

Proposal to the Department for Environment,  
Food and Rural Affairs (Defra)

# Proposal for the Operation of a WEEE Compliance Fee for 2022

**Presented by Valpak Limited**

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# 1. Executive Summary

## Overview

**Valpak has been the operator of a WEEE compliance scheme since 2007 and has operated within the UK's WEEE producer responsibility regime that has featured a compliance fee mechanism since 2014. We have used our knowledge and experience to produce this proposal for the operation of a WEEE compliance fee for the 2022 compliance year.**

Valpak's proposal has been developed in response to Defra's published guidance for proposed compliance fee methodologies. This proposal sets out how Valpak's methodology reflects the recurring requirements found within Defra's 2022 guidance document for WEEE compliance fee proposals and how Valpak proposes for the fee escalators within the proposed methodology to be adjusted to account for the cost-of-living crisis.

**The compliance fee is an essential component of the UK's producer responsibility regime for WEEE.** Its retention within the system for 2022 will provide critical continuity to the regime. To this end, the selected WEEE compliance fee methodology for 2022 must reinforce important signals to operators, namely that the fee is a mechanism intended to:

- Encourage producer compliance schemes (PCSs) to meet their collection targets by making arrangements for the physical collection of WEEE
- Enable PCSs not able to fully meet their target(s) to instead pay fees that contribute to valuable projects aimed at improving the WEEE system for the future, without jeopardising their approval to operate in future compliance years
- Prevent the potential of over-collecting PCSs charging excessive costs for evidence to under-collecting PCSs
- Prevent producers being charged excessively for continuing access to WEEE material
- Increase the value of re-use operations within the WEEE system by placing a premium on re-use WEEE evidence per stream

With these objectives in mind, Valpak's proposed methodology for the operation of a WEEE compliance fee in 2022 is designed to:

1. Minimise the perception that the per cost of the compliance fee is lower than the cost of arranging the actual collection of WEEE
2. Support the government in continuing to improve the UK's producer responsibility system for WEEE, achieving the dual objectives of:
  - a. Discouraging PCSs from attempting to set excessive charges for evidence to other schemes by over collecting WEEE
  - b. Encouraging PCSs to take all reasonable steps to meet their own targets through actual WEEE collections, without using the compliance fee

3. Provide a fair mechanism to all operators, regardless of their circumstances of excess or deficit in respect of material stream collections
4. Ensure the confidentiality of sensitive compliance scheme information through using a respected, independent third party as the administrator of the compliance fee collection process and having the activities of this administrator overseen by an independent auditor
5. Facilitate competition in the market to minimise costs to producers, whilst also assisting those producers considering changing their compliance scheme by increasing the ability of schemes to recruit additional members without introducing the disincentive of excessive compliance costs.

Valpak believes that the original economic rationale for the general concept of a compliance fee mechanism, as set out in previous proposals, is comprehensive and remains largely valid for 2022.

Our proposal is supported by an economic rationale (section 4.1) that outlines our analysis of the likely impacts of our fee proposal on the stability of the household WEEE collection system.

## Valpak's Methodology for the Calculation of the Fee

If selected, the methodology proposed in this paper would be used to calculate individual compliance fee amounts for each compliance scheme wishing to use the fee. Stream specific fees would be calculated from a combination of four elements:

1. **A base cost per tonne** calculated from the weighted average collection and treatment costs of Local Authority (LA) collections of all PCSs using the fee, including PBS collections. Schemes not participating in the fee can submit data if they wish.
2. **A fee escalator** designed to ensure the impact on PCSs requiring the use of the compliance fee for a certain tonnage is dependent on a **PCS's shortfall relative to its individual stream target** (other factors being equal). This approach would see a PCS pay a greater fee the more significant their shortfall is compared to their target for a particular stream.
3. An **additional escalator** dependent on the percentage of **collections a scheme makes via Local Authority (LA) sites compared with its market share of the national total** of WEEE collections from Local Authorities. This approach would incentivise PCSs to seek and encourage Local Authority WEEE collections, rather than being reliant on purchased evidence.
  - a. We have proposed to reduce the potential degree of escalation this element of our proposed methodology could have on fees payable by half this year, to account for the cost-of-living crisis and allow for the addition of a further escalator pertaining to re-use evidence. We have not removed this escalator

entirely as we believe PCSs should be encouraged to undertake LA-DCF collections.

4. A further **additional escalator** applied depending on the **percentage of re-use evidence a scheme collects compared to the national average** of re-use evidence percentage per stream.
  - a. We have proposed to cap the degree of escalation this element of our proposed methodology could have on fees payable at 5%. This will ensure PCSs using the fee are encouraged to seek and encourage investment in WEEE re-use, whilst not making the escalation factor overly punitive for affected PCSs in the first year such an escalator would be installed within the fee methodology. We have included this escalator as we believe re-use will be a strategic priority of government during the upcoming reform consultation, and that, given it is higher up the waste hierarchy than recycling, re-use represents a better environmental outcome for the material.
  
5. A **standard amount per tonne to reflect the direct operational management costs** incurred by schemes, costs which would be avoided by schemes using the fee if these were not reflected in the fee (avoided transactional cost).
  - a. Differing from previous Valpak proposals, we propose these costs be set at either **£3.00 per tonne, or 1% of the weighted average net cost of collection for that stream, whichever is higher** (value  $d$  in the formula). We believe these figures are broadly representative of the costs of, for example, contract and account management, reporting and site auditing. Other scheme overheads are excluded from this figure.

We propose that a **zero-fee for the LDA stream** is incorporated into the compliance fee methodology in 2022, as has been the case each year since 2017. This is because, as in previous years, we believe that it is likely that a high level of LDA collection activity continues to occur outside the official system. The direct operational management cost will still be charged for the LDA stream however, because this would be incurred internally by schemes in managing collection contracts even if the net external cost was zero.

There will also be a **£2,500 participation fee** for each PCS wishing to use the compliance fee. This fee will act as a contribution towards audit and administration costs.

## **Additional Features of the Valpak Methodology**

1. PCSs wishing to utilize the compliance fee would be required to provide their actual direct collection and treatment cost data (by stream) within their application to the proposed **independent fee administrator**. The administrator will use detailed data provided by schemes to calculate the weighted average cost per stream. This will

form the base cost for calculating individual compliance fees. The administrator will administer the compliance fee process under strict confidentiality provisions.

- a. Any PCSs not utilizing the fee but wishing to submit cost information voluntarily would be free to do so. This would enable the cost calculations underpinning the fee to be more robust.
2. In the unlikely event of there being an application to use the fee for 2022 in a stream where there is no 2022 actual collection cost data available, cost data from 2021 will be used for the relevant stream.

## Administration of the Fee

**If selected, Valpak propose that the administration of 2022 compliance fee be undertaken by Anthesis (UK) Ltd.**

Anthesis are a well-respected independent consultancy who have a proven track record of operating in various capacities within the WEEE system for some time, including operating the Producer Balancing System (PBS) and conducting various WEEE research studies for Defra and others.

The key elements of Anthesis' role in the administration of the fee would be to:

- Communicate and publicise the compliance fee process to all approved WEEE compliance schemes
- Process and validate applications from PCSs that wish to use the fee
- Collect actual cost information from PCSs
- Undertake independent audit checks to verify that the data received is accurate
- Undertake data analysis, calculate fees and escalator factors
- Notify those PCSs that have applied to use the fee of the total compliance fee for each stream, and issue requests for payment as appropriate
- Once all payments have been received, issue PCSs with a confirmation letter for their Declaration of Compliance
- Send a summary to each Environment Agency setting out which schemes have used the compliance fee and the tonnes and streams concerned
- Disperse funds received as a result of the compliance fee to the recipients chosen by Defra to support Local Authority WEEE activities and other WEEE projects

Anthesis' proposal presenting their credentials and approach is included in Appendix I.

Further, we propose that **Oakdene Hollins Ltd be appointed to provide independent oversight and verification of the compliance fee administration activities to be undertaken by Anthesis.**

Oakdene Hollins are another well-respected independent consultancy, and we believe their WEEE sector-specific experience will **provide stakeholders additional assurance of the proper administration of the WEEE compliance fee process.** A letter outlining

the terms of engagement between Anthesis and Oakdene Hollins is included in Appendix II.

## Dispersal of Funds

Should Valpak's compliance fee methodology proposal be selected, Anthesis would set up a separate bank account to receive fees payable by PCSs. Once all the transfers have been received, the net balance (i.e. minus any applicable administration fees) would be transferred to the existing Material Focus programme, who will manage the dispersal of funds. This **process will ensure that Valpak has no role, visibility or influence whatsoever over any funds raised via the compliance fee mechanism.**

The **funds raised from the compliance fee would be added to the existing funds of Material Focus** to fund projects, technical research, communication campaigns, and behaviour change activities which aim to increase the collection and treatment of WEEE. This approach has been previously agreed in principle by Defra and will help to improve the efficiency of the spending of the fees raised by the mechanism over time; avoiding the need for duplicating administrative bodies which would otherwise introduce confusion in the market.

Under this arrangement, funds accrued under the compliance fee, regardless of the operator, will be transferred to Material Focus who will provide continued fund disbursement services.

## Points for Further Consideration

Valpak continually seeks to recommend positive ways in which the operation of the WEEE regulations could be improved to make the producer responsibility regime more efficient and effective. We would like to recommend Defra consider the following:

- We believe that **there is merit in adopting a consistent Compliance Fee methodology for several consecutive years, to provide medium-term stability to the system.** Provided any chosen methodology is effective, this approach could significantly improve circumstances for Local Authorities wishing to have more stable and reliable collection arrangements. This should be considered in the light of experiences of operating the fee in recent years. In adopting a more consistent approach, there should also be flexibility for updates or changes based on changing market conditions each year, which could then be consulted on should such action be required. This is especially pertinent to the situation in 2022.
- We would like to suggest that Defra continue to work closely with Material Focus and consult with the wider WEEE supply chain regarding how the funds collected through the operation of the compliance fee be spent in the best interests of the entire industry.

- We believe that the Compliance Fee is a very useful tool for the WEEE system and can be utilized and adapted in tandem with any WEEE system reform over the coming years. We have added our WEEE re-use escalator to this year's methodology partly due to the expectation that WEEE re-use will become a strategic focus of WEEE system reform in the future, but also because it appears fair and appropriate to place a premium on WEEE re-use evidence, not least due to the fact re-use is higher up the waste hierarchy than recycling. In the future, this premium for re-use evidence could be encouraged with an 'of which' target, in a manner like the glass remelt target within the packaging producer responsibility compliance system.
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## 2. Introduction

The WEEE regulations make provision for the Secretary of State to allow Producer Compliance Schemes (PCSs) to achieve compliance with their WEEE collection targets by paying a Compliance Fee as an alternative to providing evidence of WEEE collection and treatment. Paying the compliance fee does not jeopardize a PCSs ability to operate in future compliance years.

Stakeholders have been invited to make proposals for the operation and methodology of the fee to the Secretary of State in each compliance year since 2014. The Secretary of State may then approve only one methodology and has typically announced the successful proposal following the end of the relevant compliance year.

Valpak has been in operation since 1997. We are the largest and most broadly based operator of producer compliance schemes in the UK, offering compliance schemes covering the packaging, WEEE and batteries producer responsibility regimes as well as of other related services to members and non-members including environmental consultancy, comprehensive data collection and analysis, international environmental compliance, and direct material recycling services for all waste streams, including WEEE.

**Valpak is widely recognised for its expertise in the producer responsibility sector and has a track record for developing a number of recommendations for improvements to the UK's existing producer responsibility regimes, working closely with members, regulators and government to develop effective solutions for both current and future systems. We have used our expertise to develop this proposal for the methodology of a WEEE compliance fee for 2022, which we believe effectively meets both the regulatory requirements and Government guidance, as well as appropriately acknowledging the current state of the WEEE sector.**

Valpak's proposed methodology for compliance fee in 2022 builds upon key elements of our proposed methodology that was accepted by Defra for the 2016 compliance year, as well as the fee methodologies we proposed in 2017, 2018, 2019, 2020 and 2021.

We have included worked examples in sections 4.5 and 4.6 to show how the methodology operates in practice under different scenarios.

If this methodology is accepted by Defra, we propose that **Anthesis** (UK) Ltd. ("Anthesis") are appointed as the independent compliance fee administrator. Anthesis are a well-respected independent consultancy who have a proven track record of operating in various capacities in the WEEE system for some time, including operating the Producer Balancing System (PBS) and conducting various WEEE research studies for Defra and others. Anthesis have demonstrated extensive expertise and a capability to perform the required role whilst ensuring the high degrees of confidentiality necessary – see Appendix I for more information.

Further, we propose that **Oakdene Hollins** Ltd be appointed to provide independent oversight and verification of the compliance fee administration activities to be undertaken by Anthesis. Oakdene Hollins are another well-respected independent consultancy, and we believe their WEEE sector-specific experience will provide stakeholders additional assurance of the proper administration of the WEEE compliance fee process. A letter outlining the terms of engagement between Anthesis and Oakdene Hollins is included in Appendix II.

### 3. Objectives of the Compliance Fee

Whilst the WEEE regulations and associated Defra guidance are not prescriptive on the details of the WEEE compliance fee and the methodology underpinning it, they do establish several requirements for those stakeholders seeking to submit proposals for the methodology of the compliance fee mechanism:

1. The WEEE compliance fee should **discourage PCSs from collecting WEEE significantly above their own targets and then seeking to sell that surplus at excessive prices to PCSs that are short of their target** amount in any category for which they have an obligation
2. Proposed methodologies should take into account the different costs associated with the collection, treatment, recovery and environmentally sound disposal of each of the WEEE streams distinguished in the regulations
3. The compliance fee should be **set at a level which encourages schemes to take all reasonable steps to meet their collection target without recourse to the compliance fee**
4. The fee is payable on the tonnage for which a scheme is responsible, but which has not been achieved through its own collections from DCFs, regulation 34, 43, 50 or 52 returns, or through arrangements with third parties.

