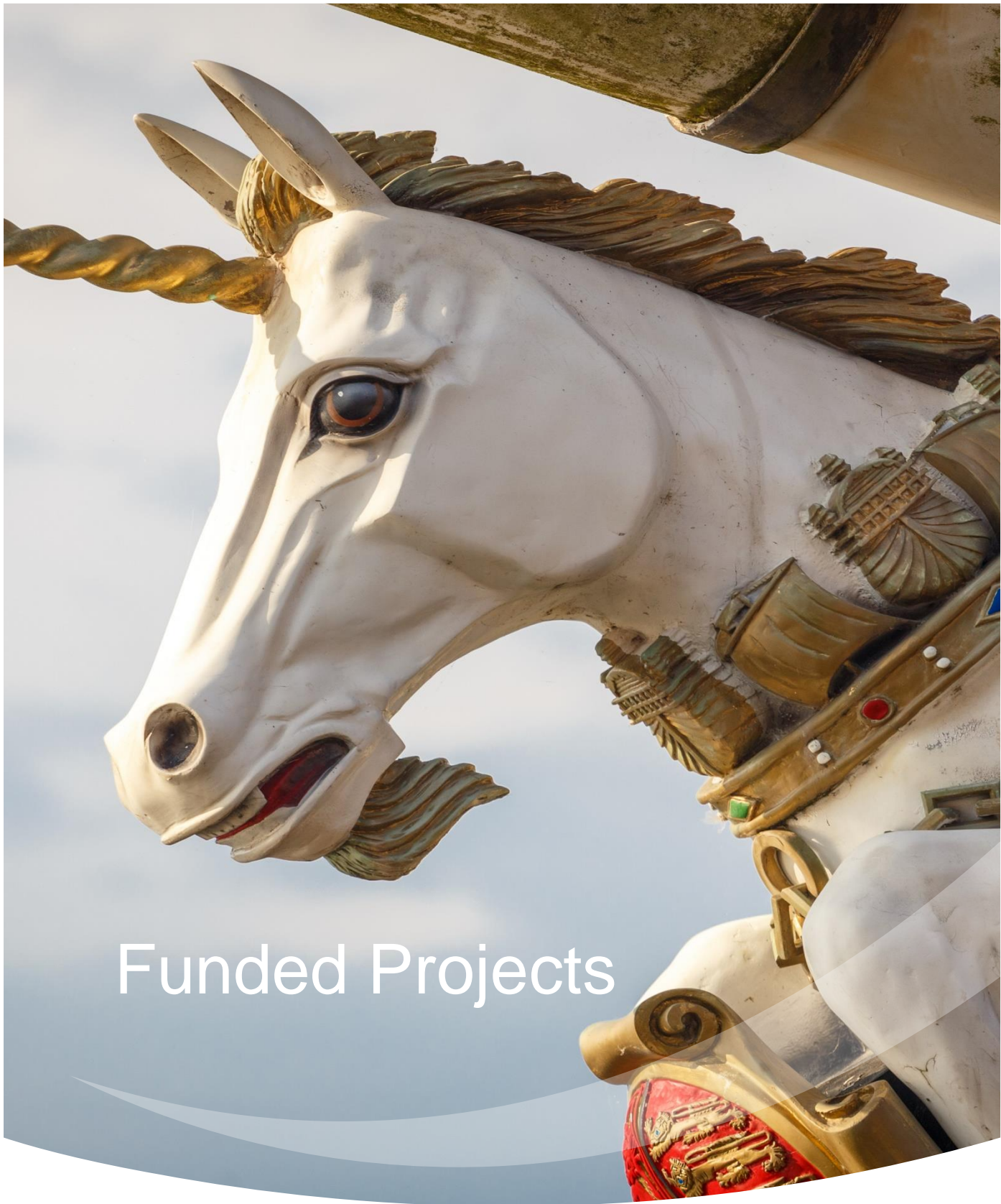
At year end

Note	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Cash used in operating activities: <sup>6</sup>	3,828	(140)	(4,120)	(2,830)	1,097
Cash flows from investing activities:					
Interest income	15	8	33	18	26
Net cash from investing activities	15	8	33	18	26
Change in cash in the year:	3,843	(131)	(4,087)	(2,812)	1,123
Cash brought forward	-	15	48	66	92
Total cash carried forward	6,874	11,978	12,773	11,101	8,974

## Notes to Financial Statements

1. Approved Bodies may invest contributions. All contributions and any derived income must be applied to the approved objects of the SLCF. All Investment income is interest received.
2. Fixed assets: Approved Bodies are required to report their expenditure every year. We ask for a total administration/running costs which includes SLCF money that has been spent on the day to day running of the AB e.g. office administration, the purchase of office equipment, governance expenses etc. Therefore, we do not know the value of fixed assets held by ABs that were paid for solely by the SLCF.
3. Cash at bank and in hand: When an Approved Body enrolls a project, the committed money is considered spent for the purposes of spending contributions within 2 years. However, the funds are not normally given as a lump sum, they are only released once the project needs it. Therefore, cash at bank is the net income minus transferred funds.  
Cash at bank includes cash and any short term highly liquid investments.
4. Amounts falling due within one year: Funds committed to enrolled projects that are yet to be transferred.
5. All SLCF funds must be spent on the objects of the SLCF. Unrestricted funds are available to be spent on any of the SLCF objects. Restricted funds have already been allocated to an object (project award) and therefore must be kept for that purpose until they are transferred to the project.
6. Reconciliation of net income (expenditure) to net cash flow from operating activities:

	2015-16 £'000	2016-17 £'000	2017-18 £'000	2018-19 £'000	2019-20 £'000
Net Movement in funds	5,359	2,486	(1,646)	(2,242)	(502)
Deduct interest income shown in investing activities	15	8	33	18	26
Decrease (increase) in creditors	1,515	2,618	2,441	570	(1,625)
Increase (decrease) in debtors	-	-	-	-	-
Net cash used in operating activities:	3,828	(140)	(4,120)	(2,830)	1,097



