



FORWARD SCOTLAND RESPONSE

To

**DEPT FOR ENVIRONMENT, FOOD AND RURAL AFFAIRS /
H M TREASURY**

CONSULTATION PAPER

ON

WASTE and RECYCLING

**POSSIBLE CHANGES TO THE
LANDFILL TAX CREDIT SCHEME**

JUNE 2002

FORWARD SCOTLAND

WASTE AND RECYCLING POSSIBLE CHANGES TO THE LANDFILL TAX CREDIT SCHEME

1. WELCOMING THE CONSULTATION

Forward Scotland welcomes the joint consultation by HM Treasury and the Department for Environment, Food and Rural Affairs on 'Possible Changes to the Landfill Tax Credit Scheme'. An opportunity to review, modify and improve the existing Scheme will enable people to become more involved in their communities in Scotland through projects funded by landfill tax credits.

The consultation paper raises questions on issues concerning how the Landfill Tax Credit Scheme works and why it was established. The scheme, which was originally set up to achieve a number of objectives, includes helping regenerate those environments and communities that have been adversely affected by landfill. The consultation, however, has not fully taken account of the majority of money in the scheme which is now managed by distributive environmental bodies, which are largely independent of their contributing landfill operators.

The consultation proposals do, however, raise issues which will help communities to better understand the waste and recycling process in relation to sustainable development at a grass-root level. Awareness of the Scheme will also increase community participation in the application process system.

2. CONSULTATION RESPONSE

Please see Appendix for Forward Scotland response to most, but not all, of the questions set out in the consultation document.

We hope that our views serve two purposes. In identifying some weaknesses of the prevailing Credit Scheme from a community perspective, we seek to offer a constructive contribution to the debate about promoting efficient use of landfill tax credits. Also, we seek to ensure improved community involvement in decision-making and service delivery which accords with our aim to increase local democracy and help communities achieve a sustainable environment.

3. THE ROLE OF FORWARD SCOTLAND

Forward Scotland is an organisation whose main remit is to promote sustainable development in Scotland. As an independent company with charitable status, the organisation has a Board of Directors drawn from a cross-section of Scottish interests and draws funding from a number of sources, including the Scottish Executive's Sustainable Action Fund. These resources are used to promote sustainable development through practical demonstration projects, dissemination of information, partnership building and policy development. These projects and programmes are designed to demonstrate sustainable development in action and engender commitment and support across all sections of Scotland's community.

4. FORWARD SCOTLAND APPROACH TO LANDFILL TAX CREDITS

Forward Scotland has been involved with the Landfill Tax since Regulations came into force in 1996. The Company has been registered since 1997 as an Environmental Body with ENTRUST, the Regulator of the Landfill Tax Credit Scheme.

Forward Scotland works in partnership with a range of private companies, local authorities, both public and private landfill site operators, community groups and Environmental Bodies to ensure that the maximum amount of money is available and that it is being used effectively. This enables effective match funding for projects whilst adopting a strategic overview.

The Company has worked in partnership to set up 8 Strategic Landfill Tax Trusts throughout Scotland, which ensure that Landfill Tax Credits are used to meet local priorities. Each of those Trusts reflects the range of public and private and community interests with over 45 organisations involved in the management of funds.

Forward Scotland directly administers landfill tax credits contributed by Viridor Waste Management and Patersons Quarries Ltd, for community projects in East Lothian and South Lanarkshire respectively. On average, Forward Scotland administers £500,000 per annum for a fee of less than 10% of contributions received.

Our work is guided by four principles:

- **Strategic Approach.** A strategic approach is required if the Credit Scheme is to have maximum benefit. This should reflect Best Value, maximising contributions available, and strengthening the ability to address clearly identified priorities.
- **Community Involvement.** Local communities must be engaged in the development of landfill tax funded projects and must benefit from project outcomes. Only then can local priorities be successfully addressed.
- **Integration of Action.** Projects funded through the Credit Scheme should be evaluated in terms of social, economic and environmental criteria.
- **Partnership Working.** The Landfill Tax Credit Scheme was devised as an initiative which would stimulate partnership working. When a diverse range of organisations come together, effective outcomes are delivered.

