

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

Operation of a WEEE Compliance Fee for the 2021 Compliance Period

Presented by Valpak Limited

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1. Executive Summary

Overview

Valpak has been a WEEE compliance scheme operator since 2007 and has operated within a WEEE system featuring a compliance fee mechanism since 2014. We have used our knowledge and experience to produce this proposal for the operation and methodology of a WEEE compliance fee for the 2021 compliance year.

This proposal has been developed in response to Defra's published guidance for proposed compliance fee methodologies. The guidance for 2021 proposals is similar to the guidance published for the 2020 compliance fee, with stakeholders again invited to explore evidence of the impacts of Covid-19 on WEEE collections during the 2021 compliance year and consider submitting proposals that include mechanisms accounting for these impacts. This proposal sets out how Valpak's methodology reflects this requirement as well as those recurring requirements found within Defra's guidance document for 2021 proposals.

Retaining a compliance fee option within the UK WEEE system for 2021 is essential, as it provides critical continuity within the UK's producer responsibility regime for WEEE. We believe that the original economic rationale for the general concept of a compliance fee mechanism within the producer responsibility regime for WEEE, as set out in previous proposals, is comprehensive and remains largely valid for 2021.

We believe that the selected **WEEE compliance fee methodology for 2021 must reinforce important signals to operators**, namely that the fee is a mechanism intended to:

- Encourage producer compliance schemes (PCSs) to meet their collection targets by making arrangements for the physical collection of WEEE
- Enable PCSs not able to fully meet their targets to instead pay a sum that contributes to valuable projects that aim to improve the UK's WEEE system, without jeopardising their approval to operate in future compliance years
- Prevent the potential of excessive costs being charged by over collecting PCSs, and
- Prevent producers being charged excessively for continuing access to WEEE material

With that in mind, Valpak's proposed methodology for the 2021 WEEE compliance fee is designed to:

1. Minimise the prevalence of the perception that the compliance fee is lower than the cost of physically collecting WEEE
2. Support the Government in continuing to improve the UK's producer responsibility system for WEEE, achieving the dual objectives of
 - a. Discouraging PCSs from attempting to set excessive charges to other schemes by over collecting WEEE, whilst

- b. Encouraging PCSs to take all reasonable steps to meet their own targets through actual WEEE collections, without using the compliance fee
- 3. Provide a fair mechanism to all operators, regardless of their circumstances of excess or deficit in respect of material stream collections
- 4. Ensure the confidentiality of sensitive compliance scheme information through using a respected, independent third party as the administrator of the compliance fee collection process
- 5. Facilitate competition in the market to minimise costs to producers, whilst also assisting those producers considering changing their compliance scheme by increasing the ability of schemes to recruit additional members without introducing the disincentive of excessive compliance costs

Our proposal is supported by an economic rationale (section 4.1, page 11) that outlines our analysis of the likely impacts of our fee proposal on the stability of the household WEEE collection system.

Methodology for the Calculation of the Fee

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

1. **A base cost per tonne** calculated from the weighted average collection and treatment costs of Local Authority (LA) collections of all PCSs using the fee.
2. A **standard amount per tonne to reflect the direct operational management costs** incurred by schemes which would be avoided if these were not reflected in the fee (avoided transactional cost). We propose this be set, as in previous years, at **£3.50 per tonne**. We believe this figure continues to be broadly representative of average costs of, for example, contract and account management and reporting and site auditing. Other scheme overheads are excluded from this figure.
3. **A fee escalator**, designed to ensure the impact on schemes requiring the use of the compliance fee for a certain tonnage is **dependent on a PCS's shortfall relative to its individual stream target (other factors being equal)**, so that a greater fee is payable for a shortfall which is more significant compared to the PCS's target. In previous compliance fee methodology proposals submitted by Valpak the escalator factor has been based on a PCS's shortfall relative to the national target, however this has been amended due to feedback received.
4. An **additional escalator** will be applied **dependent on the percentage of collections a scheme makes via Local Authority sites compared with its market share of the national total of WEEE collections from Local Authorities**. This incentivises schemes to seek and

encourage Local Authority collections, rather than being reliant on purchased evidence.

We propose that a **zero-fee for the LDA stream** is incorporated into the compliance fee methodology in 2021, as has been the case each year since 2017. This is because we believe that it is likely that a high level of LDA collection activity continues to occur outside the official system. However, the direct operational management cost will still be charged for the LDA stream because this would be incurred internally by schemes in managing collection contracts even if the net external cost was zero.

There will also be a **£2,000 participation fee** for each PCS wishing to use the compliance fee. This fee will act as a contribution towards audit and administration costs.

Accounting for Covid-19 Impacts

Valpak do not believe it would be appropriate to automatically propose the inclusion a mechanism that accounts for potential impacts of the Covid-19 pandemic, a mechanism that would provide PCSs a greater degree of allowance to miss their 2021 collection targets, without extensively reviewing best available national data and making robust projections of how collection levels may prevail over the remainder of the year.

Although difficult to predict, with the prospect of national restrictions caused by Covid-19 unlikely for the remainder of 2021, the **best available year-to-date data on the national position leads us to the conclusion that at this stage it is not appropriate to propose the installation of a specific Covid-19 allowance within the 2021 compliance fee methodology.**

However, given the mid-year submission of the compliance fee methodology proposals and the unpredictability of how the national situation may develop over the final months of 2021 and the impacts this may have on WEEE collections, it is **important to acknowledge the potential for Covid-19 to impact WEEE collections across the remainder of the year.**

As a result, we believe it would be prudent to propose the inclusion of a mechanism that accounts for the impacts of the Covid-19 pandemic within the 2021 compliance fee methodology, should the national data from the remainder of 2021 suggest the inclusion of such an allowance is required. We have therefore included an **alternative calculation as contingency in the event of any unforeseeable and uncontrollable impacts experienced across the remainder of 2021 as a result of Covid-19.**

This additional mechanism is similar the Covid-19 mechanism included with our 2020 compliance fee methodology proposal. It will give an **allowance to schemes that fall short of their targets as a direct result of the reduction in national collections caused by the COVID-19 pandemic** and its impact on WEEE collection volumes across 2021. This allowance would be based on the degree to which a scheme's performance fell short of their own targets in each stream separately, **relative to a scheme's market share of the national shortfall judged to be caused by the pandemic, for example as a result of national lockdown.**

This is calculated by comparing actual national collection performance for 2021 in each stream with UK targets for 2021. If this mechanism is required, then the **relevant tonnage allowance in each stream will be at a zero-compliance fee** (see sections 4.1 and 4.4 for more details).

Worked Example of Covid-19 Allowance Mechanism

Scenario:

- The national target for Stream X is 100,000 tonnes.
- Collections have been impacted by Covid-19; therefore the Covid-19 mechanism will be used.
- Actual UK collections of Stream X for 2021 totaled 80,000 tonnes, leaving a 20,000-national shortfall
- Scheme A has a 10,000-tonne target for Stream X (10% market share)
- Across 2021, Scheme A collects 7,000 tonnes, leaving it with a 3,000-tonne shortfall in stream.

Using Valpak's proposed compliance fee methodology, Scheme A would receive a 2,000 tonne allowance in Stream X, that allocation being at zero cost (£0/tonne).

This allowance is afforded to Scheme A as this proportion of its shortfall is deemed to be caused by the impact of COVID 19, given the schemes 10% market share.

Scheme A's allowance = 10% of the national 20,000t national shortage = 2,000 tonnes.

The remaining 1,000 tonnes of Scheme A's shortage to their target which they have applied to use the compliance fee for would then have the normal compliance fee calculation.

Additional Key Features of the Valpak Methodology

1. PCSs wishing to utilize the WEEE compliance fee would be required to provide their actual direct collection and treatment cost data (by stream) within their application to the proposed **independent fee administrator**. The administrator will use detailed data provided by schemes to calculate the weighted average cost per stream. This will form the base cost for calculating individual compliance fees. The administrator will administer the compliance fee process under strict confidentiality provisions.
2. In the unlikely event of there being an application to use the fee for 2021 in a stream where there is no 2021 actual collection cost data available, cost data from 2020 will be used for the relevant stream.

Administration of the Fee

If Valpak's proposal is selected, the administration of 2021 compliance fee methodology should be undertaken by Anthesis (UK) Ltd.

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

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

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

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

Further, we propose that **Oakdene Hollins Ltd be appointed to provide independent oversight and verification of the compliance fee administration activities to be undertaken by Anthesis.** Oakdene Hollins are another well-respected independent consultancy with WEEE sector specific experience, whose role will **provide stakeholders additional assurance of the proper administration of the WEEE compliance fee process.**

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

Dispersal of Funds

Should Valpak's compliance fee methodology proposal be selected, it is envisaged that Anthesis would set up a separate bank account to receive fees payable by PCSs. Once all the transfers have been received, the net balance, minus applicable administration fees, would be transferred to the existing Material Focus programme, as set out in section 6. This **process will ensure that Valpak has no role, visibility or influence whatsoever over any funds raised via the compliance fee mechanism.**

The **funds raised from the compliance fee would be added to the existing funds of Material Focus** to fund projects, technical research, communication campaigns and behaviour change activities which aim to increase the collection and treatment of WEEE. This approach has been agreed in principle by Defra and will help to improve the efficiency of

the spend of the fees raised by the mechanism over time, avoiding the need for duplicating administrative bodies which would otherwise introduce confusion in the market.

