



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

### FINANCE COMMITTEE

Wednesday 12 June 2013

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**FINANCE COMMITTEE**  
**18<sup>th</sup> Meeting 2013, Session 4**

**CONVENER**

\*Kenneth Gibson (Cunninghame North) (SNP)

**DEPUTY CONVENER**

\*John Mason (Glasgow Shettleston) (SNP)

**COMMITTEE MEMBERS**

\*Gavin Brown (Lothian) (Con)

\*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)

\*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)

\*Michael McMahon (Uddingston and Bellshill) (Lab)

\*Jean Urquhart (Highlands and Islands) (Ind)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Lloyd Austin (RSPB Scotland)

Professor Jim Baird (Chartered Institution of Wastes Management)

Willie Beattie (Scottish Landfill Communities Fund Forum)

Stephen Freeland (Scottish Environmental Services Association)

Lucy Graham (Scottish Wildlife Trust)

Craig Hatton (North Ayrshire Council)

Paul Johnston (Community Resources Network Scotland)

**CLERK TO THE COMMITTEE**

James Johnston

**LOCATION**

Committee Room 6



# Scottish Parliament

## Finance Committee

Wednesday 12 June 2013

[The Convener *opened the meeting at 09:30*]

### Landfill Tax (Scotland) Bill: Stage 1

**The Convener (Kenneth Gibson):** Good morning and welcome to the 18th meeting in 2013 of the Finance Committee. I remind everyone present to turn off mobile phones, tablets and other electronic devices. We have received apologies from John Mason, the deputy convener, who will arrive late this morning.

The first item of business is to take evidence as part of our scrutiny of the Landfill Tax (Scotland) Bill. I welcome to the meeting Professor Jim Baird, of Glasgow Caledonian University and the Chartered Institution of Wastes Management; Stephen Freeland, of the Scottish Environmental Services Association—known as SESA—and Craig Hatton of North Ayrshire Council.

Normally we would have an opening statement from the panel of witnesses, but because you represent diverse organisations we will go straight to questions. I will ask some initial questions; I might ask them of one individual, but witnesses should please feel free to contribute at any point. Once I have asked some opening questions, I will go round the rest of my colleagues on the committee, who will no doubt have their own questions.

I will welcome Craig Hatton by asking him the first question. I was quite impressed by North Ayrshire Council's submission, which is quite detailed and gave us many grounds on which to ask questions. In the first paragraph of your submission, you talk about

"uncertainty over the rate of Landfill Tax"

and say that that will have

"an impact on financial planning for the Council."

You go on to say that

"A significant increase in the tax rate may have an impact on decisions being made in relation to alternative waste treatment options currently being explored."

How many tons of waste—inert and non-inert—are we talking about and on what financial parameters could the bill impact?

**Craig Hatton (North Ayrshire Council):** The council currently spends around £2 million a year on disposing of waste to landfill, and it recycles

more than 50 per cent of its waste, so it is among the highest performers. We are working with the Clyde valley group of authorities to develop our residual-waste treatment options, to meet the objectives of the zero waste plan. Our financial modelling is built on that coming on course in 2020, but we do not know what the rate of landfill tax will be post 2014-15. If that was to increase significantly, it would place two financial pressures on the council with regard to its continued disposal of waste to landfill and whether we could bring forward the Clyde valley procurement exercise for treatment facilities to which we will ultimately take our residual waste. Those are our particular concerns; clearly we want to know by how much that £2 million would increase.

**The Convener:** On the decision not to introduce significant changes, you say in your submission that you would be

"concerned over possible cross border waste transfer if landfill tax rates and structures are not aligned to the HMRC's rates in the rest of the UK."

How much of a difference per tonne would trigger cross-border transfers, particularly to somewhere like North Ayrshire, which is not exactly close to the border?

**Craig Hatton:** My answer was more about a wider national issue. I almost used the term "waste tourism". If we have a differential rate, the rate of tax per tonne will be far higher than the transport cost per tonne. Authorities and areas close to the border on both sides may have waste transferred between them. It would be a concern if waste were to be imported to Scotland, given its environmental impact. Conversely, if Scottish authorities and businesses exported waste to England, that would be a concern for England.

**The Convener:** Indeed. Others have mentioned that in their submissions, so it is a key point on which I am quite happy for Mr Freeland and Professor Baird to come in. Although people have talked about it, I do not have a feel for how much per tonne would make a difference. If I were sitting in Preston or Newcastle thinking about shipping waste north of the border because of differentials, what kind of differential would make the difference? What would make me want to hire a driver and a truck and move stuff all the way to Kilwinning or Irvine?

**Craig Hatton:** Waste would be moved to places closer than that—it will depend on the differential. We could get more detail from transport industry experts, who might be able to provide clarity on the prices, but the most recent figures suggest that we are looking at about 15p per tonne per mile. You can get between 20 and 24 tonnes of waste on an articulated lorry, so you can do the calculation yourself.

**The Convener:** That is fine.

**Stephen Freeland (Scottish Environmental Services Association):** I agree with Craig Hatton. The viability of taking waste greater distances would depend on the extent of the differential. Moreover, any marked difference between England and Scotland could increase fly-tipping in Scotland if businesses in Scotland take umbrage at having to pay higher disposal charges on their waste.

**The Convener:** Will you comment, Professor Baird?

**Professor Jim Baird (Chartered Institution of Wastes Management):** Craig Hatton has properly described the metric as pence per kilo or per tonne per mile. Perhaps I can help you a little bit with the numbers. Waste moves, through transfer stations, from the Highlands down to Perth; having worked with some of those local authorities, I would say that the figure is about £10 per tonne. However, distance must be taken into account.

Merseyside Recycling & Waste Authority, which looks after Liverpool's waste, announced last week that the material will go to a Teesside-based contractor. People already accept the idea of waste moving around and finding its market, but if you create a big differential—say, £10 a tonne—waste will be migrated elsewhere.

**The Convener:** Does that happen a lot on the continent of Europe? Given that there are dozens of countries over there—there are 27 European Union member states and plenty others besides—you would expect differential rates.

**Professor Baird:** The question is interesting. We are in a single market in which waste, especially hazardous waste, moves to sophisticated well-developed countries such as the Netherlands and Germany, where it can be most effectively treated with the right technology. There is a lot of hazardous-waste movement around Europe, but it is quite legitimate and there is a market for it. The danger with this proposal is that we will be creating a differential on a taxation system that might lead to movement that we do not really want; we would prefer the waste to find its market instead of being pushed by regulatory taxation.

**The Convener:** Indeed.

In its submission, North Ayrshire Council says:

"Where illegal activities such as illegal dumping, fly tipping or illegal transfer is found, the Scottish Government should ensure full cost recovery policies are implemented."

I asked witnesses at last week's meeting whether they had any idea of the extent of illegal dumping. Of course, the fact that it is illegal might make it

difficult to quantify, but are you aware of many instances in North Ayrshire over the years?

**Craig Hatton:** Fly-tipping affects the UK as a whole; it has certainly increased in the past 10 to 15 years and continues to be a problem for all areas. I do not have any figures to hand for the tonnage, but I think that there was, according to our last estimate, about 1,500 tonnes a year of fly-tipped waste in North Ayrshire.

**The Convener:** North Ayrshire is about 2.5 per cent of Scotland. I do not know whether we can extrapolate such figures, but if that turned out to be the average rate, it would mean 60,000 tonnes of fly-tipped waste a year across Scotland.

Do Professor Baird or Mr Freeland have any knowledge of the level of illegal dumping and fly-tipping?

**Professor Baird:** There are two problems associated with illegal dumping, the first of which is fly-tipping, which is social, public and small-scale and carried out by individuals. It is a constant problem for local authorities and I do not know what it costs them.

In its first waste crime report, the Environment Agency down south considered fly-tipping as something that local authorities deal with, but it highlighted serious waste crime, in which people treat illegal dumping as a business, as an issue. It identified something like 11,000 illegal sites—not fly-tipping incidents, but operations involving tyres, active waste and so on. Waste crime is victimless, goes largely unreported and is not recorded for years. That said, an incident in West Lothian in the past couple of years has probably drawn civil servants' attention: had the individuals in that case—it is documented; you will find it if you look for it—also been required to pay landfill tax on that waste, the fines that they received would have been three or four times higher. The tax, therefore, is a way of penalising illegal dumping.

**The Convener:** Are the proposals in the bill adequate to address that? Are we on the right track?

**Stephen Freeland:** I welcome the addition of powers in the bill to recover avoided tax from illegal sites. That is absent from the existing regime.

**The Convener:** The committee has heard of a large dump that was found in Lanarkshire just a few weeks ago and which cost a six-figure sum to clear up.

With regard to the list of activities and materials that will be exempt from landfill tax, the North Ayrshire Council submission says:

"Special wastes could be considered for a differential rate to ensure that cost is not a deterrent to ensuring compliance with disposal or treatment requirements."

Which special wastes did you have in mind?

**Craig Hatton:** We had in mind hazardous waste such as asbestos, tyres and a range of other things. It is important that cost is not a deterrent so, given that landfill is probably one of the few options for such waste, we should not move people towards fly-tipping. Instead, we must ensure that special wastes are managed and disposed of responsibly and in accordance with the legislative framework.

**Professor Baird:** Because of the cost of disposing, say, asbestos waste, which requires special measures if it is going to be put in landfill—for example, parts of the landfill need to be classed as "hazardous permitted"—it is right to look at the problems of finding alternative routes into the countryside while trying to encourage proper and well-managed treatments, and the ability to vary the tax will support that.

