

29 April 2022



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Dear Sir / Madam

Thank you for the opportunity to provide feedback on the Independent Pricing and Regulatory Tribunals (IPART) Draft Report Review of Domestic Waste Management Charges 2021 (Draft Report).

Central Coast Council acknowledges the important role it delivers in waste management and resource recovery services to community and supports IPART's overarching intent of the review and Draft Report, that is to ensure Domestic Waste Management (DWM) charges deliver good value for ratepayers.

The following submission has been made by Council staff, following a review of the Draft Report, consideration of Council's circumstances around the delivery of waste management services, and with due regard to the current challenges and forthcoming changes being experienced across the waste management industry.

### **Central Coast Council Context**

The Central Coast Council Local Government Area covers approximately 1,681 km<sup>2</sup> and has a population of 342,047. There are approximately 133,000 rateable properties who receive Council's DWM service, comprising of a mixture of stand-alone houses in both urban and rural areas, medium density, and high-density dwellings. With Central Coast Council managing approximately 180,000 tonnes of waste, derived as part of the DWM charge. This results in Central Coast Council delivering one of the largest domestic waste management services in Australia.

Central Coast Council undertook extensive engagement following its 2016 merger to define the appropriate level of domestic waste management services for its community. This consultation instigated the development of service specifications and subsequent entering into period-based contracts with external service providers for the delivery of such services as waste collection, service education, recyclables processing and garden organics processing.

The waste services delivered to its residents have been tailored to meet the needs of the region, with different bin configurations between urban and rural areas and within different development types and densities. The standard service offers a three bin and six on-call bulk collection services annually.



The DWM service charge was harmonised in 2017/18 following the amalgamation of the former Gosford City and Wyong Shire Councils. The table below highlights that Central Coast Council has continued to apply the annual indexed increases well below the NSW Council's average of 4.5% increase per annum, identified in the IPART review.

*DWM charges and % increases for previous years*

<b>Central Coast Council</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Draft 2022/23</b>
Standard Service	\$479.00	\$490.00	\$502.00	\$512.00	\$520.00	\$529.00
Percentage Increase		2.3%	2.4%	2%	1.6%	1.7%

***Response to Question 1: Do you think our proposed annual 'benchmark' waste peg will assist councils in setting their DWM charges?***

Central Coast Council does not support the introduction of the proposed rate peg or any other benchmark, but rather recommends IPART works with both Local Government and the NSW Government to update the definitions and guidance relating to the DWM charge.

Key reasons for this position include:

Inadequate provision for fluctuating costs on DWM services.

Many of the costs of the provision of DWM are outside of Council's direct control and therefore not appropriate to be managed through a generic state-wide annualised IPART rate peg. Unlike many other service areas of Council, waste services are particularly susceptible to external cost drivers. Some recent examples include:

- COVID pandemic impacts on staffing, waste volumes and waste composition.
- Impacts of recent bushfires, wet weather and flood conditions on waste volumes and composition.
- The effects of the China Sword Policy, the Basel Convention, and Commonwealth bans on the export of certain waste materials.
- The rollout of NSW Governments Waste and Sustainable Materials Strategy (WaSM) which includes targets and forthcoming mandates in relation to the recovery of food and garden organics.
- Increasing costs and overheads for Council and its contractors, including electricity prices, fuel price increases, increased transport costs and other commodities impacted by global supply chain issues.
- Anticipated high costs and extended lead times for the approval and construction of new resource recovery and waste disposal facilities.

Use of historical data

As the proposed DWM charge annual rate peg uses historical data, it does not accurately reflect the true costs to councils in the forthcoming year. For example, the 1.1% waste peg proposed for 2022-23 does not reflect the Consumer Price Index (CPI), which is currently

around 4.9%, staff award increases at 2%, superannuation guarantee levy increases, the full extent of fuel price increases and other global supply issues. Any proposed movements in DWM charge should factor in forward cost projections to allow councils to reflect the future needs of waste management.

It is specifically noted that the provision of domestic waste collection and processing services currently require significant input of petroleum fuels and oils. It is accordingly industry standard that waste management collection contracts, such as those held by Central Coast Council, will have rise and fall provisions within the contracts with a specific weighting towards fuel and oil indices rather than solely the general CPI.

#### Stifling of service innovation

The NSW Government through the WaSM recently mandated significant change to DWM services across the state (such as the implementation of FOGO services and a 80% diversion of landfill target by 2030).

The NSW Government, through the NSW EPA, is currently undertaking an independent review of the resource recovery framework in NSW. The review includes consideration of the definition of waste and waste classifications and opportunities to support circular economy investment and innovation.

Central Coast Council has consulted with the community as part of their strategic planning process, through the integrated planning/reporting process and also through the development of the Central Coast Waste Resource Management Strategy 2020-2030 (Waste Strategy).

In 2020, Central Coast undertook extensive community engagement in the development of its Waste Strategy. The Waste Strategy was subsequently adopted by Council in September 2020. The guiding vision of the strategy is:

*"Promote the Central Coast as a creative environment for developing a local circular economy that values the recovery of resources and advocates the prevention of waste".*

The Waste Strategy is supported by four key objectives and a detailed action plan.

