



## Appendix one – Responses from local councils

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The following appendix includes the formal responses from Campbelltown and Fairfield councils to the findings in this report.

The Audit Office has carefully considered the Councils' responses.

In reference to the issues of concern raised in the Councils' responses we have concluded that, based on objective facts, the findings in this report remain balanced, factual and complete as relevant to the audit scope.

## Response from Fairfield City Council



In reply please quote: 19/05914  
Your Ref:

Contact: Bradley Cutts on 9725 0123

28 May 2019

Audit Office of New South Wales  
**Attention:** Margaret Crawford, Auditor-General  
GPO Box 12  
SYDNEY NSW 2001

Dear Ms Crawford,

### PERFORMANCE AUDIT - DOMESTIC WASTE MANAGEMENT IN CAMPBELLTOWN AND FAIRFIELD COUNCILS

I am writing in formal response to your Performance Audit – Domestic Waste Management in Campbelltown and Fairfield Councils.

Fairfield City Council believes there are issues that are not adequately addressed or do not provide proper context within the report. Council's formal response provides essential detail to highlight these issues only and does not seek to respond to any matters that it considers being minor in nature with the report's findings.

Significant issues are:

1. The report potentially leads a reader to a view that Fairfield City Council adopted a 2 bin system (red waste bin and yellow recycling bin) at the beginning of its 20 year alternative waste treatment contract with no real strategy of processing the red bin waste, other than taking it to landfill. Nothing could be further from the truth. In fact, Fairfield City Council was the foundation local government partner in a State Government controlled waste process operation, which promised to divert 80% of Fairfield's domestic waste from landfill. Through no fault or cause of Fairfield City Council, the State Government operation failed to meet its promised environmental and waste diversion performance expectations. The State Government operation was then sold off to a private waste industry company which then diverted Council's domestic waste from the processing plant to landfill. Council has maintained its favourable waste pricing under the Contract.
2. Fairfield should be categorised as 'effective' in encouraging residents to appropriately sort their waste as nearly 90% (when including bagged recyclable material) of materials in co-mingled recycling bins is recyclable material. The audit results for Fairfield City Council co-mingled recycling bin audit contamination level is exaggerated, as some residents inadvertently put recyclable materials inside plastic bags. For audit purposes, this is counted as 'contaminated', whereas in real time operations, the Council contracted Material Recycling Facility (MRF) is able to process these bagged materials and recycle them. This is an example of effective contract management.

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3. The report's Executive Summary conclusion stated that 'Council has not ensured all new multiple unit dwellings have appropriate waste storage facilities'. This finding is a generalisation of an example that represents the 'exception' that is not consistent with Fairfield Council's experience.

Council in many cases is not the Principal Certifier for construction of these developments and the included waste storage facilities. Variations between the development approval designs and those considered to be "generally in accordance with" those designs, as deemed appropriate by the Private Certifier, is likely to account for any variation or inconsistency and is a matter outside Council's control or influence.

Council has very successfully integrated approximately 65 new multi-unit developments into its domestic waste operations over the past 5 years. These developments range from high rise towers to lower rise community housing.

4. At Clause 3.1 of the Audit report, it is noted that "Neither Council's Local Environmental Plans (LEP) treats waste collection as an essential service". Council does not understand how this recommendation affects Council's ability to ensure new developments include well-designed waste storage facilities.

Local Environmental Plans (LEPs) do not provide detailed development controls and guidelines along the lines of that suggested in the recommendation. Rather Development Control Plans (DCPs) provide this level of specificity. The Department of Planning would be the appropriate agency to consider the appropriateness of including this type of provision in an LEP as it is responsible for the Standard Instrument LEP and the EP&A Act which govern the content of LEPs. Similarly, the issue of Private Certification in respect to new multiple unit dwellings having appropriate waste storage facilities (refer Item 3 above) is a matter that the Department of Planning has appropriate jurisdiction to consider.

It is noted that the Fairfield City DCP includes detailed waste management provisions that are applied at the development application stage. These controls ensure that all new buildings provide satisfactory waste storage facilities. Importantly, DCP provisions can be varied by councils, proponents, local planning panels and decisions of the Land & Environment Court. This means that in some instances less than optimal waste arrangements can result.

5. The report's Executive Summary conclusion stated that 'Council has not tested the market to see if its in-house service represents value for money'.