In addition to meeting the above requirements, we understand that any proposed methodology for the WEEE compliance fee should:

1. Operate with minimum involvement from government or the environment agencies
2. Provide assurances that any exchange of **scheme specific cost information is treated as confidential by the administrators of the fee** and not disclosed to other schemes or third parties not authorised to access it
3. Be **fair to all operators**, regardless of their market size or circumstances in respect of an excess or deficit in collections in material streams
4. Assist with producer mobility and competition between PCSs by reducing some of the barriers which have made this difficult in the past. This should improve choice and service, and minimise costs for producers
5. Include details of how fees will be administered and arrangements for the governance and disbursement of funds to suitable projects

## 4. Methodology for the Calculation of the Fee

This section outlines how, using the methodology we are proposing, compliance fees would be calculated for PCSs for each WEEE stream. This document does not include actual fees, as it is not possible to calculate them until after the end of the relevant compliance year to which the methodology will apply, at which point information on actual tonnages and PCS costs can be obtained.

The methodology is supplemented by worked examples of the fee calculation and how it would apply in a range of scenarios. These are outlined in section 4.6.

### 4.1 Economic Rationale

#### Background

A WEEE compliance fee has been enabled under the WEEE regulations since 2014. The methodologies chosen by Defra for 2014, 2015, 2017, 2018, 2019, 2020 and 2021 were based upon proposals submitted by the Joint Trade Associations (JTA). For 2016, the adopted methodology chosen by Defra was based upon the proposal submitted by Valpak.

Valpak believe the **original basic economic rationale for the general concept of a compliance fee, as set out by the JTA in 2014 and 2015 (accessible [here](#)), is comprehensive and remains largely valid in 2022**. In the years Valpak has submitted a proposal for the methodology of a compliance fee, we have based our proposals on this analysis, and whilst the government's guidance referred to in the paper's section 5.4 has been amended by Defra in subsequent years, it remains largely similar to current compliance fee guidance.

In our view, the analysis presented within the JTA's paper clearly demonstrates a number of salient principles, which we have used as the basis for our compliance fee methodology proposals in previous years, not least to avoid radical change and contribute towards the government's objective of improving the stability of the WEEE system, and we believe they remain valid today. Those principles are:

- 1. Retaining a compliance fee is an essential feature of the current UK WEEE system. Its retention will provide critical continuity and reinforce important signals to operators**, namely that it is a mechanism intended to:
  - a.** Prevent the potential for excessive costs to be charged by PCSs which over collect
  - b.** Prevent producers being charged excessively for continuing access to WEEE material
  - c.** Encourage PCSs to meet their collection targets, whilst at the same time providing a mechanism whereby schemes that are not able fully to meet their target can instead pay a sum to contribute to valuable projects to improve the system for the future, without jeopardising their approval for further compliance years.

2. The level of **fee should be differentiated by material collection stream** because the costs and tonnages involved in each stream are significantly different.
3. Fees should be **based on actual collection and treatment cost information** provided to an independent administrator by all PCSs wishing to use the fee, as well as those wishing to submit data on a voluntary basis.
4. The basic fee should be **escalated by a continuous and gradually rising factor** so that schemes which are significantly below their target and need to use the fee for a significant tonnage pay a higher figure per tonne than those which require the use of the fee for a smaller degree of shortfall relative to their target. This increases the incentive on schemes to meet their collection targets without using the compliance fee.
5. **There are benefits in retaining a degree of consistency in fee methodologies from year to year.** Adjustments should be made to respond to changing market circumstances, but these should not be too abrupt as to lead to instability in the system.
6. **Strict data confidentiality should be maintained** throughout the process.

Valpak's proposed compliance fee methodology for 2022 remains largely consistent to those we have proposed in previous years. In the following sub-section, we have outlined how our assessment of the WEEE market in 2022 has led to the conclusion that many of the core aspects of our proposals from years previous should be largely retained.

In our view, adopting Valpak's methodology for 2022 will continue to improve the stability of the WEEE system over both the short and medium term. It is also crucial that the compliance fee is set at levels which reflect, as far as is practicable:

1. That any PCSs that have collected above their target have an incentive to make surplus collections available to other schemes that are short in their own collections at realistic, but not punitive rates
2. That there should not be an excessive fee imposed on PCSs that have made reasonable efforts to collect but been unable to meet their target because national collection rates were below target requirements.

**If set too low** the compliance fee may inadvertently encourage under collecting schemes to overly rely on it to comply, rather than taking steps to collect WEEE or make arrangements with other schemes that have surpluses. There would also be the potential for schemes that have inadvertently collected more than they require to be burdened with unrecoverable costs for doing the right thing by collecting WEEE in a market that may end the compliance period in overall deficit.

**Conversely, if set too high** the compliance fee can provide an opportunity for excessive charging by schemes which over collect as they attempt to recover far more than the real cost of collection and treatment.

## 2022 WEEE Market Developments

2021, as with most years, was a challenging year for the WEEE system regarding targets. However, after 2020, collections rose by 7% in total and this collection recovery to almost pre-pandemic levels was certainly positive. The final impact was **2021 WEEE collections were achieved for some streams but fell short for other streams. This was reflected in the optimistic collections targets set for 2022 by Defra.**

In 2022 there have been no Covid restrictions in place that have affected the national WEEE collection and infrastructure network. However, there have been other events that have impacted the collection of WEEE including industrial action, rising fuel and energy costs, inflation, and the effects of the cost-of-living crisis on consumer spending habits, which is likely to have a knock-on effect on subsequent waste arising for recycling.

These events and market dynamics appear unlikely to subside across the remainder of 2022, with most of them likely to worsen in the short term. As such, we feel that it is clear that **WEEE collection volumes to date in 2022 across all streams suggest that the UK is unlikely to meet its stream specific targets for most streams.**

Table 1 below outlines the year-to-date position of WEEE collections in 2022, up to Q2. A relatively weak position for collections is depicted, with collections for all streams other than Display being below where they typically should be at this point for the end of year targets to be met (50%), highlighting the challenge the UK has in order to meet its obligation in HY2 2022.

Stream	2022 Year to Date Collections (tonnes)	2022 Collection Target (tonnes)	2022 Year to Date Position
LDAs	84,691	183,867	46%
Cooling	64,925	146,275	44%
Display	20,365	39,705	51%
GDLs	1,996	4,145	48%
SDAs	63,950	137,130	47%
PVPs	109	254	43%
<b>Total</b>	<b>236,037</b>	<b>511,376</b>	<b>46%</b>

Table 1: 2022 Year to date position of WEEE Collections.

## Conclusions from Market Assessment

In 2022, the direct impacts of Covid-19 have generally dissipated and the UK's WEEE collection and recycling infrastructure has recovered relatively well. Despite this however, **challenging WEEE targets have meant it is unlikely that the UK will meet targets across all streams in 2022 and overall. Because of this, the operation of a WEEE compliance fee in 2022 is necessary** and needs to be set at appropriate levels to encourage a growth in collections going forward.

In line with Defra's guidance for compliance fee proposals to make reference to the cost-of-living crisis and account for this where necessary, **Valpak have reduced the degree of escalation certain elements of our proposed methodology could have on the fees payable by participating PCSs.** For example, we propose to:

- Cut the maximum degree of escalation the LA-DCF uplift mechanism could have on fees payable by half in comparison to the maximum degree of escalation this element of the methodology could have had within our 2021 proposal.
- Cap the maximum degree of escalation the re-use uplift mechanism could have on fees payable at 5%.

This will reduce the cost derived from two elements of the fee, however other main elements of our proposed methodology remain the same to encourage PCSs to maintain collections for the remainder of the year. **It is vital that even amidst the cost-of-living crisis, the collection and recycling of WEEE is maintained, and that schemes who do not manage collections and rely on the compliance fee are not let off rising costs faced by schemes operating collections** (including but not limited to increase in fuel costs related to logistics, or staff and electricity costs related to reprocessing for example).

As the compliance fee mechanism has largely remained similar in recent years, it is highly likely that all schemes projecting to use the compliance fee where required for 2022 have modelled its usage into both their cost base, and therefore their producer levies.

**Many of the elements of our previously proposed methodologies remain highly relevant, as well as the inclusion of an additional escalator focused on encouraging re-use.** We believe that the compliance fee methodology outlined in this proposal would minimise the prevalence of the perception that the compliance fee is lower than the cost of physically collecting WEEE.

## 4.2 Points raised in Defra's evaluation of Valpak's 2021 Compliance Fee Methodology Proposal

Following feedback received from the compliance fee evaluation panel regarding our 2021 WEEE compliance fee methodology submission, our submission for 2022 seeks to address several points raised:

- The **evaluation panel welcomed our proposal to set the main fee escalator within against a scheme's own shortfall in collections. We have retained that this year.** Valpak still believe there may be potential merit under some circumstances to consider setting the compliance fee calculation based on the UK target, as opposed to individual scheme target, and would like to explore this further in discussion with Defra.
- The panel expressed a desire for more worked examples, particularly of how the base fee is calculated, to be present within our submission. We have added these to sections 4.5 and 4.6.
- Valpak's proposal continues to not have an alternative formula/separate escalator for the scenario where collections in streams are in excess of national targets. This is because this would create a scenario where schemes would be encouraged to over collect and sell at a punitive rate. Retaining the compliance fee within the producer responsibility system encourages the market to balance naturally.
- Our proposal this year includes an updated calculation for the administration costs of managing collections. Following assessment and feedback to our 2021 proposal, we have adjusted the rate to be the higher of either £3.00 per tonne, or 1% of the weighted average net cost of collection for that stream (1% of value d in the formula). This change is to account for the varying administration costs per tonne per stream that may occur due to lower overall volumes being collected (for example, the overall lamps volume is much lower than the overall SDA volume and is likely therefore to incur a higher administration cost per tonne, similarly to the overall collection cost being higher).
- Per the panel's feedback, for 2022 our proposal will also:
  - include PBS collection data and costs into the compliance fee methodology
  - allow for all PCSs to submit data, whether they have a requirement to use the compliance fee or not. This will add to the robustness of the cost calculations underpinning the fee's methodology.

### 4.3 Principles of Valpak's Proposed Methodology

The objective of our proposed compliance fee methodology is to address market issues identified, whilst not setting the fee at too high a level where it would risk excessive costs to producers or encourage a return to market conditions seen prior to 2013, where over-collecting schemes could charge excessive prices to competing schemes for their surpluses, with those schemes seeking such evidence having no choice but to purchase at those exorbitant prices.

Detailed below is our analysis and rationale for the main elements of the methodology:

1. **The compliance fee should include a flat-rate that properly reflects the necessary direct operational management and administrative costs of managing collections incurred by compliance schemes.**



The cost of managing physical WEEE collections consists not only of the actual external collection and treatment costs, but also of several direct internal resource and operational management costs which are necessarily incurred by compliance schemes in order to properly carry out WEEE collections. If the compliance fee did not include an allowance for these costs, then the perception that the cost of the compliance fee would be lower than the actual costs likely to be incurred by schemes could be cultivated. This could disincentivise schemes to meet their collection target without using the fee.

A PCS will incur additional variable costs from 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, 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.

These costs are only incurred as a direct consequence of schemes needing to contract for and carry out actual WEEE collections. Not to include this cost element in a compliance fee would discourage some schemes from seeking to establish collection arrangements, instead being tempted to rely on the compliance fee as a cheaper mechanism to comply. As such, including this cost within the compliance fee methodology means the compliance fee becomes closer to the true economic cost of collection.

These direct operational management and administration costs do not include any general scheme management or overhead costs which are not related to managing direct WEEE collections.

In previous proposals, we proposed a flat-rate of £3.50 per tonne. Following assessment and feedback to our 2021 proposal, we have adjusted the rate to be the **higher of either £3.00 per tonne, or 1% of the weighted average net cost of collection for that stream** (1% of value  $d$  in the fee formula). We propose that these rates are **not subject to any escalator mechanism** which may apply to collection and treatment elements of the fee, as we believe this would be unduly punitive.

**2. Where collection streams have a positive average cost value and it can be shown that a significant volume is being treated outside the official producer responsibility system, the collection and treatment fee should be set to zero.**

A **zero-fee for the LDA stream** has been incorporated into the WEEE compliance fee since 2017. We again believe that in 2022 it is likely that a high level of collection activity

has continued to occur outside the official system, therefore the rationale for including this element remains substantially valid in 2022.

As direct operational management cost to schemes in managing collection contracts would still be incurred internally even if the net external cost was zero, the proposed administration and direct overhead cost - £3.00 per tonne - would still be applicable to the LDA stream (given the zero-fee proposal for the LDA stream, £3.00 per tonne is the higher value of either £3.00 per tonne or 1% of the weighted average net cost of collection).

### **3. The compliance fee should incorporate an additional uplift that considers the source of a scheme's WEEE collections in a particular stream.**

This principle is reflected in our methodology through the installation of an escalator that is dependent on the percentage of collections a scheme makes via Local Authority sites versus the national average. This will incentivise schemes to seek Local Authority collections, rather than being reliant on purchased evidence.

### **4. Shortfalls which represent a higher proportion of a PCS's target should incur a higher fee.**

In 2014, 2015, 2017, 2018, 2019, 2020 and 2021 the compliance fee methodology that was selected by Defra included a quadratic escalator which increased the fee payable by a scheme in proportion to their shortfall in a stream compared with their own collection target for the year. In years previous, Valpak's proposed main escalator was related to a shortfall compared to the national target, however, we have chosen to alter our proposed calculation in light of the feedback received from the compliance fee evaluation panel.

