



Waste Management Funding Principles for Local Government

1. Status of this document

This paper has been prepared by the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (the Association). MWAC is a standing committee of the Association with delegated authority to represent the Association in all matters relating to solid waste management. MWAC's membership includes the major Regional Councils (waste management), and a number of Local Governments. This makes MWAC a unique forum through which all the major Local Government waste management organisations cooperate.

MWAC focuses its work in three main areas, guided by the MWAC Strategic Vision – 'United Towards a Zero Waste Future':

- The proactive development of policy on priority issues;
- Comprehensive representation of Local Government views on legislation, regulations, administrative policy and related issues; and
- The delivery of grant funded programs consistent with Local Government priorities.

2. Purpose of this document

The following document has been developed by MWAC in order to outline the priorities for Local Government regarding the scope of funding programs for waste management activities. The development of the Local Government funding 'principles', was a recommendation in the 'Local Government Waste Management Funding Discussion Paper' endorsed by MWAC in April 2011.

It is anticipated that these principles will be used by MWAC in order provide input into the development of future funding programs and to clearly identify the constraints on Local Government in providing services.

3. Background to Waste Management Funding

Local Government spending on waste management activities in Western Australia (WA) includes kerbside recycling and waste collection, sorting and disposal, litter collection (including costs associated with illegal dumping) and the delivery of waste education programs. In addition to this, Local Governments and Regional Councils throughout WA are responsible for the development, operation and maintenance of a broad range of waste management infrastructure, including landfill sites, alternative waste treatment (AWT) facilities, material recovery facilities (MRFs) and transfer stations. According to the Department of Environment and Conservation's (DEC) *Zero Waste Plan Development Scheme (ZWPDS) Phase 1 Report 2006-07*, these sites are managed to various standards throughout the State (for example, in terms of staffing, level of engineering of the site and the monitoring of waste disposed) (2007, p. 15).

The costs incurred by Local Governments and Regional Councils in undertaking these activities are significant. For example, in a survey carried out by MWAC in May/June 2010 regarding the costs of litter collection (including illegal dumping), one Local Government mentioned that these costs came to approximately \$1 million annually for a population of approximately 30,000 people across an area of 18.86sq km. These costs are in addition to the regular kerbside collections and waste education programs run by the Local Government.

The financial costs incurred by Local Governments to construct and operate waste management infrastructure is also considerable. The operating cost of Local Government waste management and related activities exceeds \$130 million per annum. Additionally, tens of millions of dollars of new capital is invested to meet increased demand and adopt new technologies. The implementation (including planning, licensing and construction) of AWT facilities and landfills can take between five and seven years, will involve waste supply contracts for at least 20 years and require an investment of at least \$100 million. These costs and time-frames leave Local Governments and Regional Councils open to significant risk. The capital and operating costs associated with landfill are also substantial.

Currently, Local Government and Regional Council revenue is limited to four main sources of income (WALGA 2008, p. 73):

- 1) Rates;
- 2) Fees and charges (many Regional Councils also receive money from gate fees);
- 3) Grants and contributions; and
- 4) Profit [*or surplus*] from business enterprise.

As outlined in WALGA's Systemic Sustainability Study Report (2008, p. 73), of the above revenue sources, rates are the revenue set 'over which Local Governments have the most discretion, although this discretion is limited by the ratepayer's capacity to pay and the inherent political process.' In addition,

Fees and charges also offer some level of discretion but are restricted by sporadic external State Government regulation and, in some cases; prices are limited to the cost of provision. Grants and contributions are most commonly influenced by the quantum of transfers by other governments while business enterprise profit is inherently risky and subject to the political process due to the current inability to establish commercial trading entities (such as companies and Associations) (2008, p. 73).

Local Government receives limited funding from State and Federal grant schemes for the financing of waste management facilities. This means that any new facilities may have to be funded directly from rates – this places a considerable burden on Local Government and Regional Councils. The result is that Local Government is underwriting the success of most waste facilities across the State.

4. Principles for Local Government Funding

Local Government strongly supports funding programs that provide adequate funding and support for non-metropolitan Local Governments

Regional and remote Local Governments are currently disadvantaged in regard to the resourcing of waste management activities and infrastructure. Due to the low rate-base in these communities – sometimes due to a high proportion of Crown Land in these areas limiting the opportunities to raise addition rates – many Local Governments have difficulty funding services. In addition, these communities also have the added disadvantage of being geographically isolated; the distance needed to travel to recycle or dispose of waste in addition to waste collection places additional

burden on Local Government time, finances and other resources. As a result, many regional and remote Local Governments are unable to provide more than basic waste management services.

