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Watercare Services Limited: Review of service performance

Progress in responding to
the Auditor-General's
recommendations



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Introduction

- 1.1 In May 2014, we published a review that looked at how well Watercare Services Limited (Watercare) was serving the public. Watercare is the council-controlled organisation that has been responsible for supplying all water and wastewater services in the Auckland region since November 2010. Watercare currently supplies its services to about 1.4 million people. In the 2015/16 financial year, its total revenue was \$570.4 million.
- 1.2 We carried out our 2014 review under section 104 of the Local Government (Auckland Council) Act 2009. This section requires the Auditor-General, from time to time, to review the service performance of Auckland Council and each of its council-controlled organisations. Our review of Watercare's service performance was the first such review.
- 1.3 Overall, our 2014 review found that Watercare had been largely successful in providing its customers with good customer service. We identified that Watercare could improve some aspects of its performance – in particular, by providing its customers with better information about how it operates and what customers can expect. As part of our review, we made six recommendations.
- 1.4 Since our review, Watercare has done extensive work to improve its customer focus. By dividing its contact centre staff into specialist teams, Watercare has clarified who is responsible for resolving incoming calls. This has led to improved staff productivity and customer satisfaction. Watercare has also established a Customer Innovations team, which explores opportunities for improvement. Such changes show that Watercare is committed to providing customers with a high level of service, and that it is continuing to improve that service.
- 1.5 This report reviews the progress that Watercare has made in response to our 2014 recommendations. It does not look in detail at all the areas of service performance covered in our last report, but focuses instead on what Watercare has done to address the six recommendations we made in 2014.
- 1.6 Watercare has made some good progress in addressing the recommendations from our last report. The amount and quality of information Watercare provides to customers has improved. Watercare has also improved the way it reports service performance information. There are some further minor improvements Watercare could make to ensure that it continues to enhance its overall service performance.

Our 2014 findings and recommendations

- 1.7 As part of our 2014 review, we looked at five aspects of Watercare's performance:
- tariffs;
 - the operation of its contact centre;
 - the introduction of monthly billing;
 - meter reading; and
 - its customer debt management practices.
- 1.8 We identified a number of positive aspects to Watercare's operations, including that:
- Watercare had standardised tariffs to address inconsistency throughout the Auckland region;
 - Watercare's customer contact centre was working well;
 - Watercare's staff were well trained and had access to a knowledge base that was up to date, clear, and concise; and
 - Watercare's meter reading process was efficient.
- 1.9 Our report also identified where Watercare could improve. In particular, we found that Watercare needed to provide more relevant information to customers. Our six recommendations were that Watercare:
1. better explain to customers the reasons for increases to water or wastewater tariffs;
 2. improve the accuracy of how it reports its service performance by:
 - reporting the number of customers who are satisfied with its performance levels, rather than reporting average customer scores;
 - reporting actual performance, where appropriate, rather than reporting the percentage of a target achieved;
 - increasing the size and nature of the sample for its customer satisfaction surveys; and
 - reviewing its water affordability measure to keep the measure relevant and meaningful;
 3. revise its invoice form to clearly and accurately state the date from which late payment penalties apply;
 4. amend its customer contract to correctly reflect the process and frequency for estimating meter readings and tell customers how they can request an invoice based on an actual reading;
 5. prepare a Code of Practice for dealing with customer debt, setting out its approach to debt recovery and customers' rights and obligations; and

6. update its water restriction policy and practice such that the policy reflects current practice and specifically requires Watercare managers to confirm that any water restriction meets the requirements of the Local Government Act 2002 and the Health Act 1956.

Summary of progress since 2014

- 1.10 During our follow-up review, we found that:
 - Watercare is now providing customers with better information about how it operates;
 - Watercare has improved how it reports its service performance;
 - Watercare has reviewed its water affordability measure and its water restriction policy, and made improvements where necessary; and
 - there are some minor ways in which Watercare could continue to improve, such as by communicating some information more clearly.
- 1.11 Overall, we are satisfied that Watercare has made good progress since our 2014 report. We will continue to monitor Watercare's progress in addressing our recommendations through our annual audit process.
- 1.12 The following sections describe Watercare's progress in addressing our 2014 recommendations.