## **4.4 Summary of Defining Principles of the Methodology**

Valpak's proposal is designed to provide schemes with **a realistic alternative compliance option which is applicable in all circumstances and fair to all participants.**

The methodology aims to produce a compliance fee which provides a balance between:

- 1.** Not imposing excessive costs on schemes (and therefore producer members) either directly, because of an excessively high fee, or because of a market perception of a high fee leading to schemes demanding excessively high payment for their surplus collections
- 2.** Being set at an appropriate level to encourage schemes to take all reasonable steps to meet their targets without using the fee, as set out in the regulations.

In summary, the key elements of our 2021 methodology proposal are overleaf:

	<b>Core Principles</b>	<b>Rationale</b>
<b>1.</b>	Weighted average costs per stream will be the base cost for each stream.	Actual collection and treatment cost for Local Authority collections and tonnage information will be provided by schemes from which the operator will calculate the weighted average base cost per stream. This ensures the base cost is representative of the situation across the UK.
<b>2.</b>	Increase the base cost by an escalator factor so that compliance fees payable increase for greater tonnage shortfalls. Valpak's escalator is based on the tonnage shortfall that a scheme applies for against their collection target for that stream.	The escalator provides a greater encouragement to take reasonable steps to meet scheme targets for higher tonnage shortfalls.
<b>3.</b>	To add to the escalated base fee in each stream an additional cost to properly represent the direct operational management costs necessarily incurred by collecting schemes in managing and administering WEEE collection and treatment arrangements.	The fee will be the higher of either £3.00 or 1% of the weighted average net cost of collection per stream per tonne for all streams. This differs from the previous £3.50 value present in Valpak's methodology proposals since 2017. The new value appears to be representative of average costs of, for example, contract and account management, reporting and site auditing. Other scheme overheads are excluded from this figure.
<b>4.</b>	Providing cost data for all streams collected is a condition of using the fee. Non-participating schemes can submit data on a voluntary basis.	This is to ensure there is a viable data set available on which to base the fee.
<b>5.</b>	A third-party independent body will be appointed to administer the fee and a	Third party administration will prevent any conflict of interest on the part of the proposing

	further party appointed to independently verify their activities.	<p>stakeholder and ensure confidentiality of commercial data. The role will include fund collection and dispersal of funds.</p> <p>The requirement for independent audit and verification will provide confidence in the process.</p>
6.	In the unlikely event of an application being made to use the compliance fee for a particular stream but where none of the participating schemes are able to provide actual collection cost data, the administrator should use the base fee from the 2021 methodology.	This was a potential difficulty with the methodology for 2016 but adopting this approach is a practical way to deal with this scenario in the unlikely event it should occur in 2022.
7.	An additional escalator will be applied dependent on the percentage of collections a scheme makes via Local Authority sites.	This incentivises schemes to seek Local Authority collections, rather than being reliant on purchased evidence.
8.	An additional escalator will be applied dependent on the percentage of collections a scheme makes that generates re-use evidence compared to the national average re-use percentage, capped at an uplift of 5%.	This incentivises schemes to seek re-use evidence generating activities, rather than recycling, but as this is the first year such an escalator is proposed, it appears appropriate to cap the rate of uplift in fee this escalator could cause.
9.	Zero collection and treatment fee for the LDA stream.	During the 2022 compliance year, Valpak believe that it is likely that there continues to be high levels of LDA collection activity occurring outside the official system. Therefore, we acknowledge that the rationale for this element remains substantially valid. Direct operational management costs would still apply.

## 4.5 Fee Calculation

The **fees payable by participating PCSs would be calculated based on actual collection and treatment costs for Local Authority collections** (obtained from compliance schemes) and the cost of regulation 34 requests (obtained from the PBS operator).

Whilst it would be preferable for data from all schemes for all collections to be included so that fees can be as accurate and representative as possible, we recognise that this is unlikely to be practicable. This is because the regulations do not compel all schemes to submit data, and also not every scheme may need to utilize the fee with those in this situation potentially not wishing to submit data on a voluntary basis so as to not subject themselves to unnecessary cost and audits.

We therefore propose that **PCSs wishing to use the compliance fee be required to provide their data for all streams to Anthesis**. If a scheme does not provide the information, then it will not have the option of using the compliance fee for any stream in its Declaration of Compliance. This will be reflected in the detailed terms and conditions for the fee which will be prepared by Anthesis in advance of distributing information to schemes. These will also set out the information requirements and the confidentiality arrangements. **A PCS not wishing to use the compliance fee can voluntarily submit data to increase the robustness of the cost calculations** underpinning the fee.

### Data Required from Schemes

The information requested from schemes **for each WEEE stream** will include:

- Scheme target tonnage
- Tonnage actually collected (own scheme collections only, excluding collections or evidence provided by other schemes)
- Tonnage (if any) for which the scheme wishes to pay the compliance fee
- Net total collection, transport, and treatment costs from Designated Collection Facilities (DCFs), (excluding any collections carried out by, or on behalf of, other schemes)
- Costs of providing the necessary containers (delivery, rental, and depreciation) if not covered above.

**Note: Net total costs above include allowing for any income received by the scheme from WEEE materials or parts.**

The information collected should reflect only WEEE actually collected by each scheme, not any agreements with other schemes. Costs of collections performed by other schemes or evidence purchases are excluded, as these may not accurately reflect the actual costs involved and could lead to double counting (this will be included in the data auditing process).

Data on the direct operational management costs involved in organising the collection and treatment of WEEE will **not** be requested from participating schemes, as the higher of a flat rate of £3.00 per tonne or 1% of the weighted average net cost of collection for each stream will be used instead.

## Calculation

The compliance fee will be calculated separately for each scheme wishing to use the fee and each of the WEEE streams they wish to use the fee for. Their fees will be calculated from a combination of the weighted average collection and treatment costs for Local Authority Collections, plus an amount to reflect the avoided direct operational management costs (avoided transactional cost).

The collection and treatment costs will be escalated by a factor related to the degree of scheme shortfall against the individual scheme target set by the government in each stream, so that a greater fee is payable for a shortfall which is more significant compared to the government's requirement.

Fees will then be escalated further by a variety of uplifts depending on the circumstances of the particular scheme applying for the fee. These uplifts are detailed below.

## Uplift Calculation for Local Authority Collection Rates

$$l = i \times \left( \frac{M}{C} - \frac{m}{c} \right)$$

Where:

*l*: the uplift for LA collection rates (%)

*i*: a coefficient decided upon discussion with Defra

*M*: the volume of LA DCF collections carried out by all schemes in that stream (tonnes)

*C*: the volume of collections carried out by all schemes in that stream (tonnes)

*m*: the volume of LA DCF collections carried out by the scheme (tonnes)

*c*: the PCS's collected tonnage in that stream (tonnes)

For any calculation of *l* that results in a 5% or higher uplift, the uplift factor will be capped at 5%. Similarly, if the calculation of *l* results in a figure lower than 0, the uplift factor shall be 0.

Data for *M* and *C* would be obtained from the national WEEE data. We would suggest a coefficient (*i*) of 0.1, which is half the value in previous years, to limit the potential rate of escalation. However, the exact coefficient this would be finalised upon discussion with Defra.

### Example

A PCS collects 5,000 tonnes in a given stream. 3,500 tonnes is from LA DCF sources. In that same stream, the UK collects a total of 75,000 tonnes, 60,000 tonnes of which have arisen from LA DCF sources. Assuming the coefficient,  $i$ , has been set at 0.1, this uplift calculation for the PCS is:

$$\begin{aligned}l &= 0.1 \times \left( \frac{60,000}{75,000} - \frac{3,500}{5,000} \right) \\ &= 0.1 \times (0.8 - 0.7) \\ &= 0.1 \times 0.1 = 0.01\end{aligned}$$

This would result in a 1% uplift in the cost of the compliance fee for the PCS, due to collecting a lower proportion of LA DCF sources when compared with the national average.

### Uplift Calculation for WEEE Re-use

$$r = p \times \left( \frac{W}{E} - \frac{w}{e} \right)$$

Where:

$r$ : the uplift for WEEE reuse evidence collection rates (%)

$p$ : a coefficient decided upon discussion with Defra. Valpak recommendation is 2.

$W$ : the volume of reuse evidence collections received at all AATFs in that stream (tonnes)

$E$ : the volume of all evidence received at all AATFs in that stream (tonnes)

$w$ : the volume of reuse evidence collections carried out by the scheme (tonnes)

$e$ : the PCS's collected tonnage in that stream (tonnes)

For any calculation of  $r$  that results in a 5% or higher uplift, the uplift factor will be capped at 5%. Similarly, if the calculation of  $r$  results in a figure lower than 0, the uplift factor shall be 0.

Data for  $W$  and  $E$  would be obtained from the national WEEE data file '*WEEE received at an approved authorised treatment facility*'.

Data for  $w$  and  $e$  would be taken from a scheme's settlement center summary table, using columns titled 'Evidence Associated' for  $e$  and 'Reused' for  $w$ . We would suggest a coefficient ( $r$ ) of 2 to place a sufficient premium on re-use evidence, however this would be finalised upon discussion with Defra.

### Example

A PCS collects 50,000 tonnes in a selected stream and 2,000 tonnes of this is re-use evidence. In that same stream, the UK collects a total of 150,000 tonnes, 12,000 tonnes of which is re-use evidence. Assuming the coefficient,  $p$ , has been set at Valpak's recommended value of 2, this uplift calculation for the PCS is:

$$\begin{aligned} r &= 2 \times \left( \frac{12,000}{150,000} - \frac{2,000}{50,000} \right) \\ &= 2 \times (0.08 - 0.04) \\ &= 2 \times 0.04 \\ &= 0.08 \end{aligned}$$

As  $r$  is limited to 5%, despite an 8% calculated uplift, only a 5% uplift in the cost of the compliance fee would be applied, due to the PCS collecting a lower proportion of LA DCF sources when compared with the national average.

### Direct operational management cost of undertaking physical collections

The formula used to calculate the direct operational management cost of undertaking physical collections is very simple and is just the higher of either £3.00 per tonne or 1% of the stream specific weighted average net cost of collection.

#### Basic Formula

The basic formula used to calculate the compliance fee for each stream of WEEE (where UK collections are either short, balanced, or in excess of the UK target for that stream) will be:

$$f = (t - c) \times \left( a \times \left( 1 + \left( \frac{t - c}{t} \right)^2 + l + r \right) + d \right)$$

Where:

$f$ : the Compliance Fee for the relevant stream (£)

$t$ : the PCS's target for the stream in tonnes (tonnes)

$c$ : the PCS's collected tonnage in that stream (tonnes)

$a$ : the weighted average net cost of collection for that stream (£ per tonne)

$l$ : the uplift for low local authority collection rates (%)

$r$ : the uplift for WEEE reuse evidence (%)

$d$ : the direct operational management cost of undertaking physical collections (£ per tonne).



## Example

Using the two example uplifts for Uplift Calculation for Local Authority Collection Rates and Uplift Calculation for WEEE Re-use of 2% and 5%, as well as the following details:

- Weighted average net cost of collection for the stream: £200.00 per tonne
- Direct operational management cost of undertaking collections: £3.00 per tonne (as 1% of £200.00 is £2.00 per tonne, therefore the £3.00/tonne flat rate is used)
- PCS target: 8,000 tonnes
- PCS collections: 6,000 tonnes

$$f = (8,000 - 6,000) \times \left( \left( \text{£}200 \times \left( 1 + \left( \frac{8,000 - 6,000}{8,000} \right)^2 + 0.02 + 0.05 \right) \right) + \text{£}3.00 \right)$$

$$f = (2,000) \times \left( \left( \text{£}200 \times \left( 1 + \left( \frac{2,000}{8,000} \right)^2 + 0.02 + 0.05 \right) \right) + \text{£}3.00 \right)$$

$$f = (2,000) \times \left( \left( \text{£}200 \times \left( 1 + (0.25)^2 + 0.02 + 0.05 \right) \right) + \text{£}3.00 \right)$$

$$f = (2,000) \times \left( \left( \text{£}200 \times \left( 1 + 0.0625 + 0.02 + 0.05 \right) \right) + \text{£}3.00 \right)$$

$$f = (2,000) \times \left( \left( \text{£}200 \times \left( 1 + 0.1325 \right) \right) + \text{£}3.00 \right)$$

$$f = (2,000) \times \left( \text{£}226.50 + \text{£}3.00 \right)$$

$$f = (2,000) \times \left( \text{£}229.50 \right)$$

$$f = \text{£}459,000.00$$

The resulting total cost of the stream compliance fee for the PCS for this stream would be £459,000.00, or 2,000 tonnes at £229.50 per tonne, based on the shortfall and applicable escalators.

For a scheme with differing escalators, such as not having a Local Authority Collection uplift (or  $l=0\%$ ), the total cost would be £444,000.00, or £222.00 per tonne for 2,000 tonnes.

Anthesis will collate information provided by PCSs to calculate the weighted average net collection and treatment cost (£/tonne) by stream (shown by  $a$ ). This will then be escalated by a variety of uplifts that vary depending on the circumstances of the scheme concerned and the national position:

- The main shortfall escalator,  $\left( 1 + \frac{t-c}{t} \right)^2$  – this quadratic expression relates the size of a scheme's shortfall to their individual stream target,  $t$
- The LA collection rate uplift,  $l$  – this uplift is applicable to all schemes applying for the compliance fee and it compares the collection rate of a scheme specifically for LA DCF collections to the UK's LA collection rate.

