Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Strategic Risk and Assurance Committee will be held on:

Date:	**Wednesday 11 December 2019**
Time:	**12.30pm**
Meeting Room:	**Committee Room 1,**
Venue:	**Municipal Building, Garden Place, Hamilton**

Richard Briggs
Chief Executive

Strategic Risk and Assurance Committee
OPEN AGENDA

Membership

Chairperson:	External appointee - Keiran Horne
Deputy Chairperson	External appointee - Bruce Robertson
Membership:	Mayor Paula Southgate Chairperson of the Finance Committee – Cr Rob Pascoe Chairperson of the Strategic Growth Committee – Cr Dave Macpherson Chairperson of the Infrastructure Operations Committee – Cr Angela O'Leary Chairperson of the Community Committee – Cr Mark Bunting Maangai Maaori Representative on the Finance Committee – Bella Takiari-Brame
Meeting frequency:	As required – no less than four times a year
Quorum:	Four members (including one external appointee)

Becca Brooke
Governance Manager

4 December 2019

Telephone: 07 838 6983
Becca.Brooke@hcc.govt.nz
www.hamilton.govt.nz

Purpose:

The Strategic Risk and Assurance Committee is responsible for providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management and assurance framework and external reporting.

> *In addition to the common delegations, the Strategic Risk and Assurance Committee is delegated the following Terms of Reference and powers:*

Terms of Reference:

Risk

1. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.
2. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
3. To review the Fraud and Corruption, Protected Disclosure, Conflict of Interest, and Sensitive Expenditure management policies to ensure appropriate guidance and processes are in place.
4. Review Council's strategic risk register and monitor existing and proposed controls
5. Periodic in-depth reviews of specific, significant risks
6. Monitor emerging risks
7. Review and monitor business continuity planning.
8. Oversight of risk management and assurance across Council's CCO's and CCTOs with respect to risks that may have a significant impact on Council

Internal Audit

9. In conjunction with the Chief Executive, agree the scope of the annual internal audit work programme, having regard to Council's significant risks.
10. Monitor the delivery of the internal audit work programme to ensure the effectiveness of the Council's internal control framework.
11. Assess whether Internal Audit's recommendations have been properly implemented by management.
12. Review the annual Internal Audit Plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

External Audit

13. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.
14. Recommend to Council the terms and arrangements for the external audit programme.
15. Review the effectiveness of the Annual Plan audit and 10 Year Plan audit.
16. Assess management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

Statutory Reporting

17. Review and monitor the integrity of the interim and annual report, focusing particularly on:
    a. compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards

b. compliance with applicable legal requirements relevant to statutory reporting

c. The consistency of application of accounting policies as well as changes to accounting policies and practices that may affect the way that accounts are presented

d. Any decisions involving significant judgment, estimation or uncertainty

e. The extent to which financial statements are affected by any unusual transactions and the manner in which these are disclosed

f. the disclosure of contingent liabilities and contingent assets

g. the clarity of disclosures generally

h. The basis for the adoption of the going concern assumption

i. Significant adjustments resulting from the audit

Other Matters

18. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines.

19. Review the adequacy and effectiveness of Council's health and safety programme and cybersecurity programme.

20. Engage with internal and external auditors on any specific one-off audit assignments.

21. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.

22. The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.

23. Such other Matters referred to it by Council.

The Committee is delegated the following recommendatory powers:

- The Committee has no decision-making powers.
- The Committee may make recommendations to the Council and/or the Chief Executive, as appropriate.
- The Committee may request expert external advice through the Chief Executive where necessary.

Special Notes:

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.

- Council appoints two external members of the committee, one of whom shall be Chairperson. External members shall have a broad range of skills and experience including accounting or audit experience; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election with no external members staying on Committee for longer than three (3) trienniums.

- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.

- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud, corruption or malpractice.

- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

Recommendatory Oversight of Policies and Bylaws:

- *Risk Management Policy*

1   **Apologies**

2   **Confirmation of Agenda**

The Committee to confirm the agenda.

3   **Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

4   **Public Forum**

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for five minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Committee Room prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6983.

Council Report

Committee:	Strategic Risk and Assurance Committee	Date:	11 December 2019
Author:	David Bryant	Authoriser: David Bryant	
Position:	General Manager Corporate	Position: General Manager Corporate	

Report Name: Chief Executive Report - Verbal Update

Report Status	*Open*

Purpose

1. For the Chief Executive to provide a verbal update of the key risks faced by Hamilton City Council.

Staff Recommendation

That the Strategic Risk and Assurance Committee receives the verbal report.

Attachments

There are no attachments for this report.

Item 6

Council Report

Committee:	Strategic Risk and Assurance Committee	**Date:**	11 December 2019
Author:	Dan Finn	**Authoriser:**	David Bryant
Position:	People, Safety & Wellness Manager	**Position:**	General Manager Corporate

Report Name: Safety and Wellbeing Report - 1 August 2019 to 30 October 2019

Report Status	*Open*

Purpose

1. To inform the Strategic Risk and Assurance Committee on safety and wellness performance and activities for the period covering 1 August 2019 – 30 October 2019.

Staff Recommendation

That the Strategic Audit and Risk Committee receives the report.

Attachments

Attachment 1 - Safety and Wellness Strategic Risk and Assurance Report - November 2019

THINK SAFE
WORK SAFE
HOME SAFE EVERYDAY

Safety and Wellness

STRATEGIC RISK AND ASSURANCE REPORT

Hamilton
City Council
Te kaunihera o Kirikiriroa

CONTENTS

1.0 Executive Summary

1.1 Overview

We continue to partner with business units and engage with other organisations to ensure a preventative approach to health and safety is adopted across all areas of Council, particularly those areas that are exposed to higher levels of risk.

Our staff have a critical role to play in identifying solutions that help make their work and their work environment safer. The voice of our people sits at the heart of good health and safety performance, supported by engaged and proactive leaders. The importance of safety leadership has been reflected in our most recent employee engagement survey, which showed that our people are most satisfied with Health and Safety, above all other areas across the survey dimensions.

The survey results tell us that our people look after themselves and others, their managers take action when issues are identified, and our people have access to the appropriate training to deal with health and safety matters.

The Health and Safety Team continue to develop and refine our Safety Management System (SMS), to optimise our processes and procedures as important foundational blocks that are inherent in any organisation who is committed to improving safety performance and practice.

For this reporting period our overall safety performance continues to track above our key performance indicators (lag), which measure the frequency of safety events per labour hours worked. This data can be significantly impacted by relatively small changes in absolute numbers.

2.0 Safety Performance

2.1 Graphs

	2018/19	2019/2020	
Notifiable Event (lag)	3 (0)	2	
Lost time injuries (lag)	20 (4)	6	
Medical (lag)	16 (8)	9	
First Aid (lag)	160 (17)	25	
No Treatment (lag)	1540 (401)	357	
Near Hits (lead)	435 (136)	66	
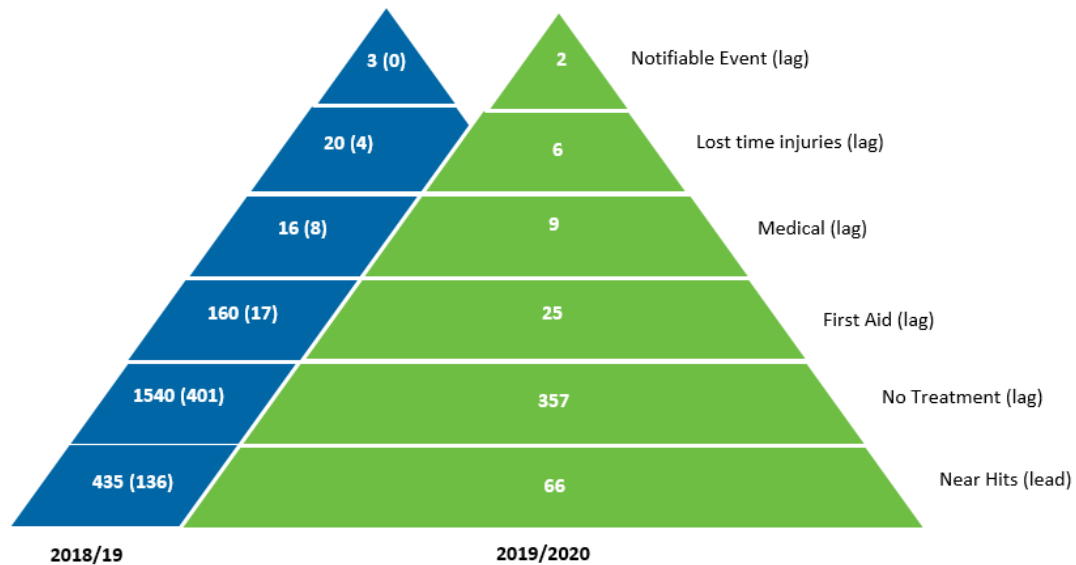
Financial Year   Figure 1: Performance Indicators for events reporting period 1st August 2019 – 31st October 2019

Total Recordable Injury Frequency Rate

Figure 2: Total recordable injury frequency rate per 200,000 work hours for rolling 12 months

Lost Time Injuries By Month
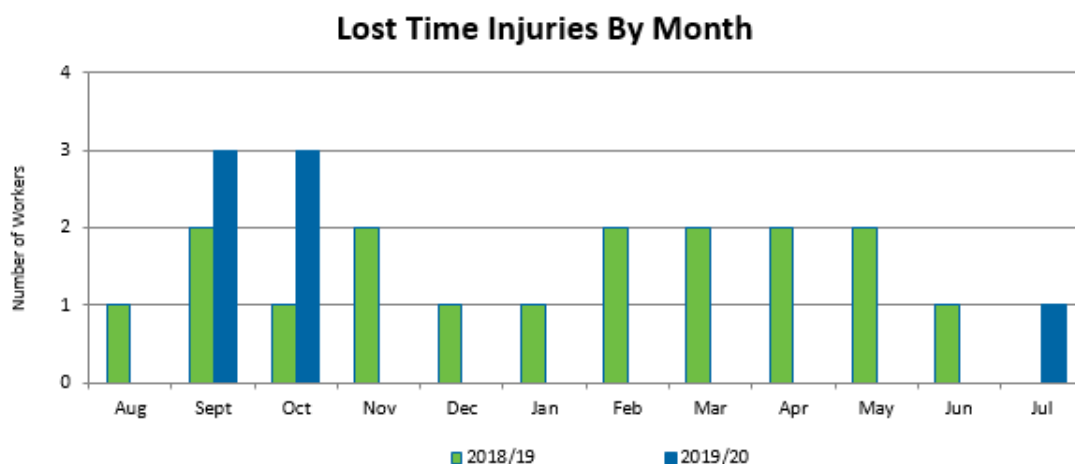
Figure 3: Lost time injuries by month for previous two performance/financial years

