
TERMS OF APPROVAL

- (1) **THE COMMISSIONERS OF HM REVENUE & CUSTOMS**
- (2) **ENVIRONMENTAL TRUST SCHEME REGULATORY BODY** a company limited by guarantee registered in England (number: 3221000) whose registered office is at 2nd Floor, Acre House, 2 Town Square, Sale, Cheshire M33 7WZ.

BACKGROUND

- A. This document constitutes the Terms of Approval for the purposes of Regulation 35(1) of the Landfill Tax Regulations 1996 pursuant to which the Commissioners for HM Revenue & Customs may approve a regulatory body to carry out the functions prescribed by Regulation 34(1) of the Landfill Tax Regulations and may impose such conditions as they see fit.
- B. ENTRUST has been the approved regulatory body since 1 October 1996 and these Terms of Approval will revoke and replace any previous approval.

1. Definitions

- 1.1. In this document:

"HMRC" means the Commissioners for HM Revenue & Customs.

"ENTRUST" means the Environmental Trust Scheme Regulatory Body, trading as Entrust

"the Fund" means the Landfill Communities Fund

"Approval" means this Terms of Approval including any Annexes attached hereto and documents referred to in conditions 5 and 9;

"the Regulations" means the Landfill Tax Regulations 1996 as amended from time to time;

"EBs" means Environmental Bodies approved in compliance with the requirements of the Regulations and the terms of this approval

"Revocation" or **"Revoke"** means both the withdrawal of approval from a body or organisation to call itself an EB, and removal of its enrolment as an EB and the withdrawal of this approval by HMRC of ENTRUST as the regulatory body.

"documents" has the meaning within the Civil Evidence Act 1995 and covers anything in which information of any description is recorded.

"service" means the functions, tasks and activities of a regulatory body in accordance with Part VII of the Landfill Tax Regulations 1996.

- 1.2. The interpretation and construction of this approval shall be subject to the following provisions:

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- 1.2.1. Words importing the singular meaning include where the context so admits the plural meaning and vice versa;
 - 1.2.2. Reference to a Condition is a reference to the whole of that Condition unless stated otherwise;
 - 1.2.3. Reference to a Clause is a reference to a paragraph within a Condition unless stated otherwise.
 - 1.2.4. References to any enactment, order, regulation or other similar instrument shall be construed as a reference to the enactment, order, regulation or instrument as amended by any subsequent enactment, modification, order, regulation or instrument.
 - 1.2.5. The headings to Conditions shall not affect their interpretation.

2. Approval

- 2.1 On the terms of this approval HMRC hereby approve and appoint ENTRUST to act as the regulatory body as provided for under Regulation 35(1)(a) of the Regulations. The conditions contained within this approval are imposed under Regulation 35(1)(aa)
- 2.2 With effect from the commencement of this approval, HMRC revoke all previous approvals and conditions.

3. Duration

- 3.1 This approval shall have effect from 1 July 2008 and unless revoked early in accordance with its terms shall continue until 31st March 2011 when it shall automatically be revoked without notice.
- 3.2 ENTRUST'S functions and responsibilities as the regulatory body shall cease on the day that revocation of this approval takes effect.

4. Organisation

For the duration of this approval, ENTRUST:

- 4.1. will remain constituted as a company limited by guarantee;
- 4.2. will abide by its Memorandum and Articles of Association;
- 4.3. will not change its Memorandum and Articles of Association without the prior written agreement of HMRC, such agreement not to be unreasonably withheld or delayed;
- 4.4. will retain such number and range of Non-Executive Directors (NEDs) as is necessary, at its discretion, to ensure a good balance of skills and depth of resource. The NEDs appointed shall together possess broad experience and knowledge of the public, private or voluntary sectors and where possible reflect the UK wide coverage of the Fund. The number of NED appointed for their knowledge and experience of one area of the private, public or voluntary sector shall not be such as to give the perception of undue influence;
- 4.5. will admit a representative of HMRC to be an observer at its Board, statutory and other formal meetings relating to its regulatory role;

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- 4.6. will comply with the Statutory Obligations and Regulations scheduled at Annex I to the approval.

5. Corporate Plan

- 5.1. ENTRUST shall submit to HMRC prior to 15th December of each year a draft Corporate Plan (including their best estimate of the income and outgoings of ENTRUST and, by reference to that, the funding required by ENTRUST for the relevant period) for the period of 3 years from the next 1st April for discussion, review and approval by HMRC, such approval not to be delayed or unreasonably withheld. The Corporate Plan will include a range of performance indicators and the methods of measurement approved by HMRC. The Corporate Plan for the 3 years from 1 April 2008 is attached at Annex II and the Corporate Plan for subsequent years shall follow the same model.
- 5.2. If the draft Corporate Plan is not approved by HMRC by 1st April provided HMRC is not in breach of clause 5.1, HMRC will provide ENTRUST with a Corporate Plan based upon the previously agreed Corporate Plan (revised as reasonably required), such plan to be one that HMRC reasonably considers ENTRUST can give full effect. Any dispute under this clause may come under the provisions of condition 35.
- 5.3. HMRC will monitor ENTRUST's performance against the approved (or provided) Corporate Plan and the targets and performance indicators contained within it. If ENTRUST becomes aware during the relevant period that it is unlikely to meet the targets/performance indicators, it shall bring this to the attention of HMRC. Where ENTRUST believes that those targets or performance indicators will not be met due to a shortfall in the funding of ENTRUST specified in the Plan or a significant change to its functions as the result of a variation of the conditions of its approval ENTRUST may propose amendments to its targets/performance indicators for approval by HMRC. HMRC not to unreasonably withhold or delay such approval.

6. Audit & Provision of Information

- 6.1. ENTRUST shall prepare annual accounts in accordance with its obligations under the Companies Acts, such accounts to be independently audited and a copy submitted to HMRC not more than 10 months after the end of ENTRUST's financial year (currently March 31st).
- 6.2. ENTRUST shall give HMRC an annual report by the 31 May in respect of the preceding financial year. The annual report shall contain:
- 6.2.1. A statement of the purpose, priorities and organisation of ENTRUST
 - 6.2.2. A review of performance against priorities established at the start of the year
 - 6.2.3. Statistical information relating to approvals and revocations of EBs
 - 6.2.4. Statistical information enabling a full understanding of the contributions received and spent by EBs (both in the year and since 1 October 1996)
 - 6.2.5. Statistical information enabling a full understanding of the contributions spent on each approved object (both in the year and since 1 October 1996).

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- 6.3. ENTRUST shall provide such information, at such a frequency and in such form as HMRC may request to enable it:
- 6.3.1.1. To establish whether the terms of this Approval are met; and
 - 6.3.1.2. To be satisfied that the Landfill Communities Fund is operating correctly, including the information contained within clauses 6.4 and 6.5
- 6.4. ENTRUST shall provide HMRC by the tenth working day of each month with details of all approvals/revocations of approvals of EBs in the preceding month. This information shall comprise the:
- 6.4.1. the name and enrolment number of the EB
 - 6.4.2. the date of enrolment
 - 6.4.3. the effective date from which enrolment ceased.
- 6.5. ENTRUST shall provide HMRC by the tenth working day of each month with details of contributions received by each EB and declared to ENTRUST in the preceding month. These details shall include the:
- 6.5.1. name and landfill tax registration number of the contributor
 - 6.5.2. date of each contribution
 - 6.5.3. reference number of each contribution
 - 6.5.4. amount of each contribution
 - 6.5.5. running total of contributions.
- 6.6. ENTRUST shall advise HMRC of any practices or projects discovered during the performance of its duties that, while strictly compliant with the requirements of the Regulations, in its opinion could bring the Fund into disrepute. ENTRUST shall take such action as HMRC considers appropriate to deal with the practices or projects discovered. If ENTRUST believes that the taking of such action would lead to its targets or performance indicators not being met it may propose variations to those targets and indicators to take account of that action. HMRC not to unreasonably withhold or delay approval of such variations.
- Where such action is carried out by ENTRUST, HMRC will take into account reasonable additional expenses, incurred by ENTRUST in carrying out the action, that remain after deduction of savings made by varying the targets and indicators. HMRC will take those expenses into account when considering the funding sought by ENTRUST as part of its Corporate Plan for the following year.
- 6.7. ENTRUST shall grant HMRC unrestricted access to all documents relating to EBs, those refused enrolment, and those whose approval has been withdrawn and at reasonable notice (to be given in writing), shall release to HMRC any documents it might reasonably require, and to give any oral or written explanations that HMRC might request.
- 6.8. ENTRUST shall provide access to any documents HMRC might reasonably require to examine as evidence of compliance with this approval, and give any oral or written explanations that HMRC may request.
- 6.9. ENTRUST shall keep and maintain for such period as HMRC may require, full and accurate records of the approval, all moneys received by ENTRUST and all moneys spent by ENTRUST. ENTRUST shall on request afford HMRC or HMRC's representatives such access to those records as may be required by HMRC in connection with the approval.

