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Edward Mountain MSP
Net Zero, Energy and Transport Committee
Convener
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EDINBURGH
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9 June 2023

Dear Edward

Thank you for the invitation to give evidence regarding DRS at Committee on 13 June which I accept.

My letter to you of 7 June updated you on the situation we have been put in by the UK Government not granting a full exclusion for Scotland's DRS from the Internal Market Act. This led to me announcing on 7 June a further delay in launching our DRS to 2025 at the earliest, reflecting the UK Government stated intentions for its own potential start date.

I indicated in that letter that I would revisit the passage of the DRS amendment Regulations laid on 17 May. Having done so it is my intention that the DRS amendment Regulations go through the full Parliamentary process. These amendments contain the package of changes which reflect feedback from industry partners, and also, crucially, without these amendment Regulations, Scotland's DRS would still go live on 16 August this year.

I recognise that, in the meantime, the effect of these amendment Regulations is that the coming into force date of DRS is the date of 1 March 2024. That of course, is simply a short-term interim position. I will bring forward subsequent amendment regulations to change the date to 2025, as I set out on 7 June to Parliament. There is not sufficient time, in line with Parliamentary procedures, to conclude that process in the current Parliamentary term but I will aim to begin that process during this term (ie before the end of June) so that the amendment regulations to reset the date to 2025 are set out.

I appreciate that this means the Committee will consider two sets of regulations: one set to complete the passage of regulations already laid; and a second to change the date to 2025. Indeed, as it stands, we will have to bring further amendments to reflect discussions with the UKG on interoperability. But that is the process which the IMA decision has left us with.

I acknowledge the outstanding commitment to share with Committee our response to the March Gateway Review. Given the decision by the current UK Government to exclude glass,

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as it stands, and to set out several interoperability conditions, the pathway on which we are now embarked is very different from the context in which the Gateway Review was carried out; and, indeed very different from that in which we sought to frame our response to the Review. Given the very clear call from all stakeholders for certainty, I believe it is important to make sure that our response to the Review best reflects the position we are now in. I will ensure this is provided to Committee before Parliamentary recess.

I look forward to engaging with the Committee on 13 June in its scrutiny of the draft Amendment Regulations.

Kind regards

LORNA SLATER

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Accredited
Until 2020



A Deposit Return Scheme for Scotland

Final Equality Impact Assessment



Updated
May 2023

Description of policy

Title of policy/ strategy/ legislation	Design of a deposit return scheme for single-use drinks containers
Minister	Lorna Slater, MSP, Minister for Green Skills, Circular Economy and Biodiversity
Lead official	David McPhee, Deputy Director, Deposit Return Scheme
Directorate	Deposit Return Scheme Directorate
New policy and/or legislation	The Deposit and Return Scheme for Scotland Amendment Regulations 2023 Following The Deposit and Return Scheme for Scotland Regulations 2020 and The Deposit and Return Scheme for Scotland Amendment Regulations 2022.

Stage 1: Framing & background

Undertaking an equality impact assessment is an iterative process which has been conducted throughout the planning of Scotland's Deposit Return Scheme (DRS). This final equality impact assessment is the third one to have been published as part of this process and builds on the previously published interim and full assessments.

An **interim** equality impact assessment (EQIA) was published¹ as part of the Scottish Government's public consultation on the design of a DRS for single-use drinks containers which took place between 27 June and 25 September 2018. The interim EQIA provided preliminary and indicative insight into the risk of unintended equality impacts as a result of introducing DRS.

A **full** EQIA was published² in July 2019 as part of the launch of the preferred design for DRS. The full EQIA focused on some of the potential issues identified in the interim EQIA and considered what mitigations could be put in place to reduce these.

A **final** EQIA was published alongside the Deposit and Return Scheme for Scotland Regulations 2020.

Both the full and final EQIA documents have been updated alongside The Deposit and Return Scheme for Scotland Amendment Regulations 2023, to reflect the assessment of impacts of the Deposit and Return Scheme for Scotland Amendment Regulations 2023 on those with protected characteristics. This document should therefore be read in conjunction with the updated full EQIA, as well as the previous EQIA publications, as together they constitute the complete EQIA for DRS in Scotland.

¹ [Deposit Return Scheme Interim Equality Impact Assessment](#)

² [Deposit Return Scheme Full Equality Impact Assessment](#)

Policy aim

Scottish Ministers are introducing a Deposit Return Scheme for single-use drinks containers. This forms part of the Scottish Government's response to the global climate emergency by ensuring the targeted materials are collected in larger quantities and separately to other materials, making them easier to recycle.

The scheme design enables consumers to take single-use drinks containers back and redeem a 20p deposit from retailers selling drinks covered by the scheme as well as additional return points.

Businesses that sell drinks to be opened and consumed onsite, such as pubs and restaurants, do not have to charge the deposit to the public and will only be required to return the containers they sell on their own premises.

Retailers can choose to install reverse vending machines (RVMs) to collect the bottles and cans and return deposits. Alternatively, they will have the option to return deposits over the counter, collecting the containers manually.

Where less than 10% of in-scope containers sold by retailers are for off-site consumption, they will not be required to act as a Return Point, though they may choose to do so voluntarily.

The scheme will include drinks containers made of PET plastic (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium, steel and glass. Containers under 100ml and over three litres capacity will be exempt from requirements.

Scotland's DRS will target a return rate of 90%. This is significantly higher than the current capture rates for the materials that are in scope of the scheme.

Having a deposit level that provides a sufficient incentive to return containers, together with provision of high coverage of return points, means that this target is ambitious but achievable. This target has been written into legislation for the scheme to deliver.

Summary of Deposit Return Scheme for Scotland Regulations and Amendments

The Scottish Government announced the design of DRS on 8 May 2019 and published draft Regulations on 10 September 2019 which subsequently came into force in May 2020 as The Deposit and Return Scheme for Scotland Regulations 2020 ("the original 2020 Regulations"). The Deposit and Return Scheme for Scotland Amendment Regulations 2022 came into force in February 2022 and amended the implementation date of the scheme to 16 August 2023. The scheme design and Regulations were informed by extensive public consultation, international best practice and engagement with a broad range of stakeholders.

The Deposit and Return Scheme for Scotland Amendment Regulations 2023 ("the

2023 Regulations”) were laid in Parliament on 17th May 2023 to delay the implementation date from 16 August 2023 to 1 March 2024 and to simplify the scope of the DRS. This is in response to an independent Gateway Review, an internal review of scheme readiness, and wider stakeholder concerns, as well as a result of the uncertainty caused by the UK Government delaying the decision to exclude the scheme from the UK Internal Market Act 2020.

The main amendments made by this instrument are set out below. In addition, this instrument also makes a small number of other minor amendments to the original Regulations and makes transitional provisions in relation to producers who have already been registered by SEPA or applied to be registered.

A summary of amendments is provided below:

1. **Amended takeback obligation.** A take-back service must be provided by large grocery retailers who sell scheme articles by means of distance retail sale. This service must be provided to customers who state to the large retailer that they are aged 66 and over or have a disability. This means that those customers who are more likely to be dependent on grocery deliveries, or for any reason are unable to travel to shops, will be able to redeem deposits paid on containers. The obligation specifies that takeback is free of charge and is funded by an online retail handling fee. However, large retailers can charge a further ‘collection’ deposit to be returned upon collection of a minimum number of containers. The obligation is triggered by the sale of a scheme article by a large retailer by means of distance retail sale and consumers aged 66 and over or with a disability will be able to return a ‘reasonable’ number of containers, no matter where they were purchased, provided that they request the takeback within 6 months from the date of purchase. A ‘reasonable’ number is no less than 21 and the maximum amount must take into account the method of storage or collection used by the large retailer. Any retailer can voluntarily provide a takeback service and, if doing so, will be bound by the same obligations.

No significant impacts are expected on those with protected characteristics of age or disability due to the requirement placed on large retailers to provide a takeback service from the start of DRS for those aged 66 and over or with a disability. Relevant updates to potential impact on protected characteristics set out in this amended final EQIA.

2. **Low volume drink products (under 5000 unit sales p.a.) to be excluded from requiring a deposit.** No anticipated differential impacts as a result of this change and therefore no amendment to the EQIA is required.
3. **Minimum container size increased from 50ml to 100ml.** No anticipated differential impacts as a result of this change and therefore no amendment to the EQIA is required.
4. **Exemption for retailers that sell the majority of drinks (90% or more) for consumption on site from acting as a return point,** though they may choose to do so voluntarily. No anticipated differential impacts as a result of this change and therefore no amendment to the EQIA is required.

- 5. Ability for a return point operator to refuse a particular type of material where the premises would be at significant risk of breaching health and safety or food safety obligations.** No anticipated direct impacts on protected characteristics, and therefore no amendment to the EQIA is required.

Who will DRS affect?

DRS will impact upon everybody in Scotland who buys drinks in the specified containers. The interim and full EQIAs explore the likely impact of DRS on different groups in Scottish society.

It is important to note that the protected characteristics covered through an EQIA are often not independent of each other and some people may have to deal with complex and interconnected issues related to experiencing disadvantage at any one time.

What might prevent the policy aim being achieved?

Achieving the policy aim will be dependent on businesses and consumers adopting new behaviours to deliver DRS effectively. Ensuring high consumer participation will be key to the scheme's success. As a result, the scheme has been designed to ensure that all individuals, regardless of any protected characteristics, have fair access to return their drinks containers. There are a number of existing and planned mitigations that will be fundamental to ensuring that everyone can equally participate in the scheme.

Stage 2: Data and evidence gathering, involvement and consultation

The **interim** EQIA presented some preliminary and indicative impacts that would require further consideration during the consultation period. It was based on a broad range of research, data and evidence-gathering, including: engagement with thirteen sector reference groups; field trips and conversations with overseas nations; and workshops including a climate justice workshop.

The **full** EQIA provided in-depth identification and consideration of potential equality impacts, supported by extensive further engagement with equalities stakeholders, building on issues raised via the interim EQIA and/or public consultation. It included: engagement with individuals, groups, and organisations involved in equality and Fairer Scotland work; interviews with reverse vending machine manufacturers; engagement with local authorities; and analysis of the results of a Disability Equality Scotland electronic survey.

A **final** EQIA accompanied the laying of Regulations before Parliament. For that document work focused on raising the profile of the draft Regulations and the opportunity to submit formal responses to the Regulations via a consultation process. The interim and full EQIA documents were shared with relevant stakeholders to encourage an assessment of the work completed to date and the opportunity to comment. Activity undertaken to promote the draft Regulations and the interim and 2020 full EQIA included:

1. Contacting the below list of organisations and offering a face-to-face meeting to discuss the draft Regulations and encourage engagement in the consultation process.

Age Scotland	Child Poverty Action Group
Alzheimer Scotland	Inclusion Scotland
Black and Ethnic Minority Infrastructure in Scotland (BEMIS)	Learning Link Scotland
Capability Scotland	Council of Ethnic Minority Voluntary Organisations
Carers Scotland	Poverty Alliance
Scottish Federation of Housing Associations	Scottish Trades Union Congress/Scottish Union Learn Equality Officers
Dyslexia Scotland	Scottish Council for Voluntary Organisations
Disability Equality Scotland	Young Scot

2. Contacting the below list of organisations, to inform them of the draft Regulations and the public response opportunity. These organisations were also encouraged to cascade this information to their members and other relevant groups.

Bridges Programme	Coalition for Racial Equality and Rights
Citizen's Advice Scotland	Minority Ethnic Carers of People Project
Inclusion Scotland	Scottish Refugee Council
Equality Network	Sense Scotland
Glasgow Disability Alliance	Greenspace Scotland

3. The above activity resulted in one-to-one engagement with Disability Equality Scotland, Dyslexia Scotland, Learning Link Scotland, Age Scotland and Paths For All. Formal consultation responses were received on the draft Regulations from Age Scotland, Disability Scotland and Learning Link Scotland. The remaining organisations did not respond to our offer or stated that they were content with the draft Regulations as they stood.

Stage 3: Assessing the quality of the impacts and identifying opportunities to promote equality

To accompany The Deposit and Return Scheme for Scotland Amendment Regulations 2023, the final EQIA has been updated to reflect an assessment of equalities impacts which may result. This updated final EQIA has been informed by the stakeholder engagement above, complemented by further research undertaken in April/May 2023.

The results of the evidence-gathering undertaken for the purposes of the assessment, including qualitative and quantitative data and the source of that information, can be found in the interim, full and final EQIAs published prior to or at the same time as the Deposit and Return Scheme for Scotland Amendment 2020. To avoid duplication these results are not presented again here but they have been used to assess potential impacts of the 2023 Regulations. Relevant feedback received during previous consultation is tabled below.

Organisation	Feedback	Next Steps
Age Concern	Supported the inclusion of a takeback service for distance sales.	Included in the Regulations.
	Highlighted the need for print communication, rather than relying wholly on digital. Also making material available in a number of languages and formats, such as BSL, audio, braille, and easy read versions.	Research and engagement is currently ongoing to ensure that suitable communication methods are adopted.
	Encouraged the Regulations to be more explicit with regards to return point accessibility.	The Equality Act 2010 prohibits certain discriminatory conduct. It contains a duty to make 'reasonable adjustments' in the way services are delivered to those with the protected characteristic of disability. Any Scheme Administrator of DRS, as well as return point operators, will therefore be legally obligated to comply with this duty.
Disability Equality Scotland	Highlighted the need for return points to be accessible to those with reduced mobility.	As above.
	Encouraged consultation with disabled people and Access Panels throughout the implementation phase of DRS.	Proposed actions to address these are

	Highlighted the need for inclusive communication and utilisation of the Inclusive Communication Hub to ensure information is accessible to all.	summarised under the Public Communication heading at Stage 4.
Dyslexia Scotland	Supported the existing EQIA and the information it captured.	n/a
Learning Link Scotland	Highlighted the need for inclusive communication, and the utilisation of resources similar to the ' Counting on a Greener Scotland ' pack.	Proposed actions to address these are summarised under the Public Communication heading at Stage 4.
	Encouraged the establishment of a fund to develop teaching and training resources or to run educational programmes to engage those at risk of disadvantage through the scheme.	

Additional equalities impacts which relate to the operation of the scheme will be kept under review and may require non-legislative mitigations to address the following negative impacts:

- Customers requiring takeback may be charged a deposit for the scheme article and an admin fee deposit for the collection. This could mean an additional charge paid in the interim before any scheme packaging is collected and the deposits are refunded. If disabled and elderly customers are also on low incomes, this could pose additional costs for buying online.
- Those disabled customers who have learning difficulties and also some elderly customers, may require additional support and assistance in understanding the requirements for takeback and to complete the process successfully.

Stage 4: Decision-making and monitoring

The interim, full and final EQIAs published at the time that the 2020 Regulations explored the potential impacts of DRS on each of the protected characteristics. The Full EQIA has been updated to account for any changes resulting from the 2023 Regulations on protected characteristics.

The original 2020 Regulations contained takeback obligations for distance retailers to mitigate the negative impacts of DRS for those persons who are unable to access a physical return point as a result of disability or age.

The 2023 Regulations restrict the obligation to be provided by large retailers. They must provide a takeback service to customers who state that they are aged 66 or over or have a disability. Setting the eligibility criterion for online takeback to those aged 66 and over is in line with feedback from stakeholders, and aligns with the UK State Pension age of 66 and over. As the online takeback provision relies on people self-identifying, there is no reliable way of identifying how many people will request online

takeback. Just under one fifth of Scotland's population is 66 and over³, and around one fifth of Scotland's population define themselves as disabled⁴. There is likely to be considerable overlap between these groups, as increased age is correlated with an increased likelihood of disability⁵⁶.

The obligation applies only to the largest grocery retailers, defined as having an annual turnover in the preceding financial year exceeding £1 billion with respect to the retail supply of groceries in the United Kingdom, or a subsidiary of such a retailer. This is in line with the definition of 'designated retailer' in the Groceries (Supply Chain Practices) Market Investigation Order 2009. These retailers account for at least 96.5% of UK grocery sales.

The CMA has determined that those retailers who are designated under GSCOP have an annual groceries turnover of £1 billion and they therefore meet the definition of 'large retailer' in the amendments. As of 16 May 2023, the GSCOP currently applies to Amazon, Coop, Sainsbury's, Iceland, Morrisons, ASDA, Marks & Spencer, Waitrose, Tesco, Lidl, Aldi, B&M, Ocado, and Home Bargains. Retailers will not be obligated under the new takeback provisions unless they do distance retail sales of scheme articles in Scotland.

Recent research (UK Online Grocery Report 2022) suggests that only a small proportion (2.3%) of people in the UK buy groceries exclusively online and are therefore dependent on online grocery shopping. This proportion, however, rises to 16.9% when considering those who mainly shop online and partly in-store.

Actions to address potential impacts on protected characteristics

Noting that in principle the policy could have negative implications for certain protected groups, there remain actions that must be addressed through implementation to mitigate the risk of negative impacts. These include direct engagement with retailers, any scheme administrator, and potential service providers on ensuring an acceptable level of provision for online takeback services, and communication requirements to ensure clarity of understanding and facilitating deposit redemption.

DRS is a form of extended producer responsibility, meaning that it is the responsibility of the businesses that produce the drinks to recover and recycle the packaging. As a

³ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2021>

⁴ <https://onescotland.org/equality-themes/disability/#:~:text=Around%20one%20fifth%20of%20Scotland's,to%20their%20non%2Ddisabled%20peers.>

⁵ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3266513/#:~:text=Disability%20incidence%20increased%20with%20age.of%20life%20and%20cognitive%20impairment>

⁶ <https://onescotland.org/equality-themes/disability/#:~:text=Around%20one%20fifth%20of%20Scotland's,to%20their%20non%2Ddisabled%20peers.>

⁶ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2021>

⁶ [harvard jchs housing growing population 2016 chapter 3.pdf](#)

⁶ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3266513/#:~:text=Disability%20incidence%20increased%20with%20age.of%20life%20and%20cognitive%20impairment>

⁶ [Disability by age, sex and deprivation, England and Wales - Office for National Statistics \(ons.gov.uk\)](#)

⁶ [Ageing and disability | United Nations Enable](#)

result of this, it is up to the drinks producers, or a Scheme Administrator acting on their behalf, to lead and deliver the implementation phase of DRS. This section therefore distinguishes between actions where the Scottish Government can address the potential risk through legislation and actions where the Scottish Government and/or Zero Waste Scotland can provide implementation support to the Scheme Administrator.

The Scottish Government is clear that it would expect any Scheme Administrator to comply with best practice and all applicable legislation in ensuring that the scheme is equally accessible to all. The detailed implementation decisions will be for the Scheme Administrator to take.

