

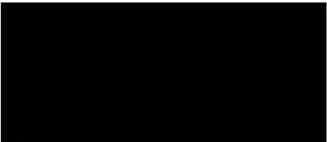


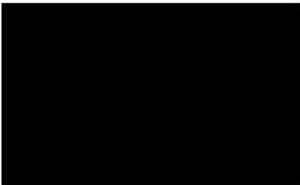
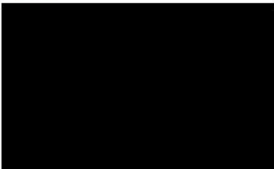
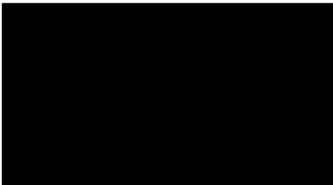
Defra Group Management Consultancy Framework: Project Engagement Letter

Completed forms and any queries should be directed to Defra Group Commercial at DgCConsultancy@Defra.gov.uk

Engagement details			
Engagement ref #	DPEL_61547_033		
Extension?	No	DPEL Ref.	DPEL_61547_033
Business Area	Collection & Packaging Reforms Programme, Resources and Waste Directorate		
Programme / Project	Deposit Return Scheme		
Senior Responsible Officer	[REDACTED]		
Supplier	Deloitte LLP		
Title	DMO Financial Response Assessment Support		
Short description	Carry out financial assessment of DMO application.		
Engagement start / end date	Proposed start date: 3 rd February 2025		Proposed end date: 30 th April 2025
Consultancy Spend approval reference	[REDACTED]		
Expected costs 23/24	£78,500		
Expected costs 24/25	n/a		
Dept. PO reference	To be confirmed		
Lot #	Lot 2		
Version #	1.0		

Approval of Project Engagement Letter

By signing and returning this cover note, Strategic Change Projects accepts the contents of this Project Engagement Letter as being the services required and agrees for Deloitte to provide the services in accordance with the agreed Supplier Proposal under the overarching contract (Lot 2 - Ref 28595), with Defra Group and confirms the availability of funding to support recharge for the services.

Signatures		
By Supplier	By Business Area	By Defra Group Commercial
By:  Signature	By:  Signature	By:  Signature
or and on behalf of Deloitte LLP 	For and on behalf of Business Area 	Defra Group Commercial 
06/02/2025	06/02/2025	06/02/2025
Supplier engages with Business Area to complete. Once agreed, Supplier signs front page and sends to Business Area	Business Area signs front page and sends to DgC	On approval, DgC signs and returns copy to Business Area and Supplier

Supplier contact: 

Business Area contact: 

1. Background

- The deposit management organisation (DMO) will be a private, industry-led, non-profit body. It will run the deposit return scheme on behalf of producers and retailers and will be responsible for collecting back material to ensure circularity.
- Although it is industry-led, government will make the appointment. This will involve the applicant for the DMO submitting information about the scheme to government, and government providing an assessment on whether it will effectively meet the requirements in the regulations.
- The DMO will be handling significant sums of money. This includes income from fees paid by drinks producers, sale of recycled material and income from deposits which aren't redeemed by consumers. It will also pay handling fees to retailers who collect the containers and fund the overall IT and logistics network needed to ensure that the captured material is recycled.
- More information is available here: Deposit Return Scheme for drinks containers: joint policy statement - GOV.UK (www.gov.uk)
- As part of a previous piece of work, Deloitte provided financial advice to test and assess financial projections and plans for the scheme, allowing Defra to provide the necessary assurance to ministers before making the appointment.

Defra requirement:

Defra now requires expert financial advice to assess the financial submission from the prospective DMO provider.

2. Statement of services

Scope

Objectives:

Using the previously established Defra financial framework for assessment, assess the suitability and viability of DMO proposals as part of the license award process.

Outcomes:

- Assessment of the financial criteria as per the tests set out in the Defra financial framework, the output from which Defra will incorporate into their own assessment and decision making when Defra assesses the DMO applicant for a license to run DRS services.
- Highlighted areas for further clarification and negotiation to be carried out by Defra with the DMO on financial issues.

