

END OF YEAR REPORT 2021-2022



Scottish Landfill Communities Fund Team, SEPA
September 2022

Contents

| | |
|---|----|
| 1. Summary..... | 2 |
| 2. Key Performance Indicator (KPI) Discussion | 2 |
| i. Approved Body Applications | 2 |
| ii. Register of Approved Bodies | 3 |
| iii. Compliance Inspections..... | 3 |
| iv. Enforcement | 3 |
| v. Written Communication Response Times | 4 |
| vi. Number of Complaints and Compliments | 4 |
| vii. Number of Data Security Breaches..... | 4 |
| viii. Qualifying Contributions made to the Fund | 5 |
| ix. Funds Committed to Projects..... | 6 |
| x. Approved Body Running Costs | 8 |
| xi. SEPA income..... | 9 |
| xii. SEPA Costs | 10 |
| xiii. Major Expenditure from the SLCF | 10 |
| xiv. Unallocated Funds..... | 11 |
| 3. CONCLUSION | 11 |
| 4. APPENDIX 1 – DATES USED..... | 12 |
| 5. APPENDIX 2 - SUMMARY OF KEY PERFORMANCE INDICATORS | 13 |
| 6. APPENDIX 3 – END-OF-YEAR SUMMARY INFOGRAPHIC..... | 17 |

| | |
|-------------------|---|
| Author: | Lindsay Wells, SLCF Unit Manager |
| Authorised by: | Gary Walker, Waste & Landfill Tax Manager |
| Date of approval: | 13/9/2022 |

1. Summary

2021-2022 was the Scottish Landfill Communities Fund's (SLCF) seventh year. Overall, the SLCF continues to perform well. Twelve organisations are currently approved to receive and distribute contributions to the SLCF (Approved Bodies (ABs)). Of these, ten have been active this year.

£6.5m was contributed by Landfill taxpayers to the SLCF and £5.5m was committed to 235 new projects by Approved Bodies.

At the close of the year, all Approved Bodies were compliant with the regulations and the conditions of approval set by SEPA. SEPA continues to enjoy an effective relationship with the ABs.

We continue to recover from the effects of the cyber-attack on SEPA on 24 December 2020 and the restrictions put in place for the Covid-19 pandemic. We have recovered some data from our compromised database and with the assistance of the Approved Bodies and Revenue Scotland, we are building back the SLCF dataset. However, a lack of historical data and a functioning database has prevented us from carrying out some of our regular data compliance monitoring and project inspections this year.

This report presents the information SEPA has collected on the fund over 2021-2022.

2. 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

One application was received this year for approval to distribute SLCF funds and one application was received for voluntary revocation. Both applications were processed and granted according to regulatory requirements.

12 organisations have approval to distribute SLCF funds. These Approved Bodies (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.

10 ABs have been active this year. BCCF Environmental (SLCF/AB/005) and LT Funding Ltd (SLCF/AB/16) have not been active this year. BCCF Environmental only have a small amount of SLCF Funds left to spend and LT Funding Ltd are our newly appointed AB who have received contributions but are yet to enrol projects.

ii. Register of Approved Bodies

SEPA continues to maintain a [Register of Approved Bodies](#)¹, published on SEPA's website. It contains contact information for each approved body. The register has not needed to be updated this year.

iii. Compliance Inspections

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|---|-------|-------|-------|-------|--------------|
| a. Number of compliance inspections completed by the SLCF team | 10 | 13 | 13 | 24 | 60 |
| Assessment of AB accounts | 0 | 0 | 0 | 0 | 0 |
| Assessment of Annual Reports | 0 | 0 | 0 | 11 | 11 |
| Database compliance checks | 10 | 12 | 11 | 11 | 44 |
| Inspection / Audit of AB | 0 | 1 | 2 | 2 | 5 |
| Project Inspections | 0 | 0 | 0 | 0 | 0 |
| b. Number of ABs deemed compliant following a compliance inspection | 11/11 | 11/11 | 11/11 | 12/12 | 12/12 |

iv. Enforcement

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|--|----|----|----|----|----------|
| a. Number of enforcement actions started | 0 | 0 | 0 | 0 | 0 |
| b. Number of enforcement actions concluded and outcome | 0 | 0 | 0 | 0 | 0 |

