



OFFICIAL REPORT
AITHISG OIFIGEIL

Environment, Climate Change and Land Reform Committee

Tuesday 7 May 2019

Session 5



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ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE
14th Meeting 2019, Session 5

CONVENER

*Gillian Martin (Aberdeenshire East) (SNP)

DEPUTY CONVENER

*John Scott (Ayr) (Con)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab)

*Finlay Carson (Galloway and West Dumfries) (Con)

*Angus MacDonald (Falkirk East) (SNP)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Michael Cairns (Scottish Government)

Uzma Khan (Scottish Government)

Elaine Lorimer (Revenue Scotland)

Don McGillivray (Scottish Government)

Mike Paterson (Revenue Scotland)

Ian Russell (Infrastructure Commission for Scotland)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Environment, Climate Change and Land Reform Committee

Tuesday 7 May 2019

[The Convener opened the meeting at 09:31]

Decision on Taking Business in Private

The Convener (Gillian Martin): Good morning and welcome to the Environment, Climate Change and Land Reform Committee's 14th meeting in 2019. I remind everyone to switch off their phones or put them on silent mode as they may affect the broadcasting system. Agenda item 1 is a decision for the committee on whether to take in private item 3 and consideration of all its future evidence on financial scrutiny. Do members agree to do so?

Members indicated agreement.

Financial Scrutiny

09:32

The Convener: Under agenda item 2, we continue our work on financial scrutiny. This morning, we will hear from three panels of witnesses. I welcome our first panel: from Revenue Scotland we have Elaine Lorimer, who is chief executive, and Mike Paterson, who is head of tax; and from the Scottish Government we have Don McGillivray, who is deputy director of environmental quality and the circular economy. Good morning to you all. I believe that Ms Lorimer would like to make an opening statement.

Elaine Lorimer (Revenue Scotland): Good morning, everybody—I thank you for asking Revenue Scotland to come along and speak to the committee today. I am conscious that it is the first time that we have met the Environment, Climate Change and Land Reform Committee.

As Scotland's tax authority, Revenue Scotland is responsible for the management and administration of those taxes that are wholly devolved to Scotland. That includes the Scottish landfill tax, which was introduced in 2015. So far, we have collected approximately £0.5 billion in SLfT to fund Scottish public services. We work in an innovative partnership with the Scottish Environment Protection Agency, which creates an opportunity to use Revenue Scotland's tax expertise and SEPA's environmental and industry expertise to maximum operational effect.

Tax can be used to bring about positive behavioural change as well as being a source of revenue to fund Scottish public services. We see change happening in the landfill industry as it prepares for the biodegradable municipal waste ban, and we also see positive changes in the way in which waste is treated to reduce the amount that goes to landfill. However, we know from experience that tax can drive negative behaviours or have negative consequences. There will always be individuals or companies who either choose to push the boundaries of the tax as much as possible in order to minimise their tax liability or, in extreme circumstances, choose not to comply.

With SLfT, that could result in more waste going to landfill than was set out in the policy intent, and in illegal disposal of waste and a lower rate of recycling. That is where Revenue Scotland, as the tax authority, comes in. We undertake compliance work, and ensure that there is a level playing field for taxpayers and that everyone pays what is properly due. If the policy is well constructed through legislation, it should result in the desired behavioural change.

We know from speaking to taxpayers and their agents that they seek clarity and stability in the tax system, and they want to be able to plan their affairs with a reasonable amount of certainty. Scotland, in its creation of taxes, follows a set of principles—certainty, equity, convenience and efficiency—that were established by Adam Smith. From Revenue Scotland's perspective, that means that any tax should be clear and readily understood, and should be underpinned by robust and coherent legislation. The amount that is due should be fair and proportionate to the taxpayer's ability to pay, and the tax should be easy to administer and collect so as to keep the burden of administration low. Finally, the consequences of not complying should be clear and straightforward for the tax authority to apply. In our view, those principles stand up well in the consideration of wider fiscal measures other than tax—for example, levies—to ensure that a policy is robust and can be successfully implemented.

The Convener: That was a helpful introduction, and it leads on to my opening question: what powers does the Scottish Parliament have to introduce environmental charges, and how do they differ where the charge is a tax or a levy? Ms Lorimer may want to elaborate on her final point.

Elaine Lorimer: I will bring in Don McGillivray in due course. The Scottish Parliament has powers in relation to those taxes—which Revenue Scotland would collect—for which it has wholly devolved policy competence. My understanding is that the Treasury and the Scottish Government have agreed a set of criteria that would apply to any tax that could be wholly devolved to Scotland in future, which we would be responsible for collecting. The distinction between a tax and a levy can be quite fine. The revenues from the taxes that we bring in go straight into the consolidated fund, so they are revenue income for the Scottish Government. A levy might not necessarily come straight into the consolidated fund. Don McGillivray can speak about levies more generally.

The Convener: That would be helpful.

Don McGillivray (Scottish Government): As Elaine Lorimer said, the United Kingdom Government and the Scottish Government have agreed that the policy for and collection of a number of taxes should be devolved to Scotland. A number of specific taxes have now been devolved. The committee will know what those are—they include the Scottish landfill tax. There is also a power that allows the Scottish Government to create new environmental taxes, but we would be required to seek the agreement of the UK Government and the Treasury before doing so.

Elaine Lorimer also mentioned things that are not taxes, which include fiscal measures such as

levies and charges. Where such measures are for a devolved purpose—environment in general is devolved—there is a good chance that the powers would be devolved. However, as she said, complex legal analysis may be required in respect of whether a certain measure is a charge, a levy or a tax.

The Convener: In general, however, it would be easy to argue the case for a levy if it applied to devolved environmental policy.

Don McGillivray: Yes.

The Convener: In the past week, we have had a commitment from the Scottish Government that it will go a lot further on emissions reductions. Do you feel that the Scottish Parliament has the powers that it needs in that area?

I realise that I am asking people in the civil service for their opinion, which is not a space that they like to be in. Nonetheless, do you feel that the Scottish Parliament requires other powers in order to deliver not only on current environmental policy objectives, but on possibly much stronger objectives in the future?

Don McGillivray: As you alluded to, that is probably a question for ministers. If one were to ask Scottish ministers whether they would like the power to create new environmental taxes without requiring permission from the UK Government, I suspect that they would say yes.

The Convener: Do you see anything different in other countries that it would be useful for the Scottish Parliament to have? Are other countries moving faster to realise their environmental objectives? Again, perhaps you do not want to get into that.

Don McGillivray: Again, I would be reluctant to comment without any public statement from ministers to that effect.

The Convener: Okay—we will move to questions from John Scott.

John Scott (Ayr) (Con): I will focus on the current status of environmental taxes in Scotland. Can Revenue Scotland set out the key challenges and lessons that have been learned in managing the Scottish landfill tax? How has it evolved over the past five years, and how are you feeding any lessons that have been learned into the current consultation on devolved taxes? That question is perhaps for Elaine Lorimer.

Elaine Lorimer: That is definitely one for me. Revenue Scotland first started collecting SLfT in 2015, so we have had four years of operational experience of collecting the tax.

It might be useful for the committee to know more about what I alluded to in my opening statement. Ministers decided that we should, in

collecting the landfill tax, be able to delegate some of our functions to SEPA; that recognises the collaborative approach that we in Scotland like to take in delivering public policy. That approach enabled us to work closely in consort with SEPA as the environmental regulator as soon as we started operating the tax. When we go out on site to deal with landfill operators, we have with us colleagues from SEPA, who really understand the industry. That means that we are able to keep our organisational costs low and that we do not build up a level of expertise that already exists in another public body. It also means that we can rely on SEPA's technical, scientific and analytical experience in undertaking our compliance work.

It is fair to say that when we started our work on landfill tax, we found that HM Revenue and Customs had not prioritised it in the way that you would expect us to do. At present, we are responsible for only two taxes—SLfT and land and buildings transaction tax—and our approach in working with SEPA was new in the industry. It means that we have been able to understand the industry and see what is going on there. As a result, we have been able to do compliance work to a level that it was perhaps not done previously. That brings environmental benefits, because we ensure that what goes to landfill is in line with the legislation and the policy intent. It also brings revenue benefits, although that is not our major driver. Our major driver is to ensure that there is a level playing field across the industry in Scotland, because it is after all a commercial industry. Those are the lessons that we have taken from delivering the tax for the first four years.

John Scott: How important has the landfill tax been in reducing the amount of waste that goes to landfill? How has it interacted with other measures, including landfill taxes in the rest of the United Kingdom?

Elaine Lorimer: Scotland has devolved responsibility for SLfT, and Wales now has the Welsh Revenue Authority, which operates an equivalent to SLfT. There are now therefore three tax authorities operating in the United Kingdom in the landfill tax space. As a consequence of the devolution of competence in that area to Scotland and Wales, there is an opportunity for policies to diverge slightly.

