



Proposal to the Department for Environment Food and Rural Affairs

Operation of a WEEE Compliance Fee for the 2019 Compliance Period

September 2019

Proposal to the Department for Environment Food and Rural Affairs

Operation of a WEEE Compliance Fee for the 2019 Compliance Period

September 2019

Contents

1. Executive Summary
2. JTA proposal for the 2019 WEEE Compliance Fee calculation methodology
3. Practical operation of the 2019 JTA WEEE Compliance Fee
4. Governance

Appendices

1. Responding to the Defra evaluation of the 2018 JTA proposal
2. JTA views of the WEEE market in 2019 and the rationale for the 2019 Compliance Fee mechanism
3. FTI Consulting Report
4. JTAC's chosen administrator – Mazars LLP
5. JTA and JTAC
6. Draft forms for collecting information from PCSs and feedback on the Fee process.
7. JTA Process for spending the Compliance Fee Fund in respect of the 2019 Compliance Period
8. Fee calculation examples and illustrative graphs

1. Executive Summary

- 1.1. This proposal is submitted by the Joint Trade Associations (JTA). Background to the JTA, its constitution and its membership is provided in Appendix 5.
- 1.2. The detailed JTA proposal for a compliance fee mechanism (JTA Mechanism) under Regulation 76 of the WEEE Regulations is set out in section 2 below. This proposal is based upon the following work:
 - 1.2.1. A review of the Defra guidance for submission of a Compliance Fee (Fee) methodology;
 - 1.2.2. A review of the 2018 JTA Mechanism, including feedback received from Defra and how this should influence the design of the 2019 JTA mechanism – Appendix 1;
 - 1.2.3. An assessment of 2019 market conditions and a summary of the aspects that should influence the design of the 2019 JTA Mechanism. The assessment also considered whether updated professional economic analysis was required – Appendix 2;
 - 1.2.4. Professional economic analysis commissioned from FTI Consulting on areas identified by the JTA for further consideration during its assessment of 2019 market conditions. FTI recommends that the 2019 JTA Mechanism should be based on the 2018 JTA Mechanism, with three modifications;
 - to reflect the change in target setting methodology, which could result in a significant shortfall in collections when compared to target in some streams, a one-off Collection Shortfall Factor to be applied to the Normal Escalator where aggregate national collections fall short of the national target for a stream,
 - separate calculations of the weighted average net cost of direct WEEE collections from Local Authority (LA) DCF's and a PCS's shortfall against its target for the periods January to July and August to December for the Display and Small Mixed WEEE (SMW) streams, which will be used to calculate a Fee for each period which will then be aggregated to calculate the Fee for the year. This is in recognition of the additional cost of complying with the recast regulation on persistent organic pollutants (POPs) from August 2019, and
 - a time apportioned non-PBS participant uplift to recognise the additional costs of PBS membership prior to this becoming mandatory in August 2019.

The JTA has incorporated these recommendations in its 2019 Fee methodology proposal.

1.3. In conclusion of this work the 2019 JTA Mechanism proposal contains the following features:

Features	Benefits
Fees should be stream specific.	Ensures PCSs pay costs that are reflective of the cost to collect WEEE.
<p>The weighted average net cost per tonne of direct WEEE collections from LA DCF's incurred by PCSs submitting cost data is the underlying basis for the calculation.</p> <p>Additional calculations will be made for the Display and SMW streams for the periods January to July and August to December to reflect the significant change in treatment requirements for plastic extracted from these streams from August. This information will be used to calculate a Fee for each period, which will then be aggregated to arrive at a Fee for the year.</p>	<p>Strengthens the incentive for PCSs to collect directly from LAs.</p> <p>Takes account of the material change in cost of treatment of plastic extracted from the Display and SMW WEEE streams from August and avoids the risk of the Fee being lower than full year treatment costs.</p>
A non-linear escalator will be applied to the weighted average net cost of direct WEEE collections from LA DCF collections, to reflect the extent that the PCS has met its own target.	Incentivises PCSs to meet their own targets and ensures all PCSs, regardless of size of obligation are encouraged to collect.
<p>The type of non-linear escalator used will be dependent upon whether national collections are in deficit or in surplus when compared to the target.</p> <p>If a WEEE stream is in balance or deficit, the "Normal" escalator is applied as less WEEE has arisen than the national target.</p> <p>Where there is more WEEE available in a WEEE stream than the national target (subject to a 1.5 % tolerance), a higher "Surplus" escalator is applied.</p> <p>If there is a deficit in collections when compared to target for a WEEE stream (subject to a 1.5% tolerance), a new collection shortfall factor is proposed, for 2019 only, that would be applied to the Normal escalator. This is to reflect the unique circumstances in 2019 when the target setting methodology was changed, resulting in targets that are materially higher than expected collections for many streams.</p>	<p>This approach to adjusting the escalators depending on the national aggregate WEEE collections for a stream compared to target has several benefits:</p> <ul style="list-style-type: none"> Where there is a surplus of WEEE, it is reasonable to expect a PCS to comply without recourse to the Fee, and so a higher Fee in such circumstances encourages the right behaviours by PCSs. Conversely, uniquely in 2019, when a material deficit in certain WEEE streams seems likely, the Fee should not be unduly punitive, when compliance with a PCS's target may not, in practice, be possible. In such circumstances, setting the Fee at a level above the weighted average net cost per tonne of direct WEEE collections from LA DCF's still incentivises collections, but the use of the collections shortfall factor will avoid this being excessive Fee.
A non-PBS participant uplift will apply to those PCSs that were not members of the PBS prior to 18 th August when it became mandatory.	Ensures that any PCSs which choose to use the Fee, pay a Fee which reflects the cost incurred by other PCSs in funding collections of WEEE from uncontracted LA sites. The factor is time apportioned to reflect the introduction of the mandatory PBS in August 2019.

	This strengthens the incentive for PCSs to collect directly from LAs and ensures that those PCSs that were members of the voluntary PBS are not unduly disadvantaged.
A WEEE source adjustment premium is included which reflects the extent to which PCSs have collected WEEE from LA sources.	<p>A PCS which relies on purchased or low cost evidence, and does not collect WEEE directly from LAs, will pay more if it misses its targets.</p> <p>This strengthens the incentive to collect directly from LAs rather than relying on lower-cost evidence from other sources.</p>
All PCSs using the Fee should pay an administration charge.	The administration charge ensures that the cost of using the Fee is less attractive than collecting WEEE to meet targets.
Stream specific, variable administrative costs are included in the Fee calculation	The inclusion of stream specific variable administrative costs helps to ensure that the cost of using the Fee is less attractive than collecting WEEE to meet targets and that the Fee is fully reflective of all avoided costs. This also strengthens the incentive to collect directly from LAs.
All PCSs should be permitted to submit cost data, providing this is subject to audit. Those PCSs not needing to use the Fee should not pay an administration charge.	Ensures the Fee is based on as wide a pool of data as possible and is therefore fully reflective of the cost of collecting WEEE directly from LAs.
There may be circumstances where some categories should attract a zero Fee.	Ensures Fees paid by PCSs are reflective of the cost of collecting WEEE and avoids PCSs paying Fees where WEEE is not accessible to them because collectors are receiving a net income from that WEEE.

- 1.4. The impact of the new features to the Fee calculation outlined above are illustrated in Appendix 8, which provides Fee calculation examples.
- 1.5. The JTA will welcome the opportunity to discuss any aspect of this proposal with Defra and is open to any appropriate amendments.
- 1.6. In addition, if Defra considers that any of the factors used in the 2019 JTA Mechanism are not necessary, we would be happy to discuss removing that element.

2. JTA proposal for the 2019 WEEE Compliance Fee calculation methodology

2.1. Background to JTA Fee Methodology

The JTA Fee mechanism is based on a methodology and formula initially developed and recommended by FTI Consulting LLP (FTI) in 2014. FTI is a leading group of professional economists and was selected to advise the JTA, having significant experience of using economic and financial analysis, and econometrics to assess complex pricing and valuation issues that occur in regulated industries. The FTI methodology was reviewed and endorsed by an independent study by leading economic consultants, Frontier Economics Ltd, in 2015.

FTI undertook further reviews of the methodology in 2016, 2017 and 2018, based on the JTA's assessment of the WEEE market in those years, which were incorporated into the JTA's proposed Fee mechanisms for those years. As the Fee mechanism has been developed over a period of six years, reference to several FTI documents was required to understand the basis for it. For 2019 the JTA therefore asked FTI to prepare a summary of its development, which is provided in Appendix 2 of its report.

Following the feedback received from Defra on the 2018 JTA Mechanism (Appendix 1) and the JTA's assessment of the 2019 WEEE market (Appendix 2), FTI was asked to review the points below and propose whether changes were required to the JTA 2018 Mechanism, specifically:

- The change in target setting methodology for 2019, which resulted in targets that were, for many streams, materially higher than the forecast aggregate national collections for those streams;
- The escalator mechanisms: both "Normal" and "Surplus";
- Whether a zero Fee for some streams remains appropriate;
- The WEEE source adjustment premium calculation to reflect the extent to which a PCS relies on WEEE from non-LA sources to meet its target;
- The non-PBS participant uplift given that the PBS became mandatory in August 2019;
- The calculation of the weighted average net cost per tonne of direct WEEE collections from LA DCF's.
- The impact of the recast POPs regulation on plastic generated from the Display and SMW streams, which introduced new treatment requirements from August 2019.
- The changes recommended by FTI are set out in its report in Appendix 3, but are also summarised below:
 - An adjustment to the calculation of the non-PBS participant uplift due to the introduction of mandatory PBS membership in August 2019;
 - An adjustment to the Normal escalator calculation where there is a shortfall in national WEEE collections compared to target;

The full calculation formulae are set out in sections 5.3 and 5.4 of the FTI Report in Appendix 3, with examples of the calculations provided in Appendix 3 of the FTI report and Appendix 8 of this report.

2.3. Fee calculation methodology – in detail

2.3.1. Fees are stream specific

A separate Fee is calculated for each collection stream of WEEE for which a PCS is applying to use the Fee. Costs will be calculated using data submitted on a compulsory basis by those PCSs that decide to use the Fee for any stream, and any other PCSs that choose to submit costs on a voluntary basis. The JTAC appointed third party Administrator will undertake a review of the data submitted by each PCS using an Agreed Upon Procedure approach; this review will most likely include a site visit, unless the Administrator is satisfied the review can be conducted without this.

2.3.2. The weighted average net cost per tonne of direct WEEE collections from LA DCFs incurred by PCSs submitting cost data is the underlying basis for the calculation

The Fee calculation uses the weighted average net cost of direct collections and treatment transactions incurred by PCSs when directly contracting with a DCF operator to finance WEEE collection and treatment from a LA DCF (k_n). This is based on the direct, incremental and avoidable costs and revenues incurred and excludes the costs of indirectly acquired WEEE evidence. The rationale for this decision is consistent with the JTA's 2017 and 2018 Compliance Fee methodologies and is taken in the light of our analysis of the WEEE market in 2019. This shows that despite shortfalls in collections against national targets some LAs remain unable to make arrangements with PCSs and have needed to use the PBS to secure collection. This indicates that PCSs still seek to comply with WEEE from non-LA sources, including purchasing evidence rather than undertaking collections. This is because some LA WEEE is more expensive than WEEE from other sources.

Making the Fee more reflective of the higher cost LA WEEE that some PCSs have chosen not to collect should encourage more PCSs to make arrangements to collect LA WEEE. In addition, the WEEE Directive, at its heart, requires Member States to establish a national collection infrastructure for WEEE collection. The UK primarily uses the LA DCF network to meet this obligation, and so using LA DCF WEEE collection costs for calculation of the Fee is very appropriate and reflects avoided cost.

The annual weighted average net cost per tonne of direct WEEE collections from LA DCFs, to which any escalators or adjustments are applied, will be calculated using the information provided by the PCSs submitting data as follows:

- calculating the total direct net cost submitted by those PCSs undertaking the collection of that stream from LA DCFs and its subsequent treatment; and
- dividing this by the corresponding aggregate tonnage submitted by those PCSs for that stream.

This calculation is illustrated in section 3 of Appendix 8.

In 2019, following the Environment Agency's interpretation of the outcome of the WEEE Fund project to quantify the extent to which POPS exist in WEEE plastic, with effect from August plastic derived from the treatment of Display and SMW containing POPS must be irreversibly destroyed. This has led to those PCSs collecting WEEE incurring significant cost increases due to there being very limited facilities in the UK that can undertake the necessary sortation of plastic and there being no available incineration capacity. In reality, at least in the short term, most treatment facilities are faced with exporting all plastic from Display and SMW for incineration. Basing the Fee calculation on the full year weighted average net cost per tonne of direct WEEE collections from LA DCFs (likely to be lower) could dis-incentivise PCSs from seeking to undertake collections from August onwards, choosing instead to pay a Fee.

2.3.3. The weighted average net cost per tonne of direct WEEE collections from LA DCFs for Display and SMW, to which any adjustments or escalators will be applied, will therefore be calculated for the periods January to July, and August to December, and this will be used to perform separate Fee calculations for each period. A non-linear escalator will be applied to the weighted average net cost of direct WEEE collections from LA DCFs, to reflect the extent that the PCS has met its own target.

An escalator increases the Fee paid by a greater amount, the further a PCS is from its collection target.

The principle underlying the escalator is to incentivise PCSs to meet their targets through collection, and to penalise those that do not collect, whilst recognising that a PCS may have reasonable justification for falling modestly short of its targets for some WEEE categories.

FTI recommends that an escalator based on a PCS's absolute shortfall (in tonnes) versus the aggregate national target is less effective in incentivising some PCSs to meet their targets through collection. This is because PCS obligations can vary substantially in scale, measured on the volume (in tonnes) of WEEE collected and processed, and that such an approach would result in PCSs which have a larger producer obligation, and thus accountable for a greater proportion of total collections, paying a higher Fee for the same relative shortfall (in percentage terms) as a PCS with a smaller producer obligation. Instead, FTI considers that the escalator should increase in proportion to the size of the PCS's shortfall relative to its own target, as this incentivises all PCSs to collect WEEE, rather than pay the Fee. FTI reasons that this would also encourage PCSs, to be as efficient as possible so as to reduce their costs, and ultimately act as an incentive for innovation for all operators.

The importance of using the PCS target, as opposed to the national target, to incentivise target achievement through collection is illustrated in the table below:

	PCS A	PCS B
Key Figures		
National Target (t)	100,000	100,000
PCS Market Share	50%	5%
PCS target	50,000	5,000
Scenario A		
PCS WEEE collected (t)	40,000	4,000
PCS shortfall v target (t)	10,000	1,000
Shortfall as % of own target	20%	20%
Shortfall as % of national target	10%	1%
Scenario B		
PCS WEEE collected (t)	45,000	0
PCS shortfall v target (t)	5,000	5,000
Shortfall as % of own target	10%	100%
Shortfall as % of national target	5%	5%

Under Scenario A, both PCSs are 20% short of their respective targets, so have collected proportionately to their scale, however measured against the national target PCS A is 10% short, whereas PCS B is only 1% short. Here, PCS A would face a higher Fee escalator than PCS B if the Fee was based on the shortfall from the national target, yet PCS A has contributed 40% toward the national target collections, whereas PCS B only 4%.

Under scenario B, both PCSs are 5% short of the national target and would face the same Fee escalator if the Fee was based on the shortfall from the national target, however PCS A has collected 90% of its obligation and contributed to 45% of the national collections target, whereas PCS B has collected nothing.

Paying a Fee is a legitimate form of compliance, however collection should remain the preferable route for PCSs to achieve this. The Fee should therefore be set such that PCSs are always incentivised to collect WEEE directly where it has been made available to them. This outcome is an explicit requirement in the WEEE Regulations and a principle in the Fee guidance published by Defra.

2.3.4. The type of non-linear escalator used will be dependent upon whether national collections are in deficit or in surplus compared to the target

Two alternative escalation factors (the escalators) are proposed, the Normal and the Surplus escalator. This is to ensure that the Fee takes account of the national position for each stream and reflects the collective responsibility of all PCSs to meet the national targets. Examples of the escalator calculations are provided in sections 1 and 2 of Appendix 8.

Normal escalator

The Normal escalator applies to streams in which the UK has fallen short or met the national target and is calculated as follows:

$$\left(1 + \left(\frac{t_n - c_n}{t_n}\right)^2\right)$$

Where:

t_n is the PCS's target for the stream, in tonnes.

c_n is the total amount of WEEE in that stream collected by that PCS, in tonnes.

The information on a PCS's target for the stream (t_n) and the total amount of WEEE in that stream collected by that PCS (c_n) is obtained from the data submitted by those PCSs wishing to use the Fee.

For 2019 only, to reflect expected significant shortfalls against the ambitious collection target set by Defra, FTI have proposed an adjustment, the collection shortfall factor, which would be applied to the Normal escalator where there is a deficit of collections against the national target of more than 1.5% in a WEEE stream:

$$\left(\frac{C_n}{T_n}\right)$$

Where:

C_n is the sum of household WEEE collections by all PCSs in the relevant stream in the market, in tonnes.

T_n is the national target for that stream, in tonnes.

This means the revised Normal escalator calculation will be (the change shown in red):

$$1 + \left(\frac{C_n}{T_n}\right) \times \left(\frac{t_n - c_n}{t_n}\right)^2$$

Surplus escalator

The Surplus escalator applies where there is a surplus of evidence in a stream against the national target (subject to a 1.5% tolerance explained below) and is calculated as follows:

$$\left(\frac{C_n}{T_n} + 2 \times \left(\frac{t_n - c_n}{t_n}\right)^2\right)$$

Where:

C_n is the sum of household WEEE collections by all PCSs in the relevant stream in the market, in tonnes.

T_n is the national target for that stream, in tonnes.

and all other terms are as defined for the "Normal" escalator.

