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Edward Mountain MSP  
Convener  
Net Zero, Energy and Transport Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

28 June 2023

Dear Edward

Thank you for your letter of 21 June regarding my commitment to share with the Committee the findings of, and the Scottish Government response to, the March 2023 Gateway Review on the Deposit Return Scheme programme.

To be clear, I committed to sharing the findings and the Scottish Government response to a March Gateway Review, and it is not the case that I undertook to provide the Committee with a complete and unamended version. As you are aware, Gateway Reviews are project management tools that are not normally published and even when we have exceptionally published parts of previous DRS reviews they have been redacted to protect the commercial interests of the parties involved. My letter of 16 June, and the information attached to it which I have attached again as Annex A, provided a summary of the review findings along with the Scottish Government's response.

However, noting your request for the Gateway Review in full in your most recent letter, I am of course happy to share this with the Committee. It is attached to this letter, and as with the previous Gateway Review publications, you will understand that we have been obliged to make some redactions to protect the commercial interests of the parties involved. Nevertheless, I trust the Committee will appreciate that I am sharing as much information as possible with them, and will appreciate that this has been done as quickly as possible following your request last week.

I would like to draw the Committee's attention to its key findings.

The review was conducted in March and in the context of the go live date of 16 August 2023 as was the case at the time. It found that the two "critical, high impact blockers" to DRS delivery at this point were the lack of an IMA exclusion and lack of clarity on display of pricing from the UK Government. Indeed, the review noted that the uncertainty created by

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the UK Government's delay in issuing an IMA exclusion meant that "retailers, producers and wholesalers are holding back investment decisions and plans to be ready for August.", and that the "lack of clarity on pricing is causing confusion and delay."

The chilling effect of these "blockers" made a go-live date of August impossible, and as a result in April the First Minister announced a delay until March 2024, which the Gateway Review and our broader dialogue with industry indicated was achievable as long as these blockers were promptly addressed by the UK Government.

The review also noted that there was a need to renew the system wide governance to ensure clear delivery and control of the full DRS programme. In response to this we reviewed all the governance structures. We have put in place sector specific working groups to discuss sector issues to help us deliver a March 2024 launch. These groups are supported by a Ministerial Strategic Assurance Group, which I chair, to escalate issues where required. This new governance structure enabled us to work closely with businesses to work through remaining issues to allow for a successful launch, prior to the IMA decision by the UK Government.

Finally, the review noted that we should define an initial whole system Minimum Viable Product to avoid too much complexity when the scheme went live. Work on this was in train with partners and industry.

Following the review, Scottish Government addressed the scope of the programme, delayed the launch, simplified the scheme for small businesses, expanded the Scottish Government team to facilitate greater stakeholder engagement and, as noted above, refreshed the governance.

Ultimately, the key blocker noted within the review - the IMA exclusion - meant that Scotland's DRS scheme as approved by the Scottish Parliament could no longer proceed. Instead, we are working with the UK Government to develop revised plans for a more limited scheme that would go live in October 2025 at the earliest.

I hope you find the information provided useful.

Kind regards



**LORNA SLATER**

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**Gateway Review Assurance Action Plan June 2023**

Gateway review findings

The Review Team commented that this is an ambitious programme pioneering a new relationship between public and private sector. They concluded at the time of their report that there was no low-risk route to launch on 16 August as not all parts of the system were ready, that the lack of decision on IMA exclusion was a significant blocker affecting business confidence, and that a delay should be considered. This resulted in Delivery Confidence Assessment: AMBER/RED

The report noted 2 blockers and acknowledged that Scotland is trialling DRS for all UK nations and therefore implementation challenges are inevitable.

| Blocker identified  | Progress Status   |
|---|---|
| Lack of ruling on Internal Markets Act (IMA) exclusion creates uncertainty that the scheme will go ahead. Retailers, producers and wholesalers are holding back investment decisions and plans to be ready for August. Granting of a late exclusion would mean August go-live will be unachievable. | UKG concluded a partial, time limited exclusion alongside a number of conditions relating to interoperability. Scottish Government concluded it was not possible to progress with vague and uncertain conditions and made the decision to delay scheme launch until October 2025 at the earliest. |
| Lack of clarity on pricing mean wholesalers and retailers are unwilling to be making IT changes until certainty is provided.  | SG continue to engage UK Government on the need for a review of the Price Marking Order 2004 to reflect the introduction of DRS systems.  |

The report recommends consideration of options to amend or delay the scheme to respond to stakeholder readiness and concerns to ensure sufficient time for businesses to ready their own systems, and for a final decision to be communicated clearly and quickly by Ministers. It recommends that work is undertaken to ensure that there is a clear shared understanding of day 1 launch and that system-wide governance is refreshed to ensure it is focussed on the implementation phase of the scheme. This should be collaborative, focus on interdependencies and include system testing, and come together into a clear programme plan. Specifically, it was highlighted that the exemption process and communications approach should be reviewed, and that clarity was required on the scale and scope of the regulatory framework.

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A summary of the recommendations and Scottish Government response is below. The decision taken on 7 June to delay scheme launch until October 2025 at the earliest has changed the context for our response meaning that where a clear work plan was in place there is now uncertainty or a need to rescope the work required. Some of this is also reliant on collaboration with the UK Government.

| Summary of Recommendations   | Actions underway or planned   | Progress Status |
|--|---|-----------------|
| <p>Consider options to amend or delay the scheme. Final decision to be communicated clearly by Ministers</p> | <p>The Gateway Review heard the same concerns from stakeholders that they have raised with Scottish Government directly and through the media. This evidence fed into announcements made in April of a delay until 1 March 2024 to the launch of DRS and a range of measures to simplify the scheme for producers and retailers in response to these concerns.</p> <p>On 18 April 2023 the First Minister announced a delay to scheme launch until 1 March 2024. This was in response to stakeholder feedback on their readiness and the uncertainty created by lack of confirmation of Internal Market Act exclusion by UK Government.</p> <p>The full statement can be accessed here:<br/> <a href="https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-18-04-2023?meeting=15245&amp;iob=130020#orscontributions_M1742E410P746C2483475">https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-18-04-2023?meeting=15245&amp;iob=130020#orscontributions_M1742E410P746C2483475</a></p> <p>On 20 April the Minister for Green Skills, Circular Economy and Biodiversity made a statement in Parliament announcing simplifications to the DRS scope to address the concerns of small producers, hospitality and wider system. Later that day the First Minister and the Minister for Green Skills, Circular Economy and Biodiversity met with a wide set of industry stakeholders to discuss these changes which on the whole were positively received.</p> | <p>Complete</p> |

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|                              |   |          |
|------------------------------|---|----------|
|                              | <p>The full statement can be accessed here:<br/> <a href="https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-20-04-2023?meeting=15249&amp;iob=130102#orscontributions_M16215E355P844C2484507">https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-20-04-2023?meeting=15249&amp;iob=130102#orscontributions_M16215E355P844C2484507</a></p> <p>The draft Deposit and Return Scheme for Scotland Amendment Regulations 2023 were laid in the Scottish Parliament on Wednesday 17 May in order to give effect to these changes to the scheme.<br/> <a href="https://www.legislation.gov.uk/sdsi/2023/9780111057476/contents">https://www.legislation.gov.uk/sdsi/2023/9780111057476/contents</a></p> <p>On 7 June the Minister for Green Skills, Circular Economy and Biodiversity made a statement in Parliament announcing a delay of the launch till October 2025 at the earliest. This was in response to the UK Government proposal to grant a partial and time limited exclusion from the Internal Market Act. This decision, and the accompanying conditions put forward by the UK Government created massive uncertainty for the scheme and for business, leaving no option other than to delay the launch of the scheme.</p> <p>The full statement can be accessed here:<br/> <a href="https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-07-06-2023?meeting=15356&amp;iob=130973">https://www.parliament.scot/chamber-and-committees/official-report/search-what-was-said-in-parliament/meeting-of-parliament-07-06-2023?meeting=15356&amp;iob=130973</a></p> |          |
| Renew system wide governance | <p>Following feedback, the System Wide Assurance Group has been replaced with sector specific working groups and a Ministerial Strategic Assurance Group which met for the first time on 22 May 2023. The Executive Oversight Group has been retained.</p> <p>Together these groups provide:</p> <ul style="list-style-type: none"> <li>• stakeholder engagement on operational issues (sectoral groups);</li> <li>• programme oversight (Executive Oversight Group)</li> <li>• strategic oversight (Ministerial Strategy Assurance Group)</li> </ul>   | Complete |

