

7.3.1 CONSIDERATION OF A WASTE SERVICE CHARGE

Responsible Manager:	Deep Sethi, Chief Financial Officer
Responsible Director:	Simone Wickes, Director Corporate Services

RECOMMENDATION

That Council

1. **Endorses in principle the introduction of a full cost recovery waste service charge commencing in 2026/27.**
2. **Undertakes community consultation on the proposed waste service charge.**
3. **Receives a report back to Council after consideration of community feedback.**

INTRODUCTION

The State Government's rate cap has been in place for ten years, causing significant financial pressure on Victorian Councils, including Monash, which is the only council without a separate Waste Service Charge. This has forced Monash to absorb rising waste management costs within its capped rates, further straining its financial position. The existing Recycling and Waste charge only partially recovers these costs, which include recycling expenses, EPA levy increases, and costs related to the FOGO bin feedback program. As waste management costs continue to rise, Monash faces considerable financial risk and reduced capacity to meet community needs.

Additionally, the implementation of programs under the Victorian Circular Economy Act will further increase costs for Monash Council. These programs include the introduction of a specific glass bin and as landfills in the Eastern region of Melbourne reach capacity, Monash will need to explore alternative waste disposal methods, such as Waste to Energy solutions or transporting waste to the western region of Melbourne, both of which are likely to incur higher costs. Contractual costs are also expected to rise as contractors pass on increased expenses related to transport and general increases in their cost structures. Introducing a separate Waste Service Charge starting 1 July 2026 will mitigate these financial pressures in the long term.

COUNCIL PLAN STRATEGIC OBJECTIVES

The consideration of a full separate Waste Service Charge will align with strategies under the Council Plan particularly to ensure an economically, socially, and environmentally sustainable municipality. A continued focus for Council is to work with the community towards a zero-waste future, actively seeking to increase reuse and recycling. In addition to improving waste management to reduce landfill, including food to waste and glass collections.

BACKGROUND

The ability for Victorian Councils to raise Council rates and service charges are outlined in the *Local Government Act 1989 (the Act)*.

Currently the costs for waste are included in the general council rates.

Section 162 of the Act allows a Council to raise a separate Waste Service Charge for the provision of waste, recycling or resource recovery services. All Councils in Victoria, except for Monash, apply a separate Waste Service Charge.

A separate Waste Service Charge is a flat charge that applies equally to all properties that receive waste services. Councils can also set a variety of separate Waste Service Charges that reflect the level of waste services that are chosen by the resident (i.e. residents can elect to have standard or larger bin) and the charge can reflect these choices.

Most Councils set the separate Waste Service Charge at a level that fully recovers the cost of providing the waste service. Increases in the Waste Service Charge are separate to the cap on Council rates.

This charge will allow for greater transparency for the community in what the real costs of waste are. Without having to cover the cost of waste through general rates, this will free up funding to maintain and improve existing and future services.

In 2025/26 Monash Council applies a partial cost recovery charge of \$65 per assessment with a Council funded pensioner rebate of \$65 to eligible ratepayers to remove the charge for pensioners. This levy recovers \$5.6 million of the total \$31.6 million that Council is expected to spend on providing waste services in 2025/26.

Most of the Council expenditure on waste services such as kerbside collection and disposal of waste, recycling and green waste, hard rubbish collection and food organic collection is funded from Council rates.

