

10 April 2025

File Ref: IRC-8096

7)(2)(a)

Tēnā koe 7)(2)(a)

Thank you for your email dated 6 March 2025 to Te Kaunihera o Pōneke | Wellington City Council (the Council). As per my decision letter on 3 April 2025, to grant in part as some information needed to be withheld. Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA).

- ***Any information on any benchmarking your council has done on any of its infrastructure suppliers. Perhaps limit it to those suppliers who have been members of the WWL Alliance members. Obviously don't need commercial details but just looking for confirmation that your council has taken steps to ensure that WCC Ratepayers are getting value for money.***
- ***Whatever information you have that would confirm that none of the WCC's relationships with such suppliers are similar to the relationships that WWL appeared to have with members of the Alliance. For example how is WCC and Fulton Hogan's relationship managed and reviewed?***

The Council undertakes several reviews to ensure that the relationship with our suppliers is the best value for our Ratepayers. Reviews including looking at our Rooding contract, relationship and investments. Review recommendations are taken under consideration and implemented if required. The below documents are in response to the two questions above.

Item	Document Name	Decision
1.	WCC Rooding s17A Review	Release with redactions under s7(2)(a) to protect the privacy
2.	WCC Transport & Infrastructure – Transport Contract Review	Released in full
3.	Investment Audit Report	Release with redactions under s7(2)(a) to protect the privacy of natural persons. Redacted under s7(2)(h) to enable any local authority holding the information to carry on, without prejudice or disadvantage, commercial activities.

Please also send through the details of any extra contractual payments made to Downer in the context of any work done (or not done) in relation to Thorndon Quay (including pets kf that project originally planned but not progressed).

To date the Council has not paid Downers any extra payments above what has been specified in a contract for the Thorndon Quay Hutt Road Project.

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.

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 www.ombudsman.parliament.nz or freephone 0800 802 602.

If you require further information, please contact official.information@wcc.govt.nz.

Nāku noa, nā

Asha Harry
Official Information & Privacy
Wellington City Council



Absolutely Positively Wellington City Council

Me Heke Ki Pōneke

S17A Review of Roothing Activity

Wellington City Council

July 2024

Document status

Job #	Version	Written	Reviewed	Approved	Report Date
2921	Draft	s(7)(2)(a)	s(7)(2)(a)		26 June 2024
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Executive Summary

Overview

This report documents the Service Delivery Review of the land transport activity for Wellington City Council (WCC/Council), incorporating a Section 17A review under the requirements of the Local Government Act (2002).

With the operations and maintenance (O&M) contracts due to expire next year, the main purposes of this review are to:

- a) Explore alternative delivery models and decide whether to continue outsourcing roading operations and maintenance works under the current model or take an alternative approach.
- b) Inform the Procurement Plan, which is subject to NZTA endorsement.

The current arrangements

WCC has a well-resourced in-house roading team that delivers professional services, contract management and asset management activities but outsources physical works activities.

All physical works are outsourced, including the operations and maintenance which is the focus of this review.

Professional services providers are engaged as and when required to support the in-house team on more complex and large scale works.

What's working well and what are the challenges and opportunities?

From discussion with key stakeholders and an Issues and Opportunities workshop in May 2024, the following key themes were identified:

- Council has a strong in-house team with the capability and capacity to manage the O&M contracts and provide financial and asset management support.
- There is a general preference to procure contracts separately (compared to the current arrangement where the CBD is awarded to either the successful tenderer for the Northern or Southern Contract) – this will better support a healthy market.
- There needs to be a balance between cost to deliver and reducing barriers to access for tier two contractors and local sub-contractors.
- The current 'bundled scope' contracts model is working well (note that other Wellington councils are typically unbundling works). However, performance has been topical for local councils in the lower North Island.
- The geographic split of contracts (and a requirement that a single supplier cannot be contracted for both the Northern and Southern Contracts) provides a more resilient model than a single contract (both in response to events and reliance on a single supplier).
- Relationships with service providers are generally collaborative but can slip to more master / slave when there are contract / delivery issues.

- WCC relationships with other Wellington regional councils are good and councils are working together on potential future opportunities for collaboration.
- There is an opportunity to strengthen overall performance through contracts by establishing and monitoring appropriate performance measures and targets.

Recommendations

s17A Options assessment and preferred way forward

A longlist of delivery model options was identified for the O&M activity and assessed against agreed criteria. In accordance with s17A, these included in-house and outsourcing options as well as options with shared arrangements with other councils. From this, a shortlist of options was identified and considered in further detail to identify a preferred way forward.

The preferred options are:

- **In the short term, an enhanced status quo model should be implemented** - whilst the current model works well, there is room for improvement, with how the works are procured and also in the delivery of the roading activity. The introduction of improvements will both support a more cost-effective service whilst supporting a healthy market.
- **In the longer term, to develop and implement regional initiatives in consultation with the other Wellington Regional Councils** – this work has commenced at a high level, seeking more efficient delivery of the roading activity across the region, and any arrangements made now should be aligned and / or provide flexibility to introduce any such initiatives. This more regional approach to delivery is likely to be developed over the next three to five years.

The enhanced status quo model

Recognising that the current model is working well, significant changes to the model are not considered necessary. However, a number of opportunities have been identified that could lift overall delivery.

These focussed on:

- **The form of contract model** (scope / boundaries) and how it is procured to provide cost-effective delivery whilst supporting healthy markets.
- **Improvements to the contract** to increase interest in the market and to ensure it is fit-for-purpose and delivers on Council's objectives for the road network and its customers.

Recommendations for the enhanced status quo, for a more cost-effective and efficient delivery whilst supporting a healthy market are:

1. Contract model and procurement

- a. Contracts to be awarded separately – Southern, Northern and CBD.
- b. CBD to be split into Separable Portions, which may be awarded jointly or to 2 separate suppliers – (1) Street cleaning / cleansing and (2) Roading.
- c. The term of contract be 3 + 3 + 3 with extensions at Council's discretion and linked to Contractor performance.

It is also recommended that Council's in-house team structure be reviewed to ensure capability to manage the new arrangements.

2. Contract improvements

- a. The new contracts incorporate initiatives for improvement such as enhanced performance management and fit-for-purpose reporting (to ensure accountability and transparency).
- b. Strengthening of the collaborative arrangements across all parties involved in delivery of the contract.
- c. Provide for potential regional initiatives to be introduced through the term of the contract/s.

Where to now

With the current contracts expiring 30 June 2025, timelines are tight and procurement of the new contracts needs to progress. To ensure this, the following steps are required:

1. This s17A is endorsed by Council.
2. The Procurement Plan is amended to align with the outcomes of this s17A review and endorsement sought through Council and NZTA.
3. The RFP and supporting contract documents are developed and released to market.

1 Introduction

This report documents the Service Delivery Review of the roading activity for Wellington City Council (WCC/Council), incorporating a Section 17A review under the requirements of the Local Government Act (2002).

Under the roading activity, Council delivers strategy, asset, network and traffic management, network operations and maintenance, and the delivery of capital works, as well as governance and funding of the activity.

WCC has a well-resourced in-house roading team that delivers the majority of contract management, asset management and professional services tasks. Specialist advice is procured as necessary. The roading operations and maintenance contracts are outsourced and due to expire 30 June 2025 with no further provision for an extension.

Given that the above contracts are due to expire shortly, the main purpose of this review is to undertake a service delivery review of the roading activity, specifically operations and maintenance, to explore alternative delivery models and decide whether to continue under the current model or take an alternative approach.

The review assesses Council's current service delivery model and evaluates a range of other potential service delivery options for the roading activity. It incorporates feedback from Council staff, NZTA and neighbouring councils as well as incumbent and potential service providers.

Further to the s17A requirements, the review incorporates a high-level assessment of the preferred option to deliver a more optimised service delivery.

2 Review methodology

2.1 Service Delivery Review

Service delivery reviews are a legislative requirement under s17A of the Local Government Act (2002) which states:

“A local authority must review the cost-effectiveness of current arrangements for meeting the needs of communities within its district or region for good-quality local infrastructure, local public services and performance of regulatory functions.”

The Act goes on to specify that a review must be undertaken in the following circumstances:

- When a significant change to the level of service is proposed
- Within two years of a contract or binding agreement expiring
- At any other time, but no less than six years following the last review.

Where a review is required to be undertaken, as a minimum, it must consider the following:

- Delivery model through:
 - Council alone; or
 - In a shared governance arrangement with one or more other local authorities.
- Service delivery by:
 - The local authority (i.e., in-house)
 - A CCO owned by the local authority or jointly owned with another shareholder (e.g. another local authority or private party)
 - Another local authority (e.g. through a shared service arrangement); or
 - Another person or agency (e.g. outsourced contract or by opting out).

This s17A review has been triggered by the expiry of Council’s roading O&M contracts in 2025.

2.2 Service delivery optimisation

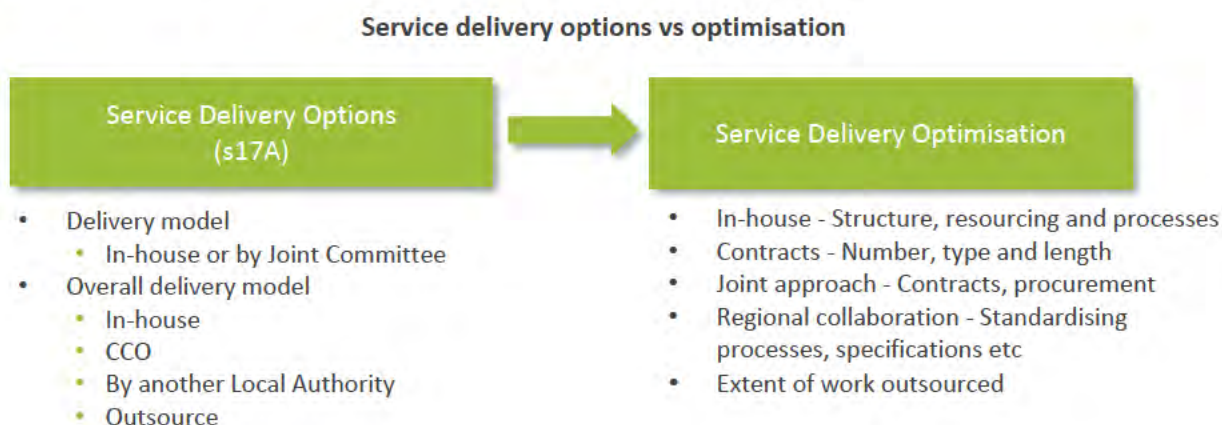
s17A of the Local Government Act is focussed on the overall service delivery mechanism for each council activity that delivers good-quality local infrastructure, local public services, or the performance of regulatory functions.

For the majority of activities, the primary delivery mechanism will not be the only delivery mechanism, with external expertise required to address complex or one-off issues. In-house oversight is provided on all externally sourced work. Settling on one or other primary delivery models under the Act will not reduce the ability of local authorities to deliver activities through such other models.

Once the primary delivery mechanism has been chosen, the local authorities can continue to optimise their service delivery as part of their business-as-usual activities until the next major review.

Any local authority should continually be seeking opportunities to increase the effectiveness and efficiency of the service delivery including having the appropriate internal structure and resourcing, and through opportunities to work collaboratively with other local authorities.

Figure 1 Ongoing service delivery optimisation after a s17A review



2.3 Delivery models and funding

The focus of s17A is on the delivery model and service delivery. Decisions regarding funding are not a key decision-making variable when looking at options. Regardless of which service delivery model is accepted, the funding options remain the same and are continually assessed and refined as part of regular service optimisation reviews, when changes to service are proposed (e.g. as part of the Long Term Plan) or when Council reviews its revenue and financing policy. For this reason, this s17A review focuses on service delivery options and the associated delivery model options, with funding options being optimised as part of the implementation of the preferred service delivery option.

2.4 Our approach

The following steps have been completed in undertaking this s17A review:

Figure 2 Service delivery review approach



3 Current service delivery arrangements

3.1 Overview

The Wellington City roading network comprises approximately 700km of roads and 955km of footpaths and cycleways.

Council delivers its roading activity through long term operations and maintenance contracts as well as individual specialist and capital works projects.

Professional services, including asset management and contract management, are predominantly delivered in-house with external providers engaged as required for more complex projects and services.

Governance and funding are delivered by Council.

3.2 Delivery of the roading activity

Council currently procures its operations and maintenance works through outsourced contract arrangements.

The roading operations and maintenance contracts are outsourced as below:

- Northern Contract – Downer
- Southern and CBD Contracts – Fulton Hogan

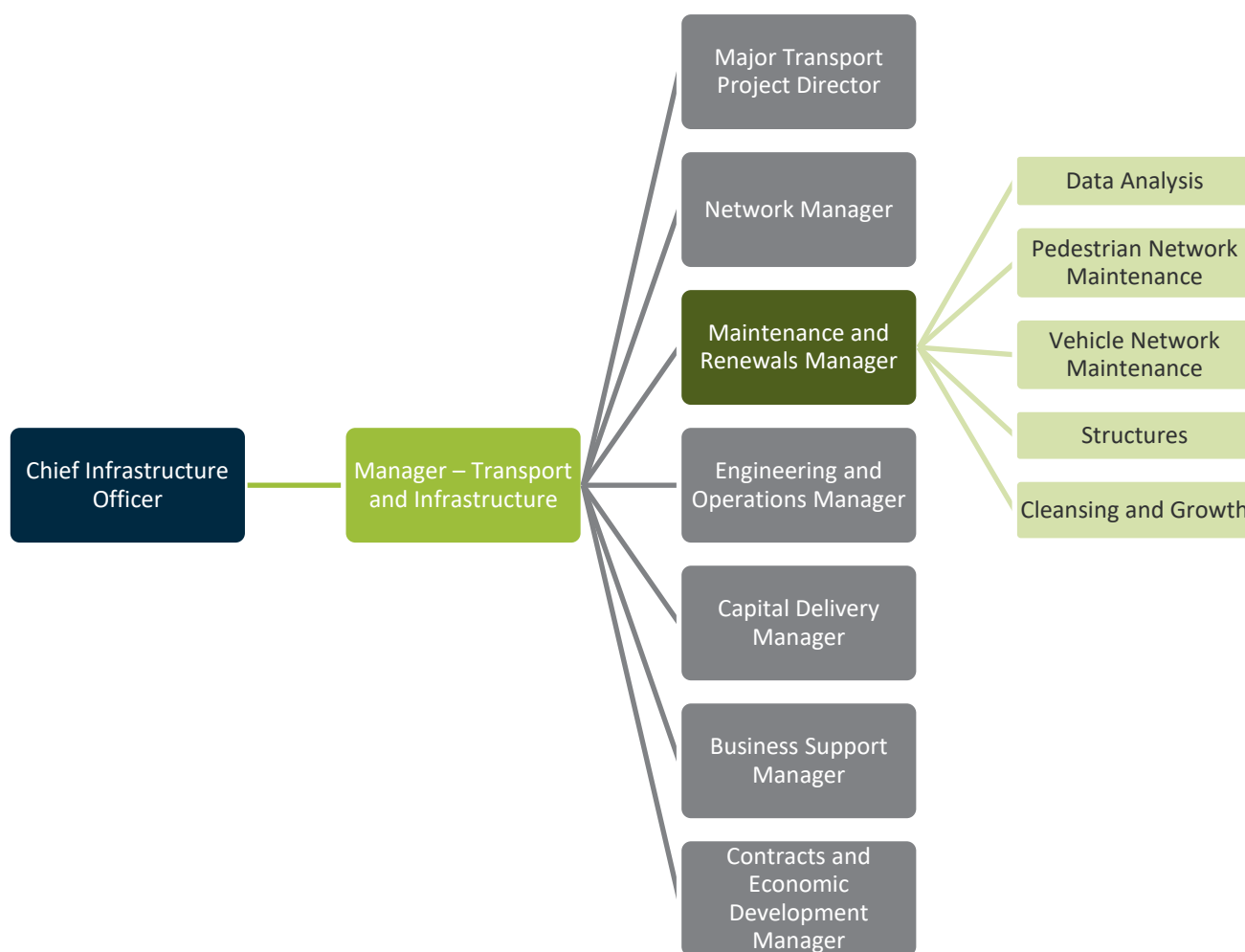
The Contracts have been in place since 1 July 2020 and were awarded on a three + two basis (3+2) with the latest contract expiry date of 30 June 2025. There are no further rights of renewal.

