

ACT AUDITOR-GENERAL'S REPORT
MANAGEMENT OF HOUSEHOLD
WASTE SERVICES

REPORT NO.5 / 2020

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PA 19/05

The Speaker
ACT Legislative Assembly
Civic Square, London Circuit
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled 'Management of household waste services' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Michael Harris
Auditor-General
29 June 2020

The ACT Audit Office acknowledges the Ngunnawal people as traditional custodians of the ACT and pays respect to the elders; past, present and future. The Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.

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SUMMARY

Waste management is an important part of the ACT Government's environmental and sustainability agenda. The ACT Government has ambitious targets to decrease waste production, reduce the amount of waste to landfill and increase the resource recovery rate. The proper disposal and management of waste is important to ensure that the ACT community is not exposed to environmental and health risks.

A systematic and integrated approach to waste management planning and prioritisation can reduce the costs of waste and recycling services, drive changes in waste generation performance and lead to new investment in infrastructure and business.

ACT NoWaste, within the Transport Canberra and City Services Directorate, is responsible for implementing effective waste management programs that engage the community and encourage sustainable waste minimisation and management practices to achieve the ACT Government's waste policy objectives and waste targets. Key waste management services are provided by contracted service providers, including the kerbside collection, removal, processing and disposal of household waste. The audit considered ACT NoWaste's:

- strategic planning and governance arrangements for the management of household waste services; and
- systems and processes for the management of household waste services, including contract management and service delivery arrangements for collecting and processing waste.

Conclusions

STRATEGIC PLANNING FOR THE MANAGEMENT OF HOUSEHOLD WASTE SERVICES

ACT NoWaste has not implemented effective strategic planning for the management of household waste services. Various strategic planning initiatives are incomplete and have not demonstrated their effectiveness in the management of household waste services. The lack of strategic planning for household waste management services has been compounded by poor risk management processes.

Since mid-2019, ACT NoWaste has taken steps to improve its household waste strategic planning and risk management. This included the development of an *ACT NoWaste Work Plan* (July 2019); a November 2019 Request for Tender for *Strategic Waste Infrastructure Planning Services*; the development of a draft *ACT NoWaste Strategic Workforce Plan* (2020); and participation in a whole-of-directorate implementation of an Enterprise Risk Management (ERM) System. However, these initiatives remain at an early stage of implementation and their effectiveness is yet to be demonstrated.

The November 2019 Request for Tender for *Strategic Waste Infrastructure Planning Services* is for the delivery of consultancy services for a comprehensive suite of strategic waste infrastructure strategies and plans for the longer-term management of waste. ACT NoWaste must ensure that the services and deliverables to be provided through this arrangement are delivered and contribute to effective strategic planning for waste management in the ACT.

MANAGEMENT OF HOUSEHOLD WASTE SERVICES

ACT NoWaste is developing contract management and administrative arrangements for the management of household waste services. Key contract management processes and controls developed in early 2019 include a draft *Contract Management Framework*, Contract Management Workbooks and Inspection Work Instructions. The draft *Contract Management Framework* is yet to be finalised and endorsed and Contract Management Workbooks, which were intended to instil rigour and consistency in the management of services agreements, are not used to their full potential. ACT NoWaste’s intention to achieve rigour and consistency in decision-making for contract management has not yet been achieved.

HOUSEHOLD WASTE SERVICES AGREEMENTS

ACT NoWaste manages a portfolio of 38 waste services agreements on behalf of the ACT community. Some of these agreements have been in place for almost a decade and were negotiated at a time when the national and international waste management and resource recovery environment was less complex and less costly. The oldest services agreement for the kerbside collection of general waste (red bins) and recycling waste (yellow bins) dates from 2013. This services agreement lacks flexibility, is not performance-based and does not include effective incentives for better than standard service; or at-risk fees in the event of underperformance. More recent ACT NoWaste services agreements incorporate elements of incentives and at-risk fees. The services agreement for the collection and processing of garden organics green waste, demonstrates a better, more contemporary approach to setting service delivery levels and improved service delivery.

The audit identified issues with the design and management of household waste management services agreements that should be considered and addressed in future procurement exercises. A challenge for ACT NoWaste is to have flexible services agreements that are relatively adaptable but enduring and offer value for money into the future.

Key findings

STRATEGIC PLANNING FOR THE MANAGEMENT OF HOUSEHOLD WASTE SERVICES

Paragraph

The *ACT NoWaste Strategic Plan 2018-19* (the Strategic Plan) template, developed in June 2018, established a comprehensive framework for ACT NoWaste strategic

2.15

planning activities. The Strategic Plan was an Excel spreadsheet, which linked ACT NoWaste functions and activities to the outcomes identified in the *ACT Waste Management Strategy 2011-2025* and the Transport Canberra and City Services Directorate's four strategic goals. The Strategic Plan was not completed and was not effective as a document to strategically guide ACT NoWaste's key activities. In May 2020, ACT NoWaste advised that the Strategic Plan '... was not a finalised document. Rather it was part of ongoing broader business planning for ACT NoWaste, to form the basis of development of a future strategic framework'.

An ACT NoWaste *2018-19 Business Plan* was developed and approved at branch head level, in October 2018. It was prepared using the Transport Canberra and City Services Directorate's business planning template. The ACT NoWaste *2018-19 Business Plan* identified ACT NoWaste's business as usual activities for 2018-19, but was of limited value in strategically planning for ACT NoWaste and its future activities. 2.19

In July 2019, ACT NoWaste developed the *ACT NoWaste Work Plan* (the Work Plan) to assist its strategic planning for a five-year period. The Work Plan is a comprehensive list of ACT NoWaste's business as usual activities, as well as major and minor new projects and initiatives and business improvement activities. The Work Plan has the ability to facilitate effective strategic planning for ACT NoWaste. However, the Work Plan does not include information on how the document is to be used, its status and who is responsible for it or its linkage to ACT NoWaste risk registers. ACT NoWaste described the *ACT NoWaste Work Plan* as a 'working document' that would be subject to ongoing change and updating. 2.26

In November 2019, ACT NoWaste issued a Request for Tender for *Strategic Waste Infrastructure Planning Services* for a consultant to deliver a comprehensive suite of strategic waste infrastructure strategies and plans for the long-term management of waste in the ACT. The significant number of deliverables sought by ACT NoWaste from this Request for Tender include a Waste Infrastructure Strategy, a Waste Infrastructure Plan and 'a master plan for the combined Mugga Lane and Hume Waste precinct and a plan to optimise the current and future ACT waste asset network to be able to meet the ACT's long-term needs'. These, as well as the other deliverables, are critical components of a strategy for waste management in the ACT. ACT NoWaste must ensure that the services and deliverables to be provided through this arrangement are effectively delivered to contribute to effective strategic planning for waste management in the ACT. 2.33

ACT NoWaste has recently undertaken a comprehensive workforce planning exercise that updated the contemporary role and purpose of ACT NoWaste as well as setting out clear steps to ensure it has the right workforce for the future. This is appropriate and timely given the many recent changes in the waste environment and increases to ACT NoWaste's size and scope of responsibilities. ACT NoWaste is in the process of considering the draft *ACT NoWaste Strategic Workforce Plan (2020)* and how it intends to implement the findings and recommendations arising from the plan. 2.42

ACT NoWaste developed a draft *ACT NoWaste Risk Register 1819* in order to guide and assist its risk management activities. The document was last updated in February 2.57

2019. Since November 2019, ACT NoWaste teams have been developing team-based strategic, operational and work health and safety risk registers. As at February 2020 the ACT NoWaste teams continued to progress the development of the risk registers. In the absence of a finalised and up-to-date strategic risk register, ACT NoWaste cannot demonstrate that its strategic risks have been adequately identified and monitored or that risk mitigation actions are in place. In May 2020 ACT NoWaste advised of a range of initiatives that it was planning and participating in to improve its risk management practices.

Transport Canberra and City Services Directorate’s Accountability Indicators include indicators for the annual cost of domestic kerbside waste collection services per head of population and the annual cost of domestic kerbside recycling collection services per head of population. These Accountability Indicators provide information on the per capita cost of one component of the management of household waste, i.e. the collection of household waste and recycling. No information is provided on the disposal of household waste to landfill and processing of recycling, the inclusion of which may provide more comprehensive information on the cost of managing household waste. 2.66

The Community and Industry Engagement Team within ACT NoWaste plays an important role in improving waste management practices in the ACT, by seeking to influence ACT households and businesses to dispose of waste correctly. It is primarily funded by contributions from contracted service providers’ contributions; approximately \$1.625 million per annum. Planning and reporting arrangements for community education and engagement activities to date have lacked rigour, and there has been little accountability and transparency for the funds directly received from the service providers. The lack of a strategic plan for community education and engagement, with defined outcomes and objectives, has impaired the ability to assess the value for money of individual initiatives, benefits realised or the value of the program of activities undertaken by the Community and Industry Engagement Team. The development of an ‘Aims, Objectives and Strategies’ document in early 2020 for the Community and Industry Engagement Team should assist in providing a strategic direction for community and industry engagement activities and initiatives. The document identifies activities the team intends to pursue for the year, their objective and intended outcome, the estimated cost of the activity and its alignment with outcomes and strategies identified in the *ACT Waste Management Strategy 2011-2025*. 2.83

MANAGEMENT OF HOUSEHOLD WASTE SERVICES Paragraph

The *ACT NoWaste Contract Management Framework* (March 2019) requires all contracts to have an identified Contract Manager and also provides for the role of a Contract Inspector; a role that was implemented in March 2019. In accordance with the Framework, all contracts for household waste services have an assigned Contract Manager and Contract Inspector. ACT NoWaste Contract Managers and Contract Inspectors have been allocated to contracts according to a geographical split between north and south Canberra based on the location of contractor facilities such as the Mitchell or Mugga Lane Green Sheds, and Recycling Drop-Off Centres. ACT NoWaste has since identified an intention to allocate responsibilities on a service-type basis rather than by geographical location. This is expected to facilitate a more 3.19

'logical' allocation of responsibilities, that would enable the Contract Managers and Contract Inspectors undertaking these roles to develop specific experience and expertise in these waste management activities.

The *ACT NoWaste Contract Management Framework* (March 2019) requires the Contract Manager to have 'completed the ACT Government contract management training program (an eLearning tutorial, accessed via MyLearning) and undergo refresher training every 12 months'. All Contract Managers had completed contract management training. In interviews with the ACT Audit Office, ACT NoWaste Contract Managers and Contract Inspectors advised that they would like more training in Work, Health and Safety, inspection and auditing procedures and hazardous waste. In May 2020, ACT NoWaste advised that it strongly supports appropriate training and development opportunities for its staff and opportunities for additional training are discussed and identified in Staff Personal Development Plans. 3.24

The *ACT NoWaste Contract Management Framework* (March 2019) requires the development of a Contract Management Plan (along with a Contract Management Workbook) for each of its contracts noting that it 'is an essential document which details how the contract is to be managed to achieve the contract objectives and outcomes'. At the time of the audit, there were no Contract Management Plans for the ACT NoWaste household waste contracts. 3.30

ACT NoWaste has developed a Contract Management Workbook as 'a tool that can be used to identify and monitor contract obligations, deliverables and functions as well as to document the ongoing results, outcomes and issues' for waste services. Workbooks can be an effective mechanism for documenting contract management activities. A review of Workbooks for household waste contracts showed that the Workbooks were not being used to their full potential; the Workbooks were not fully complete and were not being regularly maintained. In May 2020 ACT NoWaste advised that all Contract Management Workbooks are now up to date. 3.37

ACT NoWaste has developed Inspection Work Instructions and Inspection Checklist templates to facilitate its review of service providers' compliance. The Inspection Work Instructions (the Instructions) set out detailed procedures for Contract Inspectors to follow when inspecting facilities and the Instructions reference Inspection Checklists, which must be followed and completed during site visits. The Instructions focus on Work Health and Safety issues and compliance. At the time of the audit, the Inspection Work Instructions were unapproved by ACT NoWaste's Executive Branch Manager, and the Inspection Checklists did not follow a consistent format. A review of the use of Inspection Checklist templates shows that: not all issues for rectification were being actioned on a timely basis; some items were being inspected more frequently than was arguably necessary from a risk-based approach; and there are not always clear links between the inspection actions and requirements in the service contract, i.e. the rationale and basis for the inspection was not linked to service requirements. 3.46

The *ACT NoWaste Contract Management Framework* (March 2019) identifies that 'planning for and managing risks are essential tasks of the Contract Manager'. 3.54

Contract Management Workbooks include a section for a risk register which should be ‘used to detail the key risk and controls/actions identified for managing the contract’. A review of relevant Contract Management Workbooks for household waste services shows that the majority of workbooks’ risk registers (six of eight) are blank. While the Contract Management Workbook risk registers were populated for two contracts, one risk register’s identified ‘control / actions’ did not have an accountable person or implementation date for all of the risks that were identified. The inconsistent use of the risk registers in the Contract Management Workbooks impairs the ability of ACT NoWaste Contract Managers to demonstrate that they are effectively managing contract risks.

HOUSEHOLD WASTE SERVICES AGREEMENTS

Paragraph

In April 2013 a ten-year services agreement was made with SITA Australia Pty Ltd for the kerbside collection of general waste (red bins) and recycling waste (yellow bins) (SITA Australia Pty Ltd was subsequently renamed SUEZ Pty Ltd). The services agreement also requires the collection of recyclable material deposited at Recycling Drop-Off Centres (except for paper and cardboard). The services agreement, as drafted, is inflexible. The primary contract management lever or sanction that is available to the Territory is the termination of the services (after a series of processes to allow the service provider to rectify performance). There are no performance management fees payable under the services agreement, or payments that may be ‘at-risk’ in the event of underperformance; this does not represent better practice in the design of a performance management regime for the services.

4.22

By virtue of the services agreement there is little responsibility and accountability for the service provider to manage and monitor contamination levels in the kerbside waste collection services. There may be an opportunity to assign responsibility for contamination management, kerbside service-related education and payment for the disposal of rejected loads or refused loads at the processing facility to the collection contractor. The conclusion of the services agreement in 2023, which coincides with the conclusion of other contractual arrangements for household waste management services, represents an opportunity to procure household waste management services in line with industry better practices.

4.23

In July 2018 a five-year services agreement was made with J. J. Richards and Sons Pty Ltd for the collection and processing of garden organics green waste. The services agreement incorporates incentives for higher levels of performance as well as penalties for poorer performance. The key performance indicators include a standard key performance indicator, a minimum key performance indicator, a bonus fee (where applicable) and an at-risk fee. The design of the services agreement and the associated performance management regime is appropriate and in line with industry practices.

4.35

In October 2014 a five-year services agreement was made with Remondis Australia Pty Ltd for the collection of paper and cardboard from the Recycling Drop-Off Centres and grounds maintenance of the facilities. The services agreement is currently being extended on a month by month basis. There are five drop-off centres, which are open 24 hours a day, seven days a week (drop-off centres at the Mugga Lane and Mitchell Resource Management Centres are accessible during opening

4.52

hours). The 24 hours a day, seven days a week operation of the drop-off centres lends itself to illegal dumping and other human safety and property risks; it is a high-cost model of operation that has been abandoned across many jurisdictions. Over the 2019-20 summer ACT NoWaste ran a trial at the Tuggeranong drop-off centre, which involved the centre being manned and the paper cage opening being reduced in size in an effort to stop illegal dumping. The evaluation of the trial has not yet been finalised.

Between October 2011 and November 2015 services agreements were made for the operation of reuseable facilities at the Mugga Lane and Mitchell Resource Management Centres (i.e. The Green Shed). The services agreements allow The Green Shed to retain income from the sale of goods allowed in lieu of a contract payment from the Territory. The Green Shed operates as a social enterprise and under the contracting arrangements, a proportion of money raised through the sale of recoverable products is donated to a charity. While the older services agreement for the operation of the facility at the Mitchell Resource Management Centre does not include any key performance indicators, the newer services agreement for the operation of the facility at the Mugga Lane Resource Management Centre does include key performance indicators, although none of these relate to resource recovery goals or objectives. The waste industry has typically moved away from these types of services agreements, and most arrangements include the payment of a base monthly fee to the service provider with varying options for the sharing of the revenue generated from the contract. ACT NoWaste advised in May 2020 that the future model of the Green Shed operation is expected to be considered as part of the *Strategic Waste Infrastructure Planning Services* consultancy.

4.65

In March 2016 a services agreement was made with Great Lakes Community Resources Incorporated (trading as Soft Landing) for the provision of mattress recycling services. The services agreement was for an initial three-year period, but has been extended for an additional two years to 2021. The service provider operates as a social enterprise and must demonstrate that the operation creates jobs and training for local people who have experienced barriers to employment. A key performance indicator associated with the services agreement includes achieving at least 75 percent resource recovery every month., i.e. 75 percent of material diverted from landfill. The service provider does not have a weighing system, but currently works with an 'average weight per mattress' as a basis for its reporting to ACT NoWaste on its resource recovery. In the absence of accurate weighing of mattresses and the resources recovered, ACT NoWaste is not in a position to verify the accuracy of the service provider's monthly reporting.

4.81

In January 2016 a six-year services agreement was made with RDT Operations (Hume) Pty Ltd for the operation of the Hume Materials Recovery Facility. The Materials Recovery Facility processes recyclable waste from the ACT as well as from the surrounding region, including Queanbeyan, Palerang, Yass, Upper Lachlan and Snowy Mountain Councils. In January 2019 the Materials Recovery Facility was temporarily shut down by WorkSafe ACT for alleged safety breaches. Subsequent to this shutdown, ACT NoWaste has developed a series of Work Instructions to guide its Work Inspectors' review of worksite safety practices. ACT NoWaste and the service provider also established a Performance Management Committee, which has

4.101

since met regularly to discuss performance and operations. This was a feature of the services agreement, but was not established prior to the shutdown.

The services agreement includes a wide range of 'key performance indicators' for the different aspects of the services to be delivered, the most significant of which relate to: the proportion of waste material delivered to the facility that is sent to landfill; and the proportion of waste material delivered to the facility that is recovered as recyclables. The service provider is held accountable, and at-risk fees are applied, for maximum contamination rates in Territory recyclable material and contamination in recyclables from third parties. 4.102

In July 2016 a services agreement was made with Remondis Australia Pty LTD for the site management and landfill operations of the Mugga Lane Resource Management Centre. The services agreement was for an initial three-year term, followed by an extended three-year term, i.e. the agreement expires on 30 June 2022. The service provider must manage the site and services in accordance with the Best Practice Environmental Management (BPEM). Not all of the BPEM measures are included in the service provider's monthly reporting to ACT NoWaste, which means that ACT NoWaste cannot fully verify that the service provider is acting in accordance with Best Practice Environmental Management. 4.128

Recommendations

RECOMMENDATION 1 STRATEGIC PLANNING

ACT NoWaste should determine and implement an approach to strategic planning for waste management services (including household waste management services). ACT NoWaste's strategic planning should include consideration of future service delivery, workforce and infrastructure needs.

RECOMMENDATION 2 RISK MANAGEMENT

ACT NoWaste should determine and implement an approach to risk management for waste management services (including household waste management services). ACT NoWaste's risk management activities should support its strategic planning and operational decision-making.

RECOMMENDATION 3 ACCOUNTABILITY INDICATORS

ACT NoWaste should review its Accountability Indicators and investigate the feasibility of expanding its Accountability Indicators to include measures on the disposal of household waste to landfill and processing of recycling.

RECOMMENDATION 4 CONTRACT MANAGEMENT

ACT NoWaste should develop and implement a rigorous approach to contract management for household waste services. In doing so it should:

- a) finalise and endorse the *ACT NoWaste Contract Management Framework* (March 2019) as well as relevant Inspection Work Instructions and Inspection Checklists;
- b) clarify expectations for Contract Management Plans for its household waste services contracts; and
- c) identify, document and manage risks associated with specific household waste services contracts through documented risk registers and risk management plans.

RECOMMENDATION 5 RECYCLING DROP-OFF CENTRES

ACT NoWaste should review the model of operation of the recycling drop-off centres and determine whether it remains appropriate and in accordance with strategic goals for the management of waste in the ACT.

RECOMMENDATION 6 FUTURE SERVICES AGREEMENTS

ACT NoWaste should take into consideration the issues identified in this performance audit report in the future procurement of household waste management services and subsequent negotiation of services agreements.

Responses from entities

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the Transport Canberra and City Services Directorate were provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report; and
- a final proposed report for further comment.

In accordance with subsection 18(3) of the *Auditor-General Act 1996* other entities considered to have a direct interest in the report were also provided with extracts of the draft and final proposed report for comment.

Transport Canberra and City Services Directorate response

TCCS appreciates the valuable role of the audit process in providing transparency to the ACT community, and to identify key learnings and areas for improvements.

The complexities of managing household waste contracts has grown significantly in recent years as governments seek increasingly sophisticated options to maximise resource recovery and reduce the amount of materials going to landfill.

Waste management is dynamic and requires agility to respond to market pressures at the domestic and global level. International markets and the impacts of factors such the China Sword policy have had significant effects on the industry across the world. The ACT is not immune to these challenges.

TCCS acknowledges the recommendations, and thanks the Auditor-General for recognition that later contracts, such as the services agreement for the collection and processing of garden organics green waste, demonstrate a better, more contemporary approach to setting service delivery levels and improved service delivery.

Our achievements in providing quality waste management services to ACT residents is also noted, with a strong community satisfaction rating of 94%.

TCCS will continue to explore options to improve strategic planning, enhance resource recovery, create strong policy frameworks and deliver strategic investments to provide high quality waste management services for the ACT community.

1 INTRODUCTION

- 1.1 According to the *Waste Management and Resource Recovery Act 2016* (the Waste Management Act) waste is 'any discarded, rejected, unwanted, surplus or abandoned substance, whether or not intended for sale, recycling, reprocessing, recovery or purification by a separate operation from that which produced it'.
- 1.2 The proper disposal and management of waste is important to ensure the protection of human health and the environment.

ACT household waste

- 1.3 In 2018 there were approximately 145 000 Canberra households and 390 000 residents living in either single unit dwellings (SUDs), dual occupancy dwellings or multi-unit developments (MUDs). All households in the ACT receive kerbside collections for:
 - general waste (red lid bins (or older-style green lid bins) and red lid hoppers in MUDS);
 - comingled or mixed recycling (yellow lid bins and yellow lid hoppers); and
 - for those that opt in, garden organics waste (lime green lid bins).
- 1.4 According to the Transport Canberra and City Services Directorate's *2018-19 Annual Report*:

In 2018-19, seven million household rubbish and 3.6 million recycling collections were undertaken. This resulted in 74,235 tonnes of waste sent to landfill, and 31,018 tonnes of material recovered at the Materials Recovery Facility in Hume.
- 1.5 ACT households and residents in general also have access to a range of other disposal options for other household waste, such as unwanted white goods and electrical items, old mattresses, excess cardboard, paper and glass items and empty drink containers eligible for the ACT Container Deposit Scheme.
- 1.6 A summary of ACT household waste services is in Appendix A.

ACT waste management principles

- 1.7 The *ACT Waste Management Strategy 2011-2025* describes waste management as:

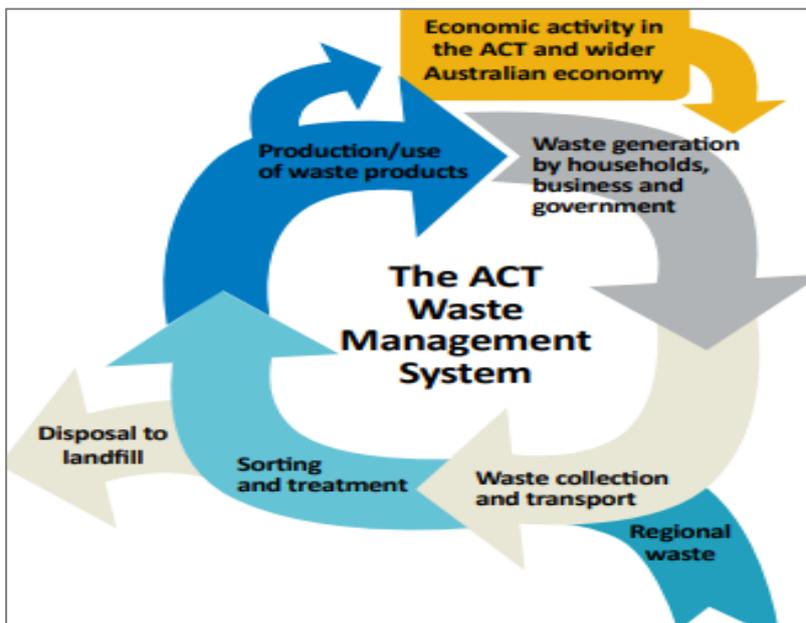
... a system that is central to the ACT economy. Managing waste is an issue for all households and businesses. The ACT has a well developed waste management sector that generates significant employment and economic activity through the collection, transportation, sorting and processing of waste. Resources recovered are then reused in economic production.
- 1.8 Guiding principles and concepts for the management of waste in the ACT are described as:
 - the ACT Waste Management System; and
 - the ACT Waste Management Hierarchy.

Waste management system

1.9 The ACT Waste Management System, as illustrated in the *ACT Waste Management Strategy 2011-2025*, is shown in Figure 1-1. The key components of the system include:

- waste generation by households, businesses and government;
- waste transport and collection;
- sorting and treatment (including disposal); and
- production/use of waste products.

Figure 1-1 ACT Waste Management System



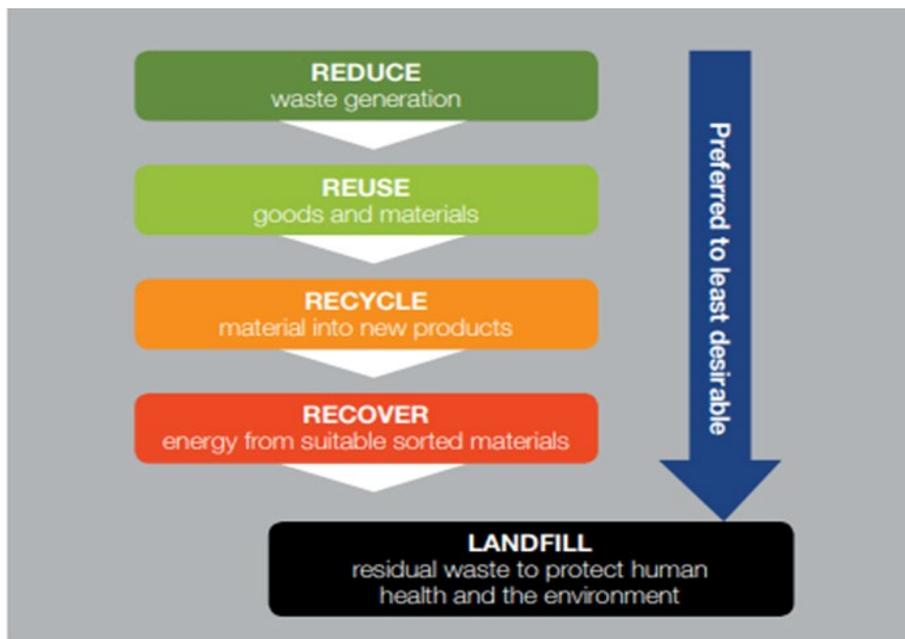
Source: *ACT Waste Management Strategy 2011-2025*, page 3.

