

20 April 2022

Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop  
SYDNEY NSW 1240

Dear Tribunal

### **Local Council Domestic Waste Management Charges – Draft Report submission**

Thank you for the opportunity to present this submission on behalf of the NSW Revenue Professionals Inc. (NSWRP) in response to the December 2021 IPART Draft Report.

The NSWRP is the peak body of NSW Local Government revenue employees formed to:

- unite in a common organisation, those Local Government employees who are engaged in rating and revenue functions,
- improve and elevate the technical and general knowledge of Local Government employees who are engaged in rating and revenue functions,
- distribute amongst its members, and the regional NSWRP groups, information on all matters affecting or pertaining to the profession of rating and revenue management within Local Government by way of meetings, newsletters, conferences, or any other method available to the Committee,
- promote a professional image of Rating and Revenue practitioners in Local Government New South Wales,
- promote quality services to Local Government in New South Wales through the dissemination of best practice,
- encourage members to keep up to date with finance related activities and legislative changes through continuing professional development,
- identify the skills and knowledge needed by employees and facilitate training and education,
- make the expertise of members available to professional bodies and government departments as required.

We are a peer elected Executive Committee consisting of four metropolitan and five regional council representatives. The Committee is supported by twelve regions, each region meets from once a year to three times a year to discuss relevant industry matters and provide an annual minute report on the items raised. We also facilitate our own sourced material training to assist staff new to local government or provide improved skills to developing rating practitioners.

Overall the NSWRP's Executive is supportive of IPART's role in this matter and we believe that in conjunction with the sector, LGNSW and the Office of Local Government (OLG) a new set of reasonable costs may need to be determined and adopted in statutory guidance.

## Summary:

- Historically the NSW Government has never set a peg on Domestic Waste Management (DWM) charges.
  - We are aware that the NSW Government has a policy in regards to ‘rate’ pegging but not aware of any government policy relating to setting a peg on domestic waste management services.
- Framework exists in the *Local Government Act 1993* providing a mechanism for increases to DWM and community consultation – the annual charge must not exceed the reasonable cost of providing the service<sup>1</sup>.
  - The Operational Plan (IP&R framework) requires each DWM charge to be listed.
  - IP&R plans must be on public exhibition for at least 28-days and the council must consider any submissions received.
  - Council’s financial statements are independently audited.
- We do not support a peg, we do support a review of the reasonable cost guidelines.
  - Key stakeholders should drive the pricing principles that are future focused.
  - The peg contradicts the *Local Government Act 1993* (i.e. reasonable costs).

Set out below is our submission to each of the three items for which comment is being sought, we look forward to providing any assistance required by IPART during this process.

### 1. Do you think our proposed annual ‘benchmark’ waste peg will assist councils in setting their DWM charges?

The proposed benchmark or any benchmarking is part of a healthy and informative community awareness process, however the setting of a benchmark peg is not supported.

Income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to the council of providing those services<sup>2</sup>. The reasonable costs calculation occurs prior to charges being made (billed to ratepayers) and the community has full visibility and can make submissions through the IP&R process. An arbitrary peg does not align with the legislative requirements of reasonable costs nor give the community flexibility in the decision-making process around expected service delivery.

We are concerned about the benchmark reporting and question the IPART powers to ‘request councils explain to us’<sup>3</sup> why individual councils pricing is growing more than the benchmark. Each council informs its community of proposed annual charges in their Integrated Planning and Reporting (IP&R) reports prior to annual charges being adopted. These documents are available for comment or more information during the 28-day exhibition period within the Operational Plan that seeks submissions from their community.

We also note that the Minister delegated to IPART powers to set a peg and set conditions regarding any such peg, however the monitoring powers under Section 512 have not been delegated.

However, we do agree that benchmarking may be useful to both councils and their communities and support this process that also aligns with the OLG’s ‘Your Council’<sup>4</sup> website where comparative data for all NSW councils can be found.

