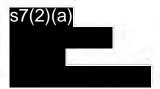
2 April 2025

Absolutely Positively Wellington City Council

Me Heke Ki Pôneke

File Ref: IRC-8064



Tēnā koe s7(2)(a)

Thank you for your email dated 5 March 2025 to Te Kaunihera o Pōneke | Wellington City Council (the Council) requesting the following information:

• all correspondence between elected members, council staff and/or Wellington Water about the FieldForce report between November 2023 and today?

Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA). As per my decision letter on 2 April 2025, your request was granted in part, with some information redacted.

Please see documents listed for all correspondence between elected members, Council staff and/or Wellington Water regarding the FieldForce report between **November 2023 and 5**March 2025.

Please note that some information has already been released and is publicly available on the Wellington Water website - <u>OIA-IRO-547-Official-Information-Request-regarding-the-review-into-the-WCC-Wellington-Water-contractor-relationship.pdf</u> As this is publicly available we consider this out of scope.

Below are the documents that fall in scope of your request and my decision to release the documents:

Item	Document Name	Decision	
1.	WWL response to Field Force Executive Summary - 30 November 2023	Release with some information redacted as out of scope	
2.	Agenda for Friday - 30 November 2023	Release in full	
3.	For discussion today - 1 December 2023	Release with redaction under s7(2)(g)	
4.	Clarification - 3 December 2023	Release with redactions as out of scope	
5.	starter for 10 - key options - 4 December 2023	Release in full	
6.	WCC Review - 7 December 2023	Release with redactions under s7(2)(a)	
7.	Say No - 13 December 2023	Release with redactions as out of scope	
8.	Contract Review Summary - 20 December 2023	Release with redactions under s7(2)(b)(ii) s7(2)(f)(ii)	
9.	Contract Review Summary - 15 January 2024	Release in full	
10.	Tonia WWL Review email response - 17 January 2024	Release in full	
11.	Water stuff – 17 January 2024	Release with redaction under s7(2)(f)(i) s7(2)(f)(ii)	
12.	Contract Review Summary - 18 January 2024	Release in full	
13.	Update - Wellington Mayor responds - Cr Chung - 21 January 2024  Release with redactions as o of scope		

Item	Document Name	Decision	
14.	Update - Wellington Mayor responds Cr Calvert - 21 January 2024	Release with redactions as out of scope	
15.	Review Response - 27 January 2024	Release with redaction under s7(2)(f)(ii)	
16.	Text messages between Cr McNulty & Chris Mathews - 29 January 2024	Release with redaction under s7(2)(b)(ii)	
17.	Release of report - 30 January 2024	Release with redactions under s7(2)(f)(ii)	
18.	Follow up with Mayor Barry - 30 January 2024	Release with redactions under s7(2)(a) & s7(2)(b)(ii) s7(2)(f)(ii)	
19.	FIELD FORCE REVIEW - ANOTHER CHANGE OF PLAN - 30 January 2024	Release in full	
20.	Release of independent report - 1 February 2024	Release with redaction under s7(2)(f)(ii)	
21.	FF4 report PR - 1 February 2024	Release with redaction under s7(2)(f)(ii)	
22.	Wellington Water Ltd Independent Operational Review - 2 February 2024	Release in full	
23.	WWL Response to the FF review - 2 February 2024	Release in full	
24.	WWL Statement of Expectations - 2 February 2024	Release Some information has been redacted under s7(2)(f)(ii)	
25.	WWL additional leak funding report - 11 March 2024	Release with redactions as out of scope	

Item	Document Name	Decision	
26.	Water services plan update - Memo # - 21 May 2024	Release with redactions as out of scope	
27.	Letter to Nick Leggett from WCC - 5 August 2024 Release with redactions un s7(2)(a) & 7(2)(f)(ii)		
28.	Wellington Water Committee Workshop - 9 February	Release with redactions as out of scope	
29.	Feedback on WWL reports – 4 March 2025	Release with redactions as out of scope	
30.	WWL Timeline – 5 March 2025	Release with redactions under s7(2)(f)(ii)	
31.	Info Request - Leaks - 23 November 2023	Release with some information released as out of scope	
32.	Information Request - leaks - 27 November 2023	Withheld in full under section s7(2)(g)	
33.	WWL response to Field Force Executive Summary - 30 November 2023	Withheld in full under section s7(2)(g)	

## Reason for redactions:

Some information has been redacted for the below reasons:

- s7(2)(a) protect the privacy of natural persons, including that of deceased natural persons.
- s7(2)(b)(ii) would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
- s7(2)(f)(i) maintain the effective conduct o public affairs though the free and frank expression of opinions by or between or to members or officers or employees of any local authority in the course of their duty.
- s7(2)(f)(ii) maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment.
- s7(2)(g) maintain legal professional privilege.
- Out of scope of what was requested.

As per section 7(1) of the LGOIMA, I do not consider that in the circumstances of this response, the withholding of this information is outweighed by the other considerations which render it desirable to in the public interest to make the information available.

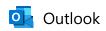
Please note, we may proactively release our response to your request with your personal information removed.

You have the right, by way of complaint under section 28(1) of the LGOIMA, to request an investigation and review of the Council's decision by the Ombudsman. Information about how to make a complaint is available at <a href="https://www.ombudsman.parliament.nz">www.ombudsman.parliament.nz</a> or freephone 0800 802 602.

If you require further information, please contact <a href="mailto:official.information@wcc.govt.nz">official.information@wcc.govt.nz</a>.

Nāku noa, nā

Asha Harry Official Information & Privacy Wellington City Council



## **RE: WWL response to Field Force Executive Summary**

From Chris Mathews < Chris. Mathews@wcc.govt.nz>

Date Thu 30/11/2023 7:58 AM

Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Cool, thanks. Out of scope

From: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Sent: Thursday, 30 November 2023 3:45 am **To:** Chris Mathews < Chris. Mathews@wcc.govt.nz >

Subject: Re: WWL response to Field Force Executive Summary

I'll try and catch her to get her thoughts Out of scope

Out of scope

we had a chat about WWL on the

walk to LGWM board meeting yesterday so she's under no illusions anymore especially after reading the Karori debacle

## Get Outlook for iOS

From: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>> Sent: Wednesday, November 29, 2023 4:08:22 PM **To:** Siobhan Procter < <u>Siobhan.Procter@wcc.govt.nz</u>>

**Subject:** Fwd: WWL response to Field Force Executive Summary

Hi Siobhan.

Do you think it's possible for you/BM to agree when this report can be published prior to Friday?

It will be a discussion topic so I've just included it.

Chris

## Get Outlook for iOS

From: Chris Mathews < Chris. Mathews@wcc.govt.nz> Sent: Wednesday, November 29, 2023 3:23 PM To: Mark Ford < Mark.Ford@wellingtonwater.co.nz >

Cc: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >; Natalie Crane < Natalie. Crane@wellingtonwater.co.nz >;

Kevin Locke < Kevin.Locke@wellingtonwater.co.nz >; Tim Harty < Tim.Harty@wellingtonwater.co.nz >

Subject: RE: WWL response to Field Force Executive Summary

HI Mark.

I was thinking,

- Intro's and Context (including resolution request)
- Field Force overview
- WWL Provide feedback on the review (deep dive on topics as required)
- · Report publishing.

Given the audience we weren't planning on getting into too much detail, however the full FF team will be there if this is required.

Happy to discuss,

Cheers

Chris

From: Mark Ford < Mark.Ford@wellingtonwater.co.nz >

**Sent:** Wednesday, 29 November 2023 12:00 pm **To:** Chris Mathews < <u>Chris.Mathews@wcc.govt.nz</u>>

Cc: Tonia Haskell <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia Haskell@wellingtonwater.co.nz</a>; Natalie Crane <a href="mailto:Natalie.Crane@wellingtonwater.co.nz">Natalie.Crane@wellingtonwater.co.nz</a>;

Kevin Locke < Kevin.Locke@wellingtonwater.co.nz >; Tim Harty < Tim.Harty@wellingtonwater.co.nz >

Subject: RE: WWL response to Field Force Executive Summary

Thanks Chris.

Do you have a proposed agenda for the meeting?

The proposed changes in commercial model and terms of the Alliance are significant.

From: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>>

Sent: Tuesday, 28 November 2023 4:57 pm

To: Mark Ford < <a href="Mark.Ford@wellingtonwater.co.nz">Mark Ford@wellingtonwater.co.nz</a>>

Cc: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >; Natalie Crane < Natalie. Crane@wellingtonwater.co.nz >;

Kevin Locke < Kevin.Locke@wellingtonwater.co.nz>

Subject: RE: WWL response to Field Force Executive Summary

**Caution:** This is an external email. Please take care when clicking links or opening attachments.

HI Mark,

Yes, I've shared your feedback with Field Force.

Attached is my draft feedback. Our misalignment appears to be our only alignment...

Yes, Barbara and Siobhan will attend this meeting.

Siobhan will reach out to Tonia and provide some more internal context.

Cheers

Chris

From: Mark Ford < Mark.Ford@wellingtonwater.co.nz >

**Sent:** Tuesday, 28 November 2023 11:38 am **To:** Chris Mathews < <a href="mailto:chris.Mathews@wcc.govt.nz">chris.Mathews@wcc.govt.nz</a>>

**Cc:** Tonia Haskell < <u>Tonia.Haskell@wellingtonwater.co.nz</u>>; Natalie Crane < <u>Natalie.Crane@wellingtonwater.co.nz</u>>;

Kevin Locke < Kevin.Locke@wellingtonwater.co.nz >

Subject: FW: WWL response to Field Force Executive Summary

Chris

In response to your email this morning asking for specific areas/discussion topics we'd like the consultants to address in the meeting.

Did you pass on our previous concerns as below we had raised about inaccuracies to FieldForce?

I've also attached our response you asked for. It would be good to see your response in the column by ours.

This would be a good starting point.

Tonia is unable to make it. Will Siobhan and Barbara be attending.

Cheers

Mark

From: Mark Ford <Mark.Ford@wellingtonwater.co.nz>

Sent: Wednesday, 11 October 2023 4:48 pm

**To:** Siobhan Procter < <u>siobhan.procter@wcc.govt.nz</u>>

**Cc:** Tim Harty < <u>Tim.Harty@wellingtonwater.co.nz</u>>; Kevin Locke < <u>Kevin.Locke@wellingtonwater.co.nz</u>>; Natalie Crane < <u>Natalie.Crane@wellingtonwater.co.nz</u>>; Chris Mathews < <u>Chris.Mathews@wcc.govt.nz</u>>; Tonia Haskell < <u>Tonia.Haskell@wellingtonwater.co.nz</u>>

Subject: WWL response to Field Force Executive Summary

Siobhan

As discussed we have put together a summary of the efficiencies recommended in the draft summary FF report that could be addressed now, and how WWL intends to respond.

We understand that Councillor Calvert has asked to see the draft FieldForce4 report. We continue to recommend that the report is split into the areas covered by the agreed Terms of Reference (to find efficiencies and cost savings) and the additional scope that WCC requested of the reviewer (contract review).

If the draft report is shared with your councillors, we ask that the attached documents also be shared.

As per the Council recommendation, the TOR sets out that WWC and WWL CEs are to approve the TOR, final reports and recommendation. It also sets out that the full report would be commercially sensitive and not for release.

Nga mihi

Mark

From: Mark Ford <Mark.Ford@wellingtonwater.co.nz>

**Sent:** Tuesday, 19 September 2023 5:16 pm

**To:** Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>>

Cc: Tim Harty < <a href="mailto:rim.Harty@wellingtonwater.co.nz">rim.Harty@wellingtonwater.co.nz</a>; Natalie Crane < <a href="mailto:Natalie.Crane@wellingtonwater.co.nz">Natalie.Crane@wellingtonwater.co.nz</a>;

**Subject:** WWL response to Field Force Executive Summary

Kia ora Chris

As per my message today here are my draft thoughts to talk about tomorrow.

We need to work together to conclude this review so that we can report to our Board and to the WCC. We suggest that we conclude this process by simply agreeing on the actions that can be implemented to improve performance in the short term and report these to Council. Any further work on the operating model as recommended in the review is not possible at this time. The review's primary purpose was to review the efficiency of the COG. The review concluded "Overall the delivery of the alliance is quite robust and has the potential for further improvements in efficiency, cost management and reporting" (see page 40).

There were some useful insights and recommendations. These include:

- 1. The need to make improvements to the KRA/KPI framework WWL can share the current KRAs and KPIs measured and reported by COG.
- 2. Clearly define and agree reporting requirements with WCC over and above existing, noting current core system and data limitations, and time resources required to create new reporting, and the need for consistency with other council owners. For example, WWL can share available crew efficiency data and measures.
- 3. Continue to invest in asset data register work which is improving asset data completeness and quality (this has been enabled through extra funding from WCC)
- 4. Work currently underway to improve the data and system support of, and system use for, work scheduling should continue.

Overall, however, the review lacked independence, balance and recognition of the hard work the front line teams are delivering in a challenging environment.

We cannot accept the report in its entirety, as many of the findings and recommendations are outside the scope of the review's terms of reference. Our shared understanding with you, expressed through the mutually agreed Terms of Reference, was that the review's primary objective was to improve efficiency of the Customer Operations Group and identify cost savings. A large percentage of the review did not address those objectives and was instead focused on the Wellington Water operating model, contract management, asset management and on aspects of work not related to the COG and Alliance.

It may be possible that in a future scenario where water reform doesn't feature, the WWL shareholders take a look at the model – but that would have to be done at a regional level, with acceptance by all shareholders and a change in the company constitution.

Many of the recommendations about the operating model were not backed by evidence, analysis and comparison against alternative operating models. They also did not adequately take into account that water reform is likely to occur in the next year.

In addition, the reviewer have made statements about parts of the business without talking to the subject matter experts in those business units.

The reviewers' core capability is around operations so, in our opinion, they are not qualified to give opinions on the operating model. This is demonstrated by the fact that the review has not reflected the operating context and associated constraints. It lacks understanding of local government processes, the NZ market, the age of the assets and the consequential reactive operating mode this drives.

Many of the findings of the review repeat what we already knew about constraints and problems. For instance, we're well aware that the customer interface set-up creates inefficiencies and duplication of effort. But the only suggested improvements involve major organisational restructures that have already been explored and rejected for political and practical reasons.

There are also errors in the report, and there is no analysis of what is driving cost and performance trends. Examples of errors in the report:

- Field Force show a fundamental lack of understanding of the fully integrated Alliance model
- The review showed a lack of understanding of Council planning processes for funding works programme the COG can and does develop annual works programmes but cannot have these approved before the Annual Plan is approved by Council.
- The review shows an inaccurate understanding of the investment planning process. WWL provides advice as to the associated risks and impacts of funding decisions this is not a solely financially focused process.
- The review has conflated WWL Management and Advisory fees with Alliance Management costs, the latter which is made up of WWL staff costs and COG overheads.
- Commentary on relocation of the first point of customer contact to WWL shows lack of Field Force understanding of the system constraints and also acknowledgement of the other client councils.

Additional commentary on the areas covered in the Executive Summary is set out in Attachment A.

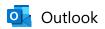
I have to say that I feel disappointed that we have used funding allocated from the leakage funding to seek an opinion on the WWL model. We have always supported looking for efficiencies and were looking forward to using Field Force's expertise in this area.

I propose that we park all the part of the report that relate to the model, and produce our own summary that meets the request from council and the terms of reference. Water reform will overtake the rest...

meets the request from council and the terms of reference.	Water reform will overtake the rest
I'll call you tomorrow to talk about this.	

Cheers

Mark



## **RE: Agenda for Friay**

From Chris Mathews < Chris.Mathews@wcc.govt.nz>

Date Thu 30/11/2023 8:58 AM

To Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Looks good.

Chris

From: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

**Sent:** Thursday, 30 November 2023 8:41 am **To:** Chris Mathews <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>

**Subject:** Agenda for Friay

Anything to add?

Meeting purpose: Provide WWL with an opportunity to raise their concerns with the FieldForce Review directly with the reviewers so the report can be finalised next week

- Introductions All
- Background Siobhan
- Review Summary Murray and Ian
- WWL Concerns Mark
- Discussion All
- Next Steps

## Ngā mihi

## Siobhan Procter

Tātai Heke Waihanga | Chief Infrastructure Officer | Infrastructure and Delivery | Wellington City Council M 021 228 5429 E siobhan.procter@wcc.govt.nz | W Wellington.govt.nz |

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## Absolutely Positively Wellington City Council

Me Heke Ki Pôneke

## RE: For discussion today - 1 December 2023

From Chris Mathews < Chris.Mathews@wcc.govt.nz>Date Fri 01/12/2023 12:28 PMTo Siobhan Procter < Siobhan.Procter@wcc.govt.nz>

1 attachment (1 MB)
WWC\_WWL Project TOR.pdf;

Yes, and of the TOR & SoW

I can't fathom how they are argue out of scope when you consider the signewd ToR...

We could argue that their requirements to provide 'related commercial' data i.e. sub contractor contracts was not met...

## **Objectives:**

The purpose of this review is to inquire into and report upon the following:

- Provide an independent review of WWL services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting.
- Shared understanding of how the Customer Operations Group (COG) works and the underpinning Alliance Agreement
- Shared understanding of how our financing model works including how funding is applied to opex/capex/ management fee, and the shared ownership between six council shareholders
- Shared understanding of the operating context and associated constraints

This review will aim to minimise impact on management and frontline staff and morale.

**Note**: The current environment with regard to water reform, shortage of people and funding may impact on WWL's ability to implement any recommended changes.

## Scope:

- Review the COG and Alliance Agreement that underpins it, and the service delivery model and the Alliance governance that sits over the top
- Review of contract performance management
- Review the commercial model and billing arrangements
- · Review improvements already identified, inflight or programmed
- Recommend further potential areas for improvement, taking into consideration the operating context, unique features of Wellington City Council and Wellington Water and reform timeframe
- Any possible changes or improvements identified will be owned and implemented by WWL

## Inputs:

The scope of the review includes reviewing the following documents and sources of information:

- · WWL-Fulton Hogan Alliance Agreement, contract terms, SLA, KPIs and related commercial data
- · COG organisational structure and functions
- COG Performance Report
- · 3 year historial operations and financial data
- · Customer Service Request and Network performance data
- Customer Service Blueprint / workflow
- Adopted LTP
- Situational overview documents available:
  - o Investment advice provided to council and approved budgets,
  - o Service delivery strategy,
  - o Mayoral taskforce report,
  - o Water Industry Commission for Scotland information,
  - o 2021 Review of Maximo
- SLA between WWL and WCC
- Current reporting from WWL to WCC
- · Sample data from completed jobs, including financials

## **Outputs:**

- A detailed commercially sensitive report that includes current state and operating context and identifies opportunities for improved service efficiency and potential savings.
- · A summary document that can be shared with councillors (and other parties as appropriate)

From: Siobhan Procter < Siobhan. Procter

@wcc.govt.nz>

Sent: Friday, 1 December 2023 11:25 am

To: Chris Mathews < Chris. Mathews@wcc.govt.nz>

Subject: FW: For discussion today

Can you please bring some print outs of this to the meeting?

S

From: Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Sent: Friday, December 1, 2023 11:18 AM

**To:** Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a> <a href="mailto:Cc:Siobhan.Procter@wcc.govt.nz">Cc:Siobhan.Procter@wcc.govt.nz</a> <a href="mailto:Chris.Mathews@wcc.govt.nz">Cc:Siobhan.Procter@wcc.govt.nz</a> <a href="mailto:Chris.Mathews@wcc.govt.nz">Cris.Mathews@wcc.govt.nz</a> <a href="mailto:Chri

**Subject:** FW: For discussion today

Fyi also.

I am in meetings pretty much all day so won't have a great deal of time to review this.

Ngā mihi, Barbara

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If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents.

If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.

From: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >

**Sent:** 01 December 2023 11:16

To: Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Cc: Mark Ford < Mark.Ford@wellingtonwater.co.nz >; Siobhan Procter < Siobhan.Procter@wcc.govt.nz >

**Subject:** FW: For discussion today

Hi Barbara – further to our discussion this morning, Mark's email below sets it out the Wellington Water really well.

The team are ready to talk to FieldForce today about the things we think are inaccurate etc in the report, we are still keen to work on an artefact we can agree on, but we do need to address the issue of scope....

Ngā mihi Tonia

Tonia Haskell (she/her)

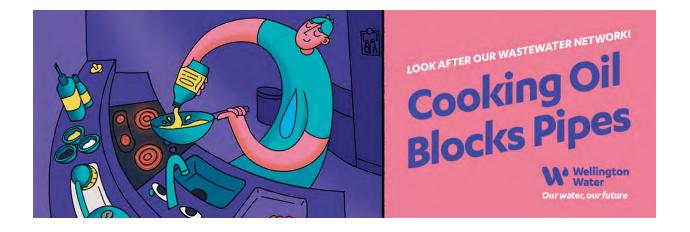
**Chief Executive** 



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz



From: Mark Ford < Mark.Ford@wellingtonwater.co.nz >

Sent: Friday, 1 December 2023 10:51 am

To: Siobhan Procter <<u>siobhan.procter@wcc.govt.nz</u>>; Chris Mathews <<u>Chris.Mathews@wcc.govt.nz</u>>

Cc: Tim Harty <Tim.Harty@wellingtonwater.co.nz>; Natalie Crane <Natalie.Crane@wellingtonwater.co.nz>; Tonia

Haskell < Tonia. Haskell@wellingtonwater.co.nz >

Subject: For discussion today

## Siobhan

You asked for the issues we'd like to discuss today. Here is a summary along with the more detailed responses we have previously given.

Overall position - we do not agree with many of the report recommendations.

## Scope

- We entered into this review in good faith given it is a condition of the additional funding from WCC, with the intention and hope that efficiencies of our frontline operations would be identified and implemented, if practical and affordable. This has not happened.
- Fundamentally the scope of the review was not confined with the terms of reference. It has drifted wider than expected and it has made recommendations that are out of scope. Additionally, there are still some factual inaccuracies in the report that need correcting.

## s7(2)(g)

- FF were engaged and instructed before the TOR was developed and signed off and this resulted in the scope of review being broader that the scope agreed in the Terms of Reference, resulting in this out of scope work. For example:
- FF work focused on comparing the Alliance model to a more traditional fully contracted out service model
   that review is not in scope
- FF didn't seek to understand the rationale for WWL selecting an alliance model for this work, nor the difference between the Alliance model and their reference model & the pros and cons of each
- There has been no commercial analysis or broader operational of the impact of implementing their recommendations, therefore it is unclear if it is even feasible.
- The recommendations would fundamentally alter the working model of water services provision in the region.

## **Operating context**

- The review recommendations did not take into account the NZ & Wellington operating context i.e. an old network resulting in WW having to operate in a largely reactive an inefficient manner.
- The review recommendations also did not take into account the other planning and reporting activities that WWL undertakes to contribute into WCC's council processes.
- The review gave little insight and suggested improvements to efficiencies, it assumed that if KPIs/schedule of rates are implemented then it would be lower cost and be more efficient i.e. the previous Citycare model.

We not agree with the summary report recommendations:

- Revise contract documents MSA & Alliance agreement we cannot do this without all Councils Shareholders' support (which is supported by legal advice)
- Improvement to Contract Management Capability we are happy to work with WCC to improve reporting
- Asset management this was out of scope and FF didn't talk to the key staff in this area before making the recommendations
- Redefine AWP processes this is set by the AP & LTP process, outside our control, also out of scope, cannot do this without all Councils support. This is now supported by legal advice
- Review end to end works delivery this is part of new water model, currently out of scope
- Review existing systems, applications & data data capture will continue to do so within available resources and funding. Job planning, scheduling, dispatch and CRM improvements to this system have been part of our LTP funding requests for all councils, so will need to be deferred until funding is available through LTPs or a new model. Note all councils will need to agree.
- Implement improvements with the Alliance the recommendations do not agree with standard estimates, changes to commercial model, & operations (planning, dispatch etc) and do not seem to be supported by an understanding of how an alliance works and serves the operating context that WW works within. This is now supported by legal advice

Ideally we would agree a summary report that would include key messages

- Review completed & key findings operating in a reactive & inefficient way due to old assets etc etc
- Found some improvements which we are now implementing provide these in detail

•	But exclude recommendations that could be used for a new model, although WCC is obviously welcome to incorporate these when considering a new model in due course!
Cheer	S
Mark	



Outlook

### Re: Clarification

From Councillor Tim Brown <Tim.Brown@wcc.govt.nz>

Date Sun 03/12/2023 8:58 PM

Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Siobhan Procter < Siobhan.Procter@wcc.govt.nz>; Chris Mathews < Chris.Mathews@wcc.govt.nz>; Stephen McArthur < Stephen.McArthur@wcc.govt.nz>

### Barbara

Thanks for your note. This is looming as a major major issue A bit more thana speed bump on our way to corporatisation, user charges, etc etc See you at 3pm

Tim

From: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Sent: Sunday, December 3, 2023 2:58 PM

To: Councillor Tim Brown <Tim.Brown@wcc.govt.nz>; Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Cc: Siobhan Procter < Siobhan. Procter@wcc.govt.nz>; Chris Mathews < Chris. Mathews@wcc.govt.nz>; Stephen McArthur < Stephen. McArthur@wcc.govt.nz>

Subject: RE: Clarification

Hello Tim

## of scope

On Friday I attended a meeting between Fieldforce, the independent consultants we contracted to undertake the WWL operational optimisation review, WWL senior management, and Siobhan and Chris. This is a meeting I have requested for some time. Finalising the review has been considerably delayed because WWL senior management do not accept many of its findings and I have been seeking a way to resolve that without creating unnecessary tensions and work at a time we are all so busy in the lead up to Christmas. I wanted to hear WWL ask their questions of Fieldforce and explain what they perceive to be inaccurate before concluding the process. As a result of the discussion I am confident that the Fieldforce review is robust, does not contain factual inaccuracies and that there will be very few changes to the final review report.

I would like to speak wih you and Tory asap about what I learned in this discussion, next steps and how we manage this before the Council agrees to provide WWL with any further funding. I have my weekly meeting with the Mayor tomorrow at 3pm – any chance you could join that for a time?

Ngā mihi, Barbara

## **Barbara McKerrow**

Chief Executive Officer | | Wellington City Council

M 027 803 0141 E barbara.mckerrow@wcc.govt.nz | W Wellington.govt.nz |

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## **Absolutely Positively** Wellington City Council

Me Heke Ki Pôneke

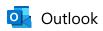


## cope OI

## Out of scope

## out of scope

## out of scope



## RE: starter for 10 - key options.

From Chris Mathews < Chris.Mathews@wcc.govt.nz>

Date Mon 04/12/2023 8:23 PM

**To** Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Rebecca Adams <Rebecca.Adams@wcc.govt.nz>; Meredith Keys <Meredith.Keys@wcc.govt.nz>

- Dealing with WCC signing the MSA without KPI's I don't think this is an issue we are where we are I only mention this as we need to be ready with a response.
- Officer advice do we remain neutral and rely on the independent review ? Advice on what? On the recommendations/findings, point is the reviews findings are independent, not ours, we should hold that line.

•

From: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Sent: Monday, 4 December 2023 8:17 pm

To: Chris Mathews < Chris. Mathews@wcc.govt.nz>; Rebecca Adams < Rebecca. Adams@wcc.govt.nz>; Meredith

Keys <Meredith.Keys@wcc.govt.nz> **Subject:** RE: starter for 10 - key options.

Adjustments below

From: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>>

Sent: Monday, December 4, 2023 1:34 PM

To: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Rebecca Adams <Rebecca.Adams@wcc.govt.nz>; Meredith

Keys < Meredith. Keys@wcc.govt.nz > Subject: starter for 10 - key options.

Monday – Tim/Field Force meet overview key findings – booked

Monday – BM to brief mayor and agree approach - done

Monday - Field Force Issue their final report (s) - done

Monday – Field force finalise their council briefing presentation

Tuesday- Barbara advises Tonia of the WWL Review briefing. TBD

Tuesday – workshop – present findings and issue summary report to councillors - PX

Tuesday - Issue press release - being worked on now

This week – Tim provides Campbell B / Nick L a heads-up and requests the report/recommendations are discussed

at the WC - TBD

This week – BM contacts/advises other CE's of the report and intent to discuss at the WC - TBD

This week - Andrea advises other CFO - TBD

This week – SP advises other CCRs - TBD

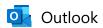
Thursday – Additional Funding requests paper (\$2 million) published for the 14 Dec Council meeting – does not reference the WWL review

14<sup>th</sup> Dec – WWL \$2.5m funding request paper presented – does not reference the WWL review

## **Considerations**

- Beth is working through the legal advice, need to determine when we respond and to what audience.
- Dealing with WCC signing the MSA without KPI's I don't think this is an issue we are where we are
- Linkage to 'new model' post reform ? or keep it clean with the review, it will come out in the WC discussion Only link to reform at this stage is the need to act now as there is no new entity on the horizon
- Impact on the 'regional model' being discussed by Wendy/Dougal not related
- Do we share WWL responses on recs? What is their forum to respond? to be deteremined
- Officer advice do we remain neutral and rely on the independent review ? Advice on what?

we could note WWL inability to respond to key questions for the \$2.5m additional funds request. This will be in the Council paper - note Kevin indicated they could use \$2 million not \$2.5



## FW: WCC Review

From Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Date Thu 07/12/2023 12:25 PM

**To** Siobhan Procter < Siobhan. Procter@wcc.govt.nz>

## Ngā mihi, Barbara

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From: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >

Sent: 07 December 2023 12:04

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Cc: Vanessa MacFarlane < Vanessa. MacFarlane@wellingtonwater.co.nz>; Melody McCabe

<Melody.McCabe@wellingtonwater.co.nz>; Alina Siegfried <Alina.Siegfried@wellingtonwater.co.nz>; Richard

MacLean < Richard. MacLean@wcc.govt.nz>

Subject: FW: WCC Review

FYI – internal message

Ngā mihi Tonia

Tonia Haskell (she/her)

**Chief Executive** 



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz



The risk of a water shortage is real Prepare for tighter water restrictions



From: Tonia Haskell < Tonia. Haskell @wellingtonwater.co.nz >

**Sent:** Thursday, December 7, 2023 12:02 PM **To:** \* All Staff < <u>AllStaff@wellingtonwater.co.nz</u>>

Cc: Nick Leggett <s7(2)(a)

**Subject:** WCC Review

Kia ora koutou,

We learnt this morning that part of a presentation earlier this week at Wellington City Council, involving Wellington Water, has been leaked to the media.

The presentation discussed a report WCC commissioned by a company called Fieldforce 4. The report itself is in draft and has not been shared in the media, however, to avoid speculation, I would like to clarify.

Earlier this year, we received around \$2m in extra funding from Wellington City Council to invest into fixing more leaks. This additional funding was conditional on "...[WWL] agreeing to a part of the funding being used to undertake a review of its services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting."

The report has not been finalised, we are still having conversations with officers, and we let you know more as we progress.

I just want to reiterate as we go into summer and a busy time of the year, that no matter what goes on in the media – I know we work really hard on looking after our customers and the water, and I am proud of the work we and our WWL whānau do on behalf of the region.

Ngā mihi Tonia

Tonia Haskell (she/her)
Chief Executive



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt



## The risk of a water shortage is real Prepare for tighter water restrictions





## RE: Say No

From Chris Mathews < Chris.Mathews@wcc.govt.nz>

Date Wed 13/12/2023 2:33 PM

To Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Yes, that's what I thought. He can deliver his views in deliberations anyway.

From: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

**Sent:** Wednesday, 13 December 2023 2:32 pm **To:** Chris Mathews < Chris. Mathews@wcc.govt.nz>

Subject: RE: Say No

I've left a message – he needs to be talked down from this

From: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a> Sent: Wednesday, December 13, 2023 2:28 PM

To: Siobhan Procter < Siobhan.Procter@wcc.govt.nz >; Andrea Reeves < Andrea.Reeves@wcc.govt.nz >

Cc: Gen Drake < Gen. Drake@wcc.govt.nz >

**Subject:** RE: Say No

I asked him to call me 10 mins ago, but best you talk with him.

From: Siobhan Procter < <a href="mailto:Siobhan.Procter@wcc.govt.nz">Siobhan Procter@wcc.govt.nz</a>>

Sent: Wednesday, 13 December 2023 2:27 pm

To: Andrea Reeves < Andrea.Reeves@wcc.govt.nz >; Chris Mathews < Chris.Mathews@wcc.govt.nz >

Cc: Gen Drake < Gen. Drake@wcc.govt.nz >

Subject: RE: Say No

I'll give him a call

From: Andrea Reeves < Andrea.Reeves@wcc.govt.nz > Sent: Wednesday, December 13, 2023 2:13 PM
To: Chris Mathews < Chris.Mathews@wcc.govt.nz >

Cc: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Gen Drake <Gen.Drake@wcc.govt.nz>

Subject: Re: Say No

I don't have a problem with this - it is really a matter for Tim. Chris if you are ok do you want to go back to Tim?

## Get Outlook for iOS

From: Councillor Tim Brown < <a href="mailto:Tim.Brown@wcc.govt.nz">Tim.Brown@wcc.govt.nz</a> Sent: Wednesday, December 13, 2023 1:53:20 PM

To: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris Mathews@wcc.govt.nz</a>; Andrea Reeves < <a href="mailto:Andrea.Reeves@wcc.govt.nz">Andrea Reeves@wcc.govt.nz</a>

Cc: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Gen Drake <Gen.Drake@wcc.govt.nz>

Subject: Say No

Folks
Are you OK with my sending this note to the other councillors?
Sorry about the formatting
Tim

## Colleagues

I would like your support in rejecting the application for a further \$2m of FY24 opex funding for WWL.

As we contemplate a potential 14% rates increase for next year we are all acutely aware of the critical need to deliver value for money, and that cherished projects will be cut or postponed.

