

EF21/132

12 May 2022



Sheridan Rapmund  
IPART  
PO Box K35  
Haymarket Post Shop  
NSW 1240

Dear Sheridan

**RE: Leeton Shire Council Response Domestic Waste Management Charge Reforms proposed by IPART.**

The purpose of this letter is to outline Leeton Shire Council's position with respect to IPART's proposed reforms to the Domestic Waste Management Charge.

**IPART's Recommendations**

IPART's Draft Report (2021) recommended adoption of pricing principles and an annual 'benchmark' peg on the DWM charge, starting at 1.1% in 2022/23. IPART proposes to publish an annual report on the extent to which councils' annual DWM charges increased more than the benchmark peg.

The Draft Report supersedes the approach proposed in IPART's original 2020 [Discussion Paper](#), which recommended adoption of pricing principles by councils. The original Discussion Paper recommended setting a monitoring, reporting, and benchmarking regime, not a peg.

IPART's latest pricing principles would be applied via the Council Rating and Revenue Raising Manual to 'rebalance' costs attributed between the DWM charge and general rates, with a one-off variation to councils' general rate bases allowed in 2022/23 or 23/24. IPART would monitor 'like for like' councils against their benchmarks and report on outlier councils each year, with outliers triggering a requirement to justify the variation or face potential regulatory response.

IPART has verbally indicated that 'doing nothing' was not an option, and that local governments must indicate a preference for the proposal in the draft report or an alternative approach.

## Leeton Shire Council's Position

There are significant challenges and changes at present for local government in preparing and transitioning their communities to new waste models as mandated by the NSW Government's Waste and Sustainable Materials Strategy 2041. This will require councils to introduce new domestic food and organics collections, amongst a host of other new or enhanced activities, to deliver against the Strategy's objectives and targets. In addition to this, the challenges of waste export bans commencing, significant fuel price increases and transport costs, and the pandemic, it is clear now is not the time to further complicate and hamstring local councils working to service their communities. Any mandated changes to the Waste industry pose significant financial strain on all Councils across New South Wales, a position amplified in medium and small regional Councils such as Leeton Shire Council who does not have the benefit of large economies of scale to help fund the cost of service.

It is noted IPART has seen concerns around a lack of transparency for residents on pricing and inconsistency of charges across councils for similar services and inconsistent cost allocations between the DWM charge and general rates.

Local Government New South Wales (LGNSW) has also advised councils of its position, being a solution focused on supporting councils to address the fundamental source of any concerns rather than introducing further regulatory measures such as a benchmark or peg. Leeton Shire Council supports this approach and believes it has a greater merit as it is geared better at achieving a more accurate mix of long-term sustainability and affordability. Pegs are blunt instruments that are unsuited to respond appropriately or in a timely fashion to market forces that impact the costs of service delivery.

What Leeton Shire Council would benefit from is greater clarity on a range of matters, particularly:

1. Updated and clearer guidance on what should be included (or excluded) from the DWM charge as this is the simplest and most efficient way to provide transparency to residents and provision consistent allocation of costs.
2. Update definitions (such as 'domestic waste management service') with the *Local Government Act 1993* and in the associated *Council Rating and Revenue Raising Manual*.

Most importantly, Leeton thinks that it would be far better for IPART to confidentially identify Councils on the outer parameters of the DWMC across NSW and work directly with them to realign their fees and charges within the industry for comparable Councils.

It is important to note that service costs are influenced by factors that are variable and fixed, the latter including proximity of council to markets and disposal sites and subsequent transport costs. The lack of competition in the waste sector is also a factor over which councils have little control. Industry development, innovation and increased competition is required, and these sit beyond the realm of IPART.

Leeton Shire Council, in accordance with the Local Government Act, have several existing mechanisms for engaging and reporting to the community on DWM services and charges. These include the Integrated Planning & Reporting process, publishing of

council fees and charges on our website, and annual auditing by the NSW Audit Office.

### **Further considerations from Leeton Shire Council**

Leeton Shire Council is yet to implement Food Organics Green Organics (FOGO). The implementation of a rate peg will cause significant financial strain on Leeton's ability to successfully implement a FOGO program across our Shire as the roll out of this program will come with a significant financial outlay.

In 2017 Leeton Shire Council developed a Full Cost of Landfilling report and the result indicated Leeton was significantly below the required operational charges - the gate fee value per tonne in 2017 was advised to be \$175.58/t whereas, in 2022, our current gate fee rate is sitting 40.2 % below at \$105.00/t. Whilst these figures are specific to gate fees and are in the process of being addressed, Council believes the overall service provided to our residents is a highly competitive and cost effective service.