John Scott: Indeed.

Elaine Lorimer: That is what happens: as soon as an area of taxation is devolved, it gives the relevant Parliament the opportunity to set the tax in the way that it would wish it to be for its country. I assure the committee that we work closely with the equivalent tax authorities—HMRC in England and the Welsh Revenue Authority in Wales—to understand where and how our approach diverges, if it does so at all, because some of the

landfill businesses that we deal with operate UK-wide and their activity does not stop at the border. We are also able to share information, using properly regulated powers, in relation to our compliance work.

The Convener: I will bring in Stewart Stevenson—I am sorry; I see that Don McGillivray wants to come in first.

09:45

Don McGillivray: I simply wanted to comment on the effectiveness of the SLfT and how it links in with other policy measures. It is fairly self-evident that the amount of landfill in Scotland has been steadily reducing since the introduction of the landfill tax. Last year, we recycled more household waste than we sent to landfill, which is a fairly significant milestone. The tax alone has not achieved that reduction, but it has been a central measure that has operated alongside other policy measures such as improving recycling infrastructure and investment in local authority kerbside collections. The tax is central to achieving our objective, but other measures might be required in order to realise the full benefits in that regard.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I am looking for quite a short answer. Elaine Lorimer talked about data sharing between the three tax authorities in these islands, and between SEPA and Revenue Scotland. Are there any inhibitions in the current rules that cover data sharing? I suspect that there is not much of a problem in relation to corporate data, but there may be an issue with personal data under the general data protection regulation rules in particular.

Elaine Lorimer: My colleague will take that question.

Mike Paterson (Revenue Scotland): As far as I am aware, we have not come across any significant barriers to date.

Stewart Stevenson: That is fine—thank you.

John Scott: I will move swiftly on. What are the expected implications for tax revenue, and for the recipients of the hypothecated revenue—for example, the Scottish landfill communities fund—of the forthcoming 2021 ban on biodegradable waste going to landfill?

Elaine Lorimer: We know from the current Scottish Fiscal Commission forecast that the Scottish Government expects a significant reduction in landfill tax revenues. We currently bring in around £150 million a year in landfill tax revenues, and we expect that to drop to approximately £30 million if the forecast is correct. Of course, the forecast depends on the readiness

of the industry more broadly for the reduction of landfill to that effect.

John Scott: What likely effect will Brexit have in that respect?

Elaine Lorimer: I am afraid that I have no view on that at all.

John Scott: It is beyond your pay grade.

Don McGillivray: The answer is that there should be very little effect from Brexit on landfill and landfill tax. We have enough landfill capacity in Scotland to deal with the waste that we generate here. There would be a significant effect only if a problem occurred with waste capacity in England and waste started flowing into Scotland, but that would be very hard to judge.

John Scott: I find that reassuring—thank you.

Mark Ruskell (Mid Scotland and Fife) (Green): Has any consideration been given to taxing other parts of the waste hierarchy, such as incineration?

Elaine Lorimer: That is a question for Don McGillivray.

Don McGillivray: There is no active work in the Scottish Government on an energy-from-waste or incineration tax. I have heard the words “incineration tax” mentioned in waste management circles as the next step in the waste hierarchy, as part of a push towards reduction and reuse, and there is speculation in the waste management world, but there is no active work in the Scottish Government on such a tax.

John Scott: What should the objectives of the forthcoming aggregates levy be? What involvement has Revenue Scotland had so far in designing it? Are you looking to other countries that have used aggregates levies?

Elaine Lorimer: Policy on an aggregates levy is for the Scottish exchequer and not for Revenue Scotland, so I am afraid that questions on international comparisons and what plans there are for the tax are really for the Scottish exchequer and not for me. However, Revenue Scotland stands ready to work with Government, as we have done with other taxes, and to give of our technical experience in respect of how such a tax could be administrated well.

Don McGillivray: My understanding is that the Scottish Government has commissioned a report from the environmental consultancy firm Eunomia on some options for the aggregates levy and its future. As I understand it, the report has not yet been completed and published, but my tax policy colleagues are actively engaged in on-going work to look at future design options for the aggregates levy.

John Scott: Is Revenue Scotland advising the Scottish Government on any options for further environmental taxes?

Elaine Lorimer: The Scottish Government is the lead on policy, and once it comes up with a policy proposal we are happy to work with it, from a tax authority perspective, on how that could be implemented. We offer our technical expertise once the policy becomes clearer.

Don McGillivray: On fiscal measures, the biggest thing that is happening in the environmental world is reform of the packaging producer responsibility system. That is not a tax, but it is a fiscal measure in that it tries to internalise some of the costs of dealing with packaging waste at the end of life. The Scottish Government is consulting jointly with the UK, Welsh and Northern Ireland Governments on proposals for a major reform of the system, which will come in over the next few years. That is probably the biggest significant proposal for change in the landscape at present.

John Scott: Is that to do with plastics or other material?

Don McGillivray: It covers all types of packaging, including plastic, cardboard, wood and metal—anything that is used in consumer packaging.

John Scott: That is very helpful. Presumably, if an environmental tax is working as it should, revenues should decline over time. What does that mean for managing environmental taxes, in particular where revenue is hypothecated to support environmental projects? Will funding for those projects dry up?

Elaine Lorimer: My personal view is yes, given the way in which the landfill communities fund works. As you have identified, a percentage of the tax revenues go into that fund. If the tax revenues fall, unless an alternative mechanism is put in place, the revenues that are associated with the fund will fall too.

John Scott: That is fine—thank you.

Finlay Carson (Galloway and West Dumfries) (Con): I will move on to carrier bag charging. What information and evidence is available on the impact of the 5p bag charge in Scotland? How is the impact recorded?

Don McGillivray: The carrier bag charge was introduced in October 2014. The main information that we have comes from a report entitled “Carrier Bag Charge ‘One Year On’”, which was published in October 2015. It suggested that, at that point, something of the order of £6.7 million was being raised from the charge and that something like an 80 per cent reduction in the use of single-use carrier bags had been achieved. Since that point,

there has been no central collection of data on the charge, so the October 2015 study is the most recent information that we have on its impact.

Finlay Carson: Has policy divergence within the UK caused any issues? If so, how do you manage those issues?

Don McGillivray: I am aware of no significant issues with divergence. People tend to shop in their local shop, so the carrier bag charge has had no huge cross-border effects as far as I am aware. England and Wales brought their own carrier bag charge into effect, and they have recently introduced proposals to adjust the design of the charge so that it is much more like the Scottish design. To the extent that there were any cross-border effects, those are reducing and will reduce further.

Finlay Carson: What is the rationale behind a potential increase in the charge from 5p to 10p? Has that been driven partly by a preference for a UK-wide approach?

Don McGillivray: That is very much a Scottish proposition. The UK Government introduced its own proposals, but the bigger driver is the normalisation of consumer behaviour around the carrier bag charge. Anecdotal evidence suggests that, after the initial effect on consumers, the charge has been gradually normalised and the impact has faded, at least a little. We think that increasing the charge to 10p will move the impact up a step in consumers' minds and give them a further jolt, if you like, to consider ways in which they can change their behaviour to avoid paying it.

Finlay Carson: Do you see an end point? Should the Government have ambitions to phase out single-use plastic bags altogether? You said that the use of such bags will tail off. Should a ban be on the table?

Don McGillivray: Most of the big retailers have voluntarily made significant moves in that area—they have moved away from providing single-use bags and they now sell only bags for life. The market has adjusted by itself a fair bit as a result of the activity of the big retailers in that space. We perhaps need more information about where we currently stand, and how things have changed since October 2015, before we consider any further measures of the nature that you describe.

Finlay Carson: We talked earlier about the difference between taxes and levies. What are the implications of the plastic bag charge being a levy rather than a tax? How effective are the voluntary arrangements with retailers to raise revenue for good causes?

Don McGillivray: The real difference between a levy and a tax is that, with a levy, Government has no revenue-raising function and there is no central

collection of revenue. It is for retailers to decide how to use and distribute the money that is raised. A number of retailers report information voluntarily through the Zero Waste Scotland portal on the money that they donate and how it is used. There is an enforcement function in the regulations, but to my knowledge it has never been used. Our understanding is that compliance with the charge's rules and objectives is very good; I am not aware of any complaints about compliance as things stand.

Finlay Carson: What lessons can be drawn from the carrier bag levy that might apply to other environmental charges in future?

Don McGillivray: One lesson that a lot of people have taken from the carrier-bag charge experience is that a small change can have a big impact and that even a relatively low-level charge can be an effective way to change consumer behaviour. There are issues around how easy it is to move away from what we do not want to an alternative, but in the carrier-bag space, alternatives such as canvas bags or the bag for life were readily available. Those are the lessons that I would draw from the experience to date.