Lost Time Injuries By Month
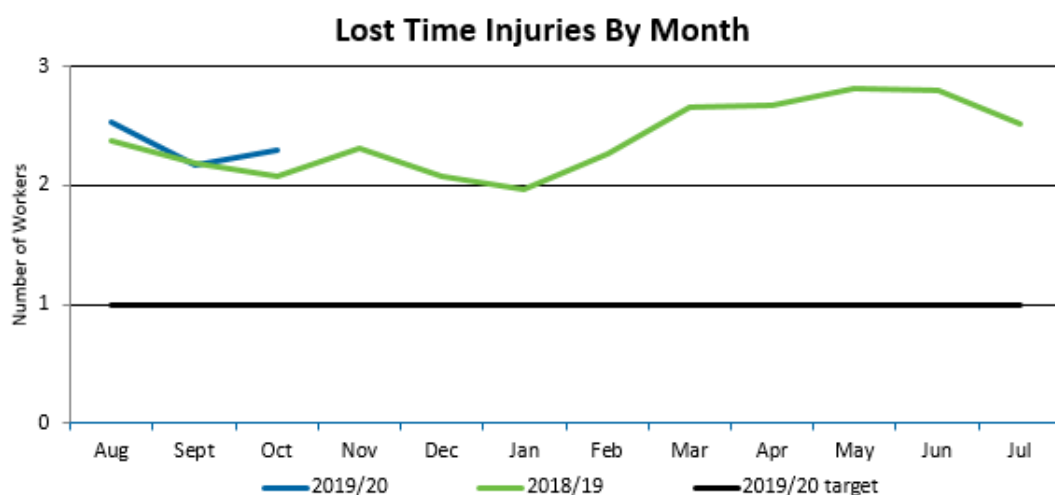
Figure 4: Lost time injury frequency rate per 200,000 work hours for FY18, FY19 and FY20

3.0 Health & Safety Trends
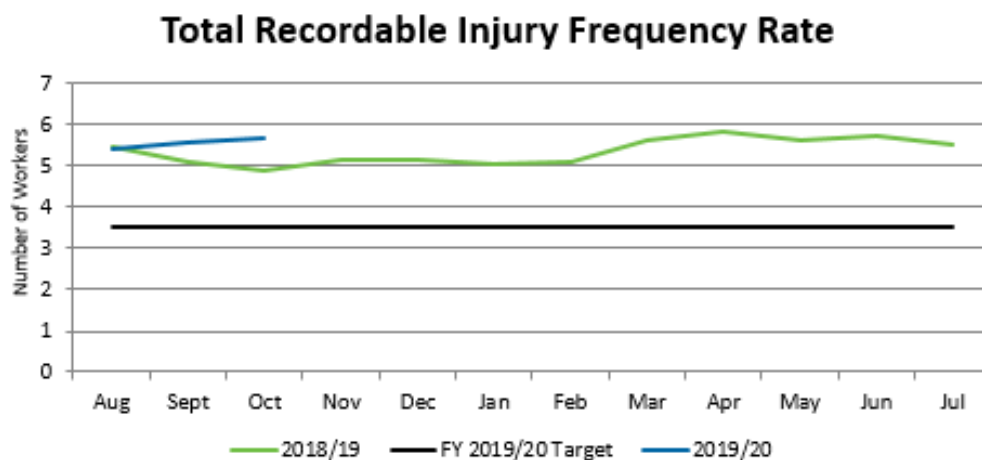
3.1 Trend Summary

During this reporting period (1 August to 31 October 2019) there has been a slight increase in LTI's relative to the previous year, however there remains no meaningful pattern of causation.

Timely reporting, early intervention and injury management practices are a continuing focus for the Health and Safety Team to help support performance improvement, as is safety risk management practices through the hierarchy of control and how these are applied to meaningful and appropriate corrective actions.

We continue to experience delay in some areas where events are not being reported, or event details are not being entered into our reporting system (Vault) in a timely manner.

This has an impact on our data reliability and the timeliness of reporting to key agencies, like Worksafe, when those types of safety events occur and require notification.

3.2 Notifiable Events

Between 1 August to 31 October 2019 there were four notifiable events involving Council Workers reported to WorkSafe. Internal investigations were carried out and no further action was undertaken by WorkSafe.

Date	Incident	Action Taken	Business Unit/Location
26.08.2019	Electric shock pulling phone charger from wall socket	Other phone chargers were checked, and one other was also found to be faulty	Hamilton Zoo
29.08.2019	Mower blade broke off John Deere front mower at Willoughby Park and was thrown 40 meters approx. The broken blade did not strike anyone or anything	This has been investigated and was traced back to a faulty mower deck that vibrated and lead to the premature failure of the blade	Turf Team - FMG
2.10.2019	Plant stopped due to power loss during generator test run, this caused chlorine regulators to lose vacuum pressure	Investigation completed, report in DRAFT form D-3129098 Root cause, the diaphragm of the chlorine drum regulator become blocked due to debris. Review of the ERP was also completed D-3129086	Wairoa Terrace – Water Treatment Plant
23.10.2019	Staff member reversed over a dog and when checking on the injured animal was bitten by dog on hand/arm	Supported staff member who was immediately taken to hospital for treatment and admission. Reported event to Animal Control	Tills Lookout Park, Dinsdale – City Parks

Other Notifiable Events that were notified to WorkSafe by our Contractors during this period.

Date	Incident	Action Taken	Location
15.08.2019	A contractor's excavator dug through 15mm gas lateral, damaging line	Contractors discussed the lack of a spotter and other non-compliances on the site and updated their procedures.	Mahoe Street, Melville
03.09.2019	Contractors worker received an electric shock/burns to his	- Investigation provided by Contractor - Council carrying out an	London Street, Hamilton

	upper body when drilling through a pipe he assumed was a water pipe. Pipe contained 400v cable	independent investigation involving senior managers and the Risk Team	
24.10.2019	Contractor carrying out directional drilling; struck 10mm lateral gas line	Final report to be received	8 Ngaere Avenue, Chartwell
30.10.2019	Contractor was potholing and put a small pinhole into gas main	Final report to be received	Ngaere Avenue, Chartwell

3.3 Lost Time Injuries

Between 1st August to 31st October 2019 we recorded six lost time injuries, compared to four for the same period last year. At the end of 31st October 2019 our LTIFR was 2.29 per 200,000 work hours verses our target of 1.0.

Date	Department	Description and Findings
23.09.2019	City Parks	Staff stepped into garden bed and twisted his knee. Continued to work lightly for the remainder of the day and notified supervisor. In the evening his knee was throbbing and went to A&E. Strain to the right lateral ligament, noted unfit for work for 7 days. Tuesday 1st on light duties, will review on Monday 7th October.
25.09.2019	City Delivery	Staff removing a patch of broken up seal in preparation for laying new asphalt was bending down and lifting the broken pieces of seal on to the back of the truck, when he felt a bit of a pain in his lower back. He momentarily stopped what he was doing, but then as it did not feel too bad, he carried on working. He worked for the rest of the day. At work the next day advised team leader, went to Physio.
30.09.2019	City Delivery	Staff member installing a new sewer connection, was operating a small electric submersible pump being powered by a 2.2 KW Generator. Staff member grabbed the Generator by the handle, felt a pain in his right shoulder, he kept on working to finish the job. Off work the next day and went to the doctor. Advised fully unfit for 14 days.
02.10.19	City Parks	Throwing branches to the ground from an Elevated Work Platform (EWP) felt sharp pain in left upper chest, Sick day to rest it 3/10 - GP consulted on 4/10.
07.10.19	City Parks	Weed whacking grass on bank above path, along Lake Domain drive, felt strange sensation in right shoulder, paused to rest, then proceeded to work. Went to the doctor 15.10.19. Medical Cert advises fully unfit from

		14.10.19 - 21.10.19 and continue with light duties. Medical Cert 12.11.19 advises light duties until 15.11.19, then fit for some work from 17.12.2019. Team leader working through return to work process.
23.1.0.19	Open Spaces and Facilities	Dog ran away, under a staff vehicle, staff stopped to assess with the dog owner and the dog bit his owner and staff member. Staff member called ambulance for dog owner to apply first aid and then staff member made his way to the emergency department as he has a medical condition. Staff was admitted overnight - Notifiable

Table 1: Lost time injury 1st August to 31st October 2019

3.4 Medical Treatment and First Aid Injuries

Between 1st August to 31st October 2019 we recorded nine medical treatment injuries and 25 first aid injuries. At the end of 31st October 2019 our TRIFR was 5.64 versus our target of <3.5.

3.5 Near Hit Reporting

We know that many safety interventions are reactive responses to events that have already occurred. A pro-active response that we continue to promote is near hit reporting. Often these types of events can be overlooked as there is no immediate harm or consequence following a potential breach or failure (no injury, damage or loss).

What we need to ensure is that we continue to promote a safe and just culture where employees feel safe to report. To address a recent trend in lower levels of near hit reporting we have reviewed how staff report all safety events and have re-designed a new poster to raise awareness and re-engage staff on the importance of reporting, even when injury or property damage is absent, which is our best opportunity to intervene early and make corrective changes to avoid any reoccurrence.

Between 1st August to 31st October 2019 we recorded 66 near hits, which is a significant reduction in the reporting of near hits compared to 136 for the same period last year. This is the reason for the focused efforts in this area.

3.6 Assurance

Between 1st August to 31st October 2019 there were 117 health and safety audits carried out, made up of 64 manager audits and 53 worksite/contractor audits.

During this reporting period there were 464 safety observations made across Council, they were made up of 362 safe observations and 102 unsafe observations. These observations provide workers and managers with an opportunity to have positive safety conversations as well as addressing any unsafe practices that may be observed.