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|  |  |   |
|--|--|---|
|  | <p>They are supported by appropriate programme reporting and documentation including an operational issues log.</p> <p>These groups will continue to provide programme governance.</p>   |   |
| Clear shared understanding of scheme scope for day 1 launch                                    | <p>The DRS Executive Oversight Group (EOG) has responsibility for defining a system wide target operating model that makes clear what will be operational when.</p> <p>Work for 1 March 2024 go live was progressing well however it will now be rescope and profiled.</p>   | Rescope required due to UKG decision on IMA exclusion |
| System design for the flow of 20p through the system should be clearly communicated and tested | <p>The operational details of the scheme are the responsibility of the scheme administrator.</p> <p>Further work will be required to understand the implications of the conditions that have been imposed by the UK Government on the scheme.</p> <p>The sector specific working groups will continue to work on the resolution of operational issues where practicable.</p> | Ongoing   |
| Clarity given on the scale and scope of regulatory framework                                   | <p>Further work will be required to understand the implications of the conditions that have been imposed by the UK Government on the regulatory framework.</p>   | Rescope required due to UKG decision on IMA exclusion |

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| Simplify the exemptions process | <p>Following feedback, the online application process has been simplified for retailers with premises less than 100m2 and food to go retailers with premises less than 280m2. Bulk applications are also now available for businesses with multiple premises, and Zero Waste Scotland has met with retailers and hospitality to support their bulk exemption applications.</p> <p>Further work is now required to assess the implications of the delay on the exemptions process.</p> | <p>Complete</p> <p>Paused due to UKG decision on IMA exclusion</p> |
| Renew communication strategy    | The communications strategy and plan will be rescope in light of the revised launch plans for DRS in Scotland.  | Rescope  |

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# INDEPENDENT ASSURANCE

PROGRAMME: Deposit Return Scheme

**Gateway Review 4**  
**(Readiness for Service)**



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|  |                          |
|--|--------------------------|
| <b>Report Status:</b>  | FINAL 2.0                |
| <b>Date/s of Review</b>  | 13/03/2023 to 17/03/2023 |
| <b>Senior Responsible Owner (SRO):</b>                           | Kevin Quinlan            |
| <b>Draft report issued to SRO:</b>                               | 17 March 2023            |
| <b>Final report issued to SRO and copied to PPPA:</b>            | 27 March 2023            |
| <b>Delivery Confidence Assessment (DCA):</b>                     | AMBER/RED                |
| <b>Accountable Officer:</b>                                      | Roy Brannen              |
| <b>Scottish Government's (SG) Portfolio Accountable Officer:</b> | Roy Brannen              |
| <b>Investment Decision Maker:</b>                                |                          |

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This Report is an evidence-based snapshot of the Programme status at the time of the Review. It reflects the views of the independent Review Team, based on information evaluated over the Review period, and is delivered to the SRO immediately at the conclusion of the Review.

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**1.0 Gateway Review Conclusion**

|   |           |
|---|-----------|
| <b>Delivery Confidence Assessment:</b>  | AMBER/RED |
| <p>The Review Team finds that the delivery confidence assessment is Amber-Red in that major risks or issues are apparent in a number of key areas. However, this assessment is made against an observed broad perception of delivery schedules and scope. A single clear and agreed delivery scope and schedule is not shared and articulated by all Programme delivery stakeholders.</p> <p>This is an ambitious and courageous programme that pioneers a new relationship between the public and private sector, enabling each to bring their expertise to deliver economic, environmental, and societal good. Given the scale of this ambition it would be imprudent to expect this new arrangement to work smoothly and at first attempt. Further, as just one, but central part of this ambition, the scheme administrator is being required to stand-up from nothing a major company with multi-sector interfaces in little more than two years; this in itself is a major challenge and it would be unreasonable to expect the organisation to have mature and robust operating systems and relationships.</p> <p>Consequently, a progressive and evolutionary change is recommended with expectations set accordingly with the public, retailers, wholesalers, producers, and public leaders, and recognising that there will be implementation challenges regardless of when the system is introduced. With a more realistic, and agreed, delivery scope and schedule, the Programme delivery confidence could be considered much more favourable.</p> <p>The Review also considers that Scotland is effectively trialling DRS for the other UK nations, exposing and resolving the many system issues inherent across all approaches; recognising this value in the planning, and support, of the Scottish and other programmes would be a greater benefit to all parties.</p> <p>[Redacted].</p> <p>Regardless of addressing schedule options of most critical concern, very prompt attention is required to address weaknesses in whole Programme governance that will impact the Programme success in both the immediate and longer term. Further, certainty and clarity are urgently needed to maintain stakeholder cohesion and to build confidence.</p> |           |

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The Delivery Confidence Assessment RAG status should use the definitions below.

| <b><u>RAG</u></b>  | <b><u>Criteria Description</u></b>  |
|--------------------|---|
| <b>Green</b>       | Successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery.  |
| <b>Amber/Green</b> | Successful delivery appears probable. However, constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.   |
| <b>Amber</b>       | Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and, if addressed promptly, should not present a cost/schedule overrun.             |
| <b>Amber/Red</b>   | Successful delivery of the project is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and establish whether resolution is feasible.                   |
| <b>Red</b>         | Successful delivery of the project appears to be unachievable. There are major issues which, at this stage, do not appear to be manageable or resolvable. The project may need re-base lining and/or overall viability re-assessed. |

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## **2.0 Summary of Report Recommendations**

A summary of the report recommendations are as follows:

| Ref. No. | Report section | Recommendation  | Status | Aligned with SG PPM Principle | Aligned with profession |
|----------|----------------|---|--------|-------------------------------|-------------------------|
| 1.       | 7.2            | The SRO should most urgently <b>re-assess and implement <u>alternative governance options</u></b> to provide much more rigorous control of the whole DRS Programme in both the immediate and longer term.   | C.     | Roles and Responsibilities    | Policy                  |
| 2.       | 7.3            | The SRO should most urgently <b><u>evaluate delivery options</u></b> and whilst recognising that all options carry significant risk, gain ministerial support for a clear decision.   | C.     | Planning                      | Project Delivery        |
| 3.       | 7.3            | In collaboration with all Programme stakeholders, the SRO should <b>define an initial <u>whole system MVP</u> and subsequent delivery phases</b> , confirming agreed vision, scope, a set of go live success criteria for all parties, and critical path with dependency mapping for all participants.  | C.     | Planning                      | Project Delivery        |
| 4.       | 7.5            | The SRO should request that an <b>assessment should be made of the <u>resilience of workplans, timetables, capacity and capability to deliver</u></b> (without undue risk) a very challenging series of requirements. Particular attention should be paid to identifying single points of failure and ensuring these vulnerabilities are managed. | E.     | Planning                      | Project Delivery        |
| 5.       | 7.5            | The SRO should request that a <b>comprehensive design,</b>  | E.     | Planning                      | Finance                 |

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|    |     |   |    |              |                |
|----|-----|---|----|--------------|----------------|
|    |     | <b>documentation and testing plan of financial flows</b> is prepared involving all affected parties with clear accountability and timescales.   |    |              |                |
| 6. | 7.7 | The SRO should <b>confirm the scale and scope of the regulatory task</b> , (aligned with SG/SEPA's tolerance for noncompliance) and including an assessment of resource need and ensure it is appropriately funded if there is a shortfall in registration revenue. | E. | Planning     | Operations     |
| 7  | 7.7 | The SRO should <b>urgently review the Exemption process</b> and make improvements to its efficiency, practicality and resourcing.   | C  | Planning     | Operations     |
| 8  | 7.8 | In-line with a significant review of Programme governance, and flowing from this, the SRO should <b>review and agree the full governance, leadership and scope of communications activities</b> across parties.   | C  | Stakeholders | Communications |
| 9  | 7.8 | The SRO should vigorously pursue a <b>significantly more proactive communications strategy</b> and actions to drive the societal change, and gain cohesion across the whole society stakeholder groups.   | C  | Stakeholders | Communications |

Each recommendation has been given Critical, Essential or Recommended status.

The definition of each status is as follows:

**Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the project should take action immediately.

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**Essential (Do By)** – To increase the likelihood of a successful outcome the project should take action in the near future.

