



Supplementary Paper S2 Ordinary Meeting

**Venue: Administrative Headquarters
 Civic Place
 Katoomba**

Meeting: 7.30pm 31 January, 2017



ORDINARY MEETING

31 JANUARY 2017

AGENDA

ITEM NO.	PAGE	SUBJECT	COMMENTS
		<u>LOOKING AFTER ENVIRONMENT</u>	
S2	4	New Waste Service Charges	

ITEM NO: S2

SUBJECT: NEW WASTE SERVICE CHARGES

FILE NO: F09799 - 17/18351

Delivery Program Link

Principal Activity: Looking After Environment

Service: Waste Resource Management

Recommendation:

That the Council notes this report.

Report by Director City & Community Outcomes:**Reason for report**

At the Ordinary Meeting of the Council on 13 December 2016; it was resolved;

That the Council defers Item 14 New Waste Services Charges to the next meeting of the Council to allow for Councillor Christie, who is currently on a leave of absence from Council, the opportunity to participate in the Item.

[Minute No. 371]

At the Ordinary Meeting of the Council on 23 August 2016, it was resolved:

“That the Council receives a report on any further possible measures to ameliorate the impact of the removal of the subsidy for small landfill bins now that the size has been standardised across the city, including:

- *Why the promised reduction in the domestic charges has not occurred;*
- *Possible cost savings from allowing people to opt out of the green bin scheme; and*
- *Possible measures to ameliorate the impact of increased costs on families who require 240 litre bins.”*

[Minute No. 250]

This report responds to that resolution.

Background

Under the *Local Government Act 1993*, councils are required to apply a charge for domestic waste services to all properties to which the services are available. This charge must cover the cost of providing the services. Regular Council ‘land’ rates cannot be used to fund domestic waste services.

The Domestic Waste Management Charge (DWMC) funds the following within Council’s Waste Resource Services:

- Household garbage service;
- Household recycling service;
- Household garden organics service ;
- Booked services (kerbside chipping and bulky waste);
- Chemical cleanout service;

- Community engagement and education;
- Strategic planning and advocacy;
- Domestic waste reserve; and
- All overheads associated with the above.

The 2016-17 Fees and Charges provide a number of DWMCs, reflecting the level of service requested by the property owner. The standard service (weekly 140 litre garbage, fortnightly 240 litre recycling bin and fortnightly 240 litre green bin) costs \$390 for 2016-17.

Alternative services include:

- Large recycling service, with 360 litre recycling bin;
- Large garbage service, with 240 litre garbage bin;
- Large garbage and recycling service, with 240 litre garbage and 360 litre recycling bin; and
- Small recycling service, with 140 litre recycling bin.

How are the Domestic Waste Management Charges calculated?

The DWMC is calculated by dividing the total cost of providing the domestic waste services (\$13.35M in 2016-17) by the number of properties serviced:

	# Properties	DWMC	Income Generated
Residential properties	33,621	\$390	\$13.1M
Vacant properties	1832	\$137	\$251k
			\$13.35M

The alternative services listed in the section above are provided on a “user pays” basis. For example, the cost of providing a larger garbage bin includes:

- Higher bin cost;
- Cost of transporting additional waste; and
- Cost of disposing of additional waste (including NSW Government Waste Levy).

The actual costs for the above are added to the standard service charge to create the charge for the large garbage service.

Prior to the introduction of the new waste service, there was a financial incentive provided by Council to encourage residents to voluntarily use the smaller 140 litre garbage bin and thereby send less waste to landfill. This lesser cost was a subsidy funded by those using the standard larger 240 litre garbage bin.

To achieve the pricing offered to the community for the new waste service, the 140L bin was established as the standard service across the City. Landfill diversion benefits were achieved by this smaller standard bin, which were enhanced by the introduction of a green bin as standard. As a result the incentive for a 140L bin from the old waste service was not continued.

