



**Proposal to the Department for Environment Food and
Rural Affairs**

**Operation of a WEEE Compliance Fee for the 2020
Compliance Period**

September 2020

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1. Executive Summary

- 1.1. This proposal is submitted by the Joint Trade Associations (JTA). Background to the JTA, its constitution and its membership is provided in Appendix 5.
- 1.2. The detailed JTA proposal for a Compliance Fee mechanism (JTA Mechanism) under Regulation 76 of the WEEE Regulations is set out in section 2 below. This proposal is based upon the following work:
 - 1.2.1. A review of the Defra guidance for submission of a Compliance Fee (Fee) methodology¹ published on 8 June 2020. This makes specific reference for proposals to consider the impact Covid-19 has had on WEEE collections and how this should be reflected in the 2020 Fee methodology;
 - 1.2.2. A review of the 2019 JTA Mechanism, including feedback received from Defra and how this should influence the design of the 2020 JTA Mechanism – Appendix 1;
 - 1.2.3. An assessment of 2020 market conditions and a summary of the aspects that should influence the design of the 2020 JTA Mechanism. The assessment also considered whether updated professional economic analysis was required, and concluded that it was – Appendix 2;
 - 1.2.4. Professional economic analysis commissioned from FTI Consulting on areas identified by the JTA for further consideration during its assessment of 2020 market conditions – Appendix 3.
- 1.3. FTI has recommended that the 2020 JTA Mechanism should be based on the 2019 JTA Mechanism, with three one-off modifications. These modifications reflect the impact, and potential future impact, of the Covid-19 pandemic on UK household WEEE collections (national collections).

The JTA has accepted FTI's recommendations and incorporated them into its 2020 Fee methodology proposal. Where household WEEE collections reported by all PCSs for a stream are below the national targets set by Defra, the 2019 JTA Mechanism will be modified as follows:

- **Modification 1** A PCS should only pay a Fee if its collection rate in any WEEE stream (stream) is below the national rate of actual collections for that stream. This will be achieved by setting each PCS that needs to use the Fee a Covid Compliance Fee Threshold for that stream. The Covid Compliance Fee Threshold would be its market share of the tonnage of national collections actually reported by all PCSs for that stream during the year. The PCS would only pay a Fee on shortfalls of tonnage up to the PCS's Covid Compliance Fee Threshold for that stream. As in previous years, the Fee will still be based on the weighted average net cost per tonne of direct WEEE collections from LA DCFs, to which the Normal escalator mechanism, WEEE Source Adjustment Premium and Variable Administrative Cost will still apply.
- **Modification 2** PCSs should be remunerated for tonnage collected above their Covid Compliance Fee Threshold in that stream. The remuneration will be based on the weighted average net cost per tonne of direct WEEE collections from LA DCFs to which the Variable

¹ Defra (2020) *Waste Electrical and Electronic Equipment (WEEE) Regulations 2013: Guidance on submitting proposals for a WEEE methodology* www.gov.uk/government/publications/weee-submit-a-proposal-for-a-compliance-fee-methodology

Administrative Cost will be added. The Normal escalator and WEEE Source Adjustment Premium will not be applied to the remuneration paid to a PCS. Remuneration paid to a PCS would be limited to collections made in excess of its Covid Compliance Fee Threshold up to its target. This remuneration will be financed by the Fees paid by those PCSs that collect below their Covid Compliance Fee Threshold.

- **Modification 3** For all Fee calculations, irrespective of whether national collections reported by all PCSs for a stream are above or below the national targets set by Defra, only the Normal escalator will be applied (in previous years, the JTA has proposed two escalators – a “Normal” escalator and a higher cost “Surplus” escalator.)

Where there is a shortfall in national collections compared with the national target in a stream these changes will ensure that, in aggregate, there is an equitable distribution of the cost of national collections between the producers in each PCS and therefore producers only finance the WEEE that actually arises in 2020². The approach means that the net Fee fund collected in 2020 is likely to be relatively low, because Fees paid (Modification 1) will be broadly offset by remuneration payments made (Modification 2). The JTA considers this meets the Fee methodology criteria set by Defra, which is important in a year that has already placed a significant financial burden on most businesses and because access to available WEEE has been variable across PCSs.

1.4. In summary the 2020 JTA Mechanism proposal contains the following features:

Features	Benefits
Fees are stream specific.	Ensures PCSs pay a Fee that is reflective of the cost to collect the relevant stream of WEEE.
The weighted average net cost per tonne of direct WEEE collections from LA DCF's incurred by PCSs submitting cost data is the underlying basis for the calculation.	Strengthens the incentive for PCSs to collect directly from LAs.
A non-linear escalator will be applied to the weighted average net cost of direct WEEE collections from LA DCFs, to reflect the extent that a PCS has met its own target.	Incentivises PCSs to meet their own targets and ensures all PCSs, regardless of size of obligation are encouraged to collect.
Where national collections are in deficit compared to the national target, the Normal escalator will be applied to the shortfall in a PCS's collections compared with the PCS's Covid Compliance Fee Threshold, rather than the PCS's target. The Covid Compliance Fee Threshold will be calculated by applying the ratio of the actual national collections in the stream and the national target, to the PCS's target.	The use of the Covid Compliance Fee Threshold where national collections fall short of the national targets reflects the exceptional circumstances caused by the Covid-19 pandemic, where this has significantly affected the ability of PCSs to meet their targets due to collection site closures as well as social distancing and self-isolation rules. This will ensure producers and PCSs are not unduly penalised for circumstances outside their control.

² The remuneration to PCSs will be limited to collections above their Covid Compliance Fee Threshold up to their target, and whilst this seems unlikely, it is possible some PCSs may incur costs they cannot recover if they collect in excess of their target. However, this is consistent with previous year Fee methodologies.

Features	Benefits
Where national collections are in surplus compared to the national target, the Normal escalator will be applied to the shortfall in a PCS's collections compared to its target.	<p>The use of the Normal escalator means the Fee should not be unduly punitive. In such circumstances the Fee will still be at a level above the weighted average net cost per tonne of direct WEEE collections from LA DCFs and therefore still incentivise collection, but it will avoid the Fee being excessive.</p> <p>Using only the Normal escalator also simplifies the Fee calculation in a year when material surpluses compared to the national target are very unlikely.</p>
A WEEE Source Adjustment Premium is included in the Fee calculation, which reflects the extent to which PCSs have collected WEEE from LA DCFs.	<p>A PCS which relies on purchased or low-cost evidence, and does not collect WEEE directly from LA DCFs, will pay more if it misses its targets.</p> <p>This strengthens the incentive to collect directly from LAs rather than relying on lower-cost evidence from other sources and, supports the intention within the WEEE Regulations to prioritise collections from LAs.</p>
Stream specific, Variable Administrative Costs are included in the Fee calculation	The inclusion of stream specific Variable Administrative Costs helps to ensure that the cost of using the Fee is less attractive than collecting WEEE to meet targets and that the Fee is fully reflective of all avoided costs. This also strengthens the incentive to collect directly from LAs.
All PCSs should be permitted to submit cost data for inclusion in the calculation of the weighted average net cost of direct WEEE collections from LA DCFs, providing this is subject to audit. Those PCSs not needing to use the Fee or not receiving remuneration from the Fee should not pay an administration charge.	Ensures the Fee is based on as wide a pool of data as possible and is therefore fully reflective of the cost of collecting WEEE directly from LAs.
Where national collections in a stream fall short of the national target, a PCS collecting above its Covid Compliance Fee Threshold will be remunerated for its excess tonnage up to its target. The remuneration per tonne of excess collections will be calculated using the weighted average net cost of direct WEEE collections from LA DCF plus the Variable Administrative Cost.	<p>Paying remuneration to PCSs collecting in excess of their Covid Compliance Fee Thresholds incentivises collection whilst ensuring producers in those PCSs do not finance more than their share of national collections, reflecting regional differences in access to available WEEE as a result of the pandemic.</p> <p>Limiting the remuneration to collections made by a PCS over its Covid Compliance Fee Threshold but up to its target reflects one of the key principles set out by the Government in the introduction of the Compliance Fee in 2014³.</p>

Features	Benefits
All PCSs using the Fee or applying for remuneration should pay an administration charge.	<p>The administration charge helps ensure that using the Fee is less attractive than collecting WEEE to meet targets.</p> <p>For those PCSs wishing to apply for remuneration, data reviews will need to be conducted by the Administrator before any remuneration due is confirmed. The administration charge will ensure the costs of that review are covered.</p>
There may be circumstances (e.g. WEEE that has a net positive value) where some categories should attract a zero Fee.	Ensures Fees paid by PCSs are reflective of the cost of collecting WEEE and avoids PCSs paying Fees where WEEE is not accessible to them because collectors are receiving a net income from that WEEE.

- 1.5. The impact of the new features of the Fee calculation outlined above are illustrated in Appendix 8, which also provides worked examples of the Fee calculation.
- 1.6. The JTA would welcome the opportunity to discuss any aspect of this proposal with Defra and is open to any appropriate amendments.
- 1.7. In addition, if Defra considers that any of the factors used in the 2020 JTA Mechanism are not necessary, we would be happy to discuss removing that element.

2. JTA proposal for the 2020 WEEE Compliance Fee calculation methodology

2.1. Background to JTA Fee Methodology

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

FTI undertook reviews of the methodology in every year since 2016 based on the JTA's assessment of the WEEE market in those years, which were incorporated into the JTA's proposed Fee mechanisms for each those years. In 2019 the JTA asked FTI to prepare a summary of the Fee's development, which was provided in Appendix 2 of its 2019 report. A copy of this can be provided on request.

Following the feedback received from Defra on the 2019 JTA Mechanism (Appendix 1), the JTA's assessment of the 2020 WEEE market (Appendix 2) and the revised Guidance on submitting compliance fee proposals issued by Defra on 8 June 2020⁴, FTI was asked to consider whether any changes were required to the JTA 2019 Mechanism. Of specific focus was Defra's requirement for 2020 Fee proposals to consider the exceptional impact that the global outbreak of Covid-19 has had on collections during the 2020 compliance year and how this should be taken into account in the methodology.

Three one off modifications were recommended by FTI. These are detailed in FTI's 2020 report which is provided as Appendix 3, but also summarised below:

Where national collections of WEEE in a stream fall short of the national target:

- The threshold volume at which a Fee should be paid by a PCS should be set lower than the targets set at the beginning of the year (the "Covid Compliance Fee Threshold") (section 4.4 of FTI's report);
- PCSs that collect a surplus of WEEE above their "Covid Compliance Fee Threshold" should be remunerated for the additional collections up to their targets (section 4.7 of FTI's report); and

For all Fee calculations

- The Normal escalator should be used (section 4.21 of FTI's report).

The JTA has considered FTI's recommendations and has incorporated these into its 2020 Fee methodology.

⁴ Defra (2020) Waste Electrical and Electronic Equipment (WEEE) Regulations 2013: Guidance on submitting proposals for a WEEE methodology, www.gov.uk/government/publications/weee-submit-a-proposal-for-a-compliance-fee-methodology

2.2. Fee calculation – overview

Where total national collections reported by PCSs for a stream are below the national target

The JTA 2020 Mechanism calculates a Fee for each stream for which a PCS is applying to use the Fee as follows:

- A calculation for each PCS wishing to use the Fee is undertaken for each stream:

$$\begin{array}{|c|} \hline \text{Compliance} \\ \text{Fee} \\ \text{Payable} \\ \hline \text{£} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{PCS shortfall} \\ \text{= PCS Covid} \\ \text{Compliance} \\ \text{Fee Threshold} \\ \text{- PCS collections} \\ \text{(} a_n - c_n \text{)} \\ \text{See below} \\ \text{(tonnes)} \\ \hline \end{array} \times \left[\begin{array}{|c|} \hline \text{Weighted average} \\ \text{net cost per tonne of} \\ \text{direct WEEE} \\ \text{collections from LA} \\ \text{DCF's} \\ k_n \\ \text{See section 2.3.2} \\ \text{(£/t)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Escalator} \\ \text{applicable to} \\ \text{PCS shortfall} \\ \text{(see below)} \\ \hline \% \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Weighted} \\ \text{average variable} \\ \text{administrative} \\ \text{cost per tonne} \\ v_n \\ \text{See section 2.3.7} \\ \text{(£)} \\ \hline \end{array} \right]$$

- The PCS's Covid Compliance Fee Threshold (a_n) is calculated as follows:

$$\begin{array}{|c|} \hline \text{PCS Covid} \\ \text{Compliance Fee} \\ \text{Threshold} \\ \text{See section 2.3.4} \\ a_n \\ \text{(Tonnes)} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{PCS target} \\ t_n \\ \text{(Tonnes)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Collections} \\ \text{reported by all} \\ \text{PCS's} \\ c_n \\ \text{(Tonnes)} \\ \hline \end{array} \div \begin{array}{|c|} \hline \text{Collections} \\ \text{Target} \\ T_n \\ \text{(Tonnes)} \\ \hline \end{array}$$

- The escalator applicable to the PCS is based on two factors:
 - how far the PCS is from its Covid Compliance Fee Threshold; and
 - the extent to which the PCS has been collecting directly from local authorities.

$$\begin{array}{|c|} \hline \text{Escalator} \\ \text{applicable to PCS} \\ \hline \% \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Normal Escalator} \\ \hline \text{See section 2.3.4} \\ \% \\ \hline \end{array} + \begin{array}{|c|} \hline \text{WEEE Source} \\ \text{Adjustment} \\ \text{Premium} \\ p_n \\ \text{See section 2.3.5} \\ \% \\ \hline \end{array}$$

Where a PCS collects WEEE in excess of its Covid Compliance Fee Threshold the JTA 2020 Mechanism pays remuneration to a PCS as follows:

- A calculation is undertaken for each stream:

$$\begin{array}{|c|} \hline \text{Remuneration} \\ \text{Payable} \\ \hline \text{£} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{PCS surplus} \\ \text{= PCS target} \\ \text{- PCS Covid} \\ \text{Compliance Fee} \\ \text{Threshold} \\ \text{(} t_n - a_n \text{)} \\ \text{See above} \\ \text{(Tonnes)} \\ \hline \end{array} \times \left[\begin{array}{|c|} \hline \text{Weighted average} \\ \text{net cost per tonne of} \\ \text{direct WEEE} \\ \text{collections from LA} \\ \text{DCF's} \\ k_n \\ \text{See section 2.3.2} \\ \text{(£/t)} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Weighted} \\ \text{average variable} \\ \text{administrative} \\ \text{cost per tonne} \\ v_n \\ \text{See section 2.3.7} \\ \text{(£)} \\ \hline \end{array} \right]$$

Where total national collections reported by PCSs for a stream are above the national target

The JTA 2020 Mechanism calculates a Fee for each stream for which a PCS is applying to use the Fee as follows:

- A calculation for each PCS wishing to use the Fee is undertaken for each stream:

$$\begin{array}{|c|} \hline \text{Compliance} \\ \text{Fee} \\ \text{Payable} \\ \hline \text{£} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{PCS evidence} \\ \text{shortfall v target} \\ \hline t_n - c_n \\ \text{(Tonnes)} \\ \hline \end{array} \times \left[\begin{array}{|c|} \hline \text{Weighted average} \\ \text{net cost per tonne of} \\ \text{direct WEEE} \\ \text{collections from LA} \\ \text{DCF's} \\ k_n \\ \text{See section 2.3.2} \\ \text{(£/t)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Escalator} \\ \text{applicable to} \\ \text{PCS} \\ \hline \text{See below} \\ \% \\ \hline \end{array} \right] + \begin{array}{|c|} \hline \text{Weighted} \\ \text{average variable} \\ \text{administrative} \\ \text{cost per tonne} \\ \hline v_n \\ \text{See section 2.3.7} \\ \text{(£)} \\ \hline \end{array}$$

- The escalator applicable to the PCS is based on two factors:
 - how far the PCS is from its target; and
 - the extent to which the PCS has been collecting directly from local authorities.

$$\begin{array}{|c|} \hline \text{Escalator} \\ \text{applicable to PCS} \\ \hline \% \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Normal escalator} \\ \hline \text{See section 2.3.4} \\ \% \\ \hline \end{array} + \begin{array}{|c|} \hline \text{WEEE Source} \\ \text{Adjustment} \\ \text{Premium} \\ P_n \\ \hline \text{See section 2.3.5} \\ \% \\ \hline \end{array}$$

2.3. Fee calculation methodology – in detail

2.3.1. Fees are stream specific

A separate Fee is calculated for each collection stream of WEEE for which a PCS is applying to use the Fee. Costs will be calculated using data submitted on a compulsory basis by those PCSs that decide to use the Fee for any stream, and any other PCSs that choose to submit costs on a voluntary basis. The JTAC appointed third party Administrator will undertake a review of the data submitted by each PCS using an Agreed Upon Procedure approach; in light of the Covid-19 pandemic this review will be conducted remotely through the use of web calls and secure portals for the provision of supporting documentation (see section 3.2.2.4 for further information). Mazars, the JTA's proposed Administrator, advises that the accountancy profession has been conducting remote audits successfully in this way throughout the pandemic.

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

The Fee calculation uses the weighted average net cost of direct collection and treatment transactions incurred by PCSs when directly contracting with a DCF operator to finance WEEE collection and treatment from an LA DCF (k_n). This is based on the direct, incremental and

avoidable costs and revenues incurred and excludes the costs of indirectly acquired WEEE evidence. The rationale for this decision is consistent with the JTA's Compliance Fee methodologies for the years 2017 to 2019 and is taken in the light of our analysis of the WEEE market in 2020. This shows that despite anticipated shortfalls in actual collections against national targets for most streams some LAs remain unable to make arrangements with PCSs and have needed to use the PCS Balancing System (PBS) to secure collection. This indicates that PCSs still seek to comply with WEEE from non-LA sources, including purchasing evidence, rather than undertaking collections. This is because LA WEEE is often more expensive to collect and treat than WEEE from other sources.

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

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

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

This calculation is illustrated in section D of Appendix 8.

2.3.3. A non-linear escalator will be applied to the weighted average net cost of direct WEEE collections from LA DCFs, to reflect the extent that the PCS has met its own target.

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

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

FTI does not recommend an escalator based on a PCS's absolute shortfall (in tonnes) versus the aggregate national target. FTI advise that this is less effective in incentivising some PCSs to meet their targets through collection. This is because PCS obligations can vary substantially in scale, measured by the volume (in tonnes) of WEEE collected and processed. FTI advises that such an approach would result in PCSs which have a larger producer obligation in a particular stream, and are thus accountable for a greater proportion of total collections, paying a higher Fee for the same relative shortfall (in percentage terms) than a PCS with a smaller producer obligation. Instead, FTI considers that the escalator should increase in proportion to the size of the PCS's shortfall relative to its *own* target, as this incentivises all PCSs to collect

WEEE, rather than pay the Fee, regardless of the size of their obligation. FTI reasons that this would also encourage PCSs to be as efficient as possible so as to reduce their costs, and ultimately act as an incentive for innovation for all operators.

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

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

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

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

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

2.3.4. The Normal escalator will be used irrespective of whether national collections are in deficit or in surplus compared with the national target

In previous years, the JTA Fee methodology has included two alternative escalation factors (the escalators), the Normal and the Surplus escalators. The Normal escalator applied where there was a deficit in national collections against the national target, the Surplus escalator where there was a surplus of evidence in a stream against the national target (subject to a 1.5% tolerance). Both were non-linear and the effect of the escalator increased the further a PCS was away from its target. The Surplus escalator started at an uplift which was proportional to the

extent of oversupply in that stream and the uplift increased more quickly than the Normal escalator, as the extent of the PCS' shortfall increased.

To reflect the special circumstances of 2020, the FTI suggests only the Normal escalator is used. Based on the national collections data to Q2 2020 it appears that only for the PV panel stream will national collections achieve the national target, although this is only attributable to the impact of the revised Small Mixed WEEE protocol and not specific collections of PV panels. As the Fee calculation has been modified for 2020 this will also make the Fee calculation essentially the same for each stream and therefore easier to understand.

Examples of the escalator calculations in operation are provided in sections A and B of Appendix 8.

Normal escalator

The Normal escalator applicable to a PCS whose collections are below its target has previously been calculated as follows:

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

Where:

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

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

The information on a PCS's target for the stream (t_n) and the total amount of WEEE in that stream collected by that PCS (c_n) is obtained from the data submitted by those PCSs wishing to use the Fee. This formula is applicable to the JTA 2020 Mechanism where national collections exceed the national target.

Unlike previous JTA Fee mechanisms, where there is a shortfall in national collections for a stream compared with the national target in 2020, a Fee will only be payable by a PCS in relation to its collection shortfall compared to its Covid Compliance Fee Threshold (a_n). The Covid Compliance Fee Threshold will be calculated by applying the ratio of national collections compared with the national target, to the PCS's target as follows:

$$a_n = t_n * \left(\frac{C_n}{T_n}\right)$$

Where:

a_n is the PCS's Covid Compliance Fee Threshold for the WEEE stream, in tonnes.

t_n is the PCS's target for the WEEE stream as set by the relevant Agency, in tonnes.

C_n is the total national collections for the WEEE stream, in tonnes.

T_n is the total national target, set by Defra, for the WEEE stream, in tonnes.

The information on a PCS's target for the stream (t_n) is obtained from the data submitted by those PCSs wishing to use the Fee. The sum of national collections by all PCSs in the relevant

stream in the market, (c_n) will be obtained from the Defra WEEE team on or before 2 March 2021. We propose that Defra use the evidence held on the Settlement Centre. The national target for that stream (T_n) will also be obtained from Defra.

The Normal escalator calculation where a Covid Compliance Fee Threshold is in operation is therefore changed to:

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

Where:

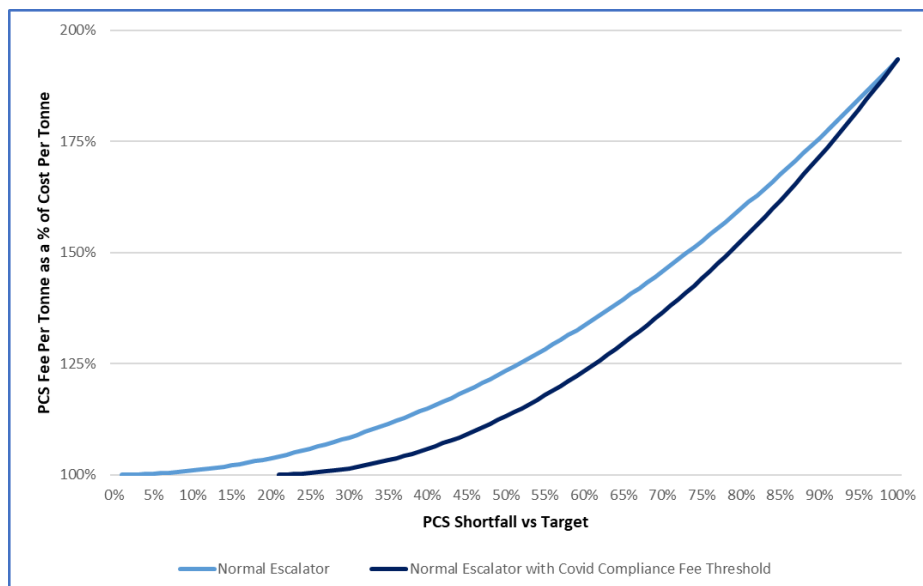
a_n is the PCS's Covid Compliance Fee Threshold for the WEEE stream, in tonnes.

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

Impact of the escalator

The escalator is non-linear and so the percentage increase in the Fee for each PCS depends upon how far away that PCS is from its collection target per stream (where national collections exceed the national target) or Covid Compliance Fee Threshold (where national collections fall short of the national target). For PCSs that marginally miss their target, or Covid Compliance Fee Threshold, the effect of the escalator will be minimal. For a PCS making no effort to achieve their collection target per stream, or Covid Compliance Fee Threshold, the effect of the escalator would be to increase the Fee by 100% (prior to the application of any WEEE Source Adjustment Premium and Variable Administrative Cost).

The graph below shows the effect of the Normal escalator on the Fee per tonne of shortfall paid by a PCS, with and without the operation of a Covid Compliance Fee Threshold. It uses data from Example 1 - Base in Appendix 8, which assumes a 20% shortfall against the national target. The PCS's shortfall against its target has been varied, and it has been assumed that no WEEE Source Adjustment Premium is applicable.



2.3.5. Application of a WEEE Source Adjustment Premium which reflects the extent to which PCSs have collected WEEE from LA sources

For the reasons set out in section 2.3.2 above and in section 1.4 of FTI's report, we consider that it is important that PCSs remain fully incentivised to collect LA WEEE and that an adjustment should be applied to increase the Fee paid, to reflect the extent to which (i) non-LA WEEE has been used by a PCS to meet its target rather than LA WEEE and (ii) where that non-LA WEEE has been collected at a lower cost.

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

The WEEE Source Adjustment Premium (p_n) is the same in principle as the 2019 Fee methodology, with either a PCS's target or its Covid Compliance Fee Threshold being used as the denominator in the calculation, dependent upon whether national collections exceed the national target or fall short of it, respectively. It will be calculated using the formula set out in section 5.7 of the FTI Report (with (t_n) substituted for (a_n) where the Covid Compliance Fee Threshold is not in operation):

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

Where:

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

The WEEE Source Adjustment Premium reflects the extent to which a PCS's collections meet the proportion of national collections from LA DCFs, and whether the cost of LA DCF collections exceed those of other WEEE sources. Where the PCS collects less than the national proportion of LA DCF WEEE in a stream, and the average cost of LA DCF WEEE for that stream exceeds that of other WEEE sources, the PCS will pay a WEEE Source Adjustment Premium.

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

- the average share of national collections from LA DCFs as a proportion of total national collections (a), will be obtained from the quarterly “WEEE Collected in the UK” report issued by the EA. Whilst the figures reported for household WEEE collections from DCFs will contain non-LA DCF collections, the JTA understands that this will not be a significant figure. The final report for 2020 will not be available until 31 March 2021 so the Administrator will use the interim report, which is expected to be published by the EA on 1 March 2021.
- the percentage amount by which the cost of LA-DCF collections exceed the cost of other WEEE sources (d), will be calculated by the Administrator using the weighted average net cost per tonne of direct WEEE collections from LA DCFs calculated in 2.3.2 above, and the average net cost per tonne of other WEEE sources. The average net cost per tonne of other WEEE sources will be calculated by stream by calculating the total net cost provided by PCSs submitting data for that stream and dividing this by the corresponding aggregate tonnage for that stream. The Administrator will review the information provided on the cost of PCS collections from other WEEE sources and after making enquiries may disregard any outlier results. An example of the calculation is provided in section D of Appendix 8.
- the actual volume of collections from LA-DCF, made by the PCS itself (l_n), that PCS’s shortfall (s_n) and the PCS’s target for the WEEE stream (t_n) will be calculated using information obtained from those PCSs wishing to use the Fee.
- Where relevant, the PCS’s Covid Compliance Fee Threshold (a_n) will be obtained from the calculation set out in section 2.3.4 above.

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

To cover the cost of undertaking independent verification of PCS data submissions, all PCSs needing to use the Fee or seeking remuneration for any stream will be required to pay £2,500 towards the administrative costs of operating the 2020 JTA Mechanism. If a PCS wishes to submit data voluntarily for use in the calculation of the weighted average cost of direct collections from LA DCF’s but does not need to use the Fee and is not seeking remuneration, then there will be no administration charge.

2.3.7. Stream specific Variable Administrative Costs should be included in the Fee calculation

As with its 2019 Fee methodology the JTA proposes to use a stream specific Variable Administrative Cost as part of the Fee calculation (v_n). This will reflect the weighted average variable administrative cost per tonne incurred by PCSs for each WEEE stream when undertaking household WEEE collections, and will include costs such as undertaking audits, managing collections and bidding for LA contracts. The JTA considers it appropriate to add the weighted average Variable Administrative Cost per tonne to the Fee calculated for each PCS after both the Normal escalator and WEEE Source Adjustment Premium have been applied to the weighted average net cost per tonne of direct WEEE collections from LA DCFs. To add this prior to this calculation could result in an unduly punitive Fee.

To ensure that the Variable Administrative Cost figure used is cost reflective and stream specific the three PCSs advising the JTA - ERP, Recolight and REPIC - have provided their 2019 compliance year variable administrative cost and collections data to the consultancy firm Anthesis on a one-to-one confidential basis, accompanied by an auditor's assurance statement, to calculate the weighted average Variable Administrative Cost per tonne for each stream, which will be provided directly to the Administrator.

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

Using data from 2019 provided sufficient time for this to be calculated robustly by the three PCSs and to be externally reviewed. It is not anticipated that the result will be materially different from using actual 2020 variable administrative cost data, and so no further adjustment is proposed.

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

We anticipate that Defra will consult on the Fee methodology in October 2020. Any PCSs may, on a voluntary basis, and under a confidentiality agreement, arrange for their own 2019 variable administrative cost and collection data to be included in the calculation by contacting Anthesis (richard.peagam@anthesisgroup.com). Anthesis will charge £250 to receive the data and to build it into the calculations. This data should be accompanied by an auditors' assurance statement. The deadline for submitting this data is 19 February 2021. Anthesis will review all submissions received and may ask for further clarification of any outlier data or exclude such data if they are not satisfied with the explanations provided. Anthesis will then include all accepted data submissions in the calculation, by stream, of the weighted average Variable Administrative Cost per tonne, and provide this to the Administrator.

