



Redland
CITY COUNCIL

MINUTES

SPECIAL MEETING

WEDNESDAY 18 May, 2011

Council Chambers

1st floor Administration Building

Bloomfield Street Cleveland. Qld 4163

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1 DECLARATION OF OPENING

The Mayor declared the meeting open at 11.03am.

2 RECORD OF ATTENDANCE AND LEAVE OF ABSENCE

MEMBERS PRESENT

Members:

Cr M Hobson PSM	Mayor
Cr W Boglary	Councillor Division 1
Cr C Ogilvie	Councillor Division 2
Cr D Henry	Councillor Division 3
Cr J Burns	Councillor Division 4
Cr B Townsend	Councillor Division 5
Cr T Bowler	Councillor Division 6
Cr K Reimers	Councillor Division 8
Cr K Williams	Councillor Division 9
Cr H Murray	Councillor Division 10

Executive Leadership Group:

Mr G Stevenson PSM	Chief Executive Officer
Mrs L Rusan	General Manager Customer Services
Mr M Drydale	General Manager Corporate Services
Mr N Clarke	General Manager Governance
Mrs T Averay	General Manager Development & Community Standards

Officers:

Mr G Holdway	Manager Financial Control
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Minutes:

Mrs E Striplin	Corporate Meetings & Registers Team Leader
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APOLOGY

Cr M Elliott	Deputy Mayor and Councillor Division 7
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3 MATERIAL PERSONAL INTEREST AND CONFLICT OF INTEREST

Nil.

COUNCILLOR ABSENCES DURING MEETING

Cr J Burns left the meeting at 11.50am (during Item 14.1.1) and returned at 11.53am (during Item 14.1.1).

4 CLOSED SESSION

MOTION TO CLOSE MEETING AT 11.05AM

Moved by: Cr Boglary
Seconded by: Cr Reimers

That the meeting be closed to the public pursuant to section 72(1) of the *Local Government (Operations) Regulation 2010* to discuss the following items:

4.1.1 Proposed Water and Wastewater Pricing for Redland City Residents 2011/12

4.1.2 Request for Exception to Award a Contract under Delegated Authority by Chief Executive Officer (CEO)

CARRIED

MOTION TO REOPEN MEETING AT 12.40PM

Moved by: Cr Boglary
Seconded by: Cr Townsend

That the meeting be again opened to the public.

CARRIED

4.1 CORPORATE SERVICES

4.1.1 PROPOSED WATER AND WASTEWATER PRICING FOR REDLAND CITY RESIDENTS - 2011/12

Dataworks Filename: GOV WRAD – Allconnex Water Pricing

Attachments: [Fairer Water Prices for SEQ Amendment Bill](#)

Responsible Officer: Martin Drydale
General Manager Corporate Services

Author: Gavin Holdway
Manager Financial Control

EXECUTIVE SUMMARY

Following the price capping announcement made by the State Government on 7th April 2011 in relation to water and wastewater charges and in accordance with the *Fairer Water Prices for SEQ Amendment Bill 2011* that was introduced to Parliament on 12th May 2011, this report outlines the proposed price increases for the related retail/distribution component charges for the 2011/12 financial year for Redland City Council (RCC) residential and small business customers. It is expected that the legislation will be passed by June 2011 and as the legislation imposes, the Consumer Price Increase (CPI) cap on retail/distribution component charges covers a two year period commencing on 1 July 2011 and ending on 30th June 2013.

Importantly, under the revised legislation, Councils are responsible for price mitigation and for setting pricing for its respective Council area. As the bulk water charge is not subject to CPI price capping, it has not been included within this report.


PURPOSE

The purpose of this report is to present to Council the water and wastewater proposed price increases for the retail/distribution components for the 2011/12 financial year in anticipation of the *Fairer Water Prices for SEQ Amendment Bill 2011* being passed by 30th June 2011.