"Fixing the pipes" is a cherished goal, but it is one where we must be confident that spend is matched by benefit, especially as the spend is huge.

On the basis of the Field Force performance review of WWL, we are miles away from having that confidence.

We need to fix the terms of WCC's agreement with WWL before providing further funding for reactive maintenance.

Changes to the WCC-WWL will progress early in 2024 and it may be reasonable to reassess additional funding once that has happened.

"Fixing the contract" and providing more funds to "fix the pipes" are compatible, but should happen in that order.

Tim

## 1. The FieldForce review

As you know, back in May we granted WWL an additional \$2.2m to fix leaks and \$0.1m for a review of the effectiveness of the WWL operating costs incurred on behalf of WCC.

Key findings of the draft FF report are:

- Investment is required in asset knowledge so as to provide a transparent and accountable investment plan as the basis of improved asset management.
- Poor investment planning and insufficient renewals investment means increasing reactive maintenance.
- Management of contractors is insufficiently rigorous and transparent. WWL views their role as a trusted
  advisor while WCC view WWL's role as an accountable contracted service provider. Without contractually
  clear accountability and performance measures, WCC has effectively given WWL an open cheque book
  without the ability to manage the quality and efficiency of the services delivered, leaving all cost and
  performance risk sitting with WCC.
- Contractor discipline, prioritisation, cost transparency are all lacking.
- Key operational metrics show poor and deteriorating performance

	Target	FY23 Actual
--	--------	-------------

Response to urgent call outs	60 minutes	132 minutes
Response to non-urgent call outs	36 hours	7. hours

• Over a three year period to October 2023 the average cost of addressing a leak rose from \$1,500 to \$3,000 while the backlog of leaks rose from under 400 to about 1,600.

Significant change is required in WWL's planning, contractor management, transparency, and accountability. This needs to happen before more, albeit necessary, funding is provided.

The following specific changes have been recommended to the Master Services Agreement between WWL and WCC:

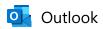
• A Joint Responsibility Matrix (JRM) is required to define roles, responsibilities, and accountability between WWL and WCC.

•



## Out of scope

# Out of scope



## FW: Contract Review Summary - 20 Dec 2023

From Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Date Wed 20/12/2023 2:04 PM

To Siobhan Procter < Siobhan.Procter@wcc.govt.nz>; Nadine Walker \$7(2)(f)(ii)

s7(2)(f)(ii)

2 attachments (477 KB)

WCC Executive Summary 231201 V2.0.pdf; WWL memo to WCC CE regarding FF4 Report FINAL 20 Dec 2023.pdf;

FYI

## Ngā mihi, Barbara

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From: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >

Sent: 20 December 2023 13:38

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Subject: RE: Contract Review Summary

Kia ora Barbara,

Thank you for sending through the final Executive Summary from FieldForce4.

We attach our response to the FieldForce4 report. We ask in good faith that this response accompanies the report if and when you release it.

Due to the potential reputational risk to Wellington Water I will be sharing the FieldForce4 Executive Summary and the attached response memo with the Board Chair and Water Committee Chair in confidence.

We would like to agree a release process. We know that Mayor Barry has spoken to Mayor Whānau about his concerns that the shareholders should be able to see the review ahead of the public. This will need to happen as soon as possible as our respective OIAs are due for release on 26 January.

Will you be sending through a final version of the full report?

I will arrange a catch up on the 15<sup>th</sup> of January to follow up. In the meantime, we will continue to advise you and your team of any interest from the media.

Have a great Christmas and see you next year!

Ngā mihi

Tonia Haskell	(she/her)
Chief Executive	

|--|

Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz



From: Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz >

Sent: Tuesday, 19 December 2023 11:20 am

**To:** Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">To: Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia.Haskell@wellingtonwater.co.nz</a>>

**Subject:** Contract Review Summary

Caution: This is an external email. Please take care when clicking links or opening attachments.

## Hello Tonia

Here is the final Fieldforce operational review report as discussed. The detailed document behind it remains unchanged. I will be in touch in the New Year when we are both back from leave (the week of 15 January) about the process for sharing it with the Council and WWL council shareholders. Obviously, at this time of year almost everyone is on leave or about to go on leave.

Ngā mihi, Barbara

### **Barbara McKerrow**

Chief Executive Officer | Tumu Whakarae | Wellington City Council

M 027 803 0141 | E barbara.mckerrow@wcc.govt.nz | W Wellington.govt.nz | Facebook Twitter

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## CONTRACT OPTIMISATION – OPPORTUNITY REPORT

The following executive summary contains the following sections:

- The objective of the review
- The approach taken
- Key findings
- Recommendations
- Next Steps

## The Objective of the Review

Wellington City Council (WCC) engaged Fieldforce4 (FF4) to conduct a collaborative contract review alongside Wellington Water (WWL). The review's primary focus was to assess existing agreement, maintenance services and associated costs, including an evaluation of the Alliance Contract between WWL and Fulton Hogan (FH). The objective being to improve efficiency, identifying potential cost savings, and improving transparency/reporting

The contract review for WCC and WWL encompassed both commercial and operational aspects of their contractual relationship. The goal was to ensure that the contract aligned with WCC's corporate objectives and delivered value for money. The engagement of FF4 allowed for an independent assessment to identify improvements, both in contractual and operational aspects, strengthening the relationship and optimizing service delivery and cost-effectiveness.

## The Approach

The review encompassed a series of activities to perform a high-level assessment of key contractual and operational themes impacting the current relationship and service delivery. These activities included:

- Approximately 21 interviews with staff from WCC, WWL, and FH, including senior and middle management levels. Notably, front-line staff interviews were excluded, as per initial mobilization instructions.
- Additional follow-up meetings to discuss and confirm issues and potential improvement opportunities.
- Analysis of over 90 documents provided by WCC, WWL, and FH, which included performance reports and costings.

It's important to clarify that this review should not be considered a forensic accounting audit of contract costs or operations but rather an opportunity to identify key improvement themes requiring further investigation to bridge the gap between current operations and proposed recommendations. While the primary focus was on maintenance services delivery, some areas technically outside the scope were examined briefly due to their potential impact on the contract and service delivery.





## **Key Findings**

The following key finding were identified:

Contract Management Framework

Both the Management Service Agreement (MSA) and the Alliance Agreement did not adequately support WCC's overall objectives due to the lack of clearly defined reporting requirements and performance measures. The "Trusted Advisor Delivery Model" seemed to have replaced a commercially sound delivery contract/agreement with explicit obligations by both parties. This issue extended to the Alliance Contract between WWL and FH, undermining cost control and performance improvement efforts.

In addition, the Alliance Contract has also adopted the same approach.

Recognising the WWL and FH have fundamentally different business objectives (irrespective of the Alliance agreement), the current 'pass through' (costs) approach does not adequately support the appropriate behaviours to support ongoing improvements in day-to-day operations irrespective of how motivated staff are.

This issue is supported by the proposed 71% increase in planned and reactive costs between the FY2020/21 actual and the recommended FY2023/24, while delivery throughput over the previous years has remained relatively the same. It is recognised that subcontractor costs have increased (by 28%) due the revised rates; and the additional numbers to offset the lack of internal resources (WWL and FH), it doesn't totally account for the overall increase. This is systemic of a pass-through approach being used rather than explicit performance measures and cost targets being applied etc

It should also be noted that the current MSA does contain a provision for Performance Measures which were to be implemented within the 18 months of the contract initiation.

Staff Contract Management Capability

Effective contract management was hampered by the absence of specific requirements and a focus on operational issues. WCC and WWL possessed the technical capability but struggled due to a lack of clear reporting, performance measures, and transparency regarding network risks and performance.

The main issue being the lack of clearly defined and agreed reporting and performance measures, WCC appear to focus at an operational level instead of a contract management level. This is largely due to the lack of transparency of a consolidated AWP program view, the underlying network risks and actual performance achieved combined with the ongoing requests for additional funding without having either the opportunity or visibility of the broader picture.





## **Contract Specifications**

The MSA lacked specific performance measures and cost allocation structures, placing the majority of the delivery risk on WCC due to the "cost pass-through" approach.

A similar theme to the first two findings (1 and 2) is the absence of specific performance measures and clearly defined cost allocation structures within the MSA and Alliance contract. This deficiency significantly contributes to the current state of the relationship between WCC and WLL, ultimately affecting the overall contract performance. Consequently, it appears that, aside from reputational risk, WCC bears the majority of the delivery risk due to the adopted 'cost pass-through' approach.

## **Alliance Contract Costs**

A lack of a consolidated cost view hindered accurate assessment of funding requirements and network risks. WWL and the Alliance provided comprehensive cost information, but it was challenging to determine cost performance in a consolidated manner.

The information gathered on the OPEX program showed the following:

- An increase of 71% in Planned and Reactive works costs between FY20/21 and the recommended FY 23/24. The increase relates to approx. 91% and 64% for planned work and reactive works respectively between the FY 20/21 and the recommended FY23/24 budget
- The WWL Alliance Management Fee has increased by between the FY 20/21 and FY2022/23 actuals
- Monitoring and Investigations has incurred the highest % increase of approx. 181% equating to \$2.8M. This was the result of a structured program
- WWL have recommended an increase of \$2.12M representing a 43% increase for WWL Management and Advisory Services fee between FY2020/21 and the recommended 23/24 budget

Note: While it is recognised that there have been increases in actual costs (mainly sub-contractor rates), it wasn't fully understood the rationale for the overall cost increase when considering the delivery of Urgent Works have remained relatively stable. While Non-urgent works backlog has been steadily increasing.

While it was recognised that the CAPEX function was out of scope of the review, an assessment of the FY22/23 project financials at the summary leve identified the following:

- The total spend for FY22/23 equated to \$72.1M
- Original Budget vs Total Actual Spend equated to an approx. overspend of \$7.2M
- Total Unbudgeted CAPEX spend equated to approx. \$27.0M of which \$10.1M was due to unbudgeted projects completed by the Alliance which impacted on the ability to complete Opex work





Again, as recognised, the assessment was conducted at a summary level with no interviews taking place at the functional department level. The focus was to understand the level of variation, the stability of the CAPEX program and the development of the program in relation to reactive works

#### **Contractor Performance**

The delivery alliance showed potential for improvements in efficiency, cost management, and performance reporting. However, an Alliance KRA Framework is underutilized, impacting scheduled work utilization and productivity monitoring, measurement and management.

- It was apparent that there is a real desire to continually deliver a cost-effective service within the Alliance Contract, however the current performance measurement do not reflect or provide the transparency of the real performance of the field crews
- The management of the sub-contractors is quite strong with the establishment of scheduled labour and activity/task rates.
- However, as shown by the Response & Resolution times, provided by WWL, there has been a marked degradation of performance over a 3 year period between FY20/21 and FY2022/23 within Water Supply. While Wastewater (over the same period), have shown an improvement, key performance targets are not being met.
- For the same period, the Alliance cost has experienced a recommended increase of 62% for the FY 2023/24 budget over the FY2020/21

#### Way of Working

Opportunities exist to align key business processes with the operational requirements

- The current interface/narrative between WCC and WWL is focused from a financial perspective rather than a network risk and asset performance basis. The current approach does not allow WCC the opportunity to make an informed decision from an overall network risk perspective in determining additional funding requests and variations
- While it is recognised that the Asset Management function was out of scope, anecdotally, it appeared further improvements can be made in developing the technical asset management capability within WWL. Further analysis is required to establish how effective the co-ordinated development of the CAPEX program is when considering the reactive work impacts
- The current customer request process is convoluted and results in request duplications and repeated triage and prioritisation effort which impacts on effective service delivery (right job, right crew, right time)
- It appeared that the Alliance team leaders are responsible for job prioritisation, planning and scheduling. This may not necessarily align to the optimum works delivery approach.





#### Technology

Data utilisation for contract/business performance was limited due to multiple systems. Opportunities potentially exist to further consolidate reporting requirements through the centralised data warehouse and Tableau server.

- Although multiple systems are used to support the delivery of services against the MSA and the Alliance Contract. It appears that WWL have a well-structured and executed data and system architecture operating within the current restraints
- Included within the system architecture is a centralised data warehouse supported by a Tableau server that provides access to operational data, supported by an extensive reporting/dashboard capability
- As a result, there may be further opportunities to consolidate the management and operating reporting requirements through the effective use of the data warehouse and reporting capability of tableau
- Anecdotally, there appears to be a significant amount of manual effort required to produce reports and key asset information to support asset management and delivery.
- The current field mobility solution limits the ability to collect key asset data in the field
- A scheduling tool is not currently being used, even though the functionality may exist within the current suite of applications
- The FreshService Application used by WCC to record customer requests is not a formal CRM application, while the customer experience is managed across multiple systems requiring duplicated data entry
- It is recognised that WWL have been continually developing /improving system capability e.g the asset register

#### Data

Although a significant amount of data is collected, a missed opportunity was identified to gather accurate and timely frontline asset data, especially for reactive works.

- The lack of defined reporting and performance measures is also contributing to the difficulty in defining the data requirements
- WWL do have an excellent analytical capability to produce detailed dash boards and management reporting, however, it didn't appear that the current outcomes are fully aligned to identify service delivery issues and improvements initiatives





#### Planning

Asset Management and the Annual Works Program development appeared fragmented focusing on the funding rather than Service delivery and network risk management.

- Anecdotally, it appears that the Asset Management function and the development of the Annual Works Program is fragmented. A further review is required as to the actual effectiveness of this function, as it wasn't within the scope of the review
- The current narrative between WCC and WWL is focused on funding rather than the assessment of the network risk. This doesn't allow WCC to make an informed decision based on the requirements from an overall investment and risk perspective
- It wasn't apparent whether the current clauses within the MSA covering the development and presentation of the 3-year AWP and annual review/approval is being followed
- An opportunity exists to revise the process and timeline for the annual review/approval of the AWP to support the frontline delivery of the physical program of work

#### **Customer Experience**

Current customer support systems and processes are deemed ineffective, relying on multiple systems with limited functionality. This led to duplicated effort and poor customer experiences.

- Currently, multiple systems are used in the management of the customer service requests
- The current systems do not provide the appropriate level of functionality as expected with typical CRM systems used in this space e.g. call grouping, duplicate jobs etc
- As a result, the customer service processes are convoluted that require duplicate effort in triaging and prioritisation of the service calls
  - WCC have implemented an IVR system of call forwarding, however, WWL are not permitted to log jobs and therefore the customer is required to contact the WCC again
  - As a component of the triage process, WWL are required to call the customer for Urgent Works to either confirm or reassess the priority
  - Duplicate jobs from WCC represent ~40% of the total number of jobs logged and require substantial effort to review before issuing to the field
- The current process results in significant time elapsed before the job is allocated to crews. This has a direct impact on the ability of the crews to respond to the DIA response time and contributing to a poor customer experience





#### Improvement Opportunities

As a result of the contract review, several recommendations have been proposed to address operational issues and enhance overall service delivery. These recommendations include:

**Revise Contract Documents:** 

Reframe the MSA contract to include specific details such as reporting requirements, key performance measures, AWP delivery/risk, and budgets.

- a. Key Performance Indicators Develop a suite of KPI's for both the MSA and the Alliance
- b. Performance Incentive Performance incentive mechanism. To be agreed between parties to reward attainment of the agree KRA's and KPI's.

Improve Contract Management Capability and Processes

Clarify roles, responsibilities, and reporting requirements to enhance service delivery, commercial outcomes, contract performance, and issue resolution.

- a. Re-establish the contract relationship through the development of a contract charter
- b. Revise/re-establish the monthly contract management performance meetings to include the appropriate operational representatives as required
- c. Revise/develop and agreed the contract reporting requirements
- d. Redefine roles and responsibilities of key functional support functions

Conduct a review of the effectiveness of the Asset Management function and further develop the technical capability as required

Ensure all inputs, including augmentation, customer-initiated, and reactive works, are considered for the AWP and stabilize the physical delivery program.

- a. Review the current processes, cost justifications and timing required to support the development of the AWP
- b. Consider the development of internal resources re reliability centered maintenance analysis techniques etc

Note: It is recognised that a significant amount of effort and progress has been made since the inception of the MSA. What was not evident, was how effective the technical capability or how the principles of an effective asset management approach were actually being applied.





#### Redefine AWP processes

Develop an unrestricted CAPEX and OPEX program, revise approval timelines, and consider standard task estimates for measuring work crew utilisation and productivity. Proposed actions to support the recommendation include:

- a. The development of the unrestrained CAPEX and OPEX program. The aim is to shift the narrative and focus from a financial perspective to a network risk assessment and delivery focus
- b. Revise the current approval timeline to ensure the operational areas have adequate time to plan and resource the agree AWP
- c. Revise the monthly AWP review process to include the appropriate technical personnel to present the program status and forecast cost to completion estimates etc
- d. Consider the use of Standard Task Estimates (as currently in use with the subcontractors). The purpose is to establish a performance base line on which to measure work crew scheduled utilisation and productivity

#### Review End to End Works Delivery

Explore options for relocating the first point of contact, consolidate planning/scheduling and dispatch functions, and identify process gaps for potential delivery improvements. Proposed actions to support the recommendation include:

- a. Consider the relocation of the first point of contact (call centre function) from WCC to WWL including the Call Centre setup and supporting processes this will eliminate double handling, reduce cost and support the field operations to meet key required performance targets
- b. Consolidate the planning/scheduling and dispatch functions To assist in the allocation, management and monitoring of the works preparation and delivery functions
- c. Review the current works delivery processes to identify potential gaps within the existing business processes and further identify delivery improvements that may exist

Review existing systems, applications and data architecture

The objective being to continue developing asset data capture procedures, investigate system suitability for job planning and scheduling, and consider implementing a suitable CRM system. Proposed actions to support the recommendation include:

- a. Continue to develop the Asset Data capture procedures and supporting applications (Asset Management, field mobility), recognising there has been a significant focus in the area
- b. Investigate the suitability of the existing systems to support job planning, scheduling and dispatch functional requirements
- c. Investigate and implement a suitable CRM system. This action will be dependent on the Reform decision





#### Implement improvements with the Alliance

Develop Standard Task Estimates, revise Alliance KPIs, and review planning and scheduling processes. Proposed actions to support the recommendation include:

- a. The development of Standard Task Estimates The purpose being to develop the base line for the ongoing measurement and monitoring of the Alliance contract.
   This initiative focusses specifically on scheduled utilisation and productivity, not only job numbers as a key performance measure
- b. Revise the Alliance KPI's and align with the MSA where applicable
- c. Conduct a detailed planning and scheduling process review with the potential to implement a centralised Planning/Scheduling and Dispatch functions

#### **Next Steps**

#### Improvements Implementation

There are several considerations to be taken into account when considering the actual implementation of the proposed recommendations. These being:

- 1) The Reform decision
- 2) The finalisation of the improvement initiative scope and implementation timeline
- 3) The available funding to support the improvement initiatives

Irrespective of the Reform decision, it is recommended the WWL closely consider what recommendation(s) best positions the business in order to meet the future requirements.

Irrespective of the Reform decision there are a number of improvement opportunities for immediate consisteration

- a) Review and establish clearly defined and measurable KRA's/KPI's across the MSA and the Alliance contract (back-to-back). In addition, this also includes the delivery of the CAPEX program
- b) Review and define the overall reporting requirements. The objective being to provide WCC and WWL with the appropriate clarity and transparency of the actual performance from both a program delivery (OPEX and CAPEX) and financial perspective.
- c) Revise the Annual Works Program (OPEX and CAPEX) and shift the narrative from a financial justification to a network risk and exposure perspective
- d) Develop and implement standard task unit of rates for all reactive and planned works





e) Review the current works delivery processes including centralising job planning and scheduling. This also includes the prioritisation of all non-urgent (P2, P3, P4) works and the alignment to the Annual Works Program

The Implementation Roadmap

An implementation roadmap consisting of four phases was presented at the August 31st workshop:

- 1. Foundation Review High-level independent review of the current contract to identify potential improvement opportunities/issues. Completed
- 2. Solution Development Clarify and validate the specific issues to be addressed and identify the actual gaps between the status and the desired future state.
- 3. Program Development –Develop the scope of the improvement opportunity, including the implementation timeline between the relevant parties
- 4. Implementation -Rollout of the improvement initiates within the agreed scope and timeline





#### Appendix A

#### **Water Supply**

Perfo	ormance Measure	Target	2021/22 Result (Reported)	2021/22 Result (Restated using the updated methodology)	2022/23 Result
3A	Median response time to attend urgent call-outs	<60 mins	66 mins	114 mins	132 mins
3B	Median response time to resolve urgent call-outs	<4 hours	2 hours	17.4 hours	13.4 hours
3C	Median response time to attend non-urgent call-outs	<36 hours	67 hours	334 hours	654 hours
3D	Median response time to resolve non-urgent call-outs	< 5 days	3 days	22 days	40 days

#### Wastewater

Performance Measure		Target	2021/22 Result (Reported)	2021/22 Result (Restated using the updated methodology)	2022/23 Result
3A	Median response time to attend a sewage overflow resulting from a blockage or other fault in the sewerage system	<=60 mins	162 mins	100 mins	85 mins
3B	Median response time to resolve a sewage overflow resulting from a blockage or other fault in the sewerage system	<= 6 hours	21 hours	17.7 Hours	7.9 hours

#### Proposed disclosure:

#### Correction of misstatement of attendance and resolution times

We have made improvements to the methodology used to measure the attendance and resolution times for water supply and wastewater. These changes relate to excluding records that were previously included, the most significant of which was the inclusion of duplicate records (where multiple people reported the same incident).

Due to the treatment of this data, duplicate records are closed before the job is complete, impacting the results. We have also removed additional jobs that were not strictly in line with the performance measure guidelines.

The times for the 2021/22 Financial Year have been restated and can be identified with a  $\dagger$  in the DIA performance measure tables.





TO Barbara McKerrow, Chief Executive, Wellington City Council

CC Campbell Barry, Chair of Wellington Water Committee (in confidence)

Nick Leggett, Chair of Wellington Water Board (in confidence)

FROM Tonia Haskell, Chief Executive, Wellington Water Limited

DATE 20 December 2023

#### **Contract Optimisation review conducted by FieldForce4**

#### Purpose

- 1. The purpose of this paper is to set out the concerns Wellington Water (WWL) has with the Contract Optimisation Review conducted by reviewer FieldForce4 at the request of Wellington City Council (WCC), and to provide WWL's response to the executive summary report ('the report') and the draft detailed report.
- 2. This document is intended to be read alongside the report to indicate WWL's position.
- 3. We would like to confirm our offer to come to speak to your council when the report is produced so that they can hear and understand our position.

#### WWL's Position

4. WWL does not accept the report, and is unable to approve it or sign off on the report's recommendations.

#### Reasons for our Position

- 5. In May 2023, WCC decided to invest an additional \$2.3m into fixing more leaks in the WCC drinking water network. This additional funding came with the condition to undertake a review of WWL's frontline operations: "the increase in Opex funding committed to Wellington Water Limited (WWL) is conditional on WWL agreeing to a part of the funding being used to undertake a review of its services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting."
- 6. WWL was grateful for the additional funding and agreed to the condition as it was the right thing to do. At a time when the region is losing up to 45% of its drinking water to leaks, WWL will always do what we can to secure more funding to find and fix as many leaks as possible.

- 7. WCC and WWL jointly developed and agreed a Terms of Reference (TOR) for the review. The purpose of the review identified in the TOR was largely to provide an independent review of WWL services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting in line with the request from council. There was also a stated desire to share a greater understanding of a number of elements of the WWL model including the Customer Operations Group (COG), the Alliance Agreement, how our funding and financing works, and the shared ownership between six council shareholders.
- 8. WWL agreed in good faith to FieldForce4 being engaged as the reviewer by WCC on the basis of the TOR and supported FieldForce4 in undertaking the review with provision of a wide range of documents and access to relevant personnel during the review.
- 9. During the review, it became apparent to the WWL team that FieldForce4 were operating under a different set of instructions than the terms of reference. This was raised with WCC officers, and it would now appear that FieldForce4 were not provided with the agreed TOR nor asked to revise their Statement of Work to reflect it.
- 10. The WWL and WCC teams have worked together throughout the review. WWL has expressed serious misgivings about the scope and content of the draft reports, and we have raised these with WCC on multiple occasions.

#### Concerns with the Report

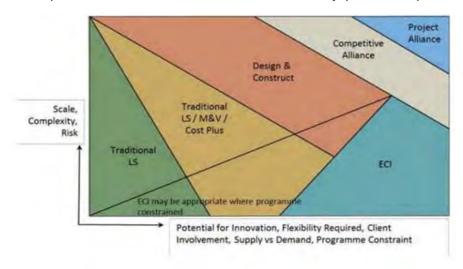
- 11. We now have the final Executive Summary of the FieldForce4 Contract Optimisation Opportunity Report, provided on 19 December. The findings in the final document reflect the findings in the draft, despite our feedback. Again, here are our concerns with the Report:
  - The Report suggests major organisation change (such as moving the customer first point
    of contact from WCC to WWL) as well as additional reviews of other parts of Wellington
    Water. Water reform is the vehicle by which transformational change will occur for
    Wellington Water.
    - That remains the case with the direction indicated by the new Government. Wellington Water people and their knowledge, our systems and process and our operating model will transition into a new entity. That new entity will decide the best operating model in order to meet water quality standards set by Taumata Arowai, and the economic regulation that will be established.
  - The scope is much broader than the terms of reference. There is an element of lost goodwill when it appears that FieldForce4 were instructed by WCC officers in contradiction to the Terms of Reference, but at no stage was Wellington Water advised of the change of direction or FieldForce4 redirected to comply with the TOR.
  - One of the key reasons for keeping the TOR tight was to minimise the impact on our staff who are already stretched, focused on significant priorities such as helping the region to manage a potential water shortage, and dealing with the uncertainty of the reform process. There is little point in putting our people through one change process that would be followed in short order with another. Undertaking a change process now

- would also be a costly exercise and we don't view this as a good use of our councils' or ratepayers' money.
- The review does not acknowledge the role of the Wellington Water shareholders or the governance of the Wellington Water Committee. The changes proposed impact all shareholders who are, like Wellington City, also customers. The other councils have not been included or consulted in the process.
- The report does not provide options or analysis. As an example, there is an absence of a
  detailed analysis comparing the advantages and disadvantages of both the existing
  operational model and the proposed changes. There are no other options considered or
  assessed, and it fails to assess the potential costs and productivity impacts on the work
  performed by the COG of a different model.
- The report contains numerous inaccuracies: for example, it has conflated WWL
  Management and Advisory fees with Alliance Management costs, the latter of which is
  made up of WWL staff costs and COG overheads.
- There are some obvious overstatements and recommendations that are not backed by evidence – for instance, the report gives an assessment of the capital delivery programme. Neither the GM responsible for capital delivery or any of her staff were interviewed or consulted in the review process, therefore FieldForce4 will not be aware of the programme's quality assurance processes, reporting or governance.
- The report states that the Management Service Agreement between WWL and WCC lacks specific performance measures. However, WWL sets the performance measures each year through its Statement of Intent, in response to the Letter of Expectations from its shareholders. The current SOI contains 16 measures.
  - It is also required to meet 25 mandatory performance measures set by the Department of Internal Affairs, 5 additional LTP measures set by WCC, and must also comply with and report against 250 Drinking Water Quality Assurance Rules set by Taumata Arowai.
- There are no practical recommendations for new operational efficiencies. Many of the system improvements are things that WWL was already aware of and are either underway or are known but implementation is not currently funded by the shareholders.

#### **Summary**

- 12. As an organisation WWL is always looking for efficiency improvements to the way it runs its operations in order to achieve the best outcomes for its shareholders and the residents of the region. We had welcomed the review but unfortunately the report missed the opportunity to focus on operational improvements which WWL is, and continues to be, open to.
- 13. We are not averse to adding performance measures provided that:
  - The measures are agreed to by all our other shareholding council customers,

- Drive the right behaviour (for example balance customer experience with keeping costs down), and
- Targets are set at a level the shareholding councils can afford.
- 14. In 2020, the WCC Mayoral Taskforce on the Three Waters was established to investigate the condition, funding and management of the network, and to develop recommendations for its future. The Taskforce Report concluded "that tinkering is not going to cut it. Transformational reform is required." This will need to come through water reform and a potential new CCO model under development.
- 15. We believe the Alliance, while not perfect, is the right model for the highly complex, high risk work in the Wellington Region. Modern procurement practices favour agility and collaboration, allowing contractors to share in the vision of the company. An alliance model was selected based on internal and external procurement advice and Fulton Hogan was selected to partner with us in a competitive process. We are constantly working on our performance as an Alliance. We would have enjoyed some input on further efficiencies.



16. In the meantime, WWL remains focused on its priorities: supporting our people through water reform, providing the region with sufficient safe drinking water, improving the performance of our Wastewater Treatment Plants and delivering the capital programme. This is on top of our urgent and short-term goals of getting ready to respond to a potential water shortage this summer, finding and fixing as many leaks as possible, and providing councils with long-term planning advice.



#### FW: Contract Review Summary - 15 January 2024

From Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz>

Date Mon 15/01/2024 3:40 PM

**To** Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Sehai Orgad <Sehai.Orgad@wcc.govt.nz>; Stephen McArthur <Stephen.McArthur@wcc.govt.nz>; Chris Mathews <Chris.Mathews@wcc.govt.nz>

1 attachment (872 KB)

WWL memo to WCC CE regarding FF4 Report FINAL 20 Dec 2023.pdf;

FYI

Ngā mihi, Barbara

The information contained in this email is privileged and confidential and intended for the addressee only.

If you are not the intended recipient, you are asked to respect that confidentiality and not disclose, copy or make use of its contents.

If received in error you are asked to destroy this email and contact the sender immediately. Your assistance is appreciated.

From: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >

Sent: Monday, January 15, 2024 2:17 PM

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Cc: Natalie Crane <Natalie.Crane@wellingtonwater.co.nz>; Lisa Kereama <Lisa.Kereama@wellingtonwater.co.nz>

Subject: RE: Contract Review Summary

Happy new year Barbara,

We have noticed that the final document we sent you last year still retained a "Draft" watermark. Just to clarify, the document sent was final, but to avoid confusion, here is a clean copy.

Have you advanced your plans for releasing the review and this response? It would be good to catch up if you have...

Ngā mihi Tonia

Tonia Haskell (she/her)
Chief Executive



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt



## The risk of a water shortage is real Prepare for tighter water restrictions



From: Tonia Haskell

Sent: Wednesday, December 20, 2023 1:38 PM

To: Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Subject: RE: Contract Review Summary

Kia ora Barbara,

Thank you for sending through the final Executive Summary from FieldForce4.

We attach our response to the FieldForce4 report. We ask in good faith that this response accompanies the report if and when you release it.

Due to the potential reputational risk to Wellington Water I will be sharing the FieldForce4 Executive Summary and the attached response memo with the Board Chair and Water Committee Chair in confidence.

We would like to agree a release process. We know that Mayor Barry has spoken to Mayor Whānau about his concerns that the shareholders should be able to see the review ahead of the public. This will need to happen as soon as possible as our respective OIAs are due for release on 26 January.

Will you be sending through a final version of the full report?

I will arrange a catch up on the 15<sup>th</sup> of January to follow up. In the meantime, we will continue to advise you and your team of any interest from the media.

Have a great Christmas and see you next year!

Ngā mihi Tonia

Tonia Haskell (she/her)

**Chief Executive** 



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz



From: Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Sent: Tuesday, 19 December 2023 11:20 am

To: Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia.Haskell@wellingtonwater.co.nz</a>>

**Subject:** Contract Review Summary

**Caution:** This is an external email. Please take care when clicking links or opening attachments.

#### Hello Tonia

Here is the final Fieldforce operational review report as discussed. The detailed document behind it remains unchanged. I will be in touch in the New Year when we are both back from leave (the week of 15 January) about the process for sharing it with the Council and WWL council shareholders. Obviously, at this time of year almost everyone is on leave or about to go on leave.

Ngā mihi, Barbara

#### **Barbara McKerrow**

Chief Executive Officer | Tumu Whakarae | Wellington City Council M 027 803 0141 | E <a href="mailto:barbara.mckerrow@wcc.govt.nz">barbara.mckerrow@wcc.govt.nz</a> | W <a href="mailto:Wellington.govt.nz">Wellington.govt.nz</a> |

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TO Barbara McKerrow, Chief Executive, Wellington City Council

CC Campbell Barry, Chair of Wellington Water Committee (in confidence)

Nick Leggett, Chair of Wellington Water Board (in confidence)

FROM Tonia Haskell, Chief Executive, Wellington Water Limited

DATE 20 December 2023

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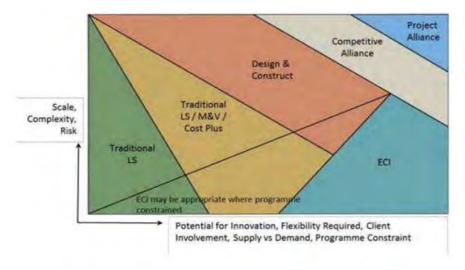
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  performed by the COG of a different model.
- The report contains numerous inaccuracies: for example, it has conflated WWL
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#### Tonia - WWL Review email response.

From Chris Mathews < Chris.Mathews@wcc.govt.nz>

Date Wed 17/01/2024 12:45 PM

**To** Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; Sehai Orgad <Sehai.Orgad@wcc.govt.nz>; Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

1 attachment (67 KB)

Contract Optimisation - Wellington Water's FieldForce4 position17Jan.docx;

HI Barbara.

Below is a draft response to Tonia and some supporting information for you.

Please note that I have email records demonstrating that we've requested, received and made amendments to the SoW and ToR based on WWL feedback. We also consulted with them on the appointment of FieldForce. WWL were not overly interested in the SoW and tended to focus on the ToR. Both documents strongly align.

