
Report To:	Environment & Regeneration Committee	Date:	16 January 2020
Report By:	Corporate Director Environment, Regeneration & Resources	Report No:	ENV002/20/SA/KL
Contact Officer:	Kenny Lang	Contact No:	01475 715906
Subject:	Scottish Government Deposit and Return Scheme (DRS)		

1.0 PURPOSE

- 1.1 The purpose of the report is to advise the Committee in respect of the Scottish Government's proposed design for Scotland's new Deposit Return Scheme (DRS)

2.0 SUMMARY

- 2.1 The Cabinet Secretary announced the planned Deposit and Return Scheme (DRS) in May 2019. The scheme will include aluminium and steel cans, as well as drinks containers made of glass and Polyethylene terephthalate (PET) plastic. Each container will be subject to a refundable deposit of 20p on its return to any retailer selling drinks. Plastic milk bottles and non PET plastics are excluded from the DRS.
- 2.2 The DRS scheme is intended to remove around 1.5 billion containers from the waste stream annually by year 3 of the scheme. This equates to approximately 85-90% of the target drinks containers in circulation.
- 2.3 The Deposit Return Scheme Implementation Advisory Group is providing detailed guidance on how the scheme will work between producers, retailers and consumers along with the food and drink industry.
- 2.4 Staff from Zero Waste Scotland have met with Council officers to discuss the scheme, its operation and any impact arising. Draft regulations have also been prepared and consultation responses prepared on behalf of Local Authorities by COSLA and SOLACE have been completed. High level responses to the scheme have also been received from ALFED, the UK aluminium trade association, and British Glass.
- 2.5 The Scottish Government is currently reviewing consultation and, subject to ongoing discussions with trade associations and stakeholders, intends to implement The Deposit and Return Scheme for Scotland Regulations 2020 by 1 April 2021.

3.0 RECOMMENDATIONS

- 3.1 That the Committee notes the current position in respect of the Scottish Government's Deposit Return Scheme.
- 3.2 That it be remitted to Officers to keep the Committee apprised of relevant developments in the implementation of the Deposit Return Scheme and potential impacts on Inverclyde Council.

Martin McNab
Head of Environmental & Public Protection
Environment, Regeneration & Resources

4.0 BACKGROUND

- 4.1 In accordance with the Scottish Government's aims to promote and secure an increase in recycling of materials and the commitment to create a more circular economy to benefit the economy and the environment, the Scottish Government has proposed a Deposit Return Scheme (DRS). This scheme forms part of the Scottish Government's response to the global climate concerns.
- 4.2 The scheme is aimed at recovering around 85-90% of aluminium, steel cans, glass drinks containers and those drinks containers made from Polyethylene terephthalate (PET) plastic in year 3 of the scheme. According to Scottish Government research approximately 1.5 billion containers of these types are in circulation in Scotland. Based on population levels this would equate to 21.6 million containers.
- 4.3 The Scottish Government has undertaken a high level financial case which puts the operational costs at £75m. The costs of this would be met through:

	%	Value (£m)
Unredeemed deposits	42	£31.5
Sale of material	26	£19.5
Producers	32	£24.0

There would also be a further upfront capital investment estimated at £28m to be met by producers.

- 4.4 The government consultation has been held and feedback from local authorities presented through COSLA and SOLACE. Responses through industry trade associations have been made and publicised widely. Both ALFED and British Glass have been critical of the scheme citing scheme costs, increased cost to consumers and alternative methods of delivery.
- 4.5 The scheme is designed to be phased over 3 years from 1 January 2022. It is anticipated that there will be phased collections of target material of 70% in 2022, 80% in 2023 and 90% in 2024.

5.0 DRS – SCHEME AIMS AND OPERATION

- 5.1 The DRS scheme is based on keeping high value materials within the Scottish Economy while reducing material going to landfill and increasing recycling rates. The high level delivery targets are:

- increase the quantity of target materials captured for recycling;
- improve the quality of material captured, to allow for higher value recycling;
- encourage wider behaviour change in the use of materials;
- deliver maximum economic and societal benefit for Scotland.

The Scottish Government expects the introduction of a DRS to bring the following benefits:

- Creation of economic and employment opportunities in recycling and reprocessing infrastructure and at local drop-off points;
- Increase the national recycling rate through the capture of additional materials;
- A reduction in litter caused by drink related materials;
- Acting as a driver to change public behaviour around consumption;
- Avoiding disposal of beverage containers that would have gone to residual waste.

- 5.2 Consumers will pay upfront for the deposit to be redeemed on return. While this would incentivise the return of target materials some concerns have been raised that this increases costs to those households on low incomes initially when taking into consideration the anticipated 42% non return of containers. On the basis that the levy will be the same for one 330ml aluminium drinks can as it will for a 2 litre plastic PET bottle there has been speculation that this will see an increase in plastics and the consumption of drinks. For example 6 drinks cans containing 330ml each will cost

£1.20 more compared to £0.20 for a 2 litre plastic bottle.