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

Points for Further Consideration

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

- We believe that **there is merit in adopting a consistent Compliance Fee methodology for several consecutive years, to provide medium-term stability to the system**. Provided any chosen methodology is effective, this approach could significantly improve circumstances for Local Authorities wishing to have more stable and reliable collection arrangements. This should be considered in the light of experiences of operating the fee in recent years. In adopting a more consistent approach, there should also be flexibility for updates or changes based on changing market conditions each year, which could then be consulted on should such action be required. This is especially pertinent to the current situation in 2021.
 - We would like to suggest that Defra continue to work closely with Material Focus and consult with the wider WEEE supply chain regarding how the funds collected through the operation of the compliance fee be spent in the best interests of the entire industry.
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2. Introduction

The WEEE regulations make provision for the Secretary of State to allow Producer Compliance Schemes (PCSs) to achieve compliance with their targets by paying a Compliance Fee as an alternative to providing evidence of WEEE collection and treatment.

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

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

Valpak is widely recognised for its expertise in the producer responsibility sector and has a track record for developing recommendations for improvements to the UK's existing producer responsibility regimes, working closely with members, regulators and Government to develop effective solutions for both current and future systems. We have used our expertise to develop this proposal for the methodology of the WEEE compliance fee for 2021 which we believe effectively meets both the regulatory requirements and Government guidance, as well as appropriately acknowledging the current state of the WEEE sector.

Valpak's proposed 2021 compliance fee methodology builds upon key elements of our proposed methodology that was accepted by Defra for the 2016 compliance year, as well as the methodologies we proposed in 2017, 2018, 2019 and the submission made in 2020 which attempted to account for the impacts of the Covid-19 pandemic on the WEEE sector.

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

If this methodology is accepted by Defra, we propose that Anthesis (UK) Ltd. ("Anthesis") are appointed as the independent compliance fee administrator. Anthesis are a well-respected consultancy who have direct experience of the UK WEEE System as they are the administrator of the WEEE Producer Balancing System. Anthesis have demonstrated extensive expertise and a capability to perform the required role whilst ensuring the high degrees of confidentiality necessary – see Appendix I for more information. Further, we propose that Oakdene Hollins Ltd be appointed to provide independent oversight and verification of the compliance fee administration activities to be undertaken by Anthesis.

3. Objectives of the Compliance Fee

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

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

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

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

In their guidance for proposed methodologies for the WEEE compliance fee for 2021, Defra encourage submitting stakeholders to consider evidence of the impacts of the Covid-19 pandemic on WEEE collections, and whether the compliance fee for 2021 should include a mechanism that acknowledges those impacts. This proposal sets out Valpak's evaluation of the UK's year to date position based on available data and how our methodology meets the requirements found within Defra's most recent guidance document (see [Guidance on submitting proposals for a WEEE Compliance Fee Methodology for 2021](#)).

4. Methodology for the Calculation of the Fee

The methodology we have proposed below includes details of how compliance fees are to be calculated for each WEEE stream. This **document does not include actual fees, as it is not possible to calculate them until after the end of the relevant compliance year** to which the methodology will apply, at which point information on actual tonnages and PCS costs can be obtained.

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

4.1 Economic Rationale

Background

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

We believe that the **original basic economic rationale for the general concept of a compliance fee, as set out by the JTA in 2014 and 2015 ([accessible here](#)), is comprehensive and remains largely valid in 2021**. In the years we have submitted a proposal for the methodology of the compliance fee, we have based our proposals on this analysis, and whilst the Government's guidance referred to in the paper's section 5.4 has been amended by Defra subsequently, it remains largely similar to current compliance fee guidance.

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

1. **Retaining a compliance fee is an essential feature of the current UK WEEE system that provides continuity and reinforces important signals to operators** that it is a mechanism intended to:
 - a. Prevent the potential for excessive costs to be charged by over collecting PCSs
 - b. Prevent producers being charged excessively for continuing access to WEEE material, and
 - c. Encourage PCSs to meet their collection targets whilst at the same time providing a mechanism whereby schemes which are not able fully to meet their target can instead pay a sum to contribute to valuable projects to improve the system for the future, without jeopardising their approval for further compliance years.
2. The level of **fee should be differentiated by material collection stream** because the costs and tonnages involved in each are significantly different.

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

Valpak's proposed compliance fee methodology for 2021 remains largely consistent to those we have proposed in previous years. In the following sub-section, we have outlined how our assessment of the WEEE market in 2021 has led to the conclusion that many of the core aspects of our proposals from years previous should be largely retained.

We have however included an **alternative formula as a contingency should Covid-19 be deemed to have significantly impacted WEEE collections across the remainder of the year.** Whilst we strongly believe there is currently no need for a Covid-19 adjustment currently for 2021, given the timing of the compliance fee methodology submissions, it is prudent to acknowledge the potential for significant impact on collection volumes in Q4 (as occurred in Q2 2020), however unlikely it may be currently. Our justification for this is outlined in the following section.

In our view, adopting Valpak's methodology for 2021 will continue to improve the stability of the WEEE system over both the short and medium term. It is also crucial that the compliance fee is set at levels that consider, as far as is practicable:

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

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

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

2021 WEEE Market Developments

2020 presented unprecedented challenges for all businesses due to the Covid-19 pandemic. In particular, the closure of many Local Authority Civic Amenity sites either partly or throughout the year as well as their partial re-opening resulted in a significantly reduced amount of electrical waste arising from households, inevitably impacting the amount of recycling and treatment activities undertaken also. The final impact was that **2020 WEEE collections fell significantly short of their targets.**

At the beginning of 2021 when national restrictions were still in place, there were concerns that Covid-19 could have impacts on WEEE collections similar to those seen in 2020. However, in analysing Valpak's own collection data as well as the best available national collection data for Q1 and Q2 2021, it is clear that **WEEE collection volumes to date in 2021 across all streams have improved significantly when compared to 2020.**

Table 1 below outlines the year-to-date position for 2021, up to Q2. Table 1 depicts a relatively strong position for collections, indicating that for some streams the target may be met in 2021, and for others it will only just fall short.

Stream	2021 Year to Date Collections (tonnes)	2021 Collection Target (tonnes)	2021 Year to Date Position
LDAs	84,915	187,398	45%
Cooling	69,103	137,030	50%
Display	20,214	37,726	54%
GDLs	1,800	4,145	43%
SDAs	62,416	137,056	46%
PVPs	126	274	46%
Total	238,574	503,629	47%

Table 1: Year to date position of WEEE Collections

Conclusions from Market Assessment

Valpak do not believe it would be appropriate to automatically propose the inclusion a mechanism that seeks to account for the impacts of the Covid-19 pandemic, thereby providing PCSs a greater degree of allowance to miss their 2021 collection targets, within our WEEE compliance fee methodology without extensively reviewing best available national data and making robust projections of how collection levels may prevail over the remainder of the year.

Although difficult to predict, with the prospect of national restrictions caused by Covid-19 unlikely for the remainder of 2021, the **best available year-to-date data on the national position leads us to the conclusion that at this stage it is not appropriate to propose the installation of a Covid-19 allowance within the 2021 compliance fee methodology.**

That said, given the relative unpredictability of the national situation entering the final months of 2021 and the impacts this may have on WEEE collections, it is prudent to propose that a mechanism that accounts for any potential significant impacts of the Covid-19 pandemic is made available within the 2021 compliance fee methodology should the national data from the remainder of 2021 suggest the inclusion of such an allowance is required.

Many of the other elements of our previous methodologies do however remain highly relevant. We believe that the compliance fee methodology outlined in this proposal would minimise the prevalence of the perception of the compliance fee is lower than the cost of physically collecting WEEE.

4.2 Points raised in Defra's evaluation of the 2020 methodology

Following feedback Valpak received concerning our 2020 WEEE compliance fee methodology submission from the compliance fee evaluation panel, we have addressed 2 areas of our proposal:

Firstly, the evaluation panel noted that our previous proposal to **setting the compliance fee escalator against shortfall against the national target was not supported by the FTI economic analysis** which found that basing the escalator against a scheme's own target incentivises compliance by collection for all PCSs regardless of the size of their obligation. As will be explained in later sections, we have taken this analysis into account and have adjusted our proposed methodology's escalator to be calculated based on a scheme's shortfall relative to its own individual target.

Although **Valpak still believe there may be potential merit under some sets of circumstances to consider setting the compliance fee calculation based on the UK target as opposed to individual scheme target** and would like to explore this further in discussion with Defra, we have changed our methodology proposal for 2021 based on the feedback received. Proposing to set the compliance fee is against a scheme's individual target ensures that all schemes, regardless of their size, continue to be equally incentivized to attain their targets via actual WEEE collections.

Secondly, when the inclusion of a Covid-19 allowance within compliance fee methodology proposals were permitted, as was the case in 2020, the **evaluation panel expressed concern in basing the methodology's collection threshold on the proposer's forecasting model and not actual collections**. At present in 2021, we do not believe there is a justification for a Covid-19 allowance, however as the previous 18 months have shown, the future can be very volatile. Therefore, we have included **a contingency formula** which could be activated if it is decided by the panel that Q4 collections (or indeed current collection volumes) have been significantly impacted by Covid-19. This formula is **based on the shortfall of actual collections compared to the targets, so no forecasting has been included**. If a shortfall is deemed to have been caused by Covid-19, it seems fair to allocate a £0 per tonne allowance to schemes based on market share so their producer members are not unfairly charged for something out of their control.