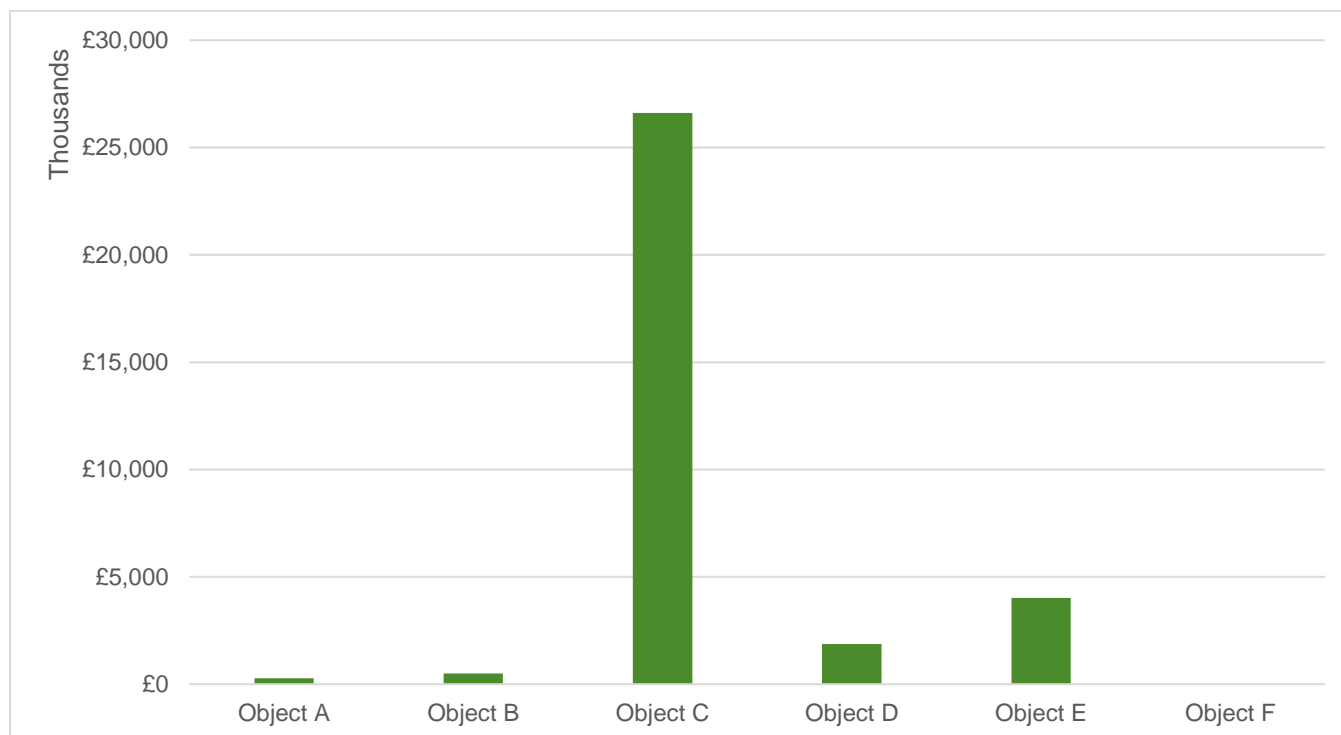
# Funded Projects



# Funded Projects

The following section gives further detail on, and examples of, projects that have been funded under each Object of the SLCF.

Figure 8 - Total value of funding awarded per object between 2015-2020



As can be seen from Figure 8, most funding has been awarded to Object C (public amenity) projects (£26.6m), followed by Object E (historic buildings) (£4m) and Object D (biodiversity) (£1.8m). Object A (reclamation) (£275k) and Object B (recycling / reuse) (£497k) have also been funded but to a lesser degree. Object F (services) projects have not been applied for or funded in the last 5 years.

There is little variation between years with Object C always being awarded the most funding, followed by Object E, D, B and A.

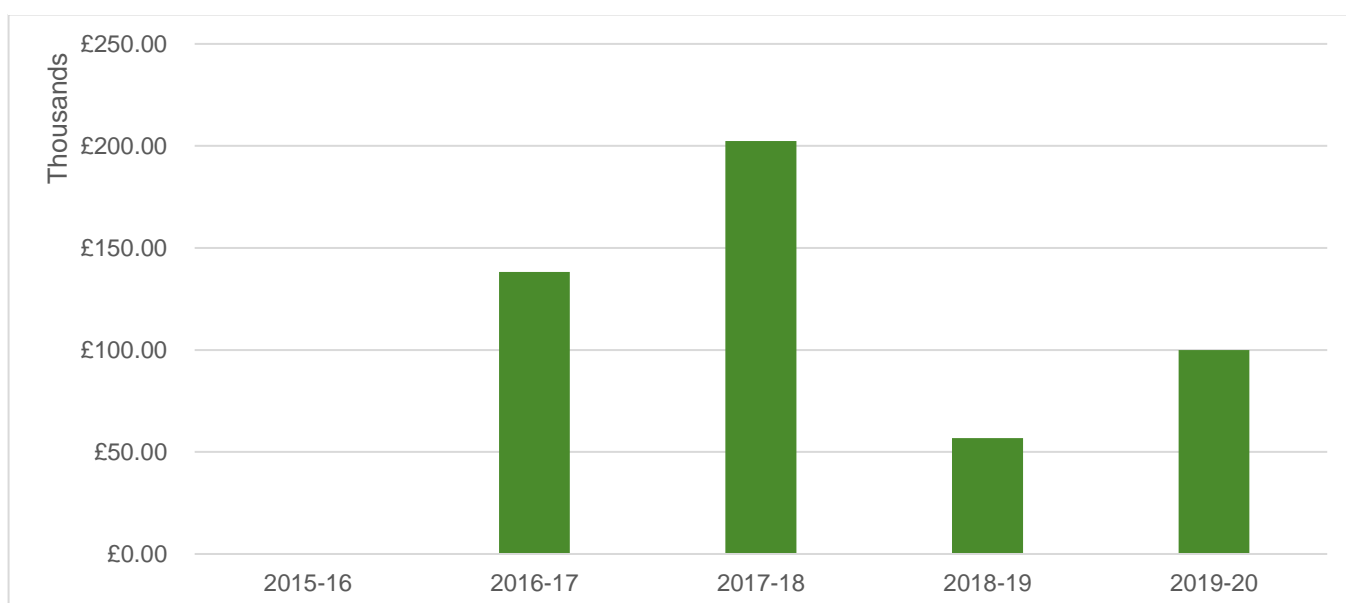
## Object A: Land restoration projects

*“In relation to any land in Scotland the use of which for any economic, social or environmental purpose has been prevented or restricted because of the carrying on of an activity on the land which has ceased-*  
*(i) reclamation, remediation or restoration; or*  
*(ii) any other operation intended to facilitate economic, social or environmental use”<sup>13</sup>*

Funding is available for projects to reclaim, remediate or restore land that was otherwise unusable to improve the economic, social or environmental use of that land. Projects are likely to be on sites previously used for manufacturing, waste disposal, mining, agriculture or similar activities. The project could include one or many activities to bring the land back to use. For example; drainage, soil improvements, removing physical objects or infrastructure to allow use of the land.

There have been 21 projects enrolled in the last five years that support Object A. The total funding awarded was £275k. This represents 0.8% of the total value of awards in the past five years. The average award was £13k. Eight of the 14 approved bodies have supported Object A projects.

Figure 9 - Value of funds awarded to Object A projects



The SLCF is an important source of funding for transforming [vacant and derelict land](#) to productive use. The Scottish Land Commission and SEPA are working with Scottish Government to change Scotland's approach to land reuse.



