



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

### **Operation of a WEEE Compliance Fee for the 2021 Compliance Period**

**September 2021**

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# 1. Executive Summary

- 1.1. This proposal is submitted by the Joint Trade Associations (JTA). Background to the JTA, its constitution and its membership is provided in Appendix 5.
- 1.2. The detailed JTA proposal for a Compliance Fee mechanism (JTA Fee Mechanism) under Regulation 76 of the WEEE Regulations is set out in section 2 below. This proposal is based upon the following work:
  - 1.2.1. A review of the Defra guidance for submission of a Compliance Fee (Fee) methodology<sup>1</sup> published on 9th August 2021. This makes specific reference for proposals to explore evidence of the actual impacts that Covid-19 has had, and will have, on collections during the compliance year, and to consider including measures designed to mitigate the impacts;
  - 1.2.2. A review of the feedback received from Defra on the 2020 JTA Fee Mechanism, considering how this should influence the design of the 2021 JTA Fee Mechanism – Appendix 1;
  - 1.2.3. An assessment of 2021 market conditions and consideration of the aspects that should be considered in the design of the 2021 JTA Fee Mechanism. The assessment also considered whether updated professional economic analysis was required and concluded that it was. A summary of the 2021 market conditions identified and briefed to FTI Consulting (see 1.2.4 below), and how they influenced the 2021 JTA Fee Mechanism, is provided, cross referenced to the FTI Consulting report – Appendix 2;
  - 1.2.4. Professional economic analysis commissioned from FTI Consulting on areas identified by the JTA for further consideration during its assessment of 2021 market conditions – Appendix 3; and
  - 1.2.5. Consultation with stakeholders to assess market conditions and views to date on the spend of the Fund accrued through the use of the Fees in previous years – Appendix 9.
- 1.3. The economic analysis undertaken by FTI Consulting concluded that Covid-19 has not had a significant impact on WEEE collections in 2021 to date, and therefore the Covid Compliance Fee Threshold that was included in the 2020 JTA Fee Mechanism is not required for the 2021 JTA Fee mechanism. FTI Consulting also concluded that to use the 2020 JTA Fee Mechanism again in 2021 could result in perverse incentives, with PCSs becoming unwilling to collect WEEE. FTI has therefore recommended that the 2021 JTA Fee Mechanism should be based on the 2019 JTA Fee Mechanism, with three modifications.

**Modification 1** The removal of the Non-PBS Participant Uplift, which is no longer required because all household PCSs must now participate in the PBS.

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<sup>1</sup> Defra (2021) *Waste Electrical and Electronic Equipment (WEEE) Regulations 2013: Guidance on submitting proposals for a WEEE methodology* <https://www.gov.uk/government/publications/weee-submit-a-proposal-for-a-compliance-fee-methodology/waste-electrical-and-electronic-equipment-weee-regulations-2013-guidance-on-submitting-proposals-for-a-weee-compliance-fee-methodology>

**Modification 2** The removal of the adjustment which dealt with the significant impact on treatment costs of POPs in WEEE plastic part way through 2019. This was removed from the 2019 JTA Fee Mechanism at the request of Defra and is not proposed for the 2021 JTA Fee Mechanism. FTI Consulting concluded that POPs related requirements have been in force for some two years now and although this area is still subject to ongoing consideration, there is currently no evidence it will result in a material change in cost in 2021. There is therefore no need for such an adjustment in 2021.

**Modification 3** The removal of the Collection Shortfall factor, which would have been applied to the Normal escalator where there was a deficit of collections against the national target of more than 1.5% in a WEEE stream. This was removed from the 2019 JTA Fee Mechanism at the request of Defra and is not proposed for the 2021 JTA Fee Mechanism. FTI Consulting concluded this was proposed for the 2019 JTA Fee Mechanism when it appeared that WEEE collections could fall significantly short of target in some streams, however based on collections reported for Q1 and Q2 2021 there is no need for such a factor in 2021.

The JTA has accepted FTI Consulting's recommendations and incorporated them into its 2021 Fee methodology proposal. The result is a Fee methodology that is appropriate for 2021, but which is also simpler to understand, and more straightforward to calculate than the mechanism which was necessary for the 2020 compliance year.

1.4. In summary the 2021 JTA Fee Mechanism proposal contains the following features:

Features	Benefits
Fees are stream specific.	Ensures PCSs pay a Fee that is reflective of the cost to collect the relevant stream of WEEE.
The weighted average net cost per tonne of direct WEEE collections from Local Authority (LA) DCFs incurred by PCSs submitting cost data is the underlying basis for the calculation.	As WEEE from LA DCFs is generally more costly, this strengthens the incentive for PCSs to collect directly from LAs.
A non-linear escalator will be applied to the weighted average net cost of direct WEEE collections from LA DCFs, to reflect the extent that a PCS has met its own target.	Incentivises PCSs to meet their own targets and ensures all PCSs, regardless of size of obligation are encouraged to collect.
Where national collections are in deficit compared to the national target, the Normal escalator will be applied to the shortfall in a PCS's collections compared with the PCS's target.	The use of the Normal escalator means the Fee should not be unduly punitive. In such circumstances the Fee will still be at a level above the weighted average net cost per tonne of direct WEEE collections from LA DCFs and therefore still incentivise collection, but it will avoid the Fee being excessive.
Where national collections are in surplus compared to the national target, the Surplus escalator will be applied to the shortfall in a PCS's collections compared with the PCS's target.	The use of the Surplus escalator, where national collections are in surplus compared to the national target, is appropriate because it is more reasonable to expect a PCS to comply without recourse to the Fee, and so a higher Fee in such circumstances encourages the right behaviours by PCSs. A 1.5% tolerance is applied before the Surplus escalator applies, to

Features	Benefits
	allow for small shortfalls against the national target.
A WEEE Source Adjustment Premium is included in the Fee calculation, which reflects the extent to which PCSs have collected WEEE from LA DCFs.	<p>A PCS which does not collect its share of WEEE directly from LA DCFs, will pay more if it misses its targets.</p> <p>LA DCFs remain the major source of WEEE in most categories yet LA DCFs continue to be placed into the PBS. The WEEE Source Adjustment Premium strengthens the incentive for PCSs to collect WEEE from LA DCFs directly, rather than relying on lower-cost evidence from other sources and, supports the intention within the WEEE Regulations to prioritise collections from LAs.</p>
All PCSs that wish to use the Fee must pay an administration charge to cover the cost of undertaking independent verification of PCS data submissions.	Covers the cost of administering the Fee mechanism and further strengthens the incentive for PCSs to collect WEEE rather than have recourse to the Fee.
Stream specific, Variable Administrative Costs are included in the Fee calculation	The inclusion of stream specific Variable Administrative Costs helps to ensure that the cost of using the Fee is less attractive than collecting WEEE to meet targets and that the Fee is fully reflective of all avoided costs. This also strengthens the incentive to collect directly from LAs.
All PCSs should be permitted to submit cost data for inclusion in the calculation of the weighted average net cost of direct WEEE collections from LA DCFs, providing this is subject to audit. Those PCSs submitting data but not needing to use the Fee should not pay an administration charge.	Ensures the Fee is based on as wide a pool of data as possible and is therefore fully reflective of the cost of collecting WEEE directly from LAs.
There may be circumstances where some categories should attract a zero Fee (e.g. WEEE that has a net positive value).	Ensures Fees paid by PCSs are reflective of the cost and benefit of collecting WEEE and avoids PCSs paying Fees where WEEE is not accessible to them because collectors are receiving a net income from that WEEE.

1.5. Appendix 8 provides worked examples of the Fee calculation.

1.6. Whilst the impact of the Covid-19 pandemic on WEEE collections appears to have lessened, this proposal has been prepared based on the UK WEEE collections data published for Q1 and Q2 2021. If the situation changes materially in the second half of the year, such that WEEE collections start to fall significantly short of target, it may be appropriate for Defra to review any proposed Fee mechanisms.

1.7. The JTA would welcome the opportunity to discuss any aspect of this proposal with Defra and is open to any appropriate amendments.

- 1.8. In addition, if Defra considers that any of the factors used in the 2021 JTA Fee Mechanism are not necessary, we would be happy to discuss removing that element.

## **2. JTA proposal for the 2021 WEEE Compliance Fee calculation methodology**

### **2.1. Background to JTA Fee Methodology**

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

FTI undertook reviews of the methodology in every year since 2016 based on the JTA's assessment of the WEEE market in those years, which were incorporated into the JTA's proposed Fee Mechanisms for each of those years. A summary of the Fee's development is provided in Appendix 2 of FTI's report.

Following the feedback received from Defra on the 2020 JTA Fee Mechanism (Appendix 1), the JTA's assessment of the 2021 WEEE market (Appendix 2) and the revised Guidance on submitting compliance fee proposals issued by Defra on 9th August 2021<sup>2</sup>, the JTA considered that it was appropriate to use the 2019 JTA Fee mechanism as a starting point for the 2021 JTA Fee Mechanism, and FTI was asked to consider this, along with any changes that were required.

FTI agreed that the 2019 JTA Fee Mechanism should be used as a starting point for the 2021 JTA Fee Mechanism and proposed three adjustments to this which are detailed in section 4.4 of FTI's report. These are also summarised below:

- **Removal of the non-PBS participant uplift**

In August 2019, membership of the PBS became mandatory for all household PCs. The non-PBS participant uplift therefore applied to those PCs that chose to avoid becoming members of the PBS until it was mandatory. Given that the PBS remains mandatory, there is no requirement for this factor in the 2021 Fee methodology.

- **No adjustment required for POPs related costs**

In FTI's recommendation for the 2019 Fee methodology they included a mechanism to address the increase in costs which resulted from the Environment Agency's decision to

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<sup>2</sup> Defra (2021) Waste Electrical and Electronic Equipment (WEEE) Regulations 2013: Guidance on submitting proposals for a WEEE methodology, <https://www.gov.uk/government/publications/weee-submit-a-proposal-for-a-compliance-fee-methodology/waste-electrical-and-electronic-equipment-weee-regulations-2013-guidance-on-submitting-proposals-for-a-weee-compliance-fee-methodology>

enforce POPs treatment requirements. Whilst Defra decided not to include this mechanism in the 2019 Fee methodology, for the avoidance of doubt, FTI has confirmed that there is no need for such a factor in the 2021 Fee methodology, given that POPs related requirements have been in force for some two years. Although they make reference to this being an area that is still subject to ongoing consideration, they say there is currently no evidence that it will result in a material change in cost in 2021.

- **Removal of the Collection Shortfall Factor**

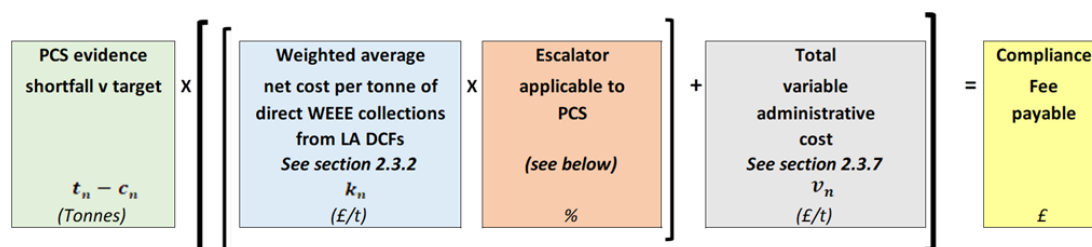
Since 2015, FTI's Fee methodology proposals have included "Normal" and "Surplus" escalators. In 2019, because it appeared that WEEE collections could fall significantly short of target in some streams, FTI proposed that these be amended by the inclusion of a Collection Shortfall Factor. Defra also decided not to include this mechanism in the 2019 Fee methodology and for the avoidance of doubt, FTI does not consider such a factor is required in the 2021 Fee methodology, because, based on collections reported for Q1 and Q2 2021, WEEE collections do not appear to be falling significantly short of target.

The JTA has considered FTI's recommendations and has incorporated these into its 2021 Fee methodology. The JTA's proposed 2021 Fee methodology is set out in summary in section 2.2, and in detail in section 2.3.

## 2.2. Fee calculation – overview

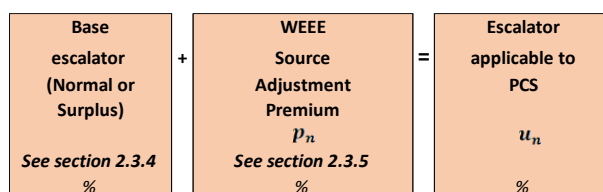
The 2021 JTA Fee Mechanism calculates a Fee for each stream for which a PCS is applying to use the Fee as follows:

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



The escalator applicable to the PCS is based on three factors:

- Whether national collections in the stream exceed the national target (the base escalator – which may be either Normal or Surplus);
- How far the PCS is from its target (the escalator increases the further a PCS is from its target) ; and
- The extent to which the PCS has been collecting directly from local authorities (the WEEE Source Adjustment Premium).