Waste management hierarchy

1.10 The ACT Waste Management Hierarchy is described in the *ACT Waste Management Strategy 2011-2025* as ‘an important principle for waste management in the ACT and is embedded in the ACT waste legislation’.

1.11 The ACT Waste Management Hierarchy, as illustrated in the *ACT Waste Management Strategy 2011-2025*, is shown in Figure 1-2.

Figure 1-2 The ACT waste management hierarchy



Source: *ACT Waste Management Strategy 2011-25*, page 3.

1.12 According to the *ACT Waste Management Strategy 2011-2025* the waste management hierarchy:

... classifies waste management strategies according to their order of importance and is [the] cornerstone of most waste minimisation strategies. The aim of the waste hierarchy is to extract the maximum practical benefits from products while generating the minimum amount of waste. The hierarchy employs strategies which aim to:

1. Avoid products becoming waste (reduce and reuse)
2. Find an alternative use for waste (recycle and recover) and
3. Ensure safe and appropriate disposal as a last resort.

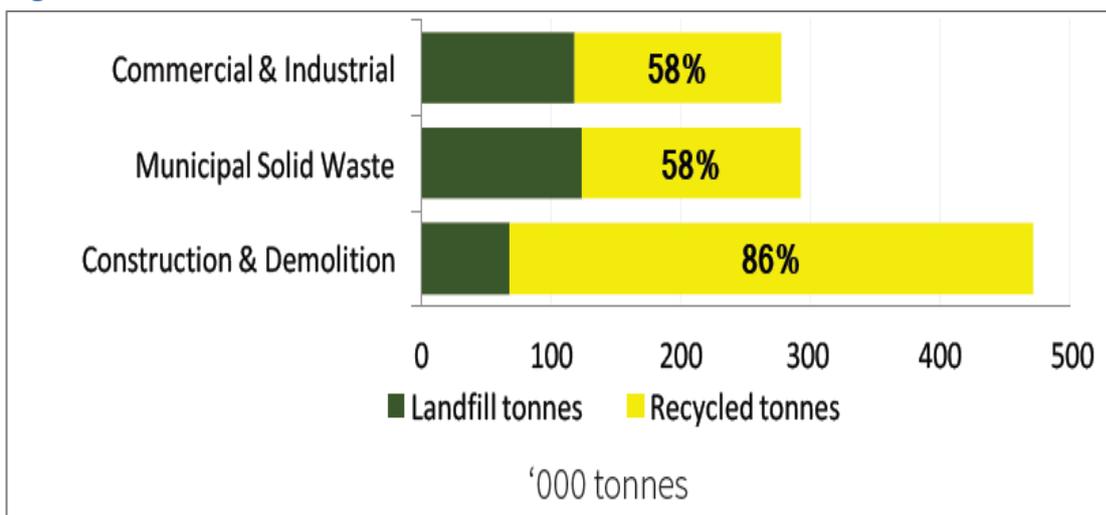
Waste types

1.13 Waste is categorised into three types of waste streams:

- municipal solid waste (waste from households and local government);
- commercial and industrial waste; and
- construction and demolition waste.

1.14 Household waste, which is the focus of this audit, contributes to the Municipal Solid Waste stream.

1.15 Figure 1-3 shows the three different types of waste streams and the amount of each stream that is sent to landfill or recycled.

Figure 1-3 The ACT's three waste streams

Source: *ACT Government's Waste Feasibility Study Roadmap and Recommendations Discussion Paper* (May 2018), page 10.

1.16 Figure 1-3 shows that, while the Construction and Demolition waste stream is the biggest waste stream in the ACT, the Municipal Solid Waste stream (including household waste) generates the largest tonnage of waste to landfill. The significant recovery rate for Construction and Demolition waste reflects mature processes for the recycling and re-use of this type of waste, including through the impact of landfill gate fees which has made it cost effective for Materials Recycling Facilities to process this waste.

Waste generation

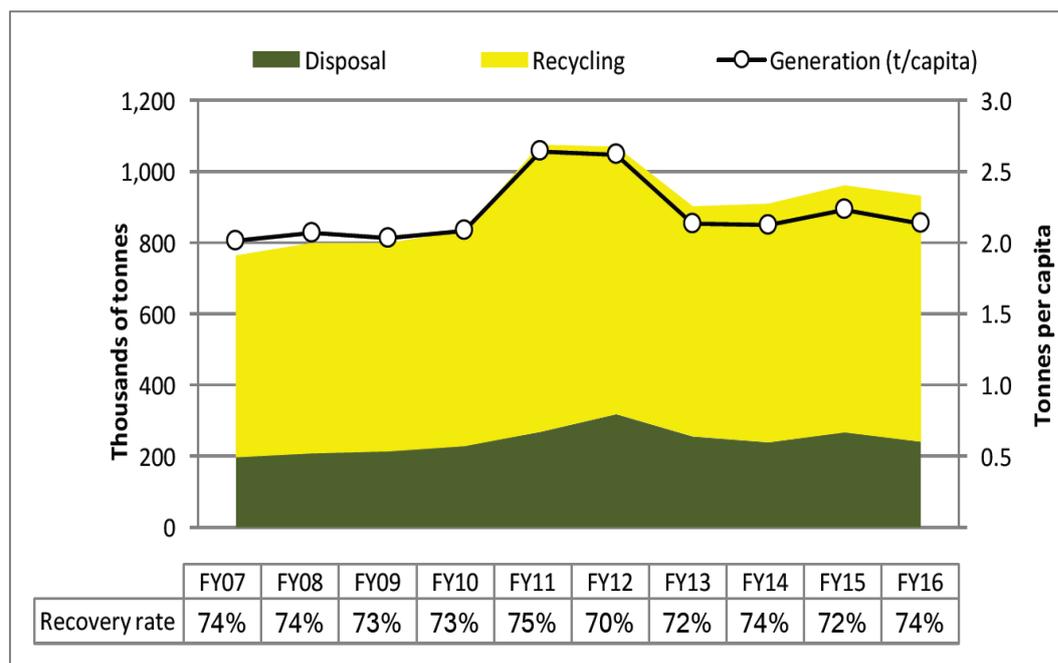
Overall waste generation

1.17 According to the *Waste Feasibility Study Overview* (May 2018), the ACT generates around one million tonnes of waste each year of which around 70 percent is diverted from landfill. The Overview states:

Canberra is home to a pro-active community with a positive concern for environmental management. This is reflected in the current 'ACT Waste Management Strategy 2011-2025', which set the ambitious target of diverting 90% of waste from landfill by 2025 and achieving a carbon neutral waste sector by 2020.

1.18 Figure 1-4 is an excerpt from the *Waste Feasibility Study Roadmap and Recommendations Discussion Paper* (May 2018), which shows information on the average tonnes of waste generated by person (tonnes per capita) as well as the overall tonnage of waste generated between 2007-2016 in the ACT.

Figure 1-4 ACT waste generation 2007-2016



Source: *Waste Feasibility Study Roadmap and Recommendations Discussion Paper* (May 2018), page 9.

1.19 Figure 1-4 shows that between 2006-07 and 2015-16 approximately two to 2.5 tonnes of waste was generated per person. Over this period, the recovery rate percentage between 2006-07 and 2015-16 (the diversion of waste from landfill) plateaued at around 73 percent.

1.20 The *National Waste Policy, Less Waste, More Resources 2018* (the National Waste Policy), prepared by the Australian Government, state and territory governments and the Australian Local Government Association notes that waste generation per person in Australia has generally declined since 2006, but the overall generation of waste continues to increase, due to a growing population:

Since 2006, the amount of waste generated per person in Australia has declined by 10 per cent. The recovery rate (including recycling and energy recovery from waste) has increased from 50 per cent in 2006-07 to 58 per cent in 2016-17. Despite this, waste generation overall continues to rise, driven by growing populations.

Reducing waste generation

1.21 The Transport Canberra and City Services Directorate's *2018-19 Annual Report* details several recommendations made by the ACT Legislative Assembly's *2018-19 Select Committee on Estimates* about waste, including one on waste generation:

Recommendation 213

The Committee recommends the ACT Government continue to identify and implement ways that waste generation in the ACT can be reduced.

- 1.22 The Transport Canberra and City Services Directorate's response to the recommendation, as reported in its *2018-19 Annual Report*, was:

Agreed and completed

The Waste Feasibility Study Roadmap sets a target of lifting resource recovery from the current 70 per cent to 87 per cent. ACT NoWaste will progress this through promoting better waste management behaviours, investigating the diversion of organics from landfill, facilitating market development for reuse and recycling materials that are currently sent to landfill, and developing a waste-to-energy policy for the ACT.

- 1.23 According to the Environment, Planning and Sustainable Development Directorate's website:

Reducing waste is an ACT Government priority.

The Government is committed to:

- reducing the amount of waste generated in the ACT
- continually improving the way it manages waste, including with efficient waste collection services
- and providing information and advice to the community to work together to manage waste responsibly, including at home, at school and at work.¹

- 1.24 The Environment, Planning and Sustainable Development Directorate website also notes that there are 'good reasons' to reduce waste, including:

1. **Preserving precious resources.** The planet has limited resources, so it makes sense to use what we have wisely. Waste can be a valuable resource. By recycling and reusing we preserve resources for better use and help secure the environment for future generations.
2. **Maintaining our beautiful region.** By managing our waste we'll we keep our waterways, forests and grasslands clean and litter free.
3. **Reducing greenhouse gas emissions from landfill and the production and transportation of materials.** This helps us combat global climate change. Sending waste to landfill (particularly organic waste) and transporting material for processing produces greenhouse gas emissions.
4. **Reducing costs.** Dealing with waste cost us, as taxpayers, a lot money. Collecting, transporting, sorting and processing waste is expensive. As a community we could better use this money for other services.

Management of household waste services

- 1.25 The ACT Government's approach to managing waste, including household waste, is informed by:

- the *Waste Management and Resource Recovery Act 2016* and *Waste Management and Resource Recovery Regulation 2017*;

¹ <https://www.environment.act.gov.au/waste>

- the *ACT Waste Management Strategy - Towards a Sustainable Canberra; Reducing waste and recovering resources to achieve a sustainable, carbon-neutral Canberra 2011-2025*;
- the *Waste Feasibility Study Roadmap and Recommendations* (May 2018);
- the *ACT Climate Change Strategy 2019-25*; and
- the National Waste Policy, plan and reports.

ACT legislation for waste management and resource recovery

Waste Management and Resource Recovery Act 2016

1.26 The objectives of the *Waste Management and Resource Recovery Act 2016* (the Waste Management Act) are to:

- (a) Manage waste according to the following hierarchy;
 - (i) minimise the generation of waste;
 - (ii) maximise the recovery and re-use of resources;
 - (iii) minimise the amount of waste that goes to landfill; and
- (b) support innovation and investment in waste management; and
- (c) promote responsibility for waste reduction; and
- (d) promote best-practice waste management.

1.27 The Waste Management Act and the *Waste Management and Resource Recovery Regulation 2017*, made under the Waste Management Act, provide the legal basis for:

- appointing a Waste Manager;
- licensing waste facilities; and
- registering waste transporters.

ACT strategies for waste management and resource recovery

ACT Waste Management Strategy

1.28 The *ACT Waste Management Strategy 2011-2025* was released in 2011. The Waste Management Strategy is described as the 'guiding document for the development of solutions to waste issues in the ACT'.

1.29 The objectives of the *ACT Waste Management Strategy 2011-2025* are:

- less waste generated;
- full resource recovery;
- a clean environment; and
- a carbon neutral waste sector.

1.30 The *ACT Waste Management Strategy 2011-2025* included targets to increase the rate of resource recovery (or diverting waste from landfill):

- over 80 percent by 2015;
- over 85 percent by 2020; and
- over 90 percent by 2025.

1.31 The 2015 target was not met and the *Waste Feasibility Study Roadmap and Recommendations Discussion Paper* (May 2018) acknowledged that the 2020 and 2025 targets were unlikely to be met based on existing practices.

Waste Feasibility Study

1.32 According to the *Waste Feasibility Study Roadmap and Recommendations Discussion Paper* (May 2018):

We [the ACT Government] are seeking pathways to achieve the ambitious goals outlined in the *ACT Waste Management Strategy 2011-2025*.

The strategy includes the aspirational targets of 90 per cent of waste being diverted from landfill by 2025 and a carbon-neutral waste sector by 2020.

However, the Territory's resource recovery rate has plateaued at around 70 per cent for the last decade, and the waste sector is unlikely to be carbon neutral by 2020 under current management practices.

The need for a 'step change' in order to move beyond this plateau was recognised in 2015.

...

As a result, the Waste Feasibility Study was funded through the 2015-16 Budget with \$2.8 million over two years.

1.33 The *Waste Feasibility Study Overview* (May 2018) recommends implementing initiatives covering four themes of:

- promoting better waste management behaviours;
- diverting organics from landfill;
- industry development and support; and
- waste-to-energy.

1.34 The *Waste Feasibility Study Overview* (May 2018) states that '[i]mplementation of the Roadmap could divert over 170,000 tonnes of waste from landfill and lift resource recovery from the current 70% to 87% - just shy of the ACT's 2025 target'.

ACT Climate Change Strategy

1.35 The *ACT Climate Change Strategy 2019-25* includes key priorities and goals for waste avoidance and management. The Climate Change Strategy states:

The Roadmap to improved Resource Recovery outlines Government's approach to reducing waste and improving waste management. The actions in this strategy are additional and will

help to deliver on the recommendations of the Roadmap. Government will continue to implement the Actsmart Business Recycling and Schools programs and household waste education programs to encourage reduced waste generation and increase recycling.

1.36 According to the *ACT Climate Change Strategy 2019-25*, priorities for waste avoidance and management are to:

- divert organic waste from landfill by continuing to roll out garden organic collections to all suburbs and expand to include household food waste;
- investigate options to divert additional organic waste from landfill by requiring key sectors to have separate organic waste collections; and
- identify opportunities to reduce emissions from organic waste treatment including wastewater and consider sites for organic waste processing.

National waste management policies, plans and reports

1.37 The ACT Government's management of household waste is also informed by national waste management policies, plans and national reports, specifically:

- *National Waste Policy: Less Waste, More Resources 2018*;
- *National Waste Policy Action Plan 2019*; and
- the Australian Senate's report *Never waste a crisis: the waste and recycling industry in Australia* (June 2018).

National Waste Policy: Less Waste, More Resources 2018

1.38 The *National Waste Policy: Less Waste, More Resources 2018* (the National Waste Policy) states, with reference to information about the policy itself, that it 'provides a framework for collective action by businesses, governments, communities and individuals until 2030' and 'guides continuing collaboration'. The National Waste Policy was agreed by all jurisdictions, including the ACT, at the Eighth Meeting of Environment Ministers on 7 December 2018. The agreement included the urgent development of a strong, national action plan that includes funding, robust targets, and milestones to implement the policy.

1.39 According to the *National Waste Policy: Less Waste, More Resources 2018*:

Waste management, recycling and material recovery activities are a significant part of Australia's economy. We need to reduce the amount of waste we generate and accelerate the recovery rate of our resources.

1.40 The *National Waste Policy: Less Waste, More Resources 2018* identifies five overarching principles underpinning waste management, recycling and resources recovery in a circular economy:

- avoid waste;
- improve resource recovery;

- increase use of recycled material and build demand and markets for recycled products;
- better manage material flows to benefit human health, the environment and the economy; and
- improve information to support innovation, guide investment and enable informed consumer decisions.

1.41 A principle of the *National Waste Policy: Less Waste, More Resources 2018* is that, by working together, all governments have an opportunity to adopt a common approach to waste management, reduce barriers to market development and align policy, funding and regulatory effort towards improvements in resource recovery.

National Waste Policy Action Plan 2019

1.42 The *National Waste Policy Action Plan 2019* (the National Action Plan):

... presents targets and actions to implement the 2018 National Waste Policy. These targets and actions will guide the investment and national efforts to 2030 and beyond.

...

Actions in the National Action Plan will be updated as new challenges arise and more information becomes available.

1.43 *National Waste Policy Action Plan 2019* targets are to:

- ban the export of waste plastic, paper, glass and tyres, commencing in the second half of 2020;
- reduce total waste generated by Australia by 10 percent per person by 2030;
- achieve 80 percent average resource recovery rate from all waste streams following the waste hierarchy by 2030;
- significantly increase the use of recycled content by governments and industry;
- phase out problematic and unnecessary plastics by 2025;
- halve the amount of organic waste sent to landfill by 2030; and
- make comprehensive, economy-wide and timely data publicly available to support better consumer, investment and policy decisions.

1.44 The Transport Canberra and City Services Directorate's *2018-19 Annual Report* reports on the directorate's initiatives with respect to the Commonwealth policy and states:

The ACT is actively engaged in the national waste policy agenda via representation at the Meeting of Environment Ministers (MEM) established under the Council of Australian Governments. MEM8 occurred this reporting period with waste continuing to feature heavily on the agenda to respond to changes in international waste acceptance practices. MEM8 agreed to a new National Waste Policy and development of an associated Action Plan. The Action Plan will be presented to the next MEM for consideration later in 2019. ACT NoWaste has been closely involved in this process, advocating for appropriate national targets supported by realistic actions and milestones.

Never waste a crisis: the waste and recycling industry in Australia

1.45 The *Never waste a crisis: the waste and recycling industry in Australia* report was released in June 2018 by the Australian Senate's Environment and Communications References Committee. The report details 18 recommendations, including recommendations that the Australian Government prioritise:

- the establishment of a circular economy in which materials are used, collected, recovered and re-used, including within Australia; and
- prioritise waste reduction and recycling above waste-to-energy and seek a commitment through the Meeting of Environment Ministers of all levels of government to the waste hierarchy.

1.46 The ACT participated in the Senate Committee process and provided a comprehensive submission against the terms of reference established by the committee.²

Roles and responsibilities

Transport Canberra and City Services Directorate

1.47 The Transport Canberra and City Services Directorate's *2018-19 Annual Report* describes the Transport Canberra and City Services Directorate's role for waste and recycling as:

- the provision of domestic waste, recyclables and green waste collection services;
- operation of resource management and recycling centres;
- delivery of education and engagement programs;
- development of waste policy;
- waste regulation; and
- implementation and evaluation of waste management programs.

ACT NoWaste

1.48 ACT NoWaste is a business unit of the Transport Canberra and City Services Directorate responsible for:

- waste services delivery;
- waste policy, strategy and regulation;
- infrastructure; and

²

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Environment_and_Communications/WasteandRecycling/Report

- school and community waste education programs.

1.49 ACT NoWaste service delivery responsibilities include managing contracts and services agreements for household waste services, such as:

- household kerbside collections of red bin general waste, yellow bin recycling and garden organic waste;
- the suburban Recycling Drop Off Centres (RDOCs) where excess paper, cardboard, glass and aluminium cans can be dropped off;
- re-useable items drop off point at The Green Shed;
- mattresses drop off point at Soft Landings in Hume;
- the ACT recycling recovery facility (Materials Recovery Facility) in Hume; and
- the ACT Resource Management Centres at Mitchell and Mugga Lane.

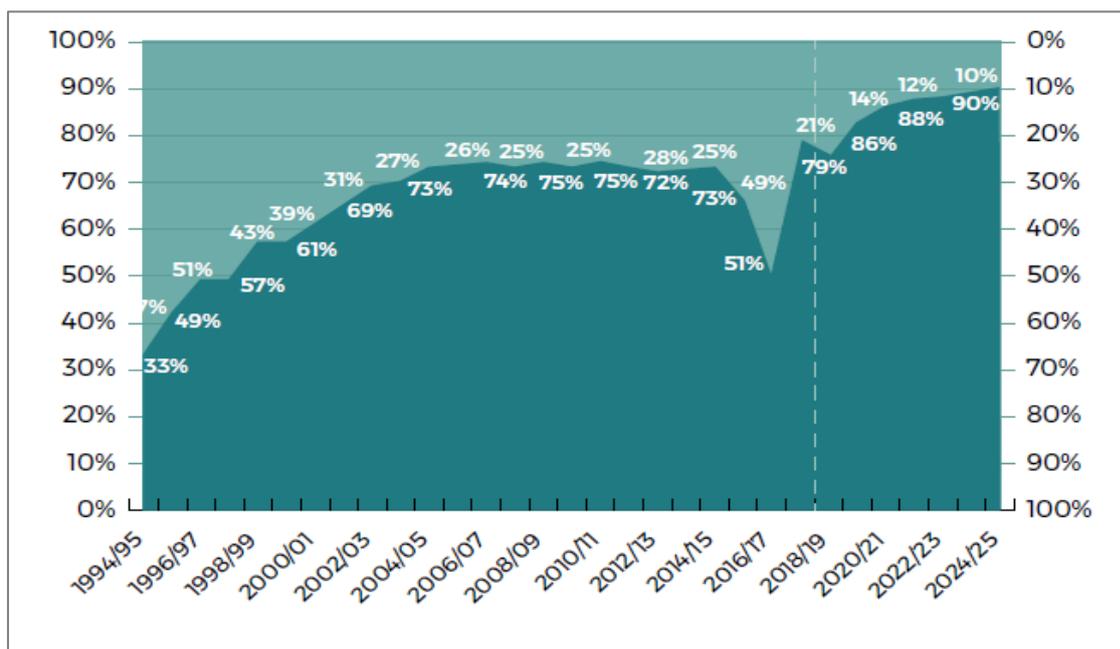
Strategic Objective and Indicator for waste

1.50 The Transport Canberra and City Services Directorate Strategic Objective 3 is 'A reduction in waste to landfill'. The Transport Canberra and City Services Directorate's *2018-19 Annual Report* states:

TCCS is committed to ensuring Canberra becomes a fully sustainable city and region and that future development is environmentally sensitive, both to maintain and protect natural assets and to respond to the challenges of climate change. A reduction in the amount of waste going to landfill is one of the strategic progress indicators towards achieving this objective.

1.51 Figure 1-5 shows the Transport Canberra and City Services Directorate's reporting of waste to landfill as a proportion of overall waste generated in the ACT; the lighter section shows the waste to landfill percentage and the darker section shows the resource recovered percentage.

Figure 1-5 Waste to landfill as a percentage of overall waste generation in the ACT



Source: Transport Canberra and City Services Directorate *2018-19 Annual Report*, page 30.

Note: The resource recovery rate in recent years has been impacted by the Loose-fill Asbestos Insulation Eradication Scheme (Mr Fluffy program). Excluding the Mr Fluffy impact in 2016-17 the results have plateaued around 70 to 75 per cent waste recovery.

1.52 The Transport Canberra and City Services Directorate's *2018-19 Annual Report* explains how the waste to landfill indicator data is calculated:

This indicator is calculated using weighbridge data of waste to landfill, and data provided by local ACT resource recovery and recycling industries. The waste to landfill and resource recovery data is combined to provide a total waste generation level.

The projections do not include the potential impact of increased tonnage going to landfill as a result of the Mr Fluffy asbestos demolition program.

2018-19 saw a significant improvement in the ratio of waste recovered against waste to landfill, from 51 per cent waste to landfill in 2017-18, to 21 per cent waste to landfill in 2018-19. The resource recovery rate in recent years has been impacted by the Mr Fluffy program. Excluding the Mr Fluffy impact in 2016-17 the results have plateaued around 70 to 75 per cent waste recovery. In 2018-19, the growth in the construction and demolition (C&D) materials recovered equates to 4 per cent of the recovery rate and green waste is 1 per cent. Excluding these, the result would have been in line with the trend at 75 per cent.

It should be noted that the recycling rate is heavily impacted by activity in the C&D [construction and demolition] sector and seasonal variations in green waste. In 2018-19 they represented 85 per cent of the total tonnes recovered.

The resource recovery rate does not include waste landfilled outside the ACT.

...

ACT waste and recycling costs

- 1.53 The Transport Canberra and City Services Directorate's *2018-19 Annual Report* includes the *Statement of Performance For the Year Ended 30 June 2019* (the Statement of Performance). Output 2.3: Waste and Recycling was described as:

Provision of domestic waste and recyclables collection services, operation of resource management and recycling centres, and implementation and evaluation of waste management programs including household garbage and recycling.

- 1.54 The reported cost for waste and recycling, including collection services, to 30 June 2019 was \$59.7 million. This amount was lower than the total budgeted cost for 2018-19 of \$70.3 million. The Transport Canberra and City Services Directorate's *Statement of Performance For the Year Ended 30 June 2019* (the Statement of Performance) noted:

The variance is mainly due to lower than target:

- depreciation due to extension of the useful life of a waste disposal cell at the Mugga Lane landfill based on the actual volume of waste disposed and waste compaction rate;
- uptake of green bins due to lower demand; and
- costs related to the disposal of demolition material associated with properties under the Loose-fill Asbestos Insulation Eradication Scheme.

- 1.55 The Transport Canberra and City Services Directorate *2019-20 Budget Statements* identify that the total budgeted cost for waste and recycling for 2019-20 is \$68.8 million. The notes to this budgeted amount states that:

Total cost includes depreciation and amortisation of \$11.529 million in 2018-19 and \$4.461 million in 2019-20.

ACT community

- 1.56 The ACT Government requires the ACT community's support and participation in managing waste. The community has a vital role in:

- generating less waste; and
- disposing of waste correctly.

- 1.57 With respect to generating less waste, in 2011, the then ACT Government Minister for the Environment and Sustainable Development reflected in the *ACT Waste Management Strategy 2011-2025* that:

I trust that the Canberra community will support this Strategy and look for ways, in their own lives, that they can reduce waste generation and increase recycling efforts and, by doing so, contribute towards making Canberra a more sustainable city.

- 1.58 With respect to disposing of waste correctly, the *National Waste Report 2018* (November 2018) states that a typical kerbside recycling bin (yellow lid bin) in Australian states and territories in 2016-17, had a contamination rate (i.e. proportion of material that should not

have been placed in the bin) between 4-12 percent by weight, 'depending on the effort put into education and enforcement and the socio-economic characteristics of the area'.

1.59 The *National Waste Report 2018* also states:

Disposal rates from material recovery facilities are sometimes much higher than this due to the presence of bagged recyclables and glass fines, often attributable to breakage during bin collection and drop-off. Non-recyclable plastics are another major contaminant in recycling bins on a volume basis.

1.60 The Transport Canberra and City Services Directorate's Recyclopaedia website provides information on #RecycleRight, described as 'a new region-wide campaign asking people to make some simple changes to our recycling routines'. Specifically:

[t]he main message of this new campaign is to keep it simple and ensure only clean and correct recycling materials are place[d] in the yellow bin. It is essential that we have clean recyclables that can be sent off for remanufacturing in Australia and overseas.

...

Recycle Right #1 – Keep it simple ...

Recycle Right #2 – Keep Out Soft Plastics ...

Recycle Right #3 – Keep Out Small Items ...

Recycle Right #4 – Keep It Safe ...

Recycle Right #5 – Keep It Loose ...

...