3.7 Site Visits – Emerging Issues

The Turf team at FMG Stadium experienced several problems with a new tractor that was in use. Specific issues related to motor surging during times when attachments were being secured, leading to several near hit safety events. Following discussions with the supplier the tractor has subsequently been replaced at no cost to Council.

3.8 Worker Participation and Engagement

Council has continued to run successful Local Government Forums to provide professional development for employees and others involved in health and safety across Council, whilst developing resources to provide support for key safety initiatives.

Members of the Health and Safety Team, along with Health and Safety Representatives (HSRs) recently attended the SafeSkills conference presented by Safeguard. This was a one-day event designed to assist HSRs develop the core skills they need to be more effective in their role and to help increase worker engagement and participation back at work.

To provide transparency and a clear line of site for all of our health and safety activities over the next calendar year the Health and Safety Team has been working with our internal comms support to develop a 12-month communication plan. Proactive communications will be consistent, helpful and targeted, whilst reactive safety communications will focus on learning and sharing through storytelling and using our people to get across key messages to help modify behaviours and practices.

Our employee engagement survey results for 2019 have recently been made available showing that all four health and safety questions in the survey remain in the top 10 positive responses across Council. We have seen a slight decrease in all for questions compared to the 2018 survey results, which we will carefully consider and review to help pinpoint any areas where greater support might be needed. The voice of our people is vitally important, and we are focused on taking immediate steps to bring change through our culture action planning, which is part of our high-performance way of working.

Health and Safety | 82%

Item	% Positive Perception		% Positive Hesitance	2018
	% Negative Hesitance		% Negative Perception	
Workplace health and safety is considered important here	89		8	2 2	−4
If I identify a safety issue I know my manager will act on it	83		11	4 3	−4
People I work with make sure things are safe for themselves and others	82		13	3 2	−5
I have the training I need to deal with health and safety issues	76		16	5 4	−2

3.9 Engagement with Regulatory Agencies

Council recently hosted a meeting between the building inspectors and representatives from Worksafe to improve understanding regarding the roles of inspectors and how their roles can support the work being promoted through Worksafe around asbestos management.

Another meeting is scheduled for December and will cover traffic management and its impact on the public and worker safety, hazardous substances and silicosis. It is envisaged that these meetings will continue to occur on a regular basis in a combined effort to work more closely with key agencies and to share our collective learnings.

3.10 Engagement with other Organisations

We have been working with other organisations though informal networks or through more formal partnerships to access up-to-date information, new ideas and to support our strategic approach and thinking.

During this reporting period we have met and had several meaningful conversations with:

Auckland Transport
We continue to receive valuable industry updates from Auckland Transport with the latest update providing a solution to manage road users who continue to travel at excessive speed through worksites. This information has been shared with relevant Business Units who will be responsible for implementing these solutions. We continue to engage with the AT Health and Safety Team to benchmark our Safety Management System and discuss emerging issues and trends.

Waikato/BOP Local Government Forum
The Health and Safety Team hosted a Waikato/Bay of Plenty Local Government Forum on Psychosocial Hazards and Risks in the Workplace with GM Lance Vervoort opening the day and discussing psychosocial hazards and risks that impact his Community Group. We had 70 attendees from 12 different councils representing Health and Safety Practitioners, Health and Safety Representatives, Peer Support People and HR Business Partners. This forum brought together several keynote speakers and representatives from various organisations which has provided opportunities for future networking.

At this forum we shared that Psychosocial Hazards and Risks must be integrated into the Safety Risk Management Framework and managed, mitigated and monitored in the same

manner as physical, environmental, biological and ergonomic hazards. The hazards are often interlinked and require a focussed approach to manage the associated risk in a holistic manner e.g. musculoskeletal disorders are often exacerbated by psychosocial factors.

In the New Year the Health and Safety Team will host future forums in conjunction with Waikato/Bay of Plenty Local Authority Shared Services covering the following topics:

- Underground services
- Safety in design
- Health and Safety Representatives

Civil Defence

As part of our planning and preparedness for Civil Defence emergencies the Health and Safety Team participated in a simulated earthquake exercise that was co-ordinated by Civil Defence. Involving several Councils that included Waikato District and Waikato Regional, participants from HCC fulfilled the roles of the Health and Safety Functional Leads and were able to identify a number of improvements that will be shared and adopted.

4.0 Key Health and Safety Initiatives

4.1 Safety Management System (SMS)

The Health and Safety Team have drafted a new Safety Management System which provides Council with an organised approach to managing safety. The purpose of our SMS is to:

- achieve our safety objectives consistently and systematically across Council

- facilitate learning and foster a positive safety culture

- help to meet our legislative obligations

The following supporting frameworks will also be established once the SMS has been signed off. Supporting frameworks include:

- Safety Risk Management
- Safety Assurance
- Safety Governance Framework
- Triaging of Safety Events

Accompanying these frameworks will be short "how too" booklets that outline and explain the roles and responsibilities across all areas of Council. i.e. for HSR's, SLT, Team Leaders, Workers and Volunteers.

4.2 Lone Working

Following a number of reported issues and incidents over a period of time it was recognised that we needed to have a fit for purpose system to manage the risk of lone working. To address these issues a review was undertaken to look at our lone working arrangements across the whole of Council.

Working closely with relevant business units as well as a select panel that was established to evaluate several providers and solutions, we have made a recommendation to align with a preferred supplier, although we have been careful not to limit other providers continuing to offer services and/or where established practices through existing contracts remain in place.

As part of our due diligence to help identify the best solution we felt improved the wellbeing of our people and indirectly Hamiltonians, the following areas and questions were discussed:

a) What solutions are available to the team and have been recommended (based on the risk assessments undertaken)
b) How do the solutions work? – demo
c) How should it be configured? man down, timings, settings etc)
d) Sharing's of how the processes could work and how do we know who is using what device?
e) What do the response instructions need to look like?
f) Training of staff

Business units are now working with Guardian Angel individually to implement the solution.

4.3 Contractor Prequalification

An assessment was carried out by the Safety Assurance Lead on our Contractor Prequalification process currently provided by SHE Assure. The review of the contractor documentation that was provided confirmed significant improvement following our previous assessment(s).

Whilst the contractor pre-qualification system provides an assessment to validate that contractors have their own health and safety management procedures in place, it is not a substitute for councils having robust contractor management procedures that cover assessments for specific sites/projects, assurance activities and post contract reviews, which

is why we need to continue to focus on meeting our obligations as a PCBU under the Health and Safety at Work Act.

4.4 Health and Safety Reporting System – Vault

Ongoing discussions continue with a preferred provider to help support the replacement of our health and safety software to better equip the organisation to support our high-performance way of working. We know that systems enablement is a key driver for employee engagement and therefore our safety software platform is a critical piece of work to ensure we deliver on our critical few initiatives (Corporate), which can be categorised as follows:

- Lead the challenge
- simplify systems and processes, and;
- be more digital and consolidate core business systems.

4.5 Our WorkWell Programme

To support our WorkWell programme and our structured approach to wellness initiatives, we are creating several action plans to address the below areas of focus as identified by our people:

- Mental health and wellbeing
- Physical activity
- Whanau friendly.

Our first WorkWell initiative that looked to promote physical activity was our "Step up Challenge" that was held during the month of October and saw 65 teams (325 individuals) participate. Participating employees walked the equivalent of 2.9 times around the world. To promote such a successful initiative, we will be collating the full results and many good news stories that can be shared and celebrated across the Organisation.

As part of our Whanau friendly initiative, Hamilton City Council has formalised its commitment to preventing family violence in New Zealand. Last month, the Council was awarded White Ribbon Accreditation to acknowledge its continued support of the White Ribbon kaupapa. To gain the business accreditation, the Council has put in place policies, trained staff and support proactive violence prevention.

4.6 Training and Competency

Council provides a number of training programmes to ensure that our people have the right skills, knowledge and experience to carry out their daily duties correctly and safely.

Under the Health and Safety at Work Act we must ensure the information, training, instruction and supervision provided to workers is suitable and adequate, therefore we must be able to demonstrate that we have a process to review our training/supervision programmes regularly.

To meet this requirement we will be undertaking a review as part of the SMS - Training Promotion and Engagement. Advice will be sought from the Organisational Development Lead when developing this pillar to ensure it aligns with our PSW strategic theme "Grow" – Partnering to build capability needed to be a true high-performance organisation.

Courses Provided Between August - October 2019	Number Attended	Month
Emotional Intelligence	19	7th August
Emotional Intelligence	18	21st August
Warrant Officer Refresher x 2 sessions	17	3rd September
Emotional Intelligence	16	4th September
Vulnerable Children's Act x 2 sessions	50	17th September
Te Ao Maaori	14	2nd October
Te Tiriti Workshop	24	23rd October
Customer Conflict - Arboriculture Team		25th October
Basic Warrant Officer		29th October

Table 2: Health, Safety and Wellness training completed August - October 2019

4.7 Return to Work

During this reporting period we have seen an increase in the number of low-level musculoskeletal events, reflecting the increase of outside work associated with spring activities. As the weather improves Councils workforce start spending more time outdoor and carry out a higher proportion of manual activities.

Focussed on injury management and early invention, the assessment and rehabilitation of our workers, for both work and non-work-related injuries, is geared to achieving a safe and early return to work.

5.0 Health and Wellbeing

5.1 Bullying and Harassment Monitoring

Our high-performance culture and way of working reflects our effort and focus towards safety and wellbeing.

Bullying and harassment remains an area that requires continued awareness and repeated messaging to ensure our people feel safe to speak up. We continue to report incidents relating to alleged bullying and harassment which are captured and categorised under the following three areas:

- Peer support contact (early intervention)
- Informal reports (investigated internally)
- Formal reports (investigated externally)

	Peer Support	Informal Reports	Formal Reports
Total for period 1 August – 31 October 2019	2	2	1

Table 3: Harassment and Bullying

The Health and Safety Team continue to work closely with the HR Business Partners along with individual business units where required to align and address issues relating to stress, bullying and fatigue.

5.2 Employee Assistance Programme (EAP)

Our safety metrics continue to show a high uptake and use of the Employee Assistance Programme (EAP). For the period 1 August – 31 October 2019 there were 57 cases handled through EAP, which is up 9 from the previous reporting period. Most of these cases continue to be through self-referrals and the primary presented issues relate to workplace stress (16) and mental health (13) followed by relationship issues (10).