LANDFILL TAX CREDIT SCHEME FUNDED PROJECTS

The Strategic Landfill Tax Trust partnerships in Scotland have secured and now manage funds in excess of £2 million per annum. Since the Credit Scheme began, Forward Scotland Partnership Trusts have supported and helped release over £5 million worth of credits in Scotland which have funded over 300 projects to a value in excess of £20 million.

Forward Scotland's experience suggests that it is possible to reap a range of benefits if organisations are innovative in their approach. Early indications suggest that activities supported by the Landfill Tax Credits have significantly contributed to the provision of local training opportunities, the facilitation of volunteer activity and have provided indirect and direct employment while enhancing the quality of local environments.

Forward Scotland is committed to achieving maximum possible benefit for society through the Landfill Tax and the Landfill Tax Credit Scheme, and would be pleased to work with the Government to amend and improve the current scheme.

6. GENERAL COMMENTS

A successful Landfill Tax Credit Scheme should seek to:

- generate substantial private contributions and voluntary involvement in communities;
- make a substantial difference to communities adversely affected by landfill;
- facilitate innovative projects in sustainable waste management;
- embrace the principles of 'openness, accessibility and transparency and fairness' in order to demystify what is often perceived to be a complex application process;

- be socially inclusive, environmentally just, and provide training for sustainable jobs to help boost the local economy.

7. PUBLIC DOMAIN

Forward Scotland is happy to have this response placed in the public domain and invites members of the Department of Environment, Food and Rural Affairs to question, pursue or develop any issues raised in the document.

Forward Scotland is committed to achieving maximum possible benefit for society through the Landfill Tax and the Landfill Tax Credit Scheme, and would be pleased to work with the Government to amend and improve the current scheme.

Forward Scotland
June 2002

**WASTE AND RECYCLING:
POSSIBLE CHANGES TO THE LANDFILL TAX CREDIT SCHEME**

1. KEY ISSUES ON WHICH VIEWS ARE SOUGHT

The views of Forward Scotland are set out in the following sections:

- The priorities for funding from the element of revenue raised by the landfill tax currently supporting the LTCS
- The merits of different funding mechanisms and possible design options for a Scheme, and
- Transitional arrangements from the current LTCS if the scheme is changed

2. PRIORITIES FOR FUNDING

Q *What do you believe the priorities for resources which currently go through the LTCS should be?*

We believe that the priorities for funding should be to encourage more sustainable waste management practices and improve the environment in the vicinity of landfill sites.

Forward Scotland supports in principle the majority of funds being diverted to sustainable waste management projects. The Government has indicated its support of a 65/35 per cent split between waste management and local environmental improvements. Forward Scotland supports this Guideline which will help meet the government's current priorities of waste reduction, re-use and recycling.

There should, however, be no compromise of quality of projects for hard and fast quantitative targets, in terms of decisions made. As the tax increases, the amount for improving the environment in the vicinity of landfill sites should remain at an appropriate level.

It is important to retain the LTCS beyond 2004/05, when the tax escalator will reach its peak, in order to benefit from its maximum impact. We hope the Government will soon publish its intentions regarding the landfill tax escalator for future planning and development.

3. POTENTIAL FUNDING MECHANISMS AND DESIGN OPTIONS

Q Do you think the LTCS ought to continue in its current form? If so, should the distribution of funding continue to be underpinned by indicative guidelines?

The current form of the LTCS should be continued, but with some key modifications. The rationale for retaining in large part, the current LTCS, is as follows:

- A diverse network of environmental bodies, many of whom specialise in waste management, offer flexibility and focus in response to communities most affected by landfill.

