



**Proposal to the Department of Business
Innovation and Skills**

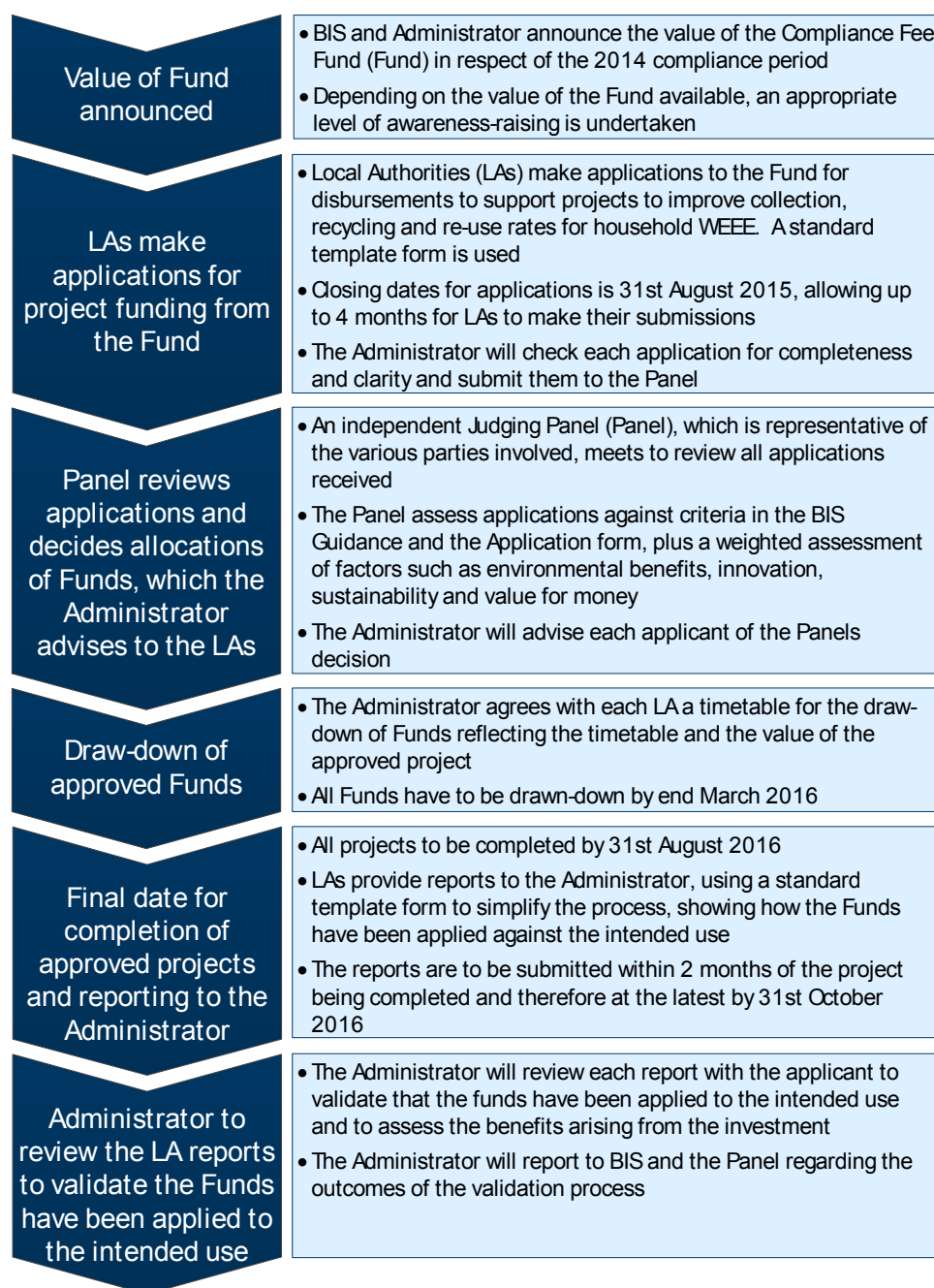
**Operation of a WEEE Compliance Fee for the
2014 Compliance Period**

Appendices 2 - 6

September 2014

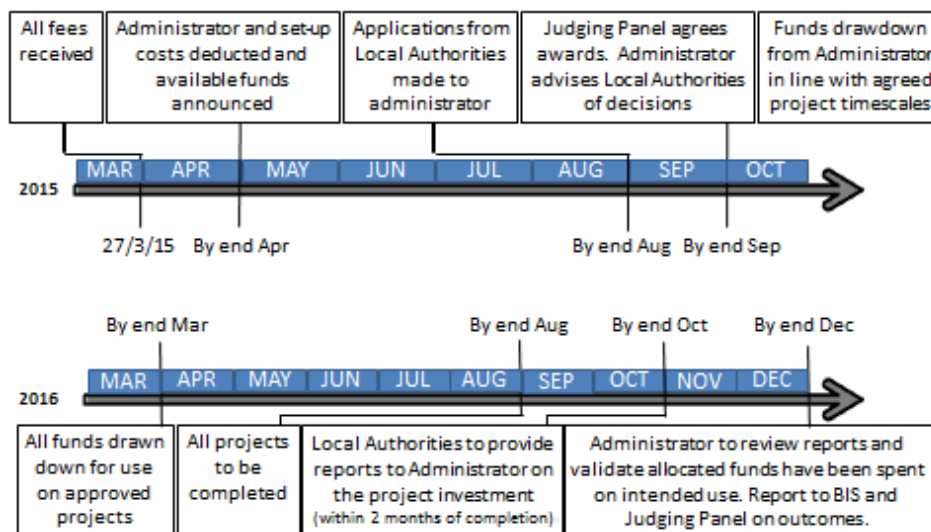
Appendix 2

JTA Process for Disbursements from the Compliance Fee Fund in respect of the 2014 Compliance Period



Disbursements Timeline

Applying for finance from the Compliance Fee Fund



1. Starting point:

- 1.1 By the end of April 2015 the Administrator will inform BIS of the value of the Compliance Fee Fund collected from PCSs and agree with BIS the amount to be made available for Disbursements. This amount will be based on the total of Compliance Fees paid by PCS's minus the estimated costs of setting up and administering the Compliance Fee Mechanism for the 2014 Compliance Period.
- 1.2 BIS and the Administrator will then inform Local Authorities of the available funds together with details of the process by which they can submit applications for payments from the fund. Applicants will need to demonstrate how funds will be used to support the development of the collection network with a view to increasing collection rates, recycling and re-use (para 74 BIS Guidance Notes March 2014 and BIS Guidance for submission of proposals for a WEEE Compliance Fee - April 2014 and August 2014).
- 1.3 The process set out below incorporates feedback from representatives for NAWDO, LARAC and the LGA, and aims to keep the application process simple and streamlined. Local authority representatives also emphasized the importance of the following points in their feedback, which have been built into this Disbursement Process:
 - 1.3.1 Keep the application process simple, thereby reducing the administrative burden on Local Authorities in making application to a reasonable and proportionate level.
 - 1.3.2 Promote an appropriate level of awareness of any Compliance Fee Fund that is available.