Councils service provider for EAP - Instep was recently acquired by The Skills Organisation who are looking forward to continuing working Council and improving their services and value.

EAP Use	1 Aug – 31 Oct 2018	1 Nov – 31 Jan 2019	1 Feb – 16 April 2019	1 May – 31 July 2019	1 August – 31 October
New Cases	27	21	31	22	34
Reopened Cases	4	6	5	2	0
Pre-existing cases seen during period	23	19	22	24	23
Total Cases	**54**	**46**	**58**	**48**	**57**
Contact Hours for the	103	65	110	97	87

Period					
Average Hours per Client	2	1.7	2.1	2.2	1.6

Table 4: EAP Usage * NOTE reporting period set by EAP

6.0 Summary

The Safety Team continue to support our business units across the organisation to lift our health and safety performance by showing we "Care" whilst partnering to create a safe and healthy work environment to improve the wellbeing of our people.

Our continued efforts are reflected in a more mature approach to our SMS and we continue to see improvements in health and safety attitudes and behaviours among staff and Business Units. Senior Managers and Team Leaders are taking a stronger interest and commitment to improving health and safety of their staff.

Achieving sustained change in health and safety performance requires everybody working together to drive positive change and a shift in mind-set. Employees, Team Leaders, Managers, Senior Leadership, Unions and the whole of Council have a critical part to play in the continuous improvement of the health and safety performance so that we continue to be an employer of choice and a safe place to work.

Council Report

Committee:	Strategic Risk and Assurance Committee	Date:	11 December 2019
Author:	Mothla Majeed	Authoriser:	David Bryant
Position:	Legal Services Manager	Position:	General Manager Corporate
Report Name:	Risk Management Report		

Report Status	*Open*

Purpose

1. To update the Strategic Risk and Assurance Committee on the status of Hamilton City Council's eight strategic risks, three key organisational risks and two key emerging risks.

Staff Recommendation

2. That the Strategic Risk and Assurance Committee receives the report.

Background

3. At its 16 May 2019 meeting, the Audit and Risk Committee approved, for monitoring purposes, eight strategic risks and three key organisational risks (as set out below). At the 3 September 2019 Audit and Risk Committee meeting, staff provided a report on the status of each risk and associated action plans. This report provides an update on the same matters. Such a report will continue to be provided at each meeting of the Strategic Risk and Assurance Committee.

4. Each of the reportable risks is listed below, along with key commentary provided by each risk owner for discussion.

Discussion

Strategic risk 1 - A disaster event

5. This risk relates to a natural or human-induced disaster event. Since the Committee last met in September 2019, there have been media reports on a current University of Waikato study into 25 recently identified fault lines in or near the city. Nevertheless, Hamilton is recognised to have a lower disaster risk profile than other parts of New Zealand, and a collective approach with neighbouring councils and agencies allows for a joint response to a disaster event. Hamilton may also be called upon during an event outside the city to support displaced people and/or as a coordinating centre for affected areas.

6. Council's emergency management framework is supported by local emergency services, Ministry of Civil Defence and Emergency Management (MCDEM), the Civil Defence Group,

Regional Hazards Group and the local Emergency Operations Centre structure (capable of responding to a variety of disasters).

7. Council continues to have an active training programme in place with actions in place to create a mandatory training pathway for new employees. An exercise plan is in place that tests response capabilities at both the local and regional level. The most recent was a regional earthquake exercise in September in which 75 Council staff participated.

8. Work has started on improving the documentation and socialisation of key plans for reduction, response and recovery activity. This has extended to include using new multilingual Civil Defence and Emergency Management messages for radio and in New Zealand sign language.

9. While the residual rating for this risk remains very high, the rating is due to the unknown impact a disaster event could have on the city and the community.

Strategic risk 2 - Major economic or financial shock

10. There are no indicators showing any material or adverse change in this risk area since the matter was last reported to the Committee in September 2019.

11. This risk identifies external factors that could significantly negatively impact the Council and Hamilton city, and also identifies the relevant controls and mitigations in place.

12. The Council has some short-term financial resilience should this risk materialise; however, the size of the shock will determine what actions Council may take. A significant shock could require Council to urgently review and reduce its capital and operating spending.

13. Council continues to monitor external threats and trends.

Strategic risk 3 - Increasing compliance standards due to stakeholder expectations

14. While there are several risks in this area, we already have in place a range of existing controls and mitigations to ensure the Council is reasonably ready to comply with changes in compliance standards.

15. As was reported to the Committee in September 2019, there is always room for increased controls and mitigations to be put in place and staff continue to explore options for reporting and monitoring of key areas of compliance, including software options. These options could allow an efficient and effective approach to compliance management across Council. This could in turn allow us to minimise unforeseen impacts through legislative non-conformances and penalties. Efforts in this space continue.

Strategic risk 4 – Cyber attack

16. This risk is being continually managed. There are no indicators showing material or adverse change to this risk rating of very high. This is primarily due to the volatile environment of the internet and rapid changes occurring in technology.

17. Council has recently improved its cyber detection and monitoring capabilities for adverse attacks. The Chief Information Officer will provide a verbal report in the public excluded section of this committee meeting.

Strategic risk 5 – Growth

18. There are no indicators showing any material or adverse change in this risk area; however, the growth market for Hamilton city is expecting higher levels of growth that initial modelling has indicated.

19. Growth in neighbouring regional areas, including Tauranga, is being monitored by the Council through local government information sharing initiatives.

Strategic risk 6 - Political changes or decisions impact Council's strategic direction

20. This risk focuses on external stakeholder relationship management, monitoring of potential impacts to Council's strategic objectives and engagement/communication.

21. The risk has a very high rating because of the dynamic and complex nature of Council's significant stakeholder relationships and the number of material issues which are progressing or under action at any point of time. Engagement, communication, executive team and elected member competency, and clarity of strategy are key factors in this risk.

22. Council needs to maintain close relationships with Government and its neighbouring Councils. These relationships are enhanced because of several collaborative fora (such as the Mayoral Forum, Futureproof, Chief Executive Forum and Joint Council Governance discussions).

23. These fora discuss strategic alignment between local and central government initiatives and the associated high-level risks managed between stakeholders. These fora are an important opportunity to influence and mitigate this risk.

Strategic risk 7 - Significant shortage of key external resources

24. This risk focuses on the strain on resources and materials across New Zealand and the impact this will have on current or pending development across Hamilton city.

25. A recent government initiative called "Pipeline" is intended to provide visibility of the capital portfolio sub-regionally, regionally and nationally, as well as the resources required to deliver these projects. The initiative is aimed at providing transparency and shared capacity between government and local government.

26. In July 2018 the Chief Executive established a Development group within Council to provide specific focus on capital project delivery. Part of the Development group's responsibility is to have regular liaison with industry and to consider resourcing risks for delivery.

27. The new Development group is leading an initiative to provide pipeline visibility to the supply chain for the sub-region. This involves presenting an integrated programme of work arising out of Hamilton City Council, Waikato District Council, Waipa District Council and the NZ Transport Agency. This work will be a logical input to any national pipeline initiatives.

28. The Waikato Local Authorities Shared Services (WLASS) is now also initiating a similar project to look at coordinated infrastructure procurement and the opportunities across the region and Hamilton will take a leading role in this project.

29. To secure professional services resource, Council has worked with WLASS to re-tender a Professional Services Panel. This panel allows us to understand the resourcing demands and any resourcing issues in this important part of the supply chain.

Strategic risk 8 - High level security threat or major emergency

30. This risk relates to primarily people and assets that includes critical infrastructure such as three waters, IT infrastructure and transportation (arterial routes).

31. To improve awareness of this risk and security management standards, Council is adopting central government's Protective Security Requirement (PSR) framework. This framework improves governance and response capability through developing key internal and external stakeholder relationships.

32. Gap analysis and security risk assessments have been completed across H3's three key event sites – FMG Stadium, Seddon Park and Claudelands, with H3 management addressing the findings of these assessments. The second stage of risk assessments is underway with Community Group facilities – Museum, Libraries, Aquatic Centres and Hamilton Zoo. This is expected to be completed by March 2020.

33. Council's critical asset sites have recently had security risk assessments completed for operational and insurance purposes. The findings and identified recommendations for improvement have been addressed by management as part of their emergency response plan review (which is ongoing).

Organisational risks

34. Three key organisational risk reports have been included in the appendix to this report to provide visibility and assurance to the Committee that safety risks and risks associated to Hamilton city's critical assets have mitigations in place and are being monitored by staff.

35. The matter relating to the **Health and Safety risk to staff, contractors and volunteers** will be presented in more detail to the Committee in a separate report. There is no material or adverse change in this risk since it was last reported to the Committee.

36. The **Safety and Wellbeing of the Community** risk was identified as an area in which more analysis was required to identify key risk exposures to Council relating to facilities and services provided to the community. Accordingly, a risk workshop was conducted 17 October 2019 with key internal stakeholders. The workshop was led by GM Community and has generated a body of works where organisation-wide operational processes will be reviewed for improvements. A progress update will be provided at the next meeting of the Committee.

37. The **Failure of Critical Assets** risk was previously reported to the Committee. Monitoring of the condition of critical assets will continue to be undertaken by way of asset management plans (which are ongoing). There are no indicators showing any material or adverse change in this risk area. A work programme, which is regularly reviewed, is in place for maintenance and renewal of these assets.

Emerging risks

38. Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence or high impact if they materialise.

39. Senior Leadership have identified two high level emerging risks – 'Climate Change' and 'Water quality and quantity supply to the City'.

40. A report on climate change was presented at the 8 August 2019 Council meeting, in which Council resolved that there is a need for climate change issues to be considered urgently. Council also agreed to develop a Climate Change Action Plan for Hamilton city (including an assessment of Hamilton's carbon footprint) and requested that staff report back on progress with a draft plan for agreement at the April 2020 Council meeting.

41. The quality and quantity of Hamilton's water supply is regularly monitored by staff with contingency and long-term development plans in place in the event this risk materialises.

Legal and Policy Considerations

42. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.

Wellbeing Considerations

43. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

44. The subject matter of this report has been evaluated in terms of the four wellbeings during the process of developing this report.