Anthesis will then add the flat-rate for direct operational management costs,  $d$  (the greater of £3.00 per tonne or 1% of the stream specific weighted average net cost of collection), to the escalated base-fee following the above calculations. The direct operational management cost will not be subject to the escalator.

Using these formulas, Anthesis will then calculate the total compliance fee to be paid by each PCS wishing to utilize the fee by applying the final escalated base-fee with all uplifts over the tonnage specified in the formula,  $(t - c)$ .

All PCSs that have applied for the fee will then be notified of their individual compliance fees calculated by stream, and a request for payment or rebate issued accordingly.

See section 6.3 for details of the process should there be low or minimal take up of the fee.

## 4.6 Worked Examples

The aim of the scenarios outlined in this section is to illustrate how the various components of our proposed fee methodology would work in practice, to help consultees and other stakeholders objectively compare submitted proposals.

### Scenario Set 1: Impact of No National Shortfall on Schemes of Different Sizes

Fixed Parameters:

1. UK target = 150,000t, UK collections = 150,000t
2. UK proportion stream evidence collected from LA sources = 65%
  - a. Scheme's own proportion = 65%
3. UK proportion of re-use evidence for stream = 3%
  - a. Scheme's own proportion = 3%
4. Weighted average net cost of collection = £200/tonne
5. Direct overhead = £3.00/tonne

Variables: Small (10%), medium (20%) and large (45%) scheme market share size

**Scenario 1a:** Impact of fee on a large scheme with a shortfall of 12,500 tonnes (19% of schemes target), £284/tonne

**Scenario 1b:** Impact of fee on a medium scheme with a shortfall of 12,500 tonnes (42% of schemes target), £404/tonne

**Scenario 1c:** Impact of fee on a small scheme with a shortfall of 12,500 tonnes (83% of schemes target), £675/tonne

The changing fee for schemes **in the event of no UK overall shortfall** is shown in Figure 1 overleaf.

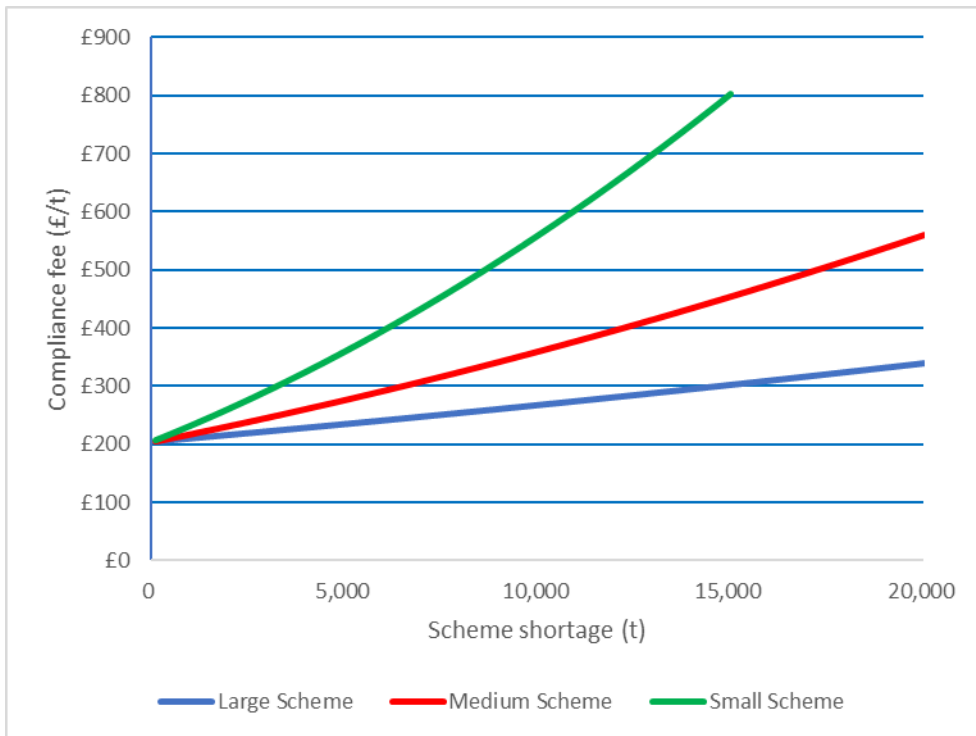


Figure 1 illustrates if total UK collections met the target, schemes would have varying costs dependent on the degree of shortfall to their own stream-specific target, with all other variables remaining equal. **This would be the same should UK collections exceed the UK target**

It is extremely unlikely that the UK will meet or exceed the collection targets in any stream other than Display, however it is useful to show how the base fee methodology works for schemes of all sizes.

**The same methodology is applied when the UK total collections miss the target.** This is shown in scenario 2 overleaf, with the scenario outlining how the fees would be the same regardless of whether the UK hits the stream targets with the only impact on costs for a scheme coming from their individual shortfall to their target.

## Scenario Set 2: Impact of National Shortfall on Schemes of Different Sizes

### Fixed Parameters:

1. UK target = 150,000t, UK collections = 130,000t (20kT shortfall)
2. UK proportion stream evidence collected from LA sources = 65%
  - a. Scheme's own proportion = 65%
3. UK proportion of re-use evidence for stream = 3%
  - a. Scheme's own proportion = 3%
4. Weighted average net cost of collection = £200/tonne
5. Direct overhead = £3.00/tonne

Variables: Small (10%), medium (20%) and large (45%) scheme market share size

**Scenario 2a:** Impact of fee on a large scheme with a shortfall of 12,500 tonnes (19% of scheme target), £284/tonne.

**Scenario 2b:** Impact of fee on a medium scheme with a shortfall of 12,500 tonnes (42% of scheme target), £404/tonne.

**Scenario 2c:** Impact of fee on a small scheme with a shortfall of 12,500 tonnes (83% of scheme target), £675/tonne.

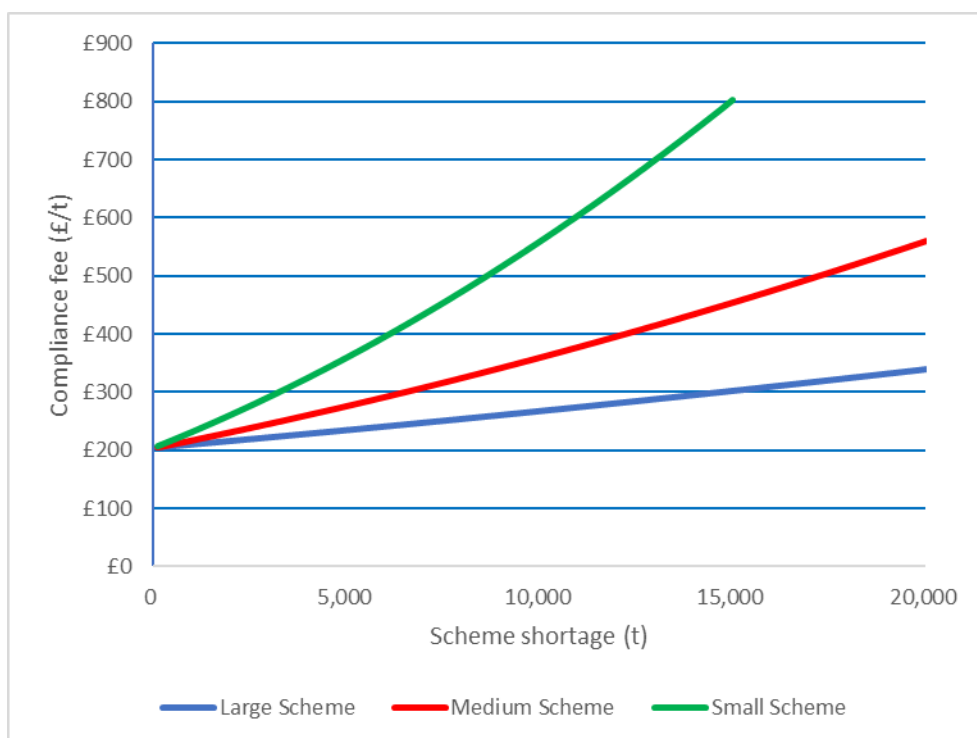


Figure 2 illustrates that should UK total collections miss their target, schemes would pay a differing fee dependent on how much the scheme missed its individual target, with all other variables remaining equal. **This would be the same should UK collections exceed the national target, as illustrated in the previous scenario**

### Scenario Set 3: Impact of Volume of Evidence Sourced from Local Authorities

#### Fixed Parameters:

1. Scheme market share of stream = 20%
2. UK target = 150,000t, UK collections = 150,000t
3. UK proportion stream evidence collected from LA sources = 65%
4. UK proportion of re-use evidence for stream = 3%
  - a. Scheme's own proportion = 3%
5. Weighted average net cost of collection = £200/tonne
6. Direct overhead = £3.00/tonne

Variable: 25% and 75% proportion of evidence PCSs have sourced from Local Authorities

The position is that collections from LA DCFs would generally be more expensive than evidence sourced from non-LA DCF sources.

**Scenario 3a:** Impact of **25%** proportion of evidence sourced from LA collections on a scheme with a shortfall of 5,000 tonnes, £224/tonne

**Scenario 3b:** Impact of **75%** proportion of evidence sourced from LA collections on a scheme with a shortfall of 5,000 tonnes, £217/tonne

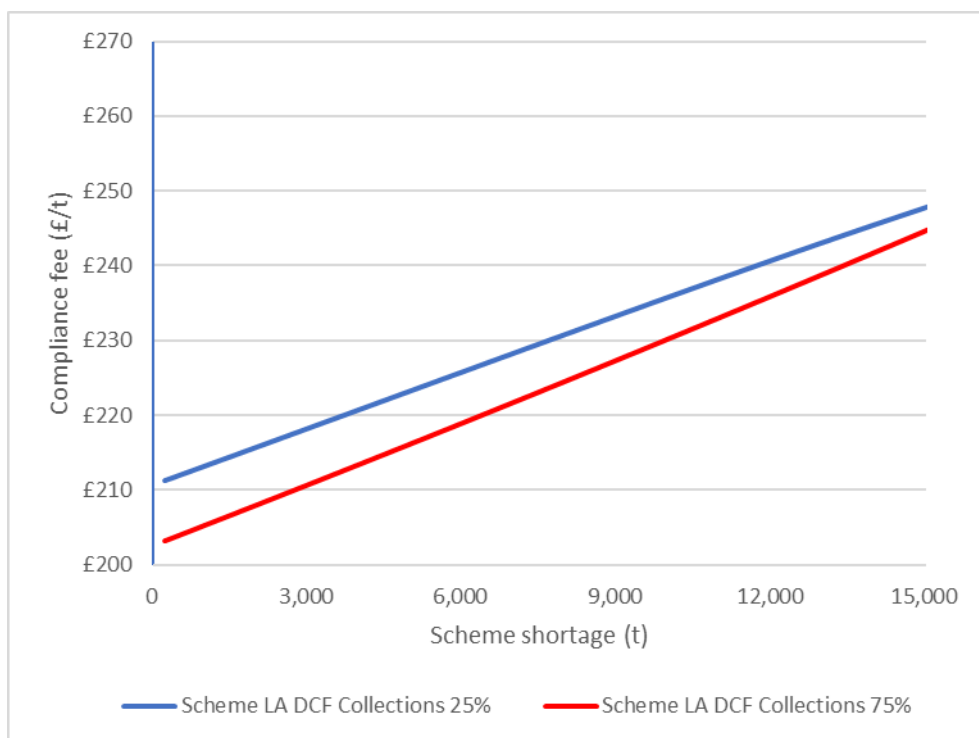


Figure 3 illustrates the LA DCF uplift for schemes that have a lower proportion of collections from LA DCF sources. A scheme with a lower proportion of LA DCF collections compared to the UK average has a higher compliance fee than schemes with a higher or the same proportion of LA DCF collections to the national average.

## Scenario Set 4: Impact of Volume of Re-Use Evidence

### Fixed Parameters:

7. Scheme market share of stream = 20%
8. UK target = 150,000t, UK collections = 150,000t
9. UK proportion stream evidence collected from LA sources = 65%
  - a. Scheme's own proportion = 65%
10. UK proportion of re-use evidence for stream = 3%
11. Weighted average net cost of collection = £200/tonne
12. Direct overhead = £3.00/tonne

**Variable:** 1% and 4% proportion of evidence PCSs that is re-use evidence

The position is that re-use evidence should be valued more than recycling as it is higher on the waste hierarchy.