- 1.3.3 Low value applications should require a lower level of detail than higher value applications.
- 1.3.4 Provide clear criteria for Local Authorities to meet when preparing their applications e.g. demonstrating that the application is in respect of new projects.

2. **Application process:**

- 2.1 This will be kept as simple as possible in order to keep administration work for both Local Authorities and the Administrator to a minimum. Applications will be assessed based on their compatibility with the criteria in section 4. These criteria are based on the BIS Guidance.
- 2.2 The Administrator will provide a standard template application form for Local Authorities to complete and submit to the Administrator. A draft of the form is given in **Appendix 6**. If the JTA Proposal is selected by BIS it is anticipated that both the form and the process will be further refined in discussion with Local Authorities as part of the implementation process.
- 2.3 Currently we envisage that the application process would be via email initially. Longer term, additional IT tools e.g. a portal, could be introduced to assist applicants, with the level of use being a factor in determining this. In the first phase it is seen as more appropriate to keep the application process simple and cost effective.

3. **Proposed timetable for the Process**

3.1 Proposed timetable

The proposed timetable is as follows but this can also be further refined during the implementation phase based on further feedback from Local Authorities and/or BIS. The timetable includes time for awareness-raising of the availability of the fund.

- **End April 2015** = value of Compliance Fee fund (referred to hereafter as Fund) arising from the compliance period 2014 announced and an appropriate level of awareness-raising of the Fund among Local Authorities commences. This level will be proportionate to the size of the Compliance Fee Fund available.
- **End August 2015** = closing date for applications from Local Authorities. Providing a 4 month time window for Local Authorities will allow sufficient time to make applications and also allow time for raising awareness of the availability of the Fund.
- **End September 2015** = Independent Judging Panel has reviewed all applications against the criteria set out in 4 below and decided which to

approve (and to what value) and which to reject. The Administrator will advise Local Authorities of the decisions of the Judging Panel.

- **End March 2016** = all approved funds to be drawn down by the Local Authorities and paid by the Administrator.
- **End August 2016** = all projects to be completed, with funds spent on the projects proposed in the application and approved by the Judging Panel.
- **End October 2016** = Closing date for Local Authorities to provide a report to the Administrator showing how the approved funds have been spent in relation to the intended use.
- **End December 2016** = the Administrator will have carried out a validation process of reviewing the reports submitted by the Local Authority (mostly a desk review but a field visit where necessary) and reported to the Judging Panel. In the unlikely event of the grant/funds having been spent other than on the intended use the Administrator will report this to BIS.

4. **Criteria for Applications:**

- 4.1 In accordance with BIS Guidance, all applications must show how any funds allocated from the Compliance Fee fund will be used for new projects that contribute to higher levels of collection, recycling (in line with BATTTRT requirements), and re-use of household WEEE. The Fund does not exist to meet normal operating costs or to pay for the collection or treatment of non-household WEEE.
- 4.2 Applications for funds must be from Local Authorities e.g. Waste Disposal Authorities (WDAs) or Waste Collection Authorities (WCAs).
- 4.3 The above applications may be made in collaboration with partner organisations such as local re-use organisations or other relevant organisations but must meet the criteria of contributing to higher levels of collection, recycling and re-use of household WEEE.
- 4.4 All applications must be submitted in accordance with the timetable set out in section 3 above with a commitment to spend any allocated project funding by the end of August 2016.
- 4.5 Applications must include a commitment to provide a written report, using a template format, within two months of the project funding having been spent and to work positively with the Administrator in reviewing the report to validate that the funds were spent in accordance with the approved application.
- 4.6 Applications must include a commitment that non-confidential information gathered from carrying out these new projects can be published to encourage learning for all parties.
- 4.7 Applications must be signed by the appropriate Director, Head of Department, or other senior manager if more appropriate, to confirm that the information provided is correct and that there is full support to the proposed new project from the Local

Authority. Where the application is made in collaboration with partner organisations they should also confirm their support to the project by signing the application.

4.8 Applications must include clear measurable targets and performance indicators to ensure projects will increase the amount of household WEEE collected, recycled or re-used. For example this could be a target for the percentage of household WEEE collected.

4.9 Requirements in 4.1. to 4.8 above have been used to devise the following criteria:

1. Demonstrate the application will contribute to higher levels of collection, recycling and re-use of household WEEE as evidenced by the inclusion of clear targets and performance indicators in the application showing, where appropriate, increases in:
 - separately collected household WEEE
 - recycling rate of separately collected household WEEE
 - re-use of separately collected household WEEE
2. Recognise the critical role that local authorities play in household WEEE collections. Therefore organisations eligible to make applications will be Local Authorities e.g:
 - Waste Disposal Authorities
 - Waste Collection Authorities
 - A partnership of more than one Waste Disposal Authority or Waste Collection Authority.
 - A partnership between a Waste Disposal Authority or Waste Collection Authority and other collaborating organisations e.g. local reuse organisations.
3. Encourage increased volumes of separately collected household WEEE and increased recycling in line with (Best Available Treatment, Recovery and Recycling Techniques) BATTRT requirements and legitimate re-use;
 - Application form to include sufficient information to demonstrate that all volumes of separately collected WEEE will be treated at AATF's in line with Best Available Treatment, Recovery and Recycling Techniques (BATTRT)
 - Application form to include sufficient information to demonstrate that all separately collected WEEE sent for re-use is sent for legitimate re-use
4. Other criteria

- Demonstrate that the project is a new activity or a significant expansion of an existing activity in respect of increasing collection, recycling or re-use of household WEEE.
- Degree to which project shows innovation and will inform best practice. Applicants must prepare a report within two months of the project completion (and be willing to share and publish information from this report in the interests of sharing best practice), which shows how the funds were applied for the intended use.
- Degree of sustainability of the project to continue to deliver the higher levels of collection, recycling or re-use of household WEEE after the project funding is finished.
- Overall value for money and environment impact of the proposal in delivering the increased levels of collection, recycling and re-use of household WEEE compared with the funds required.