The sum of household WEEE collections by all PCSs in the relevant stream in the market, (C_n) will be obtained from the Defra WEEE team on or before 2 March 2020. We propose that Defra use the evidence held on the Settlement Centre, unless Defra is of the opinion that another dataset is more accurate. The national target for that stream (T_n) will also be obtained from Defra.

Impact of escalators

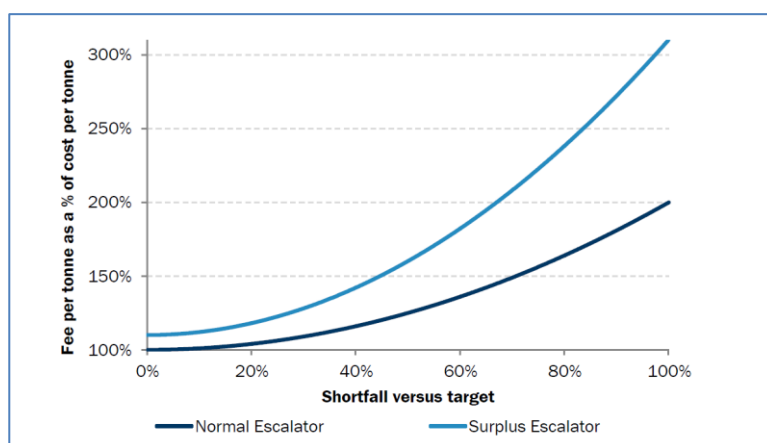
Both escalators are non-linear and so the percentage increase in the Fee for each PCS depends upon how far away that PCS is from its collection target per stream and whether UK WEEE collections for that stream exceed the WEEE collections target set by Defra. For PCSs that marginally miss their target and where total UK WEEE collections for the relevant stream are broadly in line with the WEEE collections target after the collection shortfall factor has been applied, the effect of the escalator will be minimal. For a PCS making no effort to achieve their collection target per stream the effect of the escalator would be to increase the Fee by 80%, where there is a 20% shortfall against the national target.

The Administrator will determine whether the Normal escalator or the Surplus escalator applies to each WEEE stream and whether a collection shortfall factor is required. As indicated above we propose that a threshold amount should be applied, above which the stream is assessed to be in deficit or surplus for the purpose of the Surplus Escalator and collection shortfall factor calculation. We consider that this should be based on the difference between; (i) the sum of household WEEE collections by all PCSs in the relevant stream in the market, in tonnes; and (ii) the national target for that stream, in tonnes, and be set as a fixed proportion of the total tonnage of WEEE collected in each stream, of 1.5%. That is, if the sum of household WEEE collections differs from the national target by more than 1.5%, then either the Surplus escalator or collection shortfall factor should apply. 1.5% was chosen because, in the opinion of the JTA, it allows for the aggregate effect of PCSs that may inadvertently under or over-collect, and it is a principle that has been accepted in previous JTA proposals.

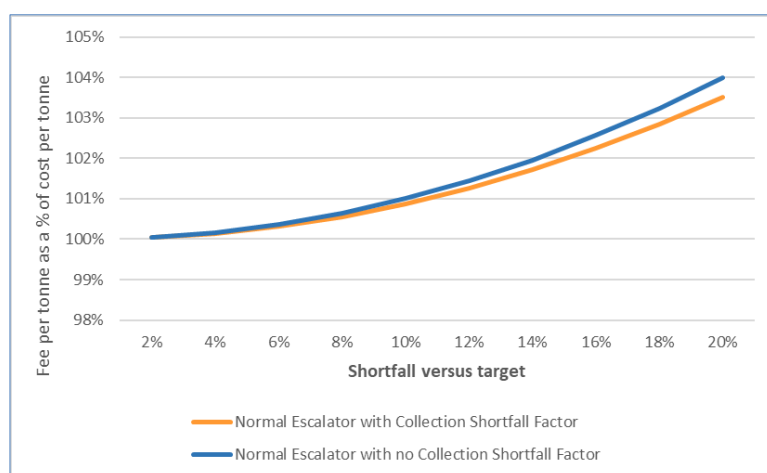
The Surplus escalator starts at an uplift over the weighted average net cost of direct LA DCF collections which is proportional to the extent of oversupply in that stream. This means that a PCS will pay a Fee per tonne which exceeds the weighted average net cost per tonne of direct WEEE collections from LA DCFs – even for a shortfall of a single tonne. The Surplus escalator also increases the uplift more quickly than the Normal escalator, as the extent of the PCS' shortfall increases. In the example below, the surplus stream is 10% over the national target, and so the starting point for the Surplus escalator is 110% of the base cost.

Although two separate Fee calculations will be undertaken for the Display and SMW streams, the escalator applicable to a PCS will be a single annual calculation. This ensures there is consistent approach across all WEEE streams.

The graph below shows the effect of the Normal and Surplus escalator mechanisms on Fee per tonne of shortfall, prior to the application of any collection shortfall factor to the Normal Escalator:



The graph below illustrates the impact of the collection shortfall factor on the normal escalator at collection shortfalls of up to 20% below target. It can be seen the impact is limited at lower levels of shortfall.



2.3.5. A non-PBS participant uplift will apply to those PCSs that were not members of the voluntary PBS

The voluntary PBS was established in 2016 by the majority of PCSs as a responsible reaction to the increasing use of Regulation 34 by LAs wishing to secure a free of charge collection by a PCS. However, it does mean that the costs of the WEEE handled through the PBS, which tends to be the highest cost WEEE that no PCS wants, are borne only by those PCSs that joined the voluntary PBS. In the 2018 WEEE Regulations, membership of a PBS was made mandatory once an operator was appointed by the Secretary of State. Despite this, a number of PCSs remained outside the voluntary system. Accordingly, where a PCS that was not a member of the voluntary PBS needs to use the Fee, it is appropriate to apply an increment to the Fee paid by that PCS. Applying this increment means the cost paid by non-PBS members reflects the cost incurred by other PCSs in funding collections of WEEE from uncontracted LA DCFs.

The non-PBS participant uplift reflects the additional cost per tonne of fulfilling PBS collections, which the PCS avoids by not being a member of the PBS, compared to the cost per tonne of collecting from LA DCFs.

The non-PBS participant uplift (u_n) is unchanged from the 2018 Fee methodology and is calculated using the formula set out in section A2.46 of Appendix 2 of the FTI Report:

$$u_n = m_n \times \left(\frac{r_n}{k_n} - 1 \right)$$

Where:

u_n is the uplift applicable for a non-participant of the PBS (expressed as a percentage).

m_n is a binary variable equal to 0 for a PBS member and 1 for a non-participant.

r_n is the average cost per tonne of fulfilling Regulation 34 requests, including administrator charges.

k_n is the weighted average net cost of collections from LA-DCFs for the stream, in GBP per tonne.

As the mandatory PBS operator was appointed with effect from 18 August 2019, FTI proposed that the non-PBS participant uplift should be time apportioned to reflect the number of full months of 2019 for which any PCSs remained outside the PBS. The non-PBS participant uplift will therefore be multiplied by a factor of 7/12. The weighted average net cost per tonne of direct WEEE collections from LA DCFs for each stream will be as calculated in 2.3.2 above. The full year average net cost per tonne will be used for this calculation for all streams because information will not be requested by time period for those streams not affected by the POPS treatment changes. The impact of POPS will only affect the costs of the voluntary PBS for the Display and SMW streams for a short period of time (around 2 weeks) but in using the full year weighted average net cost per tonne of direct WEEE collections from LA DCFs the impact of POPS will be included so the non-PBS participant uplift will likely be lower than it otherwise would have been had it been calculated using just data from the period January to July. For this reason, for the Display and SMW streams the calculated time apportioned non-PBS participant uplift will apply to both Fee calculation periods (January to July and August to December). This approach also maintains equality in the calculation of the Fee for each stream.

An example of the calculation is provided below:

Weighted average cost of direct WEEE WEEE collections from LA DCF's (per tonne)	£100
Average cost of fulfilling Regulation 34 requests (per tonne)	£150
Non-PBS participant uplift calculation is:	
$1 \times (£150/£100 - 1) \times 7/12 = 0.29$	

The Administrator will obtain the information required for the non-PBS participant uplift calculations as follows:

- The average cost per tonne of fulfilling Regulation 34 requests including administrator charges (r_n), as charged to the voluntary PBS members for each stream, will be obtained

from Anthesis, the voluntary PBS Administrator. Permission for the supply of the PBS cost information by Anthesis has been given by its members.

- The weighted average net cost per tonne of direct WEEE collections from LA DCFs (k_n) for each stream will be as calculated in 2.3.2 above.

This non-PBS participant uplift will not be required for the 2020 Fee mechanism as membership of a PBS is now mandatory for all PCSs.

2.3.6. Application of a WEEE source adjustment premium which reflects the extent to which PCSs have collected WEEE from LA sources

We consider that it is important that PCSs remain fully incentivised to collect LA WEEE and that an adjustment should be applied to increase the Fee paid, to reflect the extent to which (i) non-LA WEEE has been used by a PCS to meet its target rather than LA WEEE and (ii) where that non-LA WEEE has been collected at a lower cost.

In the early years of the WEEE Regulations, it was feasible for some PCSs to claim that they had difficulty winning tenders for direct collection from LAs, particularly where their requirements were not for all WEEE streams. This created a barrier for access to LA WEEE. With the PBS in place, this is no longer the case. All participating PCSs can offer to undertake collection of single streams at stage 1 of the PBS allocation process thereby giving them access to LA WEEE, indeed some of the requests received have been for a small number of a LA's DCFs rather than all its DCFs. The argument made by some PCSs in the past is therefore no longer valid, and accordingly the inclusion of the WEEE source adjustment premium acts as a further incentive for all PCSs to collect WEEE from LAs.

The WEEE source adjustment premium (p_n) is unchanged from the 2018 Fee methodology and will be calculated using the formula set out in section A2.63 of Appendix 2 of the FTI Report:

$$p_n = d * \left(a - \frac{l_n + s_n}{t_n} \right)$$

Where:

d	is the percentage amount by which the weighted average net cost of collection from LA-DCF's for the stream, in GBP per tonne, k_n exceeds the cost of other WEEE sources, in GBP per tonne, $0n$, expressed as a ratio.
a	is the average share of collections from LA-DCF's (in tonnes), as a proportion of all household collections in that WEEE stream (in tonnes), expressed as a ratio.
l_n	is the actual volume of collections from LA-DCF's, made by the PCS itself, in tonnes.
s_n	is that PCS's shortfall, in tonnes.
t_n	is the PCS's target for the WEEE stream, in tonnes.

The WEEE source adjustment premium reflects the extent to which a PCS's collections meet the proportion of national collections from LA DCFs, and whether the cost of LA DCF collections exceed those of other WEEE sources. Where the PCS collects less than the

national proportion of LA DCF WEEE in a stream, and the average cost of LA DCF WEEE for that stream exceeds that of other WEEE sources, the PCS will pay a WEEE source adjustment premium. Although the Fee for the Display and SMW streams will be calculated in two periods, a single annual calculation will be made of the WEEE source adjustment premium that will apply to both periods. The UK data required for the calculation is only available quarterly (e.g. January to March, April to June) and the difference in cost is likely to remain proportionately the same in each period. This also maintains equality in the calculation of the Fee for each stream.

To undertake the calculation the Administrator will obtain information as follows:

- the average share of collections from LA DCFs as a proportion of all household collections (α), will be obtained from the quarterly “WEEE Collected in the UK” report issued by the EA. Whilst the figures reported for household WEEE collections from DCFs will contain non-LA DCF collections, the JTA understands this will not be a significant figure. The final report for 2019 will not be available until 31 March 2020 so the Administrator will use the interim report, which is expected to be published by the EA on 1 March 2020.
- the percentage amount by which the cost of LA-DCF collections exceed the cost of other WEEE sources (d), will be calculated by the Administrator using the weighted average net cost per tonne of direct WEEE collections from LA DCFs calculated in 2.3.2 above, and the average net cost per tonne of other WEEE sources. The average net cost per tonne of other WEEE sources will be calculated by stream by calculating the total net cost provided by PCSs submitting data for that stream and dividing this by the corresponding aggregate tonnage for that stream. The Administrator will review the information provided on the cost of PCS collections from other WEEE sources and after making enquiries may disregard any outlier results. An example of the calculation is provided in section C of Appendix 8.
- the actual volume of collections from LA-DCF, made by the PCS itself (l_n), that PCS’s shortfall (s_n) and the PCS’s target for the WEEE stream (t_n) will be calculated using information obtained from those PCSs wishing to use the Fee.

2.3.7. All PCSs using the Fee will need to pay an administration charge

To cover the cost of undertaking independent verification of PCS data submissions all PCSs needing to use the Fee for any stream will be required to pay £2,125 towards the administrative costs of operating the 2019 JTA Mechanism. If a PCS wishes to voluntarily submit data, but does not need to use the Fee, then there will be no administration charge.

2.3.8. Stream specific variable administrative costs should be included in the Fee calculation

As with its 2018 Fee methodology the JTA proposes to use a stream specific variable administrative cost as part of the Fee calculation (v_n). This will reflect the weighted average variable administrative cost per tonne incurred by PCSs for each WEEE stream when undertaking household WEEE collections, and will include costs such as undertaking audits, managing collections and bidding for LA contracts. The JTA considers it appropriate to add the weighted average variable administrative cost per tonne to the Fee calculated for each

PCS after the escalator, WEEE source adjustment premium and non-PBS participant uplift (where applicable) have been applied to the weighted average net cost per tonne of direct WEEE collections from LA DCFs. To add this prior to this calculation could result in an unduly punitive Fee.

To ensure the variable administrative cost figure used is cost reflective and stream specific the three PCS advising the JTA; - ERP, Recolight and REPIC - have provided their 2018 compliance year variable administrative cost and collections data to the consultancy firm Anthesis on a one-to-one confidential basis, accompanied by an auditor's assurance statement, for Anthesis to calculate the weighted average variable administrative cost per tonne for each stream, which will be provided directly to the Administrator.

As most PCSs are likely to undertake WEEE collections from a variety of sources, in order to identify only the variable administrative cost of undertaking household WEEE collections and avoid inconsistent cost allocations, Anthesis requested information on the variable administrative costs incurred by each PCS when undertaking all collections, the number of collections made by the PCS in each WEEE stream, and the tonnage collected for each stream. Anthesis then calculated the average cost per collection, per WEEE stream, and converted this back into a weighted average variable administrative cost per tonne of undertaking household WEEE collections for each WEEE stream using the collection and tonnage data provided.

Using data from 2018 provided sufficient time for this to be calculated robustly by the three PCSs and to be externally reviewed. It is not anticipated the result will be materially different from using actual 2019 variable administrative cost data, and so no further adjustment is proposed. The three PCSs advise that PCS variable administrative cost is not materially affected by the impact of POPs treatment requirements referred to in section 2.3.2 so for simplicity an annual calculation only will be undertaken and this same figure will be used for the Fee calculation for each time period where applicable.

The three PCSs advising the JTA have shared the cost of the work undertaken by Anthesis but the outcome has not been, and will not be, shared with them, nor JTA nor JTAC.

We anticipate that Defra will consult on the Fee methodology in October 2019. Any PCSs may, on a voluntary basis, and under a confidentiality agreement, arrange for their own 2018 variable administrative cost and collection data to be included in the calculation by contacting Anthesis (richard.peagam@anthesisgroup.com). Anthesis will charge £250 to receive data and build it into its calculations. This data should be accompanied by an auditors' assurance statement. The deadline for submitting data is 21 February 2020. Anthesis will review all submissions received and may ask for further clarification of any outlier data or exclude such data if not satisfied with the explanations provided. Anthesis will then include all accepted data submissions in the calculation, by stream, of the weighted average variable administrative cost per tonne, and provide this to the Administrator.

2.3.9. There may be circumstances where some categories should attract a zero Fee

If the sum of the annual weighted average net cost per tonne of direct WEEE collections from LA DCFs calculated by the Administrator (2.3.2 above) and the variable administrative cost

per tonne provided to the Administrator by Anthesis (2.3.8 above) generates a positive value for a WEEE stream the Fee for that stream will be set at zero.

In its economic analysis, FTI also recommend that the Fee for positive net value WEEE streams should be set to zero. The JTA expects this situation will arise for Category 1, Large Household Appliances, and if suitable evidence of this is provided to Defra for 2019 there should be no applicable Fee for a Category 1 shortfall (and no variable administrative cost per tonne should be applied). Such evidence will necessarily contain cost information so it will be confidential to the organisation providing it, therefore for this aspect of the JTA 2019 Mechanism the JTA considers Defra to be the appropriate body to make such a decision. This recommendation is fully in line with Defra guidance which states *“Proposals may consider circumstances where a negligible or zero fee might be appropriate”*.

3. Practical operation of the 2019 JTA WEEE Compliance Fee

3.1. Independent Administrator of the 2019 JTA Mechanism

- 3.1.1. Mazars LLP has been selected by JTAC to be the Administrator of the JTA 2019 Mechanism if Defra select this proposal. The reason for this choice is set out in Appendix 4.
- 3.1.2. The Administrator will be the main contact point for PCSs wishing to use the Fee and for those PCSs who wish to submit cost data voluntarily, and will undertake the process set out in section 3.2 below to review data provided by PCSs, calculate the Fees that PCSs need to pay and disburse funds collected to approved projects, contracts and associated administrative costs.
- 3.1.3. In addition, JTAC will once again appoint the Expert Adviser, with no affiliation to any PCS, to work with Mazars during the operation of the Fee to ensure that it is administered and managed in a smooth, independent and professional manner.
- 3.1.4. For the 2018 JTA Mechanism JTAC arranged for the Administrator and the Expert Adviser to receive a full briefing on the methodology, including the Fee calculation templates, from FTI. To ensure consistency in approach, JTAC also provided the Administrator with a proposed written scope for the data reviews, and the PCS cost and data templates and associated guidance notes were tested in advance by the PCS advisers to the JTA. The Expert Adviser also reviewed all Fee calculations and invoices prior to issue by the Administrator. JTAC proposes to adopt the same approach for the 2019 JTA Mechanism, and due to the changes made to the methodology to enhance this further by providing webinars on the Fee methodology to any regional offices used by Mazars.

