

SHELLHARBOUR CITY COUNCIL'S RESPONSE

To

IPART'S REVIEW OF DOMESTIC WASTE
MANAGEMENT CHARGES - DRAFT REPORT

APRIL 2022



CONTENTS

Summary	2
1. Do you think our proposed annual 'benchmark' waste peg will assist Council in setting their DMW charges?	2
2. Do you think the pricing principles will assist councils to set DWM charges to achieve best value for ratepayers?	4
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?	6

SUMMARY

Shellharbour City Council does not support the implementation of a 'benchmark waste peg' or the proposed 'Waste Cost Index (WCI)'. The Domestic Waste Management Charge (DWMC) is made up of many components that vary from one Council to another. No two Councils have the same domestic waste services and Councils already have mechanisms in place to ensure they deliver value for money waste services to their communities. Councils are under increasing pressure to pursue resource recovery and alternative waste technologies to ensure more sustainable waste management practices for the future. Using a WCI established on criteria from 5 years ago does not support Councils who are making a concerted effort to innovate and improve waste management for their local government areas.

Council also considers it incorrect of IPART to broadly conclude that Councils are not providing a 'value for money' service, simply because the rate at which a locally applied DWMC cost increase is above a benchmark, and such, does not support the proposed pricing principals. It does however agree that having clearly define parameters of what can and cannot be funded under the DWMC would be beneficial, but before imposing restrictions, IPART should carefully consider the federal and state government waste strategies, existing functions of councils to manage domestic waste and how these are currently funded and managed within existing arrangements.

Council agrees that detailed examples of how future pricing principals may be applied would be beneficial. However, IPART needs to develop a more thorough understanding of the external influences and lack of value chain pricing controls Councils are challenged with in regard to the management of waste and continuous improvement of resource recovery outcomes. 'Cost components' guidelines for the DWMC should also be aligned with the strategic direction of the NSW EPA to include components closely aligned to the provision of domestic waste collection services.

1. DO YOU THINK OUR PROPOSED ANNUAL 'BENCHMARK' WASTE PEG WILL ASSIST COUNCIL IN SETTING THEIR DMW CHARGES?

IPART "...propose to release annually a benchmark waste peg that gives guidance on how much the reasonable costs of providing DWM services have changed over the previous year, the proposed benchmark waste peg for 2022-23 is 1.1%".

Council does not support the implementation of a 'benchmark waste peg'.

The Domestic Waste Management Charge (DWMC) is made up many components that vary from one Council to another. No two Councils have the same domestic waste services, with significant variations between even neighbouring Council's a common place. IPART cannot assume that two neighbouring Council will have similar DWMC's and attempting to create a 'benchmark waste peg' will only add to the perception and confusion that all waste services are the same across Local Government Area's and therefore the costs should be similar.

Councils already have mechanisms in place to ensure they deliver value for money waste services to their communities, including legislation requiring charges not to exceed the reasonable cost of providing the service along with each Council having to separately account for their income and expenses in this area with any surpluses having to be set aside as restricted monies, stringent procurement processes, elected Councils oversight, and NSW EPA Local Council Waste and Resource

Recovery Data Reporting requirements. In addition to this, all proposed fees and charges are publically exhibited prior to new rates being adopted. The community is invited each year to comment and query these charges before they are adopted and to assist residents in understanding their DWMC Councils provide detailed information during the exhibition period including an explanation exactly what the DWMC covers and service differentiation options available to them i.e. different sized bins, additional bins and on-call clean up services.

IPARTs research indicates that the majority of Councils outsource their Domestic Waste Collection Contracts, procured under a competitive tender process. Procuring Waste and Recycling Collections Contracts is one of the largest procurements Councils undertake, and so in many instances, Councils seek the assistance of specialised consultants, probity, legal and technical advisors to assist with this process, thus compensating for the fact Councils only undertake this process approximately every 7 to 9 years.