The #RecycleRight campaign is all about ensuring we have clean and uncontaminated recycling.³

International waste markets

1.61 ACT waste management, including household waste management, is also affected by international waste markets.

1.62 To manage and recover recycling waste, Australia has previously exported tonnes of recycling waste annually, valued at millions of dollars. However, the international recycling markets have changed.

1.63 The Transport Canberra and City Services Directorate commented on the impact of Chinese Government restrictions in its *2017-18 Annual Report*:

The Chinese government's tightening of conditions for the importation of recyclable waste products came into effect mid-way through the year and impacted the Australian recycling sector. For the ACT, the major impact was reflected in reduced domestic prices for recyclable mixed paper and mixed plastics, which is a relatively small percentage of ACT waste that is recycled. The ACT Government was actively engaged in the national waste policy response through its representation at the Meeting of Environment Ministers which was established under the governance arrangements of the Council of Australian Governments.

³ <https://www.cityservices.act.gov.au/recyclopaedia/recycle-right>

Three meetings occurred in this reporting period. Waste policy issues dominated the agenda at two meetings reflecting a heightened interest among Governments, industry and the broader community where they agreed to take action on recycled waste in response to China's restrictions including efforts to reduce waste generation through education, increased recycling capacity, supportive government procurement and exploration of waste-to-energy options, among others.

- 1.64 The Australian Government's Department of the Environment and Energy's report *Analysis of Australia's municipal recycling infrastructure capacity* (October 2018) states that:

Municipal waste management and recycling in Australia has been significantly impacted by China's waste import restrictions. Operators of MRFs processing municipal waste have been heavily affected, as international prices for plastics, paper and cardboard (especially lower grade mixed products) have dropped significantly.

...

Australia's exports of recycled materials to China dropped sharply in 2017-18, reaching one third of the July 2017 quantity in March 2018. Exports to China have subsequently recovered strongly, mainly through growth in exports of paper and cardboard. Waste exports from Australia have increased overall during 2017-18 in both quantity and value. This is due to alternative markets being found in other countries particularly Thailand, Malaysia, India, Vietnam and Indonesia. Overall, in 2017-18, Australia sent 4.3 Mt (12 per cent) of our recycled material overseas, up from 4.25 Mt (12 per cent) in 2016-17.

China's import restrictions have diverted demand towards higher quality recycled materials. Some Australian operators have been able to respond by redirecting higher-grade materials to export and lower grades to domestic production. A small number of operators have also been able to apply higher levels of sorting to meet strict contamination limits.

Council of Australian Governments

- 1.65 In August 2019, the Council of Australian Governments (COAG) agreed that 'Australia should establish a timetable to ban the export of waste plastic, paper, glass and tyres, while building Australia's capacity to generate high value recycled commodities and associated demand'. COAG tasked Australia's states' and territories' Environment Ministers to advise on the proposed timetable and response strategy following consultation with industry and other stakeholders.

Audit objective and scope

Audit objective

- 1.66 The objective of this audit is to provide an independent opinion to the ACT Legislative Assembly on the effectiveness of the Transport Canberra and City Services Directorate's management of household waste services

Audit Scope

- 1.67 The audit examined the planning and administrative arrangements for the management of household waste services by the Transport Canberra and City Services Directorate.

- 1.68 The audit focused on the Transport Canberra and City Services Directorate's
- strategic planning and governance arrangements, including risk management, for the management of household waste services; and
 - administrative systems and processes for the management of specific household waste services, including contract and service delivery arrangements for the collection and processing of households':
 - kerbside general waste and mixed recyclables;
 - garden organics;
 - recyclables dropped off at Recycling Drop Off Centres;
 - salvageable items; and
 - mattresses.

Out of scope

- 1.69 The audit did not include consideration of:
- the management of commercial and industrial waste, construction waste and hazardous waste;
 - the administrative systems and process for managing the services for:
 - households' excess general waste or recyclable items dropped-off at Resource Management Centres;
 - the free bulky items collection;
 - households' e-waste, white goods or hazardous items; and
 - households' excess green/garden waste dropped off at a Resource Management Centre;
 - the operation of the Container Deposit Scheme;
 - the rehabilitation of the West Belconnen Resource Management Centre;
 - the development of the *ACT Waste Management Strategy 2011-2025* or actions underway to review the Strategy, including the *Waste Feasibility Study Road Map and Recommendations Discussion Paper May 2018*;
 - the Transport Canberra and City Services Directorate's procurement processes; or
 - the assurance of the accuracy of ACT NoWaste's data related to domestic household waste and data analysis.

Audit criteria, approach and method

Audit criteria

1.70 To form a conclusion against the objective, the following criteria were used.

- Criterion 1: Has the Transport Canberra and City Services Directorate established effective strategic planning and governance arrangements for the management of household waste services?
- Criterion 2: Does the Transport Canberra and City Services Directorate have effective systems and processes for the management of household waste services, including contract management and service delivery arrangements for collecting and processing of:
 - kerbside collection of households' general waste, mixed recyclables and garden organics waste;
 - recyclables dropped off at Recycling Drop-Off Centre;
 - salvageable items; and
 - mattresses.

1.71 For Criterion 1 the audit considered the following areas of focus:

- Is there comprehensive strategic planning for the management of household waste services which includes the consideration of challenges and opportunities?
- Is there effective governance and oversight of household waste management strategic planning, including:
 - roles and responsibilities for implementing the strategic goals and objectives;
 - regular monitoring and reporting of the strategic goals and objectives and
 - key performance indicators; and
 - adapting and changing the strategic planning as required?
- Is there effective strategic risk management for the management of household waste service?
 - Are household waste management risks identified and documented through a comprehensive risk management plan and risk register?
 - Is there regular monitoring of risks, risk levels and risk treatments?
 - Is there escalation and management attention and activity for high level risks and risk treatments?
- Is household waste performance data collected and analysed to inform future planning for household waste management?
- Is there an agreed and consistent evaluation approach for assessing whether the current systems and practices for managing household waste are effective?
- Is there an agreed and documented regulatory and enforcement plan for household waste?

1.72 For Criterion 2 the audit considered the following areas of focus:

- Are there clear roles, responsibilities and accountabilities for the management of household waste services?
- Is there effective risk management for the management of household waste services?
- Are there effective systems and processes for managing household waste services, including:
 - clearly identified and defined service delivery and performance requirements;
 - regular monitoring and evaluation of household waste management performance;
 - effective approaches to managing service delivery underperformance; and
 - assurance that household waste is collected and processed appropriately?
- Are there regular reviews of service delivery data and performance information to inform household waste management service performance?

Audit approach and method

1.73 The audit approach and method consisted of:

- reviewing relevant documentation related to the Transport Canberra and City Services Directorate's strategic planning and governance arrangements for managing household waste services and the systems and processes for the management of selected household waste services;
- interviews and discussion with key Transport Canberra and City Services Directorate staff;
- site visits to The Green Shed, the materials recycling facility or MRF, a recycling drop off centre or RDOC and the Mugga lane landfill; and
- an engagement quality control review.

1.74 The audit team was supported by Talis Consultants Pty Ltd (Talis) as subject matter experts for the audit. Talis Consultants Pty Ltd is a consultancy firm that provides a range of specialist services including Waste Management, Asset Management, Environmental Services and Spatial Geographic Information Systems.

1.75 The audit was performed in accordance with ASAE 3500 – Performance Engagements. The audit adopted the policy and practice statements outlined in the Audit Office's Performance Audit Methods and Practices (PAMPr) which is designed to comply with the requirements of the *Auditor-General Act 1996* and *ASAE 3500 – Performance Engagements*.

1.76 In the conduct of this performance audit the ACT Audit Office complied with the independence and other relevant ethical requirements related to assurance engagements.

2 STRATEGIC PLANNING FOR THE MANAGEMENT OF HOUSEHOLD WASTE SERVICES

- 2.1 This chapter considers ACT NoWaste’s strategic planning for the management of household waste services in the ACT. The chapter also includes consideration of risk management and performance reporting and accountability, as well as ACT NoWaste’s community engagement and education activities.

Summary

Conclusions

ACT NoWaste has not implemented effective strategic planning for the management of household waste services. Various strategic planning initiatives are incomplete and have not demonstrated their effectiveness in the management of household waste services. The lack of strategic planning for household waste management services has been compounded by poor risk management processes.

Since mid-2019, ACT NoWaste has taken steps to improve its household waste strategic planning and risk management. This included the development of an *ACT NoWaste Work Plan* (July 2019); a November 2019 Request for Tender for *Strategic Waste Infrastructure Planning Services*; the development of a draft *ACT NoWaste Strategic Workforce Plan* (2020); and participation in a whole-of-directorate implementation of an Enterprise Risk Management (ERM) System. However, these initiatives remain at an early stage of implementation and their effectiveness is yet to be demonstrated.

The November 2019 Request for Tender for *Strategic Waste Infrastructure Planning Services* is for the delivery of consultancy services for a comprehensive suite of strategic waste infrastructure strategies and plans for the longer-term management of waste. ACT NoWaste must ensure that the services and deliverables to be provided through this arrangement are delivered and contribute to effective strategic planning for waste management in the ACT.

Key findings

The *ACT NoWaste Strategic Plan 2018-19* (the Strategic Plan) template, developed in June 2018, established a comprehensive framework for ACT NoWaste strategic planning activities. The Strategic Plan was an Excel spreadsheet, which linked ACT NoWaste functions and activities to the outcomes identified in the *ACT Waste Management Strategy 2011-2025* and the Transport Canberra and City Services Directorate’s four strategic goals. The Strategic Plan was not completed and was not effective as a document to strategically guide ACT NoWaste’s key activities. In May

Paragraph

2.15

2020, ACT NoWaste advised that the Strategic Plan ‘... was not a finalised document. Rather it was part of ongoing broader business planning for ACT NoWaste, to form the basis of development of a future strategic framework’.

An ACT NoWaste *2018-19 Business Plan* was developed and approved at branch head level, in October 2018. It was prepared using the Transport Canberra and City Services Directorate’s business planning template. The ACT NoWaste *2018-19 Business Plan* identified ACT NoWaste’s business as usual activities for 2018-19, but was of limited value in strategically planning for ACT NoWaste and its future activities. 2.19

In July 2019, ACT NoWaste developed the *ACT NoWaste Work Plan* (the Work Plan) to assist its strategic planning for a five-year period. The Work Plan is a comprehensive list of ACT NoWaste’s business as usual activities, as well as major and minor new projects and initiatives and business improvement activities. The Work Plan has the ability to facilitate effective strategic planning for ACT NoWaste. However, the Work Plan does not include information on how the document is to be used, its status and who is responsible for it or its linkage to ACT NoWaste risk registers. ACT NoWaste described the *ACT NoWaste Work Plan* as a ‘working document’ that would be subject to ongoing change and updating. 2.26

In November 2019, ACT NoWaste issued a Request for Tender for *Strategic Waste Infrastructure Planning Services* for a consultant to deliver a comprehensive suite of strategic waste infrastructure strategies and plans for the long-term management of waste in the ACT. The significant number of deliverables sought by ACT NoWaste from this Request for Tender include a Waste Infrastructure Strategy, a Waste Infrastructure Plan and ‘a master plan for the combined Mugga Lane and Hume Waste precinct and a plan to optimise the current and future ACT waste asset network to be able to meet the ACT’s long-term needs’. These, as well as the other deliverables, are critical components of a strategy for waste management in the ACT. ACT NoWaste must ensure that the services and deliverables to be provided through this arrangement are effectively delivered to contribute to effective strategic planning for waste management in the ACT. 2.33

ACT NoWaste has recently undertaken a comprehensive workforce planning exercise that updated the contemporary role and purpose of ACT NoWaste as well as setting out clear steps to ensure it has the right workforce for the future. This is appropriate and timely given the many recent changes in the waste environment and increases to ACT NoWaste’s size and scope of responsibilities. ACT NoWaste is in the process of considering the draft *ACT NoWaste Strategic Workforce Plan (2020)* and how it intends to implement the findings and recommendations arising from the plan. 2.42

ACT NoWaste developed a draft *ACT NoWaste Risk Register 1819* in order to guide and assist its risk management activities. The document was last updated in February 2019. Since November 2019, ACT NoWaste teams have been developing team-based strategic, operational and work health and safety risk registers. As at February 2020 the ACT NoWaste teams continued to progress the development of the risk registers. In the absence of a finalised and up-to-date strategic risk register, ACT NoWaste cannot demonstrate that its strategic risks have been adequately identified and 2.57

monitored or that risk mitigation actions are in place. In May 2020 ACT NoWaste advised of a range of initiatives that it was planning and participating in to improve its risk management practices.

Transport Canberra and City Services Directorate's Accountability Indicators include indicators for the annual cost of domestic kerbside waste collection services per head of population and the annual cost of domestic kerbside recycling collection services per head of population. These Accountability Indicators provide information on the per capita cost of one component of the management of household waste, i.e. the collection of household waste and recycling. No information is provided on the disposal of household waste to landfill and processing of recycling, the inclusion of which may provide more comprehensive information on the cost of managing household waste. 2.66

The Community and Industry Engagement Team within ACT NoWaste plays an important role in improving waste management practices in the ACT, by seeking to influence ACT households and businesses to dispose of waste correctly. It is primarily funded by contributions from contracted service providers' contributions; approximately \$1.625 million per annum. Planning and reporting arrangements for community education and engagement activities to date have lacked rigour, and there has been little accountability and transparency for the funds directly received from the service providers. The lack of a strategic plan for community education and engagement, with defined outcomes and objectives, has impaired the ability to assess the value for money of individual initiatives, benefits realised or the value of the program of activities undertaken by the Community and Industry Engagement Team. The development of an 'Aims, Objectives and Strategies' document in early 2020 for the Community and Industry Engagement Team should assist in providing a strategic direction for community and industry engagement activities and initiatives. The document identifies activities the team intends to pursue for the year, their objective and intended outcome, the estimated cost of the activity and its alignment with outcomes and strategies identified in the *ACT Waste Management Strategy 2011-2025*. 2.83

Strategic planning

- 2.2 Effective strategic planning processes, including an endorsed strategic plan, are a means to identify, prioritise, resource and implement key initiatives and activities. A documented strategic plan is also an important means of informing staff about how their day to day responsibilities contribute to achieving organisational outputs and outcomes.

ACT NoWaste challenges and opportunities

- 2.3 ACT NoWaste has been, and continues to be, in a state of growth and evolution. This is derived from external risks and challenges to waste management, e.g. the collapse of international recycling markets, as well as new and emerging services and activities within the ACT, e.g. the planned introduction of Food and Garden Organics (FOGO) collection.

Additionally, the three existing contracts for the collection of household waste (general, recycling and garden organics) expire in 2023.

- 2.4 The expiry of the household waste collections contracts and the challenges and opportunities facing waste management in the ACT means that ACT NoWaste must have effective planning processes and practices in place to comprehensively and strategically plan for future household waste services.

ACT Government strategic policies and plans

- 2.5 Key ACT Government strategic policies and plans for waste management in the ACT are:
- the *ACT Waste Management Strategy 2011-2025*; and
 - the *Waste Feasibility Study Roadmap and Recommendations Discussion Paper* (May 2018).

ACT Waste Management Strategy 2011-2025

- 2.6 The *ACT Waste Management Strategy 2011-2025* was described by ACT NoWaste as its ‘overarching’ strategy document. The strategy is described as the ‘guiding document for the development of solutions to waste issues in the ACT’. It includes the objectives of:
- less waste generated;
 - full resource recovery (this includes a target to increase the rate of resource recovery (or diverting waste from landfill) to over 90 percent by 2025);
 - a clean environment; and
 - a carbon neutral waste sector.

Waste Feasibility Study Roadmap and Recommendations

- 2.7 The *Waste Feasibility Study Roadmap and Recommendations* (May 2018) was developed because ‘the Territory’s resource rate has plateaued at around 70 per cent for the last decade, and the waste sector is unlikely to be carbon neutral by 2020 under current management practices’. Full resource recovery is a key objective of the *ACT Waste Management Strategy 2011-2025*.
- 2.8 According to the *Waste Feasibility Study Roadmap and Recommendations* (May 2018), the key output is ‘a Roadmap of initiatives designed to take the ACT closer to its 90 per cent resource recovery target through best practice waste management’. The Roadmap grouped its recommendations: Group 1 includes recommendations for ‘diverting organics from landfill’, ‘industry development and support’ and ‘energy from waste’; and Group 2 is ‘further recommendations’. The Roadmap’s ‘further recommendations’ include a recommendation that the *ACT Waste Management Strategy 2011-2025* be updated to ‘maintain currency and alignment with new knowledge’.

ACT NoWaste strategic and operational plans

- 2.9 The *ACT Waste Management Strategy 2011-2025* and the *Waste Feasibility Study Roadmap and Recommendations* (May 2018) identify the ACT Government's policy objectives for waste management in the ACT, and the broad initiatives and activities that are envisaged to achieve the policy outcomes. It is incumbent on ACT NoWaste to develop its own strategic and operational plans to give effect to the ACT Government policy objectives.
- 2.10 In support of the key ACT Government strategic policies and plans for waste management in the ACT, ACT NoWaste has developed a number of planning related documents:
- *ACT NoWaste Strategic Plan 2018-19*;
 - *2018-19 Business Plan ACT NoWaste*; and
 - *ACT NoWaste Workplan*.

ACT NoWaste Strategic Plan 2018-19

- 2.11 In June 2018 ACT NoWaste developed an Excel spreadsheet titled *ACT NoWaste Strategic Plan 2018-19*. The Excel spreadsheet comprises a number of worksheets, which identify:
- the structure of the ACT NoWaste branch, including reporting lines and positions; and
 - the 'strategic framework' within which ACT No Waste operates. The 'strategic framework' seeks to identify the 'The Why', 'The What' and 'The How' of ACT NoWaste operations.
- 2.12 The 'strategic framework' identifies:
- 'the Why':
 - the Transport Canberra and City Services Directorate's four strategic goals;
 - *ACT Waste Management Strategy 2011-2025* outcomes (i.e. less waste generated, full resource recovery, a clean environment and a carbon neutral waste sector);
 - outcome indicators, i.e. measures of success for the *ACT Waste Management Strategy 2011-2025* outcomes;
 - 'the What' (this section is incomplete in the 'strategic framework'):
 - Outputs (deliverables) against the *ACT Waste Management Strategy 2011-2025* outcomes; and
 - Key Performance Indicators for the Outputs (deliverables); and
 - 'the How' (this section is incomplete in the 'strategic framework'):
 - relevant functions of ACT Nowaste; and
 - resources (inputs) of ACT NoWaste.

- 2.13 The ACT NoWaste Executive Branch Manager provided the following explanation to ACT NoWaste staff in August 2018:

The [ACT NoWaste Strategic Plan 2018-19 spreadsheet] also contains a strategic framework that I have been working on with the managers following the initial business planning exercise undertaken by each team. [The model] seeks to link our functions to the Waste and Recycling Program outputs (deliverables) and outcomes through to the TCCS strategic objectives.

The intention is to commence develop[ment] of business plans for each team based on the new structure. Your managers will work on this with you over the coming weeks with an initial focus on identifying key priorities for 2018-19 in terms of deliverables (new and existing) and business improvement focus areas. This will feed into the ACT NoWaste business plan for 2018-19.

At the same time your managers will lead you through an exercise to identify functions and outputs and link them. This is foundation work to establish key building blocks for the strategic framework. Once we pull together the initial draft of this my aim to is to present this to you and explain the broader rationale, objectives and longer term benefits of the strategic framework model.

- 2.14 The ACT NoWaste Strategic Plan 2018-19 template was not completed as planned. There is no evidence that the ACT NoWaste teams populated the Excel spreadsheet. In response to the draft proposed report in May 2020 ACT NoWaste advised 'this was not a finalised document. Rather it was part of ongoing broader business planning for ACT NoWaste, to form the basis of development of a future strategic framework'.

- 2.15 The ACT NoWaste Strategic Plan 2018-19 (the Strategic Plan) template, developed in June 2018, established a comprehensive framework for ACT NoWaste strategic planning activities. The Strategic Plan was an Excel spreadsheet, which linked ACT NoWaste functions and activities to the outcomes identified in the ACT Waste Management Strategy 2011-2025 and the Transport Canberra and City Services Directorate's four strategic goals. The Strategic Plan was not completed and was not effective as a document to strategically guide ACT NoWaste's key activities. In May 2020, ACT NoWaste advised that the Strategic Plan '... was not a finalised document. Rather it was part of ongoing broader business planning for ACT NoWaste, to form the basis of development of a future strategic framework'.

ACT NoWaste Business Plan 2018-19

- 2.16 The ACT NoWaste 2018-19 Business Plan was signed off in October 2018. The Business Plan identifies ACT NoWaste's vision and goals, as well as a purpose and values statement:

Vision statement:

To deliver sustainable waste management for the ACT, and lead Canberrans in their efforts to avoid waste.

Goals:

To achieve the strategic outcomes of the ACT Waste Management Strategy 2011-20[2]5, including less waste generation, full resource recovery, a clean environment and a carbon neutral waste sector.

- 2.17 The ACT NoWaste *2018-19 Business Plan* refers to the ‘TCCS Strategic Plan’ and lists a ‘snapshot of key initiatives to support delivery of the strategic plan and branch vision and goals’. The key 2018-19 initiatives were:
- implementation of the bulky waste pickup service;
 - full rollout of green bins across the ACT;
 - implementation of the Container Deposit Scheme;
 - implementation of the *Waste Management and Resource Recovery Act 2016*, specifically ‘a new IT system will be commissioned to manage waste data collected through mandatory reports in 2018-19’;
 - implementation of the Waste Feasibility Study ‘Roadmap’;
 - implementation of the revised Development Control Code; and
 - development of a Waste Policy to drive and support Government agenda.
- 2.18 ACT NoWaste deliverables for 2018-19 are also detailed in the ACT NoWaste *2018-19 Business Plan*. The deliverables are linked to the key initiatives. There are eight deliverables, five of which are categorised as ‘Parliamentary Agreement/Election Commitments’. The remaining three are categorised as a ‘Business Activity Measure’. The deliverable section includes information about ‘components’, ‘component completion dates and ‘status report’.
- 2.19 An ACT NoWaste *2018-19 Business Plan* was developed and approved at branch head level, in October 2018. It was prepared using the Transport Canberra and City Services Directorate’s business planning template. The ACT NoWaste *2018-19 Business Plan* identified ACT NoWaste’s business as usual activities for 2018-19, but was of limited value in strategically planning for ACT NoWaste and its future activities.

ACT NoWaste Workplan

- 2.20 In September 2019 ACT NoWaste advised that it did not prepare an annual business plan for 2019-20, but instead prepared a work plan for a five-year period:
- ACT NoWaste usually prepared an annual business plan but in 2019, given new initiatives such as FOGO [Food Organic/Garden Organic], there was a need for a different approach. ACT NoWaste has changed from a template business plan approach to a work plan outlining the next 5 years’ work including resources and risks; this approach may be helpful to developing business cases for any new resources that ACT NoWaste may require in the future.
- ACT NoWaste is looking towards 2023 when many contracts such as the kerbside collection, the supply of bins, the RDOC [Resource Drop-Off Centres] are due for renewal.
- 2.21 The *ACT NoWaste Work Plan* is an Excel spreadsheet. Against each of the ACT NoWaste work teams the *ACT NoWaste Work Plan* identifies:
- major projects (these are major new initiatives with a sizeable impact on the ACT community);

- minor projects (these are a range of smaller initiatives or activities which are outside of business as usual service delivery);
 - operations (this is current business as usual activity); and
 - business improvement projects (these are projects related to ACT NoWaste systems and processes).
- 2.22 The *ACT NoWaste Work Plan* allows for the inclusion of a 'risk flag' for each project and information on activities associated with each project over the five years between 2018-19 and 2022-23. Under the 'risk flag', 35 of approximately 204 projects have an identified risk, including a risk of 'resourcing', 'procurement' or a timing issue.
- 2.23 The *ACT NoWaste Work Plan* is a comprehensive list of ACT NoWaste's business as usual activities, as well as major and minor new projects and initiatives and business improvement activities. However, unlike the incomplete *ACT NoWaste Strategic Plan 2018-19*, the *ACT NoWaste Work Plan* does not identify links between ACT NoWaste functions and activities and the outcomes identified in the *ACT Waste Management Strategy 2011-2025* and the Transport Canberra and City Services Directorate's four strategic goals.
- 2.24 ACT NoWaste described the *ACT NoWaste Work Plan* as a 'working document' that would be subject to ongoing change and updating. However, the Work Plan does not include information on:
- how the document is to be used, its status and who is responsible for it;
 - the resources needed to deliver or manage the project/contract; or
 - the key risks or their relationship to, or linkage with, ACT NoWaste risk registers.
- 2.25 These omissions limit the utility of the *ACT NoWaste Work Plan*. In the absence of an explanation about the Work Plan's intended use, status and who is responsible for its maintenance, it may be inconsistently interpreted or used. In the absence of links to key risk information, the plan lacks information required to successfully manage the activities to completion.
- 2.26 In July 2019, ACT NoWaste developed the *ACT NoWaste Work Plan* (the Work Plan) to assist its strategic planning for a five-year period. The Work Plan is a comprehensive list of ACT NoWaste's business as usual activities, as well as major and minor new projects and initiatives and business improvement activities. The Work Plan has the ability to facilitate effective strategic planning for ACT NoWaste. However, the Work Plan does not include information on how the document is to be used, its status and who is responsible for it or its linkage to ACT NoWaste risk registers. ACT NoWaste described the *ACT NoWaste Work Plan* as a 'working document' that would be subject to ongoing change and updating.

Strategic procurement for future waste management services

2.27 On 21 November 2019, Procurement ACT, on behalf of ACT NoWaste, issued a Request for Tender for *Strategic Waste Infrastructure Planning Services*. The Statement of Requirements states:

ACT NoWaste has a comprehensive pipeline of strategic projects scheduled to 2023 that require detailed analysis and planning and extensive engagement with internal and external stakeholders in order to define the technical requirements, implementation pathway and procurement models.

2.28 The Statement of Requirements further states:

The Territory requires a suitably experienced Consultant to deliver a critical piece of work related to the ACT Strategic Waste Infrastructure Plan.

The Consultant must develop the ACT Strategic Waste Infrastructure Plan to maximise the diversion of organics from landfill ...

2.29 The Statement of Requirements details the key deliverables required from the consultant, including:

- a Waste Infrastructure Strategy;
- a Waste Infrastructure Plan;
- a master plan for the combined Mugga Lane and Hume Waste precinct and a plan to optimise the current and future ACT waste asset network to be able to meet the ACT's long-term needs;
- a landfill closure plan for the Mugga Lane landfill;
- a feasibility study of Food Organics Garden Organics processing options; and
- a draft business case for the preferred FOGO processing options.

2.30 The Waste Infrastructure Strategy, as described in the Statement of Requirements, must:

- 'identify and quantify all waste streams';
- 'maximise the diversion of organics from landfill';
- 'increase resource recovery opportunities';
- 'plan a waste asset network able to meet the Territory's long-term needs'; and
- 'adopt a 30-year horizon with a 5-year focus, setting a long-term direction to improve the recovery of organics combined with a developed plan and program for 2020-2025'.