Scope:

[Duration – 6 weeks]

Phase 1 – Financial Assessment:

Using the existing Financial Assessment Guidance Document designed as part of the Supplier's previous engagement with the DRS team, we will assess the DMO licence application. This will be based upon the Business Plan and Finance Plan responses.

Using the criteria and risk scoring methodology outlined in the Guidance Document, we will assess the response and highlight key risk factors to be considered as part of Defra's decision-making process for the approval of the DMO licence and highlight areas that Defra may wish to clarify or negotiate further with the applicant on financial issues.

The 6-week time period will allow for two rounds of Clarification Questions, with 5 working days for the DMO Applicant to respond and allow for any subsequent ad-hoc clarifications or queries from Defra as it concludes the assessment process.

Assumptions and dependencies

The following assumptions and dependencies have been identified to inform the Supplier's delivery of this engagement:


Assumptions:

- This work will be contracted under Lot 2 of our existing Advisory Framework.
- The Supplier will work remotely (including any workshop activity) and travel to Defra sites or Base Location (Marshall Street, London) will only be required on an occasional ad hoc basis.
- Defra and four nations personnel will be available as required (including for workshops and feedback sessions) and provide the necessary inputs to the work, particularly with regards to understanding the wider DMO Applicant Assessment approach.
- Final versions will require an acceptance email from the Defra lead client stakeholder upon delivery.
- Deliverables will be developed using Defra templates and branding and will not be Deloitte branded.
- The Supplier will act solely on behalf of Defra in carrying out this work and will not provide any service to third party project teams.
- The Supplier will not engage with DMO applicants directly: any dialogue or engagement will be undertaken by Defra staff.
- The Supplier will not provide any legal services or opinion as part of this DPEL.
- The Supplier will not create any new financial models as part of this activity.
- Our review of the DMO Applicant's Financial Templates will be limited to assessment of the reasonableness of the inputs and supporting assumptions. For clarity, we will not comment on logical integrity of the spreadsheet construction - this includes but is not limited to: formula accuracy; VBA or any other coding accuracy, or completeness. This work will be performed under the assumption that Defra will be ultimately responsible for the legal review, and approval of the DMO licencing application.
- Deloitte will not be responsible for ensuring ONS criteria are met, and Defra remains responsible for adhering to constraints regarding ONS classification that will drive the approach to the Financial Assessment of the applicant.
- Specific and separate tax advice will not be required beyond the execution of the assessment against tax criteria included in the Defra financial assessment framework created previously.
- The resource levels and fee presented for this work assumes:
 - A single DMO Application is received (if there is more than one application to assess this will require additional resource and funding and be handled through a change to this DPEL)
 - 2 x Clarification Question rounds and responses to the prospective DMO provider
 - A 1-week turnaround for Clarification Responses from the prospective DMO provider
 - Where there are material gaps in the prospective DMO provider's response, additional time required to conduct the Financial Assessment will be charged on a time and materials basis using the existing Defra Framework rate card (Defra Group Management Consultancy Framework – Lot 2).
- Phase 1 will be billed on a capped time and materials basis.
- Defra (the 'Buyer') has the right to take any complaint up with the Institute of Chartered Accountants in England and Wales (the "ICAEW"). The Buyer may obtain an explanation of the mechanisms that operate in respect of a complaint to the ICAEW at www.icaew.co.uk or by writing to the ICAEW, Professional Standards Office, Level 1, Metropolitan House, 321 Avebury Boulevard, Milton Keynes MK9 2FZ.
- In respect of the services to be provided by Supplier, the parties acknowledge and agree that the Buyer and Supplier are each a Controller for GDPR purposes.

- The Deliverables and other advice are for Buyer's exclusive use and provided for the purposes described in this Call-Off Contract. No person other than Buyer may rely on the Deliverables and/or information derived from them.
- The Services will be based on the information provided to Supplier, the circumstances existing at the time of preparation of the advice and Supplier's understanding of the relevant legislation, case law and practice as at the time of issue of the advice.
- The Buyer will promptly provide complete, accurate and up-to-date data and information relevant to the Services which the Supplier may rely on in order to deliver the Services, as reasonably requested by the Supplier.

