



## **Submission: Recommendations on the focus and scope of the review of the NSW Waste Levy, January 2024**

### **The Hunter Joint Organisation**

The Hunter Joint Organisation is the statutory local government entity established by the NSW Government, through the *NSW Local Government Act 1993*, to support the Councils of the Hunter Region work together for better rural and regional outcomes, and to enhance the way local and state governments work together to plan and deliver important regional infrastructure and investment.

Member Councils of the Hunter JO include:

- Cessnock City Council
- Dungog Shire Council
- Lake Macquarie City Council
- Maitland City Council
- MidCoast Council
- Muswellbrook Shire Council
- City of Newcastle
- Port Stephens Council
- Singleton Council
- Upper Hunter Shire Council

The core statutory functions established by the NSW Government for the Hunter JO include:

1. **Strategic planning and priority setting** – to establish strategic regional priorities for the Joint Organisation area and to establish strategies and plans for delivering those priorities.
2. **Intergovernmental collaboration** - to identify and take up opportunities for inter-governmental cooperation on matters relating to the Joint Organisation area.
3. **Shared leadership and advocacy** - to provide regional leadership for the Joint Organisation area and to be an advocate for strategic regional priorities.

### **Strategic Priorities**

The Hunter is recognised as one of the leading regions in Australia in developing and implementing circular economy and waste management initiatives. This effort is being led by the Councils of the region who are committed to transitioning the Hunter region toward a circular economy, as a key component of our transition to net zero, and to evolve the Hunter and NSW economies beyond their current dependence on coal exports. The transition to a circular economy is widely recognised as a key foundation on which the investment and innovation needed to create the new industries and jobs that will underpin this economic evolution will be built.

At a more immediate level, this transition to a circular economy is also seen as the primary opportunity through which to address a multitude of waste and recycling challenges currently facing the region. If not addressed, some of the region's domestic landfills will be full this

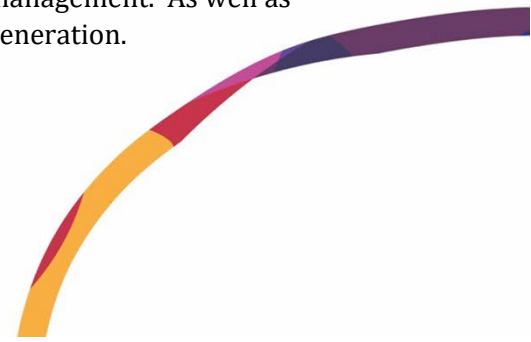
decade, which will present communities across the region with significant and costly issues for the disposal of waste.

These aspirations of the ten Hunter JO Member Councils to transition toward a Circular Economy are reflected in the following shared strategic directions (Source: [Hunter JO Strategic Plan 2032](#)):

Objective	Strategic Direction
3.4 A region that is built around circular economy principles as a driver of future jobs.	3.4.1 Support knowledge sharing and embed circular economy principles in our strategies and plans to provide a pathway to future jobs creation in our local supply chains and services.
	3.4.2 Support implementation of the Hunter Central Coast Circular Economy Roadmap.
4.2 Making use of our opportunity to drive circular evolution of our region's economy.	4.2.1 Support meeting our future regional infrastructure and operations for circular outcomes.
	4.2.2 Reduce carbon emissions through better waste and materials management.
4.4 Supporting our region to be on the path to net zero emissions and paving the way with smart innovative solutions that increase liveability.	4.4.2 Support regional collaboration around clean energy and future energy initiatives and industries.

The Hunter and Central Coast Regional Circular Materials Strategy 2022-27 further defines these priorities. It provides the Hunter JO's strategic direction as a regional response to the NSW EPA Waste and Sustainable Materials Strategy 2021-41 (WaSM), including a 20-year vision and initial five-year implementation plan that will require substantial, sustained and strategically targeted investment to deliver. Endorsed by both the NSW EPA and all Hunter Mayors (via the Hunter JO Board), the strategy focuses on four priority themes:

1. **Collaboration** - Identifying and delivering on opportunities for strategic collaboration to solve regional problems for greatest positive impact. Through regional knowledge sharing, communication and engagement, advocacy, education and behaviour change, and procurement.
2. **Circularity** - Enabling and influencing the circular economy by understanding the full material supply chain creating cradle-to-cradle solutions. Focused on transforming upstream and downstream material flows to become more circular.
3. **Resource Recovery** - Maintaining regional continuity and enhancement of core waste and resource recovery infrastructure, operations, and services.
4. **Protecting the Environment** - Creating a regionally coordinated approach to protect our environment and human health through problem waste management. As well as improving regional disaster resilience and environmental regeneration.