There was no need for any enforcement actions this year. Our first option when discovering any irregularity is to discuss this with the AB and to offer advice and guidance to promote behaviour change and ensure compliance. This has been sufficient to ensure compliance.

v. Written Communication Response Times

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|---|---|---|---|---|---|
| a. Total number of queries responded to | 7 (6 <10 days) (0 <25 days) (1 >25 days) | 15 (13 <10 days) (0 <25 days) (2 >25 days) | 14 (14 <10 days) (0 <25 days) (0 >25 days) | 16 (15 <10 days) (1 <25 days) (0 >25 days) | 52 (48 <10 days) (1 <25 days) (3 >25 days) |
| b. Number of queries responded to from ABs including response period (10 and 25 days) | 3 (2 <10 days) (0 <25 days) (1 >25 days) | 7 (6 <10 days) (0 <25 days) (1 >25 days) | 5 (5 <10 days) (0 <25 days) (0 >25 days) | 4 (3 <10 days) (1 <25 days) (0 >25 days) | 19 (16 <10 days) (1 <25 days) (2 >25 days) |
| c. Number of queries responded to from Projects including response period (10 and 25 days) | 4 (4 <10 days) (0 <25 days) (0 >25 days) | 6 (5 <10 days) (0 <25 days) (1 >25 days) | 9 (9 <10 days) (0 <25 days) (0 >25 days) | 11 (11 <10 days) (0 <25 days) (0 >25 days) | 30 (29 <10 days) (0 <25 days) (1 >25 days) |
| d. Number of queries responded to from others ² including response period (10 and 25 days) | 0 (0 <10 days) (0 <25 days) (0 >25 days) | 2 (2 <10 days) (0 <25 days) (0 >25 days) | 0 (0 <10 days) (0 <25 days) (0 >25 days) | 1 (1 <10 days) (0 <25 days) (0 >25 days) | 3 (3 <10 days) (0 <25 days) (0 >25 days) |

The SLCF team has responded to a small number of queries (52) from ABs, projects, landfill operators and members of the public about the SLCF. This is almost a 50% reduction in queries being asked than in 2019-20. We know that our [SLCF Eligibility Quiz](#)¹, where users can work through a series of questions to determine if their project is eligible for funding is very well used. Since it was developed in June 2020, it has been used over 2,000 times (average is 3 times per day, every day since release). This may be one reason for the decline in enquiries as most queries received in previous years were related to eligibility of specific projects.

vi. Number of Complaints and Compliments

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

vii. Number of Data Security Breaches

There have been no data security breaches this year.

SLCF data is not considered to be Protected Taxpayer Information (PTI)² 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 monitoring

¹ [SLCF Eligibility quiz \(typeform.com\)](#)

² See [Revenue Scotland and Tax Powers Act 2014: S14](#)

of Landfill Operator compliance with their obligations in respect of Scottish Landfill Tax and contributions made to the SLCF.

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

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|--|------------|------------|------------|------------|-------------------|
| a. Total value of qualifying contributions notified by ABs as having been made to the fund | £1,619,636 | £1,285,419 | £1,214,789 | £2,965,810 | £7,085,655 |