Council has separate O&M contracts for streetlights and traffic signals.

3.3 In-house roading team

The figure below shows the organisation structure with responsibility in delivery of the roading activity.

Figure 3 Current WCC Transport and Infrastructure Team



The focus of this review has been on the Maintenance and Renewals activity.

3.4 Drivers and Risks

It is important to identify key drivers and risks that impact on service delivery to enable a focused review of the service. Considering discussions through engagement and workshops, key drivers have been identified as:

- **Value for Money** – delivering the best outcomes for the roading network through the efficient and cost-effective use of resources.
- **Healthy markets** – are we supporting a range of service providers through delivery of the roading activity?

Key risks moving forward generally reflect the drivers above but also include:

- Lack of interest for physical works contracts reducing competition on price – how can we make the opportunity attractive to tenderers?
- Affordability – impact on ratepayers.
- Implementation and complexity of the service delivery model and do we have the right people to deliver?

4 Performance

4.1 Overview

The O&M contracts are both running well with service providers generally meeting performance requirements. The work is being done by experienced and knowledgeable organisations and includes some renewals and minor capex allocation.

Council is able to rely on its in-house team to deliver the network management and contract management activities as needed as well as asset management activities and providing some capital works' design and contract management.

External professional services are engaged as needed to deliver more complex design capability.

Council also has a physical works panel in place for transitional cycleways and minor capital works.

4.2 Levels of service

Levels of service have been established for roading activity and are included in the Long Term Plan.

Performance against the levels of service, taken from the Annual Reports, are shown below and show a general compliance with targets.

Table 1 Annual Report – service performance results 2022/23 – Network condition and maintenance

Measure	Target (2022/23 Annual report)	Actual (2022/23 Annual report)*
Roads (%) which meet smooth roads standards	70%	69%
Residents (%) satisfaction with the condition of local roads in their neighbourhood	75%	55% <i>The decline beginning in 2019 is continuing. It is also noted that there were a significant number of winter slips in 2022 (1.143 vs 373 in 2021)</i>
Structures (%) in serviceable (average) condition or better	97%	92%
Customer service requests (%) relating to roads and footpaths that are responded to within timeframe	98%	89%
Footpaths (%) in average condition or better (measured against WCC condition standards)	96%	94%
Residents (%) satisfied with street lighting	75%	62% <i>similar level to last year – likely influenced by lamp issue at end of year</i>
Sealed local road network (%) that is resurfaced	9.4	7.8 <i>Note: improvement on 2021/22</i>

*Met is within 10% of the target; Not Met is >10% below target

4.3 Financial performance

Annual expenditure (opex and capex) is in the order of:

- \$18 million per annum operations and maintenance (approx. split 36% Northern, 37% Southern and 27% CBD).
- \$22 million per annum renewals and upgrades delivered under the O&M contract.

Information provided as part of this review demonstrates that Council is delivering on the works identified through the Long Term Plan and Annual Plans as outlined in the table below:

Table 2 Summary of Annual Expenditure

Year	Opex (\$)		Capex (\$)		Combined (\$)	
	Budget	Actual	Budget	Actual	Budget	Actual
2021/22	32.4m	32.8m	46.6m	40.3m	46.2m	42.3m
2022/23	36.7m	40.2m	50.4m	50.7m	45.5m	51.0m

5 Where are the challenges and opportunities?

From discussion with key stakeholders and an Issues and Opportunities workshop with Council staff in May 2024, the following section outlines the key challenges and opportunities with regard to the current arrangements:

The model

- Council has a strong in-house team with the capability and capacity to manage the O&M contracts and provide financial and asset management support.
- There is a general preference to procure contracts separately (compared to the current arrangement where the CBD is awarded to either the successful tenderer for the Northern or Southern Contract) – this will better support a healthy market.
- There needs to be a balance between cost to deliver and **reducing barriers to access for tier two contractors and local sub-contractors**.
- The current 'bundled scope' contracts model is working well (note that other Wellington Councils are typically unbundling works).
- The geographic split of contracts (and a requirement that a single supplier cannot be contracted for both the Northern and Southern Contracts) provides a more resilient model than a single contract (both in response to events and reliance on a single supplier).

Relationships

- Relationships with service providers are generally collaborative but can slip to more master / slave when there are contract / delivery issues.
- WCC relationships with other Wellington councils are good and councils are working together on potential future opportunities for collaboration and working together.

Delivery

- Generally delivering to budgets / 90%-95% of work delivered.
- RAMM is well-used and provides fit-for-purpose reporting / asset / financial info etc.

Performance

- Performance by both Contractors generally meeting requirements.
- Opportunity to strengthen performance of service providers through contracts – do we have the right KPIs and how are they monitored / measured?

6 Engagement with stakeholders

Council has undertaken some market engagement as part of the overall procurement process to inform the draft Procurement Plan and Request for Proposals (RFP).

As part of the review, we have also engaged with a number of stakeholders including:

- Council staff
- Neighbouring councils (via the Height work and direct contact)
- NZTA
- Service providers – incumbent and potential.

Refer to Appendix A for a list of those parties engaged with in the review.

Some points for consideration in developing the contract model and method of procurement included:

- The market is currently dominated by 2 key players and it is difficult for other contractors to break into the market.
- Term of contract is key in making a decision on whether or not to tender, and subsequently in ensuring competitive tension. General opinion from the industry is that longer contracts are required to better support the investment required.
- Scale is also a factor with larger contracts supporting the investment required.
- Specialist service providers (street cleaning) would be interested in engagement as a lead contractor – direct relationship, potentially lower overheads, potential for innovation in this space:
 - CBD sufficient as stand-alone street cleaning contract.
 - Suburban contracts not large enough for street cleaning to be stand alone.
- Scope of CBD is quite different to the suburbs – higher level of public interaction, more complex access etc. Supports separating the CBD from the suburbs.
- Asphalt is a key factor in pricing – how can this best be addressed in procurement?
- A single regional contract would not be good for the market and would be high risk from a resilience perspective.
- Varying views on whether unbundling is more expensive – whilst there are more contracts to manage, overheads associated with sub-contractors reduce.

7 Regional perspective

WCC has a good relationship with its neighbouring councils on a generally informal basis.

Delivery of maintenance contracts varies across the region but all councils, other than Wellington City, have moved to or are moving towards unbundling of services. This is generally in response to contractor performance, lack of control and the focus on supporting small / local suppliers.

Through facilitated workshops, Wellington City, Porirua City, Kapiti Coast and Hutt City Councils have recently been exploring the potential for a collective approach to road maintenance and for greater collaboration.

It is anticipated that the implementation of any outcomes from this process will be three plus years away but provision can be made now to facilitate future regional approaches such as aligning contract end dates and/or providing flexibility for changes in scope.

8 Service delivery options

8.1 Overview of options assessment

The options for alternative service delivery arrangements have been assessed against the status quo. These include those options required under s17A as listed in Section 2.1.

A longlist of options was identified for delivery of the operations and maintenance activity and assessed against agreed weighted criteria. From this, a shortlist of options was identified and assessed in further detail against key drivers and risks.

An options workshop with Council staff was held 30 May 2024 to review the initial strawman assessment of options completed by Morrison Low.

8.2 Assessment criteria

The following criteria has been agreed for assessing the service delivery options. Weightings were agreed following the Issues and Opportunities workshop 17 May 2024.

Table 3 Assessment criteria

Criteria	Weighting	Discussion
Financial criteria		
Establishment/procurement cost	5%	
Governance & management costs	5%	
Delivery cost	30%	
Total	40%	
Non-Financial Criteria		
Ability to control / influence outcomes	20%	<i>Council's ability to directly influence performance and the quality of service provided.</i>
Ability to influence a healthy market	15%	<i>How does the proposed model support a healthy market?</i>
Flexibility to respond to changing requirements	15%	<i>To meet demand of communities / funding changes / legislative change.</i>
Complexities around implementation	10%	<i>How likely is it that the proposed model is achievable?</i>
Total	60%	

8.3 Assessment of options

8.3.1 Longlist assessment

The longlist of options were assessed against agreed assessment criteria. A summary of the assessment is given in the table below with the full assessment included in Appendix 2.

Table 4 Summary of longlist assessment

Option		Description	Rank	Assessment
Governance and Funding in-house	1	Delivery in-house		Not scored - Not a viable option (LTMA section 25(4)) <i>'It is a condition of every procurement procedure that the Agency or an approved organisation must procure outputs from a provider other than the Agency or that organisation (as the case may require), or its employees'</i>
	2a	Status quo - Traditional	3	Shortlisted - Status quo. Works well and delivers to requirements but room for improvement to drive cost-effectiveness.
	2b	Enhanced status quo	1	Shortlisted - Short Term preferred model <ul style="list-style-type: none"> Service optimisation can help deliver efficiencies. Examples to explore could be contract split (geographic and scope), improved performance management, healthy market support
	3	Delivery by CCO	4	Not recommended <ul style="list-style-type: none"> More complex model than status quo. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.

Option		Description	Rank	Assessment
Governance and funding through Joint Committee or other shared governance arrangement	4	Delivery by another Local Authority <ul style="list-style-type: none"> Neighbouring council delivers O&M works on behalf of WCC. WCC sets strategic direction and undertakes planning. 	7	Not recommended <ul style="list-style-type: none"> Complex model that is likely to be more expensive and may conflict with WCC priorities. No perceived benefits in delivery of roading activity by another TLA.
	5	Outsourced delivery – joint delivery with another TLA <p>Works procured jointly with neighbouring council/s.</p>	3	Shortlisted - Preferred long-term model , building on the preferred enhanced status quo <ul style="list-style-type: none"> Potential efficiency benefits, the extent of which will depend on final shared arrangements. Current delivery models are not aligned. Would need to manage potential competing priorities.
	6	Delivery by Joint CCO <p>Council forms a joint CCO or CCTO with neighbouring council(s) for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.</p>	5	Not recommended <ul style="list-style-type: none"> Complex model. Would also unlikely be a preferred option of neighbouring councils. Large set-up costs and complexities.
	7	Delivery by another TLA <ul style="list-style-type: none"> Physical works delivered by another TLA on behalf of WCC. WCC provides strategic and planning input through joint agreement. 	8	Not recommended <p>Complex model that is likely to be more expensive and may not support WCC priorities.</p>
	8	Delivery through Alliance <p>Alliance between WCC and O&M Contractor/s.</p>	5	Not recommended <ul style="list-style-type: none"> Shared goals and objectives. A high level of maturity is required across all parties. Likely minimal benefit (if any) over current arrangements.

8.3.2 Shortlist assessment

The Enhanced Status Quo option has been assessed as being the preferred way forward in the short term, and then implementing regional initiatives over time. The table below provides a number of sub-options for the enhanced status quo and recommendations based on assessment against further criteria and risks.

Table 5 Enhanced Status Quo sub-options assessment

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Description of option	<ul style="list-style-type: none"> Northern Contract Southern Contract CBD (awarded to winner of Northern or Southern Contract) 	<ul style="list-style-type: none"> Northern Contract Southern Contract CBD 	<ul style="list-style-type: none"> Northern Contract Southern Contract CBD cleansing CBD roading / pavement works 	<ul style="list-style-type: none"> Northern Contract Southern Contract Unbundle CBD eg cleansing / roading & pavement works / Traffic services 	<ul style="list-style-type: none"> Northern Contract Southern Contract Cleansing separated out (either limited to CBD or across the whole City) CBD roading to be morphed into Northern / Southern contracts 	Multiple contracts awarded by activity across whole geographic area Current scope would be 'unbundled'	Single Contract covering whole geographic area and all activities, awarded to one contractor	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Assessment criteria / risks								
Political buy-in	5	5	4	3	3	3	1	A significant change in the model and increased risk would see more reluctance from elected members
	Minimal risk with status quo	Limited change (extent of work under contracts unchanged) so unlikely to be a high risk	Limited change to extent of work (cleaning separate in CBD) – low risk	May be some reluctance to change and increased number of contracts	May be some reluctance to change and increased number of contracts	May be some reluctance to change	Significant reluctance – significant change and higher risk than status quo	
Anticipated market interest	1	4	5	3	5	3	1	Need balance to ensure contracts do not become too small which may discourage Tier 1 / 2 suppliers but want to encourage other players into the market. Scale of works is still relatively high value when split geographically (as current)
	Likely limited to Tier 1 contractors (currently 2 dominant suppliers in the region)	Separate CBD contract may increase interest - not excluded from CBD if not bidding for north/south. Still relatively large contracts with each contract covering all activities - likely limited to Tier 1 / 2	Splitting CBD activities will encourage specialist players and hence number. Northern and southern areas will retain Tier 1 interest	Splitting CBD activities will encourage specialist players and hence number. North/South areas will retain Tier 1 interest. Will the CBD works be too small to retain interest? (level of complexity requires experience)	Splitting cleansing activities will encourage smaller / specialist players and hence number. Northern and southern areas will retain Tier 1 interest	Multiple contracts may increase interest but scale may reduce Tier 1 interest (depending on ability to be awarded multiple)	Likely limited to Tier 1 contractors	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Contract management / impact on in-house team	5	4	3	2	3	1	4	Additional number of contracts may require additional in-house resourcing to manage.
	Minimal risk with status quo (2 suppliers). In-house team adequately resourced	Minimal risk with minimal change (up to 3 suppliers). In-house team adequately resourced	Potentially 4 suppliers to manage - would more contract management staff be needed?	Multiple contracts - more contracts to manage / increased points of contact / more complex for management of contract. Also likely to be smaller, less experienced suppliers which may require additional mgt	3 contracts to manage. Would activity overlap (roading / cleansing) add some complexity?	Multiple contracts - more contracts to manage / increased points of contact. Whilst WCC has activity based staff, more complex for management of contract	Single contract to manage but significantly larger contract may have some complexities. In-house activity related roles (reactive works) will be unchanged as they are currently across all contracts	
Supporting a healthy market	3	4	5	5	5	5	1	Need balance to ensure contracts do not become too small which may discourage Tier 1 / 2 suppliers whilst also provision (through direct engagement or as sub-contractor for Tier 2/3) for smaller / local suppliers
	Large scale contracts limiting for smaller contractors to tender as a stand-alone entity	Separately procured CBD contract has potential for smaller contractors to tender as a stand-alone entity	Separating out cleansing will better provide for smaller / specialist contractor (will need TMgt capability)	Unbundling will better provide for smaller / specialist contractor (will need TMgt capability)	Separating out cleansing will better provide for specialist contractor (will need TMgt capability)	Will likely better support the market - different scope / different scales of contract	Tier 2 / 3 contractors unlikely to have capability / capacity to deliver	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Cost implications	3	3	4	3	4	1	5	Whilst scale is often a driver of cost-efficiencies, larger contracts may include a high number of sub-contractors which will may have higher overheads from lead supplier. Smaller orgs typically have lower overheads. A higher number of contracts may require additional in-house resources to manage
	Status Quo Price tension through current procurement method	Minimal change in delivery costs - price tension retained through 3 large value contracts	Potential cost-efficiencies with reduced lead contractor overheads around changes to CBD	Potential cost-efficiencies with reduced lead contractor overheads around changes to CBD but more contracts to manage	Potential cost-efficiencies with reduced lead contractor overheads around changes to CBD	Likely highest cost option with multiple contracts with potentially different contractors (different scope)	Scale can deliver cost-efficiencies with single contract	
Complexities – establishment (including time to establish), procurement and delivery	5	5	4	2	1	1	4	Current contracts expire 30/6/25 so a significant change in model would have a higher risk in establishment by this date. Complexities in procurement would also add to timeline. Multiple contracts with geographic overlap may have some complexities in delivery
	Low risk - status quo	Low risk - effectively no change to contracts, potentially one extra contractor. Simple 3 x contracts procurement process	Some complexities around multiple contracts to procure and establish - limited with contract scopes / boundaries more or less unchanged	Some complexities around multiple contracts of difference scope to procure and establish	Complexities around multiple contracts to procure and establish and changing geographic boundaries	Complexities around multiple contracts of different scope to procure and establish. Significant change from status quo.	Low level of complexity with single contract	