**Stephen Freeland:** As a broader comment, I note that the bill contains very little detail on the proposal to introduce a third tier of tax, but in the consultation it was suggested that incinerator bottom ash and biostabilised material would benefit from a tax rate that was separate from the existing standard and lower rates. However, we need to understand better the economic impacts and consequences of such a move. For example, setting a higher rate for IBA will have financial implications for investment in energy from waste. IBA can be recycled into aggregates and construction products, the markets for which are often cyclical and demand for which is variable, and landfill provides a useful backstop when there is no demand for IBA material. Moreover, the energy-from-waste operator will face additional costs.

Similarly, the consultation suggested that biostabilised material might benefit from a reduced rate of tax, perhaps to mirror the fact that it has less environmental impact. However, you have to consider treatment of bio waste through anaerobic digestion, which requires an alternative and different infrastructure, and the question whether that will undermine the economic viability of such plants.

09:45

**Professor Baird:** I want to make the point that landfill tax is in effect a tax on methane, so it is a greenhouse gas tax. We should acknowledge that if we start to introduce other taxation levels that are based on the type of material, we will lose the fundamental reason for the tax. Inert material is taxed at only a couple of pounds per tonne,

whereas biologically active waste, which generates lots of methane when it is put into landfill, is taxed more. If we start to deviate towards having rates for special waste, hazardous waste, bottom ash and so on, we will drift away from the fundamental principles of the tax. I am not commenting on whether that is bad or good, but we should note that that is what we are doing.

**The Convener:** As several colleagues want to come in, I will not ask many more questions—I have loads of questions to ask, but I do not want to steal anyone else's thunder—but I have a final question on the issue of certainty. The submission from the Scottish Environmental Services Association states that, on the question

"whether the Bill is consistent with the four principles underlying the Scottish Government's approach to taxation—certainty, convenience, efficiency and proportionate to the ability to pay— ... the Bill offers the industry little in the way of certainty".

When we put that point to Alistair Brown and Stuart Greig of the bill team last week, Stuart Greig said:

"We have asked SESA—it is working on something for us—to identify all the points on which it needs most certainty. Some things can be covered in guidance and some will be in the subordinate legislation, but that will give us a hit list of things on which we need to work closely with SESA to give it as much certainty as we can as soon as we can. That has been our approach, and we will continue to pursue that over the coming months as the bill moves through Parliament."—[*Official Report, Finance Committee*, 5 June 2013; c 2730.]

I notice that Professor Baird takes the view that,

"provided the Scottish Landfill Tax and its subordinate legislation remains consistent with the UK regime then CIWM (Scotland) believes the Bill is consistent with these principles."

Before I move on to questions from colleagues, can you comment on those points?

**Stephen Freeland:** The reason why we made that point is that the bill gives no indication of what the tax will be come 2015. We represent an industry that is looking to make investment decisions for alternative non-landfill infrastructure, the viability of which will depend on what landfill tax will be, so it would have been nice to have had an indication of what that tax will be. Similarly, for the differential rates—the potential third rate of tax—it would be interesting to know what that might be and to what materials it might apply. The main reason why we made that point is that it would be useful to have that on the face of the bill.

I acknowledge the points that Stuart Greig made. Within our organisation, we have convened a group to look at some of them, in particular qualifying materials and suchlike. We will make that information available to Dr Greig and his colleagues very soon.

**Professor Baird:** The bill seems just to take the powers, whereas the consultation to which we submitted a detailed response talked about qualifying materials and so on. We are probably watching and waiting to be consulted on the next stage. As Stephen Freeland said, the bill does not even set the taxation rates. The Scottish Government has promised that the tax will come in in 2015 at the same rate, but there is no guarantee on that. The bill also says nothing about qualifying material. The only new powers that the bill seems to introduce are the idea of targeting illegal dumping and the Scottish Environment Protection Agency's regulatory role. I do not know whether you want to ask questions on that.

**The Convener:** I will leave my colleagues to ask those questions—otherwise, they will have no questions left to ask.

**Professor Baird:** All the detail will follow in secondary regulation, and we will engage in that process.

**Stephen Freeland:** I think that that is right. If all the promises are kept about there being no intention to rock the boat dramatically, as compared with the existing system, we will be happy with that. We have no issue with the powers being devolved to the Scottish Government, but the bill contains nothing to suggest what the policy intention is.

**Craig Hatton:** To enable medium-term and long-term financial planning for local authorities—at a time of increasing pressure on the public purse—in making their waste decisions, we would like to see what the rates will be post 2014-15.

**The Convener:** Thank you. I open up the discussion to my colleagues, who are all champing at the bit.

**Jamie Hepburn (Cumbernauld and Kilsyth) (SNP):** Most taxes are designed to accrue revenue to the public purse, but this one is slightly different in that its primary purpose is to reduce the amount of waste that is going to landfill. What is your assessment of the bill's potential to achieve that aim?

**Stephen Freeland:** Given that most of the bill follows the existing provisions in the Finance Act 1996, it should be able to achieve that aim. The intention is still to impose a high level of tax on the most damaging biological waste that is going to landfill. In principle, it ought to be able to do that.

**Craig Hatton:** The landfill tax has been extremely successful in changing behaviours in the waste industry. The cost of disposing to landfill is much cheaper than alternative technologies, and the landfill tax has been a good driver for change in the light of that. The role of landfill tax still exists, but it will be overtaken by plans within

the zero waste plan and by landfill bans from 2020. We are going beyond the initial role of the taxation, as we formed it in legislation, through other types of legislation.

**Jamie Hepburn:** Do you think that, as we work towards 2020, the bill as drafted can play a role?

**Craig Hatton:** Yes, I think that it can. The rate of the tax is the big issue. Professor Baird has raised issues about illegal disposal of waste; the bill is welcome in respect of trying to recover those costs. The bill broadly will support those principles and will support the zero waste plan.

**Professor Baird:** The idea is that the amount of money that is generated as tax, which is about £100 million just now, will drop to £38 million over the next seven or eight years with our aspiration to reduce what is going to landfill. It is really an environmental tax that will create the right behaviour by driving waste away from landfill, meaning less emission of greenhouse gas. The revenue that would otherwise have gone to revenue Scotland will end up going to those who provide alternative treatment technologies, which is fine and appropriate.

**Jamie Hepburn:** Professor Baird mentioned the forecast reduction in receipts. North Ayrshire Council's written submission refers to that and to the shortfall that will be created through the reduced funds and reduction in the block grant. Some of us have raised as a concern the impact that that will have on the public purse. There is a difference between this tax and the other devolved taxes such as the land and buildings transaction tax and the Scottish rate of income tax, which are specifically designed to increase taxation revenues and to encourage economic activity. With the landfill tax, that is not the case. I therefore pose this question to Mr Hatton, as the matter is addressed in your written submission: how do we square that circle?

**Craig Hatton:** The short answer is that I do not know. As you have picked up, the landfill tax is a form of taxation for which the quantities that attract taxation will reduce drastically as we move forward and alternative technologies come in. That will potentially leave a funding gap, and it will be for the Government to identify how that funding gap will be filled. Our concern is about how it will be filled.

**Jamie Hepburn:** There is talk about there being a one-off block-grant adjustment. Do you think that there is a case for the UK Government to decrease the reduction in the block grant over the lifetime of the tax, given that it is not designed to be about generating revenue?

**Craig Hatton:** That would all depend on the block-grant recalculation, but clearly there is a high risk that we will be left with a funding gap.



**Jamie Hepburn:** So, do you think that there is a case for the UK Government to look positively at the issue?

**Craig Hatton:** There is a case for looking at it.

**Professor Baird:** I know where Jamie Hepburn is coming from. If we were to stay in the UK landfill tax system, the reduction would take place in any case, assuming that we kept like for like. To transfer that from the block grant in 2015 seems to be reasonable. As we march forward, the amount will be reducing, but it would have reduced in any case, would it not?

**Jamie Hepburn:** I am not as clear on that as you might be. It is meant to be a one-off reduction, and given that the amount of revenue accrued will become less, the reduction could therefore become a gap that might not otherwise have existed.

**Professor Baird:** The same will be happening in the rest of the UK; the landfill tax take will be reducing. I am not a finance expert, but it strikes me that that is why we made the point that it was fair simply to reduce it in 2015, and then to start moving forward ourselves.

**Jamie Hepburn:** It is an issue that has been raised by North Ayrshire Council as well, so we are just trying to flesh out the debate. I am not as clear as you might be on whether it will cause problems going forward.

**Jean Urquhart (Highlands and Islands) (Ind):** In a similar vein, I would like to go back to Mr Freeland's answer to the convener's question about certainty, convenience, efficiency and proportionateness to the ability to pay. You are concerned that the industry does not know what the rate will be and that there is uncertainty about what will happen in 2015. If we were not devolving the tax, would there be more certainty?

**Stephen Freeland:** To a degree, yes—there would be more certainty. As things stand at UK level, the tax in 2014 will be £80 per tonne, and we gather that there is a floor to be placed under that. That is the current system, and the confusion is about what will happen come 2015, a year later, once it switches.

**Jean Urquhart:** Is that level fixed, and not dependent on a promise from a politician?

**Stephen Freeland:** I gather that the level is fixed.

**Jean Urquhart:** Professor Baird mentioned a concern about SEPA in his written submission, which states:

"Our principal concern is that the reporting of the taxable disposals does not result in increased administrative burden on the landfill operator."

Can you explain how that would work?

**Professor Baird:** Many of our members are SEPA employees and we have full respect for SEPA, which is an environmental regulator doing its job. I guess that what we are saying is that SEPA is dealing with environmental regulation and policing, and that it is being given an additional responsibility, based I presume on the notion that it is already dealing with landfill data and could therefore easily embrace that responsibility.

However, what is proposed is a different role—a tax-policing and revenue-raising role. We have to ask whether SEPA has the expertise to do that. Maybe it has, maybe it has not; SEPA staff could, however, be trained and it is proposed that that happen.