## 2.3. Fee calculation methodology – in detail

### 2.3.1. Fees are stream specific

A separate Fee is calculated for each collection stream of WEEE for which a PCS is applying to use the Fee. Costs will be calculated using data submitted on a compulsory basis by those PCSs that decide to use the Fee for any stream, and any other PCSs that choose to submit costs on a voluntary basis. The JTAC appointed third party Administrator will undertake a review of the data submitted by each PCS using an Agreed Upon Procedure approach. The Administrator used remote reviews rather than onsite reviews in 2020 because of the Covid-19 pandemic. This worked well and it is therefore proposed that the same approach be adopted for 2021. The review will be conducted through web calls and the use of secure portals for the provision of supporting documentation (see section 3.2.2.3 for further information).

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

The Fee calculation uses the weighted average net cost of direct collection and treatment transactions incurred by PCSs when directly contracting with a DCF operator to finance WEEE collection and treatment from an LA DCF ( $k_n$ ). This is based on the direct, incremental and avoidable costs and revenues incurred and excludes the costs of indirectly acquired WEEE evidence. The rationale for this decision is consistent with the JTA's Fee methodologies approved by Defra for the years 2017 to 2020 and is taken in the light of our analysis of the WEEE market in 2021. This shows that despite the uncertainty created by the ongoing Covid-19 pandemic, anticipated shortfalls in actual collections against pro-rata national targets for three streams and collections in the other streams not being significantly above the pro-rata target, some LAs remain unable to make arrangements with PCSs and have needed to use the PCS Balancing System (PBS) to secure collection. This indicates that PCSs still seek to comply with WEEE from non-LA sources, including purchasing evidence, rather than undertaking collections. This is because LA WEEE is often more expensive to collect and treat than WEEE from other sources.

Making the Fee more reflective of the higher cost of LA WEEE that some PCSs have chosen not to collect should encourage more PCSs to make arrangements to collect LA WEEE. It also ensures that the Fee is set sufficiently high so that it encourages compliance without resort to the Fee, in compliance with regulation 76. In addition, the operation of the UK's WEEE regulations require a national collection infrastructure for WEEE collection. The UK primarily uses the LA DCF network to meet this requirement, and so using LA DCF WEEE collection costs for calculation of the Fee remains appropriate and properly reflects avoided cost.



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

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

This calculation is illustrated in section C of Appendix 8.

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

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

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

FTI does not recommend an escalator based on a PCS's absolute shortfall (in tonnes) versus the aggregate national target, the detailed reasoning for which is set out in Appendix 2 of FTI's proposal. In summary, FTI advise that this is less effective in incentivising some PCSs to meet their targets through collection. This is because PCS obligations can vary substantially in scale, measured by the target applicable to each PCS (in tonnes). FTI advises that such an approach would result in PCSs which have a larger tonnage obligation in a particular stream, and are thus accountable for a greater proportion of total collections, paying a higher Fee for the same relative shortfall (in percentage terms) than a PCS with a smaller tonnage obligation. Instead, FTI considers that the escalator should increase in proportion to the size of the PCS's shortfall relative to its *own* target, as this incentivises all PCSs to collect WEEE, rather than pay the Fee, regardless of the size of their tonnage obligation. FTI reasons that this would also encourage PCSs to be as efficient as possible so as to reduce their costs, and ultimately act as an incentive for innovation for all operators.

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

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

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

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

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

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

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

##### ***Normal escalator***

The Normal escalator applies unless there is a surplus of evidence in a stream against the national target (subject to a 1.5% tolerance explained below). The Normal escalator applicable to a PCS whose collections are below its target is calculated as follows:

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

Where:

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

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

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

### **Surplus escalator**

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

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

Where:

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

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

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

The sum of household WEEE collections by all PCSs in the relevant stream in the market, ( $C_n$ ) will be obtained from the Defra WEEE team on or before 2 March 2022. We propose that Defra use the evidence held on the Settlement Centre, unless Defra is of the opinion that another dataset is more accurate. The national target for that stream ( $T_n$ ) will also be obtained from Defra.

### **Impact of the escalator**

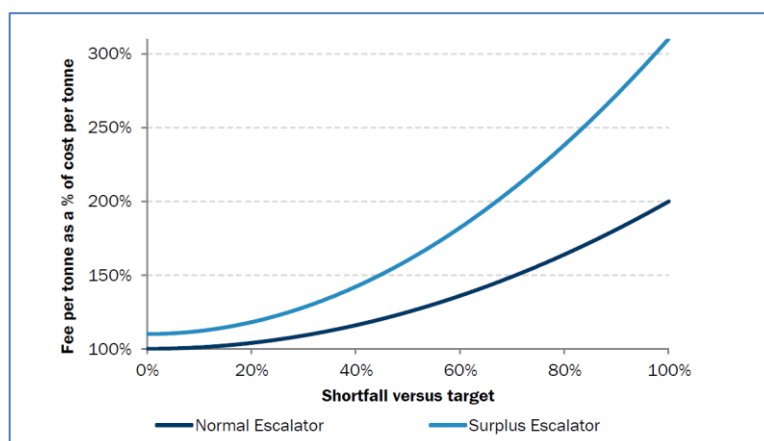
Both escalators are non-linear and so the percentage increase in the Fee for each PCS depends upon how far away that PCS is from its collection target per stream and whether UK WEEE collections for that stream exceed the WEEE collections target set by Defra.

The Administrator will determine whether the Normal escalator or the Surplus escalator applies to each WEEE stream. As indicated above, we propose that a threshold amount should be applied above which the stream is assessed to be in deficit or surplus for the purpose of the Surplus escalator. We consider that this should be set as a fixed proportion of the total tonnage of WEEE collected in each stream, at 1.5%. That is, if the sum of household WEEE collections exceeds the national target by more than 1.5%, then the Surplus escalator should apply. 1.5% was chosen because, in the opinion of the JTA, it allows for the aggregate effect of PCSs that

may inadvertently under or over-collect, and it is a principle that has been accepted in previous JTA proposals.

The Surplus escalator starts at an uplift over the weighted average net cost of direct LA DCF collections which is proportional to the extent of oversupply in that stream. This means that a PCS will pay a Fee per tonne which exceeds the weighted average net cost per tonne of direct WEEE collections from LA DCFs – even for a shortfall of a single tonne. The Surplus escalator also increases the uplift more quickly than the Normal escalator, as the extent of the PCS' shortfall increases.

In the example used for the graph below, the surplus stream is 10% over the national target, and so the starting point for the Surplus escalator is 110% of the base cost. The graph shows the effect of the Normal and Surplus escalator mechanisms on the Fee paid per tonne of shortfall. For PCSs that marginally miss their target and where total UK WEEE collections for the relevant stream are broadly in line with the UK WEEE collections target, the effect of the escalator is minimal. For a PCS making no effort to achieve their collection target per stream the effect of the escalators is to double the Fee paid under the Normal escalator (assuming no WEEE Source Adjustment Premium was applicable), or to treble it under the Surplus escalator.



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

For the reasons set out in section 2.3.2 above and in section A2.60 of Appendix 2 in FTI's report, we consider that it is important that PCSs remain fully incentivised to collect LA WEEE and that an adjustment should be applied to increase the Fee paid, to reflect the extent to which (i) non-LA WEEE has been used by a PCS to meet its target rather than LA WEEE and (ii) where that non-LA WEEE has been collected at a lower cost.

In the early years of the WEEE Regulations, it was feasible for some PCSs to claim that they had difficulty winning tenders for direct collection from LAs, particularly where their requirements were not for all WEEE streams. This created a barrier for access to LA WEEE. With the PBS in place, this is no longer the case. All participating PCSs can offer to undertake collection of single streams at stage 1 of the PBS allocation process thereby giving them access to LA WEEE, indeed some of the requests received have been for a small number of a LA's DCFs

rather than all its DCFs. The argument made by some PCSs in the past is therefore no longer valid, and accordingly the inclusion of the WEEE Source Adjustment Premium acts as a further incentive for all PCSs to collect WEEE from LAs.

The WEEE Source Adjustment Premium ( $p_n$ ) is the same as the 2019 Fee methodology and will be calculated using the formula set out in section 5.5 of the FTI Report:

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

Where:

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

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

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

- the average share of national collections from LA DCFs as a proportion of total national collections ( $a$ ), will be obtained from the quarterly "WEEE Collected in the UK" report issued by the EA. Whilst the figures reported for household WEEE collections from DCFs will contain non-LA DCF collections, the JTA understands that this will not be a significant figure. The final report for 2021 will not be available until 31 March 2022 so the Administrator will use the interim report, which is expected to be published by the EA on 1 March 2022.
- the percentage amount by which the cost per tonne of LA-DCF collections exceeds the cost per tonne of other WEEE sources ( $d$ ), will be calculated by the Administrator using the weighted average net cost per tonne of direct WEEE collections from LA DCFs calculated in 2.3.2 above, and the average net cost per tonne of other WEEE sources. The average net cost per tonne of other WEEE sources will be calculated by stream by calculating the total net cost provided by PCSs submitting data for that stream and

dividing this by the corresponding aggregate tonnage for that stream. The Administrator will review the information provided on the cost of PCS collections from other WEEE sources and after making enquiries may disregard any outlier results. An example of the calculation is provided in section C of Appendix 8.

- the actual volume of collections from LA-DCFs, made by the PCS itself ( $I_n$ ), that PCS's shortfall ( $s_n$ ) and the PCS's target for the WEEE stream ( $t_n$ ) will be calculated using information obtained from those PCSs wishing to use the Fee.

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

To cover the cost of undertaking independent verification of PCS data submissions, all PCSs needing to use the Fee for any stream will be required to pay £2,205 towards the administrative costs of operating the 2021 JTA Fee Mechanism. If a PCS wishes to submit data voluntarily for use in the calculation of the weighted average cost of direct collections from LA DCFs but does not need to use the Fee, then there will be no administration charge.

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

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

Since this component of the Fee was introduced into the JTA's Fee Mechanism, to ensure that the Variable Administrative Cost figure used is cost reflective and stream specific, the three PCSs advising the JTA - ERP, Recolight and REPIC - have provided their variable administrative cost and collections data from the previous compliance year to the consultancy firm Anthesis on a one-to-one confidential basis, accompanied by an auditor's assurance statement. This information was used to calculate the weighted average Variable Administrative Cost per tonne for each stream, which was provided directly to the Administrator. For example, for the JTA's 2020 Fee methodology the PCSs provided their 2019 variable administrative cost and collections data.

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

Using data from the previous compliance year provided sufficient time for this to be calculated robustly by the three PCSs and to be externally reviewed, and because it was not anticipated that the result would be materially different from using the actual compliance year variable administrative cost data.

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

WEEE collections in 2020 were materially affected by Covid-19, however PCSs may still have incurred their usual overhead costs, or possibly higher costs, due to managing the frequent changes in arrangements that occurred through the lockdown periods. The JTA therefore considers that the stream specific Variable Administrative Cost figure calculated using 2020 data is unlikely to be representative of the 2021 Variable Administrative Cost per stream. The JTA therefore recommends that the 2019 Variable Administrative Cost per stream calculated by Anthesis for the 2020 JTA Fee Mechanism should be used in the 2021 Fee methodology. In previous years PCSs could, on a voluntary basis, and under a confidentiality agreement, arrange for their own variable administrative cost and collection data to be included in the calculation by contacting Anthesis (richard.peagam@anthesisgroup.com). Anthesis charged £250 to receive the data and to build it into the calculations. This data had to be accompanied by an auditors' assurance statement. Anthesis reviewed all submissions received and asked for further clarification of any outlier data or excluded such data if they were not satisfied with the explanations provided. Anthesis then included all accepted data submissions in the calculation, by stream, of the weighted average Variable Administrative Cost per tonne, and provided this to the Administrator. The nature of the 2020 Fee methodology meant that most PCSs are likely to have used the Fee and/or received remuneration, and therefore had the opportunity to submit their variable administrative cost data. The 2019 Variable Administrative Cost per stream is therefore also likely to be the most representative data from all compliance year Fee methodologies. The JTA considered whether it would be appropriate to apply an inflationary adjustment to the 2019 Variable Administrative Cost per stream, however concluded this would add unnecessary further complexity and would not materially affect the Fee paid.

#### **2.3.8. The full 2021 JTA Fee Mechanism calculation formulae**

For completeness:

- For streams where national collections fall short of the national target, the full Fee calculation is as set out in section 5.3 of the FTI report.
- For streams where national collections exceed the national target, the full Fee calculation is set out in section 5.7 of the FTI report.

#### **2.3.9. There may be circumstances where some streams should attract a zero Fee**

If the sum of the annual weighted average net cost per tonne of direct WEEE collections from LA DCFs calculated by the Administrator (2.3.2 above) and the Variable Administrative Cost per tonne provided to the Administrator by Anthesis (2.3.7 above) generates a positive value for a WEEE stream, the Fee for that stream will be set at zero.

In addition, FTI has recommended that the Fee for positive net value WEEE streams should be set at zero (and no Variable Administrative Cost per tonne should be applied) if suitable evidence of this is provided to Defra. FTI expects this will apply to the LHA stream in the 2021 compliance year. Such evidence will necessarily contain cost information so it will be confidential to the organisation providing it, therefore for this aspect of the 2021 JTA Fee Mechanism the JTA considers Defra to be the appropriate body to make such a decision. This recommendation is fully in line with Defra guidance which states *“Proposals may consider circumstances where a negligible or zero fee might be appropriate”*.