Option	Status Quo	Enhanced status quo						Notes
		3 separate contracts	4 separate contracts	CBD unbundled	Cleansing separated out (3 contracts)	Separate activity-based contracts	Single Contract	
	a	b	c	c(ii)	d	e	f	
Opportunities for innovation	3	3	3	3	3	3	3	Longer term contracts can encourage innovation from larger and / or specialist suppliers
	Potential for innovation through Tier 1 'nationwide' resources	Potential for innovation through wider Tier 1 / 2 resources	Potential for innovation from activity-focussed suppliers	Potential for innovation from activity-focussed suppliers	Potential for innovation from activity-focussed suppliers	Potential for innovation from activity-focussed suppliers	Potential for innovation through Tier 1 'nationwide' resources	
Resilience	4	5	5	5	4	2	1	Resilience considered from a reliance on resources (1 supplier = higher risk) as well as geographic coverage during an emergency event.
	Low risk - split geographic area and 2 suppliers	Low risk - split geographic area and minimum 2 suppliers	Low risk - split geographic area and minimum 2 suppliers - some split in activity	Low risk - split geographic area and potentially multiple suppliers	Low risk - split geographic area and potentially 3 suppliers	Risk where no geographic split and a single supplier for specific activities	High risk with single contract - resourcing and geography	
Recommendation	Not recommended	Possible	Possible	Not recommended	Not recommended	Not recommended	Not recommended	
Score	29	33	33	26	28	19	20	
Rank	3	1	1	5	4	7	6	

Note: Options a – d inclusive – the Northern and Southern Contracts cannot be held by the same contractor

8.4 Summary of findings and recommendations

8.4.1 Preferred option

The preferred option is:

- **In the short term, an enhanced status quo model should be implemented** - whilst the current model works well, there is room for improvement, with how the works are procured and also in the delivery of the roading activity. The introduction of improvements will both support a more cost-effective service whilst supporting a healthy market.
- **In the longer term, to develop and implement regional initiatives in consultation with the other Wellington Regional Councils** – this work has commenced at a high level, seeking more efficient delivery of the roading activity across the region, and any arrangements made now should be aligned and / or provide flexibility to introduce any such initiatives. This more regional approach to delivery is likely to be developed over the next three to five years.

The status quo was also shortlisted for comparison but the status quo would not deliver improvements to the current arrangements and outcomes.

8.4.2 The Enhanced Status Quo (short term)

Recognising that the current model is working well, significant changes to the model are not considered necessary. However, a number of opportunities have been identified that could lift overall delivery (section 5 above).

Through the review, we considered whether the number, scope and scale of contracts was appropriate to provide a balance between efficiency, cost-effectiveness, interest at the tender box and providing for broader outcomes such as supporting the local economy through engagement of local contractors.

To support this, two areas of ‘enhancement’ were considered in more detail:

- The form of contract model (scope / boundaries) and how it is procured to provide cost-effective delivery whilst supporting healthy markets (see Table 5 above).
 - How many contracts should there be?
 - Should the scope of contracts be area based or activity based or a mix?

It is also recommended that Council’s in-house team structure be reviewed to ensure capability to manage the new arrangements.

Refer Section 8.5 below for further discussion

- Improvements to the contract to increase interest in the market and to ensure it is fit-for-purpose and delivers on Council’s objectives for the road network and its customers. In particular this could include:
 - The term of contract (which will also allow alignment to adjacent council contracts for future regional opportunities).
 - improved performance management – have we got the right KPIs and are we managing them?

Refer Section 8.6 below for further discussion

8.4.3 Introducing regional initiatives (medium to long term)

In the longer term (3-5 years), opportunities with adjacent neighbours should be further explored to deliver benefits across the parties. This could include:

- Providing for alignment of the end of the O&M contracts across neighbouring council contracts (gives more opportunity for working together in the future).
- Shared resources.
- Identifying opportunities for shared contracts and or shared procurement.
- Using shared specifications for consistency.

Commitment from all parties needs to be sought in the first instance.

8.5 Preferred form of contract

To support the enhanced status quo model the form of contract was investigated (as shown in table 5 above) with the following recommendations:

Table 6 Preferred contract forms for the Enhanced Status Quo

Option	Benefits	Recommended way forward
Option b Geographic boundaries unchanged. To procure the three geographic areas (Northern, Southern and CBD) separately (compared to the current model of awarding the CBD with either the Northern or Southern areas).	<ul style="list-style-type: none"> • Opportunity for up to 3 organisations to hold a contract, not limited to 2 (of a scale that would typically exclude Tier 2 suppliers). • Whilst allowing for a third organisation, the scale of contracts is still attractive to Tier 1 suppliers. This will encourage interest at the tender box. • Complexities of this new arrangement would be limited with no change to scope and geographic boundaries essentially unchanged – this is of particular advantage with current contracts expiring 2025. • In-house team adequately resourced for 3 separate contracts – limited change in contract management. • No complexities in procurement with 3 separate contracts although provision for discounts on award of multiple contracts could be considered. 	3 separate contracts awarded separately. <ul style="list-style-type: none"> • Potential to allow discounts for multiple contract but at Council's discretion. • Northern and Southern must be held by separate contractors.
Option c Northern and Southern contracts – status quo. CBD scope to be potentially split as follows: <ul style="list-style-type: none"> • All activities or • Split roading and street cleaning. 	<ul style="list-style-type: none"> • A 4th contract to manage may require in-house changes (but not considered a significant issue). • Providing for the ability to tender on just street cleaning will likely increase the number of tenderers (this is supported by specialist suppliers in the region). <ul style="list-style-type: none"> ○ Direct relationship between parties for this activity. ○ Specialist providers can drive innovation in this space. • Procuring as separable portions will allow Council to award as a single geographic package or as 2 contracts split by activity. <ul style="list-style-type: none"> ○ Provides flexibility in procurement. 	CBD to be split into separable portions: <ul style="list-style-type: none"> • Street cleaning / cleansing • Roading activities Separable portions will allow Council to award the CBD separately or together.

8.6 Further opportunities to improve service delivery

The s17A review is a legislated requirement that considers the model of delivery for the roading activity.

As noted in Section 2.2, once the primary model of delivery has been selected, Council can optimise service delivery as part of their business-as-usual activities. Council needs to be continually seeking opportunities to increase the effectiveness and efficiency of the service delivery including having the appropriate internal structure and resourcing as well as looking for opportunities to work collaboratively with other local authorities and stakeholders.

Service optimisation initiatives can be introduced as appropriate and through the new contracts.

8.6.1 In-house capability and capacity

Council has a well-resourced in-house roading team.

However, it is recommended that the capability and capacity of the team be reviewed in light of the proposed contract arrangements.

The challenge is getting the right structure that supports the council outcomes sought such as value for money and efficiency.

8.6.2 Contracts

Whilst it has been recognised that the current contracts are fit-for-purpose and are delivering positive outcomes, they need to be periodically reviewed to ensure efficiencies and value for money and to ensure interest at the tender box.

FieldForce4 undertook a review of the current contract in 2022 with the objective of identifying potential improvement opportunities and incorporating those into the 2023 contract extension. Recommendations from that review related to:

- Visibility in terms of performance monitoring and programming
- A more structured approach to collaboration
- Redefine auditing processes
- Improvements in data collection through consistent use of technology
- Improved contract management.

As well as providing for these improvements (where not already incorporated), further potential initiatives are outlined in the table below:

Table 7 Contract improvement options

Consideration	Discussion
Contract duration	<p>The current contract was awarded on a 3 + 2 term to a total of 5 years.</p> <ul style="list-style-type: none"> • Engagement with stakeholders indicates that a longer term contract is more favourable, proving certainty for investment. • A three year base term with provision for rollovers to a nominal nine years (3 + 3 + 3) is considered appropriate and aligns to the regional collaboration discussions. • A longer term also potentially reduces the overall cost of procurement being less frequent. <p>Some concerns over alignment with the LTP timeframes and capital works can be addressed through drafting of the contract documents.</p>
Performance management	<p>How can we improve performance management:</p> <ul style="list-style-type: none"> • Reporting and transparency • Have we got the right KPIs? • How are KPIs monitored? • What are the implications of non-performance or good performance?
Collaborative partnering	<p>The collaborative arrangement currently works well until there is an issue and then a more traditional approach is adopted.</p> <p>How can we better support this intent at all levels, from governance through to operations and delivery.</p>
Broader outcomes	<p>The contract documents and method of evaluation of proposals should provide a balance in terms of broader outcomes against value for money such as:</p> <ul style="list-style-type: none"> • Environmental responsibility • Social responsibility • Staff wellbeing
Regional collaboration	<p>To enable the introduction of regional initiatives in the 3-5 year timeline, provide some flexibility in the new contracts to allow this.</p>

9 Where to now

With the current contracts expiring 30 June 2025, timelines are tight and procurement of the new contracts needs to progress. To ensure this, the following steps are required:

1. This s17A is endorsed by Council.
2. The Procurement Plan is amended to align with the outcomes of this s17A review and endorsement sought through Council and NZTA.
3. The RFP and supporting contract documents are developed, incorporating any agreed amendments from this review, and released to market.

Appendix A Stakeholder engagement

The table below lists the stakeholders we engaged with for the service delivery review.

Who	Organisation	Role in relation to review
<ul style="list-style-type: none"> Brad Singh – Roading Manager Kylie Hook – O&M Graeme Bruce Mel Ahnau Sarah Bu Ross Bayer 	Wellington City Council	Council
s(7)(2)(a)	NZTA	Procurement Advisor
	Upper Hutt City Council	Neighbouring council (not part of Height collaboration work)
	Fulton Hogan	Incumbent supplier
	JFC	Potential supplier
	Downer	Incumbent supplier
	HEB	Potential supplier
	InterGroup	Potential supplier (street cleaning)
	Civic Waste	Potential supplier (street cleaning)

Appendix B Options Assessment

Service delivery options		Governance and funding in-house					Governance and funding through Joint Committee or other shared governance arrangement			
		Delivery all in-house	Outsourced		Delivery by CCO	Delivery by another Local Authority	Outsourced delivery - joint delivery with another TLA	Delivery by Joint CCO	Delivery by another TLA	Delivery through Alliance
			Status quo	Enhanced status quo						
		1	2a	2b	3	4	5	6	7	8
Description of option		Council purchases plant and equipment and employs staff to provide O&M services.	Operations and maintenance continues to be out-sourced as 3 separate contracts (with award of CBD to a holder of northern or southern contract).	Contract/s continue to be outsourced but with a review of contract delivery to deliver a more cost-effective service that supports a healthy market	Council forms a CCO or CTO for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Neighbouring council delivers O&M works on behalf of WCC. WCC sets strategic direction and undertakes planning	Works procured jointly with neighbouring council/s	Council forms a joint CCO or CTO with neighbouring council(s) for the delivery and management of all roading services. Planning and administration would be undertaken by a centralised team within the CCO.	Physical works delivered by another TLA on behalf of WCC. WCC provides strategic and planning input through joint agreement.	Alliance between WCC and O&M Contractor/s
	Weighting									
Financial criteria										
Establishment/procurement cost	5%	Not assessed as not a viable option (LTMA section 25(4))	3	3	1	2	2	1	2	1
Governance and management costs	5%		3	3	1	1	2	1	1	1
Delivery cost	30%		3	4	3	2	5	3	2	3
Financial score	40%		1.2	1.5	1.0	0.8	1.7	1.0	0.8	1.0
Financial Commentary			Status quo.	Overall scope would be unchanged so changes in total cost would be related to potential efficiencies associated with an enhanced model. Minimal change to governance and management costs (dependent on final arrangements)	Establishment costs for a CCO and ongoing higher governance costs. Minimal change to delivery costs - CCO would still have to tender on the open market	Costs likely to increase with another TLA delivering the works. Governance costs likely to increase with complexities and would be a cost to establishing a new model	Potential efficiencies of scale , depending on extent of joint delivery. Will be set up and costs associated with a more complex governance and management structure	High establishment costs for a joint arrangement and ongoing higher governance costs. Minimal change to delivery costs	High establishment costs. Likely increase in management and governance costs with separation from WCC. Although WCC would not employ staff, likely higher costs, paying another council to deliver the works	High establishment costs and ongoing higher governance costs. Establishment costs in recruiting additional staff. Compared to current arrangements, unlikely to be significant cost-benefit
Non-financial criteria										
Ability to control / influence outcomes	20%		3	3	2	2	2	2	1	2
Ability to influence a healthy market	15%		3	4	3	1	3	3	1	3
Flexibility to respond to changing requirements	15%		3	4	3	2	2	2	2	2
Complexities around implementation	10%		3	3	2	1	2	1	1	1
Non-financial score	60%		1.8	2.1	1.5	1.0	1.4	1.3	0.8	1.3
Non-Financial Commentary			Status quo Works well and delivers to requirements but room for improvement to drive cost-effectiveness.	Current model is working well but there is room for further optimisation of the services e.g. review of contract delivery (number of contracts / method of procurement / scope etc), improved performance management etc	Complexities of establishing a CCO. Unlikely to be benefits over status quo in delivery	Complexities around management of works and priorities. Would be some loss of ownership with less control over delivery. No perceived benefits in delivery by another TLA	Potential benefits in some areas such as consistencies in specs, regional delivery of some activities etc Would need roading contracts to align in timeframes and scope (don't currently). Potential complexities in set-up, management and governance.	Complexities of establishing a joint CCO with minimal service delivery benefits over status quo.	Potentially some loss of control and local line of sight (more likely other councils than WCC due to size under a joint committee). Differing priorities. Likely complexities in governance structure where WCC does not actually provide the services	Need high level of maturity and trust to be effective but will have limited benefit over current collaborative arrangements. Complexities in setting up. Benefit would be shared goals and objectives
Total score (out of 5)			3.0	3.6	2.5	1.7	3.1	2.3	1.5	2.3
TOTAL SCORE (%)			60%	72%	50%	34%	61%	45%	30%	45%
Rank			3	1	4	7	2	5	8	5
Outcome		Discounted	Shortlisted	Shortlisted	Not recommended	Not recommended	Shortlisted	Not recommended	Not recommended	Not recommended
Overall Commentary		n/a	Status quo Meets requirements but room for improvement through service optimisation to drive cost-effectiveness	Short Term preferred model Service optimisation can help deliver efficiencies. Examples to explore could be contract split (geographic and scope), improved performance management, healthy market support	More complex model than status quo. Higher governance and ongoing management costs with minimal service delivery benefits over status quo.	Complex model that is likely to be more expensive and may conflict with WCC priorities. No perceived benefits in delivery of roading activity by another TLA	Preferred long term model, building on the preferred enhanced status quo Potential efficiency benefits, the extent of which will depend on final shared arrangements. Current delivery models are not aligned. Would need to manage potential competing priorities.	Complex model. Would also unlikely be a preferred option of neighbouring councils. Large set-up costs and complexities	Complex model that is likely to be more expensive and may not support WCC priorities	Shared goals and objectives A high level of maturity is required across all parties. Likely minimal benefit (if any) over current arrangements

