



ACT AUDITOR-GENERAL'S OFFICE

## Media Release



28 June 2012

### Performance Audit Report -Management of Recycling Estates and E-waste

Today the 'Management of Recycling Estates and E-waste' report was presented to the Speaker for tabling in the ACT Legislative Assembly by the ACT Auditor-General, Dr Maxine Cooper.

#### **Audit Conclusion (extract only – for full conclusion see pages 4 and 5 of the report)**

##### **Management of recycling estates**

The regulatory waste function under the *Waste Minimisation Act 2001* (the Act), needs to be activated. At present the ACT does not have a waste regulator even though this can be enacted under Section 4 of the Act by appointing an authorised person. While such a person may be able to address, to a degree, the issue of stockpiling recycling material under the existing legislation, it could be better controlled if the ACT had a regulation for controlling the storage of waste.

The Environment Protection Authority and the Justice and Community Safety Directorate (ACT Fire and Rescue) appear to have fulfilled their regulatory role in accordance with legislated requirements with respect to issues considered in this audit.

##### *Hume Resource Recovery Estate*

To assist the future management of this Estate and build on the guidance given by its Master Plan, it is timely for a long-term Estate Management Plan to be developed.

##### *Parkwood Road Recycling Estate*

The management of this Estate has been poor. There is evidence of communication failures and unresolved disagreements. There is a need for the purpose of the Estate to be clarified and this used to guide the development of a long-term Estate Management Plan.

Also, the ACT Government has incurred considerable costs (approximately \$1m) in cleaning up a recycling site (located in the former West Belconnen landfill site) that posed an unacceptable fire risk due to waste materials being stockpiled.

The rental fees charged at this Estate are significantly below current market rates.

It is acknowledged that there is now a commitment to update the 2005 Protocol between ACT Property Group and ACT NOWaste for the management of Parkwood and ensure compliance with its requirements.

##### **Computer and television e-waste**

The ACT Government continues to provide leadership in the management of computer and television e-waste. It was the first jurisdiction in Australia to introduce local bans on these going to landfill, and it is taking the lead in implementing the new National Stewardship Scheme. While this is the case, the planning for these initiatives was not always comprehensive and unanticipated costs particularly related to illegal dumping were incurred.

The procurement processes for computer and television e-waste, were generally appropriate and risk based, however there are areas for improvement.

### ***Recommendations***

The audit made 9 recommendations (see pages 9 to 14 of the report). The Director-General of the Territory and Municipal Services Directorate agreed with 7 of the recommendations and agreed in part with 2 recommendations.

### ***The report***

A copy of the Report Summary and Conclusions (with Recommendations) is attached to this media release.

Copies of the report are available from the ACT Auditor-General's Office website, [www.audit.act.gov.au](http://www.audit.act.gov.au) and the Office (please call 6207 0833 or go to 11 Moore Street, Canberra).

# 1. REPORT SUMMARY AND CONCLUSION

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## INTRODUCTION

- 1.1 In late 2011, the ACT's new Waste Management Strategy 2011-2025, was released. It replaced the 1996 *No Waste By 2010 – Waste Management Strategy* and in so doing it explicitly included e-waste and gives priority to the Hume Resource Recovery Estate for the development of waste infrastructure.
- 1.2 ACT NOWaste, within the Territory and Municipal Services Directorate, administers the Government's waste management strategy and manages contracts and service agreements for a range of waste and recycling activities, including contracts for the disposal of discarded electrical and electronic equipment. This type of waste is called e-waste (electronic waste).
- 1.3 ACT Property Group within the Territory and Municipal Services Directorate is accountable for property management and compliance management of tenant land use.
- 1.4 ACT NOWaste and the ACT Property Group developed a 2005 Protocol so that ACT Property Group could effectively manage sites in the two ACT recycling estates to achieve requirements of ACT NOWaste.
- 1.5 The ACT's two recycling estates are Parkwood Road Recycling Estate and Hume Resource Recovery Estate. Development in Parkwood commenced in 1999 and in the Hume Resource Recovery Estate in 2009.
- 1.6 The generation and disposal of e-waste by households is a growing concern of communities across Australia. Australians are amongst the top ten consumers of electronic technology in the world. Televisions and computers cause the most concern primarily due to their weight and the volume of these products that are now reaching their end of life.
- 1.7 E-waste in Australia is being managed nationally under the National Stewardship Scheme and the ACT is leading other jurisdictions in implementing initiatives under this scheme.
- 1.8 The ACT's Select Committee on Estimates, reporting on the *Appropriation Bill 2011-12*, noted that:
- ...while the Government indicated its support for procurement from social enterprises in June 2010, two previous e-waste contracts in 2009 and 2011 were given to firms based outside the ACT without apparent regard to environmental or social considerations.<sup>1</sup>