Further, many Councils, including Shellharbour, utilise the State Governments Model Waste and Recycling Collection Contract. This standardised framework enables Councils to develop their own unique Tender/Contract documentation, with prompts to consider all aspects of the waste and recycling collection services. Utilising the model contract also assists collection contractors when tendering for these services. By keeping the layout and structure consistent between organisations, even though the specifications vary, assists tenderers to locate information and standardised tender return schedules improves efficiency in completing non council/service specific criteria such as company insurance, work health and safety, quality and environmental ISO accreditation, financial capacity and banking details.

The procurement process determines which service provider is able to deliver the best value for money service to the community. Domestic waste management contract requirements are extremely onerous and include extensive performance benchmarks covering customer service, service delivery, work health and safety, environment, and sustainability. There are stringent performance indicators and measures already built into these contracts in addition to periodic auditing to ensure the Contractor continues to deliver quality services over the life of the Contract.

Councils assess domestic waste and recycling collection tenders in two portions, qualitative (non-priced) schedules and priced schedules. Weightings are predetermined by the assessment panel prior to the tenders being opened, often with a higher weighting allocated to the qualitative aspects of the submissions. Contractors must demonstrate their ability deliver the services, undertake all aspects safely and in accordance with all relevant statutory requirements, in addition to offering value for money.

IPART inquired about the ability for new contractors to enter the highly competitive domestic waste and collection market, this needs to be considered against that Councils safeguard their communities by requiring very high standards of service, extensive experience, independent ISO accreditation for work, health and safety, quality and environment and robust business continuity plans. Inexperienced/emerging contractors may struggle to demonstrate their ability to meet a Council's stringent requirements, or provide the security of a larger corporation, however, Councils should not be compelled to select a lower level of service offering and potentially compromise the safety and service provision to its community simply to meet a financial benchmark.

Council does not support the proposed Waste Cost Index (WCI). Councils are under increasing pressure to pursue resource recovery and alternative waste technologies to ensure more sustainable waste management practices for the future. Using a WCI established on criteria from 5 years ago does not support Councils who are making a concerted effort to innovate and improve waste management for their local government areas, and the criteria will not address the nuances of each individual Council.

Residents are regularly engaged to ensure services suit the individual needs and characteristics of a Local Government Area. The proposed WCI, using data from 2017/18 and basing it on “*cost or purchases made by an average council to undertake its typical waste-related activities*” does not address the Council outliers, who are leaders in this space striving to improve resource recovery and develop services that meet the specific needs of their communities. In fact, a WCI could feasibly slow innovation and weaken the circular economy for waste.

Further, using 2019 LGCI survey information to apply an expenditure weighting is not appropriate, as it has been established in IPARTs report that there are inconsistencies in what Councils currently fund under their DWMC, therefore until this has streamlined, the weightings will be inaccurate. Moreover, aggregating data and using ‘average’ figures from across the whole of NSW does not account for the nuances and varying service offerings across the state. In addition, the pricing indexes proposed should also reflect the full breadth factors influencing the waste industry, including the Local Government Award, Waste Management Award 2010, Local Enterprise Agreements, Terminal Gate Prices and other indices utilised in the waste industry relating to fuel/oil and labour, rather than as suggested, utilising those usually applied to general council operations.

It should also be noted that rise and fall is generally calculated quarterly using a range of factors and calculations, using one general index, “*other business services*”, does not provide the community an accurate depiction of what is happening in their local government area or set realistic cost expectations.

Volatile market conditions which have been experienced recently has also highlighted the risks associated with using historical cost movement indexes. The rate peg increase for NSW Councils for 2022/23, as announced by IPART in December 2021 of 0.7% (excluding the population growth factor), is expected to be substantially lower than the price movement in local government costs. The recent 1 year inflation figure of 5.1% highlights this point.