Mark Ruskell: What is the main purpose of the expert panel on environmental charging? Who sits on it, and when will it be expected to report?

Don McGillivray: Its purpose is to advise Government on the use of charges and other measures to address our throwaway culture, and it focuses on single-use items. To date, it has focused mainly on single-use plastics and coffee cups. It has moved quite far down the road on disposable beverage or coffee cups—whichever term you want to use—and it is pretty close to providing initial advice to Government. It has also started looking at other specific items such as plastic straws, but it has a little more work to do in that area before it reports to Government.

10:00

My understanding is that the panel is pretty close to reporting to Government on disposable coffee cups. Last week, it went out to test initial propositions with non-government organisations and industry stakeholders, and I understand that, as a next step, it will assimilate the feedback from those sessions and finalise a report to Government on the issue.

Mark Ruskell: Has the panel considered any differentiation in the application of a levy on single-use coffee cups? For example, should the charges for compostable and non-compostable cups be similar or different?

Don McGillivray: The panel has looked at a range of evidence from various studies that have

been carried out on charging and discounting for coffee cups, and from trials and pilots of various schemes that have been undertaken in different parts of the country and internationally. It has tried to draw conclusions about the effectiveness of different designs for charges. I do not know whether the panel will end up recommending any differentiation between types of material. So far, it has focused on how best to address existing sustainability issues with the traditional design of disposable coffee cups.

Mark Ruskell: Has part of the panel's investigation involved looking at capacity and infrastructure for composting or treating conventional disposable coffee cups?

Don McGillivray: The panel has looked very hard at the current evidence around the infrastructure for recycling the existing disposable beverage cup model. It has also looked at how various trials of different incentives and infrastructure changes have influenced and impacted on recycling rates for that particular waste stream. It has looked at all that evidence.

Mark Ruskell: What about the potential for differing levies or approaches across the UK? We have seen initial interest at UK level, where there is a focus on getting more recycled material into disposable cups. Does the panel have a Scottish focus or is it taking a wider look at intra-UK approaches? I suppose that you have been here before with deposit return schemes, and you came to a conclusion in that regard; I am interested to know where you are at now.

Don McGillivray: The panel is focusing specifically on the Scottish context, although it has looked at evidence from across the UK and internationally. That said, it has acknowledged that there are big UK initiatives coming through in this space. The reform of producer responsibility for packaging, which I mentioned earlier, will impact significantly on coffee cups. The panel has not focused only on charging—it has looked at a range of measures to encourage recycling across the waste hierarchy and the product cycle, such as producer responsibility. On coffee cups, I do not think that it has found any major issues with cross-border effects to date, but we await its final advice.

Mark Ruskell: Is there a need for certainty on a wider producer responsibility scheme before we move forward with a deposit return scheme or a levy on coffee cups? Are there potential unintended consequences if we do not have in place a wider framework for producer responsibility?

Don McGillivray: There is definitely value in ensuring that different components are designed in such a way that they complement each other and work together. From the work that we have

done as officials, we believe that that is eminently possible and should happen fairly naturally if we get the design of the schemes right so that they incentivise different behaviours in slightly different parts of the market. However, ministers have taken the view that there is no need to wait on producer responsibility before finalising the DRS design or moving ahead on coffee cups. The different elements need to be carefully designed so that they complement each other, but ministers believe that the other considerations that you describe should not stop us from acting swiftly in Scotland in those areas in which we can do so.

Mark Ruskell: Will the expert panel continue? If so, what will be in its future work programme?

Don McGillivray: Coffee cups are just the start. The panel was set up in June last year with a two-year life span, so it is nearly a year into its work. As I said, we expect that its first major report will be on coffee cups, but it has started working on plastic straws and it has produced papers on things like disposable cutlery and plates. It will start to move on to other things over the coming months; it still has another year in which to do further reports on other items.

Finlay Carson: You touched on producer responsibility schemes. Do such schemes need to be underpinned or enforced by levies and taxes, or could they be driven by consumer choice?

Don McGillivray: I will talk about the producer responsibility scheme for packaging, which is the big one. The scheme's purpose is to internalise in the amount that producers pay the cost of dealing with the waste at the end of life—that would not naturally be built into the price of the packaging or the item that goes into it. It is based on a system of producer fees: producers, retailers and others in the chain have to pay a fee for putting the material on the market.

The current system is based on a system of producer responsibility notes, and is very complicated. Producers have to buy a certain number of notes based on the amount of material that they put on the market. The current consultation is looking at the possibility of shifting that significantly and there is a range of models from which to choose in order to reform the scheme.

By far the biggest issue is that the current producer responsibility scheme for packaging recovers only about 10 or 15 per cent of the cost of dealing with the material at the end of life. The European Union circular economy package requires us to move towards the recovery of 100 per cent of the cost, and the new scheme will raise significantly more money in producer fees when it is introduced in 2023.

Finlay Carson: Will the fees under the new scheme be set by producers, or is there likely to be an environmental levy or tax?

Don McGillivray: At present, the costs of packaging recovery notes and export notes under the producer responsibility scheme are set by the market. The current market mechanism is incredibly complex and difficult to explain. With regard to the proposals for the future, the UK Government and other Governments have set out four different models for expanding the current system to create a scheme that is based much more on a producer fee, but again there is the question whether that would be a levy or a tax. Further analysis would be required before I could be absolutely sure in saying whether the future fee will end up looking like a levy or a tax.

The Convener: On the subject of single-use plastic packaging, the difference between UK supermarkets and those on the continent, such as Spanish or French supermarkets, is obvious. A lot of our fruit and vegetables are wrapped, whereas in a supermarket in Spain the produce will be loose. Is anything different happening in countries in Europe? Is there a cultural difference, or do they simply have stricter levies and taxes in that area? Can we learn any lessons from large supermarkets in Europe, where we do not see the same level of plastic packaging as we do in Scottish, English, Welsh and Northern Irish stores?

Don McGillivray: I am not aware that that behaviour is driven by taxes in other countries; I suspect that it is much more of a cultural issue. The reform of producer responsibility for packaging will start to bear down in that area. People who use plastic and other packaging will pay a lot more through the producer responsibility scheme, especially if the packaging is difficult to recycle. The aim of the reform is to drive producers and retailers towards the use of the absolute minimum of packaging and of packaging that is more recyclable.

Claudia Beamish (South Scotland) (Lab): Anyone can answer this if they feel it appropriate, but I want to explore further the priority areas for new environmental charges and the interaction with other policy tools.

As we have very helpfully been told, the expert panel has focused on single-use plastics. This might be a question for Don McGillivray, but which big-ticket areas do you think should be prioritised? Recently there has been a lot of discussion about textiles, and I would note just for the record—the panel will know this, of course—that the UK Environmental Audit Committee has looked at the sustainability of fast fashion. In addition, issues have been raised about the sustainability of horticultural peat and its extraction. Can you

highlight any areas that you know are being looked at? How can we be as innovative as possible?

Don McGillivray: Some time ago, Zero Waste Scotland, SEPA and others did some work on a hit list of problem issues in the waste stream. Aside from single-use throwaway items, the big-ticket items are tyres and mattresses; there are issues with carpets and textiles, too, and I think that furniture is also on the list. So, there is a hit list of known problems in the waste stream, if I can put it that way.

In its waste and resources strategy, the UK Government started to look at whether further producer responsibility schemes should be brought in for tyres and mattresses and some of the other problem areas. We are definitely interested in discussing that area of policy with the UK Government. The three existing producer responsibility schemes—for packaging, waste electronic and electrical equipment and end-of-life vehicles—are regarded as being reasonably effective, so the question is whether we should expand producer responsibility measures into other areas.

Claudia Beamish: How should the Scottish Government undertake the process of prioritising areas for new environmental charges? What weight should be given to different factors? Should measures be prioritised principally on their potential with regard to positive environmental outcomes or existing levels of damage, or do other factors—for example, the cost of administration, revenue potential and public and industrial acceptability—need to be balanced against that? I would welcome any comments on that.

Don McGillivray: Essentially, taxes have two purposes: to change behaviour and to raise revenue. Some taxes involve a combination of the two, and environmental taxes tend to be slightly more biased towards behavioural change than revenue raising. Beyond that, the principles of the design of environmental taxes are much the same as for most other policy measures: they are about fairness, proportionality and trying to avoid regressive effects.

I hope that Elaine Lorimer can help me a little here.

10:15

Elaine Lorimer: Those are the Adam Smith principles to which I referred at the beginning. From an administrative perspective, we want to ensure that, when we introduce new initiatives, the cost of administration is kept low. Our tax authority was set up on the basis that we should be digital by default, so the impact on the taxpayer is low. Tax returns are all done online, and our

relationship with SEPA means that our administrative costs are well below those of comparable tax administrations. Those are the sorts of factors that would need to be taken into account in designing any scheme.