### **3. Practical operation of the 2021 JTA WEEE Compliance Fee**

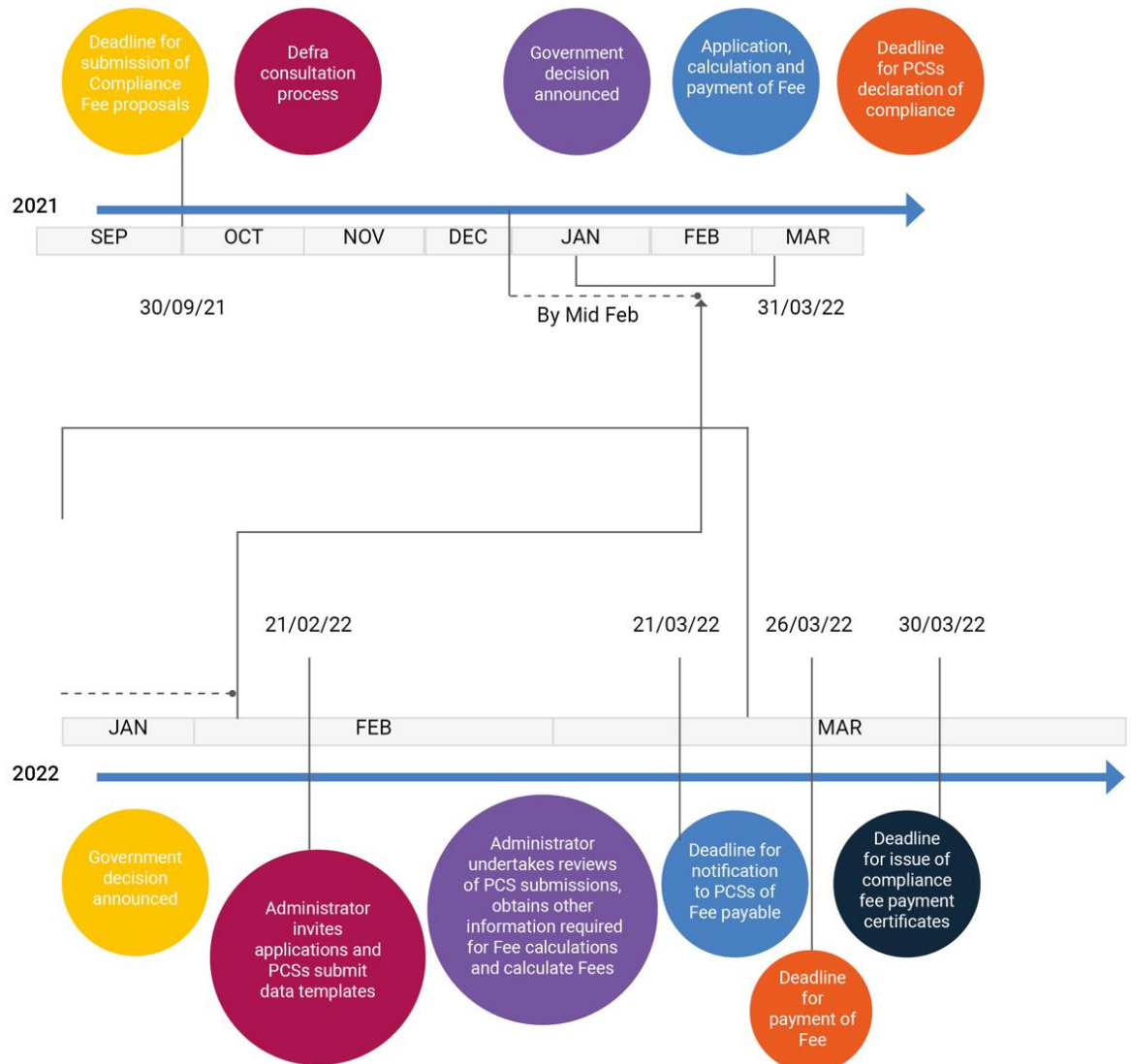
#### **3.1. Independent Administrator of the 2021 JTA Fee Mechanism**

- 3.1.1. Mazars LLP has been selected by JTAC to be the Administrator for the 2021 JTA Fee Mechanism if Defra select this proposal. The reason for this choice is set out in Appendix 4.
- 3.1.2. The Administrator will be the main contact point for PCSs wishing to use the Fee and for those PCSs who wish to submit cost data voluntarily for use in the calculation of the weighted average cost of direct collections from LA DCFs. The Administrator will undertake the process set out in section 3.2 below to review data provided by PCSs and calculate the Fees that PCSs need to pay. The Administrator will also disburse any remaining collected funds, as instructed by Material Focus, to approved projects, contracts and associated administrative costs.
- 3.1.3. In addition, JTAC will engage the Executive Director of Material Focus (Expert Adviser), who has no affiliation to any PCS, to work with Mazars during the operation of the Fee to ensure that it is administered and managed in a smooth, independent and professional manner. Using this approach ensures that Mazars has access to an advisor who is fully WEEE literate, and yet is wholly independent of any PCS or producer.
- 3.1.4. For the 2019 and 2020 JTA Fee Mechanisms, JTAC arranged for the Administrator and the Expert Adviser to receive a full briefing on the methodology, including the Fee calculation templates, from FTI. This included webinars on the Fee methodology to the Mazars audit team. To ensure consistency in approach, JTAC also provided the Administrator with a proposed written scope for the data reviews, and the PCS cost and data templates and associated guidance notes, which were tested in advance by the PCS advisers to the JTA. The Expert Adviser also reviewed all Fee calculations and invoices prior to issue by the Administrator. JTAC propose to adopt the same approach for the 2021 JTA Fee Mechanism.

#### **3.2. Calculation and payment of Fees**

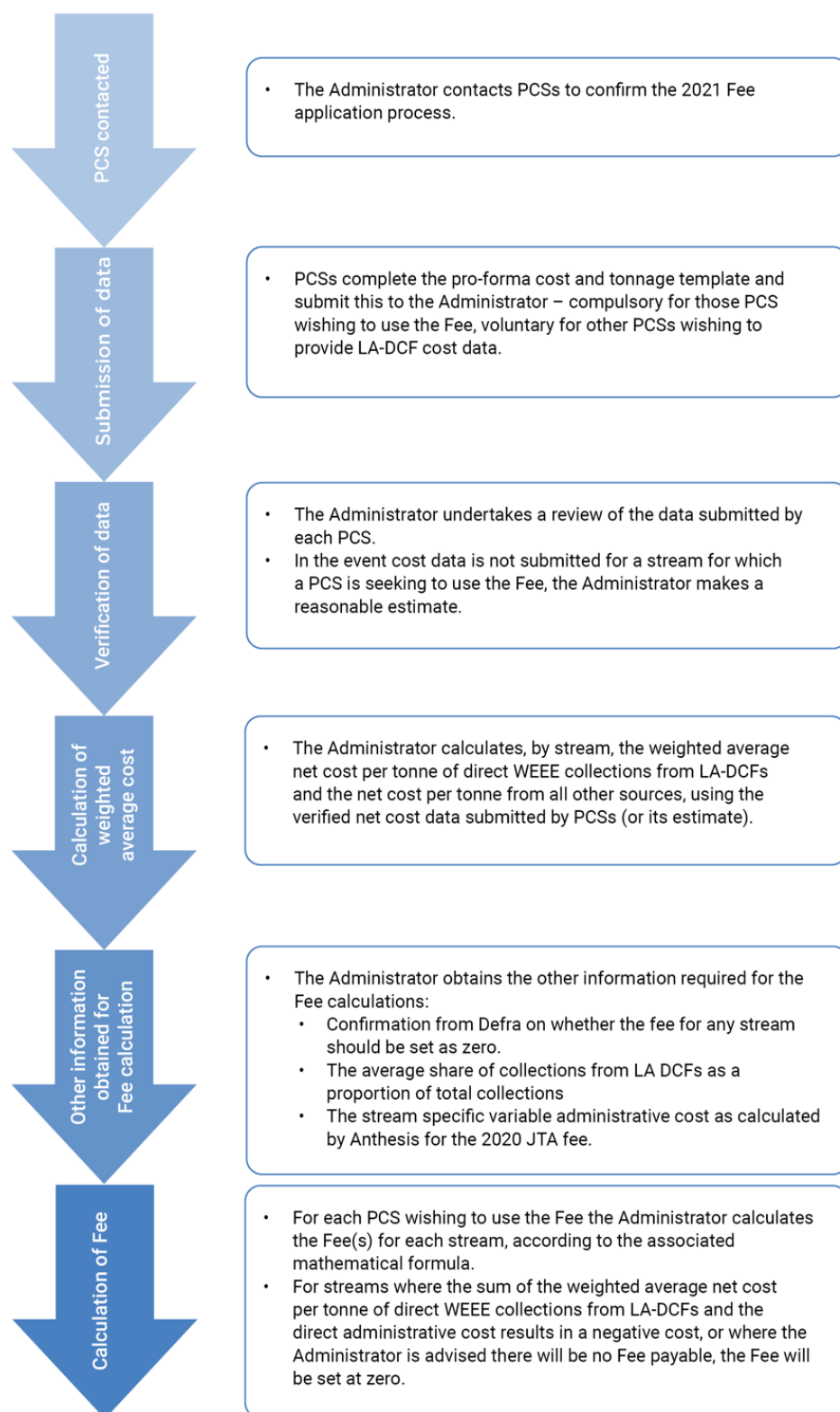
##### **3.2.1. Timetable**

- 3.2.1.1. The most time-critical element of the Fee process remains the setting up and completion of the PCS Fee calculation and payment stages. This is due to the limited time that is usually available between the date of the expected announcement by Defra regarding a Fee and 31 March 2022, when all PCSs are required to return their declarations of compliance to the environment agencies.
- 3.2.1.2. The timetable for the 2021 JTA Fee Mechanism is summarised in the diagram below. It is similar to that used for the 2019 JTA Fee Mechanism. This timetable is indicative and would be amended if Defra wished to make changes to the JTA's proposal or if the number of participating PCSs necessitated this; for instance, if a longer period were required for review of data by the Administrator.



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

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



Examples to illustrate the Fee calculations are provided in Appendix 3 of the FTI report and Appendix 8 of this report. They use common data and cross references are inserted in Appendix 8 of this report where appropriate.

#### *3.2.2.1. PCSs contacted by the Administrator*

The Administrator will contact all PCSs and ask them to confirm whether they wish to use the Fee or voluntarily submit cost data. If they do, they will be asked to sign to confirm their acceptance of the Terms and Conditions covering such matters as confidentiality and compliance with the requirements of the mechanism, as set by the Secretary of State. The terms and conditions used for the 2019 JTA Fee Mechanism will be used, updated where appropriate; requiring PCSs to pay the administration charge of £2,205 if they wish to use the Fee.

#### *3.2.2.2. PCSs submit data to the Administrator*

Having advised the Administrator of their intention to use the Fee or submit cost data, PCSs will be asked to submit the data required by the Administrator by 21 February 2022, to allow time for data reviews, calculations, invoicing and payment of any resulting Fees. This date is based on the Secretary of State both deciding to operate a Fee for 2021 and announcing the methodology to be used by early February. Should this not be the case the deadline may be changed in agreement with Defra and this will be advised to PCSs by the Administrator at the time. However, PCSs will know by the end of January 2022 whether they are short of evidence for any collection streams and therefore wish to use the Fee so the JTA considers it unlikely that such an extension would be required. A non-response from a PCS will be assumed by the Administrator to be a decision that the PCS does not wish to use the Fee, nor wishes to voluntarily submit cost data (the Administrator has no knowledge of PCSs' individual targets or levels of collection achieved).

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

#### *3.2.2.3. Administrator review*

Once a PCS confirms it wishes to use the Fee, or to submit data voluntarily, the Administrator will contact the PCS to agree a suitable date for review of the data. This will be performed remotely by professionally qualified staff of the Administrator on an "Agreed Upon Procedure" basis. Such a review will be naturally proportionate to the activity of the PCS and the amount in tonnes and number of streams involved, and will require the provision of supporting documentation, including transaction sampling. In most cases the data review, on a sampling basis, will be completed within a one day timeframe, albeit this may extend over a number of days as information will need to be provided and reviewed remotely.

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

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

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

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

*3.2.2.5. Administrator obtains information for Variable Administrative Cost calculation*

The Administrator will use the annual weighted Variable Administrative Cost per tonne  $v_n$  for each stream provided by Anthesis for the 2020 JTA Fee Mechanism.

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

The Administrator will contact the Defra WEEE team on or before 2 March 2022, to request confirmation of the tonnage of household WEEE evidence (by stream), held on the Settlement Centre for the 2021 compliance period, unless Defra is of the opinion that another dataset is more accurate (see 2.3.4).

The Administrator will then use this data to determine whether each stream is deemed to be in surplus or in deficit for the year so that the appropriate annual escalator can be used in the calculation of the Fee. A stream will be in surplus if the chosen data set exceeds the 2021 national WEEE collections target set for that stream by Defra by more than 1.5%.

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

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

The Administrator will also contact Defra on 2<sup>nd</sup> March 2022 to ascertain if evidence has been provided that the Fee in any stream should be set to zero, irrespective of the calculation undertaken above.

