

19.3 DELEGATED AUTHORITY - WATER AND WASTEWATER REGULATORY COMPLIANCE MONITORING SERVICES

Objective Reference:**Authorising Officer:** Andrew Ross, Acting General Manager Infrastructure & Operations**Responsible Officer:** Bradley Taylor, Group Manager Water & Waste Infrastructure**Report Author:** Daniela Simon, Service Manager Water Quality and Environmental Compliance**Attachments:** Nil

The Council is satisfied that, pursuant to Section 275(1) of the *Local Government Regulation 2012*, the information to be received, discussed or considered in relation to this agenda item is:

- (e) contracts proposed to be made by it.

PURPOSE

The purpose of this report is to seek Council resolution to delegate authority to the Chief Executive Officer (CEO), under section 257(1)(b) of the *Local Government Act 2009* to negotiate, make, vary and discharge a contract over \$2,000,000 and enter into a Schedule of Rates contract for the provision of water and wastewater regulatory compliance monitoring services.

BACKGROUND

Council currently has an agreement with Queensland Urban Utilities Scientific Analytical Services (QUU SAS) for the testing of water and wastewater samples. This contract covers only testing of water samples delivered to the QUU SAS facility, the samples are collected by Council officers. A strategic evaluation of the Council operated laboratory was undertaken after resignation of staff and officers determined that it would be beneficial to close the Council laboratory and outsource all of the required activities to comply with the water and wastewater regulatory compliance to QUU SAS. It is considered that the most efficient method of achieving this outcome is the termination of the existing contract and entering into a new contract with QUU SAS, as the preferred supplier, for the expanded scope of work.

ISSUES

- All field testing and laboratory testing required for regulatory compliance of drinking water and wastewater effluent licence testing must be undertaken by National Association of Testing Authorities (NATA) accredited laboratory
- For the laboratory to operate efficiently as a NATA accredited laboratory it must have a minimum of two NATA signatories
- The Council laboratory currently operates only with one signatory remaining – Manager Water Quality and Environmental Compliance
- When the Manager goes on leave or resigns NATA accreditation of the laboratory will be suspended
- The Manager is signing all NATA accredited field testing and sampling carried out by the wastewater treatment plant operators and some drinking water field testing carried out by a

contractor. The majority of drinking water sampling and field testing is temporarily being carried out by SAS QUU to ensure all compliance is maintained

- Strategic consideration is required to develop a reliable and cost effective option to undertake all of the regulatory monitoring and analysis for Redland Water compliance activities.

The recommended proposal is being presented to:

- Close the Council laboratory and cancel its National Association of Testing Authorities (NATA) accreditation;
- Cancel the current contract with QUU SAS that covers only laboratory testing of water and wastewater; and
- Enter into a new contract with QUU SAS to cover the laboratory testing of water and wastewater, drinking water sampling and field testing, wastewater field testing, support to wastewater treatment plant operational laboratories and emergency and after hours response for drinking water and environmental incidents.

STRATEGIC IMPLICATIONS

Legislative Requirements

Section 235(f) of the *Local Government Regulation 2012* provides that a local government may enter into a contractual arrangement without first inviting written quotes or tenders if the contract is made with or under an arrangement with a government agency.

Government agency is defined in schedule 8 of the *Local Government Regulation 2012* as

- (a) *the State, a government entity, a corporatised business entity or another local government; or*
- (b) *another Australian government or an entity of another Australian government; or*
- (c) *a local government of another State.*

QUU SAS is a wholly owned subsidiary of Central SEQ Distributor-Retailer Authority, trading as Queensland Urban Utilities (QUU). QUU was established as a statutory body under the *South-East Queensland Water (Distribution and Retail Restructuring) Act 2009* and service provider under the *Water Supply (Safety and Reliability) Act 2008*. Accordingly, QUU is considered a government entity and Council may enter into a contract with QUU SAS without seeking quotes or tenders.

The contract documentation will be developed in accordance with section 104 Financial Management Systems, subsection (3) Sound Contracting Principles of the *Local Government Act 2009* with the objective of obtaining submissions from QUU SAS, being a statutory authority who can demonstrate the ability to provide value for money and adequate capacity and capability to provide the required services.

The contract process will be conducted in accordance with the legislative requirements of the *Local Government Act 2009*, *Local Government Regulation 2012* and with adherence to all Council policies, guidelines and procedures relating to the procurement process and probity principles.

The water and wastewater regulatory compliance monitoring services is undertaken to support our regulatory reporting in compliance with all relevant legislations and guidelines.