2.3.8. Where total national collections reported by PCSs in a stream are below the national target, PCSs should be remunerated for collections made above their Covid Compliance Fee Threshold

Where this applies for a stream, to ensure that producers in a PCS are not financing more than their share of the WEEE collections arising in the year, PCSs collecting in excess of their Covid Compliance Fee Threshold will be eligible to receive remuneration for collections made above their Covid Compliance Fee Threshold and up to the amount of their target.

The remuneration payable to an eligible PCS would be calculated as follows:

$$f_n = [(\min(c_n, t_n) - a_n) \times (k_n + v_n)]$$

Where:

- f_n is the Fee for the relevant stream, in GBP.
- k_n is the weighted average net cost of collection from LA-DCFs for the stream, in GBP per tonne.
- a_n is the PCS's Covid Compliance Fee Threshold for the WEEE stream, in tonnes.
- c_n is the total amount of WEEE in that stream collected by that PCS, in tonnes.
- t_n is the PCS's target for the WEEE stream
- v_n is the variable administrative cost per tonne, for that WEEE stream.

For the avoidance of doubt, where a category is confirmed as attracting a zero Fee (see 2.3.10 below), remuneration for that stream for PCSs whose collections for that stream are above their Covid Compliance Fee Threshold will also be calculated using a zero Fee (and there will be no variable administrative cost payable).

In the unlikely event that the Fees levied and paid in a stream were insufficient to cover the total remuneration calculated, the remuneration payable to PCSs would be reduced pro-rata to reflect the funds available.

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

- The weighted average cost of direct collections from LA DCFs (k_n) and the variable administrative cost per tonne (v_n) will be calculated as set out in sections 2.3.2 and 2.3.7, respectively.
- The PCS's Covid Compliance Fee Threshold (a_n) will be calculated as set out in section 2.3.4. The collections (c_n) and target for each PCS (t_n) is obtained from the data submitted by that PCS.

2.3.9. The full 2020 Fee calculation formulae

For completeness:

- For streams where national collections fall short of the national target, and therefore the Covid Compliance Fee Threshold is in operation, the full Fee calculation is as set out in sections 5.9 to 5.10 of the FTI report (Appendix 3).
- For streams where national collections exceed the national target, and the Covid Compliance Fee Threshold is not in operation, the full Fee calculation is set out in section 5.12 of the FTI report (Appendix 3).

2.3.10. There may be circumstances where some streams should attract a zero Fee

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

tonne provided to the Administrator by Anthesis (2.3.7 above) generates a positive value for a WEEE stream the Fee for that stream will be set at zero.

In its 2019 Fee Methodology, FTI recommended that the Fee for positive net value WEEE streams should be set at zero. Other than the three modifications made to reflect the special circumstances created by the Covid-19 pandemic, FTI has proposed no other adjustments to its 2019 Fee Methodology. Despite the impact of Covid-19, the JTA expects this situation will arise for Category 1, Large Household Appliances, in 2020, and if suitable evidence of this is provided to Defra, there should be no applicable Fee for a Category 1 shortfall (and no Variable Administrative Cost per tonne should be applied). Such evidence will necessarily contain cost information so it will be confidential to the organisation providing it, therefore for this aspect of the JTA 2020 Mechanism the JTA considers Defra to be the appropriate body to make such a decision. This recommendation is fully in line with Defra guidance which states *“Proposals may consider circumstances where a negligible or zero fee might be appropriate”*.

3. Practical operation of the 2020 JTA WEEE Compliance Fee

3.1. Independent Administrator of the 2020 JTA Mechanism

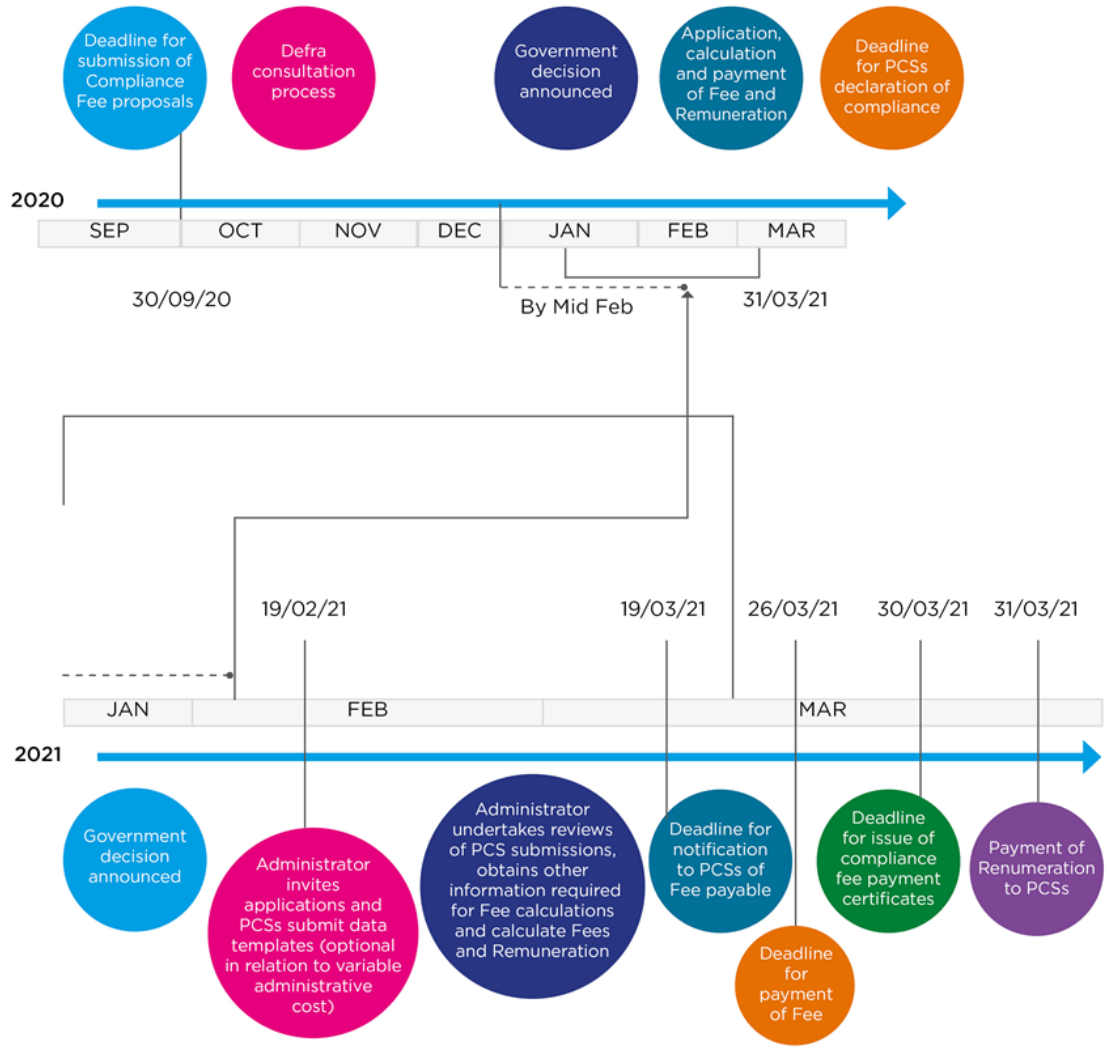
- 3.1.1. Mazars LLP has been selected by JTAC to be the Administrator for the JTA 2020 Mechanism if Defra select this proposal. The reason for this choice is set out in Appendix 4.
- 3.1.2. The Administrator will be the main contact point for PCSs wishing to use the Fee, for those PCSs who wish to submit cost data voluntarily for use in the calculation of the weighted average cost of direct collections from LA DCFs and where relevant for those seeking remuneration for collections made above the PCS's Covid Compliance Fee Threshold. The Administrator will undertake the process set out in section 3.2 below to review data provided by PCSs, calculate the Fees that PCSs need to pay, and calculate any remuneration due to PCSs. The Administrator will also disburse any remaining collected funds, as instructed by Material Focus, to approved projects, contracts and associated administrative costs.
- 3.1.3. In addition, JTAC will engage the Executive Director of Material Focus (Expert Adviser), who has no affiliation to any PCS, to work with Mazars during the operation of the Fee to ensure that it is administered and managed in a smooth, independent and professional manner.
- 3.1.4. For the 2019 JTA Mechanism, JTAC arranged for the Administrator and the Expert Adviser to receive a full briefing on the methodology, including the Fee calculation templates, from FTI. This included webinars on the Fee methodology to any regional offices used by Mazars. To ensure consistency in approach, JTAC also provided the Administrator with a proposed written scope for the data reviews, and the PCS cost and data templates and associated guidance notes, which were tested in advance by the PCS advisers to the JTA. The Expert Adviser also reviewed all Fee calculations and invoices prior to issue by the Administrator. JTAC propose to adopt the same approach for the 2020 JTA Mechanism.

3.2. Calculation and payment of Fees and Remuneration

3.2.1. Timetable

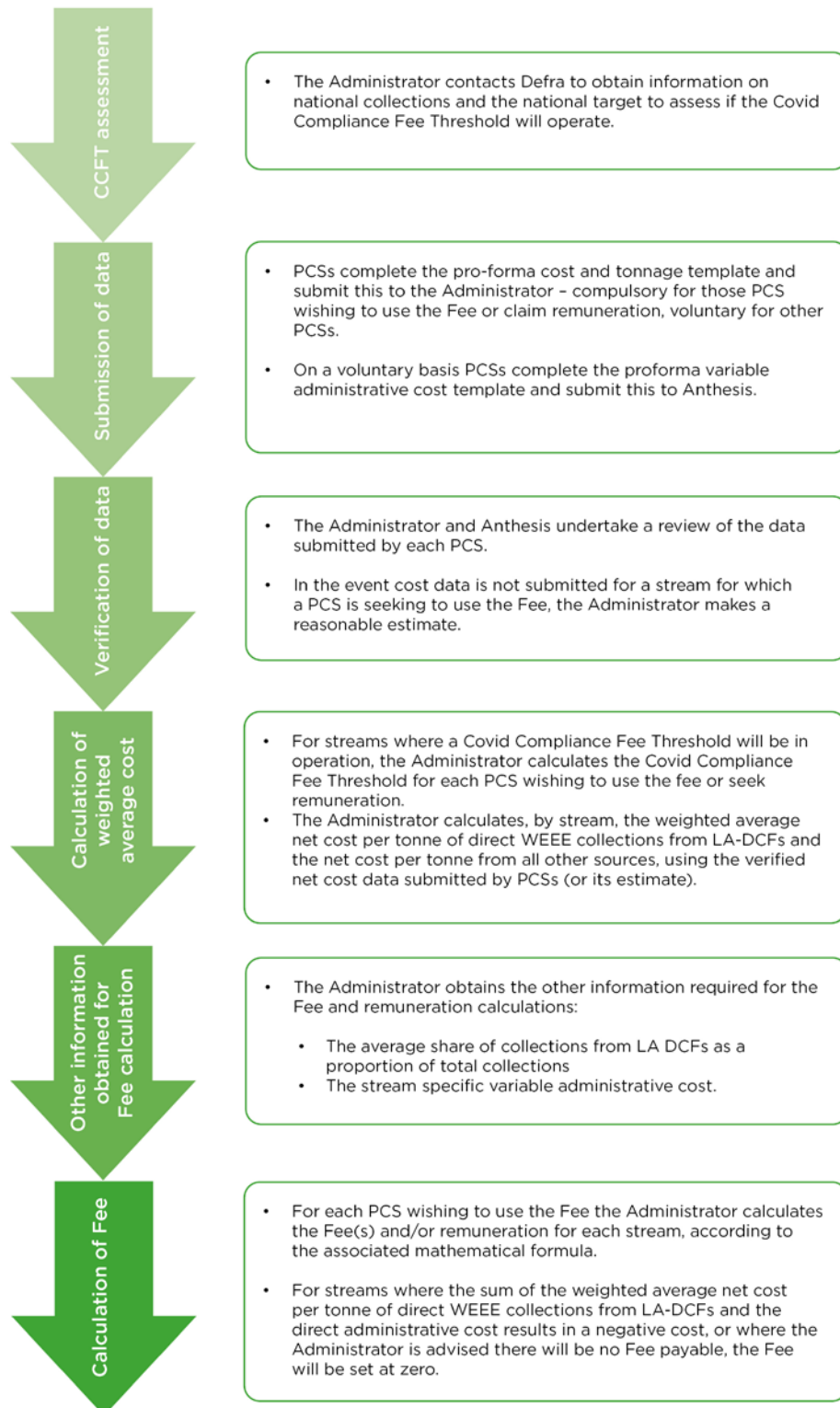
- 3.2.1.1. The most time-critical element of the Fee process remains the setting up and completion of the PCS Fee calculation and payment stages. This is due to the limited time that is usually available between the date of the expected announcement by Defra regarding a Fee and 31 March 2021, when all PCSs are required to return their declarations of compliance to the environment agencies.
- 3.2.1.2. The timetable for the 2020 JTA Mechanism is set out below. It is similar to that used for the 2019 JTA Mechanism, modified for the inclusion of the Covid Compliance Fee Threshold. This timetable is indicative and would be amended if Defra wished to make changes to the JTA's proposal or if the number of participating PCSs necessitated this; for instance, if a longer period were required for review of data by the Administrator.

Compliance Fee Timeline
Applying to use the fee



3.2.2. Process for the calculation and payment of Fees and Remuneration

The process for the calculation and payment of the Fees and remuneration is summarised in the chart, below:



Examples to illustrate the Fee and remuneration calculations are provided in Appendix 1 of the FTI report and Appendix 8 of this report.

3.2.2.1. The Administrator calculates if national collections have fallen short of the national target

Promptly on 1st February 2020, or following any announcement by Defra introducing a Fee mechanism for 2020 based on this proposal whichever is later, the Administrator will contact Defra to request confirmation of the tonnage of household WEEE evidence (by stream), held on the Settlement Centre for the 2020 compliance period (see 2.3.4), and the national targets (also by stream). The Administrator will calculate if there is a shortfall in national collections against the national target for each stream and thereby establish if the Covid Compliance Fee Threshold will be in operation and that some PCSs may therefore be eligible to claim remuneration.

3.2.2.2. PCSs contacted by the Administrator

Promptly following the calculations undertaken in section 3.2.2.1 above, the Administrator will contact all PCSs and ask them to confirm whether they wish to use the Fee, voluntarily submit cost data or claim remuneration, if relevant. The Administrator will advise PCSs in that communication if the Covid Compliance Fee Threshold will apply to any stream, and make it clear that a PCS will need to apply to use the Fee in that stream if they have a shortfall against target even if they expect no Fee will be payable. If they do, they will be asked to sign to confirm their acceptance of the Terms and Conditions covering such matters as confidentiality and compliance with the requirements of the mechanism, as set by the Secretary of State. The terms and conditions used for the 2019 JTA Mechanism will be used, updated where appropriate for the operation of the Covid Compliance Fee Threshold; requiring PCSs to pay an administration charge of £2,500 if they wish to use the Fee or claim remuneration.

