

From: Redacted
Sent: 05 February 2015 16:06
To: Redacted
Cc: Redacted
Subject: WEEE Compliance Fee feedback letter
Attachments: JTA Feedback letter.pdf

Dear Redacted

Please find attached formal notification of your success in the compliance fee evaluation along with feedback from the evaluation panel.

Best wishes

Redacted



Department
for Business
Innovation & Skills

Department for Business, Innovation
and Skills,

1 Victoria Street,

London, SW1H 0ET

Date: 5 February 2015

Dear Redacted

Re: Your proposal for a WEEE compliance fee.

Thank you for submitting your proposal for a WEEE compliance fee. We have evaluated all the proposals we received. On the basis of this evaluation, I am writing to advise you that on this occasion you have been successful.

We will be in touch again shortly to discuss implementation of your proposal for the 2014 compliance year.

I would also like to take this opportunity to thank you for the time and effort you have taken over the preparation and submission of your proposals. I hope you find the feedback below useful and it helps you to strengthen future proposals.

Yours sincerely

Redacted

Feedback

BIS measured each proposal against the published evaluation criteria and award a score for each of the five broad areas in line with the following descriptors:

0 - Unacceptable - Nil or inadequate response. Fails to demonstrate an ability to meet the requirement

1 - Poor - Response is partially relevant and poor. The response addresses some elements of the requirement but contains insufficient/limited detail or explanation to demonstrate how the requirement will be fulfilled

2 - Acceptable - Response is relevant and acceptable. The response demonstrates a broad understanding of the requirement but may lack details on how the requirement will be fulfilled in certain areas

3 - Good - Response is relevant and good. The response demonstrates a good understanding of the requirement and provides sufficient details on how the requirement will be fulfilled

4 - Excellent - Response is relevant and excellent overall. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirement and provides details of how the requirement will be met in full.

The mark for each question was multiplied by the relevant weighting and all weighted marks added together to give a final score. Out of a maximum score of 60 marks, your proposal scored 42.

1 - Proposed methodology for the calculation and administration of the fee.

Weighting 5 = 20 marks available

Your score (0-4) – 3

Your weighted score (x5) - 15

The panel felt that the use of weighted mean average cost data was an appropriate method for determining a base for the fee as it does not allow outliers to skew data. The panel agreed that it would be easier for PCSs to submit cost data as a mean average as opposed to a median and there would be less risk of error as PCSs would not have to undertake any calculation themselves, as opposed to establishing a median. A mean average can also be used to extrapolate more data.

The panel agreed that inclusion of an escalator would incentivise collections as the cost of the fee is above the mean average costs of those accessing the fee. The escalator also reflects the different economics of each of the WEEE streams.

The proposal sets out a clear argument for a zero fee for LDA. To impose a fee based on the formula proposed could have a significant and detrimental impact on any PCSs seeking to use the fee for LDA in circumstances in which they collect from high cost areas, creating potential unnecessary market uncertainty for local authorities in those areas.

The panel believes that to request data only from under-collectors is less burdensome and more practicable than requesting data from all PCSs. Some consultation responses were concerned that the fee would be calculated using only data from those schemes needing to use the fee rather than data from all schemes. However, combined with the stringent audit requirements the panel thinks this approach reduces the risk of the data being skewed by schemes with perverse incentives that do not need to access the fee.

The proposal sets out different options which have been developed by a respected independent firm of economic analysts. It sets out a clear appraisal framework by which they have assessed the options and have provided a clear economic justification in support of their preferred methodology.

The exclusion of overhead costs is a reasonable approach which makes the base fee cost reflective of actual / marginal costs associated with recycling extra tonnage necessary to achieve the target. Only costs that the WEEE Regulations impose on producers are included, which the panel believes is fair.

Some consultation respondents felt that the weighted mean cost would not reflect the cost of collection and treatment in remote areas and could lead to the compliance fee being cheaper than collection and treatment costs from these remote areas. BIS acknowledges this as a possibility. However, it has concerns that such costs for a relatively small tonnage could disproportionately skew the compliance fee. Additionally, any risk that PCSs could avoid collecting from such areas is addressed by regulation 34 which guarantees collection from all LA DCFs.

