

# Domestic waste management charges - Discussion Paper

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Question	Response
Feedback and Submission Form	
Industry	Local Government
Review	Review of domestic waste management service charges
Document Reference	c1e253a1-4210-41d3-97de-3be8f315fce7
1. Are there concerns with the prices councils charge for domestic waste management services? Why/why not?	
2. If there are concerns, how should IPART respond? For example, if IPART was to regulate or provide greater oversight of these charges, what approach would be the most appropriate? Why?	
3. Would an online centralised database of all NSW councils' domestic waste charges allowing councils and ratepayers to compare charges across comparable councils for equivalent services (eg, kerbside collection), and/or a set of principles to guide councils in pricing domestic waste charges, be helpful? Why/why not?	
4. Do you have any other comments on councils' domestic waste management charges?	
5. Which Council do your comments relate to?	
Your submission for this review:	<p>Submission from Blue Mountains City Council to the IPART Local Council Domestic Waste Management Charges Discussion Paper</p> <p>Response to the list of questions in the Discussion Paper attached.</p>
If you have attachments you would like to include with your submission, please attach them below.	<a href="#">Submission from Blue Mountains to the IPART Local Council Domestic Waste Management.DOCX</a>
Your Details	

Are you an individual or organisation?	Organisation
If you would like your submission or your name to remain confidential please indicate below.	Publish - my submission and name can be published (not contact details or email address) on the IPART website
First Name	Rebecca
Last Name	Tempest
Organisation Name	Blue Mountains City Council
Position	Program Leader, Waste and Sustainability
Email	
IPART's Submission Policy	I have read & accept IPART's Submission Policy

# **Submission from Blue Mountains City Council to the IPART Local Council Domestic Waste Management Charges Discussion Paper**

## **Response to the list of questions in the Discussion Paper**

### **1. Is it a concern that DWMCs appear to be rising faster than the rate peg? Are there particular cost-drivers that may be contributing to this?**

Blue Mountains City Council is not concerned that the Domestic Waste Management Charge (DWMC) is rising faster than the NSW rate peg. The rate peg bears no reflection on actual costs of providing this essential service. Other essential services such as water and sewerage pricing is not capped or pegged. Domestic waste services, as an essential service, should not be either.

Cost drivers that Blue Mountains City Council suggest may be contributing to this include:

- Recycling processing costs increased 1400% from 2017-18 to 2018-19 at BMCC
- This industry is highly regulated and any changes to those regulations lead to increase in costs for compliance
- The NSW Waste Levy increases each year, however the non-contestable 'Better Waste & Recycling Fund' grant decreases each year and can only be allocated to new projects, not 'business as usual' - there is therefore no opportunity for Council to pass on "grant funded" savings to ratepayers.
- There is a scarcity of landfill in Sydney and costs reflect supply and demand for landfill disposal.

### **2. To what extent does the variation in services and charges reflect differing service levels and community expectations and preference across different councils?**

Each Council must respond to their Community Strategic Plan, which is intended to reflect the community's expectations. Councils must also respond to the unique and diverse circumstances of their community.

In the Blue Mountains, domestic waste service levels are a direct reflection of the community's expectations. Significant and extensive community consultation was carried out before implementing the new household waste service in 2016.

Each council needs to determine how best to progress towards NSW Government waste reduction targets given the local context – this is why there is service variation.

Blue Mountains City Council has responded to community expectation for customised service levels. In the Blue Mountains, the community are not satisfied with a one size fits all approach to their services. This leads to higher expenses. A 'standard' service is provided, however larger bins are available to residents on a user pays basis.

### **3. Is there effective competition in the market for outsourced DWM services? Are there barriers to effective procurement?**

In the Blue Mountains effective competition for outsourced services is a challenge. This is despite participating in a large regional tender process.

There is a monopoly in the recycling processing industry in Sydney.

For collection and processing contracts there is limited interest in the relatively low service numbers / volumes across large distances. Regional and rural councils cannot offer economies of scale and therefore attract fewer bids.

**4. Are overhead expenses for DWM services appropriately ring-fenced from general residential rates overhead expenses?**

Blue Mountains City Council considers its DWMC calculation methodology ensures appropriate ring fencing. However, BMCC does support increased guidance through pricing principles to enable better consistency between councils. Please refer to further discussion about the proposed pricing principles at question 11.

Blue Mountains City Council makes significant effort to document and demonstrate that overheads are evidence based. Detailed calculations can be provided to demonstrate that this is a valid process and aligned with “reasonable cost” requirements.

While certain positions would not cease to exist if Council did not provide domestic waste services, these positions spend a percentage of time managing the domestic waste service. This is time that is not available for other Council services. The domestic waste management charge funds this available capacity that would otherwise be used elsewhere for Council. This method of calculating overhead allocations is considered to be a reasonable cost – particularly where it can be demonstrated that DWMC funds only the expense of the proportion of the position spent managing domestic waste services.

**5. If IPART was to regulate or provide greater oversight of DWM charges, what approach is most appropriate? Why?**

Blue Mountains City Council is well placed to be transparent and would be comfortable with a regular audit process. Council would also support further guidance on pricing principles with audits of outliers and spot audits of a set number of councils per year.

A rate peg percentage limit is not supported as there are too many variables in the waste and recycling industry to be accounted for in a single percentage amount.

Although supportive of transparency, a public comparison register is not supported because there are too many variables between Councils that need to be taken into account to consider any council comparable. Some of these variables include:

- Community demographics (language, culture, socio-economic factors)
- Distance to markets/disposal/processing
- Density (#services per kilometre travelled)
- Different collection vehicles needed for different properties and street widths
- Multi unit vs single unit dwelling proportion
- Geography
- Climate conditions
- Contract clauses/conditions

Without comparable Councils, a public register and benchmarking sets unrealistic expectations for residents and distorts the intention of such methods.