Happy to discuss,

Chris

#### Kia ora Tonia

Thank you for your 20 December 2023 Memo advising your position that Wellington Water Ltd is not able to accept the FieldForce4 Contract Review report.

Our intent is to release a redacted version of the report next week.

Given the review was conducted by an independent third party, it's not appropriate to append commentary from WWL or WCC to this report.

Regarding the concerns you've raised on the development and utilisation of the SoW and ToR throughout this review, after discussing this with officers, I'm comfortable that both documents were co-developed and are strongly aligned.

Regards,

Barbara

#### Contract Optimisation Review - Wellington Water's position

#### Context

On 20 December 2023, Wellington Water Ltd issued a memo to Wellington City Council advising their position that they were not able to accept the FieldForce4 Contract Review report.

The primary reason for this stance relates to the perception that FieldForce4 were operating under a different set of instructions than the agreed Terms of Reference (TOR) and that they were not appropriately consulted. Wellington Water believe that FieldForce4 were not provided with the agreed TOR nor asked to revise their Statement of Work (SOW) to reflect it.

The WCC/WWL Optimisation project TOR approval process, as agreed by Barbara Mckerrow and Tonia Haskell at the end of June 2023, featured the following approval process:

- Develop the TOR
- Approve the project scope (consultant brief)
- Select the independent reviewer
- Provide feedback to draft reports
- Approve recommendations (each party approves their own)

CEs are to approve the TOR, final reports, and recommendation, as per the Council recommendation.

#### The TOR approval process was followed.

- Develop the TOR
  - o 13 June email Chris' post meeting email to WWL/WCC containing the briefs and preference for FieldForce4. Natalie Crane and Chris to work on the ToR.
  - o 16 June email response Mark Ford provided SoW feedback with a few small items.
- Approve the project scope (consultant brief)
  - o 13 June email Chris' email
  - 20 June email Chris' email to Mark Ford and Natalie Crane containing the SoW and invitation to make track changes for discussion in the TOR meeting. Wellington Water chose not to respond to the SoW.

From: Natalie Crane <Natalie.Crane@wellingtonwater.co.nz>
Sent: Wednesday, 21 June 2023 10:19 am
To: Chris Mathews <<u>Chris.Mathews@wcc.govt.nz</u>>; Mark Ford <<u>mark.ford@wellingtonwater.co.nz</u>>
Subject: RE: WORD version of the WWL SOW that you can edit

Thanks Chris. The TOR was getting too full to fit onto one page so I've reformatted it – attached. This incorporates suggestions from Kevin which we think improve it.

Ngā mihi Natalie Crane Mob 021 392 013

From: Chris Mathews < Chris.Mathews@wcc.govt.nz > Sent: Tuesday, 20 June 2023 7:44 pm

To: Mark Ford < Mark.Ford@wellingtonwater.co.nz>; Natalie Crane < Natalie.Crane@wellingtonwater.co.nz

Subject: FW: WORD version of the WWL SOW that you can edit

Caution: This is an external email. Please take care when clicking links or opening attachments

Howdy, as discussed, here's the SoW, please make any track changes and we can discuss on Wednesday in the ToR meeting,

Thanks

- 20 July email In response to Mark Ford's question about comfort with scope, Roshil Chand (WWL) responds to Mark Ford that they are comfortable with the information and the conversation they had.
- 24 July email Chris' email to Mark Ford and Natalie Crane containing the signed
   ToR and note that the SoW contains the comprehensive scope and deliverables that
   was agreed to with the note that the ToR is not a SoW
- Select the independent reviewer

FieldForce4

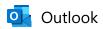
• Provide feedback to draft reports

Received WWL Memo, 20 December 2024

• Approve recommendations (each party approves their own)

WCC has received the independent final report.

- Appropriate commercial in confidence redaction has been completed with Gareth Hancock (Change Manager Legal Services).
- o Legal (Beth & Karyn) reviewing any 'commercially sensitive' material relating to Fulton Hogan (the Alliance partner).
- o The Review is scheduled for public release next week.



#### Water stuff

From Michael Naylor \$7(2)(f)(ii)

Date Wed 17/01/2024 9:59 AM

To Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Hi Tory

Apologies as I have a few water related things I have to send through to you today! First up, a response to Campbell's message about how and when to publicly share the FieldForce report that showed WWL had many operational inefficiencies.

The report has also been LGOIMA'd by the DomPost and that is due on Thursday next week. We can hold that response off for a little while but it does have to be publicly released.

#### s7(2)(f)(i)

s7(2)(f)(i) But I think putting the report out publicly a week prior to the meeting is not unreasonable given the public interest. s7(2)(f)(i)

#### s7(2)(f)(i)

Other Mayors may have different views on the report findings but as far as I'm aware WWL does not dispute the key aspects:

- The cost of fixing leaks has doubled in recent years and is increasing at a rate far higher than inflation.
- The shareholding Councils do not have any KPIs for Wellington Water around number of leaks fixed, cost, timeliness etc.
- The contract Wellington Water holds with Fulton Hogan to repair leaks allows Fulton's to pass through 100% of the costs and places no incentive on them to be more efficient.

### s7(2)(f)(i)

- 1. Share the full and final report with the shareholding Councils next Friday so they have a chance to digest it.
- 2. Put up the FieldForce report online the following week (a week prior to the WWL Committee as would be standard process for our own meetings).
- 3. Work through the report and Letter of Expectations for WWL at the 9 February Committee meeting.

I have a separate email coming to you with a response to the email Campbell Barry sent a week or so go about sending a letter to Minister Brown about water shortages.

Mike

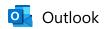
#### **Michael Naylor**

Senior Advisor

Office of the Mayor | Wellington City Council

s7(2)(f)(ii)





#### **RE: Contract Review Summary**

From Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Date Thu 18/01/2024 11:12 AM

To Chris Mathews < Chris.Mathews@wcc.govt.nz>; Siobhan Procter < Siobhan.Procter@wcc.govt.nz>; Sehai Orgad < Sehai.Orgad@wcc.govt.nz>; Stephen McArthur < Stephen.McArthur@wcc.govt.nz>

At this stage we may choose to release the document via a report back to the Infrastructure Committee so can we consider how we would handle that. I am discussing it with the Mayor this afternoon.

Ngā mihi, Barbara

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From: Chris Mathews < Chris. Mathews@wcc.govt.nz>

Sent: Wednesday, January 17, 2024 3:33 PM

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; Siobhan Procter <Siobhan.Procter@wcc.govt.nz>;

Sehai Orgad <Sehai.Orgad@wcc.govt.nz>; Stephen McArthur <Stephen.McArthur@wcc.govt.nz>

**Subject:** RE: Contract Review Summary

I was working under the assumption we would release the unredacted version to councillors with a caveat that its commercial sensitive, however that's your/ELT call. The key part that been redacted is the Fulton Hogan profit %/Numbers.

Provide a redacted version to media, shareholdings council CE's and on our website.

Legal are doing a final review/sense-check now.

The summary report does not contain commercially sensitive information.

Chris

From: Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz >

Sent: Wednesday, 17 January 2024 3:22 pm

To: Chris Mathews <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris Mathews@wcc.govt.nz</a>; Siobhan Procter <a href="mailto:Siobhan.Procter@wcc.govt.nz">Siobhan.Procter@wcc.govt.nz</a>; Sehai Orgad

<<u>Sehai.Orgad@wcc.govt.nz</u>>; Stephen McArthur <<u>Stephen.McArthur@wcc.govt.nz</u>>

**Subject:** RE: Contract Review Summary

Ok we need to be clear about what we are and are not releasing – are you saying there will be a redacted version for our council as well?

Ngā mihi, Barbara

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From: Chris Mathews < Chris. Mathews@wcc.govt.nz>

Sent: Tuesday, January 16, 2024 9:40 AM

To: Barbara McKerrow <<u>Barbara.Mckerrow@wcc.govt.nz</u>>; Siobhan Procter <<u>Siobhan.Procter@wcc.govt.nz</u>>;

Sehai Orgad <<u>Sehai.Orgad@wcc.govt.nz</u>>; Stephen McArthur <<u>Stephen.McArthur@wcc.govt.nz</u>>

**Subject:** RE: Contract Review Summary

Thanks, BTW - the version we sent Tonia was never intended to be the published version. The attached redacted version (with correct dates and pages numbers) is being reviewed by Legal now.

Chris

From: Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz >

Sent: Monday, 15 January 2024 3:40 pm

To: Siobhan Procter <<u>Siobhan.Procter@wcc.govt.nz</u>>; Sehai Orgad <<u>Sehai.Orgad@wcc.govt.nz</u>>; Stephen

McArthur <Stephen.McArthur@wcc.govt.nz>; Chris Mathews <Chris.Mathews@wcc.govt.nz>

**Subject:** FW: Contract Review Summary

FYI

Ngā mihi, Barbara

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From: Tonia Haskell < Tonia. Haskell@wellingtonwater.co.nz >

Sent: Monday, January 15, 2024 2:17 PM

**To:** Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Cc: Natalie Crane < Natalie.Crane@wellingtonwater.co.nz >; Lisa Kereama < Lisa.Kereama@wellingtonwater.co.nz >

**Subject:** RE: Contract Review Summary

Happy new year Barbara,

We have noticed that the final document we sent you last year still retained a "Draft" watermark. Just to clarify, the document sent was final, but to avoid confusion, here is a clean copy.

Have you advanced your plans for releasing the review and this response? It would be good to catch up if you have...

Ngā mihi Tonia

Tonia Haskell (she/her)

**Chief Executive** 



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz



The risk of a water shortage is real Prepare for tighter water restrictions



From: Tonia Haskell

Sent: Wednesday, December 20, 2023 1:38 PM

To: Barbara McKerrow < <a href="mailto:Barbara.Mckerrow@wcc.govt.nz">Barbara.Mckerrow@wcc.govt.nz</a>>

Subject: RE: Contract Review Summary

Kia ora Barbara,

Thank you for sending through the final Executive Summary from FieldForce4.

We attach our response to the FieldForce4 report. We ask in good faith that this response accompanies the report if and when you release it.

Due to the potential reputational risk to Wellington Water I will be sharing the FieldForce4 Executive Summary and the attached response memo with the Board Chair and Water Committee Chair in confidence.

We would like to agree a release process. We know that Mayor Barry has spoken to Mayor Whānau about his concerns that the shareholders should be able to see the review ahead of the public. This will need to happen as soon as possible as our respective OIAs are due for release on 26 January.

Will you be sending through a final version of the full report?

I will arrange a catch up on the 15<sup>th</sup> of January to follow up. In the meantime, we will continue to advise you and your team of any interest from the media.

Have a great Christmas and see you next year!

Ngā mihi Tonia Tonia Haskell (she/her)
Chief Executive



Tel 04 912 4400 Mob 027 496 1970

Private Bag 39804, Wellington Mail Centre 5045 Level 4, 25 Victoria Street, Petone, Lower Hutt

www.wellingtonwater.co.nz



From: Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz >

Sent: Tuesday, 19 December 2023 11:20 am

To: Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">To: Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia Haskell < <a href="mailto:Tonia.Haskell@wellingtonwater.co.nz">Tonia.Haskell@wellingtonwater.co.nz</a>

**Subject:** Contract Review Summary

Caution: This is an external email. Please take care when clicking links or opening attachments.

#### Hello Tonia

Here is the final Fieldforce operational review report as discussed. The detailed document behind it remains unchanged. I will be in touch in the New Year when we are both back from leave (the week of 15 January) about the process for sharing it with the Council and WWL council shareholders. Obviously, at this time of year almost everyone is on leave or about to go on leave.

Ngā mihi, Barbara

#### **Barbara McKerrow**

Chief Executive Officer | Tumu Whakarae | Wellington City Council M 027 803 0141 | E barbara.mckerrow@wcc.govt.nz | W Wellington.govt.nz |

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#### Re: Update - Wellington Mayor responds to Minister Brown's letter - cr Chung

From Councillor Ray Chung <Ray.Chung@wcc.govt.nz>

Date Sun 21/01/2024 1:46 PM

- To Councillor Sarah Free <Sarah.Free@wcc.govt.nz>; Councillor Ben McNulty <Ben.McNulty@wcc.govt.nz>; Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; DL: Councillors <councillors@wcc.govt.nz>
- Cc GRP: Executive Leadership Team (ELT) < GRP\_ExecutiveLeadershipTeam\_ELT@wcc.govt.nz>

#### Hi Folks

Just jumping into the fray, I'd really like an immediate release of the full Field Force Report and can see no reason to delay this further!

It seems to me that there are many parties who have the opinion that if there's something in any report that they don't like, the best solution is to withhold this? But nothing ever gets better by withholding information.

Cheers Ray





#### RE: Update - Wellington Mayor responds to Minister Brown's letter - Cr Calvert

From Councillor Diane Calvert < Diane.Calvert@wcc.govt.nz >

Date Sun 21/01/2024 9:41 AM

**To** Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; DL: Councillors <councillors@wcc.govt.nz>; Mayor <Mayor@wcc.govt.nz>

## out of scope

specifically requested a copy in August and followed through in September via Chris Mathews. Elected members were presented with a visual snapshot on 5 December (no copies of any information provided to us) and we were advised by you that the members of the Wellington Water committee needed to be advised before it could be released to us. We are now 21 January 2024 and I see absolutely no reason for any further delay in the release of the full report. We need to have full information in front of us (and enough time to digest) when making decisions on behalf of the Council such as last month when we increased the opex on Water and of course in the upcoming LTP deliberations starting at the end of this month with a briefing.

Regards

Diane

#### **Councillor Diane Calvert**

Wellington City Council | Wharangi/Onslow-Western Ward

P 029 971 8944 | E diane.calvert@wcc.govt.nz | W Wellington.govt.nz | F dianecalvertnz | T dianecalvertnz | W dianecalvert.nz



#### **Review response**

From Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Date Sat 27/01/2024 2:27 PM

To Michael Naylor S7(2)(f)(ii)

Cc Chris Mathews < Chris.Mathews@wcc.govt.nz>; Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz>

2 attachments (319 KB)

WCC resposne to WWL's concerns Jan24.docx; WCC WWL Management Presentation FINAL 230828 v1.0.pdf;

#### Kia ora Michael

Please find enclosed Tonia's memo outlining her concerns with the FF review and our notes which counter those concerns. We agreed to disagree.

Note we have email records demonstrating that we've requested, received and made amendments to the SoW and ToR based on WWL feedback. We also consulted with them on the appointment of FieldForce. WWL were not overly interested in the SoW and tended to focus on the ToR. Both documents strongly align so we refute the claim that FF was contracted on a different scope/ basis than agreed.

#### Ngā mihi

#### Siobhan Procter

Tātai Heke Waihanga | Chief Infrastructure Officer | Infrastructure and Delivery | Wellington City Council M 021 228 5429 E siobhan.procter@wcc.govt.nz | W Wellington.govt.nz |

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Absolutely Positively **Wellington** City Council

Me Heke Ki Pôneke

#### Contract Optimisation Review - Addressing WWL's concerns

#### Context

On 20 December 2023, Wellington Water Ltd issued a memo to Wellington City Council advising their position that they were not able to accept the FieldForce4 Contract Review report.

The primary reason for this stance relates to the perception that FieldForce4 were operating under a different set of instructions than the agreed Terms of Reference (TOR) and that they were not appropriately consulted. Wellington Water believe that FieldForce4 were not provided with the agreed TOR nor asked to revise their Statement of Work (SOW) to reflect it.

The WCC/WWL Optimisation project TOR approval process, as agreed by Barbara Mckerrow and Tonia Haskell at the end of June 2023, featured the following approval process:

- Develop the TOR
- Approve the project scope (consultant brief)
- Select the independent reviewer
- Provide feedback to draft reports
- Approve recommendations (each party approves their own)

CEs are to approve the TOR, final reports, and recommendation, as per the Council recommendation.

#### The TOR approval process was followed.

- Develop the TOR
  - o 13 June email Chris' post meeting email to WWL/WCC containing the briefs and preference for FieldForce4. Natalie Crane (WWL) and Chris to work on the ToR.
  - 16 June email response Mark Ford (WWL) provided SoW feedback with a few small items.
- Approve the project scope (consultant brief)
  - o 13 June email Chris' email
  - 20 June email Chris' email to Mark Ford and Natalie Crane containing the SoW and invitation to make track changes for discussion in the TOR meeting. Wellington Water chose not to respond to the SoW.

From: Natalie Crane <Natalie.Crane@wellingtonwater.co.nz>
Sent: Wednesday, 21 June 2023 10:19 am
To: Chris Mathews <Chris.Mathews@wcc.govt.nz>; Mark Ford <mark.ford@wellingtonwater.co.nz>
Subject: RE: WORD version of the WWL SOW that you can edit

Thanks Chris. The TOR was getting too full to fit onto one page so i've reformatted it – attached. This incorporates suggestions from Kevin which we think improve it.

Ngā mihi
Natalie Crane
Neb 021 392 013

From: Chris Mathews <Chris.Mathews@wcc.govt.nz>
Sent: Tuesday, 20 June 2023 7:44 pm
To: Mark Ford <Mark.Ford@wellingtonwater.co.nz>; Natalie Crane <Natalie.Crane@wellingtonwater.co.nz>; Subject: FW: WORD version of the WWL SOW that you can edit

Caution: This is an external email. Please take care when clicking links or opening attachments.

Howdy, as discussed, here's the SoW, please make any track changes and we can discuss on Wednesday in the ToR meeting,

Thanks

- 20 July email In response to Mark Ford's question about comfort with scope, Roshil Chand (WWL) responds to Mark Ford that they are comfortable with the information and the conversation they had.
- 24 July email Chris' email to Mark Ford and Natalie Crane containing the signed
   ToR and note that the SoW contains the comprehensive scope and deliverables that was agreed to with the note that the ToR is not a SoW

#### • Select the independent reviewer

FieldForce4

#### • Provide feedback to draft reports

WWL did not agree with the review – several meetings were held to resolve position of WWL and Field Force with no agreement able to be reached.

Issue escalated to CEs who met separately and WWL CE raised her concerns

Given the view were of an independent, WCC suggested the only way forward was for WWL to address its concerns directly with the review.

Meeting was held on 1 December 2023 - WCC, WWL and Fieldforce reviewers attended. This meeting was an opportunity for WWL to raise its concerns with the reviewer. WWL confirmed there were no factual inaccuracies in the report but asserted that the scope went outside of the ToR.

WWL issued a memo on 20 December 2024 stating that it did not accept the report and would not sign off on the recommendations.



TO Barbara McKerrow, Chief Executive, Wellington City Council

CC Campbell Barry, Chair of Wellington Water Committee (in confidence)

Nick Leggett, Chair of Wellington Water Board (in confidence)

FROM Tonia Haskell, Chief Executive, Wellington Water Limited

DATE 20 December 2023

#### **Contract Optimisation review conducted by FieldForce4**

#### Purpose

- 1. The purpose of this paper is to set out the concerns Wellington Water (WWL) has with the Contract Optimisation Review conducted by reviewer FieldForce4 at the request of Wellington City Council (WCC), and to provide WWL's response to the executive summary report ('the report') and the draft detailed report.
- 2. This document is intended to be read alongside the report to indicate WWL's position.
- 3. We would like to confirm our offer to come to speak to your council when the report is produced so that they can hear and understand our position.

#### WWL's Position

4. WWL does not accept the report, and is unable to approve it or sign off on the report's recommendations.

#### Reasons for our Position

- 5. In May 2023, WCC decided to invest an additional \$2.3m into fixing more leaks in the WCC drinking water network. This additional funding came with the condition to undertake a review of WWL's frontline operations: "the increase in Opex funding committed to Wellington Water Limited (WWL) is conditional on WWL agreeing to a part of the funding being used to undertake a review of its services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting."
- 6. WWL was grateful for the additional funding and agreed to the condition as it was the right thing to do. At a time when the region is losing up to 45% of its drinking water to leaks, WWL will always do what we can to secure more funding to find and fix as many leaks as possible.

- 7. WCC and WWL jointly developed and agreed a Terms of Reference (TOR) for the review. The purpose of the review identified in the TOR was largely to provide an independent review of WWL services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting in line with the request from council. There was also a stated desire to share a greater understanding of a number of elements of the WWL model including the Customer Operations Group (COG), the Alliance Agreement, how our funding and financing works, and the shared ownership between six council shareholders.
- 8. WWL agreed in good faith to FieldForce4 being engaged as the reviewer by WCC on the basis of the TOR and supported FieldForce4 in undertaking the review with provision of a wide range of documents and access to relevant personnel during the review.
- 9. During the review, it became apparent to the WWL team that FieldForce4 were operating under a different set of instructions than the terms of reference. This was raised with WCC officers, and it would now appear that FieldForce4 were not provided with the agreed TOR nor asked to revise their Statement of Work to reflect it.
- 10. The WWL and WCC teams have worked together throughout the review. WWL has expressed serious misgivings about the scope and content of the draft reports, and we have raised these with WCC on multiple occasions.

#### Concerns with the Report

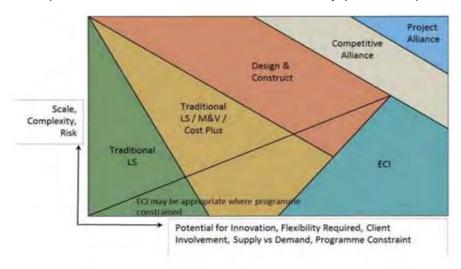
- 11. We now have the final Executive Summary of the FieldForce4 Contract Optimisation Opportunity Report, provided on 19 December. The findings in the final document reflect the findings in the draft, despite our feedback. Again, here are our concerns with the Report:
  - The Report suggests major organisation change (such as moving the customer first point
    of contact from WCC to WWL) as well as additional reviews of other parts of Wellington
    Water. Water reform is the vehicle by which transformational change will occur for
    Wellington Water.
    - That remains the case with the direction indicated by the new Government. Wellington Water people and their knowledge, our systems and process and our operating model will transition into a new entity. That new entity will decide the best operating model in order to meet water quality standards set by Taumata Arowai, and the economic regulation that will be established.
  - The scope is much broader than the terms of reference. There is an element of lost goodwill when it appears that FieldForce4 were instructed by WCC officers in contradiction to the Terms of Reference, but at no stage was Wellington Water advised of the change of direction or FieldForce4 redirected to comply with the TOR.
  - One of the key reasons for keeping the TOR tight was to minimise the impact on our staff who are already stretched, focused on significant priorities such as helping the region to manage a potential water shortage, and dealing with the uncertainty of the reform process. There is little point in putting our people through one change process that would be followed in short order with another. Undertaking a change process now

- would also be a costly exercise and we don't view this as a good use of our councils' or ratepayers' money.
- The review does not acknowledge the role of the Wellington Water shareholders or the governance of the Wellington Water Committee. The changes proposed impact all shareholders who are, like Wellington City, also customers. The other councils have not been included or consulted in the process.
- The report does not provide options or analysis. As an example, there is an absence of a
  detailed analysis comparing the advantages and disadvantages of both the existing
  operational model and the proposed changes. There are no other options considered or
  assessed, and it fails to assess the potential costs and productivity impacts on the work
  performed by the COG of a different model.
- The report contains numerous inaccuracies: for example, it has conflated WWL
  Management and Advisory fees with Alliance Management costs, the latter of which is
  made up of WWL staff costs and COG overheads.
- There are some obvious overstatements and recommendations that are not backed by evidence – for instance, the report gives an assessment of the capital delivery programme. Neither the GM responsible for capital delivery or any of her staff were interviewed or consulted in the review process, therefore FieldForce4 will not be aware of the programme's quality assurance processes, reporting or governance.
- The report states that the Management Service Agreement between WWL and WCC lacks specific performance measures. However, WWL sets the performance measures each year through its Statement of Intent, in response to the Letter of Expectations from its shareholders. The current SOI contains 16 measures.
  - It is also required to meet 25 mandatory performance measures set by the Department of Internal Affairs, 5 additional LTP measures set by WCC, and must also comply with and report against 250 Drinking Water Quality Assurance Rules set by Taumata Arowai.
- There are no practical recommendations for new operational efficiencies. Many of the system improvements are things that WWL was already aware of and are either underway or are known but implementation is not currently funded by the shareholders.

#### Summary

- 12. As an organisation WWL is always looking for efficiency improvements to the way it runs its operations in order to achieve the best outcomes for its shareholders and the residents of the region. We had welcomed the review but unfortunately the report missed the opportunity to focus on operational improvements which WWL is, and continues to be, open to.
- 13. We are not averse to adding performance measures provided that:
  - The measures are agreed to by all our other shareholding council customers,

- Drive the right behaviour (for example balance customer experience with keeping costs down), and
- Targets are set at a level the shareholding councils can afford.
- 14. In 2020, the WCC Mayoral Taskforce on the Three Waters was established to investigate the condition, funding and management of the network, and to develop recommendations for its future. The Taskforce Report concluded "that tinkering is not going to cut it. Transformational reform is required." This will need to come through water reform and a potential new CCO model under development.
- 15. We believe the Alliance, while not perfect, is the right model for the highly complex, high risk work in the Wellington Region. Modern procurement practices favour agility and collaboration, allowing contractors to share in the vision of the company. An alliance model was selected based on internal and external procurement advice and Fulton Hogan was selected to partner with us in a competitive process. We are constantly working on our performance as an Alliance. We would have enjoyed some input on further efficiencies.



16. In the meantime, WWL remains focused on its priorities: supporting our people through water reform, providing the region with sufficient safe drinking water, improving the performance of our Wastewater Treatment Plants and delivering the capital programme. This is on top of our urgent and short-term goals of getting ready to respond to a potential water shortage this summer, finding and fixing as many leaks as possible, and providing councils with long-term planning advice.





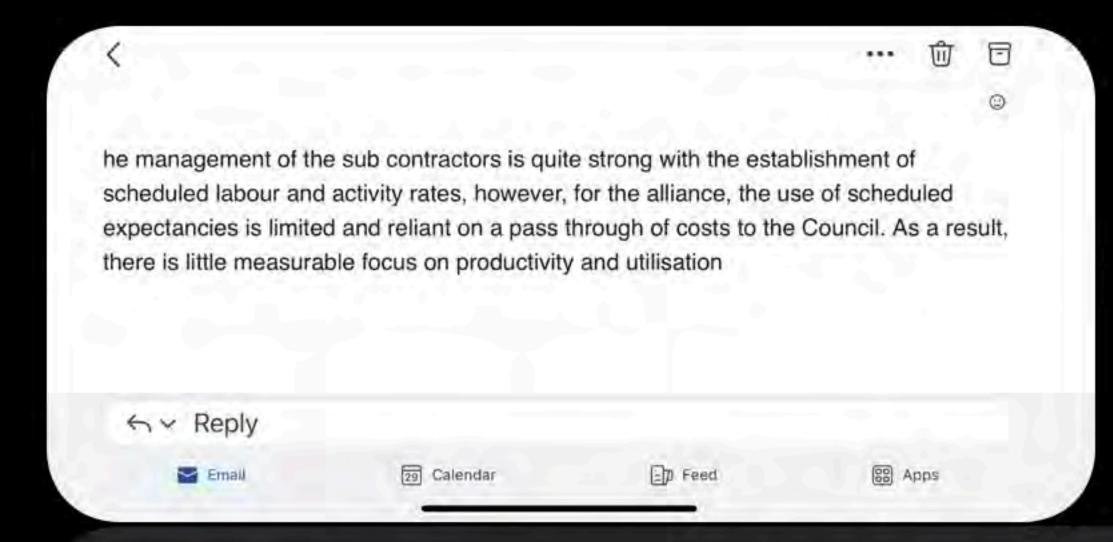
Item 16





Chris

29 Jan 2024 at 1:09 PM





The screen is from the Field force report.

The question is ask is does Fulton hogan have schedule labour and activity rates for their subcontractors (e.g. city care) or do they run the same model as Fulton hogan with a margin.

For you, note that FH also have an org margin too, but this will come out in the report and someone like Tony Randall will probable enjoy getting into the details











Ben, the full report will be released tomorrow, as I understand. The attached is from the elected members presented that has not been distributed, so I please be careful as I don't want this coming back to me or mgt.

Ive requested the data behind this report last week however note the that caveat that it is being based on cost data that WWL could provide noting 50% of the leaks had no cost data as that's not how Fultons charge. The fact that wWL don't know the full cost of fixing leaks speaks volumes about how they run their business / contractors.



iMessage





#### Fwd: Release of report

From Sehai Orgad <Sehai.Orgad@wcc.govt.nz>

Date Tue 30/01/2024 10:04 AM

To Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Rebecca Adams <Rebecca.Adams@wcc.govt.nz>; Moana Mackey <Moana.Mackey@wcc.govt.nz>; Meredith Keys <Meredith.Keys@wcc.govt.nz>; Richard MacLean <Richard.MacLean@wcc.govt.nz>

FYI

#### Get Outlook for Android

From: Michael Naylor \$7(2)(f)(ii)

Sent: Tuesday, January 30, 2024 8:40:20 AM

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; Sehai Orgad <Sehai.Orgad@wcc.govt.nz>

Cc: Nadine Walker 57(2)(f)(ii)

Subject: Release of report

Hi Barbara and Sehai

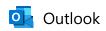
Nadine discussed the release of timing of the FieldForce report with the Mayor. She supported the release of the report to Councillors and other shareholding Councils on the same day it goes to the Minister.

Kind regards,

#### **Michael Naylor**

Senior Advisor
Office of the Mayor | Wellington City Council





#### RE: Follow up with Mayor Barry - 30 January 2024

From Michael Naylor S7(2)(f)(ii)

Date Tue 30/01/2024 10:03 PM

To Siobhan Procter < Siobhan. Procter@wcc.govt.nz>

Thanks. I've sent it to him

From: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Sent: Tuesday, January 30, 2024 7:55 PM

To: Michael Naylor < Michael. Naylor@wcc.govt.nz>

Cc: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; Sehai Orgad <Sehai.Orgad@wcc.govt.nz>; Mayor Tory

Whanau <Tory.Whanau@wcc.govt.nz> **Subject:** RE: Follow up with Mayor Barry

Hi Michael

Full Review attached – may be best for it to go to Campbell from Tory

Siobhan

From: Michael Naylor S7(2)(f)(ii)

Sent: Tuesday, January 30, 2024 6:28 PM

To: Siobhan Procter < Siobhan.Procter@wcc.govt.nz >

Cc: Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz >; Sehai Orgad < Sehai.Orgad@wcc.govt.nz >; Mayor Tory

Whanau < <a href="mailto:Tory.Whanau@wcc.govt.nz">Tory.Whanau@wcc.govt.nz</a> **Subject:** Follow up with Mayor Barry

Hi all

Tory had a constructive meeting with Mayor Barry. A couple of follow-up things. Can we make sure he has the full final FieldForce report asap please? He's been given the summary and a slide pack but wants to make sure he has all the info in advance. I'm not aware if there is a bigger report behind it all, but if so let's get it to him.

For the 9 February workshop he would like request CEs to do some work together beforehand on what should go into the SOE. He supports some changes to drive efficiency etc. but draws a distinction between changes that can be actioned short term and delivery short term improvements and other changes that may be valid, but are better wrapped into the larger piece of regional reform.

So that is an opportunity for us to do some more work with the other Councils to identify our priorities before next Friday. That process does not preclude WCC putting forward other recommendations for the SOE letter.

Kind regards,

Michael

Get Outlook for Android



### Agenda



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### **Contract Review**

# Background

### Background



Wellington City Council is a territorial authority in New Zealand, governing the country's capital city Wellington. It has a population of approximately 217,000.

Wellington Water is 100% council owned with Wellington City Council being a part owner, along with other councils in the Wellington district that contract their water management and maintenance activities through Wellington Water.

Fieldforce4 have been engaged by both organisations to provide an independent review of the existing contract between Wellington City Council and Wellington Water and also the alliance agreement between Wellington Water and Fulton Hogan with a view to improving efficiencies and identifying potential cost savings.

The scope of this engagement is a Contractor Review for Wellington City Council and Wellington Water with respect to the performance of their contract. This review will assess the commercial and some operational elements of the contractual relationship to confirm that the contract is delivering to the corporate objectives of Wellington City Council and is delivering value for money.

This will primarily be a contract management and cost review rather than an operations and service review. Through a series of interviews, data analysis and document assessment, FF4 will look at all elements in the work delivery value chain from work initiation and work planning through to delivery and analysis.



### **Contract Review**

# **Objective and Scope**

### Contract Review Objectives



### The purpose of this review is to inquire into and report upon the following:

- Provide an independent review of WWL services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting.
- · Shared understanding of how the Customer Operations Group (COG) works and the underpinning Alliance Agreement
- Shared understanding of how our financing model works including how funding is applied to opex/capex/ management fee, and the shared ownership between six council sharehold
- Shared understanding of the operating context and associated constraints





# Terms of Reference



#### Alliance Structure

Review the COG and Alliance Agreement that underpins it, and the service delivery model and governance that sits over the top



#### Contract Performance Management

Review of contract performance management



#### Commercial

Review the commercial model and billing arrangements



#### Improvements

Review improvements already identified, inflight or programmed

# Statement of Work



#### Contract Management Framework

Review the Contracts between WCC and WWL and between WWL and Fulton Hogan



#### Staff Contract Management Capability

Assess the capability and performance of the contract management functions



### Specifications

Review current contract schedules, specifications and structures against current and future works



#### Contract Cost

Review contract costs (rates, overheads etc) and billing process



#### Contractor Performance

Review contract KPI's



#### Way of Working

Review workflow processes in Service Delivery Value Chain



#### Technology

Review current technology and systems to support the works delivery process



#### Data

Undertake a high-level data quality review



#### Planning

Review AWP planning and delivery



#### Customer

Assess Service Level performance and reporting



### Out of Scope



- Anything not related to the Customer Operations Group
- Any employment related matters e.g. organisation structure, performance of individuals
- The purpose of this review is to focus on performance of the COG and Alliance for WCC. If there are service
  improvements, they could be shared with other councils, but we recognise that not all councils would benefit from this.