The Audit Office had the opportunity to benchmark Fairfield Council's Service (with the assistance of the Auditor's independent expert consultant) by using the extensive detail provided by Council. This included discrete Council waste management benchmarking and costing details to adequately calculate benchmark rates that would demonstrate that its day labour operations were within a range considered to

be 'efficient'. It is disappointing that the Audit Office appears to favour only market testing as a means of establishing "value for money" or for Council to directly engage their own independent expert consultant.

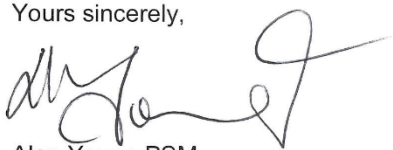
Council has a long history of delivering effective in house day labour domestic waste management collections. Council is confident that its use of day labour provides a flexible use of resources and better agility in meeting the changing needs of its waste services operation. This is endorsed by residents' feedback gained during independent surveys on Council services which rate its domestic waste management services at the highest level of resident satisfaction. It should be noted that 30% of homes in Sydney continue to be well serviced by day labour waste operation.

6. Council commends the Audit Office for noting at Clause 5.4 that Sydney does not have a strategy to meet its waste processing and disposal infrastructure needs. This is a serious and pressing issue. The State EPA has produced various strategies including its "Waste and Resource Recovery Infrastructure Strategy: Draft for consultation, 2017" which pinpoints the Sydney metropolitan area now requires many new waste processing facilities to meet the State's targets for diverting waste from landfill. Yet, these are the same targets that State Government owned waste processing facilities were unable and ultimately unwilling to achieve as they were sold off to a private waste company in 2011.

Given the onerous development approval process for new waste facilities through the State Planning Department and restricted potential new waste facility sites availability in the Sydney basin, it seems unlikely that the large shortfall in waste processing capacity can be overcome. This will mean many Sydney Councils will not have access to red lid bin waste processing capacity for at least a decade or much more and therefore will not be able to meet the State waste diversion from landfill target.

I thank you for the opportunity to provide this formal response to your performance audit and also would like to acknowledge the professional conduct, communication and co-operation demonstrated during the performance audit by Bettina Ocias, Senior Analyst and Rod Longford, Director Performance Audit.

Yours sincerely,



Alan Young PSM  
**CITY MANAGER**



## Response from Campbelltown City Council



31 May 2019

Margaret Crawford  
Auditor-General  
Audit Office NSW  
GPO Box 12  
SYDNEY NSW 2001

Dear Ms Crawford

**Performance Audit of domestic waste management practices in Campbelltown and Fairfield City Councils (Your Ref. 6623)**

I refer to your letter of 1 May 2019 inviting Council to provide a formal response to the final Performance Audit report of the same date.

The final report has been reviewed and Council is of the view that a number of the important comments/points of clarification provided to you by Council staff in their response on the draft report, appear not to have been given proper consideration as it is the Council's opinion, that they have not been incorporated or satisfactorily amended in the wording of the final report.

The attached response, provided for your records, is reflective of Council's position and includes many of the comments that were previously provided.

If any further information is required please contact Lauren Williams, Acting Domestic Waste Service Coordinator on 4645 4802 or [lauren.williams@campbelltown.nsw.gov.au](mailto:lauren.williams@campbelltown.nsw.gov.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'L Deitz'.

Lindy Deitz  
General Manager

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## RESPONSE TO THE NSW AUDIT OFFICE PERFORMANCE REPORT DATED 1 MAY 2019



Council has reviewed the draft and final versions of the NSW Auditor-General's Performance Audit Report dated 1 May 2019 (the Report), and provides the following comments in response.

### EXECUTIVE SUMMARY

The Report recognises that Council conducts activities to encourage residents to minimise and correctly sort waste in line with EPA guidelines, yet in contradiction criticises Council for being 'ineffective' in these areas. This is viewed as somewhat harsh criticism given Council's limited capacity to directly control appropriate sorting of an individual resident's waste. Council is of the view that if such criticism is to be directed at councils, it should be directed equally to all levels of government, given the limited power that each government body possesses in controlling the sorting of waste at a household level.

It is considered that bin inspections do not provide any measurable information about the separation habits of residents. This is because the person inspecting the bin can only observe the top layer of material and for WHS reasons will not rummage through the remaining contents of the bin. Council has previously utilised a bin inspector for garden organics contamination and the inspector and Council were regularly criticised (and threatened) for undertaking these inspections. It is not a practice that is accepted by our community and the program has since been closed.