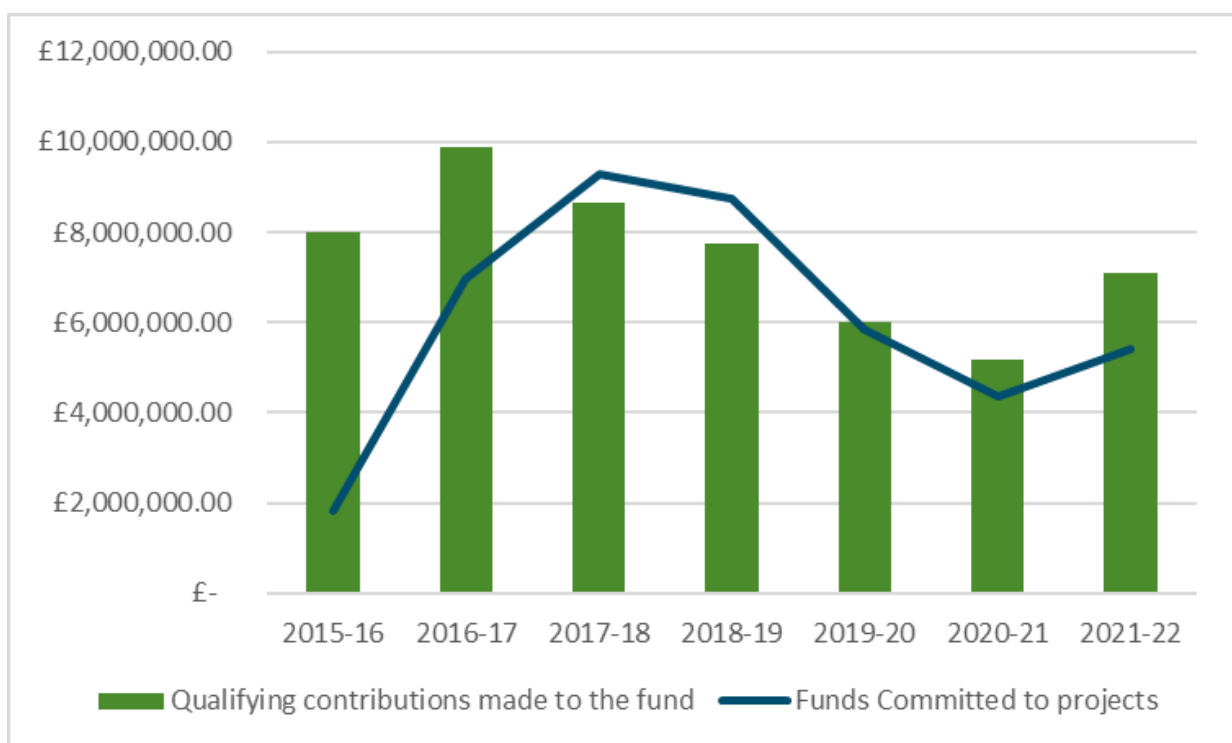


Figure 1 - Value of Qualifying contributions made to the fund and projects enrolled over time

This year, 58 qualifying contributions were notified to SEPA with a total value of just over £7m. This is slightly less than the average contributed in the previous six years (£7.6m) and less than the



[Scottish Fiscal Commission](#)³ forecast from December 2021 (£8.4m), but an increase on last year's contributions (£5.1m).

15 registered taxpayers contributed to the fund this year. This is 1 less than last year as Scottish Borders Council has ceased landfilling (at Easter Langlee Landfill) and so can no longer make contributions to the SLCF.

ix. Funds Committed to Projects

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--|
| a. Total value of funds notified by ABs as having been committed to projects (spent) | £1,275,373 (55 projects) | £1,460,133 (66 projects) | £1,534,970 (59 projects) | £1,152,208 (55 projects) | £5,422,684 (235 projects) |

Almost, £5.5m was committed to projects this year. This is more than that committed last year (£4.3m). This increase in enrolled projects is likely to be because of the relaxation of restrictions put in place to control the Covid-19 pandemic.

Project commitment (enrolment) is a measure of the value of funds that have been 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 £5.7m (479 transfers) this year. This figure includes money transferred to projects that were enrolled in previous years.

Most ABs do not transfer the full commitment of funds to projects when enrolled. 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 funding commitment from the SLCF may be used by a project as leverage to attract other funding for the project or, the seasonality of certain projects may mean that works do not start until sometime after funds are committed. ABs usually require an invoice as proof of expenditure before funds are released to projects.