BACKGROUND

Currently the RCC residential water and wastewater customers of Allconnex Water are billed based on the following pricing structure; water access charge; inclining block tariff (IBT) or water consumption charge structure covering, Tier 1 (0 – 146 kl p/a), Tier 2 (147 – 292 kl p/a), Tier 3 (293+ kl p/a) and a wastewater service charge. This pricing structure for both water and wastewater is not being proposed to change for the 2011/12 year.

Under the *Fairer Water Prices for SEQ Amendment Bill 2011*, the CPI figure to be applied to the retail/distribution components under the price capping restrictions is the March to March 6401.0 CPI, All Groups Brisbane Index. Please find below an extract taken from the Australian Bureau of Statistics index publication for the March 2010 to March 2011 period.

	
	Percentage Change from Corresponding Quarter of Previous Year ; All groups ; Brisbane ;
Unit	Percent
Series Type	Original
Data Type	PERCENT
Frequency	Quarter
Collection Month	3
Series End	Mar-2011
No. Obs	152
Series ID	A2325817T
Mar-2011	3.6

Source:

<http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6401.0Mar%202011?OpenDocument>

In addition to a resolution in respect of water pricing, Allconnex Water has also requested Council consideration and resolution in respect of their proposed Five Year Forward Plan, Annual Performance Plan and Employee and Industrial Relations Plan.

RELATIONSHIP TO CORPORATE PLAN

9. An efficient and effective organisation

Council is well respected and seen as an excellent organisation which manages resources in an efficient and effective way

- 9.5 Ensure robust long term financial planning is in place to protect the financial sustainability of Council.

FINANCIAL IMPLICATIONS

The financial implications surrounding this proposed pricing extend substantially into Council's inability to receive/recover financial returns that would normally be derived through normal regulated pricing principles and price paths associated with maximum allowable revenue. Under the price capping provisions enforced by the legislation to be passed, the following table displays the proposed changes in pricing for both water and wastewater retail/distribution component charges. Please note however, that the table below excludes the bulk water volumetric/water consumption component, as the State Government have a different price path for bulk water charges and this component is not subject a CPI price cap.

By way of example, the table below illustrates the proposed price increase by each retail/distribution component.

Item	2010/11 Price	2011/12 Proposed Price	% Increase from 2010/11 – 2011/12	\$ Increase from 2010/11 – 2011/12
Wastewater Service Charge	\$696.00	\$721.06	3.6%	\$25.06
Water Access Charge	\$240.36	\$249.01	3.6%	\$8.65
*Water Consumption Tier 1 (0 - 146 kl)	\$0.66	\$0.68	3.6%	\$0.02
*Water Consumption Tier 2 (147 - 292 kl)	\$1.07	\$1.11	3.6%	\$0.04
*Water Consumption Tier 3 (293+ kl)	\$1.48	\$1.53	3.6%	\$0.05

*Note, the above water consumption figures are for the retail/distribution component only and exclude the bulk water component. It is indicative and assumes no change to the structural retail/distribution mix .

Of particular note, there are no alternatives allowable under the *Fairer Water Prices for SEQ Amendment Bill 2011* to increase retail/distribution component prices above the published nominated CPI Index percentage, thus limiting alternatives to the above price proposal.

Queensland Urban Utilities have already published their pricing for the 2011/12 financial year and this proposal for Redland customers will form part of Allconnex Water's pricing publication once all participating Council's have adopted pricing for the 2011/12 financial year.

PLANNING SCHEME IMPLICATIONS

The Land Use Planning Group was consulted and it is considered that the outcome of recommendations in this report will not require any amendments to the Redlands Planning Scheme.

CONSULTATION

Consultation of this of this information has taken place amongst the Executive Leadership Group through various budget 2011/12 development workshops.

OPTIONS

PREFERRED

That Council resolve to:

1. Adopt the proposed price increases for the retail/distribution components for water and wastewater charges for the 2011/12 financial year and to formally submit this proposal to Allconnex Water in preparation for billing arrangements commencing on 1 July 2011; and
2. Delegate authority to the Chief Executive Officer to provide a response to Allconnex Water on the Five Year Forward Plan, Annual Implementation Plan and Employee and Industrial Relations Plan by 23 May 2011 in accordance with Council direction.