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- 6.10. ENTRUST (and any person acting on ENTRUST's behalf) shall permit the Comptroller and Auditor General or appointed representatives free access at all reasonable times to all such documents and other information owned, held or otherwise within the control of ENTRUST as the Comptroller and Auditor General may reasonably require for the purposes of the Comptroller and Auditor General's financial audit of HMRC and for carrying out examinations into the economy, efficiency and effectiveness with which HMRC has used its resources. ENTRUST shall furnish such explanations as are reasonably required for these purposes. This clause does not constitute a requirement or agreement for the examination, certification or inspection of the accounts of ENTRUST by the Comptroller and Auditor General under Section 6(3)(d) of the National Audit Act of 1983.
- 6.11. The chairman of ENTRUST shall provide an annual statement to HMRC that the terms of this approval have been complied with, at time of issue of the Annual Report.
- 6.12. If HMRC is advised by ENTRUST that it is considering winding-up the company or if HMRC notify ENTRUST that it is considering whether to revoke its approval, ENTRUST shall on request by HMRC provide access to all such documents as would be reasonably required to enable the transfer of the functions of the regulatory body to HMRC or another body who will take on the functions of the regulatory body. ENTRUST shall permit HMRC to make copies of the documents.

7. Approval and Enrolment of EBs

ENTRUST:

- 7.1. shall approve all EBs that meet the legal requirements, and enrol them, within 10 working days of sufficient information becoming available and the requisite application fee being paid in accordance with Clause 11.1 below. An enrolment number shall be allocated to each EB;
- 7.2. shall within 5 working days notify applicants in writing of approval or refusal to register their application and the review process if the applicant wishes ENTRUST to independently review this decision;
- 7.3. shall maintain systems for checking applications for enrolment against criteria laid down in Regulation 33 of the Regulations. These systems shall include risk indicators approved by HMRC and reviewed at agreed intervals;
- 7.4. shall publish at least annually:-
- 7.4.1. a register of EBs;
 - 7.4.2. the total Fund contributions received by EBs;
 - 7.4.3. the total Fund contributions spent by EBs to approved objects.

8. Assurance

ENTRUST:

- 8.1. (using risk assessment criteria approved by HMRC and reviewed at agreed intervals) shall carry out sufficient checks on the accounts and records of EBs and

the sites of approved schemes to satisfy itself that the contributions have been spent on approved purposes and that EBs continue to be entitled to approval.

8.2. shall maintain systems for monitoring spending of contributions by EBs against criteria laid down in regulation 30(2) of the Regulations. These risk assessment systems shall include risk indicators approved by HMRC and reviewed at agreed intervals.

8.3. shall, to the extent that it is able by law to do so, ensure that contributions made by individual landfill site operators, and other sensitive commercial information obtained as a result of its responsibilities, are protected from unauthorised disclosure.

8.4. shall maintain records of the contributing third parties notified to it.

9. Non-compliance

9.1. If ENTRUST becomes aware at any time that an EB may be failing to meet or maintain the legal requirements as laid down in regulation 33A of the Regulations, it shall take the appropriate compliance and enforcement action in accordance with its internal procedures, approved by HMRC.

9.2. Cases of alleged non-compliance must be referred to HMRC in accordance with the Non-Compliance Evidence and Reporting Standards provided by HMRC. HMRC will consider, on the basis of the evidence provided by ENTRUST, whether the conduct of the EB justifies revocation of its approval.

9.3. HMRC, alone, is responsible for making a decision whether to revoke an approval.

9.4. ENTRUST will prepare the relevant Compliance and Enforcement Procedures for approval by HMRC by 1 July 2008.

10. Notification of transfers

10.1. When notified of the transfer of contributions to an EB, ENTRUST shall notify in writing quarterly the details to the contributing landfill site operators and, if relevant, the contributing third parties when requested to do so.

11. Payments by EBs to ENTRUST

11.1. ENTRUST shall be entitled to charge each prospective EB an application fee on receipt of an application for enrolment. This shall be £100 or such lesser amount as ENTRUST may require.

11.2. In addition, to the application fee, a percentage of qualifying contributions received by each approved body is to be paid to ENTRUST. The amount payable shall be based on the date of receipt of the qualifying contribution by an EB and from the 1 July 2008 shall be 2.28 percent of each qualifying contribution. The provision shall be reviewed annually by ENTRUST and HMRC.

11.3. Any surplus from application fees or percentages of contributions paid to ENTRUST shall be carried forward, used or repaid as ENTRUST determines in accordance with its Memorandum and Articles of Association.

12. General

ENTRUST:

- 12.1. Shall not impose any conditions on EBs using the powers contained within Regulation 34(1)(aa) of the Regulations without the prior approval of HMRC.
- 12.2. May publish guidance on the operation of the scheme and answer enquiries relating to the scheme.
- 12.3. May take advice on the operation of the scheme from representatives of approved bodies.
- 12.4. Shall maintain an approved mechanism to permit appeals against decisions to:
 - 12.4.1. Refuse to approve an application to become an EB;
 - 12.4.2. Refuse to register a project; and
 - 12.4.3. Revoke accreditation status.
- 12.5. Shall allow HMRC to undertake relevant benchmarking reviews of the performance by ENTRUST of its functions under this approval, and where appropriate and reasonable to do so, ENTRUST shall be advised and consulted.

13. Default

- 13.1. HMRC's power under regulation 35(1)(c) of the Regulations to revoke the approval may be exercised by written notice to ENTRUST with immediate effect if ENTRUST is in default of any obligation under the approval and
 - 13.1.1. ENTRUST has not remedied the default to the satisfaction of HMRC (acting reasonably) within 30 days, or such longer period as may be specified by HMRC, after written notice to ENTRUST specifying in reasonable detail the default and requesting it to be remedied; or
 - 13.1.2. the default is not capable of remedy, or
 - 13.1.3. the default is a fundamental breach of the approval.
- 13.2. HMRC shall not revoke the approval under this condition where ENTRUST fail to perform, or delay in performing, its obligations under this approval or the Regulations where such failure or delay is due to a significant shortfall of funding from that specified in the Corporate Plan referred to in condition 5. In addition, HMRC shall not revoke the approval where the obligations of ENTRUST under this approval or the Regulations are substantially varied and there is no change in the funding to properly and fairly reflect the nature and extent of the variation in such obligations.
- 13.3. In the event that through any default of ENTRUST, data transmitted or processed in connection with the Services is either lost or sufficiently degraded to be unusable, ENTRUST shall be liable for the cost of reconstitution of that data and for the cost of its transmission.

14. Change of control or insolvency

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- 14.1. ENTRUST shall notify HMRC in writing immediately upon the occurrence of any of the following events:
- 14.1.1. ENTRUST undergoes a change of control, within the meaning of section 416 of the Income and Corporation Taxes Act 1988, which impacts adversely and materially on the performance of the approval; or
- 14.1.2. if ENTRUST passes a resolution for winding up or dissolution or the Court makes an administration order or a winding-up order, or ENTRUST makes a composition or arrangement with its creditors, or an administrative receiver, receiver, manager or supervisor is appointed by a creditor or by the court, or possession is taken of any of its property under the terms of a fixed or floating charge
- 14.1.3. where ENTRUST is unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or any similar event occurs under the law of any other jurisdiction within the United Kingdom.
- 14.2. HMRC may revoke this approval by written notice to ENTRUST with immediate effect following (subject to clause 14.3) the occurrence of any of the events referred to in clause 14.1.
- 14.3. HMRC may only revoke this approval pursuant to clause 14.2 within 6 months after a change of control has been notified to it pursuant to clause 14.1.1 and shall not be permitted to do so where HMRC has approved in advance to the particular change of control that occurs.

