
REPORT NO:	0.0
REPORT TITLE:	Waste Service Charge Methodology
SOURCE:	Danielle Prentice, Manager Waste and Sustainability Robert Costa, Manager Finance
DIVISION:	Infrastructure & Assets
FILE NO:	-
POLICY:	-
STRATEGIC OBJECTIVE:	3.2: Deliver responsible and transparent governance, services and sustainable assets that respond to community needs
ATTACHMENTS:	Nil

1. SUMMARY OF REPORT:

- 1.1** At its meeting on 19 December 2022 Council resolved to introduce a waste services charge, commencing from the 2023-24 financial year. As part of this resolution, Council was to receive a further report in February 2023 recommending the methodology for the implementation of a waste services charge.

2. RECOMMENDATION:

That Council:

- 2.1** Implements a waste service charge, commencing from the 2023-24 financial year that includes a Flat-Fee for kerbside waste services and a Capital Improved Value (CIV) based fee for public waste services.
- 2.1.1** Notes that the kerbside waste services fee will apply to all properties to which Council can supply kerbside waste services.
- 2.1.2** Notes that the kerbside waste service fee will be a flat-fee for Council's standard kerbside service. Variations to this service, including the provision of additional or larger bins will attract an additional fee as listed in Council's fees and charges schedule.
- 2.1.3** Notes that the public waste service fee will be applied to all properties, regardless of participation in Council's waste services, based on CIV.
- 2.2** Endorses the provision of a \$50.00 rebate of the waste services charge for eligible Australian Government Pensioner Concession cardholders and Department of Veterans Affairs (DVA) Gold Card (TPI or WW) cardholders on the rates notice of their principal place of residence.
- 2.2.1** Notes that this rebate is in addition to Council's \$40.00 rebate already in place for these cardholders. Also noting that a further rebate is provided to these cardholders by the Victorian Government's Department of Families Fairness and Housing.
- 2.3** Notes that community consultation will be undertaken as part of the 2023-2024 budget consultation process.

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3. LEGISLATIVE POWERS:

- 3.1** The Local Government Act 2020 (Vic) together with the Local Government Legislation Amendment (Rating and Other Matters) Act 2022 enables Council to implement a service charge for waste, recycling, or resource recovery services. In addition, Councils have the power to levy rates and charges under the Local Government Act 1989 in order to fund and deliver essential community infrastructure and services.
- 3.2** The Rate Cap established under the Victorian Government's Fair Go Rates system does not apply to service charges, including waste services charges.
- 3.3** The Essential Services Commission (ESC) monitors and reports on Councils compliance with the Fair Go Rates system.

4. FINANCIAL IMPLICATIONS:

- 4.1** As detailed in the Council report dated 19 December 2022, in recent years Council has faced significantly increased costs of delivering its waste and resource recovery services. Increased recycling costs driven by global market changes combined with significant increases to the Victorian Government's Municipal and Industrial Waste Levy are the primary reasons for this cost increase. At the same time, Council has faced limited revenue raising capacity through the Victorian Government's rate cap, creating a gap. Based on the 2022-23 forecast, the cumulative gap between waste and recycling costs and the rate cap for the period 2015-16 to 2022-23 is estimated to be around \$23 million and this gap is forecast to keep increasing.
 - 4.1.1** It is therefore no longer financially sustainable to continue funding waste and recycling services through the general rates.
- 4.2** Overall, the purpose of implementing a waste service charge is to separate the costs of delivering these services so Council can recover the full costs of delivering these services (outside the Rate Cap).
- 4.3** A Waste Services Charge only achieves cost recovery and does not generate a surplus or profit for Council. The methodology decides how this cost is split across ratepayers.
- 4.4** If a waste services charge rebate is offered, it should be funded by the waste service charge, with non-eligible households sharing the costs of providing the rebate.
- 4.5** Currently, all waste services of kerbside and public are charged within the general rates. As a result, all ratepayers (regardless of whether they have access to the service) contribute towards the cost delivering waste services. As it is charged as part of general rates, the amount a ratepayer contributes is based on the property value (CIV).
- 4.6** Separating kerbside and public waste services will mean that properties that are not eligible for kerbside services (for example; multi-unit developments and some commercial properties) will no longer be charged for them. As a result, the total cost will be divided over a smaller number of properties, increasing the cost per property.
- 4.7** The actual cost to ratepayers for 2023-24 will be calculated as part of the 2023-24 annual budget process.

5. ENVIRONMENTAL SUSTAINABILITY CONSIDERATIONS:

- 5.1** There are no direct environmental sustainability implications as a result of this report.