### **Contract Review**

## **Review Team**

### FF4 Review Team



Ian Hough Chief Operations Officer / Executive Consultant	Ian has engineering qualifications and an MBA with approximately 40 years of experience in project and maintenance management, business consulting and has held senior management positions mainly within the utility sector Previous experience includes AGL Electricity, GM positions within Tenix, Jemena, Zinfra and Transfield/Broadspectrum.  Consulting experience has covered a diverse range of industries across different functional areas	Warren O'Neill  Principal Consultant Delivery Practice	Warren has over 40 years' experience in the water industry particularly in the areas of changing working practices, process mapping and people/process reviews.  His previous experience includes Hunter Water where he led several business and productivity improvement initiatives and is a certified Black Belt in Lean Six Sigma.  Warren has extensive consulting experience in service and contract reviews covering a diverse range of industries across different functional areas.
Mary Wilson Principal Consultant Delivery Practice	Mary has extensive consulting experience conducting service reviews and reviewing work processes within Councils and Utilities, reviewing contracts, contractor performance and undertaking s17A reviews.  Mary's previous experience includes 10 years consulting and coaching in workplace efficiency and effectiveness. Prior to this she was engaged as a solicitor working in commercial and employment law	Anthony Campbell Principal Consultant Delivery Practice	Anthony has over 20 years' experience in business improvement forged through a number of project, program and transformational leadership roles across the utility and financial services sectors.  He is a strategic, pragmatic and results driven manager who combines extensive industry knowledge with an enthusiastic and engaging personality to deliver outstanding results to FF4 clients.  MBA qualified, Anthony brings a highly analytical mind and a strong emphasis on change and project management to deliver large cross functional projects successfully.



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### **Contract Review**

# **Approach**

### Approach



The objective of this review is to identify opportunities for contract management and operational performance improvements to deliver 'value for money' for Wellington City Council, Wellington Water, their customers and the community.



#### To achieve this objective FF4 will:

- Review the current contract framework for both contracts (WCC WWL, WWL FH) to further understand the contract/service obligations of all parties
- Undertake a current state analysis of the management and service delivery performance in accordance with the Service Delivery Value Chain
- Conduct a series of interviews with appropriate staff in the Customer Operations Group and also staff in other areas that provide support to CoG
- Review the provided documentation including reports and data analysis to support findings
- Recommend potential areas for improvement, taking into consideration the operating context, the unique features of Wellington City Council and Wellington Water as well as the reform timeframe



### Contract Review Objectives



The contractual responsibilities across the Service Delivery value chain are allocated between the two parties as shown in the diagram below.







### **Contract Review**

# **Key Findings**

### **Key Findings**





Both the management services agreement (MSA) and the alliance agreement do not adequately support the overall objective of WCC



Inconsistent processes impact effective service delivery across the value chain



Effective contract management is limited by the lack of specific requirements and a focus on issues at an operational level



A number of disparate systems with little or no integration to support the end-to-end delivery service model



The current contract does not specify the level of services and deliverables at an appropriate level of detail



Data is not being used to effectively to manage and drive the performance of contract/business



A lack of a consolidated view of contract costs impacts the ability to accurately assess the level of funding requirements and risk



Asset Management and the development of the Annual Works Program is fragmented with an emphasis on the funding requirements as opposed to Service Delivery and Network risk management



The lack of appropriate performance monitoring and management measures inhibit the ability to effectively



Current customer supporting systems and processes are ineffective in delivering on the desired customer experience



manage the contract risk and performance

### Key Findings – Contract Management Framework



# Both the Management Services Agreement (MSA) and the Alliance Agreement do not adequately support the overall objective of WCC



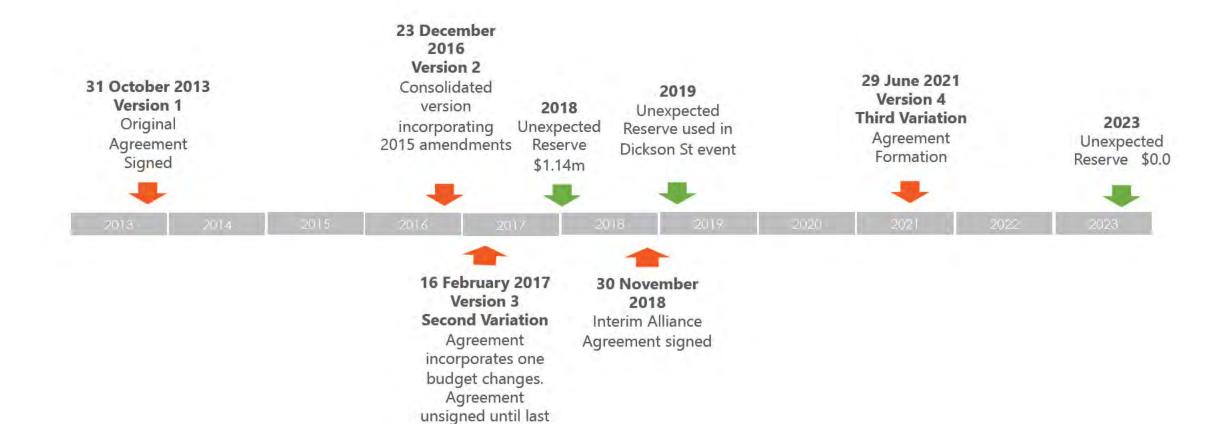
- The agreement has gone through a number of iterations and, in 2017, the basis of the relationship changed to a "trusted advisor" model with the introduction of One Budget Charges and the deletion of KPI's and the Performance payment
- As a result, the mechanisms to ensure adherence to the contract obligations changed from explicit clauses to a "trusted advisor" model
- Due to the change of approach and lack of sufficient clarity/visibility of the works program and delivery performance, it appears WCC have adopted a more traditional contract management approach
- It appears that, even with the revised contract, a number of key contract obligations are not being met or managed
- It doesn't appear that the Alliance Agreement is aligned to the provisions of the MSA including performance measurements, monitoring and reporting
- From a conceptual perspective, it doesn't appear that the end-to-end risk profile is proportionate to the intent of the contract

### Key Findings – Contract Management Framework

quarter 2020



#### The agreement has gone through a number of iterations



F

### Contract Management v Trusted Advisor Model



It is recognised that there is a difference between the delivery models, however, this doesn't negate the need for performance management and reporting

Category	Contract Management Model	Trusted Advisor Model	
Nature of the relationship	Relationship is defined by the contract and each party holds the other party to account	Partnership between the client and the service provider which is based on trust and performance	
Purpose	Focus is on managing obligations and administering the terms of the contract to achieve business needs and meet legal obligations	Focuses on delivering quality services while ensuring reliability, security, transparency (regarding process, performance metrics and risk), accountability and a client-centric approach.	
Scope	Oversees contractual terms, ensuring compliance and performance	Encompasses the entire service delivery process	
Service Centric v Asset Centric	More asset-centric as deals with contracts, rights and obligations related to assets and services	Centres around service delivery and meeting service level agreements	
Risks and Compliance	Addresses risks and enforces compliance	Strong emphasis placed on risk management as the service provider is responsible for ensuring the delivery of services	

NB: Trust is built by consistently meeting service delivery expectations



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### Key Findings – Contract Management Framework



It appears that, even with the revised contract, a number of key contract obligations are not being met or managed

Clause	Description	Status	Commentary
4.8	WWL will be measured by the agreed Key Performance Indicators	Х	The MSA does not contain any KPI's and the KPI's contained in the Alliance agreement are not comprehensive
4.25	Continuously improve processes and reduce costs	х	The Agreement does not stipulate how this will be reported and measured.
10	Reports, Information, Reviews and records	X	SLA reports are to be provided monthly and quarterly as per Schedule 3 however the quality of reporting is not to the required standard
10.7	Council Audits	Х	Council may audit (at Councils cost) WWL performance in the delivery of Management services.
11	Three Year Plan, Annual Work Programme, One Budget Charges and Additional Services	X	To be delivered by 1 September each year. Only the 2021 3 year plan has been delivered. The detailed 2022 plan was not received The 2023 AWP was inadequate and had to be completely reworked and was subsequently delivered late. No approval date stipulated for the AWP in the MSA.



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### MSA Key Clauses Assessment (illustrative)



It appears that, even with the revised contract, a number of key contract obligations are not being met or managed

Clause	Description	Status	Commentary
11.11	The Opex charge contains a Contingency Sum to be used at WWL discretion and subject to reporting requirements Opex and Capex expenditure may be over or under against the AWP and does not require WWL to repay One Budget Charge or be entitled to increase in One Budget Charge. The following applies: -At year end the unspent portion of the contingency fund is transferred to an "Unexpected Event Reserve" Any amount exceeding the Unexpected Reserve Cap is repaid to Council	X	It is not apparent whether the contingency sum is being monitored and tracked The Unexpected Reserve built up over time to \$1.14m but was completely used in Dixon Street event in early 2019. Since then, the contingency fund has been spent in full every year.  There are currently no funds in the Unexpected Reserve and there is no evidence to support whether the contingency fund is being effectively managed within the intent of the contract between WCC and WWL.
11.14	WWL required at times to respond to unexpected events. These are deemed additional services Cost to be paid from (in this order): - unexpected Event Reserve - then contingency fund - then from WCC	Х	While "unexpected events" are defined in clause 26 there needs to be further clarification of "unexpected events" vs "incidents" vs BAU together with agreed definitions and approval process



### MSA Key Clauses Assessment (illustrative)



# It appears that, even with the revised contract, a number of key contract obligations are not being met or managed

Clause	Description	Status	Commentary	
Schedule 2	There are 48 tasks and activities described under Management Services.  - Monitoring reporting on and administering all financial and operational aspects of contracts relating to Water Services	X		While WWL are performing these tasks at varying levels, it does not appear that the reporting requirements has been clearly defined to the appropriate level of detail to satisfy WCC's requirements.
	- Arranging the provision of Water services in accordance with the approved Annual Work Programme, Council's Annual Plans and Long		It appears that there is a level of inconsistency in delivery of the reports e.g. 3-year LTP.	
	Term Plan, and approved Asset Management Plan  - Preparing for Council draft Asset Management Plans, business plans and the draft Annual Work Programme for assets and infrastructure used to provide Water services, all in accordance with the requirements of this Agreeement, the LGA 2002 and industry best practice or Council's practice if that exceeds best practice		Comment: There is a shared responsibility to manage and meet the contract obligations.	
			Clause is too broad and does not specify the detailed reporting requirements including measures and targets to manage and mitigate the inherent safety risk within the network.	
	<ul> <li>Monitoring and managing Councils obligations under the HSE Act in respect of the Management services, the assets and infrastructure used to provide Water Services and all works to or affecting such assets and infrastructure to the extent there are any, and ensuring Wellington Water and/or Council do not breach their obligations under the HSE Act</li> </ul>		There is a potential exposure to WCC if they are not taking a more active role in monitoring and managing the HSE risk at an operational and systemic level.	



### MSA Key Clauses Assessment (illustrative)



# It appears that, even with the revised contract, a number of key contract obligations are not being met or managed

Clause	Description	Status	Commentary
Schedule 2	There are 48 tasks and activities described under Management Services.  - Monitoring reporting on and administering all financial and operational aspects of contracts relating to Water Services  - Arranging the provision of Water services in accordance with the approved Annual Work Programme, Council's Annual Plans and Long Term Plan, and approved Asset Management Plan  - Preparing for Council draft Asset Management Plans, business plans and the draft Annual Work Programme for assets and infrastructure used to provide Water services, all in accordance with the requirements of this Agreeement, the LGA 2002 and industry best practice or Council's practice if that exceeds best practice	X	While WWL are performing these tasks at varying levels, it does not appear that the reporting requirements has been clearly defined to the appropriate level of detail to satisfy WCC's requirements.  It appears that there is a level of inconsistency in delivery of the reports e.g. 3-year LTP.  Comment: There is a shared responsibility to manage and meet the contract obligations.
	<ul> <li>Monitoring and managing Councils obligations under the HSE Act in respect of the Management services, the assets and infrastructure used to provide Water Services and all works to or affecting such assets and infrastructure to the extent there are any, and ensuring Wellington Water and/or Council do not breach their obligations under the HSE Act</li> </ul>	Х	Clause is too broad and does not specify the detailed reporting requirements including measures and targets to manage and mitigate the inherent safety risk within the network.  There is a potential exposure to WCC if they are not taking a more active role in monitoring and managing the HSE risk at an operational and systemic level.



### Alliance Clauses



It doesn't appear that the Alliance Agreement is aligned to the provisions of the MSA including performance measurements, monitoring and reporting

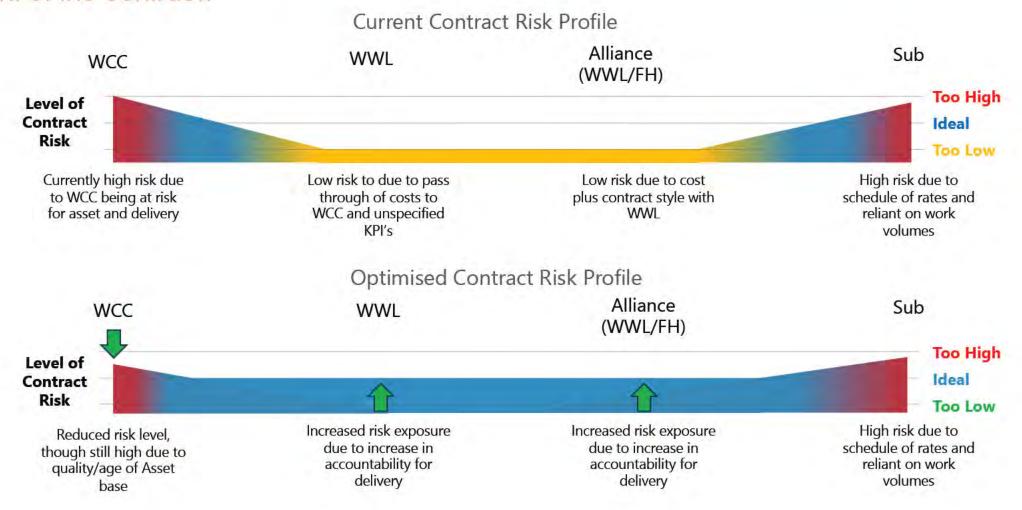
Clause	Description	Status	Commentary
2.(c ) (v)	Objectives – to provide long run value for money by delivering the required level of service for less and less cost by:  (aa)Maintaining cost structures which demonstrate increasing productivity  (cc) Bringing innovation and continuous improvement into the way we	X	There is no evidence to support compliance with this clause and due to the lack of clearly defined performance measures and targets within the contract.
6.1	Performance Framework. Without limiting any other obligations under this Agreement, the Alliance shall, in performing the Alliance works, meet or exceed the applicable KRA's and KPI's in accordance with schedule 5	X	The Schedule 5 Performance Framework KRA's do not align to WCC requirements. There are no agreed target measures for the existing KRA's.  The contract doesn't reflect a clear set of KRA's from a regulatory and operational perspective.  There appears to be a significant difference in the collection and application of the operational KRA's.



### Contract Management Framework - Conceptual Risk Profile FieldForce4



From a conceptual perspective, it doesn't appear that the end-to-end risk profile is proportionate to the intent of the contract.





### Key Findings – Staff Contract Management Capability



## Effective contract management is limited by the lack of visibility of performance and a focus on issues at an operational level



Staff Contract Management Capability

Assess the capability and performance of the contract management functions

- WCC have got the technical capability to manage the contract at the appropriate level
- However, the focus of WCC is at the operational level rather than at the contract management level. Additional
  information is continually being sought due to the lack of effective performance reporting and visibility of the
  network/delivery performance.
- The lack of agreed performance reporting and approval processes associated with the AWP is also a contributing factor
- The interpretation of a "trusted service" delivery model and the lack of performance reporting and visibility appears to influence the willingness to enforce contract terms and conditions at the "representative" level
- There is a lack of performance measurement, monitoring and management within the alliance to meet WCC's service delivery objectives

## Key Findings – Contract Specifications



## The current contract does not specify the level of services and deliverables at an appropriate level of detail



Review current contract schedules, specifications and structures

against current and future works

**Specifications** 

- Incomplete contract specifications and schedules don't provide WCC with the visibility and assurance that WWL are
  cost effectively managing the delivery of services and the associated network risk.
- The current specifications are not reflective of the appropriate risk allocation across all parties. There is a heavy reliance on cost pass through with little or no performance benchmarks.
- There is a distinct lack of effective performance management specifications within the alliance contract.
- Clauses need to be explicit, clearly defined, measurable, reportable and have performance targets (developed in collaboration)



### A lack of a consolidated view of contract costs impacts the ability to accurately assess the level of funding requirements and risk



Contract Cost

Review contract costs(rates, overheads etc) and billing process

- WWL provide a comprehensive view of Opex and Capex financial performance through regular monthly reporting
- WWL offers a wide range of dashboard capabilities and has access to activity-level costing for work orders. However, there
  seems to be little monitoring or measurement of actual work crew efficiency (productivity and utilization). This lack of
  specific data makes it unclear how cost-effective the Alliance's operations are.
- However, the reports do not adequately provide the details to substantiate the actual/projected increase in funding requirements or an opportunity to reassess the overall AWP to offset the increase to meet the approved budget
- It wasn't evident whether the appropriate management controls are in place to meet the Opex and Capex budgets
- From a Capex perspective, it wasn't apparent whether reporting is provided at individual project level (budget, YTD cost, forecast cost to completion, program completion to budget)

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### A lack of a consolidated view of contract costs impacts the ability to accurately assess the level of funding requirements and risk



Contract Cost
Review contract

costs(rates, overheads etc)

and billing process

- Due to the lack of a consolidated AWP, WCC don't have the ability to assess the network risk/priorities against the additional funding requests in consultation with WWL
- It appears that, while the Alliance captures all costs at the activity level, WWL have limited access
- Significant costing information is stored in disparate systems, but it is a complex process to support a consolidated view of budgets and actual costs incurred
- There is an opportunity to utilise the systems to enable a consolidated approach to monitoring and tracking of financial performance (both at operational and management levels)
- From the analysis conducted by the Alliance team, there has been a ~29% increase in contractor rates since the previous negotiation period
- Costs are captured but there are no measures to tell work crew productivity and utilisation

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# There appears to be a number of different budget versions which leads to a level of confusion and delays in funding approval

Investment Category	2020/21 Actual	2021/22 Actual	2022/23 Budget	2022/23 Actual	2023/24 LTP Budget	2023/24 Draft Budget	2023/24 Recommended Budget	Difference between 20/21 Actual and Rec Budget	% change	Reductions from Rec Budget to LTP Budget
Planned Maintenance	3,251,872	3,540,181	4,458,000	4,322,767	4,436,000	4,782,853	6,208,000	2,956,128	91%	2,862,000
Reactive Maintenance	9,400,297	13,566,414	11,844,000	14,755,618	13,967,000	14,387,398	15,401,000	6,000,703	64%	2,930,000
Monitoring & Investigations	2,725,657	4,356,757	5,855,000	4,442,166	6,292,000	5,095,592	7,672,000	4,946,343	181%	2,771,000
Operations	325,187	216,456	346,000	281,519	371,000	361,069	420,000	94,813	29%	
Treatment Plant	13,544,606	14,287,825	15,238,000	16,997,709	15,618,000	18,803,249	18,785,000	5,240,394	39%	
Management & Advisory Services	4,976,892	5,431,839	5,887,000	5,886,785	6,342,000	7,102,740	7,103,000	2,126,108	43%	
	34,224,511	41,399,472	43,628,000	46,686,565	47,026,000	50,532,901	55,589,000	21,364,489	62%	8,563,000

- Since FY20/21, compared to the FY23/24 Recommended Budget, there has been an overall 62% increase in costs which equates to \$21.3M.
- WWL have been directed to reduce their recommended budget by \$8.5M to maintain the LTP budget of \$47.026M.
- The highest increase over the last 3 years is \$6M in reactive maintenance.
- As of the July 23, the funding approval has not been finalised.
- There doesn't appear to be a link between the additional funding and the overall network risk.







There appears to be significant costs incurred for "unexpected events" that are completed as capital works but are unbudgeted

		22/23 Actu	ual Costs			
Group	Category	Орех	Total Opex	Minor Cap Works (unbudgeted)	Capex Program (budgeted)	Total
Alliance	Planned Maintenance	\$4,322,767	\$19,078,386	\$10,172,050		\$29,250,436
Alliance	Reactive Maintenance	\$14,755,618	\$15,076,360	\$10,17 <i>2</i> ,030		\$29,230,430
- 17	Monitoring & Investigations		\$4,442,166			
WWL	Operations		\$281,519		\$61,993,212	¢90 601 301
VVVVL	Treatment Plant		\$16,997,709		301,333,212	\$89,601,391
	Management & Advisory Services		\$5,886,785			
	TOTAL SPEND		\$46,686,565	\$10,172,050	\$61,993,212	\$118,851,827

Source: WCC Workbook 230731 v0.1





The actual opex (planned and reactive maintenance) and capex costs incurred by the Alliance include another layer of management fee in addition to the Management and Advisory Services charged at Investment Category level

Sub Category	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 LTP Budget	2023/24 Recommended Budget
FH Labour	7/	0\/h	\/::\		
Materials and Sundry	IS/U	2)(b			
Plant Hire	. (		<b>///</b>		
Sub-Contractors				Sub category	budgets are not
Direct Overheads				determined until	after final approva
				of the to	otal AWP
FH Profit					
FH Profit FH OH Recovery					
FH OH Recovery					

Sub Category	2020/21 Actual	2021/22 Actual	2022/23 Actual	2023/24 Actual
FH Labour	7/4	つ \ / L	<b>\/::\</b>	
Materials and Sundry	S/(2	2)(b		
Plant Hire	(-	<b>-/(</b> -)	/ \ /	No budget is set
Sub-Contractors				for this spend and
Direct Overheads				is cost for
FH Profit				unexpected
FH OH Recovery				events
FH IT recovery				
WWL Management Fee				

Source: WCC Workbook 230731 v0.1



### Alliance Agreement - Schedule 4



The pass through of costs and the billing process methodology provides a significant risk to cost blow outs for WCC due to the percentage based method of calculation

A Company		CATEGORY		1	
	A	В	C		
	FH	WWL	Total		
Alliance labour and associated charges	Х	X	X		
Subcontractor Charges	Х		X		Category A = Total Alliance Partner Direct Costs
Plant, Equipment and Vehicle Charges	Χ	X	X	1 2 2	
Materials	X			Limb 1	Category B = Total Wellington Water Direct Costs
Depot Charges	X		X X X		
Training	X	X	X		Category C = Total Combined Direct Costs (A+B)
Other direct Charges	Χ	X	Х		1000
Total Direct Alliance Costs	X	X	X	100	
Corporate overheads  IT support fees	x x		x x	Limb 2	s7(2)(b)(ii)
11 support ices	A		^		
Total Overhead Charges	Х		Х		
Profit	Х		х	Limb 3	
Total Alliance Budget	Х	X	X		

- There is a pass through of costs and includes calculations for Overhead Recovery, IT Recovery and Profit
- The percentage reimbursable is based on work volumes not on performance
- This is a disincentive to effective budget management

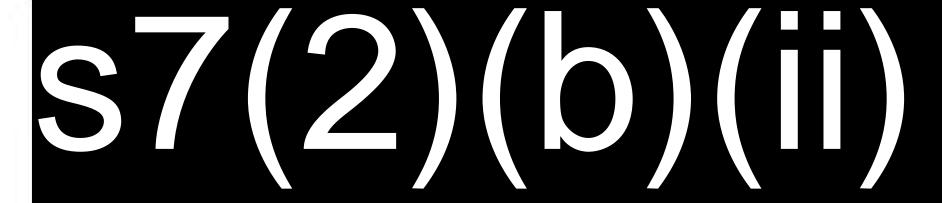


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Over the previous 3 years there has been a 54% increase in the total alliance costs (planned and reactive maintenance) S7(2)(b)(ii)

s7(2)(b)(ii)

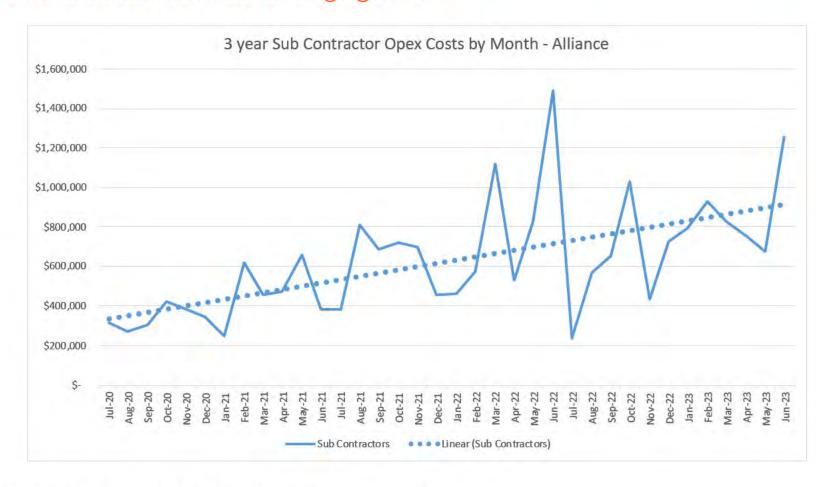


Source: Monthly Cost Breakdown of Opex, Capex and Management Fee for 3 Years





The increase in Sub Contractor spend is attributed to an average increase of 29% in contractor rates and sub contractor engagement



Source: Monthly Cost Breakdown of Opex, Capex and Management Fee for 3 Years





## From an internal analysis conducted by the Alliance team, there has been a ~29% increase in contractor rates since the previous negotiation period

- Data shows that the split of work by Alliance and Subcontractors is ~80:20 so any increase in subcontractor costs has been largely a result of increases to the contractor rates.
- The original agreements in 2020 did not contain a mechanism for cost escalation over the contracted period, so rates at the outset must be applied consistently over the duration of the agreement. These agreements were pre covid and the associated cost escalations and increases experienced over the past 2-3 years were absorbed by the contractors.
- The renewal agreement renewal process post covid (2022) has seen some large increases, in part this is likely due to a risk-based approach adopted by the subcontractors to cater for the 2-year agreement period and continued uncertainty.
- In other words, COG (and therefore WWL) likely benefitted from unusually low prices during the first renewal, so the increase now may seem extraordinary, but it may well be against a lower-than-normal base. This was particularly so for ATMS (the main TMP provider) who provides reinstatement and traffic management services. This likely accounts for the higher increases in this area of the business.

Comparison of 3 major sub contractor's rates from previous contract to current contract

	SAP	PTS	Green stone	Average
Invoice total on old contract rates	<b>s</b> 7	$\overline{(2)}$	(b)	(ii)
Expected invoice total on new contract rates				
% increase				

Source: Subcontractor Use Summary Report - Alliance



### It wasn't apparent what the underlying cause is for the fluctuation in the management fee costs

 The first 12 months follows the usual pattern for Management Fee (fixed monthly amount) but has been steadily trending upwards with fluctuating monthly charges

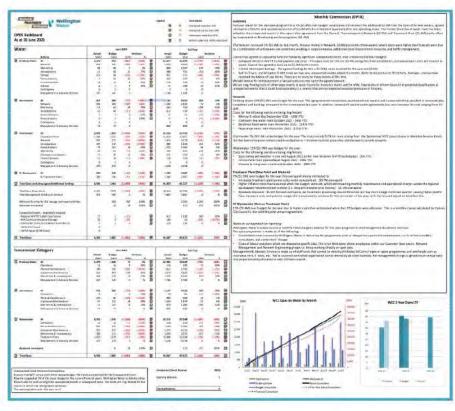


Source: Monthly Cost Breakdown of Opex, Capex and Management Fee for 3 Years





WWL offers a wide range of dashboard capabilities and has access to activity-level costing for work orders. However, there seems to be little monitoring or measurement of actual work crew efficiency (productivity and utilization). This lack of specific data makes it unclear how cost-effective the Alliance's operations are.





Note: 1. Source - WCC Opex June 2023

2. Source – SLA Response Times





WWL offers a wide range of dashboard capabilities and has access to activity-level costing for work orders. However, there seems to be little monitoring or measurement of actual work crew efficiency (productivity and utilization). This lack of specific data makes it unclear how cost-effective the Alliance's operations are

3 WD Description	The second second		EL .			WorkType	- mail	57/OV/5	\/::\	-7/0VEVE	07/2)	(b)(ii)	III I	Olline	a - m's plat - property	Service Bex.2	Service Desc3
591 11 Chequers Way, Crofton Downs	WCCSR-228615-2	Potable Water	40H903	wcc	21/4/2023	RM	30 Pre-Claim, For Review (PRECLAIM)	s7(2)(b)	)(11)	s7(2)(b)(ii)	s7(2)	(D)(II)		TRUE			1. Leaking Pip
intory			_										-				_
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Note: 1. Source - FY21 - FY24 Council Capex Act-Bud Analysis WCC. SLA Response Times

2. No allowance is made for carryover works and only the financial year figures have been used



### Key Findings - Contractor Performance



# Overall, the delivery alliance is quite robust and has the potential for further improvements in delivery efficiency, cost management and reporting



- The lack of performance measures and reporting requirements within the contract doesn't provide the ability to assess contractor performance under an expected delivery benchmark and budget
- The lack of an appropriate forum for WCC and WWL to work collaboratively inhibits the ability to assess network risk, align budget requirements and service delivery expectations
- Visibility of the true operational performance cannot be assessed against the appropriate operational parameters to meet budget objectives
- The operation has some very good reporting and analytical capability to develop the appropriate dashboards, however, these are not
  providing clarity of the true operational performance eg. Reporting median response time for P1 rather than achieved response times
- The management of the sub contractors is quite strong with the establishment of scheduled labour and activity rates, however, for the alliance, the use of scheduled expectancies is limited and reliant on a pass through of costs to the Council. As a result, there is little measurable focus on productivity and utilisation.
- The frontline delivery team are well managed but heavily reliant on capability of the frontline leadership to drive delivery efficiencies without the appropriate supporting performance measures

### Key Findings – Contractor Performance



Overall, the delivery alliance is quite robust and has the potential for further improvements in delivery efficiency, cost management and reporting

#### Customer Operations Group KRA Framework December 2019

KRA	KPI	Description	Timing of measure	Breakdown	Step Behind	BAU	Step Ahead	Breakthrough
	Customer Response	Customers are contacted within an hour of raising a service request.	Monthly	<60%	60 - 70%	70 - 90%	90 - 98%	>98%
Customer	Customer Maturity	An assessment of our maturity (based on internationally recognised model/matrix).	Annually	Year 1 - >30% Year 2 - >40% Year 3 - >50%	Year 1 - >40% Year 2 - >50% Year 3 - >60%	Year 1 - >50% Year 2 - >60% Year 3 - >70%	Year 1 - >60% Year 2 - >65% Year 3 - >70%	Year 1 - >70% Year 2 - >75% Year 3 - >80%
	Attendance on Site	Attendance on site in response to a fault or network interruption complies with a target of 60min.	Monthly	<50%	50 - 70%	70 - 90%	90 - 95%	>95%
le &	Culture	Results of Engagement Survey.	6 Monthly	<40%	40 - 55%	55 - 65%	65 - 80%	>80%
People & Capability	Learning Organisation	Active Performance and Development Plans (PDPs) in place.	Quarterly	<80%	80 - 95%	95 - 100%	NA	NA
ety	Leadership Safety Engagement	Leadership safety engagements completed as per agreed framework.	Monthly	<50%	50 - 75%	75 - 100%	100 - 150%	>150%
Health & Safety	TRIFR	Combined number of recorded LTI and MTI incidents (per 1 million hrs worked).	Monthly	>15	15 - 10	10 - 5	5-3	<3
Heal	Hazard and near miss reporting	Combined number of all recorded safety hazards and near misses are recorded (per 1 million hrs worked).	Monthly	<200	200-400	400-600	600-750	>750
-	Reduction in rework	Completed jobs that require rework.	Quarterly	>20%	20 - 10%	10 - 5%	5 - 2%	<2%
<b>Creating</b> Value	Shift from Reactive to Planned	The number of hours recorded against reactive works versus planned works.	Annual	>90%	90 - 83%	83 - 77%	77-70%	<70%
0	Innovation	Innovations and improvements raised and captured.	Quarterly	<6	6 - 12	12-18	18- 36	>36
	Environmental Awareness	Current staff that have attended an Enviro Wise course.	6 Monthly	<50%	50 - 60%	60 - 70%	70 - 80%	>80%
iona	Data Quality	All field data collected is completed onsite first time.	Monthly	<60%	60 - 70%	70 - 80%	80 - 90%	>90%
Operational Excellence	Field Insights	Field insights raised and captured.	Quarterly	<6	6 - 12	12-18	18- 36	>36
0 3	Capital Project Review	All designs for critical assets are reviewed and signed off through gateways in agreed times frames.	Quarterly	<80%	80 - 90%	90 - 95%	95 - 100%	NA



### Key Findings - Contractor Performance



There appears to be a level of ambiguity of what the performance target is. The existing dashboards do not appear to reflect the actual frontline service delivery performance.