The other important issue is about evidence. Stephen Freeland pointed out that the papers supporting the bill say that the tax has a high compliance rate, and that it is self-assessed and self-regulated and has worked well with Her Majesty's Revenue and Customs and with the landfill operators. There are some 70-odd landfills active in Scotland, and a lot of them are small, so it did not strike me that we need to change the existing system, which is not very burdensome.

10:00

There is another point. Over the years, I have written several responses to consultations. It shakes my faith in my understanding that my views will be taken on board when, despite the fact that we have a professional body on waste that says, "Look—the system's okay," and a waste industry—the people who deal with the waste and landfill operators—that largely says, "Look—the system's okay," somehow SEPA keeps being put forward as the proposed mechanism. When the view is clearly to ask, "Why change the system?", it makes me wonder why I should bother submitting consultation responses. That is a personal view. There is no evidence that changing the system will improve things or that there needs to be a change. Do you get my point?

**Jean Urquhart:** Yes, I do.

We have talked a bit about the recycling and reuse of waste. North Ayrshire Council has done well in increasing the amount of material that it recycles. We have also talked about the reduction in tax revenue, which means that there is a funding gap for the Government and councils. Are you confident that we will continue to see increases in recycling rates and that the targets are realistic?

**Craig Hatton:** About 18 months ago, North Ayrshire Council agreed a waste strategy that sets our aspirations for the future. We already recycle

in excess of 50 per cent of material. We think that we can get that towards 60 per cent, but given the levels of deprivation that we have in North Ayrshire—there is a direct link between recycling performance and deprivation—that will be a big challenge. We will probably plateau at around that level.

The next big step for the council and for all waste operators is the move from disposing to landfill to energy from waste. That will make a big change in the volumes of waste that go to landfill. Pre-treatment is set down in the zero waste plan, and the residual waste from that process will result in some further single-figure percentage point improvements in recycling. I would say that councils and the industry as a whole are doing well in embracing the significant challenges that we have faced on waste, but it will be a diminishing return as we move forward.

**Stephen Freeland:** I echo those points. As far as the broader picture is concerned, we have made tremendous strides in recycling over the past few years. I gather that the recycling rate is around the 40 per cent mark at municipal sites at the moment.

The yearly increase in recycling has been decreasing year on year as it becomes harder to extract more material for recycling. Achieving the 70 per cent target will require a momentous effort. We are confident that the new regulatory framework that comes into place on 1 January next year will provide a bit of a boost, particularly on food waste. The fact that more food waste will be diverted from landfill into recycling should help to boost the recycling rates.

In the next five to 10 years, local authorities will be under a lot of pressure to capture more and more recycling. As that will involve the hardest-to-reach element of recycling, authorities will face a difficult choice, because the cost of increasing recycling by 1 or 2 per cent at most will be significant. That is something that we need to keep an eye on.

**Professor Baird:** I agree. When we talk about recycling targets, we mean local authority recycling targets, and we know the constraints that local authorities are working under. It is very difficult. The recycling rates are plateauing. I have anecdotal evidence from councils that performance is falling, simply because of the financial pressures on them. Achieving the target will be tough.

The European Union's Eurostat data shows that the Belgians and the Germans were recycling 40 or 50 per cent of their waste in the late 1990s. Their rates are creeping up to 65 per cent. However, they also have well-developed infrastructure for energy recovery from

incineration, which is where we need to go. We will have to achieve a balance by using what we cannot recycle for energy recovery.

**Michael McMahon (Uddingston and Bellshill)**

**(Lab):** My question is about the landfill communities fund. I represent a constituency that covers both North and South Lanarkshire. Whether it is justified or not, there is a perception locally that the central area of Lanarkshire is overpopulated with landfill sites—you can say whether you think that that is the case. More important, though, is the distribution of the landfill communities fund. The fund is derived from the taxation of those facilities and is supposed to be for those most affected by landfill, but is it distributed equitably? Is the distribution proportionate to the number of landfill sites in an area?

**Stephen Freeland:** I am not close to the landfill communities fund, but I gather that the existing system is deemed to work well in distributing the funds to the right projects. Concerns were expressed in the consultation, and there were suggestions of extending project eligibility beyond the 10-mile radius around a landfill site or siphoning off a proportion of landfill tax receipts for national strategic projects. From an environmental justice perspective, our view is that the fund should be for areas in close proximity to the landfill site and that the 10-mile radius should remain in place, because extending it would leave less money available for the people who are most directly impacted by landfill.

**Professor Baird:** The bill does not say anything about putting in place a different system for the fund, so it is difficult to comment. We commented originally that we would welcome a slight increase to the radius. In North Lanarkshire, there are sites at Greengairs and Auchinlea, as well as the Levensseat site at Forth. The area has a history of coal mining and subsequent land filling, and communities in the area have benefited from the landfill communities fund.

I would say that the system works. We did not give a view on it in relation to the bill, although we have given a view previously. The fund is about addressing the inequity of living next to a landfill site, which some communities have had to bear the brunt of. I sit on a few panels that are associated with distributing the landfill communities fund and there has been an element of people saying that we should deal with the 10-mile radius and local delivery, and help those communities. We have also taken a bit of that money and put it into projects that are non-specific to areas but which address wider biodiversity funding. There is a very good network of people who deliver the landfill communities fund, and they have been quite creative about the way in which

they engage. The councillors and local people in Mr McMahon's constituency area are engaging in decision making around which projects come forward, so the system seems to be working at the moment.

**Michael McMahon:** The local communities in my area are aware of the funding and know that they can draw it down, because the landfill sites are all around them.

**Professor Baird:** An important point is that the fund levers in other money. It is not just about fund money; a project could get £30,000, but that could help it get heritage or lottery funding.

**Michael McMahon:** I have seen such projects and know that a lot of communities have benefited in that way. However, the danger is that the bill might be seen as an opportunity to look again at the fund's distribution mechanism, which could mean that the communities affected by landfill sites would start to lose out on funding. Do you share my concern about that?

**Professor Baird:** If it is going to drop by two thirds, it is—

**Michael McMahon:** No. I mean the money might go out of the geographical area to areas that are not as adversely affected or impacted by landfill.

**Professor Baird:** We need to wait and see what the Government proposes.

**Gavin Brown (Lothian) (Con):** Mr Hatton, in the North Ayrshire Council submission, you state that

"advance warning of ... tax increases"

would be needed. Will you flesh that out a bit? What sort of length of time did you have in mind?

**Craig Hatton:** Given the challenges to public sector finances, we look to plan further and further ahead. The council set a two-year budget last time and has a 10-year financial plan so that it can plan in advance for the significant changes that it needs to make to face those challenges. Therefore, the greater the notice, the better.

The current rates of landfill tax up to 2014-15 were set two years ago. One of the big pluses of that was that it allowed us to do longer-term planning and to build business cases for alternative treatment arrangements. Such procurement exercises take about five years, so we need quite a good lead-in time to manage the public finances and to enable procurement exercises and new methods of collection to be developed. If the lead-in is too short, we merely act and make the wrong decision. A longer period allows us to evaluate decisions more carefully.

**Gavin Brown:** Can you be more specific? If the tax goes live in April 2015, what would you say to central Government about when the rates ought to be set?

**Craig Hatton:** I would like the rates to be set at least three years in advance so that we know what the level of taxation will be for the next two or three years. That would give us clarity to allow financial planning to take place.

**Gavin Brown:** When it is set, you would like a three-year projection.

**Craig Hatton:** Yes.

**Gavin Brown:** When should it be set? If it goes live on April 2015, when would you call on the Government to announce publicly what the rates will be?

**Craig Hatton:** As soon as practicably possible.

**Gavin Brown:** Can you be more specific than that? I do not want to press you; it is just that the committee has to make a recommendation to the Government.

**Craig Hatton:** Okay. The council will start setting its budget in September for the small gap that it needs to make up in 2014-15 and then 2015-16, so it needs the figures as soon as possible. That is all that I can say.

**Gavin Brown:** I will not press further on that. I am grateful for the response.

I have one more question that arises specifically from your submission, but I am interested in whether other witnesses have views on it. You suggest that

"Materials ... such as for the protection of the drainage layer should be exempt from landfill tax."

Should that policy proposal be enacted in the bill, or should we consider it over time? Do other witnesses have any views on that? Are there any other changes to the list of materials that ought to be made immediately or in the medium term?

**Craig Hatton:** The landfill operators could, perhaps, get together and submit a range of examples.

Clearly, there is a distinction. Materials that are used for engineering works should not attract the higher level of taxation. Together with a range of landfill operators, the council has put a number of cases to HMRC about the level of taxation that has been applied to engineering materials that are used to protect liners and drainage and make up roads. It is time consuming and expensive to go into all the legislation and legal work with HMRC. If we could consider that from an industry perspective, that would be most useful.

**Gavin Brown:** Is it the council's position that the Government should do that before April 2015, or is it something that should happen after that?

**Craig Hatton:** Again, it should happen at the earliest opportunity. We are paying higher rates of tax on materials that are used in the construction and operation of the landfill sites, whereas we should be disposing of waste that is being collected.

**Gavin Brown:** Okay. That is helpful. Do other panellists have views on the list of materials?

10:15

**Stephen Freeland:** The area has been discussed quite a lot in the trade press, particularly in the past year and a half. HMRC has been issuing rolling guidance, particularly in the summer of last year, to try to explain this complicated issue. I gather that the view is that, if waste is used for a permanent engineering feature or structure on a landfill site, it is not necessary to pay the full disposal tax. Given that there has been that rolling guidance, it would be useful for the Scottish Government to adopt a strong position on the matter up front.

