

Local Government Funding Principles: Waste Management



June 2017

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.

This Paper complements the Waste Levy and Strategic Waste Funding Policy Statement. The Paper outlines Local Government expectations regarding State Government funding programs that support waste management activities. These principles will be used by MWAC to:

- Identify the constraints experienced by Local Government in providing services
- Identify the considerable contribution the sector makes to waste management
- Provide input into the development of funding programs.

This document will potentially support the Partnership Agreement (2017) between Local Government and the State Government.

Principles for Local Government Funding

Local Government strongly supports funding programs that:

1. Provide adequate funding and support for Regional Councils, non-metropolitan and metropolitan Local Governments
2. Reflect the targets and priorities within the State Waste Strategy
3. Fully funds and acknowledges the life-cycle costs of infrastructure and services
4. Facilitate the development and implementation of Product Stewardship Schemes.

1. Local Government strongly supports funding programs that provide adequate funding and support for Regional Councils, non-metropolitan and metropolitan Local Governments

Non-Metropolitan Local Governments

Non-metropolitan Local Governments, particularly those in regional and remote areas, are likely to experience difficulties resourcing waste management activities and infrastructure. These Local Governments have a limited rate base, due to lower population numbers and/or less rateable land. At a national level the constraints faced by such Local Governments are recognised through the Federal Assistance Grants. Unfortunately, waste management is not funded by these grants. In addition to a lower income stream, these Local Governments frequently have greater costs associated with transporting recyclables to market. As a result, many regional and remote Local Governments are unable to provide more than basic waste management services. For non-metropolitan Local Governments, grants programs need to take into account these constraints and focus on initiatives such as improving landfill management, providing ongoing assistance for recycling, developing markets and focusing on waste avoidance and local reuse and recycling options. Funding programs must focus on areas of waste management that Local Governments are in a position to consider.

Metropolitan Local Governments and Regional Councils

The volumes of municipal waste generated in the metropolitan area pose significant challenges to Local Governments and Regional Councils. As volumes of waste increase, so do the potential environmental impacts of waste, requiring more comprehensive environmental controls and logistics management. Community and Government expectations on the ability of waste management systems to divert material from landfill are higher in the metropolitan area. Strategies to mitigate environmental impacts and meet these expectations have relied on the development of large scale infrastructure.

Substantial investment is required to underpin the business case for large scale waste management infrastructure. Such infrastructure is often developed at a Regional Council level, with the decision to either complete a project internally, or outsource to the private sector made on a case by case basis. Regional Council loans are guaranteed by member Local Governments. The corresponding loan liability affects the borrowing capacity of member Local Governments. Allowing

CONTACTS

Regional Councils and Local Governments to borrow against their own assets, would ease the difficulties associated with securing finance. Likewise, the provision of financial guarantees and capital grants by the State Government would go some way to encouraging private sector operators to work with Local Government on large scale projects.

The Waste Avoidance and Resource Recovery Levy (WARR Levy) is applied to waste collected or landfilled in the metropolitan area. The collection of the WARR Levy poses significant costs and risk to Regional Councils and Local Governments. It has increased the cost of the entire waste recovery system, through its application to residual waste. The limited reinvestment of Levy funds, coupled with the constant downward pressure on Local Government rates - means there are fewer funds available to spend on improving waste management services.

2. Local Government strongly supports funding programs that reflect the targets and priorities within the State Waste Strategy

Waste management is a significant activity for Local Government. Local Government spends at least \$279M annually (2014/15 Local Government Census) 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 the State Waste Strategy for WA as '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 waste management activities, which are identified in an agreed State Waste Strategy. The Levy should not be used to fund core State Government functions.

3. Local Government strongly supports funding programs that fully funds and acknowledges the life-cycle costs of infrastructure and services

Grant schemes have not traditionally considered the full cost of projects. In particular, the funding of continuous service delivery. These include capital costs, staff, utilities, refurbishment and general depreciation. Once a service or program has been introduced, there is often a community expectation that it will continue to be delivered. Local Government supports funding programs that demonstrate a commitment to continuous funding for service delivery, as opposed to short-term funding for infrastructure only.

In recent years, there has been a move by Government to only fund projects with a financial co-contribution from the applicant. The rationale for this policy is to ensure that both parties are financially committed to the success of any given project. However, this approach does not take into account the significant financial contribution that Local Government makes to the management of waste. In the 2014/15 Local Government Census, this existing financial contribution was estimated to be \$279M. Local Government spending on waste management activities in 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. This includes landfill sites, Alternative Waste Treatment (AWT) facilities, Material Recovery Facilities (MRFs) and transfer stations. In developing funding Programs, the existing contribution of Local Government to waste management activities should be recognised and requirements for co-contribution limited.

4. Local Government strongly supports funding programs that facilitate the development and implementation of Product Stewardship Schemes

For waste management to be sustainable in the long term, the onus of responsibility for management of products at end of life needs to shift. The design of products, which ultimately become waste, is controlled by the companies that manufacture them. Local Government considers that a range of Product Stewardship Schemes are essential to ensure producers have more responsibility for end of life product management – both financial and physical. Producers have a unique opportunity to design products that can be reused and recycled. Product Stewardship is an effective way to address the substantial costs incurred by Local Government in recycling and undertaking resource recovery activities. In developing Product Stewardship Schemes, start-up funding from the State Government or Industry can be required to ensure infrastructure is established and effective systems are put in place. Local Government must be adequately consulted in the development of Product Stewardship Schemes. This will avoid situations where manufacturer assume that the operational costs of a Scheme will be predominately borne by Local Government.

CONTACTS