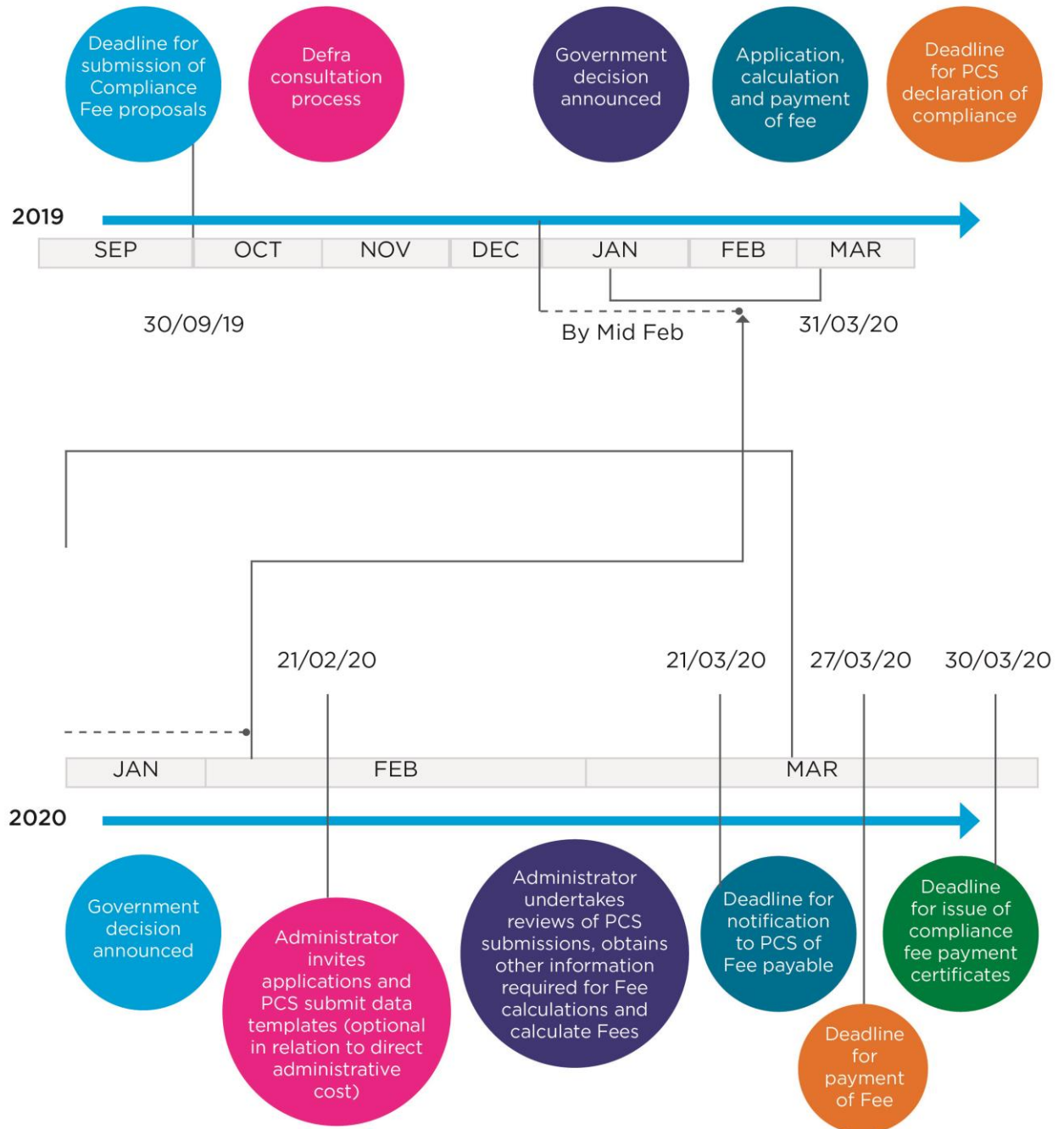
3.2. Calculation and payment of Fees

3.2.1. Timetable

- 3.2.1.1. The most time-critical element of the Fee process remains setting up and completing the PCS Fee calculation and payment stages, due to the limited time available between the date of the expected announcement by Defra regarding a Fee and 31 March 2019, when all PCSs are required to return their declarations of compliance to the environment agencies.
- 3.2.1.2. The timetable for the 2019 JTA Mechanism is set out below. It is similar to that used for the 2018 JTA Mechanism, updated to reflect the changes proposed for 2019. This timetable is indicative and would be amended if Defra wished to make changes to the JTA's proposal or if the number of participating PCSs necessitated this; for instance, if a longer period were required for review of data by the Administrator, which may involve a site visit.

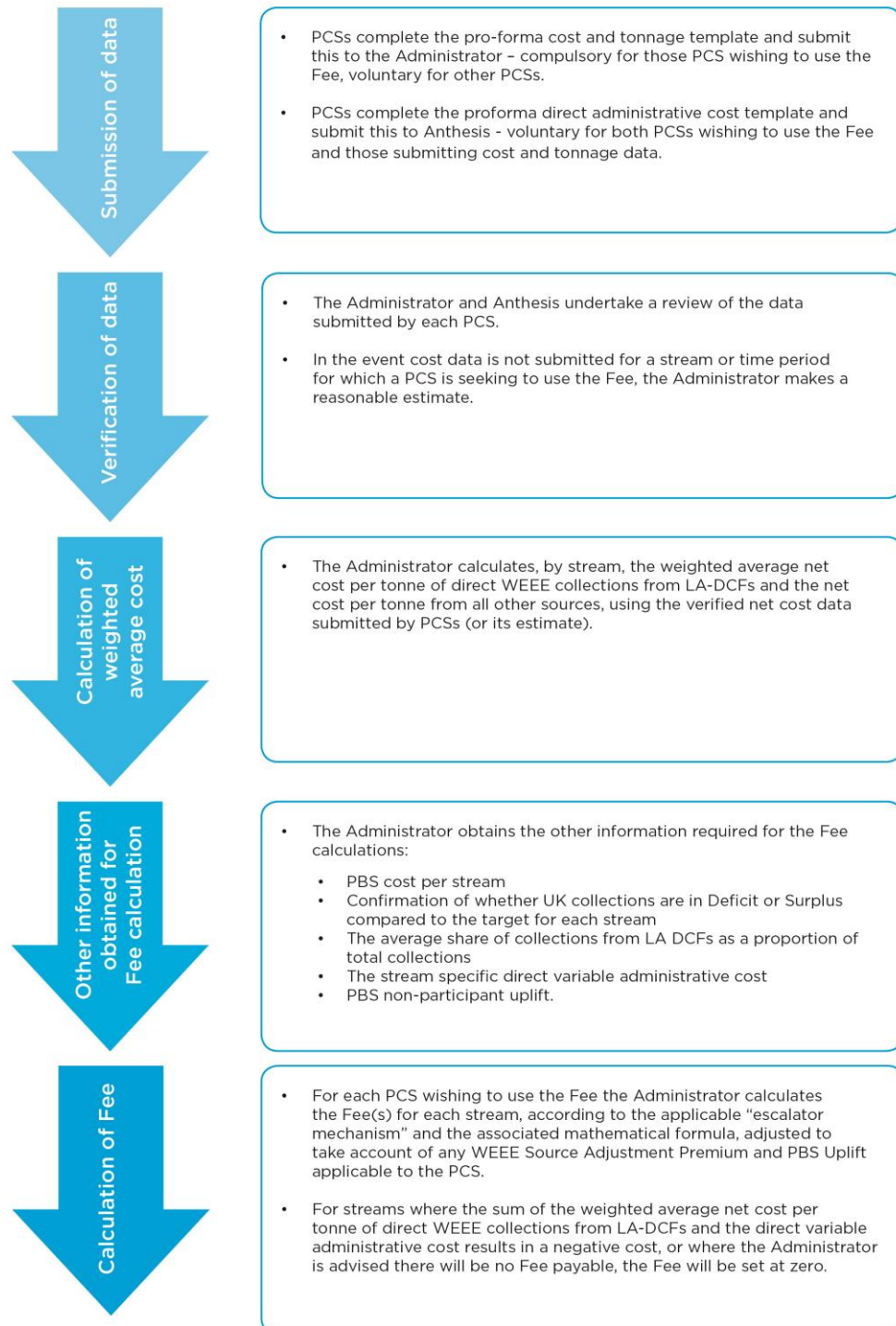
Compliance Fee Timeline

Applying to use the fee



3.2.2. Process for the calculation and payment of Compliance Fee

The process for the calculation and payment of the Compliance Fee is summarised in the chart, below:



Examples to illustrate the Fee calculations are provided in Appendix 3 of the FTI report and Appendix 8 of this report.

3.2.2.1. PCSs contacted by the Administrator

Promptly following any announcement by Defra introducing a Fee mechanism for 2019 based on this proposal, the Administrator will contact all PCSs and ask them to confirm if they wish to use the Fee or voluntarily submit cost data. If they do, they will be asked to sign to confirm their acceptance of the Terms and Conditions covering such matters as confidentiality and compliance with the requirements of the mechanism, as set by the Secretary of State. The terms and conditions used for the 2018 JTA Mechanism will be used, updated where appropriate; requiring PCSs to pay an administration charge of £2,125 if they wish to use the Fee.

3.2.2.2. PCSs submit data to the Administrator

Having advised the Administrator of their intention to use the Fee or submit cost data voluntarily, PCSs will be asked to submit the data required by the Administrator by 21 February 2020, to allow time for data reviews, calculations, invoicing and payment of any resulting Fees. This date is based on the Secretary of State both deciding to operate a Fee for 2019 and announcing the methodology to be used in early February. Should this not be the case the deadline may be extended in agreement with Defra and this will be advised to PCSs by the Administrator at the time. However, PCSs will know by the end of January 2020 whether they are short of evidence for any collection streams and therefore wish to use the Fee, so the JTA considers it unlikely such an extension would be required. A non-response from a PCS will be assumed by the Administrator to be a decision that the PCS does not wish to use the Fee nor wishes to voluntarily submit cost data (the Administrator has no knowledge of PCSs' individual targets or levels of collection achieved).

PCSs must submit data using the pro-forma template supplied to them by the Administrator, which must be signed by a Director. The template will be based on that used for the 2018 Fee, modified to obtain the required data by time period and with minor updates to reflect general questions raised to the Administrator by PCSs during the 2018 process. A draft proforma is presented in Appendix 6. Due to the tight timescales for data submissions, JTAC will ask the Expert Adviser once again to support the Administrator on any questions raised.

3.2.2.3. Administrator review

Once a PCS confirms it wishes to use the Fee, or to voluntarily submit data, the Administrator will contact the PCS to agree a suitable date for review of the data. This will be performed by professionally qualified staff of the Administrator on an "Agreed Upon Procedure" basis and will most likely involve a site visit. Such a review is naturally proportionate to the activity of the PCS and the amount of tonnes and number of streams involved, but in most cases it should be possible to complete the data review, on a sampling basis, within one day.

3.2.2.4. *PCSs may submit data for variable administrative cost calculation*

If a PCS choosing to use the Fee or voluntarily submitting cost data wishes to provide its variable administrative cost information to Anthesis for inclusion in the calculation of the variable administrative cost per tonne, the PCS should inform Anthesis and request a data template. The completed template and an assurance report that the scheme itself has had audited via a Registered Auditor should be sent to Anthesis (richard.peagam@anthesisgroup.com) by 21 February 2020. The Administrator will subsequently contact Anthesis to obtain the calculated variable administrative cost per tonne by stream.

This information provides the v_n parameter as set out in section A2.49 of the FTI report, applicable to each stream. There will be six such calculations, assuming at least one PCS needs to use the Fee in every stream.

3.2.2.5. *Calculation of weighted average net cost per tonne of direct WEEE collections from LA DCFs by stream*

The Administrator will calculate the annual weighted average net cost per tonne of direct WEEE collections from LA DCFs by WEEE stream (also by period, January to July and August to December, for the Display and SMW streams), using cost data from both PCSs that wish to use the Fee and from those PCSs who have submitted cost data voluntarily.

This calculation results in the k_n parameter, to be used in the relevant escalator formula as set out in the FTI report, applicable to each stream. There will be six such calculations (plus two additional for each of the Display and SMW streams), assuming at least one PCS needs to use the Fee in every stream. The k_n parameter is also used in the WEEE source adjustment premium and non-PBS participant uplift.

In the unlikely event that there is no LA DCF cost data, or data by period, submitted to the Administrator for any one stream of WEEE, then the Administrator shall seek and assess alternative sources of cost data (for example by submitting “mystery shopper” requests to waste management companies) that it reasonably considers can be used for the calculation of the Fee for that stream. If no alternative data sources are available, the Administrator shall calculate a weighted average value for k_n using data from other streams or from the full year data, or using prior year data with an adjustment for inflation.

3.2.2.6. *Administrator obtains other information required for Fee calculations*

The Administrator will contact the Defra WEEE team on or before 2 March 2020, to request confirmation of the tonnage of household WEEE evidence (by stream), held on the Settlement Centre for the 2019 compliance period, unless Defra is of the opinion that another dataset is more accurate (see 2.3.4).

The Administrator will then use this data to determine whether each collection stream is deemed to be in surplus or in deficit for the year so that the appropriate

annual escalator/factor can be used in the calculation of the Fee. A collection stream will be in surplus or the collection shortfall factor will apply if the chosen data set varies by more than 1.5% of the 2019 national WEEE collections target set for that stream by Defra.

For the Display and SMW streams, the annual escalator, i.e. Normal (including any Collection Shortfall Factor) or Surplus, will be used for the calculation of the Fee payable by a PCS in each period.

The Administrator will contact Anthesis by 2 March 2020 to obtain the annual weighted variable administrative cost per tonne for each stream calculated from PCS data submissions. This figure will be used in all Fee calculations, whether annual or by period.

The Administrator will request from Anthesis the weighted average cost per tonne by stream charged to PCS for PBS Regulation 34 collections, including Anthesis administration costs, to calculate the non-PBS participant uplift u_n . This figure will be used in all Fee calculations, whether annual or by period.

3.2.2.7. Administrator determines whether the Fee for a stream should be set at zero

For each WEEE stream the Administrator will add the annual weighted average variable administrative cost per tonne to the weighted average net cost per tonne of direct collections from LA DCF's and if this results in a negative total cost per tonne (i.e. there is net income per tonne), the Fee for that stream will be set to zero.

The Administrator will also contact Defra to ascertain if evidence has been provided that the Fee in any stream should be set to zero, irrespective of the calculation undertaken in 3.2.2.5 above.

3.2.2.8. Administrator calculates Fee for each PCS by stream

For each PCS that needs to use the Fee, the Administrator will calculate the annual WEEE source adjustment premium p_n by stream using the formula set out in section 2.63 of Appendix 2 of the FTI report. The non-PBS participant uplift u_n will be calculated, where applicable, using the formula set out in section A2.46 of Appendix 2 of the FTI report.

The Administrator will then, by WEEE stream, apply the appropriate escalator, along with the WEEE source adjustment premium and the non-PBS participant uplift, where relevant, to the weighted average net cost of direct collections from LA DCF's.

The resulting cost per tonne will then be added to the weighted average variable administrative cost per tonne, and the total multiplied by the calculated PCS tonnage shortfall to calculate the Fee payable by the PCS for that WEEE stream.

For the Display and SMW streams, the Fee calculation will be made by period (January to July and August to December) and then summed to calculate the Fee payable by the PCS for that WEEE stream.

All calculations will be quality assured by the Expert Adviser.

3.2.2.9. *Invoicing and payment of the Fee*

By 20 March 2020 each PCS that has chosen to use the Fee will be advised of its Fee, payable by WEEE stream, and the applicable administration charge. The variable administrative costs will not be separated out, nor will PCSs have visibility of the impact of the time period split for the Display and SMW streams.

PCSs should pay the Fee and administration charge into the dedicated Fee client bank account as soon as possible after being advised by the Administrator of the Fee(s) to be paid, and at the very latest in sufficient time for funds to clear by Friday 27 March 2020. Once funds are cleared and in the client bank account, the Administrator will issue a Compliance Fee Payment Certificate (CFPC) to the PCS. This will be done as soon as possible after the funds have been cleared and at the latest by Monday 30 March 2020. The CFPC will confirm the information provided by the PCS (i.e. PCS target, actual evidence and resulting evidence gap in tonnes, per collection stream), and confirm that the Fee and administration charge(s) have been paid into the Compliance Fee Fund, in respect of the evidence gap per stream, but will not show the value of the Fees paid.

Alongside the invoice, PCSs will be sent an evaluation form which seeks to assess their experience of using the Fee. A draft form is included in Appendix 6. To ensure that PCSs feel free to express their views, PCSs will be invited to submit their evaluations to the Expert Adviser, who will collate views and prepare a report for JTAC and the JTA.

The Administrator will send a summary to each of the environment agencies concerned, confirming which PCSs have used the Fee for which streams and showing, for those streams, the PCS target in tonnes and the tonnes for which a Fee has been paid.

3.2.3. Process for spending Fee Funds

3.2.3.1. Soon after funds have cleared, the Administrator will confirm to Defra and JTAC, the estimated Fee funds available to spend on WEEE projects ("Fund") as set out in the Defra Guidance. In estimating the Fund expected to be available the Administrator will include the amounts paid by PCSs using the Fee, including the administration charge, and deduct its assessment of the administrative costs expected to be incurred through to the close of the 2019 mechanism. This will vary according to the size of the Fund and will be agreed with Defra.