These regional directions identified for the Hunter are consistent with and have the capacity to significantly support delivery of a number of NSW and Australian Government legislative and policy objectives (refer Attachment 1), including:

- *National Waste Policy (2018)*
- *National Waste Action Plan (2019)*
- *NSW Waste Avoidance and Resource Recovery Act 2001*
- *NSW Waste and Sustainable Materials Strategy 2041*
- *NSW Circular Economy Policy (2019)*
- *NSW Net Zero Plan Stage 1: 2020-2030*
- *The NSW Waste and Sustainable Materials Strategy 2041*

### **Investing in the Circular Economy Transition - the Challenge for Local Government**

While there exists substantial and increasingly strong alignment in the policy directions of Local, State and Commonwealth Governments to the approaches needed to drive the transition to a circular economy, current government funding and investment frameworks to support this change are not effective in driving the step-wise and sustained change in systems and investment that is needed.

Key challenges in this regard include:

- Local Councils, working either individually or at regional scales to drive this change are largely reliant on competitive based grant programs delivered through the NSW EPA. While these programs provide assistance, they are neither strategic enough nor adequate in their level of funding to facilitate the strategic and sustained planning and investment that will be required over longer-term planning and investment cycles. For example, while the Hunter JO has developed a Regional Circular Materials Strategy for the Hunter and Central Coast, produced at the direction of the NSW EPA, there exists no sustained or core pipeline of funding to deliver on the priorities it identifies.
  - Transitioning to a circular economy is complex. A collaborative and intergovernmental approach to structural and systems change across all levels of government and industry will be central to achieving the transformation to circularity that is required. Regions provide the most appropriate scale for the collaboration and action needed to successfully achieve this objective. However, investment in regional scale, multi partner collaboration, strategic planning, business case analysis and sustained facilitation of the circular economy ecosystem is currently limited compared to the scale of activity that is needed to drive the change necessary.
  - Councils continue to face significant challenges from ever changing consumer behaviours, changes to legislative and policy settings, and increasing levels of waste generation. Local government needs support, critically from State Government, to plan and deliver the
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services that have been mandated. While the Hunter region has been working innovatively in this space, Councils are finding it increasingly challenging to adapt. In the absence of considerable funding and support from other levels of government, Local Government will not be able to achieve established waste reduction targets.

## A Way Forward

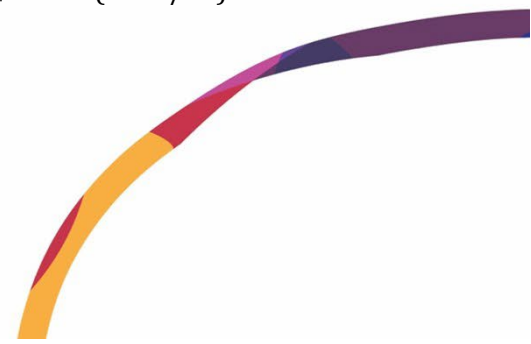
The NSW Waste Levy was originally imposed on Councils across New South Wales by the NSW Government to divert waste from landfill and create a financial incentive to recycle through landfill drop-off charges. A substantial amount of the Waste Levy contributions was intended to fund resource recovery activities including infrastructure and projects.

In line with that policy intent, the increasing level of revenue collected from the NSW Waste Levy, provides the ideal opportunity to provide a substantive and sustained level of investment in place-based local and regional circular economy and waste avoidance and reduction initiatives. Returning Waste Levy funds to local and regional communities via local government and industry would provide a stable source of revenue to address both immediate waste management challenges and to support the strategic and sustained delivery of local and regional circular economy initiatives and waste avoidance infrastructure and services that are needed to meet local, state and national waste reduction and net zero targets. This includes investing in collaborative regional approaches, which are considered the most appropriate scale for the structural and systems change across all levels of government and industry that are needed to drive the transformation to circularity.