#### *3.2.2.8. Administrator calculates Fee for each PCS by stream*

For each PCS that needs to use the Fee, the Administrator will calculate the WEEE Source Adjustment Premium  $p_n$  by stream using the formula set out in section 5.5 of the FTI report.

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

The resulting cost per tonne will then be added to the weighted average Variable Administrative Cost per tonne, and the total multiplied by the calculated PCS tonnage shortfall to calculate the Fee payable by the PCS for that WEEE stream. The PCS tonnage shortfall is calculated by deducting the evidence recorded as being held by the PCS on its Settlement Centre account on 1<sup>st</sup> February 2022 (ie, at midnight on 31<sup>st</sup> January 2022, the deadline for issuing evidence notes for the 2021 compliance year) from the final target notification received by the PCS from the relevant environment agency for the 2021 compliance year.

All calculations will be quality assured by the Expert Adviser.

#### *3.2.2.9. Invoicing and payment of the Fee*

By Monday 21 March 2022 each PCS that has chosen to use the Fee will be advised of its Fee, payable by WEEE stream, and the applicable administration charge. The Variable Administrative Cost will be included in the Fee payable by WEEE stream, it will not be disclosed separately.

PCSs should pay the Fee and administration charge into the dedicated Fee client bank account as soon as possible after being advised by the Administrator of the Fee(s) to be paid, and at the very latest in sufficient time for funds to clear by Friday 25 March 2022. Once funds are cleared and in the client bank account the Administrator will issue a Compliance Fee Payment Certificate (CFPC) to the PCS. This will be done as soon as possible after the funds have been cleared and at the latest by Wednesday 30 March 2022. The CFPC will confirm the information provided by the PCS (i.e. PCS target, actual evidence held and the resulting evidence gap in tonnes, per collection stream), and confirm that the requested Fee and administration charge(s) have been paid into the Compliance Fee Fund. It will not show the value of the Fees paid.

Alongside the Fee notifications, PCSs will be sent an evaluation form which seeks to assess their experience of using the Fee. A draft form is included in Appendix 6. To ensure that PCSs feel free to express their views, PCSs will be invited to submit their

evaluations to the Expert Adviser, who will collate anonymised views and prepare a report for JTAC and the JTA.

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

### **3.2.3. Process for spending Fee Funds**

3.2.3.1. Soon after Fees have cleared, the Administrator will confirm to Defra and JTAC the estimated Fee funds available to spend on WEEE projects (the “Fund”) as set out in the Defra Guidance. In estimating the Fund expected to be available the Administrator will include the amounts paid by PCSs using the Fee, including the administration charge, and deduct its assessment of the administrative costs expected to be incurred through to the close of the 2021 Fee mechanism.

3.2.3.2. The JTA's proposed 2021 Fund disbursement process is set out in more detail in Appendix 7.

### **3.2.4. Underwriting of Fee mechanism costs**

3.2.4.1. In the event that Defra do not accept the JTA proposal, the full Administrator 2021 contract will not be activated, and any costs incurred in the preparation work by JTAC directly or through the Administrator will be met by JTAC.

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

### **3.2.5. Contingency planning**

3.2.5.1. The JTA has assessed its plans thoroughly, and is comfortable that all reasonable contingencies have been addressed including:

3.2.5.2. If there is a large number of PCS users of the Fee, the appointment of Mazars as Administrator means that sufficient audit staff will be available to cope with the applicants.

3.2.5.3. External accountants such as Mazars have been successfully conducting audits and other work remotely for over a year. Those PCSs which consider they may wish to use the Fee will see the JTA's proposal in October 2021 and will have at least five months to prepare for providing any information Mazars may require electronically.

3.2.5.4. If there is no, or insufficient, data to support the calculations, then the Administrator may use data from other sources that the Administrator considers are appropriate (for example by submitting “mystery shopper” requests to waste management companies).

3.2.5.5. Should the JTA be appointed, all necessary due diligence steps have already been completed by Mazars, including the establishment of a client bank account, and dedicated email addresses.

### **3.2.6. Flexibility**

Please note that the JTA considers that this proposal represents an effective turnkey solution to the implementation of the 2021 Fee. However, the JTA is open to discussing any aspects of this proposal with Defra, and where appropriate, amending aspects of the proposal.



## 4. Governance

The 2021 JTA Fee Mechanism, as set out in detail in sections 2 and 3 and the supporting Appendices, incorporates importance governance features, these are summarised below.

### 4.1 Independence

- 4.1.1. There is clear separation between the Administrator and JTAC, JTAC and the JTA, and the JTA and the three PCSs that advise the JTA. The Expert Adviser, who supports the Administrator, is employed by JTAC but is independent of the JTA and PCSs. This is crucial in eliminating any conflict of interest, especially when PCSs need to communicate with the Administrator. This also minimises the burden on Defra, who will not need to be involved in the administration process.
- 4.1.2. As explained in Appendix 5, the JTA established JTAC as the legal entity to manage the independent Administrator. JTAC was formed by three Trade Association members of the JTA with significant household EEE/WEEE obligations. It is a not-for-profit company, limited by guarantee, with no shareholdings and its Constitution prohibits any distribution of funds to its members. It has a Board of Directors, comprising a senior representative from a number of key Trade Association members, who are responsible for the proper running of the Company. The role of the JTAC Board is described in more detail in Appendix 5. JTAC engages with stakeholders and consumers via the brand name "Material Focus".
- 4.1.3. The independent Administrator is solely responsible for the operation of the Fee process in the JTA Fee Mechanism, including the management of the Fund through a dedicated client bank account. The selected Administrator (Mazars) is a UK Top 10 Accounting firm, experienced in accounting, auditing, managing client bank accounts and managing commercially confidential information in an impartial and independent manner. Mazars successfully operated as Administrator for the 2014 to 2015 and 2017 to 2020 Fee mechanisms. More detail on the JTA's chosen administrator is outlined in Appendix 4.
- 4.1.4. The JTA will continue to provide resource and expertise to JTAC, where needed, and to the Administrator, regarding the content of the WEEE Regulations and the JTA Fee Mechanism. None of the PCSs that provide advice to the JTA will be involved in the operation of JTAC or the Administrator contract, although they may be nominated via the WEEE Schemes Forum to participate in the Fund Spending Panel (previously the Advisory Panel) and its sub-panels/judging panels.
- 4.1.5. The process for agreeing the spend of the Fund is outlined in Appendix 7. The JTA proposes to add funds generated from the operation of the 2021 JTA Fee Mechanism to the existing Fund and for the disbursement of these to be decided upon by the Fund Spending Panel. The composition of the Fund Spending Panel and any appropriate sub-panels or judging panels, will be representative of the various interests involved: central and local government, EEE producers, recyclers, waste management and the reuse sector. Material Focus' Executive Director will execute any decisions agreed by the Fund Spending Panel and its sub-panels/judging panels.

## 4.2 Professionalism

4.2.1 As outlined in section 2.7 of Appendix 7, a suite of policies and procedures are in place to ensure robust governance of JTAC including policies on anti-bribery and corruption, conflicts of interest, data protection, business conduct, security, and on handling complaints as well as those covering expenses, privacy, diversity and equality, and employment rights.

## 4.3 Transparency

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

- Every major project financed by the Fund is accompanied by a press release once finalised, confirming details of the project, the parties involved and the estimated cost of the project.
- Regular updates are shared with stakeholders (i.e. via the Fund Spending Panel, ICER and JTA meetings, conferences and other industry events). The [www.recycleyourelectricals.org.uk](http://www.recycleyourelectricals.org.uk) website provides details on projects being undertaken. Material Focus are happy to provide further details on request.
- Management accounts, providing a more detailed breakdown of Fees received and Fund expenditure, are supplied to Defra on a quarterly basis to provide an appropriate level of oversight directly to Defra of information that must otherwise remain confidential.
- There is a regular independent review of the Fund to provide assurance to stakeholders of the regularity and propriety in respect of the expenditure of the Fund. The results of the review are shared with Defra. The next review is planned for 2022.
- A project-by-project overview of spend for technical and local projects is shared regularly with the Fund Spending Panel. KPIs to monitor spend for communications and behaviour change activities will also be agreed with, and provided to, the Fund Spending Panel.
- An annual review will be published to provide a summary of Material Focus' activity, impact, spend, and governance which will be available to all stakeholders via the Material Focus website.

## 4.4 Quality Assurance

4.4.1 A series of checks and balances will be in place at every appropriate stage of the operation of the Fee to provide quality assurance in the process. As explained in section 3.14, this includes the provision of a detailed briefing session between the Administrator and Expert Adviser and FTI on any new features of the Fee methodology, pre-testing of Fee calculation spreadsheets with dummy data, the establishment of Agreed Upon Procedures for data reviews, detailed briefing of auditors ahead of data reviews, testing of the PCS data collection forms and a second review of all invoices raised.

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

## **4.5 Confidentiality**

- 4.5.1 The 2021 JTA Fee Mechanism will be operated by the Administrator, with support from the Expert Adviser, on a professional basis with high levels of integrity and is open to all relevant parties to use. This is in keeping with their operation of the 2014 to 2015 and 2017 to 2020 JTA Fee Mechanisms.
- 4.5.2 The Administrator and the Expert Adviser will keep all data they receive and handle strictly confidential, as demonstrated in their handling of all previous JTA Fee Mechanisms.
- 4.5.3 Whilst the JTA is the proposer of this mechanism, other than expenses recovered for services provided in relation to the operation of the WEEE Fund, which will be agreed in advance with Defra, it has ensured that neither the JTA, nor JTAC, nor any of their members, can benefit financially from the scheme or access any confidential data. Equally, the three PCSs that advise the JTA cannot access any confidential data. Any PCS or JTA member trade association may however submit proposals to Material Focus for projects, which could include receipt of remuneration, however this would be subject to judging in the same way as all other proposals. The mechanism is therefore independent, and JTAC will manage the performance of the Administrator and Material Focus' Executive Director via a contract and regular reporting.
- 4.5.4 All PCSs submitting data to the Administrator will be required to sign an agreement to keep the Fee payable confidential.

## **4.6 Impact of competition law and other legal requirements**

- 4.6.1 The JTA has carefully considered the impact of this proposal in respect of competition law, and other legal requirements. There are several features of the proposal that are implemented specifically to ensure competition law compliance. These include:
- 4.6.1.1 The requirement for Mazars to be totally independent of any PCS or Producer.
  - 4.6.1.2 The establishment of JTAC to ensure that PCSs that support the JTA do not have access to confidential information.
  - 4.6.1.3 The requirement for PCSs to sign terms and conditions that keep the Fee actually paid confidential.
  - 4.6.1.4 The fact that a PCS pays a Fee based on the shortfall against its own target and that there is an escalator based on the extent to which a PCS has used directly collected LA WEEE to meet its target both mean that Fees actually payable will vary materially. This reduces the risk of appreciable cost commonality.

- 4.6.1.5 The Variable Administrative Cost will not be separated out, and will be included within the cost per tonne calculated for each WEEE stream, to ensure that PCSs are not given any more cost data than is necessary for the payment of the Fee.
- 4.6.1.6 The Fee process is open to any organisation entitled to and wishing to use it i.e. all PCSs wishing to make use of the Fee or submit cost data; and all organisations that meet the criteria, wishing to apply for funding from any Fee Funds that are available.
- 4.6.1.7 PCSs using the mechanism and organisations applying for Funds will both be required to use the system in accordance with the agreed procedures, including timing of any decisions or applications.

## Appendix 1

### Responding to the Defra evaluation of the 2020 JTA Compliance Fee proposal

#### 1. General JTA Fee Methodology principles

The panel felt the core elements of the JTA's Fee methodology, including;

- focussing on the cost of LA collections only,
- the inclusion of the WEEE Source Adjustment Premium and stream specific Variable Administrative Costs,
- the use of a PCS's shortfall against its own target as opposed to the national target when calculating the escalator, and
- the approach to handling net income generating WEEE streams,

were appropriate for the 2020 market conditions.

The JTA has considered the panel's comments, and has assessed 2021 market conditions, and has concluded these elements of the JTA's Fee methodology remain appropriate for 2021.

#### 2. Taking account of the impact of Covid-19 on collections

The Defra panel felt the modification included in the 2020 JTA Fee Mechanism, to take account of the impact of Covid-19 on collections (the operation of a Covid Compliance Fee Threshold), met the requirements of Defra's July 2020 Compliance Fee guidance, however stressed that *"it remains critically important that PCSs do all they possibly can to ensure that all WEEE available for collection is delivered into treatment facilities"*.

The panel's comments have been considered in the JTA's 2021 market assessment and the JTA has concluded that based on current market conditions these modifications would not be appropriate for its 2021 Fee methodology.

#### 3. Agreed modifications

Defra accepted the JTA's 2020 Fee proposal subject to one suggested modification which was agreed to by the JTA:

- The reinstatement of the Surplus escalator, which was a feature of the 2019 JTA Fee proposal but which had been dropped from its 2020 Fee proposal in light of the impact of Covid-19 on collection volumes. The Surplus escalator forms part of JTA's 2021 Fee proposal.