DISCUSSION

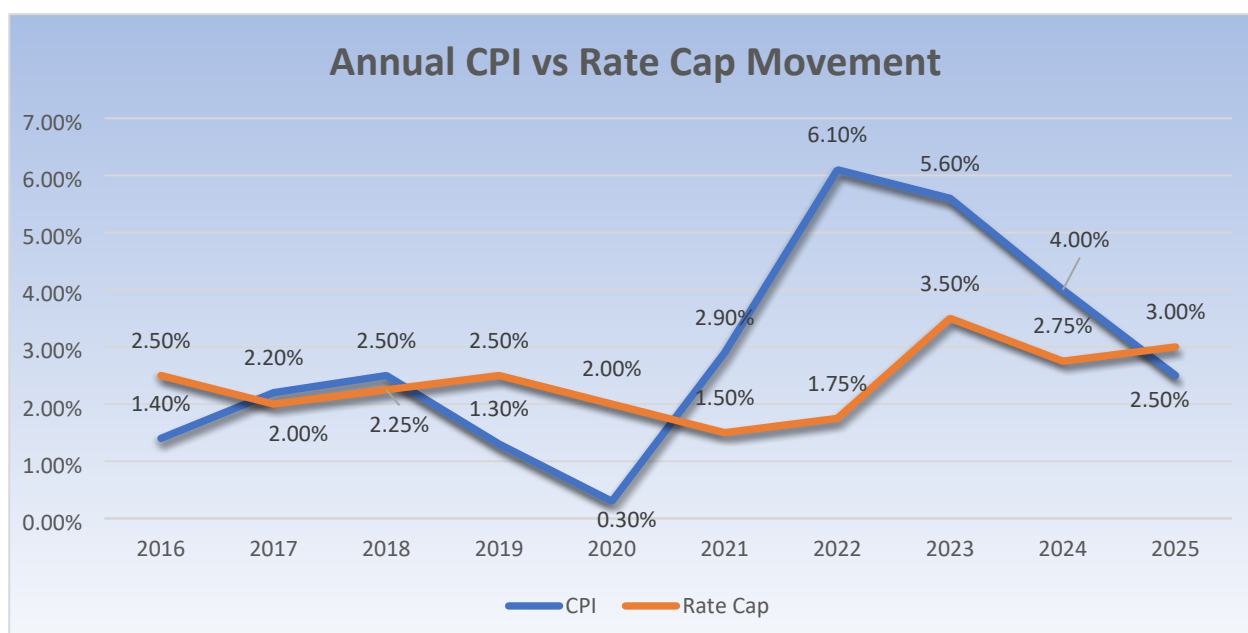
There are several key discussion points associated with this report. They are:

- The impact of rate capping on Local Government
- Historical financial impacts of waste service costs
- Future changes to the structure of waste services
- Financial risk and risk appetite of Council

Impact of rate capping on Local Government

Rate capping was introduced by the State Government in 2016/17. In its initial phases, the rate cap was linked to projected CPI figures provided by Department of Treasury and Finance. This link was then removed during COVID where the State Government sought to provide relief to ratepayers by limiting rate increases. Reduced rate caps continued to be applied after this point as CPI rapidly escalated.

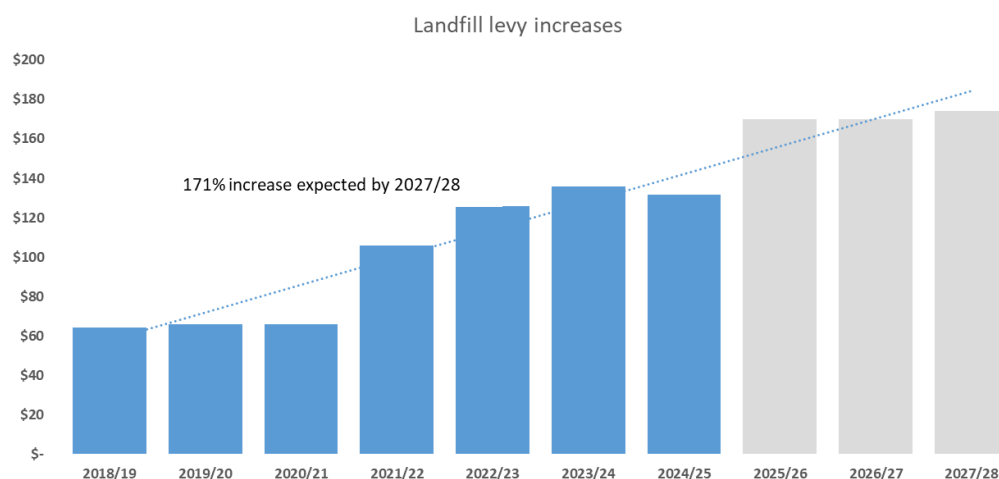
The rate caps that have been set have led to an ongoing situation where Council costs have continued to increase beyond annual increases in revenue. In some cases, Council has seen increases in the cost of construction between 20-40%.



Historical financial impacts of waste service costs

The management of waste services has changed considerably over the same period and the cost of the service has far exceeded the annual rate cap.

The recycling crisis increased pressure with councils now paying for recycling services when previously councils were able to use income generated from recycling to offset waste costs for the community. The price Council pays per tonne of waste to the State Government landfill levy has increased by 101% in the past five-year period and is expected to increase by 171% by 2027/28.



New services have been introduced into waste services with FOGO (Food Organic Green Organic) as required by State Government, this is now commonly offered by most Councils including Monash.

Landfill tipping fees have been increasing as existing landfills are close to reaching their capacity in the eastern region of Melbourne.

Contractual costs have also been escalating as contractors are looking to pass on increased costs associated with transport and general cost increases in their cost structures.

Monash has absorbed most of these cost increases over the past 10 years within its capped rates.