2.31 The ACT Strategic Waste Infrastructure Plan 'will build on the Waste Feasibility Roadmap' and 'align with the detail included in the *ACT Government Infrastructure Plan 2018*'. The scope of the proposed ACT Strategic Waste Infrastructure Plan includes:

... waste flow analysis and modelling, including projection and spatial mapping of waste generation base on Territory growth expectations and land use plans.

... a snapshot of existing public and private sector waste facilities across Canberra Region, including drop-off, transfer, processing and landfill sites. This will include location, activity type, approved waste inputs, annual capacity and actual throughput.

... assessment of long-term infrastructure needs to meet population growth, considering the ACT Waste Strategy objectives and dependencies (e.g. new waste levy, container deposit scheme and regulatory interventions), and the impact of current land use plans on existing waste facilities and future opportunities.

2.32 The completion of the work outlined in Request for Tender for *Strategic Waste Infrastructure Planning Services* is expected to enhance ACT NoWaste's approach to its strategic planning for the management of waste services, including household waste services.

2.33 In November 2019, ACT NoWaste issued a Request for Tender for *Strategic Waste Infrastructure Planning Services* for a consultant to deliver a comprehensive suite of strategic waste infrastructure strategies and plans for the long-term management of waste in the ACT. The significant number of deliverables sought by ACT NoWaste from this Request for Tender include a Waste Infrastructure Strategy, a Waste Infrastructure Plan and 'a master plan for the combined Mugga Lane and Hume Waste precinct and a plan to optimise the current and future ACT waste asset network to be able to meet the ACT's long-term needs'. These, as well as the other deliverables, are critical components of a strategy for waste management in the ACT. ACT NoWaste must ensure that the services and deliverables to be provided through this arrangement are effectively delivered to contribute to effective strategic planning for waste management in the ACT.

Workforce planning

2.34 Workforce planning is an important component of strategic planning. It assists in identifying the skills and capabilities needed in the future to deliver the projects and activities identified and documented through strategic planning processes.

ACT NoWaste branch

2.35 ACT NoWaste is a branch in the City Services Division of the Transport Canberra and City Services Directorate. ACT NoWaste is led by an Executive Branch Manager. Since August 2019 the ACT NoWaste Executive Branch Manager has reported to the Executive Group Manager, Infrastructure Delivery & Waste. Prior to this, the ACT NoWaste Executive Branch Manager directly reported on an 'exception basis' to the Deputy Director-General (City Services) rather than routinely reporting on 'business as usual' matters. ACT NoWaste was described as 'autonomous in the past' before it was incorporated within the Transport Canberra and City Services Directorate.

2.36 The challenges facing ACT NoWaste, as well as changes to the Branch's size and scope of work, were flagged in an August 2018 email from the ACT NoWaste Executive Branch Manager to ACT NoWaste staff:

Over the past 12-24 months we have been focussed [and] we have taken on a number of new functions and been working on delivery of a number of key initiatives and election

commitments. This has reflected in a significant growth in the ACT NoWaste budget and staffing levels. For example, in October 2015 we had 19 people in the Branch. ...This growth continues this year with the additional funding and associated staffing given to us in the 2018-19 Budget – we will increase to over 50 people this year.

The commencement of the new financial year has brought significant change in the focus of ACT NoWaste. We move into a post-Waste Feasibility Study phase where we need to develop capability to deliver a complex and integrated portfolio of solutions in a coordinated manner of the coming five or so years. A critical and urgent need has been to move to a new organisation structure that is more logical, balanced, has clearer definition of functional responsibility, and has simpler reporting lines.

Draft Strategic Workforce Plan

2.37 Between October 2019 and January 2020, ACT NoWaste undertook workforce planning to consider its future skill needs. The outcomes of the workforce planning were delivered as a draft *ACT NoWaste Strategic Workforce Plan* in January 2020:

This Strategic Workforce Plan provides a roadmap to ensure our waste and resource management workforce is prepared for the future and able to deliver on the organisation's strategic goals. ... the Plan aims to present a clear view of the capability and workforce requirements to enable NoWaste to be agile and sustainable in order to meet the challenges of this ever-changing environment.

2.38 The draft *ACT NoWaste Strategic Workforce Plan (2020)* states:

Emerging trends in the waste and recycling sector include technology advancement, the need to create and support markets for recycled products, the need to minimise the amount of waste directed to landfill and to proactively encourage and facilitate a circular economy. This is in the context of the growth of the ACT's population, changing community expectations of waste and resource management, the growing consumer demand for recycling and the imperative to make a positive environmental impact.

NoWaste has experienced a period of considerable growth and a higher public profile. The expectations of the ACT Government and ACT Community have increased, with the view that NoWaste should be innovative in its approach to resource management, providing leadership in national forums on matters such as Single Use Plastics, while continuing to provide excellent residential waste collection services.

2.39 The draft *ACT NoWaste Strategic Workforce Plan (2020)* appears to document a contemporary shift in the purpose and function of ACT NoWaste from that previously described. The draft *ACT NoWaste Strategic Workforce Plan (2020)* states:

The purpose of NoWaste is to:

- Provide essential services to the ACT: from hygiene to resource management
- Provide a resource recovery service, contribute to the safety of the ACT community and environment, and engage stakeholders in better waste management practices
- Contribute to the ACT's climate change response.

The purpose and functions of [ACT NoWaste] have evolved over the past few years resulting in an increased role in strategic policy and coordination, a higher profile in the community and community education, and a greater focus in the government's strategic agenda.

- 2.40 The draft *ACT NoWaste Strategic Workforce Plan (2020)* makes seven recommendations. In doing so it notes:

Over a period of intense growth and rise in the criticality of waste and resource management in the ACT, NoWaste has responded quickly to these changing needs – however, this has meant that organisational and structural decisions have been made with a short term perspective rather than as the result of long term planning which enables clear governance and career pathways. What is required now is a period of disciplined clarification and consolidation of roles, responsibilities, priorities and effective workforce development practices.

- 2.41 ACT NoWaste is in the process of considering the draft *ACT NoWaste Strategic Workforce Plan (2020)* and how it intends to implement the findings and recommendations arising from the plan. ACT NoWaste advised that the Executive Branch Manager and the Executive Group Manager are ‘looking at’ the draft Workforce Plan implementation.

- 2.42 ACT NoWaste has recently undertaken a comprehensive workforce planning exercise that updated the contemporary role and purpose of ACT NoWaste as well as setting out clear steps to ensure it has the right workforce for the future. This is appropriate and timely given the many recent changes in the waste environment and increases to ACT NoWaste’s size and scope of responsibilities. ACT NoWaste is in the process of considering the draft *ACT NoWaste Strategic Workforce Plan (2020)* and how it intends to implement the findings and recommendations arising from the plan.

ACT NoWaste strategic planning

- 2.43 In its response to the draft proposed report in May 2020 ACT NoWaste noted the *ACT NoWaste Strategic Plan 2018-19* was not a finalised document but was intended ‘to form the basis of development of a future strategic framework’ and that ‘the concept of a strategic plan will be revisited in alignment with other ACT NoWaste planning priorities’. ACT NoWaste further advised:

This future framework is being informed by the *ACT NoWaste Work Plan July 2019* (the Workplan) and well as the draft *ACT NoWaste Strategic Workforce Plan 2020*.

...

Further, the *Strategic Infrastructure Plan and Planning Framework* Consultancy released for tender in November 2019 will analyse the service and infrastructure capacity required to service the future needs of the ACT community. It is a foundational piece of work to inform the development of the ACT NoWaste strategic framework, alongside the Work Plan 2019 and Workforce Plan 2020.

- 2.44 In its response to the draft proposed report in May 2020 ACT NoWaste also identified:

Recognising the limitations of earlier contract models such as the 2013 kerbside waste and recycling collection contracts, as well as the need to improve and align future service contracts, ACT NoWaste is undertaking a range of initiatives to improve governance and strategic planning.

- 2.45 These initiatives are discussed in further detail in paragraphs 4.129 to 4.133 and throughout the report where relevant.

RECOMMENDATION 1 STRATEGIC PLANNING

ACT NoWaste should determine and implement an approach to strategic planning for waste management services (including household waste management services). ACT NoWaste's strategic planning should include consideration of future service delivery, workforce and infrastructure needs.

Risk management

2.46 Effective risk management is a key component of sound governance. The identification and documentation of strategic risks in a risk register is a means to identify what might happen that impacts on ACT NoWaste achieving its overall objectives as well as strategies that can decrease the likelihood of such events occurring or reduce their impacts.

ACT NoWaste Risk Register

2.47 ACT NoWaste developed a draft document titled *ACT NoWaste Risk Register 1819* in order to guide and assist its risk management activities. The document was last updated in February 2019. At the time of audit fieldwork ACT NoWaste advised that another version was being developed.

2.48 The draft *ACT NoWaste Risk Register 1819* document states:

This risk register is restricted to high level business risks associated with daily operations and activities, implementation of strategic objectives, contract management, service delivery and compliance with regulatory requirements.

2.49 The draft *ACT NoWaste Risk Register 1819* includes a statement about ACT NoWaste's risk appetite:

The nature and fluidity of the waste and recycling industrial environment dictates that ACT NoWaste has a strong appetite for risk in the types of activities it undertakes on behalf of TCCS and the Territory. Likewise, the inherent risks associated with landfill operations also requires acceptance of high risks due to the types of material dealt with and the operational functions required of either disposal or processing. Many aspects of such risks cannot be devolved to the Territory contractors responsible for day to day operations.

2.50 The draft *ACT NoWaste Risk Register 1819* describes twenty-one risks along with: sources of risks or hazards; risk impacts or outcomes; risk owners; current controls; risk ratings; risk treatment owner and actions to be taken; risk rating with additional controls; and review and monitor dates.

2.51 The draft *ACT NoWaste Risk Register 1819* does not include treatment strategies or actions to implement the risk treatment strategy for all the risks listed.

2.52 The risks are identified under 'Risk Categories'. Table 2-1 shows the number of risks identified by category in the draft *ACT NoWaste Risk Register 1819*.

Table 2-1 ACT NoWaste draft risk register 2018-19 risk categories

Risk Category	Number of risks identified
Project	2
Stakeholder Management	2
Business Processes and Systems	2
Contractual	2
Product and Services	2
Strategic	5
Reputation and Image	1
Assets	1
General Management Activities	1
Security	1
Compliance/Regulation	2

Source: Draft ACT NoWaste Risk Register 1819.

Revised approach to the management of strategic risks

2.53 In November 2019, ACT NoWaste advised that:

- individual ACT NoWaste teams were developing risk registers in line with ACT Insurance Authority (ACTIA) guidelines by grouping risks into strategic, operational or work, health and safety risks; and
- the ACT NoWaste teams' risk registers would then be consolidated into the ACT NoWaste Branch risk register.

2.54 In December 2019, ACT NoWaste provided copies of the Service Delivery team's draft risk registers, noting that they were a 'work in progress': *Service Delivery Strategic RR 2019 WIP*; *Service Delivery Operational RR 2019 WIP*; and *Service Delivery WHS RR 2019 WIP*. ACT NoWaste estimated that the risk registers were to be completed by January 2020. As at February 2020, the risk registers continue to be progressed.

2.55 In response to the draft proposed report in May 2020 ACT NoWaste advised that it is 'continuing to refine the business level risk register to better reflect the organisational requirements, planning and operational and activities undertaken within ACT NoWaste' including:

- undertaking an initial review of existing/known organisational risks;
- participating in a whole-of-directorate implementation of RiskWare (an Enterprise Risk Management (ERM) System). ACT NoWaste has advised that 'all risk reference data has been captured by TCCS Governance (Audit and Risk) in an initial data migration and gap analysis exercise ... noting that detailed workshops have been postponed by TCCS Governance due to the ACT Bushfire season response and COVID19'.

- 2.56 ACT NoWaste advised that ‘the ERM system will enable ACT NoWaste to capture, monitor and review risks throughout the lifecycle of projects, procurements, contract execution and management, into BAU for assessment against operational and planning objectives, removing the need to maintain complex manual risk registers, and to ensure risk data is transferrable and not lost due to organisational change’. ACT NoWaste also advised that ‘it is currently undertaking a recruitment process to fill a new position, Environment, Risk and Safety Assistant Director to govern its approach to risk management across the branch and in all sections where management of risk is pertinent’.
- 2.57 ACT NoWaste developed a draft *ACT NoWaste Risk Register 1819* in order to guide and assist its risk management activities. The document was last updated in February 2019. Since November 2019, ACT NoWaste teams have been developing team-based strategic, operational and work health and safety risk registers. As at February 2020 the ACT NoWaste teams continued to progress the development of the risk registers. In the absence of a finalised and up-to-date strategic risk register, ACT NoWaste cannot demonstrate that its strategic risks have been adequately identified and monitored or that risk mitigation actions are in place. In May 2020 ACT NoWaste advised of a range of initiatives that it was planning and participating in to improve its risk management practices.

RECOMMENDATION 2 RISK MANAGEMENT

ACT NoWaste should determine and implement an approach to risk management for waste management services (including household waste management services). ACT NoWaste’s risk management activities should support its strategic planning and operational decision-making.

Performance reporting and accountability

Public reporting

Strategic and accountability indicators for waste and recycling

- 2.58 The Transport Canberra and City Services Directorate’s Strategic Objective 3 is ‘A reduction in waste to landfill’. Table 2-2 shows the Accountability Indicators associated with Output 2.3, Waste and Recycling, including their targeted and actual result for 2018-19 and the target for 2019-20 (as shown in the 2019-20 ACT Budget Statements). According to the ACT Government’s *Strengthening Performance and Accountability: A Framework for the ACT Government* (April 2019) an Accountability Indicator is:

... a measure of an agency’s performance (effectiveness and efficiency) in providing each class of the outputs identified in the annual Budget Papers. Accountability indicators may be measures of outputs or inputs. Where appropriate, they may also include input measures that report on the quantum and/or costs of individual services. These indicators are reported in the annual Budget Papers and are subject to audit, and may be measures of outcomes, outputs or inputs.

Table 2-2 Output 2.3 - Waste and Recycling Accountability Indicators (Target and Actual)

	2019-20 Target	2018-19 Target	2018-19 Actual
Annual tonnes of waste to landfill per head of population	0.55	0.7	0.55
Annual total resource recovery tonnage per head of population	1.5	1.7	2.0
Percentage of material recovered from the total waste stream	75%	75%	79%
Percentage of customers satisfied with waste collection services	>90%	>90%	94%
Contract cost of landfilling waste per tonne	\$18.80	\$18.34	\$17.80
Annual cost of domestic household waste collection services per head of population	\$21.04	\$19.85	\$20.68
Annual cost of domestic household recycling collection service per head of population	\$11.99	\$11.30	\$11.71
Number of mattresses diverted from landfill	37,000	37,000	37,324
Container redemption rate (in relation to the Container Deposit Scheme)	60%	60%	50%

Source: *Transport Canberra and City Services Directorate 2018-19 Annual Report Volume 1.*

2.59 A review of the Transport Canberra and City Services Directorate Accountability Indicators relevant to waste management shows:

- the 'percentage of customers satisfied with waste collection services' was reported as 94 percent in 2018-19, against a target of 90 percent. This indicator, which covers household as well as other waste management services, indicates a high degree of customer satisfaction with waste services;
- the 'annual tonnes of waste to landfill per head of population' was reported as 0.55 tonnes in 2018-19, against a target of 0.7 tonnes. The Transport Canberra and City Services Directorate's *2018-19 Annual Report* noted that this positive result was 'mainly associated with less than anticipated waste to landfill from the Loose-fill Asbestos Insulation Eradication Scheme for the Mr Fluffy houses as the majority of the program has been completed';
- the 'annual total resource recovery tonnage per head of population' indicator exceeded its target of 1.7 tonnes in 2018-19, with a result of 2.0 tonnes. The Transport Canberra and City Services Directorate's *2018-19 Annual Report* noted this was 'mainly due to higher resource recovery from green waste, construction and demolition activities.' Notwithstanding the better than expected result the target for 2019-20 has been reduced to 1.5 tonnes; and
- the 'percentage of material recovered from the total waste stream' indicator exceeded its target of 75 percent in 2018-19, with a result of 79 percent. The

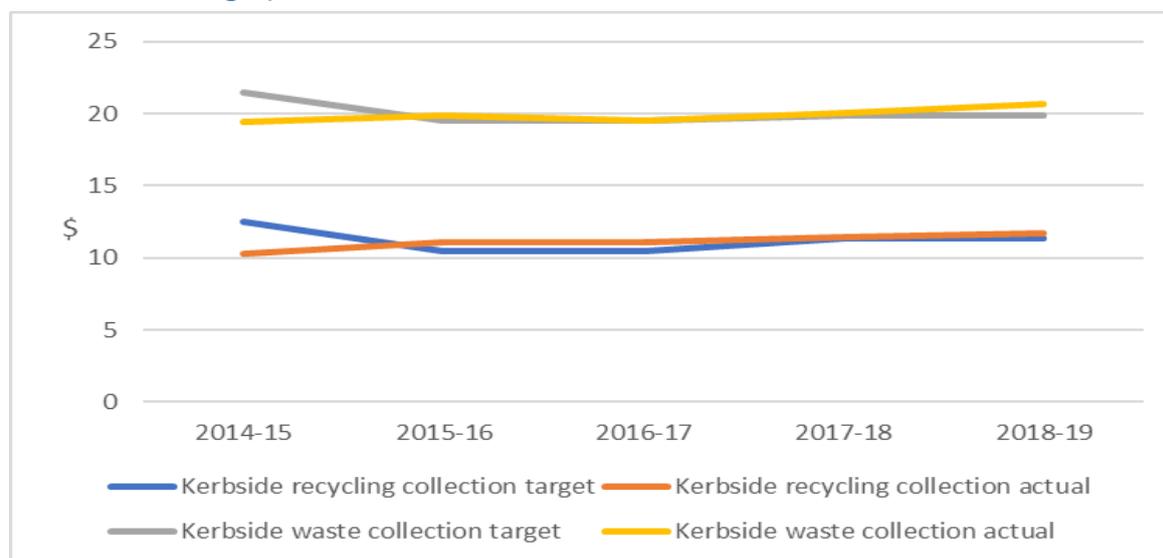
Transport Canberra and City Services Directorate's *2018-19 Annual Report* noted this was 'mainly due to higher resource recovery from green waste, construction and demolition'. As noted in paragraph 1.19, ACT NoWaste has consistently reported achieving between 70 percent and 75 percent in the years between 2007 and 2016. A result of 79 percent is the highest result that has been achieved for this indicator and indicates a positive improvement in performance.

- 2.60 The Accountability Indicators provide a useful overview of ACT NoWaste's management of waste in the Territory more generally, and activities to meet targets identified in the *ACT Waste Management Strategy 2011-2025* and *Waste Feasibility Study Roadmap and Recommendations* (May 2018) more specifically. However, it is noted that the indicators are relevant to all waste streams in the ACT, not just household domestic waste. It is also noted that some indicators are derived from data and activity that is not restricted to ACT domestic waste, including waste from Queanbeyan and other New South Wales locations, including:
- annual tonnes of waste to landfill per head of population; and
 - annual total resource recovery tonnage per head of population.

The efficiency of domestic kerbside waste and recycling collection services

- 2.61 Two Accountability Indicators are specifically relevant to the management of household waste services:
- annual cost of domestic kerbside collection services per head of population; and
 - annual cost of domestic kerbside waste recycling collections services per head of population.
- 2.62 The Accountability Indicators for domestic kerbside waste and recycling collection services are calculated from:
- the sum of the annual contract cost of collection services for waste (or recycling) plus the relevant bin repairs and maintenance services; which is
 - divided by the estimate of the ACT population according to the Australian Bureau of Statistics' latest release.
- 2.63 Figure 2-1 shows the target and actual results of the annual cost of domestic kerbside waste collection services per head of population and annual cost of domestic kerbside waste recycling collection services per head of population between 2014-15 and 2018-19.

Figure 2-1 Annual cost of domestic kerbside waste collection and domestic kerbside waste recycling collection services per head of population (Actual and Target)



Source: Transport Canberra and City Services Directorate annual reports (2014-15 to 2018-19)

2.64 A review of the reported cost of domestic kerbside waste collection services and domestic kerbside waste recycling collection services between 2014-15 and 2018-19 shows:

- the actual annual cost of domestic kerbside waste collection services per head of population has consistently exceeded the targeted cost since 2015-16, by between one and four percent; and
- the actual annual cost of domestic kerbside waste recycling collections services per head of population has consistently exceeded the targeted cost since 2015-16, by between one and six percent.

2.65 These Accountability Indicators provide information on the per capita cost of just one component of the management of household waste, i.e. the collection of household waste and recycling. No information is provided on the disposal of household waste or the processing of household waste and recycling. It may be of interest and broader relevance to the ACT community to know the full cost of collecting and processing household waste and recycling. This may be seen as an opportunity to provide information to the community that may be used to drive and potentially influence behaviour.

2.66 Transport Canberra and City Services Directorate's Accountability Indicators include indicators for the annual cost of domestic kerbside waste collection services per head of population and the annual cost of domestic kerbside recycling collection services per head of population. These Accountability Indicators provide information on the per capita cost of one component of the management of household waste, i.e. the collection of household waste and recycling. No information is provided on the disposal of household waste to landfill and processing of recycling, the inclusion of which may provide more comprehensive information on the cost of managing household waste.

RECOMMENDATION 3 ACCOUNTABILITY INDICATORS

ACT NoWaste should review its Accountability Indicators and investigate the feasibility of expanding its Accountability Indicators to include measures on the disposal of household waste to landfill and processing of recycling.

Community and industry engagement

2.67 Poor waste disposal practices by ACT households and businesses leads to higher waste management costs and poorer waste management outcomes. The *Waste Feasibility Study Roadmap and Recommendations* (May 2018) notes:

People don't recycle as well as they could for a range of reasons. As reported in the 2014 kerbside waste audit, at present recovery of recyclables from domestic kerbside waste in the ACT is at 66 percent, meaning that 34 percent of recyclable materials are incorrectly placed in the residual waste bins and are therefore lost from the recycling streams. The audit further reports that multi-unit developments (MUDs) generate a higher proportion of unrecovered recyclable material than single unit dwellings (SUDs).

2.68 The contamination of recyclable material by non-recyclable material also leads to poorer outcomes and higher costs. The *National Waste Report 2018* (November 2018) states that a typical kerbside recycling bin (yellow lid bin) in Australian states and territories in 2016-17, had a contamination rate (i.e. proportion of material that should not have been placed in the bin) between 4-12 percent by weight, 'depending on the effort put into education and enforcement and the socio-economic characteristics of the area'.

2.69 Community and industry engagement is therefore an important activity in improving waste management practices in the ACT, primarily by seeking to influence ACT households and businesses to dispose of waste correctly.

Community and Industry Engagement Team

2.70 The Community and Industry Engagement Team's function within ACT NoWaste is to:

- drive community awareness, understanding, and behaviours such as correct recycling;
- educate and provide a 'hands-on' educational experience, such as at the Recycling Discovery Hub at the Materials Recycling Facility;
- provide community outreach at open days and other events; and
- assist the five other ACT No Waste teams to deliver their outcomes.

Community and Industry Engagement Team funding

2.71 The Community and Industry Engagement Team receive funding from contracted service providers' contributions, i.e. key contracted service providers pay an annual amount each

year to fund community education activities in the ACT. The contracted service providers' total contributions are \$1.63 million per annum and comprise contributions from:

- SUEZ Pty Ltd (responsible for kerbside collections of red and yellow bins);
- Remondis Australia Pty Ltd (responsible for managing and maintaining the Mugga Lane landfill); and
- RDT Operations (Hume) Pty Ltd (responsible for the Materials Recovery Facility (MRF) at Hume).

2.72 Specifically with respect to the RDT Operations contribution mechanism, the Community and Industry Engagement Team advised that the payment ensures that there is '... stable funding of education and outreach over the life of the contract' and that 'the funding is based on an expectation that education and outreach programs will assist in reducing the levels of contamination at the MRF, noting however, that education is not the only driver in reducing contamination'.

Outcomes and objectives for community and industry engagement

2.73 The Community and Industry Engagement Team does not have an agreed set of objectives and outcomes for its education activities, but has advised that the strategic framework for delivering its work is the *ACT Waste Management Strategy 2011-2025* and its objectives, including:

- less waste generated;
- full resource recovery-over 90% by 2025;
- a clean environment;
- carbon neutral waste sector by 2020.

2.74 At the time of audit fieldwork, there was no documented strategic plan for the activities of the Community and Industry Engagement Team in educating and engaging with ACT businesses and households. The Community and Industry Engagement Team provided 'action plans' for 2017-18 and 2018-19, which identified high-level actions associated with community and industry engagement, but these lacked specificity with respect to the activities and initiatives to be pursued, the timing of these activities and costs associated with these activities.. In May 2020 the Community and Industry Engagement Team provided a 'Aims, Objectives and Strategies' document for 2020 which identified activities it intended to pursue for the year, their objective and intended outcome, the estimated cost of the activity and its alignment with outcomes and strategies identified in the *ACT Waste Management Strategy 2011-2025*. The 2020 document contrasted with the earlier 2017-18 and 2018-19 documents by providing more specificity and detail on the proposed activities.

2.75 A documented strategic plan for the activities of the Community and Industry Engagement Team provides accountability for the programs to be delivered and their associated costs, including staff costs and advertising. A documented strategic plan also provides a

mechanism to clearly agree objectives and outcomes and how the activities undertaken by the Community Engagement team are prioritised, costed and support the achievement of the objectives of the *ACT Waste Management Strategy 2011-2025*.

Community and Industry Engagement reports

2.76 The Community and Industry Engagement Team produces two routine reports on its activities:

- *Community Education report*, provided bi-monthly to advise the contractors of the Community and Industry Engagement Team's work; and
- *Community and Industry Engagement report*, first developed in July 2019 and issued internally within ACT NoWaste on a monthly basis.

2.77 The *Community and Industry Engagement report* is the ACT NoWaste Community and Industry Engagement team's monthly internal report. A review of the July and August 2019 reports show that they provide a summary of 'key achievements', including engagement related statistics, such as visitor numbers, events that took place and profile information, such as social media, press releases and website information.

2.78 The *Community and Industry Engagement report* does not provide information on budget monitoring, reference to progress against planned activities, what benefits are realised nor if the benefits are reflective of the financial investment or represent value for money.

Community Education reports

2.79 The *Community Education reports* provide information on 'activities implemented by ACT NoWaste'. The reports are not addressed to a specific contractor; the reports' summarised activity information, noting that a topic may not appear every bi-monthly, including information on events that took place, media coverage and communication with the public.

2.80 ACT NoWaste advised that the bi-monthly reports outline the activities undertaken and success in progress towards the *ACT Waste Management Strategy 2011-2025* goals, including customer service delivery and provided the following data to the audit for the period July-November 2019:

- over 3,000 participants at the Hub and community events;
- 27 Community engagement events;
- over 500 resident queries;
- over 200,000 unique page views on the Recyclopaedia and other ACT NoWaste web pages; and
- 12 draft media releases.