**Scenario 4a:** Impact of **1%** proportion of evidence being re-use evidence on a scheme with a shortfall of 5,000 tonnes, £224/tonne

**Scenario 4b:** Impact of **4%** proportion of evidence being re-use evidence on a scheme with a shortfall of 5,000 tonnes, £217/tonne

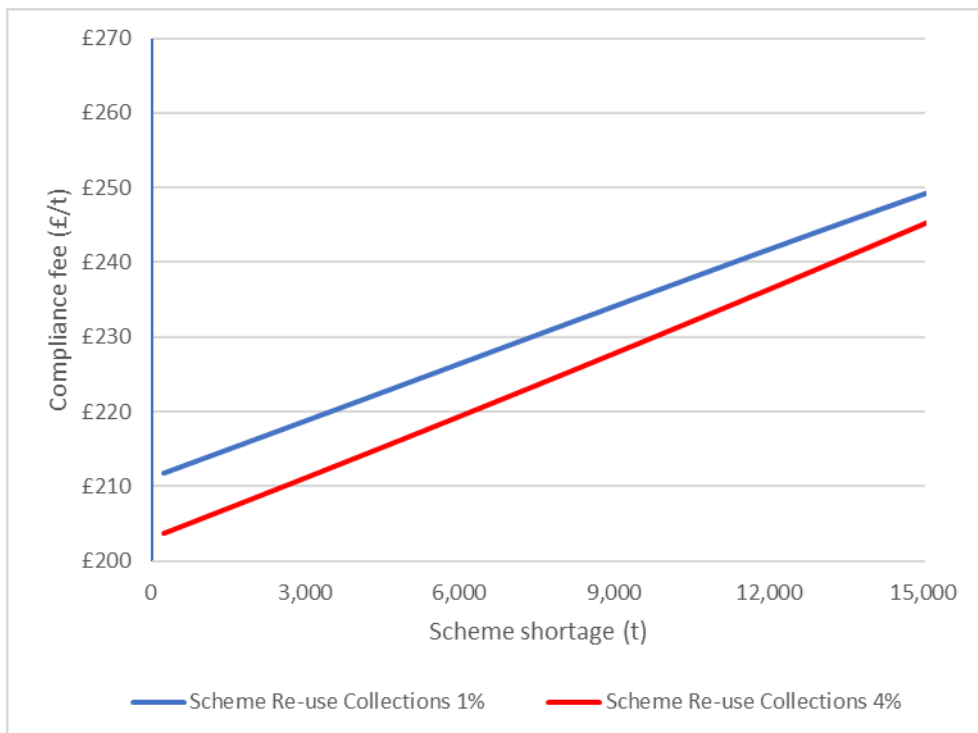


Figure 4 illustrates the re-use evidence uplift for schemes that have a lower proportion of re-use evidence compared to the UK average. A scheme with a lower proportion of re-use evidence compared to the UK average has a higher compliance fee than schemes with a higher or the same proportion of re-use evidence to the national average.

## 4.7 Data Accuracy

In order for Anthesis to accurately calculate fees payable by PCSs wishing to use the compliance fee, it is essential that the information provided to Anthesis by PCSs detailing their costs and tonnages is accurate. In order to verify this, we propose to require schemes providing information to Anthesis to be subject to an audit by Anthesis.

Anthesis has a highly experienced verification team and their proposed process is described in Appendix I. We propose to make the use of Anthesis mandatory for this process to ensure high standards and consistency rather than permitting schemes to use other auditors.

Audits will be conducted by experienced Anthesis colleagues and as a minimum will cover:

- Checks of collection records and quarterly reports to reconcile with tonnages reported
- Checks of actual invoices and, contracts for collection and treatment to reconcile with collection costs reported
- Checks of evidence data with that reported by Approved Authorised Treatment Facilities (AATFs)
- Collation and submission of data to enforcement agencies
- Review of scheme processes to ensure reporting is accurate
- Checks on the accuracy of information supplied on scheme operational management costs including ensuring that inadmissible costs are excluded

Should any errors or anomalies within a scheme's submitted data be identified, these will be communicated to the scheme and a re-submission will be requested. Completion of a satisfactory audit process will be a necessary condition of participating in the compliance fee. **The cost of the audit will be covered by the £2,500 participation fee.**

Further, we believe that it is essential that an independent verifier be put in place to oversee the activities of Anthesis to provide further assurance to all stakeholders that the compliance fee administration process is being undertaken in full and on time. We propose this role is performed by **Oakdene Hollins Ltd**, a well-respected independent consultancy with WEEE sector specific experience.

This role would involve Oakdene Hollins performing the following actions:

- Sign off on the approach to data collection, processing/calculation and auditing to be undertaken by Anthesis
- Validating activities carried out on time and in full by Anthesis
- Confirmation that appropriate resources are dedicated to the project and that Anthesis have suitable fiscal and data security processes in place
- Sample auditing of the fee calculation processes to verify the integrity of Anthesis' work
- Approval of final summary statement of the finances: aggregate (non-attributable) fees raised, dispersed to Material Focus and paid to the administrator

- Provide a point of escalation for any parties in the event of any disputes arising relating to the calculation of fees payable by schemes

A letter outlining the terms of engagement between Anthesis and Oakdene Hollins is included as Appendix II.

#### **4.8 Consultation on Proposals**

In previous years the Government has chosen to consult on all proposals it receives for the compliance fee methodology prior to making a decision on which one to proceed with. We support this approach and assume it will be repeated for 2022 as it provides interested stakeholders the opportunity to directly compare alternative proposed methodologies and submit comments to Government based on their assessment of the strengths and weaknesses of the proposals.

We would also like to call on Defra and/or Material Focus to hold a consultation on how the funds collected through the operation of the Compliance Fee be spent in the best interests of the entire industry.



## 5. Administration of the Fee

**Valpak propose to appoint Anthesis (UK) Ltd. as an independent third party to operate and administer the compliance fee.** Anthesis have extensive knowledge and understanding of the WEEE sector and similar regulatory systems. They also have well proven expertise in data verification in compliance situations, for example from previous work in the WEEE sector as operator of the PCS Balancing System (PBS).

If this methodology is chosen, Anthesis will be expected to:

- Establish a separate bank account to receive fees payable by participating schemes
- Contact all approved WEEE compliance schemes from the public register to inform them of the compliance fee process
- Receive applications from schemes that wish to use the fee
- Collect actual cost information from schemes wishing to use the fee
- Undertake independent audit checks as described above to verify that the cost and tonnage information provided is accurate
- Undertake the data analysis described in this proposal in order to calculate fee levels for each stream and the appropriate escalator factors described
- Notify all schemes who have applied to use the fee of their compliance fee for each stream in advance of the deadline for submitting DoCs, and issue requests for payment as appropriate
- Once the request for payment has been paid, immediately issue each scheme with a confirmation of the streams and tonnage for which the fee has been paid so that the scheme can complete their DoC for the relevant enforcement agency
- Inform the relevant enforcement agencies of the tonnage on which the fee has been paid by each scheme to assist with their assessments of DoCs
- Once all funds have been received, and the process and timetable for distribution finalised with Defra (see section 6), make payments (less their agreed administration fee) to Material Focus in line with section 6 of this proposal

Further details of Anthesis' proposal for this role is attached as Appendix I.

**Schemes wishing to use the fee will be charged a participation fee of £2,500.** This is to cover a contribution towards operator overheads and also the cost of the data verification audit. Payment of the participation fee will be a condition of them being able to use the compliance fee methodology.

Note: We propose that **Anthesis would not make any compliance fees public, instead only notifying participating schemes of their individual fees.** The only figure expected to be made publicly available by Defra, should they choose to do so, would be the total compliance fee fund once it is made available to Material Focus for WEEE projects – see section 6 overleaf.

## 6. Methodology for the Dispersal of Funds

### 6.1 Introduction

In recent years the WEEE Compliance Fee Fund dispersal has been managed by Material Focus. Due to the size of the fund, it has been previously proposed that the fund be split into three categories:

- Technical projects
- Local Authority projects and communications
- Communications and behavior change fund

Current projections show that there could be another significant shortfall in actual WEEE collections, suggesting if a WEEE compliance fee is set for 2022 there could again be significant contributions to the WEEE Fund.

The existing WEEE Fund dispersal methodology appears to be an established and widely accepted approach and we fully support the objectives of the suggested split of funds. We therefore propose that **any funds raised from the compliance fee under our methodology in 2023 (less deductions for administrator fee) would be transferred in full to Material Focus** and added to the current WEEE Fund to continue with, and further enhance, the programme of projects, technical research, communication campaigns and behaviour change activities which aim to increase the collection and treatment of WEEE.

This approach has been agreed in principle by Defra and will help to improve the efficiency and continuity 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 Material Focus under the management of its Administrator and the Executive Director. We trust that Material Focus has agreed to continue as the disbursement entity for the 2022 Fee.

**Further details of the proposed fund dispersal process and governance arrangements are included in Appendix IV.**

### 6.2 Administration of Fund Dispersal

Anthesis would inform Defra of the total value of the remaining fund once their costs have been met. Anthesis, in consultation with their auditors, would then transfer the agreed fund to Material Focus. More information is within Appendix IV.

### 6.3 Procedure for Low and Minimal Uptake of the Fee

If there was very low or minimal uptake of the compliance fee for 2022 then there should be a minimum level of the total compliance fee which is equivalent to the operational costs of the operator (less participation fees).

This means that if the total fund calculated in accordance with the methodology we are proposing is less than the operator's costs, then the compliance fee for each scheme that wishes to use it will be calculated as follows:

1. Calculate the total tonnes of each stream applying to use the fee
2. Divide the operator's costs (after deduction of participation fees) by the tonnes of each stream in proportion to the fee cost/tonne for each scheme
3. Calculate the increase in cost/tonne for each stream and scheme required
4. Issue requests for payment to the applying schemes using these rates

#### Example

Operator's costs £10,000 and two schemes applied to use the compliance fee

**Scheme 1 applies for 10 tonnes of stream A, Scheme 2 applies for 100 tonnes of stream B**

**Compliance fee cost for scheme 1 is £5/tonne for stream A  
Compliance fee cost for scheme 2 is £50/tonne for stream B**

At these rates the total compliance fee would be  $(10 \times £5) + (100 \times £50) = £5,050$  which would not cover the operator's costs.

The compliance fee for each scheme is increased by the same factor "X" where:

$$((10 \times £5) + (100 \times £50)) X = £10,000$$

$$5,050X = 10,000$$

$$X = 1.98$$

Therefore, the compliance fees are:

$$\text{Scheme 1} = 10 \times £5 \times 1.98 = £99$$

$$\text{Scheme 2} = 100 \times £50 \times 1.98 = £9,900$$

$$\text{Total compliance fee} = £9,999 \text{ (rounding)}$$

This process means that the full operator's costs will always be at least covered by the compliance fee plus participation fees. It will also provide a disincentive to any scheme which did not need to use the fee, but might wish to discover the rate used, to apply for a small tonnage as they may have to pay a significant share if no others apply.

Should there not be any applications to use the compliance fee then the relatively small costs for preliminary work required by the operator will be covered by Valpak and Anthesis.

## 7. Timetable for Administration of the Fee

<b>30<sup>th</sup> Sept 2022</b>	Deadline for the submission of methodologies to Defra
<b>Oct - Nov 2022</b>	Defra to hold a consultation on methodologies
<b>Mid-January 2023</b>	Defra announces chosen methodology
<b>Late January 2023</b>	If this proposal is chosen, Anthesis publicise the process to all approved WEEE compliance schemes, asking for a response directly to Anthesis and setting out the information required in a data collection template.
<b>10<sup>th</sup> Feb 2023</b>	Deadline for Anthesis to receive applications from schemes wishing to use the fee.  Note: If no applications are received by the deadline then further work on the compliance fee is stopped to avoid unnecessary expense and no fee will be available.
<b>17<sup>th</sup> Feb 2023</b>	Deadline for Anthesis to receive required information from participating schemes.
<b>20<sup>th</sup> Feb – 3<sup>rd</sup> Mar 2023</b>	Anthesis audit team performs its work on the data submitted by the schemes.  Anthesis calculates base fees and escalators according to the methodology described.
<b>w/c 6<sup>th</sup> Mar 2023</b>	Anthesis informs schemes applying to use the compliance fees of the amounts payable and issues requests for payment to each scheme accordingly.
<b>23<sup>rd</sup> Mar 2023</b>	Deadline for receipt of cleared funds from scheme into Anthesis' designated client bank account in respect of Compliance fees due.
<b>24<sup>th</sup> Mar 2023</b>	Deadline for Anthesis to issue Compliance Fee Payment Certificate. Anthesis provides confirmation to schemes of payment plus tonnage and streams represented.
<b>30<sup>th</sup> Mar 2023</b>	Schemes submit DoC to enforcement agencies accompanied by confirmation of fee payment.
<b>31<sup>st</sup> March 2023</b>	Anthesis send a summary report to each Environment Agency listing the names of the registered schemes which have paid the compliance fee for each stream and the number of tonnes covered by the fee.

## 8. Experience of Valpak & Anthesis

### 8.1 Valpak

Valpak is the UK's largest compliance scheme operator. We operate approved compliance schemes for packaging, WEEE and batteries as well as providing a number of related environmental and data services to our clients. We have a 100% compliance record in our 25 years of operation.

Valpak also has a strong record in developing and proposing practical and constructive ways to improve the operation of producer responsibility and recycling systems. We do this through a combination of liaising with our members through our Valpak Advisory Group, which includes major WEEE producers as members, as well as using the detailed knowledge and expertise of our staff.

Some examples of where Valpak has conducted research and put forward proposals which have been accepted by Government include:

1. Conducting the cross-industry EEE Flow project, in conjunction with WRAP, to provide future projections on likely quantities of EEE and WEEE and, the UK's likely position on compliance with future targets. This included an update to the figures, completed in 2018 and submitted to Defra.
2. Coordinating WSF research on possible free-riders for online sales of EEE.
3. Valpak's proposed methodology for the operation of a WEEE compliance fee for 2016 was accepted by the Government.
4. Supporting the introduction of the target and compliance fee approach incorporated into the current WEEE regulations and, suggesting how the fee process should operate.
5. Participating as an active member of the WEEE Schemes Forum (WSF) and Industry Council for Electronics Recycling (ICER) which are often asked for input by Government to assist with developing proposals.
6. Made the case for the introduction of producer responsibility for batteries to allow for competing compliance schemes rather than a single-scheme centralised approach. This competition has led to lower costs and better service for producers.
7. Conducting and part funding numerous research and consultancy projects for packaging, including a large amount of work to input into the current EPR Reform discussions.

### 8.2 Anthesis

Anthesis has an extensive track record within the UK WEEE System, including as the administrator of the Producer Compliance Scheme Balancing System (PBS). Further details of their experience can be found in Appendix I.