45. The risks identified in this report engage the four wellbeings to varying extents, and the management of these risks also has implications for the wellbeing of the community. The full implications are still being assessed. Future reports on this matter will contain a more fulsome assessment of those implications.

Significance & Engagement Policy

Significance

46. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

Engagement

47. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - Council Strategic Risk Register: 11 December 2019

Council Strategic Risk Register – December 2019

Risk Number	**Strategic** Risk Description	Risk Owner	Residual Risk Rating
1	**A Disaster Event** *A natural or human-induced disaster event (excluding act of terrorism)*	Jen Baird	Very High →
2	**Major Economic or Financial Shock** *An external financial event impacts Council's financial strategy, fiscal and monetary position.*	David Bryant	Medium →
3	**Increasing Compliance Standards due to Stakeholder Expectations** *The risk of central government and regional council increasing compliance standards or changes in community expectations.*	David Bryant	High →
4	**Cyber Attack** *Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal, and financial losses.*	David Bryant	High →
5	**Growth** *Significant change to/in growth demand and/or the consequences growth does not deliver positive outcomes for the community.*	Jen Baird	High →
6	**Political changes impact Council's strategic direction** *Political stakeholders make unpredictable decisions or take actions that significantly impact or contradict Council's strategic imperatives.*	Blair Bowcott	Very High →
7	**Significant Shortages of Key External Resources** *The market is unable to deliver necessary resources to achieve our strategy; including but not limited to people and material for projects*	Chris Allen	Very High →
8	**High-Level security threat or major emergency** *A safety, security or environmental attack materialises and impacts Council's strategic direction.*	David Bryant	High →

Risk Number	**Organisational** Risk Description	Risk Owner	Residual Risk Rating
1	**H&S – Workers (incl. contracted workers & volunteer workers)** *Failure to ensure the health and safety of council staff or workers whose activities are influenced or directed by council, while the workers are carrying out work.*	David Bryant	High → Medium
2	**Safety and Wellbeing of the Community** *Failure to create, provide and maintain a safe environment for the community leading to a serious injury incident or fatality.*	Lance Ver Voort	High → Medium
3	**Failure of critical assets** *Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).*	Eeva-Liisa Wright	High →

* There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death. *(refer pp 20-25)*

** Council takes the safety of our people and the community seriously and are working hard to reduce the likelihood of a serious harm incident. Due to the focus and definition of this risk relating to death or a serious injury, the risk rating (and by extension the target risk rating) can never reduce below 'High' because we consider the consequence to be 'catastrophic'. *(refer pp 20-25)*

Emerging Risks – **verbal discussion topics**

Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence or high impact if they materialise. The following identified risks are not ranked but monitored informally across Council and reported when appropriate. Analysis and mitigation identification have been conducted as operational and business as usual applications.

- *Climate Change*
- *Water supply to the city (quality and quantity)*

Risk Type	Definition
Strategic	The risk of an event or impact that is **external** to Council and could impact the organisation's strategies, including Council's Financial Strategy, Long Term Plan and 30 Year Infrastructure Strategy.
Organisational	The risk of an event or impact that is **internal** or **external** to Council and could impact the whole organisation.
Operational	The risk of an event or impact that is **internal** or **external** to Council and could impact one or more Operational activity.
Emerging	Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence, high impact if they materialise.

Residual rating legend

Indicator	Description	Indicator	Description
→	No change – managed	↑	Adverse change since previous
●	New risk	↓	Improved change since previous

Strategic Risk 1

A Disaster Event

A natural or human-induced disaster event (excluding an act of terrorism)

Risk Owner – (GM Level)	Jen Baird	Category	Strategic Preparation and Disaster Recovery

Risk Triggers

- Natural disaster event without warning or build up
- Severe weather events that increase in intensity
- Critical asset failure that impacts the safety of Hamiltonians – water, energy, telecommunications, financial, transportation
- Civil unrest – political or social unrest resulting in a security or safety threat to people or assets
- Disaster caused by failure of human-made structures

Inherent Likelihood	Likely	Inherent Consequence Driver Strategic Safety & Wellbeing,	Catastrophic	Inherent Risk Rating	Rating Very High

Existing Controls and Mitigations

- Emergency Management Framework – Ministry of Civil Defence and Emergency Management (MCDEM), Group, Local Emergency Operations Centre (EOC) structure
- Emergency management training program TAKATU implemented for Council staff
- Co-located EOC in a dedicated leading-edge centre (Group Emergency Management Office – GEMO) with built in redundancy
- Robust emergency exercise schedule in place to test preparedness and response functionality
- HCC Crisis Management Plan
- HCC Security review and establishment of PSR framework (underway)
- Annual external (MCDEM) capability assessment – completed September 2019 (Council achieved a 71% rating)
- Stock piling resources and materials
- Engineering standards identified and managed
- Criticality assessments and asset identification ratings
- Asset and service monitoring capability
- Collaboration on emergency management response approach across agencies and the region.
- Use opportunities nationally to build experience in real events where ever possible
- Early warning processes are in place and will be considered

Residual Likelihood	Likely	Residual Consequence Driver Strategic Safety & Wellbeing,	Major	Residual Risk Rating	Rating Very High

Action Owner	Mitigation
Kelvin Powell	Accept

Improvement Plan	Previous update (September 2019)	Update – December 2019
• Improve communication with the public in an emergency response.	• Implementation of the Hamilton Community Resilience Implementation Plan is underway.	• Continued participation in national warning system trials and a major exercise involving PIM staff in September
• Improve how strategic information is shared with key decision makers, spokespeople and the media.	• Implementation of the Waikato Group Community Engagement Strategy is underway.	• No change – still underway
• Continue current work on improving the consistency of warnings to the public across all hazards.	• No change. Works are still ongoing.	• Participation and community engagement in national Shakeout Drills, Emergency Mobile alert testing, National Warning System drills. Promotion of Red Cross hazards App
• Scope work needed to identify and upgrade suitable marae for emergency management purposes.	• Engaged with Fire and Emergency New Zealand and a health provider in pilot programme Ngaa Marae Whakaritenga Ohotata – aimed at working with iwi, hapuu and whaanau at marae delivering emergency training and exercises. Also working with Te Waananga o Aotearoa to consider their sites as potential civil defence centres.	• Further engagement with Hamilton mana whenua group and other local Maaori groups at both strategic (leadership) and operational (preparedness) levels. Appointment of Iwi / Maori Advisor role to HCC Civil Defence and Emergency Management and training provided.
• External capability assessment.	• Aligned with regional awareness. Final results are due for publication in September.	• Assessed score of 71% achieved (Advancing category). 15% improvement from 2018.
• Monitoring of relevant call centre trends	• For future consideration	• For future consideration

Strategic Risk 2

Major Economic or Financial Shock

An external financial event impacts Council's financial strategy, fiscal and monetary position.

Risk Owner (CE Level)	David Bryant	Category	Financial

Risk Triggers

- Global financial crisis
- Rapid increases in inflation, interest rates, oil prices, or a rapid decline in NZD – leading to significantly higher construction input costs, debt costs, and significant pressure on household rates affordability
- Critical infrastructure failure
- Major construction industry failure
- Major government policy changes negatively impact Council's income streams or cost base
- Natural or manmade disaster (including deliberate attacks on critical infrastructure)

| Inherent Likelihood | Unlikely | Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural | Major | Inherent Risk Rating | Rating

High |
|---|---|---|---|---|---|

Existing Controls and Mitigations

- Monitoring of macro trends (Finance, Treasury, Economic Growth team)
- Financial Strategy resilience - excess Local Government Funding Agency (LGFA) borrowing headroom, additional $60M bank facility
- Financial scenario modelling
- Council's ability to urgently reprioritise and reduce capital spending
- Council's ability to urgently reprioritise and reduce community levels of service spending
- Six weekly financial forecasting and planning cycles

| Residual Likelihood | Unlikely | Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural | Serious | Residual Risk Rating | Rating

Medium |
|---|---|---|---|---|---|

Action Owner		Mitigation	
Tracey Musty		Accept	

Improvement Plan	Previous update (September 2019)	Update – December 2019
The controls and mitigations applied to this risk are managed through BAU and reporting schedules to Council and the Finance Committee.	• GM Corporate supports and accepts mitigations.	• BAU and reporting continues.

Strategic Risk 3

Increasing Compliance Standards due to Stakeholder Expectations

The risk of central government and regional council increasing compliance standards or changes in community expectations.

Risk Owner – (GM Level)	David Bryant	Category	Environment Strategic

Risk Triggers

- Central government changes the regulatory standards for compliance: including resource management, environmental (including climate change and pollutant management), corporate (including health and safety, human resources and financial), growth, consultation requirements, health and infrastructural (including traffic and transport) compliance. This might also include changes to the required frequency of Council actions (such as the 10 Year Plan)
- Continual or serious breaches leading to increased compliance and regulation
- Community service-level expectations in management of water quality, recycling and other services not being met
- Failure to plan long term for consenting requirements (both as a regulator and a regulated entity)
- Regional Council changes its policies to ensure legislative compliance (e.g. Healthy Rivers policy)
- External audit identifying major non-compliance within HCC operations (e.g. by International Accreditation New Zealand)
- Legal challenge to HCC policy or practice resulting in findings of non-compliant practices
- Change in stakeholder partner expectations for environmental performance
- Changes to our own District Plan impacting other parts of the business (e.g. changes to resource consents affect consented Three Waters activities)

Inherent Likelihood		Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance		Inherent Risk Rating	Rating
	Likely		Major		Very High

Existing Controls and Mitigations

- Community consultation and being in tune with community needs
- Engagement with our iwi partner to understand expectations, including through the Joint Management Agreement
- Compliance Policy - D-2549537
- External monitoring services and advice (Tompkins Wake)
- Internal resources that analyse the impacts of compliance changes
- SLT and Elected Members – assurance requests
- HCC Compliance Management Group
- Key stakeholder engagement, including making submissions to central government on proposed changes affecting compliance requirements
- Infrastructure Strategy and 10 Year Plan ensure projects and resources are in place to deal with increasing compliance requirements
- HCC bylaws and policies ensure community expectations and regulatory standards are met in a consistent manner