It is also important that we do not underestimate the importance of clarity. When a new tax or levy is introduced, we want to ensure that everyone understands their obligations so that the policy intent is delivered at the end of the process. There is sometimes a danger in that regard, as tax legislation has a history of being complex. We in Scotland have the opportunity to design a tax from scratch, so our starting point should be to make it as straightforward as possible.

Claudia Beamish: Has there been any analysis of the possible regressive aspects of the taxes and, if so, what kind? I am thinking about the effects that they might have on different parts of the population, such as people on low incomes. I hope that that is an appropriate definition.

Elaine Lorimer: That is a difficult question to answer. The land and buildings transaction tax in Scotland is designed not to be regressive. However, the landfill tax is an entirely different type of tax, so I am unable to comment on that.

Claudia Beamish: Does Mike Paterson want to say anything?

Mike Paterson: Not beyond what Elaine Lorimer has said. The landfill tax is paid by landfill operators. Because its impact ultimately feeds through to the consumer some way further down the chain, it is potentially more difficult to measure.

Claudia Beamish: Mr McGillivray, do you have an analysis from your perspective?

Don McGillivray: Most people pay for their waste management as households through the council tax, which has its own issues. I am sure that you will have your own views on how progressive the council tax is.

Claudia Beamish: I have a final question that any of you can answer. There are tools in the box other than taxes and levies that can be used to meet our environmental goals. What are the key considerations in deciding whether a tax or levy is the right approach rather than other tools such as regulation or the voluntary approach that my colleague Finlay Carson mentioned earlier?

Mike Paterson: As our chief executive Elaine Lorimer has described, Revenue Scotland is working hand in hand with the regulator. That unique approach, which is now being copied across the UK, gives us the ability to see both sides, as it allows us to conduct an end-to-end analysis of what happens on a landfill site.

Don McGillivray: As for how we decide what measures will be most effective, it is a case of horses for courses. On cotton buds, for example, a decision was taken simply to ban plastic-stemmed buds, because a charge or a tax in that area would not have changed consumer behaviour to the same degree. It is all about conducting an analysis to decide which measures will be most effective and proportionate in changing consumer behaviour. That is the judgment that needs to be made. With landfill, as I mentioned earlier, a tax might be only one of a range of measures that we might take to try to address the bigger issue of how we achieve waste minimisation and increase recycling.

Elaine Lorimer: The committee will expect me to say this, but at the end of the day, we need to raise revenue to fund public services in Scotland. That is another trade-off. How do we raise the revenues that are required to deliver the policies that Government wants to pursue?

Angus MacDonald (Falkirk East) (SNP): Going back to horticultural peat, which Claudia Beamish mentioned in her first question, I note that RSPB Scotland and the Scottish Wildlife Trust have suggested a levy on such peat as a possible way of addressing the issue of unsustainable peat extraction. Some time ago, I asked the Cabinet Secretary for Environment, Climate Change and Land Reform about the use of horticultural peat, and she said that she did not think that we had the power to deal with that. Has the issue been looked at recently? Is there any intention to introduce a levy?

Don McGillivray: I am not aware of any work on a horticultural peat levy, but I am aware of significant regulatory measures around the extraction of peat for horticultural purposes. I do not have the detail on that to hand today, but my understanding is that a licence is needed for large-scale peat extraction and that there is a much stricter approach to the renewal of licences where the purpose of such extraction is for use in horticultural products.

Finlay Carson: As you will be aware, the committee has been considering the Climate Change (Emissions Reduction Targets) (Scotland) Bill, and we are quite concerned about the lack of information on finance around it. Last week, the First Minister declared a climate change emergency, which would suggest that we need to put in place new actions much more quickly than we had thought. Does that suggest that there is likely to be a greater emphasis on tax raising to generate income, as you mentioned earlier, not only to address climate change issues but to accelerate changes in consumer behaviour?

Elaine Lorimer: I am not able to comment on that. It would definitely be a matter for my

colleagues in the Scottish exchequer who look after tax policy.

Don McGillivray: As things stand, with a bill going through Parliament, that question is probably better directed to ministers.

John Scott: Those are very wise answers.

I have a hypothetical question about tax raising. Elaine Lorimer talked about the importance of raising revenue, presumably in a sustainable way. As such taxes are introduced with the specific aim of delivering behavioural change, the revenue that they deliver will reduce over the long term. Given that the amount of money that you previously enjoyed will constantly reduce, will you need thereafter to continue to introduce new taxes to keep you at the standard to which you have become accustomed?

Elaine Lorimer: I am afraid that the choice whether to introduce new taxes is not mine—I am simply the administrator who delivers the administration and collection of taxes once Parliament has passed the requisite legislation. It is clear that Scotland requires a certain level of revenue in order to fund policy, and it is a choice for ministers and for Parliament as to how those revenues are raised. We certainly stand ready to collect any taxes that we are asked to collect.

The Convener: Before I close the session, I want to go back to an earlier comment that rang a bell with me and colleagues: the situation with non-biodegradable or non-recyclable waste under a no-deal Brexit. The committee heard from colleagues in the waste sector that a situation could arise in which waste that is normally exported to the continent could build up at ports. It was mentioned that in Scotland there was quite a lot of landfill capacity to deal with such waste. What would happen if the rest of the country did not have that capacity? How would that work in terms of tax, for example? How would the tax be collected if there were a flow of waste into Scotland that had to be dealt with, and how would that affect our targets?

Don McGillivray: A key point is that we do not want to send recyclable waste to landfill if we can help it. Some of the waste that might be exported to Scotland would be recyclable, and only as an absolute last resort, if we were in a real crisis situation, would we even think about sending that material to landfill. As for the technicalities of the tax—

Elaine Lorimer: It is the landfill operator who is responsible for paying the tax. If the waste was disposed of at a landfill site in Scotland, it would be the operator of that site who would pay the tax, which means that the revenue would come into the Scottish consolidated fund.

The Convener: So it does not matter where the waste comes from.

Elaine Lorimer: The point is where it is disposed of.

Don McGillivray: As for the waste targets, I think that our statistics are based on where the waste is generated rather than where it is disposed of, but I would need to double-check that.

The Convener: Thank you for that. Colleagues have no more questions, so I thank you for your time this morning.

I suspend the meeting briefly to allow for a change of panel.

10:25

Meeting suspended.

10:31

On resuming—

The Convener: We move to our second panel of witnesses. I am delighted to welcome, from the office of the chief economic adviser to the Scottish Government, Michael Cairns, who is an economic adviser and Uzma Khan, who is a deputy director. They both work on economic strategy. Good morning to you, and thank you for coming in.

It is early days for the network of wellbeing economy Governments; I realise that we are about to ask about something that has only just begun. For starters, can you set out how WEGo came about, who is involved and what the Scottish Government's objectives are in co-ordinating and engaging with the network?

Uzma Khan (Scottish Government): I will kick off by saying something about the network's inception: how it came to be and how we got here. Michael Cairns can talk about who we have been engaging with, and then we can discuss the next steps. We are fresh from the first session of the policy lab—a core part of WEGo's function—which took place last Wednesday and Thursday. We are still reflecting on those discussions, so we ask you to bear with us as we catch up and talk about what is happening at the same time.

In 2015, as the committee will know, the Scottish Government launched its economic strategy, which set out our approach to economic growth in Scotland. The strategy included a new concept of inclusive growth, and a firm emphasis on the idea that our growth has to involve a different approach that focuses more on inclusion, sustainability and economic growth that benefits all places and people.

Over the past two years, since the strategy was published, we have been working on what inclusive growth means in practice. We are looking at how we design policies that actually work, recognise the trade-offs that are required and meet the multiple, and sometimes conflicting, objectives. Our office has done a lot of work to understand what inclusive growth means in practice for practitioners and policy makers, and we have been looking at evidence, measurements, data and so forth.

Last year, the Government published its national performance framework, which went a bit further. It set out our vision for what Scotland's performance as a whole should look like, and at its heart was the issue of wellbeing. We believe that the principles of inclusive growth and wellbeing are very much aligned. Inclusive growth involves looking at specific attributes of growth, whereas the wellbeing agenda looks much more broadly at a wider range of factors.

We also began to talk about the economy in terms of wellbeing. In 2017, we held an inclusive growth conference. At the start of the conference, the First Minister held a breakfast session with international delegates who were interested in understanding what being a wellbeing economy means for our Governments, how we act on that, what it means for measurement, how we describe success and how we create policy thinking around that agenda. That is how the wellbeing group of Governments came into effect.

Since then, we have been talking to a range of countries that are interested in getting underneath the skin of those terminologies and concepts. They want to understand how we can collaborate and get officials working together at a policy level, and find out what does or does not work in other countries and whether we face similar challenges. Our objective has always been to find and engage with smaller advanced economies that are grappling with the similar big issues of the day such as economic growth, climate change and social inclusion. We ask how we can get together and understand what those issues mean in relation to how we measure success in our economy. That is essentially where the work of WEGo is coming from.