**Recommended** – The Project should benefit from the uptake of this recommendation.

Each recommendation has been aligned with one of the SG’s PPM Principles and the SG Head of Profession.

**Annex A** lists the principles.

**ACTION PLAN** - You must within three weeks of the final report provide your intended actions for addressing each recommendation. You should then share it with the relevant SG’s Accountable Officer and copy it to the SG’s Portfolio, Programme and Project Assurance Hub (PPPA). Thereafter, you are responsible for implementing the actions in response to the recommendations. If the review has identified serious deficiencies or difficulties (including probable failure to meet the planned budget) within the programme the Accountable Officer should inform the relevant Minister/s.

### 3. **Blockers to Delivery**

Please record critical, high impact blockers that are outside the project/programme’s control that will severely impact Time, Cost, and Quality and Scope

| Ref No | Blocker  | Describe specific nature of blocker [include reasons why this cannot be resolved and provide a suggested escalation route]  | Consequence if not resolved [include any critical path or key dates by which blocker MUST be resolved in order to manage or reduce impact]  |
|--------|--|---|---|
| 1      | Ruling on Internal Markets Act (IMA) exclusion | Using an agreed process, SG is seeking to secure an exclusion for DRS from IMA. This has not yet been agreed. The next step in the process is consideration at the UKG DEFRA chaired Inter-ministerial meeting on 17 April. | Without certainty that the scheme will go ahead, retailers, producers and wholesalers are holding back investment decisions and plans to be ready for August. If an exclusion is not granted some legal opinion suggests that the scheme cannot proceed lawfully. If it is granted late, August go-live will be unachievable. |
| 2      | Ruling on pricing                              | Lack of clarity on pricing is causing confusion and delay. Wholesalers and retailers are unwilling to be making IT changes until certainty is provided  | If not resolved, pricing approach will be inconsistent leading to consumer confusion and potential rework needed by retailers and wholesalers   |

## **4.0 Purpose of the Gateway Review**

**Annex B** gives the full purposes statement for a Gateway Review 4.

## **5.0 Acknowledgement**

**5.1** The Review Team would like to thank the Programme Team for their support and openness, which contributed to the Review Team's understanding of the Programme and the outcome of this Review. We would also like to thank all interviewees who approached the Review constructively and openly, freely sharing their opinions and knowledge, which was of great assistance to the Review Team. Finally, the Review Team would also like to give particular thanks to the DRS Programme Manager, Zero Waste Scotland, who made exceptional efforts, most effectively, to organise the Review interviews and information flows.

**5.2** **Annex C** lists the people who were interviewed during the review. **Annex E** lists the documentation provided to the Review Team.

## **6.0 Background**

### **Aims of the Programme**

**6.1** Scottish Government are introducing a deposit return scheme (DRS) for single-use drinks containers, to help improve quality and quantity of recycling, reduce litter and achieve our climate change targets. DRS will be among the most environmentally ambitious and accessible in Europe, including tens of thousands of return points for plastic, metal and glass containers, as well as pick-ups for online deliveries.

**6.2** The aims of the Programme are to:

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

### **Driving force for the Programme**

**6.3** For 2021, the Scottish household waste recycling rate was 42.7% against at 2020 Scottish Government target of 60% and an all-waste target of 70% by 2025. Currently, Scotland recycles around half of drinks containers. Scotland's Deposit Return Scheme aims to capture 90% of target containers for recycling. At a 90% capture rate, Scotland's Deposit Return Scheme will capture 1.95bn containers per year. Emissions will be reduced by 160,000 tonnes of CO<sub>2</sub>e each year. The scheme could reduce litter by a third. The wider impacts of litter cost the Scottish economy and society £361 million per year. Deposit return will mean better recycling. More

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bottles and cans will be recycled into items of the same use or quality – like bottles being recycled back into bottles. An extra 52,800 tonnes of glass will be recycled.

#### **Procurement/delivery status**

**6.4** Final regulations on Scotland's DRS were passed into law in the Scottish Parliament on 13 May 2020. Circularity Scotland Limited (CSL) was appointed as the Scheme Administrator (SA) in March 2021. Applications for retailer exemptions and voluntary return points opened on 1 January 2023, through the Zero Waste Scotland (ZWS) portal. Producers' registration began on the 1 January 2023, and is achieved either through CSL or SEPA. Return Point Operator (RPO) registration opened on the 1 March 2023. Scotland's DRS is currently scheduled to go live on 16 August 2023.

#### **Current position regarding previous assurance reviews**

**6.5** Previous Gateway Reviews were carried out June 2021 (Red status); September 2021 (Amber-Red status); May 2022 (Amber-Red status) and the last in October 2022 being as Assurance of Action Plan (Amber status).



## **7.0 Review Team Findings and Recommendations**

### **7.1 Programme and Review Context**

7.1.1 With experience of many Scottish and UK projects and programmes, the Review Team acknowledged that due recognition should be given to the ambition and innovation of this Programme. Whilst the Programme, seeks to make a major, and apparently wanted behavioural change to Scottish society, it also creates a new and significant business in the Scottish landscape with many subsequent economic activities including numerous new jobs and other business opportunities, whilst also bringing huge environmental improvement benefits. However, probably its greatest challenge is that the Programme pioneers a new way of working between the public and private sector as the first major step to achieve Extended Producer Responsibility (EPR). Here, government sets regulation and industry has largely independent responsibility to most effectively deliver society's needs. This working relationship is new territory in many respects and Government is having to find its way, particularly how to control and govern such an arrangement, giving industry the freedom to deliver an efficient service whilst also protecting public interest. This is an ambitious and courageous programme to deliver societal good and it would be imprudent to expect this new arrangement to work smoothly and at first attempt. The Programme, and wider stakeholders, should recognise, and champion, a progressive and evolutionary change. Indeed, given the many complexities, especially around cut over, it is hard to see how this Programme can be introduced without significant friction and it is important that expectations are set with the public, retailers, wholesalers, producers and government ministers, that there will be implementation challenges regardless of when the system is introduced.

7.1.2 The findings of this Review must be considered with recognition that the Review examines a Programme that is exceedingly sensitive and extremely complex with a great deal of detail, much of which is still being explored by the Programme. Whereas a Gateway Review in Scottish Government would normally speak with 12-15 people over two days, this Review has spoken with over 45 people in 2.5 days covering a very wide stakeholder group. Gateway Reviews are strategic in nature and this Review is confident in the high-level issues and concerns that it raises; however, the Review was not able to confirm detailed understanding of many points in some areas. It should also be understood that, at the time of the Review, significant political and media scrutiny was being applied to the Programme; some of the opinion we received would have been influenced by this attention and we were not always able to discern what could have been a 'lobbying position' and what were genuine operational concerns.

### **7.2 Governance of the Whole DRS Programme**

7.2.1 The previous Gateway Review (Assurance of Action Plan October 2022) identified that what an agreed vision of what a 'go-live' looked like, was urgently required with transparency of a phased/evolutionary approach. At that time there was talk of a minimum viable product (MVP) and this language was also used by interviewees in this Review. However, the Review Team were not presented with a

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document that gave an MVP description and scope, and no interviewees were able to articulate what this singular scope would be; there remained no evidence that a collective whole system MVP (or other whole system go-live scope) yet exists. By 'whole system' we mean not just the technology, logistics and finance systems, but a scope that covers the entire, end-end activity system that includes the full ranges of customer experiences, worker experience, commercial flow dynamics, business supply chain dynamics, regulation and other system activities. Without a shared agreement on delivery scope for the important, whole system, impacts of individual stakeholder decisions cannot be managed to successfully achieve a shared vision. There is also significant risk of gaps or overlaps in delivery with the potential to leave some stakeholders significantly disadvantaged.

7.2.2 We heard and saw detailed separate programme plans that described the scope and workstreams of the CSL delivery programme, ICT contractor and logistics programmes and these appeared to come together at the CSL programme level. We also heard and saw programmes from many other stakeholders including Scottish Government, SEPA and individual retailers. Some of the detail of individual plans was shared manually through forum such as the System Wide Assurance Group (SWAG), but there was no shared common programme that identified workstream and stakeholder activity interactions and, most importantly, a shared critical path with clear dependencies identified and managed. The Review Team also consider that a shared programme is not possible without an agreed, and authoritative, description and scope of the go-live and any subsequent phasing functionality. Examination of meeting minutes, and comment from interviewees, suggest that the SWAG and the Executive Oversight Group are very useful forum for sharing progress and issues (currently meeting infrequently for this stage in a Programme) but lack the ability to have full governance of the whole Programme.

