



Review of Domestic Waste Management (DWM) Charges

Final Report

Pre-release briefing

24 October 2022

Agenda

01 IPART's role & review

02 Key outcomes of our review

03 What we heard

04 Final decisions & recommendations

05 Next steps

06 Questions

IPART's role in DWM charges

In 2010 the Minister for Local Government delegated to IPART the function of varying DWM annual charges

IPART must decide each year whether to:

Set a **maximum percentage**
(‘waste peg’)...

or

Specify that **no limit** is to
apply to the amount (%)...

by which councils can increase their DWM annual charges

To date, each year we have decided that no limit is to apply

Context for our review



Since 2010, we considered DWM annual charges were likely to be reasonable

- existing requirements for charges not to exceed reasonable cost of providing DWM services
- independent audits
- competitive tender processes



2010

Minister delegation to IPART



2018

China National Sword Policy

End of 2019



2021

NSW Waste & Sustainable Materials Strategy 2041

We commenced our review on how we exercise our functions relating to DWM annual charges to inform future decisions

- notified that audits ceased
- large increases in charges & waste sector costs



Our review

Our Draft report proposed:

- to publish an indicative 'benchmark' waste peg
- to report on councils' performance against such a benchmark
- pricing principles for setting DWM annual charges



Principle 1

DWM revenue should equal the efficient incremental cost of providing the DWM service



Principle 2

Councils should publish details of all DWM services they provide, the size of bin(s), frequency of collection & individual charges for each service



Principle 3

Within a council area, customers that are imposing similar costs for a particular service should pay the same DWM annual charge & those paying the same DWM annual charge for a particular service should get the same level of service



Principle 4

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

Key outcomes from our review

We support OLG's approach

- 1) Provide greater guidance through updating its R&RR manual
- 2) Undertake targeted investigation

Improved transparency

We encourage effective consultation with the community on DWM charges

Given OLG's commitment

It is not currently in best interests of ratepayers, councils & the environment to implement a waste peg

For 2023-24

No limit is to apply to DWM charges

What we heard

Most stakeholders opposed a benchmark waste peg & reporting against it:

Disincentive to
waste
management

Does not align
with NSW waste
strategy

Does not reflect
cost increases
beyond councils'
control

Methodology &
data limitations

Limits council's
ability to provide
what community
wants

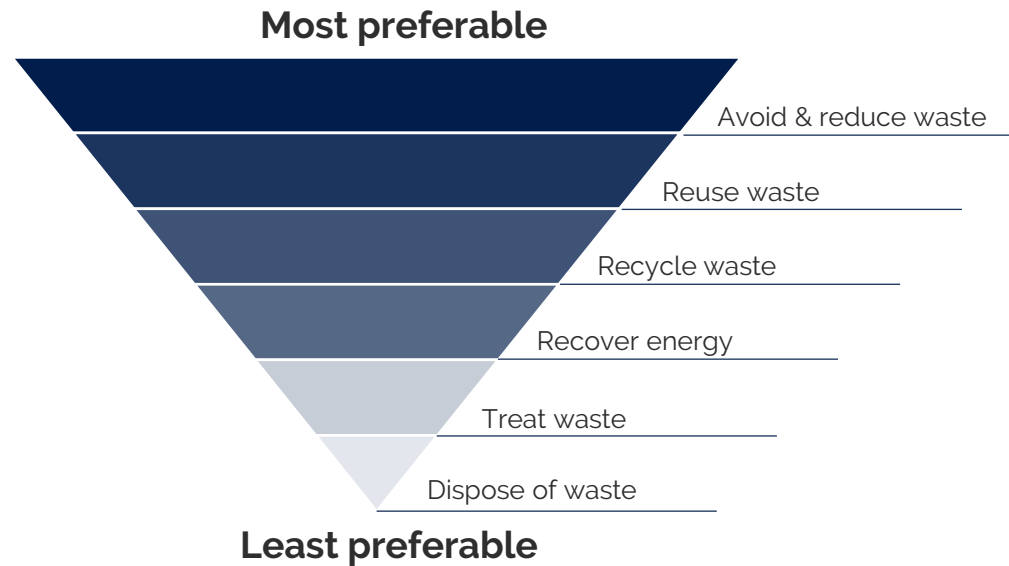
May mislead the
community

- Many stakeholders supported pricing principle guidance
- Some stakeholders considered further regulation unnecessary

