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Sir Geoffrey Clifton-Brown MP
Chair of the Public Accounts Committee
House of Commons
Palace of Westminster
Westminster
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By Email

8 July 2025

From David Hill

Interim Permanent Secretary

Response to correspondence from the Chair of the Public Accounts Committee

Dear Chair,

Thank you for your letter of 12 June. Dame Tamara Finkelstein departed the Civil Service at the end of June 2025 and I have been confirmed as the Interim Permanent Secretary and Accounting Officer for the Department for Environment, Food & Rural Affairs.

This letter responds to your questions regarding concerns raised by the British Beer and Pub Association about the fees, value for money and impact on industry associated with Defra's Collection and Packaging reforms.

1. **An update on the current status of the reforms, including the remaining timetable and whether the programme is on track.**

The Collection and Packaging reforms programme continues to make progress towards deliverables with multiple Statutory Instruments laid in Parliament. While delivery remains complex, the National Infrastructure and Service Transformation Authority (NISTA) recently reviewed and rated the programme as Amber, which reflects the significant progress the programme has made and underscores the programme's ability and capability to deliver the reforms.

A UK wide Extended Producer Responsibility (pEPR) Scheme for packaging in the UK is on track for implementation by 31 October 2025. Regulations came into effect on 1 January 2025, PackUK, the Scheme Administrator, has been appointed, and producers have started to accrue scheme costs from 1 April 2025. First payments for packaging will be made to local authorities by November 2025.

Regulations confirming final policy positions on Simpler Recycling in England were made on 10 February 2025. Obligations came into effect on 31 March 2025, requiring workplaces with 10 or more full-time equivalent employees (businesses and relevant non-domestic premises) in England to make arrangements for the collection of the core recyclable waste streams, with the exception of garden waste.

By 31 March 2026, all local authorities must collect core recyclable waste streams from all households in England. Kerbside plastic film collections from workplaces and households will also be introduced by 31 March 2027.

A Deposit Return Scheme (DRS) for drinks containers is on track for implementation by 1 October 2027. Regulations for England and Northern Ireland came into force in January 2025 enabling the appointment of UK Deposit Management Organisation Ltd (UK DMO) to operate the scheme. The decision made by the UK Government and the Department of Agriculture, Environment and Rural Affairs (DAERA) in May 2025 confirmed UK DMO as the scheme administrator of the Deposit Return Scheme across England and Northern Ireland. In Scotland, Scottish Ministers designated UK DMO as the DRS scheme administrator on 19th June 2025, following approval by the Scottish Parliament.

Digital Waste Tracking has been working through a project reset that includes evaluation and assurance of the best pathway to successful delivery and implementation of the service. Digital capability for Waste Tracking is expected to be in place from April 2026.

The programme will continue to review the planned schedule and escalate any decisions required around meeting or changing key milestones via the appropriate escalation routes.

Annex A to this letter contains the programme's public facing roadmap.

2. **On what basis Defra has set the fees that businesses will be liable for under pEPR.**

Base fees are designed to reflect the net waste management costs to local authorities, with future fee modulation designed to address the recyclability of materials. This has been the stated policy intent since March 2022 and the subject of two public consultations under the previous administration. Producer fees for packaging are calculated in £ per tonne of household packaging placed on the market. Defra and PackUK have engaged extensively with waste management experts and the packaging industry across all materials, to ensure that the modelling of local authority costs underpinning the pEPR scheme fairly reflects the on-the-ground reality of waste management operations. As a result, even though packaging weight is generally a key driver of waste management costs in the model, estimated packaging volume, rather than packaging weight, is used to calculate kerbside dry recycling collections costs, to best reflect practical limitations with waste collection systems. This is especially important for heavier materials, which would otherwise incur higher base fees under a modelling of costs solely based on weight.

3. **Defra's latest impact assessment setting out the forecast costs and benefits of pEPR, including both the estimated costs to industry and expected increase in recycling and reduction of waste.**

In October 2024, the Government published an updated impact assessment for the introduction of pEPR, which includes an assessment of the impact of introducing the pEPR scheme on Local Authorities at an aggregate level, costs to industry and the expected increases in recycling/associated reduction in residual waste. This impact assessment estimates that the cost to business through the pEPR packaging fees will be around £11bn over the 10-year appraisal, largely offset by the shift of responsibility of payment for the related benefit to Local Authorities, though there are some data reporting and scheme administrator costs assumed. Packaging recycling rates through the implementation of pEPR are expected to increase by 2%. These environmental gains are expected to save 1 million tonnes of CO_2e emissions. The expected introduction of mandatory recyclability labelling will seek to increase recycling rates further and thus could add to these environmental gains in future years.