- 2.81 ACT NoWaste advised that each individual program undertaken by the Community and Industry Engagement team incorporates an evaluation report. ACTNoWaste provided evidence of the review of two specific initiatives; the Garage Trail Sale in 2018 and 2019; and National Recycling Week in 2018 and 2019. The reviews provide some quantitative data relating to public participation numbers and amount of waste as well as a year to year comparison of some data as well as narrative about the events and community participation. However, the most recent report appears to be a draft, yet to be finalised, and contains unaddressed comments relating to data comparison across years. ACT NoWaste also advised that its evaluation of the ACT participation in the National Garage Sale Trail indicated that the 2019 participation was highly successful. However, ACT NoWaste did not provide the criteria used to determine the success or otherwise of such initiatives.
- 2.82 ACT NoWaste cited its evaluation of the Recycle Right campaign as demonstrating how the evaluation of an advertising campaign demonstrated the success of the initiative and informed key learnings.
- 2.83 The Community and Industry Engagement Team within ACT NoWaste plays an important role in improving waste management practices in the ACT, by seeking to influence ACT households and businesses to dispose of waste correctly. It is primarily funded by contributions from contracted service providers' contributions; approximately \$1.625 million per annum. Planning and reporting arrangements for community education and engagement activities to date have lacked rigour, and there has been little accountability and transparency for the funds directly received from the service providers. The lack of a strategic plan for community education and engagement, with defined outcomes and objectives, has impaired the ability to assess the value for money of individual initiatives, benefits realised or the value of the program of activities undertaken by the Community and Industry Engagement Team. The development of an 'Aims, Objectives and Strategies' document in early 2020 for the Community and Industry Engagement Team should assist in providing a strategic direction for community and industry engagement activities and initiatives. The document identifies activities the team intends to pursue for the year, their objective and intended outcome, the estimated cost of the activity and its alignment with outcomes and strategies identified in the *ACT Waste Management Strategy 2011-2025*.

3 MANAGEMENT OF HOUSEHOLD WASTE SERVICES

3.1 This chapter considers ACT NoWaste’s administrative arrangements for the contract management of household waste services. This includes consideration of ACT NoWaste’s systems and processes for managing the contracts and the services, including risk management and performance monitoring and reporting.

Summary

Conclusion

ACT NoWaste is developing contract management and administrative arrangements for the management of household waste services. Key contract management processes and controls developed in early 2019 include a draft *Contract Management Framework*, Contract Management Workbooks and Inspection Work Instructions. The draft *Contract Management Framework* is yet to be finalised and endorsed and Contract Management Workbooks, which were intended to instil rigour and consistency in the management of services agreements, are not used to their full potential. ACT NoWaste’s intention to achieve rigour and consistency in decision-making for contract management has not yet been achieved.

Key findings

The *ACT NoWaste Contract Management Framework* (March 2019) requires all contracts to have an identified Contract Manager and also provides for the role of a Contract Inspector; a role that was implemented in March 2019. In accordance with the Framework, all contracts for household waste services have an assigned Contract Manager and Contract Inspector. ACT NoWaste Contract Managers and Contract Inspectors have been allocated to contracts according to a geographical split between north and south Canberra based on the location of contractor facilities such as the Mitchell or Mugga Lane Green Sheds, and Recycling Drop-Off Centres. ACT NoWaste has since identified an intention to allocate responsibilities on a service-type basis rather than by geographical location. This is expected to facilitate a more ‘logical’ allocation of responsibilities, that would enable the Contract Managers and Contract Inspectors undertaking these roles to develop specific experience and expertise in these waste management activities.

Paragraph

3.19

The *ACT NoWaste Contract Management Framework* (March 2019) requires the Contract Manager to have ‘completed the ACT Government contract management training program (an eLearning tutorial, accessed via MyLearning) and undergo

3.24

refresher training every 12 months'. All Contract Managers had completed contract management training. In interviews with the ACT Audit Office, ACT NoWaste Contract Managers and Contract Inspectors advised that they would like more training in Work, Health and Safety, inspection and auditing procedures and hazardous waste. In May 2020, ACT NoWaste advised that it strongly supports appropriate training and development opportunities for its staff and opportunities for additional training are discussed and identified in Staff Personal Development Plans.

The *ACT NoWaste Contract Management Framework* (March 2019) requires the development of a Contract Management Plan (along with a Contract Management Workbook) for each of its contracts noting that it 'is an essential document which details how the contract is to be managed to achieve the contract objectives and outcomes'. At the time of the audit, there were no Contract Management Plans for the ACT NoWaste household waste contracts. 3.30

ACT NoWaste has developed a Contract Management Workbook as 'a tool that can be used to identify and monitor contract obligations, deliverables and functions as well as to document the ongoing results, outcomes and issues' for waste services. Workbooks can be an effective mechanism for documenting contract management activities. A review of Workbooks for household waste contracts showed that the Workbooks were not being used to their full potential; the Workbooks were not fully complete and were not being regularly maintained. In May 2020 ACT NoWaste advised that all Contract Management Workbooks are now up to date. 3.37

ACT NoWaste has developed Inspection Work Instructions and Inspection Checklist templates to facilitate its review of service providers' compliance. The Inspection Work Instructions (the Instructions) set out detailed procedures for Contract Inspectors to follow when inspecting facilities and the Instructions reference Inspection Checklists, which must be followed and completed during site visits. The Instructions focus on Work Health and Safety issues and compliance. At the time of the audit, the Inspection Work Instructions were unapproved by ACT NoWaste's Executive Branch Manager, and the Inspection Checklists did not follow a consistent format. A review of the use of Inspection Checklist templates shows that: not all issues for rectification were being actioned on a timely basis; some items were being inspected more frequently than was arguably necessary from a risk-based approach; and there are not always clear links between the inspection actions and requirements in the service contract, i.e. the rationale and basis for the inspection was not linked to service requirements. 3.46

The *ACT NoWaste Contract Management Framework* (March 2019) identifies that 'planning for and managing risks are essential tasks of the Contract Manager'. Contract Management Workbooks include a section for a risk register which should be 'used to detail the key risk and controls/actions identified for managing the contract'. A review of relevant Contract Management Workbooks for household waste services shows that the majority of workbooks' risk registers (six of eight) are blank. While the Contract Management Workbook risk registers were populated for two contracts, one risk register's identified 'control / actions' did not have an accountable person or implementation date for all of the risks that were identified. The inconsistent use of the risk registers in the Contract Management Workbooks 3.54

impairs the ability of ACT NoWaste Contract Managers to demonstrate that they are effectively managing contract risks.

Contract management arrangements

Contract management procedures and guidance

Contract Management Framework

3.2 In March 2019 ACT NoWaste developed the *ACT NoWaste Contract Management Framework* to provide guidance for staff in the management of waste contracts, including the contracts for the collection, processing and disposal of household general waste and recycling. The first draft version of the Contract Management Framework was dated 12 February 2019. Its development followed activity commenced in December 2018 to update and map business processes. Prior to this ACT NoWaste advised that there was inconsistency in business processes and practices and a strong reliance on individuals' knowledge. In September 2019, ACT NoWaste advised that:

Prior to 18 months ago, ACT NoWaste officers relied on their own knowledge of services and contracts.

...

ACT NoWaste was previously developing SoPs [Standard Operating Procedures] on the run; from now on, ACT NoWaste is aiming for consistency in decision making – everything comes back to the contract and a services component i.e. residents are paying for a service.

3.3 The *ACT NoWaste Contract Management Framework* (March 2019) states that:

This document outlines the key contract management principles and tools required to effectively administer the various ACT NoWaste contracts ...

3.4 The *ACT NoWaste Contract Management Framework* (March 2019) identifies:

- principles for the management of contracts, including information on;
 - the benefits of effective contract management;
 - key roles and responsibilities for contract management;
 - risk management;
 - key tools for contract management, including Contract Management Plans and Contract Management Workbooks;
 - processes for contract variations;
 - incident and problem management; and
 - records management; and
 - reporting;
- links to various tools, templates and forms for contract management; and
- links to further information and resources.

3.5 According to the *ACT NoWaste Contract Management Framework* (March 2019):

Effective contract management can benefit ACT NoWaste by:

- realising lower costs/saving;
- ensuring compliance with contract requirements;
- providing easy access to accurate contract information;
- building solid stakeholder relationships;
- providing an overview of key learnings to be built into future contracts for goods and/or services; and
- providing cost effective and reliable services to the Territory.

3.6 At the time of the audit, the *ACT NoWaste Contract Management Framework* (March 2019) had not been formally approved or endorsed by the Executive Branch Manager. The *ACT NoWaste Work Plan* (refer to paragraph 2.20 to 2.26) identifies 'Contract Management Improvements – Implement new procedures and templates' as a business improvement activity, but there was no identified implementation date. In its response to the draft proposed report in May 2020 ACT NoWaste advised that the Framework was 'planned to be approved by the Acting Executive Branch Manager following completion of procedure flows and mapping'.

3.7 In March 2019 ACT NoWaste developed the *ACT NoWaste Contract Management Framework* to provide guidance for staff in the management of waste contracts. The Contract Management Framework provides information on the principles associated with the management of contracts and a range of guidance information for staff. Prior to this ACT NoWaste advised that it had previously been developing standard operating procedures 'on the run' but with the development of the Framework it is now 'aiming for consistency in decision making'. The Framework has not yet been approved by ACT NoWaste's Executive Branch Manager. Without formal approval, there is a risk that ACT NoWaste staff do not follow the principles and guidance in the Framework and that ACT NoWaste does not achieve its stated aim of consistency in decision-making and effective contract administration. In May 2020, ACT NoWaste advised that the Framework was 'planned to be approved by the Acting Executive Branch Manager following completion of procedure flows and mapping'.

Roles and responsibilities

3.8 The *ACT NoWaste Contract Management Framework* (March 2019) provides for various roles and responsibilities for the management of waste contracts including:

- Contract Manager;
- Contract Inspector; and
- the Director of Service Delivery.

3.9 The Director of Service Delivery is responsible for:

... overseeing the contract and any major contractual changes and strategies. The Director of Service Delivery is also responsible for developing and directing strategies and executing key decisions that ensure good governance of the contract and its financial performance.

Contract Manager

3.10 The *ACT NoWaste Contract Management Framework* (March 2019) states:

For all ACT NoWaste managed contracts:

- an adequately resourced and skilled Contract Manager must be assigned to manage the contract.

...

3.11 The *ACT NoWaste Contract Management Framework* (March 2019) further states:

The Contract Manager's role is important in ensuring that:

- ACT NoWaste obtains value for money through satisfactory contractor performance, including the achievement of contract milestones;
- relationships between internal and external stakeholders are managed effectively;
- both parties meet their contractual obligations;
- ACT NoWaste only pays for services and products specified in the contract;
- the desired outputs are achieved;
- disputes are avoided by regular monitoring of performance and open communication; and
- risks are effectively managed. This may be an ongoing process, with risks identified at different stages of the life of an agreement.

3.12 The *ACT NoWaste Contract Management Framework* (March 2019) outlines in detail the responsibilities of the Contract Manager, including:

- 'establishing and maintaining a Contract Management Plan and Contract Management Workbook for the project';
- 'reviewing the contract management process (including the Contract Management Plan and Contract Management Workbook) on a regular basis';
- 'providing liaison between ACT NoWaste and the contractor to identify and resolve issues as they arise'; and
- 'monitoring the contractor's performance against contract obligations.'

Contract Inspector

3.13 The *ACT NoWaste Contract Management Framework* (March 2019) also provides for the role of a Contract Inspector:

The role of the ACT NoWaste Contract Inspector includes, but is not limited to, the following tasks and responsibilities:

- monitor contract compliance on KPIs and clauses;
- escalate non-compliance issues to the Contract Manager and consult with the Contract Manager and other stakeholders as required;
- conduct site inspections at multi-unit developments in relation to Development Control Code compliance;
- conduct site inspections at waste management sites in relation to Work Health & Safety plans;
- report onsite inspections and escalate to the Contract Manager;
- assist the Service Delivery Team Customer Service Officer with strata and customer enquires;
- assist the Contract Manager with reporting and any other contract related tasks; and
- produce Standard Operating Procedures (SOP) and reporting templates.

3.14 The Contract Inspector role was implemented in March 2019.

3.15 In accordance with the *ACT NoWaste Contract Management Framework*, all contracts for household waste services have an assigned Contract Manager and Contract Inspector.

Assignment of responsibilities

3.16 At the time of the audit, ACT NoWaste Contract Managers and Contract Inspectors were allocated to contracts according to a geographical split between north and south Canberra based on the location of contractor facilities such as the Mitchell or Mugga Lane Green Sheds, and Recycling Drop-Off Centres. Table 3-1 shows the allocation of Contract Management and Contract Inspector responsibilities across the key household waste contracts.

Table 3-1 Contract Manager and Contract Inspector responsibilities for household waste service contracts

Household waste service	Contractor	Assigned Contract Manager	Assigned Contract Inspector
Kerbside general waste (red/green bins) and recycling collections (yellow bins)	SUEZ	Contract Manager A	Contract Inspector A
Kerbside green waste collections (green garden waste bins)	J.J. Richards		

Household waste service	Contractor	Assigned Contract Manager	Assigned Contract Inspector
Suburban Recycling Drop-Off Centres	SUEZ and Remondis	Contract Manager B	Contract Inspector B
Mugga Lane Landfill	Remondis		
Mugga Lane Reuseable Facility (The Green Shed)	C Bigg-Wither and G Srejc		
Materials Recovery Facility	RE.Group (formally RDT Operations) (RDT Operations became part of RE.Group in 2016)	Contract Manager C	Contract Inspector C
Mitchell Reusable Facility (The Green Shed)	Tinys Home Maintenance		
Mattress recycling facility	Soft Landing		

Source: ACT NoWaste

3.17 Talis Consultants, providing subject matter expertise to the audit, commented that it is 'logical' to split the service delivery into service types instead of a geographical split based on the location of the contractor. This would enable the Contract Managers and Contract Inspectors undertaking these roles to develop specific experience and expertise in these waste management activities.

3.18 ACT NoWaste advised that, throughout 2020, it intends to reallocate Contract Managers and Contract Inspectors to like service types i.e. landfill, transfer stations, recycling and household collection. Such a reallocation was envisaged in the *ACT NoWaste Structure 2019-20*, which adopted an approach that allocates contracts by service type to Contract Managers:

- a 'Contract Manager, Recycling Services';
- a 'Contract Manager, Landfills & Transfer Stations'; and
- an 'Assistant Director, Household Collection Services'.

3.19 The *ACT NoWaste Contract Management Framework* (March 2019) requires all contracts to have an identified Contract Manager and also provides for the role of a Contract Inspector; a role that was implemented in March 2019. In accordance with the Framework, all contracts for household waste services have an assigned Contract Manager and Contract Inspector. ACT NoWaste Contract Managers and Contract Inspectors have been allocated to contracts according to a geographical split between north and south Canberra based on

the location of contractor facilities such as the Mitchell or Mugga Lane Green Sheds, and Recycling Drop-Off Centres. ACT NoWaste has since identified an intention to allocate responsibilities on a service-type basis rather than by geographical location. This is expected to facilitate a more 'logical' allocation of responsibilities, that would enable the Contract Managers and Contract Inspectors undertaking these roles to develop specific experience and expertise in these waste management activities.

Contract management training

- 3.20 The *ACT NoWaste Contract Management Framework* (March 2019) requires the Contract Manager to have 'completed the ACT Government contract management training program (an eLearning tutorial, accessed via MyLearning) and undergo refresher training every 12 months'.
- 3.21 ACT NoWaste advised that, in practice, this requirement has been met by all contract management staff attending an 'Introduction to Contract Management' course, provided by the Transport Canberra and City Services Directorate's Legal and Contracts area.
- 3.22 In interviews with the ACT Audit Office, ACT NoWaste staff advised that they would like more training:
- 'it would be helpful for Assistant Directors Contracts and Contracts Inspectors to have a Certificate IV in WHS [Work, Health and Safety] and to be able to share professional understanding';
 - 'the Contract Managers and Contracts Inspectors are not trained in inspection and auditing procedures or WHS and 'training has been on the job training'; and
 - 'more training and development e.g. training on hazardous waste'.
- 3.23 In response to the draft proposed report in May 2020 ACT NoWaste advised that it strongly supports appropriate training and development opportunities for its staff and that opportunities for additional training are discussed and identified in Staff Personal Development Plans.
- 3.24 The *ACT NoWaste Contract Management Framework* (March 2019) requires the Contract Manager to have 'completed the ACT Government contract management training program (an eLearning tutorial, accessed via MyLearning) and undergo refresher training every 12 months'. All Contract Managers had completed contract management training. In interviews with the ACT Audit Office, ACT NoWaste Contract Managers and Contract Inspectors advised that they would like more training in Work, Health and Safety, inspection and auditing procedures and hazardous waste. In May 2020, ACT NoWaste advised that it strongly supports appropriate training and development opportunities for its staff and opportunities for additional training are discussed and identified in Staff Personal Development Plans.

Contract Management Plans

3.25 Procurement ACT *Contract Management* guidance states that '[a] contract management plan contains all the key information about how a contract will be effectively managed' and:

A contract management plan enables the contract manager to:

- develop a good understanding of the contract, and the responsibilities of the parties involved, and
- establish a system against which the performance of both parties can be monitored, and problems can be identified early - either before or as they occur (this is particularly important if it is a performance-based contract).

3.26 The *ACT NoWaste Contract Management Framework* (March 2019) specifically requires the development of a Contract Management Plan:

The Contract Management Plan (CMP) is an essential document which details how the contract is to be managed to achieve the contract objectives and outcomes.

In particular, the CMP:

- outlines the objectives and outcomes of the contract and how the contract should be managed/complied with;
- defines the role, responsibilities and obligations of each party;
- identifies the strategic objectives of the contract and the key success factors;
- outlines the approach for dealing with variations to contract scope; and
- addresses the tasks necessary to ensure a successful contract outcome and to minimise risk.

3.27 The *ACT NoWaste Contract Management Framework* (March 2019) also states that the Contract Manager should 'regularly refer' to the Contract Management Plan (refer to paragraph 3.12).

3.28 At the time of the audit, there were no Contract Management Plans for the ACT NoWaste household waste contracts. ACT NoWaste advised 'the Contract Management Workbooks are equivalent to or supposed to be the contract management plans' and that 'there is a new position, that of Contract Administrator, who is helping to force the use of the Contract Management Workbooks'.

3.29 According to the *ACT NoWaste Contract Management Framework* (March 2019), however, the Contract Management Plan and Contract Management Workbook are different tools that serve different purposes. The Framework states:

A Contract Management Plan and a Contract Management Workbook must be completed and maintained for every contract managed by the Contract Manager.

3.30 The *ACT NoWaste Contract Management Framework* (March 2019) requires the development of a Contract Management Plan (along with a Contract Management Workbook) for each of its contracts noting that it 'is an essential document which details how the contract is to be managed to achieve the contract objectives and outcomes'. At the

time of the audit, there were no Contract Management Plans for the ACT NoWaste household waste contracts.

Contract Management Workbooks

3.31 The *ACT NoWaste Contract Management Framework* (March 2019) describes the Contract Management Workbook as:

... a tool that is used to identify and monitor contract obligations, deliverables and functions as well as to document the ongoing results, outcomes and issues. The Contract Management Workbook should be used by Contract Managers and Contract Inspectors to document all important information related to the contract.

3.32 The Contract Management Workbook is an Excel spreadsheet, which has a number of different worksheets 'for recording details of each major contract management task'. In this respect the Workbook can be a useful source of recorded information of activities associated with the management of the contract. There are 18 different worksheets in the Workbook template, including:

- Document Register – 'used to list all documents relevant to this contract and where they are stored. Add documents to the list as they are created';
- KPIs – 'used to list all KPIs associated with the contract, their monthly performance results and any comments or issues associated';
- Reporting Details – 'used to detail and monitor the reporting requirements and to document the results/analysis and adherence to the reporting schedule';
- Actions and Deliverables – 'used to detail and track action plans issued, or actions resulting from meetings and their related comments'; and
- Risks register – 'used to detail the key risks and controls/actions identified for managing the contract'.

3.33 The Contract Management Workbook states:

This workbook is a tool that can be used to identify and monitor contract obligations, deliverables and functions as well as to document the ongoing results, outcomes and issues. This Workbook should be used by Contract Managers or Contract Administrators to document all important information related to the Contract. [T]his must be kept up to date and forms part of a Business Units succession plan. Contract variations, payments, extensions, performance management and service/good issues etc. must be documented to keep a current and up to date account of the contract and its performance for future planning.

3.34 At the time of the audit, Contract Management Workbooks were in place for the following contracts and service agreements associated with household waste management:

- general and recycling kerbside waste collections (including the collection of recycling material at Recycling Drop-Off Centres) – SUEZ Pty Ltd;
- garden organics waste kerbside waste collections – J.J. Richards & Sons Pty Ltd;

- Recycling Drop-Off Centre grounds maintenance and uplift of paper and cardboard – Remondis Australia Pty Ltd;
- mattresses – Great Lakes Community Resources Incorporated (trading as Soft Landings);
- processing of recycling waste (Hume Materials Recovery Facility) – RDT Operations (Hume) Pty Ltd;
- Mugga Lane landfill – Remondis Australia Pty Ltd; and
- Reuseable items - The Green Shed.

3.35 At the time of the audit, the Contract Management Workbooks were not fully complete and were not being regularly maintained. A review of Contract Management Workbooks shows that:

- individual Contract Managers and Contracts Inspectors have used different approaches to entering information into the Contract Management Workbooks;
- key performance indicator information is not consistently recorded in the Contract Management Workbooks;
- the accuracy of contractor performance reports is not recorded as routinely and independently validated in the Contract Management Workbooks; and
- risks are not being routinely monitored and recorded in Contract Management Workbooks; apart from two contracts, the Contract Management Workbook risk registers were blank.

3.36 In October 2019, ACT NoWaste appointed a Contracts Administrator in order to ensure that workbooks are up to date and that regular reviews are undertaken by the Contract Managers and the Contract Inspectors. In response to the draft proposed report in May 2020 ACT NoWaste advised that all Contract Management Workbooks are now up to date.

3.37 ACT NoWaste has developed a Contract Management Workbook as ‘a tool that can be used to identify and monitor contract obligations, deliverables and functions as well as to document the ongoing results, outcomes and issues’ for waste services. Workbooks can be an effective mechanism for documenting contract management activities. A review of Workbooks for household waste contracts showed that the Workbooks were not being used to their full potential; the Workbooks were not fully complete and were not being regularly maintained. In May 2020 ACT NoWaste advised that all Contract Management Workbooks are now up to date.

Inspection Work Instructions and Inspection Checklists

Inspection Work Instructions

- 3.38 In May 2019, ACT NoWaste developed the following Inspection Work Instructions for its Contract Inspectors:
- *ACT NoWaste MRF Inspection Work Instruction (May 2019);*
 - *ACT NoWaste RDOC Inspection Work Instruction (May 2019);*
 - *ACT NoWaste Soft Landing Inspection Work Instruction (May 2019); and*
 - *ACT NoWaste Green Shed/Transfer Station Inspection Work Instruction (May 2019).*
- 3.39 There is no Inspection Work Instruction for the Mugga Lane landfill. ACT NoWaste advised that this is because:
- the landfill is not an area that is open to the public;
 - the nature of the works undertaken at the landfill site differs from the works undertaken at the other sites; and
 - a monthly landfill report 'provides the majority of the information needed to ensure contract compliance'.
- 3.40 The Inspection Work Instructions were developed following the closure of the Hume Materials Recovery Facility for six days in January 2019 because WorkSafe ACT issued a 'non-disturbance notice for a range of safety breaches.'
- 3.41 The Inspection Work Instructions (the Instructions) set out detailed procedures for Contract Inspectors to follow when inspecting facilities. The Instructions reference Inspection Checklists, which must be followed and completed during site visits. The Instructions focus on Work Health and Safety issues and compliance; service providers are required to have a Work Health and Safety plan or equivalent. The Instructions provide the basis for the inspection of facilities by Contract Inspectors including:
- the condition of the site and the grounds generally, including with reference to signage, fencing and gates and general tidiness;
 - the condition of the buildings or site asset; and
 - where applicable, site workers' compliance with personal protection equipment (PPE) requirements.
- 3.42 At the time of the audit, the Inspection Work Instructions were unapproved by ACT NoWaste's Executive Branch Manager and did not have an implementation date. In its response to the draft proposed report in May 2020 ACT NoWaste advised that the Inspection Work Instructions were expected to be approved by the Executive Branch Manager when the Contract Management Framework is approved.

Inspection Checklists

- 3.43 ACT NoWaste Contracts Inspectors use Inspection Checklist templates when inspecting waste facilities and sites. ACT NoWaste developed Inspection Checklist templates for:
- the mattress recycling facility;
 - Recycling Drop-Off Centres;
 - the reusable items facility; and
 - the Materials Recovery Facility.
- 3.44 The Inspection Checklists are consolidated to inform an 'inspection and action list' or 'inspection outcomes' for Contract Managers' review and, in turn, provided to the relevant service provider to subsequently remediate any issues.
- 3.45 A review of the use of Inspection Checklist templates shows that:
- not all actions were rectified within the timeframe required, i.e. issues for rectification would be identified but not actioned on a timely basis;
 - some items were being inspected more frequently than was arguably necessary from a risk-based approach and could be inspected on a less frequent basis, e.g. annually; and
 - there are not always clear links between the inspection actions and requirements in the service contract, i.e. the rationale and basis for the inspection was not linked to service requirements.
- 3.46 ACT NoWaste has developed Inspection Work Instructions and Inspection Checklist templates to facilitate its review of service providers' compliance. The Inspection Work Instructions (the Instructions) set out detailed procedures for Contract Inspectors to follow when inspecting facilities and the Instructions reference Inspection Checklists, which must be followed and completed during site visits. The Instructions focus on Work Health and Safety issues and compliance. At the time of the audit, the Inspection Work Instructions were unapproved by ACT NoWaste's Executive Branch Manager, and the Inspection Checklists did not follow a consistent format. A review of the use of Inspection Checklist templates shows that: not all issues for rectification were being actioned on a timely basis; some items were being inspected more frequently than was arguably necessary from a risk-based approach; and there are not always clear links between the inspection actions and requirements in the service contract, i.e. the rationale and basis for the inspection was not linked to service requirements.

Risk management

- 3.47 The *ACT NoWaste Contract Management Framework* (March 2019) states:
- Planning for and managing risks are essential tasks of the Contract Manager.

3.48 The *ACT NoWaste Contract Management Framework* (March 2019) identifies a range of common causes of risks and states:

... risks should be monitored and minimised where possible throughout the contract management period. New risks may also be identified and documented during this period. The Contract Manager should prepare a Risk Management Plan commensurate with the cost and complexity of the procurement that identifies, analyses, evaluates and proposes treatment of the risks. This will form a key component of the Contract Management Plan.

3.49 ACT NoWaste's risk management for the delivery of household waste services is embodied in:

- the Service Delivery Team's operational and work health and safety risk registers (refer to paragraph 3.50); and
- risk registers contained in the Contract Management Workbooks.