What we heard

Stakeholders wanted clear guidance on what may appropriately be included in DWM annual charges

Waste hierarchy



Source: EPA, 2017, [The waste hierarchy](#)



Final decisions & recommendations



We decided not to publish an indicative 'benchmark' waste peg & report on councils' performance against it, in the context of OLG's regulatory role & commitment to its recommended regulatory approach

IPART is also currently reviewing the Rate Peg Methodology & seeking feedback on issues including:

- accounting for differences between councils
- whether volatility & lag in the rate peg are problems
- if the rate peg can reflect costs in a more timely manner
- improving simplicity & understandability of the rate peg

Final decisions & recommendation



We recommend OLG develop & implement its regulatory approach to:

Update its Council Rating & Revenue Raising Manual to provide further guidance to councils on setting DWM annual charges

Work with the NSW Audit Office to initiate performance audits on a case-by-case basis of any council or councils that may be imposing unjustifiably high DWM annual charges on their communities

Final decisions & recommendation

We have considered our regulatory role

It is not currently in best interests of ratepayers, councils & the environment to implement a waste peg

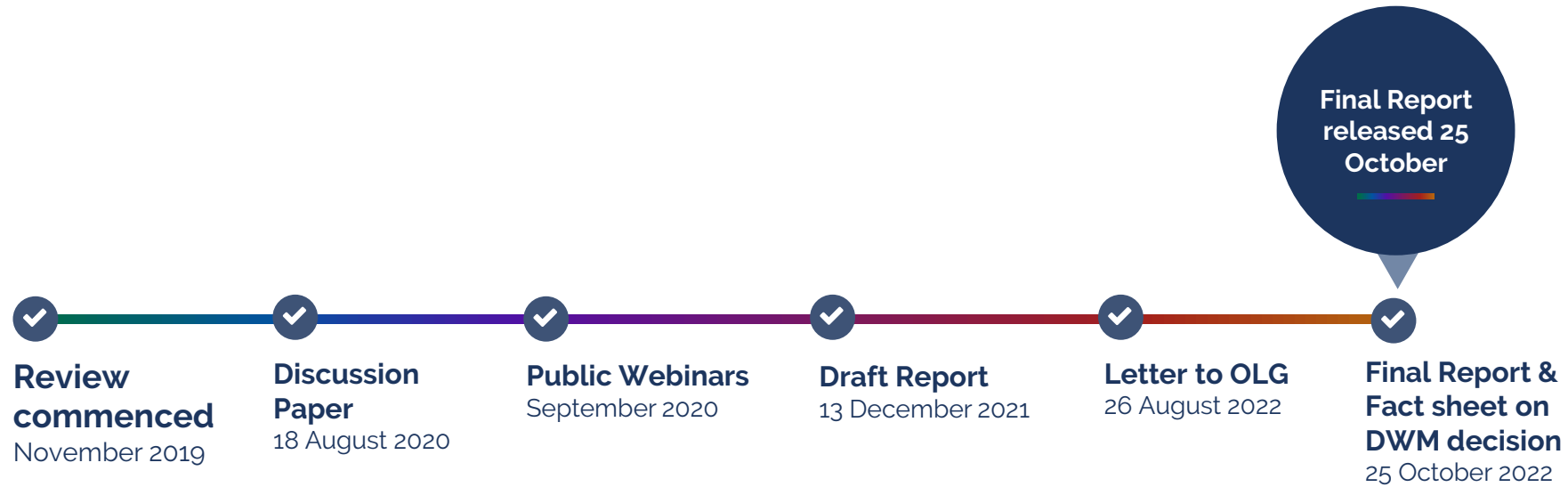
We support OLG's role in the DWM sector

We also encourage improved transparency & effective consultation with the community on DWM charges to empower ratepayers