## **4. Administration of the Fee**

- 4.1. Recent years have seen incremental developments in the administration of the Fee process, including: additional internal scrutiny measures; briefing for the Administrator's audit field staff on the methodology for the year; updating the Agreed Upon Procedure review process; using the Expert Adviser to review all Fee calculations and invoices raised.
- 4.2. In 2020, the ongoing impact of the Covid-19 pandemic led the JTA to propose that the Administrator would undertake remote, rather than on-site, data reviews.
- 4.3. The panel did not request any modifications to the JTA's proposed administration process for the 2020 Fee methodology, noting the key aspects that had met the requirements of the Fee guidance.
- 4.4. After the completion of the 2020 Fee process Mazar's issued an evaluation feedback form to PCSs that either paid a Fee or claimed remuneration. The responses received were summarised and anonymised by Mazars and provided to the JTA. The feedback was positive. Respondents confirmed they were able to supply data readily, that the Administrator responded rapidly to information requests, that the instructions to complete data submissions were clear and unambiguous and that the remote audit process put in place during the pandemic worked well.
- 4.5. Based on the feedback received, the JTA is proposing to continue with the administration arrangements deployed for its 2020 Fee process, adjusted to remove the specific administrative processes that were required for the operation of the Covid Compliance Fee Threshold, which is not required for the JTA's 2021 Fee methodology. As a slight change, in recognition of the impact that Covid-19 had on collections in 2020, the JTA is proposing to use the stream specific Variable Administrative Cost calculated by Anthesis in 2020 rather than its usual approach of basing this on the previous year's data provided voluntarily by PCSs. i.e. for the 2021 Fee this would otherwise have been based on 2020 data.

## **5. Dispersal of Funds**

- 5.1. Recent years have seen considerable developments in the management of spend of the Funds, including: establishment by JTAC of Material Focus under the leadership of an Executive Director; establishment of an Advisory Panel including representatives of the WEEE community to provide strategic direction over the spend of the fund and monitor disbursement and increase transparency as to how the fund is being spent.
- 5.2. The panel did not request any modifications to the JTA's proposed dispersal process for the 2020 Compliance Fee, noting the key aspects that had met the requirements of the Compliance Fee guidance. The JTA's 2021 Fee proposal incorporates these established elements.
- 5.3. During 2021 stakeholders have been consulted by the JTA on the Fund dispersal arrangements. Some useful feedback was received and as a result, further incremental changes in the arrangements are incorporated in the JTA's 2021 Fee proposal. This is summarised in Appendix 9.

## Appendix 2

### JTA views of the WEEE market in 2021 and the rationale for the 2021 JTA Compliance Fee mechanism

The JTA discussed the WEEE market in 2021 and concluded that an updated economic analysis should be requested from FTI. Through the WEEE Schemes Forum, the JTA also invited PCSs to share their views on the 2021 market conditions that should be considered in the design of the 2021 JTA Fee Mechanism.

The JTA provided an extensive briefing on 2021 WEEE market conditions to FTI, and using this, and other sources of information explained in section 1.5 of their report, FTI set out what it considered to be the key market features that could influence the design of the 2021 Fee mechanism, their conclusions regarding these and their recommendation for the 2021 JTA Fee mechanism. Further detail can be found in section 3 of FTI's report, which is included as Appendix 3 of this proposal.

We have summarised below the key market conditions that were identified by the JTA, and briefed to and considered by FTI, and have stated how they are reflected in the design of the JTA's proposed 2021 Fee methodology.

2021 Market Condition	Impact on the 2021 JTA Fee Mechanism
Ongoing impact of the Coronavirus pandemic:  <i>Section 3.15 of FTI's report.</i> Q1 and Q2 2021 data shows WEEE collections are lower than target, but only in SMW, PV Panels and Lamps, and not to the extent they were in the first half of 2020.	Given that collections are not as materially impacted as they were in Q1 and Q2 2020, FTI have concluded that the 2021 Fee should not operate in the same way that it did in 2020. So, there should be no Covid Compliance Fee Threshold, and PCSs will be expected to meet their targets as issued by the agencies. Accordingly, FTI have based their methodology on that which operated in 2019, with some appropriate modifications.
Ongoing impact of the Coronavirus pandemic:  <i>Section 3.5 (2) of FTI's report.</i> The impact of the requirement to self-isolate by the NHS Covid-19 app	This has impacted the availability of staff right across the UK, including producers, PCSs, Local Authorities and AATFs. The most material impact on the Fee methodology would be on the tonnages of WEEE collected, or EEE POM, although this is not supported by the Q1 and Q2 2021 data. In the event this affects collections in Q3 and Q4 2021, the Fee mechanism takes this into account by making a Fee available where PCSs miss their target(s).  In the unlikely event that this, and the other market conditions caused by the ongoing impact of the Coronavirus pandemic or HGV driver shortages, combine to materially affect collections in Q3 and Q4 2021, the JTA has suggested Defra may wish to review

2021 Market Condition	Impact on the 2021 JTA Fee Mechanism
	any proposed Fee mechanisms that are submitted by the 30 September deadline.
<p>Ongoing impact of the Coronavirus pandemic:</p> <p><i>Section 3.5 (1) of FTI's report.</i> Reduced opening hours or accessibility of LA-DCFs</p>	<p>This might be expected to reduce the tonnages of WEEE collected, there was some evidence of this in the Q1 2021 data but the Q2 2021 data indicates collections have since recovered. In the event this affects collections in Q3 and Q4 2021, the Fee mechanism takes this into account by making a Fee available where PCSs miss their target(s)</p> <p>In the unlikely event that this, and the other market conditions caused by the ongoing impact of the Coronavirus pandemic or HGV driver shortages, combine to materially affect collections in Q3 and Q4 2021, the JTA has suggested Defra may wish to review any proposed Fee mechanisms that are submitted by the 30 September deadline.</p>
<p>Ongoing impact of the Coronavirus pandemic:</p> <p><i>Section 3.5 (4) of FTI's report.</i> Reduced impact of the new requirement, from 1 January 2021, for instore takeback at most high street retailers.</p>	<p>The growth in tonnage that might have been expected from the increased availability of WEEE takeback at many high street retailers may not have materialised. Most high street retailers re-opened during Q2 2021, so increased WEEE takeback may be reported in the latter half of the year. The Fee mechanism takes this into account by making a Fee available where PCSs miss their target(s)</p> <p>In the unlikely event that this, and the other market conditions caused by the ongoing impact of the Coronavirus pandemic or HGV driver shortages, combine to materially affect collections in Q3 and Q4 2021, the JTA has suggested Defra may wish to review any proposed Fee mechanisms that are submitted by the 30 September deadline.</p>
<p>Ongoing impact of the Coronavirus pandemic:</p> <p><i>Section 3.5 (5) of FTI's report.</i> Delay to the Material Focus consumer awareness campaign</p>	<p>It is possible that tonnages collected are lower than they would otherwise have been. The Fee mechanism takes this into account by making a Fee available where PCSs miss their target(s)</p> <p>In the unlikely event that this, and the other market conditions caused by the ongoing impact of the Coronavirus pandemic or HGV driver shortages,</p>



2021 Market Condition	Impact on the 2021 JTA Fee Mechanism
	combine to materially affect collections in Q3 and Q4 2021, the JTA has suggested Defra may wish to review any proposed Fee mechanisms that are submitted by the 30 <sup>th</sup> September deadline.
<p><i>Section 3.6 of FTI's report.</i> Increased concentration of WEEE in the hands of a small numbers of operators</p> <p>Some waste management companies, distributors, and vertically integrated PCS/AATFs collect significant tonnages of WEEE</p>	<p>The design of the Fee takes this into account in two ways:</p> <ol style="list-style-type: none"> <li>1. Where the Fee calculation for a stream results in a positive value, or where it can be demonstrated that a WEEE stream has a net positive value, a zero Fee applies, and</li> <li>2. The methodology always results in Fees that are higher than the weighted average net cost of LA-DCF WEEE – but not so high as to allow some operators to make excessive charges</li> </ol>
<p><i>Section 3.10 of FTI's report.</i> A significant proportion of PCSs do not collect from LA-DCFs</p> <p>Less than 10 PCSs collect from LA-DCFs</p>	<p>The Fee includes a WEEE Source Adjustment Premium. That means those PCSs which choose not to collect WEEE from LA-DCFs, and choose not to take on WEEE offered through the PBS, will pay a higher Fee/tonne where the data shows that such WEEE is more costly to collect and treat than other WEEE.</p>
<p><i>Section 3.12 of FTI's report.</i> Implementation of the Industrial Emissions Directive (IED)</p> <p>The need to comply with the IED from 2022 may require investment in 2021 by some cooling AATFs.</p>	<p>It can be expected that any additional investments will reflect on the treatment prices charged, and as the Fee is based on the weighted average cost of all WEEE data submitted to the Administrator, the Fee mechanism takes this into account.</p>
<p><i>Section 3.13 of FTI's report.</i> Shortage of HGV drivers</p> <p>This may result in price increases, and, <i>in extremis</i>, in delays to WEEE collections.</p>	<p>It can be expected that any price increases will reflect on the transport prices charged, and as the Fee is based on the weighted average cost of all WEEE data submitted to the Administrator, the Fee mechanism takes this into account.</p>
<p><i>Section 3.14 of FTI's report.</i> WEEE collections data</p> <p>The Q1 and Q2 2021 data shows that collections are broadly on target for three streams (LHA, display, and cooling), and are</p>	<p>The status of WEEE collections against targets is not dissimilar from the situation in most years from 2014 to 2019. Conversely, it is quite unlike the situation that existed in 2020. Accordingly, it is appropriate to use a Fee mechanism based on that used in 2019, and not the exceptional mechanism used in 2020.</p>

2021 Market Condition	Impact on the 2021 JTA Fee Mechanism
below target in three streams (SMW, PV panels and lamps).	
<p data-bbox="220 344 756 416"><i>Section 3.16 of FTI's report.</i> EEE put on market data</p> <p data-bbox="220 465 756 573">The Q1 and Q2 2021 data shows that EEE sales in many categories are significantly higher than in Q1 and Q2 2020.</p>	<p data-bbox="778 344 1453 730">One of the principal reasons behind the unique Fee methodology in 2020 was the economic impact that the Coronavirus pandemic had on many businesses, including producers. In 2021 EEE placed on the market data is higher than in the same period in 2020 so the case for using this unique methodology is not demonstrated for 2021. Therefore, FTI has recommended it is appropriate to use a Fee mechanism based on that used in 2019, and not the exceptional mechanism used in 2020.</p>

## **Appendix 3**

### **FTI Consulting Report**

See attached

## **Appendix 4**

### **JTAC's chosen administrator – Mazars LLP**

#### **1. Background**

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

#### **2. Decision to outsource**

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

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

#### **3. Services to be provided by the Administrator**

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

- Communicating with PCSs about the Fee mechanism, providing support to PCSs in using it, including liaison with the Expert Adviser; calculating Fees (during 2020 this also included calculating remuneration); issuing invoices, collecting payments, issuing compliance fee payment certificates and advising the environment agencies concerned, of appropriate information;
- Undertaking data reviews, conducted remotely using an Agreed Upon Procedure approach, of all PCSs that wish to use the Fee or submit cost data on a voluntary basis;
- Receiving payments of Fees, holding those in a dedicated client bank account, making approved payments from that account and managing the bank account through to when it is finally closed. i.e. when the Fee mechanism is finally complete with all Funds disbursed and accounted for;
- Advising Defra and Material Focus on the Fees available for disbursement, after taking account of necessary Fund expenditure. To disburse Funds to the organisations concerned as instructed by Material Focus;
- To maintain, through to the final close of the Fund, full accounting records of all transactions including VAT returns and annual accounts information. To provide management reports to JTAC and Material Focus on a regular basis without disclosing any confidential or commercially

sensitive information; and

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

#### **4. Evaluation process**

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

Mazars has carried out the role of independent Administrator to the 2014, 2015 and 2017 to 2020 Fee mechanisms in accordance with its contract with JTAC. It has demonstrated its expertise, professionalism, and integrity in executing their tasks in all years and JTAC proposes to re-engage with Mazars for its 2021 Fee proposal.

#### **5. Mazars' experience**

Mazars is an international, integrated and independent organization, specializing in audit, advisory, accounting and tax services. The Group operates in 91 countries and draws on the expertise of 42,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage in their development. In the UK, Mazars has 150 partners and over 2,300 staff serving clients from 16 offices and is ranked as the ninth largest accountancy firm nationally.

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

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

#### **6. Key areas of Mazars' proposal**

##### *6.1 Segregation of duties and conflicts of interest*

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

##### *6.2 Industry knowledge*

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

### 6.3 *Flexible solutions*

The organisation has the ability to be flexible in the services it provides and can tailor these to the relevant take up of the scheme in any compliance period for which it was appointed as the Administrator. This flexibility has been demonstrated through the successful transition Mazars has made to conducting remote reviews and ensuring the continuity of its other professional services, which was necessary in 2020 due to the ongoing impact of the Covid-19 pandemic. Mazars use a secure online portal for the provision of information and a web-based system to hold virtual meetings with clients.

### 6.4 *IT systems & security*

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

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

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

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

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

## **7. Capacity**

The firm has 150 partners and over 2,300 staff in the UK and offices across the country, covering a wide range of disciplines including audit, taxation and corporate finance. This provides the capacity to deal with the possible fluctuations in demand, support field visits to validate project spending if needed and generally respond to issues that might arise. The benefit of this was illustrated in 2020 when Mazars was able to advise on, and mobilise swiftly, the COVID loan fund for AATFs and reuse organisations.