## 9. IT Systems

The IT systems necessary to operate the compliance fee will be provided by Anthesis as operator. Details of their proposed arrangements and description of their backup and support processes are provided in Appendix I.

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## Appendix I

### Proposal from Anthesis

#### Background and context

The 2013 Waste Electrical and Electronic Equipment (WEEE) Regulations (WEEE Regulations) require obligated producers to finance the treatment, reuse, recovery, recycling and environmentally sound disposal of the EEE that they put on the market. Producers must join a Producer Compliance Scheme (PCS) to fulfil this requirement, who often contract with Local Authorities (LA) to clear WEEE from their Designated Collection Facilities (DCFs), to collect enough WEEE to cover the market share of their members.

The overall collection target for WEEE increased to 65% of the WEEE put on the market in 2019 and in recent years the UK has missed lower targets than this. To stimulate investment in the sector, Defra has backed a Compliance Fee mechanism, whereby PCSs who cannot meet their targets via WEEE collection can pay a fee based on the shortfall instead. Such fees are used to fund improvements in collections and treatment infrastructure, distributed by the WEEE Fund, which rebranded as Material Focus in 2020.

The precise value of the Compliance Fee is highly sensitive, if set too low then PCSs will have no incentive to collect more WEEE pulling the UK from the target. Conversely, if set too high, there is the potential unintended consequence of PCSs charging excessive costs for evidence to those PCSs which have been unable to meet their targets. Both could have a negative impact on the sector, and mean that producers would incur excessive costs.

Each year industry stakeholders are able to propose calculation methodologies for the compliance fee. Following consultation, the Secretary of State can then decide if a compliance fee should be applied for the previous year, and which methodology will be used.

Valpak have proposed a methodology for 2021 and Anthesis (UK) Ltd. ("Anthesis") are proposing to administer the collection and dispersal of the Compliance Fee in line with the approach proposed by Valpak.

#### Anthesis group

Anthesis brings together expertise from countries around the world and has offices in the US, Canada, UK, Ireland, Italy Germany, Sweden, Finland, Middle East, China and the Philippines and have a team in excess of 800 people. We have a track record of pioneering new approaches to

sustainability and have a market leading global EPR practice, providing strategy, expertise, managed solutions and operational support for a more circular economy.

We are independent to any compliance scheme, local authority, recycler or government body, yet have a deep understanding of the UK WEEE system, having operated the PCS Balancing System since 2016. Furthermore, our team members have:

- Supported local authorities with their waste management solutions, since London Remade was operational in this space in the early 2000s,
- Provided WEEE advice and compliance services to obligated producers across Europe, including the UK, the Americas and in Asia Pacific,
- Helped to develop the e-waste clearinghouse in the state of Illinois,
- Provided market intelligence on the WEEE management sector to a number of stakeholders over many years, including for Defra and Material Focus and;
- Disseminated funds through the ERDF funded Enhance and Inspired Recycling projects, for improvements in waste collections and management.
- In support of the £8m raised by the compliance fee for 2017, we reviewed all previous projects supported by the WEEE Fund (now Material Focus), for efficacy and value for money.
- Researched the opportunity for a WEEE infrastructure investment fund, identifying areas for additional funding and offering greater understanding of the commercial factors affecting collectors and recyclers in the WEEE sector.

We have a good network and profile in the UK WEEE sector and feel that our experience, expertise and status, makes us ideal as administrators for the Compliance Fee. Our qualifications are presented below, we have provided specific project examples in Schedule 1.

Client testimonial:

***“Anthesis is an excellent environmental consultancy. I’ve worked with the principals for more than ten years, from before they broke off from their prior agency to form Anthesis. They’ve been excellent partners with their concentration on technical excellence and offering top client value. They are environmental experts, big enough to provide global services but small enough to provide the independence and agility that provides great results.”***

***Darrel Stickler - People, Society and Planet at Cisco.***



## Proposed methodology

We will conduct this work in accordance with the processes outlined in this proposal.

The key elements of Anthesis's role will be to:

- Communicate and publicise the process to all approved WEEE compliance schemes,
- Process and validate applications from schemes that wish to use the fee,
- Collect actual cost information from schemes,
- Undertake independent audit checks to verify that the data is accurate,
- Undertake the data analysis, calculate fees and escalator factors,
- Notify schemes who have applied to use the fee of their total compliance fee for each stream, and issue requests for payment as appropriate,
- Once the requests for payment have been paid, issue schemes with a confirmation letter for their Declaration of Compliance,
- Send a summary to each Environment Agency setting out which schemes have used the compliance fee and the tonnes and streams concerned, and;
- Disperse funding as per this proposal.

## Programme Inception

We will hold a planning meeting with the relevant Defra representatives to confirm the project details, contacts and timescales. At this meeting we will discuss the proposed administration approach, updates required, and initial data gathering required prior to commencement of work (such as the official PCS register). We will provide a meeting note summarising the outcomes of the meeting within 10 days of the meeting date. The meeting will be attended by our Project Director, Finance Representative, Programme Manager, and Valpak and Defra Representatives (including the nominated Defra key point of contact). We will work with Valpak and Defra to ensure a smooth transition from the previous scheme administrators.

## Programme management

Our Programme Manager will be responsible for day-to-day administration of the programme, and will be the key point of contact for communications with Valpak and Defra. We will provide Defra with offline summaries and can schedule calls as required.

Our Programme Director will be available as an additional point of contact in the absence of the Programme Manager or in cases where any aspects require escalation. Should any unexpected issues or uncertainties arise in the operation of our proposed process which have not been anticipated we propose to raise these with Defra directly to seek guidance and resolve them.

## **Communicate and publicise the process to all approved WEEE compliance schemes**

Anthesis will be the point of contact for Producer Compliance Schemes wishing to use the Compliance fee. We will communicate the process to all approved WEEE compliance schemes in late January/early February 2023 via letter and email, giving the appropriate notification and requesting a response by 10<sup>th</sup> February 2023 directly to the relevant Anthesis contact. It will also request information from the applicant scheme in terms of actual Local Authority collections and treatment costs for each WEEE stream. The letter will be sent to all schemes on the list of approved schemes provided by Defra. A template of the letter and using the pro forma data collection template is provided in Appendix III.

Anthesis will then send an email to each PCS using the contact details on the official public register inviting participation and requesting positive or negative confirmation. We will send a reminder email to non-respondents after 10<sup>th</sup> February. If we have received no response from a PCS by 11<sup>th</sup> February we will assume that the PCS does not wish to participate.

## **Process and validate applications from schemes that wish to use the fee (including collection of cost information and independent audit checks)**

Applications from schemes wishing to participate will then be received. Data will be collected from applicants. All data collected will be held in an independent, ring-fenced data room, accessible only to the relevant personnel. To ensure the reliability and accuracy of the data submitted by each scheme, an independent review will be conducted by our team on-site.

We will contact schemes to schedule an onsite audit at each, within the time period specified in this proposal. Availability during this period will be a condition of using the compliance fee. In advance, we will share a guide to the data we will be looking to review (e.g. collection records, invoices, collection contracts, AATF reports etc.), evidence data and scheme procedures. On the day, our auditor will review the evidence supporting the scheme in questions application, asking for more detail and for clarifications where appropriate. The auditor will then prepare a short report, detailing any deviations or necessary amendments to the submission and in support of the fee calculation activity.

## **Data analysis, fee calculation and notification**

Following the approved methodology, we will undertake the data analysis and calculate fee levels for each stream and appropriate escalator factor. In accordance with the timetable set out in Section 7 we will notify all schemes who have applied to use the fee of their compliance fee and issue a request for payment to the scheme setting out the fee payable for each applicable WEEE stream, including overhead fee and applicable administration charges. The request for payment issued to the scheme

will specify details of the bank account to which the funds should be remitted and the latest date by which cleared funds should be received.

### **Receive and process payments, issue confirmation for Declaration of Compliance**

When payments are received, they will be held in a designated bank account in name of Anthesis (UK) Ltd, which we will set up as a new and separate account, used only for the purpose of holding and dispersing the funds and for no other purpose, so as to ensure no administrative errors can occur. To ensure a clear and secure audit trail, requests for payment and payments will be processed in our specialist accounting software, using an accounts receivable ledger with a separate ledger account for each scheme. Each account will be reconciled individually with requests for payment to each scheme matched against payments received from that scheme. Posting entries made in the software cannot be altered once posted. A Compliance Fee Payment Certificate will be issued to the scheme after receipt of payment in full, confirming the streams and tonnage for which the fee has been paid to enable them to complete their Declaration of Compliance.

### **Send a summary to each Environment Agency setting out which schemes have used the compliance fee and the tonnes and streams concerned**

At the required interval, we will send a summary report to each relevant Environment Agency listing the registered schemes that have paid the compliance fee for each stream and the tonnages covered by the fee. We will not disclose the actual fee paid by any scheme or the fee rate per tonne, in any correspondence with the Agency. If there is discrepancy or any query regarding tonnage covered by a compliance fee payment, the Agency can liaise with us and we will provide clarification.

### **Disperse funding as per this proposal**

In accordance with the process and agreed timetable for distribution set out in sections 6 and 7 of this proposal document, we will make payments (less our agreed administration fee) to the Material Focus to support approved WEEE projects.

### **Contingency planning for staffing**

Anthesis is a global professional services operation, employing more than 800 sustainability specialists, and more than 150 of these are based in the UK. There will be a core team of four operating the Compliance Fee and who monitor the dedicated email account, all of whom will be familiar with the requirements of the compliance fee process to ensure continuity in the system, rapid responses, and to mitigate any risks of staff absences or other potential disruptions.

Internal procedures and processes for administering the Compliance fee activities will be codified into a series of task based procedures, allowing for easy training of new staff, to maintain a core of at least four active potential operators at all times, with a wide range of potential substitutes to draw on

in the event of staff turnover. All transactions will be recorded in a central tracking spreadsheet, which will be shareable online to avoid duplication of live versions. It will have built in data validation processes and each allocation is assigned to a specific member of staff, who logs key milestones in their outlook diaries to ensure that timelines are met.

Many of the calculations and processes will be automated, to maintain efficiency, continuity and to reduce the risk of inaccuracy. Anthesis also operate within a formal quality assurance programme. We aim to continually improve with further automation and process improvements

## **Confidentiality**

Anthesis maintains strict confidentiality processes to ensure integrity and confidentiality of our clients' information. These processes will be applied rigorously for this programme. We maintain strong Quality and Data Management protocols regarding client information that is compliant with regulator requirements including GDPR. Our confidentiality processes include:

- Secure networks which can only be accessed by authorised personnel
- Secure and regularly updated access passwords
- Data systems which restrict access to information and files on our system so that staff only have access to information and files relevant to performance of their role.
- Secure file transfer and back up procedures.

## **Proposed timetable for implementation and operation of the compliance fee**

The timetable will be as per the timetable outlined in section 7 of this proposal document.

## **Staffing proposals**

Dr Richard Peagam will have overall responsibility for the Compliance Fee within Anthesis. He will manage the strategic governance of the programme, its development and is accountable for quality assurance. The day to day management of operations will be the responsibility of programme manager Mark Sayers. Two other members of staff (in addition to Mark and Richard, so four in total) are always made available and kept aware of PBS activity, to maintain continuity of operations and to assist in the administration of the programme. The Compliance Fee sits in the team managed by Anthesis Director Debbie Hitchen, who provides another layer of governance and quality assurance.

## Experience of proposed administrator

### Delivery team

Anthesis are proposing a leadership team for the Compliance Fee, who have experience running the voluntary and Mandatory PBS and of operational responses to EPR requirements globally. Pen profiles of core team members have been provided below, full CVs are available on request.

#### **Dr Richard Peagam - Associate Director**

Richard is the global lead for producer responsibility at Anthesis, ensuring that our diverse service offering aligns with multiple sectors across key geographies (the US, Asia and Europe). He began his career at Hewlett Packard, working in their sustainability team for five years, before beginning a career as a consultant in 2012, building sustainability performance into the operating models and products of manufacturing companies. Key clients include some of the largest electronics manufacturers in the world, key players in the minerals and extractives sectors, market leaders in FMCG and retail and national governments and policy makers. Richard manages delivery teams across multiple geographies, particularly Europe, Asia and the US.

He developed the manufacturer clearinghouse for e-waste in the state of Illinois to manage EPR commitments, is the Director of the voluntary PBS in the UK and has provided expertise to both the regulator and manufacturer groups working on the emerging legislation in Ontario. He also led on the development of a global EPR costing tool on behalf of a US based FMCG company, testing it in Brazil, Ontario, France and Spain and directs multiple global managed compliance programmes for tech sector clients. Richard also manages circular economy projects across Europe; works on recycling infrastructure projects in China and has led the development of global takeback programs for multiple manufacturers, which are global in scope.

#### **Mark Sayers – Programme manager**

Mark has more than 15 years of experience in producer responsibility compliance and data management, with a strong background in Electricals. In his previous role managing producer responsibility compliance schemes, including on behalf of not for profit Trade Association led organizations. He managed contracts and compliance accounts for major brands, supporting analysis of legislation and product information, scope for reporting and managing large datasets fulfilling WEEE batteries and packaging compliance needs.

Mark has also worked with several set top box manufacturers and retailers in establishing a WEEE and battery takeback system to offset compliance requirements and extracting maximum secondary commodity value from the metals and plastics. Mark has recently overseen the launch and management of an international compliance service and reporting compliance in Europe for businesses with fragmented approach and understanding of legal requirements. Working with global supply chains and identifying risk hot spots, a targeted methodology was developed for each client, to successfully deliver a report oversight and compliance reassurance in each country.