4.3 Principles of Valpak's Proposed Methodology

The objective of our proposed compliance fee methodology is to address market issues identified, whilst not setting the fee at too high a level where it would risk excessive costs to producers or encourage a return to the pre-2013 situation, where over-collecting schemes could charge excessive prices to competing schemes for their surpluses.

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

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

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

A PCS will incur additional variable costs from activities necessary to collect WEEE from Local Authorities and other sources. These include:

- Preparing bids for collection contracts
- On-going management of operational contracts, including ensuring contractors are performing properly, liaising with Local Authorities, addressing any day-to-day issues which arise
- Conducting site audits of both collection sites and treatment operators to ensure that they are operating correctly

- Compiling, checking and making the regular reporting submissions required to the relevant enforcement agencies.

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

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

We have previously proposed a flat rate of **£3.50 per tonne**. Following assessment, we feel that this rate remains representative of the necessary direct resource and operational management costs in 2021, therefore we propose to maintain this element of our proposal. We propose this rate is **not subject to any escalator** which may apply to collection and treatment elements of the fee, as we believe this would be unduly punitive.

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

A **zero-fee for the LDA stream** has been incorporated into the WEEE compliance fee methodology since 2017. We again believe that in 2021 it is likely that a high level of collection activity has continued to occur outside the official system, therefore the rationale for including this element remains substantially valid in 2021.

As direct operational management cost to schemes in managing collection contracts would still be incurred internally even if the net external cost was zero, the proposed administration and direct overhead cost - £3.50 per tonne - would still be applicable to the LDA stream.

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

An escalator will be applied, dependent on the percentage of collections a scheme makes via Local Authority sites versus the national average. This will incentivise schemes to seek Local Authority collections, rather than being reliant on purchased evidence.

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

In 2014, 2015, 2017, 2018, 2019 and 2020 the compliance fee methodology that was selected by Defra included a quadratic escalator which increased the fee payable in proportion to

the shortfall of any scheme compared with its own collection target for the year. In years previous, Valpak's proposed main escalator was related to a shortfall compared to the national target; however, we have chosen to alter our proposed calculation in light of the feedback received from the evaluation panel.

5. Only including a Covid-19 allowance when a national shortfall against the national collection target is deemed to be caused by Covid-19

Based on the best available year-to-date data and our own collection data we believe collection volumes have recovered enough to not justify a Covid-19 allowance currently.

Should Covid-19 continue to be judged to not affect WEEE collections throughout the remainder of 2021, any resulting shortfalls in WEEE collections in 2021 are likely to have been caused by other underlying issues such as ongoing falling collection trends and WEEE leakage. These issues should be addressed separately and not under the guise of Covid-19.

However, it is possible that Q4 collections could be severely impacted by Covid-19 depending on several factors that are outside producers and schemes control. If this occurs but an additional adjustment mechanism is not factored into the compliance fee methodology, unintended consequences may be felt, namely that schemes that have fallen short of their collection targets would incur an escalated compliance fee on a tonnage of WEEE that was simply not available for collection across the back half of 2021. We believe this would be unduly punitive on schemes and their producer members.

Therefore, if Q4 collections are impacted and **should the national data suggest the inclusion of a Covid-19 allowance mechanism is required for 2021, we propose a zero-cost allowance (£0/tonne) for an amount of WEEE (in tonnes) for each scheme that is relative to their stream market share of the national shortfall which has been determined to be as a direct result of the Covid-19 pandemic** and the impact of the national lockdown on WEEE collections.

Other elements of the fee calculation (direct operational cost and uplift for low LA collection rates) will still be included in the fee calculation for every tonne that a scheme is short, regardless of the national position.

In practice, the example below outlines how this could operate:

- A WEEE stream has a national collection **target of 100,000 tonnes**.
- Only **80,000 tonnes** is collected nationally by all schemes combined across the year, resulting in a national shortfall of 20,000 tonnes. It has been deemed that this **shortfall was driven by the impact of Covid-19 in Q4 2021**.
- An individual compliance scheme has a collection target of 10,000 tonnes (10% of the national target) in that stream. Across the year, it only collects 7,000 tonnes, so the scheme applies to use the compliance fee for their 3,000-tonne shortage.

- The amount of tonnage that will be the scheme's 'zero cost allowance' would be their market share (10%) multiplied by the difference in actual collections verses the target (20,000 tonnes). As a result, the scheme's **£0 per tonne allowance would be 2,000t**.
- The remaining 1,000t of the scheme's shortfall is charged at an escalated rate (using the main escalator that relates the scheme's shortfall to their stream specific target).
 - The escalator for the remaining tonnage is calculated by using the same expression as in the compliance fee formula in the standard calculation we are proposing (see section 4.6 for further details).

This approach means that a scheme, in these circumstances, would have some recognition of the fact that, for reasons at least partly out of their control, they have fallen short of their target, but would also still have a financial incentive to take steps to increase their own collections or make arrangements with other schemes where possible. This minimises the potential for schemes which may individually have over collected, despite an overall national shortage, to take advantage of their position by attempting to charge excessive prices for their surpluses.

4.4 Summary of Defining Principles of the Methodology

Valpak's proposal is designed to provide schemes with **a realistic alternative compliance option which is applicable in all circumstances and fair to all participants** and produce a compliance fee which provides a balance between:

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

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

	Core Principles	Rationale
1.	Weighted average costs per stream will be the base cost for each stream.	Actual collection and treatment cost for Local Authority collections and tonnage information will be provided by schemes from which the administrator will calculate the weighted average base cost per stream. This ensures the base cost is representative of the situation across the UK.

2.	<p>Increase the base cost by an escalator factor so that compliance fees increase for greater tonnage shortfalls.</p> <p>The escalator is based on the tonnage shortfall that a scheme applies for against its individual stream-specific target.</p>	<p>The escalator provides a greater encouragement to take reasonable steps to meet scheme targets for higher tonnage shortfalls.</p>
3.	<p>To add to the escalated base fee in each stream an additional cost to properly represent the direct operational management costs necessarily incurred by collecting schemes in managing and administering WEEE collection and treatment arrangements.</p>	<p>These would include, for example, the direct costs of preparing and managing contracts, visiting and auditing sites, managing relationships with AATFs and the necessary mandatory reporting.</p> <p><u>Other more general scheme management overheads are specifically excluded.</u></p>
4.	<p>Providing cost data for all streams collected is a condition of using the fee.</p>	<p>This is to ensure there is a viable data set available upon which to base the fee.</p>
5.	<p>A third-party independent body will be appointed to administer the fee and a further party appointed to independently verify their activities.</p>	<p>Third party administration will prevent any conflict of interest and ensure confidentiality. The role will include fund collection and dispersal of funds.</p> <p>The requirement for independent audit and verification will provide confidence in the process.</p>
6.	<p>In the event that national collections in any stream at the year's end are deemed to have been adversely impacted by Covid-19 in Q4 2021, a proportion of any compliance fee tonnage applied for by a scheme would be subject to a zero-cost allowance, relative to a scheme's market share of the national shortfall. Any further tonnage shortfall will be subject to the base fee and main escalator, in accordance with the formula described.</p>	<p>It would be unduly punitive for schemes and their members to pay escalated compliance fees where, despite best intentions, at least part of the reason is that national collections have fallen short of targets and insufficient WEEE is available for collection.</p> <p>The proposal to include a zero-cost allowance is included for 2021 to account for the potential</p>

		of extraordinary impacts of the COVID-19 pandemic on WEEE collections, which would mean with schemes would be highly unlikely to meet their targets even in the most optimistic of collection estimates for 2021 if there were restrictions imposed in Q4 2021.
7.	In the unlikely event of an application being made to use the compliance fee for a particular stream where none of the participating schemes are able to provide actual collection cost data, the administrator should use the base fee from the 2020 compliance fee methodology.	This was a potential difficulty with the methodology for 2016 but adopting this approach is a practical way to deal with this scenario in the unlikely event it should occur in 2021.
8.	An additional escalator will be applied dependent on the percentage of collections a scheme makes via Local Authority sites.	This incentivises schemes to seek Local Authority collections, rather than being reliant on purchased evidence.
10.	Zero collection and treatment fee for the LDA stream.	During the 2021 compliance year, it is likely that there has been similarly high level of collection activity occurring outside the official system and therefore we acknowledge that the rationale for this element remains substantially still valid. Direct operational management costs would still apply.
11.	An addition to the base fee to properly represent the direct operational management costs necessarily incurred by collecting schemes in managing and administering WEEE collection and treatment arrangements.	The fee will be £3.50 per tonne. We have used this figure since our 2017 methodology proposal and believe it continues to be representative of average costs of, for example, contract and account management, reporting and site auditing. Other scheme overheads are excluded from this figure.

4.5 Fee Calculation

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

Whilst it would be preferable for data from all schemes for all collections to be collected so that fees can be accurate and representative as possible, we recognise that this is unlikely to be practicable, due in part to:

- Schemes not needing to use the compliance fee being likely to be reluctant to provide data voluntarily and subject themselves to unnecessary cost and audit, and
- There being no provision in the regulations to compel schemes to provide data.

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

Data Required from Schemes

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

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

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

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

Data on the direct operational management costs involved in organising the collection and treatment of WEEE will **not** be requested from participating schemes, as a flat-rate of £3.50 per tonne will be used instead.

