Regulatory Policy Committee

Amendments to the producer responsibility regime

Department for Environment, Food and Rural Affairs

RPC rating: validated

The IA could be improved, as discussed in the quality of submission section below, but can now be considered fit for purpose as a result of the Department's response to the RPC's initial review. As first submitted, the IA was not fit for purpose.

Description of proposal

The proposal will streamline the requirements relating to the 'producer responsibility regimes' for packaging and batteries. The producer responsibility regimes require packaging and battery manufacturers to finance the recovery and recycling of packaging/batteries when they become waste. The regimes, however, include some administrative requirements that impose burdens on business but do not contribute to the objective of increasing levels of recycling or reducing negative externalities.

The proposal will:

- Enable the delegation of the signing-off of reporting and monitoring requirements to the most appropriate person; this will affect both regimes, albeit to different extents, as the current battery regime requirements are more onerous for senior staff.
- Remove the requirement to produce and update operational plans, affecting both the packaging and the battery regime.
- Remove independent audit requirements in the battery regime.
- Transfer responsibility, under the packaging regime, for approving new compliance schemes from the Government to the environment agencies.

Impacts of proposal

The Department uses data from the existing schemes to estimate the number of businesses that are expected, in future, to be subject to obligations under each scheme. The benefits to business discussed below are based on:

- 554 producers, five compliance schemes, and 29 treatment operators being in scope of the battery regime, and
- 6,906 producers (including 544 direct registrant producers), 46 compliance schemes, and 341 re-processors/exporters being in scope of the packaging regime.

Sign-off requirements

Enabling the delegation of sign-off requirements is expected to benefit producers and compliance schemes, by removing the opportunity cost associated with the use of senior manager and director time, in order to be briefed on, and to sign-off, the reporting and monitoring content. The IA presents estimated unit costs based on industry feedback and data from the Annual Survey of Hourly Earnings (ASHE) (including uprating for non-wage labour costs) and uses industry feedback to inform an estimate for the amount of time expected to be saved of:

- 10 hours of directors' time (at £27 per hour) and up to 24 hours of managers' time (at £22 per hour) for each business for the batteries regime; and
- One hour of directors' time (at £91 per hour) and 9 hours of managers' time (at £26.50 per hour) time for each business for the packaging regime.

The Department uses a central estimate of the hours saved to estimate that this element of the proposal will save around £2.4 million each year in the packaging regime, and £0.4 million each year in the batteries regime.

Operational plans

Removing the requirement for compliance schemes and direct registrants for the packaging regime to develop and update operational plans is expected to save senior managers between 12 – 36 hours for the batteries regime and 8 – 36 hours for the packaging regime. This is based on feedback from industry. Using ASHE data for senior managers (£22 per hour, including non-wage costs uprating), and estimates based on industry feedback for the average time, this element of the proposal is expected to save business around £0.3 million each year in the packaging regime, and £2,000 each year in the batteries regime. Removing the requirement for enforcement agencies to check these plans is expected to save agencies around £0.3 million each year.

Audit requirements

The proposal will mean that 29 treatment operators, under the batteries regime, are no longer required to prepare and pay for independent audits. Feedback from industry suggests that each audit costs between £5,000 and £30,000, including staff time (estimated to be roughly equivalent to the cost of the audit). Removing the requirement is, therefore, expected to save industry around £0.5 million each year.

Overall

The RPC is able to validate the estimated equivalent annual net cost to business (EANCB) of -£3.6 million.

Quality of submission

As initially submitted, the IA did not correctly account for the non-wage labour cost savings of the proposal (for example changes to businesses' national insurance contributions). Following the RPC's initial review, the IA now correctly assesses these benefits. This has increased the estimated benefit to business to £3.6 million each year, from £2.6 million.

The IA should, however, be amended to provide a clearer breakdown of how the figures are calculated, for example by including a single summary table of the number of businesses affected by each element, including central estimates as well as the ranges. By including in the IA the summary information provided in the 'EANCB calculator' (on the inputs page), readers would be more readily able to understand how the overall estimate is reached.

Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	- £2.6 million (initial estimate) - £3.6 million (final estimate)
Business net present value	£31 million
Societal net present value	£34 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated	- £3.6 million
Small and micro business assessment	Not required (deregulatory)

Michael Gibbons CBE, Chairman