Since 2017, we have been developing that agenda through a number of meetings, which Michael Cairns can go through in a wee bit more detail. Just last week, we held our first policy lab, which is a core part of WEGo. It is about identifying common areas of interest between Governments and bringing together officials and policy experts to work through common challenges and discuss how we move forward in tackling them. We look at the big issues. For example, how does New Zealand do wellbeing budgeting? How

do Iceland, Scotland and New Zealand think about natural capital and the challenges around sustainable tourism? Countries suggest certain topics, and when we find common ground on an issue, we suggest that it would be a suitable subject for the policy lab.

Last week, the policy lab concentrated on three areas that all three of the countries that attended were keen to explore further. We discussed performance frameworks and the wellbeing agenda, which included learning a wee bit more about New Zealand's wellbeing budgeting; child poverty; and natural capital in relation to sustainable tourism. The session lasted for only a day and a half, but we touched on common areas and explored issues around measurements, policies and challenges, and there was a consensus that the group will move forward to look at some of those issues in a bit more depth.

The Convener: It strikes me that the narrative around performance will be a tricky issue. It seems that WEGo's work involves a long-term vision, and we know that wellbeing is difficult to quantify. It may be that, alongside your work, there must be a shift in the narrative in terms of how aspects of politics are reported, even in the media.

We move to questions from my colleagues, starting with Finlay Carson.

Finlay Carson: What work has the Scottish Government undertaken to embed wellbeing in economic policy?

Uzma Khan: Wellbeing is defined at a high level in the national performance framework. We are looking across Government to think about how our policies align with the outcomes that the framework sets out. Alongside that, we are trying to define inclusive growth and really understand how local areas, communities and regions measure it. We will then look at how we take our learning and understanding around those measurements and build that into a national strategy and a way of thinking about the economy.

Finlay Carson: You mentioned natural capital and sustainable tourism. Will your work involve looking at national parks? The experience with the two existing parks in Scotland clearly shows that sustainable economic growth can be coupled with sustainable tourism and the ability to gain from natural capital. Will that be part of your work to put wellbeing, or whatever, into practice?

Uzma Khan: Our work may well evolve in that area. Our first policy lab touched on high-level issues, and we recognised that there were common challenges around natural capital and sustainable tourism. We talked about the type of visitors that each country experiences and how tourism may create negative externalities. The question is how we combine that aspect with the

need to grow certain sectors, especially around tourism, and strike a balance with the wider wellbeing and inclusive growth agenda. We did not touch on that specific question in the policy lab, but we expect that such considerations would naturally evolve out of discussions with policy experts.

I should say that although Michael Cairns and I are representing WEGo today, and we form the secretariat for the group, we are not policy experts in a lot of the areas that the committee might want to pick up on in a bit more detail. Michael Cairns may want to add something on that.

Michael Cairns (Scottish Government): That is right—it is for the policy experts in each respective Government to take the lead on those issues and identify areas that they may want to investigate further.

John Scott: What is wellbeing budgeting and how can the concept be used to protect and improve Scotland's natural environment?

Uzma Khan: Wellbeing budgeting is about trying to spend in accordance with the outcomes that we want to achieve. We need to be clear about what we think our wellbeing outcomes look like, and they are set out in the national performance framework.

I will talk about what we learned from New Zealand, although I will not go into too much detail today because the report is under embargo and will be published at the end of this month—we look forward to seeing it. It is about a test-and-learn approach and whether such initiatives can be shared. Basically, New Zealand has top-sliced its budget and tried to apply a wellbeing budgeting approach to 10 per cent of its total budget spend. The country has identified what wellbeing priorities mean in its own context: it has looked at the evidence and picked out five or six things that define what progress on wellbeing means for society in New Zealand. It has looked at the impact not just on wellbeing, but on distribution and economic growth in a range of dimensions.

The New Zealand approach has involved bids for spending from partners and agencies, based on what they think wellbeing budgeting and spend should look like. The bids have been assessed on a number of criteria that ministers have set beforehand, which include whether there is good evidence of impact, whether there is a good line of sight to the wellbeing outcomes, whether there is already good evidence of evaluation in practice, whether the partners recognise the trade-offs that might be involved if the wellbeing policy is enacted, and how clearly all that is set out.

Last week, we heard that there have been around 500 bids from across New Zealand, which have been assessed and scored based on those

criteria to decide how well the bids meet the wellbeing priorities. The priorities were set out clearly in advance of the process, and funding will be allocated in accordance with those to decide which bids best meet the outcomes.

John Scott: Notwithstanding the fact that you are publishing a report at the end of the month, are you looking at any practical changes to the budgeting process that could be made to analyse or encourage the allocation of budgets to maximise wellbeing? For example, that might include identifying and targeting areas for preventative spending or spend-to-save approaches.

Uzma Khan: Sorry—it is New Zealand, rather than us, that is publishing a report at the end of the month.

John Scott: It is New Zealand—forgive me.

Uzma Khan: Your question about preventative spending in respect of outcomes-based budgeting would be best answered by colleagues from director-general Scottish exchequer, who are working on the spending review and budget decisions.

As analysts in the office of the chief economic adviser, we are doing some analytical work in that regard. We are thinking about how predictive analytics helps us to better understand the value of preventative spend with regard to projects at the early stage of development. There are a load of issues to work through in predictive analytics—for example, how we get the detail that we need to understand the risk factors for certain groups in the population in relation to early intervention. We are using WEGo to understand more about how other countries have used such techniques in order to better understand preventative spend.

John Scott: Preventative spend in relation to the budget process is a particular interest of this committee. From the preliminary work that you have done, is there any obvious low-hanging fruit in areas where preventative spend could help the natural environment? Perhaps there is something obvious, or perhaps nothing has occurred to you yet.

Uzma Khan: Unfortunately, there is none that I am currently aware of in that context.

The Convener: Mark Ruskell has a supplementary on the same theme.

Mark Ruskell: I am interested in New Zealand's approach of top-slicing the budget and encouraging bids around particular themes. Are there any more mainstream approaches that Governments have put in place to look at whole-government budgets? Following on from that, are there structural difficulties in the way that Governments operate? We have separate

ministerial portfolios, and there are concerns about a silo mentality in Governments and executives. How do we get a joined-up holistic approach to wellbeing?

Uzma Khan: Effectively, you have just set out the main challenge in trying to undertake outcomes-based budgeting. We are keen to learn from the experiences of others, and I hope that the WEGo platform will enable us to do so. I am conscious that budgets are based on portfolios and departmental spend; we need to take a step back and look at how we spend in accordance with outcomes. I am not currently in a position to explain that very well, as it is not something that I deal with as part of my job.

Michael Cairns: We are trying to engage in that area with the Organisation for Economic Co-operation and Development, which has done a lot of work on the wellbeing agenda. It recently published a report that looks at wellbeing approaches in central government, which sets out recommendations based on different approaches that are being applied by various Governments. The interesting aspect of the New Zealand Government's scoring approach is that it gives additional points to bids that collaborate across portfolios to work towards a common ambition. That is the crux of the wellbeing agenda.

10:45

Claudia Beamish: I will focus a little more on the national performance framework and then on the underpinning of policy—I hope—by the United Nations sustainable development goals. I want to build on the points that have been made already; I appreciate that it is early days for your work. Our national performance framework tries to break down silos—I happen to have been, for a number of years, a member of the round-table group that considers the development of the NPF, and we have seen quite a lot of progress in that regard.

In her initial comments, Uzma Khan highlighted child poverty, which is very high on the agendas of all Governments and parties. Can you say any more about that in relation to the national performance framework, and how it might fit with our brief?

Uzma Khan: I am sorry—I am not the policy expert on child poverty. From what I have heard from my colleagues, they are looking at a broad range of actions that can be undertaken across portfolios and different areas of Government to tackle child poverty, and thinking about how to align those aspects much more broadly across the overall national planning framework.

In our discussions, we recognise that the solution to child poverty does not sit in one area; it runs right across Government and beyond. We

need to understand how we start to align all those issues and ensure that there is a line of sight to the NPF and its outcomes.

Michael Cairns: New Zealand is interested in child poverty in particular because it draws on the intergenerational element of wellbeing, which ties in with the intergenerational aspects of environmental sustainability. I do not think that our NPF incorporates that specific element, but child poverty is a part of our indicators and outcomes.

Claudia Beamish: I am thinking about how we can make connections with wellbeing and child mental health—for example, on access to fresh air in the context of air pollution issues, which affect all of us but especially the young and vulnerable. How can those connections be made? Will you be able to look at such issues in your future policy deliberations?

Uzma Khan: We certainly hope so.