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<sup>1</sup> The Select Committee on Estimates 2011-2012, *Appropriation Bill 2011-2012*, paragraph 9.56, page 177.

- 1.9 The Committee recommended that:
- the Auditor-General should investigate the previously granted e-waste and other waste contracts.<sup>2</sup>
- 1.10 This report presents the results of a performance audit that examined the administrative effectiveness in managing the recycling estates located at the Parkwood Road and Hume, and computer and television e-waste.

## AUDIT OBJECTIVE

- 1.11 The objective of this audit is to provide an independent opinion to the Legislative Assembly on whether:
- the ACT recycling estates at Parkwood Road and Hume are effectively planned, regulated and managed to optimise recycling activities to meet the ACT's sustainability agenda; and
  - the management of computer and television e-waste is consistent with government legislative and policy requirements.
- 1.12 Accordingly, the main focus of this audit is on the activities of the Territory and Municipal Services Directorate, in particular the business units of ACT NOWaste and ACT Property Group. However, the activities of some of other Directorates - the Economic Development, the Environment and Sustainable Development (Policy and the Environment Protection Authority), and the Justice and Community Safety (ACT Fire and Rescue) - are also considered when their management and/or regulatory functions affect the recycling estates.
- 1.13 **Appendix A** presents the audit criteria, approach and method.

## AUDIT CONCLUSION

### Management of recycling estates

#### *Overall issues*

The regulatory waste function under the *Waste Minimisation Act 2001* (the Act), needs to be activated. At present the ACT does not have a waste regulator even though this can be enacted under Section 4 of the Act by appointing an authorised person. While such a person may be able to address, to a degree, the issue of stockpiling recycling material under the existing legislation, it could be better controlled if the ACT had a regulation for controlling the storage of waste.

The Environment Protection Authority and the Justice and Community Safety Directorate (ACT Fire and Rescue) appear to have fulfilled their regulatory role in accordance with

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<sup>2</sup> The Select Committee on Estimates 2011-2012, *Appropriation Bill 2011-2012*, Recommendation 153, page 177.

legislated requirements with respect to issues considered in this audit.

#### *Hume Resource Recovery Estate*

To assist the future management of this Estate and build on the guidance given by its Master Plan, it is timely for a long-term Estate Management Plan to be developed.

Several procurement processes undertaken by ACT NOWaste for the development of the Hume Resource Recovery Estate were considered and all were found to have been conducted in accordance with the appropriate procurement requirements.

#### *Parkwood Road Recycling Estate*

The management of this Estate has been poor. There is evidence of communication failures and unresolved disagreements. There is a need for the purpose of the Estate to be clarified and this used to guide the development of a long-term Estate Management Plan.

Also, the ACT Government has incurred considerable costs (approximately \$1m) in cleaning up a recycling site (located in the former West Belconnen landfill site) that posed an unacceptable fire risk due to waste material being stockpiled.

The rental fees charged at this Estate are significantly below current market rates.

It is acknowledged that there is now a commitment to update the 2005 Protocol between ACT Property Group and ACT NOWaste for the management of Parkwood and ensure compliance with its requirements.