Risk Management

The proposed contract contains defined scope and performance measures to ensure that the sampling, field testing and laboratory analysis of the water and wastewater monitoring is reliable and meets NATA quality certification. By outsourcing water and wastewater regulatory compliance monitoring services the Council will manage the following risks:

- Receive continuous NATA accredited laboratory service
- Have access to after-hours call out for laboratory support in an emergency
- Save on capital expenditure to replace laboratory equipment or laboratory facility
- Save time and resource to comply with extensive NATA requirements
- Save on overtime cost for Scientific Officer to carry out laboratory testing during public holiday
- Save by not needing dedicated water sampling vehicle
- Save on operational cost by not replacing two positions
- Save on courier cost for water samples.

Financial

- Outsourcing Option compared with Business As Usual (BAU) Option will incur higher contractor cost for water quality and compliance testing services, however this will be offset by the reduction in ongoing employee cost and other goods and services costs in the long term.
- The increased cost of Outsourcing Option is driven by the additional testing and after hour/emergency services provided by the contractor, which are not provided by the current business operation.
- Outsourcing Option will provide better cash position for council from year 1, with less cash outflow of more than \$700,000 for the period of 5 years in comparison to Internal Laboratory Option.
- Outsourcing Option will NOT require any capital outlay for the replacement of vehicle, laboratory equipment, laboratory facility and relocation associated costs in future.

	1 Year		3 Years		5 Years	
	Option 1-BAU	Option 2 - Outsourcing	Option 1-BAU	Option 2 - Outsourcing	Option 1-BAU	Option 2 - Outsourcing
Operational						
Employee Cost	174,949	-	538,078	-	919,589	-
Contractor	154,080	475,558	462,241	1,426,674	770,401	2,377,790
Other G&S	76,199	-	228,596	-	853,648	-
Depreciation	6,250	-	16,050	-	27,200	-
Total	411,478	475,558	1,244,964	1,426,674	2,570,838	2,377,790

*excl. laboratory relocation associated costs

Capital	125,000	-	321,000	-	544,000	-
Cash Outflow	530,228	475,558	1,549,914	1,426,674	3,087,638	2,377,790

People

As two laboratory staff resigned there will be no adverse impact on staff. Outsourcing the water and wastewater regulatory compliance monitoring services will reduce the administrative burden on the existing staff to maintain NATA laboratory accreditation.

Environmental

Outsourcing the water and wastewater regulatory compliance monitoring services will provide after-hours field laboratory support which is not currently available. This service will improve our response to environmental incidents.

Social

The outsourcing of the laboratory function will demonstrate a direction for Council that aims to support transparency, accountability and to build confidence in the quality of drinking water supplied to the Redland community and meeting required wastewater environmental regulatory compliance.

Alignment with Council's Policy and Plans

This report supports Council's corporate plan in respect to providing essential physical infrastructure that supports community well-being and manages Council's existing infrastructure assets to ensure current service standards are maintained or improved.

Water and wastewater regulatory compliance is a mandatory requirement and is consistent with other RCC strategic documents such as the corporate plan, Redland Water annual performance plan, Drinking Water Quality Management Plan and the Redland Water Netserv plan.

CONSULTATION

In developing this proposal and new contract for the water and waste regulatory compliance monitoring services consultation has included the following:

- Group Manager Water & Waste Infrastructure and relevant staff
- Legal Services Unit
- Procurement Services Unit
- Group Manager Water & Waste Operations and relevant staff
- General Manager Infrastructure & Operations
- Business Partnering Unit – Financial Services.

OPTIONS

Option One

1. That Council resolves to delegate authority to the Chief Executive Officer, under section 257(1)(b) of the *Local Government Act 2009*, to enter into a Schedule of Rates Contract over \$2,000,000 with the preferred supplier and to negotiate, make, vary and discharge the contract Q-1774-1516 RWW Water Sample Analysis in accordance with the agreed contract terms and conditions, and sign all relevant documentation; and
2. that this report remains confidential until the contract is awarded and details published in accordance with legislative requirements, subject to maintaining the confidentiality of legally privileged and commercial in confidence information.

Option Two

That Council resolves not to delegate authority to the Chief Executive Officer, under section 257(1)(b) of the *Local Government Act 2009*, to enter into a Schedule of Rates Contract over \$2,000,000 with the preferred supplier.

OFFICER'S RECOMMENDATION

That Council resolves as follows:

1. To delegate authority to the Chief Executive Officer, under section 257(1)(b) of the *Local Government Act 2009*, to enter into a Schedule of Rates Contract over \$2,000,000 with the preferred supplier and to negotiate, make, vary and discharge the contract Q-1774-1516 RWW Water Sample Analysis in accordance with the agreed contract terms and conditions, and sign all relevant documentation; and
2. That this report remains confidential until the contract is awarded and details published in accordance with legislative requirements, subject to maintaining the confidentiality of legally privileged and commercial in confidence information.