The Report indicates that Council does not conduct waste audits, despite Council having conducted waste audits in 2005 and 2008. A further waste audit would be useful; however, given the historical resentment by the community to bin inspections, it is considered that such programs are not well received and are largely ineffective. It should also be noted that waste audits cost up to \$100,000 per audit, and are therefore only undertaken when necessary e.g. at change of contract.

Red-lid bin waste is not being processed solely due to Council's contractor closing down the AWT processing facility in breach of contract. The participating councils went to great expense and effort to conduct a regional procurement project in an effort to secure the future of the region's waste and recyclables processing and disposal. The Report recognises an effort made by Council to enforce the terms of the contract, however it is considered that the extent of these efforts are not adequately reflected in the Report. Council maintains that it has made every effort to maximise the diversion and recycling of kerbside waste under this contract.

Generally the language in the conclusions/executive summary is not genuinely representative of the efforts made by Council to meet state waste targets, and is viewed as misleading. Council can effectively demonstrate that its residents appropriately sort waste as 95% of garden organics and 88% of dry recyclables are recycled, whilst only 3% of waste is sent to processing. It is not the fault of the resident nor Council that the contractor is in breach of the contract.

### SECTION 1.7

The Report fails to acknowledge methane gas capture that occurs on modern landfill sites, which is generated from the decay of putrescible waste over time, and used to produce electricity.

### SECTION 2.3

The Report should make due reference to the following significant issues impacting the performance of the contract:

- the refusal of Council's waste processing contractor to process waste in accordance with its contractual obligations; and
- the EPA's decision to revoke the MWOO exemption, effectively preventing any diversion from the general waste stream processed by AWT.

These two issues provide important context to the information presented in this section, as they each have a significant negative impact on Council's ability to meet State diversion targets.

### SECTION 3.1

This section of the Report continues to assert that Council does not monitor the waste sorting behaviour of its residents, and indicates that no targeted education interventions have been delivered. This section is inaccurate in its commentary and should provide greater clarification by making due reference to the effort of Council in inspecting loads of garden organics material tipped for processing, from which data was collected on contamination levels from specific vehicle runs across the Local Government Area. From this data, targeted programs were scheduled to roll out at the time of Council's meetings with AO NSW, and are currently being delivered within the community.

### SECTION 3.2

Previous comments have been made about the audits already performed by Council, and the low value provided by bin inspections, notwithstanding the risks involved in searching through residents' bins. Electronic bin tags require community consent because of privacy concerns, irrespective of the valuable information they provide.

### SECTION 3.3

There are a variety of potential reasons why recycling bins may be contaminated. Contamination in recycling bins can occur as a result of residents being (rightfully) confused about what is recyclable and what isn't, given the availability of products to choose from, and the way products are labelled. However, it can also be the result of other factors such as reduced garbage disposal capacity (lack of correct disposal options), bin-sharing arrangements, tenanted properties (lack of ownership and responsibility for recycling bins) and lower socio-economic considerations (more pressing issues for residents than the correct use of recycling bins). The report would benefit from a more informed description of contributing factors to provide the reader with better context on this important issue.

#### SECTION 3.4

The comparison of domestic waste fees that are charged to the community clearly indicates that the fees charged to Campbelltown residents are consistently well below the average for the Sydney Metropolitan Area, however the Report makes no reference to this point, nor does it acknowledge the effort that goes into achieving such an outcome for the community. Council is of the view that a balanced and independent report should make reference to both areas that require improvement, as well as areas where a council is performing well and achieving a positive outcome.

#### SECTION 3.5

The first paragraph refers to smaller waste bins or reduced collection frequency of waste as encouraging residents to generate less waste. This is an assumption which has never been realised through field testing, and is therefore considered to be misleading. Waste generation is a function of the economy and level of disposable income (refer ABS). Smaller waste bins and/or reduced waste collection frequency is a theory designed to increase separation of recyclables however, many residents have objected to reductions in waste capacity as seen in Penrith City and Bathurst Regional Council's FOGO services, resulting in increased contamination of recycling streams, and in many cases, the return to original waste disposal capacity.

The Report refers to EPA's best practice FOGO service, and acknowledges that such a service is recommended in areas where: contamination is low, there is no access to AWT facilities to process red-lid bin waste, and there is access to FOGO processing facilities and markets. Given this preferred criteria, it is questionable as to whether the common practices of the residents of the Campbelltown Local Government Area would result in the delivery of a successful FOGO program.