#### **Computer and television e-waste**

The ACT Government continues to provide leadership in the management of computer and television e-waste. It was the first jurisdiction in Australia to introduce local bans on these going to landfill, and it is taking the lead in implementing the new National Stewardship Scheme. While this is the case, the planning for these initiatives was not always comprehensive and unanticipated costs particularly related to illegal dumping were incurred.

The procurement processes for computer and television e-waste, were generally appropriate and risk based, however there are areas for improvement.

### **KEY FINDINGS**

1.14 The audit conclusion is supported by the following findings:

#### **Managing the recycling estates (Chapter 3) showed:**

- A Hume Resource Recovery Estate Management Plan is needed to set the short and long-term objectives for the Estate's development.

- ACT Property Group has not effectively managed the Parkwood Road Recycling Estate. It may be that this is not occurring because the 2005 protocol is out-dated.
- Renewals of a number of licence agreements were not made in accordance with the intent of the 2005 Protocol.
- The cost to the ACT Government of a cleanup of a building waste recycling facility's stockpile at the West Belconnen Landfill during 2011-12 was in the vicinity of \$1 million.
- Notwithstanding a recent decline in rental market values, the average rental charge of \$3.26 per square metre per annum under the current lease agreements is well below a May 2011 independent rental market valuation of the Parkwood Road Recycling Estate at \$33.23 per square metre per annum.
- ACT Property Group has not been able to effectively retain important corporate knowledge. Consequently, important factors such as risk assessments have not been considered in managing the Parkwood Road Recycling Estate since 2007.
- A 2007 Fire Risk assessment found that the Parkwood Road Recycling Estate presented significant fire hazards to the ACT, especially to nearby suburbs.
- The Director-General, Territory and Municipal Services Directorate has not appointed an authorised person under Part 4 (Enforcement Power) of the provisions of the *Waste Minimisation Act 2001*. Such a person could enforce the provisions of the Act, including addressing stockpiling of recycling material, to the degree that the legislation allows, even if this is at present limited due to a lack of specific regulations governing the storage of waste.

### Procurement – Hume Resources Recovery Estate

- The expression of interest process for the direct land sale at Hume Resource Recovery Estate was conducted in accordance with requirements and the evaluation criteria outlined in the expression of interest documents was met. However, the sale is not due to be completed until August 2012, due to the block requiring some earthworks, some two years after commencement of the procurement.
- Procurement processes for a commercial dry mixed recycling facility at Hume Resource Recovery Estate were followed. In April 2011, a respondent was short-listed but negotiations are continuing. ACT NOWaste advised Audit that a Memorandum of Understanding will be announced in July 2012.

### Computer and television e-waste (Chapter 4) showed:

- Bans on computers (from 2005) and televisions (from 2010) going to landfill have been a major factor in recycling 2 780 tonnes of e-waste that would otherwise have gone to landfill.
- The computer and television bans were largely intended to be offset by the collection of user fees from members of the public disposing of their televisions and computers, but there has been a shortfall in income to fund this e-waste recycling activity of around \$610 000 out of a total cost of \$1.59 million (38 per cent) over the last five years.
- The shortfall has arisen from unanticipated increases in contract prices and illegal dumping. This has occurred particularly at charity bins located in and around town centres, car parks and suburban shopping centres.
- Under the Commonwealth regulated and industry funded National Stewardship Scheme computer and television e-waste services are now free to users, and costs that the ACT Government has incurred are unlikely to be incurred in the future. The early adoption by the ACT Government of the National Stewardship Scheme puts in place a firm arrangement for two years to collect and recycle computer and television e-waste. In the first four weeks of these new arrangements, an estimated 700 tonnes of computer and television e-waste was delivered to the ACT's two recycling centres. This is equivalent to a year's recycled e-waste under the former bans. Canberrans no longer need to pay for a service that attracted a fee. This will save them more than \$400 000 a year. Significant savings are also expected from a reduction in illegal dumping.
- The ACT as yet has no long-term monitoring and evaluative framework for its e-waste initiatives. However, under the National Stewardship Scheme the ACT Government will be contributing to annual reports going to the Commonwealth Government on the new scheme and some of the elements of these reports could form the basis of such a framework.
- ACT NOWaste's financial data on its computer and television e-waste initiatives were not readily available. An important aspect of determining the cost effectiveness of these initiatives is the ability to evaluate financial and other information.