3.2.2.3. PCSs submit data to the Administrator

Having advised the Administrator of their intention to use the Fee, submit cost data voluntarily or claim remuneration, PCSs will be asked to submit the data required by the Administrator by 19 February 2021, to allow time for data reviews, calculations, invoicing and payment of any resulting Fees or remuneration claimed. This date is based on the Secretary of State both deciding to operate a Fee for 2020 and announcing the methodology to be used by early February. Should this not be the case the deadline may be changed in agreement with Defra and this will be advised to PCSs by the Administrator at the time. However, PCSs will know by the end of January 2021 whether they are short of evidence for any collection streams and therefore wish to use the Fee so the JTA considers it unlikely that such an extension would be required. A non-response from a PCS will be assumed by the Administrator to be a decision that the PCS does not wish to use the Fee, nor wishes to voluntarily submit cost data or claim remuneration (the Administrator has no knowledge of PCSs' individual targets or levels of collection achieved).

PCSs must submit data using the pro-forma template supplied to them by the Administrator, which must be signed by a Director. The template will be based on that used for the 2019 Fee, modified to obtain information from those PCSs wishing to claim remuneration. A draft proforma is presented in Appendix 6. Due to the tight timescales for data submissions, JTAC will ask the Expert Adviser once again to support the Administrator on any questions raised.

3.2.2.4. *Administrator review*

Once a PCS confirms it wishes to use the Fee, or to submit data voluntarily or claim remuneration, the Administrator will contact the PCS to agree a suitable date for review of the data. This will be performed by professionally qualified staff of the Administrator on an “Agreed Upon Procedure” basis. Due to the ongoing impact of the Covid-19 pandemic this will be conducted remotely. Such a review will be naturally proportionate to the activity of the PCS and the amount in tonnes and number of streams involved, and will require the provision of supporting documentation, including transaction sampling. When the reviews were performed on site, in most cases it was possible to complete the data review, on a sampling basis, within one day. We consider this will still remain the case for the overall time period required for a review, albeit this may extend over a number of days as information will need to be provided and reviewed remotely.

For those PCSs seeking remuneration, the Administrator will contact the PCS to request supporting documentation confirming the PCS’s target and collections made, which will be confirmed with the Environment Agency. As with those PCSs intending to use the Fee, any PCS seeking remuneration will be subject to a data review.

3.2.2.5. *PCSs may submit data for the Variable Administrative Cost calculation*

If a PCS choosing to use the Fee or voluntarily submitting cost data wishes to provide its variable administrative cost information to Anthesis for inclusion in the calculation of the Variable Administrative Cost per tonne, the PCS should inform Anthesis and request a data template. The completed template and an assurance report that the scheme itself has had audited via a Registered Auditor should be sent to Anthesis (richard.peagam@anthesisgroup.com) by 19 February 2021. The Administrator will subsequently contact Anthesis to obtain the calculated Variable Administrative Cost per tonne by stream.

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

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

The Administrator will calculate the annual weighted average net cost per tonne of direct WEEE collections from LA DCFs by WEEE stream, using cost data from both PCSs that wish to use the Fee and from those PCSs who have submitted cost data voluntarily.

This calculation results in the k_n parameter, to be used in the relevant formula as set out in the FTI report, applicable to each stream. There will be six such calculations, assuming at least one PCS needs to use the Fee in every stream.

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

3.2.2.7. Administrator obtains information for Variable Administrative Cost calculation

The Administrator will contact Anthesis to obtain the annual weighted Variable Administrative Cost per tonne v_n for each stream calculated from PCS data submissions.

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

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

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

3.2.2.9. Administrator calculates Fee for each PCS by stream

For each stream for which the PCS needs to use the Fee and to which the Covid Compliance Fee Threshold applies (see 3.2.2.1 above) the Administrator will calculate the Covid Compliance Fee Threshold for the PCS as set out in section 5.4 of the FTI report.

For each PCS that needs to use the Fee, the Administrator will calculate the WEEE source adjustment premium p_n by stream using the formula set out in section 5.7 of the FTI report (amended to take account of the PCS's target where the Covid Compliance Fee Threshold is not applicable).

The Administrator will then, by WEEE stream, apply the Normal escalator, along with the WEEE Source Adjustment Premium, to the weighted average net cost of direct collections from LA DCF's.

The resulting cost per tonne will then be added to the weighted average Variable Administrative Cost per tonne, and the total multiplied by the calculated PCS tonnage

shortfall (to either its target or Covid Compliance Fee Threshold where relevant) to calculate the Fee payable by the PCS for that WEEE stream.

All calculations will be quality assured by the Expert Adviser.

3.2.2.10. Administrator calculates remuneration for each PCS by stream

Where the Covid Compliance Fee Threshold is in operation, the Administrator will calculate the remuneration due to a PCS as set out in section 5.10 of the FTI report. By WEEE stream, the Administrator will add the weighted average net cost of direct collections from LA DCF's k_n to the weighted average Variable Administrative Cost per tonne v_n , and multiply the total by the calculated PCS excess collections (collections in excess of its Covid Compliance Fee Threshold a_n up to its target t_n) to calculate the remuneration payable to the PCS for that WEEE stream. For the avoidance of doubt, where a PCS is to receive remuneration, this will not be based on a PCS's own net cost per tonne of direct collections from LA DCF's for that stream.

All calculations will be quality assured by the Expert Adviser.

3.2.2.11. Invoicing and payment of the Fee

By 19 March 2021 each PCS that has chosen to use the Fee will be advised of its Fee, payable by WEEE stream, and the applicable administration charge. By the same date PCSs will also be separately advised of any remuneration they will receive. In both cases the Variable Administrative Cost will not be separated out.

PCSs should pay the Fee and administration charge into the dedicated Fee client bank account as soon as possible after being advised by the Administrator of the Fee(s) to be paid, and at the very latest in sufficient time for funds to clear by Friday 26 March 2021. Once funds are cleared and in the client bank account the Administrator will issue a Compliance Fee Payment Certificate (CFPC) to the PCS. This will be done as soon as possible after the funds have been cleared and at the latest by Tuesday 30 March 2021. The CFPC will confirm the information provided by the PCS (i.e. PCS target, actual evidence and resulting evidence gap in tonnes, per collection stream), and confirm that the requested Fee and administration charge(s) have been paid into the Compliance Fee Fund. It will show the evidence gap per stream (which for the avoidance of doubt will include any tonnage between the PCS's Covid Compliance Fee Threshold and target where the Covid Compliance Fee Threshold is in operation), but will not show the value of the Fees paid.

Remuneration payable to PCSs in a stream can never exceed the Fees paid. Providing all PCSs that have a shortfall against their target apply to use the Fee, and make payment by 26 March 2021, the 2020 fund will be sufficient to pay all remuneration due to PCSs and PCSs due to receive remuneration will receive payment of this by 31st March 2021. In the unlikely event that there is an insufficient amount available on 26 March 2021 to pay the calculated remuneration for a stream, the Administrator will vary the remuneration paid pro-rata to the shortfall and issue a revised remuneration statement to the PCS.

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

The Administrator will send a summary to each of the environment agencies concerned, confirming which PCSs have used the Fee, and for which stream (s) and for those streams, the PCS target in tonnes and the tonnes for which a Fee has been applied. Where the Covid Compliance Fee Threshold is in operation it is possible that a PCS may not have paid a Fee for a stream(s) but has a shortfall in collections when compared to its target. Providing the PCS has applied to use the Fee or has claimed remuneration for that stream (s) and paid any requested Fee, the Administrator will issue a CFPC to confirm the full tonnage shortfall (between the PCS's collections and target). The Administrator will not provide the environment agencies with any information on PCSs to whom remuneration has been paid.

3.2.3. Process for spending Fee Funds

3.2.3.1. Soon after Fees have cleared and remuneration payments have been made, the Administrator will confirm to Defra and JTAC the estimated Fee funds available to spend on WEEE projects (the "Fund") as set out in the Defra Guidance. In estimating the Fund expected to be available the Administrator will include the amounts paid by PCSs using the Fee, including the administration charge, and deduct remuneration paid to PCSs and its assessment of the administrative costs expected to be incurred through to the close of the 2020 mechanism. Due to the impact of Covid-19 on collections it is expected that the Fee funds available to spend will be small.

3.2.3.2. The JTA's proposed 2020 Fund process is set out in more detail in Appendix 7.

3.2.4. Underwriting of Fee mechanism costs

3.2.4.1. In the event that Defra do not accept the JTA proposal, the full Administrator 2020 contract will not be activated, and any costs incurred in the preparation work by JTAC directly or through the Administrator will be met by JTAC.

3.2.4.2. In the unlikely event that the Fee mechanism is not used by any PCS (or is only used to a very limited extent) any residual costs of the Administrator that are not covered by Fee and administration charge income will also be met by JTAC.

3.2.5. Contingency planning

3.2.5.1. The Q1 and Q2 2020 national collections data shows that all but one WEEE stream is currently in deficit compared to the national target and if the JTA's proposed Covid Compliance Fee Threshold is adopted there is a possibility that a significant number of PCSs will use the Fee mechanism in 2020. In addition, the ongoing impact of the Covid-19 pandemic has necessitated increased home working so data reviews will need to be conducted remotely. These factors make contingency planning particularly important.

- 3.2.5.2. The JTA has assessed its plans thoroughly, and is comfortable that all reasonable contingencies have been addressed including:
- 3.2.5.3. If there is a larger number of PCS users of the Fee, the appointment of Mazars as Administrator means that sufficient audit staff will be available to cope with the applicants.
- 3.2.5.4. External accountants such as Mazars have been successfully conducting audits and other work remotely throughout the pandemic. Those PCSs which consider they may wish to use the Fee will see the JTA's proposal in October 2020 and will have at least five months to prepare for providing any information Mazars may require electronically.
- 3.2.5.5. If there is no, or insufficient, data to support the calculations, then the Administrator may use data from other sources that the Administrator considers are appropriate (for example by submitting "mystery shopper" requests to waste management companies).
- 3.2.5.6. Should the JTA be appointed, all necessary due diligence steps have already been completed by Mazars, including the establishment of a client bank account, and dedicated email addresses.

3.2.6. Flexibility

Please note that the JTA considers that this proposal represents an effective turnkey solution to the implementation of the 2020 Fee. However, the JTA is open to discussing any aspects of this proposal with Defra, and where appropriate, amending aspects of the proposal.

4. Governance

The 2020 JTA Mechanism, set out in detail in sections 2 and 3 and the supporting Appendices, incorporates important governance features, these are summarised below.

4.1 Independence

- 4.1.1. There is clear separation between the Administrator and JTAC, JTAC and the JTA, and the JTA and the three PCSs that advise the JTA. The Expert Adviser, who supports the Administrator, is employed by JTAC but is independent of the JTA and PCSs. This is crucial in eliminating any conflict of interest, especially when PCSs need to communicate with the Administrator. This also minimises the burden on Defra, who will not need to be involved in the administration process.
- 4.1.2. As explained in Appendix 5, the JTA established JTAC as the legal entity to manage the independent Administrator. JTAC was formed by three Trade Association members of the JTA with significant household EEE/WEEE obligations. It is a not-for-profit company, limited by guarantee, with no shareholdings and its Constitution prohibits any distribution of funds to its members. It has a Board of Directors, comprising a senior representative from a number of key Trade Association members, who are responsible for the proper running of the Company. The role of the JTAC Board is described in more detail in Appendix 5. JTAC engages with stakeholders and consumers via the brand name "Material Focus".
- 4.1.3. The independent Administrator is solely responsible for the operation of the Fee process in the JTA Mechanism, including the management of the Fund through a dedicated client bank account. The selected Administrator (Mazars) is a UK Top 10 Accounting firm, experienced in accounting, auditing, managing client bank accounts and managing commercially confidential information in an impartial and independent manner. Mazars successfully operated as Administrator for the 2014 to 2015 and 2017 to 2019 Fee mechanisms. More detail on the JTA's chosen administrator is outlined in Appendix 4.
- 4.1.4. The JTA will continue to provide resource and expertise to JTAC, where needed, and to the Administrator, regarding the content of the WEEE Regulations and the JTA Mechanism. None of the PCSs that provide advice to the JTA will be involved in the operation of JTAC or the Administrator contract, although they may be nominated via the WEEE Schemes Forum to participate in the Advisory Panel or Judging Panels.
- 4.1.5. The process for agreeing the spend of the Fund is outlined in Appendix 7. Due to the modifications made to the proposed JTA methodology for 2020 as a result of the impact of Covid-19 it is unlikely that the net Fund generated will be material. However, where there is a Fund available for disbursement the JTA proposes to add this to the 2019 Fund and employ the same governance arrangements. The composition of the Advisory Panel (recommended in 2019 to agree the strategic direction for the spend of the Fund) and Judging Panels (for assessing applications from organisations applying for funds) will be representative of the various interests involved: central and local government, EEE producers, recyclers, waste management and the reuse sector. Material Focus' Executive Director will execute any decisions agreed by the Advisory Panel and the Judging Panels.

4.2 Professionalism

4.2.1 A suite of policies and procedures are in place to ensure robust governance of JTAC including policies on anti-bribery and corruption, data protection, business conduct, security, and on handling complaints as well as those covering expenses, privacy, diversity and equality, and employment rights.

4.3 Transparency

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

- Every project financed by the Fund is accompanied by a press release, confirming details of the project, the parties involved and the estimated cost of the project.
- Regular updates are shared with stakeholders (i.e. via the Advisory Panel, ICER and JTA meetings, conferences and other industry events). The www.recycleyourelectricals.org.uk website sets out how the fund is being spent. Material Focus are happy to provide further details on request.
- Management accounts are supplied to Defra on a quarterly basis to provide an appropriate level of oversight directly to Defra.
- There is a regular independent review of the Fund to provide assurance to stakeholders of the regularity and propriety in respect of the expenditure of the Fund. The results of the review are shared with Defra.

4.4 Quality Assurance

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

4.4.2 Approved applications for project funding from the Fund are subject to independent oversight. For research projects, Material Focus staff closely monitor the progress of projects through regular meetings and calls. Where appropriate, any Funds allocated are subject to post-investment validation to ensure that the Funds were applied to the intended use.

4.5 Confidentiality

4.5.1 The 2020 JTA Mechanism will be operated by the Administrator, with support from the Expert Adviser, on a professional basis with high levels of integrity and is open to all relevant parties to use. This is in keeping with their operation of the 2014 to 2015 and 2017 to 2019 JTA Mechanisms.