The 235 projects that were enrolled in 2021-2022 are well distributed around Scotland. As can be seen from the distribution map (Figure 3 below). Most projects have been enrolled in the concentrations of populations in the central belt and Northeast coast but projects in the Highlands and Islands have also been funded. This distribution largely reflects the distribution in other years.

³ [Scotland's Economic and Fiscal Forecasts – December 2021 | Scottish Fiscal Commission](#)

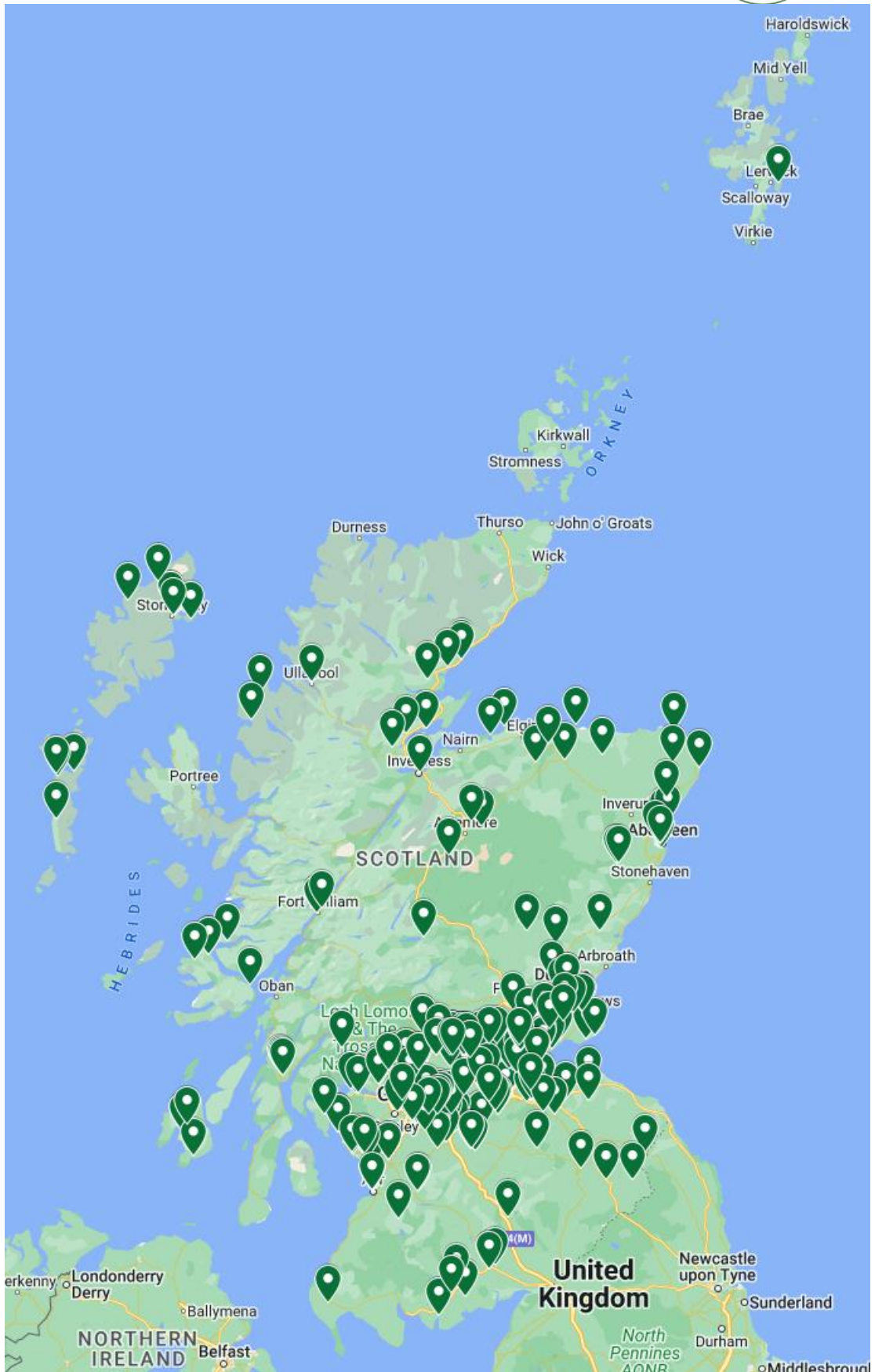


Figure 2 - Geographical distribution of projects enrolled in 2021-2022

Most projects funded this year were for object C – public amenity (89%: £4.8m). Public amenity projects were funded to a similar proportion of total award as last year and at a similar value. The second most funded project type was object E – religious or historic sites (7%: £400k). This