### Procurement – computer and television e-waste

- The handling of tendering and contract letting for computer and television e-waste contracts between 2008 and 2011 were, in the main, compliant with policy. However, there were significant delays in progressing the procurement and this led to additional cost.
- Furthermore, in the procurement process, greater attention should have been given to:

- balancing social, economic and environmental factors in the e-waste tendering;
  - the potential for prioritising local companies and local solutions; and
  - the use of contract variations.
- ACT NOWaste failed to monitor aspects of computer and television e-waste contract delivery such as when contracts were expiring and when spending limits had been exceeded.

## RECOMMENDATIONS AND RESPONSE TO THE REPORT

- 1.15 The audit has made nine recommendations to address the audit findings detailed in this report.
- 1.16 Priority should be given to Recommendation 1 (management of the Hume Resource Recovery Estate), Recommendation 5 (administrative arrangements under the *Waste Minimisation Act 2001*), and Recommendation 6 (management of the Parkwood Road Recycling Estate).
- 1.17 In accordance with Section 18 of the *Auditor-General Act 1996*, a final draft of this report was provided to the Directors-General of the Territory and Municipal Services Directorate, Environment and Sustainable Development Directorate, Economic Development Directorate and Justice and Community Safety Directorate for consideration and comments.
- 1.18 The Director-General of Territory and Municipal Services Directorate overall response is:
- The Management of Recycling Estates and E-waste Audit Report is timely and will be a valuable tool to progress the existing internal review of the management issues related to the Estates and E-waste operations. The development and alignment of Estate Management Plans is regarded as key to the ongoing professional management of these critical functions.*
- 1.19 In addition, the Director-General of the Territory and Municipal Services Directorate provided responses to each recommendation. The Director-General of Environment and Sustainable Development Directorate's comments in relation to Recommendation 5 are presented.

### Recommendation 1 (Chapter 3)

#### Management of the Hume Resource Recovery Estate

The Territory and Municipal Services Directorate (ACT NOWaste) should enhance its management of the Hume Resource Recovery Estate by developing:

- a. an Estate Management Plan to guide the short and long-term development of the site;
- b. a risk management plan for the Estate; and
- c. a monitoring and evaluation framework to guide an overall assessment of the Estate.

(b and c could be part of the Estate Management Plan)

#### Territory and Municipal Services Directorate:

**Agreed.**

*All actions will be undertaken upon appointment of the Estate Manager. Interim arrangements will mirror the Estate Management Plan proposed for completion for all Estates at Recommendation 2, and be reviewed as development progresses and tenants are in place.*

### Recommendation 2 (Chapter 3)

#### Management of the Recycling Estates

The Territory and Municipal Services Directorate (ACT Property Group) should update the 2005 Protocol between ACT Property Group and ACT NOWaste for managing the ACT's recycling estates.

#### Territory and Municipal Services Directorate:

**Agreed.**

*The protocol will be updated and implemented by July 2013 and will be developed in conjunction with the Risk Management Plan (Recommendation 4), and the Estate Management Plan (Recommendation 6). Once these documents are finalised, appropriate consultation with tenants will occur prior to implementation.*

*The updated protocol will be developed in stages with:*

- *Fire Risk Assessment updated by 30 September 2012;*
- *full Risk Management Plan review by 31 December 2012;*
- *tenant consultation plan and initial consultation by 28 February 2013;*
- *Draft Estate Management Plan by 31 March 2013;*

- *Estate Management Plan completed by 31 May 2013; and*
- *Revised Protocol adopted by 30 June 2013.*

### **Recommendation 3 (Chapter 3)**

#### **Adjustment of the Parkwood Road Recycling Estate rental charges**

The Territory and Municipal Services Directorate (ACT Property Group) should review and increase rental charges for the Parkwood Road Recycling Estate to reflect current market rates.