Actions to be addressed through legislation

Mitigating Action	Status
PUBLIC COMMUNICATION	
The Regulations require that retailers must display the deposit separately to the price of the drink on their in- store price points. This will make it clearer to consumers that they are paying a refundable deposit.	Complete
The Regulations have set the deposit at a standard 20p for all in-scope materials in order to avoid confusion and keep the DRS simple and easily understandable for consumers.	Complete
ACCESSIBILITY OF RETURN POINTS	
The Regulations require clear signage of an alternative return point where exemptions are granted, thereby making it clear where another nearby return point exists.	Complete
The Regulations allow the operation of both manual and automatic return points and distance-sales takeback, thereby providing three different mechanisms of deposit return for those who may have a preference of return due to a protected characteristic.	Complete
The Regulations allow the option for non-retail premises to act as voluntary return points, such as schools, charities or community owned sites. This regulatory stipulation will allow additional return points to be created where accessibility may otherwise have been limited.	Complete
PARTICIPATION OF THOSE WHO USE ONLINE GROCERY RETAILERS	
The Regulations state that large grocery retailers selling by way of distance sales will be obligated to offer a takeback service to consumers.	Complete
ACHIEVING REGULATORY COMPLIANCE	
In 2017, over a quarter of adults (28%) reported a long-term physical or mental health condition. DRS infrastructure will need to cater for this proportion of the population in order to ensure compliance with regulatory targets (90% in steady state). This high rate of capture means that it is in the interests of the producers or Scheme Administrator(s) to make the scheme open and accessible to all members of the public in order to meet the targets set in the Regulations.	Complete
The Equality Act 2010 prohibits certain discriminatory conduct. It contains a duty to make 'reasonable adjustments' in the way services are delivered to those aged 66 or over or with a disability. Any Scheme Administrator of DRS, as well as return-point operators, will therefore be legally obligated to comply with this duty, particularly with regards to online takeback.	Standards complete, implementation ongoing
British Standard BS 8300-1:2018 and BS 8300-2:2018: Guide To Designing Accessible and Inclusive Environments is available as a best practice guide for a Scheme Administrator and its members to design accessible and inclusive environments, how to approach inclusive design and how to adopt a strategic approach to access and inclusion in the design process.	Standards complete, implementation ongoing

Actions to be addressed through implementation

Mitigating Action	Status
PUBLIC COMMUNICATION	
<p>Research has been carried out to segment the Scottish population into five key segments, with the purpose of identifying groups of the Scottish population with different characteristics, lifestyles and views regarding DRS. The segmentation was primarily based on survey data collected by Dynata from a sample of just over 2,000 Scottish adults. This data was coded with Experian Mosaic Types. The segments are:</p> <ul style="list-style-type: none"> - Rural Families - Suburban Wealth - Golden Years - Less Advantaged - Progressive Urbanites <p>This will offer insight into suitable communication methodologies for each segment.</p>	Complete
<p>Qualitative, first-hand research (conducted via 1-1 interviews) with people with physical disabilities and their carers are ongoing, to understand views relating to the Deposit Return Scheme, and the most suitable communication channels to reach people with this protected characteristic. These findings will be utilised within Scottish Government DRS communications and will also be shared by Zero Waste Scotland with the future Scheme Administrator(s).</p>	Ongoing
<p>Development of best-practice guidance is ongoing, in tandem with national representative bodies and organisations, to gather recommendations for communicating specifically with people with protected characteristics, e.g. large-print versions for those that need it, read-aloud or Braille options for those with visual impairments, or specification to websites. This is being conducted via a mixture of desk and field research as appropriate. This guidance will be utilised within Scottish Government DRS communications and will also be shared by Zero Waste Scotland with the future Scheme Administrator(s).</p>	Ongoing
<p>Consumer testing on branding options is planned with a broad range of groups, ensuring inclusion and feedback from those with protected characteristics.</p>	Planned
<p>Face-to-face meetings took place with equalities groups to better understand how to reach people with protected characteristics when the scheme is launched, e.g. the utilisation of a national network of Access Panels in Scotland or resources such as the 'Counting on a Greener Scotland' pack.</p>	Complete
<p>The Regulations specify a return-to-retail model, with some exemptions on environmental health grounds or where retailers are selling a low proportion of drinks containers for off-site consumption. Clarity of communications must be ensured to avoid confusion and any additional impact.</p>	Planned
<p>Amended scope of DRS may reduce available return options as online takeback obligation is limited to the largest grocery retailers and the process associated with uplift requests. Clarity of communications must be ensured to avoid confusion and any additional impact on vulnerable groups.</p>	Planned

OPERATION OF REVERSE VENDING MACHINES (RVMs)	
<p>A recommended RVM specification will be created by Zero Waste Scotland and will be shared with the future Scheme Administrator(s) to list the key functionalities required to provide acceptable accessibility. That document will include details such as:</p> <ul style="list-style-type: none"> - in-store redeemable deposit voucher as a minimum method of return - being equipped with a touchscreen that provides easily to understand consumer guidance during the return process - ensuring that the required accessibility standards are met in respect of these facilities. 	Ongoing
<p>Examples of international best practice will be shared by Zero Waste Scotland with the Scheme Administrator(s), highlighting where physical modifications enable greater access to RVMs for people using a wheelchair or experiencing other disabilities such as visual or hearing impairments.</p>	Complete
<p>The feedback obtained from equality groups with regards to RVM accessibility and usability will be shared by Zero Waste Scotland with the Scheme Administrator(s) and its members to help ensure RVMs are suitable for those with protected characteristics. The opportunity of future engagement with willing equality groups will also be promoted to the Scheme Administrator. This feedback will also be utilised in Scottish Government DRS communication activity.</p>	Complete
PARTICIPATION OF THOSE WHO USE ONLINE GROCERY RETAILERS	
<p>Additional discussions will be had with relevant representative groups to understand best practice communications for those who are aged 66 and over or have a disability who can access online takeback services.</p>	Planned
PARTICIPATION OF THOSE WHO USE LOCAL AUTHORITY ASSISTED KERBSIDE COLLECTION SUPPORT SERVICES	
<p>Focus groups and testing have commenced to develop a communication toolkit for use by all local authorities, to provide them with the resources to communicate DRS to all customers, including a focus on those with protected characteristics who may currently rely on assisted kerbside collections.</p>	Ongoing
<p>Engagement with all local authority waste departments to raise awareness of DRS and the impact this will have to current services.</p>	Ongoing

How the Equality Impact Assessment has shaped the policy making process

The EQIA process has helped to identify and enforce the importance of accessibility throughout the design of the Deposit Return Scheme. Accessibility has been accounted for in the Regulations, primarily in reference to the 'return-to-retail' model and the inclusion of retailers selling by way of distance sales. The scheme design, exemptions process and online return amendment, takes account of feedback received from equality groups during development of the DRS Regulations in 2020.

The EQIA has also encouraged an ongoing consideration of equality throughout wider Deposit Return Scheme process activity, for example in the development of Scottish Government DRS communication materials and methods. Feedback received throughout the EQIA has been and will continue to be utilised to ensure that communication is suitable for all audiences.

Going beyond policy, all information gathered throughout the different stages of the EQIA has been passed to the Scheme Administrator to ensure that the requests, insights, research and further offers of support will be incorporated into the implementation phase of Scotland's Deposit Return Scheme.

Monitoring and review

The key drivers for the DRS programme are the intended benefits, which are aligned with the Investment Objectives of the Full Business Case, as per the Strategic Case and the Economic Case. Delivery of these benefits will be monitored by the DRS Programme Board as part of its ongoing monitoring and evaluation work following passage of the final Regulations. The two key benefits identified as relating to equalities impacts are:

- Ensure fairness for all demographic groups, e.g. ensure communication methods are inclusive and accessible to all.
- Maximise accessibility to all demographic groups, e.g. ensure there is no need to access a private vehicle to redeem deposits.

The Scottish Government has control over benefits where the primary mechanism to assign accountability or responsibility for delivery and measurement of benefits is the DRS Regulations. The Scottish Government will continue to provide support to the Scheme Administrator regarding delivery of 'non-regulatory' benefits.

Stage 5: Authorisation of EQIA

Declaration: I am satisfied with the updating of this final equality impact assessment that has been undertaken for laying of the Deposit and Return Scheme for Scotland Amendment Regulations 2023 and give my authorisation for the results of this full assessment to be published on the Scottish Government's website.

[INSERT SIGNATURE]

Name: David McPhee

Position: Deputy Director, Deposit Return Scheme



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Full Equality Impact Assessment

A Deposit Return Scheme for Scotland

updated May 2023



Scottish Government
Riaghaltas na h-Alba
gov.scot

Description of Policy

Title of policy/ strategy/ legislation	Design of a deposit return scheme for single-use drinks containers.
Minister	Lorna Slater, Minister for Green Skills, Circular Economy and Biodiversity
Lead Official	David McPhee, Deputy Director, Deposit Return Scheme
Directorate	Deposit Return Scheme Directorate
New policy and/or legislation	The Deposit and Return Scheme for Scotland Amendment Regulations 2023 Following The Deposit and Return Scheme for Scotland Regulations 2020 and The Deposit and Return Scheme for Scotland Amendment Regulations 2022.

Full EQIA

An interim equality impact assessment (EQIA) was published¹ as part of the Scottish Government’s public consultation on the design of a deposit return scheme (DRS) for single-use drinks containers which took place between 27 June and 25 September 2018.

This document serves to update on the research, data and wider evidence gathered for the interim EQIA. The document should therefore be read in conjunction with the interim EQIA, as together both documents constitute the full EQIA for the DRS in Scotland.

The full EQIA serves to focus in on some of the key issues identified in the interim EQIA and considers what mitigations could be put in place to reduce the risk of disadvantage that may unintentionally be caused by the introduction of a DRS in Scotland.

A final EQIA was published alongside the Deposit and Return Scheme for Scotland Regulations 2020.

Both the full and final EQIA documents have been updated alongside The Deposit and Return Scheme for Scotland Amendment Regulations 2023 to reflect the assessment of impacts of the Deposit and Return Scheme for Scotland Amendment Regulations 2023 on those with protected characteristics. This document should therefore be read in conjunction with the updated final EQIA, as well as the previous EQIA publications, as together they constitute the complete EQIA for DRS in Scotland.

¹ [Deposit Return Scheme Interim Equality Impact Assessment](#)

Policy Aim

Scottish Ministers are introducing a Deposit Return Scheme for single-use drinks containers. This forms part of the Scottish Government's response to the global climate emergency by ensuring the targeted materials are collected in larger quantities and separately to other materials, making them easier to recycle.

The work to establish the scheme is underpinned by four key strategic objectives:

1. Increase the quantity of target materials collected for recycling
2. Improve the quality of material collected, to allow for higher value recycling
3. Encourage wider behaviour change around materials
4. Deliver maximum economic and societal benefits for Scotland

A Ministerial Strategic Assurance Group is responsible for providing strategic direction and overseeing the delivery of the scheme.

The Preferred Scheme Design

The preferred scheme design is detailed through the Deposit Return Scheme Full Business Case Stage 1² and has been informed by extensive public consultation, international best practice and engagement with a broad range of stakeholders.

Public Consultation:

The public consultation was open between June and September 2018, and 54 questions were posed.

The consultation received 3,215 submissions, which included 1,048 campaign responses organised by campaign group Have You Got the Bottle³. Of the remaining responses, 159 were from organisations and 2,008 from individuals.

There was widespread agreement amongst both organisational and individual respondents that a well-run and appropriately targeted DRS could provide opportunities in relation to improving the environment, changing people's attitudes to recycling and littering, and building the circular economy.

Respondents identified potential benefits (for employment, small retailers, charities and individuals) and risks (both general and specific) of establishing a DRS in Scotland. They also suggested ways to maximise opportunities and mitigate risks.

An independent analysis⁴ of the consultation responses was completed by Griesbach & Associates and Jennifer Waterton Consultancy. This was published by the Scottish Government on 21 February 2019.

² [Deposit Return Scheme: Full Business Case Stage 1](#)

³ [Have You Got The Bottle](#)

⁴ [Deposit Return Scheme Consultation: analysis of responses \(Feb 2019\)](#), Griesbach & Associates and Jennifer Waterton Consultancy

International best practice:

A number of international schemes have been researched, with Zero Waste Scotland having visited eight currently in operation across Europe. Each one operates in different circumstances with different legal and fiscal systems, with a number having operated for several years meaning behaviours and systems are embedded, therefore no direct comparators are possible. Nevertheless, this research has informed thinking on how different elements of Scotland's scheme should interact in order to achieve the desired results.

Stakeholder engagement:

Evidence has been gathered from a wide range of stakeholders through interviews, workshops and strategic conversations to inform Ministers proposals for DRS.

Summary of preferred scheme design:

The preferred scheme design enables consumers to take single-use containers back and redeem a 20p deposit from retailers selling drinks covered by the scheme as well as additional return points.

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, This means that those customers who are dependent on online delivery, because for a variety of reasons they are unable to travel to shops, are able to easily get back the deposits paid on containers.

Non-retail spaces will be able to act as return locations. These could include recycling centres, schools or other community hubs. While retailers will be required by legislation to provide a return service, non-retail spaces will operate on an opt-in basis.

Bigger retailers with more space may install machines to both collect the bottles and cans and enable people to redeem deposits. Smaller retailers with less space have the option to return deposits over the counter, collecting the containers manually.

The scheme will include plastic bottles made from PET (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium and steel cans and glass bottles.

Schemes which operate on similar principles in places such as Scandinavia and the Baltic states capture up to 95% of eligible drinks containers for recycling. Scotland's DRS will target a return rate of 90%. This is significantly higher than the current capture rates for the materials that are in scope of our proposals.

Having a deposit level which provides a sufficient incentive to return containers, together with provision of high coverage of return points, means that this target is ambitious but achievable. This target will be written into legislation for the Scheme Administrator to deliver.

It is important to note that the true national recycling rate for the containers targeted through Scotland's DRS will be slightly higher than the scheme capture rate itself. This is because some items will continue to be returned through other recycling facilities.

The impacts of the preferred design scheme:

This preferred scheme design is expected to deliver a high return rate for containers in scope. As such, it most closely matches the environmental ambitions which underpin the policy.

The scheme design offers flexibility for consumers and the opportunity to maximise the capture rate by adopting return to any place of purchase, including online retailers. This means that return locations will be in the same places where individuals are purchasing the containers, ensuring ease of access for consumers regardless of where they live.

The preferred deposit level is 20p. This is within the range of deposit levels adopted by successful international schemes, adjusted for inflation. It is the median deposit level suggested by responses to the public consultation.

The impact of the deposit on groups protected under equalities legislation was explored in the interim EQIA. There is little perceived difference in the impact between either a 10p or 20p deposit, assuming that convenience of the scheme allows individuals and households to redeem deposits frequently and easily.

Summary of Deposit Return Scheme for Scotland Regulations and Amendments

The Deposit and Return Scheme for Scotland Amendment Regulations 2023 ("the 2023 Regulations") were laid in Parliament on 17th May 2023 to delay the implementation date from 16 August 2023 to 1 March 2024 and to simplify the scope of the DRS. This is in response to an independent Gateway Review, an internal review of scheme readiness, and wider stakeholder concerns, as well as a result of the uncertainty caused by the UK Government delaying the decision to exclude the scheme from the UK Internal Market Act 2020.

The main amendments made by this instrument are set out below. In addition, this instrument also makes a small number of other minor amendments to the original 2020 Regulations and makes transitional provisions in relation to producers who have already been registered by SEPA or applied to be registered.

A summary of amendments is provided below:

1. **Amended takeback obligation.** A take-back service must be provided by large grocery retailers who sell scheme articles by means of distance retail sale. This service must be provided to customers who state to the large retailer that they are aged 66 and over or have a disability. This means that those customers who are more likely to be dependent on

grocery deliveries or for any reason are unable to travel to shops, will be able to redeem deposits paid on containers. The obligation specifies that takeback is free of charge and is funded by an online retail handling fee. However, large retailers can charge a further 'collection' deposit to be returned upon collection of a minimum number of containers. The obligation is triggered by the sale of a scheme article by a large retailer by means of distance retail sale and consumers aged 66 and over or with a disability will be able to return a 'reasonable' number of containers, no matter where they were purchased provided that they request the takeback within 6 months from the date of purchase. A 'reasonable' number is no less than 21 and the maximum amount must take into account the method of storage or collection used by the large retailer. Any retailer can voluntarily provide a takeback service and, if doing so, will be bound by the same obligations.

No significant impacts are expected on those with protected characteristics of age or disability due to the requirement placed on large retailers to provide a takeback service from the start of DRS to those aged 66 and over or with a disability. Relevant updates to potential impact on protected characteristics set out in this amended full EQIA.

2. **Low volume drink products (under 5000 unit sales p.a.) to be excluded from requiring a deposit.** No anticipated differential impacts as a result of this change and therefore no amendment to the EQIA is required.
3. **Minimum container size increased from 50ml to 100ml.** No anticipated differential impacts as a result of this change and therefore no amendment to the EQIA is required.
4. **Exemption for retailers that sell the majority of drinks (90% or more) for consumption on site from acting as a return point,** though they may choose to do so voluntarily. No anticipated differential impacts as a result of this change and therefore no amendment to the EQIA is required.
5. **Ability for a return point operator to refuse a particular type of material where the premises would be at significant risk of breaching health and safety or food safety obligations.** No anticipated direct impacts on protected characteristics, and therefore no amendment to the EQIA is required.

The impacts of the amendments made by the 2023 Regulations (May 2023):

This updated Full EQIA and the revised version of the Final EQIA look at the impact of the amendments made by the 2023 Regulations on those with protected characteristics. To accompany the 2023 Regulations, the final EQIA has been updated to reflect an assessment of equalities impacts which may result. This updated full EQIA has been informed by the stakeholder engagement, but has not been directly consulted upon.

Who will DRS affect?

The interim EQIA document explored in broad terms the likely impact of DRS on different groups in Scottish society. The work undertaken since completing the interim EQIA has examined these potential impacts in greater depth.

It is important to note that the protected characteristics covered through an EQIA are often not independent of each other and some people may have to deal with complex and interconnected issues related to experiencing disadvantage at any one time.

Potential Positive Impacts:

As outlined previously in the interim EQIA, the potential positive impacts of a DRS will include an increase in the number of drinks containers recycled, reduction in litter, potential job creation opportunities and wider social benefits, including opportunities for consumers to donate deposits to charities and/or community groups.

What might prevent the desired outcomes being achieved?

Achieving the desired outcomes will be dependent on businesses and consumers adopting new behaviours to effectively deliver a DRS. Ensuring high participation of consumers will be key to the scheme's success. There are a number of scheme design considerations that are fundamental to ensuring that everyone can equally participate in the scheme.

Work Undertaken for Full EQIA

The interim EQIA presented some preliminary and indicative impacts for consideration during the consultation period and was based on a broad range of research, data and evidence gathering.

This document builds on the interim EQIA by providing in-depth consideration around key elements of DRS, supported by extensive further engagement with equality stakeholders. This work was undertaken to increase understanding of some of the evidence previously gathered and to inform mitigation measures that may assist with minimising potential negative impacts.

Specifically, this has involved:

- An update of evidence from annual surveys, including the Scottish Household Survey 2017 and ONS data contained within the interim EQIA
- A review of the electronic survey completed by members of the public as part of Zero Waste Scotland's Programme of public consultation events
- A review of information gathered as part of workshops run before and during the public consultation
- Engagement with individuals, groups, and organisations involved in equality and Fairer Scotland work
- Interviews with RVM manufacturers
- Additional information gathered from local authorities who provide an assisted

kerbside collection service for those who require support with their bins and/or recycling boxes

- Analysis of the responses to questions specifically posed on the published partial EQIA as part of the Scottish Government’s public consultation
- Results of a Disability Equality Scotland electronic survey specifically on DRS
- Any updates to relevant figures since the full EQIA was previously published and the amendments introduced in 2023
- This updated full EQIA (May 2023) has been informed by the previous stakeholder engagement but has not been directly consulted upon.

We have contacted and engaged with a variety of stakeholders on the equality impact of the scheme (Table 1), directly and through workshops, including:

Learning Link Scotland	Age Concern UK	Capability Scotland
Dyslexia Scotland	Scottish Poverty Alliance	Inclusion Scotland
Equality and Human Rights Commission	CEMVO Scotland (Ethnic Minority Voluntary Sector)	Development Trusts Association Scotland
Age Scotland	Young Scot	Census Team
32 Scottish Local Authorities	Disability Equality Scotland	Scottish Council for Voluntary Organisations
Reverse Vending Machine Manufacturers	Scottish Trades Union Congress / Scottish Union Learn Equality Officers	

Table 1: stakeholders engaged in the EQIA

Summary Reflection

The previous final EQIA⁵ was produced and published on the scheme design in March 2020 and has been updated here to reflect the amendments made by the 2023 Regulations.