was a reduction in the proportion of funds going towards these projects by 1.5% and £100k value than last year. The value of biodiversity projects awarded funding was £220k (4%). This is similar to previous years.

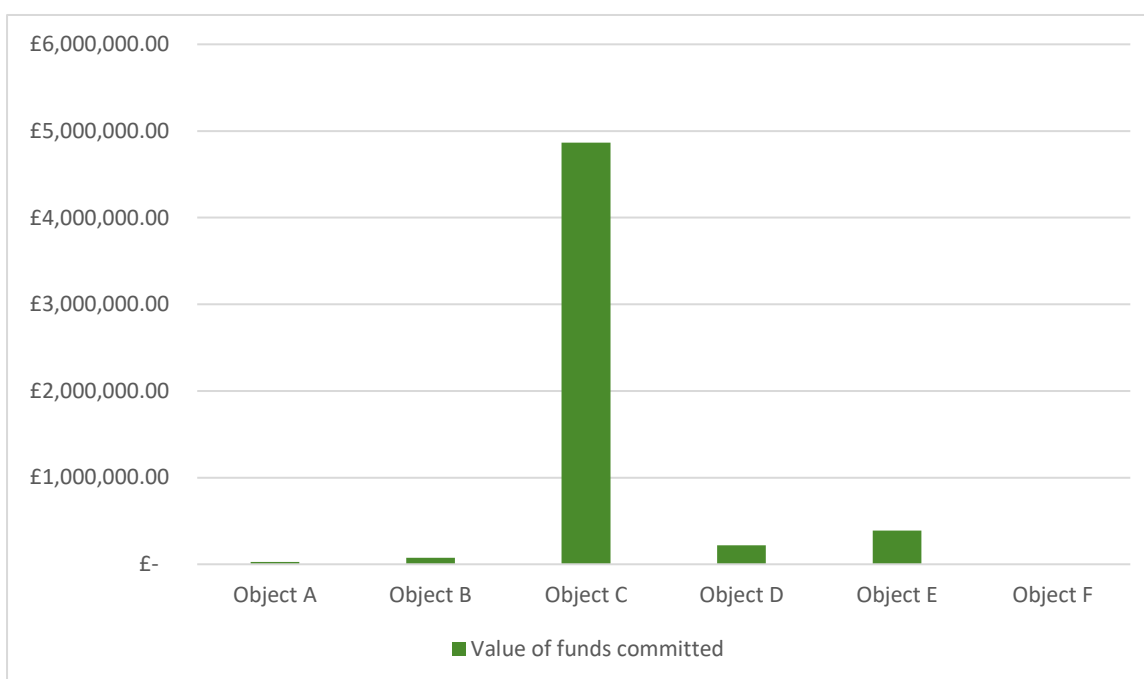


Figure 3 - Value of enrolled projects by type (object) 2021-2022

x. Approved Body Running Costs

| 2021-2022 | |
|--|----------|
| a. Number of ABs with running costs <10% of contributions received | 12/12 |
| b. Number of ABs with running costs >10% of contributions received | 0 |
| c. Average % of running costs | 7.17% |
| d. Total annual cost to fund of Approved Bodies running | £507,836 |

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 2021-2022. The total value of funds used for AB running costs this year was £506k which was less than last year (£522k) 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 7.1%.