- 5.3 The regulations allow producers to appoint a Scheme Administrator to meet the DRS obligations on their behalf, subject to approval by the Scottish Ministers. Retailers will be required to operate a return point at premises from which sales of scheme products are made. Some retailers may be exempt from acting as a return point and may approve other persons to act as a return point.
- 5.4 Businesses that sell drinks to be opened and consumed on-site, such as pubs and restaurants, will have the choice as to whether to charge the deposit to the public and will only be required to return the containers they sell on their own premises. Online retailers will be included in the scheme.
- 5.5 Larger retailers with more space may install machines to collect bottles and cans and to enable people to redeem deposits. Smaller retailers with less space have the option to return deposits over the counter, collecting the containers manually.
- 5.6 The draft regulations clarify that the proposed enforcement authority is the Scottish Environment Protection Agency (SEPA), and that producers of in-scope DRS items (“scheme article”) must register with SEPA. It is proposed that a separate instrument be brought forward to include specified offences in relation to the DRS.

6.0 POTENTIAL IMPACTS

- 6.1 Although there are benefits from the introduction of the DRS, there are also concerns regarding the impact the scheme will have on local authorities and the overall provision of waste and recycling services.
- 6.2 The DRS could adversely affect Inverclyde through the loss of material deposited at the MRF which is collected by our current contractor. The contractor sells this material and offsets costs accordingly through a reduction in our gate fee. A reduced income stream to potential contractors could therefore adversely impact on our recycling costs in future. A further impact is that the remaining material will effectively contain more “contaminated waste” as the volumes of high quality recyclate is removed. If the loss of valuable material and increased contamination is sufficiently high it may make our material unmarketable to prospective bidders.
- 6.3 Conversely the removal of material which may not be currently recycled and which is ending up in the residual waste stream would have a positive financial benefit as we would no longer be paying for this material to be disposed of.
- 6.4 A further impact for all authorities would be that all councils would see a reduction in their recycling rates overall. The Zero Waste Plan identifies a 60% household recycling rate by 2020 and 70% of all wastes by 2025. This will require a fundamental review on the calculation of national targets and how councils can contribute to meeting them. While overall a higher level of recycling is likely, there needs to be a robust methodology to capture material effectively lost from council recycling collections.
- 6.5 These operational considerations could lead to the restructuring and redesign of our current refuse collections routes. Until the scheme is under way it is impossible to accurately assess the changes in our waste volumes and impacts on service. It is highly unlikely however that any significant changes would be made prior to 2023/24 to ensure that the DRS is embedded and delivering as predicted by the Scottish Government.
- 6.6 There are concerns regarding the implementation timescales and potential impacts that the DRS may bring. The UK government is looking at a wider reform of the extended producer responsibility scheme and the development of a UK wide DRS which would allow a more consistent approach.

7.0 DRS – ZERO WASTE SCOTLAND IMPACT MODEL

7.1 Zero Waste Scotland (ZWS) is providing support to Local Authorities to quantify the potential impacts of a national Deposit Return Scheme. An impact assessment model has been produced which aims to assist in identifying anticipated financial and tonnage impacts of the DRS on existing services.

7.2 Officers have met with colleagues from ZWS and identified that the model does not take into account:

- Resources and costs in the operation of Household Waste Recycling Centres (HWRCs), or neighbourhood recycling points.
- Benefits arising from potential collection service optimisation.
- Any losses from commercial waste service reduction.

7.3

Zero Waste Scotland plan to collate the nationwide impact to inform future local authority support needs between now and the launch of the DRS. Officers have been advised that future support is likely to be prioritised, taking account of impact of DRS, any proposed service changes, vehicle replacement timescales and contract end dates.

7.4

Zero Waste Scotland advised that in parallel with support around the DRS, it will commence the review of the Household Recycling Charter and Code of Practice (CoP). This will go along with updated communication material supporting local authority efforts to reduce contamination in kerbside services.

7.5

A number of Waste Managers who have met with ZWS already have expressed concerns regarding the accuracy of the figures obtained from the ZWS modelling, due to the limitations of the model used, and the reliance on the limited waste composition information that is available for the affected waste streams.

There are several risks associated with the assumptions used in the ZWS model:

- DRS system material capture rates (90% in year 1);
- Feasibility of delivery time scales and potential implementation delays;
- Sensitivity around market prices for recyclate (based on current gate fees);
- Gate fees for residual waste disposal (impact of annual indexation);
- Availability of recent waste composition information for the affected waste streams.

7.6 Due to the limitations of the ZWS impact model, and the lack of robust waste composition data critical to the modelling, further work will be required by councils to identify the implications from the DRS. Officers will continue to engage with ZWS during the implementation process.

8.0 FINANCE

8.1 The full impact of the changes in the DRS scheme will not be known until the scheme is underway in 2022. Initial findings would indicate that there could be scope savings however these are predicated on the model as it operates now and reliant on service change and funding all of which are subject to change and committee approval.

8.2 One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments

8.3 Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

9.0 CONSULTATION

9.1 Legal

The Deposit and Return Scheme for Scotland Regulations 2020 are proposed to be implemented on 1st April 2021. The Head of Legal and Property Services has been consulted.

9.2 Human Resources

There are no direct staffing implications in respect of the report and as such the Head of Organisational Development, HR and Communications has not been consulted.

9.3 Equalities

(a) There are no equalities implications in this report.

	YES
X	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
X	NO

9.4 Repopulation

The delivery of the projects identified in this report will assist in making Inverclyde a more attractive place to live and hence contribute to the Council's repopulation agenda.

10.0 LIST OF BACKGROUND PAPERS

10.1 None.