Calculation

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

The collection and treatment costs will be escalated by a factor related to the degree of scheme shortfall against the individual scheme target set by the Government in each stream, so that a greater fee is payable for a shortfall which is more significant compared to the Government's requirement. Fees will then be escalated further by a variety of uplifts (detailed below) depending on the circumstances of the particular scheme applying for the fee.

Uplift Calculation for Local Authority Collection Rates

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

Where:

l: the uplift for LA collection rates (%)

i: a coefficient decided upon discussion with Defra

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

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

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

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

Note: Data for *M* and *C* would be obtained from the national WEEE data. Valpak would suggest a coefficient (*i*) of 0.2, however this would be finalised upon discussion with Defra.

Example

A scheme collects 5,000 tonnes in a selected stream and 3,500 tonnes of this is from LA DCF sources. In that same stream, the UK collects a total of 75,000 tonnes, 60,000 tonnes of which have arisen from LA DCF sources. Assuming the coefficient, *i* has been set at 0.2, this uplift calculation for the scheme is overleaf:

$$\begin{aligned}
 l &= 0.2 \times \left(\frac{60,000}{75,000} - \frac{3,500}{5,000} \right) \\
 &= 0.2 \times (0.8 - 0.7) \\
 &= 0.2 \times 0.1 = 0.02
 \end{aligned}$$

This would result in a 2% uplift in the cost of the compliance fee for the scheme, due to collecting a lower proportion of LA DCF sources when compared with the national average.

Basic Formula (to be used when national targets have been met or exceeded, or there is a shortfall to national targets not deemed to have been caused by Covid-19)

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

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

Where:

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

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

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

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

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

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

Valpak currently recommend the use of the above formula, as it is likely some stream targets will be met by the end of 2021, and for those that are short against the national target, the shortfall is not significant enough to attribute its cause to Covid-19 (unlike in 2020).

Basic Formula (to only be used when there is a national target shortfall deemed to be caused by Covid-19)

If there is a national shortfall caused by the impact of Covid-19 in Q4 2021 we propose a different formula, outlined below, be used.

Within the methodology, a schemes proportion of the difference between 2021 target volumes and actual collections will be charged at £0 per tonne, as this is assumed to be the volume attributed to COVID-19 impact and therefore shouldn't punitively cost producers, as it is out of their control rather than a failure of schemes and producers to collect.

This formula should only be used if there are significant decreases in collection volumes in Q4 2021. We currently believe there is no rationale to use this formula, and it is a contingency in case restrictions that impact WEEE collections are imposed for the remainder of the year. This formula can be applied to individual streams, if there is justification that Covid-19 has impacted specific stream collection volumes adversely for 2021.

After this £0 per tonne allowance, any additional volume shortfall for which a scheme opts to use the compliance fee for will be charged at the normal escalator rate. This effectively provides fair and proportional compensation to avoid schemes being unjustifiably penalised when their targets could not be met due the impacts of Covid-19 in 2021.

To provide an example, if there was a 10,000-tonne shortfall between the 2021 targets and actual collection volumes, deemed to be caused by Covid-19, it would be reasonable to attribute the zero fee shortfall tonnage by market share per stream to each PCS. However, once this adjustment has been made, from that point onwards the escalator should be related to the tonnage shortfall against the individual scheme's shortfall.

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

Where:

s : the PCS's market share in that stream of the difference between the target and 2021 collection volumes

In the latter case, Anthesis will be required to obtain both market share data and national collection data to establish each scheme's £0 per tonne tonnage. This escalated fee will only be charged against tonnage applied for above this threshold.

Note: We propose this formula should only be used where there is a national shortfall deemed by Defra to be caused by the impacts of the Covid-19 pandemic. Furthermore, if a scheme's "share" of the COVID-19 impacted tonnage allowance s is larger than that scheme's own shortfall, $t-c$, then f is not applicable and would be disregarded as it would be negative. In this case, where $t-c-s$ is negative, then only the schemes shortfall tonnage and data listed above is required to verify volume which is suitable for £0/t cost.

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

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

Anthesis will then add the flat-rate for direct operational management costs (£3.50 per tonne, shown by d previously) to the escalated base-fee following the above calculations. The direct operational management cost will not be subject to the escalator, reflecting the approach taken within our proposed methodology from. It will also only apply to volume above a schemes £0/t cost allowance volume.

Using the formulas detailed above, Anthesis will then calculate the total compliance fee to be paid by each scheme wishing to do so by applying the final escalated base-fee with all uplifts over the tonnage specified in the formula, $(t - c - s)$ and (s) , or $(t - c)$.

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

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

4.6 Worked Examples

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

Scenario Set 1: Impact of No National Shortfall on Schemes of different sizes

Fixed Parameters: UK target is 150,000t, UK proportion collected from LA sources is 65% with scheme proportion collected from LA sources also 65%, UK collections equal 150,000t so no national shortfall, weighted average net cost of collection = £200/tonne, direct overhead (£3.50/tonne)

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

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

Scenario 1b: Impact of fee on a medium scheme with a shortfall of 12,500 tonnes (42% of schemes target), £405/tonne

Scenario 1c: Impact of fee on a small scheme with a shortfall of 12,500 tonnes (83% of schemes target), £676/tonne

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

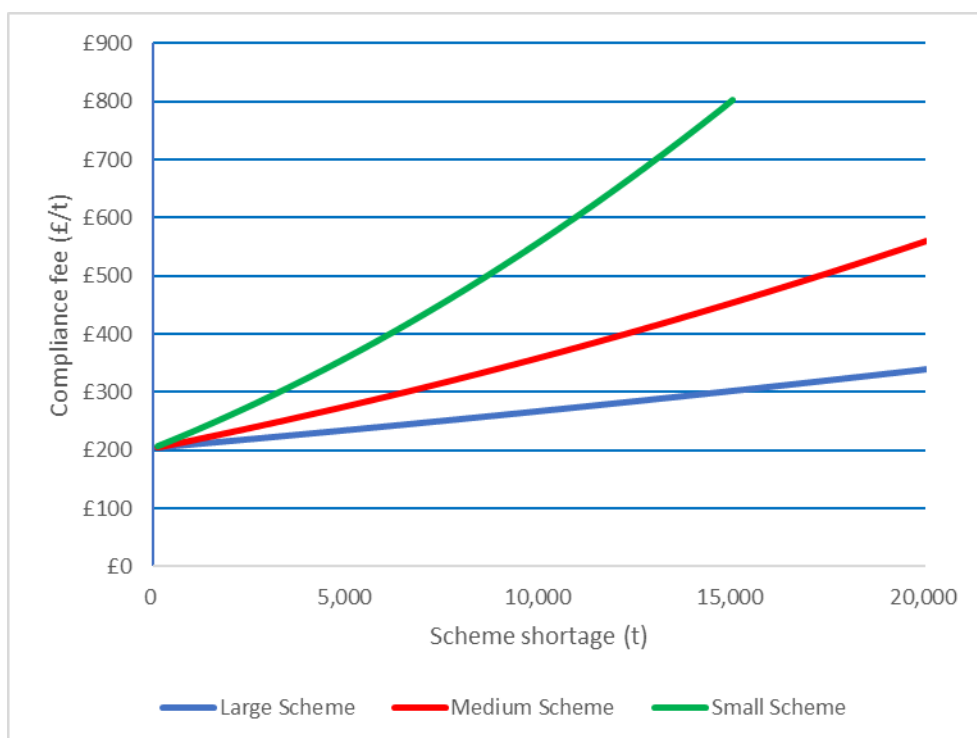


Figure 1 illustrates if total UK total collections met the target, schemes would have varying costs dependent on the degree of shortfall to their own stream-specific target, with all other variables remaining equal. **This would be the same should UK collections exceed the UK target.**

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

The same methodology is applied when the UK total collections miss the target when shortfalls have not been deemed to have occurred due to Covid-19 related impacts. The below scenario shows this, and how that the costs would be the same regardless of whether the UK hits the stream targets and is only impacted in cost by how much a scheme itself hits its target.

Scenario Set 2: Impact of National Shortfall on Schemes of different sizes

Fixed Parameters: UK target is 150,000t, UK proportion collected from LA sources is 65%, with scheme proportion collected from LA sources also 65%, UK collections are 130,000t leaving a 20,000t national shortfall, weighted average net cost of collection = £200/tonne, direct overhead is £3.50/tonne.

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

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

Scenario 2b: Impact of fee on a medium scheme with a shortfall of 12,500 tonnes (42% of scheme target), £405/tonne.

Scenario 2c: Impact of fee on a small scheme with a shortfall of 12,500 tonnes (83% of scheme target), £676/tonne.

The changing fee is shown in Figure 2.