As such Leeton Shire Council is of the view that the implementation of a 'peg' for the DWMC could in fact leave Leeton Shire Council and other comparable councils at a disadvantage by relegating our services to ones that is unable to sustainably service our communities' waste needs.

Under the Key Priority Area Outcome Three: A HEALTHY NATURAL ENVIRONMENT within Council's adopted Delivery Program/Operational Plan – Advance environmental sustainability by leading at the local level, Leeton is working hard to reduce the effects of climate change and increasing climate resilience initiatives and mandates such as the 2030 - 80% waste diversion, the 2050 - CO2 reduction targets and the 2030 - FOGO mandate. Leeton Shire Council is of the opinion a DWMC "Peg" will send the wrong message to our community as it will restrict our plans to deliver on these environmental goals and frustrate our efforts to achieve the various climate mandates and targets both practically and financially.

As such Leeton Shire Council calls upon IPART to acknowledge the significant challenges facing local government and the existing avenues for community transparency (including IP&R reporting) and immediately suspend the proposed reforms. We support a focus from IPART to identify and work with councils that are deviating from the Pricing Principles on both upper and lower ends of the spectrum and to leave compliant councils to continue delivering quality services that meet the needs and service preferences of individual communities.

### **Additional feedback:**

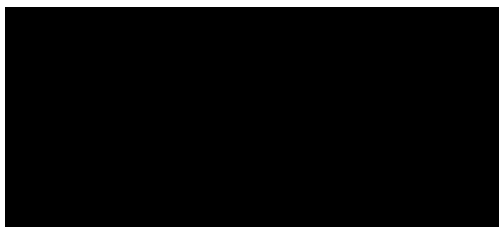
- Changes to Leeton Shire Council's DWM charge are undertaken in consultation with our community.
- The current objective of our community is the minimisation of landfill waste products.

- Rate pegs restrict innovation and will be contrary to current waste minimisation legislation – a peg will drive a financial outcome only and not the resource recovery outcomes communities and governments are wanting pursued.
- Benchmarking DWM charges across the state is inappropriate as variations in services, environment and delivery costs are significant.
- 1.1% peg will not cover increases in CPI and contractor charges - this is unreasonable as it does not reflect the true costs for Council/s.
- Under proposed pricing principles rural Councils will be disadvantaged due to reduced economies of scale and tyranny of distance.
- Leeton Shire Council is yet to introduce a FOGO service, this cannot be achieved without a justified rise in DWM charges. Council will not be able to cover these costs particularly as this is now to be made mandatory.
- Concerns of a benchmark waste peg will progress to a mandatory requirement in the future which is not preferred.
- Being named in an annual report will be misleading to the broader community and impact on Council's brand. It may imply a Council is overcharging and/or inefficient when it is not. Each case needs to be assessed individually.
- Our view is that ratepayer concerns can be raised directly with each Council as part of the annual budget development/submission process. There is also the opportunity for ratepayers to raise their concerns with the regulator if they are dissatisfied with a Council's response.
- There is an opportunity for Councils, the OLG and IPART to work collaboratively on strengthening the guidance available to Councils and the community regarding the development of domestic waste charges and associated costs.
- Council does not support DWM charges being regulated by IPART as the environment and market is regularly changing and the charge should be adjusted to reflect this active industry.
- It is not a concern that DWM charges are increasing faster than rate peg. This reflects the industry and the increased expectations of communities and governments regarding innovative waste services.
- Council believes waste services should always be customised and relevant for their respective communities. For example, metro and regional centres have economy of scale advantages which present waste management opportunities at an affordable price, as well as end use opportunities and related industry support.
- Our experience indicates that there is effective competition within the market and DWM services can be outsourced. The decision to outsource or provide the service in-house should remain solely with the local Council.
- Allocation of overheads should remain the responsibility of the respective Councils, which should be an auditable, transparent transaction and only levied against DWM charges where applicable.

Leeton Shire Council acknowledges there is a wide variation in the number and type of DWM charges and services provided across Councils, and that further guidance into how DWM charges are set would be beneficial. Leeton Shire Council believes it is delivering good value for ratepayers, additionally providing the opportunity for the community to submit any concerns they may have regarding fees and charges. Council do not support regulation applied to DWM charges but would prefer guidance on this issue.

To conclude, Leeton Shire Council strongly recommends that IPART does not introduce a DWM charge peg or any other benchmark at present, but instead works with specific Local Governments and the NSW Government to update the definitions and guidance relating to the DWM charge. Leeton Shire Council believes a rate peg or similar will be counter intuitive in the achievement of Waste Diversion targets depicted within the NSW Government's Waste and Sustainable Materials Strategy 2041.

Yours faithfully



**Jackie Kruger**  
**General Manager**