Wellington City Council – Transport & Infrastructure Transport Contract Review - Final

Management Presentation
September 2022

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FieldForce4 undertook a review of the current Roding Contract to identify opportunities for improvements for the Transport & Infrastructure (T&I) team in Wellington City Council (WCC) for the delivery of Transport Services for their customers and community.



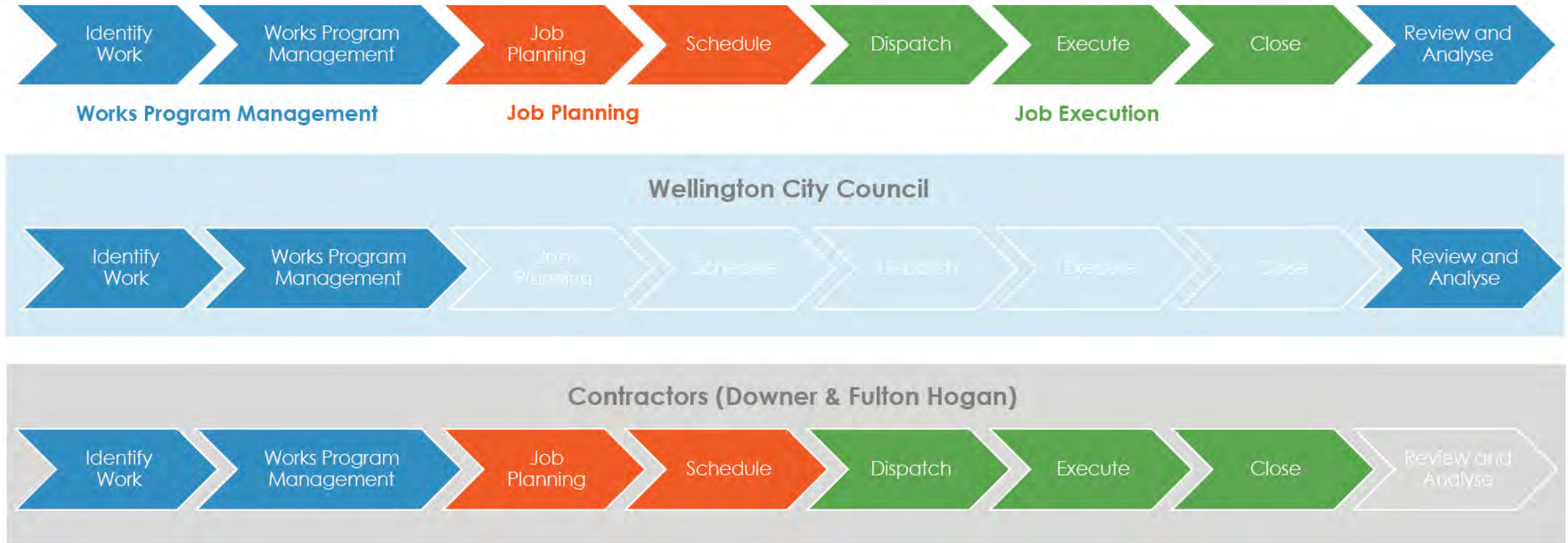
The scope included:

- Review the current state of the Transport contracts operation and performance using FF4's delivery value chain approach
- Assess the performance of both WCC and the contractors to identify potential improvement opportunities
- Develop recommendations for consideration and inclusion within the contract reset – July 2023

The review focus is to identify potential changes in the contractual delivery of Transport Services to create greater value for Wellington City Council and its customers.

Contract Review Objectives

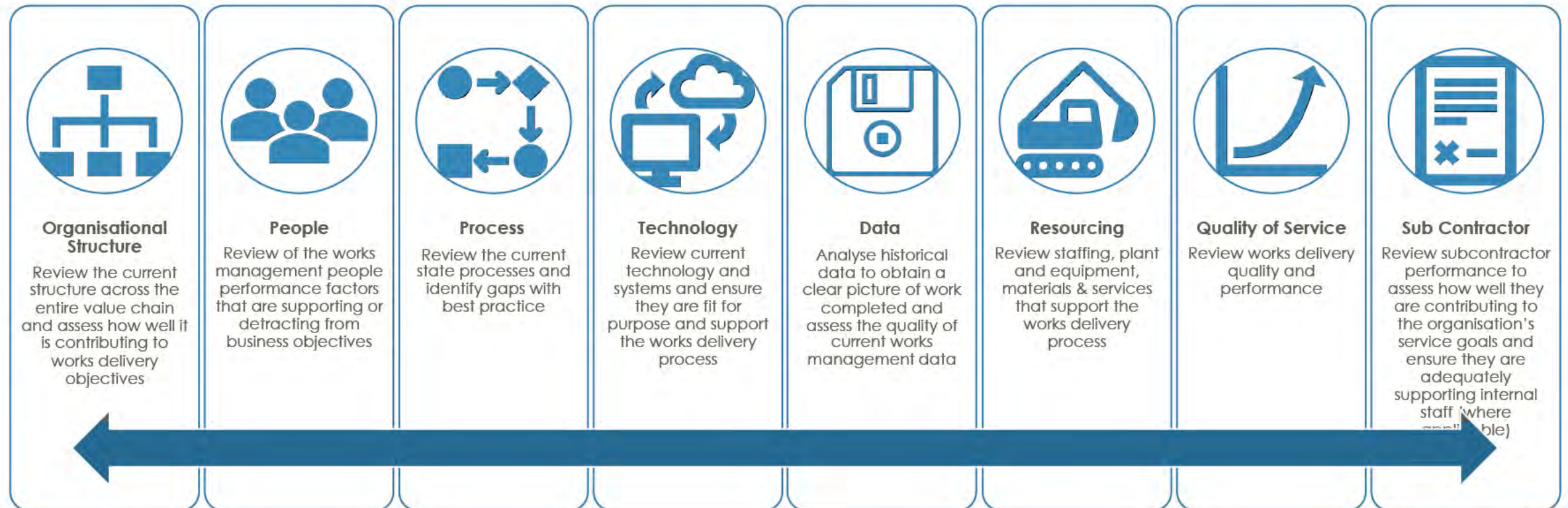
The responsibilities across the value chain is divided between WCC and the contractors.



Contract Review Drivers for Change

Challenges	Goals	Success	Barriers
<p>What are the key challenges currently facing Works Management & Field Operations/Contract Delivery teams over the short and medium term?</p> <ul style="list-style-type: none">Operational meetings – As an org we are not aligned during these meetingsKeeping the data/database up to date – Contractors not proactive enoughCauses delays in payments to the ContractorAre we setting the contractor up for success	<p>What are your goals for the program and why are they important?</p> <ul style="list-style-type: none">Getting the right model (Is the current model the best?)Improving the existing by identifying the parts not working and improve these to provide an improved experience overallAchieving an uplift in:<ul style="list-style-type: none">Governance/CompliancePerformance ManagementRelationship/Collaboration	<p>How will you know you have been successful?</p> <ul style="list-style-type: none">Shared learnings improving all organisations e.g. The shared What's app group may provide real time updates/infoImproved contract management through KPI's with targetsImproved contractor performance through KPI's with targetsImproved relationships and collaboration	<p>What do you think are the barriers to achieving your goals?</p> <ul style="list-style-type: none">Limited access to resources, both internally and externallyLimited experienced contract management capability

The review considered the following components:



Key Findings

A summary of the key findings are listed below:

1. Lack of clear, agreed and enforceable contract performance targets (KPI's)

- The WCC road maintenance contracts do not include specific performance targets in the key operational areas.
- Due to the lack of contractual targets, there is little or no focus on operational efficiencies and innovation.
- As a result, there is a lack of contract tension within the contract. One comment is that "it is highly unusual to have a contract with NO enforceable KPI's". One contractor is developing internal targets across the key operational areas to improve performance.

2. There is a limited consolidated view or progress tracking of the physical program of works

- There is a lack of visibility of the individual Works Programs at a consolidated level. This does not provide management with an overview of the physical delivery of works to budget. There is a heightened focus on progress to budget, although there appears minimal correlation between the budget and the physical works program.
- Programs of work for different asset classes are not provided early enough to allow contractors to ensure resourcing levels and delivery timeframes are optimised across the year.
- Considering the condition assessment are conducted on an annual basis there are potential opportunities to improve the process. This could be conducted in conjunction with the NZTA initiative regarding asset condition assessment and road classification.

A summary of the key findings are listed below:

3. There is a lack of consistency and understanding of the contract/policies and process across WCC and the contractors.

- Contractors are managed differently due to the level of experience/exposure to the contract by WCC staff
- Varying levels of exposure/experience of the contractors is also exacerbating the issue
- Process inconsistencies were seen in several areas including:
 - Inconsistent close out of Customer enquiries in Fresh Service
 - The differences in the TMC approval/support process between Southern and the other two areas (Northern and CBD)
 - Complexity with response requirements within the Contract specifications

4. Minimal evidence of accountability and responsibility for performance within the WCC team.

- A lack of clarity in defined roles and responsibilities across the T&I team.
- No defined performance targets for WCC team correlating to lack of contractual performance targets.
- Lack of clarity of process, intent and expectations on Contractual Auditing requirements leading to inconsistent performance
 - The entire T&I team completes of an average 5.6 OFI's per week with 2 engineers completing 50% of the total audits.
 - These 2 engineers average 3 OFI's per week, with the rest of the team averaging 1 every 5 weeks.

A summary of the key findings are listed below:

5. Governance and meetings are unstructured and providing limited value to either WCC or contractors

- Whilst the general feedback across both T&I, Downers and Fulton Hogan was that there is a good working relationship, the collaboration work that was held at contract commencement has not been fully implemented as a way of working.
- This is evidenced through the Contractors using differing reporting formats, the lack of agreed targets, limited tracking of the physical program, minimal monitoring in the auditing process, lack of defined meeting agendas, lack of defined meeting formats or captured actions, lack of defined meeting purpose and outcomes

6. Feedback from both contractors and WCC asset team that poor quality temporary restorations from other authorities are impacting on asset life and increasing system cost

- There was anecdotal evidence that poor quality restorations can impact (reduce) asset life by up to 30%. This could be assessed with the capture of asset failure cause within RAMM at the work order level. (PCR – Problem/Cause/Remedy)
- Approximate estimates from both contractors indicates that upwards of 50% of pothole work is initiated from poor quality temporary restorations completed by other asset utilities, for which final restoration is carried out under the roading contracts.
- This is further exacerbated by double dipping when the authorities restoration contractor will then perform a permanent repair to the work completed by the roading contractors

Additional observations to support the main recommendations.

1. Contact Centre quality or level of service is impacted by high staff turnover with inexperience across the team impacting performance.

The Contact Centre seen as a gateway into WCC with CC staff length of tenure falling from 18 months pre covid, to the current situation where 80% of CC staff have 3 months tenure or less. There is a level of scripting within the forms that are used to capture Customer enquiry information. System limitations can lead to duplicate jobs as the CSR's do not have access to RAMM, limiting planned works visibility and the FreshService search function is incredibly specific resulting in an inability to reliably find existing faults within the database.

2. Contractors ability to create their own work. There is scope for the contractor to create their own work, which can pose a risk for WCC.

Examples of this are:

- The Fault Finding contract requirement is where the contractor develops a program to perform asset inspections across the network.
- It is critical that the engineers perform the appropriate investigation to determine the work required to rectify a fault.
- It is understood that there is a process in place to approve all works.

3. Capturing of actual quantities of work completion. There is an inconsistent understanding across the WCC team regarding the capture of completed work quantities. Feedback from the asset team indicate it is difficult and time consuming to complete regulatory reporting to NZTA as the quantities are recorded in different fields within RAMM, indicating an inconsistent capture of data.

Recommendations

For WCC to reset the contract management policy, processes and procedures over the extension period in preparation for the contract renewal in 2.5 years.

1. Introduce defined operational performance targets for internal staff and contractors
2. Improve Works Program monitoring, management and reporting capability
3. Introduce a structured reporting and contract management governance framework
4. Redefine the Auditing (OFI) process and policies
5. Revise and standardise the application of the existing technology across WCC and contractors
6. Implement consistent Contract Management processes within WCC and across the contractors
7. Revise the contract T&C's to focus on the contract performance management

1. Introduce defined Operational Targets

Introducing defined operational targets provides WCC performance visibility and the ability improve internal and contractual performance outcomes through measurement and monitoring.

What we found in the Current State Assessment

Although there is a general view that contractors are delivering the required services, a lack of visibility and/or targets of both internal and contractor performance, inhibits the effective management of the contract and creates a risk to the council in achieving value for money due to the lack of accountability for delivery of services.

What to do?

- Introduce defined operational targets for internal staff and contractors.
- Define the key measures that are considered important to effective delivery of services under the contract E.g Job response/completion of 2-hour response, 3-day completion and 15-day completion.
- Set key standard performance targets in agreement with the contractors as set out in the Contract.
- Establish key measures that internal staff be held accountable. For example:
 - Auditing targets for internal staff responsible for conducting audits.
 - Work completion targets for engineers (or person responsible).

How will this help?