Consequently, this full EQIA is not intended to be a final definitive statement of impacts. The full EQIA does however explore options to maximise participation in DRS by all members of society. The evidence gathered will continue to inform the planning and implementation of DRS.

Summary reflections from the evidence gathering and engagement to date indicate that the preferred scheme, including the amendments made by the 2023 Regulations, could potentially have an impact on some people and/or communities, directly or indirectly, and in different ways. This document outlines these in detail and sets out how any potential negative impacts should be mitigated.

Interaction with Other Policies:

The links with following policies, which have now come into force, were identified in the interim EQIA.

- European Union Circular Economy Package⁶
- UK Government's Soft Drinks Sugar Levy⁷
- Scottish Government's Minimum Unit Price on Alcohol⁸

Extent/Level of Full EQIA:

The evidence captured in the section entitled **Data and evidence gathering, involvement and consultation** has been drawn from a range of sources and has looked in greater depth at some of the key issues highlighted in the interim EQIA. The sources include: updated statistics from Scottish Household Survey 2017; information from the Zero Waste Scotland's public consultation events and survey; engagement and interviews with equality groups; analysis of the public consultation on the interim EQIA; information provided by and interviews with local authorities on assisted kerbside collection services; and interviews with RVM manufacturers.

A full list of references is provided at the end of this document.

⁵ [Deposit Return Scheme Final EQIA March 2020](#)

⁶ [European Union's Circular Economy Package](#)

⁷ [UK Government's Soft Drinks Sugar Levy](#)

⁸ [Scottish Government Minimum Unit Pricing on Alcohol](#)

Stage 2: Data and evidence gathering, involvement and consultation

This section includes the results of the evidence gathering undertaken for the purposes of this assessment, including qualitative and quantitative data, and outlines the source of that information, whether national statistics, surveys or engagement with those involved in promoting equality as well as equality groups.

In the interim EQIA a broad range of research, data and evidence gathering was highlighted against each of the protected characteristics. On this occasion, we have instead chosen to align evidence to those key features of the scheme which are most likely to impact on public participation:

- Public communication
- Accessibility of return points
- Operation of reverse vending machines
- Participation of those who use online grocery retailers
- Participation of those who use local authority assisted kerbside collection services

This reflects and highlights the fact many of the considerations relevant to DRS are likely to cut across multiple protected characteristics, with the evidence highlighting age and disability as key areas for consideration. Finally, we have gathered evidence on the cross-cutting considerations which are necessary in order to ensure DRS is compliant with the legislative and regulatory framework concerning the promotion of equality. Relevant information has been updated to assess any impacts from the amendments made by the 2023 Regulations.

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
PUBLIC COMMUNICATION		
In 2017, 1% of adults aged 16 to 24 reported not using the internet, compared to 24% per cent of those aged 60 to 74 and 63% of those aged 75 and over. The method of accessing the internet also varies with age, for example, 93% of 16 to 24-year olds use a mobile phone, compared to 53% of those in the 60-74 years bracket. There	Scottish Household Survey 2017 ⁹ .	

⁹ [The Scottish Household Survey statistics 2017](#)

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
<p>is a clear relationship between age and internet use, with lower usage rates among older people.</p> <p>This analysis of this evidence is unchanged from the interim EQIA which suggests that online, digital and social media channels are an effective way of targeting young people. However, there may be more effective channels for engaging older people and those experiencing socio-economic disadvantage.</p>		
<p>It was highlighted in the interim EQIA that individuals with learning difficulties may require additional support to participate in the scheme.</p> <p>For example, an estimated 1 in10 people in Scotland has dyslexia - 500,000 people across all ages. Proportions vary across specific communities (for example, in prison, rates of dyslexia are 60% and in farming communities, 20%).</p> <p>People who experience dyslexia can encounter a complex range of learning differences with reading/writing, processing information, organisation issues, short term memory, remembering sequences, following instructions and visual stress.</p> <p>To assist this community, Dyslexia Scotland has its own:</p> <ul style="list-style-type: none"> - Youtube channel; - A website for children (8-18yrs); - Tailored Information packs. 	<p>Interview with Dyslexia Scotland, 2018.</p>	
<p>Some stakeholders have commented on the impact that DRS may have on people with early stage Dementia or Alzheimer's and raised</p>	<p>Interviews with Dyslexia Scotland, Learning Link</p>	

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
the question of what will be done to mitigate issues for people affected by such conditions.	Scotland and STUC Equality Officer, 2018.	
ACCESSIBILITY OF RETURN POINTS		
In 2017, over a quarter of adults (28%, 22% for all household members) reported a long-term physical or mental health condition. It is not unreasonable to conclude that such conditions could limit the ability of individuals to access return points.	The Scottish Household Survey statistics 2017.	
<p>Evidence was gathered through an electronic survey, organised by Disability Equality Scotland (DES), to explore the potential impact of DRS on disabled people.</p> <p>Respondents typically raised the impact of their disability on their ability to return containers. A requirement for additional storage at home and the proximity of return locations were highlighted as key considerations.</p> <p>Respondents consistently highlighted the importance of local return points and that these should include local shops.</p>	Disability Equality Scotland (DES) Electronic Survey Analysis October 2018.	
Experience in other countries operating DRS seems to suggest that scheme accessibility can best be facilitated through a return to retail model accommodating both manual and automated takeback. The inclusion of small retailers and local shops can help to maximise participation by everyone in both urban and rural communities.	Zero Waste Scotland interviews with RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.	
OPERATION OF REVERSE VENDING MACHINES (RVMs)		
Accessibility of the scheme would be supported by:	Zero Waste Scotland interview with stakeholders 12 April 2018.	

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
<ul style="list-style-type: none"> • siting RVMs in accessible locations • ensuring RVMs are user-friendly • ensuring that the required accessibility standards are met in respect of these facilities 		
<p>Information from the RVM manufacturers, based on their experience of operating their technology in other countries, suggests that the provision of a network of accessible, local drop off points and return locations, including RVMs, will enable participation of people experiencing mobility, disability and/or health issues.</p> <p>There are examples of larger retailers in other countries making physical modifications to enable greater access to RVMs for people using a wheelchair or experiencing other disabilities such as visual or hearing impairments.</p>	<p>Zero Waste Scotland interviews with three RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.</p>	
<p>Experience in other countries suggests that small stores often do not operate RVMs due to space constraints.</p>	<p>Zero Waste Scotland interviews with three RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.</p>	<p>The scheme's target operating model, including the specification for RVMs, will need to ensure return points are accessible in order to maximise opportunities for participation.</p> <p>In particular, the specification for RVMs will need to afford retailers a degree of flexibility, allowing them</p>

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
		to select and operate the machine which best meets their needs.
<p>Research indicates that the utilisation of RVMs is often regulated through legislation. Regulation can extend to, for example:</p> <ul style="list-style-type: none"> • Considerations around the location of RVMs. • Considerations around the number of RVMs to be operated on individual premises, taking account of building, planning and health and safety standards. <p>The locational placement of RVMs is often the responsibility of the Scheme Administrator.</p>	Zero Waste Scotland interviews with three RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.	
<p>Evidence suggests that adaptations to RVMs can assist disabled people. Information from the RVM manufacturers demonstrates the potential for flexibility in machine specifications, including in relation to reach and height. Other optional features can include:</p> <ul style="list-style-type: none"> • Colour, size and font of text • Automatic production of receipt • Use of visuals and graphics • Voice activation • Touch screen • Interactive screen • Dual language <p>In order to maximise accessibility, RVM suppliers suggested that machines should be:</p>	Zero Waste Scotland interviews with three RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.	

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
<ul style="list-style-type: none"> • intuitive • user-friendly • self-explanatory 		
<p>Engagement with both equality groups and RVM manufacturers emphasised the importance of design and planning of local return points and RVM locations to ensure accessibility and convenience, including for example:</p> <ul style="list-style-type: none"> • well-lit spaces • visible signage • posters • local guidance • colour-coded maps • signposts • child-friendly/user-friendly machines 	<p>Zero Waste Scotland interviews with three RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.</p> <p>Interviews with Dyslexia Scotland, Inclusion Scotland, Learning Link Scotland and STUC Equality Officer 2018.</p>	
<p>It is evident that many equality groups have expertise in guiding the design and delivery of services to maximise accessibility. This experience and understanding should be harnessed to assist in the design of the DRS and RVMs.</p>	<p>Interviews with Dyslexia Scotland, Inclusion Scotland, Learning Link Scotland and STUC Equality Officer 2018.</p>	
<p>Evidence suggests there may be, on occasion, a need for staff working at return points to support customers in accessing RVMs.</p>	<p>Zero Waste Scotland interviews with three RVM manufacturers on 28 September 2018: RVM Systems, TOMRA and Envipco.</p>	

PARTICIPATION OF THOSE WHO USE ONLINE GROCERY RETAILERS		
Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
The proportion of households with home internet access is highest in accessible rural areas (97%) and lowest in remote small towns (95%).	Scottish Household Survey 2021. https://www.gov.scot/publications/scottish-household-survey-2021-telephone-survey-key-findings/documents/	
<p>Gaps in internet access and use remain amongst certain groups including those in deprived areas, those in social housing and those on low incomes. 9% of adults living in the 20% most deprived areas in Scotland reported not using the internet compared with 2% in the 20% least deprived areas.</p> <p>Home internet use tends to increase with household income, although the gap is lessening over time.</p> <p>Home internet access for households with a net annual income of between £6,001 and £10,000 was 81% in 2021 (85% for £10,000 - £15,000), compared with 100% of households with a net annual income of over £40,000.</p> <p>Indications are that a digital divide remains along a number of dimensions, including age and socio-economic disadvantage.</p>	Scottish Household Survey 2021. https://www.gov.scot/publications/scottish-household-survey-2021-telephone-survey-key-findings/documents/	
Stakeholders consistently identified that many of those who use online shopping will have little choice but to rely on some form of take-back service to be provided at the point at which their groceries are being delivered if they are to be able to redeem their deposit.	Interviews with Equality Officers, STUC Equalities Disabled Workers Committee.	
Respondents to Disability Equality Scotland's membership survey consistently highlighted the reliance of disabled people on online shopping.	Disability Equality Scotland (DES) Electronic Survey Analysis 2018.	

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
<p>Evidence suggests that online shopping is increasing in the United Kingdom, both in terms of value and growth. The average value of weekly online sales in food stores has more than doubled between 2010 and 2016, reaching £141.9m.</p> <p>2023 update - In the second quarter of 2020, the weekly value of online sales from specialised food stores peaked at £364.5 million in the United Kingdom. -</p> <p>Online food and grocery sales for 2022 £25.3bn vs 11.8bn for 2019 also stating that more 'higher' age groups are still doing so 'avoiding crowds and risk of infection at physical stores"</p>	<p>The Statistics Portal: Online grocery shopping in the United Kingdom¹⁰.</p> <p>Statista - Average value of weekly online sales in predominantly food stores in the United Kingdom (UK)¹¹</p> <p>Statista - Value of online food and grocery sales in the United Kingdom (UK) from 2015 to 2025¹²</p> <p>Savills – Spotlight on UK Grocery¹³</p>	<p>Data gaps covering this section are lacking for the compounding effect or number of residents who cut across several characteristics e.g. Elderly, Disabled.</p>
<p>Mintel research shows that online grocery shopping is growing, with many young people opting to shop online. Almost two thirds of young people in UK (62%) aged 25-34 are current online grocery shoppers, as well as 57% aged 35-44 and 56% aged 16-24.</p> <p>58% of consumers reported doing online grocery shopping in 2021</p> <p>41% of those aged 59 – 77 shop for groceries online in 2022</p>	<p>Mintel Research Report on Online Grocery Shopping¹⁴</p> <p>Mintel Research Report - Online Grocery Retailing Market Report 2022¹⁵</p>	

¹⁰ [The Statistics Portal: Online grocery shopping in the United Kingdom](#)

¹¹ [Average value of weekly online sales in predominantly food stores in the United Kingdom \(UK\) \(Accessed 16Mar23\)](#)

¹² [Statista - online Grocery Sales UK \(Accessed 16Mar23\)](#)

¹³ [Savills - Spotlight on UK Grocery January 2022](#)

¹⁴ [Mintel research on Online Grocery Shopping](#)

¹⁵ [Mintel UK Online Grocery Retail Marketing Report 2022 \(Accessed 16Mar23\)](#)

<p>Recent research suggests that only a small proportion (2.3%) of people in the UK buy groceries exclusively online and are therefore dependent on online grocery shopping. This proportion, however, rises to 16.9% when considering those who mainly shop online and partly in-store.</p>	<p>Statista - Generational grocery shopping behavior in the United Kingdom (UK)¹⁶ UK Online Grocery Report 2022¹⁷</p>	
<p>Just under one fifth of Scotland's population is 66 and over. Setting the eligibility criterion for online takeback to those aged 66 and over is in line with feedback from stakeholders.</p> <p>The UK State Pension age is 66 and over, demonstrating this age group are less likely to travel due to work related reasons.</p> <p>In Scotland, Transport Scotland data suggests that travel decreases significantly in those aged 70 and over (Based on survey findings, 69% of all adults travelled in the day prior to completing the survey, compared with 63% in those over 70 and 49% of those over 80).</p> <p>Scottish consumer behaviour data that suggests retailer choice does not differ significantly between the 65+ demographic and overall retailer choice. Consumer data for the largest online grocery retailers in Scotland suggests online sales in 2022 accounted for approximately 12% of total sales, and that around 27.6% of online grocery shoppers in Scotland were aged 65 or over. In 2021 29% of online grocery shoppers in Scotland were aged 65 or over.</p>	<p>National Records of Scotland - Mid-2021 Population Estimates Scotland (July 2022)¹⁸</p> <p>State Pension Age – UK Government¹⁹</p> <p>Transport Scotland – Transport and Travel Household Survey 2021²⁰</p>	

¹⁶ [Statista - Generational Grocery Shopping Behavior in the UK \(Accessed 16Mar23\)](#)

¹⁷ [U.K. Online Grocery Study & Report 2022 \(efoodinsights.com\)](#)

¹⁸ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2021>

¹⁹ <https://www.gov.uk/state-pension-age>

²⁰ <https://www.transport.gov.scot/media/53451/sct04232232881.pdf>

<p>Disabled customers are less comfortable shopping in-store than they were before the pandemic.</p> <ul style="list-style-type: none"> • a third of disabled people feel ‘apprehensive’ or ‘uncomfortable’ about shopping in-store. • 71% of disabled people changing where they shopped due to their negative experiences. • only 51% of people feel comfortable asking for help from staff in-store. Compared to 67% before the pandemic. • 1 in 5 people do not ask supermarket staff for assistance even if they need help. 	<p>Scope = Equality for disabled people, the disability equality charity in England and Wales. Supermarkets Consumer Affairs Report²¹</p>	
<p>Age Concern UK offer support to elderly residents in the UK by ordering shopping online for them via existing supermarket online portals.</p>	<p>Age UK Website information on services²²</p>	
<p>Online Purchases of Physical Goods by Age Group, Sex and Disability Status 2020 - Food or beverages from stores, or from meal-kit providers notes that 27% of respondents noted having a disability, 14% in line with the Equalities Act 2010 and 13% identifying as disabled but out with the definition of the Equalities Act 2010.</p>	<p>ONS data set - Internet access households and individuals²³</p>	

²¹ [Scope Supermarkets Consumer Affairs Report July 20221 \(Accessed 16Mar23\)](#)

²² [Age UK services \(accessed 16Mar23\)](#)

²³ [ONS Data Set - Internet Access Households and Individuals \(Accessed 16Mar23\)](#)

PARTICIPATION OF THOSE WHO USE LOCAL AUTHORITY ASSISTED KERBSIDE COLLECTION SUPPORT SERVICES		
<p>Information and data gathered by directly contacting all 32 Scottish local authority waste service managers highlighted the need for further clarification on:</p> <ul style="list-style-type: none"> • How residents who currently receive an assisted kerbside collection service will be able to participate in the scheme without assistance. • The role of councils in communicating the interaction of DRS with existing kerbside collection arrangements. Many councils currently provide information concerning kerbside collections digitally in order to minimise costs. 	<p>Analysis of the information requested by Zero Waste Scotland from all 32 local authorities on the assisted kerbside collection service they offer their residents.</p>	
ACHIEVING REGULATORY COMPLIANCE		
<p>Equality law makes clear that bringing about equality may mean changing the way in which services are delivered, providing extra</p>	<p>The Equality Act 2010²⁴</p>	

Evidence gathered and strength/quality of evidence	Source (full reference details in appendix)	Data gaps identified and action required
<p>equipment and/or the removal of physical barriers. This is the duty to make 'reasonable adjustments'.</p> <p>The Scheme Administrator will require to be proactive and anticipatory in taking steps to remove or prevent any obstacles.</p>	<p>Equality and Human Rights Commission (EHRC) Guidance: Equality Law and What it Means for Business²⁵</p>	

²⁴ [The Equality Act 2010](#)

²⁵ [EHRC Guidance: Equality Law and What it Means for Business](#)

<p>Experience from other countries shows us that standards for the operation of deposit return schemes are often determined through national regulations and/or legislation. For example, the Americans with Disabilities Act (ADA) outlines standards that require to be met for RVMs regarding reach heights for people who use wheelchairs.</p>	<p>Americans with Disabilities Act²⁶ Guidance on the 2010 ADA Standards for Accessible Design²⁷</p>	
<p>Research on standards suggests that British Standard BS 8300-1:2018 and BS 8300-2:2018 provide guidance on designing accessible and inclusive environments, how to approach inclusive design and how to adopt a strategic approach to access and inclusion in design process.</p>	<p>Guide To Designing Accessible And Inclusive Environments: The British Standard BS 8300-1:2018 and 8300-2:2018²⁸.</p>	

²⁶ [Americans with Disabilities Act](#)

²⁷ [Guidance on the 2010 ADA Standards for Accessible Design](#)

²⁸ [Guide To Designing Accessible And Inclusive Environments, The British Standard BS 8300-1:2018 and 8300-2:2018](#)

Stage 3: Assessing the quality of the impacts and identifying opportunities to promote equality

The interim EQIA was based on broad-based research, data and evidence gathering. It contains the potential impacts – negative, positive and neutral – which were considered for each of the protected characteristics and other socio-economic considerations as outlined in the Fairer Scotland Duty.

Based on the evidence gathered through the interim EQIA and this full EQIA, we believe the preferred scheme design for DRS has the potential to impact on the protected characteristics as follows:

Identified Considerations	Age	Disability	Sex/ Gender	Pregnancy & Maternity	Gender Reassignment	Sexual Orientation	Race	Religion or Belief	Marriage & Civil Partnership
Public communication	✓	✓	✗	✗	✗	✗	✓	✗	✗
Accessibility of return points	✓	✓	✗	✗	✗	✗	✗	✗	✗
Operation of RVMs	✓	✓	✗	✗	✗	✗	✗	✗	✗
Participation of those who use online grocery retailers	✓	✓	✗	✗	✗	✗	✗	✗	✗
Participation of those who use local authority assisted kerbside support services	✓	✓	✗	✗	✗	✗	✗	✗	✗

For brevity, in the following tables the updated evidence considers the protected characteristics collectively and the impact of Ministers preferred scheme design for DRS on those characteristics.

This is an indicative assessment of the potential impacts and mitigations and will be subject to further review and revision during the implementation of the scheme design and for the final EQIA.

Do you think that the policy impacts people?