3.2.3.2. The JTA's proposed 2019 Fund process is set out in more detail in Appendix 7.

3.2.4. Underwriting of Fee mechanism costs

- 3.2.4.1. In the event that Defra do not accept the JTA proposal, the full Administrator 2019 contract will not be activated, and any costs incurred in the preparation work by JTAC directly or through the Administrator will be met by JTAC.
- 3.2.4.2. In the unlikely event that the Fee mechanism is not used by any PCS (or it is used to a very limited extent) any residual costs of the administrator that are not covered by Fee and administration charge income will also be met by JTAC.

3.2.5. Contingency planning

- 3.2.5.1. The Q1 and Q2 2019 data show that most WEEE streams are currently in deficit compared to target. If this situation continues, there is a possibility that a significant number of PCSs may need to use the Fee in 2019. This in turn makes contingency planning particularly important.
- 3.2.5.2. The JTA has assessed its plans thoroughly, and is comfortable that all reasonable contingencies have been addressed including:
- 3.2.5.3. If there is a larger number of PCS users of the Fee, the appointment of Mazars as Administrator means that sufficient audit staff will be available to cope with the applicants.
- 3.2.5.4. If there is no, or insufficient, data to support the calculations, then the Administrator may use data from other sources that the Administrator considers are appropriate (for example by submitting “mystery shopper” requests to waste management companies).
- 3.2.5.5. Should the JTA be appointed, all necessary due diligence steps have already been completed by Mazars, including the establishment of a client bank account, and dedicated email addresses.

3.2.6. Flexibility

Please note that the JTA considers that this proposal represents an effective turnkey solution to the implementation of the 2019 Fee. However, the JTA is open to discussing any aspects of this proposal with Defra, and where appropriate, amending aspects of the proposal.

4. Governance

The 2019 JTA Mechanism, set out in detail in sections 2 and 3 and the supporting Appendices, incorporates important governance features, these are summarised below.

4.1 Independence

- 4.1.1. There is clear separation between the Administrator and JTAC, JTAC and the JTA, and the JTA and the three PCSs that advise the JTA. The Expert Adviser, who supports the Administrator, is employed by JTAC but is independent of the JTA and PCSs. This is crucial in eliminating any conflict of interest, especially when PCSs need to communicate with the Administrator. This also minimises the burden on Defra, who will not need to be involved in the administration process.
- 4.1.2. As explained in Appendix 5, the JTA established JTAC as the legal entity to manage the independent Administrator. JTAC was formed by three Trade Association members of the JTA with significant household EEE/WEEE obligations. It is a not-for-profit company, limited by guarantee, with no shareholdings and its Constitution prohibits any distribution of funds to its members. It has a Board of Directors, comprising a senior representative from a number of key Trade Association members, who are responsible for the proper running of the Company. The role of the JTAC Board is described in more detail in Appendix 5.
- 4.1.3. The independent Administrator is solely responsible for the operation of the Fee process in the JTA Mechanism, including the management of any Fee Fund through a dedicated client bank account. The selected Administrator (Mazars) is a UK Top 10 Accounting firm, experienced in accounting, auditing, managing client bank accounts and managing commercially confidential information in an impartial and independent manner. Mazars successfully operated as Administrator for the 2014, 2015, 2017 and 2018 Fee mechanisms. More detail on the JTA's chosen administrator is outlined in Appendix 4.
- 4.1.4. The JTA will continue to provide resource and expertise to JTAC, where needed, and to the Administrator, regarding the content of the WEEE Regulations and the JTA Mechanism. None of the PCSs that provide advice to the JTA will be involved in the operation of JTAC or the Administrator contract, although they may be nominated via the WSF to participate in the Fund Disbursement Strategy Committee.
- 4.1.5. The process for agreeing the strategic direction of the spend of the Fund is outlined in Appendix 7. The composition of the Fund Disbursement Strategy Committee (to agree strategic direction and monitoring the spend of the Fund) and Judging Panels (for assessing applications from organisations applying for funds) will be representative of the various interests involved: central and local government, EEE producers, recyclers, waste management and the reuse sector. The WEEE Fund Executive Director will execute any decisions agreed by the Fund Disbursement Strategy Committee and the Judging Panels.

4.2 Professionalism

- 4.2.1 A suite of policies and procedures are in place to ensure robust governance of JTAC including policies on anti-bribery and corruption, data protection, business conduct, security, and on

handling complaints as well as those covering expenses, privacy, diversity and equality, and employment rights.

4.3 Transparency

4.3.1 To deliver transparency regarding the spend of the Fund, JTAC proposes to continue to ensure:

- Every project financed by the Fund is accompanied by a press release and public announcement, confirming details of the project, the parties involved and the estimated cost of the project.
- Quarterly updates are posted on the WEEE Fund website outlining committed spend to date, including administrative costs, and the forecast residual funds remaining in the Fund.
- Management accounts are supplied to Defra on a quarterly basis to provide an appropriate level of oversight directly to Defra.
- There is an annual independent limited assurance review of the Fund to provide assurance to stakeholders of the regularity and propriety in respect to the expenditure of the Fund.

4.3.2 Further, JTAC proposes that a Fund Disbursement Strategy Committee is established to provide strategic direction in the spend of the Fund and monitor disbursement. This will increase transparency in how the Fund is being spent. Full details of this Committee are provided in Appendix 7.

4.4 Quality Assurance

4.4.1 A series of checks and balances will be in place at every appropriate stage of the operation of the Fee to provide quality assurance in the process. This includes the provision of a detailed briefing session between the Administrator and Expert Adviser and FTI on any new features of the Fee methodology, pre-testing of Fee calculation spreadsheets with dummy data, the establishment of Agreed Upon Procedures for data reviews, detailed briefing of auditors ahead of data reviews, testing of the PCS data collection forms and a second review of all invoices raised.

4.4.2 Approved applications for project funding from the Fee Funds are subject to independent oversight. For technical projects, the WEEE Fund Executive Director closely monitors the progress of projects through regular meetings and calls. For local projects, any Funds allocated are subject to post-investment validation to ensure the Funds were applied to the intended use.

4.5 Confidentiality

4.5.1 The 2019 JTA Mechanism will be operated by the Administrator, with support from the Expert Adviser, on a professional basis with high levels of integrity and is open to all relevant parties to use. This is in keeping with their operation of the 2014, 2015, 2017 and 2018 JTA Mechanisms.

- 4.5.2 The Administrator and the Expert Adviser will keep strictly confidential all data they receive and handle, as demonstrated in their handling of all previous JTA Mechanisms.
- 4.5.3 Whilst the JTA is the proposer of this mechanism, other than expenses recovered for services provided in relation to the operation of the WEEE Fund, it has ensured that neither the JTA, nor JTAC, nor any of their members, can benefit financially from the scheme or access any confidential data. Equally, the three PCSs that advise the JTA cannot benefit financially from the scheme nor access any confidential data. Any PCS or JTA member trade association may however submit proposals to the WEEE Fund for technical research projects, which would be judged in the same way as all other proposals. The mechanism is therefore independent, and JTAC will manage the performance of the Administrator and WEEE Fund Executive Director via a contract and regular reporting.
- 4.5.4 All PCSs submitting data to the Administrator will be required to sign an agreement to keep the Fee payable confidential.

4.6 Impact of competition law and other legal requirements

- 4.6.1 The JTA has carefully considered the impact of this proposal on competition law, and other legal requirements. There are several features of the proposal that are implemented specifically to ensure competition law compliance. These include:
- 4.6.1.1 The requirement for Mazars to be totally independent of any PCS or Producer.
 - 4.6.1.2 The establishment of JTAC to ensure PCSs that support the JTA do not have access to confidential information.
 - 4.6.1.3 The requirement for PCSs to sign terms and conditions that keep the Fee actually paid confidential.
 - 4.6.1.4 The fact that a PCS pays a Fee based on the shortfall against its own target, and that there is an escalator based on the extent to which a PCS has used directly collected LA WEEE to meet its target both mean that Fees actually payable will vary materially. This reduces the risk of appreciable cost commonality.
 - 4.6.1.5 The variable administrative costs and time-split (for Display and Small Mixed WEEE streams) will not be separated out, but will be included within the cost per tonne calculated for each WEEE stream, to ensure that PCSs are not given any more cost data than is necessary for the payment of the Fee.
 - 4.6.1.6 The Fee process is open to any organisation entitled to and wishing to use it i.e. all PCSs wishing to make use of the Fee or submit cost data; and all organisations that meet the criteria, wishing to apply for grants from any Fee Funds that are available.
 - 4.6.1.7 PCSs using the mechanism and organisations applying for Funds will both be required to use the system in accordance with the agreed procedures, including timing of any decisions or applications.

Appendix 1

Responding to the Defra evaluation of the 2018 JTA proposal

1. The provision of worked examples

- 1.1. The Defra evaluation panel commented that the inclusion of more worked examples on the different scenarios in which PCSs might need to use the Fee would help readers more easily assess the impact of the various escalators.
- 1.2. The JTA has included a new Appendix 8 providing worked examples of each element of the Fee calculation, including the escalators. FTI also provides examples in Appendix 3 of its report.

2. Information required to undertake the Fee calculations

- 2.1. The Defra evaluation panel felt the data necessary for WEEE source adjustment factor calculation may be difficult to collect within the necessary timeframes.
- 2.2. The Administrator advised the JTA that all PCSs using the Fee were able to provide the information within the required timescales. In addition, as a sense check, the three PCS advisers to the JTA participate in the preparation of each year's proposal and confirm they would be able to provide the information necessary for the Fee calculation within the necessary timeframe.

3. Oversight of the Administrator

- 3.1. In its 2018 Fee proposal the JTA explained the additional measures it had introduced to quality assure the work of the Administrator, including a briefing by FTI Consulting on the 2018 Fee methodology due to its added features, updating the Agreed Upon Procedure review process and using the Expert Adviser to review all Fee calculations and invoices raised. The 2018 Fee process ran smoothly and no concerns were raised either with the Administrator, JTA or Defra.
- 3.2. The JTA will continue with these measures for its 2019 Fee proposal and in addition, due to the further changes proposed in the methodology, will hold web-based briefings for the Administrator audit field staff.

4. Fund oversight

- 4.1. The Defra evaluation panel advised it was satisfied with the retention of the Expert Adviser to oversee the disbursement of the Fund, and with the JTA's proposal to provide regular public statements on Fund use. However, due to the significantly increased level of Fee that was anticipated in relation to the 2018 compliance year, the panel felt there was a requirement for additional transparency and independent scrutiny of Fund income and expenditure.
- 4.2. The JTA has appointed a Registered Auditor, independent of the Administrator, to review and report on Fund income and expenditure. The scope of the work has been agreed with Defra. In addition, the JTA proposes to establish a new Fund Disbursement Strategy Committee. Committee members will not have any oversight of the day-to-day operation of the Fee itself, thus ensuring compliance with Competition Law, but will decide on the strategic direction of Fund use. Further information regarding this, and other transparency measures, is provided in Appendix 7.

Appendix 2

JTA views of the WEEE market in 2019 and the rationale for the 2019 Compliance Fee mechanism

Below, we summarise the key characteristics of the WEEE market in 2019 and the implications of these on the design of the Fee, followed by the JTA's conclusions.

1. JTA views of the 2019 WEEE Market

1.1 The 2019 targets were set with a rationale not used in previous compliance years against a background of declining EEE POM and WEEE collections in many categories

Market characteristic

- Prior to 2019 Defra based the household WEEE collection target on the average five- year growth trend in collections, adjusted for factors specific to a WEEE stream. In light of the increased WEEE Directive target and the Government's Our Waste Our Resources strategy commitments, Defra changed its approach. In 2019 Defra calculated the overall amount of WEEE that needed to be funded by household EEE producers in order for the Government to meet the increased WEEE Directive 65% target. This was after taking account of the legitimate recycling already quantified (a substantiated estimate of Large Household Appliances in light iron scrap) and data from recyclers on other WEEE recycled on a commercial basis outside the producer financed system. This indicated the overall target for household WEEE should increase by 12% when compared to actual household WEEE collections made in 2018. Defra then considered, on a category by category basis, other evidence that would indicate a 12% increase would not be appropriate for that category, either increasing or reducing the percentage applied accordingly.
- The tables below, of the data published by the Environment Agency on household EEE POM and WEEE collections reported by PCS for the 2016 and 2018 compliance years, show this approach was adopted despite household EEE POM and WEEE collections falling in many categories since 2016:

Household EEE POM	2016	2017	2018
Large Household Appliances (Category 1)	594,751	564,494	549,237
Appliances Containing Refrigerants (Category 12)	225,032	218,385	204,090
Display Equipment (Category 11)	80,783	74,985	81,683
Gas Discharge Lamps and LED Light Sources	10,448	8,422	8,138
Mixed (Categories 2 to 10)	456,051	425,440	411,407
Photovoltaic Panels (Category 14)	49,225	34,200	19,194
Total	1,416,289	1,325,927	1,273,749

Household WEEE Collections	2016	2017	2018
Large Household Appliances (Category 1)	215,362	183,704	169,577
Appliances Containing Refrigerants (Category 12)	134,666	135,681	131,939
Display Equipment (Category 11)	71,266	54,199	47,066
Gas Discharge Lamps and LED Light Sources	6,139	5,369	4,819
Mixed (Categories 2 to 10)	152,725	146,020	139,835
Photovoltaic Panels (Category 14)	99	106	87
Total	580,257	525,080	493,323

- There are many factors that affect the lifecycle of an EEE product and when, or even if, it may arise as WEEE. Qualitative consumer research undertaken by a number of organisations demonstrates that the purchase of a new item of EEE does not necessarily generate an additional item of WEEE. This is for many reasons, including products being donated or sold after first use through secondary markets, multiple versions of the same product type being used in the home, unused products being hoarded “just in case” or due to concerns over product data security. It is also certain that some new EEE POM will have been legitimately exported instead of reaching a UK consumer, but not reflected in the UK EEE POM data.
- There are also factors that affect the weight of WEEE arising when a product is ultimately discarded for disposal. The illegal pre-treatment of WEEE prior to entering the official system, such as removal of compressors and other valuable metal components, results in the weight of the WEEE product arising being lower than the product POM. The 360 Environmental report, WEEE theft from LA DCFs (2019) on the theft of display equipment from LA HWRC’s, quantified the impact of this on cooling appliances alone being 1,750 tonnes of WEEE evidence. In addition, it is likely that accessories reported in the weight of EEE POM are not always disposed of with the product when discarded as WEEE, for instance TV stands, vacuum cleaner attachments and oven shelves/grill trays.
- This complexity, for both the setting of targets and the requirement to obtain a better understanding of EEE product flows, has been recognised and a project to quantify these is currently underway using funding from the JTAC compliance fee WEEE Fund.
- If targets and/or the Fee are set too high there is a risk of ransoming activity from those in possession of WEEE which could result in evidence not being cost reflective.

Impact on compliance fee methodology

- Targets based on EEE POM data will be difficult to achieve, particularly in a period of declining EEE POM. It will therefore be important that a Fee is set for 2019, and that this is cost reflective and not punitive. Where targets are widely regarded as unachievable, to set an excessively high Fee could result in strong upward price pressure from collectors and recyclers.
- In their economic analysis of the 2019 Fee methodology, FTI propose incorporating a collection shortfall factor, where the aggregate national target has not been met. The effect of this factor is to reduce the impact of the Normal escalator, based on the extent of the national shortfall against target. However, it would not reduce the base Fee, or the variable administrative cost per tonne.

1.2 Use of Regulation 34 and use of the PBS

Market characteristic

- The cost a PCS incurs in collecting and treating WEEE is impacted by many factors, including the location, accessibility and size of collection points, its proximity to treatment facilities, and the ability of the PCS to manage the size and frequency of collections. LA WEEE can often be more expensive to collect and treat because it is difficult for a PCS to influence these factors. LAs collect many different waste streams at their DCFs, often leading to sub-optimal load sizes being available for collection, and DCF opening times are often limited due to budgetary constraints, reducing the ability of PCS to organise “milk-round” or consolidated collections. This effect is compounded for those LAs in more rural or geographically remote locations. In 2016 these market conditions resulted in some LAs finding themselves without an aligned PCS (particularly for the Cooling and Display streams). The majority of PCSs responded to this instability by establishing the PCS Balancing System (voluntary PBS) through the WEEE Schemes Forum (WSF). The voluntary PBS guaranteed a free of charge collection service to LAs, the cost of which was shared by PCS members on a market share basis. The requirement for the PBS continued in 2017 and 2018 despite household collections being below target in every category except Category 14 (PV Panels).
- The table in section 1.5 below shows that to Q2 2019 household WEEE collections reported by PCSs have remained below target in every category yet, although lower in number than in previous years, some LAs still rely on the voluntary PBS for a WEEE collection service. The table immediately below shows the number of LAs by stream for which a new collection request was posted on the voluntary PBS for collections commencing in 2017, 2018 and 2019. This strongly suggests that high cost LA DCFs remain unattractive to PCSs, even though targets are currently not being met.

	LHA	Cooling	Display	GDL	Mixed	PV
2017	5	10	13	-	7	-
2018	8	17	16	-	9	1
2019	4	5	12	-	7	1

- With effect from 18th August 2019 membership of the WSF operated PBS is mandatory for all household PCSs. This confirms the Government’s view of the importance of a PBS to the smooth running of the UK WEEE system.

Impact on compliance fee methodology

- FTI has received data that shows LA-DCF WEEE has higher overall costs than other WEEE sources and proposes that the continued use of the voluntary PBS in 2019 indicates the Fee should continue to be based on the cost of collecting from LAs.