Service Delivery Team operational and work health and safety risk registers

3.50 At the time of the audit, ACT NoWaste's Service Delivery Team was in the process of completing its operational and work health and safety risk registers. The draft *Service Delivery Operational RR 2019 WIP* listed 12 risks with each risk's 'Source', 'Impact/Outcome', 'Risk Owner' and 'Risk Controls Currently in Place'. The risks have not been rated or assigned treatments. The draft *Service Delivery WHS RR 2019 WIP* lists 12 risks with each risk's Source', 'Impact/Outcome', 'Risk Owner' and 'Risk Controls Currently in Place'. The risks have not been rated or assigned treatments.

Contract Management Workbooks risk registers

3.51 ACT NoWaste's Contract Management Workbook risk registers are:

... used to detail the key risk and controls/actions identified for managing the contract.

3.52 Table 3-2 provides information on whether and how Contract Management Workbooks for household waste services have recognised and included risk registers.

Table 3-2 Assessment of Contract Management Workbook risk registers

Household waste service	Contractor	Contract Management Workbook (CMW)	Risk Register in CMW	Comments
Kerbside general waste and recycling collections	SUEZ	Yes	Yes	One risk relating to hopper size was identified. The risk was resolved.
Kerbside garden organics waste collections	J.J. Richards	Yes	Yes	Eight risks were identified, with four rated as 'high'. All risks have mitigation strategies but are unassigned and there is no action date to implement the strategies.

Household waste service	Contractor	Contract Management Workbook (CMW)	Risk Register in CMW	Comments
ACT Government mattress recycling facility	Soft Landing	Yes	Yes	Blank
Materials Recovery Facility	Re.Group	Yes	Yes	Blank
Recycling Drop Off Centres	Remondis and SUEZ	Yes	Yes	Blank
Mugga Lane Landfill	Remondis	Yes	Yes	Blank
ACT Governments Reusable Facilities (The Green Shed)	Tinys Home Maintenance & C Bigg-Wither and G Srejjic	No	Not applicable	Not applicable

Source: ACT NoWaste Contract Management Workbooks

3.53 A review of relevant Contract Management Workbooks for household waste services shows:

- two contracts (kerbside general waste and recycling collections and kerbside garden organics waste collections) had identified risks in the Contract Management Workbook risk register:
 - one risk was identified for the kerbside general waste and recycling collection contract; this risk was identified as resolved; and
 - eight risks were identified for the kerbside garden organics waste collections, but there was no accountable person assigned responsibility for the ‘controls/actions’ of six risks or a control/action date;
- the risk registers in the Contract Management Workbooks for the remaining contracts were not filled in.

3.54 The *ACT NoWaste Contract Management Framework* (March 2019) identifies that ‘planning for and managing risks are essential tasks of the Contract Manager’. Contract Management Workbooks include a section for a risk register which should be ‘used to detail the key risk and controls/actions identified for managing the contract’. A review of relevant Contract Management Workbooks for household waste services shows that the majority of workbooks’ risk registers (six of eight) are blank. While the Contract Management Workbook risk registers were populated for two contracts, one risk register’s identified ‘control / actions’ did not have an accountable person or implementation date for all of the risks that were identified. The inconsistent use of the risk registers in the Contract

Management Workbooks impairs the ability of ACT NoWaste Contract Managers to demonstrate that they are effectively managing contract risks.

RECOMMENDATION 4 CONTRACT MANAGEMENT

ACT NoWaste should develop and implement a rigorous approach to contract management for household waste services. In doing so it should:

- a) finalise and endorse the *ACT NoWaste Contract Management Framework* (March 2019) as well as relevant Inspection Work Instructions and Inspection Checklists;
- b) clarify expectations for Contract Management Plans for its household waste services contracts; and
- c) identify, document and manage risks associated with specific household waste services contracts through documented risk registers and risk management plans.

4 HOUSEHOLD WASTE SERVICES AGREEMENTS

- 4.1 This chapter considers the key household waste management services agreements. The chapter includes observations by Talis Consultants, audit subject matter experts, on various aspects of the contracted services.

Summary

Conclusion

ACT NoWaste manages a portfolio of 38 waste services agreements on behalf of the ACT community. Some of these agreements have been in place for almost a decade and were negotiated at a time when the national and international waste management and resource recovery environment was less complex and less costly. The oldest services agreement for the kerbside collection of general waste (red bins) and recycling waste (yellow bins) dates from 2013. This services agreement lacks flexibility, is not performance-based and does not include effective incentives for better than standard service; or at-risk fees in the event of underperformance. More recent ACT NoWaste services agreements incorporate elements of incentives and at-risk fees. The services agreement for the collection and processing of garden organics green waste, demonstrates a better, more contemporary approach to setting service delivery levels and improved service delivery.

The audit identified issues with the design and management of household waste management services agreements that should be considered and addressed in future procurement exercises. A challenge for ACT NoWaste is to have flexible services agreements that are relatively adaptable but enduring and offer value for money into the future.

Key findings

In April 2013 a ten-year services agreement was made with SITA Australia Pty Ltd for the kerbside collection of general waste (red bins) and recycling waste (yellow bins) (SITA Australia Pty Ltd was subsequently renamed SUEZ Pty Ltd). The services agreement also requires the collection of recyclable material deposited at Recycling Drop-Off Centres (except for paper and cardboard). The services agreement, as drafted, is inflexible. The primary contract management lever or sanction that is available to the Territory is the termination of the services (after a series of processes to allow the service provider to rectify performance). There are no performance management fees payable under the services agreement, or payments that may be 'at-risk' in the event of underperformance; this does not represent better practice in the design of a performance management regime for the services.

Paragraph

4.22

By virtue of the services agreement there is little responsibility and accountability for the service provider to manage and monitor contamination levels in the kerbside waste collection services. There may be an opportunity to assign responsibility for contamination management, kerbside service-related education and payment for the disposal of rejected loads or refused loads at the processing facility to the collection contractor. The conclusion of the services agreement in 2023, which coincides with the conclusion of other contractual arrangements for household waste management services, represents an opportunity to procure household waste management services in line with industry better practices.

4.23

In July 2018 a five-year services agreement was made with J. J. Richards and Sons Pty Ltd for the collection and processing of garden organics green waste. The services agreement incorporates incentives for higher levels of performance as well as penalties for poorer performance. The key performance indicators include a standard key performance indicator, a minimum key performance indicator, a bonus fee (where applicable) and an at-risk fee. The design of the services agreement and the associated performance management regime is appropriate and in line with industry practices.

4.35

In October 2014 a five-year services agreement was made with Remondis Australia Pty Ltd for the collection of paper and cardboard from the Recycling Drop-Off Centres and grounds maintenance of the facilities. The services agreement is currently being extended on a month by month basis. There are five drop-off centres, which are open 24 hours a day, seven days a week (drop-off centres at the Mugga Lane and Mitchell Resource Management Centres are accessible during opening hours). The 24 hours a day, seven days a week operation of the drop-off centres lends itself to illegal dumping and other human safety and property risks; it is a high-cost model of operation that has been abandoned across many jurisdictions. Over the 2019-20 summer ACT NoWaste ran a trial at the Tuggeranong drop-off centre, which involved the centre being manned and the paper cage opening being reduced in size in an effort to stop illegal dumping. The evaluation of the trial has not yet been finalised.

4.52

Between October 2011 and November 2015 services agreements were made for the operation of reuseable facilities at the Mugga Lane and Mitchell Resource Management Centres (i.e. The Green Shed). The services agreements allow The Green Shed to retain income from the sale of goods allowed in lieu of a contract payment from the Territory. The Green Shed operates as a social enterprise and under the contracting arrangements, a proportion of money raised through the sale of recoverable products is donated to a charity. While the older services agreement for the operation of the facility at the Mitchell Resource Management Centre does not include any key performance indicators, the newer services agreement for the operation of the facility at the Mugga Lane Resource Management Centre does include key performance indicators, although none of these relate to resource recovery goals or objectives. The waste industry has typically moved away from these types of services agreements, and most arrangements include the payment of a base monthly fee to the service provider with varying options for the sharing of the revenue generated from the contract. ACT NoWaste advised in May 2020 that the

4.65

future model of the Green Shed operation is expected to be considered as part of the *Strategic Waste Infrastructure Planning Services* consultancy.

In March 2016 a services agreement was made with Great Lakes Community Resources Incorporated (trading as Soft Landing) for the provision of mattress recycling services. The services agreement was for an initial three-year period, but has been extended for an additional two years to 2021. The service provider operates as a social enterprise and must demonstrate that the operation creates jobs and training for local people who have experienced barriers to employment. A key performance indicator associated with the services agreement includes achieving at least 75 percent resource recovery every month., i.e. 75 percent of material diverted from landfill. The service provider does not have a weighing system, but currently works with an 'average weight per mattress' as a basis for its reporting to ACT NoWaste on its resource recovery. In the absence of accurate weighing of mattresses and the resources recovered, ACT NoWaste is not in a position to verify the accuracy of the service provider's monthly reporting. 4.81

In January 2016 a six-year services agreement was made with RDT Operations (Hume) Pty Ltd for the operation of the Hume Materials Recovery Facility. The Materials Recovery Facility processes recyclable waste from the ACT as well as from the surrounding region, including Queanbeyan, Palerang, Yass, Upper Lachlan and Snowy Mountain Councils. In January 2019 the Materials Recovery Facility was temporarily shut down by WorkSafe ACT for alleged safety breaches. Subsequent to this shutdown, ACT NoWaste has developed a series of Work Instructions to guide its Work Inspectors' review of worksite safety practices. ACT NoWaste and the service provider also established a Performance Management Committee, which has since met regularly to discuss performance and operations. This was a feature of the services agreement, but was not established prior to the shutdown. 4.101

The services agreement includes a wide range of 'key performance indicators' for the different aspects of the services to be delivered, the most significant of which relate to: the proportion of waste material delivered to the facility that is sent to landfill; and the proportion of waste material delivered to the facility that is recovered as recyclables. The service provider is held accountable, and at-risk fees are applied, for maximum contamination rates in Territory recyclable material and contamination in recyclables from third parties. 4.102

In July 2016 a services agreement was made with Remondis Australia Pty LTD for the site management and landfill operations of the Mugga Lane Resource Management Centre. The services agreement was for an initial three-year term, followed by an extended three-year term, i.e. the agreement expires on 30 June 2022. The service provider must manage the site and services in accordance with the Best Practice Environmental Management (BPEM). Not all of the BPEM measures are included in the service provider's monthly reporting to ACT NoWaste, which means that ACT NoWaste cannot fully verify that the service provider is acting in accordance with Best Practice Environmental Management. 4.128

Performance management

4.2 The audit considered the performance management processes in place for the key household waste management contracts. These included:

- general and recycling kerbside waste collections (including the collection of recycling material at Recycling Drop-Off Centres) – SUEZ Pty Ltd;
- garden organics waste kerbside waste collections – J.J. Richards & Sons Pty Ltd;
- Recycling Drop-Off Centre grounds maintenance and uplift of paper and cardboard – Remondis Australia Pty Ltd;
- reusable items facility (at the Mitchell Resource Management Centre and the Mugga Lane Resource Management Centre) – The Green Shed;
- mattresses – Great Lakes Community Resources Incorporated (trading as Soft Landings);
- processing of recycling waste (Hume Materials Recovery Facility) – RDT Operations (Hume) Pty Ltd;
- disposal of red bin waste to landfill – Remondis Australia Pty Ltd.

4.3 In reviewing the performance management processes, the audit considered:

- the utility of the services agreements, including the key performance indicators; and
- ACT NoWaste's processes for reviewing contractor performance, i.e. through contractor reporting and ACT NoWaste's monitoring.

General and recycling waste collection

4.4 On 17 April 2013 a services agreement was made with SITA Australia Pty Ltd for the kerbside collection of general waste (red bins) and recycling waste (yellow bins) (SITA Australia Pty Ltd was subsequently renamed SUEZ Pty Ltd); *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service*. The services agreement also requires the collection of recyclable material deposited at Recycling Drop-Off Centres (except for paper and cardboard).

4.5 The services agreement is for a ten-year period, i.e. it concludes in April 2023.

4.6 The Territory paid \$8 622 453 for the collection of red bins and \$4 689 579 for the collection of yellow bins in 2018-19.

Services agreement terms and conditions

- 4.7 The *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (April 2013) includes a broad and detailed range of terms and conditions covering:
- processes and practices for the collection of general waste and recyclable waste from single unit developments (SUDs) and multi-unit developments (MUDs);
 - specifications for collection vehicles and their use; and
 - communications with the ACT community.

Key performance indicators

- 4.8 The *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (April 2013) includes ten key performance indicators. The services agreement states:

The Performance Measures will be reviewed on an annual basis or, where a deficiency has been identified in respect of the Performance Measure, on an as required basis. The Territory and the Contractor will use their best endeavours to agree on adjustments to ensure the KPIs continue to provide an accurate measure of performance.

- 4.9 The key performance indicators cover a range of service delivery issues including:
- service delivery – e.g. the proportion of bins damaged during collection services (less than 50 per week), returning of bins to the kerbside in the original upright position with the lid closed (99 percent on a monthly basis) and ensuring that any missed services are rectified within two days (less than 0.5 percent on a monthly basis);
 - safety/environmental – garbage spilt during collection service or emanating or protruding from collection vehicles (less than five occurrences weekly);
 - safety performance – reporting of any personal injury to employees and subcontractors (100 percent on a monthly basis);
 - Territory / customer relations – e.g. reporting of any third-party property damage (100 percent on a monthly basis); and
 - contract compliance – compliance with service delivery terms and conditions; and
 - contract reporting – provision of reports as required by the services agreement (100 percent).

Managing performance

- 4.10 The *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (April 2013) allows for the Territory to terminate the contract in the event of non-performance. The services agreement allows for the Territory to terminate the services agreement for a breach of the agreement, provided it has given notice of the breach to the service provider and provided an opportunity and time for the service provider to remedy the breach.

- 4.11 This is the primary contract management lever or sanction that is available to the Territory. There are no performance management fees payable under the services agreement, or payments that may be 'at-risk' in the event of underperformance.
- 4.12 The challenge that this arrangement presents may be seen in the event that the service provider does not meet a key performance indicator. Where the service provider does not meet a key performance indicator, the services agreement requires it to provide written notice to the Territory with an explanation as to why it has not met the key performance indicator and propose a timeframe for providing an Action Plan to remedy the failure. Following the implementation of the Action Plan, if the service provider does not meet the same key performance indicator within 12 months of implementing the Action Plan, the Territory may exercise its right to terminate the services agreement, except where the failure to achieve the key performance indicator was beyond the reasonable control of the service provider.
- 4.13 Talis Consultants advised that:
- such a performance management regime does not represent better practice; and
 - the implementation of a financial bonus, at risk fee or penalty point system would be an effective way to drive performance. (Refer to Appendix B, reference one: general and recycling waste collection, cross reference 4.13)

Performance monitoring and reporting

- 4.14 The *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (April 2013) requires SUEZ Pty Ltd to provide a range of reports on performance, including:
- weekly reports on 'any problems that affect the delivery of the Services', 'any driver-reported issues' and 'the number of [bins] damaged during Collection Services';
 - fortnightly reports 'of all incidents where Collection Services have been declined by the Contractor due to Contamination, Excess Weight or because access to the [bins] was not possible';
 - monthly reports on quantities of general waste and recyclable material collected, compaction rates of recyclable material, collection vehicle fuel usage and 'the Contractor's compliance with the Performance Standards including details of any non-compliance and measures taken to remedy any further non-compliance';
 - quarterly reports aggregating the preceding monthly reports as well as 'a comparison with any and all previous quarters over a 12-month period to give an indication of the trends.'
- 4.15 This is in addition to immediate reporting of any significant events such as death or personal injury, significant damage to property or an accident involving a collection vehicle and any industrial disputes that may threaten the service.

- 4.16 ACT NoWaste currently monitors the service provider's performance of the services by:
- reviewing a Daily Report from the service provider including information on missed services, driver reports, unfunded additional bins, call-centre-calls, work health and safety incidents and complaints. This report notes SUEZ's action in response to issues such as bin overloading, lack of access, positioning of bins and bin contamination. the service provider's action includes lettering households about the issues and placing stickers on bins to highlight a contamination or access issue;
 - periodically accessing the service provider's live database in which the service provider's drivers record incidents, such as contamination and access issues while carrying out kerbside collections;
 - reviewing video footage of up to 1000 bins being returned to the kerbside each month;
 - holding regular meetings with the service provider where key performance indicators are discussed and actions identified;
 - working with the service provider to resolve contamination issues, gross contamination issues (such as syringes) and other work, health and safety issues; and
 - collating Daily Report data into an annual report on key performance indicator performance.
- 4.17 In managing the performance of the service provider, however, the relevant Contract Management Workbook did not include information about the service provider's performance against the kerbside waste and recycling collections key performance indicators. The workbook was, however, used to track invoice payments to the service provider.
- 4.18 The service provider provides daily, weekly, fortnightly, monthly, quarterly and annual reports to ACT NoWaste. ACT NoWaste monitors and reviews these reports. However not all reports as required by the contract are currently provided. This is inconsistent with the key performance indicator requirement of 100 percent compliance for the provision of reports required under the services agreement.

Other observations

Waste contamination levels

- 4.19 Talis Consultants advised that there was little responsibility and accountability for the service provider to manage and monitor contamination levels in the kerbside waste collection services and that there was an opportunity to make this requirement more explicit. (Refer to Appendix B, reference one: general and recycling waste collection, cross reference 4.19)
- 4.20 However, Talis Consultants observed that by virtue of the *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (April 2013) the Territory

pays for the disposal of rejected or refused loads that are delivered to the processing facility. Accordingly 'there is no incentive for the contractor to monitor contamination levels if there are no ramifications (financial or not)'.

Supply of bins

- 4.21 The *Services Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (April 2013) requires the service provider to provide collection bins at multi-unit developments. The provision of kerbside bins (red lid and yellow lid) to the ACT community is provided for through a separate contractual arrangement between the Territory and another service provider. Talis Consultants advised that there may be an opportunity to achieve cost savings as it may be cost effective for the collection service provider to include this service as part of the waste collections contract. (Refer to Appendix B, reference one: general and recycling waste collection, cross reference 4.21)
- 4.22 In April 2013 a ten-year services agreement was made with SITA Australia Pty Ltd for the kerbside collection of general waste (red bins) and recycling waste (yellow bins) (SITA Australia Pty Ltd was subsequently renamed SUEZ Pty Ltd). The services agreement also requires the collection of recyclable material deposited at Recycling Drop-Off Centres (except for paper and cardboard). The services agreement, as drafted, is inflexible. The primary contract management lever or sanction that is available to the Territory is the termination of the services (after a series of processes to allow the service provider to rectify performance). There are no performance management fees payable under the services agreement, or payments that may be 'at-risk' in the event of underperformance; this does not represent better practice in the design of a performance management regime for the services.
- 4.23 By virtue of the services agreement there is little responsibility and accountability for the service provider to manage and monitor contamination levels in the kerbside waste collection services. There may be an opportunity to assign responsibility for contamination management, kerbside service-related education and payment for the disposal of rejected loads or refused loads at the processing facility to the collection contractor. The conclusion of the services agreement in 2023, which coincides with the conclusion of other contractual arrangements for household waste management services, represents an opportunity to procure household waste management services in line with industry better practices.

Garden organics waste collection

- 4.24 On 9 July 2018 a services agreement was made with J. J. Richards and Sons Pty Ltd for the collection and processing of garden organics waste; *Services Agreement for the Collection and Processing of Garden Organics Green Waste*. J.J. Richard & Sons Pty Ltd is responsible for kerbside garden organics waste collections and has subcontracted Corkhill Brothers to process the garden organics waste and Envirocom Australia, an environmental consultancy, to provide Education Officers to educate the community on how not to contaminate the garden organics waste bins with the wrong type of waste.

- 4.25 The services agreement concludes on 28 October 2023.
- 4.26 The Territory paid \$2 246 594 for the collection of green waste in 2018-19.

Services agreement terms and conditions

- 4.27 The *Services Agreement for the Collection and Processing of Garden Organics Green Waste* (July 2018) includes a broad and detailed range of terms and conditions covering:
- processes and practices for the collection of garden organics green waste;
 - processes and practices for the processing of garden organics green waste;
 - communication with the ACT community, including the operation of a call centre; and
 - specifications for undertaking a 'Social Research and Associated Customer Satisfaction Survey'.

Key performance indicators

- 4.28 The *Services Agreement for the Collection and Processing of Garden Organics Green Waste* (July 2018) lists five key performance indicators related to:
- compliance with plans – the services agreement requires the development of a range of operational plans, with which the contractor must comply, e.g. Quality Management Plan, Work Health and Safety Plan and Environment Management Plan;
 - compliance with the collection schedule;
 - compliance with specifications for the collection of garden organics green waste;
 - compliance with the requirement to conduct a social research survey, on a six monthly and then annual basis; and
 - contamination rate of collected garden organics green waste.
- 4.29 This contract incorporates incentives for higher levels of performance as well as penalties for poorer performance. The key performance indicators include a standard key performance indicator, a minimum key performance indicator, a bonus fee (where applicable) and an at-risk fee.
- 4.30 Talis Consultants noted that the performance management and incentive arrangements under the *Services Agreement for the Collection and Processing of Garden Organics Green Waste* (July 2018) were appropriate and in line with industry practices. (Refer to Appendix B, reference two: garden organics waste collection, cross reference 4.30)

Performance monitoring and reporting

- 4.31 The *Services Agreement for the Collection and Processing of Garden Organics Green Waste* (July 2018) required the service provider to 'co-operate with the Territory to enable the Territory to develop within 30 days of execution of this Agreement, a monthly performance

management tool capable of accurately and effectively reporting on performance and managing payments’.

4.32 In practice, this tool takes the form of an Excel spreadsheet, which is populated by the service provider. It satisfies the contractual requirement for the tool and provides the means for invoice tracking and payment as well as assessing contractor performance against the incentives or penalties incorporated in the contract. Through the reporting tool ACT NoWaste receives monthly information on:

- garden organics green waste collections and processing activities;
- kerbside processing and decontamination activities;
- bin inspections;
- customer complaints; and
- activities for the beneficial use of kerbside green waste.

4.33 ACT NoWaste meets with the service provider to discuss the services agreement and performance.

4.34 At the time of the audit, ACT NoWaste’s kerbside garden organics waste collections Contract Management Workbook did not include information about garden organics waste service performance. However, it is noted that the reporting tool described above essentially covers the same information as that of the garden organics waste Contract Management Workbook.

4.35 In July 2018 a five-year services agreement was made with J. J. Richards and Sons Pty Ltd for the collection and processing of garden organics green waste. The services agreement incorporates incentives for higher levels of performance as well as penalties for poorer performance. The key performance indicators include a standard key performance indicator, a minimum key performance indicator, a bonus fee (where applicable) and an at-risk fee. The design of the services agreement and the associated performance management regime is appropriate and in line with industry practices.

Recycling Drop-Off Centre grounds maintenance and uplift of paper and cardboard

4.36 On 8 October 2014, a services agreement was made with Remondis Australia Pty Ltd for the collection of paper and cardboard from the Recycling Drop-Off Centres; *Services Agreement for Collection of Paper and Cardboard from the Territory’s Recycling Drop Off Centres*. There are five Recycling Drop Off Centres (RDOCs), open 24 hours, seven days a week, located at:

- Jolly Street, Belconnen;
- O'Brien Place, Gungahlin;
- Baillieu Circuit, Mitchell;

- Botany Street, Phillip; and
 - Scollay Street, Tuggeranong.
- 4.37 The RDOCs at the Mugga Lane and Mitchell Resource Management Centres are accessible during the Resource Management Centre opening hours.
- 4.38 SUEZ Pty Ltd collects glass bottles and aluminium cans from the RDOCs as part of the *Service Agreement for the Provision of Domestic Recyclables and Waste Collection Service* (24 April 2013).
- 4.39 The *Services Agreement for Collection of Paper and Cardboard from the Territory's Recycling Drop Off Centres* expired on 31 October 2019 and is being extended by ACT NoWaste on a month by month basis from 1 November 2019.
- 4.40 The Territory paid, in 2018-19, \$485 305 for grounds management and uplift of paper and cardboard from the RDOCs and \$270 461 for the uplift of recycling from RDOCs.

Services agreement terms and conditions

- 4.41 The *Services Agreement for Collection of Paper and Cardboard from the Territory's Recycling Drop Off Centres* (October 2014) states:
- The Contractor agrees to provide the Services in such a manner as to ensure that:
- a) Customers are able to place Acceptable Products in the Paper Cage and the number of occasions where Acceptable Products are Overflowing from the Paper Cages complies with Key Performance Indicators ...
 - b) Each RDOC (including the Paper Cage) is maintained to a standard that is acceptable to the Territory and ensures the safety of all Customers, Other Contractor, government employees and the Contractor's staff; and
 - c) Each RDOC and the surrounds are kept in a clean and litter free condition.
- 4.42 The *Services Agreement for Collection of Paper and Cardboard from the Territory's Recycling Drop Off Centres* (October 2014) requires the service provider to:
- remove all material from the paper cages to ground/concrete level;
 - deliver all acceptable products (any recyclable paper or cardboard product) to an approved facility;
 - provide site services including grounds maintenance, repairs and maintenance and monitoring, reporting, management and removal of illegally dumped material.
- 4.43 The *Services Agreement for Collection of Paper and Cardboard from the Territory's Recycling Drop Off Centres* (October 2014) provides that the service provider is responsible for the cost of removing and transporting illegally dumped material, while the Territory is responsible for the cost of disposing of the illegally dumped material.

RDOC model of operations

4.44 Talis Consultants advised:

- of the high-cost model of operation of the RDOCs and that it is a service delivery model that has been abandoned across many jurisdictions; and
- that councils in other jurisdictions operated facilities similar to the RDOCs, but these were open during day-time hours and were overseen by personnel during the hours of operation. (Refer to Appendix B, reference three: Recycling Drop-Off Centre grounds maintenance and uplift of paper and cardboard, cross reference 4.44)

4.45 ACT NoWaste advised the ACT Audit Office that there were risks associated with the RDOCs not being manned and being open 24 hours a day and acknowledged that this gives rise to illegal dumping. ACT NoWaste also advised of a trial that was being run at the Tuggeranong RDOC during the 2019-20 summer period involving the RDOC being manned and the paper cage opening being reduced in size in an effort to stop illegal dumping.

4.46 The City Services' recycling drop-off website page stated on 22 December 2019 that:

Trial at Tuggeranong to lower contamination rates

Modifications to the Tuggeranong Recycling Drop Off Centre are being trialled during the holiday period to help reduce contamination found in the recycling stream.

The design of the paper and cardboard cage has been changed from a large sliding gate to a smaller slot, aimed at ensuring boxes are emptied and flattened before placing them in the cage.

New signage has been erected that explains the changes, and during peak periods staff will be onsite to provide assistance and advice on recycling.

The Tuggeranong RDOC trial will run until 27 January 2020. Following the trial, ACT NoWaste will determine if similar modifications should be used at other recycling facilities in the ACT.