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

4.6 Impact of competition law and other legal requirements

- 4.6.1 The JTA has carefully considered the impact of this proposal in respect of competition law, and other legal requirements. There are several features of the proposal that are implemented specifically to ensure competition law compliance. These include:
- 4.6.1.1 The requirement for Mazars to be totally independent of any PCS or Producer.
 - 4.6.1.2 The establishment of JTAC to ensure that PCSs that support the JTA do not have access to confidential information.
 - 4.6.1.3 The requirement for PCSs to sign terms and conditions that keep the Fee actually paid or remuneration given confidential.
 - 4.6.1.4 The fact that a PCS pays a Fee based on the shortfall against its own target (or its own Covid Compliance Fee Threshold), and that there is an escalator based on the extent to which a PCS has used directly collected LA WEEE to meet its target both mean that Fees actually payable will vary materially. This reduces the risk of appreciable cost commonality.
 - 4.6.1.5 The Variable Administrative Cost will not be separated out, but will be included within the cost per tonne calculated for each WEEE stream, to ensure that PCSs are not given any more cost data than is necessary for the payment of the Fee.
 - 4.6.1.6 Where the Covid Compliance Fee Threshold applies, PCSs receiving remuneration will not receive a breakdown between the weighted average cost per tonne of direct collections from LA DCFs and the Variable Administrative Cost per tonne.
 - 4.6.1.7 The Fee process is open to any organisation entitled to and wishing to use it i.e. all PCSs wishing to make use of the Fee or submit cost data or claim remuneration; and all organisations that meet the criteria, wishing to apply for grants from any Fee Funds that are available.

- 4.6.1.8 PCSs using the mechanism and organisations applying for Funds will both be required to use the system in accordance with the agreed procedures, including timing of any decisions or applications.

Appendix 1

Responding to the Defra evaluation of the 2019 JTA proposal

1. Agreed modifications

Defra accepted the JTA's 2019 proposal subject to the following modifications which were suggested by the Defra evaluation panel and agreed as modifications by the JTA:

- 1.1. The removal of the collection shortfall factor which was proposed to be applied to the Normal escalator in circumstances where there was a deficit in national collections when compared with the national target for a WEEE stream.
- 1.2. The removal of the mechanism for accounting for the additional cost of complying with the recast Regulation on POPs for Display and SMW streams.

2. Collection shortfall factor

- 2.1. The panel felt that the application of the collection shortfall factor weakened the proposal since it communicated an undesirable signal to the market and an unhelpful precedent for the future.
- 2.2. Circumstances in 2020 have changed significantly because of the Covid-19 pandemic. In response to Defra's requirement for proposals specifically to consider how the impact of Covid-19 should be reflected in the 2020 Fee methodology the JTA has proposed the operation of a Covid Compliance Fee Threshold where national collections fall short of the national target for a stream. For this reason the 2019 collection shortfall factor does not form part of the JTAs proposal for 2020.

3. Mechanism for accounting for additional cost of complying with the recast Regulation on POPs

- 3.1. The panel considered that the mechanism contained in the proposal to account for the recast regulation on POPs on Display and SMW streams was unnecessarily complex, as the additional cost of compliance would already be incorporated into the Fee paid by PCSs.
- 3.2. The JTA considers that the additional costs of the POPs Regulations should have been incorporated in their costs by PCSs throughout 2020 and so there is no need for this to be addressed in 2020.

4. Oversight of the Administrator

- 4.1. The panel noted Mazars overall effectiveness in running the compliance fee in 2014, 2015 and 2018 but noted that there had been evidence of errors leading to incorrect invoicing for the 2017 period.
- 4.2. In its 2018 Fee proposal the JTA explained the additional measures it had introduced to quality assure the work of the Administrator, including a briefing by FTI Consulting on the 2018 Fee methodology to explain its added features, updating the Agreed Upon Procedure review process and using the Expert Adviser to review all Fee calculations and invoices raised.
- 4.3. The panel also noted that additional internal scrutiny measures were introduced in 2018 which appeared to have been effective.

- 4.4. In its 2019 Fee proposal the JTA explained that, due to the further changes in the methodology, they would hold web-based briefings for the Administrator's audit field staff.
- 4.5. Both the 2018 and 2019 Fee processes ran smoothly with these improved approaches and the Administrator received positive feedback from both Defra and the participating PCSs.
- 4.6. The JTA will continue with these measures for its 2020 Fee proposal.

5. Fund oversight

- 5.1. The Defra evaluation panel acknowledged that JTAC had appointed an independent Expert Adviser to oversee the process and had employed the Expert Adviser as WEEE Fund Executive Director to manage spend of the Funds. The panel also supported the proposed establishment of a Fund Disbursement Strategy Committee to provide strategic direction over the spend of the fund and monitor disbursement and increase transparency as to how the Fund is being spent.
- 5.2. Since the evaluation of the 2019 proposal the Fund Disbursement Strategy Committee has been established (under the name of the Advisory Panel) and JTAC's approach to oversight of the fund has been further tested by the exceptional needs of responding to the impact of the Covid-19 pandemic on the UK's WEEE collection and processing infrastructure.
- 5.3. This proposal incorporates these established elements which JTA consider provides an appropriate combination of strategic direction, oversight and transparency for the Fund.

Appendix 2

JTA views of the WEEE market in 2020 and the rationale for the 2020 Compliance Fee mechanism

The market in 2020 has been dominated by the impact of the Covid-19 pandemic. National WEEE collections during Q2 are very significantly reduced, and for all categories except PV panels, the full year collections are also likely to be significantly lower than previous years, and also therefore significantly lower than the national targets set by Defra for 2020. At the time of writing, further, future regionalised measures in response to an escalation of Covid-19, remains a risk for collections of WEEE out to year end.

Actual WEEE collections to Q2 2020 compared to the national target are summarised in the table below:

Collection Stream	Q1 2020	Q2 2020	Q1 & Q2 2020	% of 2020 target
Large Household Appliances	58,251	27,774	86,025	46%
Display Equipment	10,798	3,817	14,615	37%
Cooling Appliances Containing Refrigerants	31,409	18,557	49,966	37%
Gas Discharge Lamps and LED Light Sources	1,122	436	1,558	34%
Mixed WEEE	32,001	13,497	45,498	34%
Photovoltaic Panels	61	30	90	104%
Total	133,642	64,111	197,753	40%

We have summarised these and other market factors which should influence the design of the 2020 Fee mechanism:

Collections

1. **HWRC collections. WEEE collections from LA HWRCs were minimal in April and May as the majority** were closed during the national Covid-19 lockdown period. Collections increased progressively following Defra's decision to encourage LAs to re-open their HWRCs, however, LAs took different approaches to re-opening, leading to an inconsistent pattern of collected tonnages across the UK. The table below shows that although the change in collections between Q1 and Q2 was significant in all streams, there was a different impact on each stream. A continued reduction in WEEE arising is possible for some time due to changes in collection arrangements that have been required as a consequence of HWRCs operating social distancing, and further future restrictions on movement which remains a risk to the end of 2020.

Collection Stream	Q1 2020	Q2 2020	Change
DCFs	Tonnes	Tonnes	%
Large Household Appliances	21,966	7,584	-65%
Display Equipment	9,525	3,245	-66%
Cooling Appliances Containing Refrigerants	19,055	8,260	-57%
Gas Discharge Lamps and LED Light Sources	226	80	-65%
Mixed WEEE	26,151	10,676	-59%
Photovoltaic Panels	53	20	-62%
Total	76,976	29,865	-61%

Source: Environment Agency - Q2 2020 Collections from DCFs reported by PCSs;

2. **Distributor collections.** The table below shows that WEEE collections from Distributors fell less sharply during the lockdown period, most likely because larger items are more likely to be collected from the home on delivery of a new appliance. Whilst we understand distributor collections were affected at the height of the lockdown period, these are more likely to return to normal levels for the remainder of the year.

Collection Stream	Q1 2020	Q2 2020	Change
Regulation 43 (Retailers)	<i>Tonnes</i>	<i>Tonnes</i>	<i>%</i>
Large Household Appliances	23,689	16,758	-29%
Display Equipment	348	194	-44%
Cooling Appliances Containing Refrigerants	9,657	8,670	-10%
Gas Discharge Lamps and LED Light Sources	59	24	-60%
Mixed WEEE	510	273	-46%
Photovoltaic Panels	1	0	-74%
Total	34,264	25,918	-24%

Source: Environment Agency - Q2 2020 Collections from DCFs reported by PCSs;

3. **Other collections.** The table below shows another significant reduction in collections in Q2 2020. The significant proportion of these collections is likely to arise through producer own takeback schemes and these will also have been affected during the lockdown period.

Collection Stream	Q1 2020	Q2 2020	Change
Regulation 50 (Other Sources)	<i>Tonnes</i>	<i>Tonnes</i>	<i>%</i>
Large Household Appliances	12,287	3,191	-74%
Display Equipment	925	379	-59%
Cooling Appliances Containing Refrigerants	2,518	1,425	-43%
Gas Discharge Lamps and LED Light Sources	836	333	-60%
Mixed WEEE	5,320	2,527	-53%
Photovoltaic Panels	17	9	-46%
Total	21,904	7,864	-64%

Source: Environment Agency - Q2 2020 Collections from DCFs reported by PCSs;

4. **Instore WEEE takeback** 2020 has one positive change. At most retailer sites instore takeback on a one-for-one basis, and for very small WEEE, will be mandatory from the start of 2021. But the impact on 2020 collection tonnages is expected to be negligible.
5. **PV Panels.** The national target set for this category does not reflect 2019 collections adjusted for the impact of the 2020 SMW protocol, and the interim Q2 2020 data indicates that the 2020 national target has already been met. This means that PCSs should be able to meet the PV Panel national target.
6. **National consumer campaign.** The national WEEE consumer communications campaign was delayed by the Covid-19 lockdown, and when it was launched, due to operating restrictions at local authority HWRCs and other collection points, the initial messaging was about bagging Small Mixed WEEE ready for recycling, rather than returning it to HWRCs. Subsequent interventions have however encouraged consumers to recycle their WEEE, although targeted marketing interventions in cities have been delayed. At the time of writing trials had been carried out in just two cities.

Costs

7. **Efficiency of logistics.** The efficiency of logistics was reduced during the Covid-19 lockdown period, and so collection costs have increased. That was in part because WEEE had to travel further to reach AATFs that were not closed, and also in some cases because of the increased costs associated with changes required to two person collections. Following the reopening of local authority HWRCs, the implementation of social distancing has resulted in public access being restricted and queues forming outside some sites. This has also affected the efficiency of collections and is likely to continue for the foreseeable future.
8. **Efficiency of treatment.** Social distancing measures have inevitably made WEEE treatment plants less efficient, with resulting cost increases.
9. **Container supply chain disruption.** During disruption, containers were in the wrong place, at the wrong time, resulting in higher costs for disposing of WEEE and WEEE residue materials
10. **Reduced treatment capacity.** Despite financial measures (interest free loans) put in place by the WEEE Fund to support AATFs, several sites have closed in 2020. This includes the Viridor site at St Helens, and some sites in the South West operated by SIMS. This could have significant longer-term impacts, particularly on the treatment of cooling appliances.
11. **Depressed metals markets.** Markets for metals derived from WEEE treatment have fallen sharply, affecting treatment costs. Other WEEE residues could also be affected.
12. **Persistent Organic Pollutants.** The decision by the EA to enforce their position on POPs on a wide range of WEEE products rigorously, just as the Covid-19 lockdown was being implemented, may have had a material impact on some treatment costs. With the impact of their recent decision on both printed circuit boards and cables currently being unclear, the sector could still see further increases in treatment costs.
13. **Treatment of CRT glass.** In July 2020, the EA's End of Waste Panel concluded that the current treatment method for glass derived from CRT (Cathode Ray Tube) televisions was not acceptable, effective immediately. As all the UK's CRT glass used the same disposal route, this had an immediate knock-on effect on both treatment options, and costs.
14. **Some streams continue to have net positive value.** Large Household Appliances continue to have a net positive value. This means that certain operators, particularly large retailers, are incentivised to collect this WEEE outside of the producer responsibility system.

Producers and PCSs

15. **Producer financial stability.** Covid-19 will affect every business in different ways, some producers have experienced a material collapse in sales which will result in significant financial pressure. Those financial pressures may in turn lead to bad debts for some PCSs, non-payment of Fees by PCSs, or even PCS failures.
16. **Most PCSs do not collect WEEE from LAs.** Some 90% of arrangements to collect WEEE streams from LA sites in the UK continue to be handled by just 5 PCSs, even though 27 are approved to operate

in the UK. The number of LAs seeking arrangements through the PBS in the first part of 2020 reduced, meaning that this situation is likely to have increased.

17. **System stability.** More system instability due to the impact of Covid-19, and higher transport/treatment prices, could see more LAs depending on the PBS to provide free of charge collection services later in the year.
18. **Placed on market EEE.** The tonnages of EEE POM are unlikely to follow the usual patterns. In the pre-lockdown period there were spikes in purchases of ICT equipment and freezers, but conversely, many EEE categories have been badly affected by the slowdown in consumer spending, house building, renovations etc.
19. **Growth in the market share of non-compliant online sellers.** The huge increase in online purchasing during lockdown will have further increased the market share of free-riders selling through online marketplaces and fulfilment houses. This means that the WEEE cost burden will disproportionately affect legitimate, compliant producers, and favour non-compliant sellers.

Consequences for the 2020 Fee Methodology

The relevant market factors need to be taken into account in the design of the Fee. In its independent economic analysis, FTI has reviewed this market information, together with statements from Defra in the 2020 Compliance Fee guidance about the need to take the impact of Covid-19 on producers into account, and the statutory requirements of regulation 76.

A conventional Fee, such as that implemented in most years since 2014, would result in exceptionally high Fee payments for most streams, and a large additional contribution to the WEEE Fund. That could further exacerbate the already damaging impacts of the Covid-19 pandemic, by adding considerable additional costs to producers as a result of circumstances outside of their control. Uniquely therefore, and as a one-off resulting from the current Covid-19 crisis, the 2020 Fee mechanism needs to be radically different from previous years in which national collections have fallen short of the national target.

Accordingly, and based on the report from FTI, where national collections fall short of the national target the JTA propose a Fee calculation methodology mechanism designed to achieve the following objectives. For each objective, we explain how the calculation methodology achieves that objective:

1. Avoids excessive financial burdens on producers financially damaged by the Covid-19 pandemic.

The natural consequence of a traditional Fee mechanism when national collections are significantly lower than the national target, would be exceptionally high Fee payments. High Fee payments could contribute to producer and/or PCS business failures. So, designing a Fee to reduce this risk is critical. This is achieved in a number of ways:

- a. The JTA 2020 Mechanism sets the Fee at zero for PCSs that have achieved at least the national average collection rate (when compared to the national target), or higher, in a given category. This is achieved through the calculation of a Covid Compliance Fee Threshold for each PCS for each stream.
- b. PCSs that achieve below the national average collection rate (i.e. below the PCS's Covid Compliance Fee Threshold) would still pay a Fee, calculated in accordance with principles adopted

in previous years. The calculation would include Variable Administrative Costs, and an escalator that increases the Fee, the further the PCS' collections are from the national average for that category. It would also reflect the extent to which the PCS has collected from LA DCFs (the WEEE Source Adjustment Premium).