ALTERNATIVE

That Council resolve to:

1. Propose a lower increase to the water and wastewater retail/distribution component charges for the 2011/12 financial; and
2. Not provide a response to Allconnex Water on the Five Year Forward Plan, Annual Implementation Plan and Employee and Industrial Relations Plan by 23 May 2011.

OFFICER'S RECOMMENDATION/ COUNCIL RESOLUTION

Moved by: Cr Ogilvie
Seconded by: Cr Bowler

That Council resolve to:

1. **Adopt the proposed price increases for the retail/distribution components for water and wastewater charges for the 2011/12 financial year and to formally submit this proposal to Allconnex Water in preparation for billing arrangements commencing on 1 July 2011; and**

2. **Delegate authority to the Chief Executive Officer to provide a response to Allconnex Water on the Five Year Forward Plan, Annual Implementation Plan and Employee and Industrial Relations Plan by 23 May 2011, in accordance with Council direction.**

CARRIED (unanimously)

4.1.2 REQUEST FOR EXCEPTION TO AWARD A CONTRACT UNDER DELEGATED AUTHORITY BY CHIEF EXECUTIVE OFFICER (CEO)

Datworks Filename: GOV WRAD - Allconnex Water Pricing

Responsible Officer: Martin Drydale
General Manager Corporate Services

Author: Gavin Holdway
Manager Financial Control

EXECUTIVE SUMMARY

As a result of the State Government announcement on the 7 April 2011 in relation to price capping of water and wastewater charges to residential and small business customers and the letter received from the Minister for Energy and water Utilities, the Honourable Stephen Robertson MP dated 19 April 2011, Redland City Council (RCC) has been provided an opportunity to withdraw its interest in the existing retail/distribution entity, Allconnex Water (AW). Council has been requested to advise the State Government by the 1 July 2011 of its preference moving forward in relation to the institutional arrangements for water and wastewater services to the community.

Given that there are a number of options, regulatory impacts, financial considerations and risks associated with RCC proposing to withdraw or proposing to structure the retail/distribution entity differently moving forward, RCC require immediate and specific expertise in relation to a variety of institutional options moving forward.

In line with sections 184 (b) & (c), of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, a local Government may enter into medium-sized contract or large-sized contract without first inviting quotes or tenders if:

- (b) the local government resolves that, because of the specialised or confidential nature of the services that sought it would be impractical or disadvantages for the Council to invite quotes or tenders ; or
- (c) a genuine emergency exists;

Due to the above it has been identified that Ernst & Young (EY) could carry out this work, for the following reasons;

- Expert subject knowledge of the water regulatory environment and reform framework.
 - EY have previously provided RCC with specific expert advice on water matters (including; regulatory pricing principles, full cost pricing & modelling; and infrastructure asset).
 - Expert knowledge of the previous RCC owned Redland Water business (prior to the commencement of ownership in Allconnex Water).
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- EY are in a position to provide this information to RCC prior to the deadline given by the State Government of 1 July 2011 for participating Council's to make a decision on institutional arrangements moving forward.
- EY are currently assisting other participating Councils with similar work, thus potentially being able to provide expert advice quicker to RCC than other consulting firms that haven't been involved in water reform matters recently, thus potentially saving RCC costs and time.

PURPOSE

The purpose of this report is to seek Council's approval to enter into a contract with EY in line with sections 184 (b) & (c), of the *Local Government (Finance, Plans and Reporting) Regulation 2010* and to delegate the Authority for the Chief Executive Officer to exercise the powers of delegation to award the contract to EY to carry out the required works in order for Council to understand the opportunities, risk and potential limitations the options associated with institutional arrangements moving and to achieve an outcome before the due date. It is anticipated that Ernest and Young will undertake this work for approximately 2 weeks or until sufficient information had been obtained for Council to make an informed decision.

