



## PLANNING & INFRASTRUCTURE DEPARTMENT

Environment Unit

29 April 2022

To be Lodged via IPART Online Portal

Thank you for the opportunity to provide feedback on IPART's Draft Report *Review of Domestic Waste Management Charges*.

Willoughby City Council (Council) provides the following response outlining its position, rationale and responded to the three questions posed by IPART.

### **Council's position**

- Oppose the proposed waste peg
- Oppose Principle One in the Draft Report, removing certain waste services from the Domestic Waste Charges (DWC) as there is no financial benefit to the ratepayer.

### **Council's rationale:**

- It will be difficult to meet existing contractual obligations to fund essential waste service contracts
- Resource recovery targets, food waste management and circular economy progress proposed by the NSW Environment Protection Authority (EPA) in the NSW Waste and Sustainable Materials Strategy 2020 (WaSM) will not be met
- It will make it difficult to fund the Community Recycling Centre, rising petrol prices, increase in inflation, illegal dumping compliance and clean up
- Strategic development, education and engagement will not be effectively delivered
- Waste services will not meet community expectations
- Does not incentivise Council to innovate
- Results in Council resources being redirected to apply for an SRV as the burden is shifted to general rate revenue
- Public reporting will erode communities trust in Council
- IPART acknowledges that DWM charges are increasing at an average of 4.5% for the last 5 years and then calculate a 1.1% waste peg via the new Waste Cost Index methodology. We believe the Waste Cost Index (WCI) methodology is an inaccurate means to determine the peg. For example, the WCI states an average of 14% is attributed to staff salaries/benefits when in fact only 2.7% is attributed in our circumstance. WCC costs have increased by an average of 5% over the past 3 years.

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## Response to three questions posed by IPART.

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

To assist Council in setting their annual DWM charges and to protect ratepayers from unjustified price increases, IPART proposes to publish a benchmark waste peg that reflects the average annual change in costs of providing DWM services.

Council believes that benchmarking waste charges is a reasonable approach to reflect the average costs of DMW. However, it would be important to ensure that the benchmark waste peg is based on sound methodology and would not prohibit councils increasing charges above the peg.

It is important to understand there are also external factors impacting DWM costs including EPA organics mandate, inflation, increasing fuel prices, changes to the recycling industry as a result of the China Sword Policy and our community's expectations for innovative waste management and diverting waste from landfill. IPART have not factored in the difference in land uses between councils. Organics management will be more costly for councils like Willoughby as 50% of our population live in apartments and trials have shown that it is harder and more expensive to separate and collect.

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

IPART proposes to recommend the Office of Local Government publish pricing principles to guide councils on how they should recover the costs of providing DWM services. These principles essentially assert that DWM revenue should directly reflect cost recovery for providing DWM services. The four principles proposed are as follows:

1. DWM revenue should equal the efficient incremental cost of providing the DWM service
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
3. Within a council area, customers that are:
  - a) imposing similar costs for a particular service should pay the same DWM charge
  - b) paying the same DWM charge for a particular service should get the same level of service
4. Any capital costs of providing DWM services should be recovered over the life of the asset to minimise price volatility.

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Regarding Principle One, it is important to note waste management is complex, and involved a mix of general rates, contestable (grants) and non-contestable (Waste Levy) Government funding.

The Report states that education costs directly related to sorting of waste and inspections of bins should be included to the extent education helps reduce the level of contamination in recyclables and lowers landfill costs.

Other functions related to waste which do not involve the periodic collection of domestic waste from households should be funded through general rates. The Report also states that to the extent that the functions do not involve the periodic collection of domestic waste from premises, the following costs are identified as **not** to be collected through DWM charges:

- Street sweeping
- Public place rubbish bins
- General litter reduction campaigns not related to collecting domestic waste cleaning up illegal dumping.
- Community Recycling Centres for problem waste and recyclables
- Community sharps program
- Periodic drop-off collection events for items such as e-waste, bulky green waste, household chemicals
- Other important waste events and behavioural change programs detailed in a council Waste Strategy's including repair cafés, clothing swaps, home composting/worm farming workshops and the like.

These services result in additional volumes of waste going to landfill and therefore should be accounted for in the DWMC. Likewise waste minimisation and reuse programs should also be part of the DWM charge, as these initiatives help reduce waste going to landfill.

These important programs are already under threat as the next round of *Waste Less Recycle More* funding has not yet been announced. As we understand, it is likely that a lesser amount of the Waste Levy will go to the non-contestable component of funding for councils, creating an reliance on councils to fund the breadth of waste management services from other sources ie. general rates and/or contestable funding.

Furthermore, the proportion of Waste Levy revenue returned to councils and/or made available for grants has been trending downwards over some years, whilst the Waste Levy has increased by 5% over the last three years

Council does not have an issue with the remaining proposed Principles 2- 4.

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### **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 pricing principles?***

Council believes that any development of detailed examples to assist in interpreting any pricing principles would have regard to the full range of waste management services expected to be and currently provided by councils, as outlined in our discussion for Issue 2, above.

IPART's draft report includes examples of what activities should be included in the DWM charge. Council recommends the following activities should also be included:

- illegal dumping clean-up costs, particularly where the material predominantly arises from residential sources.
- Broader waste avoidance education, not just disposal and recycling education, of residents
- Events such as Clean Up Australia Day, Tidy Towns and other littering/waste community programs.
- Operational and ongoing costs of a Community Recycling Centre, being a service provided to residents.
- Drop off events for hazardous waste, chemicals, e-waste and other future product stewardship scheme items eg other electronic waste
- Collection and recycling of materials from residents, including soft plastics, textiles, mattresses, tyres and solar PV panels.

The above list provides broader activities that should be included, however there are several others costs that should be included in the DWM charge, for example, if we look specifically at rolling out an organics collection:

- Contract development and variations
- Trials and pilots
- Additional staff to support a new service
- Replacement bins and caddies (extra to initial infrastructure provided) • MUD upgrades and fitouts to allow for food collection
- Audits and evaluation
- Advertising and media
- Consultant costs in designing, consulting community and implementation
- Contamination fees and decontamination costs
- Implementation of smart technology such as RFID which is proven to reduce contamination issues

These would be costs that are directly incurred in providing the service to residents. Without the above, the service would not occur or be less effective. This list is not exhaustive and requires regular review.

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## Summary of recommendations

In summary, Council supports the following:

1. Appropriate benchmarking of DWM charges, provided Council may increase charges above the peg where justified.
2. DWM charges that are not set in isolation but considered holistically, in conjunction with waste minimisation, reuse and recycling initiatives under *the NSW Sustainable Waste and Sustainable Materials Strategy 2041*.
3. Councils to be afforded more flexibility under the DWM charge to fund all waste management services which directly impact the volume of waste going to landfill and the resultant Waste Levy charges to Council:
  - i. Services that create increased volumes of waste, including collections of waste from street sweeping, public place rubbish bins, littering and illegal dumping.
  - ii. Services that result in reduced volumes of waste to landfill, including waste minimisation and resource reuse initiatives, education and litter reduction campaigns.
4. OLG to publish pricing principles in their *Council Rating and Revenue Raising Manual* on how to set DWM charges to ensure they reflect the costs of providing the service and best value for ratepayers
  - Requests that the OLG publish pricing principles in their *Council Rating and Revenue Raising Manual* to ensure they reflect the costs of providing the service and best value for ratepayers

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