Future changes to the structure of waste services

The industry remains volatile with a number of major changes likely to occur in the coming years.

As part of the Circular Economy Act, all Councils are required to introduce a specific glass bin by 1 July 2027 which will require the Council to acquire 54,000 purple lidded bins and to introduce a collection service for these bins.

Over the next five years, all landfills in the Eastern region of Melbourne will have reached capacity and Council will need to dispose of its waste in a different form.

At present the options are to move to a Waste to Energy solution or transport Council waste to the western region of Melbourne. Both options have the potential to increase costs for Council.

As part of Council's Waste Strategy, Council will further consult on its hard waste collection process.

It is proposed that community consultation will extend to the glass bin service, which will be held later this year.

Further increases in both the State landfill levy and contractual costs are also likely to continue.

Financial risk and risk appetite of Council

Despite Council efforts to reduce waste costs for the community through education, contamination reduction, frequency change and increased diversion from landfill, the State Government levy and waste costs continue to rise, creating additional financial pressure.

As noted in this report, most increases in the cost of providing waste services have been absorbed by Council within the rate cap set by State Government.

If Council were now to continue to operate without a separate Waste Service Charge it would be accepting a significant financial risk when its financial position is already strained.

Under the Local Government Act 2020, the Council must revise its 10-year financial plan by 31 October 2025. As part of the modelling process for this plan, Council must consider the likely financial impacts on its service levels and capital funding should it accept this risk.

The introduction of a separate Waste Service Charge would mitigate the financial risk of increasing waste service costs.

FINANCIAL IMPLICATIONS

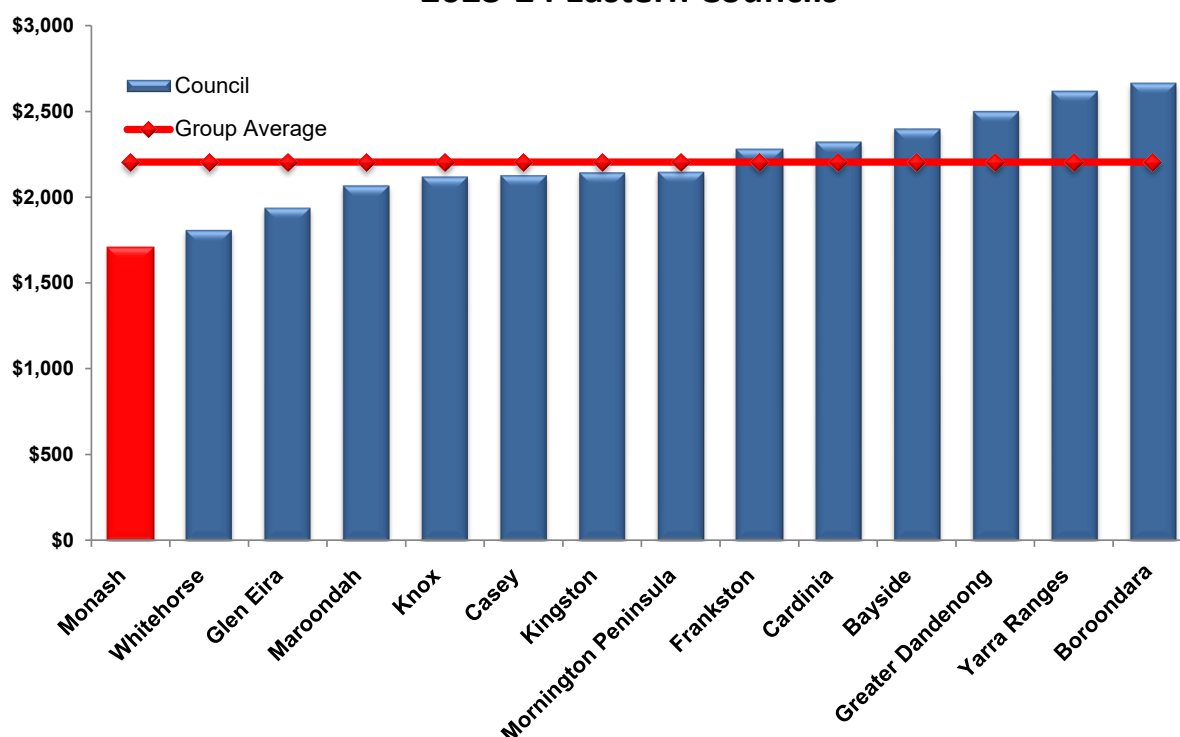
Council is currently experiencing significant financial pressure. When rate capping was introduced in 2016/17, it treated all Councils equally and paid no regard to whether Councils were either low or high rating Councils at the commencement of the capped rates.