Delegated Authority Requirements

Under section 187, Entering into a contract under a delegation of the *Local Government (Finance, Plans and Reporting) Regulation 2010*, Council delegated authority to the Chief Executive Officer (CEO) to enter, negotiate, and conclude contracts and purchasing arrangements under the provisions of the *Local Government Act 1993* and *Local Government Finance Standards* (General Meeting minutes 30/10/02) up to \$500,000 (including GST).

Under section 259 Delegation of the Chief Executive Officer powers of the *Local Government Act 2009*, the CEO has the authority to delegate to the General Managers and other Council officers to accept quotations and tenders and enter into contracts subject to the following conditions:

- a) An instrument of delegation has been issued and signed by the CEO;
- b) The value of the contract is within the limits and conditions outlined in the Instrument of Delegation; and
- c) The delegate has attended Purchasing and Technology One training.

The contract amount of this tender is under \$500,000 (including GST) and is therefore, within the CEO's financial delegation limits and conditions.

BACKGROUND

This report is in response to the State Government announcement on the 7th April 2011 in relation to price capping of water and wastewater charges to residential and small business customers and the letter received from the Minister for Energy and water Utilities, the Honourable Stephen Robertson MP dated 19th April 2011. In particular, council has been requested to advise the State Government by the 1st July 2011 of its preference moving forward in relation to the institutional arrangement for water and wastewater services to the community.

RELATIONSHIP TO CORPORATE PLAN

9. An efficient and effective organisation

Council is well respected and seen as an excellent organisation which manages resources in an efficient and effective way

9.7 Develop our procurement practices to increase value for money within an effective governance framework.

FINANCIAL IMPLICATIONS

Currently RCC are in negotiation with EY in relation to the costs associated with this engagement.

PLANNING SCHEME IMPLICATIONS

The Land Use Planning Group was consulted and it is considered that the outcome of recommendations in this report will not require any amendments to the Redlands Planning Scheme.

CONSULTATION

In preparation for this report to Council, consultation has occurred amongst officers, Manager of Financial Control, Manager of Procurement Operations, General Manager of Corporate Services and Chief Executive Officer.

OFFICER'S RECOMMENDATION

That Council resolve to:

1. Enter into a contract with Ernst and Young in line with sections 184 (b) & (c), of the *Local Government (Finance, Plans and Reporting) Regulation 2010*;
2. Delegate the Authority for the Chief Executive Officer to exercise the powers of delegation to award the contract to Ernst and Young to carry out the required works in order for Council to understand the opportunities, risk and potential limitations the options associated with institutional arrangements moving and to achieve an outcome before the due date. It is anticipated that

Ernst and Young will undertake this work for approximately 2 weeks or until sufficient information had been obtained for Council to make an informed decision;

3. Make, vary and discharge the contract in accordance with the agreed contract terms for any changes; and to the contract amount described in the contract documentation; and
4. Sign all relevant documentation.

COUNCIL RESOLUTION

Moved by: Cr Bowler
Seconded by: Cr Townsend

That Council resolve to:

1. **Enter into a contract with Ernst and Young in line with sections 184 (b) & (c), of the *Local Government (Finance, Plans and Reporting) Regulation 2010*;**
2. **Delegate the Authority for the Chief Executive Officer to exercise the powers of delegation to award the contract to Ernst and Young to carry out the required works in order for Council to understand the opportunities, risk and potential limitations the options associated with institutional arrangements moving and to achieve an outcome before the due date - maximum expenditure \$75,000. It is anticipated that Ernst and Young will undertake this work for approximately 2 weeks or until sufficient information had been obtained for Council to make an informed decision;**
3. **Make, vary and discharge the contract in accordance with the agreed contract terms for any changes; and to the contract amount described in the contract documentation; and**
4. **Sign all relevant documentation.**

CARRIED (unanimously)

5 MEETING CLOSURE

There being no further business, the Mayor declared the meeting closed at 12.42pm.

Signature of Chairperson: _____

Confirmation Date: _____