4. **Any estimate Defra has made of the additional costs that will hit brewers, pubs and the wider hospitality sector for the first five years of pEPR's implementation.**

The Impact Assessment did not specifically estimate the costs for brewers, pubs and the wider hospitality sector although throughout development of pEPR , the Government has worked closely with industry, including these sectorsbrewing and hospitality sector. This is a major reform that will be iterated over several years to incentivise packaging producers to reduce their material footprint and use more sustainable packaging. Since Autumn 2024, the Government has been working with stakeholders, including representatives of the brewing and hospitality sector, to consider how any potential additional costs may be mitigated.

One of these mitigations being the proposed is the further amendment to the definition of household packaging. We are continuing to explore options with Devolved Administrations, regulators and packaging producers on how to bring in improvements as quickly as possible. We recognise the strength of feeling from industry but also the need for a system that can be effectively monitored and enforced, given the impact on the pEPR fees for the packaging remaining in scope of fees.

5. **An explanation of what Defra has done to consult with the brewing and pub sectors to understand and reflect their particular circumstances.**

pEPR and DRS for drinks containers has been subject to extensive testing with business across the value chain, including representatives from brewing and pub sector. For pEPR this has included public consultation in 2019 and 2021, followed by consultation on draft regulations in 2023. In addition, the near final set of regulations were also published as part of the notification to the World Trade Organisation and European Union in May 2024.

Minister Creagh met with British Glass in person on 21 October 2024, and again during the Reuse Glass Roundtable hosted by the British Beer & Pub Association on 14 January. On 11 February, Minister Creagh and Minister Jones — Minister of State at both the Department for Energy Security and Net Zero and the Department for Business and Trade — held a joint meeting with British Glass to discuss the sector's concerns in greater detail. Additionally, the

British Beer and Pub Association, Asahi, and AB Inbev attended industry engagement sessions on the fees for Aluminium, Glass and Steel in December. The implementation of pEPR has been overseen by a Steering Group, a cross section of sectors affected by the reforms, this group including a representative from the British Beer and Pub Association. The Steering Group has provided value oversight and input into the detailed design and implementation of the scheme.

For DRS, the brewing and pub sectors have been extensively engaged during the development of DRS policy and legislation. Like pEPR, this included public consultations in 2019 and 2021, with close consultation on the draft DRS regulations in 2023 and 2024. Key trade associations have also been involved in the DRS working groups between 2023 and 2024; the British Beer and Pub Association were Industry Champions of the DRS Hospitality working group, whilst the Society of Independent Brewers and Associates (SIBA) and the Wine and Spirits Trade Association (WSTA) acted as Industry Champions for the Small Producers working group. Working groups discussed and developed potential solutions to sector-specific challenges.

Moving forward, UK DMO has strong representation of the brewing sector within its membership, including companies such as Carlsberg Marston's Brewing Company Limited, Heineken UK Limited, and Molson Coors Brewing Company Limited. Whilst the British Beer and Pub Association are involved through UK DMO's industry advisory group.

6. **Defra's assessment of the implications of the OBR's categorisation of pEPR as a tax on production.**

The Office for National Statistics (ONS) is the body responsible for classifying tax status of policy measures such as pEPR, while the Office of Budgetary Responsibility (OBR) determines how they are treated in fiscal forecasts. In earlier fiscal events OBR have treated pEPR fees as an adjustment to departmental budgets as "there was previously not enough detail on the fees for this to be reflected as a tax in our receipts forecast".

The OBR determination is a technical classification that has no effect on pEPR policy. This technical classification does not affect the distribution of revenue to local authorities. Revenue from pEPR will be distributed directly by PackUK, the scheme administrator, to local authorities. It will not be diverted to the Treasury or central government finances