1.3 PCSs not participating in the PBS

Market characteristic

- One of the unavoidable effects of setting up the voluntary PBS, was that it was regarded as the *de facto* solution for LAs not able to secure a free of charge collection and so PCSs outside the

voluntary PBS were significantly less likely to receive a direct Regulation 34 request. As a consequence, PCSs that chose to remain outside of the voluntary PBS did not share stage 2 costs and so will have benefited commercially as a result. Although we have no access to the data that would enable us to quantify the scale of this commercial benefit, we are convinced that it is material. The continued submission of Regulation 34 requests in 2019 shows the PBS remains an important security mechanism for LAs.

Impact on compliance fee methodology

- Whilst the Government made membership of the WSF operated PBS mandatory with effect from 18th August 2019 this means that PCS who were not members of the voluntary PBS before this date were able to avoid the associated costs. Yet, such PCSs can still use the Fee if they fall short of their targets. This further indicates the importance of the Fee calculation being based on the cost incurred by PCSs in collecting from LAs and the inclusion of the variable administrative costs incurred by those PCS when collecting from LAs.
- In their assessment, FTI have confirmed that the 2019 JTA Mechanism should include the non-PBS participant uplift used in the 2017 and 2018 Fee methodologies. Their recommendation is that where those PCSs wishing to use the Fee were not members of the voluntary PBS the non-PBS participant uplift calculation should be time apportioned by 7/12 to reflect the seven full months in 2019 when they were not members.

1.4 PCSs are not prioritising collections from Local Authorities.

Market characteristic

- The last LA DCF alignment list published by Defra (in 2018) showed that LAs are serviced by just 10 of the 27 registered household PCSs. The JTA understand this position has not changed materially during 2019.
- Following the introduction of the dual use definition inevitably some WEEE that was previously reported as non-household or non-obligated has migrated to be reported as household WEEE and in many cases it is likely that its collection by an AATF will have been funded by the holders of that WEEE (often business users). As a consequence, AATFs are able to sell the evidence to PCS at costs that are usually lower than the costs of collection and treatment from LA DCFs.

Impact on compliance fee methodology

- This means that many PCSs will not bear the costs of LA DCF WEEE. FTI's recommendation is that the Fee should continue to be based on LA DCF collection costs, including the variable administrative costs incurred by those PCS when collecting from LA DCFs.
- FTI also recommend that the 2019 Fee should include the WEEE source adjustment premium used in 2018. This reflects the extent to which PCS collect WEEE from LA DCFs, with the Fee increasing where the PCS collects below the national average percentage of collections from LA DCFs.

1.5 After 6 months of 2019, the household WEEE arising in most categories is falling short of the 2019 targets

Market characteristic

- An analysis of the Q2 2019 household WEEE collected by PCSs data published by the Environment Agency shows that in all streams actual WEEE collections are lower than the pro-rata 2019 targets:

Household WEEE Collections	To Q2 2019 (t)	% of 2019 target
Large Household Appliances (Category 1)	85,024	45%
Appliances Containing Refrigerants (Category 12)	63,764	47%
Display Equipment (Category 11)	22,360	46%
Gas Discharge Lamps and LED Light Sources	2,360	46%
Mixed (Categories 2 to 10)	70,649	41%
Photovoltaic Panels (Category 14)	22	25%
Total	244,179	44%

Impact on compliance fee methodology

- This means the setting of a Fee will be essential to enable PCSs to comply with their obligations.

1.6 Whilst it appears unlikely at the time of writing, a possibility that by the end 2019 some WEEE streams could be in surplus

Market characteristic

- Although the Q2 2019 data published by the Environment Agency currently shows that household WEEE collections in all streams are below the pro-rata target and therefore unlikely, it remains possible this situation could be resolved for a number of the streams by year end.

Impact on compliance fee methodology

- This means there could be a situation where PCSs seek to use the Fee despite LAs seeking an arrangement with the PBS and FTI therefore recommends the Surplus escalator should apply where UK WEEE collections are in excess of target.

1.7 There is an increasing amount of vertical integration within the WEEE sector

Market characteristic

- There is an increasing number of organisations who undertake more than one activity within the UK WEEE regime, such as being a PCS and an AATF, or a Distributor and an AATF. Vertical integration of activities can make it easier for organisations to obtain WEEE more readily and more cheaply and not undertake collections from LA DCFs. For instance, a PCS with an AATF is in a position to “obligate” all household WEEE received at its AATF, irrespective

of whether the PCS has arranged the collection activity. Consequently, a PCS that is not vertically integrated may find it more difficult to meet their collection target and is more likely to be required to collect WEEE that is more costly.

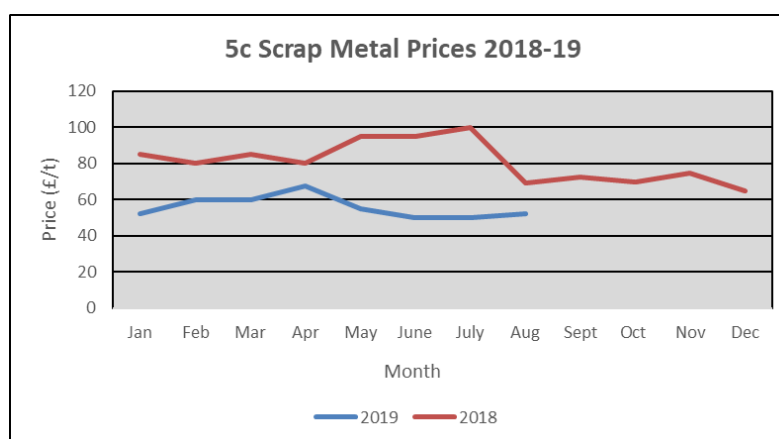
Impact on compliance fee methodology

- This means such PCS may avoid the higher cost LA DCF WEEE and FTI recommends that the Fee should continue to be based on the cost of collecting WEEE from LA DCF's.
- The application of a WEEE source adjustment premium will also take account of the extent to which PCSs seek such evidence or lower cost collections rather than undertake collections from LA DCFs.

1.8 The ability of large collectors to force PCSs into using the Fee

Market characteristic

- There are a number of organisations, such as retailers, whose supply chains place them in a position to collect significant tonnages of WEEE. In a period where WEEE disposed of by consumers falls short of target this increases the ability of such organisations to influence the way in which PCSs can comply with their obligations (although this also occurs in periods where collections are in excess of target). This applies particularly to Category 1, Large Household Appliances (LHA), where WEEE collected generates a net revenue stream for the collecting organisation and there is little, or no, incentive for them to make an arrangement with a PCS that may require that WEEE to meet its target. A WRAP study¹, published in 2016 and referenced in Defra's 2019 targets paper, confirmed that a large tonnage of LHA is treated within the light iron stream, and hence not reported as WEEE, estimated at 273,000 tonnes. A more recent report indicated only a slight fall in this estimated tonnage. The chart below shows that 5c scrap metal prices in 2019, drivers of net value in LHA, are broadly consistent with those in the latter half of 2018 so this situation is unlikely to have changed materially.



- The table below has been extracted from the report published by the Environment Agency of household WEEE collected by PCSs for Q1 2019 and illustrates the different sources of WEEE for the 6 major WEEE streams. This shows that organisations associated with retailers (Household WEEE returned under regulation 43) control nearly half of the reported UK LHA

¹ <http://www.wrap.org.uk/content/weee-flows-report>
Page **36** of **74**

collections and just short of one third of Cooling. The data for Q2 2019 has since been published by the Environment Agency however we understand this includes an incorrect classification between collection types so have based our analysis on the Q1 2019 data.

Household WEEE Collections	Household WEEE collected from a DCF	Household WEEE returned under regulation 43	Household WEEE returned under regulation 50
Large Household Appliances (Category 1)	44%	48%	9%
Appliances Containing Refrigerants (Category	64%	29%	7%
Display Equipment (Category 11)	85%	3%	11%
Gas Discharge Lamps and LED Light Sources	20%	6%	72%
Mixed (Categories 2 to 10)	81%	1%	17%
Photovoltaic Panels (Category 14)	14%	55%	31%
Total	63%	25%	12%

Impact on compliance fee methodology

- This indicates there may continue to be circumstances in which it may be appropriate to set a zero Fee.
- In their report, FTI have recommended that where streams have a net positive value, the Fee should be set at zero.

1.9 Impact of POPS on recycling of WEEE containing plastics

Market characteristic

- Plastic recyclate generated from WEEE is of mixed grade and finding outlets for this has become increasingly difficult in recent years. Most of the previous markets used for mixed grade plastic are now closed, with demand instead being for pure grade plastic streams. There are costs associated with sorting plastic recyclate which means those PCSs collecting WEEE could be disadvantaged over those who buy evidence, particularly in relation to LA WEEE over which there is no control on the content collected.
- The ICER research project, funded by the WEEE Fund, into potential POPS in WEEE plastic has identified POPS in Display and some Small Mixed WEEE plastic above the maximum concentration levels permitted. This means the affected plastics must now be irreversibly destroyed. It has also identified levels of antimony that render plastic residues that contain it as hazardous. In July 2019 the Environment Agency stated that all AATFs and PCSs must take action to address these issues. Whilst at the time of writing the full implication of these findings and the consequent impact on cost is unclear, it is thought this will be significant with effect from August 2019 and those PCSs collecting WEEE will directly bear any increased cost. In a normal year, the Fee mechanism takes cost changes into account through the use of annual average cost data submitted by PCSs using the Fee. However, due to the likely scale of the additional cost this may discourage PCS whose collections are below target at the point at which the cost change happens from making further

arrangements for 2019, choosing instead to pay a Fee that is based on the year's average cost, which could be materially lower than the cost of evidence later in the year.

Impact on compliance fee methodology

- FTI have recommended that for those streams affected (Display and Small Mixed WEEE), two separate Fees calculations should be made: one for the period January to July, the other for the period August to December. The calculations will be based on the weighted average net cost per tonne of direct collections from LA DCF's in each period, and the extent of a PCSs collections shortfall against target in each period. This methodology change will require some additional data provision by PCSs and some additional work by the Administrator's onsite auditors in data checking, but we are advised by both the JTAs PCS advisers and the Administrator that this is manageable within existing timeframes.

1.10 Implementation of open scope

Market characteristic

- With effect from 1st January 2019 the WEEE Regulations moved into open scope, which means that only products specifically stated as excluded are out of scope of the WEEE Regulations. The data published by the Environment Agency on household EEE POM reported by PCSs shows this has increased to Q2 2019 when compared to the same period in 2018, and whilst some of this increase will not be attributable to the move to open scope, some will be, for instance the increase in the Mixed category which is largely attributable to household luminaires coming into scope in Category 5, Lighting Equipment:

Household EEE	To Q2 2018	To Q2 2019
Large Household Appliances (Category 1)	260,615	284,615
Appliances Containing Refrigerants (Category 12)	90,120	98,128
Display Equipment (Category 11)	35,480	34,937
Gas Discharge Lamps and LED Light Sources	4,008	3,805
Mixed (Categories 2 to 10)	192,790	212,841
Photovoltaic Panels (Category 14)	8,324	18,819
Total	591,336	653,144

- This may result in more WEEE being generated in the future, however a material change in the level of WEEE collections is not anticipated in 2019, which is supported when comparing the data published by the Environment Agency on household WEEE collections to Q2 2019 reported by PCS to that of Q2 2018:

Household WEEE Collections	To Q2 2018	To Q2 2019
Large Household Appliances (Category 1)	88,425	85,024
Appliances Containing Refrigerants (Category 12)	63,908	63,764
Display Equipment (Category 11)	24,443	22,360
Gas Discharge Lamps and LED Light Sources	2,558	2,360
Mixed (Categories 2 to 10)	73,065	70,649
Photovoltaic Panels (Category 14)	4	22
Total	252,402	244,181

Impact on compliance fee methodology

- No change to the Fee methodology has been identified in connection with this.

1.11 There is an increasing tendency for LA DCF tenders to seek financial enhancements

Market characteristic

- The JTA is aware of tenders issued by LAs seeking renewal of DCF WEEE collection arrangements. that contain financial value selection criteria or seek the funding of costs that go beyond the requirements of the WEEE Regulations and /or the Code of Practice. In recent years very few tenders have been issued, and whilst this may simply reflect the requirement for LAs to follow procurement rules due to the impending expiry of current arrangements, it may also indicate a renewed perception of the “value” in WEEE due the significant increase in the WEEE collection targets in some categories.

Impact on compliance fee methodology

- Whilst 2019 market conditions indicate the Fee should still be based on the cost of collecting from LAs and take into account the extent to which a PCS has collected WEEE from LAs, it should exclude the value of any “incentives” or additional payments made to LAs to secure WEEE arrangements as these do not meet the “cost reflective” criteria.

1.12 EU exit and the risk of “no deal”

Market characteristic

- The recyclate generated from WEEE is largely exported to non-UK markets for recovery. It is currently unclear whether the UK will leave the EU with a deal, and if not how this may affect end markets for recyclate and consequently cost. It is also possible it may have other currently unknown impacts on WEEE collection, treatment and recycling.

Impact on compliance fee methodology

- This could mean the cost of WEEE collections and treatment in the last two months of the year is adversely affected. As the Fee proposals are being submitted prior to this we suggest the Fee mechanism is subject to further review by Defra after 31st October, if necessary, in the event of a “no-deal”.

1.13 Other 2019 market factors

Market characteristic

- The JTA has considered three other factors present in the 2019 market but does not consider they should have an impact on the Fee methodology:
 - The increasing market share of online distance sellers, and a concern about the level of compliance with the WEEE Regulations;
 - The lack of oversight over small producer registrations (those who are exempted from joining a PCS), meaning some may not be compliant;

- The striking off of a non-compliant PCS.

Appendix 3

FTI Consulting Report

Appendix 4

JTAC's Chosen Administrator – Mazars LLP

1. Background

In considering how the administrator services would be provided, the options studied were; the use of in-house resources from a JTA or JTAC member, recruitment of staff by JTAC, and outsourcing the key administrative and audit functions.

2. Decision to outsource

It was decided to outsource the administrator role for the following reasons:

- Ensuring the confidentiality of commercial information;
- Experience in managing client monies;
- Provision of adequate and flexible level of resource to respond to variable workload; and
- Availability of qualified audit staff to perform data reviews.

3. Services to be provided by the Administrator

The services provided by the Administrator have evolved since the JTA's initial fee methodology in 2014 and now comprise the following:

- Communicating with PCSs about the Fee mechanism, providing support to PCSs in using it, including liaison with the Expert Adviser; calculating Fees; collecting payments, issuing compliance fee payment certificates and advising the environment agencies concerned, of appropriate information.
- Undertaking data reviews, which may include site visits, using an Agreed Upon Procedure, of all PCSs that wish to use the Fee, and those PCSs that choose to voluntarily submit data.
- Receiving payments of Fees, holding those in a dedicated client bank account, making approved payments from that account and managing the bank account through to when it is finally closed i.e. when the Fee mechanism is finally complete with all Funds disbursed and accounted for.
- To disburse Funds to the organisations concerned as instructed by JTAC.
- To maintain, through to the final close of the Fee Fund, full accounting records of all transactions including VAT returns and annual accounts information. To provide management reports to JTAC on a regular basis without disclosing any confidential or commercially sensitive information.

- To be subject to an independent audit as part of the broader audit examining the performance and functioning of JTAC in relation to the commitments outlined in the Fee proposal.

4. Evaluation process

JTAC initially selected a number of potential organisations to deliver Fee services, including Environmental Consultants, Accountancy firms and Trade Associations/outourcing companies. Of these, three were shortlisted for final consideration by JTAC. The decision of JTAC was to appoint Mazars LLP, a Top 10 UK Accountancy firm, as the Fee Administrator to support the JTA proposal.

Mazars have carried out the role of independent Administrator to the 2014, 2015, 2017 and 2018 Fee mechanisms in accordance with their contract with JTAC. They have demonstrated their expertise, professionalism and integrity in executing their tasks in all years and as the services required by JTAC have developed and the amount of the Fund has increased, JTAC proposes to reengage with Mazars for its 2019 Fee proposal.

5. Mazars' experience

Mazars is an international, integrated and independent organization, specializing in audit, advisory, accounting and tax services. The Group operates in 89 countries and draws on the expertise of 40,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage in their development. In the UK, Mazars has 140 partners and over 1,700 staff serving clients from 17 offices and is ranked as the ninth largest accountancy firm nationally.

The core values of Mazars define how the firm operates. These values are; integrity, independence, respect, responsibility, diversity and continuity. They translate into a clear obligation to provide independent advice of the highest quality.

In understanding that no two clients are the same, Mazars is practiced in developing and implementing customized solutions. Combining expertise in outsourcing, working with 'public interest' entities and clients across many industries, Mazars has the capacity to deliver each element of the administrator role to the highest standards.

6. Key areas of Mazars' proposal

6.1 Segregation of duties and conflicts of interest

Mazars will operate a client account on behalf of JTAC, which will be used to collect funds from the relevant PCS organizations. This account will be held separately from the Fee client accounts of other years. Should conflicts of interest be identified, Mazars has the scale and resources to mitigate such conflicts through the provision of entirely separate engagement teams.

6.2 Industry knowledge

Mazars has experience of working with companies in the WEEE sector and has familiarity with the relevant WEEE legislation. They also have substantial experience in the not-for-profit sector and in working with government agencies. This experience combined with their knowledge of the Fee process will help to deliver a highly cost effective and commercially confidential solution.

6.3 *Flexible solutions*

The organisation has the ability to be flexible in the services it provides and can tailor these to the relevant take up of the scheme in any compliance period for which it was appointed as the Administrator.

6.4 *IT systems & security*

Currently a straightforward off-line IT led solution has been implemented for administering the Fee because this has been most appropriate and has worked well. PCSs email requests to use the Fee and submit cost data using standard templates provided by the Administrator. The use of a portal solution to receive requests from PCSs and funding applications has been reviewed but not considered to be best value for money at present, and this can be revisited as circumstances dictate.