5. **Processing and approval of applications:**

- 5.1 The Administrator will check all applications for completeness and clarify any points necessary with the applicant.
- 5.2 The Administrator will consolidate all applications and submit them to the independent judging panel for consideration. The Administrator will provide secretariat support to the judging panel in its deliberations but will not be one of the decision-makers.
- 5.3 An independent Judging Panel, representing relevant stakeholders, will be formed, in discussion with BIS. It is proposed that this panel include representatives from the local authorities, BIS, a producer representative body and an appropriate WEEE experienced independent body. Costs associated with the judging panel meeting(s) will be part of the administration costs of the Compliance Fee system.
- 5.4 The independent Judging Panel will assess all applications using the criteria set out in section 4 above plus a weighted assessment of factors such as environmental benefits, innovation, sustainability, value for money. The panel will then allocate funds, taking into account the Fund available and instruct the Administrator to implement the decisions.
- 5.5 The Administrator 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 draw-down of funds. For smaller projects it is expected the funding will be via a single up-front payment, for larger projects some phasing of the funding is expected.
- 5.6 The Administrator will report to the Judging Panel periodically as to progress of the draw down of the funds.

6. **Validation that funds allocated were applied to their intended use:**

- 6.1 Local Authorities that are awarded funds will provide a written report of how these have been spent, against their intended use, within two months of the project being completed.
- 6.2 The Administrator will carry out a desk review of the report, including contacting the local authority to validate the expenditure against intended use. In exceptional circumstances e.g. high value projects or significant questions arising from the report and review process, the Administrator may carry out a field visit, with the support of the Local Authority, to validate the expenditure.
- 6.3 The Administrator will confirm to the Judging Panel and BIS the outcomes of their reviews of the projects, any improvement trends that are reported and any concerns they may have.

7. **Residual money in the Compliance Fee fund:**

- 7.1 The process agreed with the Judging Panel should ensure that the available Fund for projects is allocated and distributed to projects that meet the criteria set out in section 4 above. In the exceptional event that after the independent judging panel has awarded funding, as it judged appropriate, there is residual money remaining in the Fund arising from the 2014 compliance period, the Administrator will advise BIS and JTAC of that outcome and the amount of money unallocated.
- 7.2 The Administrator will liaise with BIS and the Judging Panel regarding how the residual money is to be used e.g. offer a second round of applications for Local Authorities using the same criteria as before. Other options could include a different range of projects with the objective of improving the UK WEEE system and collection, recycling and re-use levels; transferring the balance of monies to the Compliance Fee fund in respect of the 2015 compliance period, etc.

8. **Potential links with other schemes dispersing funding for household WEEE improvements:**

- 8.1 The JTA is aware that there is at least one other BIS sponsored scheme, the Distributor Take-back Scheme (DTS), that disperses funds to local authorities to support projects aimed at improving the UK household WEEE system. There may be differences in the criteria for applying for the funds but the process for making and assessing applications, for allocating and validating funding etc., are likely to have aspects in common.
- 8.2 In the interests of simplifying the process for Local Authorities seeking access to such funds this JTA proposal recognises that there could be some benefits in seeking to coordinate and “standardise” the process as far as possible. This would need to take into account the different legal base and sources of the funds. For example it might be possible to share the same judging panel, with a different

secretariat and with small changes of representatives, depending upon whether it was a DTS or WEEE Compliance Fee application being assessed. It might also be possible to develop a similar application process between the schemes, to the benefit of Local Authorities making applications.

- 8.3 The JTA would be pleased to participate in any such cooperation discussions if BIS consider this to be something worth exploring.

Appendix 3

How the JTA Proposal matches against the Key Principles set out in BIS Guidance

How JTA proposals meet the Key Principles set out in the BIS Guidance (for clarity the requirements for each principle have been numbered below and the JTA response to it outlined):

1. **The methodology should be established in a way that encourages compliance through collection and treatment of WEEE by PCSs via DCF collections, Regulations 43 or 52:**
 - 1.1 The Compliance Fee mechanism developed by FTI Consulting encourages compliance by ensuring that the Compliance Fee charged to a PCS will be higher than the weighted average cost that PCSs using the fee would incur by directly collecting and treating WEEE via DCF collections. This is through the following elements:
 - 1.1.1 The basic formula on which the Compliance Fee mechanism is based ensures that the Fee is always higher than the average costs of collection and treatment of all those PCSs using the Compliance Fee. (Base fee is the weighted average but even a 1% miss of the target activates the escalator).
 - 1.1.2 The Compliance Fee calculation incorporates both the costs of direct collection and transport, therefore for any evidence shortfall due to Regulations 43 and 52 the cost difference is higher because when dealing with those directly the PCS is only responsible for the treatment costs. All LA DCF WEEE will be collected in any event because of their automatic right of uplift.
 - 1.1.3 The formula on which the Compliance Fee mechanism is based incorporates an escalator mechanism whereby, the further a PCS is away from their target the higher the Compliance Fee will be e.g. if a PCS has made no, or very few, collections against their target the Compliance Fee charged would be double the average costs of collection and treatment for the stream involved.
 - 1.1.4 PCS's having to use the Compliance Fee because they have otherwise not met their collection target will incur administration effort and costs, including third party review costs, to do so
 - 1.2 Cross-reference: for fuller details see Appendix 1 FTI Report and Section 3.2 of the JTA Proposal
2. **The methodology should reflect the different market economics associated with collection, treatment and environmentally sound disposal of the 6 WEEE collection streams:**

- 2.1 The Compliance Fee mechanism developed by FTI Consulting is WEEE collection stream specific, includes costs from all types of locations, differing volumes and return routes and is therefore reflective of the actual market costs incurred by PCS's for collection, treatment and environmentally sound disposal of WEEE in each of the 6 collection streams.
- 2.2 Cross reference: for fuller details see Appendix 1 FTI Report
3. **The methodology should be stream specific i.e. a PCS short of their targets by 10 tonnes of Display and 15 tonnes of Cooling will pay a fee specific to their shortage in each stream rather than a generic fee for a shortage of 25 tonnes. A negligible or zero fee might be appropriate in some circumstances:**
- 3.1 The Compliance Fee mechanism developed by FTI Consulting is WEEE collection stream specific i.e. there will be one mechanism but it will generate a Compliance Fee for each of the collection streams (where required).
- 3.2 For category 1 (the large household appliance collection stream, where the net cost is almost always positive) this Compliance Fee mechanism proposes a zero fee. It is not considered appropriate that there should be a positive Compliance Fee applied for such a collection stream. The logic for this is that PCS's are already incentivised to maximise collections of positive value streams due to the profits they can make from such streams. There may be small quantities of WEEE with net cost in streams that predominantly have a positive income e.g. Cat 1 LHA from DCFs in remoter geographic regions such as the Highlands. However, the quantities involved are small and will be collected from such DCFs by PCSs in any event because of the automatic right of free uplift.
- 3.3 Cross reference: for fuller details see Appendix 1 FTI Report and Section 3 of the JTA Proposal document.
4. **The methodology should ensure the proposal for disbursement of funds recognises the critical role that local authorities (and their partner organisations) play in WEEE collections.**
- 4.1 This Compliance Fee methodology put forward by the JTA recognises the critical role referred to above and is designed to meet the requirements of paragraph 74 of the BIS Guidance Notes of March 2014 i.e. "funds collected will be reinvested in the collection network with a view to increasing collection rates, recycling and re-use with a particular recognition of the role played by local authorities", which was further reinforced by additional Guidance from BIS in respect of submitting proposals for a Compliance Fee mechanism.
- 4.2 The JTA proposal is that any funds available for disbursement would be available to local authorities to make applications against for improvements to collection, recycling and re-use of household WEEE. Local Authorities will make formal