**Professor Baird:** The point is that a lot of the secondary legislation, guidance and regulations need to be in place for 2015. It would not be a good idea to discuss what qualifies and what does not after 2015, because the mechanism needs to be in place by then. Over the years, there have been various iterations, and some might argue that there have been loopholes. HMRC has tightened things up and brought clarification. There has been an incremental definition of what counts and what does not. A good starting point would be to look afresh at what HMRC has come up with and move forward with that.

**Gavin Brown:** My final question is directed at Professor Baird and Mr Freeland. Although both your submissions welcome the extra powers that SEPA will have to tax illegal or criminal activity, you both put forward the view that SEPA will need additional resources in order to exercise the powers effectively. Do either of you have views at this preliminary stage on what resources SEPA will need in order to do that?

**Stephen Freeland:** As has been said, SEPA's primary role is to protect the environment. By bolting on tax-collecting powers, we might divert it from its primary focus. I gather from some data from last year that it has had a 17 per cent reduction in staff over the past few years, and I think that more efficiency savings are in the offing. We are a little concerned that the tax-collecting powers will be an additional distraction for SEPA.

Also, to strip it right back, I note that there is a potential conflict of interest. As our environmental watchdog, SEPA clearly and rightly has a role in reducing the amount of waste that goes to landfill, but a tax-collecting authority has a role in trying to increase the amount of tax revenue from disposals.

**Professor Baird:** I cannot say what resources will be required. I think that the papers suggest £300,000 as an on-going cost, and some things are mapped out.

In bringing in illegal disposal provisions, the bill proposes that, as well as fining those who are caught, we will get tax income from that activity. However, illegal activities should not be occurring in the first instance, so there is clearly an issue. Perhaps SEPA needs more resources in order to manage, watch, inspect, engage and deal with reported incidents. A tax-raising opportunity around illegal disposal has been thrown in, but SEPA needs the resources to deliver on preventing 20,000 tonnes from being put into a site that should not receive it and dealing with unauthorised disposals. If SEPA is going to do the work, you should make sure that it is equipped with sufficient resources.

**Gavin Brown:** That is helpful. Thank you.

**Malcolm Chisholm (Edinburgh Northern and Leith) (Lab):** I was going to start by asking about that very issue, but I think that it has mainly been covered. I was curious about the £300,000. Is it supposed to include the work in relation to illegal deposits, or is there an oversight?

My more general question is about how regulation can be enforced, considering that such deposits are usually made without the knowledge of the authorities. Presumably, the activity is illegal at present. What system is in place to monitor and prevent illegal deposits? What system is envisaged in future?

**Professor Baird:** My point is that we do not know the extent to which illegal deposits are occurring. We know only when prosecutions come forward or SEPA issues notices. It is a difficult one to quantify. By giving SEPA the ability to collect the tax on authorised and unauthorised deposits, should we not ensure that it has adequate resources to tackle the illegal activities?

**Malcolm Chisholm:** The issue has had a reasonable hearing so I will not say any more about it.

I was interested in a statement that you made earlier. If I picked you up correctly, you said that a lot of the money from the tax would be used to encourage more environmentally friendly methods of disposal. I was not sure about that. In terms of the money, I suppose that the related point is how

much of the tax currently goes to the landfill communities fund and how much is proposed will go to the fund.

**Professor Baird:** About 6 or 7 per cent is allocated to the landfill communities fund. I think that the take at the moment is around £6 million or £7 million of a total take of about £100 million.

**Malcolm Chisholm:** Is the proposal for Scotland that that should remain the same?

**Professor Baird:** No. The proposal is actually to increase it to 10 per cent.

**Malcolm Chisholm:** Okay. What about some of the money being spent on more environmentally friendly methods of disposal?

**Professor Baird:** You must have misunderstood me. I think that the money is spent on addressing environmental justice issues around people living close to—

**Malcolm Chisholm:** So you were referring to the landfill communities fund.

**Professor Baird:** It seems reasonable that the fund should address such issues—that is what it was set up to do in the first place.

**Malcolm Chisholm:** In that sense, most of the money is spent just like other taxation revenue. That takes us back to Jamie Hepburn's question, because there is a problem in Scotland. You said that the same thing happens at a UK level but the UK has a range of taxes that it can use to offset any reduction in money from landfill tax. The particular worry in Scotland is that we have a much more limited range of revenue-raising powers and therefore any reduction will have an effect on the budget. That is the point that North Ayrshire Council highlighted. I imagine that the Scottish Government will argue that the block grant should be reduced only by the smaller amount that it is predicted will be raised from the landfill tax in about a decade's time.

**Professor Baird:** Yes. You have picked up on the point that the Treasury has a range of taxation powers to draw on. Our problem will be that we will effectively have only two such powers, and revenue from one of them is diminishing. I am not an expert on this but I presume that the block grant that we receive after 2015 will benefit from the other tax-raising powers that the UK put in place to offset the reduction in landfill tax revenue down south.

**Malcolm Chisholm:** It might do. We will see.

Finally, the rates are a bit of a difficult area for me. You say that you would support the introduction of a third rate in relation to waste that had been stabilised so as to be fairly biodegradable but which had not yet been thermally treated. That is all a bit technical, but I

wonder whether you think that the tax on such deposits should reflect the fact that the waste posed a greater risk to the environment and therefore be significantly higher, or is it unrealistic to expect all waste put to landfill to be thermally treated in the first place?

**Professor Baird:** Within the CIWM, you will get lots of different views on that. My main point is that the ability to apply different levels of taxation probably gives us some flexibility at this point. We might not choose to take or use those powers. There are different views; I am trying to represent the wider community.

The idea—I will not make it too complex—is to treat waste to the point at which it is no longer biologically active and then put it to landfill, which seems reasonable. However, people might want to take that material and recover energy from it. We need to consider energy security, so we must not use the taxation powers to allow biodegraded waste to slip into landfill and undermine our ability to generate energy.

Playing around with the levels is a delicate process. We must ensure that, when we see what the levels are, we are consulted, engaged and the consequences are explained to us.

**The Convener:** That concludes questions from colleagues around the table, although I have one or two that I want to ask.

Mr Freeland, paragraph 17 of your submission says:

"We believe that more resources should be invested in tackling illegal waste management activity to provide a high level of protection for communities and responsible waste management companies across the country."

What additional resources are you talking about?

**Stephen Freeland:** We are talking about targeted campaigns by SEPA to ensure that it does not just carry out its very useful and productive day-to-day inspections of the regulated industry.

In fairness to SEPA, over the past few years, it has increasingly recognised the damaging consequences of illegal waste operations. We want a more joined-up approach between SEPA, the police and local authorities to target such operations.

I do not know whether SEPA needs extra resources from the Scottish Government. At the front end—a task force—

**The Convener:** You are suggesting that there should be more joined-up thinking, and not that additional financial resources should be put into the process.

Mr Hatton, paragraph 12 of your submission talks about SEPA's role and refers to

“a potential skills gap which will require to be reviewed further.”

What are your concerns in relation to that skills gap?

**Craig Hatton:** SEPA does a lot of good work as an environmental regulator, which we see as the focus of its business. If it is to be given tax-collecting powers, it will need people who have related skills. I doubt that such skills exist in SEPA. Therefore, SEPA needs the right resource so that it can collect the tax, if that is the direction that the bill intends to take.

As Mr Freeland said, we still have a big issue with illegal waste and we need SEPA to focus on that activity.

**The Convener:** I will ask Professor Baird about the block grant adjustment. The Office for Budget Responsibility is predicting an income of £107 million from landfill tax, but the figure could be as low as £38 million, which would leave a gap of £69 million. Craig Hatton raised the issue of funding that gap, and Malcolm Chisholm made the point that, because we do not have the same powers as the UK, we cannot make adjustments to allow for that gap. Do you have any further information on the likely decline in money from the tax? For example, we have talked about recycling plateauing and the performance of some local authorities perhaps falling back. Will there not be an inexorable decline? Will revenue plateau? Is there a figure that we will end up at?

**Professor Baird:** The broad point is that there will be small, incremental improvements in recycling over the years. We need to meet landfill directive targets. In order to comply with them—they are outside Scottish legal jurisdiction; the UK reports on them—we must divert waste from landfill.

The solution is to develop technology around getting energy from waste. Many committee members will be familiar with regional developments where technologies come forward but then there is a change of administration and things are delayed. In the meantime, everyone is trying to do their best at recycling. I think that the revenue will drop—it has to drop—but it will drop because of waste being diverted from landfill to energy recovery.

10:30

**The Convener:** I have just one point before we finish. If we are ultimately to reach a recycling rate of 70 per cent—although that might take many years yet—surely for every increase in the percentage of waste recycled that you achieve, the cost increases. It is a lot easier to recycle 25 per cent than it is to recycle 50 per cent or 70 per cent. What resource is required to get to that

higher level of recycling? For example, what additional resource would North Ayrshire Council, which I am familiar with, have to invest to get from 50 per cent to 70 per cent?

**Craig Hatton:** It would have to invest a significant amount of money—it is the law of diminishing returns. We have set out our plans in our waste strategy and the funding detail is in there on getting to beyond 60 per cent. I cannot give you that figure off the top of my head, but significant investment will be required.

It will be increasingly difficult to get to those last few percentage points. As I said, perhaps the biggest challenge for North Ayrshire is the level of deprivation, given the direct correlation between deprivation and lower recycling rates. That correlation has been picked up in a number of UK studies.

**The Convener:** What is the position across Scotland? Do Professor Baird and Mr Freeland have any idea what level of investment would be required to reach those higher recycling levels?

**Stephen Freeland:** We did some calculations that suggest that up to £1.5 billion of investment in new infrastructure is required to meet the recycling targets. There is also a case for investment in education at the local authority level.