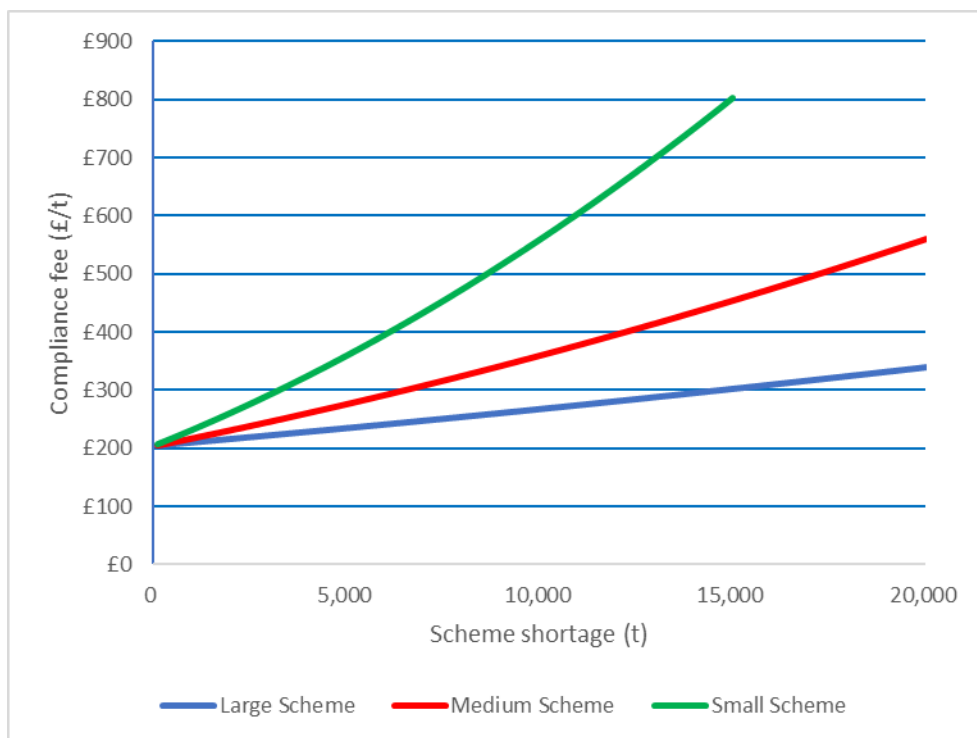


Figure 2 illustrates that should UK total collections miss their target, schemes would pay a differing fee dependent on how much the scheme missed its individual target, with all other variables remaining equal. **This would be the same should UK collections exceed the national target, as illustrated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

Scenario Set 3: Impact of UK collections position and COVID-19 lockdown

Aim: To show how the methodology would vary the per tonne fee payable depending on the UK position compared to national targets, i.e., a small shortfall of actual WEEE collected in 2021 compared to 2021 target versus a large shortfall of actual WEEE collected compared to 2021 targets if the shortfall in both cases has been deemed to be caused by the impact of Covid-19.

Fixed Parameters: Medium scheme size (20%), UK target is 150,000t, UK proportion collected from LA sources (65%) equal to scheme proportion collected from LA sources (65%), the weighted average net cost of collection £200/tonne, direct overhead (£3.50/tonne).

Variables: UK collections are in shortage compared to 2021 national targets by 5% vs., UK collections are in shortage compared to 2021 national targets by 25%

Scenario 3a: Impact of a 5% shortage in national collections compared to 2021 target for a medium scheme with a shortfall of 5,000 tonnes is £177/tonne.

Scenario 3b: Impact of a 25% national shortage of collections compared to 2021 target for on a medium size scheme with a shortfall of 5,000 tonnes is £0/tonne.

The changing fee is shown in figure 3.

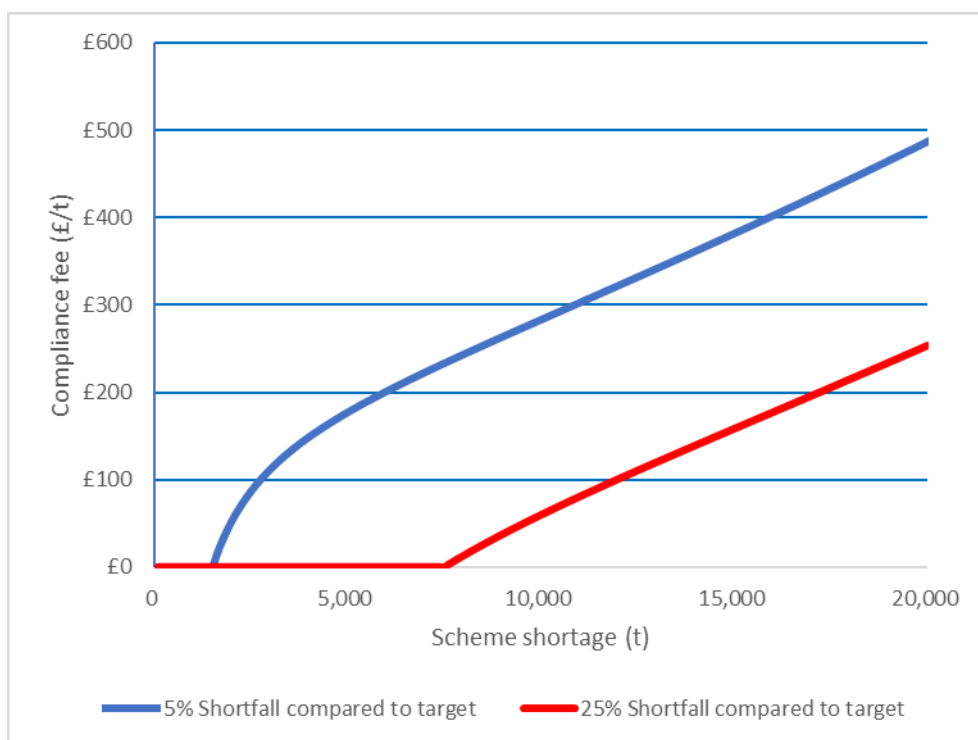


Figure 3 illustrates the scheme's shortfall incurs a higher fee in the scenario with a lower UK shortfall of collections compared to the UK 2021 national targets. This higher fee would reflect that UK collections had been less affected by the impact from Covid-19, and a lower fee for a higher market shortfall of collections compared to the 2021 national targets.

In this scenario, for a 25% UK shortfall compared to the forecast collections, a medium scheme responsible for 30kt of the national target that is seeking to use the compliance fee for 5,000 tonnes would have £0/tonne cost for all volume up to 7,500 tonnes. This is because if the national shortfall is 25% (37,500 tonnes) the scheme's 20% market share provides them with a Covid-19 allowance of 7,500 tonnes. This would financially encourage the scheme to transfer their 2,500 tonnes of surplus evidence to other schemes to help balance the UK as a whole.

In order to illustrate the impact of the potential Covid-19 allowance formula on schemes of varying sizes, please see the example overleaf.

Scenario Set 4: Impact of Potential Covid-19 Allowance Formula on Schemes of varying schemes

Fixed Parameters: UK collection target is 150,000t, UK proportion collected from LA sources (65%) equals scheme proportion collected from LA sources (65%), collections result in national shortfall of 20,000 tonnes, the weighted average net cost of collection (£200/tonne), direct overhead (£3.50/tonne)

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

Scenario 4a: Impact of fee on a large scheme with a shortfall of 12,500 tonnes (19% of scheme target) is £63/tonne. 9,000 tonnes at £0/tonne for Covid-19 allowance and 4,500 tonnes with the normal formula and appropriate escalators applied.

Scenario 4b: Impact of fee on a medium scheme with a shortfall of 12,500 tonnes (42% of scheme target) is £226/tonne. 4,000 tonnes at £0/tonne for Covid-19 allowance and 8,500 tonnes with the normal formula and appropriate escalators applied.

Scenario 4c: Impact of fee on a small scheme with a shortfall of 12,500 tonnes (83% of scheme target) is £488/tonne. 2,000 tonnes at £0/tonne for Covid-19 allowance and 10,500 tonnes with the normal formula and appropriate escalators applied.

The changing fee is shown in figure 4.

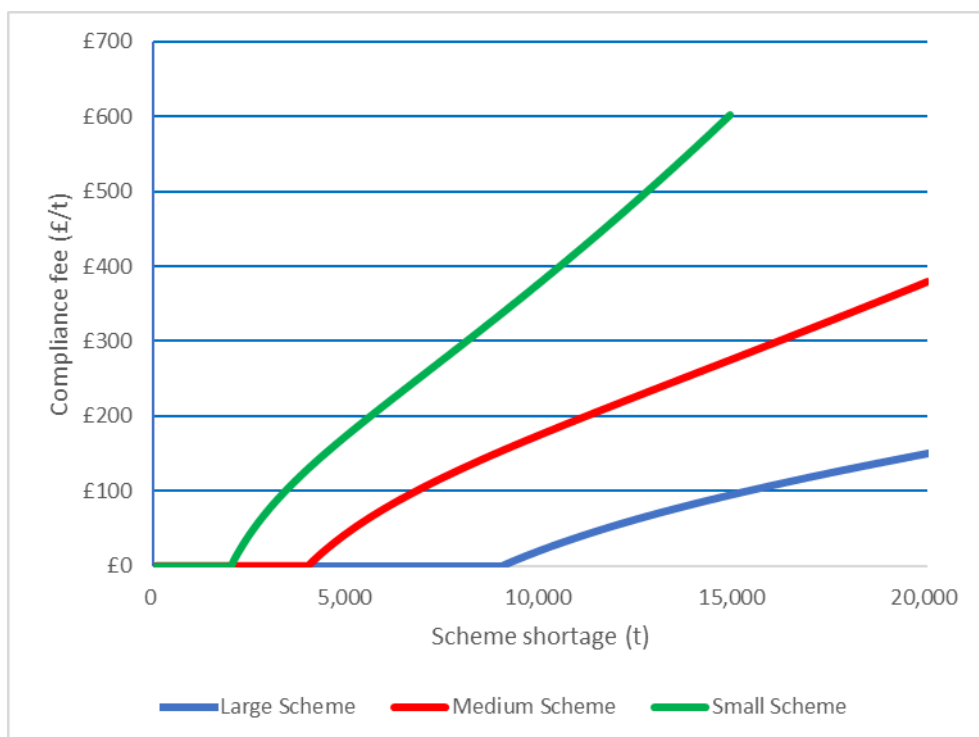


Figure 4 illustrates how varying rates would be payable by schemes of different sizes in a scenario where the UK has not met its target due to the impact of Covid-19 (due to falling collections in Q4 2021 as a result of potential restrictions). The fee rate is driven by a schemes shortfall relative to its individual target.