- Provides a set of enforceable KPI's that drive contractor performance through accountability.
- Improves the employee and contractor focus on performance outcomes.
- Provides clear visibility of contractor performance.
- Drivers for internal staff to enable the success of the contractors by working towards the same goals.

Benefit visibility of performance enables insights and ability to address performance slippage

Performance Graphs – Downer

To improve the actual performance of the contractors against a nominated Service level, WCC need to develop the appropriate insights in order to address the underlying issues.



Measured from job created in RAMM to Event
Code: Resolved or Now

Performance Graphs – Fulton Hogan

To improve the actual performance of the contractors against a nominated Service level, WCC need to develop the appropriate insights in order to address the underlying issues.



Measured from job created in RAMM to Event
Code: Resolved or Now

Performance Graphs – Combined

To improve the actual performance of the contractors against a nominated Service level, WCC need to develop the appropriate insights in order to address the underlying issues.

Downer



Fulton
Hogan



Measured from job created in RAMM to Event
Code: Resolved or Now

Performance Graphs - Slips

To improve the actual performance of the contractors against a nominated Service level, WCC need to develop the appropriate insights in order to address the underlying issues.

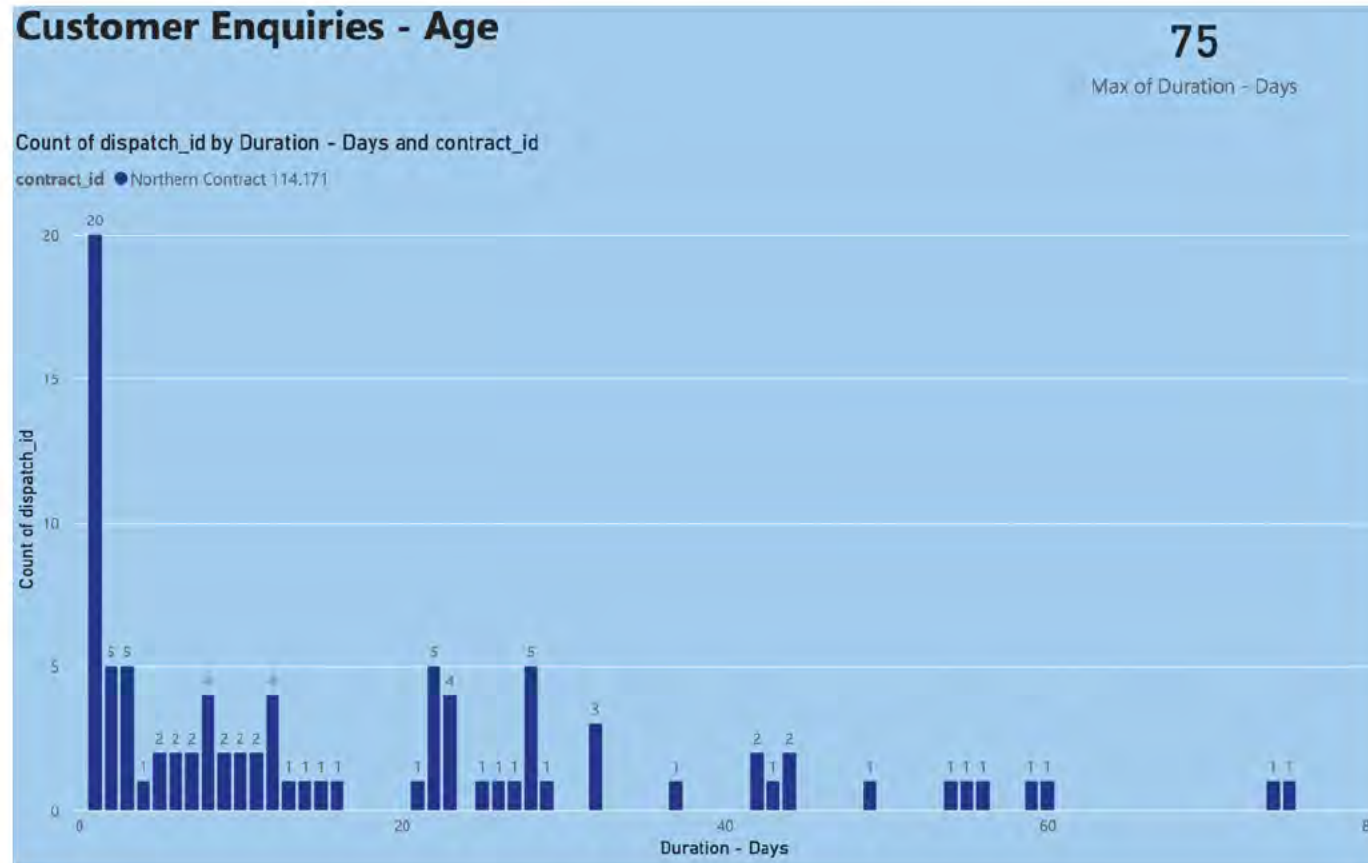


Downer



Fulton Hogan

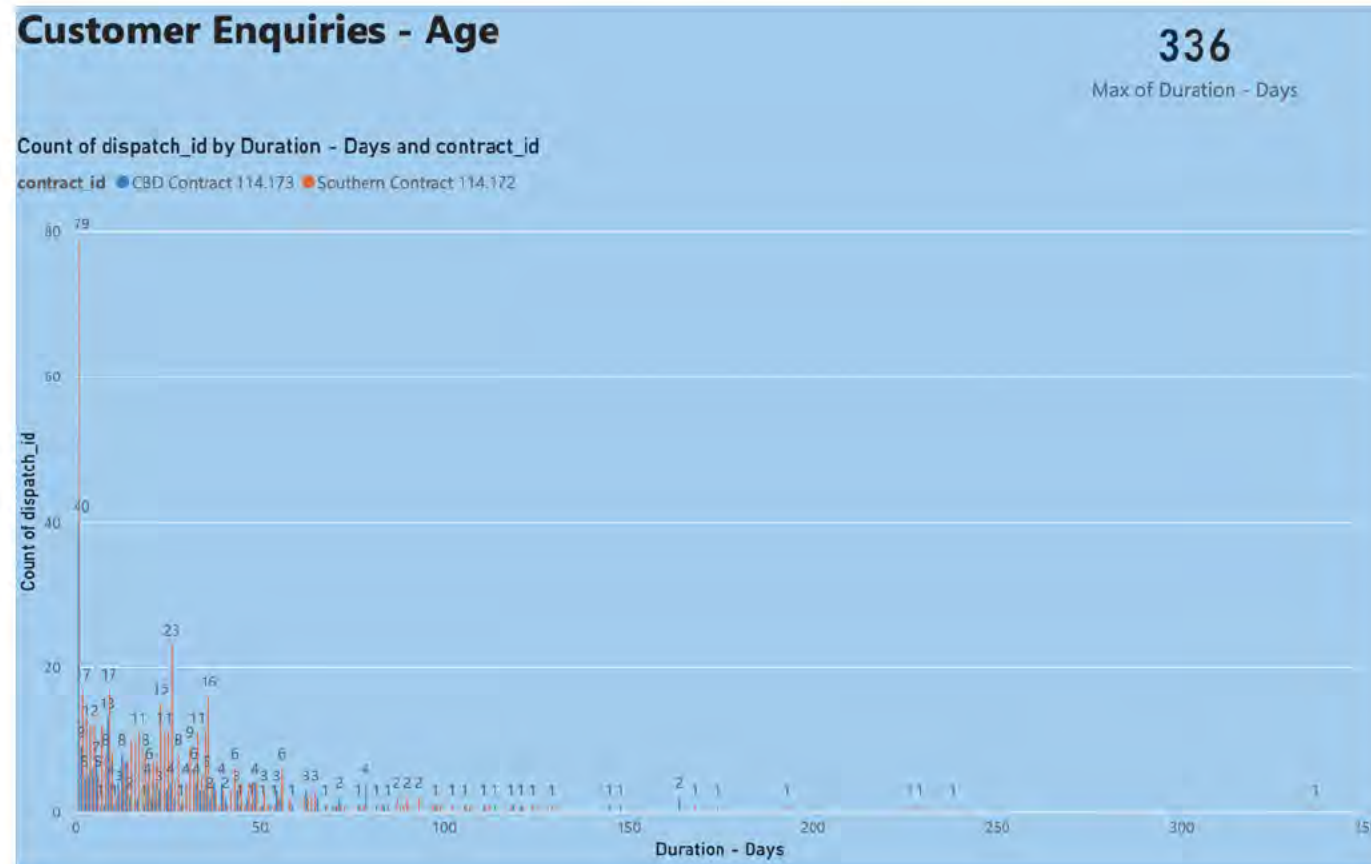
Effective management of open/aged jobs is an important component of works delivery.



Observations

- Lower number of opened jobs reflects the impact of an experienced engineer driving contractor performance
- Opened jobs can impact on claims processing, contractor cashflow and accuracy of performance measures

Effective management of open/aged jobs is an important component of works delivery.



Observations

- Large number of opened jobs reflects an inability to drive contractor performance from the engineer through inexperience and covering 2 areas
- Indications are that the high numbers in South/CBD are due to jobs completed but not closed off in RAMM (inconsistent processes)
- The high number of opened jobs can impact on claims processing, contractor cashflow and accuracy of performance measures

2. Improve Works Program Management

Improving the visibility of Works Program management, monitoring and reporting capability which will allow WCC to track completion of the physical program of work against the budget.

What we found in the Current State Assessment

Whilst WCC track the budgeted expenditure, there is lack of visibility or timely handover on forward programs of work and on the value of work delivered compared to the budgeted spend. There is no overall view of program completion against the cost to deliver.

What to do?

Works Program Management

- Develop the process for defining and tracking the delivery of the physical program of work (reactive, planned and capital works).
- Define the measures for delivery performance that each program.
- Develop the reporting requirements to track progress.
- Review and analyse program performance on regular cycles (i.e. Monthly /Quarterly /Yearly) to track performance against forecast.
- Utilise the contractors' programs to track actual against planned work.
- Review and agree a suitable program release timeline to allow contractors to resource balance.
- Release the pre-seal program in advance to reduce the inherent risk of conflicting priorities such as inclement weather causing slips etc.

How will this help?

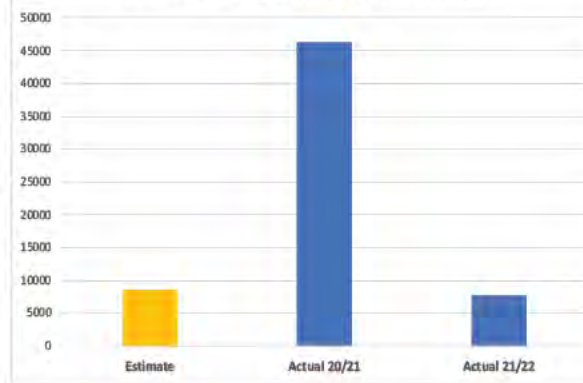
- Clear visibility of the yearly works programs.
- Ability to track progress and performance of the delivery of works from the contractors.
- Will provide the competitive pressure on contractors to deliver the work with improved efficiency.
- Provides clear visibility of contractor performance.
- Ability to track program trends and develop improvement actions where performance is slipping.
- Provides visibility on delivery of work vs expenditure (budget).

Benefit improved delivery of the physical work program against budget

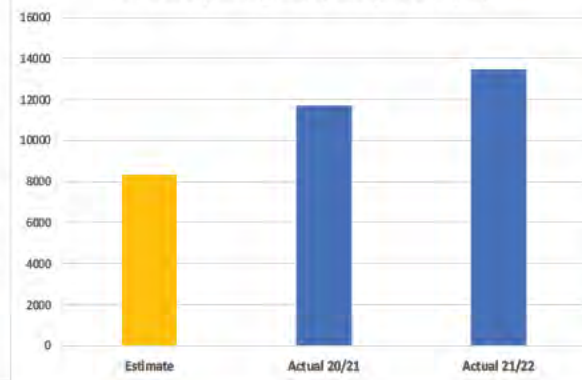
Contract SOR Volumes vs Actual - Illustrative

The graphs below are an illustration of measures of volumes of work compared to estimated contract quantities and can be used to measure works delivery and pricing.

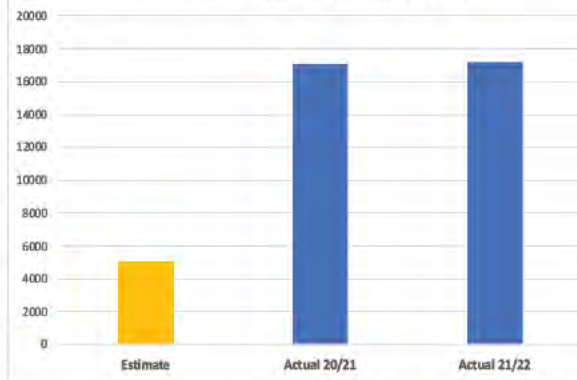
23.1 Sweep carriageways (Roads) - NORTH (km)



23.1 Sweep carriageways (Roads) - SOUTH (km)



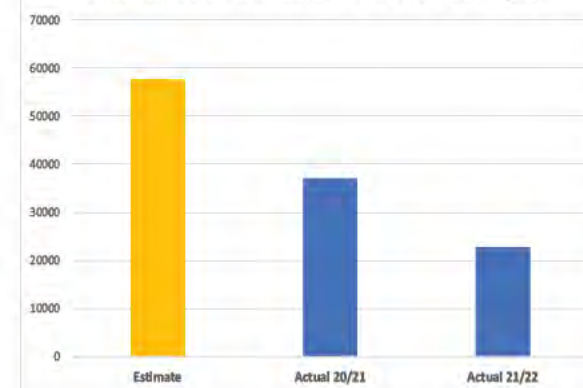
23.1 Sweep carriageways (Roads) - CBD (km)



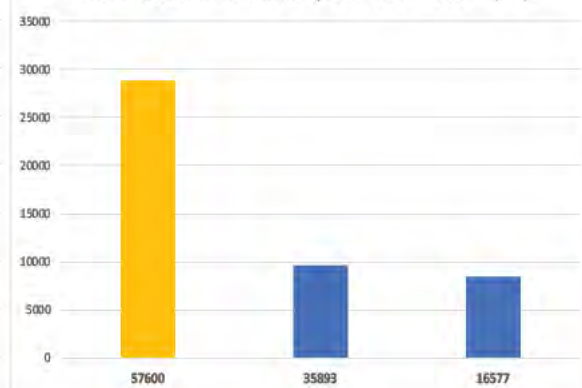
Observations

- In some cases, the actual volume of work are outside the + or - 20% as per the contract, and, in other cases, zero
- Scheduled contract quantities were only used for contract pricing
- No formal measurement of volumes of work occurs throughout the corresponding years

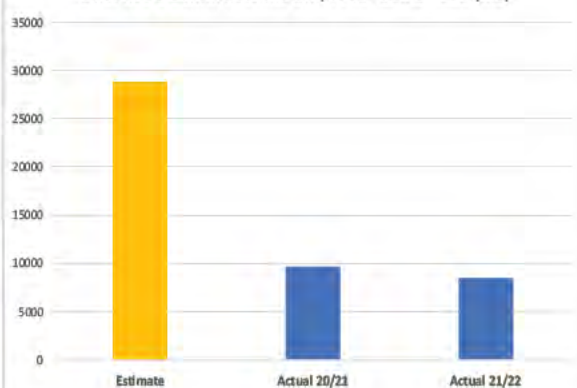
14.3.4.10 0-50mm Rotomill Only Area >20m2 - NORTH (m2)



14.3.4.10 0-50mm Rotomill Only Area >20m2 - SOUTH (m2)



14.3.4.10 0-50mm Rotomill Only Area >20m2 - CBD (m2)



3. Governance/Reporting Framework Improvement

A structured Governance framework with standardised reporting enables effective performance monitoring, issue identification, escalation and resolution, and improves the collaboration across the contract delivery.