	Positive	Negative	None	Reasons for your decision
Eliminating unlawful discrimination, harassment and victimisation			X	Ministers' preferred scheme design for DRS is detailed through the Deposit Return Scheme Full Business Case Stage 1 which in turn has been informed by the evidence outlined in this full Equality Impact Assessment. We have not identified any evidence to suggest that the proposed scheme will result in unlawful discrimination.
Advancing equality of opportunity			X	<p>As outlined earlier in this document, it is clear that many of the key features of the proposed scheme design have the potential to impact on equality of opportunity across the range of protected characteristics. Steps have been taken throughout the development of the scheme design to maximise equality of opportunity for public participation and these are outlined below:</p> <p>Public communication: Accessible communication and inclusive engagement will be central to ensuring high participation and equality of access to the scheme.</p> <p>As work progresses in preparation for the scheme's implementation, it will be crucial to ensure that DRS communication and engagement activity has a strong equality focus. This will allow us to ensure that people with a range of needs and characteristics will be able to clearly understand what the DRS is, how it works, where</p>

			<p>they can find their nearest return point, what they can return and how they can redeem their deposit.</p> <p>Comprehensive, multi-channelled and inclusively designed communication and engagement programmes and materials will be key to achieving this. This will be key to communicate the amendments made by the 2023 Regulations .</p> <p>Accessibility of return points: The evidence gathered to date suggests that the location of return points, their accessibility and convenience of use should be prioritised. The preferred scheme design has taken account of this by proposing that a return to any place of purchase model will be adopted as part of the scheme, meaning that members of the public will be able to return containers to any retailer who sells single-use drinks containers covered by the scheme. Non-retail spaces will also be able to act as return locations. These could include recycling centres, schools or other community hubs.</p> <p>Return points will be able to operate both manual and automated take-back arrangements, thereby removing a potential obstacle to the participation of smaller retailers who may not be in a position to accommodate an RVM.</p> <p>Operation of Reverse Vending Machines (RVMs): Evidence gathered suggests it is important that all RVMs are accessible in terms of both their location and operation.</p> <p>The provision of modified RVMs, alongside RVMs of standard design, will be key in enhancing access to the</p>
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		<p>X</p>	<p>scheme as will the provision of support in those retail settings operating RVMs. These are factors which will be considered as part of the work the Scottish Government's DRS Implementation Advisory group.</p> <p>Amendment by 2023 Regulations for online grocery shopping: Online shopping is a service that is relied on by many people including disabled people and those who live in rural areas. The change in requirements for the takeback service has the potential to affect the ability of consumers to redeem their deposits. Disabled customers who have learning difficulties and also some elderly customers, may require additional support and assistance in understanding the requirements for a takeback service and to complete the process successfully.</p> <p>Customers requiring takeback may be charged a deposit for the scheme article and an admin fee deposit for the collection. This could mean an additional charge paid in the interim before any scheme packaging is collected and the deposits are refunded. If disabled and elderly customers are also on low incomes, this could pose additional costs for buying online.</p> <p>Participation of those who use local authority assisted kerbside collection support services: Further work is required to understand what additional support can be offered to those individuals who currently receive assisted kerbside collection services in order to aid their participation in DRS. We will consider this as</p>
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				part of our ongoing discussions with local government about the implementation of deposit return.
Promoting good relations among and between disabled and non-disabled people			X	The DRS preferred scheme design is unlikely to impact on the promotion of good relations between disabled and non-disabled people.

Stage 4: Decision making and monitoring (Identifying and establishing any required mitigation action)

<p>Have positive or negative impacts been identified for any of the equality groups?</p>	<p>The potential for negative impacts from this policy have been identified. Through this work, though, measures to effectively mitigate these impacts have also been identified – some of these have been reflected in the scheme design and others will be addressed as part of implementation work.</p> <p>It is important to note that the protected characteristics considered within this full EQIA are not independent of each other and some people may have to deal with complex and interconnected issues related to experiencing disadvantage at any one time. The preferred scheme design outlined in the Deposit Return Scheme Full Business Case Stage 1 takes steps to mitigate any potential negative impacts on equality groups and prioritises the promotion of equality of opportunity to participate in the scheme. The amendments made by the 2023 Regulations have the potential to affect the ability of consumers to redeem their deposits. Disabled customers who have learning difficulties and also some elderly customers, may require additional support and assistance in understanding the requirements for takeback and to complete the process successfully. There may also be an additional financial burden for customers requiring takeback who may be charged a deposit for the scheme article and an admin fee deposit for the collection. This could mean an additional charge paid in the interim before any scheme packaging is collected and the deposits are refunded. If disabled and elderly customers are also on low incomes, this could pose additional costs for buying online.</p> <p>As we enter the implementation phase of the scheme, the following steps may prove helpful to further mitigate the potential for any negative impacts to be realised:</p> <ul style="list-style-type: none">• Principles and practice of inclusive design, using the BS8300 Standard, should inform implementation activity going forward.• The accessing of further expert advice in inclusive design could assist in the implementation of a scheme that maximises participation by all.
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- A range of functional modifications to RVMs should be considered to aid participation amongst all members of society.

CSL and retailers should take steps to minimise the impact of the amendments made by the 2023 Regulations.

Careful consideration of communications and the needs of those with protected characteristics when designing the potentially complicated messaging to customers.

Is the policy directly or indirectly discriminatory under the Equality Act 2010?	There is no evidence that the policy is directly or indirectly discriminatory under the Equality Act 2010
If the policy is indirectly discriminatory, how is it justified under the relevant legislation?	N/A
If not justified, what mitigating action will be undertaken?	N/A

Describing how this Full Equality Impact analysis has shaped the policy making process so far

The full EQIA has helped to highlight in more depth specific areas of interest identified through the interim EQIA. It aims to inform the considerations of the Scottish Parliament in respect of the regulation and operation of a DRS in Scotland and to reduce and counter any disadvantages that may unintentionally be caused by its introduction.

We will continue to engage with equality representative groups to explore appropriate measures to mitigate against any negative impacts that a DRS may have on any particular groups. That engagement will inform the final EQIA which will be produced and published following passage of the secondary legislation required to establish the scheme.

Monitoring and Review

We believe it is essential to monitor some of the suggested mitigation measures contained within the full EQIA by identifying and gathering relevant information to assess the extent to which the measures are enabling full participation in the scheme.

These will be outlined in more detail within the final EQIA, including: when the monitoring and evaluation will take place; and who will be responsible for undertaking it.

Stage 5: Authorisation of EQIA

Declaration: I am satisfied with the full equality impact assessment that has been undertaken for the Consultation on the Design of a Deposit Return Scheme for Drinks Containers in Scotland and give my authorisation for the results of this full assessment to be published on the Scottish Government's website.

Name: David McPhee

Position: Deputy Director, Deposit Return Scheme

List of References (in alphabetical order)

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Deposit Return Scheme for Scotland

Fairer Scotland Impact Assessment

March 2023



Scottish Government
Riaghaltas na h-Alba
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FAIRER SCOTLAND DUTY SUMMARY TEMPLATE

<p>Title of Policy, Strategy, Programme etc.</p>	<p>A Deposit Return Scheme for Scotland</p>
<p>Summary of aims and expected outcomes of strategy, proposal, programme or policy</p>	<p>A Fairer Scotland Impact Assessment was published alongside the Deposit and Return Scheme for Scotland Regulations 2020 (“the 2020 Regulations”). That Assessment has been reviewed as part of the legislative process for the Deposit and Return Scheme for Scotland Amendment Regulations 2023 (“the 2023 Regulations”). This document builds on that predecessor, taking account of relevant impacts brought about by the 2023 Regulations.</p> <p>The Scottish Government announced the design of a Deposit Return Scheme for Scotland (DRS) on 8 May 2019 and published draft Regulations on 10 September 2019 which subsequently came into force in May 2020 as the Deposit and Return Scheme for Scotland Regulations 2020 (“the 2020 Regulations”). The original 2020 Regulations have already been amended by the Deposit and Return Scheme for Scotland Amendment Regulations 2022 to alter the original implementation date to 16 August 2023 and to simplify the scope of the DRS. The Deposit and Return Scheme for Scotland Amendment Regulations 2023 (“the 2023 Regulations”) make further amendments to delay the implementation date from 16 August 2023 to 1 March 2024 and to simplify the scope of the DRS by making amendments, for example, to the obligation for a takeback service, to in-scope containers, and to premises required to act as return points. This is, as a result of the uncertainty caused by the UK Government delaying the decision to exclude the scheme from the UK Internal Market Act 2020, and in response to an independent Gateway Review, an internal review of scheme readiness, and wider stakeholder concerns.</p> <p>The main amendments made by the 2023 Regulations are set out below. In addition the 2023 Regulations also make a small number of other minor amendments to the 2020 Regulations and make transitional provisions in relation to producers who have already been registered by SEPA or applied to be registered.</p> <ul style="list-style-type: none"> • Changes implementation date to 1 March 2024

- Revised takeback obligations
- Exclusion of low volume drink products
- Amended minimum size of scheme articles
- Exemption for retailers from acting as a return point where 90% or more of scheme articles are sold for consumption on the premises of sale
- Right of return point operators to refuse packaging of a particular material in specific circumstances
- Retention of scheme packaging by hospitality retailers

The scheme design enables consumers to take single-use drinks containers back and redeem a 20p deposit from retailers selling drinks covered by the scheme as well as additional return points.

Businesses that sell drinks to be opened and consumed onsite, such as pubs and restaurants, do not have to charge the deposit to the public and will only be required to return the containers they sell on their own premises.

A take-back service must be provided by large grocery retailers who sell scheme articles by means of distance retail sale. This service must be provided to those customers who state to large retailers that they have a disability (within the meaning of the Equality Act 2010) or are aged 66 years and over. This means that those customers who are more likely to be dependent on delivery or for any reason are unable to travel to shops will be able to redeem deposits paid on containers. The obligation specifies that takeback is free of charge and is funded by an online retail handling fee; however large retailers can charge a further 'collection' deposit to be returned upon collection of the containers.

The obligation is triggered by the sale of a scheme article by a large retailer by means of distance retail sale and consumers aged 66 and over or with a disability will be able to return a 'reasonable' number of containers, no matter where they were purchased provided that they request the takeback within 6 months from the date of purchase. A "reasonable" number is no less than 21 and the maximum amount must take into account the method of storage or collection used by the large retailer. Any retailer can provide a voluntary takeback service as long as they comply with the same requirements that apply to large retailers.

Non-retail spaces will be able to act as voluntary return points. These could include recycling centres, schools or

other community hubs. While retailers will be required by legislation to provide a return service, non-retail spaces will operate on an opt-in basis.

Retailers can choose to install reverse vending machines (RVMs) to collect the bottles and cans and return deposits. Alternatively, they will have the option to return deposits over the counter, collecting the containers manually.

Where less than 10% of in-scope containers sold by hospitality retailers are for off-site consumption, they will not be required to act as a Return Point though they may choose to do so voluntarily. Any distance retail sales are not taken into account in calculating the sales of scheme articles for off-site consumption.

The scheme will include drinks containers made of PET plastic (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium, steel and glass. Containers under 100ml and over three litres capacity will be exempt from requirements.

Scotland's DRS will target a return rate of 90% by the third year of DRS being operational. This is significantly higher than the current capture rates for the materials that are in scope of the scheme.

Having a deposit level that provides a sufficient incentive to return containers, together with provision of high coverage of return points, means that this target is ambitious but achievable. This target has been written into legislation for the scheme to deliver.

Summary of evidence

The DRS will apply to all groups and sections of society however it is important to ensure the scheme properly reflects the fact that different people have different needs.

In order to ensure this is the case, an Equality Impact Assessment (EQIA) was published as part of the public consultation on proposals for DRS in 2020. As well as considering the impact of the scheme in the context of the protected characteristics set out through the Equality Act 2010, the assessment also took account of wider socio-economic considerations associated with the introduction of DRS. The full and final EQIAs have been updated to take into account the 2023 Regulations and are published alongside this Fairer Scotland Impact Assessment.

Based on the evidence gathered for the purposes of that assessment, it was concluded that there was potential for DRS to both positively and negatively impact on people affected by low wealth and material deprivation.

The assessment found that people impacted by socio-economic disadvantage are more likely to pay more for essential goods and services (energy, food) than the rest of the population and fuel and food were identified as the main spending priorities. This may be through a lack of information/competition, differential pricing strategies and restricted access to better deals (e.g. distance to supermarket without a car). The indications are that low-income households are more susceptible to changes in food and drink prices.

The EQIA concluded that the design of any DRS should consider the potential impact that the initial outlay of deposits and their temporary retention could have on individuals on low incomes.

Whilst not conclusive, modelling work undertaken by Zero Waste Scotland and the Scottish Government offers a useful insight into the likely scale of the additional outlay faced by individuals across different income deciles as a result of the introduction of DRS. Further detail of this work is set out in **Annex A** to this report.

That work, which should only be considered as indicative, suggests that DRS will result in an initial additional outlay of around £1.40 for those individuals falling within the lowest 10% household income group as defined by the Office for National Statistics. While this money can be reclaimed, it is anticipated that it will then be spent on servicing further deposits and so cannot be redirected to

other priorities. The outlay rises to approximately £1.80 for the second lowest household income decile.

It is clear that the scheme will be more expensive from the perspective of consumers should they choose not to redeem their deposits. There are a number of factors that will influence choices around participation, including:

- A consumer's total and disposable income
- Their views and preferences around recycling
- Their current recycling activity
- Their proximity to deposit return points
- Their level of consumption of items within the scope of DRS

In a previous study of factors affecting the gross recycling performance of local authorities in England¹, the most significant were levels of deprivation (with lower yields associated with higher levels of deprivation), the range of materials targeted (with wider ranges of materials targeted achieving higher dry recycling yields) and fortnightly refuse collections (being associated with higher dry recycling yields in comparison to weekly refuse collections). However, it is difficult to use evidence from existing kerbside recycling services to predict participation in deposit return schemes, where the incentives are different.

What is clear is that any DRS will have to be accessible and convenient for all members of society to avoid people being financially disadvantaged. 96% of respondents to the public consultation on DRS in 2018 favoured a return to retail model supplemented by dedicated return points, meaning it will be possible to return packaging to any place of sale. International evidence suggests that schemes which operate on a “return to depot” basis with no retail involvement fail to secure high capture rates, meaning a greater proportion of deposits go unredeemed.

The 2023 Regulations will ensure that under Scotland's DRS consumers can return scheme packaging to return points at a physical place of purchase, via online takeback (service only to customers who state that they have a disability (within the meaning of the Equality Act 2010) or are aged 66 years and over) through the largest retailers and to voluntary return points. Exemptions for some retail and hospitality premises may increase the distance to the nearest deposit return location. The distance increase could be significant for households without access to a car.

¹ <https://wrap.org.uk/resources/report/factors-influencing-recycling-performance>

A high return rate is also contingent on strong public awareness of the scheme. Public communication using a wide range of channels, including online, will therefore be critical. Evidence suggests that those on lower incomes are less likely to have access to, and confidence in using, the internet² and this should be borne in mind.

Finally, there are indications that there could be job opportunities created as a result of establishing DRS. Evidence from comparable schemes overseas indicates that these could be filled by people who have been unemployed for a long time. This information was gathered on a range of overseas visits by Zero Waste Scotland staff to deposit return schemes in various European countries including Iceland, Norway and Estonia, Sweden and Lithuania in late 2017 and Denmark and Finland in early 2018.

² <https://www.gov.scot/publications/scotlands-people-annual-report-results-2016-scottish-household-survey/>

Summary of assessment findings

Based on the evidence gathered, it is clear that the introduction of a DRS has the potential to impact on those experiencing socio-economic disadvantage. While we recognise there may be some detrimental impact on those without access to a car due to return exemptions for specific premises or the process for online collection, we believe that the scheme design minimises the risk of negative impacts.

We consider the following features of the scheme to be critically important in this respect:

Public communication: Accessible communication and inclusive engagement will be central to ensuring high participation and equality of access to the scheme.

As work progresses in preparation for the scheme's implementation, it will be crucial to ensure that DRS communication and engagement activity has a strong equality focus. This will allow us to ensure that people with a range of needs and characteristics will be able to clearly understand what the DRS is, how it works, where they can find their nearest return point, what they can return and how they can redeem their deposit.

Comprehensive, multi-channelled and inclusively designed communication and engagement programmes and materials will be key to achieving this.

Those disabled customers who have learning difficulties and also some elderly customers, may require additional support and assistance in understanding the requirements for takeback and to complete the process successfully.

Accessibility of return points: The evidence gathered to date suggests that the location of return points, their accessibility and convenience of use should be prioritised. The scheme design has taken account of this by maximising options for return to a place of purchase, subject to reasonable exemptions. Non-retail spaces will also be able to act as return locations. These could include recycling centres, schools or other community hubs. Exemptions could result in further distances to return locations, impacting those without access to private transport. Communication of return locations will therefore be important to ensure clarity on return locations.

Return points will be able to operate both manual and automated take-back arrangements, thereby removing a potential obstacle to the participation of smaller retailers

who may not be in a position to accommodate an RVM.

Participation of those who use online grocery retailers:

Online shopping is a service that is relied on by many people including disabled people, those who live in rural areas and those without access to private transport. The scheme therefore requires the largest online grocery retailers to provide an online takeback service for those customers who have a disability (within the meaning of the Equality Act 2010) or who are aged 66 or over. They are considered to be the groups who are most likely to be reliant on online takeback.

Those who meet the eligibility criteria for takeback under the new provision will have to wait until they have 21 containers (deposits worth £4.20, which is £4 more than under previous provisions) before they can get their money back. If disabled and elderly customers are also on low incomes, this could pose additional costs for buying online.

Those who are not eligible under the new rules may be disadvantaged if they cannot get to a return point. This should be mitigated by a comprehensive network of physical return points.

Economic and societal opportunities: Ministers are clear that the scheme should deliver maximum economic and societal benefits for Scotland. DRS will deliver an aggregated and high-quality feedstock of recyclate and Zero Waste Scotland has established a dedicated workstream focused on attracting inward investment by material re-processors which, if successful, has the potential to create additional job opportunities.

Sign off

Name: David McPhee

Job title: Deputy Director, Deposit Return Scheme

ANNEX A

- Work was undertaken in order to gain insight into the likely scale of the initial additional outlay faced by individuals across different income deciles as a result of the introduction of DRS.
- Using data from Scottish households from the ONS Living Costs and Food Survey (LCF), the average amount spent on drinks containers each week (i.e. drinks in cans and bottles) was calculated for each income decile in Scotland. Kantar consumer panel data was then used to establish an estimate for the average costs of different types of drinks purchased in Scotland. This was then applied to the LCF data in order to estimate the average number of each type of drinks container bought by households in each decile. Finally, the 20 pence deposit was applied to each of these containers to establish the estimated additional outlay as a result of the Deposit Return Scheme. The results of this work are summarised in the table below:

ONS Household income group	Mean household grocery spend (£ per week)	Mean grocery shop comprising drinks containers (£ per week)	Estimated initial additional outlay on the introduction of DRS	Initial additional DRS outlay, as % of grocery shop	Initial additional DRS outlay as % of mean net income
Lowest ten per cent	£38.90	£7.40	£1.40	3.60%	1.10%
Second decile	£49.50	£8.40	£1.80	3.60%	0.80%
Ninth decile	£77.60	£16.60	£2.80	3.70%	0.30%
Highest ten per cent	£91.40	£20.10	£2.80	3.10%	0.20%

(NB – Figures in the table are rounded to one decimal place)

- As highlighted in the discussion above, it is important to remember that the additional outlays set out in the table above are not weekly increases to the price of grocery shopping. The additional outlay is a one-off cost on the introduction of the scheme – this money can be reclaimed by depositing the empty containers.
- In Scotland 51% of households earn less than £25,000 pa³ in 2019.