Mazars uses a cloud-based accounting software to perform the Fee calculations, record information on receipts and expenditure into and out of the dedicated client bank account, track applications for funding, raise invoices to PCSs and issue CFPCs.

Mazars considers the information it holds as of the utmost importance. It is essential that this information is protected from a wide range of threats in order to preserve confidentiality and integrity. Mazars protects its information by establishing and maintaining an information management system following the best practice controls set out in ISO/IEC 27001.

Within this context, Mazars has in place controls over both virtual and physical security including disaster recovery plans, automatic data back-ups and power outages. With regards to access controls, each individual at the firm has separate log-ins, which are enforced with regular updating of passwords and on-going training regarding information security. Access to networks and data is restricted based on individual credentials and mobile working is supported by full encryption.

From an operational perspective, Mazars has extensive capabilities to develop technology driven solutions either through intelligent use of software or the development of technology, such as portals, to the benefits of its clients. This could provide innovation in the way the Fee service is delivered both to the PCSs and the local authorities or other organisations when applying for grants.

7. Capacity

The firm has 140 partners and over 1,700 staff in the UK and offices across the country. This provides the capacity to deal with the possible fluctuations in demand, support field visits to validate project spending if needed and generally respond to issues that might arise.

8. Governance

Mazars operates in a regulated environment and is principally regulated by the ICAEW. The team members chosen for the assignment are members of their professional body and are bound by its code of conduct.

The Administrator services will be led by a Partner, who will be involved in the overseeing of all aspects of the administration of the 2019 JTA Mechanism. A senior manager is allocated to manage the process and system and ensure deadlines are met and that the process is running smoothly. There will also be a team

of less senior staff members to work on the processing of transactions and producing the reports for review as required.

Due to the level of Fees received in 2017 and 2018, as an additional governance measure, JTAC has arranged for an independent review of Fund disbursements and will provide its report to Defra.

9. Administrator 2019 Costs

Providing an accurate estimate of administrative costs for the Fee mechanism in respect of any particular compliance year is not practical because there are a number of unknowns that will influence the costs, some examples of which are:

- The number of PCSs that choose to use the Fee or voluntarily submit cost data and the number of streams they wish to use it for;
- The number of organisations that submit applications for Fee funding and the number that are approved for payment; and
- The time it takes to complete the whole process from the time that Defra announce whether there will be a Fee for a particular year through to when all the projects that are funded are completed and report their results.

In addition to Administrator costs, further costs that would be charged against the Fee Fund for any year include those associated with the Expert Advisor and the running the WEEE Fund (wages, office space, ICT and office equipment, travel and hosting meetings) and disbursements to approved projects. These costs will be apportioned against the relevant client account(s).

Part of the costs for the Administrator services and Fund administration support are fixed e.g. managing the client bank account, maintaining full accounting records, including VAT returns, providing details for annual accounts and payroll support, which are charged against the Fund. This represents a small proportion of the overall Fund spend.

It is expected therefore that the net costs of administering and managing the 2019 JTA Mechanism, which are charged against the Fees paid, will represent good value for money for a professional service with high levels of integrity in handling commercially sensitive and confidential information and data.

In respect of these services Mazars have provided a quote for costs to cover the 2019 compliance period, which reflects their insight and experience gained from the previous processes. As a result, overall costs are projected to be similar to those for the 2018 compliance period. The Mazars financial offer is commercially confidential and therefore is not included in the JTA proposal but can be separately disclosed to Defra upon request.

Appendix 5

JTA and JTAC Background

The Waste Electrical and Electronic Equipment (WEEE) Directive is a 'producer responsibility' measure where those entities that place goods on the Community market are required to take financial responsibility for items once they have finished their use phase, so that the costs associated with treating and disposing of electrical and electronic equipment do not fall on society as a whole. It therefore follows that producers have the responsibility for paying a fair and reasonable price that is truly reflective of the costs associated with treating WEEE and disposing of resulting materials (taking into account the fact that many of the materials resulting from treatment are themselves re-sold as commodities).

1. The Joint Trade Association Group (Producer Responsibility) (JTA)

In order to ensure that the opinions of the Producer community could be formulated and communicated to the Government in as clear and effective a manner as possible, the major trade associations representing producers of electrical and electronic equipment (EEE) decided to work together on matters of common interest relating to producer responsibility, including the WEEE Regulations. Thus, in 2010 the 'Joint Trade Associations' group was formed. Today it comprises:

- AMDEA: Association of Manufacturers of Domestic Appliances;
- BEAMA: (Originally an acronym for the British Electrotechnical and Allied Manufacturers' Association);
- BIPBA: British and Irish Portable Batteries Association;
- BTHA: British Toys and Hobbies Association;
- Make UK, the Manufacturers' organisation;
- Gambica: (Originally an acronym for the Group of Association of Manufacturers of British, Instruments, Control and Automation);
- techUK: (The trade association for the Information and Communication Technology and Consumer Electronics sectors);
- LIA: Lighting Industry Association;
- PETMA: Portable Electrical Tool Manufacturers' Association; and
- SEAMA: Small Electrical Appliance Marketing Association.

Collectively, the members of the trade associations that comprise the JTA employ nearly 1m staff in the UK, in around 7,000 companies across all sizes of producers, from the very small to the very large. The JTA comprises all the major trade associations representing both business-to-consumer and business-to-business EEE Producers in the UK. This proposal therefore strongly represents the voice of the Producer community and we believe it is fully consistent with the WEEE Directive's 'producer responsibility' duties.

Since its formation the JTA and its members have engaged with Government in a number of WEEE related consultations including the Recast WEEE Directive, the Red Tape and Cutting Red Tape Challenges and the Circular Economy Package, making proposals on future policy development as appropriate. The JTA has also submitted proposals for a Compliance Fee methodology for every compliance year it has been in operation. The JTA methodology was chosen by the Government for 2014, 2015, 2017 and 2018 compliance years and was used as a basis for the Valpak proposal chosen in 2016.

In preparing this proposal, the JTA has called upon the expertise of three PCSs. These PCSs (ERP, Recolight and REPIC) between them are representative of all WEEE streams and moreover are viewed by the JTA as organisations which seek the long-term success and stability of the WEEE system in the interests of both Producers and other actors in the WEEE system. They are closely linked with JTA members and support the aims of the JTA actively and participate in the JTA by providing expertise and technical support. As PCSs working in the regulated producer responsibility environment, they regularly engage with Government in both formal and informal consultations on future policy development, making proposals both individually and collectively through relevant trade bodies. Such proposals include the Recast WEEE Directive, the Circular Economy Package and the establishment and operation of the PCS Balancing System (PBS) which is now mandatory. The combination of the JTA and these three PCSs means it is estimated that the combined memberships represents approximately 90% of all WEEE Producer obligations in the UK.

The JTA operated on an informal basis until 2014 when it put in place a formal constitution. This body is still a grouping of trade associations i.e. it is an unincorporated body and not a legal entity. The constituted group is known as the Joint Trade Association Group (Producer Responsibility), although for brevity it uses the initials JTA.

2. Joint Trade Associations (Contracts) Ltd (JTAC)

As the JTA is not a legal entity, a separate company, Joint Trade Associations (Contracts) Limited (JTAC), was formed for the express purposes of entering into contracts with third-party organisations for services such as the Fee administration. JTAC is a not-for-profit company, limited by guarantee rather than by shareholdings so that no distribution of funds to its members is possible. The Members of JTAC are four trade associations within the JTA, namely AMDEA, BEAMA, LIA and TechUK, whose members have significant household WEEE obligations. The Directors and Company Secretary of JTAC are senior representatives of these four trade associations.

By forming JTAC as described above and contracting-out responsibility for administering the Fee to a well-established, independent, organisation we have ensured that all commercially sensitive information reported into the Fee administration system will be kept confidential within the independent Administrator organisation only. We consider that a clear separation between the entity (JTAC Ltd) that contracts with the Administrator, and the entity that comprises Producer and PCS representatives (in our case the JTA) is vital for all Fee submissions. However, it should be noted that the existence of JTAC does not preclude the Government from taking a role in engaging or contracting with the Fee Administrator should it wish to do so.

Appendix 6

Draft forms for collecting information from PCSs

1. Administrator data template

2019 Compliance Year - Compliance Fee PCS Data Template

Instructions for completion of template

A. General requirements

Scope of information to be provided

PCSs wishing to use the Compliance Fee (Fee) are required to provide data for all WEEE streams for which the PCS has a WEEE financing obligation – even when they do not wish to use the Fee for all streams.

PCSs that do not wish to use the Fee, but choose to supply data on a voluntary basis, are required to provide data for all streams where they undertake direct collection and treatment of WEEE.

All tonnage information should be after application of any relevant protocols i.e. it should reflect the tonnage of evidence that was issued to the PCS. Tonnages should be entered to three decimal places (i.e. do not rounded to the nearest tonne).

Identify related party transactions requiring disclosure

Please indicate on the template if data submitted includes any related party transactions. Related party transactions for the purpose of this template are those that take place between the PCS and other organisations within the same corporate grouping as the PCS, for instance with other divisions within the same legal entity as the PCS, or with associate, joint venture, parent or subsidiary companies, as defined by the Companies Act. Examples of related party transactions would be WEEE transport and treatment services provided to the PCS by a subsidiary company, or by an AATF operated by the PCS itself.

If data submitted includes any related party transactions, please provide further explanation with your submission to the Administrator. The Administrator will consider the related party nature of such transactions.

Process for handling queries

If you have any further questions or need to modify the template in any way, please consult the Administrator.

Administrator review requirements

All backing documentation that supports the data included on the form should be made available to the Administrator for their data review. The PCS should be prepared to demonstrate how the data on the form reconciles to its quarterly WEEE collections returns to the relevant environment agency, its accounting records, or other supporting documentation, as appropriate.

B. Guidance for numbered sections of the template

1. Shortfall/Surplus

1a. WEEE collection target

Please enter your PCS's exact household WEEE tonnage target in each stream. This should be the final target for your PCS for the 2019 compliance year as advised by the relevant environment agency.

1b. Total WEEE evidence received

For all WEEE streams please enter the exact household WEEE tonnage that your PCS has received evidence for by stream for the 2019 compliance year, as recorded on your PCS's Settlement Centre account. This may be different to the amount of WEEE your PCS has directly collected, as it may include evidence obtained through other routes (e.g. purchased from AATFs or third parties such as other PCSs or waste management companies). This will be used to calculate your PCS's shortfall against its target.

In addition to the above, for the Display and Small Mixed WEEE streams, please also enter this information by period (1st January to 31st July and 1st August to 31st December), as follows:

- the WEEE collections undertaken by your PCS and **delivered** into an AATF in those periods, and for which evidence has been recorded on your PCS's Settlement Centre account however not necessarily in the same period. e.g. your PCS may have collected WEEE in July, but the related evidence note was not agreed with the AATF and issued until August – your PCS **delivered** the WEEE into an AATF in July and will report this as a July collection in support of its July to September quarterly return to the relevant environment agency, so include the collection in the January to July period; and
- any evidence obtained by your PCS through other routes and recorded on your PCS's Settlement Centre account in the period in which the evidence was issued (for instance purchased from AATFs or third parties such as other PCSs or waste management companies).
- The total of the information recorded for the two periods must equal the exact household WEEE tonnage that your PCS has received evidence for by stream for the year, as recorded on your PCS's Settlement Centre account.

Please see the note in section C below about how PBS collections undertaken by your PCS should be dealt with in the template.

2. Net costs of directly collected WEEE from LA DCF's

2a. Tonnage of WEEE directly collected by the PCS from LA DCFs

Please enter the tonnes of household WEEE in each stream directly collected by your PCS from LA-DCF's in the year specified. For the Display and Small Mixed WEEE streams, please also enter this information by period (1st January to 31st July and 1st August to 31st December), on the same basis as the collections you reported under 1b i.e. the WEEE collections undertaken by your PCS and delivered into an AATF in those periods, and for which evidence has been recorded on your PCS's Settlement Centre account however not necessarily in the same period.

Direct collections are those where your PCS has been contracted by the DCF Operator (LA or Waste Management Company operating the DCF on behalf of a LA) to finance the collection and treatment activity. Tonnage in relation to collections from, or evidence obtained from, any other sources (e.g. WEEE collected from other third parties, or evidence purchased from PCSs, AATFs or waste management companies) should not be included.

Please see the note in section C below about how PBS collections undertaken by the PCS should be dealt with in the template.

2b. Total direct costs of collection, transport and treatment

Please enter, in GBP, the direct, incremental and avoidable costs associated with the direct collections undertaken for each stream in the year specified, from LA-DCFs, as reported in 2a above. For the Display and Small Mixed WEEE streams please also enter this information by period (1st January to 31st July and 1st August to 31st December).

Direct costs may include:

- transport costs;
- container costs (e.g. rental or empty container delivery costs);
- other collection costs;
- treatment costs;
- environmental levies (e.g. waste transfer or consignment notes); and
- any other categories that meet the definitions of direct, incremental and avoidable above.

Direct, incremental and avoidable all relate to the same concept:

- Direct: Direct, or variable, costs and income are those that change in proportion to the amount of WEEE collected by the PCS.
- Incremental: Incremental, or marginal, costs and income are those additional costs and revenues that arise as further WEEE is collected.
- Avoidable: Avoidable, or separable, costs and income are those that could be eliminated if the WEEE was not collected.

Submitting only selected transactions is not acceptable. All transactions meeting these criteria must be included.

Cross-subsidisation of costs and income between streams is not acceptable. All costs and revenues relating to each *stream should be included in that stream*.

If you are not able to separate costs and income for a WEEE stream, please leave this section blank

You should exclude direct administrative (overhead) costs and any direct staff costs. These may be provided for inclusion in the calculation of the stream specific variable administrative cost using the separate template provided. See section 2.3.8 of the JTA proposal for further information.

Administrative costs, like management, HR, administration, IT, marketing and office rent, do not meet the definitions above and should not be included.

Please see the note in section C below about how PBS collections undertaken by the PCS should be dealt with in the template.

2c. Gross income from resale or reuse of parts

Please enter, in GBP, any income associated with the WEEE your PCS has collected directly from LA-DCFs. For the Display and Small Mixed WEEE streams please also enter this information by period (1st January to 31st July and 1st August to 31st December).

Income may relate to:

- (1) reuse of EEE;
- (2) sale of material parts; and
- (3) any other income that meets the definitions of direct, incremental and avoidable above.

Please include all income, including any income redistributed to LA's or others.

If income for a stream is zero, please enter 0.

If you are not able to separate costs and income for a WEEE stream, please leave this section blank.

Please see the note in section C below about how PBS collections undertaken by the PCS should be dealt with in the template.

2d. Total direct costs minus gross income

If you were able to complete both the cost and income sections, this section will calculate the net cost automatically. No further data is required.

If you were not able to complete both the cost and income sections, please enter here the overall net cost associated with each stream of WEEE. For the Display and Small Mixed WEEE streams please also enter this information by period (1st January to 31st July and 1st August to 31st December).

Ensure that all costs and income that comprise net cost relate to the collections you have reported and meet the requirements specified in the Cost and Income sections above, including the definition of direct, avoidable and incremental.

Please see the note in section C below about how PBS collections undertaken by the PCS should be dealt with in the template.

3. Net costs of WEEE from all other sources

The tonnage and cost in relation to all other (non LA-DCF) direct WEEE collections or for other evidence obtained by your PCS in the specified year should be included in this section, excluding:

- (1) any tonnage or cost in relation to collections made for the PBS or evidence received from the PBS;
- (2) any tonnage in relation to evidence issued to your PCS where no cost has been incurred by your PCS, for instance in relation to collections undertaken by a PCS Producer member.

Where the cost of collections from other direct WEEE collections are included in this section they should be the direct, incremental and avoidable costs relating to those collections and should exclude direct administrative (overhead) costs. Further guidance regarding this is provided in section 2a above.

The PCS should be prepared to provide the Administrator with a reconciliation between the total WEEE evidence it reports in column 1b, and the tonnages reported in columns 2a and 3a. i.e. such that the difference is only accountable to the two exclusions mentioned above.

C. Treatment of PBS costs

Throughout the data template, LA-DCF collections made on behalf of the PBS should be handled as follows:

- For LA-DCF collections which your PCS was appointed to manage at stage 1, these should be treated as direct collections from LA-DCFs and all costs and tonnage should be included. This applies to tonnage information required for completion of section 1b and 2a, and cost information required for completion of sections 2b, 2c and 2d (as appropriate).
- For LA-DCF collections which your PCS was appointed to manage at stages 2,3, or 4, you should calculate your PCS's share of the collections (in tonnes) it undertook on behalf of the PBS, and apply the cost per tonne it charged the PBS for those collections, and include the resulting tonnage and cost as direct collections from LA-DCF's. As your PCS will not know its PBS market share it should use its market share for the 2019 compliance year as notified by the relevant environment agency in its final household WEEE obligation notification. The calculated tonnage should be included in column 2a. The calculated cost should be included in column 2d.
- You should not include any other tonnage or cost for evidence your PCS received from the PBS.

2019 Compliance Year - Compliance Fee PCS Data Template
Private and Business Confidential

PCS NAME

Please refer to the corresponding numbered sections in the instructions provided. This form relates to household WEEE only.