Currently however, only a small portion of funds collected through the levy are reinvested back to local government, with this occurring via contestable grants. This approach does not provide the extent, security and sustainability of funding that is necessary to support local government to strategically invest in the local and regional circular economy initiatives and waste avoidance infrastructure and services that are required to meet established targets.

Additionally, since its establishment the proportion of funds returned to councils from the Waste Levy over time has changed significantly, with less and less funding being proportionately reinvested directly back into local communities. In the Hunter Region alone, during the 2022/23 financial year, around \$70 million in waste levy contributions were collected and provided to the NSW Government, however only around \$1.2 million of this has been returned to Councils to fund resource recovery projects. This is symptomatic of a broader trend over the past decade where the proportion of waste levy funds returned to local communities (both in real and percentage terms) has been declining, despite substantial increases in the amount of revenue collected (refer Attachment 2). Across the ten Hunter JO Member Council areas this trend includes:

- Total funding collected by the waste levy has increased from \$29.7M (2011/12) to \$71.4M in (2021/22).



- The proportion of funding returned to Councils has decreased from 9.9% of total waste levy collected in 2011/12, to 3.04% in 2021/22.
- The total value of funding returned to Councils has decreased from \$2.95M in 2011/12 to \$2.17M in 2021/22.

The loss of these funds from the region's communities, from whom it was collected, represents a considerable level of investment that could otherwise be utilised to prioritise and strategically invest in circular economy and waste management initiatives in the Hunter, as a key driver of the region's new jobs, economic growth and sustainability.

At a broader level across NSW, analysis has shown that (WSROC Funding Waste Infrastructure Report, 2022):

- Between 2010 and 2020 the NSW State Government has been investing less than the national average (of 25%) back into the NSW waste and resource recovery industry, with just less than 15% of total waste levy revenue redirected into waste and resource recovery projects each year.
- Similarly to the Hunter Region, the proportion of funds returned to NSW councils more broadly has continued to decline. This is inconsistent with the original intent of the NSW Waste Levy to divert waste from landfill and create a financial incentive to recycle, with a substantial amount intended to fund resource recovery activities. This reduction in funding being provided to Councils:
  - directly impacts local government's crucial role in enabling and preparing their local communities for the transition to a more circular and resilient waste future
  - is directly inhibiting strategic and sustainable investment and innovation by Councils, thereby leaving the state reliant on landfills for waste disposal.

This deficit in funding local place-based initiatives is also reflected in the *The NSW Waste and Sustainable Materials Strategy 2041*. Published in 2021, this state-wide strategy confirms that:

- *"One-third of the waste levy revenue collected is returned to the environment portfolio, with more than half of that funding going to waste and circular economy programs and activities"*. This appears to confirm that that just over half of one third of the revenue collected from the waste levy is actually reinvested to waste and circular economy initiatives, of which even less is invested in place-based local government initiatives.
- *"Over the last 9 years, the waste levy has funded the \$800 million Waste Less, Recycle More program, and will continue to fund the implementation of this strategy"*. However, funding of the strategy's implementation moving forward will be predominantly via contestable grants open to both local government and the private sector. This makes it increasingly challenging to establish and sustain the collaborative local and regional ecosystem needed to drive the circular economy, and to establish and sustain a pipeline of local government led projects and initiatives at the scale necessary to drive the transition to circular outcomes.



Further context for the recommendations provided in this submission are also reflected in the outcomes of seven previous reviews of the Waste Levy that have been undertaken since 2010.

These include:


1. The Richmond Review, NSW DECCW (now the NSW EPA) 2010;
2. Impact of the waste levy on commercial and industrial recycling, CIE 2011;
3. Review of the NSW Waste and Environment Levy, KPMG 2012;
4. NSW Parliamentary Inquiry into 'Energy from waste' technology, 2018;
5. Inquiry into waste and recycling industry in Australia, The Senate, 2018;
6. Paper Review of Waste Levies in Australia, National Waste and Recycling Industry Council, 2019; and,
7. [Waste levy and grants for waste infrastructure - Performance Audit Report](#), NSW Auditor-General, 2020.