applications (using a template form) to the Compliance Fee Administrator, who will in turn present them to an independent and representative judging panel. The Compliance Fee Administrator will provide the secretarial support to the Judging Panel and will subsequently implement the decisions made by the panel and monitor/validate the application of any grants made against their intended use.

- 4.3 The JTA is aware that there is at least one other BIS approved scheme, the Distributor Take-back Scheme (DTS), that disburses funds to local authorities for the improvement of the UK WEEE system. In the interests of simplifying processes for local authorities seeking access to such funds this JTA Proposal recognises that there could be some benefits in seeking coordination in this area if BIS and the other parties involved believe it is practical and value-adding to do so. There may need to be some differences to reflect the different purposes of the DTS and the Compliance Fee and the secretariat support to the judging panel, disbursement of funds and monitoring of expenditure would be done by the Compliance Fee Administrator in a similar way as the DTS Operator does for the DTS funds.

- 4.4 Cross reference: Section 4 of the JTA Proposal - Disbursement of funds and Appendix 2 of this Proposal.

5. **The methodology should ensure the methodology for disbursement of funds seeks to encourage increased volumes of separately collected WEEE and increased recycling in line with BATTTR requirements and legitimate re-use:**

- 5.1 The Compliance Fee methodology proposed by the JTA incorporates an application process in respect of funds arising from the use by PCS's of Compliance Fees. The methodology includes criteria for the use of both the local authorities making applications and the Judging Panel to assess the merits of these applications. The assessments will be based on the above requirements and the requirements set out in paragraph 74 of the BIS Guidance notes of March 2014. As a result, disbursements will only be made in respect of local authority applications that meet the requirements stated above.

- 5.2 The application process is specific in only supporting new or significant expansion projects that are designed to increase volumes of separately collected household WEEE, recycling to BATTTR requirements of re-use. Funding to support current WEEE operations is not allowed under the criteria.

- 5.3 Cross-reference: Section 4 of the JTA Proposal - Disbursement of funds and Appendix 2 of this Proposal.

6. **The methodology should set out the governance arrangements for the receipt and disbursement of any compliance fees paid:**

The Compliance Fee methodology Proposal submitted by the JTA sets out the governance arrangements for the receipt and disbursement of any compliance fees paid, which in summary are:

- 6.1 Mazars LLP, in the Top 10 of UK Accounting firms, has been appointed as the independent Compliance Fee Administrator for the JTA proposal, if it is selected, with responsibility for the receipt of all funds into a separate client bank account managed by them and all disbursement from such funds for covering the costs of administering the compliance fee mechanism or making approved funding payments to local authorities.
- 6.2 Mazars will appoint a manager to be responsible for all day-to-day matters relating to the Compliance Fee methodology and a Mazars Partner will be directly responsible for the operation of the dedicated Client Bank account and any disbursements from it.
- 6.3 Mazars will report on a regular basis to the Board of Directors of JTAC (with whom it is contracted to provide the Compliance Fee Administrator services) on the performance of the process of and use of funds and if required could also report at an appropriate level of detail directly to BIS.
- 6.4 Under the Administrator contract JTAC has no access to the client bank account, which will be managed and administered solely by the Administrator.
- 6.5 The only purposes for which any funds arising from Compliance Fees paid by PCSs may be used are those set out in the BIS Guidance; a) the payment of costs of managing/administering the compliance fee mechanism, including initial set-up costs and b) for allocations of funds made to local authorities as a result of applications approved by an independent judging panel.
- 6.6 Cross reference: Section 4 of the JTA Proposal plus Administrator profile section 4 and Governance section 5.
- 7. **The methodology should ensure payments received establish a fund from which disbursements will be made and recover the costs of administering the compliance fee process.**
- 7.1 The Compliance Fee methodology proposed by the JTA meets this requirement fully i.e. a fund will be established in a dedicated client bank account operated independently by Mazars LLP and will only be used for disbursements to Local Authorities that have been approved by an independent judging panel and for covering the costs of administering the compliance fee process (see also answer to requirement 6 above). In the event that insufficient or no fees are received, this proposal ensures the balance of any administration and set-up costs are paid by JTAC.
- 7.2 Cross reference - Section 4 of the JTA Proposal plus Administrator profile section 4 and Governance section 5.

8. **The methodology should set out how disbursements of compliance fees will be validated with regards to their intended use:**

- 8.1 This JTA Proposal proposed by the JTA sets out how any grant disbursements to Local Authorities from compliance fee funds will be validated with regards to their intended and actual use. As outlined in section 4 above, all applications will be required to set out clearly the intended use of any funds allocated and the independent judging panel will assess that against agreed criteria. Within two months of the completion of a new project the local authority will submit a report, in a template format, to the Administrator. There will then be a desk-based post analysis, by the Compliance Fee Administrator, of those reports (with the possible exception of very low value grants, if there are any such). This analysis may include telephone discussions or email exchanges with the local authority. Where necessary, likely to be in exceptional circumstances and where high value grants are involved, a visit by the Compliance Fee Administrator could be made to validate the grant. Mazars LLP would use their regional offices to undertake any such visits in order to keep travelling/time costs minimal.

Cross reference – Section 4 of the JTA Proposal.