### 3 Year Snapshot of Response and Rectification Performance (% of jobs compliant)

	20/21	21/22	22/23
P1	1463	1630	1395
Response same day	929	1081	1040
	63%	66%	75%
Resolved same day	593	796	802
	41%	49%	57%
P2	1906	1361	805
Response within 2 days	1183	931	434
	62%	68%	54%
Resolved within 5 days	1125	847	427
	59%	62%	53%
P3	4800	5145	6757
Response within 5 days	1140	1265	1163
	24%	25%	17%
Resolved within 15 days	1910	1677	1428
	40%	33%	23%

Source: All CSRs

- There is an opportunity to review and revise the performance dashboards so that performance measures are aligned with the expected standards as per the DIA requirement
- This will enable tracking of the operational performance against defined service levels and drive productivity and efficiency at the crew level
- The existing KRA of Customer Response "Customers are contacted within an hour of raising a service request" is not explicit as to the expected "time on site" measure



### Alliance Agreement - Schedule 5



## SCHEDULE 5 PERFORMANCE FRAMEWORK

#### **FULL ALLIANCE PERFORMANCE FRAMEWORK:**

- The Participants will work together to develop and agree the KRAs and KPIs in respect of the Full Alliance Period during the first 18
  months of the Full Alliance Period.
- Within 18 months from the Full Alliance Period Commencement Date, the Participants will review the Performance Framework set out in this Schedule, with a view to assessing, at the Final Development Date, whether the KRAs are sufficient to incentivise achievement of the Alliance Objectives and whether the proposed Performance Framework will drive the right behaviour. Any changes to the then current Performance Framework will be agreed by way of a written variation to this Schedule in accordance with clause 27.2 prior to taking effect.
- 3. The Customer Operations Group (COG) KRA's will align with the existing Wellington Water KRA's associated with the Three Customer Outcomes and Twelve Service Goals set out in the table below. The associated KPI's for the Customer Operations Group will be co-developed within 18 months from the Full Alliance Period Commencement Date.



### Key Findings - Way of Working



# A number of issues and opportunities were identified throughout the full end-to-end service delivery value chain



#### Way of Working

Review workflow processes in Service Delivery Value Chain

#### Asset Management

Lacks a consolidated (Capex and Opex) asset management approach from a technical perspective however, it is recognised that a
level of technical capability does exist in the organisation

#### Annual Works Program (AWP)

- The current interface/narrative between WCC and WWL is focused on a financial perspective rather than a network risk and asset performance basis. The current approach does not allow WCC the opportunity to make an informed decision from an overall network risk perspective in determining budget costs and variations
- There is no apparent consolidated view of the AWP, a basic plan exists however it is developed in silos and is not aligned to a consolidated asset management plan
- The process and timeline in developing the AWP results in significant delays in receiving approval and issuing the work May to September which is beyond the start of the year

#### **Customer Requests**

- The current customer request process is convoluted and results in request duplications and repeat of the triage and prioritisation process which impacts on effective service delivery (right job, right crew, right time)
- Job creation requires data entry into multiple systems between WCC and WWL



### Key Findings – Way of Working



# A number of issues and opportunities were identified throughout the full end-to-end service delivery value chain

#### Planning and Scheduling

- Detailed planning, scheduling and allocation of work to the crews, primarily reactive, is currently being undertaken by the Team Leaders, deviating from 'best practice' and reducing their time spent in the field to focus on safety, quality and performance
- There appears to be a distinct lack of systems, processes and data to support the efficient planning and scheduling of work

#### Execution

- An inconsistent approach to works management (job allocation, completion, data collection) including roles and responsibilities impacts on the response and resolution performance
- The key theme for effective service delivery is "Right Crew at the Right Job at the Right Time" and implementation of a scheduling/dispatch function
  along with supporting systems will drive work crew utilisation and productivity.

#### **Process Documentation**

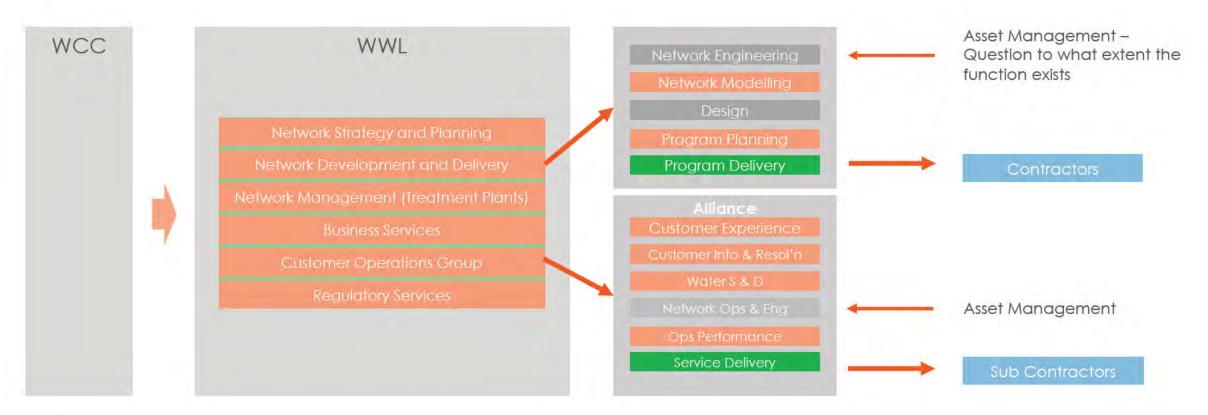
- It wasn't evident that there was a consistent documentation of the core processes
- An internal assessment of the CoG team was developed and documented to provided a high-level service blueprint outlining key processes and improvement opportunities (Service Blueprint Delivery Report Customer Operations dated 27th April 2023)



### 7. Alliance Functional Alignment



The current functional structure does adequately support the overall business objectives



#### Notes:

- 1. Engineering is split between CAPEX and OPEX leading to a split of the technical expertise within the business
- There doesn't appear to be a dedicated Asset Management function within WWL, with a clear focus on whole of business network risk management and asset life cycle optimization
  - Asset Strategy and Planning primarily focus in on financial performance and investment and is the primary interface between WWL and WCC

## Key Findings – Technology



## Given the current constraints the current data architecture provides a reasonable solution, however, a number of issues exist



#### Technology

Review current technology and systems to support the works delivery process

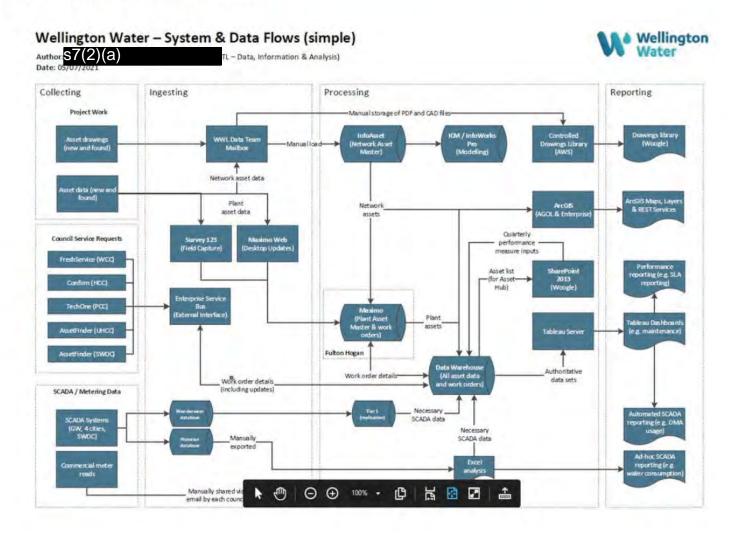
- There are multiple systems both within WWL and Alliance that are not integrated, however, there appears to be a well structured and executed data and system architecture working within the current constraints
- Included in the system architecture is a centralised data warehouse supported by a Tableau Server that provides access to data and delivers an extensive reporting/dashboard capability
- It wasn't apparent whether the current systems were being used to their full capability
- The functional segmentation eg asset management, delivery of AWP is adding to the complexity in developing consolidated reports to support the overall contract
- There are opportunities to consolidate the management and operational reporting requirements through the effective use of the data warehouse and reporting capability provided by Tableau
- There is still a lot of manual effort required to produce reports and key asset information to support asset management and delivery
- Immature field mobility solution limits the capacity for effective job and asset data collection
- The FreshService application used by WCC to record customer requests is not fit for purpose as a CRM jobs are required to be entered into Maximo in WWL (duplication of data entry)
- It's recognized that WWL have been developing/improving system capability eg asset register



### Key Findings – Technology



Given the current constraints the current data architecture provides a reasonable solution, however, a number of issues exist





### Key Findings – Data



# WWL are well positioned to fully leverage the available data to support the improvements throughout the operations



#### Asset Management

 There appears to be a missed opportunity to collect accurate and timely asset data at the frontline, especially for reactive works

#### Reporting

- Both the management and operational data reporting is not aligned to the operational requirements due to the lack of detailed specifications within the contract
- WWL have an excellent analytical capability to produce detailed dashboards, however, these aren't fully aligned to the
  operational requirements to identify underlying service delivery issues and improvements

## Key Findings – Data



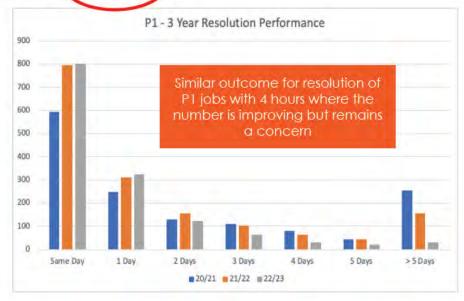
### Opportunities exist for the Alliance to focus on efficiency/productivity gains

#### 3 Year Table of P1 Performance

	20/21	21/22	22/23
P1	1463	1630	1395
Response same day	929	1081	1040
	63%	66%	75%
Resolved same day	593	796	802
	41%	49%	57%

As P1 response is 1 hour and resolution is 4 hours, the expectation is that same day response and resolution would be almost 100%



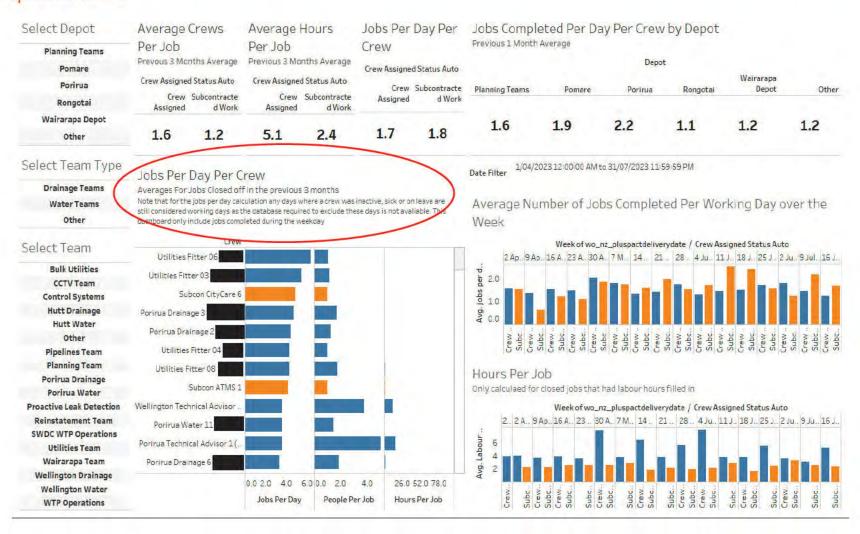




### Key Findings – Data



WWL are well positioned to fully leverage the available data to support the improvements throughout the operations





### Key Findings - Planning



Asset Management and the development of the Annual Works Program is fragmented with an emphasis on the funding requirements as opposed to managing the Network risk management and service delivery



- The asset management function is fragmented and doesn't provide a consolidated network view of risks and the ability to optimize network funding
- As a result, the development of the AWP is fragmented and doesn't allow for the program to be optimised (network reliability vs risk) against the available funding
- As a result, the current narrative between WCC and WWL is focused on the funding rather than a true assessment of the risk to allow the WCC to make an informed decision on contract spend (capex/opex)
- It's not apparent whether the current clauses within the contract that support the development and presentation of the 3-year AWP and annual review/approval is being followed
- The opportunity exists to revise the process and timeline for the annual review/approval of the AWP to support the frontline delivery of the physical program of work
- It appears that the approach adopted by WWL is that budgets are "fluid" as a result of the lack of defined performance measures and review process

## Key Findings – Planning Timeline (Illustrative)



The current AWP timeline for the development and final approval of Opex and Capex is not conducive for the cost-effective delivery of the overall annual works program



Notes: 1)The Opex program is commenced at the start of the financial year based on the previous years performance

2) As a result of the delay in the approval of the works program, the delivery is back ended



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### Key Findings – Planning



For FY22/23, there didn't appear to be appropriate controls at the individual project level or the provision for unexpected CAPEX incidents

22/23 CAPITAL WORKS	Original Budget	Budgeted Spend	Total Actual Spend	Difference Total Actual Spend vs Original Budget
Actual vs Budget Spend	\$64,952,172	\$61,993,212	\$72,165,263	(\$7,213,091)
	4	Usburdented		6
	Budgeted Projects	Unbudgeted Projects	Total Projects	Cost of budgeted overspend
Number of Projects 22/23	87	71	158	
Number of Projects overbudget	34			
% of Projects Overbudget	39%			\$16,921,163
% of Unbudgeted Projects		45%		\$10,172,050
			Total unbudgeted Capex	\$27,093,213

Note: 1. Source - FY21 - FY24 Council Capex Act-Bud Analysis WCC

2. No allowance is made for carryover works and only the financial year figures have been used

3. Further analysis is required with the CAPEX program area



### Key Findings - Customer



# Current customer supporting systems and processes are ineffective in delivering on the customer experience



Customer

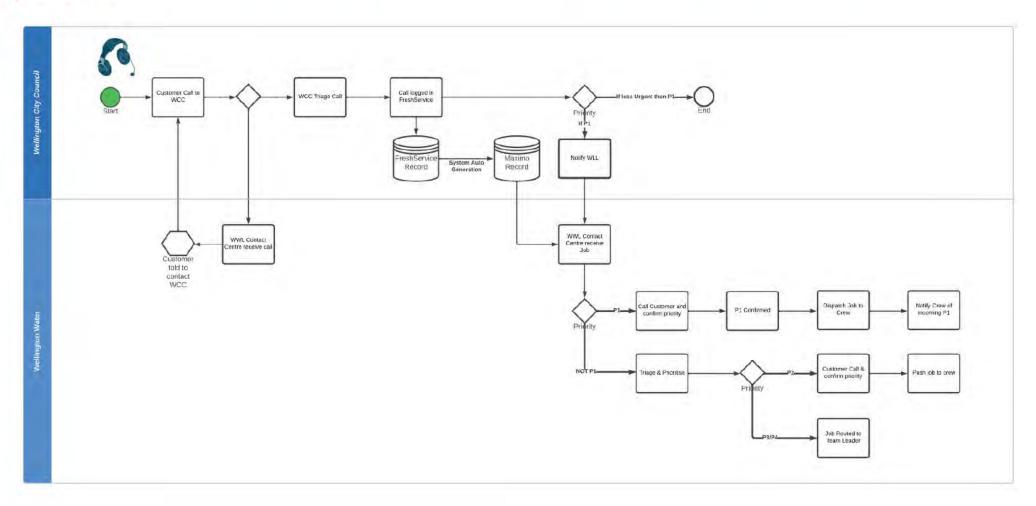
Assess Service Level performance and reporting

- Currently, multiple systems are used in the management of the customer service request
- The current systems do not provide the appropriate level of functionality as per typical CRM systems used in this space eg call grouping, duplicate jobs etc
- As a result, the customer service processes are convoluted that require duplicate effort in triaging and prioritisation of the service calls
  - WCC have implemented an IVR system of call forwarding, however, WWL are not permitted to log jobs and therefore the customer
    is required to contact the council again
  - As a component of the triage process, WWL are required to call the customer for P1and P2 requests to either confirm or reassess the priority
  - Duplicate jobs from WCC represent ~40% of the total number of jobs logged and require substantial effort to review before issuing
    to the field
- The current process results in significant time elapsed before the job is allocated to crews. This has a direct impact on the ability of the crews to respond to the DIA response time and contributing to a poor customer experience

## Key Findings - Customer



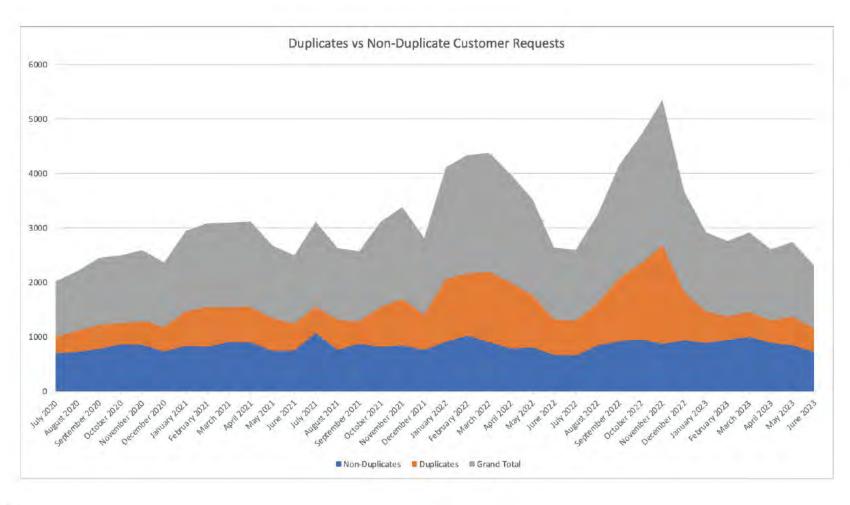
Current customer supporting systems and processes are ineffective in delivering on the customer experience



### 10. Key Findings – Customer



Current customer supporting systems and processes are ineffective in delivering on the customer experience



- 40% duplicates
- Orange area represents wasted effort



### **Contract Review**

## Recommendations

### Recommendations - Summary



### Recommendations have been developed to address the key findings identified in the review

Revise the contract document to specify the delivery requirements

To optimise the value of the contract and align expectations, a significant change is required to the contract documentation to improve commercial and contractual obligations and outcomes.

Improve Contract Management Capability and Processes

The Contract Management capability and processes across both businesses needs to be improved with a clear focus on improving delivery of services, commercial outcomes, contract performance and issue resolution.

Consolidate the Asset Management function and develop the technical capability

Consolidate the asset management functional alignment in the business to provide a coordinated approach and support the development of the annual works plan and capital program.

 Redefine the processes associated with the development of the AWP

Review and improve the processes behind the creation of the AWP to ensure a robust and coordinated plan of works.

Review the Functional Alignment and End to End Works Delivery Processes

Review the functional areas and internal/external processes to improve support to service delivery, better planning through to scheduling and overall productivity and cost performance reporting.

6. Review existing systems, applications and data architecture

Review the existing systems to improve integration, reporting and service delivery

 Consider and implement a number of proposed improvements within the Alliance to improve operational efficiencies

Opportunities to make improvements to the functional areas of the alliance to improve overall service delivery management





## Proposed Actions

# Recommendation 1: Revise the contract document to specify the delivery requirements

No	Action	Objective
1.1	In collaboration between parties, revise and reframe the contract document to include the following requirements (but not limited to):  - Reporting - Performance - AWP delivery/risk/budget - Approvals (timelines, responses)	Gain clarity specifically related to monthly reporting approach.  To specify the performance requirements to eliminate the ongoing/adhoc information requests  To provide WCC with the relevant information to assist in the decision on future funding requests  Timely approval of key operational and management issues related to the performance and condition of the overall network
1.2	Redefine the representative levels within the contract	To establish at an appropriate interface levels and responsibilities for contract management



## Key Findings – MSA and Alliance Specifications



### Additional clauses/provisions for consideration

Description	Commentary
A suite of KPI's to facilitate effective performance management eg:  Health and Safety  Service quality  Environmental performance  Operational performance  Continuous improvement  Customer focus	The suite of KPI's to be agreed between the parties and to be clearly defined, measurable, reportable and contain performance targets.  KPI's from the MSA should be mirrored in the Alliance Agreement
Performance Incentive	Performance incentive mechanism to be agreed between the parties to reward attainment of KRA's and KPI's (contract extension)
Independent auditor to review charges	Annual review of charges and rates of Alliance Partner and sub contractors to ensure services are provided within market parameters
Unexpected events and incidents	Clarification of definition of unexpected events and incidents and mechanism to



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# Key Findings – MSA and Alliance Specifications



#### Additional clauses/provisions for consideration

Description	Commentary
Consider clauses from other similar style contracts e.g NZS 3910:2013 to cover off for example:  Cost Fluctuations Defects Liability Valuation of variations	Would provide certainty to all parties and a mechanism to calculate costs and variations
Inclusion of detailed Health and Safety, and Quality Plans	While all parties are responsible for complying with Health and Safety at Work legislation WCC should clearly emphasise the importance of Health and Safety and set their own KPI's around this. The alliance Agreement should reflect these KPI's.
Clearly defined reporting requirements	Reporting requirements which will provide operational visibility and "evidence of trustworthiness"
Escalation process for non-performance	Past and present failure to deliver the 3 year and AWP on time, and various other reports and analysis has negatively impacted WCC.  Accurate and timely provision of information is critical.





# Proposed Actions

# Recommendation 2: Improve Contract Management Capability and Processes

No	Action	Objective
2.1	Re-establish the contract relationship through an agreed Contract Management Charter	To align the parties' expectations on the nature and delivery of the 'Trusted Service Delivery Model' as opposed to a contract management agreement
2.2	Re-establish the monthly contract performance meetings which would include the appropriate operational representatives as required	To fully understand the network risk and delivery performance of the contract To address any key contractual/operational issues that may arise To eliminate the ongoing/adhoc information requests used to ascertain delivery performance
2.3	Develop the appropriate reporting requirements and format to support the monthly contract performance meeting	To provide a consistent reporting format delivering the right information to illustrate progress and performance against expectations
2.4	Redefine the roles and responsibilities of nominated support functions	To streamline the communications process and align key points of contact for the sharing of information and the resolution of operational/contractual issues





# Proposed Actions

# Recommendation 3: Consolidate the Asset Management function and develop the technical capability

No	Action	Objective
3.1	Consolidate the Asset Management function within WWL	To take a whole of life network asset management approach  Deliver the optimum service delivery for the available funds  To eliminate the complexity in WWL in developing the relevant Asset Management strategies across multiple departments  Ensuring the appropriate elements of capex and opex are considered/coordinated with the development of the AWP
3.2	Develop/attain and/or consolidate the appropriate technical skills to support the asset management function	Strengthen Asset Management's technical capability to support an increased focus on Asset Management strategy and planning (AWP)



#### Recommendation - AWP



The development of the AWP underpins an effective service Delivery outcome, irrespective of the type of Contractual model employed

#### Purpose of AWP

- To identify the Council-wide maintenance and construction requirements (Demand) needed to support community service standards, asset performance requirements and capital project delivery
- Balancing these activities against available field-team resources (Supply) to create an endorsed, constrained and realistic Annual Works Program (AWP) that is used to inform works management processes of planning, scheduling and delivery, and align operational priorities across the council throughout the year
- Regularly measure progress, sharing performance information to senior management to inform and validate objectives and priorities

#### Outcomes

The AWP process improves company performance by:

- increasing operational efficiency and labour utilisation;
- minimising risk of required work not being delivered; and
- reducing total costs/increasing work volume completed

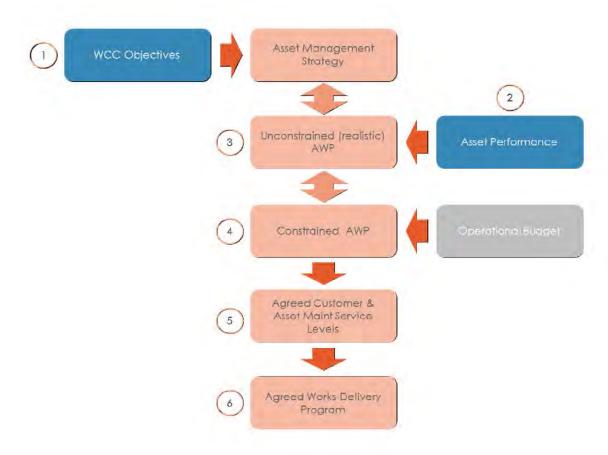


## The AWP Development



#### Lead-in

- The Council Objectives define what they want to achieve
- Asset performance defines the current state of the network and its overall performance
- The unconstrained AWP (CAPEX and OPEX) defines a realistic view of the work required
- The constrained program defines the agreed program between WCC and WWL taking into consideration the available funding
- The agreed Customer and Asset maintenance Service Levels define the key performance measure per operational unit
- The combination of the agreed SL's and the constrained AWP form the agreed Work delivery program

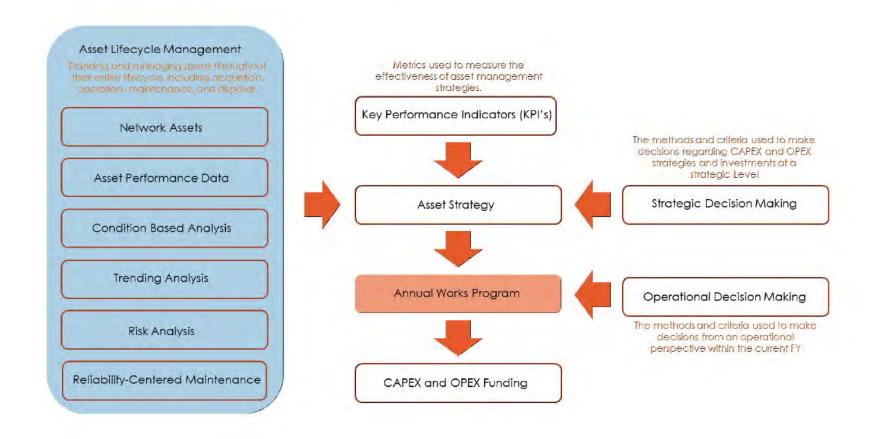




## Recommendation – Asset Management



#### Key elements for the development of an Asset Strategy



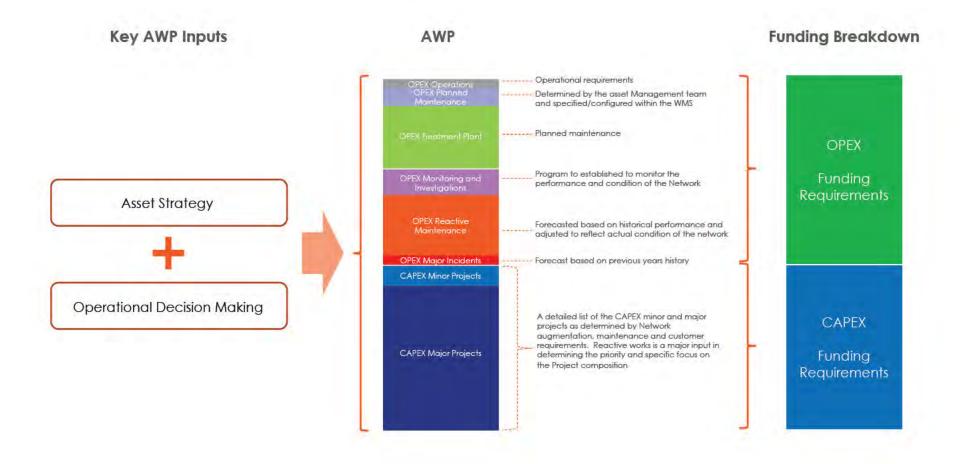


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#### Recommendation - AWP



A consolidated AWP provides a total overview of the Network works program and allows for an overall assessment/discussion of the funding requirements

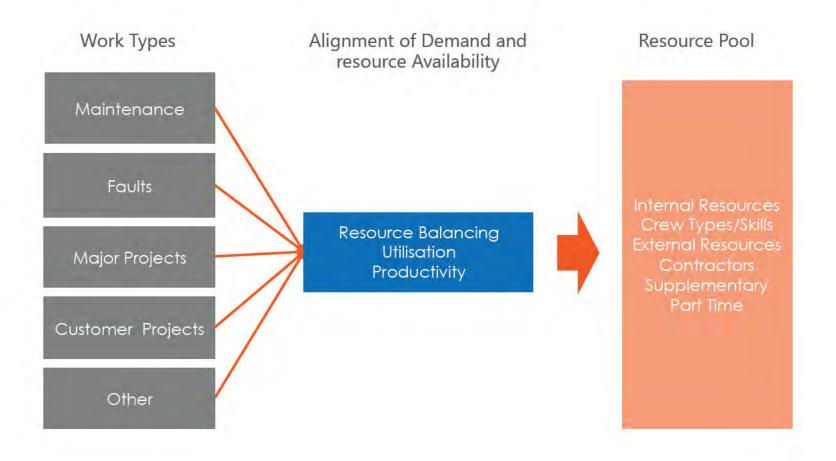




## Way of Working – Resource Balancing (Concept)



Effective work force management requires an ongoing balance between demand and resource availability

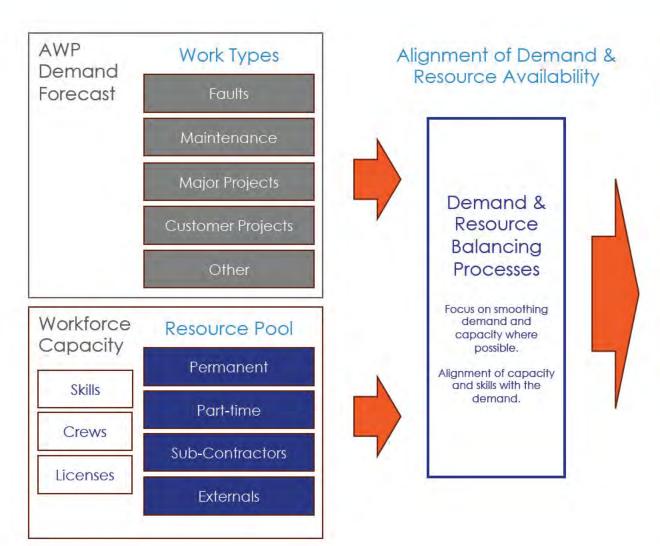


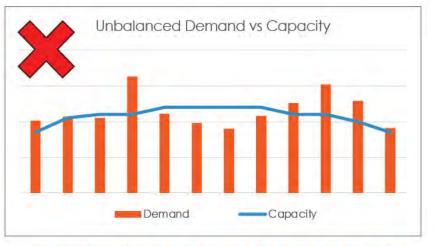


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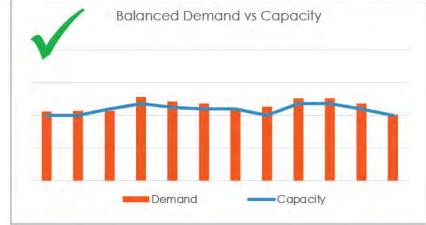
### Way of Working – Resource Balancing







Unbalanced demand and capacity result in peaks and troughs where resources are often over or under utilised



Balancing demand with capacity, reduces costs, efficiently utilises resources and ensures service levels are met 69



# Proposed Actions

# Recommendation 4: Review processes to support the development of the AWP

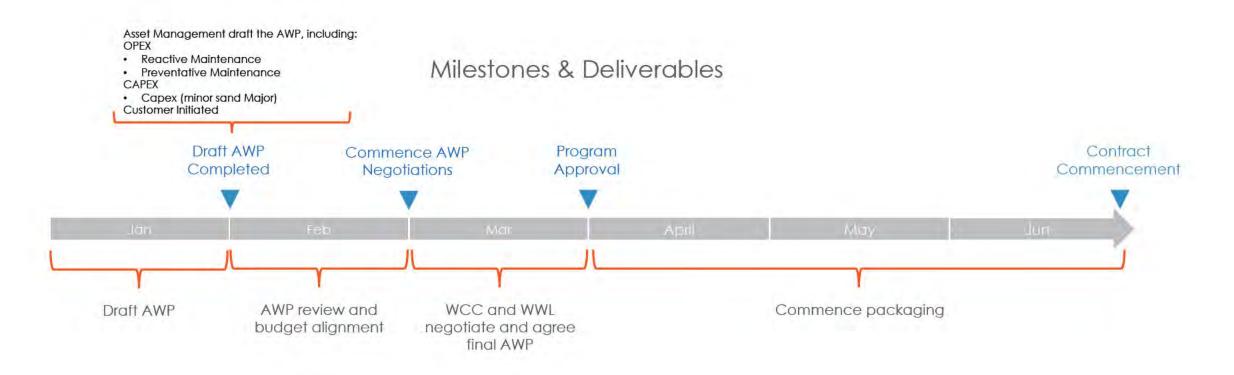
No	Action	Objective
4.1	Develop an unconstrained (realistic) AWP incorporating both the CAPEX and OPEX programs to present to WCC	Shift the narrative from a financial perspective to a network risk assessment and the program required to manage network reliability and service delivery
4.2	Redefine the AWP approval timeline	To ensure that the operational areas have adequate time to plan, schedule to balance the program against the available resources  To minimise cost blow outs by avoiding back-end loading of the program within the financial year
4.3	Review and negotiate the constrained AWP based on network risk and funding availability	Continually assess the network performance and make the necessary changes to the AWP to align with the maintenance requirement  Provide WCC with ongoing visibility of the maintenance and capital works program
4.4	Establish a formal AWP review process	To include the appropriate technical representatives to ensure a comprehensive understanding of the proposed AWP (Asset Work Plan), network risks, asset capital programs, asset plans, and service delivery requirement
4.5	Create standard expectancies for all reactive and planned maintenance activities	To support the development of the AWP from the bottom up To establish the baseline for effective performance measurement of crew productivity, utilisation and through put Aligning the delivery risk to appropriate functional delivery area



#### **AWP Future State**



The process for the approval of the AWP is to enable the delivery areas enough time to commence works at the commencement of the financial year



Notes: WWL business areas that impact the operational delivery of the AWP will need to be coordinated to avoid the AWP being 'back ended' due to a late program approval and subsequent commencement of actual works



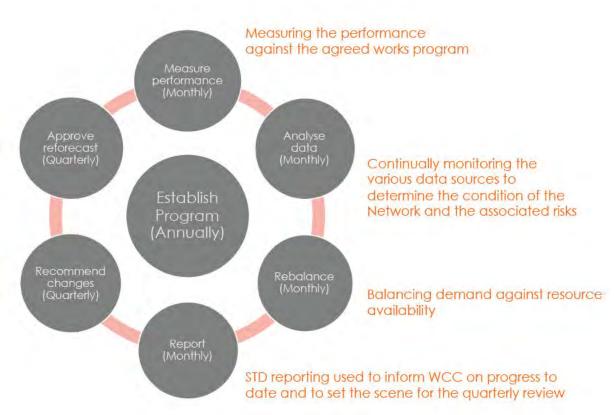
#### AWP Future State – The Review Process



The ongoing delivery of the works program is managed through a series of monthly/quarterly progress reviews and reforecasts. The objective being to continually assess Network reliability, associated risks, delivery capability and performance against budget

The presentation of the unconstrained works program to allow WCC the opportunity to make an informed assessment / decision with regards to the allocation of risk

WWL to provide a view and determination of potential changes to the AWP based on performance of the network and established priorities







# Proposed Actions

#### Recommendation 5: Review the Functional Alignment and End to End Works Program Delivery Processes

No	Action	Objective
5.1	Relocate customer first point of contact from WCC to WWL including Call Centre setup and processes	To improve the triage and prioritisation process and eliminate job duplications Improve/streamline the customer experience Reduce the lead time prior to allocation of the work order to the crews
5.2	Consolidate the planning/scheduling and dispatch functions	To create a single pipeline of work to the field crews Improve crew productivity and utilisation Improve job throughput
5.3	Conduct a workshop on key concepts and fundamentals of service delivery	To develop an understanding of the service delivery fundamentals of resource balancing and workforce management
5.4	Develop the appropriate works delivery processes including business and operational rules	To improve works delivery and crew performance and data capture

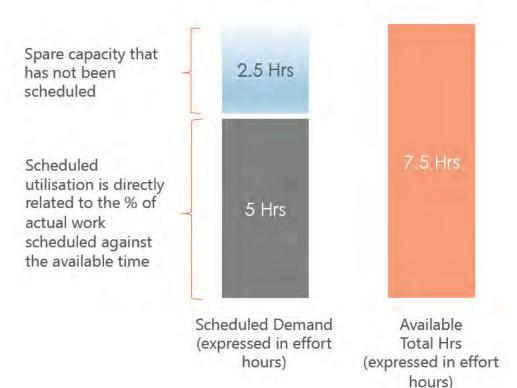


### Concepts/Fundamentals – Scheduling Utilisation



#### Scheduling Utilisation is determined by applying the same concepts as Resource Balancing

#### Schedule Utilisation



#### **Schedule Utilisation**

- Available schedule is aligned to the scheduled resource within a defined period of time
- The schedule resources are based on crew configuration and planned resource availability
- For example
  - The total hours available within the day equates to 7.5 hours
  - The total hours scheduled equates to 5 hours
  - Therefore the Scheduled Utilisation equates to

$$5/7.5 = 67\%$$

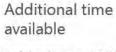
 The result is an under utilisation of the available hours within the day (out of balance)

### Concepts/Fundamentals – Productivity



#### Job Efficiency is determined by applying the same concepts as Resource Balancing

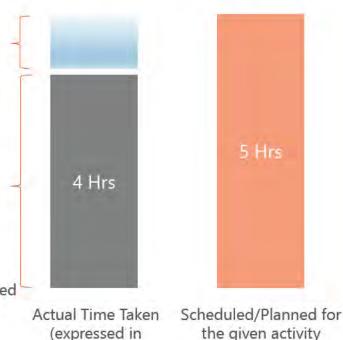
## Job Productivity



Achieving a 125% productivity is a positive outcome.