 *Tobermory light industrial park*

EB Scotland Ltd awarded £10,000 to [Tobermory Light Industrial Park](#). The Park was built on derelict industrial land in response to a need for business premises for small businesses and start-ups. The development supports inclusive growth in a rural/island setting where local economic productivity was limited and supports greater resilience within the community.

The project was delivered successfully, providing a 0.8 hectare purpose built, flexible business park, occupied by local businesses supporting jobs and other opportunities for local people living on Mull. The Regeneration Capital Grant Fund also awarded £1.6m towards this project.

BCCF Environmental awarded £31,544 to the [Newcastleton Community Fuel Project](#), a community trust, to restore a closed filling station for the local community. Residents of the Scottish Borders village had to travel between 10 and 14 miles to the nearest petrol station before the project. Local households are expected to save around £300 a year in fuel costs now that a local petrol station has been provided. The project created two permanent part time jobs and every litre of fuel sold generates a penny for the community to invest in local initiatives.



 *Newcastleton Fuel Pumps, photo by Phil Wilkinson*

The £450,000 project was also supported by the Big Lottery Fund Scotland and local fundraising.



*Community Orchard*



Carlisle Development Trust were successful in obtaining £6,585 from The Levensat Trust to create a community orchard on a disused area of land. The SLCF funds provided bench seating, pathways, signage and orchard trees. The Orchard was planted by pupils at a local primary school and it is hoped that the orchard will provide a community focus.

The project was also supported by Heritage Lottery Fund, Clydesdale Community Initiatives, Clyde Valley Orchards Co-operative, Central Scotland Green Network Trust, South Lanarkshire LEADER and the Clyde and Avon Valley Landscape Partnership.

## Object B

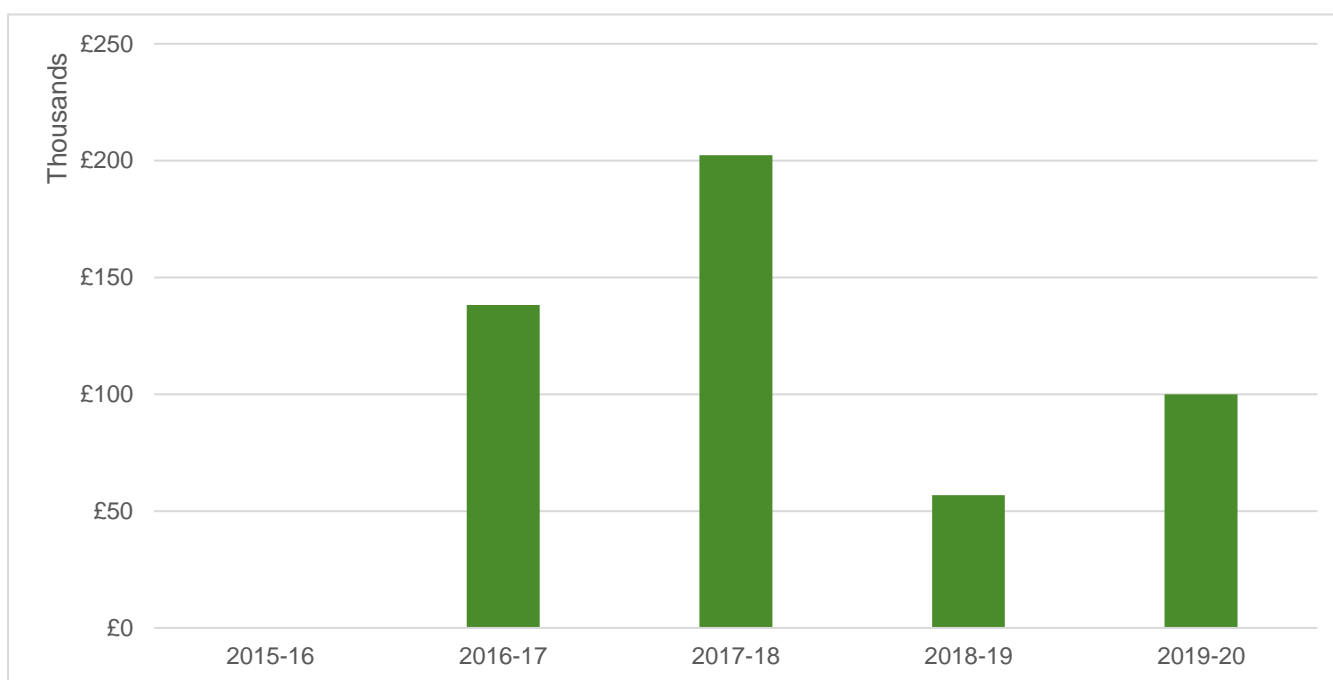
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*“Where it is for the protection of the environment, any community based recycling in Scotland or community based re-use and waste prevention projects in Scotland”<sup>14</sup>*

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Funding is available for non-profit community based projects focussing on waste prevention, re-use or recycling. There have been 16 projects enrolled in the last five years that support Object B. The total funding awarded was £497k, with an average award of £31k. This represents 1.5% of the total value of awards in the past five years. Six of the 14 approved bodies have supported Object B projects.

*Figure 10 - Value of funds awarded to Object B projects*



Most Object B projects supported by SLCF funding relate to reuse projects, forging a strong link between the community and environmental protection and improvement. Projects awarded funding include timber, bicycle and furniture recycling.

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<sup>14</sup> [The Scottish Landfill Tax \(Administration\) Regulations 2015 \(as amended\) Regulation 29\(5\)\(b\)](#)

[The Reuse Shop](#), Stranraer was awarded £31,912 by SUEZ Communities Trust Ltd. The funding was granted to help fit out the newly constructed shop, which has a purpose built showroom, warehouse, office, kitchen, toilets, workshop and training facility for the Furniture Project.

The project provides a service to the public, so they can reuse items, and provides opportunities for volunteers to learn new skills. Supported employment placements are provided in partnership with Community Job Scotland, to assist with getting young people employment ready and into employment. People also undertake placements to improve their mental health.



 *Repairing a sofa for reuse*

The project was supported by Scottish Government's Climate Challenge Fund, the European Regional Development Fund and Dumfries and Galloway Council. It also works in partnership with many organisations and charities.



 *Angus Cycle Hub*

Angus Environmental Trust awarded almost £104k to [Angus Cycle Hub](#), a Community Interest Company (CIC), for funding towards the costs of an electric van, initial staff costs and workshop equipment for their bicycle reuse project. The Arbroath project encourages people to cycle, recycle and reduce carbon emissions while improving health and wellbeing. Working with the local authority, the project diverts discarded bicycles from landfill and scrap, refurbishes

them and offers them for sale. This provides low cost access to bicycles in the area and the sale of refurbished bikes has allowed the project to be self-sustaining after initial start-up.