The rate of increase in the escalator becomes more extreme as the shortfall increases i.e. the marginal cost of under collection increases which ensures any PCSs that do not take steps to undertake collection and rely significantly on the fee will pay a higher cost per tonne. We believe this will encourage compliance through collection, as opposed to payment of the fee. The panel recognises that there may be exogenous factors whereby schemes cannot meet their targets despite taking reasonable steps to do so. This escalator, whilst encouraging physical collections, ensures PCSs won't be excessively penalised if this is the case.

The proposal would allow innovation by stimulating competition for efficient collection systems.

The proposal lacks information on Mazar's administrative costs on running the scheme. However it does include a clear contingency plan in the event of administrative costs being incurred for when the fee recovered does not cover the costs incurred. The proposal also states that a number of organisations were invited to pitch to take on the role. We are therefore reassured that a value for money offer has been received from Mazars

The PCS data/information template submitted should support accurate data submission and there is a clear process for verification by auditors. The audit process and the timescales for completing could be burdensome on some small PCSs. However, on balance it was considered that the advantage of a limited independent audit of data outweighed the costs incurred by those seeking to use the fee. It is only those that wish to access the fee that will incur those additional costs.

There is clear evidence of consultation with stakeholders and representative bodies of local authorities, although feedback from bodies in Northern Ireland suggests they had not been consulted.

2 - Proposed methodology for the dispersal of funds

Weighting 4 = 16 marks available

Your score (0-4) – 2

Your weighted score (x4) - 8

It was proposed that a respected accountancy firm would be responsible for the management of funds. This provided the panel with reassurance on the appropriate governance and management of the funds. The panel felt that the proposed system of disbursement was robust, detailed and involved discussion and input from local authority groups. However, the panel noted that the method of disbursement is more suited to when there is a substantial pot of money. The proposer's suggestion of discussions with the DTS to agree areas of standardisation of both bidding processes is welcome although the proposal did not clearly address the scenario in which only a very small amount of surplus is available following deduction of administrative costs.

Mazars were selected following a competitive bidding process which gave the panel reassurance that a value for money offer had been received, although the proposal would have benefited from much more detail on management costs for disbursing the funds and how this would impact on the amount of funding available for projects.

The proposed criteria that projects will be measured against build on the broad criteria set out in guidance and include a well-developed draft application form. The panel were reassured to see that LAs were consulted on its development and their comments are included in the proposal.

Some consultation respondents were concerned that this fund was a duplication of the DTS fund and could be administered in a more cost effective manner by combining the two streams. BIS acknowledges that there may be efficiencies to be gained through a combined management approach with the DTS scheme.

3 - Proposed timetable for implementation and operation

Weighting 3 = 12 marks available

Your score (0-4) – 3

Your weighted score (x3) - 9

The panel felt that the proposed timetable was realistic and achievable. This view was shared in many of the responses to the consultation. In particular the proposal sets out how administrative costs incurred will be recovered in the event that they cannot be recovered in full through compliance fee payments.

4 – Experience of proposer and proposed operator

Weighting 2 = 8 marks available

Your score (0-4) – 3

Your weighted score (x2) - 6

The proposal provided detailed information on Mazar's proven track record of financial probity and practical experience of working in a regulatory environment. The proposal also provided clear information on the steps taken to protect confidentiality via different management structures.

The proposal does not supply, in respect of the proposed operator, information or examples of experience on developing robust proposals for Government. Whilst we note the extensive background information provided, there is no evidence to suggest the administrator has a proven track record of developing robust proposals for Government.

The proposer has extensive experience and understanding of the UK WEEE Regulations. The panel did not envisage a conflict of interest arising from the JTAC involvement in managing the administrator given the strict proposals around non-disclosure of information. The panel welcomed that confidential data will be kept strictly to specific staff members at Mazars and the background information provided on Mazars indicates they have a good understanding and experience of managing and controlling confidential data.

5 - IT systems

Weighting 1 = 4 marks available

Your score (0-4) – 4

Your weighted score (x1) - 4

The panel felt that the information supplied in the proposal demonstrated clear steps to provide a robust IT system. The panel supported the use of an ISO control system to protect data. Many consultation respondents also felt the response to this question was robust.