15. ENTRUST and HMRC right to revoke

- 15.1. Either Party shall have the right to revoke this approval at any time by giving 12 months written notice to the other.
- 15.2. During the notice period, all the provisions of this approval shall continue in accordance with their terms and ENTRUST shall continue to act as regulator of the Fund.

16. Disruption

- 16.1. ENTRUST must take reasonable care to ensure that in the execution of the approval does not disrupt the operations of HMRC, their employees or any other contractor employed by HMRC.
- 16.2. ENTRUST shall immediately inform HMRC of any actual or potential industrial action, whether such action be by their own employees or others, which affects or might affect their ability at any time to execute the Services in accordance with the requirements of the approval.
- 16.3. If ENTRUST is temporarily unable to fulfil the requirements of the approval owing to disruption of normal business by direction of HMRC, an appropriate allowance by way of extension of time will be approved by HMRC. In addition, HMRC will reimburse any additional expense incurred by ENTRUST in fulfilling the provisions of the approval as a result of such disruption.

17. Force Majeure

17.1. Neither party shall be liable to the other party for any delay in or failure to perform its obligations under the approval (other than a payment of money) if such delay or failure results from circumstances beyond the party's reasonable control known as Force Majeure.

17.2. For the purpose of this condition, "Force Majeure" means any event or occurrence which is outside the reasonable control of the Party concerned, and which is not attributable to any act or failure to take preventive action by the Party concerned. It does not include any industrial action occurring within the ENTRUST's organisation or within any sub-contractor's organisation.

18. Business Continuity Plan

18.1. ENTRUST shall notify HMRC of any changes from time to time to its Business Continuity Plan identifying the risks to the carrying out of its functions and the measures to meet those risks, such Business Continuity Plan at the date of this approval having been provided to HMRC. .

19. Notices

19.1. Any notice or other communication which is to be given by either party to the other, shall be given by letter, (sent by hand or post or by registered post or by the recorded delivery service) or transmitted by email, facsimile transmission or other means of telecommunications, confirmed by a written letter. Such notices or communications shall be deemed effectively given on the day when in the ordinary course of the means of transmission it would first be received by the addressee in normal business hours.

20. Free-Issue Materials and Other Equipment

20.1. Where HMRC for the purpose of the approval issues equipment or materials free of charge to ENTRUST such equipment or materials shall be and remain the property of the HMRC. ENTRUST shall maintain all such equipment or materials in good order and condition and shall use such equipment or materials solely in connection with the approval.

20.2. HMRC shall be responsible for the repair or replacement of HMRC's property unless the need for repair or replacement is caused by ENTRUST's negligence or default.

20.3. ENTRUST shall notify HMRC of any surplus equipment or materials remaining after completion of the approval and shall dispose of them as HMRC may direct. Waste of such equipment or materials arising from bad workmanship or negligence of ENTRUST or any of ENTRUST's employees, servants, agents, suppliers or sub-contractors shall be made good at ENTRUST's expense. Without prejudice to any other rights of HMRC, ENTRUST shall deliver up such equipment or materials whether processed or not to HMRC on demand.

20.4. ENTRUST shall forthwith inform HMRC of any defects appearing in or losses or damage occurring to ENTRUST's equipment or materials made available for the purposes of the approval.

20.5. ENTRUST shall ensure the security of all HMRC's property, equipment, plant, materials etc. whilst in ENTRUST's possession, either on its premises or

elsewhere during the provision of the service, in accordance with HMRC's approved security systems set out in the approval

- 20.6. ENTRUST shall be liable for any loss of or damage to any HMRC property, unless ENTRUST is able to demonstrate that such loss or damage was caused or contributed to by the negligence or default of HMRC.

21. Mistakes in information

- 21.1. Where appropriate ENTRUST shall be responsible for the accuracy of documentation and information supplied to HMRC.
- 21.2. Where information is provided to ENTRUST by an EB or a third party, and ENTRUST become aware that it is inaccurate, it shall take steps to correct the error.

22. Publicity, Media and Official Enquiries

- 22.1. Neither ENTRUST nor its Sub-Contractor(s), agents, servants, suppliers, employees and consultants shall make any public statement relating to the performance of the approval without the prior written consent of HMRC, which shall not be unreasonably withheld.

23. Indemnity and Insurance

- 23.1. ENTRUST shall indemnify HMRC fully against all claims, proceedings, actions, damages, legal costs expenses and any other liabilities in respect of any death or personal injury, or loss of or damage to property, which is caused directly or indirectly by any act or omission of ENTRUST. This condition shall not apply to the extent that ENTRUST is able to demonstrate that such death or personal injury, or loss or damage, was not caused or contributed to by its negligence or default, or the negligence or default of its staff or sub-contractors, or by any circumstances.
- 23.2. ENTRUST shall effect and maintain with a reputable insurance company a policy or policies of insurance providing an adequate level of cover in respect of all risks which may be incurred by ENTRUST, arising out of ENTRUST's performance of the approval, in respect of death or personal injury, or loss of or damage to property. Such policies shall include cover in respect of any financial loss arising from any advice given or omitted to be given by ENTRUST.
- 23.3. ENTRUST shall hold employer's liability insurance in respect of staff in accordance with any legal requirement for the time being in force.
- 23.4. ENTRUST shall produce to HMRC's representative, on request, copies of all insurance policies referred to in this condition or other evidence confirming the existence and extent of the cover given by those policies, together with receipts or other evidence of payment of the latest premiums due under those policies.
- 23.5. The terms of any insurance or the amount of cover shall not relieve ENTRUST of any liabilities under the approval. It shall be the responsibility of ENTRUST to determine the amount of insurance cover that will be adequate to enable ENTRUST to satisfy any liability referred to in clause 20.2.

24. Care and skill

24.1. ENTRUST undertakes that:

- 24.1.1. the Services shall be supplied and rendered by appropriately experienced, qualified and trained personnel with all due skill, care and diligence; and
- 24.1.2. that it shall discharge its obligations hereunder with all due skill, care and diligence including but not limited to good industry practice and (without limiting the generality of this Condition) in accordance with its own established internal procedures.

25. Complaints handling

25.1. Where HMRC receive a complaint from a third party about the standard of service or about the way any services have been delivered by ENTRUST in carrying out this approval, then HMRC shall discuss and review the matter with ENTRUST and take all reasonable steps to determine whether the complaint is valid. If they so decide, they may uphold the complaint, or take further action in accordance with the provisions of conditions 13 and 15 of this approval.

26. ENTRUST'S Personnel

- 26.1. If HMRC, acting reasonably, gives ENTRUST notice that any person is not to become involved in or is to be removed from involvement in the performance of the approval, ENTRUST, to the extent that it is permitted by law to do so, shall take all steps to comply with such notice and if required by HMRC, ENTRUST shall replace any person removed under this Clause with another suitably qualified person.
- 26.2. If and when instructed by HMRC, ENTRUST shall give to HMRC a list of names and addresses of all persons who are or who may be at any time concerned with the Services or any part of them, specifying the capacities in which they are so concerned, and giving such other particulars and evidence of identity and other supporting evidence as HMRC may reasonably require.
- 26.3. HMRC shall bear the reasonable cost of any notice, instruction or decision of HMRC under this Condition.

27. Access to HMRC's Premises

27.1. ENTRUST shall take the steps reasonably required by HMRC to prevent unauthorised persons from being admitted to HMRC's Premises or other premises attended on the instructions of HMRC. HMRC shall afford to the authorised personnel of ENTRUST at all reasonable times and with prior agreement such access to HMRC's Premises or other premises as instructed as may be necessary for the performance of the approval provided always that HMRC shall have the right to refuse admittance to or order the removal from the Premises any person employed by or acting on behalf of ENTRUST or any sub-contractor who in the opinion of HMRC (which shall be final) is not a fit and proper person to be on HMRC's Premises. Action taken under this Condition shall be confirmed in writing to ENTRUST by HMRC and shall not relieve ENTRUST of their obligations under the approval. At all times personnel of ENTRUST shall obey HMRC's directions relating to health and safety.

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- 27.2. Where staff are required to have a pass for admission to HMRC's premises, HMRC's representative shall, subject to satisfactory completion of approval procedures, arrange for passes to be issued.