#### **Territory and Municipal Services Directorate:**

##### ***Agreed.***

*ACT Property Group has commenced work on rental rates through the commissioning of a market review that occurred in 2011. Negotiations will commence with tenants as soon as practicable to implement a fair market rent.*

*It is proposed to:*

- *complete a tenant consultation plan by 31 July 2012;*
- *obtain further valuations to ensure the integrity of the “current rental market rates” by 31 August 2012;*
- *determine the introduction of new rent levels, including consideration of phasing to enable tenants to transition from the site if they decide, as well as alignment of capital works program;*
- *commence negotiations with tenants as soon as practicable to implement the rental regime, commencing with renewals; and*
- *align the market review with the protocol by 30 June 2013.*

### Recommendation 4 (Chapter 3)

#### Risk assessment and management plan

The Territory and Municipal Services Directorate (ACT Property Group) should:

- a. finalise its draft Risk Management Plan (June 2011) and draft Tenancies Policy and Procedure Manual (July 2011); and
- b. develop a specific Risk Management Plan for the Parkwood Road Recycling Estate that includes information from a comprehensive fire risk assessment.

This specific Risk Management Plan could form part of the ACT Property Group's Risk Management Plan (a. above) or the proposed Estate Management Plan that is the subject of Recommendation 6.

#### Territory and Municipal Services Directorate:

**Agreed.**

*The draft Risk Management Plan and draft Tenancies Policy and Procedures Manual will be finalised by July 2013. The updated Plan and Policy will be developed in conjunction with the protocol (Recommendation 1), and the Estate Management Plan (Recommendation 6). Once these documents are finalised appropriate consultation with tenants will occur prior to implementation.*

### Recommendation 5 (Chapter 3)

#### Administrative arrangements under the *Waste Minimisation Act 2001*

The Territory and Municipal Services Directorate should activate its role as the ACT's waste regulator by appointing an authorised person under Part 4 (Enforcement Power) of the *Waste Minimisation Act 2001* and this person should:

- a. foster the development of a waste regulation that controls the storage of waste, in particular stockpiling of recycling products; and
- b. request that the Environment Protection Authority in the next review of the *Environment Protection Act 1997* to work collaboratively with the Territory and Municipal Services Directorate to examine whether it or the Environment Protection Authority should be the ACT's waste regulator.

#### Territory and Municipal Services Directorate:

*The Directorate agrees in part to the Administrative arrangements under the Waste Minimisation Act, specifically:*

*a. agreed as an interim measure. This will require resources to develop, implement, report and review the required directions necessary to facilitate regulation of activities under the Act; and*

*b. the review of the Environment Protection Act 1997 should ensure the appropriate regulation of the resource recovery industry occurs without contradiction or replication with regulation provisions under the Waste Minimisation Act 2001.*

**Agreed in Part.** *The activation of the administrative arrangements under the Waste Minimisation Act, specifically:*

- as an interim measure, appoint an authorised person under Part 4 (Enforcement Powers) of the Waste Minimisation Act 2001 based on particular directions that specify the regulation of activities;*
- seek Environment and Sustainable Development Directorate agreement to appoint Environmental Protection Officers as authorised persons under Part 4 (Enforcement Powers) of the Waste Minimisation Act 2001, based on particular directions that specify the regulation of activities;*
- defer the development of controls for storage of waste in particular stockpiling of recycling products until adoption of the new protocol and the Estate Management Plans in Recommendation 2; and*
- engage with Environment and Sustainable Development Directorate during the next review of the Environment Protection Act 1997 to seek the incorporation of appropriate regulation of the resource recovery industry without contradiction or replication of the provisions of the Waste Minimisation Act 2001.*