Scottish Wildlife Trust received two awards from EB Scotland Ltd totalling £70.6k for projects at [Jupiter Urban Wildlife Centre](#) near Grangemouth. These projects support the building of rain gardens (sustainable design to alleviate localised flooding) and a range of planters and furniture made from recycled timber. The awards included funding to repair the workshop and buy new tools and equipment.

## Object C

*“Where it is for the protection of the environment, the provision, maintenance or improvement of-*

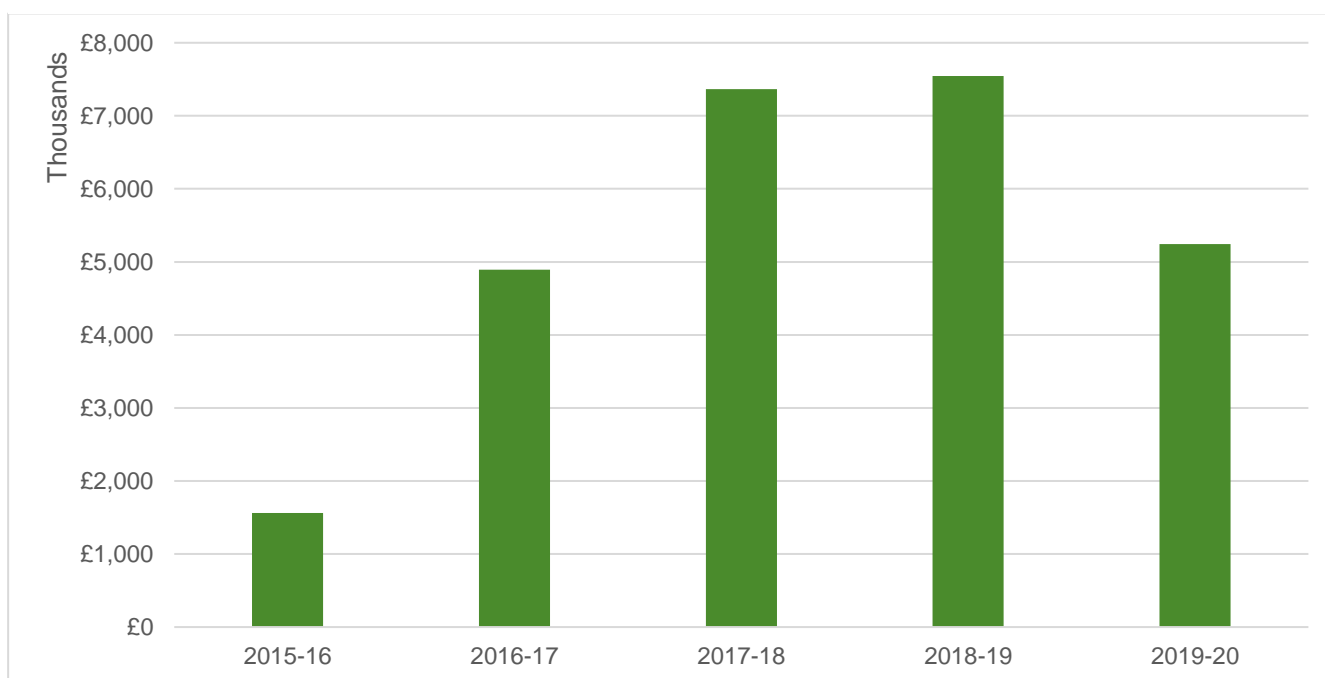
*(i) a public park in Scotland; or*

*(ii) another public amenity in Scotland,*

*in the vicinity of a landfill site or transfer station”<sup>15</sup>*

Funding is available for projects delivering public parks or public amenities in Scotland. These projects receive the most funding both in number of projects supported and total value of funding awarded. In the last five years, there have been 1130 projects enrolled with a total value of £26.6m. This represents 81% of the total value of SLCF awards in the past five years. All approved bodies have supported Object B projects. The scope of Object C is very wide which perhaps explains why 80% of total SLCF funding has gone to projects delivering this object.

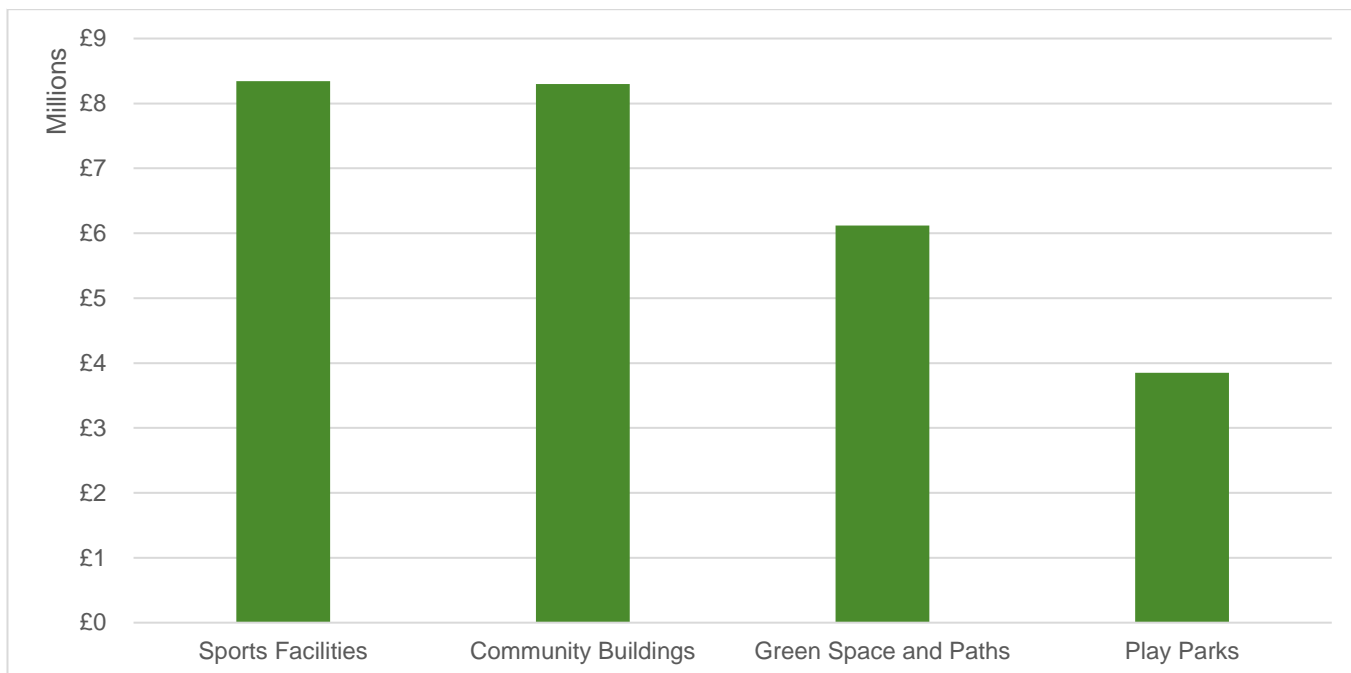
Figure 11 - Value of funds awarded to Object C projects



Projects supported by SLCF funding under Object C are quite diverse but can be broadly split into four sub-categories. These are:

1. Sports facilities (£8.3m);
2. Community buildings (£8.3m);
3. Public green spaces and paths (£6.1m); and
4. Play parks (£3.8m).