1. SHORTFALL / SURPLUS	1a. Target WEEE collection target All streams Year tonnes (3dp)	1b. Evidence Total WEEE Evidence received Display and SMW Only Jan to Jul tonnes (3dp)	1b. Evidence Display and SMW Only Aug to Dec tonnes (3dp)	1b. Evidence All streams Year tonnes (3dp)
Unit				
1 January to 31 December 2019 - For submission on or before 21 February 2020				
(1) Large Household Appliances				
(2) Small Mixed WEEE				
(3) Display Equipment				
(4) Cooling Appliances Containing Refrigerants				
(5) Lamps				
(6) Photovoltaics				

2. NET COST OF DIRECTLY COLLECTED WEEE FROM LA-DCFs	2a. Collected Tonnage of WEEE directly collected by the PCS from LA DCFs Display and SMW Only Jan to Jul tonnes (3dp)	Aug to Dec tonnes (3dp)	Year tonnes (3dp)	2b. Costs Total direct costs of collection, transport and treatment Display and SMW Only Jan to Jul £ (2dp)	Aug to Dec £ (2dp)	Year £ (2dp)	2c. Income Gross income from resale or reuse of parts Display and SMW Only Jan to Jul £ (2dp)	Aug to Dec £ (2dp)	Year £ (2dp)	2d. Net cost Total direct costs minus gross income Display and SMW Only Jan to Jul £ (2dp)	Aug to Dec £ (2dp)	Year £ (2dp)
Unit												
1 January to 31 December 2019 - For submission on or before 21 February 2020												
(1) Large Household Appliances										0.00	0.00	0.00
(2) Small Mixed WEEE										0.00	0.00	0.00
(3) Display Equipment										0.00	0.00	0.00
(4) Cooling Appliances Containing Refrigerants										0.00	0.00	0.00
(5) Lamps										0.00	0.00	0.00
(6) Photovoltaics										0.00	0.00	0.00

3. NET COST OF WEEE FROM ALL OTHER SOURCES	3a. Collected Tonnage of WEEE from all other sources All streams Year tonnes (3dp)	3b. Net cost Net cost of WEEE from all other sources All streams Year £ (2dp)
Unit		
1 January to 31 December 2019 - For submission on or before 21 February 2020		
(1) Large Household Appliances		
(2) Small Mixed WEEE		
(3) Display Equipment		
(4) Cooling Appliances Containing Refrigerants		
(5) Lamps		
(6) Photovoltaics		

The data above includes related party transactions as described in general requirements section of the instructions

Yes/No (delete as appropriate)

Signature of director authorising submission of the data template

Name of director

2. Variable administrative cost template

2019 Compliance Year - Compliance Fee PCS Direct Administrative Cost Template
Private and Business Confidential

PCS NAME

1 January to 31 December 2019 - For submission on or before 21 February 2020

Total direct administrative cost
£0.00

Instructions for completion

Insert the direct administrative cost incurred in relation to those activities necessary to collect WEEE from Local Authorities and other sources. These include:

- preparing bids for collection contracts
- on-going management of operational contracts including ensuring contractors are performing properly, liaising with Local Authorities and other collection point operators, addressing any day to day issues which arise
- conducting site audits of both collection sites and treatment operators to ensure that they are operating correctly
- compiling, checking and making the regular reporting submissions required to the relevant enforcement agencies

Number and weight of collections by stream

UK WEEE collection streams	Number of collections *	Weight of collections (Tonnes to 3dp)
(1) Large Household Appliances		
(2) Small Mixed WEEE		
(3) Display Equipment		
(4) Cooling Appliances Containing Refrigerants		
(5) Lamps		
(6) Photovoltaics		
Non-WEEE		
Total	0	0.000

Instructions for completion

Insert the number of collections by stream undertaken by the PCS in the specified period and the associated tonnage collected (after application of any protocols). Where one collection activity has resulted in two (or more) streams being collected, record two (or more) collections in the data. Where the PCS has undertaken non-WEEE collections for which direct administrative cost cannot be separated from the cost reported above, report the number of non-WEEE collections too.

3. PCS Fee Process Evaluation Form



Using the 2019 WEEE Compliance Fee

Feedback form

Please circle your responses:

1. Was the data (eg tonnage, costs) you were asked to supply readily available?

Not readily available

Easy to locate

1

2

3

4

5

If you have scored 3 or less, please explain:

2. Did the Compliance Fee administrators (Mazars and JTA) respond rapidly to any information requests?

Slow to respond

Quick to respond

1

2

3

4

5

If you have scored 3 or less, please explain:

3. Were the instructions for completing the data submission spreadsheet clear and unambiguous?

Ambiguous

Clear

1

2

3

4

5

If you have scored 3 or less, please explain:

4. How would you rate the professionalism of the on-site auditor?

Unprofessional

Professional

1

2

3

4

5

If you have scored 3 or less, please explain:

5. Any other comments?

Appendix 7

JTA Process for spending the Compliance Fee Fund in respect of the 2019 Compliance Period

1. The 2017 and 2018 Process

- 1.1 In both 2017 and 2018, the JTA's methodology was adopted by Government. This was notable because for both years the Fund was considerably larger than seen in previous years. To manage such a considerable fund, JTAC: appointed an Expert Adviser to oversee the process; worked with stakeholders to determine the best approach for spending the Fund; and, engaged in communication efforts to raise awareness of the Fund available. A dedicated website was been refreshed to support the new process, see www.weeeefund.uk
- 1.2 Following an initial stakeholder meeting in June 2018, JTAC and the Expert Adviser agreed with Defra a broad approach to managing spend of the Fund. The Fund has been divided into three elements: technical projects with annual calls for research; local projects covering reuse, repair and local authority support; and a communications and behaviour change programme. Separate judging panels, agreed with Defra, and with representation from across the WEEE sector have been established to agree strategic interventions and assess applications for technical and local projects. The approach adopted for communications and behaviour change was agreed with Defra and other stakeholders representing the WEEE sector and comprised of three planning stages: market research, the development of a communications and behaviour change strategy, and the development of a brief for agencies to pitch to deliver.
- 1.3 Recognising the substantial Funds accrued by the Fee in recent years and the need for a professional and standalone entity to disperse these funds, JTAC has now employed the Expert Adviser as WEEE Fund Executive Director to manage the spend of Funds accrued through the Fee. In the coming months, further staff will be directly employed by JTAC, for a minimum of three years, to ensure effective project management of the communications and behaviour change strategy and on-the-ground projects. A dedicated office space in London has been sourced for the small team. Governance is subject to a comprehensive suite of policies and procedures. These are detailed in section 4.
- 1.4 The policies and procedures are in place to ensure robust governance of JTAC including policies on anti-bribery and corruption, data protection, business conduct, security, and on handling complaints as well as those covering expenses, privacy, diversity and equality, and employment rights.

2. Progress to date

- 2.1. Technical Projects: Two calls for research proposals have been issued to date. The responses to the second call will be considered by the judging panel in October 2019. To date, six technical projects have been funded, two of which were Defra fast-tracked projects.
- 2.2 Local Projects: Following extensive discussions to determine the best way to support LAs, in August 2019 a £3m small mixed WEEE kerbside collection infrastructure fund was launched alongside a £0.5m fund for help reuse organisations build capacity and help expand their small mixed WEEE collections. The responses will be considered by the judging panel in November 2019.

2.3 Communications and Behaviour Change: Market research carried out by Ipsos MORI was used to develop a WEEE Communications and Behaviour Change Strategy, developed by expert PR and marketing consultants, Trust PR and VG Consulting. Messaging has been tested in the field and briefs issued to PR and marketing agencies who will be pitching to run the campaign at the end of September. The campaign will launch in January 2020, initially in a few target areas to test the approach, before nationwide roll out.

2.4 Funding principles for projects and research are as follows:

- All projects and applications for funding must demonstrate how it will improve the UK WEEE system. The funds are not available to meet normal operating costs or to pay for the collection or treatment of non-household WEEE.
- Keep the process as simple as possible, thereby reducing the administrative burden of making an application for funding to a reasonable and proportionate level. Low value applications should require a lower level of detail than higher value applications.
- Provide clear criteria for organisations to meet when preparing their applications, e.g. demonstrating that the application is in respect of new projects and encourages collaboration.
- All approved funds are drawn down by the applicant organisations and paid by the Administrator. Payment scheduled are agreed with the applicants. Typically, a proportion of the funds will be held back until completion of the project.
- On satisfactory completion, technical research will be made public, circulated to stakeholders and posted on the www.weeefund.uk site. Additional publicity will be considered on a case-by-case basis.
- The effectiveness of interventions is evaluated and made public following the conclusion of projects using an appropriate range of indicators.

2.5 Prospective applicants are encouraged to engage with the WEEE Fund when formulating research ideas so that potential synergies and collaborations can be identified and encouraged.

2.6 Applications for funding can be made by email using a standard template form, available via the WEEE Fund website. Applications are assessed based on their compatibility with the evaluation criteria.

3. Proposal for 2019 Fund disbursement

3.1 Should this 2019 proposal be accepted and approved by Defra, we propose:

- In recognition of the need for a higher degree of transparency on the spend of a now substantial Fund, JTAC will invite representatives of the WEEE community, to participate in a new Fund Disbursement Strategy Committee. This will be formed even in the unlikely event of a small fund due to the substantial residual left in the Fund from the use of the Compliance Fee in 2017 and 2018. Committee members will not have any oversight of the day-to-day operation of the Fee itself, thus ensuring compliance with Competition Law. The roles of the Fund

Disbursement Strategy Committee and JTAC Board are outlined in the table below. Further measures to ensure adequate transparency in the spend of the Fund are outlined in section 4.

- Should a further significant amount of Funds be accrued through the 2019 Fee, the process for determining the spend of funds will be determined independently of the JTAC Board and will be agreed through stakeholder consultation and following endorsement from the Fund Disbursement Strategy Committee and with Defra. This will provide an opportunity for a refreshed assessment of current needs of the UK WEEE system. For more modest amounts, the Funds will be used to extend the life of workstreams already underway: technical research, local projects, and communications and behaviour change. In addition, the JTA suggests that with the agreement of Defra the 2019 Fee may also be used to undertake activities that are considered beneficial in maintaining the integrity of the WEEE system, such as legal action.

The respective roles and responsibilities of the JTAC Board and the Fund Disbursement Strategy Committee.

JTAC Board	Fund Disbursement Strategy Committee
Remit	
<ul style="list-style-type: none"> Select and Appoint an Administrator to carry out the operation of the Fee and a WEEE Fund Executive Director to carry out disbursement of the Fund. Review and evaluate the performance of the Administrator and WEEE Fund Executive Director. Determine JTAC policies and provide additional fiscal oversight of the Fund through multi-stage invoice approval process Ensure that the composition, structure and capability of JTAC are appropriate for implementing agreed strategies. Provide additional sign off on payments out of the Fund in excess of £10k (two Directors must sign off before approval). 	<ul style="list-style-type: none"> To advise on the strategic direction of the WEEE Fund disbursement plan. To monitor progress against agreed goals and targets set out by the WEEE Fund Executive Director and endorsed by the Committee.
Composition	
<ul style="list-style-type: none"> Consists of senior representatives of some of the trade associations that make up the JTA. This currently includes (but is not limited to) The Lighting Industry 	<ul style="list-style-type: none"> Consists of a Chair of JTAC and representatives of the stakeholder community, including but not limited to representatives of EEE producers, WSF, WEEE recyclers, local

Association, AMDEA, BEAMA and techUK.	authorities, waste management companies and Defra.
Meetings	
<ul style="list-style-type: none"> The Board will meet as required to fulfil its remit and will meet at least every quarter. Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance. The quorum for meetings is three. 	<ul style="list-style-type: none"> The Committee will meet as required to fulfil its remit and will meet at least twice a calendar year. Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance. The quorum for meetings is three.

- The JTA recognise the importance of having credible KPIs in place and have reached out to Defra's Resources and Waste indicator team to ensure that, where it makes sense, reporting of the outcomes of projects funded through the WEEE Fund can be aligned with those used by Defra, using the same methodologies and assumptions. While KPIs will be tailored to individual projects, the WEEE Fund will consider a basket of KPIs in the first instance including avoided carbon, tonnes of WEEE recycled and tonnes of EEE reused and tonnes of WEEE prepared for reuse. For communications, pre/post-consumer awareness of electrical recycling, audience reach, and advertising spend equivalent will also be assessed where appropriate.
- Recognising the substantial funds accrued by the Fee in recent years, the nature of the work being carried out through the Fund (which requires contractual commitments that extend beyond the single Fee year), and the level of commitment required to ensure that JTAC operates as a professional, standalone entity to disperse these funds, JTAC will offer to continue to act as the disbursement entity if any other organisation is appointed operator of the 2019 Fee. Valpak were the only other applicant in 2018 to submit a proposed Fee methodology and they have agreed in principle to this proposal should they submit a methodology chosen to be implemented by DEFRA. This approach will help to improve the efficiency in the spend of the Fund, avoid the need for duplicating administrative bodies and will reduce confusion in the market. Under this arrangement, funds accrued through the use of the Fee, regardless of the operator, will be transferred to the Administrator and the WEEE Fund Executive Director will follow the process described in the proposal for disbursement. Furthermore, the disbursement entity could undertake the function of a central administrative body covering a wider scope of WEEE activities, should Defra consider this appropriate.

3.2 Applications for funding

Where further calls for funding applications are issued specifically in relation to the 2019 Fund, applications must:

- Include a commitment that non-confidential information gathered from carrying out these new projects can be published to encourage learning for all parties.

- Be signed by a Director, Head of Department, or other senior manager if more appropriate, to confirm that the information provided is correct and that there is full support to the proposed new project/initiative being put forward by the applicant organisation. Where the application is made in collaboration with partner organisations they should also confirm their support to the project by signing the application.
- Include clear measurable targets and performance indicators to ensure projects/initiatives will deliver the benefits to the UK WEEE system that are described in the application. For strategic research, the applicant must outline how the work will deliver benefits to the UK WEEE system and how it intends to communicate to stakeholders through the life of the project.
- Where applications are submitted to encourage increased volumes of separately collected household WEEE and increased recycling in line with Best Available Treatment, Recovery and Recycling Techniques (BATRRRT) requirements and legitimate re-use the form must include sufficient information to demonstrate it. Where appropriate, it should include a proposal for the fair sharing of any resulting evidence raised.
- Demonstrate that the project is a new activity, novel research or a significant expansion of an existing activity.
- Demonstrate the degree of sustainability of the project to continue to deliver benefits after the project completion.
- Demonstrate overall value for money, environmental impact and the benefits of the proposal.

3.3 Defra projects

The JTA recognise that Defra may have some specific WEEE projects for which funding may be required. The JTA would welcome the use of 2019 Fund for such projects if they contribute to the enhancement of the UK's WEEE system.

3.4 Processing and approval of applications

The JTA proposes to continue to use the appropriate judging panel(s) established for the 2018 Fund process to agree strategic interventions and assess and approve applications.

The WEEE Fund Executive Director will ensure that: all applications are checked for completeness; any points of clarification are given to potential applicants; all applications are consolidated and submitted to the appropriate judging panel for consideration; and may issue calls for research proposals, if appropriate. Costs, if any, associated with the judging panel meeting(s) will be part of the administration costs of the Fee system.

The independent judging panel(s) will assess all applications using the criteria set out above plus an assessment of factors such as environmental benefits, innovation, sustainability and value for money. The full suite of evaluation criteria is available on the WEEE Fund website.

The panel will then allocate funds, taking into account the Funds available and instruct the WEEE Fund Executive Director to implement the decisions.

The WEEE Fund Executive Director will advise each applicant whether they have been successful or not, the extent of the funds allocated to them, and agree with them the expected drawdown of funds.

The WEEE Fund Executive Director will report to Defra and stakeholders periodically as to progress of the projects and ensure stakeholders receive quarterly updates on the spend of the Fund and the level of residual funds available.

4. Potential links with other schemes dispersing funding for household WEEE improvements

This proposal sets out a standalone process. For the 2014 and 2015 Compliance Fee Fund process, with the support of Defra, the JTA and the Distributor Take-back Scheme (DTS) cooperated to create a single call for proposals as they both managed funds with very similar criteria for allocation. In the event that the DTS has funds available, JTA would again be pleased to cooperate and, if considered appropriate, act as the management entity for the DTS and the disbursement vehicle for the Funds in the interests of reducing administration work for applicant organisations and ensuring a coordinated approach to how funds generated through both the DTS and the Fee are spent. In such an event, a representative from the retail community would also be offered a seat on the Fund Disbursement Strategy Committee.

Appendix 8

Fee calculation examples

This Appendix provides examples of the Fee calculation for a PCS based on the different elements within the Fee formula.

The examples are split into three sections:

- Section A for those streams not affected by POPs treatment costs;
- Section B for those streams affected by POPS treatment costs (see 2.3.2 for further information). This is relevant because the weighted annual average cost per tonne of direct collections from LA-DCFs (k_n) and the PCS shortfall against its collection target ($t_n - c_n$), will be calculated separately for the periods January to July and August to December for those streams affected by it (Display and SMW);
- Section C provides examples of other calculations used in the Fee formula, such as the weighted average net cost per tonne of direct WEEE collections from LA DCFs (k_n) and the variable administrative cost per tonne (v_n).

Section A - For WEEE streams not affected by increased POPS treatment costs

In all examples in this section A the base UK data used is also used in the examples provided by FTI in sections A3.2 to A3.14 of Appendix 3 of the FTI report. The reference to the corresponding Fee cost per tonne calculation in the FTI report is provided where relevant. The third column provides the reference to the relevant part of the Fee formula:

Total household WEEE collection target for all PCS (t)	20,000	T_n
Total household WEEE collections of all PCS (t)	18,000	C_n
Proportion of UK total WEEE collections from LA-DCF's	70%	a
Weighted annual average net cost/tonne of direct collections from LA-DCFs (£/t)	£50	k_n
Weighted annual average net cost/tonne of other WEEE source collections (£/t)	£30	Used in calc of d
Weighted annual average cost/tonne of PBS WEEE collections (£/t)	£65	r_n
LA-DCF collection cost compared to the cost of collections from other WEEE sources (ratio)	1.67	d
Variable administrative cost per tonne	£3.50	v_n

The PCS data used in the examples will be varied to show the effect of the different elements of the Fee calculation. The core data used in each case will be:

PCS collection target (t)	t_n
PCS actual collections (t)	c_n
PCS actual collections from LA DCF's (t)	l_n
2019 voluntary PBS membership status	m_n

Base example 1 shows the relevant part of the formula within the Fee calculation and the high-level pictorial diagram to aid understanding. This will not be repeated in the remaining examples. In examples 1a and 1b, one element of the PCS data is amended from that used in base example 1 to show the impact on the Fee calculation – the element changed will be shown in red. In example 1c, the PCS data remains unchanged from example 1 however the national collections of all PCSs changes to demonstrate the impact of the Surplus escalator.