What we found in the Current State Assessment

Although most comments supported a good relationship, the unstructured governance and collaboration is detracting from the visibility, identification and resolution of issues which may improve overall delivery of services from all parties.

What to do?

Governance Framework

- Redefine the Governance requirements/principles over the remaining life of the contract by:
 - Reviewing the format of the regular weekly, monthly and quarterly contract review meetings.
 - Including an appropriate structure and content.
 - Introducing minutes at weekly meetings focusing on actions and decisions.

How will this help?

- Develop a consistent meeting and reporting format to enable a performance comparison between contractors.
- Ensures that there is an operating framework and ground rules which provide consistency in interactions between Downer, Fulton Hogan and WCC.
- Standardised reporting enables WCC to be consistent in assessing contractor performance.
- Ensures the principles of delivering for the customer is reflected by the T&I team enabling the contractor to be successful, which in turn makes T&I successful.

Benefit improved focus on health/safety, quality and timeliness of works delivery

Reporting completeness and consistency is critical to obtain a comparative performance measure between contractors.

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BIP & DELIVERY

CUSTOMER SERVICE

- UE SATISFACTION
 - UE Satisfaction Index (35 NPS)
 - Activities - 8 of Targets Met (27% NPS)
- END CUSTOMER SATISFACTION
 - Customer Satisfaction Index (105 NPS)
 - SLA Response (120 NPS)
 - CIC Supply Requests (>20 Days)
 - No. of Customer Complaints
 - Average Response Time (Days)
- PROGRAM MANAGEMENT
 - ScW Approved (No.)
 - ScW Approved (Gm)
 - ScW Submitted (Gm)
 - ScW Requested (Gm)
 - Variation in Estimates
 - Baseline Mitigation Index

FINANCIALS

- DPIC
 - Unutilised Opex
 - Network Control
 - NCSS & Communications
 - Warehouse & Logistics
 - GIS/DBB
 - Paula & Emergency
 - DPIC Support
 - CAPEX Not Proceeded (Provisional)
 - Inventory Carrying Cost (ICC)
- CAPEX
 - Unutilised CAPEX
 - Unutilised CAPEX Support
 - Capital Works Projects
 - Network Projects
 - Customer Initiated
 - Capital Works Projects Support
 - Inventory Carrying Cost (ICC)

Reporting Approach

1. Standardise the reporting approach between the contractors
2. Align the reporting elements to both the regulatory and operational key performance measures
3. Clearly define how each Key Performance Measure is calculated and displayed
4. Maintain reporting consistency
5. Key Performance Measures to include the following :
 - Health and Safety
 - Reactive Works Response Times (Actual vs Target)
 - Works Program (volumes)- achieved and next period
 - Financial Performance – Actual Vs Budget
 - Critical Issues impacting works program
 - Contracture Issues
 - Variations

4. Redefine Auditing Processes and Policies

Develop and reinforce clearly defined auditing processes to ensure contractor performance is monitored, reported and managed to meet the contractual obligations

What we found in the Current State Assessment

There is a lack of clarity of process, intent and expectations of contractual auditing requirements, leading to inconsistent monitoring and performance.

What to do?

Redefine the Auditing (OFI) process and policies

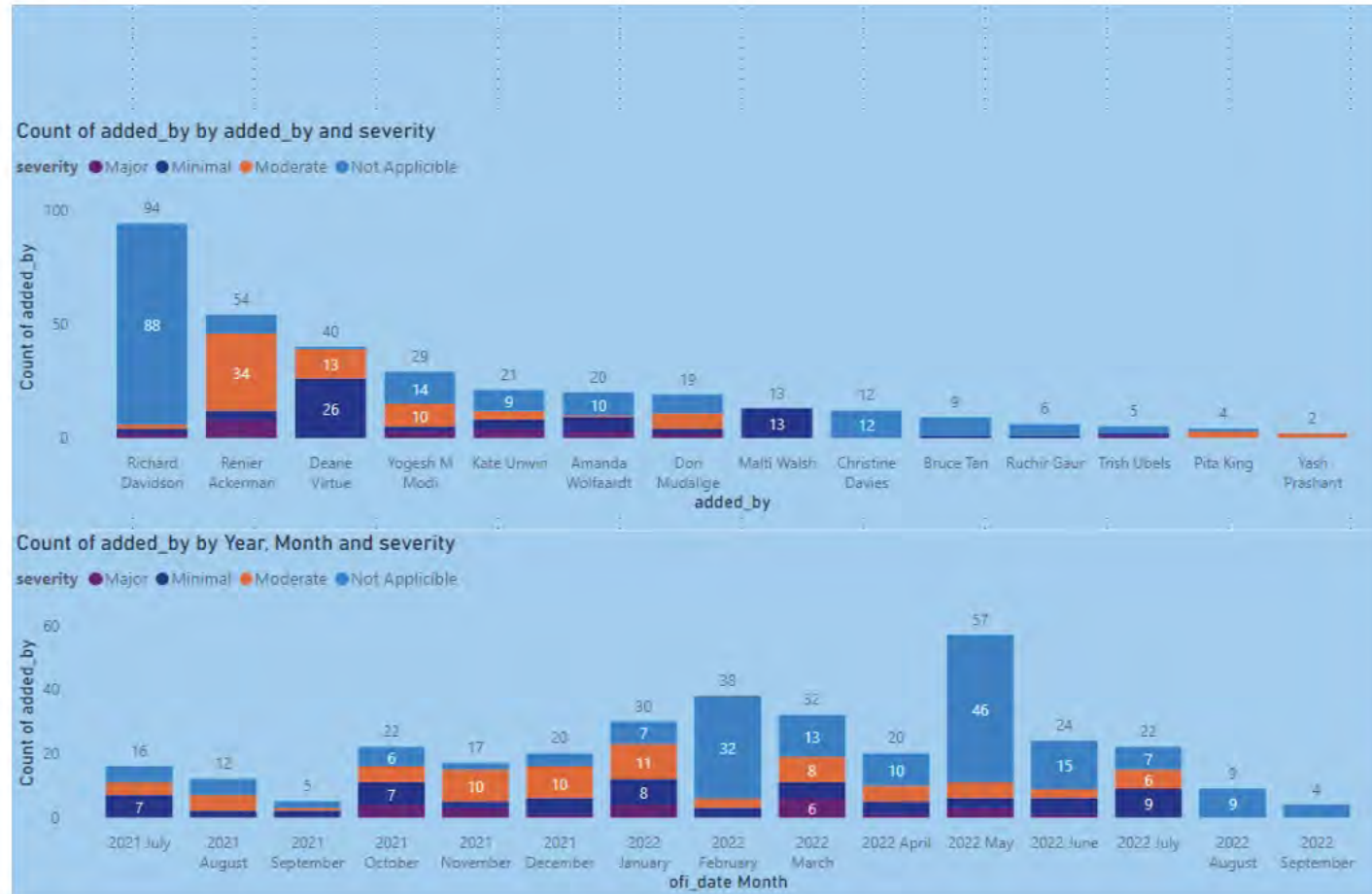
- Develop and document policies and processes to deliver the auditing program that oversees areas such as:
 - Health and safety requirements.
 - Quality of work.
- Develop auditing targets for internal staff.
- Incorporate performance improvement measures (with targets) re audit outcomes (Major, Moderate, Minor and Not Applicable OFI's) to improve contractor performance.
- Develop and incorporate auditing requirements for temporary road restorations managed by utilities.

How will this help?

- Clear visibility of the internal performance and conduct of audit activities.
- Provides a measure of contractor oversight of their systems, policies and procedures to ensure compliance with Council requirements.
- Provides a framework for engagement on auditing that is in the spirit of the Collaboration between WCC and the contractors.
- Provides the ability to actively monitor and address under performance.

Benefit improved focus on contract management and quality of works delivery

A snapshot of audits/OFI's across the contracts indicates an inconsistent approach to completion of audits.



Performance Analysis

1. 292 audits completed by 14 engineers
2. Overall average of 5.6 audits per week
3. 2 staff complete 50% of audits at an average of 3 per week
4. Remainder of staff average 1 per month each
5. Amongst the 14 engineers there is a high of 94 and a low of 2 audits over a 12 month period

5. Revise and Standardise Technology Use

Consistent application of technology across both WCC and the contractors is required to ensure real time data collection supports job management and enables accurate performance reporting

What we found in the Current State Assessment

A mix of field mobility and paper data collection practices results in an inconsistent collection of real time data across the network. This impacts response and job completion details being accurate or in some cases captured at all.

What to do?

Standardise the use of technology across WCC and contractors

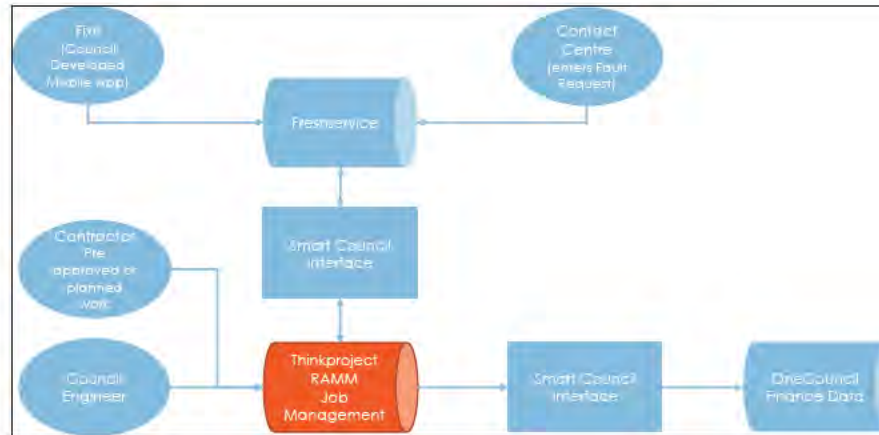
- Standardise the use of technology to remove the reliance on paper-based data collection and support a consistent approach to data management and real time data collection.
- Review customer notification messaging and ability for customers to reopen requests.
- Include fault cause information in RAMM including the ability to identify work caused by 3rd party/utility intervention to support cost recovery E.g. utility temporary restorations.
- Develop policies and procedures to support consist job management including status updates, job close out and support provided by WCC to the contractors.

How will this help?

- Consistent use of technology for job management.
- Real time job information being delivered to support customers.
- Better management of temporary and permanent job fixes.
- Improved asset management capability and condition monitoring.
- Provides the opportunity to recover costs for work caused by 3rd parties/utilities.

Benefit improved visibility of works delivery and data collection

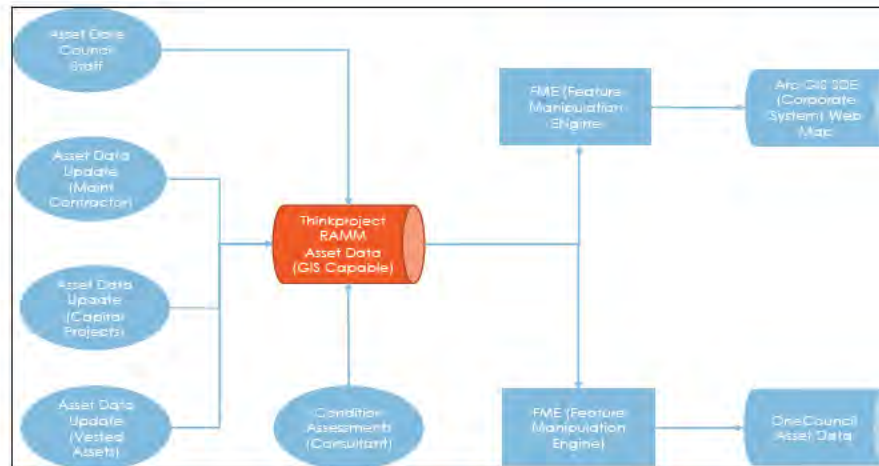
Work Order Management



Work order & Asset Management Issues/Recommendations

1. Standardise the use of RAMM across the contractors i.e. policies/procedures for the close out of open Service Requests
2. Extend the use of field mobility across all WCC staff for data capture purposes
3. Review and potentially develop additional cause codes to capture third party damage in order to recover cost of remedial works
4. Investigate the additional event codes/statuses to reflect instances where works are 'made safe' and follow work is required

Asset Management



6. Implement consistent Contract Management Processes

Consistently applied contract management processes will deliver an improved principal/contractor relationship and support efficient works delivery and meet customer expectations.

What we found in the Current State Assessment

The contract management function is impacted by a variation in the understanding and subsequent understanding and application of the business policies, processes and procedures. This results in the inconsistent management of contractors and performance management.

What to do?

Implement and adhere to the defined Contract Management processes

- Develop and document processes for contract management activities including (not limited to):
 - Clearly define roles and responsibilities
 - Standardised reporting
 - Job status management
 - Review TMC approval processes - Approvals, timeframes, use of generic plans, and so on
 - Auditing (See recommendation 4)
- Develop contract awareness training for both WCC staff and contractors.
- Review Customer Service scripting to align with Contract Specifications to improve triaging of customer calls and include contract awareness training with field visits for contact centre staff.

How will this help?

- Ensures consistent and fair management of the contract.
- Enables everyone associated with the contract to understand their roles, responsibilities and accountabilities.
- Improves the employee and contractor knowledge of the contract requirements and how it impacts on their work.
- Improves the visibility and consistency of contractor performance.

Benefit improved focus on contract management and a collaborative relationship

7. Revise Contract Terms and Conditions

Revise the Contract T&C's in line with other recommendations to provide a platform for change within the next contract renewal in 2025

What we found in the Current State Assessment

There are key gaps regarding operational and works program performance reporting, consistent process knowledge and application, inconsistent capture of real time data, unclear Auditing requirement and lack of a consistent Governance framework.

What to do?

Revise the contract T&C's to focus on the contract performance management recommendations

- Defined performance accountabilities and responsibilities.
- Develop and document performance targets.
- Develop standard reporting requirements/formats.
- Consider contract extension approach – Based on clearly defined performance criteria/uplift.
- Develop revised Auditing process.
- Review contract response time requirements and align to operational deliverables.
- Revise job status approach for Freshservice and RAMM.

How will this help?

- By developing or redefining these areas, this provides a window to test and refine prior to the next contract renewal.
- It allows the contractors the scope to plan ahead to change their operational process or procedures to be able to achieve the revised conditions.
- Allows the whole T&I team to gain a greater insight into contractual requirements and ensure that the contractors are delivering services for WCC and the community at the optimal value.