- Independent audits of HCC practice, including by the New Zealand Transport Authority and International Accreditation New Zealand, to ensure ongoing compliance
- Independent accreditation of HCC facilities (e.g. drinking water laboratory is accredited by International Accreditation New Zealand)
- Competency assessments for staff, including building officers
- Establishment new quality control roles (including two recently established in the Building Control Unit)
- HCC's Chief Executive is involved with the Construction Sector Accord which allows HCC to keep up to date with and influence changes in the sector
- Internal and external reporting (e.g. drinking water test results) ensures ongoing monitoring and compliance
- Notification protocols are in place in respect of various incidents, including wastewater overflow and drinking water concerns, which mitigate risk in the event of an incident

Residual Likelihood		Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance		Residual Risk Rating	Rating
	Likely		Serious		High

Action Owner		Mitigation
Mothla Majeed		Mitigate

Improvement Plan	Previous update (September 2019)	Update – December 2019
• Council considers investing in technology to improve its approach to data and support the infrastructure of the compliance program.	• ComplyWith software was previously being considered – it is proposed this is reconsidered to support monitoring capacity.	• Consideration and scoping of options continues to be under way
• Senior Management considers streamlining policy management to increase responsiveness and policy effectiveness.	• A review of manual monitoring of legislative compliance requirements is required to confirm alignment to the Compliance Policy for council.	• No change – linked to the above project
• Senior management to confirm key compliance monitoring on the following 7 topical areas are maintained: (1) Data privacy (2) Cyber security (3) Bullying and harassment (4) Conflicts of interest (5) Gifts and entertainment (6) Fraud (7) Bribery and Corruption	• A review of these 7 topics are captured within the internal audit functions and reported at appropriate levels.	• No change

Strategic Risk 4

Cyber Attack

Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal, and financial losses.

Risk Owner (GM Level)	David Bryant	Category	Disaster Recovery/ Business Continuity

Risk Triggers

- IT technology advances – positive and negative
- Inadequate identification of IT security trends, themes, detection and responses
- Poor IT Security awareness / culture / practices
- Privacy Breach
- Outdated hardware and inadequate architecture
- Inadequate competency at organisational level
- Specific targeting and malicious exploitation of security vulnerabilities across Council IT asset infrastructure
- International trends and attacks not being considered in NZ

Inherent Likelihood		Inherent Consequence Driver Service Delivery		Inherent Risk Rating	Rating Very High
	Likely		Major		

Existing Controls and Mitigations

- Risk based approach - 3 Lines of Defence
- National Cyber Security Centre (NCSC) monitoring and trend analysis reporting of local and international IT security challenges – internal and external
- Contractual service level agreements are monitored and maintained
- Department of Internal Affairs and All of Government (DIAAOG) desktop compliance
- Data and system backups – daily, weekly, monthly regime aligned to critical services list
- Disaster Recovery Plan (DRP – under review)
- Technical support from key vendors - Microsoft and Fujitsu
- External and internal security audit and reviews – (PwC, KPMG)

Residual Likelihood		Residual Consequence Driver Service Delivery		Overall Residual Risk Rating	Rating High
	Likely		Serious		

Action Owner	Mitigation
Mike Lamb	Mitigate

Attachment 1

Item 7

Improvement Plan	Previous update (September 2019)	Update – December 2019
• High level reviews on Councils IT infrastructure are conducted to improve detection and response capabilities.	• Information Services (IS) are currently establishing and deploying three environments to improve IT security framework. Initial findings will be reported in the publicly excluded section of this meeting.	• Improved resilience capabilities are currently being implemented.
• National and International cyber-attack trends are monitored and assessed by the CIO and CTO to improve detection capabilities.	• Council is supported by the NZ National Cyber Security Centre (NCSC) for response to attacks and receives quarterly trend updates for consideration. This is an on-going BAU process.	• Additional resources are now available to monitor and resolve potential malicious activity. Malicious activity targeting US based municipalities continues to be of concern.

Strategic Risk 5

Growth

Significant change to/in growth demand and/or the consequences growth does not deliver positive outcomes for the community.

Risk Owner (GM Level)	Jen Baird	Category	Strategic, Service Delivery

Risk Triggers

- Inadequate or inaccurate skills, data or modelling and scenario planning
- Inadequate provisions in the District Plan to deliver positive outcomes for people / environment
- Inadequate application of the District Plan to deliver positive outcomes for people /environment
- Neighbouring councils make growth decisions around Hamilton's border that are not aligned with Hamilton's desired growth strategy
- Wider economic down turn or boom to population growth
- Significant change in the market – either demand or supply side
- Significant change in public perception of growth or growth outcomes
- Council's decisions that impact growth or growth outcomes

Inherent Likelihood		Inherent Consequence Driver Service Delivery		Inherent Risk Rating	Rating
	Likely		Major		Very High

Existing Controls and Mitigations

- Treasury forecasting and modelling integrity
- Future Proof growth modelling
- Growth forecasts and modelling around developer contributions externally reviewed
- Quarterly reviews (part of the Hamilton Urban Growth Strategy) to monitor progress against the plan in terms of serviceable land availability.
- Core model inputs prepared by external experts *Market Economics* modelling-reviewed by BERL
- Engagement with neighbouring Councils
- Established data analytics
- Development Contribution model for improved data analysis
- Hamilton Housing Market & Economy Growth Indicator Report Adopted across the sub- region – quarterly analysis of external housing and market drivers
- Scenario Management Process for DC Model, externally peer reviewed and auditable
- Growth Funding & Analytics Unit
- National Policy Statement - a sub-regional review of land use, demand and supply has recently been completed
- Analytics Strategy – collaborate growth planning environment created around the Hamilton to Auckland Corridor Plan and the reconfiguration of Future Proof

Residual Likelihood		Residual Consequence Driver Service Delivery		Overall Residual Risk Rating	Rating
	Likely		Serious		High

Action Owner	Mitigation
Greg Carstens	Mitigate

Improvement Plan	Previous update (September 2019)	**Update – December 2019**
• Scenario planning implemented. • Analytics strategy established • Developer relationships and understanding their drivers	• DC Policy Strategic Roadmap is under way • Developer Engagement Plan is under way	• Roadmap is still under way • Plan is still under way

Attachment 1

Item 7

Strategic Risk 6

Political Changes or Decisions Impact Council's Strategic Direction

Political stakeholders make decisions or take actions that significantly impact or contradict Councils strategic direction.

Risk Owner (GM Level)	Blair Bowcott	Category	Executive Director of Special Projects

Risk Triggers

- Political changes including central government strategic direction creating risk or opportunities
- Local political changes, including potential misunderstanding of Council's intent
- Political personalities, trust and relationships and change of key personnel – positive & negative
- Failure to manage stakeholder relationships, communication and engagement tactics
- Short term focus overshadows long term cost benefit outcomes
- Political sovereignty/patch protection, lack of alignment or willingness to compromise
- Financial strategy misaligned with wider context
- International events, trends or decisions influence NZ
- Major projects or initiatives for the benefit of Hamilton accelerating or slowing down

Note* Political risk is essentially the probability that a political action/decision will significantly affect Councils strategic direction — whether positively or negatively.

Inherent Likelihood		Inherent Consequence Driver		Inherent Risk Rating	Rating
	Likely	Strategic Political Service Delivery	Major		Very High

Existing Controls and Mitigations

- Regular engagement with stakeholders at political and executive level – shared responsibility to manage key relationships
- Regular meetings with Government Ministers and MPs
- Collaborative governance group meetings to progress alignment of strategic direction - Mayoral Forum, Future Proof, Waikato Plan, CEO Forum, Waikato Local Authority Shared Services (WLASS), Regional Transport Committee and other strategic discussions externally
- Regular Council briefings for sharing of information and alignment of thinking
- Monthly SLT strategic discussion to ensure awareness of strategic initiatives
- Culture, expectation and policies of HCC organisation regarding behaviours of political, executive and staff and Council Controlled Organisations.
- Participation in national and regional advisory groups on strategic topics

Residual Likelihood		Residual Consequence Driver		Overall Residual Risk Rating	Rating
	Likely	Strategic Political Service Delivery	Major		Very High

Action Owner	Mitigation
Senior Leadership Team – (Blair Bowcott)	Accept

Attachment 1

Item 7

Improvement Plan	Previous update (September 2019)	Update – December 2019
• Council lists major projects that could be subject to political changes or decisions with a material consequence	• Council reviews its key stakeholder register against these projects to ensure effective communication and alignment plans maintained	• Council reviews its key stakeholder register against these projects to ensure effective communication and alignment plans maintained

Strategic Risk 7

Significant Shortage of Key External Resources

The market is unable to deliver necessary resources to achieve our strategy; including but not limited to people and material for projects.

Risk Owner – (GM Level)	Chris Allen	Category	Development

Risk Triggers

- Supply chain company failures
- Major skills/labour shortage
- Competitive market changes – including the cost of resources
- Regional or national event leads to fewer available resources
- International production costs become unfeasible
- International supply chain breakdown
- Market congestion (significant increase in capital portfolios nationally)
- Clients competing for the same resources
- Changes in external funding
- Political changes in the labour market (e.g. immigration policy changes, minimum wage changes)
- International political instability (resulting in, for example, oil price changes)

Inherent Likelihood	Likely	Inherent Consequence Driver Social, Cultural and Environment	Major	Inherent Risk Rating	Rating Very High

Existing Controls and Mitigations

- Pipeline visibility of the capital portfolio – sub-regionally, regionally, nationally
- Working with other councils + NZTA to coordinate and smooth the workload on the market including taking a leading role in the Waikato LASS coordinated infrastructure initiative.
- Portfolio and project planning and execution
- Optimising Council's Procurement Strategy
- Understanding the market
- Identify strategies to be considered when planning – external contracting, internal resource identification
- Stakeholder and relationship management
- Supply chain engagement

Residual Likelihood	Likely	Residual Consequence Driver Social, Cultural and Environment	Major	Overall Residual Risk Rating	Rating Very High

Action Owner		Mitigation	
Chris Barton		Mitigate	
Improvement Plan	**Previous update (September 2019)**	**Update – December 2019**	
• Verbal report to be provided to SRAC	• No commentary provided due to verbal report by	• Verbal report to be provided.	

GM Development	

Strategic Risk 8

High-Level security threat or major emergency

A safety, security or environmental attack materialises and impacts Councils strategic direction.