Appendix 4

How the JTA Proposal matches against the Key Features set out in BIS Guidance

How JTA proposals meet the **Key Features** set out in the BIS Guidance (for clarity the requirements for each feature have been numbered below and the JTA response to it outlined):

1. **Proposals must set out a methodology for calculation of a Compliance fee across each WEEE collection stream and argument/evidence in support of the methodology:**
 - 1.1 The JTA's recommendation for the compliance fee methodology is the result of extensive evaluation and assessment undertaken by FTI Consulting, a leading group of professional economists. FTI Consulting are ideally placed to advise on the compliance fee methodology, having significant experience of using economic and financial analysis, and econometrics to assess complex pricing and valuation issues that occur in regulated industries. The details of the recommended methodology are contained in Section 7 of Appendix 1 and summarized in Section 3 of the JTA Summary Proposal.
 - 1.2 In summary, the recommended methodology is based on the weighted average net cost of collection and treatment of each stream of WEEE, calculated using the incremental avoidable net cost data voluntarily submitted by PCSs that need to use the Fee. The Fee is calculated using a formula that ensures that the Fee per tonne increases the further the PCS is from achieving its target, to incentivise compliance by collection. This mechanism is called "the escalator".
 - 1.3 The key attributes of the proposed methodology are:
 - 1.3.1 Each PCS decides whether they need to use the compliance fee and for which streams. Because there is no obligation on PCS's to use the Compliance Fee mechanism, no changes to the regulations will be required.
 - 1.3.2 The data to be submitted is aggregated actual cost and revenue data, and associated tonnage, in accordance with the FTI template form in Annex 1¹. Overheads are excluded, as are costs associated with indirectly collected WEEE e.g. through agreements with other PCS's.
 - 1.3.3 The data to be submitted to the Administrator by the end of February 2015 (also see footnote 2 on page 19), accompanied by an independent review of the direct costs and signed by a Director of the PCS to confirm that it is correct and accurate.

¹ Note that the final version of the template to be issued in February 2015 may vary slightly from that included in this proposal.

1.3.4 The Administrator will review the independent review reports and compare all actual direct costs by PCS for each stream and review any anomalies with the PCS's concerned. If the Administrator is not able to resolve anomalies it has the discretion to request further audit of the data or to reject the submission.

1.3.5 Following verification the Administrator will calculate the Fee for each PCS that needs to use it. Only data from PCS's that need to use a stream will be used for calculating the fee for that stream. The calculation of the fee is stream specific. The formula used for the calculation of the Fee is:

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

1.3.6 The formula for the calculation incorporates an escalator which means that the compliance fee payable per tonne increases as the extent of a PCSs shortfall against its target increases.

1.3.7 For the collection stream Large Household Appliances, a special case applies because so much of the WEEE is collected outside the producer-financed WEEE system and, for the majority of collections, results in a net income rather than a net cost. The recommendation for this collection stream is that the Compliance Fee should be set at zero. The fuller argument to support this recommendation is set out in Appendix 1 but in summary all LHA will be collected, either because of the net value of the material (by a wide range of collectors), or in cases where there are net costs involved e.g. remote geographic regions, because of the Local Authorities (LA's) automatic right of uplift of WEEE (by PCS's so requested by LA's)

1.3.8 Note that PCSs that **do not** need to use the fee may still, if they so wish, provide the Administrator with cost data on the same basis as those PCS's wishing to use the fee i.e. subject to terms and conditions on confidentiality, signed by a Director and with an independent review report. The reason they might choose to do this is that the Administrator will be able to use such data to help sense-check the data being submitted by those PCS's that need to use a compliance fee for any collection stream.

1.4 Further details of the proposed calculation method, including arguments and evidence in support of the recommended methodology and the operation of the escalator are given in Section 7 of the FTI Report, Appendix 1 and in summary form in Section 3 of the Summary JTA Proposal.

2. **Proposals must set out the Proposed Administrator that will administer the Compliance Fee Process and evidence of their suitability to run it:**

2.1 In June 2014 the JTA issued a request for proposals to selected organisations with a range of experience including accountancy firms and environmental consultants. Following receipt of proposals and interviewing three shortlisted organizations Mazars LLP (www.mazars.co.uk), an international accountancy firm, were selected to be the Administrator under the JTA Proposal. The evidence for their suitability for this role is set out in detail in Section 4 of this Proposal and is summarized below:

- 2.1.1 As accountants, the management of client money (compliance fee payments) is a standard function, with high levels of confidentiality and governance. Setting up client accounts is a routine function for Mazars.
- 2.1.2 The calculation of and the financial accounting for the fee would be straightforward for accountants.
- 2.1.3 Mazars employ over 1400 staff in the UK, plus 125 partners. This ensures good contingency cover, should anything unforeseen happen to the staff responsible for the process during March or demand for the service being significantly higher or lower than expected. It also makes available a wide range of experience and expertise to the Administrator role, to the extent it is needed, and means that setting up segregated duties to avoid any conflicts of interest is also straightforward.
- 2.1.4 As a leading accountancy practice, Mazars have experience of the UK WEEE system e.g. by providing back-office services to a major PCS. As in 2.1.3, Mazars will ensure that duties are segregated to avoid any conflicts of interest between their different clients.
- 2.1.5 As a UK top 10 accountancy firm they are recognised as having a high level of professional integrity, and for being able to act impartially.
- 2.1.6 Mazars have a well-established outsourcing service that provides administration and back office functions (e.g. invoicing and receipt of payments) to a range of organisations.
- 2.1.7 Mazars have in-house IT resources for developing IT based tools to support the Compliance Fee mechanism and to ensure high levels of security relating to all information – see more details in Section 4 of this Proposal.

Mazars will be accountable to JTAC and will report regularly on the performance of the Compliance Fee process, without breaching any of the confidentiality provisions described in this proposal.

Cross reference – Section 4 of the Proposal – Administrator Profile.

3. **The Proposal must set out how the overhead costs of calculating, setting up and administering the compliance fee mechanism and disbursement of funds will be met. This should include provision for a situation of minimal up take or zero up take amongst PCS's:**

- 3.1 The Administrator's costs relating to operating the compliance fee process include initial set up costs, plus fixed and variable operational costs, which will depend on the number of organisations that use the fee. There are also some initial set up costs incurred by JTAC (e.g. setting up contracts) in advance of BIS announcing its choice of compliance fee methodology and operator.
- 3.2 In line with the BIS Guidance, the JTA proposes that the operating and setting up costs will be paid for out of the collected Compliance Fee payments. All the remaining Compliance Fee Fund is then available to support Local Authority projects to increase collection, recycling and re-use of WEEE.
- 3.3 In the event that there is minimal take up or zero take up amongst PCS's any uncovered costs of the Administrator or the initial set-up will be paid by JTAC.