Figure 12 - Value of funding awarded under Object C, split into 4 sub-categories



£8.3m has been awarded for the provision, maintenance or improvement of 340 sports facilities throughout Scotland. These projects include funding towards ground maintenance of pitches and bowling greens, upgrading of facilities and the provision of new facilities like skate and bike parks.

The Scottish Government has a vision for a more active Scotland<sup>16</sup>. Being physically active is one of the very best things we can do for our physical and mental health. It helps to prevent heart disease, strokes, diabetes, and several cancers, as well as playing an important part in helping us maintain a healthy weight and reduces the risk of developing depression.

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<sup>16</sup> [A More Active Scotland: Scotland's Physical Activity Delivery Plan](#)





 *Inverness Bike Park*

Physical activity and sport have a transformative effect on communities. They provide opportunities for people to connect with their neighbourhoods and come together in shared activities which inspire and motivate. Sport and physical activity are a powerful means of addressing isolation, building community cohesion and developing confidence.

Funding for sports facilities is available from other sources, such as Sport Scotland, the National Lottery, Local Authorities as well as charitable trusts. The £1.6m (average) dispersed annually from the SLCF to sporting facilities provides a valuable boost to funding found elsewhere as well as an enhancement to healthy

communities. It supports UN Sustainable Development Goal

3 (good health and wellbeing).

FCC Communities Foundation Ltd gave £50k to the construction of an all asphalt [bike park in Inverness](#). This facility is well used and allows young people to enjoy and benefit from wheeled sports.

Communal buildings are often at the heart of a community, providing space for people to come together for a variety of reasons.

The SLCF has awarded £8.3m of funding towards 357 projects that provide, maintain or enhance community buildings. These projects include church halls, community centres and museums. Funding has been awarded to upgrade facilities such as toilets and kitchens, often giving these buildings a new lease of life

and encouraging the community to use them again. Funding has also been awarded for purpose built structures such as [the Egg Shed](#), a brand new community and heritage hub in Ardrishaig, Argyll and Bute.



*The Egg Shed, Ardrishaig*



Many of these projects were also funded by The National Lottery Community Fund, Local Authorities and charitable trusts. There is significant cross over in some of these projects to projects funded under Object E of the SLCF and many projects involving religious or historic buildings funded under object C could also be funded under object E.



 Fife Pilgrim Way

Public parks are specifically mentioned in the description of an Object C project. Just under a quarter (£6.1m, 23%) of funding awarded under Object C was towards the betterment of public green spaces and pathways. There is also significant crossover between these projects and Object D (Biodiversity) projects as many projects support native planting and enhance biodiversity. Therefore the £6.1m awarded to public green spaces could potentially include the £1.8m also awarded to biodiversity projects under object D giving a total award of almost £8m.

Publicly accessible green spaces are hugely important, especially in urban areas. Having quality green space available helps deliver a healthier and more prosperous

Scotland. Investment in Scotland's natural assets – air, water, land and nature – contributes to the UN Sustainable Development Goals (3. Good Health and Wellbeing, 11. Sustainable Cities and Communities, 13. Climate Action, 14. Life Below Water and 15. Life on Land).

Three Approved Bodies, Third Sector Hebrides, SUEZ Communities Trust Ltd and FCC Communities Foundation Ltd gave a combined total of £49k towards improvements to the [Fife Pilgrim Way](#), a long distance walking path from Culross to St Andrews in Fife. The project also received funding from the Lottery Heritage Fund.

SUEZ Communities Trust Ltd also funded £55k towards a project creating a new path within a nature reserve. Improvements to the path allowed it to be connected to an existing forestry commission track. This provided a continuous loop of 2km of pathway in a scenic location. The path makes the area more accessible to the general public and protects the natural environment. SLCF funds paid for the supply of materials and labour. Associated project costs included; the provision and installation of interpretation and information boards and leaflets detailing areas of natural and historic interest.

The SLCF has funded 122 play parks throughout Scotland, totalling just over £3.8m. Almost all Approved Bodies have funded play parks over the last five years. Most projects focus on providing inclusive play equipment and a safe space for the public. The average award was £31.5k but awards ranged from £1.3k to £100k.

Play equipment helps people get outside and be active and is a free activity for families to enjoy together.

Fife Environment Trust gave £45,450 to Pierhead Play Park in North Queensferry to upgrade the equipment on site.



*Pierhead Play Park, North Queensferry*



## Object D

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*“Where it is for the protection of the environment...the conservation or promotion of biological diversity through-*

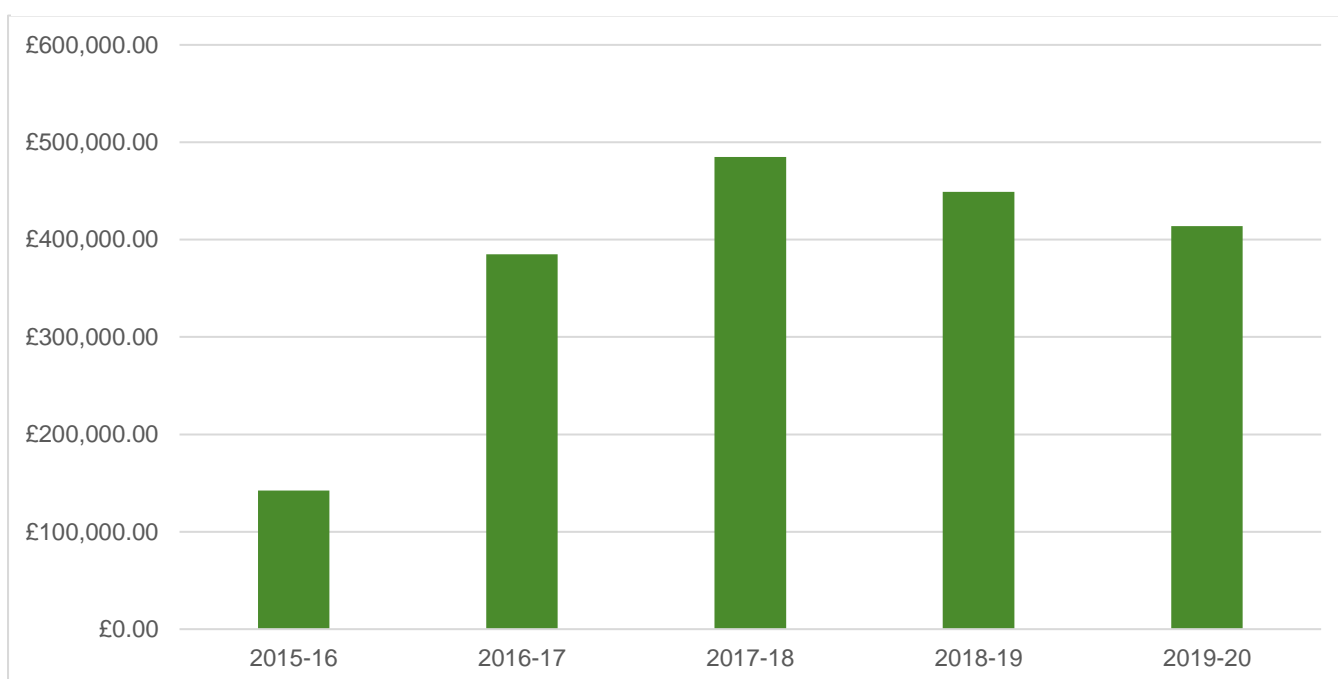
*(i) the provision, conservation, restoration or enhancement of a natural habitat in Scotland; or*