The result could be either due to

- The crew being efficient in their delivery or;
- 2) The original estimate of the scheduled/ planned effort being over stated



(expressed in duration/effort hours)

duration/effort

hours)

#### Comments

- Job Productivity is a measure of the actual effort taken as a % of the scheduled/planned time in any given activity
- This is a direct measure of work crew productivity
- 3. For example
  - The actual hours expended to complete an activity within a designated timeframe (day) equates to 4 hours
  - The total hours scheduled (scheduled expectancy) equates to 5 hours
  - Therefore the measured Productivity is:

$$5/4 = 125\%$$

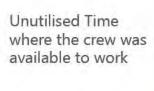
The result is higher than the expected productivity rate of 100%

### Concepts/Fundamentals – Efficiency



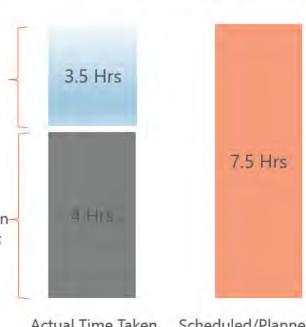
# Job Efficiency is determined by combining work crew utilisation and productivity as a % of the total time available

# Job Efficiency



Achieving a 53% efficiency rate is a combination of:

- The crew being more productive intheir delivery and;
- The under utilisation of the additional time available



Actual Time Taken (expressed in duration/effort hours)

Scheduled/Planned for the given activity (expressed in duration/effort hours)

#### Comments

- Job Efficiency is a measure of the actual effort taken as a % of the available time in any given timeframe – typically a day
- This is a direct measure of work crew efficiency
- For example
  - The actual hours expended to complete an activity within a designated timeframe (day) equates to 4 hours
  - The total available hours equate to 7.5 hours
  - Therefore the Efficiency equates to

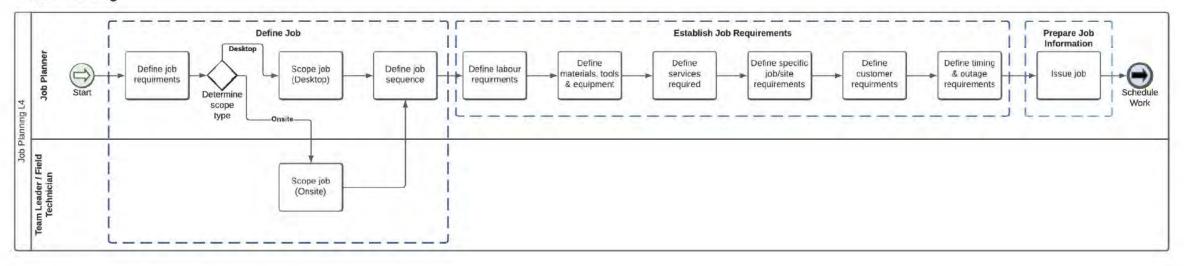
$$4/7.5 = 53\%$$

- The result is lower than the anticipated efficiency rate of between 80% 100%. This result illustrates a lower than expected efficiency.
- This is due to the under utilisation of the available resources.

## Job Planning - Process (Illustrative)



#### 2 Job Planning

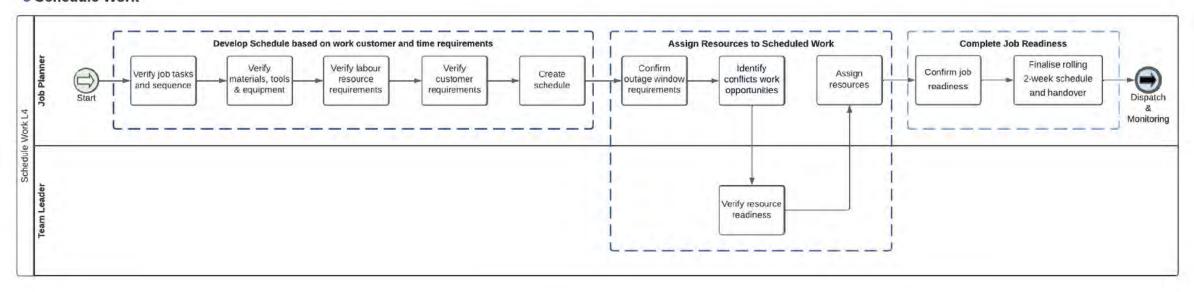




## Job Scheduling - Process (Illustrative)



#### 3 Schedule Work







# Proposed Actions

#### Recommendation 6: Review existing systems, applications and data architecture

No	Action	Objective
6.1	Review the existing technology and data architecture including system integration	To fully leverage the existing systems and define data and application ownership and reporting requirements to support the operations
6.2	Review current asset management systems and align to the technology and data architecture	To develop a master asset management system as a single source of truth to improve accuracy of network asset data  To develop the supporting processes for data capture  To support the asset management analysis, processes and build of the AWP  To support the whole of life asset management
6.3	Investigate and Implement an industry standard CRM system	To improve management of customer calls and creation of service requests
6.4	Investigate and implement a suitable work scheduling system	To improve field crew utilisation, job tracking and monitoring Support the longer term planned works delivery Improve coordination of field resources
6.5	Extend/replace the current field mobility solution	To improve job, asset data capture Improve actual delivery performance (actual response times, resolution details)

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# Proposed Actions

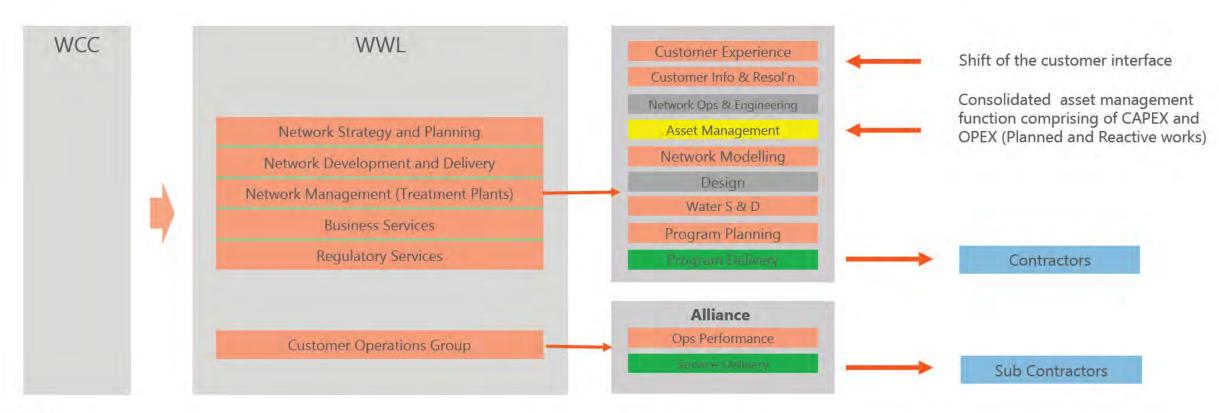
# Recommendation 7: Consider and implement a number of proposed improvements within the Alliance to improve operational efficiencies

No	Action	Objective
7.1	Develop the Standard Expectancies for activities relating to planned and reactive works	To establish a baseline performance measure  Underpin the development of the AWP (forecast cost and resource requirements)
7.2	Revise KPIs for the delivery of both reactive and planned works	To align existing performance measures to the DIA performance targets to ascertain the true picture of crew performance  Extend KPI measures to include planned work to measure crew productivity and utilisation
7.3	Consider reassigning/moving the reporting lines of the following functions within the Alliance:  • Asset management  • Engineering  • Customer Call Centre	To refocus the alliance on the frontline delivery of services  To consolidate the asset management and engineering functions and centralise the technical expertise for the detailed analysis and development of asset management strategy and AWP  To improve and streamline the call taking process
7.4	Conduct a detailed planning and scheduling process review with the potential to implement a centralised Planning/Scheduling and Dispatch functions	To streamline the workflow processes and create a single/coordinated pipeline for works delivery  To optimize resource productivity and crew utilisation  Provide visibility of crew work allocation and management  Supports the delivery of the AWP

# 7. Alliance Functional Alignment



The current functional structure does adequately support the overall business objectives



#### Notes:

- 1. Engineering is split between CAPEX and OPEX leading to a split of the technical expertise within the business
- 2. There doesn't appear to be a dedicated Asset Management function within WWL, with a clear focus on risk network risk management and asset life cycle optimization
- 3. Asset Strategy and Planning primarily focus in on financial performance and investment, however, this is the primary interface between WWL and WCC



## **Contract Review**

# Other Reports

#### Previous conducted assessments/reviews



# The outcomes delivered in this report both support and validate findings from other assessments/reviews that have been completed.

#### Significant highlights from the Mayoral Taskforce on the Three Waters Report include:

- Three waters financial and non-financial reporting is complicated and has not presented decision makers with an accurate picture of either the state of the network or the risks of funding decisions.
- There are limited consequences for failing to meet the performance standards.
- The understanding of the condition of critical assets is inadequate.

#### The WICS Report - Wellington Waters Cash Requirement for WCC concluded:

A longer-term approach to asset management would involve investment in asset knowledge, reviewing and improving asset management
planning processes and having more transparency around the governance of the investment plan.

#### An internally produced Service Blueprint Project Report found that:

- Lack of strong integration between functional teams across the organisation is leading to poor handovers between teams and creating higher levels of operational risk.
- · There is a lack of clarity regarding what the priorities are across the group which impacts on reactive and planned maintenance delivery.
- Teams require clearer guidance on roles and responsibilities.
- There are times when the technology impairs operations ability to conduct their work effectively.
- Variable data quality. Inaccurate or inadequate data collected impacts asset management.



## **Contract Review**

# Implementation Approach

### Reform Impact Considerations



The implementation of the recommendations will potentially be impacted by the 3 waters reform program decision. The current options available include:

#### Option 1 - Do Nothing

- Perpetuating the current state both from a relationship and operational performance perspective
- Missing an opportunity to proactively prepare the business for the 3 waters reform decision (whatever way it goes)
- Further deterioration of customer and community confidence
- Staff attraction and retention capabilities remain challenging
- Council remains reactionary to maintenance issues

#### Option 2 - Delay any changes until 3 waters reform decision has been made

Any potential improvements that could be done now would be delayed until after the 3 waters decision

#### Option 3 - Develop an improvement implementation program in preparation of the 3 waters decision (RECOMMENDED)

- Allows for the early development of an improvement program in preparation for the 3 waters reform decision irrespective of the actual decision
- An improvement program can be developed that identifies:
  - Improvements that can be implemented immediately irrespective of the decision on the 3 Waters Reform (BAU)
  - · Improvements that can be implemented once the decision on the 3 Waters Reform has been made



## Reform Impact Considerations



#### Option 3 - Develop a program plan to design and deliver improvement recommendations

Improvements that can be implemented immediately irrespective of the decision on the 3 Waters Reform (BAU)	Improvements that can be implemented once the decision on the 3 Waters Reform has been made
3.1 Consolidate the Asset Management function within WWL 3.2 Develop/attain and/or consolidate the appropriate technical skills	1.1 Revise and reframe the contract document  1.2 Redefine the representative levels within the contract
4.1 Develop an unconstrained (realistic) AWP 4.2 Redefine the AWP approval timeline 4.3 Review and negotiate the constrained AWP 4.4 Establish a formal AWP review process 4.5 Create standard expectancies for all reactive and planned maintenance activities	<ul> <li>2.1 Re-establish the contract relationship</li> <li>2.2 Re-establish the monthly contract performance meetings</li> <li>2.3 Develop the appropriate reporting requirements and format</li> <li>2.4 Redefine the roles and responsibilities of nominated support functions</li> </ul>
5.1 Relocate customer first point of contact from WCC to WWL including Call Centre setup and processes 5.2 Consolidate the planning/scheduling and dispatch functions 5.3 Conduct a workshop on key concepts and fundamentals of service delivery 5.4 Develop the appropriate works delivery processes including business and operational rules	<ul> <li>6.1 Review the existing technology and data architecture including system integration</li> <li>6.2 Review current asset management systems and align to the technology and data architecture</li> <li>6.3 Implement an industry standard CRM system</li> <li>6.4 Investigate and implement a suitable work scheduling system</li> <li>6.5 Extend/replace the current field mobility solution</li> </ul>
7.1 Develop the Standard Expectancies for activities related planned and reactive works 7.2 Revise KPIs for the delivery of both reactive and planned works 7.3 Consider reassigning/moving the reporting lines of Asset Management, Engineering, Customer Call Centre within the Alliance 7.4 Review and implement centralised Planning/Scheduling and Dispatch functions	



## **Contract Review**

# **Next Steps**

## **Next Steps**



To implement the proposed recommendations within an acceptable timeframe, the following actions are proposed:

- WCC and WWL Executive & Senior Management team to review the recommendations (including corresponding actions) as presented
- 2. Decide which option to proceed (recommendation is option 3)
- Establish a communication plan and communicate key messaging on results of the review and planned next steps
- Develop implementation program plan to provide a consolidated view of Schedule, Change Impact, Effort, Internal/External Resources and Benefits



## **Contract Review**

# **Supporting Information**

## **Contract Review**

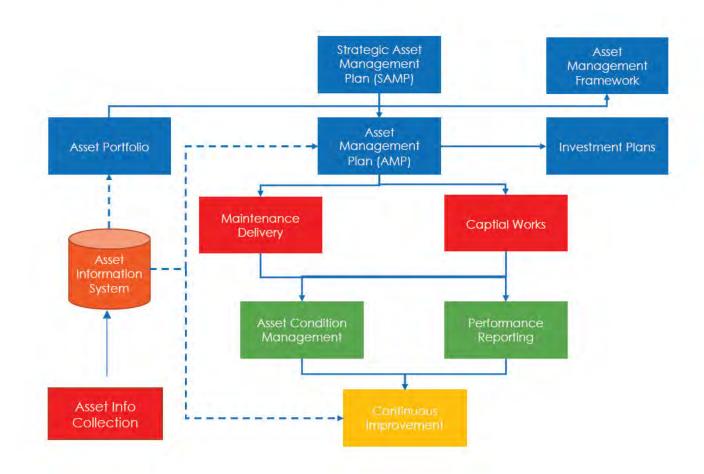
# Asset Management and AWP

# Asset Management and AWP



#### The current functional structure doesn't adequately support the overall business objectives

- Fragmented and uncoordinated Asset Management approach from a technical perspective
- Question whether the organisation has the appropriate Asset Management technical skills
- Clearly defined accountability for the condition assessment, analysis and the development is fragmented
- Irrespective of the state of the information support systems (including system integration), there is a missed opportunity to collect ongoing asset information via the maintenance program





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# Key Principles for Effective Asset Management



#### Lead-in

- Integration of OPEX and CAPEX Programs: Merge operational and capital expenditure programs to create an unconstrained (realistic) consolidated Annual Works program.
- The AWP to be developed by assessing the risk network performance through an effective Asset Management approach incorporating predictive maintenance, condition based assessments to move from a reactive to a proactive maintenance practices
- Approval of the AWP should shift away from purely a financial perspective to aligning the network risk to the available funding (constrained AWP) This should be the starting point for the discussion between WCC and WWL
- Establish a regular review of the operational delivery of the AWP and make the appropriate changes to the program to adjust for potential changes in the risk profile of the network, delivery performance etc
- Rigorous Conditional Based Analysis: Implement data-driven decision-making through regular condition assessments to understand asset health and performance.
- 2. Integration of OPEX and CAPEX: Merge operational and capital expenditure programs to create a consolidated Annual Works program.
- 3. Optimize Annual Works Program: Ensure resources are allocated efficiently to address critical needs and enhance overall asset performance.
- 4. Risk Management: Identify and prioritize high-risk assets to allocate resources effectively and reduce potential failures.
- 5. Long-Term Planning: Develop long-term strategies for asset maintenance, renewal, and upgrades to ensure sustainable performance.
- 6. Asset Performance Metrics: Establish key performance indicators (KPIs) to measure asset health, efficiency, and reliability.
- 7. Predictive Maintenance: Utilize advanced technologies and data analytics to move from reactive to proactive maintenance practices.
- 8. Stakeholder Collaboration: Foster collaboration between various departments to align asset management goals with the organization's overall objectives.
- 9. Regulatory Compliance: Ensure asset management practices comply with relevant regulations and standards.
- 10. Continuous Improvement: Encourage a culture of continuous improvement by learning from asset performance data and feedback.



## **Contract Review**

# Other Reports/Reviews

## The Mayoral Taskforce on the Three Waters Report



#### **Report Highlights**

#### WATER

- · There is a limited understanding of the condition of our three waters assets.
- · Water loss is difficult to measure or understand without metering.
- Wellington City's three waters infrastructure is generally in a poor condition and a significant increase in investment is required to both operate the networks to the required standard and to improve the condition.

#### ASSET MANAGEMENT

- The understanding of the condition of critical assets is inadequate.
- The funding of current renewals and maintenance programs is inadequate.
- Renewals funding has rarely met depreciation which has often been reprioritised to other assets.
- Three waters financial and non-financial reporting is complicated and has not presented decision makers with an accurate picture of either the state of the network or the risks of funding decisions.

#### **PERFORMANCE**

- There is an abundance of performance measures that have little relevance to citizens or to WCC.
- · There are limited consequences for failing to meet the performance standards.
- It is difficult to hold WCC and Wellington Water to account for the measures because of the split between asset ownership and service provision.

#### **GOVERNANCE**

- · Governance of Wellington Water's performance cannot be separated from the performance of the network.
- The accountability split is unsustainable and the Taskforce's view is that asset ownership should be reviewed with a view to shifting assets into Wellington Water or a new entity as is anticipated by Central Government.

#### **OVERALL**

• The current approach to water will not meet future demand, aspirations or community expectations. The City and WCC have underinvested in the three waters infrastructure for many years. The very high water leakage rate and poor performance of the sewerage network are unacceptable, and will be expensive to fix.



### WICS Report - Wellington Waters Cash Requirement for WCC



#### **Report Highlights**

A review was commissioned by WWL for WICS to review:

- the cost effectiveness of Wellington Water's operating costs incurred on behalf of WCC. This is based on operating cost benchmarking models developed
  in Great Britain and applied in several jurisdictions.
- comparisons of Wellington Water's forecast for capital maintenance expenditure (maintenance and renewals) for WCC to that of companies in Great Britain.
- comparisons of Wellington Water's asset performance.
- · comparisons of WCCs renewals expenditure and accounting and economic depreciation.

#### A snapshot of the findings are:

- Wellington Water is doing fairly well at managing the business on a tight budget in the short-term. BUT this is at the expense of increasing the risk of service failure and ultimately future costs as a consequence of having to undertake more reactive repair work when assets do fail.
- Consistent with the trend on reactive maintenance expenditure over the past four years, the number of asset failures suggests that there has been inadequate investment in asset knowledge and, ultimately, proactive maintenance.
- The actual level of renewals investment has consistently been significantly lower than the depreciation collected. The result is that the network is ageing
  and deteriorating, leading to increases in pipe breakages and increasing water loss and wastewater leakage.
- While there may be a temptation to reduce investment in improving knowledge on asset condition and performance to live within existing budgets in the short-term, such initiatives will inevitably increase system wide costs in future years due to increasing responsive maintenance costs.
- A longer term approach would involve investment in asset knowledge, reviewing and improving asset management planning processes and having more transparency around the governance of the investment plan.

F

## Service Blueprint Project Report



#### **Report Highlights**

An internal review was conducted in the Customer Operations Group to identify current issues impacting on frontline service delivery. The highlighted areas of concern were: Need for greater consistency; Resourcing in Team Leader position; Improving customer expectations; Improvements in change and internal communication; Service Levels; Role clarity, process and trust; Ownership of systemic technology issues.

#### A snapshot of the findings are:

- A lack of capacity of the Customer Operations Group workforce to meet current demand/backlog.
- · CARs and TMPs are being misused and impacts responsiveness.
- · Customers tell us that we don't fix their jobs fast enough, communicate well and provide good quality work.
- · There are areas of compliance that currently or could in the future result in risk for WWL.
- · Variable data quality. Inaccurate or inadequate data collected impacts asset management.
- Duplicate jobs impact on delivery.
- Inconsistent categorisation of work (OPEX / CAPEX) impacts on internal budgets, WCC funding and financial compliance.
- · We lack the ability to query costs and become more economically efficient.
- · The handover of new assets can be problematic without adequate handover, resources and funding.
- Lack of strong integration between functional teams across the organisation is leading to poor handovers between teams and creating higher levels of operational risk.
- · There is a lack of clarity regarding what the priorities are across the group which impacts on reactive and planned maintenance delivery.
- · Teams require clearer guidance on roles and responsibilities.
- · There are times when the technology impairs operations ability to conduct their work effectively.



# **Contract Review**

# KPI's

# Examples of KPI's



Examples of Regulatory & Network Performance KPI's that should be specific to Water/ Wastewater/ Stormwater operations – need to be further developed in order to stipulate the actual measures

Category	KPI	Description
	Water Quality Compliance	The percentage of sampled water non-compliance compared to the regulatory requirements
Treatment Operations	Drinking Water Quality	The number of drinking water complaints. To be measured monthly
	Boil Water Alerts to Public	The number of published Boil Water alerts to be "Zero"
	Plant Discharge Compliance	The number of wastewater discharge tests not complying within regulatory guidelines
	Alarm Response	The number of SCADA alarms responded to within SLA's >95%
	Pressure Complaints	The number of pressure complaints below minimal supply requirements reported monthly
Water Network	Cease Leak Response	Cease leak SLA's achieved > 95% on all reactive work orders
	Shutdown Notifications	The number of Notified shutdowns completed within SLA's > 95%
	Cease Overflow Response	The number of overflow's ceased within response time SLA's >95%
Wastewater	Overflow Containment/ Response	The number of overflow's contained within response time SLA's >95%
wasiewatei	Overflows Incidence	The number of repeat overflows on a customer service/property. Number of overflows or the number classified as an incident
Stormwater	Flood Event Incidents	The number of repeat flood events on a customer property. Specifically related to the contract actions or inactions



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# Examples of KPI's



# Examples of suggested HR, Financial & Delivery Efficiency KPI's – need to be further developed in order to stipulate the actual measures

Category	КРІ	Description
People/HR	Staff Turnover (Voluntary)	Rate of staff turnover specifically relating to Treatment Plant Operators
	Staff Turnover (Involuntary)	Rate of staff turnover specifically relating to Treatment Plant Operators
	Contractor Overtime	Monthly measure of the contractor overtime levels
	Absenteeism	Absenteeism Rate
	Lump Sum (Actual to Budget)	Actual cost vs the budgeted lump sum
	Unitised OPEX Cost	Actual cost rate = Agreed schedule of rates
Finance	Minor Capital (Act vs TOC)	Actual Cost incurred = TOC based on unit rates
	Minor Capital Variations	Percentage of variations on total program and corresponding % under/overrun
	Budget vs Actuals by category type	Performance of Actual spend vs Contracted budget forecast (summary)
	Productivity	Crew Productivity >xx% (Measured by contractors actual vs unitised rate, SOW)
Delivery Efficiency	Travel Time	Average Travel time per day to be <xx minutes<="" td=""></xx>
	Rework	% rework on same asset or property to be <xx%< td=""></xx%<>



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# Examples of KPI's



Examples of suggested H&S and Customer KPI's – need to be further developed in order to stipulate the actual measures

Category	KPI	Description
	LTI	The number of Lost Time Injuries (LTI's) over a 12-month period
	MTI	The number of Medical Time Injuries (MTI's) over a 12-month period
Health and Safety	SI	The number of Safety incidents (SI) (I.e., Near Miss, hazard identification, LTI, SI, MTI), Investigation results and lessons learnt
	TRIFR	Total Recordable Injury Frequency rate (Includes LTI,MTI & SI)
	El	The number of Environmental incidents (EI) (I.e., Near miss, pollution events, infringements) investigation results and lessons learnt
	No of Complaints	The number of customer complaints received directly attributed to the contractor performance
Customer Service	Average Response Time	The average time taken to respond to a customer complaint Calculated from the time the contractor receives the notification to the time to attend site
	Customer Satisfaction Ratings	Customer Satisfaction taken from Monthly Customer Survey

Note: Against each of the KPI's a trending analysis is also established to assist with developing action plans to address the underlying performance issues



12 January 2024 100



# FieldForce4 Pty Ltd

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12 January 2024



#### FIELD FORCE

#### **REVIEW - ANOTHER CHANGE OF PLAN**

From Siobhan

Date Tue 30/ Procter <Siobhan.Procter@wcc.govt.nz>

To Sehai O<sup>01/2024</sup> 11:02 AM

(FYDIBOgad <Sehai.Orgad@wcc.govt.nz>; Gen Drake </o=ExchangeLabs/ou=Exchange Administrative Group <Rebec HF23SPDLT)/cn=Recipients/cn=73726d277c59472ba0981e1738557eff-Gen.Drake>; Rebecca Adams

<Richarca.Adams@wcc.govt.nz>; Meredith Keys <Meredith.Keys@wcc.govt.nz>; Richard MacLean

<Chris.Ng.MacLean@wcc.govt.nz>; Gareth Hancock <Gareth.Hancock@wcc.govt.nz>; Chris Mathews

Cc Barbara athews@wcc.govt.nz>

McKerrow < Barbara. Mckerrow@wcc.govt.nz>

Mayor has exp

ressed strong preference for release on Thursday morning

**Rebecca** – can you please liaise with **Sehai** to determine exact timings of BM's email to CEs, mayor and Councillors and come back to me so I can advise WWL

Can I also get a copy of the email to review in advance

From: Siobhan Procter

**Sent:** Monday, January 29, 2024 11:32 AM

To: Moana Mackey < Moana. Mackey@wcc.govt.nz>; Sehai Orgad < Sehai. Orgad@wcc.govt.nz>; Gen Drake

<Gen.Drake@wcc.govt.nz>; Rebecca Adams <Rebecca.Adams@wcc.govt.nz>; Meredith Keys

<Meredith.Keys@wcc.govt.nz>; Richard MacLean <Richard.MacLean@wcc.govt.nz>; Gareth Hancock

<Gareth.Hancock@wcc.govt.nz>; Chris Mathews <Chris.Mathews@wcc.govt.nz>

**Cc:** Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Subject: CHANGE OF PLAN

I have just clarified with Barabara the order of events.

To give the other shareholding Councils more time before the Minister gets it, we will release that tomorrow on 30 January

Plan is to just release the redacted versions to CEs and mayors

#### NOTE THIS RELATES ONLY TO THE FF REPORT.

From: Siobhan Procter

Sent: Monday, January 29, 2024 9:53 AM

To: Moana Mackey < Moana. Mackey@wcc.govt.nz >; Sehai Orgad < Sehai. Orgad@wcc.govt.nz >; Gen Drake

<<u>Gen.Drake@wcc.govt.nz</u>>; Rebecca Adams <<u>Rebecca.Adams@wcc.govt.nz</u>>; Meredith Keys

< <u>Meredith.Keys@wcc.govt.nz</u>>; Richard MacLean < <u>Richard.MacLean@wcc.govt.nz</u>>; Gareth Hancock

<<u>Gareth.Hancock@wcc.govt.nz</u>>; Chris Mathews <<u>Chris.Mathews@wcc.govt.nz</u>>

Cc: Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

**Subject:** FF Review - order of events

Just spoken with Barbara following her meeting with the Minister which went well. He has asked for a copy of the review to be submitted with the other information

On the basis that we release all information as requested on  $1^{st}$  Feb, the plan is for Barbara to send it to all CEs and mayors in the region as well as our councillors on 31 January (day before release to Minister)

She will talk to Campbell and Tonia today to give them a heads up

Once she's done that, I'll give Fulton's CE a courtesy call to let him know if will be coming out this week

If the plan changes, will let you know

Ngā mihi

#### Siobhan Procter

Tātai Heke Waihanga | Chief Infrastructure Officer | Infrastructure and Delivery | Wellington City Council **M** 021 228 5429 **E** siobhan.procter@wcc.govt.nz | **W** Wellington.govt.nz |

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Absolutely Positively Wellington City Council

Me Heke Ki Pôneke

From: Richard MacLean < Richard. MacLean@wcc.govt.nz >

Sent: Thursday, February 1, 2024 11:34:53 AM

Subject: Release of independent report and recommendations on Wellington Water Ltd

#### **NEWS RELEASE**

#### 1 February 2024

#### Release of independent report and recommendations on Wellington Water Ltd

An independent report into Wellington Water Ltd's (WWL) operational performance has been released today and suggests several opportunities to improve WWL's performance.

The independent review was initiated by a resolution of Wellington City Council's Long-term Plan Finance and Performance Committee. Agreement was reached to increase \$2.3 million in additional opex funding to WWL, contingent on the conducting a review of WWL to enhance efficiency, identify cost savings, and improve transparency and reporting.

The report, executive summary and elected member summary are attached. They have been distributed to the mayors and chief executives of all of Wellington Water's shareholding councils and chief executives of local iwi.

Wellington Mayor Tory Whanau believes these recommendations could help improve the performance of the water network in Wellington.

"It's essential that we ensure Wellington ratepayers' money is going towards actually getting pipes fixed. We put a significant amount of funding into our water infrastructure, and as your Mayor I want to be sure this is going exactly where it should be.

"We look forward to working with other shareholding Councils, mana whenua and Wellington Water to implement as many of these findings as possible for the benefit of our water network. Some of these changes will require time and be worked on as part of a new regional model for water delivery.

Wellington City Council Chief Executive Barbara McKerrow says the City Council accepts the recommendations from the report. "With increasing service delivery costs resulting in a growing backlog of leaks, it's important that we support Wellington Water to find efficiencies"

"Wellington City Council commissioned the review by consultants FieldForce4 who were engaged for their extensive global water utility and commercial experience."

FieldForce4 found that maintenance costs had increased by 71% over the last three years. It also found that the level of reporting from WWL was not sufficient for a water utility of its size.

The review also suggested that efficiencies could be found if there was more focus placed on performance measures and cost targets.

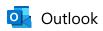
The report findings included suboptimal contract management between WWL and its contractors, failure to ensure the performance and financial risk is proportionately shared between Wellington City Council, WWL and contractors, and found that the WWL reporting to the City Council fails to accurately capture and link network performance to the physical work programme and associated budgets.

The recommendations include adding commercial service delivery performance indicators (KPIs) to the Management Service Agreement (between the council and WWL) and the Alliance Agreement (between WWL and contractor Fulton Hogan).