### **Environment and Sustainable Development Directorate**

*Environment and Sustainable Development Directorate agrees that the Territory and Municipal Services Directorate should administer the Waste Minimisation Act 2001..*

*Environment and Sustainable Development Directorate is developing a detailed policy position on the appropriate regulation of the waste industry as part of the implementation of the ACT Waste Management Strategy 2011-2025.*

**Recommendation 6 (Chapter 3)****Management of the Parkwood Road Recycling Estate**

The Territory and Municipal Services Directorate (ACT Property Group) should:

- a. clarify the purpose of the Parkwood Road Recycling Estate and name it accordingly;
- b. develop an Estate Management Plan to guide the short and long-term development of the Estate;
- c. develop a risk management plan for the Estate; and
- d. develop a monitoring and evaluation framework to guide an overall assessment of the Estate.

(c and d could be part of the Estate Management Plan)

**Territory and Municipal Services Directorate:*****Agreed.***

*As part of the protocol to be developed at Recommendation 2 and the Risk Management Plan (Recommendation 4), the purpose of the Parkwood Road Recycling Estate will be clarified and an Estate Management Plan developed. The Estate Management Plan will incorporate the Risk Management Plan and align with the protocol between ACT Property Group and ACT NOWaste*

**Recommendation 7 (Chapter 4)****E-waste monitoring and evaluation framework**

The Territory and Municipal Services Directorate (ACT NOWaste) should develop and implement a long-term e-waste monitoring and evaluation framework to determine and report on the environmental, social and financial effects of e-waste projects. This should complement national requirements for reporting information but also include specific information on local affects that may not require reporting nationally.

**Territory and Municipal Services Directorate:*****Agreed in Part.***

*The E-waste monitoring and evaluation framework will be required to be developed in conjunction with Environment and Sustainable Development Directorate, particularly as it relates to the local affects of the National Stewardship Scheme. Resources to implement monitoring and evaluation will require a successful budget bid.*

### **Recommendation 8 (Chapter 4)**

#### **Planning, risk and outcomes**

The Territory and Municipal Services Directorate (ACT NOWaste) should ensure it undertakes adequate planning, identifies risks and possible and probable outcomes, before seeking the Government's commitment to new e-waste service developments whether or not there is budgetary provision for these developments.

#### **Territory and Municipal Services Directorate:**

***Agreed.***

*The ACT Insurance Authority has completed risk management training for ACT NOWaste staff.*

### **Recommendation 9 (Chapter 4)**

#### **Procurement processes and monitoring of contracts**

The Territory and Municipal Services Directorate (ACT NOWaste) should improve its procurement processes and monitoring of its contracts by:

- a. procurement planning that includes realistic timeframes, explicit consideration of the level of expertise required and available, and the impact on existing service costs due to potential delays; and
- b. routinely considering existing contract timescales, giving sufficient lead-in time to extending or re-letting contracts; and checking compliance with contract conditions.

#### **Territory and Municipal Services Directorate:**

***Agreed.***

*ACT NOWaste will continue its practice of routinely consulting with subject matter experts during the development phase of projects, including stakeholders from the private sector, national and state governments and other ACT Government Directorates. Contract compliance and timing of the re-tendering of contracts is regularly impacted by competing contract priorities and the availability of staff/resources in multiple Directorates. The future potential for outsourcing of Shared Services Procurement resources to Territory and Municipal Services Directorate is seen as a proactive response to these issues.*

### **ACKNOWLEDGMENTS**

- 1.20 The Auditor-General's Office acknowledges the co-operation and assistance of the management and staff of:

- Territory and Municipal Services Directorate;
- Environment and Sustainable Development Directorate;
- the Justice and Community Safety Directorate; and
- Economic Development Directorate.

in the production of this report.