*(ii) the maintenance or recovery of a species in its natural habitat in Scotland, on land or in water situated in the vicinity of a landfill site or transfer station”<sup>17</sup>*

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Funding is available for projects conserving or promoting biological diversity in Scotland. Funding is only available for projects supporting a natural habitat or a species in its natural habitat.

*Figure 13 - Value of funds awarded to Object D projects*



Biodiversity is vitally important, sustaining natural systems which provide vital goods and services to society, supports tourism, farming, forestry, aquaculture and fishing industries. Biodiversity adds variety to our urban green spaces and contributes to improving the health and wellbeing of the people of Scotland. Along with climate change, biodiversity loss is regarded as the most critical environmental threat facing the world. Improving biodiversity contributes to the UN Sustainable Development Goals (3. Good Health and Wellbeing, 13. Climate Action, 14. Life Below Water and 15. Life on Land).

There have been 104 projects enrolled in the last five years that support Object D. The total funding awarded was £1.8m. This represents 6% of the total value of awards in the past five years. 12 of the 14 approved bodies have supported biodiversity projects.

Funding biodiversity projects through the SLCF helps to support the Scottish Government's [Scottish Biodiversity Strategy](#); conserving biodiversity for the health, enjoyment and wellbeing of the people of Scotland now, and in the future. Projects in this category either protect a species in its native habitat or enhance a habitat to encourage biodiversity. Scottish species that have been helped include: Lapwing, Curlew, Chough, Corncrake, Capercaillie, Tern, Greenland White Fronted Geese, Freshwater Pearl Mussel, Burnet Moth, Sea Trout, Atlantic Salmon, Aspen, Bats, Red Squirrel and Otter.

There is significant crossover between funded biodiversity and public amenity projects as many projects providing a public amenity also support native planting and enhance biodiversity regardless of the category they are put into. Therefore the £6m awarded to public green space projects (Object C) could be added to the £1.8m awarded to biodiversity projects under object D giving a total biodiversity award of almost £8m. The public green space projects mostly support biodiversity in urban habitats.

A study by the Environmental Funders Network: [Where the Green Grants Went Scotland](#)<sup>18</sup> in 2017, examined grants for environmental work in Scotland over the four years from 2012-2016. They were looking at the decline in funding for environmental work. At that time, they concluded that on average, grants to support environmental work from trusts and foundations averaged just £1.9 million per year. The SLCF has awarded between £1.8m - £8m to biodiversity projects over 5 years. This shows that the SLCF is a very important source of funding for the environment sector.



 Curlew protection

Habitats that SLCF funding has helped to restore or protect include: Coastal habitats (including sand dunes and machair); lochs, rivers and wetlands (including floodplain grazing marsh, blanket bog and lowland raised bogs); Woodland (including Atlantic Rainforest, Caledonian Pine Forest); and Grassland and Heaths (including lowland heath, peatlands and wildflower meadows).

In 2008, curlews were deemed of global conservation concern and became listed as Near Threatened on the IUCN Red List of Threatened Species. Between 1995 and 2012, the breeding populations in Scotland declined by 55 per cent.

EB Scotland Ltd and FCC Communities Foundation Ltd have collectively granted over £51k in support of a [Curlew Recovery](#) project in Orkney and the Highland Flow Country. These projects support the recovery of a species (curlew) in its natural habitat.

Species which have been introduced into areas outside their natural range through human actions and are posing a threat to native wildlife, are known as invasive non-native species (INNS). INNS can spread rapidly and become dominant in an area or ecosystem, causing adverse ecological environmental and economic impacts. The protection of native biodiversity includes the removal of native species as much as it involves the replanting of native species. Almost £300k has been awarded, over the last five years to projects aiming to control non-native (plant) species. Targeted species include Giant Hogweed, Japanese Knotweed, Himalayan Balsam, Rhododendron and Sea Buckthorn.



*Himalayan Balsam*



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<sup>18</sup> <https://www.greenfunders.org/where-the-green-grants-went-scotland/>

## Object E

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*“Where it is for the protection of the environment, the maintenance, repair or restoration of a building or other structure or a site of archaeological interest (including their landscape context) in Scotland which-*