For further details please contact:

Pearl Little, Office of the Mayor, S7(2)(f)(ii)

Richard MacLean, City Council Communications, tel 021 227 8180.



#### RE: FF4 report PR

From Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Date Thu 01/02/2024 9:03 AM

To Pearl Little </o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=79f1cdaa39074f5c82a676f358979c25-0a0be543-69>; Nadine Walker

s7(2)(f)(ii) Michael Naylor s7(2)(f)(ii)

Fab, I've added minor things and see Michael is too. I wont have email til after committee so bring a printed copy to me if you need me to sign off before a certain time. Thanks team

#### **Tory Whanau**

Mayor of Wellington | Wellington City Council

EA: Tiumalu Sialava'a 021 710 283

Sign up to our weekly email here!



From: Pearl Little S7(2)(f)(ii)

Sent: Thursday, February 1, 2024 8:54 AM

To: Nadine Walker \$7(2)(f)(ii) Michael Naylor \$7(2)(f)(ii)

**Mayor Tory** 

Whanau <Tory.Whanau@wcc.govt.nz>

Subject: FF4 report PR

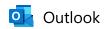
PR here for approval - WWL FieldForce4 report - release key messages jan24.docx

Pearl Little (She/Her)

Principal Communications Specialist to the Mayor

M: +64 21 243 3954 E: pearl.little@wcc.govt.nz





#### **RE: Wellington Water Ltd Independent Operational Review**

From Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Date Fri 02/02/2024 2:15 PM

To Councillor Diane Calvert < Diane. Calvert@wcc.govt.nz>; DL: Councillors < councillors@wcc.govt.nz>

Cc GRP: Executive Leadership Team (ELT) < GRP\_ExecutiveLeadershipTeam\_ELT@wcc.govt.nz>

#### Hi Diane

There have been many conversations and given the concerns being expressed by WWL I was keen to try to establish whether there were any fundamental inaccuracies. I therefore proposed the meeting with Fieldforce. WWL were not keen to have such a meeting but it was eventually agreed and we met in mid December. Siobhan has explained that at that meeting, which I attended, it was confirmed that the underlying data was accurate. WWL does not agree with the findings, primarily on the basis that they believe the reviewer has gone beyond the terms of reference. We do not agree with that, but whether or not that is the case, the key recommendations from the review are material and important for the Council to see. The important outcome from all this is that we find a collaborative way forward that satisfies our desire for greater levels of accountability and supports WWL to do their work, while we work regionally on the best future model. We all need to move on from disagreement to sensible action and I have been having productive meetings with the shareholder council CEs.

I will ask Chris Matthews whether there are any other relevant documents.

Regards

Barbara

From: Councillor Diane Calvert < Diane. Calvert@wcc.govt.nz>

Sent: Friday, February 2, 2024 1:15 PM

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; DL: Councillors <councillors@wcc.govt.nz>

Cc: GRP: Executive Leadership Team (ELT) < GRP\_ExecutiveLeadershipTeam\_ELT@wcc.govt.nz>

Subject: RE: Wellington Water Ltd Independent Operational Review

#### Sorry Barbara

I have just see the email from Siobhan and see that it was sent out to us. Have we responded in any substantive way other to them?

Regards Diane

From: Councillor Diane Calvert < Diane. Calvert@wcc.govt.nz>

Sent: Friday, 2 February 2024 12:57 pm

To: Barbara McKerrow < Barbara.Mckerrow@wcc.govt.nz >; DL: Councillors < councillors@wcc.govt.nz >

Cc: GRP: Executive Leadership Team (ELT) < GRP Executive Leadership Te

Subject: RE: Wellington Water Ltd Independent Operational Review

Thanks Barbara

What I am asking for is the formal feedback that we received from WWL about the report which was not included. I also see that Tom Hunt has received a LGOIMA showing an email response to WWL to WCC in December.

It would be helpful if we could see their comments in context along with WCC's response to assist us in our future decision making around next steps. We do not need to see the email trail, just final comments.

**Thanks** 

Diane

From: Barbara McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Sent: Friday, 2 February 2024 12:42 pm

To: Councillor Diane Calvert < <a href="mailto:Diane.Calvert@wcc.govt.nz">Diane.Calvert@wcc.govt.nz</a>; DL: Councillors < <a href="mailto:councillors@wcc.govt.nz">councillors@wcc.govt.nz</a>>

**Cc:** GRP: Executive Leadership Team (ELT) < <u>GRP\_ExecutiveLeadershipTeam\_ELT@wcc.govt.nz</u>>

Subject: RE: Wellington Water Ltd Independent Operational Review

Hello Diane

I see Siobhan has already shared the WWL response with the Council. All of the reports were released yesterday morning to the key parties and the Minister in the afternoon.

Regards

Barbara

From: Councillor Diane Calvert < <u>Diane.Calvert@wcc.govt.nz</u>>

Sent: Thursday, February 1, 2024 11:42 AM

**To:** Barbara McKerrow < <u>Barbara.Mckerrow@wcc.govt.nz</u>>; DL: Councillors < <u>councillors@wcc.govt.nz</u>>

**Cc:** GRP: Executive Leadership Team (ELT) < <u>GRP\_ExecutiveLeadershipTeam\_ELT@wcc.govt.nz</u>>

Subject: RE: Wellington Water Ltd Independent Operational Review

Importance: High

Thanks Barbara

Would you also please release WWL's formal response (if any) to the report along with any response WCC has provided in respect of the findings (other than the media release).

Would you please also advise when the report was first released to others as per the media release.ie "They have been distributed to the mayors and chief executives of all of Wellington Water's shareholding councils and chief executives of local iwi. "

Regards Diane

**From:** Barbara McKerrow < <u>Barbara.Mckerrow@wcc.govt.nz</u>>

**Sent:** Thursday, 1 February 2024 11:33 am **To:** DL: Councillors < <a href="mailto:councillors@wcc.govt.nz">councillors@wcc.govt.nz</a>>

Cc: GRP: Executive Leadership Team (ELT) < GRP Executive Leadership Te

Subject: Wellington Water Ltd Independent Operational Review

Kia ora koutou Mayor, Deputy Mayor, Councillors and Pou Iwi

As you know, on May 31 2023, the WCC Long-term Plan Finance and Performance Committee approved a Mayoral amendment to provide Wellington Water Ltd (WWL) with an additional \$2.3m opex funding increase to be directed to detecting

and fixing leaks, contingent on WWL agreeing to an independent operational review. The focus of the review was to identify efficiencies, cost savings, and improvements to transparency and reporting.

A Terms of Reference and Statement of Work were developed between council officers and WWL staff. Independent consultants FieldForce4, were engaged to undertake the review. Field Force4 has extensive global water utility and commercial

experience and specialise in improving frontline services workforce productivity. The review makes several recommendations for improving service delivery.

Specifically, the review has found that neither the Management Service Agreement (MSA) nor the Alliance Agreement adequately support WCC's overall objectives, due to the lack of clearly defined reporting requirements and performance measures.

The recommendations in the report will help to inform our Council's input into the Letter of Expectation (LoE) which will be the subject of a Wellington Water Committee workshop on 9 February. At this workshop, the Mayor will

work with the Shareholding Councils to agree priorities and identify opportunities to work towards improved value for ratepayers.

With the consideration of the opportunities outlined in the review, we can ensure we have a comprehensive Letter of Expectation

to inform the development of the WWL 2024-2027 Statement of Intent.

As you will be aware, we were recently asked by Minister Brown to provide him with information regarding our investment into three waters. In our meeting on Monday morning Minister Brown asked that we also share a copy of the FieldForce4

contract review, and we will do so this today.

Please find attached the full management presentation, the executive summary as well as the consultant's presentation from the December briefing. Note that commercially sensitive information, and officer names have been redacted.

Naā	mihi	nui
nga	mihi	nuı,

Barbara

# Barbara McKerrow Chief Executive Officer | Tumu Whakarae | Wellington City Council barbara.mckerrow@wcc.govt.nz | W Wellington.govt.nz |



#### FW: WWL Response to the FF review

From Chris Mathews < Chris. Mathews@wcc.govt.nz >

Date Fri 02/02/2024 4:48 PM

To Siobhan Procter < Siobhan.Procter@wcc.govt.nz>

4 attachments (6 MB)

04. WWL Response to FieldForce4 Report.pdf; 07. Key messages to include in Exec Summary\_Report.pdf; 08. Summary Report Wellington Water.pdf; 09. Wellington Water Memo - Contract Optimisation review conducted by FieldForce4.pdf;

HI Siobhan, as per BM response to Diane, attached are the docs I could include, or I could not send anything.

This can wait until Wednesday when im back.

Chris

From: Chris Mathews

Sent: Friday, February 2, 2024 1:18 PM

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Subject: WWL Response to the FF review

HI Barbara,

Here are the key docs that were provided in the WWL LGOIMA, summary below. (full document list is here <u>Dropbox file for OIA IRO-547</u>)

Doc 09 is most relevant.

04: WWL initial response to the WWL review

09: Formal WWL review feedback Memo

08: WWL and WCC response/comment to each recommendation

07: WWL providing information to include in FF Exec summary (we declined as it is an independent report)

Happy to discuss,

Chris

#### **Chris Mathews**

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#### Absolutely Positively Wellington City Council

Me Heke Ki Poneke

04. WLL Response to Field Force - released underWWL OIA

#### WWL Response to FieldForce4 Report

#### Overall Observations for WCC

The document is focused on a "contract review" whereas our shared understanding with you is a review of the efficiency of the services provided by the WWL/FH Alliance.

Overall objective in the TOR was to improve efficiency and identify cost savings. Some proposed actions are included in Recommendation 7 'Consider and implement a number of proposed improvements within the Alliance to improve operational efficiencies' but they are largely around reporting.

There are some useful ideas in the report that we could bring to the top to meet these objectives.

The document is focussed largely on a review on the Wellington Water model and on aspects of work not related to the COG and Alliance. While having Field Force understand the trusted advisor model was important, much of this commentary is out of scope. It is worth pointing out that the team have not spoken to the other shareholders, so they are providing a singular view back to you. It may be possible that in a future scenario where water reform doesn't feature, the WWL shareholders take a look at the model – but that would be done at a regional level. So, some of the comments could be useful to Wellington City in the future; but this was not the purpose of this review.

We therefore feel that overall the outcome and key findings of the review have missed its purpose. The review was initiated around concerns from counsellors about operating efficiency and costs and was intended to look for where improvements could be made.

Our other concerns are that the review also has not taken into account the operating context/model and associated constraints. It lacks understanding of local govt/NZ market/age of the assets and the consequential reactive operating mode this drives. In our view the review as currently drafted does not appear to be independent, but reflects a view on what a theoretical contracting model should look like rather than assessing the performance of the current model in the current operating context. There is no view given on the model efficiency/number of leaks fixed etc.

This doesn't mean that the opinions given are a waste of time and money for WCC. It is simply that they are not appropriate to be included in this report.

We need to clarify some of the terminology used throughout. For instance, references to 'contract' need to specify whether this refers to the Management Services Agreement between WCC and WWL or the Alliance Agreement that underpins the COG. And we consider 'works planning' to be a more appropriate term than 'asset management' in this context.

#### **Proposed Structure**

The report needs to be restructured so that it can be given to key stakeholders.

Suggested outline of the document:

Section One - Executive Summery - 5 -10 pages

- Title changed to "Optimisation Review"
- Exec Summary/Objectives & Key findings summary to be the first pages
- Recommendations
- Improvements to Implement
- Next Steps

#### Section Two – Detailed Review Work/Appendix

- Background including context of water reform
- Scope
- Terminology / definition of key terms
- Approach
- Key Findings
- Supporting Information
- Review Team

#### Section Three - For WW/WCC Officers only

• Information we don't want included, which is out of scope of the TOR:

#### Out of Scope



- Anything not related to the Customer Operations Group
- Any employment related matters e.g. organisation structure, performance of individuals
- The purpose of this review is to focus on performance of the COG and Alliance for WCC. If there are service improvements, they could be shared with other councils, but we recognise that not all councils would benefit from this.
  - Slides 45, 80, 81 organisation structure is out of scope
  - Slide 53 The Capex programme is not in scope of the review, and the reviewers did not talk with NDD to gain an understanding of it
  - Matters relating to the MSA between WWL and WCC are out of scope for WWL

#### Key messages to include in Exec. Summary/Report

Wellington Water's dedicated front-line maintenance teams are working hard to deliver their best for the community where they are operating in an increasingly challenging environment.

The delivery of network operational activities that are subject to the review is undertaken by the Customer Operations Group (COG) of Wellington Water Limited. COG is underpinned by the alliance agreement between WWL and Fulton Hogan Limited. The review should therefore refer to the Customer Operations Group (COG) when referencing alliance or alliance activities.

While operational activity and reporting is currently supported by data and systems significant investment and time is required to get high maturity in this space. This investment is constrained by the context of Water Reform delivering a new technology environment, however increased investment from Councils in data and technology has allowed WWL to get underway with non-regretful improvements, and this work should continue.

#### Contractor Performance

- Overall, the Customer Operations Group is performing well. There are a number of areas where improvements can be made to further improve delivery of the service.
- The absence of an agreed reporting framework makes it difficult to accurately assess performance with current metrics.

#### Contract cost

 Clearer programming and funding requests, including implications, will enhance the understanding of risk and clarify risk ownership.

#### Way of working

- o A number of workflow improvements have been identified for consideration.
- Improved reporting of sub-contractor activities would enhance understanding of their usage.

#### Customer

 The current agreed model of customer management, including systems and processes, are complex which can impact on effective service delivery and the ability to achieve the desired customer experience.

#### Contract Management Framework

o Both the Management Services Agreement (MSA) and the Alliance Agreement (AA) do not adequately support the overall objective of WCC. (NB clarity is needed on which specific WCC objective being referred to is - fixing leaks, maintaining services for ratepayers, improving value for money and service?)

#### • Contract Specifications

o There is a lack of clarity on the impacts of constrained funding on the ability of the COG to deliver on WCC's required levels of service.

#### • Staff Contract Management Capability

There is no agreed mechanism to report on and address contract management matters between WWL and WCC.

#### Technology

- o Gaps in core system capability create challenges in support of end-to-end service delivery.
- o There is a well-structured and executed data and system architecture working within these current constraints.
- Work is underway to improve the data and system support of work scheduling, and this should continue.

#### Data

- o WWL are well positioned to leverage the **available** data to support improvement throughout the operations.
- Gaps in core system capability mean the work to create consolidated reporting requires significant effort.
- Historical challenges with asset data completeness and quality impact ability to maintain and operate assets.
- Work is underway to improve asset data completeness and quality, and this should continue.

#### Planning

 COG develops a bottom up, best practice (using the data and information available at the time) annual asset maintenance programme of work for all client Councils.
 The best practise programme is supplied.

## **Summary Report Wellington Water**

**WWL Response** Timeline Recommendation **WCC Response** 

#### **Revise Contract Documents:**

Reframe the MSA contract to include specific details such as reporting requirements, key performance measures, AWP delivery/risk, and budgets.

a.Key Performance Indicators - Develop a suite Accept. of KPI's for both the MSA and the Alliance

Not agreed.

Suggest WCC tables request to the Water Committee asking they agree to to amend Alliance Contract to reflect MSA

Changes to the MSA are not appropriate while there is uncertainty around water reform timelines and scope. change the MSA and direct WWL Board Any future work here would need to be agreed with other council owners.

> However, WWL can share the current KRAs and KPIs measured and reported by COG. The COG has recently developed a better reporting dashboard on Alliance KRAs/KPIs. At present these are pitched at a regional level, so we will need to check what we can do to show results for WCC specifically.

We propose a workshop to show what we have available and agree on what is helpful.

b.Performance Incentive - Performance incentive mechanism. To be agreed between parties to reward attainment of the agree KRA's and KPI's.

Accept.

Not agreed.

Suggest we ask WW Committee to direct WWL Board to develop a proposed incentive scheme related to existing and agreed LTP budget provision and work programmes

Changes to the Alliance commercial model are not appropriate while there is uncertainty around water reform timelines and scope.

To implement a performance incentive mechanism, business as usual targets would need to be fully funded. Given our context of a network that is aging and unstable, and a tight fiscal environment, we rely heavily on the ability to reprioritise activities to address the highest needs. Maintaining this agility does not lend itself to an incentive mechanism when we continually have to adapt and change.

#### Improve Contract Management Capability and Processes

Clarify roles, responsibilities, and reporting requirements to enhance service delivery, commercial outcomes, contract performance, and issue resolution.

a. Re-establish the contract relationship through the development of a contract charter

Agree - needs to be linked to KPIs and KRAs

Not agreed.

We understand that you are referring to the MSA between WCC and WWL. Changes to the MSA are not appropriate while there is uncertainty around water reform timelines and scope.

## **Summary Report Wellington Water**

Recommendation	WCC Response	WWL Response	Timeli
contract management performance	Agree - needs to be linked to KPIs and KRAs and also report on Alliance	Agreed.	Now
neetings to include the appropriate operational representatives as required	performance	There is potential to revise the attendance at the monthly finance and performance meetings. Alliance KPI reports can be shared with WCC at these.	
c. Revise/develop and agreed the contract reporting requirements	Agree	Not agreed.	
	Suggest WCC tables request to the Water Committee asking they agree to change the MSA and direct WWL Board to amend Alliance Contract to reflect MSA	Changes to the MSA are not appropriate while there is uncertainty around water reform timelines and scope.	
d. Redefine roles and responsibilities of key functional support functions	Agree	This recommendation is unclear	
ohysical delivery program.	ustomer-initiated, and reactive wo	rks, are considered for the AWP and stabilize the	
a. Review the current processes, cost	Agree but this should be done once	Not agreed. The Asset Management System was outside	
"지, 하고 그 없는 이 나는 이 나는 그는 그를 보는 것이 되었다" 그는 그를 받는 것이 없는 그를 모르는 것이다. 그는 그를 모르는 그를 받는 것이다.	changes to MSA and Alliance contract have been made	the scope of this review.	
" [사용하다 ]	그리아 없는데, 이번 얼마나 있다면 하면 없는데 그렇게 되었다. 그런데 하는데 그렇게 되었다면 하다.	the scope of this review.  The current process is through the Annual Plan - WWL provides advice to council on this, and the timeframes are outside WWL control.	
ustifications and timing required to support the development of the AWP  o. Consider the development of internal resources re reliability centered	그리아 없는데, 이번 얼마나 있다면 하면 없는데 그렇게 되었다. 그런데 하는데 그렇게 되었다면 하다.	The current process is through the Annual Plan - WWL provides advice to council on this, and the timeframes are	
the development of the AWP  o. Consider the development of internal	have been made  Agree but this should be done once	The current process is through the Annual Plan - WWL provides advice to council on this, and the timeframes are outside WWL control.	

#### **Redefine AWP processes**

Develop an unrestricted CAPEX and OPEX program, revise approval timelines, and consider standard task estimates for measuring work crew utilisation and productivity. Proposed actions to support the recommendation include:

## **Summary Report Wellington Water**

Recommendation	WCC Response	WWL Response	Timelin
CAPEX and OPEX program. The aim is to	Agree - development of mvp should address this for LTP	Not agreed. This process was out of scope of the review.	
hift the narrative and focus from a inancial perspective to a network risk		However, we note that this is what we do every three years as part of LTP investment advice. We did an	
assessment and delivery focus		extensive review of unconstrained needs in Nov 2022	
assessment and delivery tocas		(capex) and Dec 2022 (opex) for NTU and councils.	
o. Revise the current approval timeline to		Not agreed.	
ensure the operational areas have	advance development and approval	Compart was associately such the Americal Plan. 14/14/1	
adequate time to plan and resource the agree AWP	timeline - it is just that the MSA conditions are not met by WWL.	Current process is through the Annual Plan - WWL provides advice to council on this, and the timeframes are outside WWL control.	
그러는 그 소리에서 되었다면서 가장이 하는데	Agree - this is about reporting consolidation and the production of an	Agreed.	
status and forecast cost to completion	AWP that is more than just CAPEX. In reality the Asset Management Plan should drive both CAPEX and OPEX	There is potential to revise the attendance at the monthly finance and performance meetings.	
	AWPs.	WWL is looking into improvements to reporting on opex and capex programmes of work.	
d. Consider the use of Standard Task Estimates (as currently in use with the sub-	Agree	Not agreed.	
그녀들은 물이 하고 함께 먹는데 하면 하면 되고 그래요요요. 이 그리고 예약이 모습니다. 그렇게 하겠다면 하고 있다는 점에 어떤 것이 가게 하는데 하다 하는데 없는데,	Regardless of the contracting model,	Changes to the Alliance commercial model are not	
measure work crew scheduled utilisation	there should be a baseline established and a reporting regime developed to measure delivery efficiency.	appropriate while there is uncertainty around water reform timelines and scope.	
and productivity	measure delivery emelency.	Standard rates are not used in this commercial model	
	This is standard practice across mature	given the operating context.	
	water entities and utilities in general. A		
	section 17A review would likely reach		
	the same recommendation.		

#### **Review End to End Works Delivery**

Explore options for relocating the first point of contact, consolidate planning/scheduling and dispatch functions, and identify process gaps for potential delivery improvements. Proposed actions to support the recommendation include:

a. Consider the relocation of the first point of contact (call centre function) from likely to be part of new water model WCC to WWL including the Call Centre setup and supporting processes - this will eliminate double handling, reduce cost and support the field operations to meet key required performance targets

Agree but not an immediate priority - Not agreed.

Changes to the organisation are not appropriate while there is uncertainty around water reform timelines and scope.

We can talk through what's been achieved and what's still

	(and other councils) in the FY2022/23.		
	data have been enabled through extra funding from WCC		gnificant focus in the area
	any regretful spend. We note that improvements in asset		nobility), recognising there has been a
	WWL will do so within available resourcing and avoiding	anyone "touches" an asset	pplications (Asset Management, field
	anibiana baa saiamasan aldaliann aiddin an ab Ilim 19994	collection is carried out every time	apture procedures and supporting
BuioBuo	Agreed that this work should continue.	Agree - we need to ensure data	Continue to develop the Asset Data
	In the state of th	, , , , , , , , , , , , , , , , , , ,	stad tonsk adt aplayeb at a witas?
	investigate system suitability for job planning and ions to support the recommendation include:	asset data capture procedures, i	
		ata architecture	the pan auditoplican, ametava paitaixe welve
	.eoridance.		
le le	We had hoped the reviewers would provide this additiona		
	awaiting funding to be implemented.		†six
	Potential improvements have been identified and are		dentify delivery improvements that may
	WWL has already completed business process mapping.		ne existing business processes and further
		proactive to identify improvements	rocesses to identify potential gaps within
	d Not agreed.	Agree - this should be done as standard	Review the current works delivery
	to meet customer and network needs.		
	our work is reactive and requires regular reprioritisation		
	planning and scheduling of work. A significant portion of		
	Mote: We are continually looking at improvements for the		
	scobe.		nuctions
	there is uncertainty around water reform timelines and		ue works preparation and delivery
	Changes to the organisation are not appropriate while		illocation, management and monitoring of
		likely to be part of new water model	and dispatch functions – To assist in the
	Not agreed.	Agree but not an immediate priority -	Consolidate the planning/scheduling
Timelin	MML Response	WCC Response	ecommendation
	nmary Report Wellington Wa	2.0.6	

Standard rates are not used in this commercial model

given the operating context.

water entities and utilities in general. A However, WWL is happy to demonstrate how work crew

	Sur	nmary Report Wellington Wa	ter
Recommendation	WCC Response	WWL Response	Timeline
b. Investigate the suitability of the existing systems to support job planning, scheduling and dispatch functional requirements	Agree but not an immediate priority -	Not agreed - we know this already.  WWL can demonstrate how we do this currently in Maximo. We note that Maximo is a shared system with Fulton Hogan which puts limits to development capacity. We are investing in improvements here to the extent that they are not regretful spend in the event that water reform means moving to a different system of record.  We are indicating in LTP advice the investment in systems needed if reform doesn't proceed. This would include corporate IT, systems of record, CRM, possibly billing – estimated to be \$30M over 5 years.	
c. Investigate and implement a suitable CRM system. This action will be dependent on the Reform decision	Agree but not an immediate priority - likely to be part of new water model	Not agreed.  Changes to the organisation are not appropriate while there is uncertainty around water reform timelines and scope.	
Implement improvements with the Alliance Develop Standard Task Estimates, revise Allia support the recommendation include:	ance KPIs, and review planning an	d scheduling processes. Proposed actions to	
a. The development of Standard Task Estimates – The purpose being to develop	Accept.	Not agreed.	
어느 가장 살아내려면 그 모양에 살아가면 가장하는 생각하는 사람들이 되었다면 하는데 없는 것이 되었다면 하는데 살아보다.	Suggest WCC tables request to the Water Committee asking they agree to	Changes to the Alliance commercial model are not appropriate while there is uncertainty around water	

change the MSA and direct WWL Board reform timelines and scope.

section 17A review would likely reach efficiency is managed in Maximo.

to amend Alliance Contract to reflect

This is standard practice across mature

the same recommendation.

MSA.

This initiative focusses specifically on

measure

scheduled utilisation and productivity, not

only job numbers as a key performance

so we will need to check what we can do to show results KRAs/KPIs. At present these are pitched at a regional level, developed a better reporting dashboard on Alliance measured and reported by COG. The COG has recently However, WWL can share the current KRAs and KPIs to amend Alliance Contract to reflect change the MSA and direct WWL Board reform timelines and scope. not appropriate while there is uncertainty around water Water Committee asking they agree to Changes to the Alliance commercial model and MSA are Suggest WCC tables request to the the MSA where applicable b. Revise the Alliance KPI's and align with Accept. Not agreed. Timeline **MML Response** WCC Response Recommendation Summary Report Wellington Water

functions

Planning/Scheduling and Dispatch

potential to implement a centralised

c. Conduct a detailed planning and

scheduling process review with the

and agree on what is helpful. We propose a workshop to show what we have available

there is uncertainty around water reform timelines and Changes to the organisation are not appropriate while matters, addressing the MSA/Contract/KPI Agree - but a second order priority after Not agreed.

for WCC specifically.

to meet customer and network needs. our work is reactive and requires regular reprioritisation planning and scheduling of work. A significant portion of Note: We are continually looking at improvements for the



TO Barbara McKerrow, Chief Executive, Wellington City Council

CC Campbell Barry, Chair of Wellington Water Committee (in confidence)

Nick Leggett, Chair of Wellington Water Board (in confidence)

FROM Tonia Haskell, Chief Executive, Wellington Water Limited

DATE 20 December 2023

#### Contract Optimisation review conducted by FieldForce4

#### Purpose

- The purpose of this paper is to set out the concerns Wellington Water (WWL) has with the Contract Optimisation Review conducted by reviewer FieldForce4 at the request of Wellington City Council (WCC), and to provide WWL's response to the executive summary report ('the report') and the draft detailed report.
- 2. This document is intended to be read alongside the report to indicate WWL's position.
- 3. We would like to confirm our offer to come to speak to your council when the report is produced so that they can hear and understand our position.

#### WWL's Position

WWL does not accept the report, and is unable to approve it or sign off on the report's recommendations.

#### Reasons for our Position

- 5. In May 2023, WCC decided to invest an additional \$2.3m into fixing more leaks in the WCC drinking water network. This additional funding came with the condition to undertake a review of WWL's frontline operations: "the increase in Opex funding committed to Wellington Water Limited (WWL) is conditional on WWL agreeing to a part of the funding being used to undertake a review of its services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting."
- 6. WWL was grateful for the additional funding and agreed to the condition as it was the right thing to do. At a time when the region is losing up to 45% of its drinking water to leaks, WWL will always do what we can to secure more funding to find and fix as many leaks as possible.

- 7. WCC and WWL jointly developed and agreed a Terms of Reference (TOR) for the review. The purpose of the review identified in the TOR was largely to provide an independent review of WWL services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting in line with the request from council. There was also a stated desire to share a greater understanding of a number of elements of the WWL model including the Customer Operations Group (COG), the Alliance Agreement, how our funding and financing works, and the shared ownership between six council shareholders.
- WWL agreed in good faith to FieldForce4 being engaged as the reviewer by WCC on the
  basis of the TOR and supported FieldForce4 in undertaking the review with provision of a
  wide range of documents and access to relevant personnel during the review.
- 9. During the review, it became apparent to the WWL team that FieldForce4 were operating under a different set of instructions than the terms of reference. This was raised with WCC officers, and it would now appear that FieldForce4 were not provided with the agreed TOR nor asked to revise their Statement of Work to reflect it.
- 10. The WWL and WCC teams have worked together throughout the review. WWL has expressed serious misgivings about the scope and content of the draft reports, and we have raised these with WCC on multiple occasions.

#### Concerns with the Report

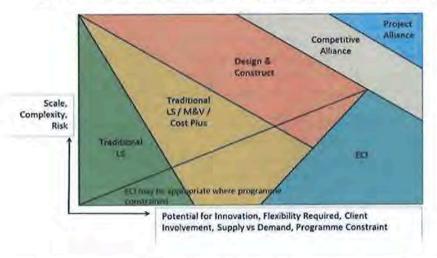
- 11. We now have the final Executive Summary of the FieldForce4 Contract Optimisation Opportunity Report, provided on 19 December. The findings in the final document reflect the findings in the draft, despite our feedback. Again, here are our concerns with the Report:
  - The Report suggests major organisation change (such as moving the customer first point
    of contact from WCC to WWL) as well as additional reviews of other parts of Wellington
    Water. Water reform is the vehicle by which transformational change will occur for
    Wellington Water.
    - That remains the case with the direction indicated by the new Government. Wellington Water people and their knowledge, our systems and process and our operating model will transition into a new entity. That new entity will decide the best operating model in order to meet water quality standards set by Taumata Arowai, and the economic regulation that will be established.
  - The scope is much broader than the terms of reference. There is an element of lost goodwill when it appears that FieldForce4 were instructed by WCC officers in contradiction to the Terms of Reference, but at no stage was Wellington Water advised of the change of direction or FieldForce4 redirected to comply with the TOR.
  - One of the key reasons for keeping the TOR tight was to minimise the impact on our staff who are already stretched, focused on significant priorities such as helping the region to manage a potential water shortage, and dealing with the uncertainty of the reform process. There is little point in putting our people through one change process that would be followed in short order with another. Undertaking a change process now

- would also be a costly exercise and we don't view this as a good use of our councils' or ratepayers' money.
- The review does not acknowledge the role of the Wellington Water shareholders or the governance of the Wellington Water Committee. The changes proposed impact all shareholders who are, like Wellington City, also customers. The other councils have not been included or consulted in the process.
- The report does not provide options or analysis. As an example, there is an absence of a detailed analysis comparing the advantages and disadvantages of both the existing operational model and the proposed changes. There are no other options considered or assessed, and it fails to assess the potential costs and productivity impacts on the work performed by the COG of a different model.
- The report contains numerous inaccuracies: for example, it has conflated WWL Management and Advisory fees with Alliance Management costs, the latter of which is made up of WWL staff costs and COG overheads.
- There are some obvious overstatements and recommendations that are not backed by
  evidence for instance, the report gives an assessment of the capital delivery
  programme. Neither the GM responsible for capital delivery or any of her staff were
  interviewed or consulted in the review process, therefore FieldForce4 will not be aware
  of the programme's quality assurance processes, reporting or governance.
- The report states that the Management Service Agreement between WWL and WCC lacks specific performance measures. However, WWL sets the performance measures each year through its Statement of Intent, in response to the Letter of Expectations from its shareholders. The current SOI contains 16 measures.
  - It is also required to meet 25 mandatory performance measures set by the Department of Internal Affairs, 5 additional LTP measures set by WCC, and must also comply with and report against 250 Drinking Water Quality Assurance Rules set by Taumata Arowai.
- There are no practical recommendations for new operational efficiencies. Many of the system improvements are things that WWL was already aware of and are either underway or are known but implementation is not currently funded by the shareholders.

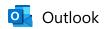
#### Summary

- 12. As an organisation WWL is always looking for efficiency improvements to the way it runs its operations in order to achieve the best outcomes for its shareholders and the residents of the region. We had welcomed the review but unfortunately the report missed the opportunity to focus on operational improvements which WWL is, and continues to be, open to.
- 13. We are not averse to adding performance measures provided that:
  - The measures are agreed to by all our other shareholding council customers,

- Drive the right behaviour (for example balance customer experience with keeping costs down), and
- Targets are set at a level the shareholding councils can afford.
- 14. In 2020, the WCC Mayoral Taskforce on the Three Waters was established to investigate the condition, funding and management of the network, and to develop recommendations for its future. The Taskforce Report concluded "that tinkering is not going to cut it. Transformational reform is required." This will need to come through water reform and a potential new CCO model under development.
- 15. We believe the Alliance, while not perfect, is the right model for the highly complex, high risk work in the Wellington Region. Modern procurement practices favour agility and collaboration, allowing contractors to share in the vision of the company. An alliance model was selected based on internal and external procurement advice and Fulton Hogan was selected to partner with us in a competitive process. We are constantly working on our performance as an Alliance. We would have enjoyed some input on further efficiencies.



16. In the meantime, WWL remains focused on its priorities: supporting our people through water reform, providing the region with sufficient safe drinking water, improving the performance of our Wastewater Treatment Plants and delivering the capital programme. This is on top of our urgent and short-term goals of getting ready to respond to a potential water shortage this summer, finding and fixing as many leaks as possible, and providing councils with long-term planning advice.



#### **RE: WWL Statement of Expectations - updated**

From Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>

Date Fri 02/02/2024 1:50 PM

To Michael Naylor S7(2)(f)(ii) Sehai Orgad <Sehai.Orgad@wcc.govt.nz>; Chris Mathews <Chris.Mathews@wcc.govt.nz>; Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Cc Nadine Walker S7(2)(f)(ii)

#### Hi Michael

Wendy did not say anything along the lines of your points below but did say Campbell would be sending an email to the elected members of the WW Committee and that hopefully CEs would be included. There appears to be a general acceptance that we need some performance measures and better reporting.