Deliverables

The Supplier will deliver the following deliverables for this workstream:

Deliverable	Success Criteria	Milestone / Date (baseline)	Owner (who in the delivery team?)
<u>Phase 1 – Financial Assessment:</u> A short MS PowerPoint report in Defra-branding summarising: <ul style="list-style-type: none">• The outcome of the assessment using the Financial Assessment Guidance Document;• Conclusions on key areas of financial risk in the model as well as scoring using the assessment criteria; and• Commentary against each category of assessment and high-level lines of questioning.• Highlighted areas that Defra may wish to clarify or negotiate further with the Applicant on financial issues.	Sign-off by DRS programme team	Week 6	

Note: All Milestone dates are baseline planning dates and may change (upon written agreement from the contract lead)

Limitations on scope and change control.

Unless instructions to the Supplier are later amended in writing, the work undertaken will be restricted to that set out above. In providing the services detailed above, the Supplier will be acting in reliance on information provided by the Business Area.

The Project Engagement Letter is the agreed contract of work between the Defra Group Business Area and the Supplier and can be varied under the change control process. Any changes to timescales, scope and costs will require approval by DgC.

3. Delivery team

Provide details of the agreed team members including their roles and responsibilities during the project.

[illegible]

Total resource	45.0 / 30.0
<u>Total days*</u>	
Engagement Length**	1.50
*Total days worked across all resources	
**Total working days in engagement	

Business Area's team

Name	Role	Contact details

4. Fees

Defra Group shall pay the Supplier for approved work completed. The total fees for the scope of work detailed in this Engagement Letter will total £78,500, inclusive of expenses and excluding VAT, with any additional work related to material gaps in the DMO application to be agreed and approved by Defra in advance and to be charged on a time and materials basis.

Provide costs for any particular stages of the engagement.

Stage	Estimated Cost (£)	Estimated Invoicing
Assessment		
Assessment of DMO application	£78,500	14/03/2025
Expenses		
n/a	n/a	
Grand total	£78,500	

The budget allocation is a maximum expected cap to deliver the outputs and should not be taken as a commitment for this full amount to be used over the course of the engagement.

Expenses statement

Defra Group overarching contract rates include expenses for any travel to/from any UK location defined by the Business Area as the base office for the work. Only expenses for travel at the Business Area's request from this base can be charged. If appropriate, define permissible expenses to be charged.

Payment

The Supplier should invoice fees as each phase is completed. Defra Group will reimburse fees monthly on confirmation of approval of work delivered by the Business Area. The Supplier will keep an accurate record of time spent by staff in providing the services and provide this information and supporting narrative, if requested.

5. Governance and reporting

As part of the Call-Off Contract, the Supplier agrees to provide reporting on the following:

- Completion of the time tracker on a monthly basis, to track days worked by the Suppliers/consultants.
- Forward look of upcoming deliverables, forecast effort and overall costs on a fortnightly basis. This will be used by the Business Area and the Supplier to come to an agreement on the deliverables, forecast effort and costs over the fortnight.
- The Supplier will notify the Defra team if any conflict of interest emerges and explain how this will be managed.

Feedback and satisfaction

Defra Group reserves the right to hold review meetings during the assignment, discussing what went well, opportunities for improvement on future assignments and similar. This will incorporate any 'Show and Tell' documentation or transferable products that have been produced.

A post-engagement quality review of the engagement will be arranged where the Business Area rates the services provided.

Non-disclosure agreements

No additional NDAs required.

6. Exit management

The agreed actions and deliverables by the Supplier for when the contract ends are as follows:

None other than the provision of the deliverables listed above
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Notice period.

The nature of these engagements require that Defra Group have the ability to terminate an engagement with notice. Defra Group's termination rights for this engagement are marked below.

The minimum notice period for termination is 5 working days regardless of engagement duration.