- c. Only the Normal escalator will operate in the JTA's 2020 Fee Mechanism. In previous years two escalator mechanisms have operated, the Normal escalator where national collections fall short of the national target, and the Surplus escalator where national collections exceed the national target (subject to a 1.5% tolerance). Other than PV panels it seems unlikely the Surplus escalator will be required so to simplify the Fee calculation in 2020 the Normal escalator will apply irrespective of the national collection position.
- d. In conjunction with the measure explained in section 3 below the mechanism implemented should result in a low Fee fund in 2020. This means that collectively, producers will not have financed any more WEEE other than that which has actually arisen.

2. Maintains an ongoing incentive to collect WEEE.

This is achieved in a number of ways:

- a. The Fee continues to be calculated based upon the weighted average cost per tonne of direct collections from LA DCFs, generally regarded as the more expensive WEEE to collect. Paying the Fee can therefore be expected to be higher than the cost of most WEEE available for collection.
- b. By incorporating an escalator which increases the Fee the further a PCS's collections are from the PCS's Covid Compliance Fee Threshold. Thus, there is still an incentive to collect WEEE, so that a Fee is paid on as small a tonnage as possible.
- c. PCSs that achieve collections above the national average will be remunerated for those collections, which therefore maintains a financial incentive to collect WEEE, even though the Fee could be set at zero above the national average.
- d. Because Defra will not take a decision on the Fee mechanism until late in 2020 or early 2021. That uncertainty means that PCSs will continue to collect based on the targets set in March 2020.

3. Does not penalize producers whose PCSs have exceeded the national average for WEEE collections.

The risk of setting a zero Fee for collection shortfalls above the national average is that producers in PCSs that achieve above the national average in individual streams would bear more than their share of the costs of the WEEE collected which means costs are not fairly shared amongst producers. To financially disadvantage producers of those PCSs in such circumstances would be perverse.

- a. This is achieved using a mechanism that allows PCSs that have achieved a collection rate better than the national average to receive remuneration in respect of those collections. These payments would be made from the 2020 Fees levied and hence ensure producers in each PCS, and hence producers, pay their fair share of national collections. The payments to such PCSs would be calculated using the weighted average cost of direct collections from LA DCFs and the weighted average Variable Administrative Cost. Remuneration would be limited to the difference between a PCS's Covid Compliance Fee Threshold and its target. This is in line with the Government's objective when introducing the compliance fee mechanism in 2014 and with the principles of previous years Fee mechanisms, where PCSs bear the cost of collections made above their target.

4. Encourages PCSs to collect WEEE from LA DCFs.

- a. The mechanism includes a WEEE Source Adjustment Premium. This continues to incentivise PCSs to comply using WEEE from LA DCFs. This is because they will pay a higher Fee if the proportion of their direct WEEE collections from LA DCFs is below the national average collected from LA DCFs for that stream.
- b. The Fee calculation is based on the weighted average cost per tonne of direct collections from LA DCFs.

5. No material Fee fund in 2020.

- a. The net Fund arising as a result of the mechanism applied to streams where national collections fall short of the national target should be minimal – comprising essentially the aggregate of the escalator elements of the Fee. Producers across all PCSs, in aggregate, will have only financed the WEEE that has actually arisen.
- b. This should not have any impact on financing the existing WEEE system, as the current Fund held by Material Focus is budgeted to cover three years of operation (until 2021). Furthermore, there remains some £3m of the 2019 Fund which, at the time of writing, is unallocated, and with loan repayments for the balance of the 2019 Fund due to be repaid in 2021.

For streams where national collections exceed the national targets, the Covid Compliance Fee Threshold will equal 1 and will not therefore have an impact on the Fee to be paid by the PCS. The Normal escalator will be used and the WEEE Source Adjustment Premium and Variable Administrative Cost will remain in operation.

Appendix 3

FTI Consulting Report

(see separate document)

Appendix 4

JTAC's Chosen Administrator – Mazars LLP

1. Background

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

2. Decision to outsource

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

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

3. Services to be provided by the Administrator

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

- Communicating with PCSs about the Fee mechanism, providing support to PCSs in using it, including liaison with the Expert Adviser; calculating Fees and remuneration; issuing invoices, collecting payments, issuing compliance fee payment certificates and advising the environment agencies concerned, of appropriate information.
- Undertaking data reviews, which will be conducted remotely, using an Agreed Upon Procedure, of all PCSs that wish to use the Fee.
- Receiving payments of Fees, holding those in a dedicated client bank account, making approved payments from that account and managing the bank account through to when it is finally closed i.e. when the Fee mechanism is finally complete with all Funds disbursed and accounted for.
- To disburse Funds to the organisations concerned as instructed by Material Focus
- To maintain, through to the final close of the Fund, full accounting records of all transactions including VAT returns and annual accounts information. To provide management reports to JTAC and Material Focus on a regular basis without disclosing any confidential or commercially sensitive information.
- To be subject to an independent audit as part of the broader audit examining the performance and functioning of JTAC in relation to the commitments outlined in the Fee proposal.

4. Evaluation process

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

Mazars have carried out the role of independent Administrator to the 2014 to 2015 and 2017 to 2019 Fee mechanisms in accordance with their contract with JTAC. They have demonstrated their expertise, professionalism and integrity in executing their tasks in all years and as the services required by JTAC have developed and the amount of the Fund has increased, JTAC proposes to reengage with Mazars for its 2020 Fee proposal.

5. Mazars' experience

Mazars is an international, integrated and independent organization, specializing in audit, advisory, accounting and tax services. The Group operates in 91 countries and draws on the expertise of 40,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage in their development. In the UK, Mazars has 140 partners and over 1,700 staff serving clients from 17 offices and is ranked as the ninth largest accountancy firm nationally.

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

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

6. Key areas of Mazars' proposal

6.1 Segregation of duties and conflicts of interest

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

6.2 Industry knowledge

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

6.3 Flexible solutions

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

Administrator. This flexibility has been demonstrated through the successful transition Mazars has made to conducting remote audits and ensuring the continuity of its other professional services, which has been necessary due to the ongoing impact of the Covid-19 pandemic. Mazars uses a secure online portal for the provision of information and a web-based system to hold virtual meetings with clients.

6.4 IT systems & security

Currently a straightforward off-line IT led solution has been implemented for administering the Fee because this has been most appropriate and has worked well. PCSs email requests to use the Fee and submit cost data using standard templates provided by the Administrator.

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

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

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

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

7. Capacity

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

8. Governance

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

The Administrator services will be led by a Partner, who will be involved in the overseeing of all aspects of the administration of the 2020 JTA Mechanism. A senior manager is allocated to manage the process and system and ensure deadlines are met and that the process is running smoothly. There will also be a team of less senior staff members to work on the processing of transactions and producing the reports for review as required.

Due to the level of Fees received in 2017, 2018 and 2019, as an additional governance measure, JTAC has arranged for an independent review of Fund disbursements and will provide its report to Defra.

9. Administrator 2020 Costs

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

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

Costs that would be charged against the Fund for any year are solely third-party costs incurred by JTAC, most of which are usually disbursements to approved projects.

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

It is expected therefore that the net costs of administering and managing the 2020 JTA Mechanism, which are charged against the Fees paid, will represent good value for money for a professional service with high levels of integrity in handling commercially sensitive and confidential information and data.

In respect of these services Mazars have provided a quote for costs to cover the 2020 compliance period, which reflects their insight and experience gained from the previous processes. As a result, overall costs are projected to be similar to those for the 2019 compliance period. The Mazars financial offer is commercially confidential and therefore is not included in the JTA proposal but can be separately disclosed to Defra upon request.

Appendix 5

JTA and JTAC

1. Background

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

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

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

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

Collectively, the members of the trade associations that comprise the JTA employ nearly 1m staff in the UK, in around 7,000 companies across all sizes of producers, from the very small to the very large. The JTA comprises all the major trade associations representing both business-to-consumer and business-to-

business EEE Producers in the UK. This proposal therefore strongly represents the voice of the Producer community and we believe it is fully consistent with the WEEE Directive's 'producer responsibility' duties.

Since its formation, the JTA and its members have engaged with Government in a number of WEEE related consultations. The JTA has also submitted proposals for a Compliance Fee methodology for every compliance year it has been in operation. The JTA methodology was chosen by the Government for 2014 to 2015 and 2017 to 2019 compliance years and was used as a basis for the Valpak proposal chosen in 2016.

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

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

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

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

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

Appendix 6

Draft forms for collecting information from PCSs and feedback on the Compliance Fee process

1. Administrator data template

The draft data template and instructions for completion are provided below. All PCSs using the Fee, or choosing to supply collection cost data, or claim remuneration, will be provided with the data template in an Excel file format for completion and return to the Administrator.

Instructions for completion of the data template

A. General requirements

Scope of information to be provided

PCSs wishing to use the Fee mechanism are required to complete sections 1, 2 and 3 for all streams for which the PCS has a WEEE financing obligation – even when they do not wish to use the Fee for all streams.

PCSs that do not wish to use the Fee, but choose to supply LA-DCF cost data on a voluntary basis, are required to complete section 2 for all streams where the PCS collects WEEE from LA DCFs.

PCSs that do not wish to use the Fee but wish to claim remuneration due to the operation of the Covid Compliance Fee Threshold should complete section 1.

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

Identify related party transactions requiring disclosure

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

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

Process for handling queries

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

Administrator review requirements

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

B. Guidance for numbered sections of the template

1. Shortfall/Surplus

1a. WEEE collection target

Please enter your PCS's exact household WEEE tonnage target in each stream. This should be the final target for your PCS for the 2020 compliance year as advised by the relevant environment agency.

1b. Total WEEE evidence received

For all WEEE streams please enter the exact household WEEE tonnage that your PCS has received evidence for by stream for the 2020 compliance year, as recorded on your PCS's Settlement Centre account. This may be different to the amount of WEEE your PCS has directly collected, as it may include evidence obtained through other routes (e.g. purchased from AATFs or third parties such as other PCSs or waste management companies). This will be used to calculate your PCS's shortfall against its target, or your shortfall or surplus against your PCS's Covid Compliance Fee Threshold, where this is in operation.

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

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

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

Please enter the tonnes of household WEEE in each stream directly collected by your PCS from LA-DCF's in the year specified.

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

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

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

Please enter, in GBP, the direct, incremental and avoidable costs of the direct collections undertaken for each stream in the year specified, from LA-DCF's, as reported in 2a above.

Direct costs may include:

- transport costs;
- container costs (e.g. rental or empty container delivery costs);
- other collection costs;
- treatment costs;

- environmental levies (e.g. waste transfer or consignment notes); and
- any other categories that meet the definitions of direct, incremental and avoidable above.

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

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

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

Cross-subsidisation of costs and income between streams is not acceptable. All costs and income for the collections reported in each *stream should be included in that stream*.

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

You should exclude direct administrative (overhead) costs and any direct staff costs. These may be provided for inclusion in the calculation of the stream specific variable administrative cost using the separate template provided. See section 2.3.7 of the JTA proposal for further information. Administrative costs, like management, HR, administration, IT, marketing and office rent, do not meet the definitions above and should not be included.

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

2c. Gross income from resale or reuse of parts

Please enter, in GBP, any income from the WEEE collections your PCS has reported as directly collected from LA-DCFs.

Income may relate to:

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

Please include all income in respect of the collections reported as directly collected from LA-DCFs, including any income redistributed to LA's or others.

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

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

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

2d. Total direct costs minus gross income

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

If you were not able to complete both the cost and income sections, please enter here the overall net cost for each stream of WEEE.

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

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

3. Net costs of WEEE from all other sources

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

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

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

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

C. Treatment of PBS costs

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

- For LA-DCF collections which your PCS was appointed to manage at stage 1, these should be treated as direct collections from LA-DCF's and all costs and tonnage should be included. This applies to tonnage information required for completion of section 1b and 2a, and cost information required for completion of sections 2b, 2c and 2d (as appropriate).
- For LA-DCF collections which your PCS was appointed to manage at stages 2,3, or 4, you should calculate your PCS's share of the collections (in tonnes) it undertook on behalf of the PBS, and apply the cost per tonne it charged the PBS for those collections, and include the resulting tonnage and cost as direct collections from LA-DCF's. You should use your PCS's market share for the 2020 compliance year as notified by the relevant environment agency in its final household WEEE obligation notification. The calculated tonnage should be included in column 2a. The calculated cost should be included in column 2d.
- You should not include any other tonnage or cost for evidence your PCS received from the PBS.

Draft Data Template

2020 Compliance Year Compliance Fee Mechanism
 Compliance Fee PCS Data Template
 Private and Business Confidential

PCS NAME

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

1. SHORTFALL / SURPLUS	1a. Target	1b. Evidence
	WEEE collection target Year <i>tonnes (3dp)</i>	Total WEEE Evidence received Year <i>tonnes (3dp)</i>
<i>Unit</i>		

For the period 1 January to 31 December 2020 - for submission on or before 19 February 2021

(1) Large Household Appliances		
(2) Small Mixed WEEE		
(3) Display Equipment		
(4) Cooling Appliances Containing Refrigerants		
(5) Lamps		
(6) Photovoltaics		

2. NET COST OF DIRECTLY COLLECTED WEEE FROM LA-DCFs	2a. Collected	2b. Costs	2c. Income	2d. Net cost
	Tonnage of WEEE directly collected by the PCS <i>From LA DCFs</i> Year <i>tonnes (3dp)</i>	Total direct costs of collection, transport and treatment <i>From LA DCFs</i> Year <i>£ (2dp)</i>	Gross income from resale or reuse of parts <i>From LA DCFs</i> Year <i>£ (2dp)</i>	Total direct costs minus gross income <i>From LA DCFs</i> Year <i>£ (2dp)</i>
<i>Unit</i>				

For the period 1 January to 31 December 2020 - for submission on or before 19 February 2021

(1) Large Household Appliances				0.00
(2) Small Mixed WEEE				0.00
(3) Display Equipment				0.00
(4) Cooling Appliances Containing Refrigerants				0.00
(5) Lamps				0.00
(6) Photovoltaics				0.00

3. NET COST OF WEEE FROM ALL OTHER SOURCES	3a. Collected	3b. Net cost
	Tonnage of WEEE from all other sources Year <i>tonnes (3dp)</i>	Net cost of WEEE from all other sources Year <i>£ (2dp)</i>
<i>Unit</i>		

For the period 1 January to 31 December 2020 - for submission on or before 19 February 2021

(1) Large Household Appliances		
(2) Small Mixed WEEE		
(3) Display Equipment		
(4) Cooling Appliances Containing Refrigerants		
(5) Lamps		
(6) Photovoltaics		

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

Yes/No (delete as appropriate)

Signature of director authorising submission of the data template

Name of director

2. Variable Administrative Cost template

The draft variable administrative cost data template and instructions for completion are provided below. PCSs wishing to provide information on variable administrative costs will be provided with the data template in an Excel file format for completion and return to Anthesis.