Monash commenced rate capping as the lowest rating council per capita in metropolitan Melbourne and with the waste costs absorbed into the rates.

Over the past 10 years, other Councils have been able to increase their waste service charge over and above the rate cap to meet rising costs.

Financial benchmarking data now shows that of the 14 Eastern metropolitan Councils, Monash has the lowest rates and charges per assessment (*based on data from 30 June 2024 Annual Reports*)

Rates per Assessment 2023-24 Eastern Councils



Whilst having low rates is a positive outcome for residents of this Council, it does significantly restrict the Council's ability to provide ongoing services, and both renew its existing assets and provide new facilities for the community. Council currently is facing increased financial pressure to maintain adequate liquidity.

The cost increases to provide waste services are projected to continue to increase rapidly.

Without access to a separate Waste Service Charge, all these increased costs will need to continue to be absorbed by Council within the rate cap that is set annually by the State Government. This represents a significant financial risk and reduces Council's ability to deliver services and infrastructure.

The cost of providing waste services is projected to continue rising rapidly. Without access to a separate Waste Service Charge, these increased costs will need to be absorbed by Council within

the rate cap set annually by the State Government. This represents a significant financial risk and reduces Council's ability to deliver services and infrastructure.

The Local Government Act provides for councils to declare a separate Waste Service Charge based on either a:

- Service charge – This is a user pays approach where ratepayers pay the same charge for the same service, independently of property valuation; or
- Service rate – This is based on property valuation in the same way general rates are applied, properties with lower values pay lower rates. With a service rate there is no correlation with the individual ratepayer consumption of services.

The proposed separate Waste Service Charge* of \$394 for residential properties will include the following bins as a standard offering:

- 120 litre garbage bin collected fortnightly
- 240 litre recycling bin collected fortnightly
- 240 litre food and organics bin collected weekly

Non-residential service offering will change from one 240 litre bin, which is weekly collected to the following standard offering and is proposed* to be \$425 from 01 July 2026:

- 240 litre garbage bin collected fortnightly
- 240 litre recycling bin collected fortnightly

**These charges are draft and will be finalised as a part of the 2026/27 budget process*

Separate Waste Service Charge

A separate Waste Service Charge is a charge to properties for Council providing waste and recycling services. It is proposed to introduce a separate Waste Service Charge, which is compliant with the Ministerial Guidelines:

This charge recovers the full cost of providing kerbside waste collection service including:

- Collection of bins
- Running and maintaining collection trucks
- Waste disposal and processing fees
- The waste levy charged by the State Government
- New and replacement bins
- Hard waste Collection

The kerbside separate Waste Service Charge will be charged to all properties eligible for kerbside services.

Additional Waste Bin Charge:

This charge would be for additional optional bins:

- Additional Food and Garden Organics bin
- Additional garbage bins
- Additional recycling bins.

Additional bin charge will be applied for any bins in addition to the standard service. Additional bins will be charged via the rates notice. This charge will apply for a 120 litre garbage bin or any additional garbage bin more than 80 litre per property, as well as additional recycling bins and any optional food and garden organics (FOGO) bins. This charge will be reflective of the additional costs to supply increased services to the property.

Public Waste Service Costs funded through Council Rates

This is a wide range of waste services that Council provides that benefit all residents, council has decided to absorb these costs as a part of council rates to comply with the ministerial guidelines, following costs form a part of public waste service:

- Public place litter and recycling bins
- Street cleaning
- Drain cleaning
- Waste and environmental education.

Financial Assistance

To address these financial challenges, it is recommended that Council introduce a full separate Waste Service Charge with a 40% concession for pensioner concession card holders and a \$150 safety net transitional concession for anyone who may need support during this change. This approach will help mitigate the financial pressures while ensuring equitable access to waste services for all residents.

As the separate Waste Service Charge is proposed to be introduced from 1 July 2026, ratepayers will notice the changes to rates notice from July 2026. General rates will be reduced, while an estimated waste service charge of \$394 will be applied.

Starting 01 July 2027, Council will introduce glass bins as required by the State government. This change will increase the waste service charge to an estimated \$462 in the following year.