Cross reference – Section 3 of the Proposal

4. **Proposals must set out details of the mechanism for dispersal of funds collected and how validation will take place to show the funds have contributed to higher levels of collection, recycling and re-use of WEEE. This must address the scenario of low up take by PCSs and minimal levels of funds being collected:**

- 4.1 Once all expected costs of setting up and operating the Compliance Fee process have been covered, all remaining compliance fee payments form a Compliance Fee Fund, which will be available to Local Authorities to make application for funding from to support projects to increase collection, recycling and re-use rates. Funds will only be made available to Local Authorities, and not to any other parties, nor intended to be used to fund established operations for collection, recycling and re-use of WEEE.
- 4.2 Once disbursement has taken place, the Administrator will validate how the funds have been used, and in particular to demonstrate that the funds have contributed to higher levels of collection, recycling, and reuse of WEEE. As a first step in this process Local Authorities will report back to the Judging Panel, via the Administrator, on the success of the projects for which they received funding. The Administrator will review the report with the local authority in order to validate that actual spending has been in line with intended use. Where appropriate, and

particularly where there are larger funded projects involved, an audit visit by the Administrator may be appropriate.

- 4.3 If required by BIS the Administrator will consolidate the reports received and produce a summary of the financial and qualitative benefits arising from the supported projects and present that to BIS and the Judging Panel. This could help to measure and assess the effectiveness of the investments in improvement projects.
- 4.4 In the event that compliance fees paid are zero or low, then they may be insufficient to cover the costs of the Administrator and the initial set-up, in which case the disbursement process that has been put in place will not need to be activated. Any uncovered costs of the Administrator and the initial set up will be met by JTAC.
- 4.5 The JTA Proposal also recognises that there is at least one other BIS approved scheme, the Distributor Take-back Scheme (DTS) that disburses funds to local authorities to support projects aimed at improving the UK household WEEE system. As outlined in Appendix 2 and Section 4 of the this Proposal, if there was support from BIS and other interested parties, JTA would be pleased to participate in discussions aimed at coordination between such schemes with the aim of simplifying the processes for local authorities and reducing administration burdens.

Cross reference – Section 4 and Appendix 2 of this Proposal

5. The proposals must set out the mechanism by which PCS's can pay the fee, what information must be provided and how commercial confidentiality will be maintained:

- 5.1 Full details of how PCS's can pay the fee, what information must be provided and how confidentiality is maintained under the JTA proposal are set out in Section 3 and Appendix 1 of this proposal and are summarized below:
- 5.2 If the JTA proposal is accepted and following formal announcements by BIS regarding the Compliance Fee arrangements, the Administrator will write to all PCSs registered in the UK, advising them of the process for accessing the compliance fee. Any PCS that intends to use the compliance fee will be required to advise the Administrator of that by 15th February (or later if the BIS announcement is later than 14th February) and by the end of February² 2015 to:
 - 5.2.1 Complete the data collection template form (in excel format) prepared by FTI and circulated by the Administrator. The information that must be provided by PCS's is detailed in that form.

² If BIS do not announce their chosen compliance fee mechanism until mid-February, then it may be necessary to extend this date, for example to 9th March. Following discussions with several PCSs, we are comfortable that this would still give sufficient time to prepare and submit the information required.

- 5.2.2 Arrange for an independent review of the data submitted by an independent firm of auditors, to include the statement provided in Appendix 1.
 - 5.2.3 Advise the Administrator of the PCS's exact tonnage target, and exact tonnage shortfall, for each stream in which the PCS will use the fee.
 - 5.2.4 Sign the Terms and Conditions agreement provided by the Administrator, which will include strict confidentiality provisions.
 - 5.2.5 Submit all information signed off by a Director of the PCS.
- 5.3 We note that BIS have indicated that they will announce their chosen compliance fee mechanism by mid February 2015. Given that it would be preferable that as much time as possible be made available for PCSs to complete the above tasks, we would encourage BIS to make an announcement as soon after 31st January 2015 as possible.
- 5.4 The Administrator will set up a dedicated Client bank account before the end of 2014. The account details will be made available to those PCSs that need to and decide to use the fee. Once the Administrator has calculated the fee, they will issue a request for payment to those PCSs, detailing the fee payable by that PCS for each applicable WEEE stream. PCSs will then be required to make payment to the Client bank account. With same day payments, there will be plenty of time for this to occur but the latest day for payment in respect of the 2014 compliance period will be 27th March 2014 to allow sufficient time for Compliance Fee Payment Certificates (CFPCs) to be issued to the PCS and for the PCS to complete their own Declaration of Compliance to the Environment Agencies by 31st March 2015.
- 5.5 Strict commercial confidentiality will be maintained throughout this process. Specifically, the name and total number of PCSs that have used the fee, and the streams for which a fee has been paid, will be kept entirely confidential within the Administrator organisation. The Administrator will keep all data provided by PCSs to the Compliance Fee Administrator confidential. This is achieved by:
- 5.5.1 Appointing a third party Administrator (Mazars LLP) familiar with the maintenance of client confidentiality.
 - 5.5.2 Ensuring that all PCSs using the compliance fee sign a Terms and Conditions agreement with the Administrator that includes robust confidentiality provisions.
 - 5.5.3 The Administrator will be instructed and contracted not to provide JTAC Ltd with any details of any individual payments into the client account. (Note that this is an unusual condition to apply to a client account, but we have discussed this with Mazars and are entirely comfortable that it is appropriate and remains in compliance with the money laundering regulations.)

6. **Proposals must set out the mechanism for ensuring the Environment Agencies receive necessary evidence that an appropriate Compliance Fee has been paid by PCS's. The Agencies must be in a position, that when accepting a Declaration of Compliance from a PCS, that this could be comprised of WEEE evidence and payment of a compliance fee:**

6.1 Once the Administrator is satisfied that the correct fee has been paid by a PCS, the Administrator will issue a Compliance Fee Payment Certificate (CFPC) to the PCS certifying the tonnage and stream(s) for which the assessed compliance fee has been paid in full. The PCS can then either provide a copy of this CFPC to the relevant agency, or refer to it when submitting their Declaration of Compliance for 2014. During February 2015, the Administrator will write to each agency to agree the nature and style of the CFPC. The Administrator will also confirm they are available to the agencies for any enquiries related to validating the authenticity of any CFPC issued by the Administrator. As a result, the validation process for the agencies will be simple and straightforward.

6.2 The JTA proposal requires the Administrator to provide to each agency a summary report listing the names of their registered PCSs that have paid compliance fees for each stream and the number of tonnes covered by the fee. In no circumstances will the Administrator include the amount actually paid by a PCS, or the compliance fee rate per tonne, on any communication being sent to the agencies. We have consulted with the Environment Agency on this procedure and our understanding is that they think this would be helpful and sufficient in helping them to check Declarations of Compliance submitted by PCS's.

6.3 In the event that there was a discrepancy regarding tonnage covered by a compliance fee payment the Agency could check the quantities with the Administrator.