The Central Coast Community is very clear in its views about the goals and issues around managing waste. More than 1,300 resident surveys were completed, and 152 residents attended focussed workshops as part of its waste strategy development. Almost 90% of the surveyed residents rated reducing waste from landfill as very important. Almost 60% of respondents advised they would be prepared to pay more for their household rates to reduce waste going to landfill through new innovative technology or processes.

Central Coast Council is accordingly in the process of planning to introduce a new domestic food and organics collection system, amongst a host of other new or enhanced activities, to deliver against both the State and Council's Strategy objectives and targets.

A rate peg approach will effectively cause Central Coast Council to prioritise cost over innovation as opposed to delivering on the objectives and actions outlined in both the NSW Government and Council's own strategic planning and policy directions, which were developed following community and industry consultation processes.

In summary, it is understood that the Council Rating and Revenue Raising Manual is slated for update as part of the broader rating reforms, and this would be the appropriate time for IPART to prompt the inclusion and application of the DWM pricing principles.

***Question 2: Do you think the pricing principles will assist councils to set DWM charges to achieve best value for ratepayers?***

Central Coast Council generally supports the intent of having pricing principles and future guidance issued on how they will be applied as having pricing principles will improve transparency, certainty and consistency with the DWM charges. However, Central Coast Council do not support all four pricing principles proposed within the Draft IPART Report. These are outlined below with comments.

It is suggested that following the development of any clear and consistent pricing principles, that there is adequate provision made to allow councils to rebalance their DWM charges with general rates and the respective funds over a three year transition period. This will enable Central Coast Council to minimise the impact of any resulting changes in cost allocation between funds on Council's delivery plans and commitments to its community.

Pricing Principle 1: *DWM revenue should equal the efficient incremental cost of providing the DWM service.*

The proposed incremental cost approach is not considered appropriate given the current definition of 'waste' and 'domestic waste management services' under the *Local Government Act* and the Office of Local Government Council Rating and Revenue Raising Manual all of which do not reflect modern waste management practices.

The current definitions are solely focussed on services to the kerb rather than those services that benefit the household. This results in exclusion of the DWM charge to currently fund services, which are primarily associated with waste arising from domestic sources such as:

- Operation of Community Recycling Centres
- Illegal dumping clean-ups
- Self-haul customers utilising Council's waste facilities
- Waste Education beyond a collection service focus, broader waste avoidance, litter and illegal dumping
- Established drop off events, such as household chemical collection days (around 2,000 Central Coast residents attend these events annually) and future events which could be discussed on such waste streams as e-waste and mattresses
- Collection and recycling of material from residents, including textiles, mattresses and tyres.
- The operation of reuse/repair/secondhand facilities handling domestic waste items.

The list of allowable activities must also make provision for new services or activities that will be required to be implemented over time to meet strategic objectives of the WaSM, Council's own Waste Strategy and the broader transition to a circular economy as it relates to minimisation, management, and highest order recovery of waste that is generated by rateable plots of land.

The above list is not exhaustive, and we reiterate that the guidance of what is / is not included in the DWM charge should be updated regularly to ensure it keeps pace with modern approaches to waste management services.

Central Coast Council also recommends that the revenue received as part of the DWM charge should proactively recover known future costs required to grow/expand/maintain waste management infrastructure delivering DWM services. This will mitigate the need for Council to rely on funding sources such as borrowings or Special Rate Variations (SRV) into the future.

The Draft Report provides worked examples of the types of direct overheads that may be apportioned to the delivery of DWM services. It is noted that it is not always practical to directly apportion all the key costs associated with the delivery of DWM services as direct overheads. DWM services are commonly operated through staff also performing other non DWM waste services, for example public litter, commercial waste collections and waste facilities. The inability to allocate appropriate indirect overheads or apportionments to the DWM charge has the potential to encourage inefficient allocation of resources to the DWM charge and cause a shortfall in the funding of existing key staff.

Central Coast Council does not support the concept of a marginal cost for the allocation of overheads. Under this methodology the suppression of overheads allocated to the DWM charge will place further pressure on general funds available to deliver essential services to our community.

Pricing Principle 2: Councils should publish details of all the DWM services they provide, the size of the bin, the frequency of the collection and the individual charges for each service.

This is supported in principle and the majority of this information is already publicly available as part of Central Coast Council's Revenue Policy, which forms part of Council's annual Operational Plan and is available on Council's website.

Council publishes the cost of the standard DWM charge and the cost of additional services. Publishing a 'price per bin' for the standard service is not straightforward due to the complex mix of services available to meet varying community needs. This includes the provision of equivalent volume bulk bins for multi-unit developments and more frequent servicing requirements to meet their broader community needs. Central Coast Council also offers compassionate collections for elderly and/or residents with a disability, such services are catered for within the standard DWM charge and not individual bin rates.

Pricing Principle 3: Within a council area, customers that are:  
- imposing similar costs for a particular service should pay the same DWM charge

- paying the same DWM charge for a particular service should receive the same level of service.