7.2.3 There were many examples where decisions and actions taken to the satisfaction in one part of the system did not meet the assumptions and needs of another part of the whole system. [Redacted], the Review also heard an assured view from interviewees of almost certain consumer confusion and poor customer experience across the retail sector, credible descriptions of unworkable processing for small businesses, significant commercial risk in the closed loop systems (unreturnable cans), a limited understanding from scheme designers of the logistics of small producer products and no mention was made of the experience of vulnerable groups such as those with sight impairment. The Review Team, and many interviewees, recognised that the system dynamics of the very small number of very large producers and main retailers was generally understood, in most areas. However, it was evident that whole system dynamics, including the vast number of small producers, retailers and users, was not yet understood. The Review Team consider that Scottish

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Government objectives for their DRS Programme cannot be met without a whole system approach to decision making.

7.2.4 The previous Gateway Review also identified weaknesses in the governance of the DRS Programme, in particular the Scottish Government's needs to protect the public interest in the behaviour of the scheme administrator (SA). The Scottish Parliament passed the DRS regulations to place the burden of compliance on the private sector and enabled the private sector to appoint one or more scheme administrators (SA) to enable their compliance. One SA application was received from the private sector and CSL were confirmed as SA. CSL is a not-for-profit Company Limited by Guarantee with members drawn from the producer and wholesaler community, based on production volume, and the retailer community (based on collection volume and numbers of return points). Given that the burden of compliance resides with the private sector, and to avoid any SA(s) being re-classified as a public body, Government has relatively little direct control; it was not a policy intention to control of the corporate behaviour of the SA. The Deposit Return Regulations do establish SEPA as an environmental regulator of the SA, but this role does not extend to corporate oversight.

7.2.5 Once established the SA will be one of Scotland's larger companies (by turnover) and will find itself as an effective monopoly. Once a DRS is in operation, SG will have further reduced ability to influence behaviour. Currently control of the SA's performance and actions is dependent upon the ability of its industry membership to effect oversight and control, most interviewees felt that this control was very limited. This view was strongly held by many CSL members, and this apparent deficiency has led to some of CSL's members to seek government support to address the control that they have not been able to achieve internally. However, the Review was cognisant that CSL is tasked with establishing an entire market eco-system amongst competing interests in a very challenging timeframe, and this will undoubtedly restrict its capacity to refine its membership relationships. This issue of governance and influence, transferring responsibility and risk, whilst progressing public benefit, is at the heart of the ambition of this Programme and EPR. In the opinion of this Review, self regulation and self organisation in industry sectors has had mixed success, the Review Team could not think of an example where such self organisation had been achieved, across industry sectors, to establish a £500m turnover business and within a 2-3 year timescale. It seems very ambitious to expect this to be achieved without much evolution, resolution of many issues, and without significant nurturing and support.

7.2.6 In interview, most interviewees spoke positively of the professional capability of the current SA team and some recognised the "astonishing" achievement of the team, amidst significant pressure to achieve progress. Nonetheless, very many interviewees from across CSL's membership, and other central stakeholders expressed [Redacted] dissatisfaction with performance with CSL, communication, decision making and appropriate representation of interests. [Redacted].

7.2.7 [Redacted]. Whilst SG have hoped for industry to provide collective responsibility and governance, so far this appears not to be fully effective. Further, this does not allow for an effective governance of the whole DRS system across society. The Review Team consider that to maintain the full public interest, to influence a whole system approach to system development and operation, SG must take advantage of the small window it has to consider and introduce

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additional/alternative governance arrangements.

7.2.8 This need for reconsideration of the governance of DRS would be a significant change to DRS as constructed and needs deeper examination including policy, legal and further governance advice. This could include both soft and hard influence and control measures such as placing Non-exec Directors on the SA Board, and utilising governance codes commonly used in the finance and other sectors such as the UK Corporate Governance Code. Other measures to accommodate the wider stakeholder perspective could also usefully inform governance, such as for the consumer experience – independent published surveys and responses on matters such as coverage and ease. Operational performance could be benchmarked with other jurisdictions, if possible, to ensure the SA learns from evolving best practice.

**Recommendation:**

**R1 The SRO should most urgently re-assess and implement alternative governance options to provide much more rigorous control of the whole DRS Programme in both the immediate and longer term.**

**7.3 Achievement of Programme Schedule**

7.3.1 The Terms of Reference for this Review are given in Annex B, and in particular this Review has been tasked with assessing the likelihood of a whole system DRS successful implementation in Scotland in August 2023 and to discuss possible options for a descoped, partial or delayed DRS implementation.

7.3.2 The Review met with members of the CSL Board, most of the executive team and a number of the senior managers. Like many interviewees, we were impressed by the apparent high calibre of the CSL team and their drive and commitment to achieve a functioning DRS for Scotland; we were told that many had given up significant opportunities to join CSL. As mentioned in paragraph 7.2.5, standing-up a £500m turnover company from nothing is an extremely ambitious undertaking, especially in a very short timescale.

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7.3.3 Achieving the momentum, and funding to establish the Company had taken some time and a number of the permanent senior executives had only recently joined. As a consequence, and an already ambitious schedule, CSL are working at significant pace to deliver DRS. CSL's prime contractors were also brought on-board with ambitious schedules and are also working at significant pace. There are many issues and tasks still to be resolved and achieved. Nonetheless, we heard a very driven confidence that CSL will deliver a functioning DRS technology and logistics solution in August 2023; this was supported with somewhat more caution by their prime suppliers. However, given the pace and necessary singular focus to achieve this, not all business processes, with appropriate depth that one would expect to see for a business of this scale, are currently, and are unlikely to be, in place. [Redacted]. Further, while a functioning DRS may be achievable, this will be very much in the guise of a CSL vision of an MVP – see the discussion in Section 7.2.1. Only 600+ of the (anticipated) 4000+ suppliers have so far signed up, but it was understood that this smaller group represents c95% of the total producer volume; sufficient to meet CSL's view of viability. The Review was informed of some well-known producers who have not yet signed up and “may not” initially remain on the Scottish market. CSL are also confident that they will have sufficient retailers to provide a viable return service with adequate geographical coverage. Some major retailers have yet to commit, and we heard from some retailers that have committed that only some of their stores will be ready. General opinion received was that the readiness of medium and small retailers will be very limited.

7.3.4 The Review was content that an operating logistics system for scheme article collection would be available for August 2023, in that, even if not fully functioning or efficient, the logistics operation would have staff, vehicles and was sufficiently organised that it could rely on short term workarounds if absolutely necessary. We were given confidence that this would have a slim but majority geographic coverage of Scotland. From many interviews, the Review was given confidence that, at launch and shortly after, there will be a plentiful supply of incidents of poor customer experience for observers the media to denigrate the performance of DRS. The very significant majority of these incidents may be of very minor consequence to the overall performance of the system, but will matter to individual system actors such as small retailers, particular producer groups etc. We can be sure of this because we heard that whole system end-to-end testing has not taken place and because stakeholders (retailers and producers) are taking decisions now, some of which will be proven to be wrong and are also contrary decisions across the various actors.

7.3.5 [Redacted].

7.3.6 In DRS a big bang approach is not possible. In the absence of what stakeholders refer to as meaningful decisions (detail system operation), stakeholders are making decisions now based on assumptions that may prove incorrect and are varying across industry. Stakeholders have previously highlighted a critical path of meaningful decisions 12 months before launch. We heard that many of these critical decisions were made in February 2023, but that guidance on interpretation is still being developed. Such decisions include, amongst many others: invoicing, VAT-cash flow issues, fraud prevention, exemptions, cutover management, collection scheduling. Other important operating factors are still unknown, such as collection

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schedules and invoicing format. Without these details, industry partners can only develop solutions at risk – this is particularly challenging for smaller business with limited resource and financial risk capacity. We heard that, in the absence of this detail, some producers and retailers (including some well-known brands) are choosing to take limited or no action to comply. Most interviewees described an August launch as “very messy” or used similar idioms. [Redacted].

7.3.7 Further for a successful, low risk whole system launch (either big-bang, evolutionary or hybrid), a whole system governance and decision-making capability needs to exist (see Section 7.2).