Watercare has improved the information it provides to customers

Reasons for tariff increases

- 1.13 In 2014, we found that, although Watercare was notifying customers about tariff increases, it was not providing customers with reasons for the increases. Since then, Watercare has begun informing customers about reasons for increases to water and wastewater tariffs. Watercare now announces price increases and the reasons for them in the New Zealand Herald, on its website, and in Tapped In, the quarterly newsletter that accompanies customer invoices.
- 1.14 This is an improvement since our last report. Customers now have access to better information about tariffs, which should help them understand why tariffs have increased. It would be useful for Watercare to seek information from customers about whether this information meets their needs. This would help give Watercare confidence that customers are now getting useful information about price increases, and help Watercare identify where additional information would be valuable. We understand that Watercare intends to use customer focus groups in 2017 to seek feedback on the information it provides about tariffs.

Late payment fees

- 1.15 In 2014, Watercare's invoice for domestic customers inaccurately indicated when customers might be charged a late payment fee. Its invoice suggested that Watercare could impose a late payment charge for any balance unpaid after the due date. The invoice did not make it clear that Watercare did not impose late payment penalties until 24 days after an invoice's due date. We suggested that Watercare state in its invoices the date from which late payment fees apply.
- 1.16 Watercare has considered our recommendation but chosen not to implement it. Watercare believes that adding another date to its invoice would not provide clarity to customers about when payment is due. Watercare is also concerned that focusing customers' attention on the date the late payment fee will be applied may encourage customers to be less prompt with their payments.
- 1.17 Although invoices do not state the date from which late payment fees apply, Watercare does send customers written reminders before it charges late payment fees. These reminders are intended to ensure that customers receive adequate notice before late payment fees are applied. We understand why Watercare has chosen not to implement this recommendation, and are satisfied that Watercare is giving customers the information they need about late payment fees before these fees are applied.

Estimated meter readings

- 1.18 In our 2014 report, we recommended that Watercare provide its customers with more information about the estimation process to help them understand the invoices they receive. Watercare uses estimated meter readings every second month, but this was not clearly communicated to customers.
- 1.19 Better information is now available on Watercare's website about the estimation process and about how customers can request an actual meter reading. Watercare's website clearly states that every second month, customers' invoices are based on an estimation of their water usage, rather than an actual meter reading. Its website explains how the estimated reading is calculated, and says that customers can contact Watercare to provide Watercare with their own meter reading if they think their invoice is not right. This information should help customers understand the invoices they receive from Watercare.
- 1.20 Watercare has also updated its customer contract since our 2014 review. The latest version, published in July 2016, says:
- Every second month, your bill may be based on an estimate of your water usage, rather than an actual reading of your meter.*

- 1.21 This wording differs slightly from the wording used to explain estimated meter readings on Watercare’s website. While the customer contract says that invoices “may” be based on an estimated reading every second month, the website indicates that two-monthly estimated readings are standard practice for Watercare.
- 1.22 Watercare told us that it deliberately uses different styles of communication in its customer contract and on its website. Watercare said that it does this because the website is a customer information and support tool, while the contract is a legal document.
- 1.23 In our view, the different wording Watercare uses on its website and customer contract to explain estimated meter readings could be a source of confusion for customers. To avoid this, Watercare needs to ensure that the information about when estimated meter readings are used is clear and consistent both on its website and in its customer contract.

Debt management code of practice

- 1.24 In 2014, we said that Watercare should develop a code of practice to fully inform customers of its approach to debt recovery and what it expects of its customers. We made a number of suggestions about what this code might include.
- 1.25 Watercare has now produced a debt management code of practice. Watercare’s debt management code of practice explains what Watercare can do to help customers when they are struggling to pay, and what Watercare might do when a customer does not pay. Information in Watercare’s debt management code of practice is expressed clearly and concisely. Watercare told us that the code is accessed on its website, on average, five times a day.
- 1.26 This is an improvement since our last report. The code should help to ensure that Watercare’s customers are aware of their obligations to pay their invoices, and what they can do if they have problems paying on time.

Watercare’s reporting on service performance

Improvements made

- 1.27 Watercare has improved the way it reports service performance information.
- 1.28 In our last report, we said that the way Watercare was reporting its performance was likely to confuse readers. Watercare was reporting its performance as a percentage of a target achieved when the target may itself be a percentage. For example, if a particular performance target was, say, 80% and Watercare achieved that target, it reported its performance as 100%.