Key findings from these reviews include (WSROC Funding Waste Infrastructure Report, 2022):

- While the waste levy has worked to increase diversion of waste from landfill, the rate of return of levy funds back into the resource recovery industry to support necessary waste infrastructure is historically low.
- The waste levy is applied inconsistently across LGAs. The list of exempt and levy-paying LGAs requires review and updating according to a transparent and objective decision-making process.
- The rate of hypothecation of levy funds back into local government is low and disproportionate to the amount of levy paid.
- A very low rate of hypothecation of levy funds back into the waste and recycling industry exists and grant program requirements need to be reviewed.
- Grants are inflexible and time-bound making it difficult to work in with the planning framework. There is no ability for one-off grants for large amounts of money, and grants cannot be used to buy land for waste infrastructure hindering development. Grants also often impose overly administrative burdens on council, and it can be difficult to justify the time for small amount of funds received.

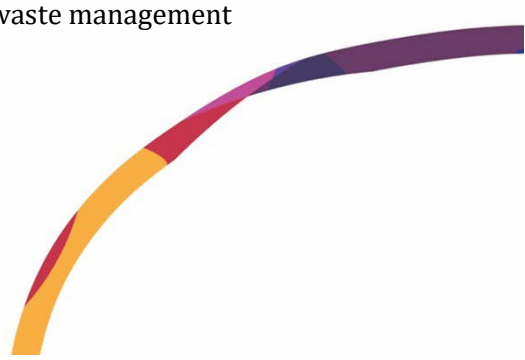
### **Recommendations on the Focus and Scope of the Review of the NSW Waste Levy**

The ten Member Councils of the Hunter JO strongly support a review of the NSW Waste Levy, and that the focus and scope of this review should encompass the opportunity and pathways for:

- All revenue generated by the waste levy to fund the significant and sustained level of investment required to drive the implementation of circular economy and local and regional waste management initiatives. For the Hunter, this would directly support key NSW policy and regional strategic directions to become a region built around circular economy principles, to drive progress toward net zero objectives, to deliver on established waste reduction targets, and to create the region's future jobs as our economy evolves beyond coal.
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- Decision-making authority for the prioritisation and expenditure of waste levy funds to be delegated to regional place-based decision-making processes, to actively enable strategic and sustained investment in circular economy initiatives and waste avoidance infrastructure and services. Local government representation in such decision-making processes would ensure all funding from the waste levy is returned to the communities from which it is collected.
- A more equitable approach to the determination of waste levy charges. For example in the Hunter region, the City of Newcastle is categorised as a metropolitan area and must pay a higher levy rate than the other councils of the region, despite some councils in the Greater Sydney region being categorised under the regional levy. This has resulted in Newcastle ratepayers paying additional fees of almost \$20 million in a single year.
- That a comprehensive Cost Benefit Assessment be commissioned by the NSW EPA to explore the broader economic and social benefits and returns, compared to Business as Usual, that would be generated from reinvesting all waste levy revenue back into the local and regional communities from which it is collected, for circular economy and waste management initiatives.

These recommendations are based on the following principles, which are recommended to underpin the review process:

- Wherever possible and appropriate, delegation and decision-making authority to place-based mechanisms will strengthen social fabric and empower communities to achieve waste reduction targets.
  - Increasing the authority of local decision making and the capacity of regions to successfully achieve waste reduction targets is only possible if supported with appropriate resourcing. Local government is in the best position to determine where funding is best placed and used for the benefit of their communities.
  - The current system of reinvesting a small portion of funds collected through the NSW Waste Levy back to local government via contestable grants does not provide the extent, security and sustainability of funding that is necessary to strategically invest in local and regional circular economy initiatives and waste avoidance infrastructure and services.
  - Returning Waste Levy funds to local and regional communities will provide a stable source of revenue to support the strategic and sustained delivery of local and regional circular economy initiatives and waste avoidance infrastructure needed to meet local, state and national waste reduction and net zero targets.
  - All councils in NSW use the Integrated Planning and Reporting (IP&R) Framework to guide their planning and reporting activities, including 10-year Community Strategic Plans, 4-year Delivery Program, Annual Operational Plan, Resourcing Strategy and Annual Report. The IP&R Framework provides the planning and accountability mechanism through which investment by the NSW Government (including 100% of waste levy funding), should be directed and aligned to strategically plan, resource and deliver local and regional place-based circular economy and waste management initiatives.
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- Transitioning to a circular economy is complex. A collaborative approach to structural and systems change across all levels of government and industry will be central to achieving the transformation to circularity that is required. Regions provide the most appropriate scale for the collaboration and action needed to successfully achieve this objective. Resourcing the collaboration to facilitate and build the circular economy ecosystem will be critical to achieving the pace and scale of transformation that all levels of government are aiming for.

**Attachments:**

1. Commonwealth and State legislative and policy context
2. Decline in waste levy funds collected in the Hunter Region (2011 – 2022)



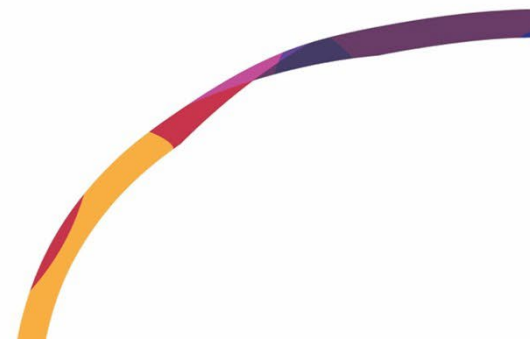


## Attachment 1 - Commonwealth and State legislative and policy context

Legislation / Policy	Description
<i>National Waste Policy (2018)</i>	<p>Provides a national framework for waste and resource recovery in Australia. The policy outlines the five key principles for waste management to enable Australia to transition to a circular economy:</p> <ol style="list-style-type: none"> <li>1. Avoid waste.</li> <li>2. Improve resource recovery.</li> <li>3. Increase use of recycled material and build demand and markets for recycled products.</li> <li>4. Better manage material flows to benefit human health, the environment and the economy.</li> <li>5. Improve information to support innovation, guide investment and enable informed consumer decisions.</li> </ol>
<i>National Waste Action Plan (2019)</i>	<p>This National Action Plan presents targets and actions to implement the 2018 National Waste Policy, to guide investment and national efforts to 2030 and beyond. The plan aims to address impediments to a circular economy for waste in Australia—to support businesses and households realise the full value of recyclable materials and work towards more sustainable resource use. National targets established by the Plan include:</p> <ol style="list-style-type: none"> <li>1. Ban the export of waste plastic, paper, glass and tyres, commencing in the second half of 2020.</li> <li>2. Reduce total waste generated in Australia by 10% per person by 2030.</li> <li>3. 80% average resource recovery rate from all waste streams following the waste hierarchy by 2030.</li> <li>4. Significantly increase the use of recycled content by governments and industry</li> <li>5. Phase out problematic and unnecessary plastics by 2025.</li> <li>6. Halve the amount of organic waste sent to landfill by 2030.</li> <li>7. Make comprehensive, economy-wide and timely data publicly available to support better consumer, investment and policy decisions.</li> </ol>
<i>Circular Economy Ministerial Advisory Group</i>	<p>The Circular Economy Ministerial Advisory Group has been established by the Commonwealth Government to guide Australia’s transition to a more circular economy, by 2030. The Advisory Group advises the Australian Government, through the Minister for the Environment and Water, on:</p> <ul style="list-style-type: none"> <li>• opportunities associated with Australia’s circular economy transition (nationally, and within specific sectors)</li> <li>• regulatory, commercial and other barriers to a more circular economy</li> </ul>