The intent of this principle is acknowledged, however there are significant complexities in assessing this.

Depending how a service is procured and costed there may be significant differences in cost to deliver a service to an individual customer. Variations may include the density of dwellings, where more compact urban forms require less travel on average to collect, household size and waste generation and how often a property is occupied. For example, an inner suburban property used irregularly as a holiday home may generate considerably less pickups and total waste generation than a large family on a rural residential property. For kerbside bulk collection, many Councils will offer a number of services, some properties will use all available services and some will use none.

Councils may match costs and income slightly by offering different charges dependent on bin size. But other possible variations, such as elimination of recycling or green waste options for a reduction in charge, goes against government goals of eliminating waste from landfill.

Additionally, the method of delivery and procurement will influence what a Council's cost structure is. Typically tendered collection prices per lift are averaged across an area by the contractor in its pricing. In his circumstances it costs the Council the same to collect an inner urban bin as a rural residential bin. But should the Council directly deliver the service, the actual cost of servicing the rural residential customer is higher than the inner urban customer due to the greater travel per lift.

Some Council's will have the driver assist elderly and infirm residents move their bin to the kerbside. Should these people be charged more or should it be socialised?

Whilst the principle is supported, there is cross subsidisation in the delivery of this service just as there is in almost any delivery of a domestic utility. There will always be imperfections in a charging model and Council's should be allowed to develop a model that is fair, efficient and which drives appropriate waste management behaviours from individuals.

Pricing Principle 4: Any capital costs of providing DWM services should be recovered over the life of the asset to minimise price volatility

Central Coast Council supports this principle with caveats. It is considered that capital costs can also be recovered and held in a reserve based on forward planning as opposed to relying on borrowings or a SRV to fund future expenditure and the subsequent recovery of costs. A model of reasonably forward charging based on sound planning absorbs financial shocks to the community, provides financial transparency, and may represent a best value solution relative to borrowing money.

In the case of Central Coast Council, Council has responsibility for the future remediation of 14 legacy landfill sites and two active landfill sites. There are uncertainties around legacy issues with older closed landfills which were often constructed and operated to obsolete standards. It is not unusual to find costly issues occur in closed landfills that need to be addressed

urgently in order to protect human health or the environment. While costs like this are likely to occur across this large portfolio, it is extremely difficult to estimate both in timing and quantum.

There is also the planned intention to develop and implement a FOGO service, with potential construction of what may be one of the largest FOGO processing facilities in NSW, potentially built at an existing Council waste facility. There are also examples of the need to replace equipment in a shorter timeframe than the original forecast asset life due to such factors as increased waste volumes (e.g. impacts of natural disasters) and changed waste composition (e.g. working from home), all of which are unplanned external factors.

***Question 3. Would it be helpful to councils if further detailed examples were developed to include in the Office of Local Government's Council Rating and Revenue Raising Manual to assist in implementing the pricing principles?***

Updated and clearer guidance on what should be included (or excluded) from the DWM charge is the simplest and most efficient way to provide transparency to residents and consistent allocation of costs.

The current definitions and guidance on what should be included in the DWM charge are dated and do not reflect modern waste management activities, nor provide for the activities that are likely to be required to enable the transition to a circular economy as per the NSW Government's vision outlined in the WaSM and Central Coast Council's Waste Strategy.

The first step should therefore be to update definitions (such as 'domestic waste management service') on the Office of Local Government Rating and Revenue Raising Manual followed by inclusion of the appropriate pricing principles, which are supported by worked examples.

Central Coast Council does not support the introduction of a DWM charge peg or any other benchmark at this time, instead the focus should be on updating the definitions and guidance relating to the DWM charges for councils to implement.

It is clear from the discussion paper that there are some councils who are recovering costs via the DWM charge that may not be considered appropriate to be recovered via this charge. Should the recovery of these costs be required to be transferred into the general rate with an offsetting reduction in the DWM charge, the requirement to undergo a full SRV process would be wasteful and create unnecessary concern in the community. A separate simpler process whereby the Council is able to satisfy IPART that Council is in total charging no more to the community as a result of this one off change, would be a more appropriate way to resolve this issue.

## **Conclusion**

While there is support for aspects of the proposal's identified by IPART, Central Coast Council does not support regulatory DWM rate pegging and some aspects of the pricing principles proposed in the IPART Review of Domestic Waste Management Charges Draft Report.

The timing is not considered appropriate, to be setting rigid and unresponsive pricing systems that limit Council's ability to innovate and respond to the current challenges and changes within the industry and the major changes underway across policy and strategy settings. Rather the focus should be for Local Government and the NSW Government to work together to update improved definitions and guidance in relation to the DWM charge, with due regard to the current review of the NSW Resource Recovery Framework, and the provision of an adequate transition period and process to enable councils to make any resulting rebalancing between the DWM fund and Council's general fund.

Should you wish to discuss the above matter further, please contact Council's Director Infrastructure Services, Mr Boris Bolgoff on [REDACTED]

Yours faithfully

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David Farmer  
**Chief Executive Officer**

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