Claudia Beamish: Can you comment on how the UN sustainable development goals fit into your work? Those goals are international commitments, and your work is international, so it would be useful to hear from either or both of you in that regard.

Uzma Khan: The NPF has aligned itself with the UN sustainable development goals. Through our work, we will ensure that both our NPF and the UN goals are visible and up front in the policy lab discussions.

Michael Cairns: Our collaboration with other Governments on the WEGo project ties into the UN goals. In particular, sustainable development goal 17 promotes the fostering of collaboration in order to meet the other goals. WEGo helps us to deliver specifically on that goal, but ultimately the whole wellbeing agenda helps us to deliver on all of them.

Claudia Beamish: Will there be regular updates on a website that all of us can look at? I hope that there will be.

Uzma Khan: Absolutely. We are in the process of developing the website. We currently have a placeholder website, but as we start to conduct more meetings and produce papers and outputs from our sessions, we hope to make those documents openly available to all.

Claudia Beamish: For instance, you mentioned an OECD report. I did not know about it, but it sounds very interesting.

Michael Cairns: Yes—that is the OECD's work.

Claudia Beamish: It will be valuable for policy makers and people at all levels of Government, as well as citizens, to be able to look at that work to see how we can take these very important issues forward.

Mark Ruskell: Following on from Claudia Beamish's questions, has your work fed into the development of strategic environmental policy in Scotland? I am thinking in particular of the environment strategy, which is under development, and the potential introduction of an agriculture bill. I would like to know which departments are interested in your work and actively collaborating with you. Are there specific departments that have a particular interest at this point?

Uzma Khan: We reach out to all departments across the Scottish Government as part of our overall oversight of the economic strategy element, and we look beyond that and think about how the agenda can incorporate contributions from everywhere. We are keen to engage with colleagues on the environmental side of the strategy as we develop our matrix on inclusive growth and try to understand how we build the environmental indicators into our outcomes framework. We engage closely with those colleagues to ensure that we keep on working in a joined-up way across Government.

Mark Ruskell: So you are not engaging specifically on the environment strategy at this point.

Uzma Khan: Not at this point. We have had some early conversations with colleagues, but nothing has been fed in explicitly.

Mark Ruskell: The Scottish national investment bank will have a clear joined-up mission-based approach to climate, and a number of other missions that will relate to inclusive growth. Have you been invited to provide input into the bank's role?

Uzma Khan: Yes. We are closely linked to the bank. Some of its analysts sit within the office of the chief economic adviser, so we are able to maintain close links as they develop their agenda.

Mark Ruskell: Is there anything specific coming out of that engagement at the moment?

Uzma Khan: We have worked with them on their missions and the read-across to how they prioritise things and choose what to fund. It is about understanding the impact that that has on the overall outcomes.

Angus MacDonald: Where does growth feature in the concept of a wellbeing economy that also maintains and enhances natural capital? Is there such a thing as green growth?

Uzma Khan: That is the ultimate debate. We need to understand and to be honest about the trade-offs that we as a country are willing to accept as we pursue all our objectives around economic growth, environmental sustainability and social inclusion. As far as we can, we need to be

mindful about pursuing policies that are able to have a positive impact on all three areas. Ultimately, where that is not possible, we need to be clear and honest about the trade-offs and the actions that we can take to mitigate some of the negative impacts that might arise. We are mindful of that as we start to think about developing an analytical underpinning for our work, and we are starting to think about how we take into account those trade-offs and synergies in our measurement framework and impact assessments.

Mark Ruskell: At present, the central purpose of Government is sustainable economic growth. Does that term or concept apply internationally? Does it sit comfortably with inclusive growth and the agendas that other countries are pursuing? Does it need to evolve?

Uzma Khan: We describe inclusive growth as inclusive sustainable economic growth, in the sense that it must be able to deliver in the long term and have a long-term transformational effect. With regard to the inclusive growth agenda, we are mindful that we have to grow within our existing parameters around financial and environmental sustainability. Internationally, the term tends to be used in the same way, but there is no real tight definition of sustainability in defining economic growth; it has always been quite a loose concept.

John Scott: Is there anything that we can learn from Wales or Northern Ireland as the other devolved countries, or even from Ireland, which is of comparable size to New Zealand and Scotland?

Michael Cairns: Definitely. I have recently engaged with officials in the Welsh Government, and I hope to engage with them at future meetings.

It is worth mentioning the Carnegie United Kingdom Trust's recent report, "Wellbeing and Devolution: Reframing the role of government in Scotland, Wales and Northern Ireland", which highlights some of the agendas and programmes that have been put in place in the devolved Administrations. It may be worth circulating that report. There is definitely a lot that we can learn from examples that are closer to home as well as those, such as New Zealand, that are further afield.

Claudia Beamish: I want to push you a little further on the definitions that we work with in relation to the prosperity of our country. Can you highlight some examples now, or let the committee know later, of any countries that have made a commitment specifically to sustainable development rather than sustainable inclusive growth?

Uzma Khan: To be honest, I do not know.

The Convener: Are there any other questions from colleagues? We have time for one last question.

Stewart Stevenson: I believe that my questions have been covered.

Mark Ruskell: I want to push the witnesses a bit further on what we can learn from the devolved Administrations. I have been struck by the work of the Future Generations Commissioner for Wales, not just on young people, language and environmental sustainability but across a range of other areas. Looking at what we do in Scotland with the current NPF, and the work of the FGC in Wales, where is the gap, if there is one? Does the FGC bring added value in Wales in a way that does not yet exist in Scotland?

Uzma Khan: That is something that we want to explore. We are mindful that Wales has a Future Generations Commissioner, and we are keen to learn from what the commissioner is doing and to look at where there are policy gaps in Scotland.

Michael Cairns: That touches on the intergenerational aspect that is part of New Zealand's living standards framework, which I mentioned earlier. That aspect also comes out in the work of the Future Generations Commissioner.

Mark Ruskell: Is the function of providing advice on environment policy for public bodies, which the FGC undertakes in Wales, currently undertaken in other ways in Scotland, or is it not replicated here? I do not see public bodies in Scotland being held to account in exactly the same way. We have bodies such as Scottish Natural Heritage and SEPA, but there is no commissioner role to look at whether there is policy being generated that will really deliver future thinking. For example, the FGC has taken quite a strong role in scrutinising the expansion of the M4 motorway in Wales. Is there an equivalent body in Scotland?

Uzma Khan: As far as I am aware, we do not have an equivalent body in Scotland, but that is certainly worth looking into.

The Convener: I thank you both for your time this morning. We look forward to seeing what comes out of your work, and I am sure that we will have you back again to report on what you have been up to.

10:56

Meeting suspended.

11:05

On resuming—

The Convener: Our final evidence session of the morning is on infrastructure and carbon. I am delighted to welcome Ian Russell, chair of the Infrastructure Commission for Scotland. Good morning, Mr Russell.

I will ask a blanket question to get us started. We understand that the commission's members were appointed only in February. We appreciate your coming here so soon to talk about the very early stages of your work. You plan to report on infrastructure ambitions and priorities by the end of 2019. Will you outline the immediate plans and priorities in your work?

Ian Russell (Infrastructure Commission for Scotland): Good morning, convener, and thank you all for inviting me to come and talk with you.

We were appointed in February by the Cabinet Secretary for Transport, Infrastructure and Connectivity, Mr Matheson, and we were given two tasks. One was to come up with a 30-year vision for Scotland's infrastructure by the end of December. Secondly, we were tasked with giving him advice, by June 2020, on how to deliver that. The cabinet secretary gave us very clear instruction that that should not involve sitting in a room thinking about what the answer is; rather, it means engaging as widely as possible, across Scotland and internationally, to gather evidence on the vision and delivery.

Our priority has been to set out as broad an invitation as possible to people and organisations to contribute evidence. We set out that invitation at the end of February. As at the end of last week, we had received about 120 submissions from across Scotland and further afield. The commission's priority at the moment is to go through that evidence and to draw out the key aspects of it, thus allowing us to put more focus on the commission's work in the coming months. Evidence gathering is the phase that we are now in.

John Scott: What expertise does the commission have among the commissioners, or through other channels, on environmental issues such as assessing low-carbon infrastructure, biodiversity impacts and marine planning?

Ian Russell: The commission is broadly spread, with representation from the public and private sectors. We have a range of specific skills on the commission, including on environmental and low-carbon matters.

Importantly, and in answer to the first question, our work is really about gathering evidence from other people. We have written to 5,500 organisations and individuals to ask for evidence.

We will hold five or six regional forums across Scotland, which will give people with expertise, including environmental and low-carbon expertise, an opportunity to come and talk to us.

We will use social media to reach a younger group and get their views on Scotland's infrastructure. To address Mr Scott's question, we expect to hold a number of expert sessions in the autumn, at which the commission will drill down into particular topics. I would expect the areas that Mr Scott mentioned to form a major part of that.