The Local Government Waste Management Funding Discussion Paper outlined that many funding schemes currently in operation do not sufficiently address the needs of regional and remote Local Government in WA. Local Government concern with previous grant schemes is that they tended to fund areas of waste management activity that many regional and remote Local Governments have not even begun looking at, or that do not consider the needs of Local Governments and the community to achieve desired outcomes. In addition, previous funding schemes also tended to ignore the need to fund ongoing operational costs to ensure the delivery of services and programs, particularly in these remote areas.

The introduction of Royalties for Regions funding for regional and remote Local Governments means that Local Governments in these areas now have access to additional funds to readdress this inequality. Local Government supports the application of these funds to the development of waste management infrastructure. However, the longevity of this funding Program is not guaranteed and it only covers infrastructure development, not ongoing running and maintenance costs.

Local Government strongly supports funding programs that consider the concerns specific to metropolitan Local Governments and Regional Councils

Local Governments and Regional Councils in the Metropolitan area face specific challenges in regard to the management of waste due to the volumes of waste they receive. As volumes of waste increase, the potential environmental impacts of the waste are also increased. This means more comprehensive (and consequently costly) environmental controls are necessary.

The expectations regarding the approach to waste management are also different in the metropolitan area. For example, in Draft II of the Waste Strategy for WA (the Strategy) a recovery rate of 70% is expected from the metropolitan area. As a result of strategies to mitigate environmental impacts and fulfil the expectations regarding recovery rates, large infrastructure has been developed (and will continue to be developed) to address these volumes. For Local Governments, funding the development and ongoing operational costs can be difficult, especially when funds are limited to those received through rates, or a 'user pays' system. One option that has been employed is the development of public-private partnerships to assist in the delivery of this infrastructure.

Local Government supports the provision of financial guarantees and capital grants by the State Government. These guarantees are sought by private sector operators working with Local Government on commencing these large projects. Local Government also supports action taken by the State Government to simplify the development of waste infrastructure that provides essential services to the community.

Another concern, specific to the metropolitan area, is the Waste Avoidance and Resource Recovery Levy (WARR Levy). The WARR Levy is applied to waste collected or landfilled in the metropolitan area. For Regional Councils and Local Governments the WARR Levy is a significant cost, in addition the costs of service provision. The substantial increase in the WARR Levy in 2010 had a negative effect on waste management service provision. In placing these additional costs on Local Government and Regional Councils – that are not returned through investment in waste management – fewer funds are available to Local Government to spend on improving waste management services.

Borrowing capacity can also be an issue for Local Government. For example, loans taken out by Regional Councils are guaranteed by their member Local Governments. This debt, however, is not considered to be a direct liability and does not affect Local Government borrowing capacity. Unfortunately, following the global financial crisis, this has changed, and now the liability does

affect the borrowing capacity of Local Governments (however it may also be dependent on the Regional Council's establishment agreement). This makes investment in new large scale projects less likely.

Local Government strongly supports funding programs that reflect priorities set out in the Waste Strategy, and work toward meeting targets set out in the Waste Strategy

Waste management is a significant activity for Local Government. Local Government spends in excess of \$130M annually (not including capital expenditure) on waste management related activities, providing a range of services to the community. Local Government is committed to working in partnership with other stakeholders to deliver these services and achieve sustainable waste management outcomes.

Local Government supports a Waste Strategy for WA with the purpose to set out 'a long term strategy for continuous improvement of waste services, waste avoidance and resource recovery, benchmarked against best practice' (WARR Act 2007, p. 14). Local Government considers that the primary rationale for the Waste Levy should be to secure funding for strategic activities in waste management, as identified in the Waste Strategy.

The Strategy outlines a number of targets and strategies, many of which will impact on Local Government. It is not clear from the Strategy how funding will be made available to Local Governments to assist in meeting these targets.

Local Government supports the vision of Towards Zero Waste in the Strategy but notes that assistance will be needed in order for the sector to achieve the Targets set out in the Strategy.

Local Government strongly supports funding programs that commit to full funding for the life of the program

For many funding programs, there has been a move towards a co-contribution approach. The main rationale behind this policy is to ensure that both parties are committed to the success of the project – a commitment measured by the financial contribution from both parties. The concern for Local Government is that the co-contribution model potentially ignores the considerable funds and resources that Local Government is already providing to ensure the delivery of projects.