28. Conflict of Interest

- 28.1. ENTRUST shall take appropriate steps to ensure that neither ENTRUST nor any employee, agent or sub-contractor carrying out the Services on behalf of ENTRUST is placed in a position where there is or may be an actual conflict, or a potential conflict between the pecuniary or personal interests of such persons and the duties owed to HMRC under the provisions of the approval. ENTRUST will disclose to HMRC full particulars of any such conflict of interest which may arise.

29. Security of Confidential Information

- 29.1. In order to ensure that no unauthorised person gains access to any confidential information or any data obtained in the performance of the approval, ENTRUST undertakes to maintain proper and adequate security systems.
- 29.2. The parties will immediately notify each other of any breach of security in relation to confidential information and all data obtained in the performance of the approval and will keep a record of such breaches. The parties will use their best endeavours to recover such confidential information or data however it may be recorded. The parties will co-operate with each other in any investigation where it is jointly agreed necessary to undertake as a result of any breach of security in relation to confidential information or data.
- 29.3. The parties may require each other to review their security systems in relation to this approval at any time during the approval period. Each party will be liable for its own costs that it incurs in making alterations to its security systems.

30. Professional Indemnity

- 30.1. ENTRUST shall hold and maintain Professional Indemnity insurance cover and shall ensure that all professional consultants involved in the provision of the Services hold and maintain appropriate cover. In the case of ENTRUST the sum insured shall be not less than £1,000,000 (one million pounds). In the case of any agent, sub-contractor or sub-consultant involved in the provision of Services the sums insured shall be at the discretion of ENTRUST, taking into account the risks involved in the assignment.

31. TUPE

- 31.1. During the period of three months preceding the expiry of the approval or after the approval is revoked for whatever reason, and within 20 working days of being so requested by HMRC, ENTRUST shall fully and accurately disclose to HMRC for the purposes of TUPE all information relating to its employees engaged in providing Services under the approval in particular, but not necessarily restricted to, the following:
- 31.1.1. the total number of personnel whose employment with ENTRUST is liable to be terminated at the expiry of this approval but for any operation of law; and

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- 31.1.2. for each person, age and gender, details of their salary, and pay settlements covering that person which relate to future dates but which have already been agreed and their redundancy entitlements (the names of individual members of staff do not have to be given); and
 - 31.1.3. information about the other terms and conditions on which the affected staff are employed, or about where that information can be found; and
 - 31.1.4. details of pensions entitlements, if any.
- 31.2. ENTRUST shall permit HMRC to use the information for the purposes of TUPE and of re-tendering. ENTRUST will co-operate with the re-tendering of the approval by allowing the transferee to communicate with and meet the affected employees and/or their representatives.
- 31.3. ENTRUST agrees to indemnify HMRC fully and to hold it harmless at all times from and against all actions, proceedings, claims, expenses, awards, costs and all other liabilities whatsoever in any way connected with or arising from or relating to the provision of information under this condition.
- 31.4. In the event that the information provided by ENTRUST in accordance with this condition becomes inaccurate, whether due to changes to the employment and personnel details of the affected employees made subsequent to the original provision of such information or by reason of ENTRUST becoming aware that the information originally given was inaccurate, ENTRUST shall notify HMRC of the inaccuracies and provide the amended information.
- 31.5. During the 12 month period preceding the expiry of this approval or within any period of notice of Termination, ENTRUST shall not without the prior written agreement of HMRC, which shall not be unreasonably withheld or delayed:-
- 31.5.1. materially amend the terms and conditions of employment of any employee whose work, wholly or mainly falls within the scope of this approval; or
 - 31.5.2. materially increase the number of employees whose work (or any part of it) is work undertaken for the purposes of this approval.

32. Sub-Contracting

- 32.1. ENTRUST shall not for the purposes of performing any obligation under this approval, sub-contract the performance of any of those obligations without the prior written consent of HMRC. Sub-contracting any part of the approval shall not relieve ENTRUST of any obligation or duty attributable to ENTRUST under the approval or these Conditions.
- 32.2. Where HMRC has consented to the placing of sub-contracts, copies of each sub-contract shall be sent by ENTRUST to HMRC immediately it is issued.
- 32.3. ENTRUST shall be responsible for the acts and omissions of its sub-contractors in the performance of any services sub-contracted to such sub-contractor by ENTRUST as though they were its own.

33. Monitoring of Performance

HMRC will monitor ENTRUST's performance against the approval. Such arrangements may include (without limitation):

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- a) monthly operational review meetings;
 - b) attendance at Board meetings;
 - c) security (and availability for inspection) of all relevant documentation;
 - d) the delivery of written management reports as may reasonably be required; and
 - e) the detailed requirements in relation to the Corporate Plan and benchmarking.

34. Recovery of Sums Due

- 34.1. Wherever any sum of money is recoverable from or payable by ENTRUST to the Crown, that sum may be deducted from any sum then due, or which at any later time may become due, to ENTRUST under any other agreement or contract with HMRC or with any department, agency or authority of the Crown.

35. Dispute resolution

- 35.1. If any dispute arises in connection with this approval or either party considers that the other party is not performing its obligations as required under this approval, a director acting on behalf of ENTRUST's Board and HMRC's Director of Excise Stamps and Money Businesses (or other director of equivalent status as appropriate at the relevant time) will, within 20 working days of a written request from one party to the other, meet in good faith effort to resolve the dispute.

ANNEX I

STATUTORY OBLIGATIONS AND REGULATIONS

1. Data Protection Act

- 1.1. ENTRUST shall be registered under the relevant parts of the Data Protection Act 1998 and shall ensure that the applicable provisions of the Data Protection Act and any subsequent amendments thereto or other relevant Act of Parliament are strictly adhered to.

2. Prevention of Corruption

- 2.1. ENTRUST shall not offer or give, or agree to give, to any employee or representative of HMRC any gift or consideration of any kind as an inducement or reward for doing, refraining from doing, or for having done or refrained from doing, any act in relation to the obtaining or execution of this approval or any other Agreement with the Crown, or for showing or refraining from showing favour or disfavour to any person in relation to this approval or any such Agreement. The attention of ENTRUST is drawn to the criminal offences under the Prevention of Corruption Acts 1889 to 1916.

- 2.2. Where ENTRUST or its employees, sub-contractors or anyone authorised to act on ENTRUST's behalf commits such an offence in relation to this approval or any other Agreement with the Crown, HMRC has the right to:

- 2.2.1. revoke the approval by written notice to ENTRUST with immediate effect and recover from ENTRUST the amount of any loss resulting from the revocation; and
- 2.2.2. recover from ENTRUST any other loss sustained in consequence of any breach of this Condition, whether or not the approval has been revoked.

- 2.3. In exercising its rights or remedies under this Condition, HMRC shall:

- 2.3.1. act in a reasonable and proportionate manner having regard to such matters as the gravity of, and the identity of the person performing the prohibited act; and

3. Discrimination

- 3.1. ENTRUST shall not unlawfully discriminate within the meaning and scope of the provisions of the Race Relations Act 1976, the Sex Discrimination Act 1975, the Disability Discrimination Act 1995 (as amended 2005), the Employment Equality (Age) Regulations 2006 or the Fair Employment and Treatment (Northern Ireland) Order 1998, relating to discrimination in employment. ENTRUST shall take all reasonable steps to secure the observance of these provisions by all employees or agents of ENTRUST and all its suppliers and sub-contractors employed in the execution of the approval.

4. Official Secrets Acts 1911 to 1989, Section 182 of the Finance Acts 1989 and Confidentiality.

- 4.1. In the performance of its duties and obligations under this approval ENTRUST undertakes to abide by, and ensure that its employees, agents, and sub-contractors abide by the provisions:-

- 4.1.1. the Official Secrets Acts 1911 to 1989; and
- 4.1.2. Section 182 of the Finance Act 1989.

4.2. Information which has been provided to HMRC by ENTRUST and is considered by both parties to be confidential shall be exempt from information under Section 41 of the Freedom of Information Act 2000.

4.3. Where it is considered necessary in the opinion of HMRC, ENTRUST shall ensure that all staff sign a confidentiality undertaking before commencing work in connection with this approval.

5. Compliance with Value Added Tax and Other Tax Requirements

5.1. ENTRUST shall at all times comply with the Value Added Tax Act 1994 and all other statutes relating to direct or indirect taxes.