John Scott: Will there be a particular emphasis on low-carbon infrastructure?

Ian Russell: It will be on low carbon and, more generally, on sustainability. The overall objective that the cabinet secretary has given us in asking for advice on the 30-year vision is to have sustainable inclusive economic growth. I was sitting at the back listening to the end of the previous discussion on that subject.

John Scott: So, essentially, it is a matter of blue-sky thinking. What a fascinating opportunity for you and for others.

Ian Russell: The work before us addresses a gap in our armoury. As you are probably aware, the Scottish Government's definition of "infrastructure" covers 13 or 14 areas, from transport, energy and water all the way through to health, education and housing. That is a pretty broad canvas. Each of those individual areas has its own plan, although the linkages between the plans are perhaps not so evident at the moment. That provides the focus for the commission's work during this year.

Mark Ruskell: When we are defining infrastructure, are we also considering natural capital? I am thinking of an ecological network. The central Scotland green network, for example, sits within the national planning framework as a major piece of infrastructure, which is reflected in the planning system. What are the opportunities to consider the natural environment and natural capital, particularly in relation to what we need to do to tackle the biodiversity challenge and the climate challenge as major national infrastructure projects?

The national ecological network has been discussed at the committee and in the chamber on numerous occasions as a major piece of our carbon sequestration and biodiversity-enhancing infrastructure. Is that within your remit and within Mr Matheson's interest, or are we primarily talking about bridges and stuff?

Ian Russell: It is broader than "bridges and stuff," to play that back to you, but it involves long-term investment. That is the theme. The starting point for the cabinet secretary's request to the

commission lies in getting advice on how the public and private sectors, both nationally and locally, should focus investment over the next 30 years in order to better achieve sustainable inclusive economic growth. I am sure that that will embrace the areas that you have reflected on—I made a note of the point specifically, as you were speaking.

Is that point mentioned in the remit that we have been given, word for word? No. However, I think that it is implied, and it is certainly something on which the commission would want to take evidence. If the committee were able to point people in our direction on that matter, we would be happy to engage with them.

Mark Ruskell: Regarding the engagement that you are pursuing, you said that you have written to 5,500 organisations. Will there be a specific expert thematic group on natural capital and the environment and a group looking into Scotland's rainforests and peat bogs and their carbon sequestration potential? Is that a national asset and a national part of our infrastructure?

Ian Russell: The commission has three people working for it; I am the fourth. We are a small but perfectly formed group. We do not have the volume of people to devote to specific areas. We are trying to focus on specific groups of organisations that can provide us with evidence to cover a wide range of topics, including the one that you are asking about.

Hence, my point to you: if you can direct us towards people or point people in our direction regarding your interest or that of any other member of the committee, we would be keen to engage. We do not have all the expertise, and we certainly do not have the answers, but we are keen to gather evidence that will help us to advise the cabinet secretary.

The Convener: I am encouraged to hear that you will be going out to different regions, because there will be a lot of different solutions based on geography. Is it a key part of your work to be out in all areas as much as possible and to get local feedback, rather than to centralise?

11:15

Ian Russell: Absolutely. The cabinet secretary has encouraged that, and the commission has set its sights on doing it in any event. We will probably end up with six regional forums. I have had an invitation to go to the Outer Hebrides to hear what people are doing there, and I have accepted that invitation with great pleasure. I anticipate doing the same for Orkney and Shetland—the process involves islands as well as mainland Scotland.

Claudia Beamish: I will build on Mark Ruskell's question. I understand that the cabinet secretary has given you a remit in relation to infrastructure definitions, if one can call them that. Is there any room for manoeuvre for adding green infrastructure, for instance, in view of how important that is to the wellbeing and future of Scotland?

Ian Russell: There is every opportunity to add to the remit. Realistically, to perform a useful function in what is now a period of seven or eight months, we have to be pretty focused in what we consider and what we advise on, but I am clear—and I think my interpretation of the cabinet secretary's desire is clear—that low-carbon and environmentally sustainable green assets are absolutely within the commission's remit.

The cabinet secretary defined a fairly high-level remit for us, building on the Scottish Government's existing definition of infrastructure. He has left us to interpret what we go into at the next level of detail, so the sort of discussion that we are having now is immensely helpful for that.

Claudia Beamish: I am particularly concerned in view of the high-level UN report on nature that came out yesterday, which you and everybody on the committee will be aware of.

Ian Russell: Yes.

Claudia Beamish: Not least in view of that, I very much hope that green infrastructure could be one of the high-level definitions. Perhaps that is for the committee to consider, too.

Stewart Stevenson: I want to focus a bit more on low carbon and low emissions. Before I do that, could you tell me how your work relates to the UK Government's critical national infrastructure? There are 13 headings for that, two of which appear to touch on the committee's interests—they are probably energy and food, and perhaps also water.

My take on the critical national infrastructure—I used to have to work within that framework in my professional life—is that it is about maintaining the status quo ante. Is it fair to say that your work is more about creating the new rather than protecting the old? How does that relate to existing national infrastructure legislation and practice?

Ian Russell: Our work is about stepping out 30 years ahead and looking back to today. The cabinet secretary has asked us to advise on how plans for the next five years provide a platform for the 30-year vision. We are being asked to join up the future to the present in infrastructure terms.

Of the categories that you have mentioned, energy and water are definitely within our remit. I do not think that food is, although I may be missing a subtlety there. If I am, I can say on

behalf of the commission that we would certainly like to take that on board.

Stewart Stevenson: My immediate reaction is that food might be something for you to consider. I suspect that it would certainly be of interest to the committee more generally, even if it is not within your remit.

Your 30-year horizon takes you to 2049. The Government has now adopted what the UK Committee on Climate Change has set as its climate change targets, which are for zero greenhouse gas emissions, to be achieved by 2045. That is within your period.

To throw you a curve ball—this development being just a few days old—has the adoption of that target changed your thinking on how you will deal not simply with low carbon but with low emissions, and perhaps indeed negative carbon emissions, so that we can offset those areas of our life such as agriculture where it will be virtually impossible to get to zero, and so that we can ensure that other parts of the equation work?

Ian Russell: I do not think that that has changed our thinking, although it may shape the areas in which we gather further evidence over the next two to three months. To repeat, we are being asked not to think ourselves of what the answer is but to gather evidence, from among as broad a church as we can, as to what other people think the answer is.

As reports and advice from within the UK and internationally come out during the year, we will certainly build them into our thinking on how we gather evidence, and we will then transform that into advice to the cabinet secretary.

Since we started in February, the past couple of months have been very much about making people aware of the existence of the commission and our remit and asking people for initial evidence. As I mentioned, the call for initial evidence closed on Friday, and we are pleased with the diversity of the responses that we have received. We are now beginning to go through the evidence.

Your question is pertinent. I am sure that there will be further reports and advice from all Governments and all parts of Governments that will influence our thinking and our evidence gathering, particularly over the summer. We need to start drawing conclusions by September or October if we are to report to the cabinet secretary in December. There is certainly an opportunity for us to cast the net more widely over the summer.

Stewart Stevenson: You said that you were looking at a five-year horizon as well as a 30-year horizon. Will you do the 30-year horizon first?

Ian Russell: Yes.

Stewart Stevenson: That will mean that you can infer from that what needs to be done in five years, rather than look backwards and then project forwards five years.

The context of that comment is that my last professional responsibility, 20 years ago, was doing precisely this sort of thing, although I was working to a 25-year horizon. We found it immensely useful to try and posit 25 years out to help us understand what we needed to do in the first five years.

Ian Russell: I can give you categorical assurance—this may be the only answer on which I give you categorical assurance today—that we are starting with 30 years and working back.

Finlay Carson: What is the commission's position on the potential for infrastructure to lock in behavioural change and greenhouse gas emissions reductions?

Ian Russell: Part of our remit is to think about the delivery of public services and their interaction with individuals in both the public sector and the private sector. The commission's thinking is not about an item of infrastructure per se, but about what it leads to—whether that is service delivery, behaviour or other impacts. The behavioural changes that are being considered are those within our remit that would lead to the objectives that we have been given, such as sustainable, inclusive economic growth, low carbon, and a more diverse society. We have been given what are almost like outcomes, and we are being asked to think about what infrastructure is needed to deliver the behaviour that would produce those outcomes.

Finlay Carson: On a practical basis, we are waiting with bated breath to hear what the south of Scotland strategic transport review will come up with. My constituency has one of the busiest trunk roads in the UK and the third-busiest port, with a high number of freight lorries, or heavy goods vehicles. There are campaigns for reopening the railway lines in the area. When that review appears, is it likely to be referred to you, or will you take the review, look at the evidence and make recommendations on the back of the report, which the Government will publish soon?