Scenario Set 5: Impact of Volume of Evidence Sourced from Local Authorities

Fixed Parameters: Medium Scheme size (20%), UK target is 150,000t, no UK shortfall position (collections are 150,000 tonnes), UK proportion collected from LA sources (65%), the weighted average net cost of collection £200/tonne), direct overhead (£3.50/tonne)

Variable: The proportion of evidence PCSs have sourced from Local Authorities

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

Scenario 5a: Impact of **25%** proportion of evidence sourced from LA collections on a scheme with a shortfall of 5,000 tonnes, £231/tonne

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

The changing fee is shown in figure 5.

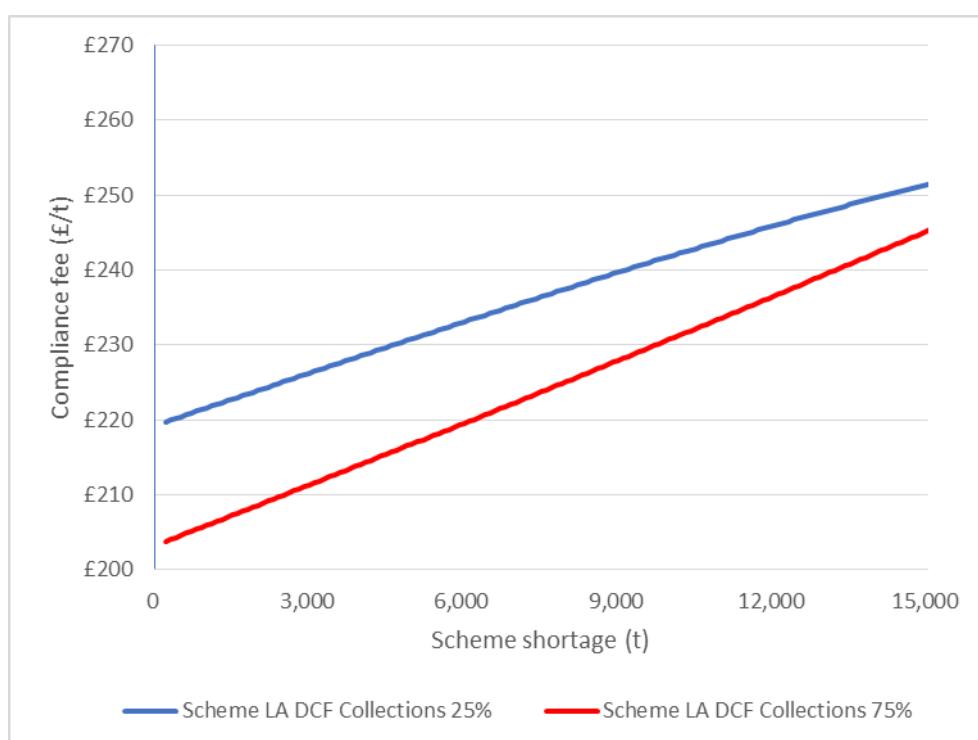


Figure 5 illustrates the LA DCF uplift for schemes that have a lower proportion of collections from LA DCF sources. A scheme with a lower proportion of LA DCF collections compared to the UK average has a higher compliance fee than schemes with a higher or the same proportion of LA DCF collections to the national average.

4.7 Data Accuracy

In order for Anthesis to accurately calculate fees payable by schemes wishing to use the compliance fee, it is essential that the information provided by PCSs on their costs and

tonnages is accurate. In order to verify this, we propose to require schemes providing information to be subject to audit by Anthesis.

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

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

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

Should any errors or anomalies within a scheme's submitted data be identified, these will be communicated to the scheme and a re-submission will be requested. Completion of a satisfactory audit process will be a necessary condition of participating in the compliance fee. **The cost of the audit will be covered by the £2,000 participation fee.**

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

This role would involve Oakdene Hollins performing the following actions:

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

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

4.8 Consultation on Proposals

In previous years the Government has chosen to consult on all proposals it receives for the compliance fee methodology prior to making a decision on which methodology to proceed with. We support this approach and assume it will be repeated for 2021 as it provides interested stakeholders the opportunity to directly compare alternative proposed methodologies and submit comments to Government based on their assessment of the strengths and weaknesses of the proposals.

In addition, since the 2013 regulations were introduced Valpak has promoted direct consultation and discussion, both formal and informal, with a wide range of stakeholders who operate in various roles in relation to the WEEE regulations. This has been achieved in a number of ways:

- Via our compliance scheme members both directly and through our Valpak Advisory Group of major members
- Through membership of industry groups such as the Industry Council for Electronics Recycling (ICER) and the WEEE Schemes Forum (WSF)
- By listening to the views of the Local Authorities we service through the work of our commercial account managers
- By engaging with our wide network of collection and treatment partners
- Engaging with Government consultations

This has enabled us to obtain a comprehensive understanding of the current market situation and the views and priorities of different WEEE stakeholders. We have taken these views into account in developing this proposal.

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

5. Administration of the Fee

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

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

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

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

Schemes wishing to use the fee will be charged a participation fee of £2,000. This is to cover a contribution towards operator overheads and also the cost of the data verification audit. Payment of the participation fee will be a condition of them being able to use the compliance fee methodology.

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

6. Methodology for the Dispersal of Funds

6.1 Introduction

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

1. Technical projects
2. Local Authority projects and communications
3. Communications and behavior change fund.

The existing WEEE Fund dispersal methodology appears to be an established and widely accepted approach and we fully support the objectives of the suggested split of funds. We therefore propose that **any funds raised from a compliance fee using our methodology in 2021 (minus administration fees) would be transferred in full to Material Focus** and added to the current WEEE Fund to continue with and further enhance the programme of projects, technical research, communication campaigns and behaviour change activities which aim to increase the collection and treatment of WEEE.

Recognising the substantial funds have been accrued by the Fee in recent years, the nature of the work being carried out through the Fund (which requires contractual commitments that extend beyond the single Fee year), and the level of commitment required to ensure that Material Focus operates as a professional, standalone entity to disperse these funds, we understand that Material Focus has agreed to continue as the disbursement entity for the 2021 Fee.

This approach has been agreed in principle by Defra and will help to improve the efficiency and continuity in the spend of the Fund, avoid the need for duplicating administrative bodies and will reduce confusion in the market. Under this arrangement, funds accrued through the use of the Fee, regardless of the administrator, will be transferred to Material Focus under the management of its Administrator and the Executive Director.

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

6.2 Administration of Fund Dispersal

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

6.3 Procedure for Low and Minimal Uptake of the Compliance Fee

We propose that if there was very low or minimal uptake of the compliance fee for 2021 then there should be a minimum level of the total compliance fee which is equivalent to the operational costs of the operator (less participation fees).

This means that if the total fund calculated in accordance with section 4 is less than the operator's costs, then the compliance fee for each scheme that wishes to use it will be calculated as follows:

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

Example:

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

Scheme 1 applies for 10 tonnes of stream A

Scheme 2 applies for 100 tonnes of stream B

Compliance fee cost for Scheme 1 is £5/tonne for stream A

Compliance fee cost for Scheme 2 is £50/tonne for stream B

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

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

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

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

$$X = 1.98$$

Therefore, the compliance fees are:

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

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

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

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

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

7. Timetable for Administration of the Fee

30th Sept 2021	Deadline for the submission of methodologies to Defra
Oct - Nov 2021	Defra to hold a consultation on methodologies
Mid-January 2021	Defra announces chosen methodology
Late January 2022	Anthesis publicise the process to all approved WEEE compliance schemes asking for a response directly to Anthesis and setting out the information required in a data collection template.
11th Feb 2021	<p>Deadline for Anthesis to receive applications from schemes wishing to use the fee.</p> <p>Note: If no applications are received by the deadline then further work on the compliance fee is stopped to avoid unnecessary expense and no fee will be available.</p>
18th Feb 2021	Deadline for Anthesis to receive required information from participating schemes.
21st Feb – 4th Mar 2021	<p>Anthesis audit team performs its work on the data submitted by the schemes.</p> <p>Anthesis calculates base fees and escalators according to the methodology described.</p>
w/c 7th Mar 2021	Anthesis informs applying schemes of compliance fees applying to the tonnages they have applied for, and issues requests for payment to each scheme accordingly.
24th Mar 2021	Deadline for receipt of cleared funds from scheme into Anthesis designated client bank account in respect of Compliance fees due.
25th Mar 2021	Deadline for Anthesis to issue Compliance Fee Payment Certificate. Anthesis provides confirmation to schemes of payment plus tonnage and streams represented.
31st Mar 2021	Schemes submit DoC to enforcement agencies accompanied by confirmation of fee payment.
1st Apr 2021	Anthesis send a summary report to each Environment Agency listing the names of the registered schemes which have paid the compliance fee for each stream and the number of tonnes covered by the fee.