6. Arrears of Value Added Tax

6.1. Where an amount, including any assessed amount, is due from ENTRUST as Value Added Tax by or under the Value Added Tax Act 1994 as amended an equivalent amount may be deducted by HMRC (after giving notice in accordance with Clause 6.2) from the amount of any sum due to ENTRUST under the approval.

6.2. At least 14 days before exercising the right of deduction provided by this Condition HMRC shall give notice in writing to ENTRUST that it is intended to exercise the right of deduction and the notice:-

(a) shall specify the amount to be deducted; and

(b) shall contain a description of the Value Added Tax due from ENTRUST in respect of which the deduction is made, for example by reference to an assessed amount or by reference to supplies made during an accounting period.

7. Disclosure

7.1. HMRC reserves the right to disclose information in accordance with the Freedom of Information Act 2000.

7.2. ENTRUST acknowledges that HMRC has certain obligations under the Freedom of Information Act 2000 (FOIA) and shall assist and co-operate with HMRC in the event that HMRC receives any request for information under the FOIA relating to this approval and/or its performance. ENTRUST shall assist HMRC, at no extra charge and within such timescales as HMRC may reasonably specify, in meeting any requests for information in connection with this contract within the timescales for compliance contained in Section 10 of the FOIA.

7.3. HMRC shall consult with ENTRUST unless HMRC is obliged under the FOIA to disclose such information without consulting ENTRUST.

7.4. HMRC shall not be liable for any loss or damage suffered by ENTRUST, whether in contract, tort or any other way, as a result of HMRC disclosing information in response to a request made under FOIA.

8. Environmental Requirements

8.1. ENTRUST shall wherever possible perform the conditions in this approval and the Regulations in accordance with HMRC's environmental policy, which is to conserve

energy, water, wood, paper and other resources, reduce waste and phase out the use of ozone depleting substances and minimise the release of greenhouse gases, volatile organic compounds and other substances damaging to health and the environment.

9. Human Rights Act

9.1. ENTRUST, its sub-contractors, agents and employees shall at all times comply with the provisions of the Human Rights Act 1998 in the execution of this approval.

10. Patents, Information and Intellectual Property Rights

All intellectual property rights in any information or document furnished to or made available to ENTRUST by HMRC shall remain the property of HMRC.

11. Health and Safety

11.1. ENTRUST shall take all necessary measures to comply with the requirements of the Health and Safety at Work etc Act 1974 and any other Acts, orders, regulations and Codes of Practice relating to health and safety, which may apply to staff in the performance of the approval.

11.2. ENTRUST shall ensure that his health and Safety policy statement (as required by the health and Safety at Work Act 1974) is made available to HMRC on request.

11.3. Each party shall promptly notify each other of any health and safety hazards which may arise in connection with the performance of the approval.

11.4. HMRC shall promptly notify ENTRUST of any health and safety hazards which may exist or arise at HMRC's premises and which may affect ENTRUST in the performance of the approval.

11.5. While on HMRC's premises, ENTRUST shall comply with any health and safety measures implemented by HMRC in respect of personnel and other persons working on those premises.

11.6. ENTRUST shall notify HMRC immediately in the event of any incident occurring in the performance of the approval on HMRC's premises where that incident causes any personal injury or damage to property which could give rise to personal injury.

12. National Minimum Wage

12.1. ENTRUST shall ensure that, where appropriate, staff employed by it are paid at least the national minimum wage in accordance with the National Minimum Wage Act 1998.

ANNEX II

CORPORATE PLAN



ENTRUST
CORPORATE PLAN
2008–2011

REGULATING THE LANDFILL COMMUNITIES FUND, BENEFITING PEOPLE AND ENVIRONMENT

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Appendix A:

Key Performance Indicators

CHAIRMAN'S WELCOME

I am delighted to welcome you to ENTRUST's 2008-2011 Corporate Plan. In developing this plan the company's Board has carefully considered not only the Government's agenda to enhance regulation across all sectors in the United Kingdom (UK), but also the specific requirements of our stakeholders.

During the 2007/2008 financial year the company implemented many changes. In this plan we set out how we intend to build on those achievements and successfully adapt to the changing environment that all UK regulatory bodies face in delivering the recommendations of the Hampton Review and implementing the Regulators' Compliance Code.

In the previous financial year ENTRUST set about transforming its operational focus to ensure it was able to implement the requirements of the Hampton Review. This focus involved a number of enhancements to our business to deliver a number of changes. These included:

- Providing a new website for stakeholders
- Implementing enhanced methods of engaging with stakeholders through running focus groups and online forums
- Recommending to HMRC further changes to the Regulations
- Streamlining and simplifying the administrative burden placed on stakeholders through the removal of a number of reporting requirements
- Implementing a revised approach to undertaking our compliance activities
- Restructuring the company to provide a more customer-focused service to stakeholders.

ENTRUST considers that this is the beginning of the transformation process, which will provide stakeholders with a modern and robust regulatory body. In building upon the progress made during last year, we shall be undertaking a number of different work streams, which will deliver tangible and lasting benefits to all of the company's stakeholders. These initiatives include

:

- Expansion of e-enabled capabilities
- Commitment to reducing administrative burdens placed on EBs
- Continuation of positive organisational change
- Development of partnering and communications capabilities
- Expansion in use of stakeholder consultation to inform regulatory change
- Reduction in levels of regulatory non-compliance
- Maintenance of operational transparency

All of these work streams represent significant challenges for ENTRUST and it will undoubtedly be a testing time for us, but the progress we have made over the last year, demonstrated by the positive feedback we have received, is evidence that we are making real progress. I am confident these challenging objectives will provide the company with the clear focus and direction it needs to be the regulatory body that we aim to be and that our stakeholders deserve.

EXECUTIVE SUMMARY

In preparing this Corporate Plan, ENTRUST has made a number of fundamental changes to its operation to reflect the transfer of the enforced revocation process to HMRC and to ensure that the Landfill Communities Fund (LCF) has a modern, strong and independent regulatory body.

During 2007/2008, following changes to ENTRUST's Board of Directors and Senior Management Team, ENTRUST restructured its internal organisation to provide a more effective, coherent and unified body. Stakeholders' feedback to these changes has been very positive and has been welcomed.

However, ENTRUST's Board recognises that, in order to provide the high level of service that HMRC requires, the company must continue to evolve and develop its operational framework. This means that we need to continue to focus on enhancing and developing its professional standards, in terms of the quality and efficiency of its staff, processes and procedures, its IT services and its legal basis, in order to provide an efficient and effective service to stakeholders.

The Board considers that it is demonstrating its leadership and commitment to achieving this goal by:

- Restructuring the Board and reducing the number of Non-Executive Directors to five. As a direct consequence, this has led to a 52% reduction in the Directors' fees in this plan compared to the current year's out-turn; and
- Agreeing to fund the company's 2007/2008 operation above its agreed income level, which has led to a £127,000 deficit that ENTRUST has agreed to fund from its reserves.

In submitting this plan, the Board considers that it will facilitate the delivery of ENTRUST's Vision, which is:

“To contribute positively to the effective and efficient use of LCF monies by EBs, by providing a proactive and transparent regulatory service to all stakeholders, to embrace the principles of Better Regulation.”

However, to deliver the plan ENTRUST must be funded at an appropriate level. Using a zero-based budgeting approach, the company has calculated its resource to be £1.62m. £1.56m will be raised from the 2.28% levy on contributions to the scheme with the remainder being funded from our reserves. Without this level of funding the company considers that it will be unable to deliver the appropriate standard of regulation, which the Government is committed to and which the Commissioners of HM Revenue & Customs will demand.

INTRODUCTION

This plan details what ENTRUST, as the body appointed under the Landfill Tax Regulations (Regulations) by the Commissioners of HM Revenue & Customs (HMRC), will set out to achieve, and how it plans to incur expenditure as the Regulator of the Landfill Communities Fund (LCF) over the next three years.

Responsibilities

It is important that stakeholders are aware of the distinction between ENTRUST's responsibilities in discharging its duties under the Regulations, and those of HMRC.