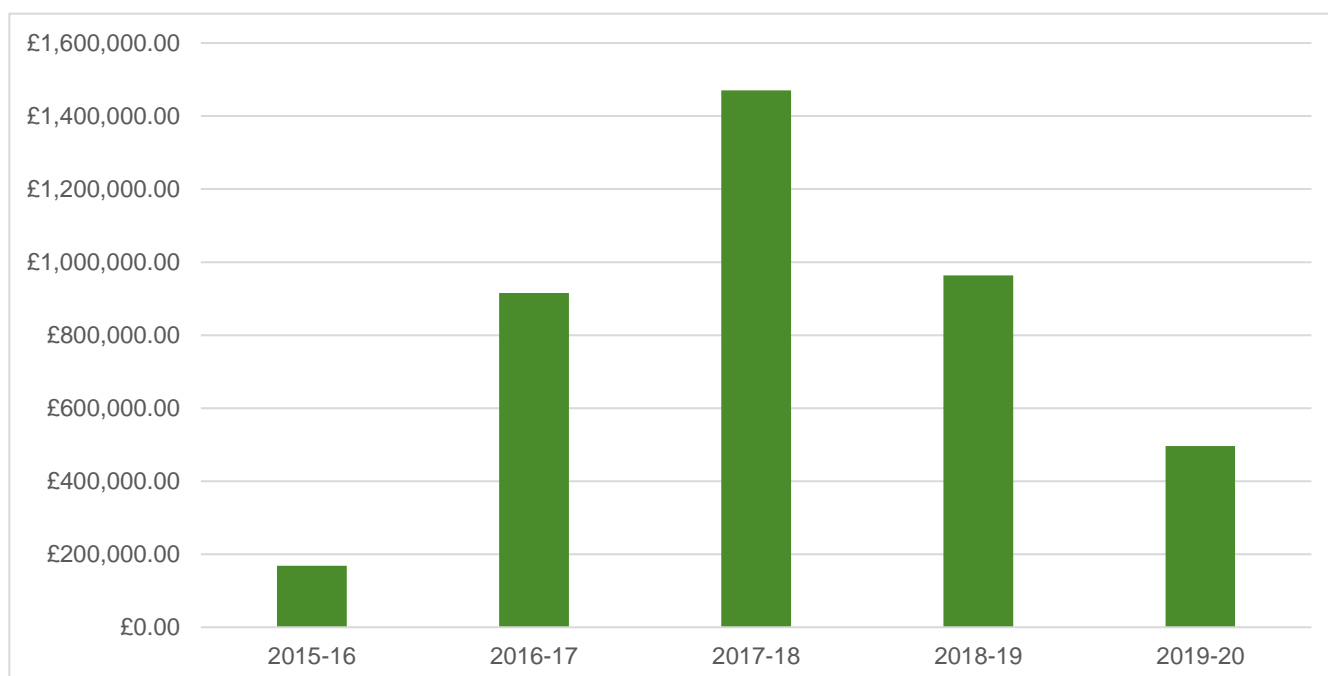
- (i) is a place of religious worship or of historic, archaeological or architectural interest;*
- (ii) is open to the public; and*
- (iii) is situated in the vicinity of a landfill site or transfer station”<sup>19</sup>*

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Funding is available for projects that maintain, repair or restore buildings, structures or archaeological sites in Scotland. The site must be a place of religious worship or of historic, archaeological or architectural interest. Sites must be open to the public and not-for-profit.

There have been 163 projects enrolled in the last five years that support Object E. The total funding awarded was £3.7m, representing 12% of the total value of awards in the past five years. 13 of the 14 approved bodies have supported Object E projects.

*Figure 14- Value of funds awarded to Object E projects*



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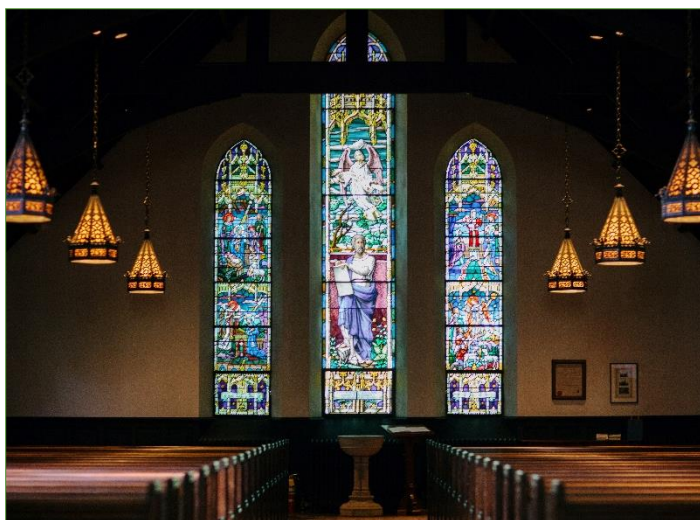
<sup>19</sup> [The Scottish Landfill Tax \(Administration\) Regulations 2015 \(as amended\) Regulation 29\(5\)\(e\)](#)

Projects funded under Object E can be roughly split into three categories: Religious buildings were awarded £2.7m of funding (when added to funding for community buildings linked to religious buildings awarded under Object C, it brings the total to around £4m). Historic buildings and monuments were awarded £904k and Archaeological Sites were awarded £15k over the last five years.

Clachtoll Broch, located on the north west coast of Assynt, is one of northern Scotland's most iconic archaeological monuments. Surviving in places to first floor level, the remains of this spectacular drystone tower are thought to be around 2000 years old. EB Scotland awarded £15k of SLCF funding Historic Assynt for the excavation and consolidation of this historic structure as part of a wider project to protect, study and make the broch accessible. The project is also supported by the National Lottery Heritage Fund, [Historic Environment Scotland](#), [SSE](#), [the Pilgrim Trust](#), the Robert Kiln Charitable Trust, and [Scottish Wildlife Trust](#).



*Triangular lintel and doorway of Clachtoll Broch*

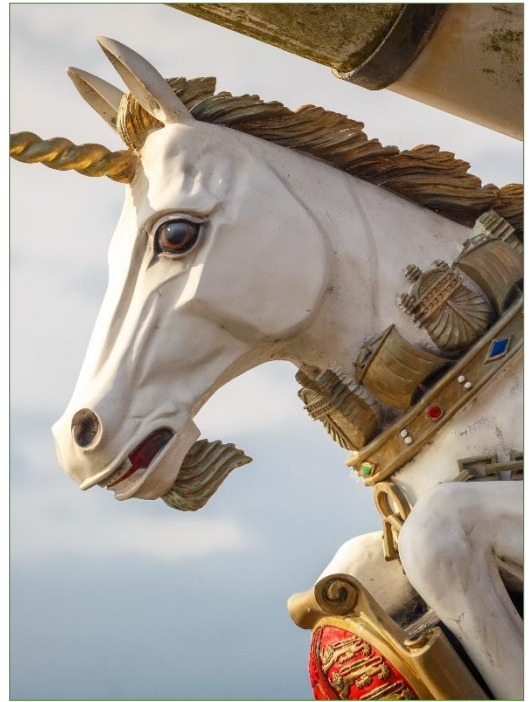


*Stained glass windows*

Almost 120 projects have been funded by the SLCF over the last five years, to preserve places of religious worship. Most funding, under Object E has gone towards restoring or maintaining the fabric of buildings such as roofs, spires and windows. Object E appears to attract so many applications because it provides funding for the maintenance of buildings. Other funders provide for the restoration or preservation of buildings, but maintenance funding is difficult to find.



Two historical sailing vessels have received funding from South Ayrshire Waste and Environment Trust and SUEZ Communities Trust Ltd to a value of £50k. These SLCF funds helped with the restoration and maintenance of HM Frigate Unicorn and RSS Discovery, both berthed in Dundee.



 *Figurehead of HMS Unicorn*

## Object F

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*“The provision of financial, administration and other similar services to bodies which are enrolled with an approved body which is registered with the regulatory body”<sup>20</sup>*

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Under this object, funding is available for support services that the enrolled project is unable to provide. For example, a project may not have any staff / volunteers able to manage the financial aspects of the project (book-keeping etc.). An application can be made to any AB to fund support services which can be provided by the AB or can be contracted out. Where an AB provides the services themselves, the cost of the service would be accounted for as additional income. Applications for funding under this object are likely to be a “last resort” for unexpected support costs.