## **8. Governance**

Mazars operates in a regulated environment and is principally regulated by the ICAEW. The team members chosen for the assignment are members of their professional body and are bound by its code of conduct. The Administrator services will be led by a Partner, who will be involved in the overseeing of all aspects of the administration of the 2021 JTA Fee Mechanism. A senior manager is allocated to manage the process and system and ensure deadlines are met and that the process is running smoothly. There will also be a team of less senior staff members to work on the processing of transactions and producing the reports for review as required.

Due to the level of Fees received in 2017 to 2020, as an additional governance measure, JTAC will arrange for an independent review of Fund disbursements and will provide its report to Defra.

## **9. Administrator 2021 Costs**

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

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

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

It is expected therefore that the net costs of administering and managing the 2021 JTA Fee Mechanism, which are charged against the Fees paid, will represent good value for money for a professional service with high levels of integrity in handling commercially sensitive and confidential information and data.

In respect of these services Mazars have provided a quote for costs to cover the 2021 compliance period, which reflects their insight and experience gained from the previous processes. As a result, overall costs are projected to be similar to those for the 2020 compliance period. The Mazars financial offer is commercially confidential and therefore is not included in the JTA proposal but can be separately disclosed to Defra upon request.

## Appendix 5

### JTA and JTAC

#### 1. Background

The Waste Electrical and Electronic Equipment (WEEE) Regulations is a 'producer responsibility' measure where those entities that place goods on the UK market are required to take financial responsibility for items once they have finished their use phase, so that the costs associated with collecting, treating and disposing of electrical and electronic equipment do not fall on society as a whole. It therefore follows that producers have the responsibility for paying a fair and reasonable price that is reflective of the costs associated with collecting and treating WEEE and managing the resulting materials.

#### 2. The Joint Trade Association Group (JTA)

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

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

Collectively, the members of the trade associations that comprise the JTA employ nearly 1m staff in the



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

Since its formation, the JTA and its members have engaged with Government in a number of WEEE related consultations. The JTA has also submitted proposals for a Compliance Fee methodology for every compliance year it has been in operation. The JTA methodology was chosen by the Government for 2014 to 2015 and 2017 to 2020 compliance years and was used as a basis for the Valpak proposal chosen in 2016.

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

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

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

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

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

## Appendix 6

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

#### 1. Administrator data template

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

#### Instructions for completion of the data template

##### A. General requirements

###### *Scope of information to be provided*

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

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

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

###### *Identify related party transactions requiring disclosure*

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

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

###### *Process for handling queries*

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

## *Administrator review requirements*

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

## **B. Guidance for numbered sections of the template**

### **1. Shortfall/Surplus**

#### *1a. WEEE collection target*

Please enter your PCS's exact household WEEE tonnage target in each stream. This should be the final target for your PCS for the 2021 compliance year as advised by the relevant environment agency.

#### *1b. Total WEEE evidence received*

For all WEEE streams please enter the exact household WEEE tonnage that your PCS has received evidence for by stream for the 2021 compliance year, as recorded in your PCS's Settlement Centre account at close of business on 31<sup>st</sup> January 2022 i.e. column 3 of your Settlement Centre Dashboard for the 2021 compliance year. This may be different to the amount of WEEE your PCS has directly collected, as it may **include** evidence obtained through other routes (e.g. purchased from AATFs or third parties such as other PCSs or waste management companies) and **exclude** any evidence transfers your PCS has made to other PCSs. This will be used to calculate your PCS's shortfall against its target.

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

### **2. Net costs of directly collected WEEE from LA DCFs**

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

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

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

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

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

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

Direct costs may include:

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

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

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

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

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

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

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

You should exclude direct administrative (overhead) costs and any direct staff costs. Administrative costs, like management, HR, administration, IT, marketing and office rent, do not meet the definitions above and should not be included.

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

### *2c. Gross income from resale or reuse of parts*

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

Income may relate to:

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

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

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

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

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

## *2d. Total direct costs minus gross income*

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

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

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

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

### **3. Net costs of WEEE from all other sources**

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

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

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

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

## **C. Treatment of PBS costs**

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

- For LA-DCF collections which your PCS was appointed to manage at stage 1, these should be treated as direct collections from LA-DCFs and all costs and tonnage should be included. This applies to tonnage information required for completion of section 1b and 2a, and cost information required for completion of sections 2b, 2c and 2d (as appropriate).
- For LA-DCF collections which your PCS was appointed to manage at stages 2,3, or 4, you should calculate your PCS's share of the collections (in tonnes) it undertook on behalf of the PBS, and apply the cost per tonne it charged the PBS for those collections, and include the resulting tonnage and cost as direct collections from LA-DCFs. You should use your PCS's market share for the 2021 compliance year as notified by the relevant environment agency in its final household WEEE obligation notification. The calculated tonnage should be included in column 2a. The calculated cost should be included in column 2d.
- You should not include any other tonnage or cost for evidence your PCS received from the PBS.

# Draft Data Template

2021 Compliance Year Compliance Fee Mechanism  
Compliance Fee PCS Request for Information Data Template  
Private and Business Confidential

PCS NAME

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

1. SHORTFALL / SURPLUS	1a. Target	1b. Evidence
	WEEE collection target Year tonnes (3dp)	Total WEEE Evidence received Year tonnes (3dp)
Unit		
For the period 1 January to 31 December 2021 - for submission on or before 21 February 2022		
(1) Large Household Appliances		
(2) Small Mixed WEEE		
(3) Display Equipment		
(4) Cooling Appliances Containing Refrigerants		
(5) Lamps		
(6) Photovoltaics		

2. NET COST OF DIRECTLY COLLECTED WEEE FROM LA-DCFs	2a. Collected	2b. Costs	2c. Income	2d. Net cost
	Tonnage of WEEE directly collected by the PCS From LA DCFs Year tonnes (3dp)	Total direct costs of collection, transport and treatment From LA DCFs Year £ (2dp)	Gross income from resale or reuse of parts From LA DCFs Year £ (2dp)	Total direct costs minus gross income From LA DCFs Year £ (2dp)
Unit				
For the period 1 January to 31 December 2021 - for submission on or before 21 February 2022				
(1) Large Household Appliances				0.00
(2) Small Mixed WEEE				0.00
(3) Display Equipment				0.00
(4) Cooling Appliances Containing Refrigerants				0.00
(5) Lamps				0.00
(6) Photovoltaics				0.00

3. NET COST OF WEEE FROM ALL OTHER SOURCES	3a. Collected	3b. Net cost
	Tonnage of WEEE from all other sources Year tonnes (3dp)	Net cost of WEEE from all other sources Year £ (2dp)
Unit		
For the period 1 January to 31 December 2021 - for submission on or before 21 February 2022		
(1) Large Household Appliances		
(2) Small Mixed WEEE		
(3) Display Equipment		
(4) Cooling Appliances Containing Refrigerants		
(5) Lamps		
(6) Photovoltaics		

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

Yes/No (delete as appropriate)

Signature of director authorising submission of the data template

Name of director

## 2. PCS Fee Process Evaluation Form

The draft PCS Fee Process Evaluation Form is provided below. All PCSs using the Fee, or choosing to supply collection cost data, will be provided with the form by the Administrator and will be invited to provide feedback on the 2021 Fee process.



### Using the 2021 WEEE Compliance Fee

#### Feedback form

Please circle your responses:

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

Not readily available

Easy to locate

1                      2                      3                      4                      5

If you have scored 3 or less, please explain:

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

Slow to respond

Quick to respond

1                      2                      3                      4                      5

If you have scored 3 or less, please explain:

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

Ambiguous

Clear

1                      2                      3                      4                      5

If you have scored 3 or less, please explain:

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

Unprofessional

Professional

1                      2                      3                      4                      5

If you have scored 3 or less, please explain:

5. Any other comments?

## Appendix 7

### JTA process for spending the Compliance Fee Fund in respect of the 2021 Compliance Period

#### 1. 2021 Fees

The spending priorities of the Fee Funds (Funds) accrued through the 2021 Fee will be determined independently of the JTAC Board and will be agreed by the Fund Spending Panel (previously the Advisory Panel). The Fund Spending Panel has representatives from businesses across the sector, government, local government and the third sector. This will provide an opportunity for stakeholders within the WEEE system to propose and agree spending plans in line with the identified needs of the UK WEEE system. All Fund Spending Panel representatives are appointed on the basis they consult with their membership and where appropriate contribute ideas and worked-up fundable projects to invest in. Stakeholders which aren't members of the Fund Spending Panel but have project suggestions can submit these to Material Focus for consideration by the Panel, or its relevant sub-groups.

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

#### 2. Background to the Fund

2.1 In 2017, 2018, 2019 and 2020, the JTA's methodology was adopted by Government. In 2017 the Compliance Fee Fund (Fund) generated from Fees was considerable and initially, to manage this, JTAC appointed an Expert Adviser to oversee the process; work with stakeholders to determine the best approach for spending the Fund; and, engage in communication efforts to raise awareness of funding opportunities. A dedicated website was established to support this process, [www.weeeefund.uk](http://www.weeeefund.uk)<sup>3</sup>.

2.2 Following an initial stakeholder meeting in June 2018, JTAC and the Expert Adviser agreed with Defra a broad approach to managing spend of the Fund. The Fund was divided into three elements: technical projects (insights), with an annual call for research proposals; local projects (investment) covering reuse, repair, and local authority kerbside support; and a communications and behaviour change programme (inspiration). Judging panels, agreed with Defra, and with representation from across the WEEE sector, were established to assess applications for research and local projects. The approach adopted for communications and behaviour change was agreed with Defra and other stakeholders representing the WEEE sector, with competitive tender exercises undertaken for all the agencies subsequently selected and involved in designing and delivering national and local campaigns.

2.3 For its 2018 Fee methodology, in view of the extensive Fund arrangements already in place, and as many of the projects already being funded would span several years, the JTA proposed that the Expert Adviser be retained to continue to manage the disbursement of the Fund for consistency and to minimise stakeholder confusion. In addition to this, the JTA proposed that any Fees raised

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<sup>3</sup> [This website has now been migrated into www.recycleyourelectricals.org.uk](http://www.recycleyourelectricals.org.uk)



from the 2018 Fee process be added into the 2017 Fund to support the activities and workstreams already underway. This proposal was accepted by Defra.

- 2.4 The size of the Fund increased further in 2018 and recognising the need for a professional and standalone entity with dedicated staff to disperse this, JTAC employed its Expert Adviser as Executive Director to manage the spend of the Fund.
- 2.5 In its 2019 Fee methodology, JTA recommended the continuation of the 2017 and 2018 Fund infrastructure and for this to be supplemented by the establishment of a new Fund Disbursement Strategy Committee to determine how any Fees raised from the 2019 Fee process should be spent. Members of the committee would be drawn from representatives within the WEEE sector. This committee was formed following Defra's acceptance of the JTA's 2019 Fee proposal, under a different name, the Advisory Panel. In addition, the JTA proposed that with the agreement of Defra the 2019 Fee could also be used to undertake activities that are considered beneficial in maintaining the integrity of the WEEE system, such as legal action. Members of the Advisory Panel do not have any oversight of the day-to-day operation of the Fee itself, thus ensuring compliance with Competition Law. Further measures were also introduced to ensure adequate transparency in the spend of the Fund.
- 2.6 During 2019, to support the framing of the public awareness campaign, the WEEE Fund was rebranded as Material Focus. Since then five further staff members have been directly employed by JTAC to ensure effective project management of the research projects, the local authority and community sector investments, and the communication and behaviour change strategy. JTAC continues to employ two experienced consultants for support on marketing and media relations. A dedicated office space in London was sourced for the small team in 2019 but since the COVID-19 pandemic all employees have been working from home. A new office space will be sought as working arrangements return to normal.
- 2.7 Governance of JTAC and Material Focus is subject to a comprehensive suite of policies and procedures including policies on anti-bribery and corruption, data protection, business conduct, security, and on handling complaints as well as those covering expenses, privacy, diversity and equality, and employment rights. In 2019/20 an independent third-party "Agreed Upon Procedures" review of Material Focus was carried out by Macintyre Hudson to ensure disbursement was being conducted in line with the JTA's proposals. The findings were shared with Defra and the recommendations suggested by the auditors – which outlined a number of administrative improvements - have since been implemented. Should the JTA be successful, a further review will be conducted in 2022.
- 2.8 In 2021, to improve transparency of the activities and actions of Material Focus to stakeholders, an annual review was produced which provided an oversight of the structure of Material Focus, how it spent Fund fees, the impact that was achieved and future vision.
- 2.9 Progress to date from the 2017, 2018, 2019 and 2020 Funds:

2.9.1 *Technical Projects:*

£3m was allocated with three open calls for research proposals having now taken place. In addition, specific projects identified by stakeholders and research to support the comms campaign have also been briefed and competitively tendered. Once completed the stand-

alone reports are published, promoted and made available at <https://www.recycleyourelectricals.org.uk/publications-research/>. Where possible, technical research has been used to also support PR campaigns. To end July 2021, 20 technical research projects have been funded totalling £2.1m.