In discontinuing the subsidy under the new waste service arrangements, Council has offered all properties that had the 140 litre garbage bin in 2015-16 two additional booked services (kerbside chipping or bulky waste) at no extra cost in 2016-17. Depending on which combination of services are used, this is valued between \$101 and \$178.

Why wasn't there a reduction in the domestic waste charge in 2016-17?

At the Ordinary Meeting of the Council on 15 September 2015, it was resolved (in part):

“2. That the Council, after consideration of the community consultation process, introduces from 1 July 2016:

- a) a fortnightly household garden organics 240 litre ‘green bin’ collection service;*
- b) a weekly 140 litre bin household garbage service; and*
- c) a fortnightly 240 litre bin household recycling service.*

5. That the Council, in response to community feedback, retains the kerbside chipping service in its current form...”

[Minute No. 693]

The Council resolution introduced a new household resource recovery and waste collection system. In addition, and as noted in the Report on 15 September 2015, the Council resolved to retain the kerbside chipping service that resulted in the reallocation of the projected savings that had been indicated for this option during the community consultation process. This enhanced the service provided in the new waste service.

What are the possible cost savings from allowing people to ‘opt-out’ of using the green bins?

The green bin collection and processing contracts were tendered on the basis that the service would be provided to all households. Economies of scale benefits could then be realised, making the green bin service more affordable to the Blue Mountains community than it otherwise would have been.

The successful contractor’s pricing is based on the service being provided to, and paid for by, every household in the Blue Mountains local government area.

What are possible measures to ameliorate the impact of increase costs of families who required a 240 litre garbage bin?

At the Ordinary Meeting of the Council on 15 September 2015, it was resolved (in part):

4. That the Council makes available a weekly 240 litre bin household garbage service, on request, to ratepayers on a full cost recovery basis;

[Minute No 693]

As noted above, the additional cost for households to use a 240 litre garbage bin, rather than the standard 140 litre garbage bin, is limited to the value of the direct additional expenses incurred in providing that higher level of service.

Unlike other local government areas, a “premium” has not been added to act as a financial disincentive for using a larger garbage bin.

Penrith City Council charges a minimum of \$714 and Hawkesbury City Council charges \$589 for a service that includes a weekly 240 litre garbage bin in 2016-17. By comparison, the Blue Mountains charge of \$494 is significantly more affordable.

This is the minimum that can be charged to recover costs of providing that service. Any change from the “user pays” principle by reducing this cost, would require the additional expense to be recouped from the charges to other households. That is, charge those using the standard service more to pay for those who generate more waste and therefore require a larger garbage bin and higher level of service.

Sustainability Assessment

Effects	Positive	Negative
Environmental	Council provides numerous resources for helping households reduce the amount of waste they generate so that the standard service could be adequate for all household types.	Nil
Social	While there is a “standard” new waste service, a number of alternatives are offered to provide a service suitable for all households types.	Households that generate more waste than average need to pay more for a higher level of service than the average.
Economic	The current method for setting DWMCs ensure all domestic waste service expenses are covered by income generated from DWMCs.	Nil
Governance	The current method for setting DWMCs ensures equity through a “user pays” model for all alternative service levels.	Nil

Financial implications for the Council

Each year, the income generated by the DWMCs must equal the expense of providing the domestic waste services. Where higher levels of service are provided, increased expenses are incurred. The current method of calculating the DWMCs is based on cost of providing a standard domestic waste service, with a “user pays” model for any higher service levels.

Legal and risk management issues for the Council

The current method for setting DWMCs is consistent with the *Local Government Act 1993*, and its supporting guidelines.

External consultation

Comparison with other Council’s DWMCs have been made in preparing this report.

Conclusion

The current method for setting domestic waste management charges is based on the level of service requested by the property owner and a “user pays” system. It ensures that enough income is generated to cover all expenses associate with providing the domestic waste services, consistent with the requirements of the NSW *Local Government Act 1993*. It is not proposed to change the current method for setting domestic waste management charges.

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