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%. All ABs are meeting this compliance measure.

xi. SEPA income

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|---|---------|---------|---------|---------|----------|
| a. 2.75% of qualifying contributions received | £44,540 | £35,349 | £33,407 | £87,621 | £200,917 |
| b. Amount invoiced for | £44,540 | £35,349 | £33,407 | £87,621 | £200,917 |
| c. Amount received | £44,540 | £35,349 | £33,407 | £87,621 | £200,917 |
| d. Amount outstanding | - | - | - | - | - |
| e. proportion of payments made within 14 days | 100% | 100% | 100% | 100% | 100% |

SEPA's 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 2021-2022 was raised for the first time since 2015. It was raised from 1.82% to 2.75% to cover expected regulatory costs with a forecast reduction in contributions to the SLCF.

xii. SEPA Costs

| 2021-2022 | Q1 | Q2 | Q3 | Q4 | Total |
|------------------------------------|---------|---------|---------|---------|----------|
| Total costs of regulating the fund | £38,111 | £32,804 | £36,002 | £34,763 | £141,680 |

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

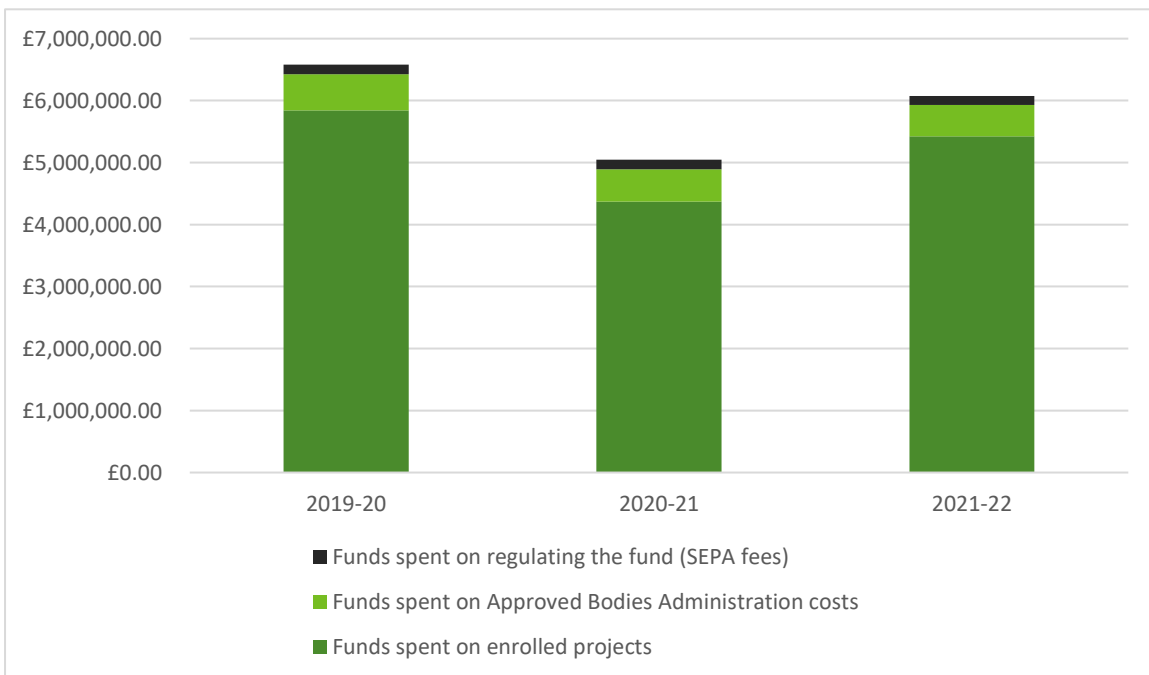
The majority of SEPA's regulatory costs are staff costs. The overall expenses for SEPA were less than budgeted this year. This was due to small variations on budgeted salaries and a saving on travel and subsistence.

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.