#### *2.9.2 New collection and reuse projects:*

Following extensive discussions to determine the best way to support LAs, in August 2019 a £3m small mixed WEEE kerbside collection infrastructure fund was launched alongside a £0.5m fund to help reuse organisations build capacity and expand their small mixed WEEE collections. Many of these projects were delayed due to Covid-19 restrictions and have yet to complete a full twelve month cycle. When completed, impact reports for these projects will be published by Material Focus and the findings used to develop case studies and direct future projects and investments. To end July 2021, 21 projects have been funded totalling £834k. Appropriate KPIs and reporting metrics are built into each project.

#### *2.9.3 Communications and Behaviour Change:*

Based on extensive market research, Material Focus launched the £3.5m, three-year Recycle Your Electricals campaign in Spring 2020. A new information hub has been developed at [www.recycleyourelectricals.org.uk](http://www.recycleyourelectricals.org.uk) and various PR and marketing activities are now underway. An additional £3m of funding (making £6.5 million in total) was agreed by the Advisory Panel to allow the campaign planning and activity to continue for at least a further two years to the end of 2024. Spend to end July 2021 was £2.5 million. Material Focus has built appropriate KPI measures into its campaigns so that the contribution of these to higher levels of collection, recycling and re-use, or to wider WEEE objectives where relevant, can be assessed.

#### *2.9.4 Covid-19 loan and grant support scheme:*

Using 2019 Fee payments, and in response to the Covid-19 pandemic impact on WEEE collections, Material Focus put in place a loan and grant support scheme to support commercial WEEE treatment facilities and reuse organisations. Nearly £2 million in interest free loans has been provided to 14 commercial electrical waste treatment facilities, repayments over a 24 month period having commenced in July 2021. 34 organisations in the charity sector supporting the reuse of electricals have received more than £500k in grants.

### **3. The JTA 2021 Fund disbursement proposal**

#### **3.1 Fund Spending Panel and governance**

In preparing this proposal, the JTA approached members of the Advisory Panel to seek views on the Fund disbursement process and invited suggestions for improving the process. A summary of the consultation is outlined in Appendix 9.

In response to points made by stakeholders, the JTA will implement the following changes to its fund dispersal process:

- Rename the Advisory Panel to the Fund Spending Panel to reflect its mandate to agree the spend strategy for the Fund across Material Focus' three pillars of activity: insights, investments

and inspiration. Terms of Reference for Panel members will be reviewed which will include a requirement for Panel members to consult with their colleagues and membership to inform their input into the Panel.

- Subject to the approval of Defra, streamline all unallocated Fund disbursement decisions through the Fund Spending Panel. The different approaches being implemented under different methodologies from prior year JTA proposals risks creating confusion. The JTA proposes that the approach for disbursements in future be determined by the Fund Spending Panel for any unallocated funds arising from use of the Fee in previous years.
- The wide variety of proposals and projects being undertaken makes it unlikely that all of the necessary skills to assess these will be possessed by Fund Spending Panel members. The Fund Spending Panel should therefore be able to establish such judging or sub-panels as it considers necessary to ensure proposals and projects are properly evaluated. As JTAC Ltd directors have a fiduciary duty to ensure the company operates to appropriate corporate governance standards, JTAC may also require sub-panels to be established, however the Fund Spending Panel will be responsible for appointing members of these. Members of the individual sub-panels do not need to also be members of the Fund Spending Panel.

Material Focus is also currently working with the Administrator to develop detailed quarterly spending figures for stakeholders to scrutinise, on a project-by-project basis across Material Focus's three pillars (insights, investment, and inspiration), using a pro-forma agreed by the Fund Spending Panel. Operational costs will be split between total staff costs and total overheads (covering Rent, Rates, Heat/Light/Water, Insurances, Telephone, Cleaning, Print/Post/Stationery, Advertising & Promotion, Travel, Consultants Fees & Subscriptions, Legal & Professional Audit & Accountancy, Bank Charges, General office expenses, Depreciation, Office Equipment Purchase). Details of total staff and overhead costs will be provided for information purposes only, because JTAC Ltd directors have the fiduciary duty to ensure the company is properly resourced to meet its commitments and must therefore make any decisions regarding these.

A further Agreed Upon Procedures review of Material Focus is planned for 2022.

The allocation of responsibilities between JTAC and the Fund Spending Panel is set out in the table below:

JTAC Board		Fund Spending Panel	
Remit			
<ul style="list-style-type: none"><li>• 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.</li><li>• Employ, review and evaluate the performance of the Administrator and Material Focus' Executive Director.</li><li>• Determine JTAC policies and provide additional fiscal oversight of the Fund through multi-stage invoice approval process.</li><li>• Ensure that the composition, structure and capability of JTAC are appropriate for implementing agreed strategies.</li><li>• Meet its general fiduciary duties.</li></ul>		<ul style="list-style-type: none"><li>• To agree on the strategic direction of the Compliance Fee Fund disbursement plan.</li><li>• To agree project and programme Fund disbursement strategy for Material Focus.</li><li>• To establish appropriate sub-committees or panels to ensure the correct technical expertise is available to evaluate proposals and projects.</li></ul>	
Composition			
<ul style="list-style-type: none"><li>• Chaired by techUK, the JTAC Board is currently composed of senior representatives from the Lighting Industry Association, AMDEA, BEAMA.</li></ul>		<ul style="list-style-type: none"><li>• Chaired by the Executive Director of Material Focus, the panel consists of the Chair of JTAC and representatives of the stakeholder community, including but not limited to representatives of EEE producers, WSF, WEEE recyclers, ICER, local authorities, reuse organisations, waste management companies and Defra.</li></ul>	
Meetings			
<ul style="list-style-type: none"><li>• The Board will meet as required to fulfil its remit and will meet at least every quarter.</li><li>• Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance.</li><li>• The quorum for meetings is three.</li></ul>		<ul style="list-style-type: none"><li>• The Panel will meet as required to fulfil its remit and will meet at least twice a calendar year.</li><li>• Minutes, agenda and papers will be circulated to those in attendance at least four working days in advance.</li><li>• The quorum for meetings is six.</li></ul>	

Voting	
	<ul style="list-style-type: none"> <li>• While every attempt will be made to unanimously agree spending priorities in the event of split opinion the Panel will vote on priorities.</li> <li>• Weighting of voting will be adjusted so that actors - government, local authorities, waste &amp; treatment operators, PCSs, and producers - have an equal vote.</li> <li>• In the event of a split of opinion, the Executive Director of Material Focus will take a deciding vote.</li> </ul>

In line with previous years, funding principles for future projects and research would be as follows.

- All projects and applications for funding must demonstrate how they will improve the UK WEEE system, including increasing collections or reuse where this is relevant to the project. 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 for funding, 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 schedules are agreed with the applicants. Typically, a proportion of the funds will be held back until completion of the project.
- On satisfactory completion, technical research will be made public, circulated to stakeholders and posted on the [www.recycleyourelectricals.org.uk](http://www.recycleyourelectricals.org.uk) site. Additional publicity will be considered on a case-by-case basis.
- The effectiveness of interventions are evaluated using the criteria specified in the relevant project brief and made public following the conclusion of projects using an appropriate range of indicators. This would include how collections or reuse have been increased, where relevant to the project and other relevant reporting metrics.

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

The process for making applications for funding will be tailored to each project, which may include submitting them by email using a standard template form, available via the Material Focus website, or as otherwise requested by Material Focus. Applications would be assessed based on their compatibility with the evaluation criteria. Material Focus will work with the relevant stakeholder groups, Defra and the Environment Agencies to ensure it reaches relevant parties.

Material Focus may also issue tenders requesting applications for research projects that have been approved by the Fund Spending Panel, or for services they procure in relation to other spending agreed by the Fund Spending Panel.

### **3.2 Processing and approval of Fund applications**

Following approval of Fund disbursements by the Fund Spending Panel, judging panel(s) established by the Fund Spending Panel may be used to further assess and approve applications for funding and/or tender responses. 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 judging panel for consideration. Costs, if any, associated with the judging panel meeting(s) will be part of the administration costs of the Fee system.

The judging panel(s) will assess all applications using the criteria set out in the request for proposal, or the notification inviting funding proposals or any relevant general criteria above, plus an assessment of factors such as environmental benefits, innovation, sustainability and value for money. . The judging panel(s) will assess applications or tender responses using the relevant criteria. The judging panel(s) will instruct the Material Focus Executive Director to implement the decisions. Any panel member with a commercial interest in a particular project will not be eligible to vote on that project to avoid any conflicts of interest.

Material Focus 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.

Where Fund disbursements are approved by the Fund Spending Panel, but judging panels are not used, the process above will be followed by Material Focus to assess and approve applications or tender responses received.

The Material Focus Executive Director will report to Defra and stakeholders periodically as to progress of the projects.

### **3.3 Defra Projects**

The JTA recognise that Defra may have some specific WEEE projects for which funding may be required. The JTA welcomed the use of the 2017, 2018, 2019 and 2020 Funds for such projects if they contributed to the enhancement of the UK's WEEE system and would do so again with the 2021 Fund.

## **4. Continuity of the Fund**

Recognising the substantial funds accrued by the Fee in recent years, the nature of the work being carried out through the Fund (which requires contractual commitments that extend beyond the single Fee year), and the level of commitment required to ensure that JTAC operates as a professional,

standalone entity to disperse these funds, JTAC/Material Focus will offer to continue to act as the disbursement entity if any other organisation is appointed as operator of the 2021 Fee. 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, could be transferred to the Administrator and the Material Focus Executive Director will follow the process described in the proposal for disbursement.

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

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

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

## Appendix 8

### Fee calculation examples

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

The examples are split into three sections:

- Section A for those streams where national collections are below the national target;
- Section B for those streams where national collections exceed the national target;
- Section C provides examples of other calculations used in the Fee formula, such as the weighted average net cost per tonne of direct WEEE collections from LA DCFs ( $k_n$ ) and the Variable Administrative Cost per tonne ( $v_n$ ).

### Section A - For WEEE streams where national collections fall below the national target

In all examples in this section A the base UK data used is also used in the examples provided by FTI in sections A3.2 to A3.10 of Appendix 3 of the FTI report. The reference to the corresponding Fee cost per tonne calculation in the FTI report is provided where relevant. The third column provides the reference to the relevant part of the Fee formula:

Total national target for all PCS (t)	20,000	$T_n$
Total national collections of all PCS (t)	18,000	$C_n$
Proportion of total national collections from LA-DCFs	70%	$a$
Weighted annual average net cost/tonne of direct collections from LA-DCFs (£/t)	£50	$k_n$
Weighted annual average net cost/tonne of other WEEE source collections (£/t)	£30	
LA-DCF collection cost compared to the cost of collections from other WEEE sources (ratio)	1.67	$d$
Variable Administrative Cost per tonne	£3.50	$v_n$

Two examples have been provided to show the operation of the WEEE Source Adjustment Premium. The core data used in each example will be:

PCS collection target (t)	$t_n$
PCS actual collections (t)	$c_n$
PCS actual collections from LA DCFs (t)	$l_n$

Base example 1 shows the relevant part of the formula within the Fee calculation and the high-level pictorial diagram to aid understanding. In example 1a, one element of the PCS data has been amended from that used in base example 1 to show the impact of the WEEE Source Adjustment Premium on the Fee calculation – the element changed is shown in red.



## Example 1 - Base

### PCS data:

PCS collection target (t)	5,000	$t_n$
PCS actual collections (t)	3,000	$c_n$
PCS actual collections from LA DCFs (t)	2,500	$l_n$

The UK has a shortfall in collections compared to target so the Normal escalator will apply:

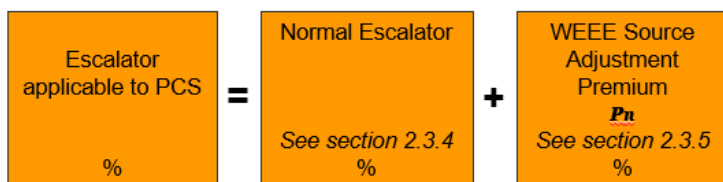
#### a. Calculate the PCS shortfall in evidence against its target ( $s_n$ )

$$(s_n) = (t_{nn} - c_n)$$

$$5,000 - 3,000 = 2,000$$

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

#### b. Calculate the escalator applicable to the PCS



##### i) Calculation of the Normal escalator

The Normal escalator calculation is calculated as follows:

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

The calculation is therefore:

$$1 + ((5,000 - 3,000)/5,000)^2 = 1.16$$

##### ii) Calculate if the PCS is required to pay a WEEE Source Adjustment Premium ( $p_n$ )

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

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

$$0.7 - (2,500 + 2,000)/5,000 = -0.200$$

The WEEE Source Adjustment Premium will be 0.00 for this PCS because the resulting calculation is negative and the WEEE Source Adjustment Premium cannot reduce the Base escalator.