Benefit WCC are ready to implement a revised and improved contract at the next contract renewal point

The key recommendations have been categorised in the key goal areas for WCC.

1. Governance/Compliance

- Introduce a structured reporting and contract management governance framework
- Redefine the Auditing (OFI) process and policies
- Revise the contract T&C's to focus on the contract performance management

2. Performance Management

- Introduce defined operational performance targets for internal staff and contractors
- Improve Works Program monitoring, management and reporting capability
- Revise and standardise the application of the existing technology across WCC and contractors

3. Relationship/Collaboration

- Implement consistent Contract Management processes within WCC and across the contractors
- Develop a measurement methodology to quantify the collaboration between both parties

1. Review the draft presentation for any feedback or identify clarification points
2. FF4 provide final documents to WCC management post final presentation
3. Prioritise the recommendations
4. Develop an overall program implementation plan
5. Assign specific responsibilities for delivery of the program
6. Commence implementation

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Supporting Information Current State Assessment

The current assessment of WCC operations raised the following:

Category	Wellington City Council
Organisation Structure	<ul style="list-style-type: none">• Transport & Infrastructure restructure proposal has been published to the business for consultation• 2 contractors managed across the T&I• Multiple points of contact for each contractor: Single contract manager, dedicated area engineers then other staff managing individual areas. This can dilute the responsibility add accountability across the spectrum of work• Transport manager has been filled by a caretaker for 12-18 months with permanent
People	<ul style="list-style-type: none">• There is pockets of excellence in the relationship and collaboration between WCC and the contractors• CBD and Southern area has a relatively inexperienced staff managing key areas of contractor performance• Evident from the OFI statistics that whilst there are some high performers, other engineering area staff may be considered to be underperforming and creating a higher risk potential for WCC• There is minimal to no evidence of defined KPI's and service targets relating to key contractual performance areas in the T&I team• Evident across both WCC and contractors that there is an undermining of the relationship from an individual in the TMC. Not adhering to the intent of the contract within collaboration. The behaviours are not in line with the intent of the contract
Process	<ul style="list-style-type: none">• Overall perception from WCC that the current Contract methodology is providing value via the Schedule of Rates• The allocation of areas based on Schedule of rates is creating competitiveness in the market• Recognition that there is inconsistency in process application across the different contractors EG closure of Fresh Service dockets, TMC approvals• The roles and responsibilities are not clearly defined across the business processes• The use of RAMM and Fresh Service provides a developed process for job management• Quality of information from Contact Centre is impacted by inconsistent triage approaches for the different services provided resulting in staff turnover and difficulty in keeping up training requirements

The current assessment of WCC operations raised the following:

Category	Wellington City Council
Technology	<ul style="list-style-type: none">• RAMM and Fresh Service are integrated enabling real time access for both WCC and contractor key operational staff• RAMM is purpose built system for rood maintenance, with more than adequate level of capability and functionality• Technology uptake was not evident across all WCC and contractor staff and field crews.<ul style="list-style-type: none">• A mix of field mobility and paper data collection practices apply to both Downer and FH• WCC Structural engineers do not use RAMM with the contractor left to create their own work• As some contractor crews do not utilise field mobility, real time data is inconsistent across the network, which impacts response and job completion requirements being accurate or in some cases captured at all.
Data	<ul style="list-style-type: none">• The data provides adequate capability for detailed analysis, reporting and performance monitoring and measurement• There is a layer of complexity in extracting the reporting data from both Ramm and Fresh Service• There appears a lack of understanding of the reporting due to the level of complexity in extracting the information from different systems• There is huge amount of data and reports generated that do not materially impact the management of contract performance• Asset data in RAMM is being available for use in developing asset renewal analysis and requirements• Condition assessments are carried out annually by an independent contractor
Resourcing	<ul style="list-style-type: none">• Some Staff don't have the tools of trade I.e. laptops, field mobility, vehicle• Inconsistent across the WCC team

The current assessment of WCC operations raised the following:

Category	Wellington City Council
Quality of Service	<ul style="list-style-type: none">• Inconsistency on the level of service being provided by WCC contract staff.<ul style="list-style-type: none">• Cleaning team staff complete H&S audits on paper which are not captured in RAMM whilst others utilise RAMM on field mobility devices• Due to the lack of defined performance targets, there is no incentive to improve or deliver on WCC staff requirements• The does not appear to be insight into contract performance that would be useful to provide meaningful improvement opportunities• Data reporting predominantly displays counts as opposed to KPI target levels• Perception that work is not being delivered
Contract	<ul style="list-style-type: none">• Individual 3917 contracts have been established in line with NZTA requirements• The WCC operational areas broken into 3 separate areas with Fulton Hogan appointed in Southern and CBD areas and Downer in Northern area• No apparent defined service level targets have been established even though the contract states the SLA's will be agreed between both parties• Inconsistent understanding of the contract detail across the WCC team• However, a Contract Charter was developed after the establishment of the contract between WCC and the contractors• The outcomes from the collaborative workshops and developed charter have not been fully implemented• The system configuration does not adequately support the complete measurement of requirements stated within the contract• There does not appear to be a defined measurement requirement in the contract to track physical program completion• No evidence of tracking the completion of the physical program of work against forecasted volumes• The contract term (length of award), may be restricting a contractors' willingness to innovate and invest in new equipment that may improve efficiency in delivery. The length of term may not be long enough to justify the cost of the capital investment• There is acknowledgement that the reporting is not entirely reflective of the actual work completion

The current assessment of Downer operations raised the following:

Category	Downer
Organisation Structure	<ul style="list-style-type: none">Overall contract delivery structure not assessed as part of the interview process
People	<ul style="list-style-type: none">There is a highly effective working relationship between Downers and WCC including a high degree of proactive collaboration to ensure work is completed to achieve a mutually beneficial outcome, recognizing there is no defined or agreed Service Level targetsThe Collaboration Charter was developed in consultation with WCC at the last contract renewalDowner have an experienced Contract Manager and a relatively stable management teamDue to the lack of defined KPI targets, the drive to innovate and improve work efficiency was not apparentDowner's perception of some WCC staff was that they are resistant to change IE Client/contractor vs collaborative approach
Process	<ul style="list-style-type: none">There are regular meetings at various levels to actively discuss works planning and work order managementTMP process works quite well where the contractor allows 3 weeks lead time but generally are approved in 2 weeks.Quality of information from WCC Contact Centre impacts works delivery and response (estimated 30% inaccuracy)Downer estimate that ~60% of road failures are from other Utilities poor workmanship and a lack of compliance audits on utility reinstatements. IE Water utilityInstances of potential overservicing on some programs:<ul style="list-style-type: none">Every street is swept monthly vs condition based assessment or road asset hierarchyAnnual asset condition assessments vs biannual or 4 yearly cyclesThe 12 month works plan arrives in May/June which limits capability to effectively manage their program, plan resources and workload to meet timelines.Downer indicated that reactive crews are allocated work on a daily basis whilst planned and paving programs are captured in an excel format with 3 and 6 monthly timelines

The current assessment of Downer operations raised the following:

Category	Downer
Technology	<ul style="list-style-type: none">• The IT architecture including integration between FreshService and RAMM is effective in job creation and works management• Customers are capable of reopening completed requests in Fresh Service which can create a level of reopened jobs and requires effort to review and close• Staff are using a mix of paper and technology to manage data collection which causes duplication of data entry
Data	<ul style="list-style-type: none">• Downer have developed reporting to track their own performance• A significant amount of data is available for reporting and measurement through the use of RAMM and Power BI, however, it is not apparent whether measurement and reporting is occurring at a level that supports improvement in contractor performance
Resourcing	<ul style="list-style-type: none">• Difficult to accurately assess resource levels against demand requirements without access to standard estimates (effort hours)• Delays in receiving the annual works program impacts on resource allocation
Quality of Service	<ul style="list-style-type: none">• It is difficult to determine quality of work without a structured audit program• Service delivery is impacted by quality of job information provided by the Contact Centre (location, asset type, priority) which can result in delays in works completion
Contract	<ul style="list-style-type: none">• Current contract term of 3+2 years limits the contractor's willingness to implement technology and equipment investment• Cost changes have been identified and conversations have commenced to review and potentially amend pricing when the contract is extended in July 23• Downer seem quite comfortable with the contract and there is no performance targets therefore are not results driven to improve

The current assessment of Fulton Hogan operations raised the following:

Category	Fulton Hogan
Organisation Structure	<ul style="list-style-type: none">• Overall contract delivery structure not assessed as part of the interview process
People	<ul style="list-style-type: none">• Turnover of staff in WCC means that new relationships have to be built• No apparent communications between council departments – left to the contractor to initiate
Process	<ul style="list-style-type: none">• Delays in slip assessments by WCC impact on job performance as jobs are left open and completed after the assessment• There is a question over the value of meetings without an appropriate structure, agenda or purpose• Planned maintenance programs are issued late in the preceding year which results in works deferrals, budget implications and impacts effective balancing of resources• WCC have stipulated a minimum 3 week and more recently 4 week timeframe for assessment and approval of TMPs. The approval approach is frustrating with TMPs being returned multiple times before approval. This process is inconsistent between areas. WCC have documented and released generic traffic plans but these also require approval before implementation and in some cases are rejected. This reduces the flexibility of the contractor to manage planned works delivery• Utilities use inferior temporary seal material which requires a response to fix. Potential to double the cost to council if water subcontractor also does fix.• Program Planning is done in isolation by multiple program managers without an overarching management and control of all programs which results in inefficient works delivery – this also includes awareness of water utility replacement program• Call Centre issues:<ul style="list-style-type: none">• Multiple tickets for the same fault• Knowledge of roads and assets• Incorrect information (location, asset type, priority)

The current assessment of Fulton Hogan operations raised the following:

Category	Fulton Hogan
Technology	<ul style="list-style-type: none">• FixIt application provides a high level of unnecessary information and fields are concatenated into a single field• There is a mix of field technology and paper-based systems in use• Customers are capable of reopening completed requests in Fresh Service which creates a significant level of opened jobs and requires effort to review and close
Data	<ul style="list-style-type: none">• A significant amount of data is available for reporting and measurement through the use of RAMM and Power BI, however, it is not apparent whether measurement and reporting is occurring at a level that supports improvement in contractor performance• Contractor has begun developing internal KPI's to support efficiency gains
Resourcing	<ul style="list-style-type: none">• There are resourcing issues on both sides that makes it difficult for the contractor to deliver without WCC adequately supporting or enabling them to deliver the work
Quality of Service	<ul style="list-style-type: none">• It is difficult to determine quality of work without a structured audit program• Service delivery is impacted by quality of job information provided (location, asset type, priority) which results in delays in works completion leading to failure to meet KPI
Contract	<ul style="list-style-type: none">• Current contract term of 3+2 years limits the contractor's willingness to implement technology and equipment investment

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INVESTMENT AUDIT REPORT

Procedural Audit of Wellington City Council

Monitoring Investment Performance

Report of the investment audit carried out under Section 95(j)(ii)(iii) of the Land Transport Management Act 2003.

Ben Roddis and Tony Pinn

16 January 2024

Approved Organisation (AO):	Wellington City Council
Waka Kotahi NZ Transport Agency Investment (2021 – 2024 NLTP):	\$146,545,733 (budgeted programme value)
Date of Investment Audit:	6 th – 9 th November 2023
Auditor(s):	Ben Roddis & Tony Pinn - Senior Investment Auditors
Report No:	RATPI-2392

AUTHORITY SIGNATURES

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Ben Roddis and Tony Pinn Senior Investment Auditors

Approved by:

s7(2)(a)

Sean Rainsford, Acting Practice Manager Audit & Assurance

17 Jan 2024

Date

DISCLAIMER

WHILE EVERY EFFORT HAS BEEN MADE TO ENSURE THE ACCURACY OF THIS REPORT, THE FINDINGS, OPINIONS, AND RECOMMENDATIONS ARE BASED ON AN EXAMINATION OF A SAMPLE ONLY AND MAY NOT ADDRESS ALL ISSUES EXISTING AT THE TIME OF THE AUDIT. THE REPORT IS MADE AVAILABLE STRICTLY ON THE BASIS THAT ANYONE RELYING ON IT DOES SO AT THEIR OWN RISK, THEREFORE READERS ARE ADVISED TO SEEK ADVICE ON SPECIFIC CONTENT.

EXECUTIVE SUMMARY

Waka Kotahi funds Wellington City Council's (Council) land transport activity through its National Land Transport Programme (NLTP). The Council is responsible for the management of the land transport activity, excluding the state highways, within the Wellington City Council boundaries. This procedural investment audit was completed for 1st of July 2020 to 30th of June 2023 period.

Claims for funding assistance for the three financial years were reconciled against the Council's General Ledger. Sufficient audit trail was evident to support claims to Waka Kotahi with transaction testing across work categories. However, there were some issues found during this review:

- the management of the Low Cost, Low Risk spreadsheet, whereby multiple conditions of funding are not being met,
- the claimed amount for Low Cost, Low Risk is not being supported by a list of projects, and
- The use of manual adjustments into the claim

Wellington City Council has a current Waka Kotahi endorsed Procurement Strategy. This Strategy expires on 25th August 2026. The Strategy is not published on the Council's website as per rule 10.6 of the Waka Kotahi Procurement Manual, however the previous 2020-23 Strategy is, "An approved organisation must ensure that its current procurement strategy, endorsed by Waka Kotahi, is publicly available and accessible through its website". Council advised that Council's website is going through an update, and this will be rectified as part of that update.

Eight (8) contracts were reviewed for compliance with Waka Kotahi approved procurement procedures and all generally complied with Council's Procurement Strategy and Waka Kotahi procurement requirements. However, greater scrutiny needs to be applied regarding conflict of interest declarations. Two of the eight contracts had incomplete conflict of interest declarations and one of the eight had none on file. This could potentially expose Council to unnecessary risk of public or media criticism, a formal inquiry, or a legal challenge.

The contract management review identified good practices in place including well documented contract monitoring supported by effective record keeping systems.

Three road safety audits (RSA) were viewed, and all met the independent audit requirement. However, Council have yet to complete two of the road safety audits. One of the incomplete RSA presented for audit had 14 significant risks within the document. At the close out meeting staff advised that this had been closed out, but they were unable to locate the finalised document. This is a concern for the auditors and a risk to Council. Incomplete RSA's could potentially expose Council to unnecessary risk, if for example its inaction subsequently leads to a serious injury or fatality.

Overall, the auditors were also concerned about Council's inability to easily locate documents required to facilitate the audit due to a change in data storage platform. This needs to be rectified as a matter of urgency.

AUDIT RATING ASSESSMENT

Subject Areas		Rating Assessment*
1	Previous Audit Issues	N/A
2	Financial Processes	Some Improvement Needed
3	Procurement Procedures	Some Improvement Needed
4	Contract Management	Some Improvement Needed
5	Professional Services	Effective
Overall Rating		Some Improvement Needed

* Please see Introduction for Rating Assessment Classification Definitions

Before being finalised the draft report was referred to the Wellington City Council for comment. Council's responses are included in the body of the report.