Co-contribution from Local Government to funding programs/schemes, should acknowledge the substantial commitment to the service/project/facility that Local Government already provides. In regard to the management of waste and recycling facilities in particular, Local Governments are already providing finances and other resources to the ongoing operation of these facilities and services that should be taken into account when funding programs are being developed. One example of a program which requires co-contribution is the WA Transitional E-waste Program (WATEP). The Waste Authority provided a matched amount of capped funding for the recycling of TV's, Computers and peripherals. In order to access the funding Local Government has to provide a matched funding contribution. This structure does not take into account the in-kind costs to Local Government of running the collection service. This funding program is only intended as a transitional arrangement to full Product Stewardship which will hopefully see the full cost of providing the service covered by the industry.

While full-funding for projects is preferred by Local Governments, if co-contribution is the model that future grants are based upon, it is recommended that the contribution should include recognition of in-kind contributions as well as cash.

Local Government strongly supports funding programs with long-term funding commitments, that factor in the full cost to Local Government

There is an assumption by the community that Local Government is responsible for the collection and disposal of waste. There is also an expectation by the community that once a service or program has been introduced, the Local Government will continue to deliver the service. In order to deliver waste management services to the community, Local Government has to make a significant commitment to staffing and funding these services. Grant schemes have not traditionally considered the full cost of projects, in particular, the funding of continuous service delivery. Local Government is in support of long-term funding options, particularly when the development and operation of waste management infrastructure, and ongoing staffing, is taken into consideration.

There is also a concern that once funding for a State-Wide programme has stopped, the community will expect that the Local Government will be able to find the resources required to continue to deliver these programs. Local Government is in support of funding programs that show commitment to continuous funding for service delivery, not just short-term funding for services and facilities that the community expects to be delivered long-term and that Local Government will ultimately be responsible for funding.

The whole-of-life costs of infrastructure, in particular, are not usually taken into account by the funding bodies when projects are proposed. Costs incurred by Local Governments include the cost of capital, staffing costs, utility costs, as well as refurbishment and general depreciation costs. Local Government supports the allocation of funding that incorporates the long-term costs of managing infrastructure (asset management), and the need to operate and staff these facilities, particularly in regard to funding programs for the delivery of waste management infrastructure.

Local Government strongly supports the development of product stewardship schemes as a way to address the increasing cost of resource recovery for Local Governments

As has been mentioned, waste management is a significant activity for Local Government with substantial costs associated. Local Government does not have control over the inputs into the waste management systems – products which ultimately become waste are controlled by the companies who develop them. Local Government considers an Extended Producer Responsibility (EPR) approach can provide effective tools to advance the key outcomes required in achieving sustainability as well as an effective way of addressing the substantial costs incurred by Local Government in recycling and undertaking resource recovery activities. The MWAC Extended Producer Responsibility Policy Statement defines EPR as:

The financial and/or physical co-responsibility of those involved in making, providing or selling a certain product for the management and disposal of that product at the waste phase. Extended Producer Responsibility schemes generally engage producers in financing or carrying out the collecting, processing, recycling or disposing of post-consumer waste. Extended Producer Responsibility schemes may also be directed at changing manufacturing practices.

MWAC supports EPR as a means of assigning greater responsibility to producers for their products at the end of product life.

The WALGA Policy Statement on Extended Producer Responsibility states that Local Government endorses the Extended Producer Responsibility approach, with the following guidelines:

- Local Government considers that Extended Producer Responsibility schemes should be developed where and when they are most necessary and most practicable;
- Schemes must be specific and clear about what they seek to achieve and provide means by which to assess whether these objectives have been achieved;
- Schemes must designate clear roles to each participant in the product chain;

- Schemes must be capable of being delivered within a reasonable time;
- Schemes must aim to achieve an appropriate sharing of costs, between the various tiers of government and industry;
- Schemes should be designed so as to be appropriate to the product or waste stream in question; and
- Schemes should be supported with reliable evidence that demonstrates that the objectives of the scheme are likely to be able to be delivered.

In addition to these guidelines, Local Government supports the following principles for the development of product stewardship scheme:

- To ensure that Local Government is adequately consulted on the proposed product stewardship scheme development; and
- That there will be no net cost to Local Government as a result of the scheme.

References

Department of Environment and Conservation WA (DEC) 2007, *Zero Waste Plan Development Scheme (ZWPDS) Phase 1 Report 2006-07*.

Western Australian Local Government Association 2008, *The Journey: Sustainability into the Future. Shaping the Future of Local Government in Western Australia*.