HMRC

HMRC is responsible for developing, and implementing Government policy in relation to the application of the Regulations. In carrying out this role, HMRC will be responsible for:

1. Appointing and overseeing the work of the Regulator;
2. Ensuring that the Regulations remain fit for purpose;
3. Providing definitive policy direction, when matters are in dispute, or when interpretations are raised with the Regulator regarding the application of the Regulations;
4. Considering recommendations from the Regulator to enhance the Regulations, and where appropriate implementing changes to them;
5. When and where it is deemed appropriate to do so, ensuring that enforced revocation is taken against EBs who breach the Regulations;
6. Seeking repayment of landfill tax credits from landfill site operators when appropriate;
7. Ensuring stakeholders are fully consulted with and informed of relevant regulatory changes.

ENTRUST

As the regulatory body responsible for monitoring the compliance of Environmental Bodies (EBs) with the statutory requirements of the Regulations, ENTRUST will be responsible for:

1. Enrolling organisations as EBs;
2. Registering applications to spend monies on projects;
3. Providing advice and guidance to stakeholders on the application of the Regulations;
4. Developing and making recommendations to HMRC, where necessary, to enhance the Regulations;
5. Monitoring the compliance of EBs with the Regulations;
6. Ensuring appropriate sanctions are applied when the Regulations are not complied with;
7. Complying with the requirements of Better Regulation as prescribed by the Better Regulation Commission and Executive;
8. Developing partnering relationships with other bodies, for example Landfill Operators and ADEB as well as other stakeholders; and
9. In undertaking its statutory duties, delivering value for money to stakeholders.
10. Ensuring EBs are fully informed of changes to Regulations and guidance

VISION, MISSION AND VALUES

In developing the strategic direction of the LCF, ENTRUST has developed a clear vision, mission and set of values, which underpin everything the company does.

The Vision

“To contribute positively to the effective and efficient use of LCF monies by EBs, by providing a proactive and transparent regulatory service to all stakeholders, to embrace the principles of Better Regulation”.

The Mission

To be an independent, transparent Regulator that safeguards LCF from misuse by:

1. Facilitating transparency in the management of LCF monies;
2. Delivering risk-based compliance monitoring;
3. Tackling non-compliance;
4. Promoting best practice and sharing information; and
5. Providing education and training.

The Values

ENTRUST is committed to delivering high levels of services to its stakeholders by:

1. Providing high professional standards of integrity and fairness;
2. Maintaining independence while working in partnership with other organisations to deliver its aims and objectives;
3. Supporting funded bodies to comply with the Regulations and maximise the impact of the Fund; and
4. Promoting diversity and valuing the contributions of stakeholders through its work with colleagues and partners.

ENTRUST BOARD

In 2007/2008 ENTRUST's Board consisted of seven Non-Executive and one Executive Director. Following a review of the structure of the Board (to prepare for the transfer of the enforced revocation process to HMRC), the Board considered it was appropriate to reassign its responsibilities to provide a more coherent focus for the future. The Board now comprises five Non-Executive and one Executive Director. The current members of the Board are:

- Philip Smith (Chairman);
- Lorraine Clinton (Non Executive Director) (appointed 1st June 2008)
- John King (Chairman of the Human Resources and Remuneration Committee);
- Will Lifford (Non Executive Director) (appointed 1st June 2008)
- Andrew Russell (Chairman of the Audit Committee);

- Christopher Welford (Chief Executive);

Audit Committee

The Audit Committee is a formal Board Committee. It consists of a Chairman and the five Non-Executive Board members. It is also attended by representatives from the Company's Senior Management Team, and External and Internal Audit.

The role of the Committee is to provide the Board with advice and guidance regarding the robustness and fitness for purpose of the Company's financial governance and risk framework. It discharges this duty by, amongst other tasks:

1. Agreeing the annual audit needs assessment;
2. Reviewing external and internal reports;
3. Scrutinising and approving the annual accounts; and
4. Overseeing the Company's risk management arrangements.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee is a formal Board Committee. It consists of a Chairman and the five Non-Executive Board members.

The Committee's role is to provide advice and guidance and make recommendations to the Board on matters relating to remuneration policy and other related HR issues.

BETTER REGULATION

ENTRUST is committed to the principles of Better Regulation and to carrying out its statutory duties in compliance with best practice. Any actions taken will be proportionate, transparent, fair and reasonable, based upon the assessment of the risk involved and the size of the EB. To deliver this commitment, ENTRUST will regularly review its approach to regulation, making sure that at all times it reflects the requirements of stakeholders to have a modern, independent and robust regulator in place to regulate the Fund. In developing this approach, ENTRUST will:

1. Only require EBs to provide information that the Regulator requires in order to carry out its statutory duties;
2. Establish a communications capability;
3. Where appropriate, simplify ENTRUST's guidance and forms;
4. Use e-enabled technology wherever possible to deliver services;
5. Focus compliance work on those areas where the risk of failure to comply is assessed as being greatest; and
6. Be committed to the principles of simplification and reduction in the administrative burden placed upon EBs.

In delivering this agenda, ENTRUST has already made good progress in recognising the important role of stakeholders and the value they can provide in the management of the Fund. For example, in 2007/2008, following representations from stakeholders, the company updated its process for reviewing enrolment and project registration applications. The enhanced process allows EBs to attend the Regulator's Applications Review Panel meetings and to provide further information to support their applications.

Outcomes to be achieved:

1. Ensure that ENTRUST's approach to risk-based regulation complies with best practice as evidenced by a reduction in the administrative burden placed on EBs;
2. When organisations enrol as EBs, develop and provide them with an induction pack on compact disc. The pack should include a simple accounting package to assist EBs to account for LCF monies;
3. Increase the number of organisations submitting statutory returns electronically; and
4. Develop partnering relationships with other regulatory bodies and areas, for example The Charity Commission and the Office of the Third Sector.

DEVELOPMENT OF REGULATIONS

ENTRUST is not responsible for developing Government policy in relation to the Regulations. However, as the Regulator of the Fund, the company considers that it has a pivotal role to play in providing advice on the development and dissemination

of policy, and best practice, that will enable EBs to meet their statutory requirements under the Regulations.

In undertaking this role, ENTRUST considers it is important to listen to the views and concerns of stakeholders about the application and impact of the Regulations. In the 2007/2008 reporting year, the company for the first time ran a number of focus groups. The focus groups covered the following areas:

- Object D;
- Object DA; and
- ENTRUST's guidance manual.

It was pleasing to note that these focus groups were well received by stakeholders and helped ENTRUST to review and update its guidance and inform recommendations for future regulatory change. As part of its stakeholder engagement strategy, ENTRUST will be running similar exercises during 2008/2009.

Outcomes to be achieved:

1. Provide recommendations for regulatory changes based on the company's knowledge and expertise of regulating the Fund;
2. Continue to run and manage focus groups throughout the year to contribute to regulation policy development reviews; and
3. Show evidence of positive customer feedback to improved services in annual stakeholder satisfaction surveys.

COMPLIANCE

Compliance is at the heart of ENTRUST's work. The role of the Regulator is focused on three key areas:

1. Enrolling individuals and organisations as EBs;
2. Reviewing and registering project applications; and
3. Carrying out compliance reviews, undertaking proportionate follow-up action including enforcement action where appropriate.

In undertaking its compliance role, ENTRUST previously operated a risk-based approach that focused on assessing the level of project risk and assigned resources to review those projects where the risk was deemed to be highest. However, following consultation with stakeholders, the company has developed and implemented a risk-based system that provides a top-down and bottom-up approach to compliance. This focuses on two areas:

1. Systems-based review of governance frameworks of individual EBs; and
2. Targeted reviews of individual projects.

ENTRUST rolled out this revised approach during 2007/2008, with the result that a number of EBs were granted Accredited status, enabling them to be subject to a lighter regulatory touch.

ENTRUST has also recognised there has been on occasions a lack of transparency and accountability in relation to the investment made by Landfill Operators via EBs in local communities and their projects. To address the capability gap, the company will:

1. Encourage EBs to submit statutory returns online;
2. At the end of the year, issue generic guidance on lessons learnt to all EBs via the website and to individual EBs through compliance reports;
3. Continue to run educational and training events throughout the UK to help improve the quality and integrity of information submitted to the Regulator;
4. Make all information submitted to the Regulator publicly available except that covered by legal obligations; and
5. Develop and implement a system to record details of all assets purchased by EBs using LCF monies.