Although the subvention fee was set at 2.75% for 2021-2022 to match income to expenditure as closely as possible with the aim of not generating a surplus in the year, our costs were less than budgeted, meaning that we have generated an in-year underspend of £59,238. Our cumulative underspend is now £76,379 and will be carried over to next year.

xiii. Major Expenditure from the SLCF

The only permitted expenditure from the SLCF is on enrolled projects, AB administration costs and SEPA regulatory fees. The total expenditure from the fund in 2021-22 was £6,072,200. This is almost £1m more than last year with the difference being due to additional money spent on projects. SEPA and AB costs have slightly reduced from last year.



xiv. Unallocated Funds

Considering the inputs and outputs to the fund, we estimate that approximately £4.5m of funds contributed to the SLCF is currently unallocated. This equates to 8.64% of funds contributed since 2015.

3. CONCLUSION

The SLCF continues to function well. Approved Bodies continue to receive contributions, enrol projects, and ensure that projects are delivered successfully.

The SLCF was established to provide funding for community or environmental projects in recognition of the dis-amenity experienced from landfill activity. This year, Scotland's communities and environment benefitted from a further £5.4m of funding being awarded to 235 projects that will be delivered over the coming year. This means that in total, over the last seven years that the SLCF has been operational, £52.5m has been paid into the fund and over £42m of projects have been funded.

The value of qualifying contributions made to the fund this year (£7m) was almost £2m more than last year (£5.4m). This year's contribution is around the average annual contribution over the previous six years and comparable to the contributions in any previous year but is less than the [Scottish Fiscal Commission](#) (£8.4m) forecast from December 2021⁴.

This variation in received and forecast income is likely to be due to the uncertainty in increasing energy-from-waste capacity in Scotland and the influence of the ban of Biodegradable Municipal Waste to landfill (coming January 2025). It is almost certain that this year's increase in contributions is an anomaly and the expected reduction in landfilling will continue over the next five years, leading to a reduction in contributions to the SLCF.

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 2022-23.

⁴ [Fiscal Update – December 2021 | Scottish Fiscal Commission](#)



4. APPENDIX 1 – 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 Taxpayers 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 taxpayer's 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 Fees⁹

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

5. APPENDIX 2 - SUMMARY OF KEY PERFORMANCE INDICATORS

| Subject | Information to be reported ⁵ | Q1 | Q2 | Q3 | Q4 | Total 2021-2022 |
|---------------------------------|--|---------------|----|--------------|----|-----------------|
| 1. AB Applications ⁶ | a. Number of applications received | 0 | 0 | 1 | 0 | 1 |
| | b. Number of applications approved | 1 | 0 | 1 | 0 | 2 |
| | 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 ⁷ | 1 (3 days) | 0 | 1 (1 day) | 0 | 2 |
| 3. Compliance Inspections | a. Number of compliance inspections completed by the SLCF team | 10 | 13 | 13 | 24 | 60 |
| | Assessment of AB accounts | 0 | 0 | 0 | 0 | 0 |
| | Assessment of Annual Reports | 0 | 0 | 0 | 11 | 11 |
| | Database compliance checks | 10 | 12 | 11 | 11 | 44 |

⁵ 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.

⁶ "Applications" includes applications of each type: Approval and Voluntary Revocation