Ian Russell: Our remit involves us receiving such reports and consultation documents and joining them up to other areas of infrastructure. If you think of a dozen or so pillars of infrastructure, of which transport may well be one, I do not think that the commission has the time or the expertise to second-guess one of the long-term plans for a particular pillar of infrastructure. However, we would consider how the plan for transport connects to the plans for energy, housing or healthcare and what the interconnections and

interactions between them are when it comes to delivering the behaviours and outcomes that you referred to in your earlier question.

Finlay Carson: My final question is on the back of Stewart Stevenson's questions. Given the recent update on the climate change recommendations, what is your view on the scale of the challenge and the need for real-time action? How will the urgency of putting new policies in place affect your work?

Ian Russell: That goes back to the question whether we are starting with 30 years or five years. We are starting with 30 years. If we start that far out and look back, that should inform our priorities over the next five to 10 years and so on.

In infrastructure terms, many of the projects that will be delivered over the next five years have already started. They are in planning if not actually on the ground. In reality, working back from a 30-year view, we will probably have more influence on the projects that will start in five to 10 years than on those that will start within a one to five-year period. However, we have been asked to comment on those that will start in one to five years.

The Convener: Mark Ruskell has a follow-up question.

Mark Ruskell: How do you see your work dovetailing with the strategic transport projects review? What do you see as your role in that process, and at what point?

Ian Russell: Our role is to take the consultation document and draw inferences from it for infrastructure more widely. I do not see the commission's role—nor, I think, does the cabinet secretary—as being one of commenting on, interrogating or trying to second-guess a review of a particular pillar of infrastructure, which is transport in this case. Our work is about reviewing the consultation document and thinking about the interactions between it and other long-term plans for electricity, water, housing or healthcare.

We have already had discussions with Transport Scotland and we will continue to have them, but in more of an engaged way, such that we understand what its plan is and we can interpret the consequences of that on infrastructure elsewhere.

Does that make sense?

Mark Ruskell: It does. We are trying to understand the picture more clearly. How does that overlap with the roles and responsibilities of councils, for example?

Ian Russell: The advice that we give to the cabinet secretary will have to be looked at and interpreted by public sector and private sector

Scotland as a whole. I am sure that, having taken our advice, the Scottish Government will wish to think about how it wants to go about achieving those things that it takes on board.

The commission is very much aware that much of the infrastructure in Scotland is maintained and delivered by organisations that are not the Scottish Government. In a sense, it is a matter of providing an umbrella report, although there is a lot of delivery that is not by the Scottish Government itself, and there are investment organisations that are not part of the Scottish Government. Local councils and local organisations would be part of that.

11:30

Angus MacDonald: With regard to the infrastructure plan and the issue of advice, which colleagues have already touched on, how, specifically, do you plan to make your advice on any long-term infrastructure plan coherent with the statutory climate change targets? As we know, they are a 2045 emissions reduction target for Scotland and a 2050 target for the UK. How do you intend to ensure that your advice is coherent?

Ian Russell: To go back to our remit and the provision of advice for the longer-term vision, that will not involve our examining or recommending specific projects. It will be more about themes and interconnections between different pillars of infrastructure and about the consequences: if you build this, you will have to think about that.

The statutory constraints or objectives across all infrastructure—not just what you mentioned, as we need to take other statutory matters into account, too—will have to be reflected in our advice. They will appear not in project-level advice, but in strategic-level advice. That, I think, is the nature of the report that we are being asked to produce. We have neither the time nor the expertise to go into the level of individual projects.

Mark Ruskell: How should we understand and score the climate impacts of competing infrastructure projects?

Ian Russell: That is a good question, which the committee perhaps has a better answer to than I do at this point. I would welcome the opportunity to come back and hear your thoughts on that.

We have been given a broad goal: sustainable, low-carbon and inclusive economic growth. There are no figures in that. There was an earlier question about negative carbon emissions. That begins to get us into that subject.

We are not going to recommend specific projects in our advice to the cabinet secretary, and we are not going to get into a trade-off at the project level, although we may get into a trade-off

at the types-of-infrastructure level. That is one of the interesting themes that we will need to draw out.

The committee is asking extremely good questions. We have just embarked on evidence gathering, so this session will be very helpful to me in shaping how we go about drawing evidence and how we think about the evidence that we get. However, we will not have all the answers until the end of the year, when we will deliver our report.

Mark Ruskell: Do you intend to provide your advice to different committees of the Parliament, based on particular themes? I know that it is very early days, but I am not sure at this stage about how you wish to interact with the committees, which consider budget decisions and the NPF.

Ian Russell: Our remit is to report to the cabinet secretary. When we have done that, we would be very happy to come and discuss our findings with you. I have already said to other committees that we would be happy to meet them—either individual members or members in a committee session, and either formally or informally. In fairness, our first report will go to the cabinet secretary.

Finlay Carson: I suppose that this is a daft-laddie question to get right down to practicalities. I will give you an example from my constituency, but it is equally relevant to any other constituency situation.

We have a port. If the Government decided that the sustainability and long-term future of that port was really important, but there were two ways to ensure it—either by upgrading the roads that lead to it, or by reinstating the railway line or building a new railway line—and one of them was substantially more expensive than the other, would it be your job to advise the Government that, when it comes to carbon or long-term sustainability, the railway line might potentially be the best solution, even though it would initially cost four or five times more? Your argument would consider the potential greenhouse gas reductions from an electrified railway line or whatever. Is that what you will do in practice?

Ian Russell: Under our remit, we have not been given any fiscal constraints, but we have been asked to take account of what is inevitably a constrained budget over a 30-year period. We are not being asked to make financial trade-offs as such, but we are being asked to take account of the financial position.

I expect that you are right. I think that there will be alternatives in our report. It seems highly unlikely, even at this early stage, that we will come up with one right answer; it is more likely that there will be scenarios from which to select options. Although they will probably not be as detailed as

the example that you have given at a project level, we may well offer some more thematic scenarios to the cabinet secretary as different ways of achieving the end objectives that he is seeking to take advice on.

Claudia Beamish: First, I will ask a question that follows on from that; I will then have another question for you.

Can you identify a process in which you can examine the concerns about lock-in for new high-carbon projects? I will not recommend one, but I am wondering whether you use one or whether that is in your thoughts.

Ian Russell: That is not something to which we have turned our thoughts yet, but I am sure that we will do so over the summer as we start to think about the evidence that we are gathering.

Claudia Beamish: I appreciate your point that you are reporting to the cabinet secretary. Will you be developing measures by which you can assess the success of the low-carbon part of your remit?

Ian Russell: In our report, we almost have to find some way of recommending not only the methodology for delivering the vision, which the cabinet secretary has asked us to report on from January to June next year, under the second part of our brief, but, beyond that, how the vision and the delivery may be refreshed periodically and how the outcomes may be measured.

The commission will hope to have achieved a degree of cross-party support for a long-term vision by the end of its life. We can all discuss individual projects and aspects of the vision, but we would like to think that we could help the Scottish Government in getting broad support for a long-term vision, the refreshing of it, and the measuring of progress towards it, including in the specific area that you mentioned.

The Convener: I do not think that we have any more questions. I am sorry—John Scott wishes to ask one.

John Scott: I wonder whether I have understood you correctly, Mr Russell. You have talked about developing themes. Taking your own background of energy, would that involve different types of energy provision, such as renewables, tidal, wave or hydrogen provision? Are you being invited, at that level of approach, to look into some future orb and suggest which one the Government might back?

Ian Russell: We are not being invited to be that specific. In the evidence that we gather, we might well see pros and cons that lead us to provide advice to the cabinet secretary that suggests that a given two or three paths might be better than another two or three paths. The remit is not to be that specific. The evidence that we see might give

us a sound basis for advising the cabinet secretary generally, but perhaps not quite as specifically in the areas that you have referred to.

John Scott: Will your evidence gathering encompass universities as well as individual businesses? I presume that it will.

Ian Russell: It will. Universities are represented in the 120 or so pieces of evidence that we have already received, as are colleges.

The Convener: I probably speak for everyone in accepting your proposal to come back and speak to us again, after you have reported to the cabinet secretary, because I think that your work will be very interesting and will inform a lot of our scrutiny. Thank you very much for your time this morning.

Ian Russell: Thank you all very much.

The Convener: That concludes the committee's business in public today. At our next meeting, on 14 May, the committee will take evidence ahead of consideration of amendments to the Climate Change (Emissions Reduction Targets) (Scotland) Bill at stage 2. The committee will hear from the Committee on Climate Change on its updated advice to the Scottish Government. The committee will also consider a response to recent correspondence from the Finance and Constitution Committee on EU frameworks, and it will consider its annual report for 2018-19.

As agreed previously, we will now move into private session. I ask for the gallery to be cleared, as the public part of the meeting is now closed.

11:42

Meeting continued in private until 12:25.

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