We are talking about a very complex issue, but at the end of the day, it is still a manufacturing and production process. Waste goes in, is treated and comes out. Like any manufacturing business, what can be achieved depends on what goes in at the front end. A more concerted campaign is needed to engage communities and businesses on the importance of the quality of material that comes in and of segregating it properly. That would make the recycling process easier.

**The Convener:** What timeframe are we talking about for that £1.5 billion of investment?

**Stephen Freeland:** Between now and 2020.

**Professor Baird:** If you go back 13 years or so, Audit Scotland would report on the cost of disposal for local authorities and the cost of collection. I recall that, generally, those costs were roughly around £50 per tonne to collect and £50 per tonne to dispose. We do not have a significant tax sitting in there—it is £72 at the moment.

You are right that we are introducing additional and complex collection services. Local authorities are making better use of resources by moving to seven-day collections—they are utilising the infrastructure well. There are higher standards for engineering for landfill, so the costs are all increasing and councils are working very hard to try to deliver services within budgetary constraints.

The next step is to do with food waste—we will all be getting food waste collection services under the new waste regulations. That is a cost to our communities and we do not often own up to the fact that those additional services—the higher-level fruit that we are trying to pluck—are costing us more per tonne than it costs to deal with some of the easier material. Perhaps we are doing something amiss and are being a bit disingenuous around that issue.

**The Convener:** That is interesting. I thank the witnesses for their answers and I thank colleagues for their questions. I suspend the meeting for a few minutes.

10:35

*Meeting suspended.*

10:42

*On resuming—*

**The Convener:** We will now take evidence on the Landfill Tax (Scotland) Bill at stage 1 from our second panel of witnesses. I welcome to the meeting Lloyd Austin of RSPB Scotland, Willie Beattie from the Scottish landfill communities fund forum, Lucy Graham of the Scottish Wildlife Trust and Paul Johnston of the Community Resources Network Scotland. We will go straight to questions. As usual, I will ask the first few questions and then open up the discussion to colleagues around the table.

My first question is for Mr Johnston. In paragraph 4 of your written submission, you say, in relation to the Scottish landfill communities fund, that

“the old 10-mile rule would mean that very few communities could actually benefit from such a fund, and it would seem appropriate to open the fund to organisations outside the 10-mile radius of landfills.”

You go on to suggest that, rather than communities, it should be

“organisations involved in waste reduction, re-use, and recycling”

that benefit. That looks a wee bit like vested interest. On the previous panel, Professor Baird of Glasgow Caledonian University said that it is important to retain the 10-mile limit to address “the inequity of living next to a landfill site”. What is your comment on that?

**Paul Johnston (Community Resources Network Scotland):** I think that it would be best to characterise what we are advocating as a kind of two-tiered approach. The issue of a two-tiered approach was raised at a previous committee meeting by John Mason. Our two-tiered approach is one in which we would want, first, something to

deal with environmental impact mitigation around a landfill site, although, as we know, there may be fewer of them. Secondly, if the benefit from the landfill tax were to be widened beyond the current radius and environmental impact mitigation measures, we suggest that it should focus on those organisations—they would not necessarily be our members, but a large number of them would be—that address the issues of waste.

Our organisations live and breathe zero waste. We are trying to create a circular economy. That is what CRNS is about—it is a resources network of all the organisations that deal with that. There is an interest in all of our organisations being able to deliver, and that is our fundamental interest. That is why we think that, if the fund goes away from the principle of landfill mitigation and goes national, there should be a strong focus on the creation of a resource society.

10:45

**The Convener:** I will let Lloyd Austin in next, but I would like to hear what Mr Beattie and Ms Graham have to say about the 10-mile radius issue.

**Lloyd Austin (RSPB Scotland):** On the so-called 10-mile rule, the legislation uses the phrase “in the vicinity of” and the figure of 10 miles is used as guidance. We have found that to be quite useful.

The communities fund is a means of using a tax on an environmental bad to address an environmental injustice. Some sort of linkage to the location of the landfill site is important for that reason. Having said that, I think that there is a need for the degree of flexibility that exists at the moment, particularly in places such as the Highlands and Islands, whose geography means that a hard-and-fast rule that specifies a distance of 10 miles can be a bit limiting. However, the idea of there being a linkage to a place where there is environmental injustice is an important principle.

In that sense, it is important to recognise the fact that the objectives of the fund must be about seeking to achieve Government environmental objectives. One of those objectives is zero waste. Many policy mechanisms are used to try to achieve zero waste to landfill, and landfill tax is one of them. However, there is a range of other Government environmental objectives, including biodiversity, community enhancement and so on. We must recognise that, for some of those environmental objectives, the landfill communities fund is one of the few funds that are available, and we must ensure that we do not spread that jam too thinly.

**Willie Beattie (Scottish Landfill Communities Fund Forum):** I support what Lloyd Austin has

said. Quite fortuitously, I can tell you that, last week, we registered a project in Skye that is 25 miles from the landfill site. The flexibility that exists in the system allowed for that. The rationale was that all the waste from the north of the island was trundling through a village and past a play area, which was therefore suffering a disamenity. The regulators accepted that argument. The figure of 10 miles is a guideline, not a regulation.

It is important to support all those initiatives, but the most important aspect of the landfill communities fund is empowering communities to achieve their aspirations locally.

**Lucy Graham (Scottish Wildlife Trust):** I second what has just been said. Although the 10-mile radius is a guideline, in our experience a lot of the distributors use that guideline as a firm figure. The Scottish Wildlife Trust supports the idea that the funding should be focused on the communities that are being adversely affected and that that judgment should be based on proximity, but with a bit of flexibility. Currently, certain distributors exercise some flexibility but others do not. We should roll out that flexibility further.

As wildlife does not conform to a 10-mile radius and our biodiversity projects increasingly work at an ecosystem scale and are interested in connectivity within an area, we want to keep the aspect of proximity while maintaining flexibility with regard to the 10-mile radius.

**The Convener:** Mr Austin, in your submission you say that the Scottish landfill communities fund is

“a good working example of a hypothecated or ‘ring-fenced’ tax – it has compensated for an environmentally damaging activity by funding projects which improve the environment for the benefit of biodiversity and the communities who live near landfill sites.”

You go on to say that

“the LCF has therefore been a lifeline”.

The Scottish Wildlife Trust has given us great detail about its projects. Can you tell us about some of the projects on which RSPB has spent money?

**Lloyd Austin:** Yes, I can give you quite a lot. We have projects such as our wildlife ranger and interpretation work at Kelvingrove in Glasgow; our work with the countryside project in Aberdeen; the development of our Lochwinnoch nature reserve in Renfrewshire; and work on our Airds Moss nature reserve in East Ayrshire. There are a number of projects across the country related to the delivery of biodiversity, the interpretation of biodiversity, education about conservation and opportunities for people to get out into the countryside and enjoy wildlife. Those are our core activities, and those are the things for which funding has been used.

The previous panel mentioned an important point: the funding from LCF comes, in a sense, from the landfill operators. It is seen as private money, which enables us to lever in additional money from the Heritage Lottery Fund, Scottish Natural Heritage and other sources. It can often be a very helpful pump-priming pot of money for getting projects off the ground.

**The Convener:** Do other panellists wish to comment on projects for which they have received funding through LCF?

**Lucy Graham:** Yes.

**The Convener:** You have a tome here.

**Lucy Graham:** Yes—we have given some examples already.

I want to make the point that, from the perspective of the Scottish Wildlife Trust, the landfill communities fund has been very important, both for small and large-scale projects. We have used it for small-scale biodiversity projects in local wildlife reserves, for example, and for major national species projects that have UK-wide impact, such as the Scottish beaver trial and our saving Scotland's red squirrel project. LCF has been the lifeline for those projects, particularly for the beaver trial.

**The Convener:** You have been awarded about £3.6 million, with £1.2 million for specific biodiversity projects.

**Lucy Graham:** Yes, though I would say that £1.2 million is probably an underestimate. Those were projects that were specifically registered as biodiversity projects, but there is a cross-cutting element that means that a project that is registered as relating to access and interpretation, for example, will almost always have some biodiversity benefits as well.

**Willie Beattie:** We operate within 12 different council areas in Scotland—that is, my own company does, not the forum itself. We have undertaken 750 projects, though I will not bore you with them all.

**The Convener:** Just mention 400 or 500.

**Willie Beattie:** Our best project is the one at Greengairs, just north of Airdrie, beside what used to be called the biggest landfill site in Europe. We have done a suite of projects that we like to call “sustainable Greengairs”. The shining light of that project is the community centre and sports hall, which cabinet secretary Alex Neil opened not that long ago. That was a big project that took about seven years to come together—play areas, pathways and all sorts of things were installed.

The most recent bit was the final phase of the community park, which is best described as a linear walkway between the landfill site and the



villages. The final phase was over very marshy ground, which is ideal for biodiversity. We funded a boardwalk instead of a traditional pathway, so as not to disrupt the ground. We have spent about £2 million of landfill communities fund money in the villages of Greengairs and Wattston. Those are our best examples.

**Paul Johnston:** A number of our members have accessed landfill tax money, but they sometimes find it difficult to put together projects that meet all the criteria because some active waste management projects do not meet all the requirements in the regulations. The principle behind such projects has been to divert waste and, to date, our members have diverted something like 45,000 tonnes. Landfill tax is part of the mix that maintains 740 full-time equivalent employees and sustains 2,800 volunteers in the sector, so it is important for us. That is why we think that the focus should be on landfill tax.

**The Convener:** On the issue of regulation, paragraph 9 of the Scottish Wildlife Trust's submission states:

"We would envisage that any future regulatory role could be streamlined by dropping the information collection and storage function currently being carried out by ENTRUST."