- The impact of landfill in communities is diverse. Local partnerships have a very good knowledge of where impact is greatest, and can direct funds to environmental bodies serving the most damaged areas. Those bodies, and Trusts, involve local people in decision making to ensure that money is distributed most effectively.
- The current system of voluntary, private sector contributions of 10% (Third Party) has added around an additional £12 million in 2001/02. If the 10% contribution were removed from the Scheme, this would constitute a significant loss of funds to the scheme overall.
- The current scheme is classified as private expenditure, enabling projects to obtain match funding from a wide range of other sources, including central and local Government, European and from charitable/not-for-profit organisations. We strongly believe that this element of the Scheme should remain.
- A significant level of voluntary input is generated through the Scheme which helps to build a network of local knowledge and expertise. This lends added value in terms of jobs created, training, personal and social development.

Q If part or all of the LTCS were retained, are there changes that should be made to its operation and, if so, why and what should they be?

In summary, the following modifications to the LTCS are proposed:

- A clearer definition of the 'approved purposes'. Currently, there are six approved purposes. Forward Scotland would suggest that these be reduced to 2 main purposes, which reflect community based projects and waste management initiatives. Within these two criteria there should be clearly defined sub-headings to cover a full range of priorities: i.e. merge categories C and CC - covering reduction, re-use, recycling, research and development and education and awareness raising. Similarly, merge a, b, d. and e. to incorporate improvements to land, provision and protection of new and existing amenities for the benefit of communities in the vicinity of landfill sites.
- Vicinity is currently interpreted by the Regulator as being within a '10 mile radius' of a licensed landfill site. Forward Scotland proposes to reduce this to a 5 mile radius which would help to direct funds to communities most affected by landfill. Forward Scotland also proposes that there be opportunities for communities outwith the 5 mile radius to present a case for extraordinary qualifying circumstances. For example, those communities situated outwith 5 miles on a route frequently affected by vehicles transporting waste to landfill sites.
- Currently, an organisation can qualify as an Environmental Body if it is a not-for-profit company, not under control of a local authority or a waste management company. Forward Scotland proposes that in order to rationalise the number of organisations, there should be a qualifying requirement to have representation of public, private and community sector interests. In addition, perhaps there should be some consideration given to provision for charitable purposes.
- Clear guidelines to establish a link between LTCS and the devolved

administration's Waste Strategies and their attendant local waste plans.

- The powers of the Regulator should be reviewed and strengthened, and in particular, there should be clear rules on any organisation (Local Authority or any other body issuing a contract for waste management services) seeking to influence the destination of landfill tax credits.
- It would be helpful to have an explicit definition of who and what constitutes a 'Third Party', and more flexible mechanisms devised to ease the release of Third Party contributions.

4. OTHER OPTIONS

Forward Scotland is not in favour of a tax allowance scheme as the merits of the current scheme are proven and can continue to improve. There are no obvious benefits to be gained from replacing the existing LTCS with a different sort of scheme to provide allowances or relief against other taxes, such as corporation tax.

Similarly, the Company considers that the establishment of a single EB structure is not a desirable option. This will significantly weaken the ability to address local priorities as demonstrated in the current system.

Forward Scotland also has concerns regarding proposals to introduce a public expenditure programme. Local Authorities in Scotland have been consistently engaged in the delivery of projects across the approved purposes. Often, in partnership with the public sector, communities benefit from the Scheme. However, it has also generated important new partnerships between communities and other agencies.

A public expenditure programme will be unable to achieve the level of additionality provided by the landfill tax credit schemes. As 'private' expenditure, it is able to match both public and European funding.

5. TRANSITIONAL ARRANGEMENTS

Forward Scotland proposes that if substantial Landfill Tax Credit Scheme reform is introduced, it is essential that a 'reasonable' period of transition is both identified and agreed.

It is the view of Forward Scotland that this should be no less than three years for contributions already received by Environmental Bodies in the current scheme, and that consideration should also be given to arrangements established in relation to 'clawback' for land improvement and technological innovation.

**FORWARD SCOTLAND
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