Further, Council is unaware of any published data that supports high recovery rates and/or low contamination rates in FOGO streams. It is also understood that the data that is of paramount importance to the success of a FOGO service (i.e. the transfer of food organics from the waste bin to the FOGO bin), has never been reported and that this is because the food organics transfer rates are extremely low (less than 5%). Contamination is not the critical KPI, it is the organics transfer from the red-lid bin to the organics bin that determines the success and effectiveness of FOGO in diverting organic waste from landfill.

The other consideration for Councils of a FOGO alternative is that the EPA has not assessed the physical or chemical characteristics of FOGO outputs and their suitability for use in agriculture or other markets. The AO would be aware that on 26 October 2018, with one day's notice, the EPA revoked the regulatory exemption that allowed mixed waste organic outputs (MWOO) to be used on broad agriculture, mine site rehabilitation and in plantation forestry applications. Council understands that the EPA has not conducted any parallel assessment of FOGO outputs, and yet continues to offer FOGO as a solution. As a result of revoking the regulatory exemption for MWOO, the EPA has introduced a lack of industry confidence and high degree of regulatory uncertainty into the market to the point that many councils are hesitant in considering FOGO.

In relation to preparing for follow on processing/disposal contracts, Council will be guided by industry, not necessarily the EPA, on the most effective and compliant system to reach State Waste Targets.



## RESPONSE TO THE NSW AUDIT OFFICE PERFORMANCE REPORT DATED 1 MAY 2019



### SECTION 4.3

The Report suggests that Council should engage a consultant to advise on the economy of waste collection and transportation services. It is considered that the only people with the comprehensive knowledge required to accurately cost a collection service are the collection companies. Consultants, from past experience, can provide cost estimates supported by several assumptions, but cannot provide an accurate costing compared to the detail that a waste collection company can. Hence the prevalence of open tendering compared to consultancy market testing.

Benchmarking must compare like-with-like in order to be effective. The difficulty in comparing council services against each other is the range of variables that exist in one area and not another. These comments have been provided above.

### SECTION 4.4

Transfer stations are designed to reduce the distance collection vehicles need to travel to tip loads. However, rather than mitigating additional costs incurred by using smaller trucks as the Report states, transfer stations actually add cost to the service because of additional handling and transport charges to the end destination. Emission increases must also be considered in any transfer station scenario.

### SECTION 5.1

The issue that there is no waste infrastructure plan for Sydney (or elsewhere in NSW) is considered to be the most significant headline issue for the waste and resource recovery industry and therefore should be duly referenced in the executive summary.

Please note that China and other Asian countries have not ceased accepting recyclable materials. They have increased their product quality specifications for which the market in Australia has difficulty in reaching, which requires the Government to act quickly with a response strategy in order to bring effective relief to this situation in the short to medium term.

### SECTION 5.4

The Senate Inquiry quotes should appear in the executive summary as it is clear that only Government is in a position to make the critical industry-level decisions to improve the functioning of the industry.

The NSW Government's current response to the China Sword policy intervention is considered to be ineffectual. The inter-governmental taskforce unfortunately excluded any participation by councils and as a result it appears there were no representatives on the taskforce with any significant operational or contractual knowledge of the recycling industry, therefore the report was lacking in offering any practical solutions. Accordingly the policies that were the outcome of taskforce deliberations have been largely ineffective in sourcing or creating alternate markets for recyclables.

The EPA's Draft Waste and Resource Recovery Infrastructure Strategy 2017 has never been finalised, which is concerning given the continued population growth of the Sydney Metropolitan Area while

**RESPONSE TO THE NSW AUDIT OFFICE  
PERFORMANCE REPORT DATED 1 MAY 2019**



landfill capacity rapidly diminishes. There is still no plan to address Sydney's waste processing and disposal requirements, making the likelihood of achieving the State's waste diversion target for 2021 low, especially in light of the EPA's MWOO regulatory exemption revocation that has resulted in all AWT processed organics being directed to landfill.

Overall, it is considered that much of the language contained within the Report is unnecessarily negative and directs the blame for many of the issues discussed at councils without sufficiently acknowledging the circumstances under which a council operates. For example, the wording 'councils are ineffective' places blame directly on a council, whereas wording such as 'councils experience difficulty' acknowledges the reality that many factors can adversely impact the ability of a council to meet expected targets. It is considered that the overall language of the Report is lacking in balance, and fails to properly acknowledge the efforts and positive outcomes delivered by councils on behalf of their community.

END.