7.3.8 Several interviewees expressed opinion that the greatest threat to Programme success was uncertainty, and they were eager for SG to urgently provide clarity on direction. The ongoing debate amongst potential First Minister candidates is bringing much uncertainty to Programme delivery – we heard opinion that many industry stakeholders are pausing further action until a new First Ministers position is made clear. Potential conflict with the Internal Market Act (IMA) is another well-known major issue, which is awaiting a ministerial decision in Westminster; there was no clarity amongst interviewees as to the gravity of this issue, some believed it to be a “show-stopper”. Similarly, there is an ongoing debate across the UK as the requirements of Trading Standards on DRS article pricing, this is already having an effect as some producers and retailers are making their individual decisions on this issue now, and these decisions vary, other businesses are again pausing critical path activity until further clarity is given. This situation is creating confusion and inconsistency which will be apparent for an August launch. Collectively these issues, amongst many other system operation uncertainties, are creating indecision, inaction and a severe lack of confidence at the very time when actions and decisions are critical to delivering a working system with smooth operation. Statements were made such as “Industry just needs clarity and confidence, we accept that it won’t be smooth”.

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7.3.9 When asked for their most favoured way forward, there was a spread of responses from industry interviewees ranging from “we should just press ahead with August, and accept there will be issues or we will just lose too much faith and confidence” through to “August will be a car crash, it just will not happen and must be delayed”. Perhaps not surprisingly, given the way the system has been developed, these opinions broadly, but not consistently, ranged from large producers at one end to small retailers at the other end, respectively. When asked about a delay to align timescales with rUK schemes, some said “that would be nice” but none pushed that option with any conviction. Whilst some talked of a few months delay, most interviewees, and those that appeared to have given it serious thought, felt that a delay of “at least 12 months” would be necessary to give a worthwhile improvement to the balance of risks and allow opportunity to resolve issues in business processes and systems. However, many believed that a delay will bring, possibly significant, financial, confidence and reputational risks. The Review Team concur with these views, believing that to conduct a launch with minimal performance issues, many months will be required to understand, design and then implement a complete end-end testing capacity and, this would first require a whole system governance structure that does not exist. Integral to achieving a whole system approach is the cohesion of partners, yet currently the membership confidence and satisfaction with CSL remains very low.

7.3.10 Some interviews expressed that August was the worst possible month for a launch, being at the peak summertime market for single use drinks and at a time of many summer festivals. We heard that February or October were the optimal times for launch. Cut-over will present issues that are already ‘built in’ to the delivery approach. Guidance has not yet been issued and again many industry actors have different plans to deal with this. The only apparent way to have a minimally disruptive cut-over seems to be to have a long preparation period when deposit labelled articles are in logistics system, but the DRS has not gone live; some scheme articles have extremely long shelf lives and so a very small volume of articles will also need additional cut-over consideration.

7.3.11 [Redacted]

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7.3.12 When asked what could be done to make both an August or delayed start more successful many believed that a phased approach would make a significant difference – “that changes the picture” was expressed. Phases to allow Opt in/out for smaller retailers and possibly smaller producers was a commonly favoured suggestion, allowing businesses to make a business decision on initial participation. Indications from CSL suggest that a ‘sufficient’ geographical spread will be achievable for August and this would allow many retailers to not initially participate. The Review Team consider that a staged/phased approach is worthy of very serious consideration.

7.3.13 Another significant schedule consideration is the amendment of the DRS Regulations. It is understood that an amendment to the Regulations has been drafted and should have just sufficient time to be put before the Scottish Parliament before August. This draft includes changes that will improve the situation with some of the issues raised by interviewees. However, this will be a single opportunity. If some of the recommendations on launch approach and governance recommended by this Report require further Regulation amendment, exceedingly prompt assessment, staffing and decisions will need to be taken.

7.3.14 The Review heard that DEFRA recently concluded a public consultation for the implementation of an English DRS system with a second round of consultation being considered. It is understood that DEFRA hopes to lay and have approved a Statutory Instrument in the next 12 months and appoint a DMO (SA) also by June 2024, with ministerial aspiration for an operating DRS system in October 2025. In the opinion of the Review Team, with limited examination of the English proposal, but confidently reflecting on the Scottish Government experience, an English DRS is not likely to be available until well beyond the 2025 ambition. Aligning a Scottish scheme with an English scheme would probably mean a delay well beyond October 2025.

7.3.15 This crude assessment of the rUK potential also recognises that Scotland is effectively trialling DRS for the other UK nations, exposing and resolving the many system issues inherent. This is recognised by DEFRA, but more formal recognition of this reality of Scotland’s piloting role would be valuable to all parties, achieving efficiencies and more effective answers for all.

7.3.16 [Redacted].

### Recommendations:

**R2 The SRO should most urgently evaluate delivery options and whilst recognising that all options carry significant risk, gain ministerial support for a clear decision.**



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**R3 In collaboration with all Programme stakeholders, the SRO should define an initial whole system MVP and subsequent delivery phases, confirming agreed vision, scope, a set of go live success criteria for all parties, and critical path with dependency mapping for all participants.**

#### **7.4 Management of Technology Systems**

7.4.1 This Review was not a technology review but sought to gain confidence that technology systems would be ready for an August 2023 go-live and to understand the relative risks. There are multiple technology systems involved and the Review was afforded limited opportunity to examine any of these with much substance; particularly for the CSL and industry technology systems. Nonetheless, we were able to develop an opinion with some confidence that the CSL technology systems are being delivered by experienced technology professionals with a robust understanding of good technology delivery; however, it was evident that the CSL technologies are being developed at pace and so have potential vulnerabilities. [Redacted].

7.4.2 [Redacted]

7.4.3 [Redacted]

7.4.4 [Redacted]

7.4.5 [Redacted]

7.4.6 [Redacted]

7.4.7 [Redacted]

7.4.8 [Redacted]

7.4.9 [Redacted]

7.4.10 [Redacted]

7.4.11 [Redacted]

7.4.12 [Redacted]

7.4.13 [Redacted]

7.4.14 [Redacted]

7.4.15 [Redacted]

#### **7.5 Management of Financial Systems**

##### **Financial Management - CSL**

7.5.1 The Review Team heard that CSL has made progress in building the finance

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function; there is currently a team of eleven and the recent appointment of a CFO. The General Ledger in use currently is SAGE and management accounts are produced using spreadsheets. Work is underway to migrate the General Ledger to an ERP package and the Review Team heard that testing is ongoing currently with a parallel run and switch in April. CSL has an Accounting Reference Date (ARD) of 31 December, so the production of the annual accounts and audit are also ongoing. There is a plan to change the ARD to 31 July and accounts for the seven months to July 2023 will be produced.

7.5.2 The Review Team was advised that the key financial model informing all major business decisions such as the decision to cut producer fees, is maintained by an external financial contractor using integrated spreadsheets. Reliance is placed on this arrangement for running scenarios and forecasting the cashflow impact of changes in assumptions such as volumes, timings, handling fees, producer fees. Management of the financial modelling work is carried out by the new CFO. The resilience of this approach will be important to ensure capital adequacy and liquidity is managed as events evolve.

7.5.3 [Redacted]

7.5.4 In the experience of the Review Team the introduction of a new ledger system and two annual accounts / audit processes in a compressed time is challenging with a relatively new team. Factoring in the new business processes planned to launch in August adds a further layer of risk for a small, fairly new team.

#### **Recommendation:**

**R4 The SRO should request that an assessment should be made of the resilience of workplans, timetables, capacity and capability to deliver (without undue risk) a very challenging series of requirements. Particular attention should be paid to identifying single points of failure and ensuring these vulnerabilities are managed.**

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## **Financial Flows – whole system**

7.5.5 The financial flows intrinsic to the DRS are complex in terms of the number of parties involved, the basis for calculation and the timing of transactions/payments. This is understood and captured at entity level in a helpful diagram. The Review Team understands that work is ongoing to design the detailed transaction processing arrangements and the supporting technical infrastructure.

7.7.6 The successful introduction of the DRS is dependent on multiple hand-offs of financial information and the smooth integration of the processes and systems. The plans for ensuring reliable timely end-to-end processing of financial flows are at an early stage. The flow of the deposit around the system are particularly critical, including the handling fees and self-invoicing arrangements for retailers.

7.5.7 The Review Team heard concern from multiple interviewees about the lack of clarity about processes, timings and detailed arrangements for the financial flows. This presents practical difficulties for several parties involved as they are unable to make robust plans for their parts of the whole system operation.