**2020 Compliance Year Compliance Fee Mechanism
PCS Variable Administrative Cost Template
Private and Business Confidential**

PCS NAME

Information is required for the period 1 January to 31 December 2019

For submission on or before 19 February 2021

Total variable administrative cost	
	£0.00

Instructions for completion

Insert the variable administrative cost incurred by the PCS in relation to the household WEEE collections it made from Local Authorities and other sources. These include:

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

Number and weight of collections by stream

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

Instructions for completion

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

3. PCS Fee Process Evaluation Form

The draft PCS Fee Process Evaluation Form is provided below. All PCSs using the Fee, or choosing to supply collection cost data, or claim remuneration, will be provided with the form by the Administrator and will be invited to provide feedback on the 2020 Fee process.



Using the 2020 WEEE Compliance Fee

Feedback form

Please circle your responses:

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

Not readily available Easy to locate

1 2 3 4 5

If you have scored 3 or less, please explain:

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

Slow to respond Quick to respond

1 2 3 4 5

If you have scored 3 or less, please explain:

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

Ambiguous Clear

1 2 3 4 5

If you have scored 3 or less, please explain:

4. How would you rate the professionalism of the auditor?

Unprofessional Professional

1 2 3 4 5

If you have scored 3 or less, please explain:

5. Any other comments?

Appendix 7

JTA Process for spending the Compliance Fee Fund in respect of the 2020 Compliance Period

1. 2020 Fees

Should a significant amount of Fee Funds (Funds) be accrued through the 2020 Fee, in line with the approach adopted for 2019 the spend of Funds will be determined independently of the JTAC Board and will be 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.

Section 2 below explains the development of the current Fund. Sections 3 to 5 set out the JTA's proposal regarding its disbursement.

2. Background to the Fund

2.1 In 2017, 2018 and 2019, the JTA's methodology was adopted by Government. In 2017 the Compliance Fee Fund (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. A dedicated website was established to support this process, www.weeefund.uk

2.2 Following an initial stakeholder meeting in June 2018, JTAC and the Expert Adviser agreed with Defra a broad approach to managing spend of the Fund. The Fund 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.

2.3 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.

2.4 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.

2.5 In its 2019 Fee methodology, JTA 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, the JTA 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.

JTAC Board	Advisory Panel
Remit	
<ul style="list-style-type: none"> • Select and Appoint an Administrator to carry out the operation of the Fee and a WEEE Fund Executive Director to carry out disbursement of the Fund. • Review and evaluate the performance of the Administrator and WEEE Fund Executive Director. • Determine JTAC policies and provide additional fiscal oversight of the Fund through multi-stage invoice approval process • Ensure that the composition, structure and capability of JTAC are appropriate for implementing agreed strategies. • Provide additional sign off on payments out of the Fund in excess of £10k (two Directors must sign off before approval). 	<ul style="list-style-type: none"> • To advise on the strategic direction of the Compliance Fee Fund disbursement plan. • To monitor progress against agreed goals and targets set out by the Material Focus Executive Director and endorsed by the Panel.
Composition	
<ul style="list-style-type: none"> • Consists of senior representatives of some of the trade associations that make up the JTA. This currently includes (but is not limited to) The Lighting Industry Association, AMDEA, BEAMA and techUK. 	<ul style="list-style-type: none"> • 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 and Defra.
Meetings	
<ul style="list-style-type: none"> • The Board will meet as required to fulfil its remit and will meet at least every quarter. • Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance. • The quorum for meetings is three. 	<ul style="list-style-type: none"> • The Panel will meet as required to fulfil its remit and will meet at least twice a calendar year. • Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance. • The quorum for meetings is three.

JTAC Board	Advisory Panel
Voting	
	<ul style="list-style-type: none"> • While every attempt will be made to unanimously agree spending priorities in the event of split opinion the Panel will vote on priorities. • Weighting of voting will be adjusted so that actors - government, local authorities, waste & treatment operators, PCSs, and producers - have an equal vote.

2.6 During 2019, to support the framing of the public awareness campaign, the WEEE Fund was rebranded as Material Focus., Three further staff members were directly employed by JTAC, for a minimum of three years, to ensure effective project management of the communication and behaviour change strategy and on-the-ground projects. A dedicated office space in London was sourced for the small team.

2.7 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.

2.8 Progress to date from the 2017, 2018 and 2019 Funds

2.8.1 Technical Projects: Two calls for research proposals have been issued. To date, 11 technical projects have been funded, two of which were Defra fast-tracked projects, totaling £1,369,966.

2.8.2 New collection projects: Following extensive discussions to determine the best way to support LAs, in August 2019 a £3m small mixed WEEE kerbside collection infrastructure fund was launched alongside a £0.5m fund to help reuse organisations build capacity and expand their small mixed WEEE collections. To date 19 projects have been funded totaling £734,305.

2.8.3 Communications and Behaviour Change: Based on extensive market research, Material Focus launched the £3m, three-year Recycle Your Electricals campaign in Spring 2020. A new information hub has been developed at www.recycleyourelectricals.org.uk and various PR and marketing activities are now underway and will continue to at least the end of 2022.

2.8.4 Using 2019 Fee payments, and in response to the Covid-19 pandemic impact on WEEE collections, Material Focus put in place a loan and grant support scheme to support commercial WEEE treatment facilities and reuse organisations. Nearly £2 million in interest free loans has been provided to 14 commercial electrical waste treatment facilities, while 34 organisations in the charity sector supporting the reuse of electricals have received more than £500,000 in grants.

3. The JTA 2020 Fund disbursement proposal

3.1 2017 and 2018 Fund

In line with the JTA's 2017 and 2018 Fee proposals, after consultation with stakeholders and Defra the funding principles for future projects and research using the 2017 and 2018 Fees would be as follows:

- 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 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 would be 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.

3.2 2019 and 2020 Funds

In line with the principles set out above, the spend of the remaining 2019 Fund and any Fund arising in 2020 will be determined in consultation with stakeholders and Defra and endorsed by the Advisory Panel.

3.3 Processing and approval of Fund applications

Irrespective of the Fund year, the JTA proposes to 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.

3.4 Defra Projects

The JTA recognise that Defra may have some specific WEEE projects for which funding may be required. The JTA welcomed the use of the 2017, 2018 and 2019 Funds for such projects if they contributed to the enhancement of the UK's WEEE system and would do so again with the 2020 Fund.

4. 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 JTAC operates as a professional, standalone entity to disperse these funds, JTAC/Material Focus will offer to continue to act as the disbursement entity if any other organisation is appointed as operator of the 2020 Fee. Valpak were the only other applicant in 2019 to submit a proposed Fee methodology and they have agreed in principle to this proposal should they submit a methodology chosen to be implemented by Defra. This approach will help to improve the efficiency in the spend of the Fund, avoid the need for duplicating administrative bodies and will reduce confusion in the market. Under this arrangement, funds accrued through the use of the Fee, regardless of the operator, will be transferred to the Administrator and the 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.

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

This proposal sets out a standalone process. For the 2014 and 2015 Fee Fund process, with the support of Defra, the JTA and the Distributor Take-back Scheme (DTS) cooperated to create a single call for

proposals as they both managed funds with very similar criteria for allocation. In the event that the DTS has funds available, JTA would again be pleased to cooperate and, if considered appropriate, act as the management entity for the DTS and the disbursement vehicle for the Funds in the interests of reducing administration work for applicant organisations and ensuring a coordinated approach to how funds generated through both the DTS and the Fee are spent. In such an event, a representative from the retail community would also be offered a seat on the Advisory Panel.

Appendix 8

Fee calculation examples

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

The examples are split into three sections:

- Section A for those streams where national collections are below the national target;
- Section B for those streams where national collections exceed the national target;
- Section C provides an illustration of the operation of the Covid Compliance Fee Threshold; and,
- Section D provides examples of other calculations used in the Fee formula, such as the weighted average net cost per tonne of direct WEEE collections from LA DCFs (k_n) and the variable administrative cost per tonne (v_n).

Section A - For WEEE streams where national collections fall below the national target – the operation of the Covid Compliance Fee Threshold

In all examples in this section A the base UK data used is also used in the examples provided by FTI in sections A1.2 to A1.6 of Appendix 1 of the FTI report. The reference to the corresponding Fee cost per tonne calculation in the FTI report is provided where relevant. The third column provides the reference to the relevant part of the Fee formula:

Total national target for all PCS (t)	20,000	T_n
Total national collections of all PCS (t)	16,000	C_n
Proportion of total national collections from LA-DCF's	70%	a
Weighted annual average net cost/tonne of direct collections from LA-DCF's (£/t)	£50	k_n
Weighted annual average net cost/tonne of other WEEE source collections (£/t)	£30	
LA-DCF collection cost compared to the cost of collections from other WEEE sources (ratio)	1.67	d
Variable administrative cost per tonne	£3.50	v_n

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

PCS collection target (t)	t_n
PCS actual collections (t)	c_n
PCS actual collections from LA DCF's (t)	l_n

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

Example 1 - Base

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	2,500	l_n

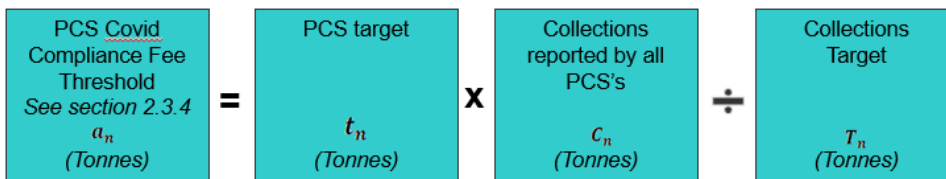
The UK has a shortfall in collections compared to target so the Covid Compliance Fee Threshold will be in operation:

Cn - Tn

$$16,000 - 20,000 = -4,000$$

Calculation of the Fee for the PCS:

a. Calculate the PCS's Covid Compliance Fee Threshold:



$$a_n = t_n * \left(\frac{c_n}{T_n} \right)$$

$$5,000 * (16,000/20,000) = 4,000$$

The PCS has a Covid Compliance Fee Threshold of 4,000 and will pay a Fee for any shortfall in collections up to this tonnage.

This means a zero Fee is applicable to the difference between a PCS's Covid Compliance Fee Threshold and target, although for simplicity this is not shown in the example calculations.

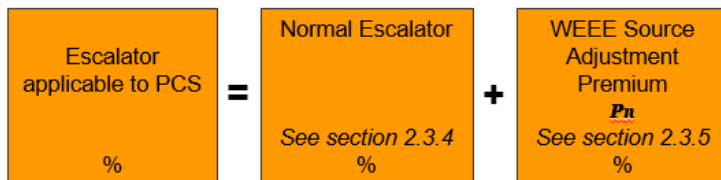
b. Calculate the PCS shortfall in evidence against its Covid Compliance Fee Threshold

$$(a_n - c_n)$$

$$4,000 - 3,000 = 1,000$$

The PCS has a 1,000 tonne shortfall against its Covid Compliance Fee Threshold.

c. Calculate the Escalator applicable to the PCS



i) Calculation of the Normal Escalator

The Normal escalator calculation is modified to use the PCS's Covid Compliance Fee Threshold in place of the PCS's target:

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

The calculation is therefore:

$$1 + ((4,000 - 3,000)/4,000)^2 = 1.0625$$

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

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

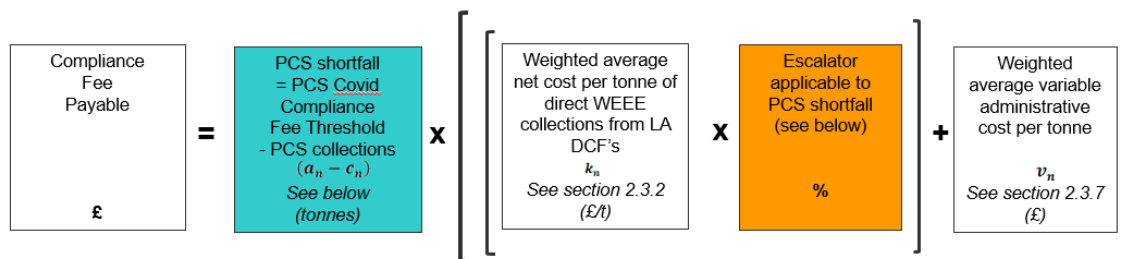
The formula is modified to use PCS's Covid Compliance Fee Threshold in place of the PCS's target. The calculation within the brackets in the formula is undertaken first to establish if the PCS needs to pay a WEEE Source Adjustment Premium.

$$0.7 - (2,500 + 1,000)/4,000 = - 0.175$$

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

$$1.0625 + 0.000 = 1.0625$$

d. Calculate the Fee payable by the PCS



$$1,000 \times ((£50 \times 1.0625) + £3.50) = £56,625$$

This equates to £56.63 per tonne and corresponds to the assumptions used in example A1.6 in Appendix 1 of the FTI report.

Example 1a

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	1,000	l_n

Calculation of the Fee for the PCS:

a. Calculate the PCS shortfall in evidence collected against its Covid Compliance Fee Threshold

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

b. Calculate the Escalator applicable to the PCS

i) Calculation of the Normal Escalator

Unchanged from example 1 - **1.0625**

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

$$0.7 - (1,000 + 1,000)/4,000 = 0.200$$

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

The calculation is:

$$(50/30) * (0.7 - (1,000 + 1,000)/4,000) = \mathbf{0.333}$$
 (rounded to 2dp)

The total Escalator applicable to the PCS is:

$$\mathbf{1.063 + 0.333 = 1.396}$$

iii) Calculate the Fee payable by the PCS

$$\mathbf{1,000} \times ((\pounds 50 \times \mathbf{1.396}) + \pounds 3.50) = \mathbf{\pounds 73,290}$$

This equates to $\pounds 73.29$ per tonne as set out in sections A1.10 and A1.11 of Appendix 1 in the FTI report.