Can Lucy Graham expand a wee bit more on that? I also ask other colleagues on the panel to give us their views on regulation.

**Lucy Graham:** From our perspective, the landfill community fund is a great fund to work with and to report on, but there are opportunities to improve and streamline the process.

Essentially, as an applicant organisation, we put together a project and take it to a distributor, which assesses it against the various fund criteria and decides whether to give it approval. Having received approval, we then need to go to the regulatory body, ENTRUST, which rechecks the project against the fund criteria, stores the various records and processes the data. From our perspective, that doubling up in the record making just slows down the process. In terms of cost efficiencies, that extra layer of administration also reduces the amount of money that goes into project delivery on the ground.

**Willie Beattie:** The issue is very much about the resources and time involved. The amount of information that we are asked to provide on a regular basis is astonishing. I came back from holiday to find that I was being asked to provide by Tuesday night a complete breakdown of all projects over the past three years as well as the leverage in those projects.

I phoned up and said, "When we register the project, we tell you the total project value and how much LCF money is going into it, so you have that information on your system—interrogate your

system." The answer was, "I didn't know that". When I asked, "Why do you need this information?", the answer was, "I don't know." That is the kind of thing that we are talking about, because these layers of admin keep coming at us.

Our view has always been—perhaps naively—that it is not wise to take on a regulator, so we just provide the information. However, the requirements are extremely onerous and time consuming for what is a simple and uncomplicated scheme. We all know what projects are compliant, and none of us would seek funding for a project that was obviously non-compliant, because that would be daft.

**The Convener:** Basically, the amount of regulation could put off applicants, especially in areas where there is a low level of community capacity.

**Willie Beattie:** Yes, it puts people off. Twice recently, people have withdrawn their applications because the questions coming back were just too complicated for them and they gave up. That is sad, but that is the way that it goes.

**Lloyd Austin:** I agree very much with the two previous speakers. The distribution bodies are able to perform a reasonably high level of self-regulation. Obviously, Government requires a degree of monitoring and feedback to enable it to report to Parliament and the public to demonstrate what schemes do, but the regulation could take a lighter touch. Between them, revenue Scotland and SEPA should be able to develop an appropriate mechanism.

The new regulatory approach that SEPA is adopting for its wider responsibilities, which is partly being introduced in the Regulatory Reform (Scotland) Bill currently before Parliament, would be the best approach to adopt in this situation as well. The regulator should target those at the criminal end and take a far lighter touch in regulating good-practice operators.

11:00

**The Convener:** Mr Beattie, you say in paragraph 12 of your submission:

"We believe it appropriate that SEPA should administer the tax and the new Communities Fund."

Will you expand on that?

**Willie Beattie:** We have added an appendix with a proposed model. The logic behind that statement is that, as we understand it, revenue Scotland will appoint SEPA to collect the tax and monitor landfill operators.

At the minute, when we receive contributions from a landfill operator, we report that to the regulator, ENTRUST, the landfill operator reports it

to HMRC, and HMRC and ENTRUST occasionally try to reconcile those reports. Why should SEPA not do both? It is the same transaction. With its knowledge of the waste management industry in Scotland, SEPA is well placed to understand the process of landfill tax and landfill tax credits.

**Paul Johnston:** If there is to be a centralised fund, we need to be careful that its collection and administration do not end up being overcentralised or overdevolved. If the distribution of a landfill tax is to be rolled out nationally to any national or strategic projects, there must be some fair way of doing that. One of the best ways would be to ensure that there is a central fund, and it is clear that administration by SEPA would be advantageous to strategic function.

**Lloyd Austin:** I agree with what Willie Beattie said. The key point about any central fund would be its objectives. The current objectives of the fund in relation to communities and biodiversity are good. Therefore, we would want the central administrator to be a body that understands, and is already in the business of delivering, those objectives, which might not always be SEPA. To some extent, with the current system, SEPA would operate well as a single regulator but, if the system were changed to a strategic fund, we would want an administrator that understands the objectives of that fund.

**Michael McMahon:** Following on from the questions that I asked the first panel of witnesses, I will be a bit parochial, if you do not mind.

My constituency is in central Lanarkshire. Mr Beattie mentioned the Greengairs landfill site, which is less than 10 miles from my constituency. On the boundary to the west of my constituency is Auchinlea, and on the other side is Patersons in Glasgow. I also have Mossband farm in my constituency. Within a 10-mile radius, therefore, there are four landfill sites.

One of the reasons for that is that the area is synonymous with logistics and distribution. We have the M74, the M73, the M8 and the A80 all within the 10-mile radius as well. That lends itself to waste coming to the area.

The witnesses talk about requiring the flexibility to disburse the money more widely. They might call it flexibility but, in my area, we might call it unfair. Having been impacted so adversely by the amount of landfill, even the idea that the money might be disbursed beyond where the landfill has an impact does not appear particularly fair to the communities within that vicinity.

The witnesses just talked about SEPA centralising the fund and drawing the money in for national projects. That will not wear well in the communities where the landfill sites impact on the local environment, will it?

**Willie Beattie:** As I mentioned earlier, we operate in 12 areas throughout Scotland, which is because we have 12 contributors—landfill operators—in those areas. We spend money only in the areas where the money is contributed. That is why central Scotland has had 196 projects with a value of £7.3 million, which is about a third of what our organisation has done since the beginning.

We would not support at all the notion of SEPA centralising the fund; in fact, our position is quite the reverse, in that we think that the fund should remain the way that it is and should be distributed locally, because it empowers communities. If the fund was centralised, communities in places such as Greengairs or Auchinlea or wherever—we have funded projects in all the areas in your constituency that you mentioned—would not find it easy to access the fund when they were set against the big boys bidding into a big centralised fund. Therefore, I agree with what you have just said.

**Michael McMahon:** Even if the fund is not centralised but a centralised organisation such as SEPA is involved in distributing it, is it possible that communities that are more rural and that have environmental issues that are different from those in the urban areas that I represent could be the beneficiaries? We would get the dead whales in my area, but other areas would get the money from our landfill sites having to take them.

**Willie Beattie:** I can separately let you have the details of what my company has done over the past 14 years. The project that I referred to earlier on the Isle of Skye is funded with money from Highland Council's landfill tax credits. It is entirely appropriate to spend that money in that area, and that does not take anything away from your constituency, because the waste was not generated there. I certainly would not support SEPA being involved as a centralised distributor of funds. I accept that I have a vested interest, but the funds should continue to be distributed by people like us in a local dimension, to provide the fairness that you are talking about.

**Lloyd Austin:** I will add to that, first to clarify my earlier comments on the 10-mile guidance. When I suggested flexibility, I put that in the context of the fact that we very much support the current hypothecation. We are talking about a tax on an environmental bad that goes to do some environmental good to address the disamenity of that bad. We would like the connection to the area to be maintained.

In an area such as Michael McMahon's constituency, proximity is a key factor in maintaining that connection. However, we suggest more flexibility in areas such as the Highlands and Islands. As Willie Beattie just explained, in that

area the proximities and distances have a different impact. For example, on Skye, the disamenity is sometimes more than 10 miles from the landfill site, but it is still linked to a disamenity that is suffered by a community, which therefore gets resources to address it. It is important that a connection remains between the thing that we tax and the project that is delivered with the resource; the point is just that sometimes, particularly in an area such as the Highlands, something a bit more flexible than the 10-mile rule might be needed.

On a central fund, my answer to the previous question was that if there is such fund—we do not necessarily agree that there should be—it needs a central administrator that understands the objective of the scheme. However, I am not convinced that there is a need for that. The important thing is to set up the objectives of the fund and other Government funding mechanisms to try to secure Government environmental objectives, which are its climate and biodiversity targets and so on. Those mechanisms should be the ways in which the objectives can be funded. The experience of the landfill communities fund is that it is a good contributor to achieving Government biodiversity targets, and there is no reason to change that.

**Lucy Graham:** I second what has just been said. To clarify what I said earlier about the 10-mile flexibility, the Scottish Wildlife Trust is recommending not a centralised fund as such but an element of flexibility about how the funds are distributed and continued focus on the communities that are at disbenefit from the landfill operations.

In the current system, the distribution hangs on those communities. For example, substantial funding went into our Scottish beaver project, but it did not actually come from the landfill operator active in that area. It was a slightly unusual context, but Biffa Award was the key funder of the Scottish beaver trial in Knapdale in Argyll. The operator that made that community disbenefit was the local authority, but it did not have sufficient funds for the projects that we were looking for. We therefore went to a different landfill operator, and we got landfill money for the project through the scheme because the community in the project area was at disbenefit.

**Paul Johnston:** CRNS would take a slightly different view. We are not against mitigation for Greengairs or any of the areas with large landfill sites. However, our view is that, when we are filling up landfill sites at the rate that we are, the best thing to do is to turn off the tap and stop filling them up—and diversion is one of the things that we can do.

Many of the CRNS's ideas are not as glamorous as other environmental projects, because we are

out there doing some of the physical things. We suggest a tiered approach of maintaining the mitigation but having a centralised fund, which a national project could draw on. If that project focused on reducing the amount going into landfill, we think that it would benefit the communities around landfill sites as much as any of the mitigation programmes.

A project could, for example, focus on finding a system that prevents furniture, beds and items that are difficult to recycle from going into landfill sites. Such a project would be a focused and good thing for a centralised fund to support. That is what we are asking for: if we go down the route of having a centralised fund, we could focus it on work like that.

**Michael McMahon:** I have a final question. You have talked about the current system, which seems to operate well—I know that my community has benefited from the landfill communities fund. However, if we follow the path that Mr Johnston outlined, is guidance going to be good enough in those circumstances? If we are going to have a regulated body involved in the process, which is not the case at the moment, do we not need regulation to ensure that we do not see sucked out of the local communities affected the moneys that are brought to the local community by the landfill sites being in their proximity? Do we not need a bit of extra protection?