7.5.8 In the experience of the Review Team these arrangements would be expected to be more advanced for a launch date in 5 months' time. The risk of fractured processes, delays in transaction processing and loss of financial control would be reduced by comprehensive mapping of flows, testing (including user acceptance testing) of systems, training of all parties involved.

### **Recommendation:**

**R5 The SRO should request that a comprehensive design, documentation and testing plan of financial flows is prepared involving all affected parties with clear accountability and timescales.**

## **7.6 Regulation**

7.6.1 The Review Team note that the planned regulatory activities focus solely on environmental performance and exclude other regulatory oversight such as corporate performance, corporate conduct and senior officer “fit and proper” assessment. Other sectors with protected revenue streams and a public interest dimension typically have a wider regulatory regime than is evident and this is referred to in Section 6.1.

7.6.2 The Review Team received the SEPA Project Initiation Document, Workstream Plan Key Milestone Implementation Plan and Risk Register and understand that activities were progressing well, in line with plans until February, when key variables changed unexpectedly. [Redacted]

7.6.3 The Review Team heard from several interviewees that the level of compliance with regulation required from go-live could be/may be “flexed” down initially in response to go-live pressures. However, we heard that SEPA’s approach to new regulation would normally be a constructive approach to use education initially and ramp up enforcement once systems start to settle. There is a variance in expectations, across numerous stakeholders and this could be counterproductive.

Clear communications of the regulatory approach, and why, would be useful including

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confirming SG's expectations of SEPA's level of regulatory oversight.

## **Exemptions**

7.6.4 The Exemptions Request process is referenced in the Technology Section of this Report. In addition, there is a regulatory dimension to be considered in terms alignment of Exemptions with the overall wider objectives of the DRS. There was strong feedback from several interviewees about the burden placed on small retailers to achieve an exemption if they fall within the proximity or environmental criteria. The Exemption Request Portal was considered by user interviewees as cumbersome, confusing and not user friendly, with exemption turnaround times making it hard for applicants to plan ahead.

7.6.5 The Review Team heard from several interviewees of a perception that a high level of rejection of exemption requests was due, at least in part, to overly rigorous interpretation of the rules. Also, there was a plea for clarity and certainty if changes are to be made as the investments in processes and technology are significant, with valuable retail space lost to accommodate infrastructure requirements. The observation was made that if changes are made too late, the most prepared are the most harmed. Some interviewees were concerned that approaching go-live there could be a sharp increase in application numbers and this could, in the Review Team's opinion, be challenging for the team to accommodate particularly over the summer period, despite the plans to redirect resource from elsewhere in the ZWS organisation on a reactive basis if required. A quick calculation of possible exemption numbers suggests that ZWS will struggle to adequately process an application surge.

### **Recommendation:**

**R6 The SRO should confirm the scale and scope of the regulatory task, (aligned with SG/SEPA's tolerance for noncompliance) and including an assessment of resource need and ensure it is appropriately funded if there is a shortfall in registration revenue.**

**R7 The SRO should urgently review the Exemption process and make improvements to its efficiency, practicality and resourcing.**

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## **7.7 Communications and Stakeholder Engagement**

7.7.1 The communications landscape for this Programme is extremely complex and nuanced and, especially with recent adverse media coverage, now highly contentious. While the broad responsibilities of each partner seem clear at a high level, it was not clear whether each party had a detailed communication plan. [Redacted]

7.7.2 A number of interviewees expressed concern that the current level of consumer and industry communication, especially across social channels, was leading to vacuum of information which was being filled with significant negative narrative. Almost every stakeholder expressed the need for clarity and certainty in order to help them invest and plan with confidence. It was noted that lack of certainty was also inhibiting the industry and public engagement. The Review Team consider that strong and proactive communications are one of the most effective, if not the most effective, tool that the collective programme can deploy to manage expectations. It is imperative that a clear scope for go-live, at any date, and any subsequent delivery phases, is very clearly communicated with all stakeholders to allow them to make their own individual plans and, most importantly, to engender a collective ownership of the Programme and the significant benefits it can bring. This will require a much more robust and carefully coordinated communications approach, with pro-active action, than is currently apparent.

7.7.3 The Review Team saw and heard about extensive stakeholder engagement with trade associations, individual retailers and producers with various forums available to discuss progress, concerns and key risks. Each participant in the Programme is carrying out engagement to some extent. It is recognised that in such a complex programme, with potentially thousands of stakeholders, there will always be room for improvement; however, the teams in each of the organisations responsible for delivering DRS appear be relatively small relative to the scale of the communications task. While high level budget figures were noted in the document set, no detailed plans were provided to the Review Team.

7.7.4 CSL are actively trying to manage stakeholder relationships but, inevitably, with a relatively new and growing team, working under considerable pressure, there were a number of stakeholder groups who expressed concern about the lack of response from CSL on key issues.

7.7.5 The System Wide Assurance Group and Executive Oversight Groups were identified as key forums for all parties to collaborate and while this seems to have been an effective means of allowing communication, it doesn't seem to have been able to drive urgency and action around the critical issues which threaten the successful delivery of the scheme. [Redacted]

7.7.6 [Redacted]

### **Recommendation:**

**R8 In-line with a significant review of Programme governance, and flowing from this, the SRO should review and agree the full governance, leadership and scope of communications activities across parties.**

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**R9 The SRO should vigorously pursue a significantly more proactive communications strategy and actions to drive the societal change, and gain cohesion across the whole society stakeholder groups.**

## **8.0 Previous Gateway Review Recommendations**

A summary of recommendations, progress and status from the previous Gateway Review can be found at **Annex D**.

## **9.0 Next Independent Assurance Review**

With an Amber-Red delivery confidence assessment, it is advised that an Assurance of Action Plan is organised by the SG Project and Programme Assurance team, for the earliest opportunity.

## **10.0 Distribution of the Gateway Review Report**

**10.1** The contents of this Report are confidential to the SRO and their representative/s. It is for the SRO to consider when and to whom they wish to make the Report (or part thereof) available, and whether they would wish to be consulted before recipients of the Report share its contents (or part thereof) with others. The Review Team Members will not retain copies of the Report nor discuss its content or conclusions with others.

**10.2** A copy of the Report is lodged with the PPPA so that it can identify and share the generic lessons from Independent Assurance Reviews. The PPPA will copy a summary of the Report recommendations to the SG's Accountable Officer, and where appropriate, to the Organisation's Accountable Officer where the Review has been conducted on behalf of one of the SG's Agencies, NDPBs or Health Sector organisations.

**10.3** The PPA will provide a copy of the Report to Review Team Members involved in any subsequent Review as part of the preparatory documentation needed for Planning Meetings.

**10.4** Any other request for copies of the Gateway Report will be directed to the SRO.

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**ANNEX A**

**Scottish Government - Programme and Project Management Principles**

|                            |  |
|----------------------------|--|
| Alignment                  | We align our programmes and projects to corporate priorities to ensure we deliver for the people of Scotland   |
| Leadership                 | We lead from the start by clearly communicating the vision, agreeing approaches, providing resource, collaborating across teams and setting a delivery culture.                                |
| Justification / BC         | We secure a mandate for our work and ensure an ongoing justification is made by the benefits for the cost, or, stop any unjustified work.  |
| Sustainability             | We understand our impacts on people place and value and ensure whole life value and whole life cost are central to decision making.  |
| Knowledge & Data           | We ensure our projects are learning organisations from day one, we seek and use information & data for the benefit of our work.  |
| Flexibility & Capability   | Our multidiscipline teams contain flexible and skilled people who focus on required identified capabilities and outcomes, not positions.   |
| Roles and Responsibilities | We assign and delegate roles and responsibilities within our projects flowing from the SRO's appointment letter/delegation/mandate   |
| Stakeholders               | We identify, assess and then manage our stakeholders to leverage maximum chance of success.  |
| Benefits                   | We start with the end in mind, formally focussing on the intended outcomes of our investment.  |
| Planning                   | We consider all aspects of our projects and continuously plan; managing dependencies, agreeing and refining evidence-based assumptions and reporting on progress against milestones throughout |
| Risk                       | We identify, communicate and act upon the threats or opportunities to and for our outcomes.  |
| Transition                 | We provide focus and resource to understand the end needs from the supplier side and a commitment and capability to learn, manage and own the benefits/outcomes from the customer side.        |



## **ANNEX B**

### **Purposes of the Gateway Review 4: Readiness for Service**

#### **DRS specific purpose of the Gate 4 Review:**

- Taking a whole system view, the Review shall investigate and give opinion on the likelihood of a DRS successful implementation in Scotland in August 2023.
- The Review shall provide opinion on the risks and challenges to this likelihood, that may materialise both before and after implementation, and shall make recommendations to make a successful implementation more likely.
- The Review shall discuss possible options for a descoped, partial or delayed DRS implementation and shall provide opinion on the likely and relative risks and challenges of these options.

