Media release

Embargoed until 10am, Monday 3 March 2025

Next stage in Wellington Water improvement plan confirms massive gaps in company, but better value for money for councils and ratepayers is on the way

Today, Wellington Water updated shareholding councils on work underway to make wide ranging improvements to achieve better value for money, and advised significant change is still needed.

This ongoing work addresses a requirement from councils for us to find better value for money as well as recommendations made in the independent review of an error in our budgeting advice for councils' 2024-34 Long Term Plans. The review found issues with organisational structure, systems and processes, lack of strong checks and balances, lack of strategic leadership and wider problems with organisational culture.

"When the review findings were released last year, the Board knew it had to look more deeply into the organisation. As a result, we quickly made significant improvements to strengthen the company's operations with the aim of providing better oversights and value for councils and their communities, says Wellington Water Board Chair Nick Leggett.

"Since appointing a new Chief Executive in October, we have been relentless in identifying areas of improvement and making fundamental changes to the way we work and operate. A key part of that has been changing the organisation's culture to one of listening and action – we have been encouraging people to speak up and raise risks early. Much of what we have acted on and improved has come directly from staff pointing us in the right direction.

"Through this change in culture and direction, we expected to find more areas where improvement was needed, and we haven't been proven wrong. Recently more information has surfaced around the costs we are being charged by our contractors and suppliers, as well as staff raising concerns on the way our consultants and contractors are being managed. It was clear that the level of controls was not in place to ensure proper oversight and prudent financial management.

"We took these concerns very seriously and investigated. Our investigations also confirmed a lack of oversight, assurance, and weak financial processes and controls around how the company manages its consultants and contractors, which opens us up to risks around fraud. This had to be changed immediately, and we have done so.

"One isolated incident of alleged theft was identified. The person responsible no longer works for us and the matter is now in the hands of the police."

Wellington Water also looked at the costs the organisation's frontline network maintenance and operational Alliance partner and consultants and contractors are charging and benchmarked this with costs from other councils across the country.

"Benchmarking found that in most cases we are "consistently more expensive" than other comparable councils, particularly for drinking water and wastewater assets. These higher costs are likely to be a symptom of our contractual set up with suppliers and our lack of oversight, assurance and financial controls and processes.

"It is now abundantly obvious that we have not been delivering value for money for our shareholding councils. This is as unacceptable to the Board, as it is to councils and ratepayers.

"It's important to note that these issues are the same ones that staff and some of our councils have been raising for a while now. We apologise for not listening previously. We are listening now and acting.

"We unreservedly apologise to our shareholding councils and the ratepayers of the Wellington region for these issues. Everyone expects and deserves better."

While these investigations were underway, Wellington Water has already implemented some improvements:

- **Reset our contractual set up with our project delivery (consultant and contractor) panels.** In our previous model, we funnelled all project work through select groups of suppliers who then allocated this to a group of sub-contractors to deliver certain aspects of the project. This lack of oversight resulted in doubling handling of work and additional contract management costs.

  We've now moved to a model where we have a direct contract and relationship with all key sub-contractors. This will give us better oversight of the work, reduce doubling handling, allows us to get the right contractor for the work needed, and saves on contract management costs.

- **Reset the focus and scope of the Alliance** to run frontline network maintenance and operations. The reset involved implementing a new performance framework, making sure the teams are well placed to focus solely on operations and maintenance of the network, and increasing efficiencies. We have already seen improvements – our response times to jobs have been the lowest since the Alliance was established 5 years ago.

- **Increased commercial tension across our project delivery panels** by putting more work out to open tender for competitive bidding. This will ensure we can better sense check prices and quotes and understand if we are getting the best price for key projects.

- **Developed and implementing value-focussed KPIs** and regular reviews of performance against these KPIs for our consultants and contractors.

“We haven’t been sitting on our hands, but we know that there is much more work to do,” adds Nick. “The Board has accepted all recommendations from these investigations, and we have asked management to take some immediate actions to fix these issues.”

The following immediate actions are also underway:

- **Continue to drive positive culture change** where our people feel safe to raise risks early.
- Scheduled the first of many **fraud and corruption training** workshops for staff.
- **Increasing our financial oversight and approvals** of payments to our consultants and contractors and ensuring the right people at Wellington Water are reviewing and approving invoices before being paid.
- **Improving financial controls**, including stopping the creation of annualised large value purchase orders; stopping automatic payments, amending financial delegations and limiting who can approve invoices to be paid.
- **Introducing stronger day-to-day oversight of the work** of our contractors and suppliers to make sure we are putting the interests of Wellington Water and our councils first and getting the best outcomes and value for money – for example we are increasing our internal project management capacity to gain better detailed oversight of all projects instead of relying on our contractors and suppliers to fulfil these roles.

“With councils actively considering the future model for water services delivery for the region, it’s important that we work at pace to implement these changes to ensure that Wellington Water is not an impediment to the establishment of any new entity.”

Summaries of the findings from our investigations are available on Wellington Water’s website.

ENDS

For media enquiries contact media@wellingtonwater.co.nz or 021 302 259

Editor notes

Attached to this media release is a schematic on the changes we are making to our consultancy panel.

About Wellington Water

Wellington Water is owned and fully funded by Wellington City Council, Hutt City Council, Porirua City Council, and Upper Hutt City Council, Greater Wellington Regional Council and South Wairarapa District Council. All six councils are equal shareholders.

Our councils own the water infrastructure in the region, and they task us to manage the infrastructure and deliver water services to our communities.

Wellington Water is governed by a Board of Directors. The Board and our organisation receive overall leadership and direction from the Wellington Water Committee, which are also responsible for appointing members to the Board.

The Wellington Water Committee is made up of representatives from our council owners and mana whenua.