

# MPA Proposal for a New Aggregates Levy Community Fund (ALCF) in England

## Background

The Aggregates Levy (AGL) was established in 2002 to generate revenue from the sales of primary aggregate for use in construction. The AGL has been applied at a rate of £2.00 per tonne since 2009. AGL receipts have typically raised between £300m to £350m pa for HM Treasury (£407m in 2016/17), totalling £5bn since inception.

The Levy itself was introduced as a means to better reflect the environmental costs of winning primary construction aggregates, and to encourage the use of alternative, secondary and recycled construction materials.

To reduce the environmental consequences of winning primary construction aggregates, up to 10% of the revenue raised by the AGL was allocated to the Aggregate Levy Sustainability Fund (ALSF). This channelled around £20m pa (of a theoretical £30m pa) in England, to be invested in a number of schemes involving key mineral producing local authorities, eg Derbyshire, Leicestershire and Somerset as well as others involving and managed by Natural England, English Heritage and WRAP.

The ALSF ran successfully from 2002 until its withdrawal by DEFRA in 2011. During its life hundreds of projects were undertaken involving the industry, local communities, local authorities, regulators, NGOs and key experts drawn from educational organisations and beyond. It was widely regarded as a 'force for good' and a model approach. Ironically since its withdrawal other sectors such as wind and 'fracking' have set up schemes which are aimed at compensating local communities for the impact of their operations. It is estimated that, in reality only around 6% of total AGL receipts were recycled into ALSF.

MPA has never accepted the demise of the ALSF. It believes that the decision was wrong in principle given the controversies surrounding the introduction of the AGL in the first place and the role the ALSF was to play in mitigating some of the economic impact of the AGL on the industry. However repeated attempts to convince DEFRA Ministers of the need for its re-introduction in some form have been fruitless. Austerity arguments are not accepted as the revenue from AGL continues. However MPA is realistic and has tailored the proposals for a new scheme by narrowing its scope and reducing the quantum sought.

## A new Aggregates Levy Community Fund (ALCF)

The ALCF would build on the substantial legacy of the ALSF but at lower cost with a narrower and more relevant focus and to support delivery of the Government's 'localism' agenda and 25 year plan for the environment. There is a very clear precedent in the Landfill Tax Communities Fund, through which landfill operators claimed tax credits of £35 million in 2016/17 compared with Landfill Tax receipts of £903 million. The Autumn Budget set out a Landfill Tax Communities Fund of £33.9 million in 2018/19 with a tax credit cap of 5.3% of Landfill Tax liability for operators.

## Key Features

- **Quantum** – Around £10m pa, notionally equivalent to up to 8 pence per tonne rebate from the prevailing level of the AGL, currently £2.00/t.
- **Scope** – narrower than before focussing on local community schemes, biodiversity and nature conservation. In the event that this new scheme proves successful, the scope of the scheme could be widened out to include carbon reduction, heritage and security of supply issues at a later date.
- **Timescale** – to be introduced in April 2020.

Aggregate Levy Community Fund - Key Elements and Amounts		
Element	Amounts £(mpa)	Notional pence per tonne
Local community schemes	7	5.6
Biodiversity and nature conservation	3	2.4
<b>TOTAL</b>	<b>10</b>	<b>8</b>

### Local Community Schemes

'Localism' has had increasingly profound impacts on the planning system as local communities become 'empowered' and have a greater influence over major developments. This can increase opposition to development generally and aggregate extraction in particular.

To help offset this and to increase and improve stakeholder dialogue and engagement 'Local Aggregate Community Trusts' (LACTs) should be set up which can receive ALCF credits for use in the local community. Trusts would involve representation from the operator, the local community, Parish, District and County Councils.

LACTs would operate under a national governance and probity model. They would manage the fund according to an agreed plan that conforms to the national governance model. The community most affected would receive the lion's share of the funds although there should be flexibility to enable apportionment to other communities, if appropriate.

Lessons could be learned from the Landfill Tax Communities Fund. The possibility of using the existing landfill tax credit administrative structure could be explored e.g. a County based 'Aggtrust' to distribute funds to schemes as appropriate. Centrally-distributed funding by DEFRA may also have a role to play.

Based on annual sales of say 120mt in England the rate to be rebated from the AGL for this element would be 5.6ppt. On a typical 200,000tpa aggregate operation this would generate AGL credits of £11.2kpa for typically 10 to 15 years i.e. £112k/£168k for appropriate use in the community. This strikes a reasonable balance between creating an incentive without risking the accusation of 'buying permission' as the sums involved are not great. Local schemes could encompass investment in improving local infrastructure related to the impacts of aggregates extraction.

### Biodiversity and Nature Conservation

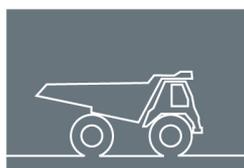
The £3m fund identified for Biodiversity, Nature Conservation could be overseen by Natural England (NE) although there is a strong case for allocating this fund directly to LACTs, albeit with NE input to ensure that schemes on the ground maximise their contribution to UK biodiversity priorities and take account of the Lawton findings and the 25 year plan for the environment where possible. Engagement from the local Wildlife Trusts, RSPB and other expert environmental organisations would be encouraged. Marine projects could also be in scope.

### Funding

As indicated above, the total funding for this new arrangement would come from the Aggregates Levy, at a rate of up to 8p per tonne. Whether the mechanism for it to reach its destination follows the recent HM Treasury practice of collecting the whole Levy and then allocating up to £10 million pa to DEFRA for subsequent redistribution, or allows it to be placed straight into a Trust, for subsequent distribution, needs to be considered.

An illustration of Aggregates Levy Receipts generated by aggregates output/sales in English counties in 2016 is set out below. The data is not precise but provides an indication of aggregates sales and the associated AGL receipts – there is no official data with this geographical detail.

County	Est Aggregates Sales 2016	Associated Aggregates Levy
Leicestershire	16,034,000 tonnes	£32,068,712
Somerset	13,711,000 tonnes	£27,422,304
North Yorkshire	8,567,000 tonnes	£17,134,960
Derbyshire	8,316,000 tonnes	£16,632,326
Staffordshire	4,624,000 tonnes	£9,248,320
Shropshire	4,451,000 tonnes	£8,901,028
Devon	3,746,000 tonnes	£7,492,156
Cumbria	3,306,000 tonnes	£6,612,332
Lincolnshire	3,122,000 tonnes	£6,243,956
Essex	3,078,000 tonnes	£6,155,424



**360mt**

GB produced aggregates and mineral products



**£20bn**

Annual turnover



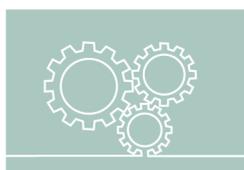
**£6.4bn**

Gross value added of our industry



**3.4m**

Jobs supported through our supply chain



**£495bn**

Turnover of industries we supply



**£144bn**

Value of construction, our main customer



**78,000**

People directly employed in our industry

The Mineral Products Association is the trade association for the aggregates, asphalt, cement, concrete, dimension stone, lime, mortar and silica sand industries.

For further MPA information visit [www.mineralproducts.org](http://www.mineralproducts.org)

© Mineral Products Association 2018

**Mineral Products Association**

38-44 Gillingham Street  
London SW1V 1HU

Tel 020 7963 8000  
Fax 020 7963 8001

[info@mineralproducts.org](mailto:info@mineralproducts.org)  
[www.mineralproducts.org](http://www.mineralproducts.org)



*Mineral Products for schools ... hospitals ... housing ... roads ... rail ... power stations ... airports ... ports ... food ... water ... agriculture*