Risk Owner (GM Level)	David Bryant	Category	Strategy Safety and Security

Risk Triggers

- Physical attack on people at public events or gatherings
- Physical attack on city critical infrastructure – e.g. Waste Water Treatment Plant, Water Treatment Plant, bridges
- Civil unrest – redirection of resources
- Refugee influx of people into the region from another location due to a major event
- Failure to monitor and manage drinking water security and quality
- Chemical attack

Inherent Likelihood		Inherent Consequence Driver Social, Cultural and Environment		Inherent Risk Rating	Rating Very High
	Likely		Major		

Existing Controls and Mitigations

- Regional and National Emergency Service Relationship Management – made up of Elected Members and Executives
- Protective Security Requirements (PSR) Framework – Governance, Personal, Physical, IT
- Key positions and functions within HCC – Chief Security Officer (Executive)
- Communications and Training Strategy – PSR model

Residual Likelihood		Residual Consequence Driver Social, Cultural and Environment		Overall Residual Risk Rating	Rating High
	Unlikely		Major		

Action Owner	Mitigation
Andre Chatfield	Mitigate

Improvement Plan	Previous update (September 2019)	Update – December 2019
• Adoption of the Protective Security Requirement (PSR) framework is to be established, implemented and communicated across Council.	• To support the PSR implementation security risk assessments have been initiated across Council facilities by an external contractor and internal resource. The H3 Group –	• With focus on public events H3's security risk assessment by the international consultant was completed and the report is being reviewed by H3 management. Action

	Seddon Park, FMG Stadium and Claudelands are first focus points due to high density events.	plans are to be established to address gaps identified.
• Identify the Waikato and Hamilton City security and threat environment through key stakeholder relationships.	• As part of the PSR establishment phases Hamilton City's risk profile is being established through key entities within Hamilton. These stakeholders have been identified and some relationships are already being developed. (NZ Police, Central Govt Agencies, Waikato University). Additional entities have been identified and liaison is expected to occur in the coming months (Local Iwi, Hamilton Business Community) in support of the risk profile works being conducted.	• Risk profiling of Hamilton City will be initiated in early 2020 through collaboration discussions with those identified.
• Establish governance level security management policy and standards and guidelines aligned to protective Security Requirements (PSR) standard.	• The internal resource (Organisational Security Manager) has been identified and commenced works 15/07/2019. His function is to establish the governance level of the framework	• The internal resource concluded with Council in October 2019 and this function will now fall to the Risk Manager – risk assessments are underway with public facing businesses (Libraries, Museum, Aquatic Centres and Zoo). Other businesses will follow in next year's work streams. • Note: *A representative of central Government's PSR Group has presented to SLT in October 2019 outlining the steps for establishment and implementation of this security framework. PSR group will provide resource support (at no cost) throughout the work streams as required.*

Organisational Risk

H&S – Workers (incl. contracted workers & volunteer workers)		1
Failure to ensure the health and safety and wellbeing of council staff or workers whose activities are influenced or directed by council, while the workers are carrying out work.		
Risk Owner	David Bryant (GM Corporate)	**Category**	Health & Safety

Risk Triggers

- Poor safety culture and/or behaviours across organisation
- Failing to understand duties and accountability relating to health and safety
- Critical health and safety risks not identified, assessed and mitigated adequately
- Safety Management System (SMS) ineffective or inefficient or implementation failures
- Inadequate contractor management frameworks, including procurement and assurance practices
- Not sharing or acting on information and lessons learnt – internal and external to Council
- Complacency leading to greater risks being taken
- Failure to properly engage with and listen to staff
- Staff under resourcing leading to identified risks not being mitigated appropriately
- Time pressures and or complacency leading to acceptance of high levels of risk

Inherent Risk

LIKELIHOOD	CONSEQUENCE				
	Minor	Moderate	Serious	Major	Catastrophic
Almost certain	H		VH		E
Likely	M	H	VH	VH	
Possible	L	M	H	VH	VH
Unlikely	L	M	M	H	VH
Rare	L	L	L	M	H

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury, illness or death

(B) Risk of other significant incidents as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations

- Prequalification is in place but not always being used appropriately or consistently across Council
- We currently undertake engagement, wellness and safety culture surveys to assess the level of organisational maturity with regard to safety
- We are re-engaging with Health and Safety representatives to reset Committee structures and purpose, after benchmarking and learning from other high performing organisations
- We are leading projects for Waikato Local Authority Shared Services and increasing engagement with similarly diverse organisations
- The safety event triage procedure is ready for implementation as part of the SMS
- Business case is being prepared for the procurement of a more appropriate software solution due to the limitations of our current system – Vault, despite best efforts to re-

- configure and provide extended applications to help modernise and improve user experience
- The governance framework in the SMS will address the level and visibility of leadership

Residual Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L		H	VH	VH
	Unlikely	L	M	M		VH
	Highly unlikely	L	L	L	M	H

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury, illness or death

(B) Risk of other significant incidents (as defined in the Health and Safety at Work Act).

Action Owner		Mitigation
Dan Finn		Mitigate

Improvement Plan	Previous update (September 2019)	Update – December 2019
• A review of the governance levels of the safety management system is to be conducted with PCBU sign off.	• Final draft of the high-level SMS principals and requirements will be forwarded to the Chief Executive and SLT for sign off in August. The supporting frameworks have also been drafted and will be rolled out using a phased approach.	• Verbal commentary will be made by the PSW Manager.
• A review of the Work Well Initiative is to be conducted and implemented across Council in support of staff. Progress is to be reported quarterly till completed and a monitoring regime implemented for reporting to this committee.	• As part of our Work Well initiative, we have identified three areas of focus with action plans being finalised. Our key areas of focus include: - Mental health and Wellbeing - Physical activity - Whanau friendly	• This body of works is still on-going and will be commented on in the full H&S Report by PSW Manager.
• Assurance level reporting is to be conducted and reported with the H&S Report to the Committee and high-level issues are to be identified in this report.	• AUT have delivered a report into the psychosocial hazards and risks/Hamilton Zoo and this reflects our enhanced engagement with business units to improve the health and safety of our staff	• Findings in this report will be discussed in the full H&S Report by PSW Manager.

Organisational Risk

Safety and Wellbeing of the Community		2
Failure to create, provide and maintain a safe environment for the community leading to a serious injury incident or fatality.		

Risk Owner	Lance Vervoort (Deputy CE / GM Community)	Category	People

Risk Triggers

- Poor HCC understanding of the health and safety risks within the facilities and services Council provides and manages
- Failures in safety-in-design planning for our amenities and services provided to the community
- Failure in due diligence on assets purchased for use by the community
- Human error / inappropriate behaviours / criminal behaviour or damage at Council assets
- Complacency leading to greater risks being taken by the community of public safety issues
- Failure to properly engage with and listen to the community
- Failure to act on staff and public information or lessons learned from near misses

Inherent Risk

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H		VH		E
	Almost certain	M	H	VH	VH	
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Highly unlikely	L	L	L	M	H

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury or death

(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Existing Controls and Mitigations

- Emergency management system with response processes i.e. emergency response plans
- Emergency response training drills
- Specific training programmes for staff within facilities and service management
- Subject matter expert support – internal and external
- Incorporated risk assessments and safety in design planning
- Traffic management plan adoption per requirements
- Maintenance and monitoring plans – built green or operational infrastructure
- Communication plans and community education support

Residual Risk (expected rating)

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L		H	VH	VH
	Unlikely	L	M			VH
	Highly unlikely	L	L	L	M	

There is a very strong relationship between the likelihood and severity (consequence) of H&S incidents. The likelihood of minor injuries is much higher than an incident which could result in a death.

(A) Risk of serious injury or death

(B) Risk of other serious harm incidents (as defined in the Health and Safety at Work Act).

Action Owner	Mitigation
3LT – (Rebecca Whitehead, Andre Chatfield)	Mitigate

Improvement Plan	Previous update (September 2019)	**Update – December 2019**
• Identify the complexity of this risk of public to the community and Councils legal responsibilities and liabilities.	• A management deep dive workshop is planned for mid-October with key internal stakeholders to identify all public safety and wellbeing risks across the organisation. The workshop will identify existing controls or gaps within management processes which will generate treatment plans.	• Workshop conducted 17 October 2019 which identified key public safety exposures across Council business units and existing controls and mitigations in place. The information collated has initiated a body of works to address gaps and improve levels of controls and response capabilities. It is not expected to be completed until June 2020
• Design and implement an appropriate monitoring approach (audits and reviews by internal/external parties, and leadership inspections) and reporting framework to ensure oversight and focus on resolving actions.	• The assurance reporting levels have been identified in most areas of the organisation. The deep dive workshop is expected to confirm level of assurance reporting and address gaps identified.	• Assurance reporting levels will be identified as part of the works identified within the workshop, and will be discussed with the internal audit function and GM Corporate as to preferred reporting requirements
• Enhance understanding of key risk scenarios and commonality of critical controls.	• Case studies across NZ Councils is part of the works underway for the deep dive workshop. Rotorua, Napier, Auckland and Taupo are some examples being	• The case studies identified and discussed highlighted areas across Council for management to consider. This will be part of the body of works generated by the

	looked at and discussed during the workshop then tested against HCC management of similar services. Note: A full understanding of this risk has not been analysed to this depth previously and is expected to provide the Deputy CE with a higher level of assurance across the organisation relating to facilities and services provided to the community.	workshop and expected to be completed in June 2020

Organisational Risk

Failure of critical assets *Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).*			3
Risk Owner	Eeva-Liisa Wright (GM City Infrastructure Operations)	**Category**	Financial

Risk Triggers

- Inadequate budget allocated for maintenance and renewal of critical assets
- Incorrect analysis in development of maintenance and renewal requirements
- Poor or incomplete asset data
- Failure to identify all critical assets
- Failure to carry out planned maintenance and renewal of critical asset

Inherent Likelihood		Inherent Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance		Inherent Risk Rating	Rating Very High
	Likely		Major		

Existing Controls and Mitigations

- Asset Management Centre of Excellence is in place to drive organisational consistency of asset management overseen by the GM Development
- Critical asset groups have been identified and management strategies for these assets are documented
- Activity Management Plan (AMP) renewals are fully funded over in the 10-Year Plan Budget and critical assets are given a higher priority for renewal
- Activity Management Plans were internally and externally reviewed to help identify if budgets are adequate
- Infrastructure Strategy is in place to identify significant infrastructure challenges over the next 30 years, and to identify the principal options for managing those challenges and the implications of those options

Residual Likelihood		Residual Consequence Drivers Safety & Wellbeing, Financial, Service Delivery, Compliance Social and Cultural		Residual Risk Rating	Rating High
	Unlikely		Major		

Action Owners	Mitigation	
Paul Gower (Growth and Assets Manager), Maire Porter (City Waters Manager), Jason Harrison (Transportation Manager)	Mitigate	
Improvement Plan	**Previous update (September 2019)**	**Update – December 2019**
• Identification of all critical assets and recording data in an asset management system (IPS and RAMM)	• Initial workshops with City Waters team have been conducted to categorise criticality. Schedule of completion is expected end of financial year (June 2020)	• Schedule of completion is still on target
• Capital projects improving critical asset capacities and moving to an N+1 (redundancy)	• Maintenance and monitoring programme are established at operational levels and includes public notifications received at council. This is deemed BAU	• On-going as part of BAU with no adverse changes to report

APPENDIX A – RISK RATING AND REPORTING

The following tables provide the limits within Hamilton City Council's overall risk threshold which the organisation is expected to operate within and expected responses for each level of risk.