Outcomes to be achieved:

1. Reduce the level of non-compliance with the Regulations, from a baseline that will be established in 2008/2009;
2. Establish an asset register to record all assets purchased by EBs using LCF monies;

3. Ensure that organisations are able to file information online if they choose to do so; and
4. Improve the timely submission by EBs of statutory returns to the Regulator, following a baseline assessment that will be established in 2008/2009.

ORGANISATIONAL

The outcomes and targets identified in this plan provide ENTRUST with a challenging and testing agenda. To deliver these objectives the company will continue to modernise and enhance its strategic and operational capability to meet the expectations of stakeholders and provide the Fund with a regulatory body that is modern, independent and strong, that is transparent in its operation and delivers value for money. To achieve this objective ENTRUST will:

1. Provide a modern work environment for staff which has the appropriate facilities;
2. Ensure that staff have the necessary skills and experience to undertake their roles and responsibilities; and
3. Where necessary review and upgrade organisational and employment policies and procedures in line with best practice.

Structure

To establish ENTRUST's baseline resource requirement, a Zero-Based Budgeting (ZBB) review was carried out. ZBB is a technique of planning and decision-making that reverses the traditional budgeting approach.

In traditional incremental budgeting, the process focuses only on increases over the previous budget, and what has already been spent is automatically sanctioned. No reference is made to the previous level of expenditure. By contrast, in ZBB every function is reviewed comprehensively, and all expenditures must be approved rather than only increases. ZBB requires the budget to be justified in complete detail, starting from the Zero Base.

Additionally, a fundamental review of ENTRUST's structure and capability was undertaken to identify both its strengths and its weaknesses. This process involved the analysis of information from external and internal sources, for example seeking the advice and views from our internal and external auditors.

To deliver this plan and to provide a robust and transparent cradle-to-grave regulatory system, the company has restructured both its Board and its core business activities. The Board will focus its role on providing more strategic leadership and direction for the Company, while the Chief Executive will have clear responsibility for the operational delivery through the three teams:

1. Chief Executive's Office – providing support to the Chief Executive and a focal point for ENTRUST's communications;
2. Operations – providing an holistic regulatory framework from the registration of an EB, monitoring compliance, where appropriate taking proportionate enforcement action to ensure compliance with the Regulations, and assisting EBs to move out of the scheme once they have successfully delivered their projects; and
3. Corporate Services – providing support both internally and externally to stakeholders in the areas of financial management and IT.

ENTRUST considers that this structure will provide a more balanced organisation that facilitates:

1. Better and enhanced communications both externally and internally;
2. Cross-cutting initiatives with other regulatory bodies and relevant areas, for example The Charity Commission and the Office of the Third Sector;
3. The development of regulatory policy recommendations; and
4. The provision of a more transparent stakeholder-focused Regulator.

Funding

ENTRUST is funded by levy contributions from EBs that are currently set at 2.0% but will increase to 2.28% from 1st July 2008, which should provide approximately £1.56m. To fund capital investment, in particular upgrading ENTRUST Online, the company considers the most prudent approach is to make an annual provision in its

accounts to upgrade its IT system every five years. The benefit of this approach will ensure:

1. Planning for future IT investment is certain; and
2. The annual funding requirement for the Regulator is constant and the impact on the levy is not subject to major fluctuations over time.

Additionally, ENTRUST must hold sufficient reserves to enable it to audit out ongoing projects should the Fund come to an end. However, in managing this income the Company is faced with the challenge of matching the income it receives against EBs' expenditure. This is a complicated process as income received is not matched to specific projects, nor are there any Regulations at present to govern the length of time EBs are allowed in which to spend the funding received.

In summary, the following resource requirements have been calculated to accommodate the changes outlined above:

1. The Levy was required to increase from 2% to 2.28% to provide £1.56m in funding on the current allocation of monies to the LCF;
2. The annual operating costs of the Regulator will be £1.62m; and
3. At the end of the last financial year there will be a balance in deferred income and reserves of around £2.2m, and this will be used to meet ENTRUST's future liabilities.

Outcomes to be achieved:

1. Regulatory body that is properly funded, modern, independent and strong;
2. Transparency of the Regulator's operation; and
3. Delivery of outcomes, targets and key performance indicators as detailed in this plan.

RESOURCE REQUIREMENTS

This plan has been developed on the basis that ENTRUST is allocated sufficient resources to enable it to fulfil its statutory role as the Regulator of the LCF. Following

a strategic review of the operational capability of the Company, the company identified a number of gaps that must be filled if the Fund is to have a regulatory body that is modern, strong and independent.

If the funding is not provided to meet these resource requirements, the company will not be in a position to provide the Commissioners of HM Revenue & Customs with the assurance that the Fund is being regulated to meet the tenets of Better Regulation, or of recognised audit, accounting and policy standards.

The following table summarises ENTRUST's three-year resource requirements and for comparison purposes the out-turn for the previous three years.

	05/06	06/07	07/08	08-2011	% Change from 07/08
Directors	118	120	124	59	-52%
Staff	679	646	787	1,115	42%
Personnel Costs	113	103	156	126	-19%
Establishment Costs	84	95	67	95	42%
General Expenses	85	76	76	64	-16%
Professional Fees	64	83	160	81	-49%
IT Costs	47	47	62	53	-15%
Depreciation	40	28	33	32	-3%
TOTAL OPERATING COSTS	1,235	1,198	1,465	1,625	11%
Capital Costs					
IT Costs	0	0	0	100	-
Resources before interest	1,235	1,198	1,481	1,725	17%
Interest receivable	(96)	(102)	(135)	(130)	-4%
Taxation	18	19	27	26	-4%
RESOURCE REQUIREMENT	1,157	1,115	1,373	1,621	18%

The plan has identified an increase in ENTRUST's resource requirements. The increases in resource requirements over the current forecast out-turn arise for the following reasons:

- An increase in staff numbers is necessary to bridge capability gaps in the regulation of the Fund and to recruit to the 2007–2010 agreed establishment levels, which results in an additional seven full-time equivalent posts;
- There is a requirement to provide a robust control environment to ensure 24/7 access to the Regulator's website and ENTRUST online;

- The company must hold sufficient reserves to allow it to fully discharge its statutory duty as the Regulator if the Fund ceases.

ENTRUST online is to be upgraded 2011/2012;

PERFORMANCE MANAGEMENT

During the previous financial year, ENTRUST worked closely with HMRC to develop and implement an enhanced performance management system to enable HMRC to review and assess the company's performance. This system is based upon a number of key components:

1. Corporate Resource Plan – As part of agreeing ENTRUST's baseline funding requirement, HMRC annually reviews ENTRUST's three-year Corporate Resource Plan, which involves carefully scrutinising the detailed targets, key performance indicators and resource estimates;
2. Monthly Review Meetings – Each month ENTRUST's Senior Management Team meets with HMRC staff, who review the company's performance against its overall targets;
3. Quarterly Performance Review meeting – At the end of every quarter, HMRC will formally review ENTRUST's performance against the detailed targets and key performance indicators in the Corporate Plan;
4. Board Meetings – HMRC has previously attended the ENTRUST LCF Board meeting. However, with the restructuring of ENTRUST's Board, the Board has decided that there is no requirement to hold separate Company and LCF meetings and these meetings have now been merged together; and
5. Annual Report – Under the agreed Terms of Approval, ENTRUST is required to provide HMRC with an annual assessment of its performance against its targets.

This enhanced system has provided ENTRUST's Board and HMRC with greater transparency in assessing the ability of the company to carry out its statutory duties. Attached at Appendix A are ENTRUST's key performance indicators for the 2008/2009 financial year.

CORPORATE SOCIAL RESPONSIBILITY

As an organisation that regulates EBs, ENTRUST is committed to implementing a culture that develops and supports corporate social responsibility throughout the organisation. One of its aims is to support the Government's sustainable development strategy by improving the environmental and social impact of its work. In supporting this goal:

1. ENTRUST will ensure all assets are re-cycled and, in particular, that surplus IT equipment is donated to charity;
2. ENTRUST is committed to minimising its carbon footprint and has implemented a number of simple energy control schemes; and
3. ENTRUST will hold at least one team-building day per year, where all of the staff will become involved in a community-based activity, for example clearing a beach of litter.