For the last 3 years Mark has been the lead for the Paper Cup Recycling and Recovery Group (PCRRG), a voluntary collaborative of over 40 fee-paying businesses in the cup supply chain. As part of his work he oversees the annual delivery and communications programme, which has included providing support and advice to the group throughout the Environment Audit Committee's review of single use plastics and compliance change as part of EPR, including advising on cup taxes and deposit return schemes. The PCRRG has established a funding mechanism for their programme of additional project and research work, and Mark is responsible for the development of pipeline projects, management of the funding allocation and delivery of project management to ensure value for money. In this role, he reports monthly to the Treasurer of the PCRRG and quarterly to the Chairman and Board.

### **Debbie Hitchen –Director**

Debbie has a strong track record in project and client management. She is recognised for her ability to build and manage multi-stakeholder teams and her capability to deliver complex, collaborative and politically sensitive projects. She has an extensive understanding of the drivers and challenges of compliance and WEEE recycling having worked for four years in a local authority, four years at leading producer responsibility compliance organisation, Valpak, and over 15 years in consultancy with public, private and third sector organisations at London Remade and LRS before joining Anthesis.

As the Anthesis lead for Circular Economy and Producer Responsibility, Debbie has overseen and managed a significant number of compliance projects, both in UK and internationally. She is well known to members of the WEEE sector and has strong relationships with the wider stakeholder group required to deliver projects and research to enhance the recycling performance nationally.

### **Jason Urry – Group Finance Director**

A commercial Chartered Accountant (ICAEW) with 20+ years' experience in global, high performing listed companies across a variety of high growth sectors including: professional services; media; food manufacturing; security services; chemicals and process engineering. Experience of profit generation,

systems improvements, M&A, business integration, multi-cultural environments and treasury management.

## **Team experience**

Anthesis has a strong track record of delivering the competencies required to manage a Compliance Fee globally. A full list of projects has been provided in schedule 1, case studies for each competency have been profiled below.

### **UK WEEE management and compliance**

Anthesis have successfully managed the existing voluntary PBS since 2016 and the Mandatory PBS since 2019. The current leadership team have overseen establishment, implementation, secure cash management and the development and improvement of the system over time as it has grown to scale. The PBS successful passed its audit and every single Local Authority request has been allocated within the period of time specified by the legislation. Feedback from Local Authorities and users has been positive.

### **International WEEE management and EPR**

Anthesis developed operating procedures for an e-waste clearinghouse in a US state with diverse demographics. These were based on market research and engagement with manufacturer, retailer, county, EPA and recycler stakeholders. The system is now live.

### **Cash and Fund management.**

Anthesis managed £100,000s in funding for recycling projects, as administrators of the Enhance Fund.

## **IT systems**

Anthesis have the state of the art (GDPR compliant) systems and processes that would be expected of a global professional services organisation, with in house software teams to develop a bespoke and robust management system for the Compliance Fee.

We take data privacy, governance and security very seriously. We are acutely aware from our work with clients where data is stored and shared between potential competitors of sensitivities in this area and have developed suitable digital privacy and security measures that ensure data confidentiality already. Our high-level process for security action planning is given below.



We will run security scans to coincide with each major release (or more frequently where vulnerabilities become apparent). Status on security updates will form part of Anthesis performance reporting to Valpak.



## Schedule 1

### Example UK WEEE experience

Client name/type	Project description
<b>Material Focus (previously WEEE Fund)</b>	Report on the fate of WEEE being processed outside of the mainstream system that generates evidence. Engaged with recyclers, compliance organisations, waste managers and more.
<b>WEEE Scheme Forum</b>	Providing independent management and administration of the PCS Balancing Scheme (PBS), a system to match unallocated local authority WEEE collection contracts to compliance schemes from 2016. In 2017 we allocated ~4% of UK WEEE.
<b>Producer</b>	Providing market intelligence on compliance costs in the UK (as well as other countries), EPR operating models, collection rates, the B2B sector and on reuse. We have also covered Germany, Spain, Denmark, France, Italy and more in similar work.
<b>Trade body</b>	UK wide sampling of LDA WEEE in the light iron scrap stream, as potential substantiated estimates for Defra WEEE reporting to the European Commission.
<b>Trade body</b>	Impact and value for money analysis of collection, communication and reuse projects funded by the Material Focus (previously WEEE Fund) since its inception. Recommendations were made to guide future priorities for allocation.

### Example global WEEE management

Client type	Project description
<b>Global manufacturer</b>	Implementing a global takeback strategy for used EEE products, developing operating specs and KPIS, identifying and onboarding delivery partners.
<b>Global manufacturer</b>	Management consultancy for a global takeback business unit with a revenue target of \$1Bn dollars. Developing a business plan and goto market strategy.
<b>Multiple global manufacturer</b>	Managing EPR compliance reporting in Canada, India and the EU
<b>Global manufacturer</b>	Compliance health check for EPR registration and reporting, in more than 80 countries.
<b>Industry Group</b>	Set up of a clearinghouse to allocate e-waste collections to manufacturer representatives by market share in the State of Illinois.

## Example consortia, group and panel management

Anthesis manages eight consortia for companies in the chemicals and related sectors to support compliance under the European REACH legislation. Also:

Steering groups and committees:	
<b>PCRRG (Paper Cup Recovery and Recycling Group), members include Costa, Nestle, Mars, Starbucks, Mondelez.</b>	Defra: New Technology Demonstrator Programme
<b>MRF code of practice working group</b>	WRAP: Organic Capital Funding Programme
<b>GLA: Economic Development Infrastructure Building Programme</b>	LDA: Major of London's Green Procurement Code
<b>WRAP: Food waste working groups</b>	Zero Waste Scotland: Groups on materials acceptance and service standards
<b>WRAP: Product Sustainability Forum</b>	North West Sustainable Business Quarterly
<b>UK soft drinks industry sustainability roadmap</b>	Merseyside and Manchester Energy Clubs
<b>EU ecolabel for cleaning products and services</b>	Cool Farm Alliance
<b>World Resources Institute GHG protocol</b>	Carbon Disclosure Project: ICT working group
<b>Montreal Protocol</b>	Defra: Green Food Project
<b>WRAP: Courtauld Commitment working group</b>	WRAP: Hospitality and Food Service Agreement
<b>LDA: Enhance fund</b>	GLA: biodiesel supply chain development
<b>London Textiles Forum</b>	The textiles leaders' forum
<b>WRAP and BIS: Fund for circular economy in EEE</b>	Business in the Community
<b>British Standards Institution</b>	Nestle Supplier Network

## Appendix II

# Terms of Engagement between Administrator and Auditor



OAKDENE HOLLINS

Science-led research  
Value-driven consulting

### Terms of engagement between Valpak Limited, Anthesis Consulting Group Limited and Oakdene Hollins Limited

The purpose of this letter is to set out the basis on which Oakdene Hollins Limited will supply services to Valpak Limited and Anthesis Consulting Group Limited (the 'Company' or 'you').

#### Your responsibilities

The directors (the 'directors') are responsible for making available to us all records, correspondence, information and explanations that we reasonably consider necessary to perform our work.

The directors agree that the ability for Oakdene Hollins Limited to perform our work effectively depends upon the directors providing full and free access to the appropriate financial and other records necessary for us to perform our work, and they should endeavor to procure that any such records held by a third party are made available to us.

#### Scope of the work

You have asked us to perform certain specific procedures in relation to your requirements. These procedures are set out in detail below. We will prepare a report to the directors that covers the areas set out below.

- Sign off on the approach to data collection, processing/calculation and auditing;
- Validating that activities are carried out on time and in full;
- Confirmation that appropriate resources are dedicated to the project and that suitable fiscal and data security processes are in place;
- Sample auditing of the fee calculation processes to verify the integrity;
- Approval of final summary statement of the finances: aggregate (non-attributable) fees raised, dispersed to Material Focus and paid to the administrator.

Our work will be based primarily on information provided to us by the directors and will be carried out on the assumption that the information is reliable, and, accurate and complete. We will not subject the information to checking or verification procedures except to the extent expressly stated. This is normal practice when carrying out such agreed upon procedures.

For the avoidance of doubt, we stress that the work that you have asked us to perform does not constitute a statutory audit. If we were to perform a full statutory audit of the company, it is possible that other matters may come to light concerning the specific areas that you have asked us to look at. Therefore, the results of our work may not be conclusive, and our conclusions may be limited.

During the course of the engagement we may show drafts of our reports to you. This is done on the basis that they are subject to revision and alteration and no reliance should be placed on any draft document without our prior written consent. A document remains "draft" for these purposes until it has been manually signed by a Oakdene Hollins Limited partner.

Oakdene Hollins Ltd  
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Brussels Office: 27 Square De Meuse,  
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044 03 2306 433 933  
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Draft copies of our reports will be provided to the directors of the company to confirm the factual accuracy of the information contained therein.

## 2 Form of the report

Upon completion of the procedures we will provide you with a report of our findings.

Our reports will be addressed to you. We stress that our reports and letters are confidential and prepared for the addressees only. They should not be used, reproduced or circulated for any other purpose, whether in whole or in part without our prior written consent, which consent will only be given after full consideration of the circumstances at the time.

If the report is released to a third party without prior consent from Oakdene Hollins Limited, we do not acknowledge any duty of care to the third party and do not accept liability for any reliance placed on the report.

## 3 Liability Provisions

We will perform the engagement with reasonable skill and care and acknowledge that we will be liable to you, for losses, damages, costs or expenses ("losses") caused by our breach of contract, negligence or willful default, subject to the following provisions:

We will not be so liable if such losses are due to the provision of false, misleading or incomplete information or documentation or due to the acts or omissions of any person other than ourselves, except where, on the basis of the enquiries normally undertaken by us within the scope set out in these terms of engagement, it would have been reasonable for us to discover such defects;

Oakdene Hollins Limited will maintain public liability insurance cover for at least £5,000,000 and professional indemnity insurance cover for at least £2,000,000 in connection with the Services with reputable insurers.

## 4 Fees

Our invoice will be addressed to you, and you will be solely responsible for payment in full. We will provide the services under this engagement letter to be agreed before commencement, plus VAT, on 30 day payment terms.

## 5 Providing Services to Other Parties

We will not be prevented or restricted by virtue of our relationship with you, including anything in these terms of engagement, from providing services to other clients. Our standard internal procedures are designed to ensure that confidential information communicated to us during the course of an assignment will be maintained confidentially.

## 6 Applicable law and jurisdiction

This agreement shall be governed by, and interpreted and construed in accordance with, English law.

You and we irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise in connection with the validity, effect, interpretation or performance of, or the legal relationship established by this agreement or otherwise arising in connection with this agreement.

Oakdene Hollins Ltd

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**7 Alteration to Terms**

All additions, amendments and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms supersede any previous agreements and representations between the parties in respect of the scope of Oakdene Hollins Limited work and the report or the obligations of any of the parties relating thereto (whether oral or written) and represents the entire understanding between the parties.

**8 Data Protection**

We may need to Process Personal Data about you and individuals associated with you (such as clients, staff, trustees and others), which could include the following: personal identification and contact details, employment related information or financial data. We will hold the Personal Data as Data Controller. Our privacy notice on our website ([www.oakdenehollins.com](http://www.oakdenehollins.com)) contains further details as to how we may use, process and store Personal Data.

We should be grateful if your directors would confirm your instructions by signing and returning the enclosed copy of this Engagement Letter.

Yours sincerely

Peter Lee, Head of Operations \_\_\_\_\_  
Signing on behalf of Oakdene Hollins Limited

Date \_\_\_\_\_

Director \_\_\_\_\_  
Signing on behalf of Valpak Limited and

Director \_\_\_\_\_  
Signing on behalf of Anthesis Consulting Group Limited

Oakdene Hollins Ltd  
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## Appendix III

### Document Templates

#### Letter to Schemes Inviting Participation

PCS Scheme

DATE

Dear Sirs

#### **WEEE Compliance Fee 2022**

I am writing to you to advise you that we have been appointed by the Department of Environment, Food and Rural Affairs under the Waste, Electrical and Electronic Equipment Regulations 2013 (WEEE) as Administrators of the WEEE Compliance Fee for the year ended 31 December 2022.

In this respect I am writing to you to enquire whether you wish to apply to use the WEEE Compliance Fee for the above year.

In summary the process for those wishing to use the fee is as follows:

- a. Schemes will respond to this letter to confirm whether or not they intend to use the Compliance Fee. The deadline for receipt of confirmation is **10 February 2023**. If we do not hear from you by this date, we will assume that your PCS does not wish to participate.
- b. Should you wish to avail of the WEEE Compliance Fee, I am also attaching a template request for information to be completed. This is in Excel format for ease of use. It requires tonnage collected and costs associated with the collection and treatment of this WEEE for each WEEE stream. Instructions on what information is required are attached to the request. The deadline for receipt of this information is **17 February 2023**.
- c. The information provided will need to be subject to an independent review by Anthesis. A separate team in Anthesis will perform this work and will issue a report following their work. Once you have submitted the information the audit team will contact you to arrange a visit on a mutually agreed date in the week commencing **20 February or week commencing 27 February 2023**. Please make yourself available for their visit.
- d. Following the approved methodology, we will undertake data analysis and calculate Compliance Fee levels for each stream.
- e. By **week commencing 6 March 2023** we will notify you of your Compliance Fee and issue a request for payment setting out the fee per stream and the bank account details to remit payment to us. The final deadline for receipt of cleared funds is **23 March 2023**.
- f. On receipt of payment we will issue you with a Compliance Fee Payment Certificate to enable you to complete your Declaration of Compliance by the deadline.

