SUBMISSION FROM WASTE RECYCLING ENVIRONMENTAL LTD (WREN)

Thank you for an opportunity to provide to the committee information regarding the Landfill Communities Fund. I have read through the submissions from other interested parties, all of whom are excellent organisations in their field, but understandably the committee probably has little basis to make any considerations on anything other than the goodwill relating to this unique scheme.

I will endeavour to enhance the information you have, whilst trying to keep this brief and to the point. There are aspects where I have assumed the committee have a level of understanding or knowledge but I can elaborate wherever required. I will mention sources that should give confidence in the basis of my submission. I would add that this document does not in any way seek to influence any opinion regarding the future waste strategy for Scotland.

Background

The Landfill Tax, introduced in 1996, is administered by HM Revenue & Customs on the basis of a tax charge on waste going into landfill sites. The rate per tonne has been set by HM Treasury and there is a tax escalator in place until 2015, after which a floor has been proposed on the tax rate. The tax is collected by the Landfill Operators in a similar fashion to VAT, and a return is submitted to HM Revenue & Customs. At an agreed frequency (quarterly or annually), the Landfill Operators make payment(s) to Environmental Bodies (EBs - organisations that are approved to distribute the foregone tax element). These EBs in turn seek to fund worthy capital based projects. There are specific criteria, the principle being that projects must be within 10 miles of a landfill site and the amenity must enjoy full public access for a minimum of 104 days per annum.

There have been a number of changes during the years, but now the Landfill Tax generates over £1 billion per annum, and a percentage of this tax is foregone to provide capital funding for a range of projects under the natural, built and social environments agenda. The value going into the LCF across the UK is approximately £72 million (as stated in HMRC tax Bulletins)

Scotland – estimated landfill tax levels

From a variety of trusted sources I have determined that the value of Landfill Communities Fund (tax diverted and treated as private funding) each year over the last 3 tax years, and expressed that figure as a percentage of the UK wide tax. With this information I can subsequently make an educated estimate on the Landfill Tax applicable each year. All figures expressed in £millions

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>LCF (Scotland)</th>
<th>LCF (UK)</th>
<th>Percentage</th>
<th>Estimated Landfill Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>£6.4</td>
<td>£66.4</td>
<td>9.65%</td>
<td>£95</td>
</tr>
<tr>
<td>2009/10</td>
<td>£7.4</td>
<td>£67.4</td>
<td>10.88%</td>
<td>£111</td>
</tr>
<tr>
<td>2010/11</td>
<td>£7.3</td>
<td>£71.0</td>
<td>10.22%</td>
<td>£117</td>
</tr>
</tbody>
</table>

(Source – ENTRUST, WREN, RSWT (for Biffaward), Viridor Credits, SITA Trust & HMRC Tax Bulletins)

Note: The Landfill Tax calculations can only be estimates because there are differing levels of tax.
based on the type of material going into landfill. The only accurate method is knowing the full breakdown of tonnages – which is unavailable from any agency.

Scotland – gauged impact of the LCF

Part of the difficulty in raising the awareness of the LCF is the quality of information that is available especially since the scheme cannot be promoted or advertised in any form. The regulator, ENTRUST, has the responsibility of registering and recording all projects proposed by EBs and also ensuring that there is adequate governance, transparency of process and fairness in the delivery of distributing this unique tax based scheme, they are not empowered to disseminate information and it is left to the devices of the EBs (such as WREN) to take up that where applicable. There is a levy on all recipient EBs for covering the regulatory cost, which is currently set at 2% of diverted landfill tax received.

Once again and using the same sources I have determined the following spend of LCF monies in Scotland, and shown that spend as a proportion of the overall LCF spend in each year

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>LCF Spend (Scotland)</th>
<th>LCF Spend (UK)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008/09</td>
<td>£8.0</td>
<td>£65.7</td>
<td>12.10%</td>
</tr>
<tr>
<td>2009/10</td>
<td>£7.4</td>
<td>£71.4</td>
<td>10.39%</td>
</tr>
<tr>
<td>2010/11</td>
<td>£7.4</td>
<td>£62.2</td>
<td>11.94%</td>
</tr>
</tbody>
</table>

Bearing in mind that EBs can utilise up to 10% of the monies received for their own operational costs, and that there is a levy payable to the regulator, it is evident that Scotland is a net beneficiary of the LCF.