#### **Standard purpose of the Gate 4 Review**

The DRS Gateway Review will also consider the following elements, which are the standard purpose of a Gate 4 Review:

- Check that the current phase of the contract is properly completed and commercial documentation is completed;
- Ensure that the contractual arrangements are up-to-date;
- Check that the Business Case is still valid and unaffected by internal and external events or changes;
- Check that the original projected business benefit is likely to be achieved, that they can be realised in the wider system and that the project will still deliver the policy and strategic intent;
- Ensure that there are processes and procedures to ensure long-term success of the project as it transitions into business as usual (BAU);
- Confirm that all necessary testing is done (e.g. commissioning of buildings, business integration and user acceptance testing) to the client's satisfaction and that the client is ready to approve implementation;
- Check that there are feasible and tested business contingency, continuity and/or reversion arrangements in place;
- Ensure that all ongoing dependencies, risks and issues are being managed effectively and do not threaten implementation;
- Evaluate the risk of proceeding with the implementation where there are any unresolved issues – this must include for the wider system as well as the project;
- Confirm the business has the necessary resources and that it is ready to implement the services and the business change – this should include timely delivery of other enabling projects or initiatives;
- Confirm that the client and supplier implementation plans are still achievable;
- Confirm that there are management and organisational controls to manage the project through implementation and operation;

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- Confirm that contract management arrangements are in place to manage the operational phase of the contract;
- Confirm arrangements for handover of the project from the Senior Responsible Owner (SRO) to the operational business owner;
- Confirm that all parties have agreed plans for training, communication, rollout, production release and support as required;
- Confirm that all parties have agreed plans for managing risk;
- Confirm that there are client-side plans for managing the working relationship, with reporting arrangements at appropriate levels in the organisation, reciprocated on the supplier side;
- Confirm information assurance accreditation/certification;
- Confirm that defects or incomplete works are identified and recorded – with a plan to remediate them; and
- Check that lessons for future projects are identified and recorded.

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## **ANNEX C**

### **Review Team:**

|                     |            |
|---------------------|------------|
| Review Team Leader: | [Redacted] |
| Review Team Member: | [Redacted] |
| Review Team Member: | [Redacted] |

### **List of Interviewees:**

The following stakeholders were interviewed during the review:

| <b>Name</b>         | <b>Organisation/Role</b>  |
|---------------------|---|
| Roy Brannen         | Director-General Net Zero, Scottish Government (SG).            |
| Kevin Quinlan       | Director, Environment & Forestry Directorate, SG.               |
| Katriona Carmichael | Deputy Director Circular Economy, SG.                           |
| [Redacted]          | Chair of the Board, Circularity Scotland Limited (CSL)          |
| [Redacted]          | DRS Lead, Zero Waste Scotland                                   |
| [Redacted]          | Chief Executive Officer, CSL                                    |
| [Redacted]          | Head of Deposit Return Scheme Unit, SG                          |
| [Redacted]          | Chief Technology Officer, CSL                                   |
| [Redacted]          | Chief Operating Officer, CSL                                    |
| [Redacted]          | Chief Financial Officer, CSL                                    |
| [Redacted]          | Programme Manager & Head of Logistics Operations, CSL           |
| [Redacted]          | Programme Manager, CSL  |
| [Redacted]          | Chief Marketing and Communications Officer, CSL                 |
| [Redacted]          | HR Director and Executive Programme Sponsor, CSL                |
| [Redacted]          | Chief Executive, RLG  |
| [Redacted]          | Technical Architect, CSL  |
| [Redacted]          | IT Project Manager, CSL   |
| [Redacted]          | Head of Supply Chain Projects, CSL                              |
| [Redacted]          | Head of Finance, CSL  |
| [Redacted]          | Head of Risk Management, CSL                                    |
| [Redacted]          | Project Manager Finance, CSL                                    |
| [Redacted]          | Programme Manager, BIFFA  |
| [Redacted]          | Partnership Director, BIFFA                                     |
| Nicola Paterson     | Chief Executive Officer, SEPA                                   |
| [Redacted]          | Acting Chief Officer Circular Economy, SEPA                     |
| [Redacted]          | DRS SRO, SEPA   |
| [Redacted]          | Project Manager, SEPA   |
| Dexter Davis        | Deputy Director- Collection & Packaging Reform Programme, DEFRA |
| [Redacted]          | Deputy Head Scottish Retail Consortium                          |
| [Redacted]          | Head of Programme Delivery, Tesco                               |

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|            |   |
|------------|---|
| [Redacted] | Head of Sales Organisations, Lidl   |
| [Redacted] | Chief Executive, Scottish Wholesale Association   |
| [Redacted] | Sustainability Manager, Booker  |
| [Redacted] | Head of Policy and Public Affairs, Scottish Grocers Federation                                    |
| [Redacted] | Group Retail Director, One O One Convenience stores   |
| [Redacted] | Government Relations Director, Association of Convenience Stores                                  |
| [Redacted] | Chief Executive, Association of Convenience Stores  |
| [Redacted] | Public Affairs Manager, British Soft Drinks Association   |
| [Redacted] | Director General, British Soft Drinks Association   |
| [Redacted] | Vice President, Public Affairs, Communications and Sustainability Coca Cola Europacific Partners. |
| [Redacted] | Scottish Director, Society of Independent Brewers (SIBA); Managing Director Fyne Ales             |
| [Redacted] | Head of Public Affairs and Policy, SIBA   |
| [Redacted] | Industry Policy Advisor, Scotch Whisky Association.   |
| [Redacted] | Head of Environment Policy, The Wine and Spirit Trade Association.                                |
| [Redacted] | Executive Director, UK Hospitality  |
| [Redacted] | Senior Advisor, British Beer and Pub Association  |
| [Redacted] | Policy Director, British Beer and Pub Association   |
| [Redacted] | Policy Manager, Scotland Food and Drink   |
| [Redacted] | Amenity Services Manager (Waste and Transport), Renfrewshire council and Waste Managers Network   |

## **ANNEX D**

### **Progress against May 2022 Gateway Review recommendations, assessed by October 2022 Assurance of Action Plan:**

| <b>Ref No.</b> | <b>Recommendation</b>  | <b>Progress/Status (As Reported by SG Programme Team)</b>   |
|----------------|--|---|
| 1.             | The SRO should ensure that sufficient mechanisms and resources are put in-place to capture the value of the Programme learning for the benefit of wider government.                    | <p><b>Establish a new dedicated Scottish Government DRS unit to lead on DRS oversight, assurance, continuing policy development (e.g. alignment with UK scheme) and evaluation.</b></p> <ul style="list-style-type: none"> <li>• DRS unit established, with eight full time Scottish Government staff in place, and additional project based support. Unit will be in place until at least December 2023 to ensure that learning from the development, implementation, launch and early running of the scheme is captured.</li> <li>• Additional programme management and policy support being provided by Zero Waste Scotland.</li> <li>• Unit building strong relationships with other administrations to share learning from SG programme.</li> <li>• Discussion with SG analytical services underway on steps to capture value of the Programme learning.</li> </ul>  |
| 2.             | The SRO should urgently review the needs and structure for Programme governance and leadership, to ensure accountability lines and oversight roles are clearly defined and understood. | <p><b>Review governance structures to ensure that they reflect responsibilities for scheme delivery.</b></p> <ul style="list-style-type: none"> <li>• CSL seen by all partners as responsible for implementing DRS, with board now fully appointed and functional as primary governance and assurance body within scheme administrator. CSL sharing internal governance information (from board) with SG</li> <li>• Formalising structures to report readiness, information gaps and emerging risks within the 'system-wide assurance group'. Group providing good mechanism for sharing information and highlighting collective risks, but could do more to provide assurance function. Working with CSL to align its Board's assurance needs (though their business readiness workstream) with assurance needs of Scottish Government.</li> <li>• At CSL executive, Scottish Government senior official, and ministerial level, we are reinforcing formal reporting mechanisms to complement regular meetings between officials, Ministers, CSL and SEPA. New governance structures established (e.g. policy board) where new requirements emerge.</li> </ul> |