⁷ 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

| | | | | | | |
|---|---|---|---|---|---|---|
| | Inspection / Audit of AB | 0 | 1 | 2 | 2 | 5 |
| | Project Inspections | 0 | 0 | 0 | 0 | 0 |
| | b. Number of ABs deemed compliant following a compliance inspection | 11/11 | 11/11 | 11/11 | 12/12 | 12/12 |
| 4. Enforcement ⁸ | a. Number of enforcement actions started | 0 | 0 | 0 | 0 | 0 |
| | b. Number of enforcement actions concluded and outcome | 0 | 0 | 0 | 0 | 0 |
| 5. Written communication response times | a. Total number of queries responded to | 7 (6 <10 days) (0 <25 days) (1 >25 days) | 15 (13 <10 days) (0 <25 days) (2 >25 days) | 14 (14 <10 days) (0 <25 days) (0 >25 days) | 16 (15 <10 days) (1 <25 days) (0 >25 days) | 52 (48 <10 days) (1 <25 days) (3 >25 days) |
| | b. Number of queries responded to from ABs including response period (10 and 25 days) | 3 (2 <10 days) (0 <25 days) (1 >25 days) | 7 (6 <10 days) (0 <25 days) (1 >25 days) | 5 (5 <10 days) (0 <25 days) (0 >25 days) | 4 (3 <10 days) (1 <25 days) (0 >25 days) | 19 (16 <10 days) (1 <25 days) (2 >25 days) |
| | c. Number of queries responded to from Projects including response period (10 and 25 days) | 4 (4 <10 days) (0 <25 days) (0 >25 days) | 6 (5 <10 days) (0 <25 days) (1 >25 days) | 9 (9 <10 days) (0 <25 days) (0 >25 days) | 11 (11 <10 days) (0 <25 days) (0 >25 days) | 30 (29 <10 days) (0 <25 days) (1 >25 days) |
| | d. Number of queries responded to from others ⁹ including response period (10 and 25 days) | 0 (0 <10 days) (0 <25 days) (0 >25 days) | 2 (2 <10 days) (0 <25 days) (0 >25 days) | 0 (0 <10 days) (0 <25 days) (0 >25 days) | 1 (1 <10 days) (0 <25 days) (0 >25 days) | 3 (3 <10 days) (0 <25 days) (0 >25 days) |

⁸ 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.

⁹ Includes landfill operators and any other people, not linked to projects or ABs

| | | | | | | |
|---|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---|
| 6. Number of complaints and compliments | a. Number of complaints considered under the SEPA Complaints Handling Procedure ¹⁵ | 0 | 0 | 0 | 0 | 0 |
| | b. Number of complaints concluded | n/a | n/a | n/a | n/a | 0 |
| | c. Number of complements received | 0 | 0 | 0 | 0 | 0 |
| 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 |
| 8. Qualifying contributions made to the fund | a. Total value of qualifying contributions notified by ABs as having been made to the fund | £1,619,636 | £1,285,419 | £1,214,789 | £2,965,810 | £7,085,655 |
| 9. Funds Committed to projects | a. Total value of funds notified by ABs as having been committed to projects (spent) | £1,275,373 (55 projects) | £1,460,133 (66 projects) | £1,534,970 (59 projects) | £1,152,208 (55 projects) | £5,422,684 (235 projects) |
| 10. AB Running cost | a. Number of ABs with running costs <10% of contributions received | | | | | 12/12 |
| | b. Number of ABs with running costs >10% of contributions received | | | | | 0 |
| | c. Average % of running costs | | | | | 7.17% |
| | d. Total annual cost to fund of Approved Bodies running | | | | | £507,836 |
| 11. Regulatory Fee Payments | a. 1.82% of qualifying contributions received | £44,540 | £35,349 | £33,407 | £87,621 | £200,917 |
| | b. Amount invoiced for | £44,540 | £35,349 | £33,407 | £87,621 | £200,917 |
| | c. Amount received | £44,540 | £35,349 | £33,407 | £87,621 | £200,917 |
| | d. Amount outstanding | - | - | - | - | - |



| | | | | | | |
|------------------------------|--|---------|---------|---------|---------|-------------------|
| | e. proportion of payments made within 14 days | 100% | 100% | 100% | 100% | 100% |
| 12. SEPA Costs | a. Total costs of regulating the fund | £38,111 | £32,804 | £36,002 | £34,763 | £141,680 |
| 13. Unallocated Funds | a. Value of unallocated funds within the SLCF | | | | | £4,542,609 |
| | b. Percentage of unallocated funds compared to total contributions | | | | | 8.64% |

6. APPENDIX 3 – END-OF-YEAR SUMMARY INFOGRAPHIC



SCOTTISH LANDFILL COMMUNITIES FUND

2021-22

The SLCF is a tax credit scheme, linked to Scottish Landfill Tax that encourages landfill site operators to contribute tax credits to benefit community and environmental projects. The SLCF is regulated by SEPA.