Impact analysis on current and proposed impact on different ratepayers:

Current Scenario (Prior to Reform):

Model Scenario	CIV	Rates - Prior to reform	Waste Levy - Prior to reform	Waste Levy Discount	Rates Discount	Total Rates
Pensioner Concession Card Holder *	\$700,000	\$1,023	\$72	\$72	\$50	\$973
Low Value	\$700,000	\$1,023	\$72	\$0	\$0	\$1,094
Median	\$1,100,000	\$1,607	\$72	\$0	\$0	\$1,679
High Value	\$2,500,000	\$3,652	\$72	\$0	\$0	\$3,723

Proposed Scenario:

Model Scenario	CIV	Forecast General Rates	Proposed Waste Service Charge	Waste Levy Discount	Rates Discount	Transition Discount	Total Rates	Difference
Pensioner Concession Card Holder *	\$700,000	\$881	\$394	\$158	\$50	\$0	\$1,067	\$94
Low Value	\$700,000	\$881	\$394	\$0	\$0	\$150	\$1,125	\$31
Median	\$1,100,000	\$1,385	\$394	\$0	\$0	\$0	\$1,779	\$100
High Value	\$2,500,000	\$3,147	\$394	\$0	\$0	\$0	\$3,541	-\$182

*Pensioner Concession Card, which can be issued for any 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
- Veteran's Affairs Gold Card (Given for TPI, War Widow, EDA, or POW)

**Ratepayers must apply for Transition Concession for low value properties, which will only be available for primary residences.

A flat rate estimated charge of \$394 will apply to residential properties, and a \$150 concessional amount will apply to lower value properties. Residential ratepayers who are ineligible to access Council's waste services will not be charged a fee.

The estimates are subject to the Valuer-General's property valuations for 2026 and the waste cost update which will form a part of the 2026/27 budget process.

Non-Residential Properties:

Non-residential properties can choose to stay part of Council's waste collection service, paying a base rate of \$425 annual waste charge (\$8.17 per week) and receive a fortnightly rotating general waste and recycling collection. Options will be available to add an additional set of bins to the fortnightly collection for an additional fee. Alternatively, if the non-residential property can better meet their needs through a private waste provider, the waste charge component will automatically be removed from the annual rates notice.

POLICY IMPLICATIONS

Implementation of separate Waste Service Charge will require an update to the strategies outlined in the Financial Plan and Revenue & Rating Plan. This will also inform the development of the Waste Management Strategy.

CONSULTATION

The proposal to introduce a separate Waste Service Charge includes a significant lead time for the Council to consult with its community and, if Council resolves to proceed to introduction, approximately nine months for internal processes to be modified or created.

With a proposed commencement date of 1 July 2026, should the Council endorse the introduction of a separate Waste Service Charge 'in-principle', then Council will undertake community consultation from 14 July 2025 with a supporting communications strategy.

These include:

- Direct mail to all ratepayers included with rates notices
- Direct mail to the physical address of businesses that receive commercial waste services
- Online look up tool for ratepayers to enter CIV and understand personal impact
- Phone hotline
- Community information pop ups in high traffic locations
- Phone survey of 400 residents
- Online survey
- Information in the Monash Bulletin distributed to all households
- Media release
- Council e-newsletter (3000 subscribers)
- Messages on hold
- Social media event listings to advertise community information pop ups

The outcomes of community consultation will then be brought back to Council for consideration prior to a final decision on implementation of a separate Waste Service Charge.

The Essential Services Commission has been advised of the approach being undertaken and a report will be provided on the outcome of the community consultation.

SOCIAL IMPLICATIONS

The introduction of a separate Waste Service Charge will have some social implications in how the waste service is funded.

Currently, most waste services expenditures are funded by general rates. This means that despite all properties having an equal service delivery, higher valued properties are cross subsidising waste services costs for lower valued properties.

There are also some properties paying for a waste service in Multi Unit Developments who don't receive a bin service from Council.

The introduction of a separate Waste Service Charge would mean that all properties would contribute equally to receiving the same service.

It should be noted that in the Ministerial Best Practice Guidelines on waste service charges, the recovery of waste service charges by way of using property values (which is essentially what is currently occurring at Monash City Council) is not recommended.

HUMAN RIGHTS CONSIDERATIONS

There are no human right implications of this decision.

GENDER IMPACT ASSESSMENT

A Gender Impact Assessment will be undertaken prior to adopting a full waste charge if Council endorses the implementation of it following community consultation.

CONCLUSION

Council is currently in a challenging financial position. The rising costs of waste will make it increasingly difficult for Council to maintain its current services and improve infrastructure in line with community needs and expectations as costs will outstrip revenue.

Council cannot continue to absorb these increased costs within the capped rates without an impact on services and challenges to our ability to renew existing assets and the provision of new and upgraded community facilities.

This report requests that Council support a separate, full cost recovery waste charge in principle. This would be followed by community consultation, and the proposed charge would be reconsidered at a future Council meeting based on feedback from the community.

ATTACHMENT LIST

Nil