- 1.29 In its 2015 annual report, Watercare improved the way it reported its performance, in keeping with our recommendation. Instead of reporting its performance as a percentage of a target achieved, Watercare reported its actual performance. For example, one of Watercare's performance measures was answering customer calls within 20 seconds. The 2015 annual report stated that the target performance was to answer 80% of calls within 20 seconds, and that Watercare had succeeded in answering 85.5% of calls within that time frame.
- 1.30 We also said in our 2014 report that Watercare was not sampling a wide enough range of customers to meaningfully measure and report on customer satisfaction. Watercare was then measuring overall customer satisfaction with water and wastewater services by surveying only the customers who called about faults.
- 1.31 In December 2015, Watercare implemented a new platform for surveying customer satisfaction called Voice of the Customer (VoC). Under the previous system, about 400 customers were sampled each month. With VoC, the monthly sample size has been increased to more than 1000 customers. All customers who call Watercare about billing, faults, connections, payments, networks, and their experience on the Watercare website are invited to take part in the survey. VoC also allows Watercare to respond to negative feedback in a timely way. Watercare is currently doing further work to expand the range of services customers are surveyed about.
- 1.32 This represents a significant improvement since our last report, and should help Watercare to meaningfully report on customer satisfaction. However, because the new platform was only recently implemented, it will not be used for reporting until 2017.

Reporting customer satisfaction

- 1.33 Our 2014 report noted that in its 2011 and 2013 annual reports, Watercare measured customer satisfaction using the average satisfaction score of all customers surveyed. We recommended that Watercare report the number of customers who are satisfied with its performance levels.
- 1.34 In its 2015 annual report, Watercare reported that its overall average customer satisfaction score was 7.7 out of 9, and that 85.1% of customers were satisfied with its delivery of water and wastewater services. Watercare used the unrounded customer satisfaction score of 7.66 out of 9 to calculate that 85.1% of customers were satisfied with its services.

- 1.35 In 2015, Watercare also included a statement in its annual report that “the sample of customers satisfied with the service was 2653 respondents out of 3121 surveyed.” Watercare explained to us that 3121 surveys were sent to customers, with 2653 completed surveys received back.
- 1.36 Watercare could be clearer about the number of customers who are satisfied with its service, and is yet to fully implement our 2014 recommendation. In our view, Watercare could better explain that it is reporting on customer satisfaction using the average satisfaction rating of its customers. We understand that Watercare is now reviewing the way it reports customer satisfaction in its annual report.

Watercare’s review of its water affordability measure and its water restriction policy

Water affordability measure

- 1.37 In our 2014 report, we said that Watercare could usefully review its water affordability measure to ensure that it is relevant and meaningful. We considered that customers might also find it useful to know how Watercare determines its water affordability measure.
- 1.38 Since our last report, Watercare has regularly reviewed its water affordability measure. We were told that Watercare reviews the measure annually. Watercare has also looked at how water affordability is measured internationally, and at how its water prices compare with prices for other utilities in the Auckland region, such as electricity.
- 1.39 Based on this analysis, Watercare is confident that its current measure is the best one available. This means that, as in 2014, Watercare considers that water prices are affordable for customers when its prices are less than or equal to 1.5% of the average household income.
- 1.40 The amount of work Watercare has put into ensuring that its water affordability measure is appropriate is positive. However, it is important that Watercare continues to review its water affordability measure to ensure that it remains relevant and meaningful. We understand that Watercare intends to include information about how it has determined its water affordability measure in future reporting. This should give customers a better understanding of how Watercare assesses the affordability of its services.

Water restrictions

- 1.41 In 2014, Watercare applied water restrictions to a property only after staff had an excellent understanding of a customer's situation. However, we considered that Watercare's water restriction policy should specifically require Watercare managers to confirm that any water restriction meets the requirements of the Local Government Act 2002 and the Health Act 1956.
- 1.42 Watercare has updated its water restriction policy since our last audit. Watercare told us that the new policy has been reviewed by the Auckland Regional Public Health Service (ARPHS), which had no adverse comments about it. Watercare also now reports all restrictions to the ARPHS to check whether they are causing conflicts with the Health Act. Watercare has received only one request from the ARPHS to remove a restriction, which Watercare acted on immediately.
- 1.43 Since our last review, Watercare has also updated its internal approval form. The form now requires managers recommending a water restriction to confirm that the requirements of the Local Government Act and the Health Act have been met.
- 1.44 It is encouraging that Watercare is involving the ARPHS in water restriction decisions, and that Watercare has updated its internal approval form. Watercare can now be more confident that its water restrictions comply with the law. Watercare should also consider stating in its water restriction policy that managers approving a water restriction must confirm that the requirements of both Acts have been met. This would help ensure that managers understand their responsibilities.

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