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6. CLIMATE CHANGE ADAPTATION CONSIDERATIONS:

6.1 There are no direct climate change adaptation implications as a result of this report.

7. CHARTER OF HUMAN RIGHTS APPLICATION:

7.1 The Charter of Human Rights and Responsibilities Act 2006 sets out the basic rights and responsibilities of all people in Victoria. The Charter places obligations on public authorities by requiring them to act compatibly with human rights and give proper consideration to human rights when making decisions.

7.1.1 The recommended action in this Report does not limit human rights.

8. COMMUNITY CONSULTATION:

8.1 The Essential Services Commission requires councils to undertake community engagement when considering the introduction of a new waste charge – this requirement is consistent with Council’s community engagement obligations under the *Local Government Act 2020* and Council’s Community Engagement Policy.

8.2 Preliminary community consultation on the introduction of a separate waste charge was undertaken in late 2021, as part of a broader customer experience and attitudinal survey to inform the development of the Waste Strategy. In addition to the survey, a series of online workshops were held with community members that included guest speakers in order to further unpack the survey results.

8.2.1 Almost one in every four households across Hume City were provided with a direct invitation to complete the survey (19,215 households), with the survey also promoted via social media and Council’s ‘Participate. Hume’ engagement platform. A total of 2,773 responses were received.

8.2.2 For a municipality of the size of Hume City Council, a sample size of 384 responses is normally required to provide statistically valid results – with a confidence level of 95% and margin of error of 5%. With 2,773 responses, the margin of error is reduced to 1.85% - exceeding best practice.

8.3 Key findings from the preliminary consultation highlighted that:

8.3.1 71.2% of respondents felt that ratepayers should be paying the same price for the waste services that they were receiving.

8.3.2 17.5% of respondents felt that the waste charge should vary depending on the amounts of rates paid (i.e., that a waste charge should be linked to property value)

8.3.3 75.6% of respondents felt that waste service charges should be subsidised for concession card holders.

8.4 Following Council determination of the preferred model for introducing a Waste Charge (27 February), a final round of community consultation will be undertaken as part of the Annual Budget Update consultation and exhibition process during April/May.

9. DISCUSSION:

Waste service charge options

9.1 In implementing a Waste Charge, Council has a number of decisions to make on how to structure this charge.

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- 9.2 Options are across three primary areas; whether to have separate fees for kerbside services and public waste services, what type of charges to implement – options include flat fees, tiered fees or Capital Improved Value (CIV) based fees, or a combination of these, and what rebates (if any) should be applied.

Separating kerbside and public waste services

- 9.3 When selecting a method for the waste service charge, Council can separate the costs for kerbside waste services from public waste services.

- 9.4 Public waste services include:

- Litter and dumped rubbish collection, including from parks and reserves
- Road and footpath sweeping
- Collection of public waste and recycling bins across the municipality
- Hume Clean Days
- Mulch weekends
- Operation and management of operating landfill and resource recovery centres
- Aftercare and rehabilitation costs of closed landfills

- 9.5 Kerbside waste services includes:

- Garbage bin collection and the associated waste disposal
- Recycling bin collection and the associated recycling processing
- Hard Waste Collection and the associated material disposal and recycling
- Provision and maintenance of the kerbside collection bins

When Council introduces a universal FOGO collection service on 1 July 2024, the collection and processing of this material would also be included within the kerbside waste service. Any future changes to the kerbside service offered, including but not limited to the introduction of a glass collection service, would also be included.

- 9.6 Hume City Council does not offer kerbside waste services to all properties within the municipality. Some property types, typically commercial and industrial properties and large multi-unit developments are unable to receive Council kerbside services as we are unable to provide it.
- 9.7 Having separate fees for kerbside and public waste services mean properties ineligible for the kerbside waste service would not be required to pay the applicable fee.
- 9.8 These properties would still be required to pay the public waste service element of the waste service charge.
- 9.9 Properties who can receive Council's kerbside collection service but choose to opt-out would still be required to pay for the standard kerbside waste service charge.

Fee types: flat fees, tiered fees and CIV-based fees

- 9.10 Currently, all costs associated with waste services are covered through general rate revenue. As a part of rates, this is calculated based on a property's Capital Improved Value (CIV), which is then multiplied by the rate in the dollar. The CIV is the value of the property and takes into account the land and improvements fixed to the land. Each year, all rateable properties are revalued which can result in a change to the CIV.
- 9.11 In introducing a waste service charge, the current proportion of the rates currently used to fund the applicable waste services would be removed from the general rates. The costs of delivering these waste services would then be added back to the rates notice in the form of a waste service charge, based on the methodology selected by Council.

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- 9.12** In implementing a waste services charge, Council can decide on what basis it wants to calculate this charge. Options include flat fees, tiered fees and CIV-based fees.