4.47 In May 2020 ACT NoWaste advised that the trial was complete and that consideration was being given to the existing RDOC model. ACT NoWaste advised:

The trial showed that having a customer service officer onsite to assist in explaining the modifications altered the behaviour of residents and commercial customers and encouraged separation materials and placement in the appropriate areas, however this behaviour reverted to some extent once the trial was completed and a customer service officer no longer utilised.

While improved CCTV resources onsite and the installation of gates and reducing opening hours will further assist with reducing illegal dumping on the site, ultimately the RDOC sites are reliant on residents and commercial users modelling correct behaviours.

Costs of ground maintenance

4.48 Talis Consultants noted that there are risks associated with non-core services such as grounds maintenance being delivered as part of the services agreement for the management of the RDOC facilities, because these services are not the core business of the service provider, and the Territory may obtain these services more cheaply through other arrangements. (Refer to Appendix B, reference three: Recycling Drop-Off Centre grounds maintenance and uplift of paper and cardboard, cross reference 4.48)

Key performance indicators

4.49 The *Services Agreement for Collection of Paper and Cardboard from the Territory's Recycling Drop Off Centres* (October 2014) details six key performance indicators (KPIs). The same indicators are listed in the RDOC Contract Management Workbook:

- emptying of paper cages (the paper cages should never be overflowing) - 100 percent compliance;
- timeliness of reporting - 100 percent compliance;
- planned maintenance versus actual maintenance - 100 percent compliance;
- cleanliness of RDOC - 100 percent compliance with responsiveness to the Territory's requests;
- no work hours lost due to work related injuries; and
- no injury to member of the public.

Performance monitoring and reporting

4.50 ACT NoWaste receives monthly reports from the service provider on:

- the number of bin services undertaken at each RDOC and the weight of the recycling collected; and
- a monthly progress report on:
 - inspection reports (including repair and maintenance);
 - service reports (including action requests and illegal dumping);
 - incidents; and
 - WHS (work, health and safety) reports.

4.51 At the time of the audit, ACT NoWaste's RDOC Contract Management Workbook did not include information about Remondis performance against the RDOC KPIs.

4.52 In October 2014 a five-year services agreement was made with Remondis Australia Pty Ltd for the collection of paper and cardboard from the Recycling Drop-Off Centres and grounds maintenance of the facilities. The services agreement is currently being extended on a month by month basis. There are five drop-off centres, which are open 24 hours a day, seven days a week (drop-off centres at the Mugga Lane and Mitchell Resource Management Centres are accessible during opening hours). The 24 hours a day, seven days a week operation of the drop-off centres lends itself to illegal dumping and other human safety and property risks; it is a high-cost model of operation that has been abandoned across many jurisdictions. Over the 2019-20 summer ACT NoWaste ran a trial at the Tuggeranong drop-off centre, which involved the centre being manned and the paper cage opening being reduced in size in an effort to stop illegal dumping. The evaluation of the trial has not yet been finalised.

RECOMMENDATION 5 RECYCLING DROP-OFF CENTRES

ACT NoWaste should review the model of operation of the recycling drop-off centres and determine whether it remains appropriate and in accordance with strategic goals for the management of waste in the ACT.

Reusable items facility

4.53 The ACT Government's reusable facilities at the Mugga Lane and Mitchell Resource Management Centres are operated by The Green Shed. The Green Shed operates as a social enterprise and under the contracting arrangements a proportion of money raised through the sale of recoverable products is donated to a charity nominated by the contractor.

4.54 The current contractual arrangements for The Green Shed consist of:

- the *Services Agreement for Management of the Reusable Facility at the Mugga Lane Resource Management Centre* (30 November 2015) with a *Licence for Use of Territory Land Subject to a Crown Lease*, between ACT NoWaste and C Bigg-Wither and G Srejc for a period not exceeding five years. The services agreement has been extended by a Deed of Variation until 30 November 2020;
- the *Services Agreement for Management of the Reusable Facility at the Mitchell Resource Management Centre* (13 October 2011) with a *Licence for Use of Territory Land Subject to a Crown Lease*, between ACT NoWaste and G Srejc (trading as Tinys Home Maintenance) for a period not exceeding eight years. The services agreement has been extended by Deeds of Variation until 30 September 2019.

4.55 The Territory does not pay The Green Shed for its services.

Services agreement terms and conditions

4.56 The *Services Agreement for Management of the Reusable Facility at the Mugga Lane Resource Management Centre* (November 2015) (the later of the agreements) provides for a range of requirements for the operation of the facility stating:

The Contractor must:

- a) assess all material presented by Customers at the Facility;
- b) accept all material with reuse/resale potential and/or commercial value (Reusables) subject to assessment;
- c) collect Reusables from the Transfer Station;
- d) repair, refurbish, recondition, fix or otherwise value add to the Reusables to increase the value and sale potential where possible and practical to do so;
- e) manage the retail functions at the Facility (sale of Reusables);
- f) dispose of Residual Waste ...;
- g) maintain and clean the Facility and surrounds (including toilets, car park, drains and roads ...); and

h) receive and store the e-waste in receptacles provided by the Territory ...

Key performance indicators

4.57 The *Services Agreement for Management of the Reusable Facility at the Mitchell Resource Management Centre* (October 2011) does not include any key performance indicators. The *Services Agreement for Management of the Reusable Facility at the Mugga Lane Resource Management Centre* (November 2015) contains seven agreed key performance indicators:

- PS-1 Compliance with Operations Management Plan – target of 98 percent;
- PS-2 Compliance with OH&S Management Plan – target of 100 percent described as ‘no non compliances detected’;
- PS-3 Compliance with Agreement terms and conditions – target of 99 percent compliance;
- PS-4 Compliance with the Contract Management Schedule – target of ‘zero noncompliance and less than 5 partial compliances’;
- PS-5 Responses to Action Requests – target of 95 percent of Action Requests responded to in the time specified in the Action Request;
- PS-6 Customer focus – target of 95 percent of all user complaints received by the service provider handled to the satisfaction of the complainant; and
- PS-7 Accuracy of Invoice – target of 100 percent of all invoices accompanied by supporting data where appropriate.

Payment arrangements

4.58 Talis Consultants advised that the contractual arrangements warranted further consideration by the Territory because the waste industry was moving away from these types of contractual arrangements. (Refer to Appendix B, reference four: reusable items facility, cross reference 4.58)

Service provider reporting of revenue

4.59 Talis Consultants also advised that:

- there was a risk in the services agreement that the service provider was not required to provide reports of revenue received for the sale of reusable items; and
- the Territory should know the value of the contract to the contractor. (Refer to Appendix B, reference four: reusable items facility, cross reference 4.59)

4.60 In a response to the draft proposed report The Green Shed advised:

Values under consideration here cannot be objectively decided as any value of the contract to the contractor (where no invoices are exchanged) is dependent on who is holding the contract.

...

It is stated that without Territory knowledge of the value of this contract then it would lessen the number of potential 'future tenderers'. Historically it can be noted that the Territory does not publish any such figures when tendering out Waste contracts of any kind.

Other measures to consider aside from financial value might be social and environmental value. These are highly regarded in government policies, particularly in waste management yet are not always considered when it comes to contractual negotiation.

Performance incentives

4.61 Furthermore, Talis Consultants advised that there were risks associated with the services agreement not having performance-based incentives, including not having a key performance indicator to drive resource recovery. (Refer to Appendix B, reference four: reusable items facility, cross reference 4.61)

4.62 In a response to the draft proposed report The Green Shed advised:

When considering resource recovery we are confident that given historical comparison figures as well as current comparison with similar facilities across Australia, The Green Shed would be proven to operate with numbers that are not even closely matched in efficiency by any other municipal facility.

We have been asked previously to suggest KPI's that could be practically applied to the reusable contract but we are frequently stymied in our efforts due to the random and chaotic nature of the materials presented at our door.

We would welcome the introduction of KPI's that afforded the reuse contractor the opportunity to 'drive' resource recovery rates. It has always been our main aim to increase these numbers (we have already introduced several initiatives to back this claim) and it would be hugely disappointing for us to see future reuse contractors working as previous ones have, purely for self-gain.

As things stand we would welcome any measure that would allow us to have some authority in driving resource recovery at the RMC's. We currently recover around 8000 tonnes a year but estimate we could recover a further 12,000 tonnes if we were permitted access to the landfill site.

Performance monitoring and reporting

4.63 Both the *Services Agreement for Management of the Reusable Facility at the Mitchell Resource Management Centre* (October 2011) and the *Services Agreement for Management of the Reusable Facility at the Mugga Lane Resource Management Centre* (November 2015) requires the service provider to provide monthly reports on activities. The Green Shed's monthly report for Mugga Lane and Mitchell reusable facilities provides an overview of activities and information on:

- charitable donations made;
- staff training and employment numbers;
- estimated visitor and sales numbers;
- estimated tonnage of reusables accepted at The Green Shed's Drop Off areas;
- self-assessed contract compliance; and

- material statistics for items disposed of, items to be reused, scrap metal recovery; and reusables recovered ACT Recycling.⁴

- 4.64 In its response to the draft proposed report in May 2020 ACT NoWaste advised that the future model of the Green Shed is being considered and is expected to be covered as part of the *Strategic Waste Infrastructure Planning Services* consultancy.
- 4.65 Between October 2011 and November 2015 services agreements were made for the operation of reuseable facilities at the Mugga Lane and Mitchell Resource Management Centres (i.e. The Green Shed). The services agreements allow The Green Shed to retain income from the sale of goods allowed in lieu of a contract payment from the Territory. The Green Shed operates as a social enterprise and under the contracting arrangements, a proportion of money raised through the sale of recoverable products is donated to a charity. While the older services agreement for the operation of the facility at the Mitchell Resource Management Centre does not include any key performance indicators, the newer services agreement for the operation of the facility at the Mugga Lane Resource Management Centre does include key performance indicators, although none of these relate to resource recovery goals or objectives. The waste industry has typically moved away from these types of services agreements, and most arrangements include the payment of a base monthly fee to the service provider with varying options for the sharing of the revenue generated from the contract. ACT NoWaste advised in May 2020 that the future model of the Green Shed operation is expected to be considered as part of the *Strategic Waste Infrastructure Planning Services* consultancy.

Mattress recycling

- 4.66 On 16 March 2016 a services agreement was made with Great Lakes Community Resources Incorporated (trading as Soft Landing) for the provision of mattress recycling services; *Services Agreement for Mattress Recycling at the Hume Sheds*. The services agreement was for a three-year period, concluding in March 2019. It has been extended to 15 March 2021.
- 4.67 The Territory paid \$466 929 for processing and recycling mattresses in 2018-19.

Services agreement terms and conditions

- 4.68 The *Services Agreement for Mattress Recycling at the Hume Sheds* (March 2016) requires the service provider to provide:
- ... all acts necessary and convenient to the operation of Mattress Recycling for the Territory at the Hume Sheds... including but not limited to:
- 1) receiving all mattresses from Clients;
 - 2) sorting Mattresses received at the Land into Recyclables and Non Recyclables;

⁴ ACT Recycling is a family owned recycling company specialising in recycling construction and demolition waste (<https://actrecycling.com.au/>)

- 3) sorting Recyclables into various types (whether as specifically identified in the definition of Recyclables or otherwise);
- 4) disposing of Recyclables and Non Recyclables from the Land;
- 5) securing, maintaining and controlling the Land; and
- 6) preparing and providing to the Territory all reports as required.

4.69 By virtue of the *Service Agreement for Mattress Recycling at the Hume Sheds* (March 2016), the service provider must:

As a Social Enterprise, show measures that will create jobs and training for local people who have experienced barriers to gaining lasting employment.

4.70 In its response to the draft proposed report in June 2020 Soft Landing advised:

The social impact and employment opportunities we provide are a key driver for Soft Landing, and our parent organisation, Community Resources. We are extremely proud to say that of our workforce in Canberra, more than 90% have come to us through Long term unemployment programs, identify as Indigenous or have come through our new partnership with ACT Corrections.

Key performance indicators

4.71 The *Services Agreement for Mattress Recycling at the Hume Sheds* (March 2016) identifies 29 standard key performance indicators and 15 minimum key performance indicators. In relation to standard key performance indicators, the services agreement states:

The Contractor must perform the Operations in a manner that meets or exceeds the Standard Key Performance Indicators.

Failure to meet any Standard Key Performance Indicator is not, of itself, a breach of this Agreement.

The Territory may, in its absolute discretion direct the Contractor to explain in writing why the Standard Key Performance Indicator was not met and may, at its absolute discretion, pay some or all of the relevant Fee, notwithstanding the failure.

4.72 In relation to standard key performance indicators, the *Services Agreement for Mattress Recycling at the Hume Sheds* (March 2016) states:

Failure by the Contractor to meet Minimum Key Performance Indicator will be considered a breach of this Agreement.

4.73 Standard key performance indicators and minimum key performance indicators are identified for a range of plans associated with the services:

- Quality Service Plan;
- Environmental Management Plan;
- Industrial Relations and Workforce Plan;
- Maintenance Plan;
- Transport Management Plan;
- Visual Amenity Plan;

- Asbestos Management Plan;
- Emergency Plan; and
- Work Health and Safety Plan.

4.74 In relation to the Industrial Relations and Workforce Plan, the *Services Agreement for Mattress Recycling at the Hume Sheds* (March 2016) states:

Key Performance Indicators

...

3) provide evidence that at least 50% of the workforce have undertaken staff training / professional development activities in the course of the year.

Minimum Key Performance Indicator

...

2) that the number of employees from a Disadvantaged Background are no less than three during any given reporting period – noting this KPI to come into effect 6 months from the Service Commencement Date.

4.75 ACT NoWaste’s Contract Management Workbook lists four key performance indicators derived from the management plans:

- achieve at least 75 percent resource recovery every month;
- ensure safe keeping and preservation of contractor material;
- employ staff against the social enterprise model; and
- engage persons who have the skills training and expertise.

Performance monitoring and reporting

4.76 The service provider provides ACT NoWaste with a monthly site report made up of external and internal checklists requirements from its management plans and a monthly recycling report on the numbers of mattresses collected by or dropped off and the amount of recycling achieved.

4.77 ACT NoWaste advised the ACT Audit Office that:

- the service provider does not have a weighing system but currently works with an ‘average weight per mattress’;
- illegal dumping of mattresses is being investigated to assist with the accurate correlation of weighbridge data and the number of mattresses received; and
- discussions are taking place between ACT NoWaste and Resource Recovery Australia⁵ about the accuracy of monthly reporting.

⁵ Resource Recovery Australia (RRA) is a national social enterprise providing re-use, repair and recycling services.

- 4.78 The Transport Canberra and City Services Directorate's *2018-19 Annual Report* identified that for the Accountability Indicator 'number of mattresses diverted from landfill' 37 324 mattresses were diverted from landfill in 2018-19 against an original target of 37 000. ACT NoWaste does not enter key performance information into the Contract Management Workbook but relies on contractor monthly reporting which is provided as a link in the contract management workbook. ACT NoWaste does not have processes in place to independently verify the estimates of the numbers of mattresses processed at the facility. Because there is no weighbridge at the Soft Landing facility, Soft Landing uses an average weight per mattress to calculate the tonnage of recycled mattresses. The accuracy of this calculation has not been verified by ACT NoWaste. In its response to the draft proposed report in May 2020 ACT NoWaste advised that 'the need for more quantifiable measurement of resources recovered has now been implemented in later work and is highlighted in its most recent request for tender for the Bulky Waste Collection Service'.
- 4.79 In its response to the draft proposed report in June 2020 Soft Landing advised:
- We have started performing internal audits every 6 months, to evaluate the standard recyclability of mattresses. Our first was completed late last year. We have calibrated scales and randomly pull 100 mattresses out of the stacks. They are cut and each component weighed and recorded against the size/type.
- Based on our first audit, our overall rate was 77%, but with huge variation between different styles of mattresses.
- 4.80 In its response to the draft proposed report in June 2020 Soft Landing further advised with respect to the recyclability of material in mattresses:
- We are noticing an increase in the use of 'pocket springs' by mattress manufacturers. A pocket springs mattress limits the recyclable components available as they are very unpopular with steel recyclers. Only a few are able to take them, the rest are not able to handle the material, as it can impact their machinery.
- We have seen this as a growing problem and our Product Stewardship committee is working with Industry bodies and leading manufacturers to come up with solutions.
- 4.81 In March 2016 a services agreement was made with Great Lakes Community Resources Incorporated (trading as Soft Landing) for the provision of mattress recycling services. The services agreement was for an initial three-year period, but has been extended for an additional two years to 2021. The service provider operates as a social enterprise and must demonstrate that the operation creates jobs and training for local people who have experienced barriers to employment. A key performance indicator associated with the services agreement includes achieving at least 75 percent resource recovery every month., i.e. 75 percent of material diverted from landfill. The service provider does not have a weighing system, but currently works with an 'average weight per mattress' as a basis for its reporting to ACT NoWaste on its resource recovery. In the absence of accurate weighing of mattresses and the resources recovered, ACT NoWaste is not in a position to verify the accuracy of the service provider's monthly reporting.

Processing of recycling

- 4.82 On 29 January 2016 a services agreement was made with RDT Operations (Hume) Pty Ltd for the operation of the Hume Materials Recovery Facility; *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)*. The Materials Recovery Facility processes recyclable waste from the ACT as well as from the surrounding region, including Queanbeyan, Palerang, Yass, Upper Lachlan and Snowy Mountain Councils.
- 4.83 The services agreement is for a six-year period, i.e. it concludes in January 2022.
- 4.84 The Territory paid \$578 838 for the operation of the Hume Materials Recovery Facility in 2018-19, which was for the delivery of 35,316 tonnes of material which is a total gate fee equivalent of \$16.39 per tonne.

Services agreement terms and conditions

- 4.85 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) states:

The Services include all acts necessary and convenient to the operation of a MRF on the Land including but not limited to:

- receiving Waste from customers and the Territory;
- sorting Waste received at the land into recyclables and Non Recyclables;
- sorting Recyclables into various types (whether as specifically identified in the definition of Recyclables or otherwise);
- disposing of Recyclables and Non recyclables from the Land;
- securing, maintaining and controlling the Land; and
- preparing and providing to the Territory all Reports as required.

- 4.86 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) identifies standard key performance indicators and minimum key performance indicators and states:

The Contractor shall perform the Services in a manner that meets or exceeds the Standard Key Performance Indicators.

...

Failure by the Contractor to meet Minimum Key Performance Indicators is a breach of this Agreement.

- 4.87 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) also sets out a framework for payments based on performance:

Where the Contractor exceeds the Standard Key Performance Indicators in the manner set out in the bonus Criteria by the margins set out in the Fees Schedule the territory shall pay the Bonus Fees corresponding to that Key performance Indicator.

...

Where the Contractor fails to meet any Standard Key Performance Indicator, the Territory shall not be obliged to pay the At Risk Fee component of the Fee for that component of the Fees and may set off any part of the At Risk Fee against any element of the Fees payable in any period associated with that Standard Key Performance Indicator for the relevant period(s).

4.88 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) also sets up the requirement for the contractor to provide data to ACT NoWaste that includes:

- an invoice for fees used to calculate base fees and bonus fees claimed by the contractor;
- data on waste tonnages including tonnes and types of each class of recyclable recovered from the Waste that month;
- quantity in tonnes of recyclables sent to market that have been recycled evidenced by weighbridge dockets, invoices, receipts and/or other delivery information;
- the quantity of Non Recyclables sent to landfills every month and documentary evidence in the form of weighbridge receipts;
- average waiting time for vehicles delivering Waste to Land;
- logs and records of any interruption to the Services;
- details of any vandalism;
- any reporting required in respect of any of the plans; and
- any report required to be prepared to any government or lawful authority including but not limited to, reports under the *Work Health and Safety Act 2011*.

Key performance indicators

4.89 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) includes a wide range of 'key performance indicators' for the different aspects of the services to be delivered.

4.90 The most significant key performance indicators for measuring how much waste is recycled relate to:

- the proportion of waste material delivered to the MRF that is sent to landfill; and
- the proportion of waste material delivered to the MRF that is recovered as recyclables.

4.91 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) also includes key performance indicators related to deliverables from the various plans that are required to be produced under the agreement, including: Quality Service Plan; Environmental Management Plan; Industrial Relations & Workforce Plan; Maintenance Plan; Transport Management Plan; Visual Amenity Plan; Asbestos Management Plan; Emergency Management Plan; and WHS Plan.

- 4.92 For each of these key performance indicators there is a standard level of performance, minimum standard of performance (below which payments are at-risk) and a standard of performance that exceeds expectations (above which bonus payments may be due).
- 4.93 Under the *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016):
- the service provider is incentivised with a financial bonus to keep the key performance indicator for the ‘monthly proportion of waste sent to landfill’ at less than 10 percent of the waste/recycling received at the MRF; and
 - there is also an ‘at risk fee’ should the monthly proportion of waste sent to landfill be more than 13 percent.

Management of waste contamination

- 4.94 As noted previously, in relation to the kerbside collection services, Talis Consultants advised that it is industry practice to incentivise the waste collection contractor to manage the risks of waste contamination. Talis Consultants observed that, while it is an industry practice to apply a bonus as a means of incentivising performance, ‘it would not be considered industry practice to hold the processing contractor accountable for contamination rates that exceed the maximum contamination rated contained within Territory material’. (Refer to Appendix B, reference five: processing of recycling, cross reference 4.94)
- 4.95 In response to this observation ACT NoWaste advised:

Contamination in recyclable material is managed at different points of the disposal cycle before reaching the MRF:

- Source separation by residents using yellow lid bins;
- Advertising initiatives to target specific impacting recycling processes;
- Education programs tailored for residents in Single and Multi Unit Developments;

Waste collection drivers are responsible for identifying contamination by stickering bins to educate residents on what doesn’t belong in yellow lid recycling bins. With the help of these processes it is then the responsibility of the MRF operator to ensure recyclables are processed to a high standard and minimise the amount of waste to landfill.

Performance monitoring and reporting

- 4.96 As discussed in paragraph 4.88, the *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) requires the contractor to provide data on a monthly basis. These reports provide the basis for bonus and at-risk payments for the contractor. These monthly key performance indicator reports detail:
- invoice amounts; and
 - a KPI dashboard including monthly, graphical results from July 2015 on:
 - waste to landfill;
 - recyclables to market;
 - average delivery waiting time;

- feedstock [recyclable material] to MRF;
- recyclables extracted;
- breakdown of recyclables; and
- stockpile at site.

4.97 ACT NoWaste also receives a weighbridge report from ACT NoWaste’s Clear Weigh System that correlates with the MRF monthly key performance indicator report. The weighbridge records the weight of recycling trucks and scans their identification tags as the trucks enter the MRF precinct. The service provider records the amount of recycling entering the MRF and where the recycling has come from.

4.98 ACT NoWaste and RDT Operations meet at:

- monthly MRF Performance Management Committee meetings. These were established in May 2019 in order to discuss operational matters; and
- fortnightly Business Infrastructure Improvement meetings, which were established in August 2019.

Establishment of contract management meetings

4.99 The *Services Agreement for the Operation of the Hume Materials Recovery Facility (Hume MRF)* (January 2016) required the establishment of Performance Management Committee meetings for the purpose of ‘... of reviewing recent operations, and to consider future improvements to services’. The MRF Performance Management Committee meetings were initiated in May 2019, following the closure of the MRF for six days in January 2019, after WorkSafe ACT issued a non-disturbance notice to the facility in January 2019 for a range of alleged safety breaches.

4.100 In its response to the draft proposed report in May 2020 ACT NoWaste noted:

- a Performance Management Committee was established following the shut down to monitor and discuss on going performance and operations;
- ACT NoWaste developed Work Instructions to guide site inspections (refer to paragraphs 3.38 to 3.42); and
- ‘the Contractor has also entered into an Enforceable Undertaking with WorkSafe ACT with actions over a 48-month period to be undertaken to introduce improvements onsite, including the drafting of new operational plans and business continuity plans’.

4.101 In January 2016 a six-year services agreement was made with RDT Operations (Hume) Pty Ltd for the operation of the Hume Materials Recovery Facility. The Materials Recovery Facility processes recyclable waste from the ACT as well as from the surrounding region, including Queanbeyan, Palerang, Yass, Upper Lachlan and Snowy Mountain Councils. In January 2019 the Materials Recovery Facility was temporarily shut down by WorkSafe ACT for alleged safety breaches. Subsequent to this shutdown, ACT NoWaste has developed a series of Work Instructions to guide its Work Inspectors’ review of worksite safety practices.

ACT NoWaste and the service provider also established a Performance Management Committee, which has since met regularly to discuss performance and operations. This was a feature of the services agreement, but was not established prior to the shutdown.

- 4.102 The services agreement includes a wide range of ‘key performance indicators’ for the different aspects of the services to be delivered, the most significant of which relate to: the proportion of waste material delivered to the facility that is sent to landfill; and the proportion of waste material delivered to the facility that is recovered as recyclables. The service provider is held accountable, and at-risk fees are applied, for maximum contamination rates in Territory recyclable material and contamination in recyclables from third parties.

Disposal of red bin waste to landfill

- 4.103 On 1 July 2016 a services agreement was made with Remondis Australia Pty Ltd for the management of site services and landfill operations at the Mugga Lane Resource Management Centre: *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre*. The services agreement was for an initial three-year term, followed by an extended three-year term, i.e. the Agreement expires on 30 June 2022. The Territory paid \$4 712 519 in 2018-19 for the services.

Services agreement terms and conditions

- 4.104 The *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* (January 2016) identifies the service provider’s activities into three categories:
- Primary Services – ‘the management and disposal of Waste Material presented to the Landfill Area’ including verifying that the waste is disposed of correctly and the landfill is efficiently used maximising the compaction ratio and minimising the amount of space used to dispose of waste;
 - Associated Services – ‘those Services which the Contractor must undertake to support the delivery of the Primary Services’ including maintaining the Mugga Lane Resource Management Centre and the ‘cells’ (areas in which waste is disposed of into the ground) according to Best Practice Environmental Management and ensuring that there is at least 18 months capacity at all time for receiving waste;
 - Additional Services - include incidental services to meet key performance indicators or other services not specified but related to services in the agreement.
- 4.105 The *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* (January 2016) also requires that the service provider maintains relevant permits, licenses and approvals to undertake the services. The services agreement also requires the service provider to submit a range of plans for the management of the site to ACT NoWaste, including an Environmental Management Plan, an Asbestos Management Plan, an Operational Plan and a Work Health and Safety Plan.