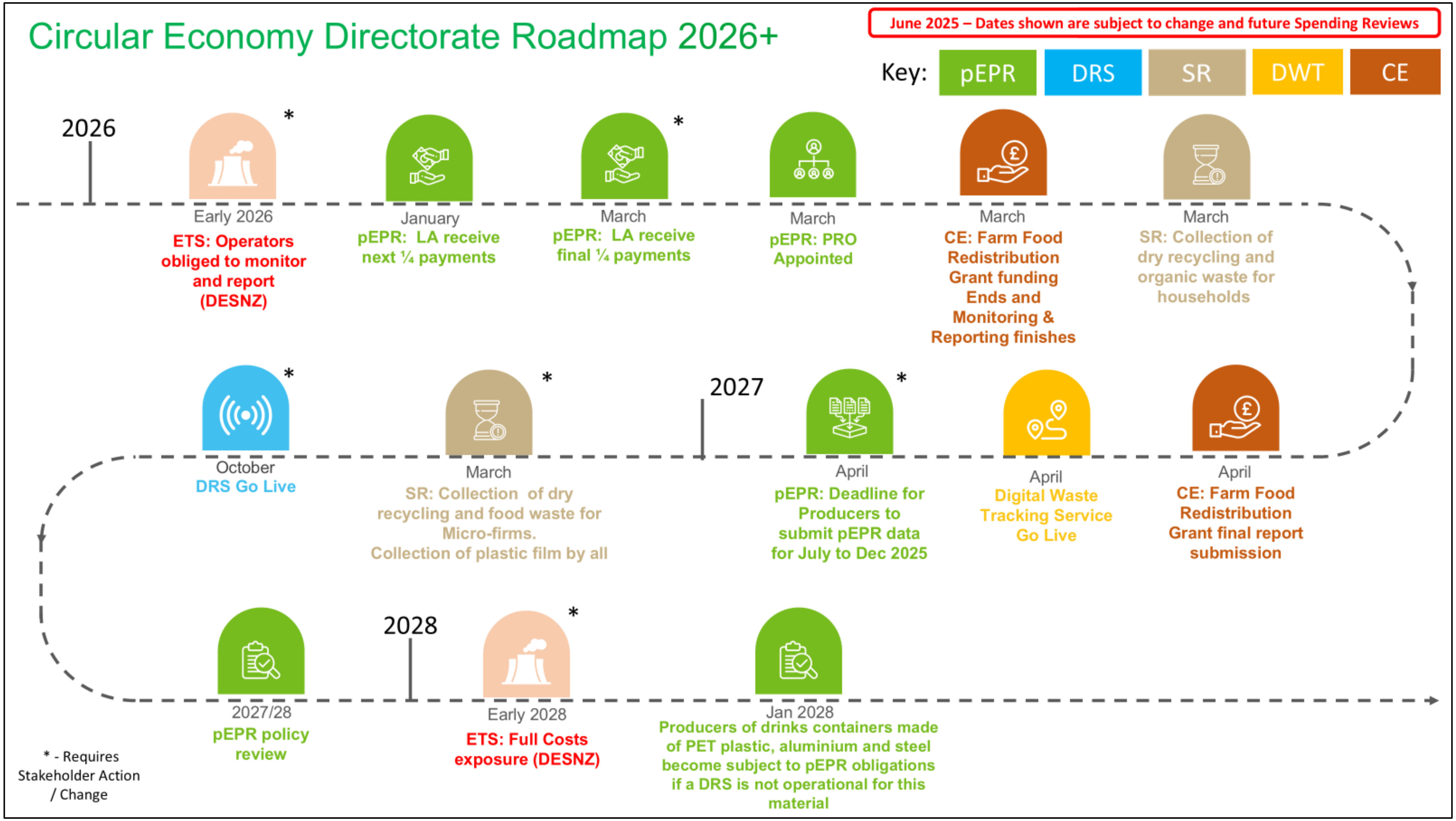
I hope this information is helpful.

David Hill

DAVID HILL

Annex A

Circular Economy roadmap


Circular Economy Directorate Roadmap 2026+
June 2025 – Dates shown are subject to change and future Spending Reviews
Key:
pEPR
DRS
SR
DWT
CE
2026
*
Early 2026
ETS: Operators obliged to monitor and report (DESNZ)
January
pEPR: LA receive next ¼ payments
*
March
pEPR: LA receive final ¼ payments
March
pEPR: PRO Appointed
March
CE: Farm Food Redistribution Grant funding Ends and Monitoring & Reporting finishes
March
SR: Collection of dry recycling and organic waste for households
*
October
DRS Go Live
*
March
SR: Collection of dry recycling and food waste for Micro-firms.
Collection of plastic film by all
2027
*
April
pEPR: Deadline for Producers to submit pEPR data for July to Dec 2025
April
Digital Waste Tracking Service Go Live
April
CE: Farm Food Redistribution Grant final report submission
2027/28
pEPR policy review
2028
*
Early 2028
ETS: Full Costs exposure (DESNZ)
Jan 2028
Producers of drinks containers made of PET plastic, aluminium and steel become subject to pEPR obligations if a DRS is not operational for this material
* - Requires Stakeholder Action / Change