³ <https://shs.theapsgroup.scot/2019/8/>

**Supplementary Assessment to DRS BRIA – Deposit and Return Scheme for
Scotland Amendment Regulations 2023**

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1. About this document

This document is a supplementary assessment setting out the business and regulatory impacts of amendments being proposed to Scotland’s Deposit and Return Scheme (DRS) established under the Deposit and Return Scheme for Scotland Regulations 2020 (“the 2020 Regulations”). On 20 April 2023, the Minister for Green Skills, Circular Economy and Biodiversity announced that the Scottish Government would seek to amend the full implementation date for DRS from 16 August 2023 to 1 March 2024, and make a number of changes to the scheme.

The analysis presented here is supplementary to the updated Deposit Return Scheme Final BRIA which was published¹ in December 2021 following amendments made to the 2020 Regulations by the Deposit and Return Scheme for Scotland Amendment Regulations 2022 (“the 2022 Regulations”) and should be viewed within this context. The purpose of this document is to provide updated assessments on the impacts that will result from the amendments to DRS, specifically relating to:

- ☒ Firms impact²
- ☒ Competition assessment
- ☒ Economic assessment (net present value)

2. Background

The 2020 Regulations are being further amended by the Deposit and Return Scheme for Scotland Amendment Regulations 2023 (“the 2023 Regulations”) which were laid in the Scottish Parliament on 17 May 2023. The impacts of the proposed changes are considered below and a sensitivity analysis which tests the overall impact on the DRS model Net Present Value (NPV) is presented at the end of this document. Zero Waste Scotland (ZWS) completed a model that identified the costs and benefits of a Scottish DRS. This modelling was outlined in the Full BRIA³ and will be referred to hereafter as 'the model'.

The main policy driver for DRS is to promote and secure an increase in recycling of materials by requiring a deposit of 20p to be applied when drinks containers are sold. This forms part of the Scottish Government’s response to the global climate emergency by ensuring the targeted materials are collected in larger quantities and separately to other materials, making them easier to recycle.

¹ <https://www.gov.scot/publications/deposit-return-scheme-scotland-final-business-regulatory-impact-assessment/>

² The 12 businesses interviewed as part of the Scottish Firms Impact Test were: Ardagh Group, Changeworks, Coca Cola, Co-op, Costa Coffee, Crieff Hydro, Highland Spring, National Federation of Retail Newsagents, Road Haulage Association, Scotch Whisky Association, Scottish Environmental Services Association (SESA), Williams Brothers Brewing Company.

³ [Supporting documents - A Deposit Return Scheme for Scotland: Final Business Regulatory Impact Assessment - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/supporting-documents-a-deposit-return-scheme-for-scotland-final-business-regulatory-impact-assessment-gov.scot/)

The 2020 Regulations have already been amended by the 2022 Regulations to alter the original full implementation date from 1 July 2022 to 16 August 2023.

The 2023 Regulations make further amendments to delay the implementation date from 16 August 2023 to 1 March 2024 and to simplify the scope of the DRS. This is as a result of the uncertainty caused by the UK Government delaying the decision to exclude the scheme from the UK Internal Market Act 2020, and in response to an independent Gateway Review, an internal review of scheme readiness, and wider stakeholder concerns.

The main amendments are :

- Change to implementation date to 1 March 2024
- Amended takeback obligations
- Exclusion of low volume drink products
- Amended minimum size of scheme articles
- Exemption for retailers from acting as a return point where 90% or more of scheme articles are sold for consumption on the premises of sale
- Right to refuse packaging made of a particular type of material in specific circumstances
- Retention of scheme packaging by hospitality retailers

3. Implications for the 2020 and 2021 BRIA

The 2020 DRS BRIA considered the full DRS scheme design, while the 2021 DRS BRIA had only been revised to reflect changes made to the design of DRS by the Deposit Return Scheme for Scotland Amendment Regulations 2022. This supplementary analysis considers only the changes made to the design of DRS by the 2023 Regulations. Unless otherwise referred to in this Addendum, information that provides context for the scheme design as set out in the 2020 Regulations remains unchanged.

The assessment was completed subject to the best available information at the time, including commercially sensitive data provided by Circularity Scotland (as scheme administrator), drinks businesses and retailers. There are some data limitations associated with the revised takeback obligations and the exemption for retailers acting as a return point where 90% or more of scheme articles are sold for consumption on the premises of sale.

All changes to 2020 Regulations follow extensive engagement with business and other stakeholders which has informed the policy process.

4. Consultation

An extensive public consultation was carried out in 2018 to inform the design of DRS. The Scottish Government reviewed the implementation timetable in 2022 following an independent gateway review and engagement with industry stakeholders, resulting in a revised implementation date of 16 August 2023.

Stakeholder engagement as part of scheme assurance processes during March and April 2023 included producers, retailers, the scheme administrator and hospitality sector representatives and raised concerns about scheme readiness. Amendments to delay and simplify the scheme directly respond to that engagement, seeking to reduce regulatory burden on business, while upholding the intended scheme benefits.

5. Revised launch date

Stakeholder feedback from business organisations highlighted multiple perspectives on an August 2023 launch date. Most larger producers have indicated that they wished DRS to launch on 16 August, but many smaller producers, retailers and those in the hospitality sector sought a delay, both publicly and in stakeholder engagement. In parallel, the political uncertainty created by the lack of a decision from the UK Government regarding an exclusion from the UK Internal Market Act 2020 had the effect of creating widespread uncertainty, resulting in a pause in preparations by many businesses.

Many large businesses have invested significant sums of money preparing for an August launch date. Any delay in launch date could result in additional cost for those businesses, including committed spend by retailers in return infrastructure, potential loss of stock by producers that have already adjusted supply chains, and ongoing costs for the scheme administrator associated with existing contracts, loans and investments, without an income stream from the operation of DRS.

It is likely that some, but not all, of these investments will be recoverable in the case of a short delay to scheme launch. However, a longer delay will result in a greater risk that these investments are non-recoverable. Conversely, an unsuccessful launch of the scheme could also place this investment at risk were it to impact the long-term viability of the scheme, with the additional impact of exposing businesses that are not ready for scheme launch to financial and legal risks.

6. Amended takeback obligations

The takeback obligations that were in the original 2020 Regulations have been revised following Scottish Government consultation with the retail sector, which highlighted significant delivery challenges in providing an online takeback service, particularly for

smaller retailers. The existing takeback obligation in the original 2020 Regulations required all retailers selling scheme articles by means of distance retail sales to provide the takeback service to all customers, and feedback from industry indicated that it would be very burdensome, challenging to deliver, and would create additional complexity and environmental impact.

To provide a solution which protects the ease of return of scheme articles, avoids discrimination against customers who are less able to access return points and alleviates disproportionate impacts on small businesses fulfilling their obligations, the Scottish Government is proposing that online takeback obligations will apply only to large grocery retailers. Consumers who are aged 66 or over or have a disability must be provided with a takeback service to ensure that those who rely on online grocery shopping can return scheme articles and redeem their deposit. A takeback service can be provided directly by the large retailer or by a third party on its behalf. The specifics of these changes are:

- The obligation is limited to only large grocery retailers that sell scheme articles through a distance or online retail sale to reduce the burden on smaller retailers;
- Large retailers must provide a takeback service to consumers who state that they are aged 66 or over or have a disability;
- Large retailers are required to collect a 'reasonable' number of scheme containers, no matter where they were sold from. A 'reasonable' number means that the minimum number which the large retailer is required to collect is 21 containers and a reasonable maximum number can be set which takes into account the method of collection and storage of containers used by the large retailer;
- A large retailer must provide a takeback service within 4 weeks of receipt of a request from the consumer;
- The retailer must refund the deposit to the consumer once the collected containers are verified.

As part of the takeback service, the large retailer can:

- charge customers an administrative fee or deposit for collection, which is refunded once containers are collected and verified;
- when making a delivery, choose to provide a takeback service there and then, rather than making a further journey;
- refuse to collect containers under certain circumstances (for example, after a time limit of 6 months has passed; or a container is soiled or broken as per the original 2020 Regulations).
- reclaim a 'reasonable' handling fee from the scheme administrator, for each item of scheme packaging collected by the retailer.

Definition of a large retailer

The 2023 Regulations define a large retailer as having an annual turnover in the preceding financial year exceeding £1 billion with respect to the retail supply of groceries in the United Kingdom, or a subsidiary of such a retailer.

Groceries are defined as: food (other than sold for consumption on the retailer's premises), pet food, drinks (alcoholic and non-alcoholic, other than sold for consumption on the retailer's premises), cleaning products, toiletries and household goods but excludes petrol, clothing, DIY products, financial services, pharmaceuticals, newspapers, magazines, greetings cards, CDs, DVDs, videos and audio tapes, toys, plants, flowers, perfumes, cosmetics, electrical appliances, kitchen hardware, gardening equipment, books, tobacco and tobacco products.

The definition of large retailer is in line with the definition of 'designated retailer' in the Groceries (Supply Chain Practices) Market Investigation Order 2009. This Order sets out a Groceries Supply Code of Practice (GSCOP) with which 'designated retailers' must comply. This means that in practice, the retailers who will be obligated under the new takeback obligation are the same retailers who are designated retailers under GSCOP and who also sell scheme articles online to consumers in Scotland.

The Competition and Markets Authority has determined that those retailers who are designated under GSCOP have an annual groceries turnover of £1 billion and they therefore meet the definition of 'large retailer' in the amendments. As of 16 May 2023, the GSCOP currently applies to Amazon, Coop, Sainsbury's, Iceland, Morrisons, ASDA, Marks & Spencer, Waitrose, Tesco, Lidl, Aldi, B&M, Ocado, and Home Bargains. Retailers will not be obligated under the new takeback provisions unless they do distance retail sales of scheme articles in Scotland.

Large retailers have their own obligations under the Equality Act 2010 to those with protected characteristics. It is the responsibility of individual retailers to consider any obligations that they may have with regard to the provision of a takeback service for their customers, and this has not been assessed here. In addition, any retailer may voluntarily provide a takeback service, and if doing so, is required to comply with the takeback obligations applying to large retailers and meet any obligations they might have under the Equality Act 2010.

Consumers who are eligible for a takeback service

Large retailers are required to provide the takeback service only to customers who state that they have a disability (within the meaning of the Equality Act 2010) or are aged 66 years and over. Consumers will not be asked to provide proof of eligibility to access a takeback service.

Eligible consumers are required to make a request for the provision of a takeback service from the large retailer within 6 months of purchase of a scheme article from that large retailer.

Recent research suggests that only a small proportion (2.3%) of people in the UK buy groceries *exclusively* online⁴, and are therefore dependent on online grocery shopping. This proportion however rises to 16.9% when considering those who mainly shop online and partly in-store. The data evidenced that in 2022, around 33% of online grocery shoppers in Scotland were aged 66 or over. In 2021 36.2% of online grocery shoppers in Scotland were aged 66 or over. This is a significant proportion of online shoppers and supports the views of stakeholders that this group require support when the scheme launches on 1 March 2024.

Table 3: Online grocery sales Scotland 65+ (Kantar)

Year	Total demographics (£000's)	Aged 65+/retired (£000's)	Proportion (%)
2021	928,582	269,597	29
2022	817,654	225,291	27.6

Table 1: Online grocery sales Scotland 65+ (Kantar)

It is not possible to know the number of eligible customers choosing to make use of a takeback service until a takeback model is operational. Currently, around one fifth of Scotland's population define themselves as disabled⁵, and just under one fifth of Scotland's population is 66 and over⁶. There is likely to be considerable overlap between these two definitions, as increased age is correlated with an increased likelihood of disability^{7,8,9,10}. The number of those eligible for the service is higher than the number of those who shop online exclusively. We may therefore expect that some people who are eligible will not choose to use the service.

Retailers selling scheme articles have their own obligations under the Equality Act 2010, which have not been assessed here. Retailers may voluntarily provide a takeback service to any customer, and if doing so, is required to comply with the takeback obligations applying to large retailers and meet any obligations they might have under the Equality Act 2010.

Firms impact

Changes to takeback obligations are assessed to remove the impact associated with takeback for smaller retailers by requiring only the largest grocery retailers to provide a

⁴ <https://www.efoodinsights.com/uk-online-grocery-report/>

⁵ <https://onescotland.org/equality-themes/disability/#:~:text=Around%20one%20fifth%20of%20Scotland's,to%20their%20non%20disabled%20peers.>

⁶ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/mid-2021>

⁷ [harvard jchs housing growing population 2016 chapter 3.pdf](#)

⁸ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3266513/#:~:text=Disability%20incidence%20increased%20with%20age,of%20life%20and%20cognitive%20impairment>

⁹ [Disability by age, sex and deprivation, England and Wales - Office for National Statistics \(ons.gov.uk\)](#)

¹⁰ [Ageing and disability | United Nations Enable](#)

takeback service (either directly or such as through a third party service on their behalf), and reduce impacts on those retailers that continue to be obligated by only requiring those retailers to provide that service to customers who state that they have a disability (within the meaning of the Equality Act 2010) or are aged 66 years and over.

Other changes to the obligation set a minimum number of containers for collection and a time-limit for consumers to make request a takeback service.

The combined effect of the amendments to the takeback obligations will provide an overall reduction in costs for retailers who would have previously been required to operate the service and for producers who would have to pay for the service through the handling fees paid to retailers.

Competition assessment

Online grocery market in Scotland

Online grocery sales have risen both in absolute terms, and relative to total retail sales since the start of 2020 and before¹¹, signalling that the pandemic had a large impact on shopping habits. Figures 2 and 3 below¹², show these trends.

Figure 2

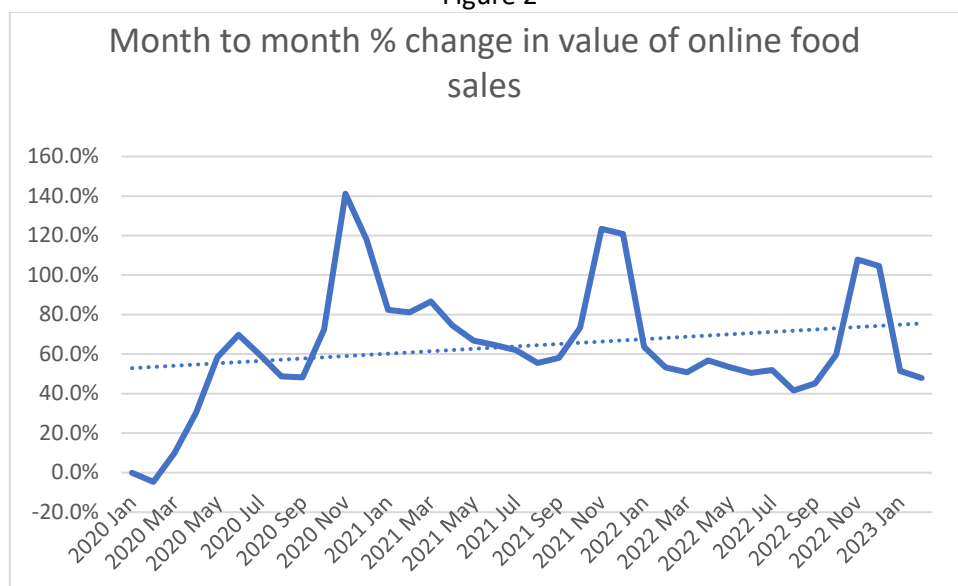


Figure 1: ONS (2023)

Figure 3

11

<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/datasets/retailsalesindexinternetsales>

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<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/datasets/retailsalesindexinternetsales>

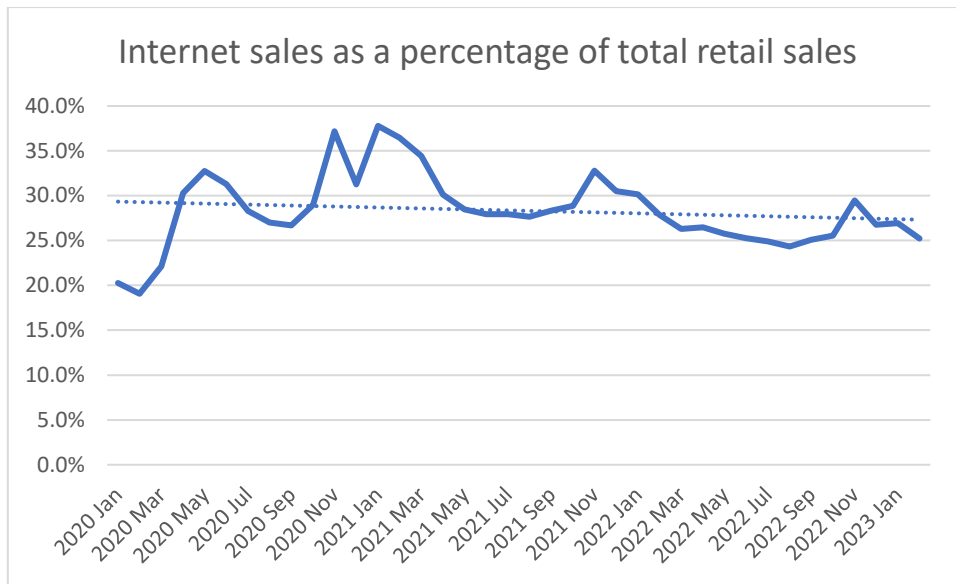


Figure 2: ONS (2023)

Relative to all retail sales, internet sales have shown a slight decline since the start of 2021. This trend may reflect physical stores opening back up after consecutive lockdowns, providing customers with the shopping experience they had previously missed.

Market Share

Full data on the market share for businesses selling scheme articles online in Scotland was not available for assessment as part of this BRIA addendum. Table 4 below sets out total market shares for the UK grocery market.

Table 4: UK Grocery Market Shares

Tesco 27.0%	Sainsbury's 14.9%	Asda 14.0%	Aldi 10.1%	Morrisons 8.7%	Lidl 7.6%
Co-op 5.7%	Waitrose 4.5%	Iceland 2.2%	Ocado 1.7%	Other Outlets 1.9%	Symbols & Independents 1.6%

Table 2: UK Grocery Market Shares

Source Kantar World Panel 16.04.23

- ☑ The largest six supermarkets account for 82.3% of all grocery sales, adding Co-op and Waitrose brings this figure up to 92.5%.
- ☑ Of these 8 supermarkets all make online grocery deliveries except Lidl and Aldi (the latter does offer online click and collect instore).

Available data on the Scottish grocery market (physical and online sales) indicate that the market in Scotland is broadly similar to the rest of the UK. There is also an intent to

maximise interoperability of any deposit return schemes which are established in the rest of the UK as far as possible. On 20 January 2023, the Department for Environment, Food and Rural Affairs (Defra), Welsh Government, and Northern Ireland Department for Agriculture, Environment and Rural Affairs (DAERA) published a response to a consultation for introducing a Deposit Return Scheme for drinks containers in England, Wales and Northern Ireland. The consultation response stated that ‘ We recognise there are consumers who will struggle to access return points to redeem their deposits, and therefore having a doorstep redemption of the deposit is desirable to support engagement with the scheme. We recognise concerns raised by industry on operationalising a takeback service and want to continue working through the detail of how this could work in practice with industry. We are particularly keen to ensure large supermarkets delivering grocery shopping are offering consumers a takeback service from day 1 of the scheme, as well as considering how other businesses could deliver a takeback service where feasible”. Amendments made by the 2023 Regulations are therefore in line with changes proposed for the rest of the UK, as far as can be determined from available information at the time.