**Willie Beattie:** I am not quite clear—sorry.

**Michael McMahon:** What you have got at the moment is guidance, but guidance can be toughened up into regulation.

**Willie Beattie:** No, we do not. ENTRUST regulates the landfill communities fund.

**Michael McMahon:** Yes, but for the flexibility within the system, does the guidance around that need—

**Willie Beattie:** That is just on the issue of the 10-mile radius, though. ENTRUST is not particularly flexible about anything else and operates a very strict regulatory framework, so I do not think that that is a problem.

To make a historical point about the current system, in 2003 the landfill communities fund was reduced by two thirds in the UK. That was because the very substantial amount of money at that time—about £100 million a year—went towards some of the UK Government's initiatives on sustainability and recycling. The WRAP programme in particular was partly born out of that funding, and it continues to be so funded. The landfill communities fund is therefore now about a third of the size that it used to be. We think that it is entirely appropriate that the status quo prevails in terms of the objectives of the current system,

which ensure that local communities get what they want and that biodiversity is involved as well. We think that the scheme is working well; it is worth about £70-odd million a year in the UK, so it is quite a small scheme in that sense. If it was centralised, the danger would be that it would be spread too thin and would take in higher-level Government aspirations.

11:15

**Lloyd Austin:** I agree with Willie Beattie on that point, which underlines the point that I was trying to make earlier—the fund is a relatively small resource that leads to good, successful work on community and biodiversity projects. To those projects, it is a very important and significant source of money that they would find very difficult to replace from elsewhere, so before you think about what else you might want to do with it, it would be better to establish what resources are already available for those other types of activities and what proportion of Government resources is going into those other Government objectives, and to work out to what extent the balance of funding is right. We do not want to pour all our money into one stream of work or to divert money from this stream into another one that is already pretty well funded, which would make community and biodiversity projects even harder to fund than they are at the moment.

**Willie Beattie:** I mentioned that we have done 750 projects. Not a single one of those is a project that we have devised. We have not thought, “Oh, that’ll be a good project to do.” All the projects have been done because communities have come forward to say, “We have an idea and we want to do this.” That is a strength of the scheme. Local communities get what they want, not what their local authorities tell them that they should have. We would not want to lose that aspect of the scheme; community empowerment is critical to the scheme.

**Paul Johnston:** All the projects that CRNS members are involved in are environmental projects in a broad sense, but they give employment and reuse in localities as well. Just to reiterate, CRNS projects are not as glamorous as some other environmental projects, but we do those things as well. We are also about community empowerment; we work in difficult-to-reach sections of the community at the same time, so we take the view that a national fund is needed. Our members find it difficult to access funding in general and the reform of landfill tax will give us an opportunity to focus in on waste reduction via our members.

**Michael McMahon:** I feel that the system is working well; Mr Beattie has given us good

examples of that. I do not want to see the system broken by involving SEPA in it.

**John Mason (Glasgow Shettleston) (SNP):** I will carry on with that theme. If I understand this correctly, Mr Johnston, you are arguing for quite a narrow definition of how the money is spent—or at least some of the money—and that it should be specifically about reuse, recycling, reducing waste and so on. I can understand the argument for that, because the link between my neighbours putting out a bit of waste and the beavers at Knapdale is pretty loose—but maybe that is a good thing. Are we saying that we want the status quo, are we saying that the money should be more focused on the local community where the waste goes, or are we saying that it should be more on themes, as Mr Johnston was saying?

**The Convener:** Who was that question directed to?

**John Mason:** I would like to hear from all the witnesses, starting with Mr Johnston. Are you saying that we are okay just now because some of the money goes to themes or do you want more of it to go to the kind of work that you are doing?

**Paul Johnston:** A number of our members will access small quantities of the money for projects by landfills, within 10 miles of landfills and so on around the country. I am saying that a proportion of the money—and that proportion needs to be debated—needs to be focused on a national strategic objective. Our members are not local government. There is money for local government and there is money through zero waste Scotland and for other national objectives. What we are talking about here is a one-off. It is the ability to invest in environmental organisations that are involved in changing people’s attitudes, diverting waste, redesigning things and creating the circular economy. How that can be done is through a national scheme.

**John Mason:** Do you not think that more should go into that, then?

**Paul Johnston:** Yes. A proportion should go into that, which would benefit—

**John Mason:** Are you happy with the present proportion? You do not want a bigger proportion.

**Paul Johnston:** I am not happy with the current proportion, because insufficient resources are getting through to those community groups that are involved in the environmental resources sector. We need to focus more into that sector. The landfill tax gives that opportunity, and I hope that we do not miss it.

**John Mason:** Ms Graham, how can you defend the beavers? I have been to see them, and the dams are great and all the rest of it, but where is the link with waste?

**Lucy Graham:** That is a biodiversity project in a community that is disadvantaged by landfill.

**John Mason:** That specific area is not disadvantaged, is it?

**Lucy Graham:** Yes. There is a landfill site that disadvantages the community; otherwise, we would not have got the funding. As I said, the source of the money was Biffa Award, but Biffa does not operate the site.

**John Mason:** Okay.

On the issue of the 10 miles, I take the point that, in Skye, 10 miles is quite a short distance. We raised this issue last week and I think that Michael McMahon has argued that 10 miles is about the right distance, whereas I would argue that 10 miles is far too big a distance. In the south-east of Glasgow, where I have Patersons Quarries in Greenockhill, 10 miles could take you to Byres Road or somewhere ridiculous. There is no way that Byres Road should be getting any of the money from that area. Could we devise a more appropriate system, in which the distances are smaller in urban areas and bigger in rural areas, or is that impossible?

**Lloyd Austin:** The point that I made earlier was that the legislation uses the phrase “in the vicinity of”; the 10 miles is in ENTRUST’s guidance. The issue is the way in which that guidance is interpreted and the context that is written into the guidance to distinguish between urban and rural areas and so forth. The phrase “in the vicinity of” is appropriate for the legislation but should be expanded on in guidance to explain that there are different communities, different landfills and different waste activities. In relation to Skye, Willie Beattie pointed out that the transport of waste and transfer stations and things like that can disadvantage a community as much as a landfill site can.

**John Mason:** So could we have a scheme in which it would be 2 miles in an urban area, 25 miles in a rural area and 10 miles in an area such as Michael McMahon’s?

**Lloyd Austin:** I do not think that a hard and fast figure in any case would be appropriate. The issue is whether the community or local environment has been or is affected by the waste disposal, landfill activity or transfer activity. The project applicants, distribution bodies and regulators are quite capable of judging whether there is a link between the project and some form of disamenity in the local area.

**John Mason:** One of the submissions that we received was from Glasgow City Council. If we took that to its logical conclusion, because Glasgow tends to dump all its waste in Lanarkshire and places like that, all the tax credits

would go to Lanarkshire. Glasgow is arguing that, because it is paying so much money, some of the spending should be in Glasgow. How would you respond to that argument?

**Willie Beattie:** In fact, all of Glasgow’s landfill tax money is spent in Glasgow—

**John Mason:** At the moment.

**Willie Beattie:** —although technically its waste is deposited in South Lanarkshire.

**The Convener:** Technically deposited? Do you not mean actually deposited? [*Laughter.*]

**Willie Beattie:** I was referring to the quality of the waste management practices. That is for a very short time and it is not going to continue.

The organisation that funded the beaver project is Biffa Award, which operates for the national waste management company Biffa. Biffa diverts all its landfill tax money to an organisation called the Royal Society of Wildlife Trusts. However, that company has chosen a rather unusual policy route. I speak not just for my own company, but for the Scottish landfill communities fund forum members, including Landtrust, which operates on the landfill tax money from Patersons Quarries in your area. None of our members takes that national view; they all tend to spend money locally. Most of the landfill tax money from Patersons has been spent close to the landfill site over the years, and that fact is referred to openly.

**John Mason:** So there is a mixture of approaches.

**Willie Beattie:** Yes.

**John Mason:** Should that continue to be the case?

**Willie Beattie:** An element of trust should come into it. Coincidentally, most of the practitioners in the contributing environmental bodies have been doing this for quite a lot of years and the turnover in personnel has not been dramatic. The fact that there is no evidence of the 10-mile radius being abused shows that they deserve the respect of being allowed to continue with the process, which has been working fine. Nobody has ever complained that a specific operator is giving landfill tax credits and the money is being spent miles away from where the disamenity is occurring on a regular basis.

**John Mason:** It seems a little untidy to me. The fact that Glasgow City Council has raised the point shows that it is scared that it is going to be pinned down a bit more and that, if the dumping occurs in South Lanarkshire or wherever, in the future the money will be much more tied to South Lanarkshire. You are arguing that the current system is okay and that we should just let it carry on.

**Willie Beattie:** I think so. Glasgow City Council has taken steps to ensure that a good percentage of the future landfill tax credits from its waste will be spent in Glasgow, although I am pretty sure that the waste will go to Greengairs.

**John Mason:** Glasgow City Council cannot control that, can it?

**Willie Beattie:** No, but it can suggest. There is a quirk in the regulations, which should be investigated on this point. There is nothing in the regulations to prevent an organisation such as Glasgow City Council from making a request, and local authority landfill operators have been going along with that for years. They put it in a waste contract that the landfill tax credits should go to a certain body for a specific purpose. That should be tidied up—I agree with you on that point.

**John Mason:** That is interesting. I had not realised that that is what happens. That is helpful. Thanks.

The last paragraph of the Scottish Wildlife Trust's written submission states:

"LCF spend in Scotland is significantly higher than the amount actually collected here".

Does that mean that authorities in England are getting waste dumped on them but are not benefiting from the tax credits, some of which are coming to fund the beavers?