8. Experience of Valpak & Anthesis

8.1 Valpak

Valpak is the UK's largest compliance scheme operator, with over 20 years' experience in the producer responsibility compliance sector. We operate approved compliance schemes for packaging, WEEE and batteries as well as providing a number of related environmental and data services to our clients. We have a 100% compliance record.

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

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

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

8.2 Anthesis

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

9. IT Systems

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

Appendix I

Proposal from Anthesis

Background and context

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

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

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

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

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

Anthesis group

Anthesis brings together expertise from countries around the world and has offices in the US, Canada, UK, Ireland, Italy Germany, Sweden, Finland, Middle East, China and the Philippines and have

a team in excess of 500 people. We have a track record of pioneering new approaches to sustainability and have a market leading global EPR practice, providing strategy, expertise, managed solutions and operational support for a more circular economy.

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

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

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

Client testimonial:

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

Darrel Stickler - People, Society and Planet at Cisco.

Proposed methodology

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

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

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

Programme Inception

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

Programme management

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

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

Communicate and publicise the process to all approved WEEE compliance schemes

Anthesis will be the point of contact for Producer Compliance Schemes wishing to use the Compliance fee. We will communicate the process to all approved WEEE compliance schemes in February 2022 via letter and email, giving the appropriate notification and requesting a response by 11 February 2022 directly to the relevant Anthesis contact. It will also request information from the applicant scheme in terms of actual Local Authority collections and treatment costs for each WEEE stream. The letter will be sent to all schemes on the list of approved schemes provided by Defra. A template of the letter and using the pro forma data collection template is provided in Appendix III.

Anthesis will then send an email and a hard copy letter to each PCS using the contact details on the official public register inviting participation and requesting positive or negative confirmation. We will send a reminder email to non-respondents after 11 February 2022. If we have received no response from a PCS by 11 February 2022 we will assume that the PCS does not wish to participate.

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

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

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

Data analysis, fee calculation and notification

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

Receive and process payments, issue confirmation for Declaration of Compliance

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

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

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

Disperse funding as per this proposal

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

Contingency planning for staffing

Anthesis is a global professional services operation, employing more than 600 sustainability specialists, and more than 150 of these are based in the UK. There will be a core team of four operating the Compliance Fee and who monitor the dedicated email account, all of whom will be familiar with the requirements of the compliance fee process to ensure continuity in the system, rapid responses, and to mitigate any risks of staff absences or other potential disruptions.

Internal procedures and processes for administering the Compliance fee activities will be codified into a series of task-based procedures, allowing for easy training of new staff, to maintain a core of at least four active potential operators at all times, with a wide range of potential substitutes to draw on in the event of staff turnover. All transactions will be recorded in a central tracking spreadsheet, which will be shareable online to avoid duplication of live versions. It will have built in data validation

processes and each allocation is assigned to a specific member of staff, who logs key milestones in their outlook diaries to ensure that timelines are met.

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

Confidentiality

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

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

Proposed timetable for implementation and operation of the compliance fee

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

Staffing proposals

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

Experience of proposed administrator

Delivery team

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

Dr Richard Peagam - Associate Director

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

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

Mark Sayers – Programme manager

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

Mark has also worked with several set top box manufacturers and retailers in establishing a WEEE and battery takeback system to offset compliance requirements and extracting maximum secondary

commodity value from the metals and plastics. Mark has recently overseen the launch and management of an international compliance service and reporting compliance in Europe for businesses with fragmented approach and understanding of legal requirements. Working with global supply chains and identifying risk hot spots, a targeted methodology was developed for each client, to successfully deliver a report oversight and compliance reassurance in each country.

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

Debbie Hitchen –Director

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

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

Jason Urry – Group Finance Director

A commercial Chartered Accountant (ICAEW) with 20+ years' experience in global, high performing listed companies across a variety of high growth sectors including professional services; media; food manufacturing; security services; chemicals and process engineering. Experience of profit generation, systems improvements, M&A, business integration, multi-cultural environments and treasury management.

Team experience

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

UK WEEE management and compliance

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

International WEEE management and EPR

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

Cash and Fund management.

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

IT systems

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

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



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

Schedule 1

Example UK WEEE experience

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

Example global WEEE management

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

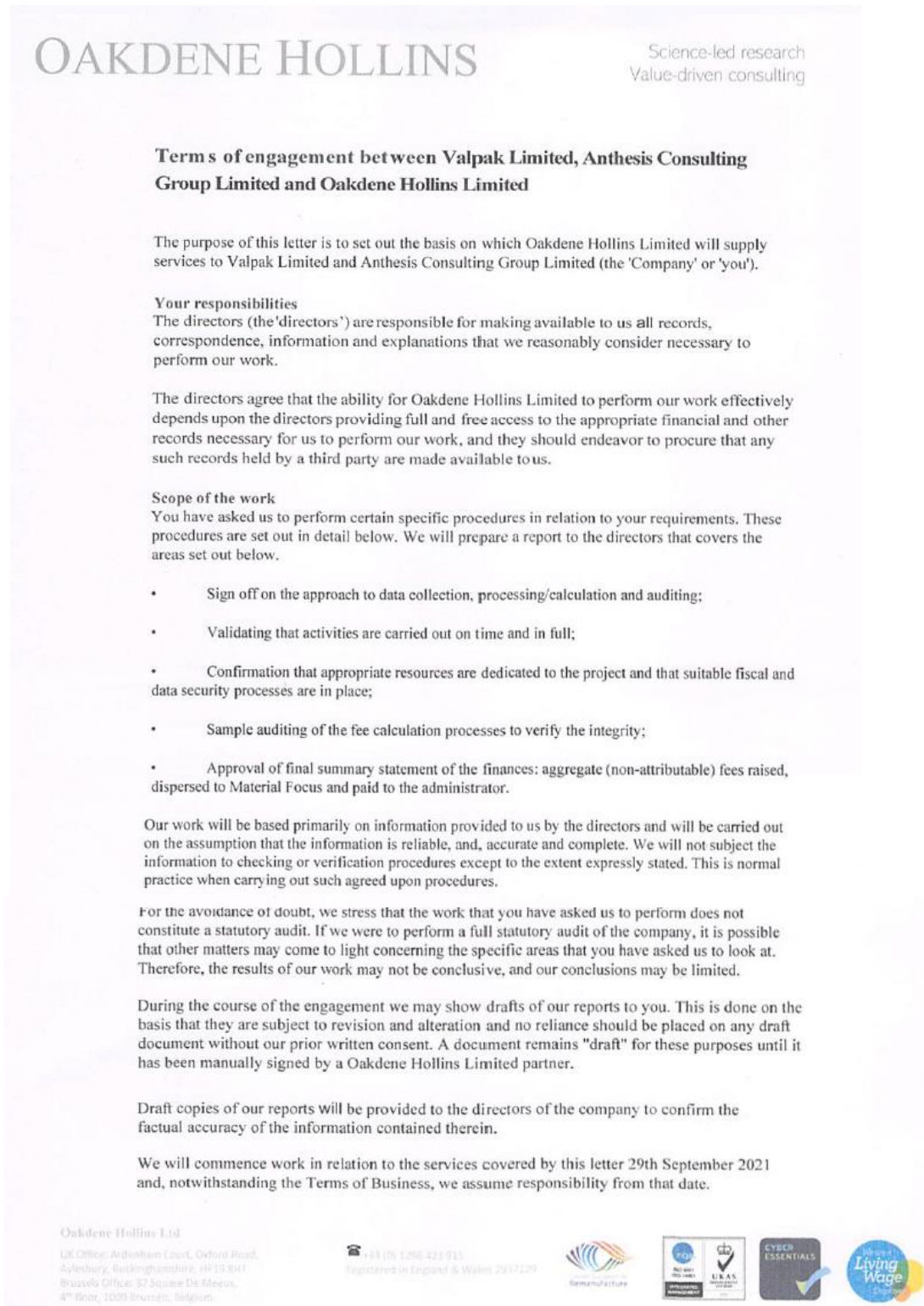
Example consortia, group and panel management

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

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

Appendix II

Terms of Engagement between Administrator and Auditor



2 Form of the report

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

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

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

3 Liability Provisions

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

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

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

4 Fees

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

5 Providing Services to Other Parties

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

6 Applicable law and jurisdiction

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

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

7 Alteration to Terms

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

Oakdene Hollins Ltd
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Aylesbury, Buckinghamshire, HP19 9HT
Brussels Office: 37 Square De Meuse,
4th floor, 1000 Brussels, Belgium

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Registered in England & Wales 2037129



8 Data Protection

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

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

Yours sincerely

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

Date _____

Director _____
Signing on behalf of Valpak Limited and

Director _____
Signing on behalf of Anthesis Consulting Group Limited

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Registered in England & Wales 2037329



Appendix III

Document Templates

Letter to Schemes Inviting Participation

PCS Scheme

DATE

Dear Sirs

WEEE Compliance Fee 2021

I am writing to you to advise you that we have been appointed by the Department of Environment, Food and Rural Affairs under the Waste, Electrical and Electronic Equipment Regulations 2013 (WEEE) as Administrators of the WEEE Compliance Fee for the year ended 31 December 2021.