Competition impact

There is an additional regulatory burden on large grocery retailers to operate a takeback service, compared to smaller retailers. This may provide competitive advantage for smaller retailers, either directly if impacting businesses costs, or indirectly if retailers increase prices in response to obligation costs. This impact is mitigated by the requirement for producers to pay a reasonable handling fee to obligated retailers to cover the costs of operating a takeback service.

Conversely, if customers can only access free takeback from large retailers, this may incentivise more purchases from those retailers compared to smaller equivalents. This impact is mitigated by the ability for any retailer to provide takeback voluntarily.

Economic assessment

Changes to takeback obligations are not anticipated to significantly impact the net present value of DRS in Scotland. While amendments may result in a reduced use of takeback, the number of customers likely to make use of a takeback service remains unknown, and there is neither significant justification nor data to update the existing NPV model.

Summary

- Stakeholder engagement indicates that amendments to takeback obligations will reduce the impact on all retailers, but more significantly for smaller retailers that no longer have takeback obligations
- There are likely to be impacts on competition since large retailers have obligations that smaller retailers do not. Impacts may be both positive and negative. The largest grocery retailers account for over 96% of total UK grocery

sales, and already have legal obligations in relation to wider Scottish and UK legislation.

- There is not anticipated to be an additional cost to obligated retailers since there remains is a requirement for producers to pay a reasonable handling fee for any containers collected by obligated retailers to cover the costs of operating a takeback service.
- Amendments to takeback obligations in Scotland align with the policy intent set out in the consultation response on DRS in the rest of the UK to require large grocery retailers to provide a takeback service.
- There is insufficient evidence to indicate there will be any significant change to net present value.

7. Low volume drink products

Engagement with stakeholders, including drinks producers, wholesalers and specialist retailers, has highlighted that a large number of products are sold into Scotland at very low volumes. This could place a disproportionate burden on producers of those products, particularly at the initial launch of DRS.

The Scottish Government is proposing that unique product lines that sell fewer than 5,000 units per year in Scotland can be designated as a 'low volume drink product' and producers will not be required to charge a deposit when those products are marketed, offered for sale or sold.

Low volume drink products are removed from the definition of scheme articles, and therefore are exempt from most of the obligations associated with scheme articles – most notably the requirement to carry a deposit, and the requirements for producers to collect scheme packaging from retailers.

However, a low volume drink product cannot be marketed, offered for sale or sold to a consumer in Scotland unless the producer is either a registered producer or a listed producer with the Scottish Environment Protection Agency (SEPA). As part of their application to SEPA, producers of low volume drink products must provide estimated annual sales figures for each product in order to justify categorisation of as a producer of a low volume drink product. A producer of only low volume drink products must pay a listing fee of £365 unless annual turnover is under £85,000 per year, in line with requirements for registered producers. A producer of both scheme articles and low volume drink products must provide annual sales figures for each low volume drink product as part of its registration with SEPA as a registered producer of scheme articles.

The new provisions on low volume drink products will reduce the total amount of scheme articles within scope of DRS and may mean that some producers who only produce low volume product lines with less than 5,000 units per year are required only to comply with the requirement to be listed with SEPA and their products will otherwise not be subject to the requirements of DRS. It is intended that this will help to alleviate cost and regulatory concerns for producers that sell drink products in Scotland at a low volume; this will in particular help small businesses.

Firms impact

Exclusion of low volume drink products from requiring a deposit is assessed to reduce the impact of DRS on any businesses selling a low volume drink product, and particularly on those producers that sell only low volume drink products. This change will not remove these producers entirely from the scope of the 2020 Regulations since these producers will be required under the new provisions for low volume drink products to apply to SEPA to be listed producers and provide estimated sales data of low volume drink products in order to justify this categorisation.

There may be an increased impact in the form of increased administrative burden on other businesses in the supply chain (wholesale, retail hospitality) and the scheme administrator as a result of needing to distinguish between scheme articles (deposit-bearing products) and low volume drink products (non-deposit bearing products). However, some businesses in these sectors were supportive of introducing an exclusion for low volume drink products, and retail businesses may choose not to sell low volume drink products if they wish to avoid having additional administration in dealing with both scheme articles and low volume drink products. Equally a retail business may choose only to sell low volume drink products.

Any registered producer that wishes to apply a deposit to its products may continue to do so if they consider it easier only to be selling scheme articles; they would not provide any information to SEPA about sales of low volume drink products and all products that the registered producer markets, offers for sale or sells would be scheme articles.

Competition assessment

There is no comprehensive data source setting out the volume of sales of all in scope products in Scotland. However, industry data¹³ for the drinks sector in Scotland indicates that:

- Approximately 44% of registered producers only sell products that have sales of under 5,000 units per year
- Approximately 79% of registered producers sell at least one product that has sales of under 5,000 units per year
- Products with sales under 5,000 units per year account for 0.5% of total single-use drinks containers which would otherwise be in-scope for DRS

This wider market data aligns with trade association data¹⁴ collected from a survey of members indicates that:

- 52% of products have a forecast of under 5,000 units per year.
- Products with sales under 5,000 unit per year account for roughly 1.4% of all sales by volume.

Within this aggregated data there are sizeable variances between each business. Overall, however, it is clear that while a majority of products sell less than 5,000 units per year, these make up a small proportion of overall sales by volume. This indicates that most of the market is dominated by relatively few products with disproportionately large sales volumes.

Businesses involved in the supply of low volume drink products may find some competitive advantage as a result of these products being excluded from the definition of scheme article, but the small number of containers involved (0.5% of the total) will minimise any competition impacts. Drinks producers of all sizes will be affected by this change, since it pertains to the product line, rather than the producer. Producers cannot

¹³ Data commercial in confidence

¹⁴ Data commercial in confidence

easily take advantage of any competitive advantage that may result from exclusion from DRS by expanding sales volumes, since this would remove them from the scope of the exclusion. Further mitigation will be provided by the fact that these low volume drink product lines will continue to add to product diversity in the drinks market.

Economic assessment

No significant impacts are expected on net present value due to the exclusion of a small proportion (0.5%) of containers from DRS. It should be noted however that there is likely to be a small element of double counting containers that would no longer be covered by DRS as a result of the minimum size of scheme articles being increased from 50ml to 100ml.

Summary

- Stakeholder engagement indicates that amendments to introduce a category of low volume drink products will reduce the impact and costs of DRS for the majority of producers, and particularly for the smallest producers.
- Businesses involved in the supply of these products may find some competitive advantage as a result, but the small number of containers involved (0.5% of the total) will minimize any competition impacts.
- There may be an increase in the competitiveness of the market overall as a result of reduced costs and administrative burden for low volume products.
- No significant impacts are expected on net present value

8. Amended minimum size of scheme articles

Engagement with stakeholders has highlighted several operational challenges for small containers (under 100ml). These include labelling with compliant barcodes due to the small size of containers, and acceptance of small containers by reverse vending machines.

As a result, amendments increase the minimum size of a scheme article from 50ml, to 100ml, thereby excluding drinks containers of under 100ml from the definition of a scheme article.

Firms impact

Changes to container sizes are assessed to reduce the impact of DRS on drinks producers, retailers and the scheme administrator. It will remove the impact of DRS on some businesses that trade only in drinks containers sized between 50-99ml.

Competition assessment

Table 1 below sets out the estimated number of articles and stock keeping units¹⁵ (SKU) that will no longer fall within the definition of scheme article under DRS, based on available data at March 2023.

Table 1. Numbers of products and scheme articles under 100ml

Product Volume ml	Number of products	Number of Articles
< 100 ML	942	5,154,589

Table 3: Numbers of products (stock keeping units) and scheme articles under 100ml
Source: Industry data (March 2023).

Approximately 900 products are no longer covered by DRS. It is likely that this will include some producers or retailers that exclusively produce or sell products under 100ml¹⁶. Although only a small part of the market, some industry bodies point to a favourable outlook in this area given a resurgence of the use of miniatures by micro-distilleries and the craft spirit market. These small containers provide a low-cost method for small-batch producers to showcase their products to reach a wider audience¹⁷.

However, the number of businesses this is likely to affect is anticipated to be very small. Therefore, no significant impacts are expected on competition due to the small number of products that will no longer be covered by DRS.

¹⁵ <https://www.investopedia.com/terms/s/stock-keeping-unit-sku.asp>

¹⁶ <https://www.justaglass.co.uk/>

¹⁷ <https://www.futuremarketinsights.com/reports/spirits-miniatures-market>

Economic Assessment

No significant impacts are expected on net present value due to the exclusion of a small proportion (0.2%) of containers from DRS. It should be noted however that there is likely to be a small element of double counting containers that would no longer be covered by the scheme as a result of the exclusion of low volume drink products.

Summary

- Stakeholder engagement indicates that amendments to exclude drinks containers under 100ml will reduce the impact of DRS on drinks producers and retailers.
- Businesses involved in the supply of these products may find some competitive advantage as a result, but the small number of containers involved (0.2% of the total) will minimize any competition impacts.
- No significant impacts are expected on net present value.

9. Exemption for retailers from acting as a return point where 90% or more of scheme articles are sold for consumption on the premises of sale

Engagement with stakeholders has highlighted that many hospitality retailers sell a small proportion of scheme articles for consumption off the premises. Under the 2020 DRS Regulations hospitality retailers were required to operate a return point if they sold any scheme articles for consumption off the premises. However, acting as a return point poses challenges for hospitality retailers already selling the majority of containers for consumption on the premises, and these types of retailers were not considered to be significant in creating a returns network.

A new exemption is being introduced for retailers selling over 90% of scheme articles for consumption on the premises from operating as a return point. This threshold aligns with 90% collection targets for producers to collect scheme articles set in schedule 3 of the original 2020 Regulations, ensuring that the producer targets can still be met through the scheme packaging retained by the retailer from their sales of scheme articles for consumption on the premises. It also reflects the policy intent that the exemption from operating a return point should apply only to retailers who are primarily selling drinks for consumption on the premises.

Retailers who make use of the exemption from operating a return point on the basis that they sell less than 10% of scheme articles for consumption off the premises must keep records of the number of scheme articles sold for consumption both on and off the premises in order to be able to evidence their eligibility for this exemption to SEPA. Distance retail sales are not included for calculating the total number of sales of scheme articles sold by the retailer for the purposes of this exemption.

Firms impact

Changes to exclude some retail premises from having to act as a return point are expected principally to reduce the impact of DRS on the hospitality sector since it will be those businesses which are selling 90% or more of scheme articles for consumption on the premises. There may be an increased administrative burden associated with collecting and retaining data on the number of scheme articles sold for consumption off the premises. However, hospitality businesses are not required to collect this information unless they wish to make use of the exemption.

Hospitality businesses which are exempt from operating a return point due to the amendments can, however, still decide to operate as a voluntary return point if they wish to do so.

Hospitality businesses which sell less than 90% of scheme articles for consumption on the premises can still apply for an exemption from acting as a return point through the existing process.

Competition assessment

Hospitality plays a significant role in Scotland's economy and has faced particular challenges with the Covid-19 pandemic and the cost-of-living crisis. The hospitality sector is one of the largest sectors for employment in Scotland accounting for around 200,000 jobs pre pandemic, and £5 billion in GVA; 3.4% of the Scottish total.¹⁸ Geographically hospitality as an employer is more essential as an employer in the Highlands and Islands accounting for 13% of jobs in the region in 2019.¹⁹ This regional trend over time can be seen below in figure 1.

Figure 1

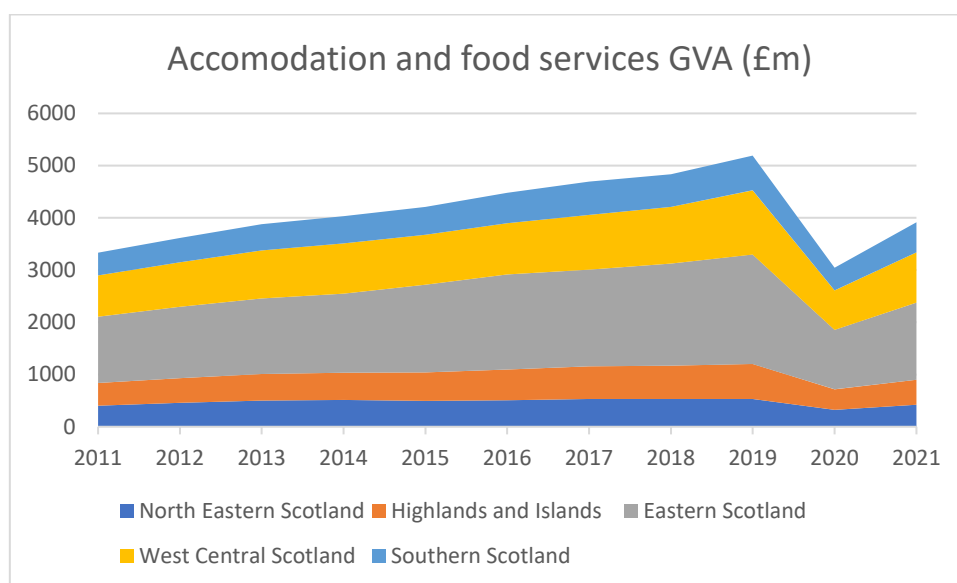


Figure 3: ONS (2023)

The hospitality sector in Scotland is very competitive, comprising predominantly of small businesses employing between 1 and 49 people; the business count drops sharply off above these thresholds. The picture is similar when assessing turnover, with over half of all businesses falling under £200,000 turnover per year. This indicates that the majority of the market is comprised of relatively small businesses with low turnover. There are of course several large businesses which will employ a disproportionately large number of people in the overall sector. This data does not show the total proportion of sales by businesses, but it is common in certain industries for a few very large players to dominate the market in terms of sales volumes. The data underlying this narrative is shown below in Table 2²⁰.

¹⁸ <https://spice-spotlight.scot/2022/07/21/hospitality-in-scotland-impact-of-the-pandemic-and-the-cost-of-living-crisis/>

¹⁹ <https://spice-spotlight.scot/2022/07/21/hospitality-in-scotland-impact-of-the-pandemic-and-the-cost-of-living-crisis/>

²⁰ <https://www.nomisweb.co.uk/>

Table 2: Hospitality businesses in Scotland

Hospitality business numbers in Scotland	Total Number
56101 : Licensed restaurants	2,510
56102 : Unlicensed restaurants and cafes	2,270
56103 : Take away food shops and mobile food stands	3,920
56210 : Event catering activities	610
56290 : Other food service activities	150
56301 : Licensed clubs	470
56302 : Public houses and bars	2,145
55100 : Hotels and similar accommodation	1,625
Column Total	13,700

Table 4: ONS (2023)

It is not expected that exempting retailers from operating a return point where they sell the majority of scheme articles for consumption on the premises will have any significant impact on competition among hospitality retailers. While retailers that are no longer required to operate a return point face some cost savings, there is no evidence to suggest that this will disproportionately benefit any particular type of business. Hospitality retailers could already apply for an exemption for operating a return point where doing so meant that there was a significant risk of the business breaching legal obligations in relation to health and safety, food safety, and others or where they had the agreement from another return point nearby to accept returns of scheme packaging on their behalf; so it is likely that some of the hospitality businesses which will benefit from the new exemption would have already been able to apply for an exemption under the original 2020 Regulations.

Hospitality businesses still wishing to operate a return point, for example, where they consider there to be a commercial justification, can continue to decide to operate as a voluntary return point.

Economic assessment

It is inherently challenging to locate data relating to the proportion of hospitality venues which offer on sales/off sales and the split of those sales channels in terms of total sales. In recognition, however, of the detrimental impact that Covid-19 and subsequent lockdowns have had on hospitality businesses and their potential for on sales revenue.. The Coronavirus (Scotland) Act 2020 made an amendment to the Licensing (Scotland) Act 2005 to allow licensed premises to offer takeaway and deliveries even where it is not included in the operating plan of the premises. This amendment has now ceased to have effect. However, this temporary amendment, coupled with evidence that there has been a sustained rise in delivery and takeaway sales for hospitality compared to pre-

pandemic levels²¹ provides evidence that there are a greater, and rising, proportion of off sales for hospitality businesses in Scotland.

The Covid-19 pandemic had an impact on jobs in hospitality. Between March 2020 and December 2020 jobs in the sector fell by 23%. By March 2022 the number of hospitality jobs had not recovered to pre pandemic levels.²² Shortages of staff pose a challenge to the hospitality sector, and make it harder for them to adapt. However, experience from the Covid-19 pandemic shows resilience in the sector to adapt, in particular, to move to providing takeaway and off sales to continue trading. At a UK level the takeaway market has grown by 43% from 2015 to 2020, with many businesses pivoting to do takeaway having never done it before.²³

CGA by NielsenIQ Hospitality at Home Tracker²⁴ identified that some trends around delivery and takeaway habits developed by consumers during lockdown in the UK have been maintained. Typically drinks make up a smaller proportion of sales, within monthly delivery and takeaway sales. However, versus January 2022 data, drinks' share of sales in September 2022 were 15% higher – with steady month-on-month growth over the course of this year.²⁵

Modelling undertaken for the DRS BRIA does not treat hospitality with low volumes of off-sales any differently from closed-loop hospitality, with pubs and restaurants assumed to be “manual in-house” only. There is no explicit consideration of off-sales, and all closed-loop hospitality sites are assumed to receive a handling fee covering only the storage of materials consumed in-house to be returned to the scheme administrator (i.e. bags, tags, floor space, sanitiser – and no additional staff time). This means there will be no impact on the modelled NPV from this measure. This, coupled with uncertainties in the proportion of off sales in hospitality venues makes it difficult to draw conclusions on the expected impact for business. However, given available evidence pointing to a general increase in the level of off sales at hospitality venues, there may be more businesses obligated as return points than previously expected.

Summary

- Exclusion of hospitality premises from having to act as a return point where ninety per cent or more of scheme articles are sold for consumption on the premises is expected to reduce the impact of DRS on many businesses in the hospitality sector.

²¹ <https://www.morningadvertiser.co.uk/Article/2022/09/01/pub-delivery-and-takeaway-sales-double-pre-covid-levels>

²² <https://spice-spotlight.scot/2022/07/21/hospitality-in-scotland-impact-of-the-pandemic-and-the-cost-of-living-crisis/>

²³ <https://www.britishtakeawaycampaign.co.uk/wp-content/uploads/2021/04/Covid-19-and-the-Future-of-Takeaway.pdf>

²⁴ <https://www.thecaterer.com/news/delivery-takeaway-sales-still-double-pre-covid-december-2022-cga>

²⁵ <https://cgastrategy.com/whats-the-drinks-opportunity-within-delivery-takeaway-sales/>

- There may be an increased administrative burden to record data on the number of scheme articles sold for consumption off the premises, but this is offset by the exemption from being required to operate a return point
- No significant impacts on competition have been identified
- No significant impacts are expected on net present value

10. Right to refuse packaging in specific circumstances

Engagement with stakeholders has highlighted that, in some situations, a retailer wishes to operate a return point but cannot allow some particular material types onto the premises for health and safety or food safety concerns. For example, some leisure centres, schools and swimming pools do not permit any drinks containers made from glass to be brought into the premises, but they may wish to act as return points for other types of materials.

The original 2020 Regulations did not permit any type of containers to be refused, as a return point was required to accept returns of scheme packaging made of any type of material. However, such premises could have applied for an exemption from operating as a return point where the premises would have been at significant risk of breaching health and safety or food safety obligations if they had accepted returns of containers made of certain materials. This could have had the unintended effect of removing a number of possible return points from the network that could not permit specific materials onto the premises, but wished to accept others. Previously, such premises could only apply for a full exemption from operating a return point.

The amendments will provide for return point operators to refuse to accept returns of scheme packaging, based on packaging material type, where they do not permit any scheme articles made of that material type to be brought into, or held on, the premises for reasons of compliance with food safety or health and safety obligations.