2. DO YOU THINK THE PRICING PRINCIPLES WILL ASSIST COUNCILS TO SET DWM CHARGES TO ACHIEVE BEST VALUE FOR RATEPAYERS?

Council does not agree that the pricing principals will assist Council to set DWM charges to achieve value for ratepayers.

It would be incorrect to broadly conclude that Councils are not providing a ‘value for money’ service, simply because the rate at which a locally applied DMWC cost increase is above a benchmark determined by averaged figures up to 5 years. Particularly when the proposed benchmark has limited consideration for the service nuances between LGA’s, the dynamic legislative environment which governs waste and resource recovery in NSW, regulatory obligations, pandemic, natural disasters, landfill operations and associated unconstrained costs (for those Council’s that manage their own landfill) and waste industry drivers that affect the way in which Councils must serve the community and improve their domestic waste management performance year on year.

For example, the China Sword policy has fundamentally changed the recycling environment in Australia, with cost impacts still to reach an equilibrium.

Council is concerned that if annual DWMC costs do increase above the arbitrary 'benchmark' it could be misunderstood by local communities, particularly without considering the specific details of each Council, including the services provided, collection frequencies, resource recovery rates, population growth, population density, access and proximity to disposal facilities, control (or lack of control) of value chain price increases, proportions of SUDs and MUDs, or the State and Federal Governments resource recovery targets and strategic goals.

As explained above in response to question one, Councils already undertake a competitive tender process for collection and resource recovery services, report regularly to the NSW EPA via the Local Council Waste and Resource Recovery Data Report (this replaced the NEPM reporting undertaken by DLG) and annually exhibit all fees and charges prior to adoption by elected community representatives.

Council does however agree that having clearly define parameters of what can and cannot be funded under the DWMC would be beneficial. However, before imposing restrictions/changes IPART should very carefully consider the federal and state government waste strategies, existing functions of councils to manage domestic waste, including litter and public place waste and recycling, strategic waste minimisation and resource recovery projects and initiatives, and how these are currently funded and managed within existing contracts and service arrangements.

The 'basket of goods' proposed by IPART does not align with the NSW Environment Protection Authorities Waste Delivery Plan, December 2021. The EPA states in their report that *"Effective waste management is critical to the protection of the environment, human health and quality of life of current and future generations. It is also the foundation of a safe and sustainable circular economy in NSW and a key focus area for the NSW Environment Protection Authority. Our Waste Delivery Plan outlines the action we will take to reduce the harmful impact of waste and drive behaviours that create a circular economy. It outlines how we will work with our partners to deliver on our strategic waste priorities and the NSW Government's Waste and Sustainable Materials Strategy 2041: Stage 1 2021–2027 and NSW Plastics Action Plan."* EPA, December 2021.

Domestic Waste Management has moved far beyond picking up kerbside bins and putting waste in a landfill, the proposed restrictions appear to not fully appreciate the nuances of the waste and resource recovery industry and do not encourage the innovation that is required to establish a truly circular economy for waste. And implementing benchmarks and indices that do not reflect the nuances of domestic waste management system requirements for each individual community across NSW Councils may inhibit achieving more sustainable waste and resource management in the future.

Further, regions that rely heavily on tourism and natural assets to maintain a healthy economy will be disproportionality disadvantaged by IPARTs proposal to exclude items such as public place waste and litter campaigns from the DWMC particularly when comparing this to a local government area that generates minimal public place waste and recycling.

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?

Council agrees that detailed examples would be beneficial and would provide a more consistent application of reasonable costs across Councils. However, Council calls upon IPART to develop a more thorough understanding of the external influences and lack of value chain pricing controls Councils are challenged with in regard to the management of waste and continuous improvement of resource recovery outcomes.

Council also requests that IPART align any 'cost components' guidelines for the DWMC, with the strategic direction of the NSW EPA to include components such as public place waste and recycling etc particularly when these services are so closely aligned to the provision of domestic waste collection services, are often performed by the same collection contractors and the services are collecting waste generated by residents and visitors to the area.