#### Barbara

From: Michael Naylor  $\sqrt{S7(2)(f)(ii)}$ 

Sent: Friday, February 2, 2024 11:45 AM

To: Barbara McKerrow <Barbara.Mckerrow@wcc.govt.nz>; Sehai Orgad <Sehai.Orgad@wcc.govt.nz>; Chris

Mathews < Chris. Mathews@wcc.govt.nz>; Siobhan Procter < Siobhan. Procter@wcc.govt.nz>

Cc: Nadine Walker S7(2)(f)(ii)

**Subject:** WWL Statement of Expectations

Hi all

Just emailing so we can all be on the same page with regard to next steps in the WWL Statement of Expectations letter. Let me know if any of this doesn't line up for you.

- Mayor Barry undertook to Tory that he would (via Wendy) ask CEs to work together on a set of
  recommendations for the SoE letter. This would incorporate recommendations from the FieldForce report
  that are relevant and actionable in the short term. Other FieldForce recommendations would be left for
  discussion as part of wider regional reform.
- I have followed up with his office this morning to ensure they will be actioning that, so hopefully Barbara will receive something to this effect later today.
- I understand from Chris that officers are already working on WCC's recommendations for the SoE. Hopefully these can be agreed by other CEs but if not we can consider putting them up ourselves at the 9 February WWL Committee workshop.
- At present 45 minutes are booked in the Mayor's diary for Siobhan and team brief her on the SoE at 1pm on Wednesday the 7<sup>th</sup>. If this needs to be shifted back to Thursday let us know.

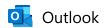
Mike

#### **Michael Naylor**

Senior Advisor

# Office of the Mayor | Wellington City Council \$7(2)(f)(ii)





#### **RE: Wellington Water additional leak funding report**

From Councillor Diane Calvert < Diane.Calvert@wcc.govt.nz>

Date Mon 11/03/2024 7:25 AM

- **To** Siobhan Procter <Siobhan.Procter@wcc.govt.nz>; Councillor Tim Brown <Tim.Brown@wcc.govt.nz>; Chris Mathews <Chris.Mathews@wcc.govt.nz>; DL: Councillors <councillors@wcc.govt.nz>
- Cc Richard MacLean < Richard.MacLean@wcc.govt.nz >

1 attachment (281 KB)

Report for Wellington City Council regarding WWL 14.04.20\_Redacted.pdf;

#### Thanks Siobhan

I am certainly not assuming anything as I have also been following this matter since before 2020. Attached is the report from 2020. You will also see that there is some crossover with the Field Force report from last year.

#### Regards

Diane

#### **Councillor Diane Calvert**

Wellington City Council | Wharangi/Onslow-Western Ward

P 029 971 8944 | E diane.calvert@wcc.govt.nz | W Wellington.govt.nz | F dianecalvertnz | T dianecalvertnz | W dianecalvert.nz

The information contained in this email is privileged and confidential and intended for the addressee only. If you are not the intended



# Out of scope

# Out of scope

# Jut of scor

To: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>>

Subject: RE: Water services plan update - Memo #3 update, decisions at end of Phase 1 and outputs

I agree with you re FF \_ I thin the easiest thing would be to continue with the current model with improvements but the real issue is the governance structure. However, if the preferred alternative is to go it alone – insourcing all work (which it would be in my mind), then we should just get a consultancy in to do that analysis for us

From: Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>>

Sent: Tuesday, May 21, 2024 6:13 AM

To: Siobhan Procter <Siobhan.Procter@wcc.govt.nz>

Subject: RE: Water services plan update - Memo #3 update, decisions at end of Phase 1 and outputs

The fieldforce review does not provide evidence that the current 'model' is not an option. It simply provides 'hygiene' operational and efficiency improvements that could be applied to any model. We need to be mindful drawing conclusions on matters that were outside of the scope of the review.

Im keen to be involved in developing some options, lets discuss. Zac might have an interest in this work, just thinking out loud.

Cheers

From: Siobhan Procter < Siobhan.Procter@wcc.govt.nz >

Sent: Tuesday, May 21, 2024 6:02 AM

**To:** Chris Mathews < <a href="mailto:Chris.Mathews@wcc.govt.nz">Chris.Mathews@wcc.govt.nz</a>>

Subject: FW: Water services plan update - Memo #3 update, decisions at end of Phase 1 and outputs

**CFYI** 

From: Andrea Reeves < Andrea. Reeves @wcc.govt.nz >

Sent: Monday, May 20, 2024 7:09 PM

**To:** Siobhan Procter < <u>Siobhan.Procter@wcc.govt.nz</u>>

Subject: FW: Water services plan update - Memo #3 update, decisions at end of Phase 1 and outputs

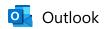
Hi,

I note in the attached

"Out of scope for the regional team but during Phase 1, we recommend councils should consider what other options they might want to develop and engage on. This might include status quo or 'go it alone' options, enhanced WWL or sub-regional options."

I note we have completed the fieldforce review and this in my mind is sufficient for why the status quo is not an option. The "go it alone" option could be considered once we see the legislation. It may be worth thinking if we could bring in resources to do sufficient work to assess this as an option so our elected members can compare and





#### FW: WCC letter to Nick Legett

From Nadine Walker < Nadine. Walker@wcc.govt.nz >

Date Mon 05/08/2024 4:33 PM

<sub>To</sub> s7(2)(a)

1 attachment (165 KB)

Letter to Nick Leggett from WCC Mayors Office 05.08.24.pdf;

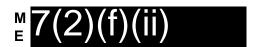
Kia ora Nick

On behalf of Mayor Whanau, please see the attached.

Ngā mihi

Ngā mihi

Nadine Walker (She/Her) Kaihautū| Chief of Staff







5 August 2024

Tēnā koe Nick

Thank you for recently fronting the review of the Wellington Water Ltd (WWL) budgeting error at the Wellington Water Committee. It was good to have a frank discussion about the findings and the subsequent changes that are needed at WWL.

Since the Committee meeting, I have had the opportunity to discuss the report findings with my fellow Wellington City Councillors. They share a high level of concern about what the report revealed. Many Councilors expressed disappointment that several of the issues identified by the previous fluoride and 'FieldForce4' report remain unresolved and contributed to this error.

As you are aware, rebuilding the confidence of shareholding Councils in WWL is now a top priority. I believe the report recommendations provide an excellent starting point to do that.

The Wellington Water Committee meeting agreed that the next step is for the Board to develop an improvement plan and assurance framework to address the recommendations in the report. This plan is critical and it's also important that our Council fully understands the plan and has confidence in the changes that will result.

For this reason, I request that once the implementation plan has been developed by the Board and agreed with the Wellington Water Committee, it be presented by the Board, directly to Wellington City Council. This is an important step to ensure our Councillors have the chance to ask questions about the report and plan as a first step in rebuilding confidence in Wellington Water.

This request does not in any way supersede the role of the Wellington Water Committee as the formal body for the shareholding Councils.

Please let me know if you and your Board are happy to come and discuss the report and the implementation plan with our Council or if you have any questions about this.

Ngā mihi

**Tory Whanau** 

Mayor of Wellington | Wellington City Council

M +64 21 195 1066 E tory.whanau@wcc.govt.nz

W Wellington.govt.nz

**Laurie Foon** 

Kaikaunihera o Pōneke | Deputy Mayor Paekawakawa Southern Ward

E laurie.foon@wcc.govt.nz | P 021 963 270

## Wellington Water Committee Workshop 9:00am, 9 February Briefing Note

#### **Key Messages and Tone**

- WCC wants to work constructively with other Councils both on the immediate issues in front of us on water, but also the larger reform issue.
- We are working hard to increase our funding for water and water meters, and you'll see that in our LTP. I know all Councils are in the same boat.
- But we also need to ensure that increased funding delivers improvements that people in our city can see for their money.
- So, we do want to see some changes to WWL's performance. It's not a witch hunt, no one is to blame. We just need to do our job as shareholders to make sur we are getting the best for our rate payers.

#### **Context for the Committee Meeting**

- The Wellington Water Committee workshop was called by Campbell Barry to discuss and agree a Letter of Expectations letter from the Committee to WWL, that would shape WWL's new statement of intent and therefore its operations.
- WCC has well signalled through Cr. Brown and officers that we want the Letter of Expectations to require WWL to set new KPIs and better reporting to Councils. We believe these changes are required to drive WWL to be more efficient in its delivery of services like leak repairs and installation of new pipes.
- The FieldForce4 report uncovered a range of issues with WWL's operations. While the report has informed some of our recommendations for the letter it is not WCC's intention to try and address the report and all its findings in this workshop. The high-level findings of the report are summarised in a section below.

#### **Findings from the FieldForce4 Report**

- The contract review for WCC and WWL encompassed both commercial and operational aspects of the contractual relationship.
- The review found that neither the Management Service Agreement between WCC and WWL] nor the Alliance Agreement [contract between WWL and Fulton Hogan] adequately support WCC's overall objectives. This is primarily due to the lack of reporting requirements and performance measures.







Both the management services agreement (MSA) and the alliance agreement do not adequately support the overall objective of WCC



Inconsistent processes impact effective service delivery across the value chain



Effective contract management is limited by the lack of specific requirements and a focus on issues at an operational level



A number of disparate systems with little or no integration to support the end-to-end delivery service model



The current contract does not specify the level of services and deliverables at an appropriate level of detail



Data is not being used to effectively to manage and drive the performance of contract/business



A lack of a consolidated view of contract costs impacts the ability to accurately assess the level of funding requirements and risk



Asset Management and the development of the Annual Works Program is fragmented with an emphasis on the funding requirements as opposed to Service Delivery and Network risk management



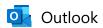
The lack of appropriate performance monitoring and management measures inhibit the ability to effectively manage the contract risk and performance



Current customer supporting systems and processes are ineffective in delivering on the desired customer experience

• The improvement opportunities for immediate consideration are as follows:

- Review and establish clearly defined and measurable KRA's/KPIs across the MSA and the Alliance contract (back-to-back). In addition, this also includes the delivery of the CAPEX program.
- b) Review and define the overall reporting requirements. The objective being to provide WCC and WWL with the appropriate clarity and transparency of the actual performance from both a program delivery (OPEX and CAPEX) and financial perspective.
- c) Revise the Annual Works Program (OPEX and CAPEX) and shift the narrative from a financial justification to a network risk and exposure perspective.
- d) Develop and implement standard task unit of rates for all reactive and planned works.
- e) Review the current works delivery processes including centralising job planning and scheduling. This also includes the prioritisation of all non-urgent (P2,P3, P4) works and the alignment to the Annual Works Program.



#### Re: Feedback on WWL reports

From Councillor Teri O'Neill <Teri.ONeill@wcc.govt.nz>

Date Tue 04/03/2025 9:54 PM

- To Councillor Nureddin Abdurahman <Nureddin.Abdurahman@wcc.govt.nz>; Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>; Councillor Sarah Free <Sarah.Free@wcc.govt.nz>; Councillor Nīkau Wi Neera <Nikau.WiNeera@wcc.govt.nz>; DL: Councillors <councillors@wcc.govt.nz>; Liz Kelly <Liz.Kelly@wcc.govt.nz>; Liz Kelly [External] | [External] < | Iz@poriruawhanau.org.nz> | Izworzania | Izwor
- Cc Andrea Reeves <Andrea.Reeves@wcc.govt.nz>; Michael Naylor <Michael.Naylor@wcc.govt.nz>; Lindsay McKenzie <Lindsay.McKenzie@dia.govt.nz>

Kia Ora ano Tory,

I agree with Pouiwi Kelly and Cllr Free's comments - having been at council for the UV light



From: Councillor Nureddin Abdurahman < Nureddin. Abdurahman@wcc.govt.nz>

Sent: Tuesday, March 4, 2025 5:45:44 PM

**To:** Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>; Councillor Sarah Free <Sarah.Free@wcc.govt.nz>; Councillor Nīkau Wi Neera <Nikau.WiNeera@wcc.govt.nz>; DL: Councillors <councillors@wcc.govt.nz>; Liz Kelly <Liz.Kelly@wcc.govt.nz>; Liz Kelly [External] | Councillors@wcc.govt.nz>; Liz Kelly | External | Councillors@wcc.govt.nz>; Liz Kelly | Councillors@wcc.govt.nz>; Li

**Cc:** Andrea Reeves <Andrea.Reeves@wcc.govt.nz>; Michael Naylor <Michael.Naylor@wcc.govt.nz>; Lindsay McKenzie <Lindsay.McKenzie@dia.govt.nz>

Subject: RE: Feedback on WWL reports

Kia Ora Tory,

Here is my two cents contribution to this discussion...

I strongly support Iona's position on not making any calls until we have the full reports.

Most importantly, in the interest of fairness and due process, we must get access and review the full reports first,

## Out of scope

#### **Clr Nureddin Abdurahman**

Wellington City Councillor | Paekawakawa Southern Ward

Deputy Chair | Kōrau Mātinitini | Social, Cultural, and Economic Committee

Member | Te Kaunihera o Poneke | Council

Member | Kōrau Tōtōpū | Long-term Plan, Finance, and Performance Committee

Member | Koata Hātepe | Regulatory Processes Committee

Member | Kōrau Tūāpapa | Environment and Infrastructure Committee

M: 021392487 E Nureddin.Abdurahman@wcc.govt.nz |



W Wellington.govt.nz | F Nureddin Abdurahman

From: Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Sent: Tuesday, 4 March 2025 9:03 am

To: Councillor Sarah Free <Sarah.Free@wcc.govt.nz>; Councillor Nīkau Wi Neera <Nikau.WiNeera@wcc.govt.nz>;

DL: Councillors <councillors@wcc.govt.nz>; Liz Kelly <Liz.Kelly@wcc.govt.nz>; Liz Kelly [External]

<liz@poriruawhanau.org.nz>

Cc: Andrea Reeves <Andrea.Reeves@wcc.govt.nz>; Michael Naylor <Michael.Naylor@wcc.govt.nz>; Lindsay

McKenzie < Lindsay. McKenzie@dia.govt.nz>

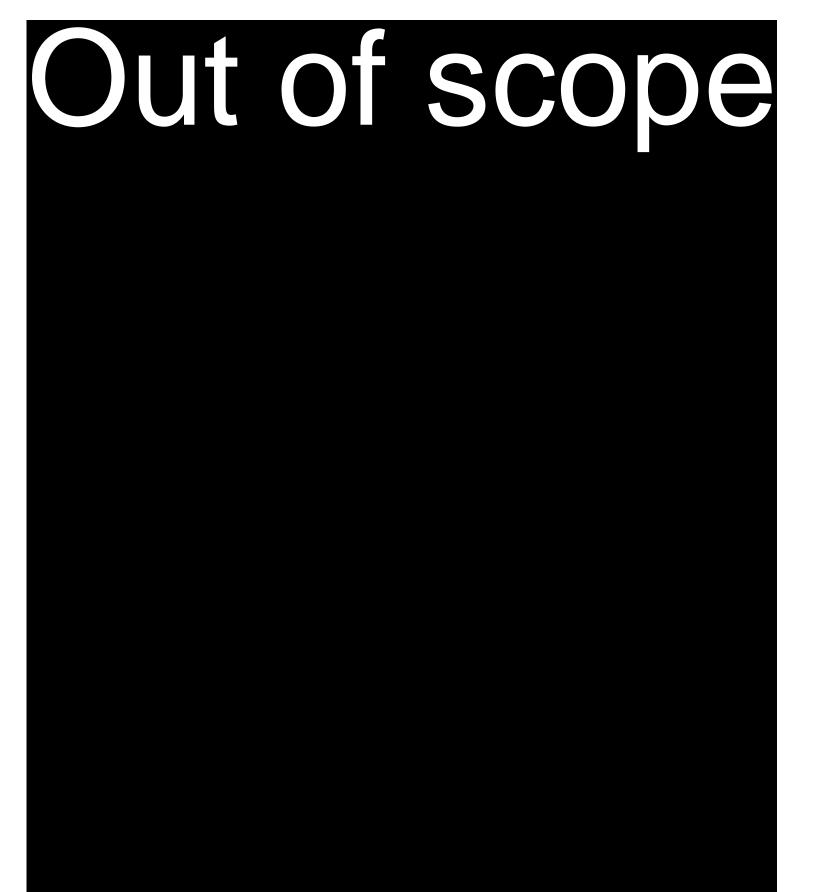
Subject: RE: Feedback on WWL reports

Kia ora team

#### This is confidential so please do not pass on

I met with AoG and can provide a verbal update at EM time.

Basically, an extraordinary WWL Committee meeting will take place in the next 48 hours to discuss what accountability looks like for Wellington Water.



Mayor Tory Whanau <<u>Tory.Whanau@wcc.govt.nz</u>>; DL: Councillors <<u>councillors@wcc.govt.nz</u>>; Liz Kelly <<u>Liz.Kelly@wcc.govt.nz</u>>

Cc: Andrea Reeves < Andrea. Reeves @wcc.govt.nz >; Lindsay McKenzie < Lindsay. McKenzie@dia.govt.nz >

**Subject:** RE: Feedback on WWL reports

Mōrena koutou katoa

Well said Sarah and I 100% agree. Out of scope

## Out of scope

Ngā mihi

Liz Kelly
Tumu Whakarae / CEO
Porirua Whānau Centre
P: 04 237 7749 M: 021 882 019
16 Bedford Court, Cannons Creek
P.O Box 53009,
Porirua
www.poriruawhanau.org.nz



From: Councillor Nīkau Wi Neera < Nikau.WiNeera@wcc.govt.nz >

Sent: Monday, March 3, 2025 9:09 PM

**To:** Councillor Sarah Free < <u>Sarah.Free@wcc.govt.nz</u>>; Mayor Tory Whanau < <u>Tory.Whanau@wcc.govt.nz</u>>; DL:

Councillors < councillors@wcc.govt.nz >; Liz Kelly < Liz.Kelly@wcc.govt.nz >

Cc: Andrea Reeves < Andrea.Reeves@wcc.govt.nz >; Lindsay McKenzie < Lindsay.McKenzie@dia.govt.nz >

**Subject:** Re: Feedback on WWL reports

Kia ora all,

I support Councillor Free's comments.

Cheers

Ν

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From: Councillor Sarah Free < Sarah.Free@wcc.govt.nz >

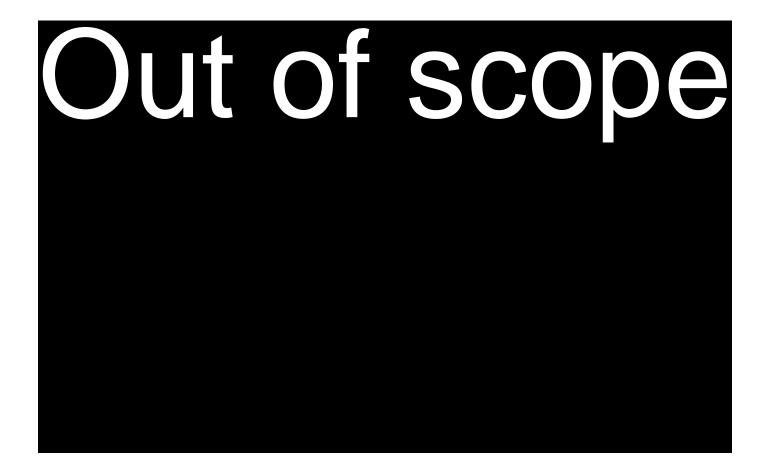
**Sent:** Monday, March 3, 2025 7:29:01 PM

**To:** Mayor Tory Whanau < <u>Tory.Whanau@wcc.govt.nz</u>>; DL: Councillors < <u>councillors@wcc.govt.nz</u>>; Liz Kelly < <u>Liz.Kelly@wcc.govt.nz</u>>

**Cc:** Andrea Reeves < Andrea.Reeves@wcc.govt.nz >; Lindsay McKenzie < Lindsay.McKenzie@dia.govt.nz > **Subject:** Re: Feedback on WWL reports

Hi Tory,

There have been a sequence of quite serious failures at Wellington Water- think UV light sterilisation failure at Porirua (2021) fluoridation failure (2022 and still not totally resolved), failure to accept or act on the 2023 Fieldforce report (Did they not say "WWL does not accept the report, and is unable to approve or sign off on the report's recommendations."? and then



Motukairangi Eastern Ward Councillor Chair, Regulatory Processes Committee

Wellington City Council

M 022 121 6412

E sarah.free@wcc.govt.nz | \_

-

From: Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Sent: Monday, March 3, 2025 3:39:29 PM

To: DL: Councillors < councillors@wcc.govt.nz>; Liz Kelly < Liz.Kelly@wcc.govt.nz>

Cc: Andrea Reeves < Andrea.Reeves@wcc.govt.nz>; Lindsay McKenzie < Lindsay.McKenzie@dia.govt.nz>

**Subject:** Feedback on WWL reports

Kia ora Councillors

Thank you for your time today.

The next Wellington Water Committee meeting isn't scheduled until next Friday. You're welcome to attend as part of the public (in person or online). But please continue to send questions and feedback for the Wellington Water Board and/or Committee and I can raise them in advance.

<u>I'll be meeting with the Water Advisory Group tomorrow morning at 7.30am to discuss what impact the reports have on the entity and consultation. I will give a summary at Elected Member time tomorrow.</u>

We have requested the full report but I am unsure when we will receive this. Will let you know as soon as I know.

Nga mihi

#### **Mayor Whanau**

Mayor of Wellington City | Wellington City Council Pakakohi | Ngā Ruahine | Ngāti Takou





#### FW: Timeline with WWL

From Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>

Date Wed 05/03/2025 10:32 AM

DL: Councillors <councillors@wcc.govt.nz>; Liz Kelly <Liz.Kelly@wcc.govt.nz> То

Andrea Reeves < Andrea. Reeves @wcc.govt.nz>; Nadine Walker \$7(2)(f)(ii) Michael Lindsay McKenzie s7(2)(f)(ii)

1 attachment (108 KB)

Timeline .docx;

Kia ora koutou

#### Confidential - please do not share as this is incomplete

To gain clarity around our accountability I asked Michael to develop a timeline of relevant decisions and actions. Please find this attached to help guide our discussion.

It is a work in progress and Officers will be working on this timeline also.

Nga mihi

#### **Mayor Whanau**

Mayor of Wellington City | Wellington City Council Pakakohi | Ngā Ruahine | Ngāti Takou

From: Michael Naylor S7(2)(f)(ii)

Sent: Wednesday, 5 March 2025 10:25 am

To: Mayor Tory Whanau <Tory.Whanau@wcc.govt.nz>; Nadine Walker \$7(2)(f)(ii)

Subject: Timeline

Hi Tory

This is the timeline I have been able to pull together so far. Now Chris is back he will work to add to this with stuff from officers. I don't think this shows the complete picture. What would help is to see WWL Board Minutes. As well as the WWL Committee video from 8 March and 15 March.

Mike

#### Michael Naylor

Senior Advisor Office of the Mayor | Wellington City Council



#### Timeline of Issues and Concerns around WWL Value for Money and Contract Management

2022 - Nick Leggett appointed to the board of Wellington Water

May 2023 – Nick Leggett appointed interim chair of Wellington Water after early departure of previous Chair Lynda Carroll

**29 May 2023 –** Tonia Haskell appointed permanent CE of Wellington Water after acting in the role since January 2023.

**May 2023 –** WCC passed an amendment to increase leak repair funding "conditional on WWL agreeing to a part of the funding being used to undertake a review of its services with the objective of improving its efficiency, identifying potential cost savings, and improving transparency/reporting". <sup>1</sup>

**June 2023 –** Terms of Reference agreed for Field Force review. Includes that "The Board Chair will oversee the review process.." and "The final report shall be presented at a Board meeting". <sup>2</sup>

**July – November 2023 -** Field Force develops it's reports and WWL and WCC staff have multiple meetings about the draft findings and recommendations.<sup>3</sup>

**8 December 2023** – CR. Tim Brown (WCC rep on the WWL Committee at this point) writes to the other WWL Committee members<sup>4</sup> stating that WCC will be seeking the inclusion of new performance measures in the upcoming Letter of Expectations to WWL to achieve better value from WWL, including:

<sup>&</sup>lt;sup>1</sup> https://wellington.govt.nz/-/media/your-council/meetings/committees/long-term-plan-finance-and-performance-committee/2023-05-31-minutes-ltpfpc.pdf

<sup>&</sup>lt;sup>2</sup> Doc. '1. WWL Independent Review 2024\_WCC comments'

<sup>&</sup>lt;sup>3</sup> Doc 2. 'WCC response to WWL's concerns' documents range of meetings.

<sup>&</sup>lt;sup>4</sup> Doc '4. Letter to Mayor Barry'.

Contract management framework	Ensuring that the MSA and Alliance agreement support councils' overall objectives.		
Contract specifications	To ensure that services and deliverables are specified to an appropriate level of detail.		
Delivery costs	Providing a consolidated view of contract costs and accurate assessment of funding requirements and risks.		
Supply chain performance	Performance monitoring and management measures to enable management of contract risk and performance.		
Staff capability	Defining specific requirements and operational issues.		

**20 December 2023** – Tonia issues a memo to Barbara McKerrow (WCC Chief Executive) and copying in Nick Leggett stating "WWL does not accept the report, and is unable to approve it or sign off on the report's recommendations." The memo states Field Force went beyond the original scope and didn't engage fully or fairly with WWL staff to make the conclusions it did.<sup>5</sup>

**1 February** 2024 - The Field Force report is published by WCC after being shared with other Councils. <sup>6</sup> The report findings include:

"suboptimal contract management between WWL and its contractors, failure to ensure the performance and financial risk is proportionately shared between Wellington City Council, WWL and contractors."

"maintenance costs had increased by 71% over the last three years"

"efficiencies could be found if there was more focus placed on performance measures and cost targets"

**8 February 2024** – Mayor Whanau emails Mayor Barry outlining wording she would like in the Letter of Expectations to set KPIs and reporting requirements that would help drive more efficiency in the Fulton Hogan contract. "Putting this in the Letter of Expectations and subsequently having WWL undertake to act on it in their Statement of Intent would make clear that the Committee is requiring KPIs and better reporting from WWL. That should flow through to WWL having to improve its contract management with Fulton Hogan and therefore hopefully better value for money on maintenance." <sup>7</sup>

**9 February 2024** – Workshop on the Letter of Expectations. No minutes or video publicly available of the discussion.

<sup>&</sup>lt;sup>5</sup> https://www.wellingtonwater.co.nz/assets/Reports-and-Publications/WWL-Response-to-Contract-Optimsation-Review-Conducted-By-FieldForce4.pdf

<sup>&</sup>lt;sup>6</sup> https://wellington.govt.nz/news-and-events/news-and-information/our-wellington/2024/02/wellington-water-report-and-recommendations

<sup>&</sup>lt;sup>7</sup> Doc '6. Email from Tory to Campbell Barry on KPIs and LoE'.

**4 March 2024** – Email from Siobhan Proctor and Barbara McKerrow requesting edits to strengthen language in the Letter of Expectations to require review of contracts and KPI<sup>8</sup>s. Changes all accepted. Edits include:

iv. High level, <u>pragmatic</u>-benchmarking to be reported to the Wellington Water Committee <u>to provide "value for money" assurance of around service</u> delivery.commercial aspects of the business.

The framework must be common across all shareholding Councils, rather than specific to each of the six shareholders.

- Provide assurance that WWL has an absolute focus on delivery, value for money and sustainable operational <u>improvementsgains</u>.
- WWL will <u>review its leak repair contracting arrangements to ensure revisit its supply</u> chain and shareholders as appropriate, to ensure that reactive leak repair operations deliver maximum efficiency and value for money, and assurance that the procurement model is delivering the best value for shareholding Councils.

**15 March 2024** – Letter of Expectations agreed at WWL Committee meeting. No video of the meeting online.<sup>9</sup>

**11 March 2024** – The Post reports that the cost of leak repairs has tripled from \$1,500 per leak in 2021 to \$4,932 in early 2024. <sup>10</sup>

**20 May 2024** – WWL notifies Councils formally of the \$51m financial error in the preparation on LTPs.

**26 July 2024** – Statement of Intent set by WWL Board. Sets value for money actions for WWL to achieve.

<sup>8</sup> Doc. '7. Draft Letter of Expectation edits sent by Siobhan'

<sup>&</sup>lt;sup>9</sup> Doc '9. WWC Minutes – 15 March'

<sup>&</sup>lt;sup>10</sup> \$5000-a-leak: Water repair costs more than triple | The Post

<sup>&</sup>lt;sup>11</sup> Doc '10. WWC Minutes 26 July 2024'

#### We will:

- · work to continuously improve our efficiency throughout the organisation;
- ensure we set performance targets for ourselves and our suppliers that drive behaviour that enhances effectiveness (e.g. outcomes achieved, quality, timeliness, safety, and value for money);
- Investigate options for benchmarking performance and cost comparisons against similar organisations (noting Water NZ no longer provides benchmarking for New Zealand and the Water Services Association of Australia only benchmarks every two years, the next being in 2025/26);
- undertake reviews of the operating Alliance and key contracting arrangements with suppliers over the next two years to ensure they are delivering value and make improvements if needed; and
- provide the Wellington Water Committee with examples of value for money activities.
- work with councils to review traffic management processes with the aim of simplifying and increasing efficiency within current Codes of Practice.

**26 July 2024** – WWL Committee publicly receives findings of report into \$51m error raising concerns around the culture of the organisation and its finance and management systems.

8 August 2024 – Tonia Haskell resigns as CEO.

**6 September 2024** – Pat Dougherty is appointed CEO from the WWL Board.

**3 March 2025** – AECOM and Deloitte reports released to the WWL Committee showing poor value for money, lack of competitive tension on contracts, lack of oversight of contract performance and significant risk for fraud.

From: Siobhan Procter < Siobhan. Procter@wcc.govt.nz >

Sent: Thursday, 23 November 2023 2:56 pm

**To:** Mark Ford < Mark.Ford@wellingtonwater.co.nz >

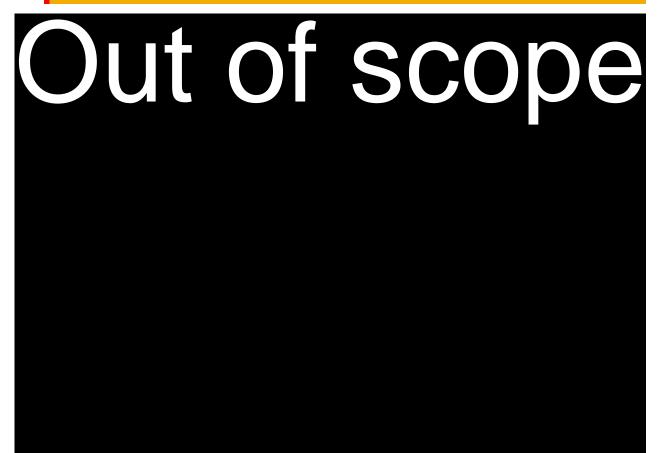
**Cc:** Kevin Locke < Kevin.Locke@wellingtonwater.co.nz >; Chris Mathews

<<u>Chris.Mathews@wcc.govt.nz</u>>; Tonia Haskell <<u>Tonia.Haskell@wellingtonwater.co.nz</u>>; Barbara

McKerrow < Barbara. Mckerrow@wcc.govt.nz >

Subject: Information Request - leaks

**Caution:** This is an external email. Please take care when clicking links or opening attachments.

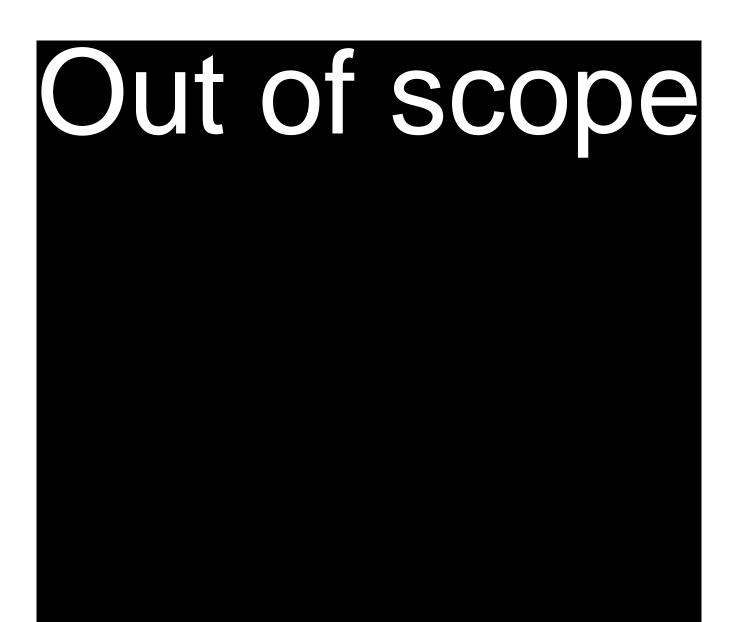


Out of scope

To this end, I have asked Kirsty to move the

meeting with WWL and Fieldforce forward to **1**<sup>st</sup> **December at 10am** – the intent of this is to close out any outstanding issues that you have with the findings. Invites will go out shortly.

In order to help us draft this paper we require some specific information from WWL which will inform how Council can get assurance as to how any additional money has been spent, as well as addressing the efficiency question that has been raised by several Councillors.



Ngā mihi

#### **Siobhan Procter**

Tātai Heke Waihanga | Chief Infrastructure Officer | Infrastructure and Delivery | Wellington City Council

M 021 228 5429 E siobhan.procter@wcc.govt.nz | W Wellington.govt.nz | \_\_\_\_ |

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Absolutely Positively Wellington City Council

Me Heke Ki Pôneke