Over the last five years, no projects have been enrolled under Object F. We think this is because there is little demand for this as a separate object. Projects routinely include costs for project management and administration in their applications therefore, there is little need for this project type as stand-alone funding.

From time to time, project costs change, and ABs are open to enrolled projects requesting a change to their agreed funding. Object F could only be used if the change to costs was admin based and the enrolling AB was not able to provide additional funding, Object F would allow the enrolled project to apply to another AB for help. Therefore, this object can only be used under very specific circumstances. We think that this object is either misunderstood or there is little need for it.

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<sup>20</sup> [The Scottish Landfill Tax \(Administration\) Regulations 2015 \(as amended\) Regulation 29\(5\)\(f\)](#)

An aerial photograph of a two-lane asphalt road winding through a dense forest. The road has white dashed center and edge lines. The forest is composed of various types of trees, including evergreens and deciduous trees with autumn-colored foliage. A semi-transparent, curved grey overlay is positioned at the bottom of the image, partially covering the road and the forest below it.

# The Future of the Fund

# The Future of the Fund

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There are a number of threats to the SLCF on the horizon. The SLCF has shown to be a real success and is a great example of positive payback into communities affected by waste management facilities. But clearly, it is a declining fund as it tied into the ever-reducing amount of waste landfilled.

The impact of the COVID-19 pandemic on the waste sector and the resulting impact on contributions to the fund is only emerging. Quarter 1 contributions in 2020-21 were around half of what we would expect to have seen. This was due to a massive reduction in waste landfilled while the country was in lockdown. The full consequences of the pandemic on the waste sector are not yet known, however all predictions point towards a slow recovery. This could mean that the predicted decrease in contributions to the SLCF are realised sooner than thought.

The UK's exit from the EU will also have an impact on the SLCF. The third sector will lose European funding affecting many of the projects that typically also apply to the SLCF. This in turn will mean a greater reliance and pressure on national funds like the SLCF. Applications for funding are likely to increase, putting additional strain on SLCF resources.

We know that the ban on landfilling Biodegradable Municipal Waste in Scotland, will reduce the Scottish Landfill Tax yield and so the possible contributions to the SLCF. This ban will come into effect from January 2025; however, waste is already being diverted from landfill to comply with targets. The most recent forecasts by the Scottish Fiscal Commission<sup>21</sup> forecast an average annual contribution to the SLCF of around £5.5m over the next 4 years (down from an annual average of £8.m over the last 5 years) and as low as £2m per year for the 5 years following the implementation of the ban.

Future changes in policy to implement Circular Economy and Climate Change goals are also likely to mean a reduction in waste to landfill and so a reduction in possible contributions under the current funding model.

Considering the wide reaching benefits of the SLCF, we need to put plans in place as soon as possible to boost contributions to the fund and ensure it is available in the future. This could be achieved in a number of ways including, but not limited to, trying to encourage a greater proportion of landfills to contribute to the SLCF, increasing the value of contributions that qualify for a tax rebate and allowing contributions from other sources.

We would be happy to work with Scottish Government and Revenue Scotland to find a solution to the declining fund.

## Future changes to objects

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As part of this five year review, we have assessed the types of projects supported by the SLCF. The existing project types are all in demand (apart from Object F). We have seen through our review of other funding available, that the SLCF is an important and valued funding source for many community and environmental projects and that although there are various funds offering funding for similar projects, no single fund offers awards for the breadth of project types and the geographical spread offered by the SLCF.

The current objects help Scotland meet National, European and Global initiatives including:

- United Nation Sustainable Development Goals,
- Scottish Government's vision for a more Active Scotland,
- Scottish Government's National Biodiversity Strategy (protecting species of National, European and Global significance),
- Scotland's adaptation to Climate Change,
- Transforming vacant and derelict land,
- Encouraging circular economy practices, and
- Protecting Scotland's Natural Heritage.

The SLCF could play a part in helping Scotland meet other targets such as Scotland's Green Recovery. As part of any work focussed on boosting contributions to the SLCF, we could also try to identify any funding gaps or priorities that the SLCF should support.

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<sup>21</sup> Scottish Fiscal Commission: [Scotland's Economic and Fiscal Forecasts February 2020](#)



# Summary

# Summary

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This five year review reports on the performance of the fund to date, and highlights areas of concern or improvement.

Scotland has achieved a well organised mechanism for distributing landfill tax credits to projects. The SLCF is a voluntary scheme, allowing Landfill Operators to contribute to community and environmental projects via their chosen distributing body. It is regularly supported by more than half of Landfill Taxpayers. Over £40m was contributed in the first five years and almost £33m of funds have already been distributed to projects all over Scotland.

SEPA regulates the SLCF through an established programme of compliance checks. We provide appropriate scrutiny to help ensure accountability and transparency. Compliance within the SLCF is very high. The network of Approved Bodies distributing funds are a committed group, eager to maximise the value of funding going to projects.

The SLCF is an important and valued source of funding for community and environmental projects in Scotland.

Landfill Tax has been successful in encouraging the prevention, reuse and recycling of waste, keeping valuable resources circulating in the Scottish economy. The people of Scotland have benefitted from £40.3m of funding to offset the dis-amenity of landfill activity. As Scotland continues to move away from landfilling as a waste management solution, by further restricting wastes that may be put to landfill, the current method of funding the SLCF by a proportion of landfill tax credits is unsustainable and is a victim of our successful shift away from landfilling.

The SLCF plays an important and valued funding source for many community and environmental projects. No other single fund offers awards for the breadth of project types and the geographical spread offered by the SLCF. The SLCF provides a valuable source of funding for environmental and community projects in Scotland; providing around 10% of similar funding available and often with fewer restrictions on eligibility. It also provides a significant proportion of funding available for biodiversity projects, helping Scotland tackle Climate Change, support a green recovery and helping to make resilient communities.

The SLCF directly or indirectly contributes towards UN Sustainable Development Goals and supports the delivery of Scottish Government and partner priorities including: Active Scotland, the National Biodiversity Strategy, Scotland's adaptation to Climate Change, transforming vacant and derelict land and protecting Scotland's Natural Heritage.

However, the future of the fund, in its current form, is limited due to the reducing reliance on landfilling as a waste option. Upcoming bans of waste to landfill will further reduce the volume of waste being landfilled and so contributions to the SLCF. Considering the unique nature of the SLCF, its popularity and the benefits it provides to local communities and the environment, we strongly believe that it is worth considering options to boost contributions and prolong the life of the fund.



Every day SEPA works to protect and enhance Scotland's environment, helping communities and businesses thrive within the resources of our planet.



We call this **One Planet Prosperity**