Example 1b

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	4,500	c_n
PCS actual collections from LA DCF's (t)	2,500	l_n

Calculation of the remuneration for the PCS:

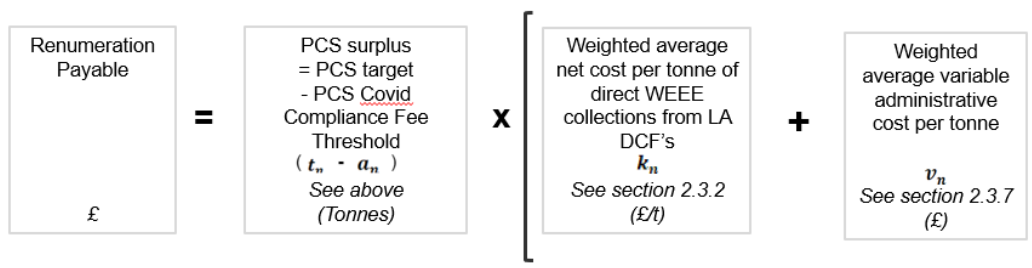
a. Calculate the excess collections the PCS has made above its Covid Compliance Fee Threshold

$$(a_n - c_n)$$

$$4,500 - 4,000 = \mathbf{500}$$

The PCS has collected in excess of its Covid Compliance Fee Threshold so is due remuneration

b. Calculate the remuneration due to the PCS (Figure 4, Section 2.2)



$$[(\min(c_n, t_n) - a_n) \times (k_n + v_n)]$$

$$\mathbf{500} \times (\pounds 50 + \pounds 3.50) = \mathbf{\pounds 26,750}$$

This corresponds to the assumptions used in example A1.16 in Appendix 1 of the FTI report.

c. Illustration of the remuneration calculation if the PCS had collected in excess of its target

If the PCS's collections had been 5,250 tonnes instead of 4,500 tonnes, its remuneration for its collections in excess of its Covid Compliance Fee Threshold would have been restricted to its target:

$$5,000 - 4,000 \times (\pounds50 + \pounds3.50) = \pounds53,500$$

Section B - For WEEE streams where national collections exceed the national target

Where national collections exceed the national target the Covid Compliance Fee Mechanism will **not** be in operation. The data below is the same as that used in Section A above, other than the level of national collections achieved.

Total national target for all PCS (t)	20,000	T_n
Total national collections of all PCS (t)	22,000	C_n
Proportion of national collections from LA-DCF's	70%	a
Weighted annual average net cost/tonne of direct collections from LA-DCF's (£/t)	£50	k_n
Weighted annual average net cost/tonne of other WEEE source collections (£/t)	£30	
LA-DCF collection cost compared to the cost of collections from other WEEE sources (ratio)	1.67	d
Variable administrative cost per tonne	£3.50	v_n

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

PCS collection target (t)	t_n
PCS actual collections (t)	c_n
PCS actual collections from LA DCF's (t)	l_n

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

Example 2 - Base

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	2,500	l_n

National collections exceed the national target:

Cn - Tn

$$22,000 - 20,000 = 2,000$$

Calculation of the Fee for the PCS:

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

$$(t_n - c_n)$$

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

The PCS has a 2,000 tonne shortfall against its target.

b. Calculate the Escalator applicable to the PCS

i) Calculation of the Normal Escalator

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

The Normal Escalator will be used in the 2020 JTA Fee Mechanism, irrespective of whether national collections exceed the national target. In line with previous years JTA Fee Mechanisms, where the Covid Compliance Fee Mechanism does not apply the PCS's target is the basis for the calculation. The Normal escalator calculation is therefore:

$$1 + ((5,000 - 3,000)/5,000)^2 = \mathbf{1.160}$$

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

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

In line with previous years JTA Fee Mechanism, where the Covid Compliance Fee Mechanism does not apply the PCS's target is the basis for the calculation. The calculation within the brackets in the formula is undertaken first to establish if the PCS needs to pay a WEEE source adjustment premium:

$$0.7 - ((2,500 + 2,000)/5,000) = - \mathbf{0.200}$$

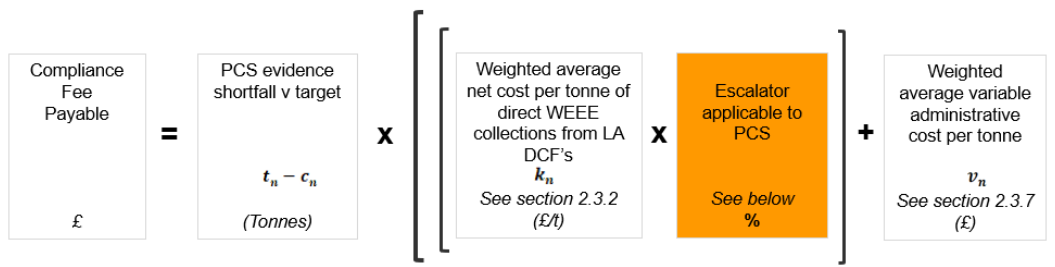
A WEEE source adjustment premium is not required because the resulting calculation is negative and it cannot reduce the effect of the escalator.

The WEEE source adjustment premium is therefore **0.000**

The total Escalator applicable to the PCS is therefore:

$$\mathbf{1.160 + 0.000 = 1.160}$$

iii) Calculate the Fee payable by the PCS (Section 2.2)



$$\mathbf{2,000 \times ((£50 \times 1.160) + £3.50) = £123,000}$$

Example 2a

PCS data:

PCS collection target (t)	5,000	t_n
PCS actual collections (t)	3,000	c_n
PCS actual collections from LA DCF's (t)	1,000	l_n

Calculation of the Fee for the PCS:

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

The total shortfall is unchanged from example **2,000**.

b) Calculate the Escalator applicable to the PCS

i) Calculation of the Base Escalator

Unchanged from example 1 - **1.160**

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

The calculation within the brackets in the formula is undertaken first to establish if the PCS needs to pay a WEEE Source

$$0.7 - (1,000 + 2,000)/5,000 = 0.100$$

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

The calculation is:

$$(50/30) * (0.7 - (1,000 + 2,000)/5,000) = \mathbf{0.166}$$
 (rounded to 2dp)

The total Escalator applicable to the PBS is therefore:

$$\mathbf{1.160 + 0.166 = 1.326}$$

iv) Calculate Fee payable by PCS

$$\mathbf{2,000} \times ((\pounds 50 \times \mathbf{1.326}) + \pounds 3.50) = \mathbf{\pounds 139,666}$$

Section C - An illustration of the operation of the Covid Compliance Fee Threshold assuming there are only 4 UK PCSs

This example shows the impact of the Covid Compliance Fee Threshold if there were only 4 UK PCSs and all participated in the 2020 JTA Mechanism. The principle assumptions are as follows:

- All PCSs have the same target but have achieved different collection levels against their target;
- National collections are below the national target (3,000 tonnes v 4,000 tonnes in the table below), so the Covid Compliance Fee Mechanism is in operation;
- All PCSs have collected in line with the national proportion from LA DCFs (i.e. there is no WEEE source adjustment premium in operation);
- All PCCs have the same cost of collection - £50/tonne (which is also the same as the average weighted cost/tonne of direct collections from LA DCFs) – for clarity, the variable administrative cost/tonne is ignored; and,
- The Covid Compliance Fee Threshold (CCFT), Escalator and Fee/Remuneration are calculated using the formulae set out in Examples 1a and 1b in Section A above.

PCS	Obligation (Target)	Collections	CCFT	Surplus/ Deficit	PCS Escalator	Fee payable/ Remuneration	Total PCS Cost	PCS Cost/t
	t_n	c_n	a_n	$a_n - c_n$	$1 + \left(\frac{a_n - c_n}{a_n}\right)^2$	f_n		
PCS1	1,000	1,100	750	-350	0.000	-£13,375.00	£36,625.00	£36.63
PCS2	1,000	800	750	-50	0.000	-£2,675.00	£37,325.00	£37.33
PCS3	1,000	700	750	50	0.004	£2,686.11	£37,686.11	£37.69
PCS4	1,000	400	750	350	0.218	£22,536.11	£42,536.11	£42.54
Total	4,000	3,000	3,000	0		£9,172.22	£154,172	£38.54

*Remuneration restricted to target **

LA cost/tonne	k_n	£50.00
Variable administrative cost/tonne	v_n	£3.50

* It is assumed PCS1 would have made an arrangement with PCS2, PCS3 and/or PCS4 at cost for the tonnage collected over its target.

In the illustration above:

- PCS1 has exceeded its target, PCSs 2, 3 and 4 have collected below their targets;
- PCS1 and 2 have collected more than their Covid Compliance Fee Threshold so are due remuneration, PCS 3 and 4 have collected below their Covid Compliance Fee Threshold so pay a Fee;
- PCS1 has collected more than its target so the remuneration is restricted to the difference between its target and the Covid Compliance Fee Threshold;
- PCS 1 has the lowest collection cost/tonne, having achieved its target and been remunerated for the excess of its collections over its Covid Compliance Fee Threshold;
- PCS2 has exceeded its Covid Compliance Fee Threshold so has also received remuneration, which is not restricted because the surplus is below its target;
- PCS3 has paid a Fee because it has marginally missed its Covid Compliance Fee Threshold;
- PCS 4 has paid a higher Fee because it has missed its Covid Compliance Fee Threshold by a greater amount.
- The final cost per tonne for each PCS reflects how closely it has met its Covid Compliance Fee Threshold;
- Total Fees paid are £25,222.22, total remuneration received is £16,050. The net Fee raised is £9,172.22.

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

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

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

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

A **B**

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

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

2. Variable administrative cost (v_n)

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

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

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

C

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

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

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

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

Weighted average net cost per tonne of other WEEE source collections

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

Appendix 9

Stakeholder feedback

In line with Defra guidance, and given the exceptional circumstances of 2020, the JTA embarked on a series of stakeholder interviews to inform the formulation of this year's Fee Methodology.

All major WEEE stakeholder groups (PCS members of the WEEE Scheme Forum, the AATF Forum, ICER, LARAC, NAWDO and the Environment Agency) were invited to share their views on the methodology design, including how the impact of the Covid-19 pandemic should be reflected this year, the operation of the Fee in previous years and the disbursement process.

Four PCSs and a representative of LARAC and NAWDO accepted the invitation.

In general, there was agreement that the JTA's methodology was clear and logical and that the disbursement process via Material Focus was focused on the right activities and was being managed well.

Some specific points that were raised are detailed below, along with the JTA's response to these:

Comment	JTA Response
The Methodology	
The Fee should be set at a higher level to encourage PCSs to target WEEE in the residual waste.	In accordance with Defra guidance for 2020, we consider that the Fee mechanism proposed is appropriate, and avoids the risk of significant additional burdens on PCSs and producers in light of the Covid-19 pandemic. It is based as a minimum on the average weighted cost of direct collections from LA DCFs, and therefore also meets the requirement to reflect the cost of collecting and treating WEEE.
The WEEE-Source Adjustment Premium is unfair to those schemes that are trying to increase collections outside of the LA DCF network. Growth in WEEE will need to come from outside the PCS network in order to hit targets, so the WEEE Source Adjustment Premium is now irrelevant.	Both the JTA, and FTI consider that the rationale for the WEEE Source Adjustment Premium remains sound. Given that currently only five PCSs collect over 90% of the streams from LA DCFs, and some LAs still need to turn to the PBS to receive a free of charge WEEE collection service, there clearly remains a need to prioritise WEEE from LA sources. LA DCFs form a significant part of the UK's WEEE collection network and the prioritisation of LA DCF collections is a principle enshrined within the WEEE Regulations.
The formulae should be set out so it is clear, including the provision of data labels.	The JTA agrees with this principle and in line with previous years proposals has explained the formula in diagrams and provided calculation examples.

Comment	JTA Response
How should we reflect the impact of Covid-19 in the methodology this year?	
<ul style="list-style-type: none"> The Fee should be almost costless in 2020, with targets being adjusted due to the shutdown of businesses and HWRCs. The Fee this year should not be punitive as a result of a global event that was out of our control. 	<p>The JTA mechanism includes a Covid Compliance Fee Threshold that means that where national collections fall short of the national target the Fee payable is zero for any PCS that has collected at least the national average for a stream. That avoids a punitive Fee being levied in the pandemic year.</p>
<p>The response to COVID in England and Scotland has been different...affecting different areas and PCSs in different ways. For instance, after the initial lockdown Scottish LAs reopened their HWRCs later than English LAs, so PCSs working with Scottish LAs will find it more difficult to reach their targets.</p>	<p>The JTA considers that the net effect of this difference is not material when total national collections are considered. The Covid Compliance Fee Threshold mechanism and remuneration of PCSs collecting above the national average for a stream means that costs associated with collecting WEEE during 2020 will be shared equitably amongst PCSs, and thus producers.</p>
<p>There is no data on whether social distancing is affecting tonnages being collected at HWRCs.</p>	<p>The tonnages from HWRCs were significantly reduced in Q2 2020 when compared to Q1 2020. Q3 2020 data is not yet available but LA DCF collections in some areas continue to be impacted by changes made to operations to accommodate social distancing and other effects of Covid-19.</p>
<p>A second-wave of Covid-19 is unlikely to have as much impact on HWRC WEEE collection activities as the first, as clear guidance, policies and procedures are now in place.</p>	<p>The JTA agrees.</p>
<p>We do not know how much WEEE has been stored during the lockdown period and will still come into the system, and how much will have been lost in the residual waste.</p>	<p>The JTA agree but note that this will not be apparent until Q3 and Q4 data are available. The Covid Compliance Fee Mechanism will only operate if national collections fall short of the national target so is sufficiently flexible to accommodate changes in the amount of WEEE collected in the second half of the year.</p>
<p>It is possible that some streams will be fine, and only a few will be affected by Covid-19 so the mechanism to deal with Covid-19 should be stream specific, flexible and fair. A national deficit might not be a fair comparison, as smaller PCSs might not have the buying power of the larger ones.</p>	<p>The JTA have taken this into account by proposing separate Fee mechanisms, depending on whether national collections for a stream are below or above the national target.</p> <p>Both the JTA, and FTI consider that the rationale for the escalator calculation being based on a PCS's own collections when compared to its target remain sound. It is reasonable to expect a PCS's collection activities to be commensurate with its target.</p>

Comment	JTA Response
The Compliance Fee Process	
We would support an earlier decision on the Fee from Defra, a mid-February decision makes it difficult for PCSs to budget.	In light of the exceptional circumstances arising from the Covid-19 pandemic the JTA encourage Defra to take this comment into consideration.
In the past, it has tended to take quite a while for the Fee invoices to be issued and then quite a short window being available to make payment. This might be an issue for some of the smaller PCSs.	The timescale for Fee payments is inevitably tight, but the JTA has sought to maximise the time available for the settlement of Fee invoices whilst ensuring appropriate quality assurance arrangements are in place. Fee proposals are published in October so PCSs have at least 5 months to make preparations for the payment of Fees according to the timetable proposed.
Disbursement of the Fund	
We would like to see more transparency in how the Fund money is spent and how much money is being spent on administration. Could an annual report be published?	The JTA agree that an annual report should be published.
To encourage more ambitious projects maybe put a framework around a funding programme so that producers can get more benefit?	The disbursement mechanisms proposed by the JTA are for WEEE related projects, and are not focused on producers, but on achieving the objectives of the 2013 WEEE Regulations.