**Lucy Graham:** Willie Beattie may be able to expand on this. It is difficult to tell from the figures, but our understanding is that national distributors such as Biffa Award, Viridor and WREN—companies that work for the large landfill operators—have allocated their landfill tax credits in such a way that, in the past, more of the money has come to Scotland. I understand that we have been getting more than our share, although we have never seen evidence of that because the money is difficult to track in the accounts.

**John Mason:** The convener is just pointing out some figures to me. The total tax credits are £74 million for the UK but only £4 million for Scotland. That does not seem to support your assertion. Do you know whether that is the total or just part of the total?

**Lucy Graham:** I would have to go away and check those figures.

**Willie Beattie:** I would say that the spend in Scotland has been nearer £7 million. I saw that figure when I read the papers yesterday, but I was not sure where it came from. In fairness, the officials who gathered a lot of information may have gathered only £4 million-worth of information.

11:30

**The Convener:** I will provide some clarification from the RSPB's submission. It says that the amount

"available for project applications, was £74.25 million (around £4m in Scotland)"

through the landfill community fund. Scotland's population is around 8.4 per cent of the United Kingdom's population and its landmass is around 27 or 28 per cent of the UK's land mass. The £4 million represents probably around 5.5 to 6 per cent of the UK total, so the percentage is less than our population percentage and significantly less than our geographical percentage. That assumes that the figures from Lloyd Austin are accurate. Obviously, the committee can seek clarification on those figures. Where did you get those figures from, Lloyd?

**Lloyd Austin:** I am not sure where they came from, but I will check.

**The Convener:** It may be that Scotland is doing disproportionately worse rather than better, if the figures are right.

**Lloyd Austin:** I think that it is right that some of the UK-wide operators that have landfill sites throughout the country do not necessarily need to spend their money proportionately to the amount of waste that they put in each landfill site. Scotland has bid into some big national biodiversity or community projects and has therefore been able to get more money out than it has put in, if that makes sense.

**John Mason:** That might suggest that the current system is not working in some places. I sympathise with Michael McMahon's argument that the communities that get the disbenefits should get the compensation, but it is clear that communities in the midlands of England or somewhere else are getting a lot of disbenefits and nothing is being spent on them. That is a comment; I am not asking you to answer it.

The RSPB's paper says:

"The current administration of the tax is ungainly and costly (it costs 2% of the value of the Landfill Communities Fund to administer)."

I thought that spending 2 per cent on administration was quite reasonable compared with what charities, for example, would spend on it.

**Willie Beattie:** That is the ENTRUST levy, not the cost of administration.

**John Mason:** Right. Okay.

**Willie Beattie:** Every time we receive landfill tax money, we report it to ENTRUST, and it sends an

invoice for 2 per cent of the value, which pays for running ENTRUST.

**John Mason:** So if ENTRUST was taken out of the equation, that would immediately free up that money. Is that what you are saying?

**Willie Beattie:** That money would be available for projects.

**John Mason:** I am with you.

**Lloyd Austin:** The word “administration” was clearly the wrong one to use in that instance. We were referring to the cost of ENTRUST and the regulation by it.

**John Mason:** I understand. That is helpful. Thank you.

**Jean Urquhart:** On the same theme, paragraph 5 of the submission from the community resources network Scotland, which is on red tape, says:

“Too many funds are burdened by bureaucracy”,

which makes it hard to access them. I was interested in Willie Beattie’s statement about the fund being really good. Some 750 really good community projects have been delivered, but how easy is it to access? We have heard from the Scottish Wildlife Trust and the RSPB, both of which are very large organisations. In fact, most of the projects that have been talked about are large, even in Greengairs. Correct me if I am wrong, but it sounded as though that was initiated by the community and was quite a big development. How do small applications work? The Big Lottery Fund, for example, has the awards for all programme, which offers amounts of up to £10,000. There is a two-sided, pretty basic A4 form to fill in, and the programme has been hugely successful in contributing to small community trusts. Could you enlighten me a bit about that?

**Willie Beattie:** There are two types of red tape. There is the red tape that a distributive environmental body has to suffer in dealing with regulation and the like. Our procedures are very clear for the communities that deal with us. They have to submit a one-page A4 concept note that basically says what they want to do, and our board will make an in-principle decision on whether to fund that. If the decision is that we are minded to fund it, we ask the community to fill in a full application form. The only questions that we ask on that application form are the ones that we need to answer when we register projects with the regulator, so our system mirrors the regulator’s system.

Greengairs is a good example. Over the years, Greengairs community council has been the applicant in every case for almost £2 million-worth of projects. It involves a group of retired people who are volunteers. I am utterly confident that if

you asked them whether the scheme is simple and easy to access, they would tell you that it is. That does not mean that we do not assist them. We have helped them with VAT advice and other things in the past, but it is entirely within our gift to do that. We are, of course, delighted to do that, to help deliver a good project.

**Paul Johnston:** The experience of our members, as the replies that we got back indicate, is that many of them are in communities where the skill sets of the people who start up projects might not match the skill sets of larger organisations, for example. Everything is voluntary. The people concerned might be entering the sector for the first time to deal with a specific problem. For example, they might want to set up a project that involves a bit of community composting or a bit of recycling, that deals with people with disabilities or that reuses furniture. As a result, we often find that they are not the most skilled at applying for various things and they end up facing different barriers.

There is usually a myriad of funding packages that they might go for. The first is not landfill tax moneys, it has to be said. They consider issues such as whether they need to become an ENTRUST member. The council is usually the first port of call, and zero waste Scotland might be asked for advice. It is always difficult. Essentially, we are asking for a simplification of the systems whereby such projects can access funding. We are also asking for something that would help them to be self-sustaining. As a general rule, the organisations involved are all social enterprises. If we can make them self-sustaining through a fund—in other words, get their businesses working properly—they will not come looking for grant funding very often. We think that one of the best ways of using a diminishing fund is to invest it in something that can be sustained in the future, such as furniture or composting projects, which make something that can be used in food networks and so on. We are being quite specific.

**Jean Urquhart:** I have a supplementary to that. I can think of several small social enterprises like those that you describe, but it seems to me that they fulfil lots of different desires with regard to how people with mental health problems are dealt with in communities. Some such facilities were withdrawn earlier this year and last year. There are quite big concerns in the south of Scotland and in the Highlands and Islands area that I represent, where the organisations that you describe are very small—they might employ up to 20 or only half a dozen people. Such tiny enterprises are vulnerable when it comes to funding.

I cannot see the fund providing the core funding of the organisations that you are talking about.

Would they apply for funding just for a specific project?

**Paul Johnston:** There will be some that will apply for funding for specific projects, but they will probably be related to a specific landfill in the area or to something that is relatively close. Most of our members do not find it easy to access funding when it is necessary to be a member of a particular organisation. Many of them are stressed for time to make bids for funding. In general, they are constantly making bids all over the place.

We are trying to say that, by having a strategic fund that seeks to generate income for individual businesses and which acts as a driver in reducing waste, we can create something of lasting benefit to all. We have details of that, but I simply want to outline a scheme that we have which revolves around accreditation and quality systems and suggest that investment in such measures will generate income for small social enterprises because they will work with the private sector to improve its waste reduction, ensure that its waste material is taken and so on. In short, we have a specific national scheme that will generate income and jobs as well as benefit the environment.

**Gavin Brown:** I wonder whether Mr Beattie can put some flesh on the comment in paragraph 15 of the Scottish landfill communities fund forum submission that

“our proposal would achieve the same results more cost effectively.”

How much more cost effective would your proposals be in achieving these results?

**Willie Beattie:** If we had a greater degree of self-regulation, there would be no need for an organisation such as ENTRUST to regulate and we would immediately save 2 per cent of the landfill tax credits generated in a year.

**Gavin Brown:** You say that you would save 2 per cent, but I presume that if the role were transferred to SEPA, it would need to employ new people, set up a similar system and so on. Would you still save 2 per cent? Have you done any comparative work in that respect?

**Willie Beattie:** Obviously this is still a proposal—we have not yet fully costed it. However, if SEPA effectively approves distributive environmental bodies for handling this money or accepts that they can do so, there will be an absolute maximum of only 10 or 12 such distributors in the country. If those organisations were members of the Scottish landfill communities fund forum and signed up to a code of conduct that included the annual submission of fully audited accounts, SEPA would only have to look at 12 sets of accounts and then decide whether it needed to take a closer look at someone. It would

not need to, as fully audited accounts should present a pretty good picture of how an organisation is run and its probity, and that is why we are suggesting that the approach would be much more cost effective.

The landfill communities fund has been operating since 1996 and I think that I can safely say that, apart from one criminal case down south in the early years, nothing untoward has happened in the scheme in all the years of its operation. That probably shows that it has been working to high pretty standards of probity and security; indeed, that is where the idea of making a saving came in.

**Gavin Brown:** Appendix 1 of your submission contains a model comprising six rectangular boxes joined with a series of arrows. If I understand it rightly, the difference between your proposal and the current system is that, under your proposal, ENTRUST would no longer be part of that model; as a result, a model that showed the current system would contain another rectangular box.

I note that one of the boxes in your model is labelled “Ombudsman”. Is there an ombudsman at the moment?

**Willie Beattie:** No. We simply assumed that, in total fairness to applicants, there would have to be some recourse; after all, there is bound to be the odd occasion when, for whatever reason, someone will not be happy with a rejection of their application. We do not imagine that such a move would be expensive. It could even be a voluntary role filled by a suitably qualified person.

**Gavin Brown:** Thank you very much.

**The Convener:** I thank my colleagues around the table and, more important, our witnesses for their evidence, which will help with our deliberations.

*Meeting closed at 11:44.*



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