RECOMMENDATIONS

The table below captures the audit recommendations. Agreed dates are provided for the implementation of recommendations by the approved organisation.

We recommend that Wellington City Council:		Implementation Date
R2.1	Reviews the treatment of manual adjustments to ensure that the GL accounts match Waka Kotahi work categories.	Completed
R2.2	Must update the 21-24 LC,LR spreadsheet with actual projects and actual costs and supply this to their Investment Advisor.	31 January 2024
R2.3	Must adhere to all the conditions of funding in the LC,LR programme.	31 January 2024
R3.1	Ensures that the endorsed Procurement Strategy is published on Council's website.	Completed
R3.2	Ensures that key procurement documents are held on contract files and made available for audit purposes.	Completed
R4.1	Ensures Road Safety Audits are completed in full and are easily accessible.	29 February 2024

Suggestions

We suggest that Wellington City Council:	
S2.1	Considers adding a version number to the claim process document at the next review.
S2.2	Considers writing a process document around Low Cost, Low Risk to help embed the conditions of funding and reduce this risk to Council.
S5.1	Considers reviewing the General circulars 14-01 and 14-06 and test which methodology is appropriate to make sure all road relating costs are being captured.

1. INTRODUCTION

1.1. Audit Objective

The objective of this audit is to provide assurance that the Waka Kotahi NZ Transport Agency's (hereafter Waka Kotahi) investment in Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with Waka Kotahi investment. We recommend improvements where appropriate.

1.2. Assessment Ratings Definitions

	Effective	Some Improvement Needed	Significant Improvement Needed	Unsatisfactory
Investment management	Effective systems, processes and management practices used.	Acceptable systems, processes, and management practices but opportunities for improvement.	Systems, processes, and management practices require improvement.	Inadequate systems, processes, and management practices.
Compliance	Waka Kotahi and legislative requirements met.	Some omissions with Waka Kotahi requirements. No known breaches of legislative requirements.	Significant breaches of Waka Kotahi and/or legislative requirements.	Multiple and/or serious breaches of Waka Kotahi or legislative requirements.
Findings/ deficiencies	Opportunities for improvement may be identified for consideration.	Error and omission issues identified which need to be addressed.	Issues and/or breaches must be addressed, or on-going Waka Kotahi funding may be at risk.	Systemic and/or serious issues must be urgently addressed, or on-going Waka Kotahi funding will be at risk.

1.3. Council Comments

The Wellington City Council acknowledges the comments, findings and recommendations identified within this audit report. Furthermore, it is committed to ensure that all conditions of funding are being met and has worked since the draft audit report was issued to close off 3 of the 6 recommendations with the others to be closed off within the next few months. We want to thank the audit team for their time and their professional approach to this procedural audit and for helping our Council identify areas of improvement.

2. ASSESSMENT FINDINGS

Our findings relating to each subject area are presented in the tables below. Where necessary, we have included recommendations and/or suggestions.

1. Previous Audit Issues

There were no procedural audit recommendations from the previous joint audit in July 2020.

Wellington City Council's comment	No comment
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2. Financial Processes

Some Improvement Needed

Claims for funding assistance for all three financial years 1st of July 2020 to 30th of June 2023 were reconciled against Council's final TIO claim submissions.

The structure of Wellington City Council General Ledger (GL) is mapped to Waka Kotahi work categories and is easy to interpret. It was noted that the maintenance, operations, and renewals (MOR) total expenditure claimed is lower than the total allocation in this activity class in the first two years audited.

Transaction testing was conducted across multiple Local Road MOR, Low Cost, Low Risk, Emergency Works and Cycleway w/c's. The 30/70 split for street cleaning was tested. The split is completed through the claim spreadsheet monthly after receiving drainage claims. The split amounts were confirmed.

A few transactions required further information based on the transaction narration. i.e., a Downer invoice labelled as 'complaint', an Aurecon invoice labelled as 'Remediation 211 Derwent St', and a Downer labelled as 'blocked outlet'. The Downer invoice labelled as 'complaint' regarded a traffic sign, the Aurecon invoice labelled as 'Remediation 211 Derwent St' related to a slip onto road outside the address and the Downer 'blocked outlet' was relaying to clearing a culvert. It was noted that Council made manual adjustments outside of the general ledger prior to submitting its claim into TIO, without clear supporting evidence. The manual adjustments are made to projects at year end and are to adjust projects to be claimed under the correct WK categories in the claim. For example, there is a few cycling minor works projects that have a 'NZTA category' in Council's financial system as 'NA' where they should have been linked to the 341.1 (LC,LR walking and cycling). Council needs to review the treatment of manual adjustments and whether these adjustments can be journalled through the finance system to ensure that the GL accounts match Waka Kotahi work categories ensuring a clear audit trail is maintained.

Overall, appropriate controls are in place for monitoring and management of the Council's financial accounting systems and Council has a comprehensive claiming process with two staff members being able to complete the claim. Council also maintains a process document explaining the claim process which was updated last in November 2022. A suggestion would be to add a version number at the next review.

There are no historic retentions relating to financially assisted contracts being held by Council. Retentions are reconciled on a monthly basis.

Low Cost, Low Risk Programme

Council's management of the Low Cost, Low Risk (LC,LR) programme has several base issues that require a great deal of improvement. There are specific conditions of funding within W/C 341 Low Cost-Low Risk:

'Each low-cost, low-risk improvements programme must be supported by a list of projects' using the Waka Kotahi template, which can be downloaded from Transport Investment Online (TIO). In the last two of the three financial years audited Council are using the correct spreadsheet. Council did not use the correct spreadsheet in the first year audited.

Council have entered a programme line for the National Land Transport Programme (NLTP) bid, however as the programme develops into actual projects, the individual projects should be identified in the spreadsheet and actual cost reported against the year in which expenditure was claimed. *'Funding approval for the Low cost, low risk programme at the start of the new NLTP is conditional on each programme being supported by a list of projects'* (programme submission and management) and on the cash-flows of these projects being captured in the low-cost, low-risk roading improvements template. **Council is not meeting this condition.**

There is a condition of funding that *'The template list is expected to be maintained and updated regularly by the approved organisation and Waka Kotahi (for its own activities) and by the 31st August of the year the LCLR template must be updated to reflect actual project expenditure in the previous year'.* **Council is not meeting this condition.**

s7(2)(h)

Not meeting the conditions of funding can result in Waka Kotahi placing a hold on the processing of claims for payment for Low Cost, Low Risk programmes until the conditions above are met. Waka Kotahi could also initiate recovery action.

Links to PIKB showing the specific conditions of funding have been sent to Council. Council may wish to write a process document around Low Cost, Low Risk to help embed the conditions of funding and reduce this risk to Council. The Auditor acknowledges that the 31st of August date for updating the spreadsheet is traditionally not in the "End of Year timeline's" general circular. However, this does not excuse meeting the basic conditions of funding.

Council needs to update the 21-24 spreadsheet with actual projects and actual costs and supply this to their investment advisor for a review of eligibility.

Conditions of Approval

There were no outstanding conditions for follow-up.

Recommendations:

That Wellington City Council:

R2.1 Reviews the treatment of manual adjustments to ensure that the GL accounts match Waka Kotahi work categories.

	<p>R2.2 Updates the 21-24 LC, LR spreadsheet with actual projects and actual costs and supply this to their Investment Advisor.</p> <p>R2.3 Adheres to all the conditions of funding in its LC, LR programme.</p>
Suggestions:	<p>We suggest that Council:</p> <p>S2.1 Considers adding a version number to the claim process document at the next review.</p> <p>S2.2 Considers writing a process document around Low Cost, Low Risk to help embed the conditions of funding and reduce this risk to Council</p>
Wellington City Council's comment:	<p>Wellington City Council accepts these recommendations and have completed R2.1 with R2.2 and R2.3 to be completed by end of January 2024. The suggestions will also be incorporated over the course of 2024.</p>

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3. Procurement Procedures

Some Improvement Needed

Wellington City Council has a current Waka Kotahi endorsed Procurement Strategy. This Strategy expires on 25th August 2026. The Strategy is not published on the Council's website as per rule 10.6 of the Waka Kotahi Procurement Manual, however the previous 2020-23 Strategy is, *"An approved organisation must ensure that its current procurement strategy, endorsed by Waka Kotahi, is publicly available and accessible through its website"*. Council advised that Council's website is going through an update, and this will be rectified as part of that update.

Eight (8) contracts were reviewed for compliance with Waka Kotahi approved procurement procedures and all generally complied with Council's Procurement Strategy and Waka Kotahi procurement requirements. Two of the contracts selected were through the supplier panel. On the information provided we noted the following:

- Evans Bay Stage 1 Part 3 Council should have considered the Supplier Quality Premium as the estimate driving this figure seemed incorrect, or excessively high. s7(2)(h) s7(2)(h) There was no evidence cited for not considering this.
- One Conflict of Interest declaration for Wellington Traffic Signals Maintenance 18-20 (City Contract) was not fully signed off, another declaration on this contract was signed off by the same person who had filled out the declaration.
- No Conflict of Interest declaration forms for the Sar St contract.
- No Notification of Tender outcomes were cited.
- No Contract Variations were cited.

It was also noted that the previous 2017 panel (prior to new existing panel June 2023) used for procuring transport projects was not strictly an approved procurement procedure as suppliers were ranked, and the highest-ranking supplier was allocated all the work subject to resourcing. The new panel (June 23) appears to address this issue.

Overall, Council had difficulties in supplying all the procurement information requested due to a change of data storage platform, this is a concern to the auditors. Administration of contract files were also inconsistent, and the management of record keeping practices needs reviewing to ensure key

documents are appropriately filed. Contract document checklists are a useful means for managing this process.	
Recommendations:	<p>That Wellington City Council:</p> <p>R3.1 Ensures that the endorsed Procurement Strategy is published on Council's website.</p> <p>R3.2 Ensures that key procurement documents are held on contract files and made available for audit purposes</p>
Wellington City Council's comment:	<p>Both recommendations have now been closed off.</p> <p>The website update has been completed and the procurement strategy is on the website.</p> <p>Post the procurement of the Road Maintenance Contract in 2021, all procurement activities have been run through our internal Commercial Partnerships team via the use of Docu Sign so that procurement files are securely saved for future reference.</p> <p>Commercial Partnerships is also releasing a new procurement register that will require the responsible person as a final step in the process, to review the files for completeness of records.</p>

* * *

4. Contract Management	Some Improvement Needed
<p>There are some effective contract management practices in place to ensure that Wellington City Council is getting value for money from its investments. Meeting minutes for the maintenance and renewal contracts were reviewed and are in good order with clear agenda, safety issues identified, actions taken and follow ups demonstrated. Contract Management and Meeting minutes for all three Maintenance areas reviewed are generally in good order. Clear knowledge, agenda, action and follow up.</p> <p><u>Road Safety Audits</u></p> <p>A Road safety audit (RSA) is a formal, robust technical assessment of transport safety risks associated with transport improvement and renewal projects with the objective of minimising death and serious injury on the network. This are now called Safe System Audits (Oct 2022).</p> <p>One of the RSA's presented for audit was complete. Evans Bay Cycleway Stage 1 part 3, detailed design was written by Stantec and was fully responded to and signed off. Another two RSA's were reviewed:</p> <ul style="list-style-type: none"> • Transitional Cycleways Botanic to City (March 22) which complied with being completed by an independent source. However, it does not appear to have been closed out. Client decision and Action taken not completed. The audit is not signed off by Council and there were 14 significant risks within the document. At the close out meeting staff advised that this had been closed out, but they were unable to locate the finalised document. This is a concern for the auditors and a risk to Council. • For Evans Bay Stage 2-part 4 (June 2022) no action taken, client decision, safety engineer or designer response completed, there is 1 significant and 3 moderate risks within the document and there is no designer statement or audit close out date. Strangely though it is signed off by the engineer, PM, and designer in July 2022. 	

Council needs to ensure that they respond to RSA's (and in one case if the project is re-initiated) and that the completed RSA is readily available should they be required. The Auditors are concerned regarding Council's inability to locate important documents.

Incomplete RSA reports could potentially expose Council to unnecessary risk, if for example its inaction subsequently leads to a serious injury or fatality. All RSA's need to be completed in full including Council sign off.

No examples of exemptions were cited.

Recommendation:	That Wellington City Council: R4.1 Ensures Road Safety Audits are completed in full and are easily accessible.
Wellington City Council's comment:	This recommendation is accepted by Wellington City Council. A review of RSA's will be undertaken, and any outstanding RSA's will be completed by end February 2024.

* * *

5. Professional Services		Effective
<p>The delivery of professional services is carried out in-house and supplemented by external expertise as necessary. The review of the build-up of costs relating to the inhouse professional services appeared light compared to peer councils and the overhead methodology and calculations appeared overly complex.</p> <p>We suggest Council reviews the overhead allocations to ensure all costs of the business unit are being realised. Guidance through General Circulars 14/1 and 14/6 have been provided to assist with this.</p>		
Suggestion:	<p>We suggest that Council:</p> <p>S5.1 Considers reviewing the General circulars 14-01 and 14-06 and test which methodology is appropriate to make sure all road relating costs are being captured.</p>	
Wellington City Council's comment:	Wellington City Council will undertake this review.	

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SECTION 3

APPENDICES

APPENDIX A

Audit Programme

1. Previous audit July 2020.
2. Land Transport Disbursement Account (GL).
3. Final Claims for 2020/21, 2021/22, 2022/23.
4. Transactions (accounts payable).
5. Retentions Account.
6. Procurement Procedures.
7. Contract Variations.
8. Contract Management & Administration.
9. Professional Services.
10. Transport Investment On-line (TIO) Reporting.
11. Other issues that may be raised during the audit.
12. Close-out meeting.

APPENDIX B

Contracts Audited

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
2018396/1 14.00258	3	02/11/18	Wellington Traffic Signals Maintenance 18-20 (City Contract) *	HTS Group Ltd	Estimate Let Price Final Cost	s7(2)(h)
114.00247	1	04/07/20	Sar Street Slip Remedial	Retaining & Civil Construction Ltd	Estimate Let Price Final Cost	\$431,800 \$424,326 \$468,617
114.00171	3	01/04/20	Road & Traffic Maintenance - Northern	Downer	Estimate Let Price Final Cost	s7(2)(h)
114.00172	3	01/04/20	Road & Traffic Maintenance - Southern	Fulton Hogan	Estimate Let Price Final Cost	s7(2)(h)
114.00173	3	01/04/20	Road & Traffic Maintenance - CBD	Fulton Hogan	Estimate Let Price Final Cost	s7(2)(h)
114.00226	Panel	01/04/21	Panel of Contractors - Evans Bay Parade Cycleway - Stage 1 Part 4.	Downer	Estimate Let Price Final Cost	N/A \$3,636,875 \$3,161,183
114.00224	Panel	01/04/21	Miramar Avenue Cycleway and Intersection Improvements (Phase 1)	Downer	Estimate Let Price Final Cost	N/A \$2,027,884 \$1,990,586
114.00285	2	01/04/23	Evans Bay Parade Cycleway Project Stage1 Part3	Downer	Estimate Let Price Final Cost	s7(2)(h)

* Extended to 2024