Example 1

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	2,500	l_n
2019 voluntary PBS membership status	Member	m_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target ($t_n - c_n$)

$$5,000 - 3,000 = \mathbf{2,000}$$

The PCS has a shortfall against its collection target.

b. Calculate the Escalator applicable to the PCS

Escalator applicable to PCS	=	Base escalator (Normal or Surplus)	+	WEEE Source Adjustment Premium	+	Non-PBS Participant Uplift
%		See section 2.3.4 %		P_n See section 2.3.6 %		u_n See section 2.3.5 %

i) Calculation of the Base Escalator

Calculate which national escalator applies for the stream, the Normal or Surplus. In this example UK WEEE collections (C_n) are below the UK WEEE collection target (T_n) so the Normal escalator is used.

Calculate if a collection shortfall factor needs to be applied to the Normal escalator:

$$\frac{C_n}{T_n}$$

$$18,000/20,000 = \mathbf{0.9} \text{ (or 10\% below target)}$$

UK WEEE collections are more than 1.5% below the UK collections target so a collection shortfall factor is applicable.

The Base escalator calculation is therefore:

$$1 + \left(\frac{C_n}{T_n}\right) \times \left(\frac{t_n - c_n}{t_n}\right)^2$$

$$1 + 0.9 \times ((5,000 - 3,000) \div 5,000)^2 = \mathbf{1.144}$$

ii) Calculate if the PCS is required to pay a WEEE Source Adjustment Premium

$$p_n = d * \left(a - \frac{l_n + s_n}{t_n}\right)$$

The calculation within the brackets is undertaken first to establish if the PCS needs to pay a WEEE source adjustment premium

$$0.7 - ((2,500 + 2,000) \div 5,000) = - 0.2$$

The WEEE Source Adjustment Premium will be **0.000** for this PCS because the resulting calculation is negative and the WEEE Source Adjustment Premium cannot reduce the Base escalator.

iii) Calculation of the non-PBS participant uplift

The non-PBS participation uplift for this PCS would be **0.000** because the PCS was a member of the PBS in 2019

The total Escalator applicable to the PBS is:

$$\mathbf{1.144 + 0.000 + 0.000 = 1.144}$$

c. Calculate Fee payable by PCS

Compliance Fee payable	=	PCS evidence shortfall v target for the period	x	Weighted average net cost per tonne of direct WEEE collections from LA DCF's for the period	x	Escalator applicable to PCS	+	Total variable administrative cost
£		$t_n - c_n$ (Tonnes)		k_n See section 2.3.2 (£/t)		(see below) %		v_n See section 2.3.8 (£)

$$\mathbf{2,000 \times ((£50 \times 1.144) + £3.50) = £121,400}$$

This equates to £60.70 per tonne and corresponds to the assumptions used in example A3.5 in Appendix 3 of the FTI report.

Example 1a

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	2,500	l_n
2019 voluntary PBS membership status	Non-Member	m_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target

Unchanged from example 1 - **2,000**

b. Calculate the Escalator applicable to the PCS

i) Calculation of the Base Escalator

Unchanged from example 1 - **1.144**

ii) Calculate if the PCS is required to pay a WEEE Source Adjustment Premium

Unchanged from example 1 - **0.000**

iii) Calculation of the non-PBS participant uplift

A non-PBS participation uplift is applicable for this PCS because the PCS was not a member of the PBS in 2019. m_n is therefore set to 1.

$$\frac{7}{12} \times m_n \times \left(\frac{r_n}{k_n} - 1 \right)$$

The calculation is:

$$7 \div 12 \times 1 \times (\pounds 65 \div \pounds 50 - 1) = \mathbf{0.175}$$

The total Escalator applicable to the PBS is:

$$\mathbf{1.144 + 0.000 + 0.175 = 1.319}$$

c. Calculate Fee payable by PCS (Section 2.2)

$$\mathbf{2,000 \times ((\pounds 50 \times 1.319) + \pounds 3.50) = \pounds 138,900}$$

This equates to £69.45 per tonne. Example 3.13 in the FTI report also includes a WEEE source adjustment premium, if this was removed it would also produce a Fee of £69.45 per tonne.

Example 1b

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	1,000	l_n
2019 voluntary PBS membership status	Member	m_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target

Unchanged from example 1 - **2,000**

b. Calculate the Escalator applicable to the PCS (Figure 2, Section 2.2)

i) Calculation of the Base Escalator

Unchanged from example 1 - **1.144**

ii) Calculate if the PCS is required to pay a WEEE Source Adjustment Premium

$$0.7 - ((1,000 + 2,000) \div 5,000) = 0.2$$

A WEEE Source Adjustment Premium is payable by this PCS because the resulting calculation is positive. The combination of the PCS LA-DCF collections l_n and the tonnes for which a Fee will be paid s_n result in a ratio that is lower than the national percentage of collections from LA DCF's.

The calculation is:

$$(50/30-1) * (0.7 - (1,000 + 2,000)/5,000) = \mathbf{0.070} \text{ (rounded to 2dp)}$$

iii) Calculation of the non-PBS participant uplift

Unchanged from example 1 - **0.000**

The total Escalator applicable to the PBS is:

$$\mathbf{1.144 + 0.070 + 0.000 = 1.214}$$

c. Calculate Fee payable by PCS (Figure 1, Section 2.2)

$$\mathbf{2,000 \times ((£50 \times 1.214) + £3.50) = £128,400}$$

This equates to £64.20 per tonne. Example 3.13 in the FTI report also includes a non-PBS participant uplift, if this was removed it would also produce a Fee of £64.20 per tonne.

Example 1c

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	1,000	l_n
2019 voluntary PBS membership status	Member	m_n

The PCS data is unchanged from example 1 but the total household WEEE collections of all PCSs (c_n) is changed to **22,000** tonnes.

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target

Unchanged from example 1 - **2,000**

b. Calculate the Escalator applicable to the PCS

i) Calculation of the Base Escalator

Calculate which national escalator applies for the stream, the Normal or Surplus. In this example UK WEEE collections (c_n) are above the UK WEEE collection target (T_n) so the Surplus escalator is used.

The Base escalator calculation is therefore:

$$\left(\frac{c_n}{T_n} + 2 \times \left(\frac{t_n - c_n}{t_n} \right)^2 \right)$$

$$22,000 \div 20,000 + 2 \times ((5,000 - 3,000) \div 5,000)^2 = \mathbf{1.420}$$

ii) Calculate if the PCS is required to pay a WEEE Source Adjustment Premium

Unchanged from example 1 - **0.000**

iii) Calculation of the non-PBS participant uplift

Unchanged from example 1 - **0.000**

The total Escalator applicable to the PBS is:

$$\mathbf{1.420} + \mathbf{0.000} + \mathbf{0.000} = \mathbf{1.420}$$

c. Calculate Fee payable by PCS (Figure 1, Section 2.2)

$$\mathbf{2,000} \times ((£50 \times \mathbf{1.420}) + £3.50) = \mathbf{£149,000}$$

This equates to £74.50 per tonne and corresponds to the assumptions used in example A3.7 in Appendix 3 of the FTI report.

Section B - For WEEE streams affected by increased POPS treatment costs (Display and SMW)

For these streams two separate Fee calculations are required, for the periods January to July and August to December, which will be aggregated to calculate an annual Fee. In all examples in this section B the base UK data used is also used in the examples provided by FTI in sections A3.15 to A3.34 of Appendix 3 of the FTI report. The reference to the corresponding Fee cost per tonne calculation in the FTI report is provided where relevant. The third column provides the reference to the relevant part of the Fee formula:

Total WEEE collection target for all PCS (t)	24,000	T_n
Total WEEE collections of all PCS (t)	24,000	C_n
Proportion of UK total WEEE collections from LA-DCF's (ratio)	0.70	a
Weighted average cost/tonne of direct collections from LA-DCF's January to July (£/t)	£50	k_n
Weighted annual average cost/tonne of direct collections from LA-DCF's August to December (£/t)	£80	k_n
Weighted annual average cost/tonne of other WEEE source collections (£/t)	£40	Used in calc of d
Weighted annual average cost/tonne PBS WEEE collections (£/t)	£65	r_n
LA-DCF collection cost compared to the cost of collections from other WEEE sources (ratio)	1.25	d
Weighted annual average cost/tonne of variable administrative overheads	£3.50	v_n

The core PCS data used is shown below, with the information required shown in red:

PCS collection target (t)	t_n
PCS actual collections January to July (t)	c_n
PCS actual collections August to December (t)	c_n
PCS actual collections from LA DCF's (t)	l_n
2019 voluntary PBS membership status	m_n

As for the examples in section A, in examples 2a to 2c one element of the PCS data is amended from that used in base example 2 to show the impact on the Fee calculation – the element changed will be shown in red.

Example 2

PCS data:

PCS collection target (t)	6,000	t_n
PCS actual collections January to July (t)	2,000	c_n
PCS actual collections August to December (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	3,500	l_n
2019 voluntary PBS membership status	Member	m_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target

$$6,000 - 5,000 = 1,000$$

The PCS has a shortfall against its collection target and as this stream is affected by POPS the shortfall calculation needs to be apportioned between January to July and August to December:

January to July

$$(6,000 \times 7 \div 12) - 2,000 = 1,500$$

August to December

$$(6,000 \times 5 \div 12) - 3,000 = - 500$$

All of the annual shortfall arose in the January to July period.

b. Calculate the Escalator applicable to the PCS

i) Calculation of the Base Escalator

Calculate which national escalator applies for the stream, the Normal or Surplus. In this example UK WEEE collections (C_n) have met the UK WEEE collection target (T_n) so the Normal escalator applies. A collection shortfall factor is not required because the target has been achieved. The Base escalator calculation, which is based on full year data, is therefore:

$$1 + 1.0 \times ((6,000 - 5,000) \div 6,000)^2 = 1.0278 \text{ (rounded)}$$

ii) Calculate if the PCS is required to pay a WEEE source adjustment premium

The calculation within the brackets is undertaken first to establish if the PCS needs to pay a WEEE source adjustment premium:

$$0.7 - ((3,500 + 1,000) \div 6,000) = - 0.05$$

A WEEE source adjustment premium, which is a full year calculation, is not required because the resulting calculation is negative and it cannot reduce the effect of the escalator.

The WEEE source adjustment premium is therefore 0.000

iii) Calculation of the non-PBS participant uplift

The non-PBS participation uplift for **this** PCS would be **0.000** because the PCS was a member of the PBS in 2019

The total Escalator applicable to the PBS is therefore:

$$1.278 + 0.000 + 0.000 = 1.0278$$

c. Calculate Fee payable by PCS (Section 2.2)

The Fee payable by the PCS needs to be calculated for the periods January to July and August to December. The weighted average annual cost/tonne of variable administrative cost (v_n) is used in both calculations.

The Fee calculation is therefore:

January to July:

$$1,000 \times ((£50 \times 1.0278) + £3.50) = £54,890$$

August to December:

$$0 \times ((£80 \times 1.083) + £3.50) = £0$$

$$\text{Total Fee payable by PCS: } £57,650 + £0 = £54,890$$

This equates to £54.89 per tonne and corresponds to the assumptions used in example A3.18 in Appendix 3 of the FTI report.

Example 2a

PCS data:

PCS collection target (t)	6,000	t_n
PCS actual collections January to July (t)	4,000	c_n
PCS actual collections August to December (t)	1,000	c_n
PCS actual collections from LA DCF's (t)	3,500	l_n
2019 voluntary PBS membership status	Member	u_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target

The total shortfall is unchanged from example **1,000**.

The PCS has a shortfall against its collection target and as this stream is affected by POPS the shortfall calculation needs to be apportioned between January to July and August to December:

January to July

$$(6,000 \times 7 \div 12) - 4,000 = - 500$$

August to December

$$(6,000 \times 5 \div 12) - 1,000 = \mathbf{1,500}$$

All of the annual shortfall arose in the August to December period.

a. Calculate the Escalator applicable to the PCS

i) Calculation of the Base Escalator

Unchanged from example 1 - **1.0278**

ii) Calculate if the PCS is required to pay a WEEE source adjustment premium

Unchanged from example 1 - **0.000**

iii) Calculation of the non-PBS participant uplift

Unchanged from example 1 - **0.000**

The total Escalator applicable to the PBS is therefore:

$$\mathbf{1.0278} + \mathbf{0.000} + \mathbf{0.000} = \mathbf{1.0278}$$

b. Calculate Fee payable by PCS

The Fee payable by the PCS needs to be calculated for the periods January to July and August to December. The weighted average annual cost/tonne of variable administrative cost (v_n) is used in both calculations.

The Fee calculation is therefore:

January to July:

$$\mathbf{0} \times ((£50 \times \mathbf{1.0278}) + £3.50) = \mathbf{£0}$$

August to December:

$$\mathbf{1,000} \times ((£80 \times \mathbf{1.0278}) + £3.50) = \mathbf{£85,724}$$

$$\text{Total Fee payable by PCS: } £0 + £85,740 = \mathbf{£85,724}$$

This equates to £85.72 per tonne (rounded) and corresponds to the assumptions used in example A3.18 in Appendix 3 of the FTI report.

Example 2b

PCS data:

PCS collection target (t)	6,000	t_n
PCS actual collections January to July (t)	3,100	c_n
PCS actual collections August to December (t)	1,900	c_n
PCS actual collections from LA DCF's (t)	3,000	l_n
2019 voluntary PBS membership status	Member	u_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its target

The total shortfall is unchanged from example **1,000**.

The PCS has a shortfall against its collection target and as this stream is affected by POPS the shortfall calculation needs to be apportioned between January to July and August to December:

January to July

$$(6,000 \times 7 \div 12) - 3,100 = \mathbf{400}$$

August to December

$$(6,000 \times 5 \div 12) - 1,900 = \mathbf{600}$$

There was a shortfall in both periods (January to July and August to December).

b. Calculate the Escalator applicable to the PC

i) Calculation of the Base Escalator

Unchanged from example 1 - **1.0278**

ii) Calculate if the PCS is required to pay a WEEE source adjustment premium

Unchanged from example 1 - **0.000**

iii) Calculation of the non-PBS participant uplift

Unchanged from example 1 - **0.000**

The total Escalator applicable to the PBS is therefore:

$$\mathbf{1.0278 + 0.000 + 0.000 = 1.0278}$$

c. Calculate Fee payable by PCS

The Fee payable by the PCS needs to be calculated for the periods January to July and August to December. The weighted average annual cost/tonne of variable administrative cost (v_n) is used in both calculations.

The Fee calculation is therefore:

January to July:

$$400 \times ((£50 \times 1.0278) + £3.50) = £21,956$$

August to December:

$$600 \times ((£80 \times 1.0278) + £3.50) = £51,434$$

$$\text{Total Fee payable by PCS: } £21,956 + £51,434 = £73,390$$

This equates to £73.39 per tonne (rounded) and corresponds to the assumptions used in example A3.22 in Appendix 3 of the FTI report.

Section C – Examples of other calculations used in the Fee formula

1. Weighted average net cost per tonne of direct WEEE collections from LA DCFs (k_n)

In this example 3 PCSs are providing cost and collection data to the Administrator (in section 2 of the draft template provided in Appendix 6):

PCS	Tonnage collected (section 2a)	Net cost (section 2d)
PCS 1	1,000	£30,000
PCS 2	1,250	£55,000
PCS 3	750	£65,000
Total	3,000	£150,000

A

B

Weighted average net cost per tonne of direct WEEE collections from LA DCF's

$$= £150,000 \div 3,000 = \text{£50.00 per tonne}$$

2. Variable administrative cost (v_n)

In this example 2 PCSs are providing cost and collection data to Anthesis (in the draft template provided in Appendix 6):

Stream	PCS 1		PCS 2		Total		Admin cost/tonne
	No. of collections	Weight of collections	No. of collections	Weight of collections	No. of collections	Weight of collections	
	A1	A2	B1	B2	A1 + A2 = A3	B1 + B2 = B3	A3 x D / B3
LHA	100	7	-		100	7	£7.14
SMW	75,000	750	-		75,000	750	£50.00
Display	5,000	150	7,500	263	12,500	413	£15.13
Cooling	20,000	1,400	-		20,000	1,400	£7.14
Lamps	1,000	2	-		1,000	2	£250.00
PV Panels		-	100	2	100	2	£25.00
Non-WEEE	100	3	-		100	3	
Total	101,200	2,312	7,600	265	108,800	2,577	

	PCS 1	PCS 2	Total
Admin Cost	£50,000	£4,000	£54,000

C

$$\text{Admin Cost/Collection (C} \div \text{A)} = £54,000 \div 108,800 = £0.50 \text{ (rounded) D}$$

3. Weighted annual average net cost/tonne of other WEEE source collections

In this example 3 PCSs are providing cost and collection data to the Administrator (in section 3 of the draft template provided in Appendix 6):

PCS	Tonnage of WEEE from all other sources (section 3a)	Net cost of WEEE from all other sources (section 3b)
PCS 1	2,000	£55,000
PCS 2	1,150	£35,000
PCS 3	850	£30,000
Total	4,000	£120,000

Weighted average net cost per tonne of other WEEE source collections

= £120,000 ÷ 4,000 = **£30.00** per tonne