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

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

- a. Schemes will respond to this letter to confirm whether or not they intend to use the Compliance Fee. The deadline for receipt of confirmation is **11 February 2022**. If we do not hear from you by this date we will assume that your PCS does not wish to participate.
- b. Should you wish to avail of the WEEE Compliance Fee, I am also attaching a template request for information to be completed. This is in Excel format for ease of use. It requires tonnage collected and costs associated with the collection and treatment of this WEEE for each WEEE stream. Instructions on what information is required are attached to the request. The deadline for receipt of this information is **18 February 2022**.
- c. The information provided will need to be subject to an independent review by Anthesis. A separate team in Anthesis will perform this work and will issue a report following their work. Once you have submitted the information the audit team will contact you to arrange a visit on a mutually agreed date in the week commencing **21 February or week commencing 4 March 2022**. Please make yourself available for their visit.
- d. Following the approved methodology, we will undertake data analysis and calculate Compliance Fee levels for each stream.
- e. By **week commencing 7 March 2022** we will notify you of your Compliance Fee and issue a request for payment setting out the fee per stream and the bank account details to remit payment to us. The final deadline for receipt of cleared funds is **24 March 2022**.
- f. On receipt of payment we will issue you with a Compliance Fee Payment Certificate to enable you to complete your Declaration of Compliance by the deadline.

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

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

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

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

There is a participation fee of £2,000 per scheme wishing to use the Compliance Fee as a contribution towards audit and administration costs. This fee will be raised on the same request for payment as the Compliance Fee and will be payable at the same time as the Compliance Fee. We will be unable to issue a Compliance Fee Payment Certificate if the participation fee or the Compliance Fee have not been paid by the deadline stated above.

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

Please contact me if you have any questions regarding the above

Yours faithfully

Name

Title

Contact details

Template for Collection of Tonnage and Cost Information

Template for collection of tonnage and cost information from Producer Compliance Schemes (PCSs)						
PCS NAME						
NET COST OF DIRECTLY COLLECTED WEEE	Target	Evidence	Compliance fee applied for	Collected	Costs	
	Scheme WEEE target tonnage	Total Evidence received and recorded on Settlement Centre	applied for	Scheme WEEE tonnage directly collected from Local Authorities only	Total Direct collection, transport and treatment costs relating to Local Authority collections only	
Unit	tonnes	tonnes	tonnes	tonnes	£	
1 January to 31 December 2020 - For submission on or before 19 February 2021						
A - Large Household Appliances						
B - Cooling Appliances Containing Refrigerants						
C - Display Equipment						
D - Lamps						
E - Small Mixed WEEE						
F - Photovoltaic (PV) panels						
Total only (for all streams combined)						
Completion instructions						
1 The purpose of the document is to gather information in relation to tonnage, costs and income relating to the direct collection of each WEEE stream in the above period, for the purpose of calculating the WEEE Compliance Fee for the scheme.						
2 Compliance fee applied for is the tonnage you wish to use the Compliance fee for. Normally we would expect this to be Target minus Evidence but please confirm.						
3 Tonnage collected should include own scheme collections only from Local Authorities after any relevant national protocols have been applied, and should exclude collections or evidence provided by other schemes, waste management companies or Approved Authorised Treatment Facilities (AATF's) direct.						
4 Total direct collection, transport and treatment costs should consist of the following:						
a Net total collection, transport and treatment costs from Local Authority Designated Collection Facilities.						
b Net total regulation 34 collection, transport and treatment costs (excluding any regulation 34 collections carried out by or on behalf of other schemes or the PBS						
c Costs of providing the necessary containers (delivery, rental and depreciation).						
Notes:						
i. Net total costs above include any income generated from sale of material or parts which is retained by the scheme.						
ii. The information provided should reflect only WEEE actually collected by each scheme. For clarification, this should include the actual cost of WEEE you have collected even where you have an arrangement to transfer Evidence to another scheme.						

Payment Request Letter Template

Our Ref:

PCS Scheme Name

Address Line 1

Address Line 2

City

Postcode

xx

Dear Sirs

The Waste Electrical and Electronic Equipment Regulations 2013 (The Regulations) Request for payment of the Compliance Fee for the 2021 compliance period

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

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

Please find below details of the 2021 Compliance Fee payable by your Producer Compliance Scheme:

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

Please arrange for the above fee to be paid into the following bank account so that we are in receipt of cleared funds by **Thursday 24 March 2022**.

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

Bank: Barclays

Bank Account Name: ANTHESIS Compliance Fee

Bank Sort Code: **xx xx xx**

Bank Account Number: **xxxxxxxxx**

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

Anthesis UK will collect the Compliance Fee payment in the above account as the Administrator of the 2020 WEEE Compliance Fee, as appointed by the Department for Environment, Food and Rural Affairs (DEFRA), as part of the administrative services we are supplying to DEFRA.

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

Yours faithfully

Xx

Title

Contact details

Payment Certificate Letter Template

Our Ref

PCS Scheme

Address

Address

ADDRESS

POST CODE

XX March 2022

Dear Sirs

PCS Scheme – WEEE Compliance Fee Payment Certificate

This is to certify the payment has been received in full in respect of the WEEE Compliance Fee for 2021 in respect of the following:

Streams	Tonnage
X - XXX	ZZ.ZZZ
Y - YYY	ZZ.ZZZ

Yours faithfully

Name

Title

Contact details

Environmental Regulator Letter Template

Our Ref

Environmental Regulator

Address

ADDRESS

POST CODE

date

Dear Sir

The Waste Electrical and Electronic Equipment Regulations 2013 (The Regulations) Summary of 2021 WEEE Compliance Fee Payments Received

In our capacity as the appointed Administrator under Regulation 76 of The Regulations, we write to inform you of the Producer Compliance Schemes (PCSs) that have paid a WEEE Compliance Fee in respect of the 2021 compliance period.

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

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

If you have any queries, please let me know.

Many thanks.

Yours sincerely,

Name

Title

Contact details

Appendix IV

Dispersal of the WEEE Fee Fund for the 2021 Compliance Period

Valpak proposes that the Compliance Fee dispersal process which has been developed by the JTA in recent years be continued for 2021 should our methodology be accepted. This process has been accepted by Defra, will provide continuity of funding to projects and enable wide stakeholder involvement.

Background

In 2017, 2018, 2019 and 2020 the JTA's methodology was adopted by Government. In 2017 the Fund generated from Fees was considerable and initially, to manage this JTAC appointed an Expert Adviser to oversee the process, work with stakeholders to determine the best approach for spending the Fund and engaged in communication efforts to raise awareness of funding opportunities.

Following an initial stakeholder meeting in June 2018, JTAC and the Expert Adviser agreed a broad approach to managing spend of the Fund with Defra. 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 having with representation from across the WEEE sector, were established to assess applications for research and local projects. The approach adopted for communications and behaviour change was agreed with Defra and other stakeholders representing the WEEE sector.

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

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

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

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

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

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

During 2019, to support the framing of the public awareness campaign, the WEEE Fund was rebranded as Material Focus. Governance of JTAC and Material Focus is subject to a comprehensive suite of policies and procedures including policies on anti-bribery and corruption, data protection, business conduct, security, and on handling complaints as well as those covering expenses, privacy, diversity and equality, and employment rights.

To date, Material Focus has:

- Awarded £2.5 million in grants and loans to community organisations, local authorities, and recyclers to support reuse and recycling of small electricals.
- Committed £3 million to behaviour change campaigns to encourage the public to reuse and recycle unwanted electricals
- Committed £3.5 million to technical research to tackle barriers to recycling;
- Committed £3.5 million to expand the network of collection and drop-off points

Valpak 2021 Fund Proposal

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

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

Prospective applicants are to 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.

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

As seen in years previous where significant amounts of money accrued as a result of the compliance fee, should significant amounts of funding accrue as a result of the 2021 compliance fee, the spend of Funds will be determined and agreed through consultation with stakeholders and Defra and endorsed by the Advisory Panel. This will provide an opportunity for a refreshed assessment of current needs of the UK WEEE system.

For more modest amounts, the Funds will be used to extend the life of workstreams already underway: research, local projects, and communications and behaviour change.

Where calls for funding applications are issued, applications must:

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

Processing and Approval of Fund Applications

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

The Material Focus Executive Director will ensure that: all applications are checked for completeness; any points of clarification are given to potential applicants; all applications are consolidated and submitted to the appropriate judging panel for consideration; and may issue calls for research proposals, if appropriate. Costs, if any,

associated with the judging panel meeting(s) will be part of the administration costs of the Fee system.

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

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

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

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

Defra Projects

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

Continuity of the Fund

Recognising the substantial funds accrued by the Fee in recent years, the nature of the work being carried out through the Fund (which requires contractual commitments that extend beyond the single Fee year), and the level of commitment required to ensure that Material Focus operates as a professional, standalone entity to disperse these funds, Material Focus will offer to continue to act as the disbursement entity if any other organisation is appointed as operator of the 2021 Fee. Valpak have agreed in principle to this proposal should our methodology chosen to be implemented by Defra. This approach will help to improve the efficiency in the spend of the Fund, avoid the need for duplicating administrative bodies and will reduce confusion in the market. Under this arrangement, funds accrued through the use of the Fee, regardless of the operator, will be transferred to the Administrator and the Material Focus Executive Director will follow the process described in the proposal for disbursement.

Furthermore, the disbursement entity could undertake the function of a central administrative body covering a wider scope of WEEE activities, should Defra consider this appropriate.