---

<sup>1</sup> Section 504 Local Government Act 1993

<sup>2</sup> Section 504 Local Government Act 1993

<sup>3</sup> IPART draft report – Review of Domestic Waste Management Charges – December 2021 page 4

<sup>4</sup> Your Council website - <https://www.yourcouncil.nsw.gov.au/>

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

Yes, reviewed pricing principles and guidance from the OLG would be of assistance to councils in aligning their annual charges with the reasonable costs required by the *Local Government Act 1993*. It is our view that a review of the reasonable cost calculation in conjunction with key stakeholders will continue to achieve best value for our communities.

Importantly, local councils are already placing detailed information on exhibition for community comment as part of the IP&R process. These documents provide material on the proposed annual charges for the new financial year, ratepayers have an opportunity to question those annual charges and make submissions.

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?

Yes, we believe this is the correct outcome and agree that together with pricing principles and benchmark guidance a review of the reasonable cost calculation through collaboration with key stakeholders would be helpful to all NSW councils.

We do not believe that a statutory peg is the solution for a number of reasons, primarily for the following;

- A statutory peg does not reflect reasonable costs for providing services which may vary between council areas as required by the *Local Government Act 1993*,
- It will be based on historical costs, presently councils look at estimated future costs into their annual charges,
- The basket of goods approach similar to land rates does not necessarily align with that councils costs in providing the service,
- A statutory peg encourages and aligns with cost cutting to achieve a price rather than meeting the communities expectation in service delivery,
- Does not allow for intergenerational equity,

We are also concerned that there does not seem to be any direction from the NSW Government in regards to the discussion paper in August 2020 and the subsequent draft report in December 2021. It is concerning that the Premier does not appear to have commissioned IPART with terms of reference for this review.

Within the draft report, the IPART has recommended any reduction in annual DWM charges because of new pricing principles for that council may be recouped via a special variation application<sup>5</sup> to land rates as the pathway to rebalancing.

We are opposed to this solution on the basis that the amount may be immaterial and recommend that the need for a Special Variation be removed and an adjustment to the rate peg be allowed by the IPART subject to a written application from the council. It should also be noted that this option does not address the affordability to the ratepayer as land rates will increase by the same amount as DWM decreases. It will also affect future years by the rate peg and the costs have simply been shifted from a charge to a rate.

As an example, if a council found under new pricing principles that its DWM exceeded the methodology by \$100 per annual charge, this would result in an increase to land rates of \$100.

---

<sup>5</sup> IPART draft report – Review of Domestic Waste Management Charges – December 2021 page 18

Presently land rates are partly increased by the Local Government Cost Index (LGCI), a similar approach of a 'basket of goods' relevant to DWM would not be comparable between local government areas due to differences in contract stages and contract requirements, distances between residential areas and other factors. It may be possible to overcome this to some degree through multiple pegs for either individual or cohorts of councils.

We do not believe there is any need for further regulation, particularly if that would result in greater costs to manage the DWM service. Councils across NSW offer different levels of service to their communities and that flexibility could be undermined by regulation. We would support the sector, including all key stakeholders in adopting new guiding principles and guidelines with oversight by the NSW Government and IPART.

Key principles should include accountability to provide the community visibility within the Operational plan, Statement of Revenue Policy, the allocation of all costs, including but not limited to, intergenerational costs, contract or running costs, disposal costs, overheads and state contributions.

There is a framework in place for the OLG to identify risk areas and facilitate the need for targeting enquiries towards any outlier DWM charges identified in the proposed benchmarking. The current auditing regime is considered sufficient and further audits by OLG are not required, unless identified as an outlier. Information provided to the community should give a true and fair view of the reasonable cost calculations. Improvements may be achieved through more robust and transparent framework through pricing principles.

Local governments await the release and adoption of the NSW Government's 20-year Waste Strategy. If adopted, the pricing principles may need to be reviewed and we would submit that any proposed pricing principles may need to be amended and broadened in order to better assist this complex service across all NSW councils.

Community expectations of services and service levels provided should also be reflected in the principles. These may include different size bins, variations to collection frequency and hours of operation, the use of renewable and sustainable assets and upgrades to facilities.

I trust this information is of some assistance to the Tribunal in making its final determination. If you have any enquiries or require clarification, please do not hesitate to contact me directly.

Yours faithfully

A black rectangular redaction box covering the signature area.

Andrew Butcher  
**President NSW Revenue Professionals**