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|    |   |   |
|----|---|---|
|    |   | <ul style="list-style-type: none"> <li>• Executive Oversight Group (SG, ZWS, SEPA, CSL) meeting regularly to focus on assurance of scheme readiness and other key issues</li> </ul>   |
| 3. | <p>The SRO should urgently re-evaluate the ‘go-live’ schedule and the Scheme ‘go-live scope’<br/>[Redacted]</p> | <p><b>Review go-live schedule, scope, cut-over (launch) approach, online takeback obligation, operational information, compliance approach, and early launch opportunities</b></p> <ul style="list-style-type: none"> <li>• [Redacted]</li> <br/> <li>• [Redacted]</li> <br/> <li>• CSL adopting a ‘cut-over’ model that will allow the gradual flow-through of DRS articles from 16 August 2023. Resolved concerns relating to use of UK-wide barcodes. Measures should reduce operational challenges for producers and need for a sudden transition of stock at launch. Slower launch should also help manage logistical challenges due to lower volumes of DRS articles .</li> <li>• Several proposed changes to DRS regulations to address concerns with online takeback obligation, including more targeted obligation and potential phase-in / evaluation period are being undertaken.</li> <li>• Updated return point exemptions guidance published in December 2022 that make it clearer, quicker and easier for eligible retailers to apply for an exemption, should they wish to do so. [Redacted]</li> <br/> <li>• [Redacted]</li> <br/> <li>• SEPA has committed to take a supportive approach to compliance, which they are working to detail exactly what this approach looks like.</li> <li>• Orkney Return Initiative launched on 04 November. The project will provide a practical test of scheme logistics</li> </ul> |

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|    |   |   |
|----|---|---|
|    |   | (especially on island communities) and help to de-risk elements of the scheme.  |
| 4. | SRO should re-examine the roles and coordination of communications across the Programme and ensure a significant improvement in communications flows. | <p><b>Review the remit and leadership of the communications group to ensure that (1) responsibilities of the different organisations are clear, with a view to CSL taking lead responsibility (2) more is done to identify and target ‘hard to reach’ groups, (3) there is greater clarity in ‘essential information’ on the scheme to support business decision making, and (4) the group is better integrated into wider delivery plans (e.g. infrastructure roll-out).</b></p> <ul style="list-style-type: none"> <li>• CSL have taken lead on communications from 2023, with Director for Communications now in post.</li> <li>• Progress on business communications since the Gateway Review, including production and distribution of tailored communications tools for stakeholders, expansion and regular updates to SEPA’s FAQs. SEPA comms campaign launched August 2022, CSL comms campaign launched Sep 2022.</li> <li>• Integrated Communication and Marketing plan developed which focuses on all stakeholder groups</li> </ul> |
| 5. | [Redacted]  | <p><b>[Redacted]</b></p> <ul style="list-style-type: none"> <li>• [Redacted]</li> <li>• [Redacted]</li> </ul>   |

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**ANNEX E**

Documentation provided to the Review Team

**Scottish Government Documents**

| <b>Pre-reading documents</b>                        | <b>Document or link</b>   |
|---|---|
| Regulations   | <a href="https://www.legislation.gov.uk/ssi/2020/154/contents/made">https://www.legislation.gov.uk/ssi/2020/154/contents/made</a>           |
| Background- BRIA                                    | Document  |
| Background - Full Business Case                     | Document  |
| System Wide Assurance Group ToR                     | Document  |
| System Wide Assurance Group Minutes from meeting 11 | Document  |
| System Wide Assurance Group Minutes from meeting 12 | Document  |
| System Wide Assurance Group Minutes from meeting 12 | Document  |
| System Wide Assurance Group Action log              | Document  |
| Executive Oversight Group ToR                       | Document  |
| Executive Oversight Group Minutes from meeting 2    | Document  |
| May Gateway Review                                  | Document  |
| October Assurance Gateway Review                    | Document  |
| Critical Path                                       | Document  |
| Risk Log  | Document  |
| Minister letter re. changes to exemptions Dec' 22   | <a href="https://www.gov.scot/gov.scot">Deposit return scheme update: letter to Scottish Parliament Committee - gov.scot (www.gov.scot)</a> |
| Operational Issues from Stakeholders                | Document  |
| NZET Committee Meeting- Internal Markets Act        | Document  |
| Background- DRS Slide pack- rationale and benefits  | Document  |
| DRS online takeback proposal                        | Document  |
| Potential DRS Regulation amendments                 | Document  |
| 27.2 DRS - deposits and pricing - Letter to SCOTTS  | Document  |



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|  |          |
|--|----------|
| 7.3 Response from SCOTTS Letter on Pricing of Deposits                               | Document |
| Deposit Return scheme note for Gateway review on legal background                    | Document |
| Email from Scotland Food and Drink   | Document |
| DRS MSP briefing Jan 2023 SIBA   | Document |
| Letter to First Minister from Scotland Food & Drink – Deposit Return Scheme – Feb 23 | Document |
| Co-signed urgent letter to Minister - DRS - 27 Feb 2023                              | Document |
| DRS MSP Follow-Up  | Document |

**SEPA Documents**

| Number of document  | Pre-reading documents  | Document or link |
|---|--|------------------|
|   | Project implementation document  | Document         |
|   | High level implementation plan/Plan on a Page  | Document         |
|   | Digital workstream plan (subject to review once CSL shared RLG's revised                                 | Document         |
|   | Summary of current risks and issues on the SEPA project  | Document         |
| <b>Service Design and User Journeys</b>                       |  |                  |
| 1.  | User Centred Design plan v0.4 (this is a working document that is subject to regular review and update). |                  |
| 2.  | User Journey for Direct Registration   |                  |
| 3.  | User Journey for Check the Register  |                  |
| 4.  | Workshop Journey for Scheme Administrator/CSL registrations  |                  |
| 5.  | Diagram of DRS 'who talks to who' which informed our early thinking around service design.               |                  |
| <b>How the service will work and how it will be delivered</b> |  |                  |
| 6.  | Overview presentation of the registration service  |                  |
| 7.  | Application form outline   |                  |
| 8.  | SEPA steps (system/team/finance) in the Scheme Administrator Registration process                        |                  |
| 9.  | Search the register prototype  |                  |

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| Business Process- how the team use the digital service          |  |                      |
|---|--|----------------------|
| 10.   | Direct registrations – the online registration business process  |                      |
| 11.   | Scheme Administrator/CSL registrations business process  |                      |
| How SEPA provides advice  |  |                      |
| 12.   | SEPA's regulatory approach, for a DRS obligated business audience.   |                      |
| 12a.  | DRS Compliance Strategy  |                      |
|   | Large amount of guidance and advice published on the SEPA website, kept under constant review to identify any additional guidance required | <a href="#">Link</a> |
| How SEPA addresses problems with the process or digital systems |  |                      |
| 13.   | SEPA/CSL Data sharing agreement  |                      |
| SEPA DRS Regulatory Service Resource plan from go live          |  |                      |
| 14.   | Presentation on DRS go live resource plan assessments, shared with SEPA's DRS Project Control Board 22/02/23                               |                      |

**CSL Documents**

| Pre-reading documents                                      | Document or link  |
|--|---|
| Circularity Scotland Programme Board Update February 2023  | Document  |
| Producer Agreement   | Document  |
| Return Point Collection Terms and Conditions               | Document  |
| RPO Blueprints   | Document  |
| CSL website  | <a href="https://circularityscotland.com/">https://circularityscotland.com/</a>                                 |
| Support package for producers                              | <a href="https://circularityscotland.com/news/21-feb-2023">https://circularityscotland.com/news/21-feb-2023</a> |
| CSL IT Presentation to Scot Gov 030323 v4 (Gateway Review) | Document  |

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**Zero Waste Scotland Documents**

| <b>Pre-reading documents</b>                | <b>Document or link</b>   |
|---|---|
| Exemption guidance documents                | <a href="https://depositreturnscheme.zerowastescotland.org.uk/applications">https://depositreturnscheme.zerowastescotland.org.uk/applications</a> |
| DRS Exemptions Capability Resilience Report | Document  |