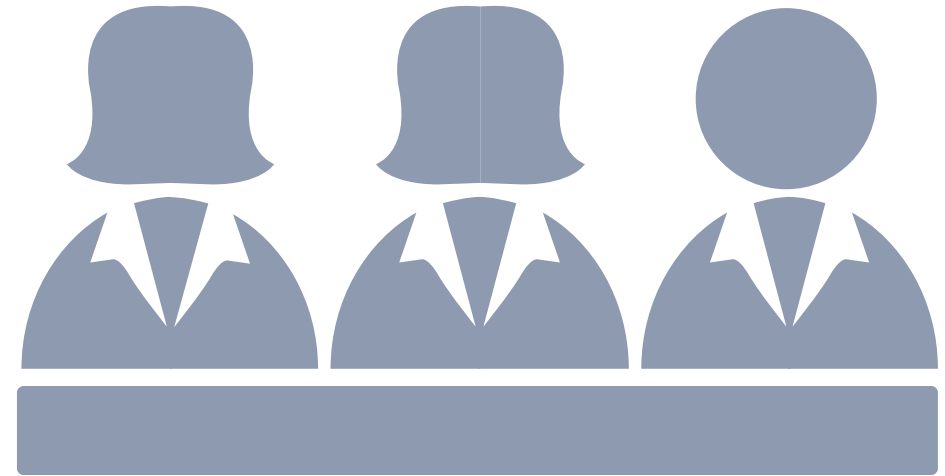
We anticipate making decisions for future years in the context of OLG's new regulatory approach

We thank you for your feedback to our review

Next steps



Questions



IPART is reviewing its rate peg methodology



IPART is undertaking a review under section 9 of the IPART Act to investigate & report on our rate peg methodology



Current methodology results in 2-year lag between indicators & when councils apply rate peg to general income



Local government sector has expressed concerns that inflation volatility makes forecasting & planning more difficult

Terms of reference

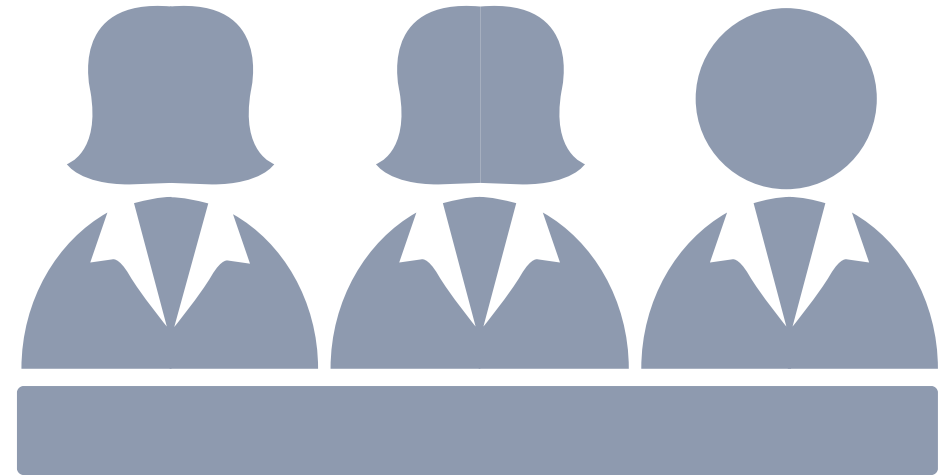
We have been asked to investigate & make recommendations on:

1. options to set the rate peg methodology to ensure it is reflective of inflation & costs of providing local government goods & services
2. options to stabilise volatility in the rate peg & options for capturing more timely changes in council costs & inflation
3. alternate data sources to measure changes in councils' costs
4. the effectiveness of current LGCI approach
5. options for capturing changes in councils' costs caused by external factors
6. the effectiveness of the population growth factor in achieving its intended purpose

Timeline for Rate Reg Methodology review



Questions



Contact us

Domestic Waste Management charges review

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 <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Reviews/Domestic-Waste-Management-Service-Charges/Review-of-domestic-waste-management-service-charges>

Rate Peg Methodology review

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 <https://www.ipart.nsw.gov.au/Home/Industries/Local-Government/Review-of-rate-peg-methodology>