The methodology for calculation of the fee is detailed in the proposal available on the DEFRA website.

Please note, that if you intend to use the fee then you must provide the data for **ALL** streams, and not just the stream(s) for which you are using the fee.

Please note that the provision of a valid return containing accurate and detailed cost data, where relevant, to support your submission is a condition of being able to use the Compliance Fee.

Please note that all information will be held in the strictest confidence by ourselves and will not be shared with any external organisations except in confirming to the relevant Environment Agencies the names and approval numbers of the Schemes that have used the Compliance Fee, the streams and tonnage by stream to which the usage refers.

There is a participation fee of £2,500 per scheme wishing to use the Compliance Fee as a contribution towards audit and administration costs. This fee will be raised on the same request for payment as the Compliance Fee and will be payable at the same time as the Compliance Fee. We will be unable to issue a Compliance Fee Payment Certificate if the participation fee or the Compliance Fee have not been paid by the deadline stated above.

If you wish to use the Compliance Fee please could you confirm your intention by emailing my colleagues xx

Please contact me if you have any questions regarding the above

Yours faithfully

Name

Title

Contact details

## Template for Collection of Tonnage and Cost Information

Template for collection of tonnage and cost information from Producer Compliance Schemes (PCSs)					
PCS NAME					
NET COST OF DIRECTLY COLLECTED WEEE	Target Scheme WEEE target tonnage	Evidence Total Evidence received and recorded on Settlement Centre	Compliance fee applied for	Collected Scheme WEEE tonnage directly collected from Local Authorities only	Costs Total Direct collection, transport and treatment costs relating to Local Authority collections only
	tonnes	tonnes	tonnes	tonnes	£
<b>1 January to 31 December 2022 - For submission on or before 17 February 2023</b>					
A - Large Household Appliances					
B - Cooling Appliances Containing Refrigerants					
C - Display Equipment					
D - Lamps					
E - Small Mixed WEEE					
F - Photovoltaic (PV) panels					
Total only (for all streams combined)					
<b>Completion instructions</b>					
1 The purpose of the document is to gather information in relation to tonnage, costs and income relating to the direct collection of each WEEE stream in the above period, for the purpose of calculating the WEEE Compliance Fee for the scheme.					
2 Compliance fee applied for is the tonnage you wish to use the Compliance fee for. Normally we would expect this to be Target minus Evidence but please confirm.					
3 Tonnage collected should include own scheme collections only from Local Authorities after any relevant national protocols have been applied, and should exclude collections or evidence provided by other schemes, waste management companies or Approved Authorised Treatment Facilities (AATF's) direct.					
4 Total direct collection, transport and treatment costs should consist of the following:					
a Net total collection, transport and treatment costs from Local Authority Designated Collection Facilities.					
b Net total regulation 34 collection, transport and treatment costs (excluding any regulation 34 collections carried out by or on behalf of other schemes or the PBS					
c Costs of providing the necessary containers (delivery, rental and depreciation).					
<b>Notes:</b>					
i. Net total costs above include any income generated from sale of material or parts which is retained by the scheme.					
ii. The information provided should reflect only WEEE actually collected by each scheme. For clarification, this should include the actual cost of WEEE you have collected even where you have an arrangement to transfer Evidence to another scheme.					



## Payment Request Letter Template

Our Ref:

PCS Scheme Name

Address Line 1

Address Line 2

City

Postcode

xx

Dear Sirs

### **The Waste Electrical and Electronic Equipment Regulations 2013 (The Regulations) Request for payment of the Compliance Fee for the 2022 compliance period**

In our capacity as the appointed Administrator under Regulation 76 of The Regulations, we write to request payment of the compliance fee due under Regulation 33.

Following the independent review of your data submission, we have undertaken the data analysis and calculated the Compliance Fee level for each stream.

Please find below details of the 2022 Compliance Fee payable by your Producer Compliance Scheme:

<b>Stream</b>	<b>Compliance Fee applied for</b>	<b>Compliance Fee payable</b>
	<b>tonnage</b>	<b>£ GBP</b>
A – Large Household Appliances		
B – Cooling Appliances containing Refrigerants		
C – Display Equipment		
D – Lamps		
E – Small Mixed WEEE		
F – Photovoltaic (PV) panels		
<b>Sub total</b>		
Participation Fee		£xx

<b>Total Compliance Fee</b>		
-----------------------------	--	--

Please arrange for the above fee to be paid into the following bank account so that we are in receipt of cleared funds by **Thursday 23 March 2023**.

Please note that it is a requirement under the Regulations that the compliance fee must be paid by the deadline.

Bank: Barclays  
Bank Account Name: ANTHESIS Compliance Fee  
Bank Sort Code: **xx xx xx**  
Bank Account Number: **xxxxxxxx**

On receipt of cleared funds we will issue you with a Compliance Fee Payment Certificate to enable you to complete your Declaration of Compliance.

Anthesis UK will collect the Compliance Fee payment in the above account as the Administrator of the 2022 WEEE Compliance Fee, as appointed by the Department for Environment, Food and Rural Affairs (DEFRA), as part of the administrative services we are supplying to DEFRA.

Please contact me if you have any questions regarding the above.

Yours faithfully

Xx

Title

Contact details

## Payment Certificate Letter Template

Our Ref

PCS Scheme  
Address  
Address  
ADDRESS  
POST CODE

XX March 2023

Dear Sirs

### **PCS Scheme – WEEE Compliance Fee 2022 Payment Certificate**

This is to certify the payment has been received in full in respect of the WEEE Compliance Fee for 2022 in respect of the following:

<b>Streams</b>	<b>Tonnage</b>
X - XXX	<i>ZZ.ZZZ</i>
Y - YYY	<i>ZZ.ZZZ</i>

Yours faithfully

Name

Title

Contact details

## Environmental Regulator Letter Template

Our Ref

Environmental Regulator  
Address  
ADDRESS  
POST CODE

date

Dear Sir

### **The Waste Electrical and Electronic Equipment Regulations 2013 (The Regulations) Summary of 2022 WEEE Compliance Fee Payments Received**

In our capacity as the appointed Administrator under Regulation 76 of The Regulations, we write to inform you of the Producer Compliance Schemes (PCSs) that have paid a WEEE Compliance Fee in respect of the 2022 compliance period.

Payment has been received in full in respect of the following:

PCS Name	PCS approval number	Stream compliance fee paid for	Tonnage compliance fee paid for
		X – XXX	ZZ.ZZZ
		Y - YYY	ZZ.ZZZ

If you have any queries, please let me know.

Many thanks.

Yours sincerely,


Name

Title

Contact details

# Compliance Fee Process Evaluation Form

Should this proposal be successfully selected, all PCSs wishing to utilise the compliance fee, or choosing to provide collection cost data on a voluntary basis, will receive the below form by the Fee Administrator and will be invited to provide feedback on the 2022 compliance fee process.



## 2022 WEEE Compliance Fee Process Evaluation Form

**Please circle your responses.**

**1. Was the data you were asked to supply to the administrator readily available?**  
Not readily available Readily Available

**1            2            3            4            5**

Please explain the reasoning for your score:

**2. Did the Fee Administrator (Anthesis) respond to any information requests within a reasonable timeframe?**  
Slow to respond Fast to Respond

**1            2            3            4            5**

Please explain the reasoning for your score:

**3. Were the instructions received from the Administrator to complete data submissions to them clear and unambiguous?**  
Ambiguous Clear

**1            2            3            4            5**

Please explain the reasoning for your score:

**4. Overall, how would you rate the fee administration process?**  
Poor Excellent

**1            2            3            4            5**

Please explain the reasoning for your score:

**5. Do you have any further comments?**

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a Reconomy  
Group Company

## Appendix IV

### Dispersal of the WEEE Fee Fund for the 2022 Compliance Period

Valpak proposes that the Compliance Fee dispersal process which has been developed by the JTA in recent years be continued for 2022 should our methodology be accepted. This process has been accepted by Defra, will provide continuity of funding to projects and enable wide stakeholder involvement.

#### Background

In 2017, 2018, 2019, 2020 and 2021 the JTA's methodology was adopted by Government. In 2017 the Fund generated from Fees was considerable and initially, to manage this 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 funding opportunities.

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 was divided into three elements: technical projects, with an annual call for research proposals; local projects covering reuse, repair, and local authority kerbside support; and a communications and behaviour change programme. Judging panels, agreed with Defra, and with representation from across the WEEE sector, were established to assess applications for research and local projects. The approach adopted for communications and behaviour change was agreed with Defra and other stakeholders representing the WEEE sector.

For its 2018 Fee methodology, in view of the extensive Fund arrangements already in place, and as many of the projects already being funded would span several years, the JTA proposed that the Expert Adviser be retained to continue to manage the disbursement of the Fund for consistency and to minimise stakeholder confusion. In addition to this, the JTA proposed that any Fees raised from the 2018 Fee process be added into the 2017 Fund to support the activities and workstreams already underway. This proposal was accepted by Defra.

The size of the Fund increased further in 2018 and recognising the need for a professional and standalone entity with dedicated staff to disperse this, JTAC employed its Expert Adviser as Executive Director to manage the spend of the Fund.

In its 2019 Fee methodology, Valpak recommended the continuation of the 2017 and 2018 Fund infrastructure and for this to be supplemented by the establishment of a new Fund Disbursement Strategy Committee to determine how any Fees raised from the 2019 Fee process should be spent. Members of the committee would be drawn from representatives within the WEEE sector. This committee was formed following Defra's

acceptance of the JTA's 2019 Fee proposal, under a different name, the Advisory Panel. The roles of the Advisory Panel and JTAC Board are outlined in the table below. In addition, Valpak proposed that with the agreement of Defra the 2019 Fee could also be used to undertake activities that are considered beneficial in maintaining the integrity of the WEEE system, such as legal action. Members of the Advisory Panel do not have any oversight of the day-to-day operation of the Fee itself, thus ensuring compliance with Competition Law. Further measures were also introduced to ensure adequate transparency in the spend of the Fund.

<b>JTAC Board</b>	<b>Advisory Panel</b>
<b>Remit</b>	
<p>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.</p> <p>Review and evaluate the performance of the Administrator and WEEE Fund Executive Director.</p> <p>Determine JTAC policies and provide additional fiscal oversight of the Fund through multi-stage invoice approval process</p> <p>Ensure that the composition, structure and capability of JTAC are appropriate for implementing agreed strategies.</p> <p>Provide additional sign off on payments out of the Fund in excess of £10k (two Directors must sign off before approval).</p>	<p>To advise on the strategic direction of the Compliance Fee Fund disbursement plan.</p> <p>To monitor progress against agreed goals and targets set out by the Material Focus Executive Director and endorsed by the Panel.</p>
<b>Composition</b>	
<p>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 Association, AMDEA, BEAMA and techUK.</p>	<p>Consists of the Chair of JTAC and representatives of the stakeholder community, including but not limited to representatives of EEE producers, WSF, WEEE recyclers, local authorities, reuse organisations, waste management companies an</p>
<b>Meetings</b>	

<p>The Board will meet as required to fulfil its remit and will meet at least every quarter.</p> <p>Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance.</p> <p>The quorum for meetings is three.</p>	<p>The Panel will meet as required to fulfil its remit and will meet at least twice a calendar year.</p> <p>Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance.</p> <p>The quorum for meetings is three.</p>
<p><b>Voting</b></p>	
	<p>While every attempt will be made to unanimously agree spending priorities in the event of split opinion the Panel will vote on priorities.</p> <p>Weighting of voting will be adjusted so that actors - government, local authorities, waste &amp; treatment operators, PCs, and producers - have an equal vote.</p>

During 2019, to support the framing of the public awareness campaign, the WEEE Fund was rebranded as Material Focus. Governance of JTAC and Material Focus is subject to a comprehensive suite of policies and procedures 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.

## Valpak 2022 Fund Proposal

Following consultation with stakeholders and Defra, the funding principles for future projects and research established using funding from the WEEE Fund have previously been determined to be:

- All projects and applications for funding must demonstrate how they 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.recycleyourelectricals.org.uk](http://www.recycleyourelectricals.org.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.

Prospective applicants are encouraged to engage with Material Focus when formulating research ideas so that potential synergies and collaborations can be identified and encouraged.

Applications for funding would be made by email using a standard template form, available via the Material Focus website. Applications would be assessed based on their compatibility with the evaluation criteria.

In line with the principles set out above, the spend of the remaining Fee will be determined in consultation with stakeholders and Defra and endorsed by the Advisory Panel.

As seen in years previous where significant amounts of money accrued as a result of the compliance fee, should significant amounts of funding accrue as a result of the 2022 compliance fee the spend of Funds will be determined and agreed through consultation with stakeholders and Defra and endorsed by the Advisory Panel. 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: research, local projects, and communications and behaviour change.

Where calls for funding applications are issued, 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, social and environmental impact and the benefits of the proposal.

## **Processing and Approval of Fund Applications**

Irrespective of the Fund year, Material Focus should continue to use the appropriate judging panel(s) established previously to agree strategic interventions and assess and approve applications.

The Material Focus 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 will be available on the Material Focus website.

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

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

## **Defra Projects**

We acknowledge that Defra may have some specific WEEE projects for which funding may be required. Valpak have welcomed the use of the 2017, 2018, 2019, 2020 and 2021 Funds for such projects as they contributed to the enhancement of the UK's WEEE system. Should this be required again in 2022, Valpak would welcome this.

## **Continuity of the Fund**

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 Material Focus operates as a professional, standalone entity to disperse these funds, Material Focus will offer to continue to act as the disbursement entity if any other organisation is appointed as operator of the 2022 Fee. Valpak have agreed in principle to this proposal should our 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 Material Focus 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.