Cross reference – Section 3 and Appendix 1 of this Proposal

7. **Proposals must set out evidence of auditing arrangements that ensures declarations of payments by PCSs are robust:**

7.1 PCS compliance fee payments will be made to the dedicated client account set up by the Administrator. As the Administrator chosen is an accounting and audit firm, the process for verifying that payments have actually been made by PCSs will be routine and based on well-established disciplines and practices. Administrator staff will check the JTAC Ltd client account on a daily basis during March to ensure payments in cleared funds are made and will only issue a CFPC once the necessary funds have been paid and are cleared in the client bank account.

7.2 As described above in the response to key feature 6, the Agencies will be able to check the tonnage information provided on the CFPC, and can also verify it via direct communication with the Administrator.

- 7.3 Verification of the data submitted by PCS's, as the basis for the calculation of a compliance fee per stream, are explained in section 3 and Appendix 1 of the Proposal and briefly in our response to point 1 above.
8. **Proposals must set out extent to which interested parties including producers, local authorities or other organisations had been consulted in developing the proposal:**
- 8.1 The JTA has consulted a number of stakeholders regarding this proposal. Through its membership of nine separate trade associations in the electrotechnical sector, producers have had wide input into the proposal.
- 8.2 The JTA has consulted with representatives of NAWDO, LARAC and LGA. Feedback has been positive and used to help develop the process outlined in Appendix 2 of this Proposal "Disbursements from the Compliance Fee Fund in respect of the 2014 Compliance Period". Whilst it is not possible to advise the likely size of the compliance fee fund that might arise, the local authority representatives have welcomed the possibility of additional funds. The Local Authority representatives also emphasized the importance of an application process that was designed to keep the administration burden minimal, whilst respecting the BIS Guidance on criteria.
- 8.3 The JTA have consulted with a representative of the Agencies about the mechanism by which the agencies might receive information from the Administrator. As a result, we are confident that the proposal in this respect is workable and will not present any unreasonable administration burdens on the agencies.
- 8.4 The JTA has engaged particularly with producer-led PCSs (ERP, Recolight and Repic) who have considerable obligations on behalf of their members in household WEEE. This has helped in the development of this proposal, including with regard to ensuring that it is fully workable from a PCS perspective. These PCSs have piloted the data collection and fee calculation processes, by submitting the necessary data to FTI, on an individual and confidential basis, to test out the methodology. This testing of the methodology has demonstrated that the calculation formula and the process as a whole works effectively, that the data requested is readily available, and that the timescales are achievable.

Appendix 5

How JTA Proposal matches against the Criteria set out in BIS Guidance

Cross-references to the JTA Proposal and Appendices for the Evaluation Criteria issued in BIS Guidance of August 2014

1) Proposed methodology for the calculation and administration of the fee.
Proposals should cover the following key areas:

The methodology should encourage compliance through collection and treatment of WEEE by PCSs via (Designated Collection Facility) DCF collections, Regulation 43 or 52;	See section 3.3 of the Proposal and Appendix 1
The methodology should reflect the different market economics associated with collection, treatment and environmentally sound disposal of the 6 WEEE collection streams;	See section 3.3 of the Proposal and Appendix 1
The methodology should set out a methodology for calculation of a compliance fee across each WEEE collection stream and argument/evidence in support of that methodology;	See Appendix 1
The methodology should be stream specific, i.e. a PCS short of their targets by 10 tonnes of Display and 15 tonnes of Cooling will pay a fee specific to their shortage in each stream rather than a generic fee for a shortage of 25 tonnes. Proposals may consider circumstances where a negligible or zero fee might be appropriate;	See section 3.3 of the Proposal and Appendix 1
The methodology should Indicate the extent to which the feasibility of the fee has been tested robustly;	See Appendix 5
The methodology should describe how the overhead costs of calculating, setting up and administering the compliance fee mechanism and disbursement of funds will be met. This should include contingencies for a situation of minimal up take or zero up take amongst PCSs;	See sections 3.3 and 3.4 of the Proposal and Appendices 3 and 4.
The methodology should allow innovation;	See section 4 of the Proposal and Appendix 1
The methodology should consider the impact of and comply with other relevant law, for example Competition Law;	See sections 3.3, 3.4 and 5 of the Proposal plus Appendix 1.
The methodology should consider sound contingencies plans e.g. for failing schemes or new entrants;	See sections 3.3, 3.4 and 4 of the Proposal
The methodology should describe what information must be provided by PCSs, including evidence of auditing arrangements that ensures declarations of payments by PCSs (if needed) are robust, and how commercial confidentiality will be maintained;	See section 3.3 of the Proposal and Appendix 1 plus additional information in Appendices 3 and 4.
The methodology should describe the mechanism by which PCSs can pay the fee, what information must be provided and commercial confidentiality will be maintained;	See section 3.3 of the Proposal and Appendix 1

The methodology should describe the mechanism for ensuring the environment agencies receive necessary evidence that an appropriate compliance fee has been paid by PCSs. The agencies must be able to recognise, when accepting a Declaration of Compliance from a PCS, that it is comprised of WEEE evidence and payment of a compliance fee. Validation of payment of the compliance fee must not place significant additional burdens on the agencies;	See section 3.3 of the Proposal and Appendix 4
The methodology should set out evidence of auditing arrangements that ensures declarations of payments by PCSs are robust;	See section 3.3 of the Proposal and Appendix 1
The methodology should explain the extent to which interested parties including producers, local authorities or other organisations have been consulted in developing the proposal	See Appendix 4

2 – Proposed methodology for the dispersal of funds

The methodology should provide evidence of the suitability of the proposed operator that will administer the Compliance Fee Process;	See section 4 of the Proposal
The methodology should set out the governance arrangements for the receipt and disbursement of any compliance fees paid;	See sections 3.4 and 5 of the Proposal and Appendix 2
The methodology should set out how disbursements of compliance fees will be validated with regards to their intended use;	See section 3.4 of the Proposal and Appendix 2
The methodology should ensure payments received establish a fund from which disbursements will be made and recover the costs of administering the compliance fee process.	See section 3.4 of the Proposal and Appendix 2
The methodology should show details of the mechanism for dispersal of funds collected and how validation will take place to show that the funds have contributed to higher levels of collection, recycling and re-use of WEEE. This must address the scenario of low up take and minimal levels of funds being collected;	See section 3.4 of the Proposal and Appendix 2
The methodology should recognise the critical role that local authorities (and their partner organisations) play in WEEE collections;	See section 3.4 of the Proposal and appendix 2
The methodology should encourage increased volumes of separately collected WEEE and increased recycling in line with (Best Available Treatment, Recovery and Recycling Techniques) BATTTR requirements and legitimate re-use;	See section 3.4 of the Proposal and Appendix 2

