

MEDIA RELEASE**29 June 2020****Management of household waste services**

Auditor-General, Mr Michael Harris, today presented a report on the **Management of household waste services** to the Speaker for tabling in the ACT Legislative Assembly.

Mr Harris says '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'.

The report notes that since mid-2019, ACT NoWaste has taken steps to improve its household waste strategic planning and risk management and is also in the process of developing contract management and administrative arrangements for the management of household waste services. However, strategic planning and risk management initiatives remain at an early stage of implementation and their effectiveness is yet to be demonstrated, while key contract management and administrative improvements are yet to be finalised. ACT NoWaste's intention to achieve rigour and consistency in decision-making for contract management has not yet been achieved.

The report notes that ACT NoWaste manages a portfolio of 38 waste services agreements on behalf of the ACT community, some of which 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. More recent ACT NoWaste services agreements incorporate elements of incentives and at-risk fees. The most recent 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 report makes observations on the design and management of household waste management services agreements that should be considered and addressed in future procurement exercises. Mr Harris says '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'.

The audit report made six recommendations for improvement, including recommendations aimed at improving strategic planning, risk management and contract management processes.

The summary of the **Management of household waste services** audit, with audit conclusions, key findings and recommendations are attached to this media release.

Copies of **Management of household waste services: Report No. 05/2020** are available from the ACT Audit Office's website www.audit.act.gov.au. If you need assistance accessing the report please phone 6207 0833 or go to 11 Moore Street, Canberra City.

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.

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 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'.

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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.

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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.

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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.

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ACT NoWaste has recently undertaken a comprehensive workforce planning exercise that updated the contemporary role and purpose of ACT NoWaste as well as setting

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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 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.

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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.

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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

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with outcomes and strategies identified in the *ACT Waste Management Strategy 2011-2025*.

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 '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.

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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.

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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.

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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

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complete and were not being regularly maintained. In May 2020 ACT NoWaste advised that all Contract Management Workbooks are now up to date.

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.

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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.

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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.

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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.

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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.

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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

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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.

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 4.128

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.

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.

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.