##### (iii) Calculate the total escalator applicable to the PCS

$$1.16 + 0.000 = 1.16$$

**c. Calculate the Fee payable by the PCS**

$$\begin{array}{|c|} \hline \text{Compliance} \\ \text{Fee} \\ \text{Payable} \\ \hline \text{£} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{PCS evidence} \\ \text{shortfall v target} \\ \hline t_n - c_n \\ \text{(Tonnes)} \\ \hline \end{array} \times \left[ \begin{array}{|c|} \hline \text{Weighted average} \\ \text{net cost per tonne of} \\ \text{direct WEEE} \\ \text{collections from LA} \\ \text{DCFs} \\ k_n \\ \text{See section 2.3.2} \\ \text{ (£/t)} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Escalator} \\ \text{applicable to} \\ \text{PCS} \\ \hline \text{See below} \\ \text{\%} \\ \hline \end{array} + \begin{array}{|c|} \hline \text{Weighted} \\ \text{average variable} \\ \text{administrative} \\ \text{cost per tonne} \\ v_n \\ \text{See section 2.3.7} \\ \text{ (£)} \\ \hline \end{array} \right]$$

$$2,000 \times ((£50 \times 1.16) + £3.50) = \text{£123,000}$$

This equates to £61.50 per tonne and corresponds to the assumptions used in example A3.3 in Appendix 3 of the FTI report.

**Example 1a**

**PCS data:**

PCS collection target (t)	5,000	$t_n$
PCS actual collections (t)	3,000	$c_n$
PCS actual collections from LA DCFs (t)	1,000	$l_n$

Calculation of the Fee for the PCS:

**a. Calculate the PCS shortfall in evidence collected against its target ( $s_n$ )**

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

**b. Calculate the escalator applicable to the PCS**

**i) Calculation of the Normal escalator**

Unchanged from example 1 - **1.16**

**ii) Calculate if the PCS is required to pay a WEEE Source Adjustment Premium( $p_n$ )**

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

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

The calculation is:

$$(50/30 - 1) * (0.7 - (1,000 + 2,000)/5,000) = \text{0.07 (rounded to 2dp)}$$

The total escalator applicable to the PCS is:

$$1.16 + 0.07 = 1.23$$

**iii) Calculate the Fee payable by the PCS**

$$2,000 \times ((£50 \times 1.23) + £3.50) = \text{£130,000}$$

This equates to £65.00 per tonne as set out in section A3.7 of Appendix 1 in the FTI report.

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

The data below is the same as that used in Section A above, other than the level of national collections achieved.

Total national target for all PCS (t)	20,000	$T_n$
Total national collections of all PCS (t)	22,000	$C_n$
Proportion of national collections from LA-DCFs	70%	$a$
Weighted annual average net cost/tonne of direct collections from LA-DCFs (£/t)	£50	$k_n$
Weighted annual average net cost/tonne of other WEEE source collections (£/t)	£30	
LA-DCF collection cost compared to the cost of collections from other WEEE sources (ratio)	1.67	$d$
Variable Administrative Cost per tonne	£3.50	$v_n$

As in section A, two examples have been provided to show the operation of the WEEE Source Adjustment Premium. The core data used in each example will be:

PCS collection target (t)	$t_n$
PCS actual collections (t)	$c_n$
PCS actual collections from LA DCFs (t)	$l_n$

In example 2a, one element of the PCS data has been amended from that used in base example 2 to show the impact of the WEEE Source Adjustment Premium on the Fee calculation – the element changed is shown in red.

### Example 2 - Base

PCS data:

PCS collection target (t)	5,000	$t_n$
PCS actual collections (t)	3,000	$c_n$
PCS actual collections from LA DCFs (t)	2,500	$l_n$

National collections exceed the national target:

$$C_n - T_n$$

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

Calculation of the Fee for the PCS:

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

$$(t_n - c_n)$$

$$5,000 - 3,000 = 2,000$$

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

**b. Calculate the escalator applicable to the PCS**

**i) Calculation of the Surplus escalator**

The Surplus escalator is calculated as follows:

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

The calculation is therefore:

$$(22,000/20,000) + 2 \times ((5,000-3,000)/5,000)^2 = \mathbf{1.42}$$

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

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

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

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

A WEEE Source Adjustment Premium is not required because the resulting calculation is negative and it cannot reduce the effect of the escalator.

The WEEE Source Adjustment Premium is therefore **0.00**

The total escalator applicable to the PCS is therefore:

$$\mathbf{1.42 + 0.00 = 1.42}$$

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

Compliance Fee Payable  £	=	PCS evidence shortfall v target  $t_n - c_n$ (Tonnes)	×	Weighted average net cost per tonne of direct WEEE collections from LA DCFs $k_n$ See section 2.3.2 (£/t)	×	Escalator applicable to PCS  See below %	+	Weighted average variable administrative cost per tonne  $v_n$ See section 2.3.7 (£)
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$$\mathbf{2,000 \times ((£50 \times 1.42) + £3.50) = £149,000}$$

This equates to £74.50 per tonne as set out in sections A3.4 of Appendix 1 in the FTI report.

## **Example 2a**

PCS data:

PCS collection target (t)	5,000	$t_n$
PCS actual collections (t)	3,000	$c_n$
PCS actual collections from LA DCFs (t)	1,000	$l_n$

Calculation of the Fee for the PCS:

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

The total shortfall is unchanged from example 2,000.

### **b) Calculate the escalator applicable to the PCS**

#### **i) Calculation of the Base escalator**

Unchanged from example 1 - 1.42

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

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

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

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

The calculation is:

$$(50/30 - 1) * (0.7 - (1,000 + 2,000)/5,000) = 0.07 \text{ (rounded to 2dp)}$$

The total escalator applicable to the PBS is therefore:

$$1.42 + 0.07 = 1.49$$

#### **iv) Calculate Fee payable by PCS**

$$2,000 \times ((£50 \times 1.49) + £3.50) = £156,000$$

This equates to £78.00 per tonne as set out in sections A3.9 of Appendix 1 in the FTI report.

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

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

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

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

**A**

**B**

Weighted average net cost per tonne of direct WEEE collections from LA DCFs

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

### 2. Variable Administrative Cost ( $v_n$ )

Although the JTA is proposing to use the Variable Administrative Cost calculated by Anthesis for the 2020 JTA Fee Mechanism, this example, of how this was calculated using data provided by PCSs on a voluntary basis, is provided for completeness. In this example 2 PCSs provided cost and collection data to Anthesis:

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

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

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

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

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

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

Weighted average net cost per tonne of other WEEE source collections:

=  $£120,000 \div 4,000 = £30.00$  per tonne

## Appendix 9

### Stakeholder feedback

In line with Defra guidance, the JTA reached out to PCSs via the WEEE Schemes Forum (WSF) which invited PCSs to share any information felt to be pertinent in the drafting of the 2021 Compliance Fee methodology.

The JTA also wrote to each of the stakeholder groups represented on the Material Focus Advisory Panel. Here the JTA sought feedback on the disbursement process to assess the effectiveness of current efforts to invest Fee Funds to support the reuse and recycling of electronics in the UK. All major WEEE stakeholder groups are represented through the Advisory Panel including the WSF, the AATF Forum, ICER, LARAC, NAWDO, the ESA, and the Reuse Network.

The JTA received no input from PCSs as a result of its request to the WSF for information pertinent to the drafting of the 2021 Compliance Fee methodology. That said, as in previous years, the JTA does receive insights, views, and expertise from its three PCS advisers in the drafting of the Compliance Fee methodology and in the assessment of market conditions that help to determine its characteristics. The JTA's assessment of 2021 market conditions can be read in full in Appendix 2

Four stakeholder groups responded to the request for views on the Fee Fund disbursement process, the ESA, the AATF Forum, Defra, and the WSF. The feedback was highly variable: specific points that were raised are detailed below, along with the JTA's response to these. In general, it was felt that Material Focus is successfully managing multiple projects but that some enhancements could be introduced.

Some specific points that were raised are detailed below, along with the JTA's response to these. The JTA sought comments on the basis that these would be anonymised, so the names of the stakeholders providing the comments have been withheld:

Comment	JTA Response
<b>The role of the Advisory Panel</b>	
"We believe that there is too much emphasis on the views of producers and not enough on the WEEE sector ...it is not felt that the Advisory Panel has much influence over decisions."	The Advisory Panel is responsible for agreeing investment decisions for funds generated through the use of the Compliance Fee in 2019 and 2020. Producers are represented by the JTA and have only one vote, whereas the waste sector via the AATF Forum, ESA and ICER have three. It is therefore not accurate that producers have more say over the use of the Fund.



Comment	JTA Response
<b>The role of the Advisory Panel</b>	
<p>"The current board is regarded as "Advisory" – we think there would be merit in it deciding on spending, rather than simply advising."</p>	<p>For the avoidance of doubt, the Advisory Panel will be renamed the Fund Spending Panel.</p> <p>However, the JTA believes there may be confusion over the process because of the multiple approaches outlined in previously successful Compliance Fee Methodologies. To minimise confusion, subject to Defra's approval, we propose to streamline arrangements so that the Fund Spending Panel has scope over all unallocated Funds arising from use of the Fee from previous years.</p>
<b>On the disbursement strategy</b>	
<p>"More money should be spent on initiatives to increase collection and whilst recognising the importance of communication, believe that too much emphasis is placed on this at the expense of other initiatives such as expanding household collections."</p>	<p>Material Focus is investing in needed technical research, local and national communications, and local projects to support local authorities and the reuse sector to expand collections. These priorities were agreed with Defra following widespread consultation with stakeholders.</p> <p>Stakeholders and local authorities are invited to present developed and investable project proposals for Material Focus to fund.</p> <p>It is unfortunate but understandable that the pandemic put on hold many of the local projects which had been agreed. The Fund Spending Panel should as a priority discuss what initiatives to expand household collections should be invested in and revisit the offer to local authorities. These discussions have already commenced.</p>

Comment	JTA Response
<b>The role of the Advisory Panel</b>	
<p>" There should be more transparency on overheads given the proportion attributed to this in the recent report."</p> <p>" Although the level of information flow from Material Focus has improved recently, we would like to see more detail. We would recommend a simple table, published on the Material Focus website, and updated at least quarterly, with the following information: project title; organisation that proposed/requested the project; contractor; total agreed price; total spent to date; anticipated delivery date/project completion date; and link to report/outcomes. We also consider it important to report on spend on overheads, spend per project stream, and total spent, total committed and total unspent."</p> <p>" At times, the Material Focus team can sometimes come across as defensive, or protective of information when questioned. Producers, via their PCSs, have paid considerable sums into the compliance fee fund, and we consider that it is right to seek clarity on how money has been spent."</p>	<p>JTA agrees with stakeholders that more can be done to further enhance transparency.</p> <p>Whilst regular updates are provided to the Advisory Panel, Defra, WSF, ICER and others, Material Focus will formalise this and provide more detailed figures for stakeholders to review.</p> <p>Operational costs will be split between staff costs and total overheads (Rent, Rates, Heat/Light/Water, Insurances, Telephone, Cleaning, Print/Post/Stationery, Advertising &amp; Promotion, Travel, Consultants Fees &amp; Subscriptions, Legal &amp; Professional Audit &amp; Accountancy, Bank Charges, General office expenses, Depreciation, Office Equipment Purchase).</p>
<p>"There needs to be more transparency over the JTA process for approval."</p>	<p>The JTAC board, which is comprised of some of the producer organisations from the JTA (techUK, AMDEA, the Lighting Federation, and BEAMA), review and scrutinise Material Focus' operational governance and costs. All invoices over £10,000 must be signed off by two JTA non-executive Directors. All major project payments are handled and processed by Mazars.</p> <p>In 2019, an Agreed Procedures review of JTAC and Material Focus concluded that Funds were being allocated in line with the proposals agreed with the Secretary of State for Environment, Food and Rural Affairs.</p>

Comment	JTA Response
<b>The role of the Advisory Panel</b>	
	<p>A copy of the review was shared with Defra. JTAC will commission an additional review in 2022.</p> <p>It must be noted that JTAC Board has no say in the actual spend of the Fund. The Advisory Panel has the authority to agree spending decisions for Funds raised through the 2019 and 2020 Compliance Fee. Funds raised through the 2016, 2017, and 2018 Fee Methodologies have been allocated to communications, local projects and research activity through the process outlined in the associated methodologies which included widespread stakeholder dialogue and in agreement with Defra.</p> <p>Our proposal to streamline the approval process for unallocated funds and provide clear data to the Fund Spending Panel should further help to improve transparency.</p>
<p>"We only submitted one request for funding which was turned down despite the minimal amount required and the widespread agreement for action. There was a lot of prevarication which seemed to illustrate much of the problem with the use of the fund, the prolonged decision-making process."</p>	<p>This is a matter for the Fund Spending Panel. The JTA recognises that decision by Committee does invariable extend the decision-making process, however, believes that the Fund Spending Panel remains the best vehicle for collective decision making on the investment of the Fund.</p> <p>Project proposals must be fully developed and investable to be funded by the Fund.</p>

Comment	JTA Response
<b>The role of the Advisory Panel</b>	
<p>“The Advisory Panel has members representing a broad range of stakeholders, which is helpful. But not all are active during discussions, and we have heard public comments which indicate the membership of some of the Panel members are not being kept informed. It would help for members of the panel to confirm they have consulted their membership on funding proposals, which could result in better discussions and avoid this happening.”</p>	<p>The JTA agrees it would be advantageous for members of the Fund Spending Panel to be actively consulting their members ahead of meetings.</p> <p>Material Focus have previously issued terms of reference for all Advisory Panel members. This will be updated to emphasise the need for Fund Spending Panel members to engage in the discussions and decisions of the Panel and to consult regularly with their colleagues and membership.</p>