This new provision aligns with the policy intention that a premises should not be put at significant risk being in breach of health and safety or food safety as a result of operating a return point.

A return point operator which makes use of this new provision must clearly display which materials they do not accept, the reason why, and the nearest return point which accepts this material, in order to ensure that there is a minimal impact on the consumer's ability to return the item .

Firms impact

This change is expected to have no significant effect on the overall regulatory impact on return point operators, since retailers making use of the right to refuse based on material type will still have return point obligations for all other material types. Retailers will still be able to apply for a full exemption from return point obligations should they wish to do so.

Competition assessment

This change is expected to impact a very small number of retailers, and only applies in specific circumstances. No significant impacts are therefore expected on competition.

Economic assessment

We expect the effect of this provision will be to increase the number of return points available, since currently a return point operator that cannot accept a material type onto the premises for food safety or health and safety reasons must apply for a full exemption from operating a return point. We also expect the change to impact a very small number of retailers, and only applies in specific circumstances. No significant impacts are therefore expected net present value.

Summary

- No significant change to impacts on businesses anticipated
- No significant impacts on competition have been identified
- No significant impacts are expected on net present value

11. Combined impact of amendments – economic assessment (net present value)

Sensitivities

The following scenarios of combined amendments were tested using the DRS Economic model used to inform the BRIA. Their impact on the overall scheme net present value (NPV) is presented in Table 6.

- a) Scenario 1: No change (baseline)
- b) Scenario 2: “Worst Case” with registered containers scaled up to 2.7bn²⁶ total with no overlap:
 - o Scaling 12,984,248 out of 2,375,901,899 registered containers to a total of 2.7bn containers gives an estimated 14,755,436 containers removed from the scheme under the exclusion of low volume products;
 - o Scaling 4,535,851 out of 2,375,901,899 containers to 2.7bn gives 5,154,589 containers removed under the revised 100ml minimum volume.
 - o Assuming no overlap, a total of **19,910,025** containers are removed.
 - o This is equivalent to 0.74% of all scheme containers. The modelled DRS recycling tonnage was reduced by 0.74% for every year of the scheme to reflect this change.
- c) Scenario 3: Scaled “Worst case” assuming 95% containers registered (instead of 2.7bn total) with no overlap:
 - o Scaling 12,984,248 and 4,535,851 from 95% to 100% gives 13,667,629 and 4,774,580 containers excluded under the low volume products exclusion and 100ml minimum volume thresholds respectively.
 - o Assuming no overlap, a total of **18,442,209** containers are removed from the scheme.
 - o This is equivalent to 0.68% of all scheme containers. The modelled DRS recycling tonnage was reduced by 0.68% for every year of the scheme to reflect this change.

Limitations

Large parts of the model, including the tonnages of waste managed and the carbon benefits of the scheme are based on waste tonnages rather than the number of in-scope containers placed on the market, and are therefore insensitive to changes in modelled container numbers.

To ensure the reduction in in-scope containers was reflected in the assumed recycling tonnage within the model, the same percentage reduction was applied to the tonnage of DRS recycling. This reduction was applied as a flat rate across all DRS material, and does

²⁶ Scottish government have confirmed that this is their preferred method of scaling. Scaling industry data on registered producers and products up, to reflect industry estimates of all producers and products in the Scottish drinks market.

not assume any changes to the average weights or material composition of collected DRS material resulting from the exclusions.

The waste composition analysis used to create the model’s waste data inputs is not sufficiently granular to apply specific exemptions based on low volume drink products or the new minimum size of scheme articles. Re-modelling and additional data would be required in order to incorporate this into the model. Namely, the mass and material breakdown of waste that is made up of excluded containers would need to be obtained – this is not likely to be readily available.

It is still assumed that the 90% container return rate target is met by the second full year of operation (and interim 80% target met in the first full year, i.e. 2025) in line with the amended collection targets. The modelled NPV changes below assume that there is no overlap between the two excluded categories of low volume drink products and containers under 100ml volume. Hence, the container number reductions are considered a “Worst Case Scenario”, with the total number of containers removed from the scheme (and the corresponding reduction in scheme NPV) likely to be exaggerated.

Table 6: Impact of exclusions on scheme NPV

	Number (and %) of containers excluded	Revised total number of containers	Revised NPV (£)	Change from baseline (£)
a	0 (0.0%)	2,700,000,000	£583,576,480	-
b	19.9m (0.7%)	2,680,089,975	£571,565,885	-£12,010,595
c	18.4m (0.7%)	2,681,557,791	£572,451,139	-£11,125,341

Table 5: Impact of exclusions on scheme NPV

The exclusions are anticipated to result in a worst case overall scheme NPV in the region of £572m, a 2% decrease from the original scheme NPV. This represents a reduction of in-scope scheme articles of between 18,442,209 (approx. 0.68% of total) and 19,910,025 (approximately 0.74% of total) .

A Deposit Return Scheme for Scotland

Islands Communities Impact Assessment



Updated
May 2023

1

Scotland's Deposit Return Scheme: Summary

1. The Scottish Government announced the design of a Deposit Return Scheme for Scotland (DRS) on 8 May 2019 and published draft Regulations on 10 September 2019 which subsequently came into force in May 2020 as the Deposit and Return Scheme for Scotland Regulations 2020 ("the 2020 Regulations"). The scheme design and Regulations were informed by extensive public consultation, international best practice and engagement with a broad range of stakeholders. The Deposit and Return Scheme for Scotland Amendment Regulations 2022 came into force in February 2022 and amended the implementation date of the scheme to 16 August 2023. The Deposit and Return Scheme for Scotland Amendment Regulations 2023 ("the 2023 Regulations") make further amendments to delay the implementation date from 16 August 2023 to 1 March 2024 and to simplify the scope of the DRS. This is in response to an independent Gateway Review, an internal review of scheme readiness, and wider stakeholder concerns, as well as a result of the uncertainty caused by the UK Government not having made a decision to exclude the scheme from the UK Internal Market Act 2020.
2. An Islands Communities Impact Assessment was published alongside the 2020 Regulations. That Assessment has been reviewed as part of the legislative process for the 2023 Regulations. This document builds on that predecessor, taking account of relevant impacts brought about by the 2023 Regulations.
3. The main amendments made by the 2023 Regulations are set out below. In addition, the 2023 Regulations also make a small number of other minor amendments to the 2020 Regulations and make transitional provisions in relation to producers who have already been registered by SEPA or applied to be registered.
 - Change implementation date to 1 March 2024
 - Revised takeback obligations
 - Exclusion of low volume drink products
 - Amended minimum size of scheme articles
 - Exemption for retailers from acting as a return point where 90% or more of scheme articles are sold for consumption on the premises of sale
 - Right of return point operators to refuse packaging of a particular material in specific circumstances
 - Retention of scheme packaging by hospitality retailers
4. The scheme design enables consumers to take single-use drinks containers back and redeem a 20p deposit from any retailer selling drinks covered by the scheme.
5. Businesses that sell drinks to be opened and consumed onsite, such as pubs and restaurants, do not have to charge the deposit to the public and will only be required to return the containers they sell on their own premises.
6. A takeback service must be provided by large grocery retailers who sell

scheme articles by means of distance retail sale. This service must be provided to customers who state to large retailers that they are aged 66 and over or have a disability. This means that those customers who are more likely to be dependent on delivery or for any reason are unable to travel to shops will be able to redeem deposits paid on containers. The obligation specifies that takeback is free of charge and is funded by an online retail handling fee; however large retailers can charge a further 'collection' deposit to be returned upon collection of the containers.

7. The obligation is triggered by the sale of a scheme article by a large retailer by means of distance retail sale and consumers aged 66 and over or with a disability will be able to return a 'reasonable' number of containers, no matter where they were purchased provided that they request the takeback within 6 months from the date of purchase. A 'reasonable' number is no less than 21 and the maximum amount must take into account the method of storage or collection used by the large retailer. Any retailer can provide a voluntary takeback service as long as they comply with the same requirements that apply to large retailers.

8. Non-retail spaces will be able to act as voluntary return points. These could include recycling centres, schools or other community hubs. While retailers will be required by legislation to provide a return service, non-retail spaces will operate on an opt-in basis.

9. Retailers can choose to install reverse vending machines (RVMs) to collect the bottles and cans and return deposits. Alternatively, they will have the option to return deposits over the counter, collecting the containers manually.

10. Where less than 10% of in-scope containers sold by hospitality retailers are for off-site consumption, they will not be required to act as a Return Point though they may choose to do so voluntarily. Any distance retail sales are not taken into account in calculating the sales of scheme articles for off-site consumption.

11. The scheme will include drinks containers made of PET plastic (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium, steel and glass. Containers under 100ml and over three litres capacity will be exempt from requirements.

12. Scotland's DRS will target a return rate of 90%. This is significantly higher than the current capture rates for the materials that are in scope of the scheme.

13. Having a deposit level that provides a sufficient incentive to return containers, together with provision of high coverage of return points, means that this target is ambitious but achievable. This target has been written into legislation for the scheme to deliver.

Islands Communities Impact Assessment

Introduction

14. The Islands (Scotland) Act 2018 places a duty on the Scottish Ministers and other relevant authorities, including a number of public authorities, to have regard to island communities in exercising their functions. For the Scottish Ministers, this includes the development of legislation. This duty is often referred to as ‘island-proofing’.

15. An Islands Communities Impact Assessment must align with the requirements of the Islands Act, namely to:

- (i) describe the likely significantly different effect of the policy, strategy or service (as the case may be) on island communities, and
- (ii) assess the extent to which the authority considers that the policy, strategy or service (as the case may be) can be developed or delivered in such a manner as to improve or mitigate, for island communities, the outcomes resulting from it.

16. The Scottish Government published an Islands Communities Screening Assessment¹ in September 2019 accompanying laying of the ‘The Deposit and Return Scheme for Scotland Regulations 2020’.

17. The initial screening assessment identified one unique impact on island communities, in relation to the availability of transport infrastructure to support the movement of Deposit Return Scheme (DRS) materials for processing. It therefore committed the Scottish Government to undertake further engagement with island communities, providing an opportunity for them to input into the policy development process. This work was led by Zero Waste Scotland on the Scottish Government’s behalf.

Engagement process

18. Zero Waste Scotland undertook a series of events across all of the island local authorities during the initial consultation phase in 2018/19, consisting of engagement with:

- Argyll and Bute Council: Islay, 22 October 2019 and Bute, 28 October 2019
- Comhairle nan Eilean Siar: Lewis, 30 October 2019
- The Highland Council: Skye, 1 November 2019
- North Ayrshire Council: Arran, 25 October 2019
- Orkney Islands Council: Orkney Mainland, 24 October 2019
- Shetland Islands Council: Shetland Mainland, 8 November 2019

¹ [Islands Communities Screening Assessment](#)

For those unable to attend a meeting in person, a webinar was also hosted by Zero Waste Scotland on 25 November 2019. Both the workshops and the webinar provided the opportunity to hear how the scheme will operate and to ask questions specific to the islands.

19. Across the events and webinar, over 150 people were involved in identifying the impacts unique to islands from the introduction of a DRS for Scotland.

20. A standard format was used for each event to allow stakeholders to explore DRS as a policy, ensure everyone had the same base understanding of how a DRS functions, and identify island-specific impacts.

21. A number of positive and negative impacts were identified in these events that are out of scope of the Impact Assessment. These fall into two categories:

- (i) Issues where the effect on island communities was not significantly different from that on non-island communities, e.g. the cash-flow impacts of the scheme on retailers purchasing stock or the opportunities to use existing infrastructure for collection and storage of containers.
- (ii) Issues which are not necessarily a consequence of DRS but could nevertheless be realised depending on the approach taken by producers to the scheme's implementation. The Scottish Government has been clear that, as a form of extended producer responsibility, it will be producers themselves who determine how the scheme is implemented.

22. An important insight provided by participants was that, while the impacts that would be experienced by island communities will not be significantly different from those experienced elsewhere, the solutions required to be adopted by producers in order to support successful implementation would be.

23. To ensure this feedback is not lost and island communities are engaged in the implementation process, a copy of the recommendations gathered from these workshops has been attached as an Annex to this impact assessment.

24. In addition, a DRS Islands Forum had been established to provide an ongoing engagement mechanism for representatives of island communities to support development of this impact assessment and subsequent implementation planning. Those on the Forum can input directly and help to identify or contact other suitable representatives across the islands and within communities.

25. The first meeting was held on 15 November 2019 and the organisations represented on the Forum are:

- Bruichladdich Distillery
- Highlands and Islands Enterprise
- The Orkney Hotel
- Orkney Islands Council
- The Scottish Islands Federation
- Uig Community Shop

- Zero Waste Scotland

26. The Forum has been formally introduced to the Scheme Administrator (Circularity Scotland Ltd). This allowed Forum members to highlight those areas where unique island solutions are required and to facilitate contact with individuals and/or organisations in each community that can support the development of these.

27. The process to approve a Scheme Administrator required them to provide an operational plan detailing how they intend to meet their legal obligations under the DRS Regulations. This included how they intend to meet their obligations to collect scheme packaging from all return points and other relevant retailers, including those located on islands.

28. SG Officials met with Scottish Rural Action on 20 April 2023, to discuss online takeback within the proposed amended regulations. This included discussion around how island communities receive online grocery orders, proposals for an online takeback model, including infrastructure at delivery drop off points on the mainland.

Island impacts and mitigation measures

29. The main purpose of this Islands Communities Impact Assessment is:

- (i) to describe where the policy has a significantly different effect on island communities;
- (ii) to determine the mitigation measures to be adopted in the final set of Regulations by the Scottish Government.

30. This section describes the impacts identified through the engagement events and scoping exercises as having significantly different effects on island communities, either because the impact is unique or because the scale of the impact is significantly larger.

31. The three impacts identified were:

- i. Transport
- ii. Distance sales take-back
- iii. Transient populations

32. For each impact, there is also a description of the mitigation measures that will be adopted to improve the outcome of the scheme for island communities. Some of these measures were already in place. However, there are additional measures for each impact that have been informed by the direct engagement with island communities.

Impact 1: Transport

Background

33. The impact on transport capacity was the unique island impact identified in the screening assessment and transport was a recurring theme in the engagement events.

34. The feedback gathered suggested that this concern goes beyond capacity on individual ferries, which was identified as an issue for both inter-island and island-mainland ferries. The need to consider disruption and the need for interim storage capacity on the islands were also raised.

35. The below map (Figure 1) illustrates the ferry operations in Scotland, both inter-island and island-mainland.²

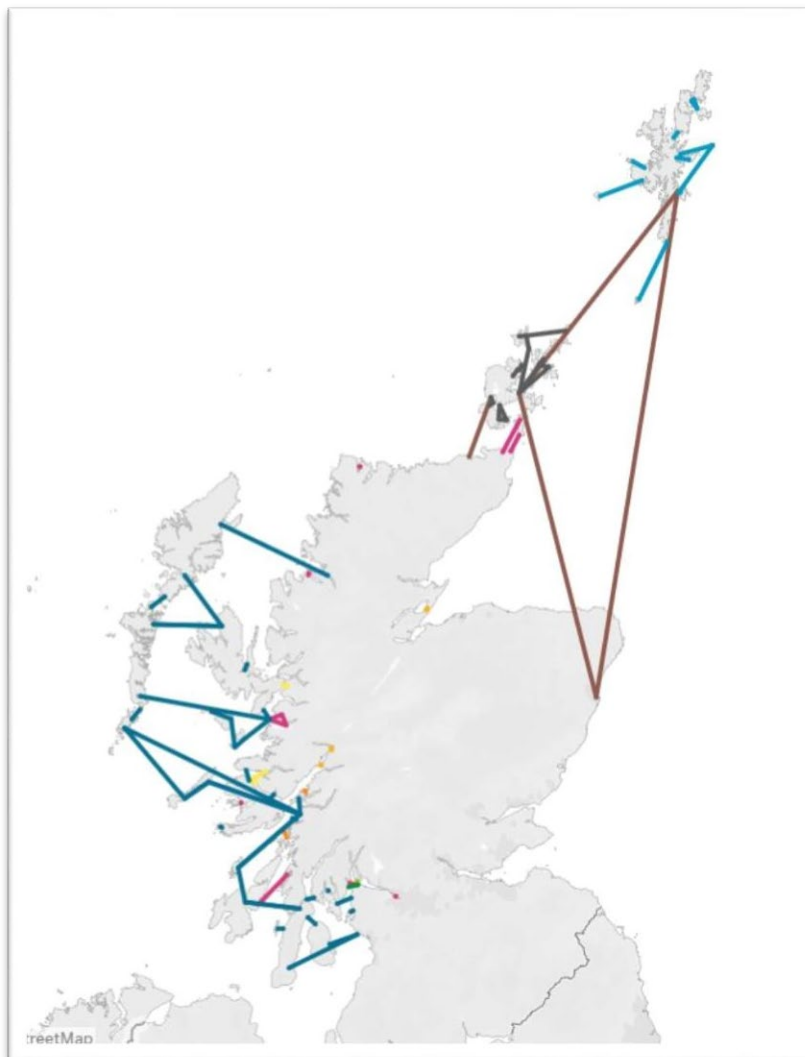


Figure 1: inter-island and island-mainland ferry routes

² [Audit Scotland: Ferry Routes in Scotland](#)

36. Transport Scotland has said that the total number of routes is difficult to confirm, as there are a number of operators, including local authorities, grant-funded services and commercial operators across Scotland of varying levels of scale, seasonality and publicity. However, Transport Scotland subsidises lifeline ferry services through two major contracts, the first being the Clyde and Hebrides Ferry Services (CHFS) and the second being the Northern Isles Ferry Services (NIFS). CHFS operates 32 routes and carries 5.7 million people and 1.4 million vehicles per year while NIFS operates 5 routes and carries 350,000 people and 92,000 vehicles per year.

37. The below map (Figure 2), from SEPA's Landfill Sector Plan,³ identifies the locations of operational landfill sites in Scotland.

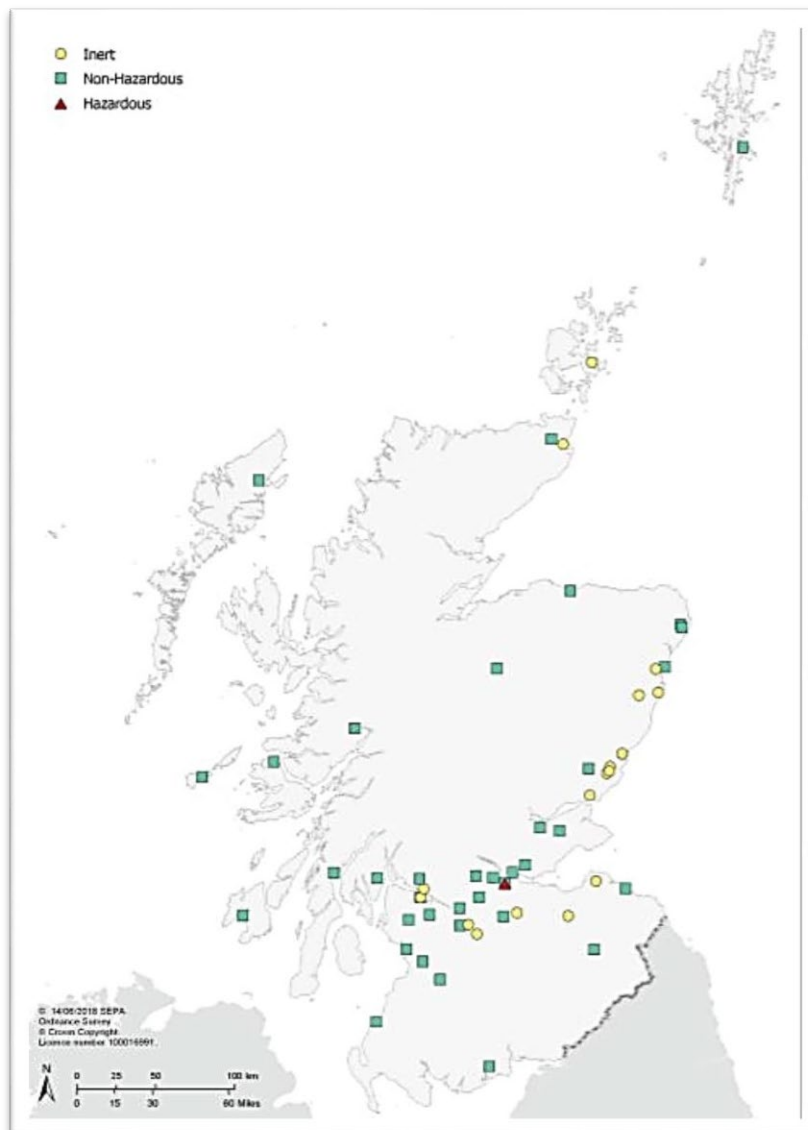


Figure 2: SEPA's Landfill Sector Plan

38. In addition to these, Shetland also has an energy-from-waste plant for treating residual waste.

³ [SEPA Landfill Sector Plan](#)

39. Most other waste not disposed of to landfill or energy-from-waste on these islands, and all waste from other islands, is currently transported on ferries for recycling or disposal.