Legislation / Policy	Description
	<ul style="list-style-type: none"> <li>• best practice initiatives that show promise for adoption and/or expansion in Australia</li> <li>• circular economy research, development and innovation needs</li> <li>• effective measurement and communication about progress towards Australia's circular economy.</li> </ul>
<i>NSW Waste Avoidance and Resource Recovery Act 2001</i>	Commits the NSW Government to refreshing and updating its waste strategy every five years – to review and continually improve the state's policies and targets for waste reduction and landfill diversion.
<i>Protection of Environment Operations Act 1997</i>	Section 88 of the Protection of the Environment Operations (POEO) Act applies a financial levy (the Waste Levy”) to scheduled (ie EPA licensed) waste management facilities. The Levy is intended to serve as the NSW Government's main economic instrument for waste management and resource recovery. Its primary purpose is to make recycling more competitive (i.e. cheaper) than landfilling, so that the value of resources and their embodied emissions can be retained within the economy. Reinvestment of revenue from the waste levy was intended to drive significant advances in the waste industry by supporting jobs, fuelling innovation and cleaner technologies, and reducing investment risk around the development of resource recovery facilities.
<i>NSW Waste and Sustainable Materials Strategy 2041</i>	<p>As well as waste reduction and recycling, this strategy focuses on the environmental benefits and economic opportunities from managing waste. The strategy identifies the actions to be implemented during the first stage of the strategy through to 2027. The strategy commits the NSW Government to the following targets:</p> <ul style="list-style-type: none"> <li>• reduce total waste generated by 10% per person by 2030.</li> <li>• have an 80% average recovery rate from all waste streams by 2030.</li> <li>• significantly increase the use of recycled content by governments and industry</li> <li>• phase out problematic and unnecessary plastics by 2025</li> <li>• halve the amount of organic waste sent to landfill by 2030.</li> <li>• introduce a new overall litter reduction target of 60% by 2030 and a plastic litter reduction target of 30% by 2025, as set out in the NSW Plastics Action Plan</li> <li>• set a goal to triple the plastics recycling rate by 2030, as set out in the NSW Plastics Action Plan</li> <li>• reaffirm the State's commitment to the goal of net zero emissions from organic waste by 2030, as laid out in the NSW Net Zero Plan</li> <li>• establish new indicators to help us track our progress on infrastructure investment and the cost of waste services</li> </ul>

Legislation / Policy	Description
	<ul style="list-style-type: none"> <li>develop a new measure of the emissions performance of waste and materials management.</li> </ul>
<p><i>NSW Circular Economy Policy (2019)</i></p>	<p>The NSW Circular Economy Policy Statement:</p> <ul style="list-style-type: none"> <li>provides a common language and direction for a circular economy, through a definition and seven circular economy principles</li> <li>defines the NSW Government's role in implementing circular economy principles across the state.</li> <li>provides clear principles that assist the NSW Government to embed circular economy principles in Government decision making, policies, strategies and programs.</li> <li>outlines immediate next steps and sets focus areas to guide planning and implementation.</li> </ul> <p>Key focus areas identified in the policy for guiding government action include:</p> <ul style="list-style-type: none"> <li>Support innovation</li> <li>Sustainable procurement</li> <li>High quality, consistent recycling</li> <li>Value organics</li> <li>Mainstream product stewardship</li> <li>Responsible packaging</li> <li>Support reuse and repair</li> <li>Circular design</li> </ul>
<p><i>NSW Net Zero Plan Stage 1: 2020-2030</i></p>	<p>The Net Zero Plan Stage 1: 2020-2030 is the foundation for NSW's action on climate change and goal to reach net zero emissions by 2050. It outlines the NSW Government's plan to protect the future by growing the economy, creating jobs and reducing emissions over the next decade.</p> <p>From a waste management perspective the Plan commit the NSW Government to a target of net zero emissions from organic waste by 2030. The strategies identified to deliver on this goal include:</p> <ul style="list-style-type: none"> <li>Supporting local councils to provide communities with best-practice food and garden waste management infrastructure.</li> <li>ensuring composts or other organic soils are of the highest quality for land application.</li> <li>facilitate the development of 'waste to energy' facilities in locations that have strong community support, provided those facilities meet strict environmental standards.</li> <li>update regulatory settings to ensure residual emissions from the organic waste industry are offset.</li> </ul>



**Attachment 2. Decline in waste levy funds collected in the Hunter Region (2011 - 2022)**