Environmental condition of site

- 4.106 Talis Consultants observed that there are risks associated with ACT NoWaste’s ability to monitor the environmental condition of the site because the service provider is the licensee for the Environmental Authorisation to conduct landfilling activities at Mugga Lane. This is uncommon when the landowner is a local agency, such as a council, and there are no known cases in New South Wales. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.106)
- 4.107 Talis Consultants notes that as the licensee for the Environmental Authorisation to conduct landfilling activities at Mugga Lane the service provider is required to liaise with the Environment Protection Authority in relation to the site and is responsible, among other additional responsibilities, for undertaking the environmental monitoring, compaction and volumetric surveys and requesting the authorisation to initiate a new cell design. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.107)
- 4.108 Talis Consultants observed that ‘this approach removes “ownership” from the Territory, and places it with the service provider’ and ‘creates a culture of “self-policing” by the contractor as opposed to the contractor being “policed” by the landowner’. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.108)
- 4.109 In response to these observations, ACT NoWaste advised:

The arrangement between the EPA and [the service provider] is that the Environmental Authorisation on the site required by the EPA is reviewed on an annual basis. An issue that effects the EA in any way whether initiated by NoWaste, [the service provider], another contractor on site or the EPA is required to be documented and this documentation comes directly from [the service provider] to the EPA for EPA review and endorsement. NoWaste are informed of any changes to the EA and updated on such changes as they occur. The EPA also contact [the service provider] regarding on site issues they may identify, such as litter or odour. These issues need a formal response from [the service provider] to the EPA and if the issue is one that may affect any surrounding resident or on-site personnel it is directed to NoWaste to respond to in terms of communication or community engagement that may be required to be distributed.

Depending upon the type of documentation submitted by [the service provider] a thorough review is undertaken internally by NoWaste and the EPA. An example is ... a trial ... currently underway requiring extensive technical review, both internally and externally. This trial will effect the ongoing reporting and performance data at the landfill site and the review of monthly reports associated with this trial will be reflected both financially and technically in terms of the potential extension to the life of the landfill and the ability to manage odours at the site.

Internal reviews by various NoWaste teams are required during this trial period and include finance, environmental and asset management personnel. The evaluation of this trial will be reflected in the [the service provider] monthly reports to NoWaste and also in the EA as changes will be required if the trail proves to be successful.

- 4.110 In its response to the draft proposed report in May 2020 ACT NoWaste also advised:

The Environmental Authorisation (EA) and the Environmental Management Plan (EMP) ... are designed to identify environmental hazards and associated risks present at the site and as a result of daily operations in managing the landfill site.

The current [Environmental Management Plan] provides descriptive methods for the control of environmental risks in order to minimise the potential adverse impact on the local and surrounding environment.

The [Environmental Management Plan] is designed to address specific requirements to ensure legislative compliance at all times. It provides a framework for the operator to manage the site in a way that ensures site environmental management systems are subjected to ongoing development and review, and targeted environmental performance is both achieved and improved.

Key performance indicators

4.111 The *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* (January 2016) states:

Payment of fees is conditional upon the Contractor's compliance with the Standard, At Risk and Bonus Criteria ... and are otherwise subject to satisfactory performance of the Services.

4.112 The *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* (January 2016) identifies a series of key performance indicators against the following categories:

- Best Practice Environmental Management;
- managing the relationship with the Environment Protection Agency;
- reporting to ACT NoWaste;
- compaction processes and rates;
- stakeholder engagement; and
- plans (refer to paragraph 4.105).

4.113 For all of the categories standard key performance indicators are identified. For most of the categories (except managing the relationship with the Environment Protection Agency; reporting to ACT NoWaste; and stakeholder engagement) bonus criteria and at-risk criteria are identified.

Performance monitoring and reporting

4.114 The *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* (January 2016) requires the service provider to 'provide all reports requested by the Territory ... within 7 calendar days of a month's end and the Compaction Ratio Calculation provided within 15 calendar days. The reports must detail all quantified elements within the accepted management plans to a format as approved and accepted by the Territory'.

4.115 ACT NoWaste receives the following reporting information:

- Monthly Performance Reports (Excel)
 - these reports included aggregated performance information, a dashboard, an invoice tracker and limited information related to key performance indicators;

- Monthly Reports
 - these summary reports ‘details Remondis’ performance against the KPIs and Plans that underpin the contractual agreement’; the report includes overview key statistics, KPI achievements and operational updates; and
- quarterly Mugga Lane landfill volumetric reports
 - these reports contain information about aerial surveying and volumetric reporting for Mugga Lane landfill;

4.116 ACT NoWaste monitors the service provider’s performance of the services by:

- checking and recording the receipt of the Monthly Report and the Performance Report in the Contract Management Workbook;
- attending regular meetings with the service provider;
- conducting independent surveys to compare the service provider’s results from quarterly aerial surveying and compaction reports;
- carrying out regular site inspections.

4.117 Minutes of meetings between the ACT NoWaste Contract Manager and the service provider’s representatives are maintained. A review of the minutes for meetings held in January, April, May and July 2019 shows the minutes record similar information and while the month of the meeting is recorded, the same meeting date appears in all the meeting minutes (29 January 2019). ACT NoWaste was represented solely by the Contract Manager for three of the meetings.

4.118 ACT NoWaste receives regular performance information from the service provider in accordance with the *Service Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* and regularly meets the service provider and carries out regular site inspections.

Operation in accordance with Best Practice Environmental Management

4.119 Talis Consultants observed that, while there is a requirement for the service provider to manage the landfill site and services in accordance with Best Practice Environmental Management, not all of the requirements with such an approach were recognised and reported on to ACT NoWaste and there was a lack of transparency in reporting. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.119)

4.120 In its response to the draft proposed report in May 2020 ACT NoWaste advised that:

The need to implement Best Practice Environment Management (BPEM) measures in the operational contract at Mugga Lane has been identified by ACT NoWaste.

Planning is underway to ensure better integration of BPEM measures in the next contract, following expiration of the current contract in 2022.

...

ACT NoWaste see the agreement expiration in 2022 provides sufficient time to update the current contract model while at the same time initiate Capital Improvement projects to align with BPEM in terms of managing compaction, on site leachate to treat emerging contaminants and overall operational improvements through improved material and site utilisation in a “best practice” landfill operation.

Landfill capacity and filling plans

- 4.121 Talis Consultants observed there were risks associated with the management of landfill capacity because the monitoring of airspace capacity rested with the service provider, without a suitably qualified person within the Territory to review the data provided by the service provider. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.121).

Compaction rates

- 4.122 The *Services Agreement for the Management of Site Services and Landfill Operations at the Mugga Lane Resource Management Centre* (January 2016) includes a key performance indicator for compaction:

2.4 Compaction

2.4.1 Key Performance Indicator

The Contractor ensures the maximum amount of Waste is interred in the landfill airspace as evidenced by the Compaction Ratio. The Compaction Ratio Calculation will be determined quarterly by an independent surveyor approved by the Territory.

- 4.123 The services agreement allows for the service provider to receive a bonus payment if the compaction rate exceeds ‘955 kilograms of Waste per cubic metre of air space consumed’. In order to obtain a standard monthly fee for this key performance indicator, the compaction ratio is to be ‘greater than 900 kilograms of Waste for each cubic metre of air space consumed’.
- 4.124 Talis Consultants observed that, while the rate of compaction can vary, the compaction rates for the Mugga Lane landfill site were significantly high and the Service Provider’s quarterly compaction reports lack clarity in the inclusion of cover material in their calculations. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.124)
- 4.125 With respect to the reported compaction rates and their impact on available remaining airspace, Talis Consultants noted that ‘due to the lack of clarity and inability to be able to cross reference all the data and calculations provided ... it is not possible to determine whether the number of days of remaining airspace is correct’. (Refer to Appendix B, reference six: disposal of red bin waste to landfill, cross reference 4.125)

4.126 In its response to the draft proposed report in May 2020 ACT NoWaste advised:

ACT NoWaste is proactive in the area of landfill capacity, landfill forecasting capabilities and landfill compaction processes and performance measurement improvements.

A range of improvements have been undertaken, including:

- material diversion
- material usage reduction
- 'tip face' technology trials.

Further improvements will be identified through the development of the Mugga Lane and Hume Precinct Master Plan.

4.127 In its response to the draft proposed report in May 2020 ACT NoWaste further advised that 'the Mugga Lane and Hume Precinct Master plans, [which are] anticipated to be finalised 2020-21 will include an enhanced process for forecasting of landfill capacity, measuring landfill compaction rates through the provision of additional survey data with performance and capacity measurement improvements'.

4.128 In July 2016 a services agreement was made with Remondis Australia Pty LTD for the site management and landfill operations of the Mugga Lane Resource Management Centre. The services agreement was for an initial three-year term, followed by an extended three-year term, i.e. the agreement expires on 30 June 2022. The service provider must manage the site and services in accordance with the Best Practice Environmental Management (BPEM). Not all of the BPEM measures are included in the service provider's monthly reporting to ACT NoWaste, which means that ACT NoWaste cannot fully verify that the service provider is acting in accordance with Best Practice Environmental Management.

ACT NoWaste activities to improve contract management and administration

4.129 In its response to the draft proposed report in May 2020 ACT NoWaste advised 'ACT NoWaste acknowledges the limitation of earlier contracts models and is making a range of improvements'. ACT NoWaste identified a range of business improvement activities it was pursuing including:

- the development of the draft *Contract Management Framework* (March 2019);
- improved use of Contract Management Workbooks; and
- improved risk management processes.

4.130 ACT NoWaste also identified the various strategic planning documents that it was progressing (as referred to in Chapter 2) including:

- *ACT NoWaste Work Plan* (July 2019); and
- the November 2019 Request for Tender for *Strategic Waste Infrastructure Planning Services*;
- draft *ACT NoWaste Strategic Workforce Plan* (2020).

- 4.131 ACT NoWaste advised these business improvement activities have ‘resulted in a range of improved contract planning structures’ and are ‘leading to greater accountability, risk management and contract transparency, and have provided stronger links to the ACT NoWaste strategic policy framework’.
- 4.132 ACT NoWaste further notes that it has sought to improve its contract management governance structures, particularly through the incorporation of a Performance Management Framework in its most recent request for tender for the Bulky Waste Collection Service:
- ... with regards to the development of the Statement of Requirements for the Bulky Waste Collection Service Request for Tender released in December 2019, ACT NoWaste has extrapolated, defined and linked the objectives and outcomes of the *TCCS Strategic Plan 2017-20*, and the *ACT Waste Management Strategy 2011-2025* to the objectives and outcomes in the Statement of Requirements (SoR), identified risks and noted key performance indicators. ...
- The identification, definition and linkage of the governing principles from these documents to the objectives and outcomes of a project, is critical to the success of the tender process in that it creates a cohesive platform upon which respondents can clearly meet criteria in their responses.
- This process is directly linked to the Performance Management Framework (PMF) in the operation of a contract. The PMF is the mechanism that audits the contractor’s adherence to the objectives and outcomes and thereby ensure that the Territory is achieving agreed to outcomes and delivering services to the mutual satisfaction and to meet goals of the public and the government
- 4.133 The Audit Office notes the plans and initiatives that are either underway or proposed by ACT NoWaste to improve contract management governance and administrative arrangements and suggests that the observations made throughout this report be taken into consideration when developing new contracts.

RECOMMENDATION 6 FUTURE SERVICES AGREEMENTS

ACT NoWaste should take into consideration the issues identified in this performance audit report in the future procurement of household waste management services and subsequent negotiation of services agreements.

APPENDIX A: HOUSEHOLD WASTE SERVICES IN THE ACT

Table 1: Household waste services in the ACT

Household waste service	Waste type
<p>Kerbside collections from:</p> <ul style="list-style-type: none"> • Single Unit Dwellings (SUDs) and dual occupancy dwellings; and • Multiple Unit Dwellings (MUDs). 	<ul style="list-style-type: none"> • general household rubbish (red lid bins/hoppers); • mixed recyclables (yellow lid bins/hoppers); and • green garden waste (lime green lid bins) – an opt in service.
<p>Bulky waste collection:</p> <ul style="list-style-type: none"> • a free annual collection for eligible ACT concession card holders; and • from 2020, the rollout of a free annual collection for households – the allowance for MUDs may differ. 	<p>Bulky waste includes:</p> <ul style="list-style-type: none"> • furniture and household appliances; • tools; • white goods and electrical equipment; and • blankets and linen.
<p>Recycling Drop off Centres (RDOCs) located at:</p> <ul style="list-style-type: none"> • Jolly Street, Belconnen; • O'Brien Place, Gungahlin; • Baillieu Circuit, Mitchell; • Botany Street, Phillip; • Scollay Street, Tuggeranong; • Mugga Lane Resource Management Centre; and • Mitchell Resource Management Centre. 	<ul style="list-style-type: none"> • paper and cardboard; • glass bottles and jars; • rigid plastic containers; • aluminium cans and foil; and • steel cans including empty aerosol cans.
<p>ACT Container Deposit Scheme:</p> <ul style="list-style-type: none"> • offers a 10 cent refund on each eligible container deposited at one of 21 drop off points across Canberra including express points at Vinnies, Salvos and Anglicare stores. 	<ul style="list-style-type: none"> • eligible empty drink containers.
<p>White goods drop off points at:</p> <ul style="list-style-type: none"> • Mugga Lane Resource Management Centre; and • Mitchell Resource Management Centre. 	<p>White goods include:</p> <ul style="list-style-type: none"> • fridges; • freezers; and • washing machines
<p>Electronic waste (e-waste) drop off points at:</p> <ul style="list-style-type: none"> • Mugga Lane Resource Management Centre; and 	<p>E-waste includes:</p> <ul style="list-style-type: none"> • computers;

Household waste service	Waste type
<ul style="list-style-type: none"> Mitchell Resource Management Centre. 	<ul style="list-style-type: none"> printers; and TVs.
<p>Mattress drop off point for 'recycling for a fee' at:</p> <ul style="list-style-type: none"> Soft Landing at John Cory Circuit, Hume. 	
<p>Hazardous waste drop off points at:</p> <ul style="list-style-type: none"> Mugga Lane Resource Management Centre; and Mitchell Resource Management Centre. 	<p>Hazardous waste includes:</p> <ul style="list-style-type: none"> household cleaning products; aerosol sprays; paints and thinners automotive supplies.
<p>Excess green waste drop off points at:</p> <ul style="list-style-type: none"> Corkhill Brothers at Mugga Lane Resource Management Centre; and Canberra Sand and Gravel at Parkwood Road, Holt. 	<p>Green waste includes:</p> <ul style="list-style-type: none"> grass clippings; flowers; leaves; garden prunings and weeds; and branches
<p>Reusable items drop off points at:</p> <ul style="list-style-type: none"> The Green Shed, Mugga Lane Resource Management Centre; and The Green Shed, Mugga Land Resource Management Centre. 	<p>Goods that are reuseable and have a commercial value.</p>

Sources: Transport Canberra and City Services Directorate website pages for Recycling and Waste and Recyclopaedia, Transport Canberra and City Services Directorate 2018-19 Annual Report and The Green Shed website

APPENDIX B: TALIS CONSULTANTS' OBSERVATIONS ON HOUSEHOLD WAST SERVICES AGREEMENTS

Table 1: Talis Consultants' observations

Reference	Chapter 4 paragraph cross reference	Talis Consultants observations
One: general and recycling waste collection	4.13	<p><i>Managing performance</i></p> <p>The result of not meeting a performance measure within 12 months of the previous non-performance would be considered extreme, as some of the [key performance indicators] ... would repeatedly not be met due to operational practicality (e.g. [bins] returned to the kerbside in original position upright with the lid closed – 99 % compliance monthly. This would be near on impossible to meet in relation to the lid being closed, but possible to meet in relation to being returned upright to the original position). The likelihood of a local agency terminating a contract on the basis of bin lids being closed after collection is slim.</p> <p>Industry practice contracts link performance to incentive payments and/or liquidated damages through bonus or at-risk payments, or an annual bonus payment that is dedicated from, based on a penalty point system, when certain performance measures are not met. Some contractors will use the bonus payment as a “carrot” for collection vehicle drivers, service staff and/or call centre staff, as most performance measures that are linked to a financial incentive are operationally driven. This is often the case as it is these components of the contract that directly impact on or are seen by the community.</p> <p>If performance is continually poor, a Notice can be issued under these contracts, which if need be will go through a dispute resolution process prior to termination.</p>
	4.19	<p><i>Waste contamination levels</i></p> <p>Industry practice assigns responsibility for contamination management, kerbside service-related education and payment for the disposal of rejected loads (if they exceed an allowable percentage contamination - for recyclables the maximum contamination level is usually 10%, by weight of an incoming load) or refused loads (in part or in full) at the processing facility to the collection contractor.</p> <p>This places greater onus on the collection contractor to ensure that non-compliant materials are not emptied in the collection vehicle (if contamination is visible prior to collection) or provide notice to the household of non-compliant items within the bin (if contamination is not noticed until being emptied into the hopper of the collection vehicle). The financial implications of having to pay for the disposal of contamination over and above allowable limits ensures compliance in relation to contamination management.</p>

Reference	Chapter 4 paragraph cross reference	Talis Consultants observations
		as the contractor is accepting all the product that they can to generate revenue but having to dispose of a considerable amount because it is unable to be sold.
Five: processing of recycling	4.94	<p><i>Management of waste contamination</i></p> <p>It would not be considered industry practice to hold the processing contractor accountable for contamination rates that exceed the maximum contamination rate contained within Territory material. Nor include contamination received from third parties in this calculation. The KPI, and related bonus and at-risk fees, should only relate to material provided by the Territory, and payment for the disposal of contamination over the maximum contamination rate should be managed between the collection contractor and the Territory.</p>
Six: disposal of red bin waste to landfill	<p>4.106</p> <p>4.107</p> <p>4.108</p> <p>4.119</p>	<p><i>Environmental condition of site</i></p> <p>[The service provider is] the licensee for the Environmental Authorisation to conduct landfilling activities at Mugga Lane, which is permitted under the Waste Management & Resource Recovery Act 2016...</p> <p>... when the landowner is a local agency, such as a council, it is uncommon that the operator holds the licence. There are currently no known cases in NSW where the operator holds the licence for a council owned facility.</p> <p>... [the service provider is] required to liaise with the [Environment Protection Authority] in relation to the site, provide all reports (including annual tonnage data and Environmental Management Plan for the site) to the [Environment Protection Authority] in the timeframes specified, and ensure compliance with the Environmental Authorisation.</p> <p>[The service provider is] responsible for undertaking the environmental monitoring, compaction and volumetric surveys, requesting the authorisation to initiate a new cell design, authorisation to commence construction of the new cell (which is constructed by a third party) and once construction is complete, request the authorisation to commence filling the new landfill cell.</p> <p>This approach removes “ownership” from the Territory, and places it with [the service provider]. It also creates a culture of “self-policing” by the contractor as opposed to the contractor being “policed” by the landowner.</p> <p>... it does not appear that an internal review is undertaken on the documentation submitted to the EPA by REMONDIS. This is of particular concern in relation to the environmental monitoring requirements of the licence from a long-term management and risk perspective. It is imperative that the Territory is aware of the environmental condition of their site.</p> <p><i>Operation in accordance with Best Practice Environmental Management</i></p> <p>The contract requires [the service provider] to operate the facility in accordance with the Environmental Authorisation and the relevant best</p>

Reference	Chapter 4 paragraph cross reference	Talis Consultants observations
	4.121	<p>practice measures (including suggested measures) contained within the BPEM.</p> <p>There are a considerable number of best practice measures within the BPEM, some of which have not transferred over to [the service provider's] monthly reporting and KPI assessment. It is unclear in the documentation provided, why all aspects are not included and whether there was a formal approval process between [the service provider] and the Territory to come to an agreement on these.</p> <p>The management of a landfill from a compliance and best practice point of view can be quite complex. From the information provided, it does not appear ... if the relevant audits or checks are being undertaken by the Territory to verify information submitted by [the service provider]. [The service provider is] submitting their monthly reports and payment claims specifying full compliance with all relevant aspects of the BPEM, which is questionable, as operational issues do occur which ultimately result in lack of compliance.</p> <p>The monthly reports state 100% compliance when a KPI measure has been met. However, the KPI benchmark may only be 80%. The format of the monthly report is misleading as it is implying that the operator is 100% compliant, which is not a true reflection of performance. They are 100% compliant with the KPI benchmark.:</p> <p><i>Landfill capacity and filling plans</i></p> <p>Most local agencies that operate a landfill have either a Site Management Plan (SMP) or Landfill Environmental Management Plan (LEMP), which in most cases were a requirement of the development approval for the facility and are supplied to the EPA as part of licence applications. Whilst not contained within the current solid waste landfill guidelines provided by the NSW EPA, the structure of an LEMP was described in the 1996 version of the guidelines. The guidelines stipulate that the document should outline landfill design/construction concepts, specification, general operating philosophy, nature and quality of waste to be received, recycling to be conducted, the intended life of the landfill and predicted financial guarantees over the life of the landfill. In order to determine the life of the landfill, staging and filling plans would be developed and would be based on forecast annual filling rates. The staging plans would determine the life on each landfill cell and provide the local agency with a timeline of when each cell would come online and its forecast life.</p> <p>Even though the current NSW EPA solid waste landfill guidelines and the Victorian BPEM does not provide guidance on these documents, they are key operational and planning documents for a landfill.</p> <p>After reviewing the Service Agreement between the Territory and [the service provider] for the operation of the landfill, the monthly reports submitted by [the service provider] and the minutes from the meeting with the landfill Contract Manager, it was evident that there was confusion over roles and responsibilities, monitoring of airspace capacity rested with [the service provider] without a suitably qualified person within the Territory to review the data provided by [the service provider].</p>

Reference	Chapter 4 paragraph cross reference	Talis Consultants observations
	4.124	<p>Whilst staging plans and hand-drawn filling plans were provided, there is no context provided to support these documents in terms of forecast timeframes, which is particularly important for the staging plans. Therefore, there is no ability within the Territory to review the data provided by [the service provider] and compare it to the overall staging plans of the site and be able to determine that filling is occurring at the forecast rate (i.e. they are filling in the area we forecast they would be at this point in time). There was also no evidence of the Territory tracking annual tonnes landfilled compared to forecast rates, or whether the Territory has determined annual forecast tonnage and filling rates. The lack of comparison between forecast rates and actual rates also impacts on the timing of capital expenditure for future cells, which may impact on the Territory's budget.</p> <p>July 2019 Monthly Report provided by [the service provider] highlights concerns about previous records provided by the Territory which have been used to determine available airspace. There is also reference to a significant reduction in days of available airspace due to temporary stockpiles at the active face, which appear to belong to the Territory. Again, there does not appear to be any reconciliation of current tonnes to forecast tonnes.</p> <p>Annual forecast tonnages are also used to determine landfill fees and charges. The total cost of landfill operations for the year is divided over the number of tonnes forecast to receive. This forms the basis of the landfill gate fee, in addition to recovery of funds for capital expenditure and closure costs. If the Territory is not forecasting tonnes on an annual basis it is unclear whether the landfill fees and charges adequately cover the costs associated with overall landfill operations, including capital expenditure and post closure monitoring.</p> <p><i>Compaction rates</i></p> <p>The rate of compaction can vary due to the composition of the waste being landfilled, the type of equipment being used to compact the material and the amount of cover used on a daily basis.</p> <p>The use of modern equipment is believed to achieve compaction rates of >850kg:1m3 (ISWA, 2010).</p> <p>The 1996 version of Environmental Guidelines: Solid Waste Landfills prepared by the NSW EPA specifies the following compaction rates goals:</p> <ul style="list-style-type: none"> - 850kg:m3 for landfills receiving over 50,000 tonnes of waste per annum, and - 650kg:m3 for landfills receiving less than 50,000 tonnes of waste per annum. <p>These compaction rate goals exclude cover material. Therefore, are based solely on the compaction of waste.</p> <p>Based on the above-mentioned variables and guidance from the NSW EPA, industry will apply an average compaction rate of 750kg:1m3 when estimating landfill life, available airspace and benchmarking operational</p>

Reference	Chapter 4 paragraph cross reference	Talis Consultants observations
	4.125	<p>performance. The use of this average recognises the impact of the above-mentioned variables and excludes cover material in the calculation.</p> <p>It is unclear as to whether the compaction rate standard in the contract includes cover material in the calculation. The quarterly compaction reports provided by [the service provider] lack clarity in relation to the inclusion of cover material in their calculations. There are two additional calculations in these documents that appear to exclude cover material entirely or 50% of the material from the net volume of material received. However, no adjustment has been made to the total tonnes received to reflect the change in volume received. It is unclear as to why these calculations have been included as there is no clear link between the additional calculations and the compaction rate table.</p> <p>There is also a calculation within these documents which determines the total number of days of airspace remaining. Remaining airspace volumes are listed, however, this data is also not clearly linked to the compaction rate table.</p> <p>Due to the lack of clarity and inability to be able to cross reference all the data and calculations provided in this document, it is not possible to determine whether the number of days of remaining airspace is correct.</p> <p>It is imperative that the Territory and REMONDIS agree on what is included in the compaction rate calculation and that this approach is transferred through to all other calculations and assumptions made by the Territory in relation to airspace and landfill life. It is also imperative that there is an appropriately skilled person within the Territory who is able to reconcile the information provided in the quarterly compaction reports.</p>

Source: Talis Consultants

Audit reports

Reports Published in 2019-20	
Report No. 04 – 2020	Residential Land Supply and Release
Report No. 03 – 2020	Data Security
Report No. 02 – 2020	2018-19- Financial Audits – Computer Information Systems
Report No. 01– 2020	Shared Services Delivery of HR and Finance Services
Report No. 11 – 2019	Maintenance of ACT Government School Infrastructure
Report No. 10 – 2019	2018-19 Financial Audits – Financial Results and Audit Findings
Report No. 09 – 2019	2018-19 Financial Audits – Overview
Report No. 08 – 2019	Annual Report 2018-19
Reports Published in 2018-19	
Report No. 07 – 2019	Referral Processes for the Support of Vulnerable Children
Report No. 06 – 2019	ICT Strategic Planning
Report No. 05 – 2019	Management of the System-Wide Data Review implementation program
Report No. 04 – 2019	2017-18 Financial Audits Computer Information Systems
Report No. 03 – 2019	Access Canberra Business Planning and Monitoring
Report No. 02 – 2019	Recognition and implementation of obligations under the <i>Human Rights Act 2004</i>
Report No. 01 – 2019	Total Facilities Management Procurement
Report No. 12 – 2018	2017-18 Financial Audits – Financial Results and Audit Findings
Report No. 11 – 2018	2017-18 Financial Audits – Overview
Report No. 10 – 2018	Annual Report 2017-18
Report No. 09 – 2018	ACT Health’s management of allegations of misconduct and complaints about inappropriate workplace behaviour
Reports Published in 2017-18	
Report No. 08 – 2018	Assembly of rural land west of Canberra
Report No. 07 – 2018	Five ACT public schools’ engagement with Aboriginal and Torres Strait Islander students, families and community
Report No. 06 – 2018	Physical Security
Report No. 05 – 2018	ACT clubs’ community contributions
Report No. 04 – 2018	2016-17 Financial Audits – Computer Information Systems
Report No. 03 – 2018	Tender for the sale of Block 30 (formerly Block 20) Section 34 Dickson
Report No. 02 – 2018	ACT Government strategic and accountability indicators
Report No. 01 – 2018	Acceptance of Stormwater Assets
Report No. 11 – 2017	2016-17 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2017	2016-17 Financial Audits – Overview
Report No. 09 – 2017	Annual Report 2016-17
Report No. 08 – 2017	Selected ACT Government agencies’ management of Public Art

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