



# IPART Decision - Domestic Waste Management Charges

July 2021



# IPART review – final report due September 2021

## LOCAL COUNCIL DOMESTIC WASTE MANAGEMENT CHARGES

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Discussion Paper

August 2020

Local Government

# IPART decision – pricing principles

DWM charges should reflect a 'user pays' approach (incremental approach)

Only reasonable cost categories should be reflected in DWM charges

DWM charges should reflect efficient costs

DWM charges should be transparent

People paying similar charges should have similar access to service

DWM charges should seek to ensure price stability

- The outcome of the IPART review will be a decision, not a report to the Minister.
- There will be a set of detailed costs for pricing principles applied to all councils.
- There will be future benchmarking of councils.

# Incremental costs – consistent with legislative intent

- Government deliberately separated DWM from general rates in LG Act.
- General rates are a tax-based ability to pay – proxied by land value (yes it's quite imperfect).
- DWM charges are a *fee for service* and are to be cost reflective.
- IPART's view is that general rates cover councils core community functions and DWM charges should recover the efficient ADDITIONAL cost of providing the DWM services. That is the cost of providing the core functions – which are to be funded through general rate.

**It is the costs that would be removed if the DWM services were provided by a federal or state agency.**

# Reasonable costs vs efficient cost

- **Reasonable costs** are the **CATEGORIES** of costs that can be included in the DWM cost build-up.
- Efficient costs are the minimum level of those reasonable costs that is practically achievable by the council – (we assess this against peers, i.e. not comparing Bogan Shire to Bankstown).
- Where councils are providing a higher frequency or quality of service and can demonstrate that this is what the community wants – then it is a reasonable cost. However, it may or may not be the least (efficient) way of providing that higher level of service.

# What does this mean for councils??

## Revenue not lost

- Cost items that IPART have disallowed/reduced from current DWM calculation such as executive, overheads, electricity, office space, education, illegal dumping, lease costs pensioner rebates etc.
- **Are moved back into general rates costs.**

## Rebalancing

- IPART is working on a simple reset for this rebalancing.
- **NO SRV/no SV** consultation. As the overall charges net out at zero.
- This would be a permanent increase in the rateable revenue with subsequent rate peg adjustment to the new base.

# Benchmarking items

- Benchmark items 1-5 will include waste costs per service:
  1. Red
  2. Yellow
  3. Green
  4. Tip voucher/hard waste
  5. Total DWM
  
- Benchmarking (8) number of customers
- Benchmarking (9) number of MUDs
- Benchmarking (10) service density (residences per km<sup>2</sup>)
- Benchmarking (12) average volume to landfill (kg per residence)
- Benchmarking (13) Free form box (council specific data)

# Pensioner rebates

- Unfair for the heaviest burden to fall on working families in LGA's with high retirees/unemployed/disabled etc.
- Fund through consolidated revenue.
- Or at least have a standard ad valorem rate based on property value across the state that pools and funds councils' current pensioner rebate obligations.

# Morrison Low – discussions with councils

In our discussions with councils, the following issues have been raised:

- Are/can councils demonstrate value for money services?
  - What are the implications of regulated DWM charges?
  - Will there be an impact on DWM contribution to General Fund?
  - Are councils operating a sustainable Domestic Waste Service?
- IPART has indicated if a council's DWM is 15% greater than comparable councils, a detailed audit will be undertaken.
  - Undertaking a comparative analysis with similar sized councils can identify and provide a service snapshot and key benchmarking data.
  - The report will also provide a list of future opportunities for council to consider.

# Morrison Low – recommended next steps

1. Councils consider impacts on transfer of income and expenditure from DWM to general rates and determine reasonable costs attribution table that can be applied by all councils.
2. Councils undertake an analysis of DWM services with comparative councils as a baseline measure in service performance.
3. An opportunity exists to increase transparency and accountability by integrating a council's waste strategies and environmental plans with a domestic waste 10-year long-term financial plan (LTFP).
4. The DWM LTFP is to be based on a set of pricing principles, including a documented methodology for detailing incremental costs, reasonable costs and assumptions for wage growth, CPI etc, to develop a balanced domestic waste management charge for the 10-year LTFP.