RISK MANAGEMENT

ENTRUST has developed a risk management strategy to enable it to discharge its duties and achieve its aims and objectives. Risks are managed through a robust organisational control framework. The Audit Committee (AC) provides assurance to the Board as to the robustness of this framework. In carrying out its duties, the AC is independently supported by Internal Audit (IA). In recognition of the importance of IA's work, the company has engaged KPMG to carry out this function on its behalf. In undertaking this work, KPMG's role is broad and may involve internal control areas, such as the efficiency of operations, the reliability of financial reporting, deterring and investigating fraud, safeguarding assets, and compliance with laws and regulations.

To mitigate and minimise its corporate risk, ENTRUST has taken a number of actions:

1. In developing this plan, the company has developed a revised focus for establishing, setting and monitoring its performance. ENTRUST has moved away from simply considering outputs to a more strategic outcomes-based approach. This change in focus will provide a number of challenges for the

2. During 2007/2008, ENTRUST developed and tested its Business Continuity Plan to ensure that, in the case of a disaster, the impact on stakeholders would be minimal. As part of this plan, ENTRUST transferred responsibility for hosting its servers to a third party; and
3. ENTRUST operates a risk-based compliance approach to ensure that its resources are targeted at those areas of highest risk.

CONCLUSION

ENTRUST's 2008 –2011 Corporate Plan sets out a number of key challenges that the organisation will face in providing a modern, efficient and transparent regulatory body able to deliver the recommendations of the Hampton Review and the requirements of the Regulators' Compliance Code.

In order to overcome these challenges the company is committed to working closely with all of its stakeholders to provide them with the high level of services that they require. To achieve this goal ENTRUST will focus on both the internal and external environment in which it operates by delivering changes in a number of key areas of its work:

Better Regulation – wherever possible implementing initiatives to reduce the administrative burden on Environmental Bodies

Development of Regulations – where appropriate recommending to HMRC where changes need to be made to the Regulations

Compliance – reducing the level of non-compliance through a policy of coaching to compliance, while at the same time applying a proportionate response when organisations fail to comply with the Regulations

Organisational - continue to review and restructure ENTRUST to ensure the organisation meets stakeholder needs and expectations.

ENTRUST
May 2008

Appendices:

A – 2008/2009 Key Performance Indicators

Appendix A

ENTRUST 2008/2009 KEY PERFORMANCE INDICATORS

Target 1	Achieve standards of service delivery and effectiveness acceptable to stakeholders, improving the level of satisfaction with the EB application and project notification processes (including EOL services).
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be applied:</p> <ul style="list-style-type: none"> • Establish a customer satisfaction survey by 30 June 2008, • Receive results of survey by 31 August 2008, and then ongoing, • Assess data for use of benchmarking by 30 September 2008, • Revise, establish & agree Service Delivery standards, communicate survey results and improved standards in conjunction with resulting KPIs by 30 October 2008 to instigate stakeholder satisfaction improvement initiatives – 30 November 2008 <ol style="list-style-type: none"> 1. Average time taken to enrol EBs – 95% enrolled within 10 working days 2. Average time taken to register projects – 95% registered within 10 working days 3. Improve EB satisfaction with ENTRUST, within: <ol style="list-style-type: none"> a. Enrolment process b. Project registration c. Compliance inspection d. Overall performance <ul style="list-style-type: none"> • Annual satisfaction survey to assess effectiveness of improvement initiatives and establish new KPIs – 15 December 2008; and • Increased use of ENTRUST Online by EBs at 31st March 2009 – increase in Funds managed by EBs via ENTRUST Online by 10% • Operating in compliance with the Terms of Approval document as evidenced by HMRC oversight. • Providing draft minutes of monthly and quarterly meetings with HMRC within 5 working days of the meeting.

Target 2	Enhance the accountability and transparency of LCF by making information about its operations more publicly available.
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be applied:</p> <ul style="list-style-type: none"> • Initiate consultation document on communication strategy by 31 July 2008, • Development & publication of communications strategy by 30 September 2008, • Response to requests for information provided within 10 working days of receipt; and • Publication of range of useful statistics within 20 working days.

Target 3	Increased level of compliance with the Landfill Tax Regulations.
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be used;</p> <ul style="list-style-type: none"> • Establish benchmark and set target monitoring for 2008 to facilitate continual improvements, • Measure compliance with reporting requirements (Forms – 3, 4 & 7) set improvement targets for 2008/2009 returns by 31 July 2009. Measures to include: <ol style="list-style-type: none"> 1. Value/percentage of LCF funds covered by compliance activity; 2. Number of compliance project visits during the period; 3. Number of compliance EB accreditation/system review visits during the period; and 4. Percentage compliance reports issued within 20 days • An induction pack for newly enrolled EBs is to be developed by 31 March 2009, which includes an accounting package to assist EBs complying with their statutory reporting requirements, • A centralised LCF asset register is to be developed and implemented by 31 March 2009, which will hold details of all assets purchased by EBs, • The development and implementation of an intelligence database to gather information on EBs, • Further training as defined by feedback from current training programme and budget available during the year. Initial plan to perform a number of further training events by 31 March 2009; and • Provide all EBs with an update on regulatory change within 10 working days with guidance on the applications (part of the planned induction pack) and interpretation of the Regulations.

Target 4	To ensure that the LCF has a modern efficient Regulator, with a skilled and experienced team that is able to deliver a high quality service.
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be applied:</p> <ul style="list-style-type: none"> • A secure IT environment to provide stakeholders with access to ENTRUST Online and ENTRUST's website, • Initiative to employ skilled, experienced workforce, • Facility for EBs to provide feedback on the conduct of Inspectors during their review visits; and <ul style="list-style-type: none"> • Quarterly report of ENTRUST's performance to be submitted to HMRC.

Target 5	Demonstrating transparency and value for money.																					
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be applied:</p> <p>ENTRUST's accounts comply with best practice and remain unqualified. Report details of financial probity including:</p> <table border="0" data-bbox="411 427 1362 640"> <thead> <tr> <th></th> <th style="text-align: center;">Target</th> <th style="text-align: center;">December 08</th> </tr> </thead> <tbody> <tr> <td>Current ratio</td> <td style="text-align: center;">8</td> <td style="text-align: center;">11</td> </tr> <tr> <td>Current ratio</td> <td style="text-align: center;">1.5-2.0</td> <td style="text-align: center;">1.7</td> </tr> <tr> <td>Working Capital</td> <td style="text-align: center;">10 days</td> <td style="text-align: center;">Consistently require negative working capital</td> </tr> <tr> <td>Debtor Days</td> <td style="text-align: center;">19</td> <td style="text-align: center;">24</td> </tr> <tr> <td>Creditor Days</td> <td style="text-align: center;">30</td> <td style="text-align: center;">20</td> </tr> <tr> <td>Return on funds</td> <td style="text-align: center;">Base rate +</td> <td style="text-align: center;">5.5</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Corporate documents published on website within 5 days following approval • Published annual statement of assurance that Governance framework remains up-to-date and fit for purpose • Continual ongoing development and review of meaningful KPIs, new performance targets to be set by 15 December 2008 • Focus on streamlining transactional processes to benchmark and reduce <ol style="list-style-type: none"> 1. Cost per enrolment 2. Cost per project registration 3. Cost per compliance inspection visit. 		Target	December 08	Current ratio	8	11	Current ratio	1.5-2.0	1.7	Working Capital	10 days	Consistently require negative working capital	Debtor Days	19	24	Creditor Days	30	20	Return on funds	Base rate +	5.5
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Target 6	The Regulator complies with the requirements of Better Regulation
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be applied:</p> <ul style="list-style-type: none"> • Undertake four consultation exercises and issue three reports during the year • Issue of a policy paper to HMRC when necessary identifying areas of regulation requiring improvements and where appropriate suggestions of alternative legislation by 30 October 2008 • Protocols are negotiated and signed where appropriate with other organisations, for example the Charity Commission and the Office of the Third Sector • Liaise with the Better Regulation Executive to prepare for a benchmarking review of the Regulator.

Target 7	To make recommendations to HMRC to make improvements to the Landfill Tax Regulations.
KPIs	<p>To assess whether this target has been achieved, the following guidelines will be applied:</p> <ul style="list-style-type: none"> • Performance of best practice team is to agreed standards with HMRC by 30 August 2008 • Hold at least three policy consultation group meetings by 31 March 2009 on issues within the scheme.

Signed on behalf of Environmental Trust Scheme
Regulatory Body Limited:

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Signed on behalf of HM Revenue and Customs:

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