Detailed impact

There are several EBs that are either a subsidiary of the landfill operator or are under contract to the landfill operator to distribute on their behalf, but it must be remembered that this is a voluntary scheme. The methodology, criteria and geographic coverage of these EBs is varied. To that end I can only give specifics on my own organisation, with a view that there is some scope to apply a multiplier effect to the specifics I have shown. WREN represents approx. 10% of the Scottish LCF receipts.

In the early years of the scheme, much emphasis was placed on funding waste minimisation, recycling and recycling awareness projects. This was dropped in 2002 when the scheme was revised and 2/3rds of the income was subsequently re-distributed to organisations such as Defra and WRAP to assist in the financing of various UK government waste related initiatives. WREN had up to that point provided £577k to 22 such projects in Scotland.

To date WREN has provided a further £6.85 million of funding in Scotland, covering 199 projects. The total project cost for these 199 projects is £37.8 million, an aggregate multiplier effect of 5.5 (although the current position is just under 4). With our business plan to deliver funding community facilities, biodiversity habitat and restoration of heritage projects, WREN has distributed as follows:
The type of organisation that apply through the Landfill Communities Fund is also varied. The EBs have an open application process that is available to groups that are constituted (i.e. not a company or a charity), through to community councils, conservation organisations (accepted they are also charities!) right up local authorities and charities. Many of the “constituted” applications are from Friends group organisations that support the maintaining and improvement of publicly owned assets. But the LCF is also available to local authorities for the capital projects such as play areas, sports facilities and public park works.

Considerations for the Scotland Bill Committee

The comments made by RSPB regarding the taxation levels are logical. Market forces may well determine logistical movement of waste on either side of the border, and the Scottish government will have a view on this. This therefore leads to the
conclusion that there should be parity between the Landfill Tax (Scotland) and the Landfill Tax (rest of the UK).

Within the section “Scotland - gauged impact of the LCF” I have demonstrated that Scotland is actually a net beneficiary of the LCF. With the implementation of a separate Landfill Tax for Scotland it is probable this will ring-fence LCF monies created, available and spent in Scotland. The charts above indicate the types of organisation that will be adversely impacted by the shrinkage of funding available as a consequence. Whilst the level of impact may not be severe, nevertheless in such unprecedented economic times as now, this will not be welcome news.

An option for the Scottish government is to increase the proportion of the Scottish Landfill Tax that is injected into the private sector (this is annually adjusted by HM Treasury at the moment) so that a capped sum is available for organisations as above and may even be widened.

A further consideration is that this becomes an un-regulated environment with a requirement for the Scottish government to be satisfied that targets and operating costs of the EBs are contained and maintained. In effect, starting a new scheme with a blank canvas.

Given that all of the organisations that distribute the funding have been doing so for up to 15 years, they are an efficient means to deliver targeted funding, and there is a scheme wide maximum operating cost of 10% for operating costs. The actual costs vary according to economy of scale, but in today’s terms is good value.

With the legislation announced by Environment Secretary Richard Lochhead aiming at Zero Waste for 2020 it is clear that this programme and landfill cannot co-exist. It is logical therefore to maximise the use of the Landfill Tax during the intervening period, and ensuring that an element of this is focused on delivering community benefit is the resounding message endorsed by the written submissions I have read on the website.

Whilst waste is an undesirable commodity to society, the landfill communities fund has supported many iconic projects in Scotland, and I was reminded only yesterday of the re-introduction of beaver to Scotland after an absence of over 400 years ….funded by Biffaward. It is accepted that landfill cannot go on indefinitely but whilst a tax regime is in place and delivers community benefit there is a positive side to this, which also assists in meeting funding expectations externally.

Peter Cox
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4th November, 2011