Mitigation measures

40. The introduction of DRS will not increase the amount of waste that will arise in island communities. Most waste is currently transported off the islands. As such, the requirement for additional space will not be as significant as could initially have been expected.

41. The introduction of DRS will change the format of the materials to be transported (collecting these containers in a different way to current arrangements) and will separate more material for recycling (as target materials will be collected apart from the wider waste stream).

42. It is likely that capacity will be available in most circumstances for transporting collected containers from the islands and that specifically targeting off-peak services will only be required in limited circumstances. An analysis for Transport Scotland indicates that demand management, including dynamic pricing and management of certain vehicles to maximise capacity, is currently only used on limited routes in Scotland.⁴ These include Ardrossan-Brodick, Stornoway-Ullapool and NorthLink services.

43. There are unlikely to be any specific requirements for containers to be on a particular sailing, as they are not fresh produce or components within a complex supply chain. The specific arrangements for the transport of material will be an operational matter for producers or a scheme administrator to agree with ferry operators and we will encourage such engagement as part of the scheme's implementation.

44. It was also highlighted that most islands are net importers of goods and therefore vehicles leaving the islands should have available capacity to back-haul materials to the mainland, subject to the agreement of producers (or a scheme administrator acting on their behalf) and taking account of regulatory requirements for the transfer of waste.

45. Options were identified which would reduce the transport requirements and provide storage capacity on the islands in the event of extreme weather interrupting transport links. This included locating bulk-feed reverse vending machines (RVMs) on the islands to allow containers to be counted and compacted.

46. A decision on whether to adopt these options is an operational matter for producers and any scheme administrator to consider, based on the financial implications of different options. The DRS Islands Forum can provide advice to them on these matters as part of its implementation support.

⁴ [Transport Scotland: Research and Analysis of Options for Ferry Freight Fares](#)

47. In the context of all manually collected materials, international experience suggests that the counting and reimbursement of handling fees will take approximately 14 days to complete. The additional time incurred for transporting materials off the islands is a small proportion of this total. Other schemes, such as that operating in Norway, successfully facilitate the collection and counting of materials from island locations.

Impact 2: Distance sales take-back

Background

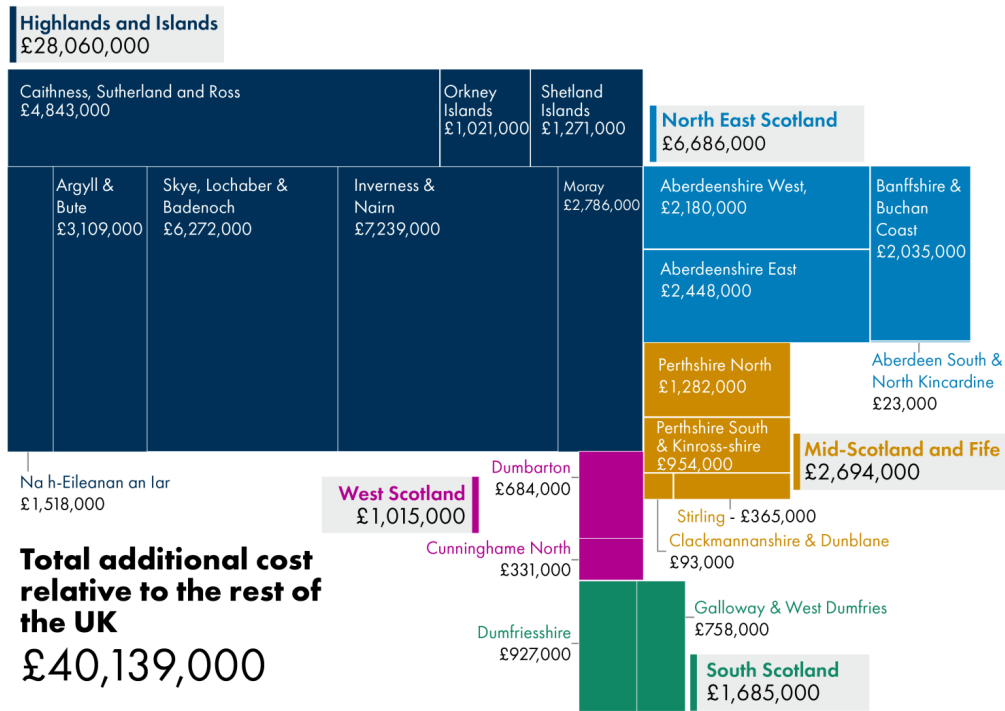
48. The Island Communities Impact Assessment that accompanied the 2020 Regulations emphasised the need for distance sellers (for example, online grocery retailers) to provide a 'takeback service' for the in-scope containers they sell to ensure the ability of all consumers to redeem deposits. The requirement for retailers is amended in the 2023 Regulations so that it applies to large grocery retailers who sell scheme articles by means of distance retail sale. Those obligated retailers must provide a takeback service on request for individuals who are aged 66 and over or have a disability. This service is, however, not intended for use by individuals solely on the basis of geography i.e. distance to a return location.

49. Deliveries to island communities often come at additional cost. The below diagram (Figure 3) was published by Scottish Parliament Information Centre (SPICe) in November 2019 and shows the breakdown of delivery surcharges across Scotland:⁵

50. As the 2023 Regulations limit obligations for online takeback to the largest grocery retailers and exempted hospitality businesses selling less than 10% of in-scope containers for off-site consumption, a second island communities impact was created. These amendments potentially reduce the options available to consumers to redeem deposits. For island communities, the nearest alternative Return Point may be considerably further than equivalent mainland communities.

⁵ [SPICe: Scotland's parcel delivery surcharge cost on the up](#)

A constituency breakdown of the £40 million additional cost to Scotland of parcel delivery surcharges relative to the rest of the UK



*Figures may not sum due to rounding

Source: SPICe

Figure 3: Breakdown of delivery surcharges across Scotland

⁵ [SPICe: Scotland's parcel delivery surcharge cost on the up](#)

51. This illustrates an average delivery surcharge per person across Scotland of £7.38. However, for the three areas made up of exclusively island communities this average surcharge is £52.92. This represents an increase of over 600%.

52. During the original engagement with representative groups, a number of participants highlighted concerns that, because of the additional costs associated with distance sellers operating a take-back service, the policy could result in a number of businesses choosing not to deliver to the islands.

53. The Scottish Government recognises that parcel surcharging is an issue for rural areas across Scotland and is implementing the 'Fairer Deliveries for All' action plan.⁶ These figures demonstrate the significance of this issue for island communities and therefore the potential for the negative impact described to arise.

54. The 2023 Regulations ensure an online takeback service for those who are aged 66 and over or with a disability because they are likely to be less able to return containers to a physical return point. In that respect, the additional cost to retailers is managed as the online takeback does not apply to all consumers. However, this reduced requirement on retailers to provide a takeback service does potentially impact on island communities due to the relatively greater distances to return locations that residents may have to travel to redeem deposits on their drinks containers. While similar impacts may occur in remote mainland locations, the geography and retail environment on islands suggests this may present greater challenges to island communities.

55. Members of island communities who are aged 66 or over or have a disability are included in the Equalities Impact Assessment discussion and would be able to access the amended online takeback service. Please see the Equalities Impact Assessment for more information.

56. The 2023 Regulations do not prevent any other retailer, whether a smaller online retailers, and non-grocery online retailers, from providing a voluntary takeback service which could reduce travel distances to return points, as long as they comply with the requirements that apply to large grocery retailers.

Mitigation Measures

57. The equality impacts described earlier explain why distance sales takeback remains a vital aspect of the Regulations and, with the growth of online shopping, is an important channel to consider in policy design.

58. In practice, we expect a significant proportion of items sold by distance sellers to be returned via physical return points. Where takeback is requested by those who are aged 66 or over or have a disability, via the largest grocery retailers, the Regulations are designed in such a way as to minimise the potential burden associated with delivering this service. They achieve this by:

- Affording the retailers a degree of flexibility around the timing of any collection. This potentially allows the coordination of collections and

deliveries in particular geographic areas.

- Allowing for the take-back service to be delivered on behalf of the distance seller by a third party. The outsourcing of this service to local providers is likely to significantly reduce the cost of delivering the service.

59. Obligated businesses will be able to charge a handling fee to producers for each piece of packaging they collect through the takeback service. The Regulations allow for the handling fee to cover reasonable costs associated with:

- Any vehicle trips to collect scheme packaging that are not part of a normal delivery;
- Materials used in respect of the collection and storage of scheme packaging;
- The rental value of any floor space utilised solely for the collection and storage of scheme packaging;
- Staff time dedicated solely to the collection and storage of scheme packaging;
- Any other delivery costs incurred.

60. Given that the handling fee will be charged to producers (via the Scheme Administrator), it will be in their interest to work in partnership with large grocery retailers to develop the most efficient takeback service possible.

61. We believe this approach mitigates the risk of retailers ceasing to offer delivery services to island communities.

62. However, there are likely to be some consumers who will be required to travel further distances to redeem their deposits due to the limitation of online takeback to those who are aged 66 or over or have a disability and the exemption of some retailers from operating as return point, whether for environmental health reasons or due to the small proportion of scheme articles sold for off-site consumption.

63. We also anticipate that the Scheme Administrator will explore voluntary arrangements with private, public and third sector organisations to provide a high level of coverage for return locations and optimal customer experience.

⁶ <https://www.gov.scot/publications/fairer-deliveries-action-plan/>

Impact 3: Transient populations

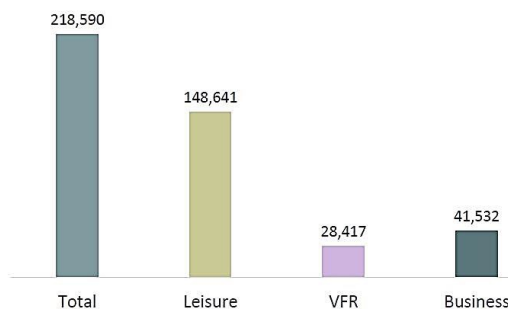
Background

64. The third impact that was identified as being on a significantly different scale for island communities is the potential impact on local retailers from large transient populations.

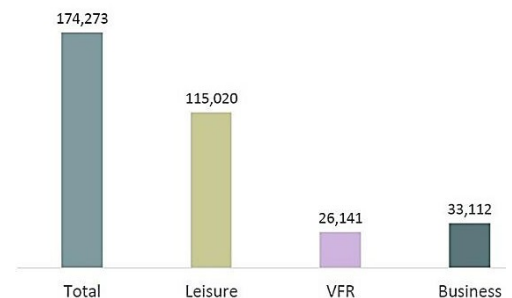
65. For most island communities, this is linked to tourism and the large number of visitors during summer months. However, other specific events were also highlighted (for example, the Tiree Music Festival, where the number of attendees is three times the population of the island).

66. Information published by Visit Scotland shows the number of visits by local authority area.⁷ The island-only local authorities data for the Outer Hebrides and Orkney is included in the bar graphs below (Figure 4).

Numbers of visits to the Outer Hebrides in 2017



Numbers of visits to Orkney Islands in 2017



*VFR includes all Visiting Friends and Relatives trips that are not mainly for holiday purposes.
Figure 4: LA data for Outer Hebrides and Orkney

67. Against populations of 26,830 and 22,190 respectively, these figures demonstrate the significant uplift in population within island communities as a result of visitors.

68. Feedback from participants indicates that many of these visitors bring drinks containers onto the islands, consume the drink and then dispose of the container. The

⁷ [Visit Scotland Research and Insights](#)

result is that a significantly larger number of containers are likely to be disposed of on islands than are purchased.

69. It was recognised that the introduction of DRS will have significant benefits in managing these containers. Benefits include a likely reduction in littering of single-use drinks containers and a reduction in waste and recycle disposal costs for local councils.

70. The challenge identified in the engagement events was for local retailers who would be expected to act as a return point for these containers. It was noted that the number of containers likely to be returned to these retailers would significantly exceed the volumes being sold, creating challenges around both storage of returned containers and cash-flow related to the paying out of deposits.

71. This is a particularly significant impact for those islands where there is only one small (often independent) retailer.

Mitigation Measures

72. The Regulations allow for the establishment of voluntary return points, that is a person who wishes to operate a return point outwith retail premises.

73. One of the key drivers for the inclusion of this option was a recognition that there will be circumstances where the number of empty containers in an area greatly outweighs the retail return-point infrastructure.

74. We expect the Scheme Administrator will be pro- active in identifying those parts of the country which require additional return-point infrastructure, with the establishment of that infrastructure being necessary to meet their statutory collection targets for DRS containers.

75. Following the feedback received on the island impacts, an additional safeguard has been added into the Regulations. A test has been included which will allow retailers to refuse the return of packaging if a single proposed return is disproportionate to the average number of containers the retailer would expect to sell as part of a single transaction. This should help to minimise the burden placed on return-point operators at times of peak demand.

76. Similarly, the 2023 Regulations provide exemptions for those businesses selling a small proportion of in-scope containers for off-site consumption from being required to act as a return point.

77. The above change builds on a provision included in the Regulations which allows for a return-point operator to refuse packaging in instances where a Scheme Administrator has failed to undertake a collection in line with their operational plan. This means island retailers will be able to act as a return point (and so benefit from the handling fee) for higher volumes of containers at peak time where, for example, additional collections can be scheduled. Where this is not feasible it allows them to refuse containers.

Conclusion

78. The Scottish Government has identified four investment objectives to be delivered by the introduction of DRS:

- (i) Improving recycling quantity;
- (ii) Improving recycling quality;
- (iii) Encouraging wider behaviour change around materials;
- (iv) Delivering maximum economic and societal benefit for Scotland during the transition to a low carbon world.

79. Scottish Ministers are clear that these objectives must be delivered for the whole country, including rural areas and the islands, and the scheme has been designed with this in mind.

80. Some of the key elements of the policy design are there to ensure this is realised. These include:

- An obligation on retailer premises to act as a return point, to ensure return points are accessible across Scotland and not just in major population centres;
- A requirement on producers to arrange a collection of containers from retailers, free of charge, to ensure that retailers in rural locations do not incur costs associated with transporting materials for recycling;
- A 90% collection target, delivering a high-performing scheme that maximises performance across the country and engages all of our communities;
- The ability to establish voluntary return points, to provide capacity in circumstances where the number of containers being returned in an area exceeds the retail return point capacity;
- Flexibility in the operation of take-back services so as to ensure that large grocery retailers selling scheme articles by distance retail sale continue to provide deliveries to island communities;
- Passing the cost of transporting collected scheme packaging from local councils to producers, as a form of extended producer responsibility.

81. The process of completing this Islands Communities Impact Assessment has supported the further 'island-proofing' of the policy. Engagement with over 150 individuals and organisations from island communities across Scotland identified three impacts that were significantly different:

- i. Transport
- ii. Distance sales take-back
- iii. Transient populations

82. Consideration has been given to each of these impacts and, where necessary, additional mitigations have been incorporated into the Regulations to establish the scheme.

83. Further, the Scheme Administrator approval process included the supply of an operational plan detailing how they intend to meet their legal obligations particularly in relation to the 2023 amendments. This includes how they intend to meet their obligations to collect scheme packaging from all return points and other relevant retailers, including those located on islands.

84. Through the combination of these measures, we are confident that the policy does not only look to accommodate islands communities but is optimised for them. The overall impact will be significantly positive, supporting the development of a circular economy, acting to address the climate crisis, and preventing litter and plastic pollution escaping into our natural environment.

Scottish Government

March 2023

ANNEX 1: RECOMMENDATIONS FROM ISLAND WORKSHOP EVENTS

Arran

- Make use of local communications campaigns from local environmental groups;
- Encourage communal voluntary return points in areas with fewer shops;
- The scheme administrator should consult local communities during the implementation phase to harness local knowledge;
- Well-secured contingency storage areas should be set up on the islands in case of travel disruption;
- Minimise the higher carbon impact of collections from the islands by using electric vehicles or backhaul;
- Systems must be flexible to allow for the variance in volume of collected containers across the year;
- Local communications campaigns will be needed to raise awareness of the scheme amongst tourists and visitors.

Bute

- Seek feedback from Fyne Futures regarding returns on Bute;
- Involve Fyne Futures in collection and material transportation services;
- Mandate that the scheme administrator must procure local partners;
- Backhauling should be considered from companies like Co-op who bring products onto the island. An agreement could be made for larger retailers to transport containers for the scheme administrator;
- A centralised secure storage area for collected containers would reduce insurance and health & safety risks for small retailers;
- An incentive scheme to help small retailers acquire RVMs would help independent retailers with logistics and upfront costs;
- Working capital grants to help producers and retailers;
- Quicker payment terms are needed: around 10 working days (as seen in international schemes) will be too long for some small retailers.

Islay

- New storage requirements will be necessary in local shops. The retailer handling fee should be negotiated to reflect this;
- An incentive to return existing littered containers which do not carry a deposit would encourage litter-picking in the early stages of the scheme;
- Communal return points or a partnered approach would work better on islands where there is limited space available.

Lewis

- Existing social enterprise networks such as clothes banks collections may be useful to the scheme administrator when arranging collections;
- Continual messaging will be needed to communicate DRS and its benefits;
- Assessment should be done on an ongoing basis throughout the scheme to ensure it is being rolled out properly on the islands;

- A maximum time or distance between return points and a counting centre to ensure timely payment of deposits and fees to retailers;
- Islands funding should be provided to support the unique challenges;
- An island rate should be offered on the handling fee, or assistance for small retailers to purchase RVMs.

Orkney

- Individual islands mostly have independent hauliers. They need to be considered, and haulier charges will need to be covered by any scheme administrator.

Shetland

- Financial help to cover upfront costs will be needed in the early stages of scheme;
- Communal RVMs should be encouraged in public areas to take the pressure off small retailers;
- Collection schedules will need to be rationalised to reduce emissions and unnecessary traffic;
- Contingency plans will need to be in place in preparation for transport disruption; RVM data needs to be stored, not just live, as internet connection could be variable on remote islands (decision for retailer when acquiring RVM).

Skye

- More frequent collections will be needed in peak season;
- Backhauling should be used to reduce the number of lorries on the road;
- Offer a higher handling fee for the islands (compared to 5p fuel allowance).



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