Flat fees

- 9.13** A flat fee waste services charge means all properties pay an equal amount, regardless of CIV.
- 9.14** As the current method of calculation is based on CIV, properties contribute different amounts towards the costs of delivering waste services based on the CIV. This means lower value properties contribute less and higher value properties contribute more proportionately.
- 9.15** Switching from a CIV-based method of calculation to a flat fee would mean all properties would pay an equal amount. This means that, as a percentage of their property value, properties with a lower CIV would contribute more under a flat-fee arrangement, with higher CIV properties contributing less.
- 9.16** Flat fees are easy to administer and explain, the amount is equal for all properties within the municipality. Many Council's utilise flat fees for their waste services charge. This type of fee structure means that everyone pays the same amount for the same service.

Tiered fees

- 9.17** Tiered fees are based on CIV; however, the fee is staggered in flat amounts into groupings.
- 9.18** Using tiered fees, the fee may increase considerably between tiers, meaning properties with a similar CIV but just over the threshold into a higher tier could pay a considerably higher amount.
- 9.19** Switching from a CIV-based method of calculation to a tiered fee would provide some balance to the amounts contributed by properties with a lower CIV and a higher CIV.
- 9.20** Tiered fees are harder to administer and complex to explain, especially to properties that are just over the threshold of a tier level. Therefore, this option was not considered further by officers and is not recommended.

CIV-based fees

- 9.21** As the current method of calculation of rates is based on a property's CIV, under this method properties would continue to contribute the same amount proportionately.
- 9.22** Properties with a lower CIV would continue to contribute a lower amount, and properties with a higher CIV would continue to contribute a higher amount towards the costs of deliver waste services – in the same way that rates are charged.
- 9.23** As this is the current method of calculation it is simple to administer and relatively easy to explain.

Rebate options

- 9.24** Currently, Council offers eligible Australian Government Pensioner Concession cardholders and Department of Veterans Affairs (DVA) Gold Card (TPI or WW) cardholders a rebate of \$40.00 on the rates notice of their principal place of residence.
- 9.25** This rebate is in addition to the rebate offered by the Victorian Government's Department of Families Fairness and Housing. For 2022-23 the Victorian Government rebate is 50 per cent of the Council rates, to a maximum of \$253.20. This amount is indexed annually, can only be claimed for one property and that property must be the principal place of residence. This rebate is available to Pensioner Concession Card, DVA Gold Card (TPI or WW) cardholders. In addition, property owners who already receive a municipal rates concession, automatically receive a \$50 concession on the Fire Services Levy.

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- 9.26** The Australian Government provides the Pensioner Concession Card to recipients of the following payments:
- Age Pension
 - Carer Payment
 - Disability Support Pension
 - JobSeeker Payment or Youth Allowance (and are single, caring for a dependent child and looking for work)
 - Parenting Payment (single)
 - In certain circumstances the Pensioner Concession Card is also provided to eligible persons on other Centrelink payments.
- 9.27** In implementing a waste services charge, Council may introduce a rebate to reduce the costs for certain groups. This can include eligible Australian Government Pensioner Concession cardholders and DVA Gold Card (TPI or WW) cardholders.
- 9.28** Any rebate offered can be recovered through the waste services charge (public). This means, non-eligible properties cover the costs of provide the rebate to eligible properties.
- 9.29** Council can choose the value of the rebate and who it will be provided to, or Council may choose not to offer an additional rebate for the implementation of the waste service charge. The current \$40 rebate for Government Pensioner Concession cardholders and Department of Veterans Affairs (DVA) Gold Card (TPI or WW) cardholders will remain in place.

10. CONCLUSION:

- 10.1** Council has resolved to introduce a waste service charge, commencing from the 2023-24 financial year.
- 10.2** Having separate kerbside waste service and public waste service fees ensures only properties to which Council can supply the kerbside service are required to pay for this element of the service.
- 10.3** Currently, Council's waste services are funded primarily through the revenue generated by rates. Rates are calculated based on a properties CIV which is then multiplied by the rate in the dollar. Switching from this method of calculation (CIV) to flat fees or tiered fees will result in a difference in the amount contributed by each ratepayer.
- 10.4** Maintaining some part of the waste service charge as an amount calculated based on CIV minimises the negative impact of this charge on properties with a lower CIV.

Council currently offers a \$40.00 rebate to eligible ratepayers who are Australian Government Pensioner Concession cardholders or DVA Gold Card (TPI or WW) cardholders. In the community consultation undertaken in later 2021, 75.6% of respondents felt that waste services charges should be subsidised for concession card holders. Offering an additional rebate as part of the waste services charge will help to reduce any impacts of the implementation of a waste services charge on these ratepayers.