3 – Proposed timetable for implementation and operation

The timetable should provide a realistic and comprehensive plan for implementation and operation;	See sections 3.3 and 3.4 of the Proposal.
The timetable should show a clear process for staffing the proposals;	See section 4 of the Proposal
The timetable should show a clear process for developing and implementing the IT systems;	See sections 3.3 and 3.4 of the Proposal.
The timetable should demonstrate an understanding of project dependencies;	See sections 3.3 and 3.4 of the Proposal
The timetable should have appropriate contingency plans in place.	See sections 3.3 and 3.4 of the Proposal

4 – Experience of proposer and proposed operator

Should demonstrate a proven track record of financial probity combined with practical experience of working in a regulatory environment,	See section 4 of the Proposal for details of the independent Administrator (Operator) See section 1 of the Proposal for details of the Proposer (JTA).
Should demonstrate a clear strategy for identifying and effectively mitigating risks arising as a result of any conflicts of interest	See sections 4 and 5 of the Proposal
Should demonstrate experience of setting up systems to allow data to be submitted and processed effectively	See section 4 of the Proposal
Should demonstrate experience of developing robust proposals for Government	See sections 1 and 4 of the Proposal

5 - IT systems

Proposals should demonstrate appropriate IT systems	See sections 3.3; 3.4 and 4 of the Proposal
Proposals should demonstrate appropriate IT backup systems	See section 4 of the Proposal
Proposals should demonstrate appropriate IT support	See section 4 of the Proposal

Appendix 6

Draft WEEE Compliance Fee Fund Application Form

Explanatory notes:

1. The WEEE Compliance Fee Fund arises from the 2013 WEEE Regulations and the decision of the BIS Secretary of State to introduce a Compliance Fee.
2. The Fund is available to support applications from Local Authorities for funding to support new projects that have the objective to increase collection, recycling or re-use rates in respect of household WEEE. Applications therefore must be from Local Authorities e.g. Waste Disposal Authorities (WDAs) or Waste Collection Authorities (WCAs).
3. BIS Guidance specifies that disbursements of funds should seek to encourage increased volumes of separately collected household WEEE; increased recycling in line with BATTRT requirements and legitimate re-use, so all applications need to reflect that. The BIS Guidance also requires that there is validation of disbursements from the Fund with regard to their intended use. Therefore applicants are required to submit a report to the Administrator of the Fund, within 2 months of the project being completed.
4. Applications can be made at any time after 1st May 2015 up to the closing date of 31st August 2015 i.e. a 4 month time-window. An independent Judging Panel will assess applications during September 2015 and the outcomes will be advised to the applicant.
5. Applications are to be submitted to the WEEE Compliance Fee Administrator, who will be the point of contact for applicants during the project/funding period.
6. The Application process has been designed to ensure that the administration burden of using it as light as possible whilst requiring the information required to meet the criteria set out in the BIS Guidance and to provide the Judging Panel with sufficient information to assess all applications in an effective way. If you have questions about the Application process please do contact the WEEE Compliance Fee team, see details below. They will be pleased to assist you.

Contact details for submitting Applications and for follow-up questions:

Applications can be submitted anytime after 1st May 2015 up to the closing date of 31 August 2015 to the secure email address xxxxxxxxxxxxxxxxx

Electronic applications are preferred but postal applications will be accepted to:

WEEE Compliance Fee team; Mazars LLP, 6th Floor, Times House, Throwley Way, Sutton, SM1 4JQ

Email enquiries to: xxxxxxxxxxxxxxxxx

Telephone enquiries to: xxxxxxxxxxxxxxxxx

SECTION 1: Declaration

I declare on behalf of my organisation that:

- The information given in this form and in any other documentation that supports this funding application is accurate to the best of my knowledge.
- In the event that this project funding is approved we will deliver the project as proposed and to the timescales outlined in this application or otherwise agreed with the Administrator.
- I agree that in the event that the project for which funding is granted does not proceed or the funding is not fully spent on the project by 30 September 2016 the funds advanced (or unspent balance) will be repaid by the organisation to the Fund.
- In the event that a report on the achievements of the project is not submitted to the Administrator within 2 months of the completion of the project any funds received can be liable for repayment.

- We will work positively with the Fund Administrator in agreeing timetables for the project, draw down of funds and post-reporting on the achievements of the project.
- The information supplied on this form plus other relevant information provided to the Administrator can be used to chart the success of the project.
- We will take all reasonable precautions to ensure that any funding received will not be misused or misappropriated in any way.

To be signed by the Director or Head of Service at the Lead Local Authority

Signed:	
Print Name:	
Position:	
Contact email address and phone number	
Date:	

SECTION 2: the applicant(s)

Lead Local Authority name:	
Authority type:	
Contact name for application	
Position:	
Address:	
Telephone no:	
Email:	

<p>List of partner organisations involved in the project; the role they have in the project and their contribution to the project in terms of resources and funding contribution.</p>	
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SECTION 3: about the PROJECT

Project title	
Project Outline Please give a brief outline of the project e.g. details on the type of household WEEE involved; whether the focus is on increasing collections, recycling or re-use rates or a combination of some or all of them; the activities that require funding, and the roles and responsibilities of the different partner organisations. Information can be provided as attachments for this section if it is more convenient.	
Geographic area/location covered by the proposal	
Project start date	
Project finish date	

Please provide a project timetable (as an attachment if more convenient)	
Please provide details of the overall funding of the project e.g. Funding from the Applicant organisation; Funding from the partner organisations involved; Funding sought from WEEE Compliance Fee Fund	
Please provide a breakdown of the project costs by main headings e.g. Capital investment in equipment, buildings Staff costs Costs of materials/resources Marketing costs	

SECTION 4: PROJECT outcomes

<p>Describe how the project will contribute to:</p> <ul style="list-style-type: none"> Increases in separately collected household WEEE Increases in recycling rate of separately collected WEEE to BATTTRT requirements Increases in legitimate re-use of separately collected WEEE <p>Please include clear measurable targets for each of the above that apply, to demonstrate the expected improvement arising from the project.</p>	
<p>Describe other benefits expected from the project in addition to those of increases in collection, recycling or re-use rates.</p> <p>Please include clear measurable targets for how such benefits will be measured in order to demonstrate the expected improvement arising.</p>	
<p>Other criteria</p> <ul style="list-style-type: none"> Demonstrate that the project is a new activity or a significant expansion of an existing activity. Please highlight aspects of innovation within the project and how they are expected to inform best practice local authorities. Explain how the benefits of the project will be sustained beyond the period of the WEEE Compliance Fee funding. Overall value for money of the proposal in achieving high collection levels compared with the funds required. 	