**6. Are there any other approaches that IPART should consider?**

Councils should have documented justification for how the DWMC is calculated each year to demonstrate reasonable costs.

**7. If a reporting and benchmarking approach was adopted, how could differences in services and service levels, as well as drivers of different levels of efficient costs, be accounted for?**

Blue Mountains City Council appreciates the theoretical value of benchmarking and would be interested to participate if a truly comparable council could be identified. However, there are so many variables between councils, and so few that could be considered comparable (particularly for the Blue Mountains), that these difference could not be accounted for. Therefore this option is not supported.

**8. Is there merit in IPART's proposed approach to developing reporting, monitoring and benchmarking approach and pricing principles for setting DWM charges? Is it likely to be an effective approach? Why/why not?**

Blue Mountains City Council support transparency and is already well placed to demonstrate reasonable costs calculations.

As outlined above, Blue Mountains City Council does not believe there is merit in reporting, monitoring and benchmarking due the significant variation between councils and the difficulty in identifying truly comparable councils.

Blue Mountains City Council does agree that providing information and guidance would support transparency and more consistency in the approach for calculating the DWMC between councils. The value would likely still differ significantly. The proposed pricing principles are largely supported, however concerns for some aspects are discussed in question 11 below.

**9. Would IPART's proposed approach be preferable to audits of local councils' DWM charges by OLG?**

Blue Mountains City Council is comfortable to continue to be audited by OLG – whether regularly or on a random, spot check basis.

Blue Mountains City Council also support further guidance through the concept of pricing principles to ensure greater consistency between councils.

Blue Mountains City Council agrees that the cost of setting a 'rate peg' would outweigh the benefits.

**10. Are there any issues that should be considered with regards to developing online centralised database for all NSW councils' DWM charges to allow councils and ratepayers to benchmark council performance against their peers?**

Blue Mountains City Council supports transparency and accountability. However, identifying comparable councils is difficult – particularly outside the metropolitan area. This database would then be an unhelpful tool for residents.

The proposed timeframe of 2 years to allow Councils to adjust their DWMC is not realistic depending on contract terms already entered into.

Contract costs are a reality of the market at the time of tender. Councils need to accept the best value offer available to ensure continuity of service. It is therefore not realistic to compare councils that tendered at different times. Also, commercial in confidence would need to be given consideration.

**11. Do you agree with IPART's proposed pricing principles? Why/Why not?**

Blue Mountains City Council support the majority of the proposed pricing principles as a way of guiding reasonable cost calculations. However, there are concerns about two aspects.

Regarding 'incremental cost allocation should be applied':

Blue Mountains City Council makes significant effort to document and demonstrate that overheads are evidence based. Detailed calculations can be provided to demonstrate that this is a valid process and aligned with "reasonable cost" requirements.

While certain positions would not cease to exist if Council did not provide domestic waste services, these positions spend a percentage of time managing the domestic waste service. This is time that is not available for other Council services. The domestic waste management charge funds this available capacity that would otherwise be used elsewhere for Council. For this reason, average overhead allocations are a reasonable cost – particularly where it can be demonstrated that DWMC funds only the expense of the proportion of the position spent managing domestic waste services.

Regarding 'social programs should be funded from general rates revenue':

The NSW Government has not increased the pensioner subsidy in 27 years – in providing a pensioner rebate on the DWMC, local government is attempting to identify affordable ways to lessen the financial impact on some of our most vulnerable community members. Blue Mountains City Council considers that it is valid for the elected body to resolve (on behalf of its community) to fund a rebate or exemption, in a publicly transparent way.

In addition, Financial Assistance Grants are decreasing making it more difficult for councils to support vulnerable community members.

Finally, local government's purpose is to support the local community through value for money services. Councils are required to take a quadruple bottom line approach (integrated planning and reporting requirements) – so the social, environmental and governance factors need to be considered along with financial factors. Considering financial factors alone is misleading.

Should this proposed principle be implemented, Council would have a \$550,000 loss of revenue. This is a considerable financial impact that would need to be met with a reduction in service levels

from other council services. Blue Mountains City Council considers that pensioners need further financial relief and would be reluctant to remove the pensioner subsidy should it not be possible to fund it from the Domestic Waste Management Charge.

**12. Are there any other pricing principles or issues that should be considered?**

Blue Mountains City Council has makes considerable effort to ensure its waste services are provided in a best value way. Regular reviews are carried out to identify further efficiencies that can be passed on to ratepayers, limiting Domestic Waste Management Charge increases. However, as with other Council Services, the least cost domestic waste services is not likely to be the best value service. The waste service needs to be effective as well as efficient. Council strives to achieve resource recovery targets set by the NSW Government, including reducing waste to landfill. Allowing for the separation and reprocessing of recyclable materials is not cheap – it comes at a direct financial cost to ratepayers. However, the alternative – sending everything to landfill - is not a quality outcome and would certainly not be supported by the Blue Mountains community.

Any assessment of Domestic Waste Management Charges must give consideration to effective as well as efficient services.

**13. Could a centralised database and display of key elements of all successful DMW service contracts (eg name of tenderer, service provided and contract amount) assist councils in procuring efficient services? If not, why not?**

Given the variables discussed in previous answers, it is hard to see that this would help. However, it would not hinder the procurement process. This sort of information is already publicly available about major contracts Council has entered into.