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Highly unlikely	L	L	L	M	H

This matrix is used to map the likelihood and consequence levels of a risk and provide a pictorial representation of the relativity of that risk to other risks within an Activity Group or Project and can also be used for mapping key risks across Hamilton City Council.

Action Required Table
The following table details the required actions for each risk:

ACTION REQUIRED FOR RISK	
E	**Extreme Risk** – Immediate action required: risk escalated as appropriate. Action Plans and management responsibility specified with scrutiny required. Only the Chief Executive and/or Council can accept this level of risk.
VH	**Very High Risk** – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.
H	**High Risk** – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant General Manager (GM), sponsor, risk manager and programme manager can accept this level of risk.
M	**Medium Risk** – Management responsibility specified. Managed by specific monitoring and procedures. The relevant programme, unit manager or risk manager can accept this level of risk.
L	**Low Risk** – Manage by routine procedures. Unlikely to require specific application of resources. The relevant activity manager can accept this level of risk.

APPENDIX B – RISK REVIEW TABLE

The following table details the required level to which the different risk levels must be reviewed.

RISK LEVEL	ORGANISATIONAL RISKS	REVIEW PERIOD	PROJECT RISKS	REVIEW PERIOD
Extreme	Council	Monthly	Council	Per Project Plan
	Senior Leadership team	Monthly	Programme Manager Project Sponsor	Per Project Plan
Very High	Council	Monthly	Programme Manager Project Sponsor	Per Project Plan
	Senior Leadership Team	Monthly		
High	Senior Leadership Team	Quarterly	Programme Manager Project Sponsor	Per Project Plan
Medium	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan
Low	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan

Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.

By using this matrix, a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reviewed.

APPENDIX C – RISK REPORTING TABLE

The following table details the required level to which the different risk levels must be reported

RISK LEVEL	ORGANISATIONAL RISKS	REPORTING PERIOD	PROJECT RISKS	REPORTING PERIOD
Extreme	Council	Audit and Risk quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
Very High	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
High	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
Medium	Senior Leadership Team	Monthly	Programme Manager	Monthly
	Wider Leadership Group*	As required		
Low	Senior Leadership Team	Monthly	Programme Manager	Monthly
	Wider Leadership Group*	As required		

Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.

By using this matrix, a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reported.

Council Report

Item 8

| Committee: | Strategic Risk and Assurance Committee | Date: | 11 December 2019 |

Author: Kelvin Powell

Authoriser: Jen Baird

Position: Unit Manager City Safe

Position: General Manager City Growth

Report Name: Hamilton City Council Civil Defence Emergency Management Capability Assessment Report 2019

| Report Status | *Open* |

Purpose

1. To inform the Strategic Risk and Assurance Committee on the results of the external 2019 Civil Defence Emergency Management Capability Assessment.

Staff Recommendation

That the Strategic Risk and Assurance Committee receives the report.

Attachments

Attachment 1 - Final Hamilton City Council - CDEM Capability Assessment Report - 2019.pdf .

Hamilton City Council

Civil Defence Emergency Management

Capability Assessment Report

July 2019

Hamilton City Council

1

Contents

Executive Summary

The aim of this report is to detail the current state of Civil Defence Emergency Management (CDEM) capability for Hamilton City Council as part of the Waikato CDEM Group monitoring and evaluation (M&E) process covering all Objectives and Key Performance Indicators (KPIs) for the Goals and Enablers as part of the National CDEM Strategy[1].

This report has been produced post review of Hamilton City Council (HCC) and Waikato CDEM Group information and documentation requested in June and July 2019, in conjunction with information obtained through the conduct of interviews with key staff within Hamilton City Council in July 2019. These sources of information are the only sources of information that inform this report.

This report has been developed utilising the Objectives, KPIs and performance measures for CDEM Goals and Enablers detailed as part of the national CDEM Capability Assessment process.

The overall rating is based on the weighted rating of the KPIs and Objectives for each Goal and Enabler.

The Hamilton City Council overall score of **70.9%** is a direct result of the hard work, commitment and continued investment in CDEM capability. This score identifies the Hamilton City Council as having an advancing capability.

There are areas across all the CDEM Goals and Enablers that have been identified as areas for improvement and areas of strength for Hamilton City Council.

There have been some standout areas in CDEM capability for HCC. The strengths in CDEM capability for HCC can directly linked to the current Service Level Agreement (SLA) with GEMO for the delivery of CDEM arrangements[2]. These strengths include HCC's recognition of the importance of CDEM and positive CDEM culture. The key drivers in the CDEM culture change has been the Local Controller's (City Safe Manager) dedication and contribution; and continuity of support through the SLA arrangements. The Public Information Management (PIM) team and development of community relationships remain strengths. Other strengths include the significant work has also been completed to improve public education and recovery arrangements; and the further development of Emergency Operations Centre (EOC) capability.

There are several areas for improvement detailed in this report which are also highlighted in the recommendations of this report, including the development of a more structured approach to community engagement; enhancement of risk reduction analysis; and the prioritisation of CDEM training; and exercising of both CDEM and BCM of which both are scheduled to occur later in 2019.

There are a total of **twenty-four (24)** recommendations for consideration across all CDEM Goals and Enablers.

HCC's current projected path with CDEM, in consideration of the recommendations in this report, should meet with continued improvement in the future. CDEM capability is on track in the future to advance to a mature level of CDEM capability.

---

[1] National Civil Defence Emergency Management Strategy 2007
The 2007 (old) Strategy has been utilised to ensure the Waikato CDEM Group is able to compare results with previous M&E reports
[2] Waikato Regional Council and Hamilton City Council Service Level Agreement, Provision and Management of Hamilton City Council CDEM Activity, 30 September 2016

3

Hamilton City Council

Introduction

The aim of this report is to detail the current state of CDEM capability for Hamilton City Council as part of the Waikato CDEM Group M&E process covering all Objectives and KPIs for the Goals and Enablers as part of the National CDEM Strategy[3].

The Waikato CDEM Group requested that an out-of-programme CDEM M&E process be conducted. This is to provide an evidence-based snapshot of current progress benchmarked against previous CDEM M&E processes conducted for the Waikato CDEM Group. The conduct of this out-of-programme CDEM M&E will used to inform the review of the Waikato CDEM Group Plan. This M&E process has been conducted independently, but in conjunction with the Ministry of Civil Defence & Emergency Management (MCDEM): Regional Emergency Management Advisor, Suzanne Vowles.

This report has been produced post review of HCC and Waikato CDEM Group information and documentation requested in June and July 2019, in conjunction with information obtained through the conduct of interviews with key staff within HCC in July 2019. The 2018 CDEM Capability Assessment Report for Hamilton City Council[4] has been utilised to draw conclusions and comparisons on current CDEM capability. These sources of information are the only sources of information that inform this report. This report has been drafted with moderation through the MCDEM.

Scope and development

This report has been developed utilising the Objectives, KPIs and performance measures for CDEM Goals and Enablers detailed as part of the national CDEM Capability Assessment Tool.

The CDEM Goals form part of the National CDEM Strategy. Each Goal and Enabler is categorised into Objectives and then KPIs with performance measures. An assessment rating at KPI and Objective level has been utilised to assess current Hamilton City Council CDEM capability. There are some KPIs that have not been rated for the purpose of this report due to their relevance, however these KPIs are still detailed due to their inclusion in the overall CDEM Capability Assessment process. The overall rating is based on the weighted rating of the KPIs and Objectives for each Goal and Enabler.

A number interviews were conducted with key personnel with direct accountabilities and responsibilities for CDEM at Hamilton City Council, to enable an evaluation of the current state of CDEM for Hamilton City Council to be made. Several group-interviews were also conducted. A summary of all the interviewees is detailed in Appendix 1.

A summary of all the documents and information reviewed as part of this review are detailed in Appendix 2 to this report. Only the documents detailed in Appendix 2 have informed this report.

---

[3] National Civil Defence Emergency Management Strategy 2007
The 2007 (old) Strategy has been utilised to ensure the Waikato CDEM Group is able to compare results with previous M&E reports
[4] Hamilton City Council CDEM Capability Assessment Report, April 2018

4

Hamilton City Council

For each of KPI and associated measures, the CDEM Capability Assessment Scoring Guide has been used. The six level coloured scale links directly to a "frequency scale of never, infrequently, sometimes, often, mostly and always (See Figure 1).

Score	Frequency scale	Achievement scale	Arrangements scale
NO (0%)	Never	Not achieved, no progress, no sign of forward action	No arrangements in place
20%	Infrequently	Minor progress, with few signs of forward action in plans or policy	Arrangements are either old, in the early stages of development, or have considerable doubts about their
40%	Sometimes	Some progress, but without systematic policy and/or organisational commitment	Some work completed but requires further work to develop, test, verify and/or embed in the organisation
60%	Often	Organisational commitment attained or considerable progress made, but achievements are not yet comprehensive of needs or requirements	Informal and/or untested arrangements in place, but with a high degree of confidence they will be effective, OR, formal and/or tested arrangements but with further work
80%	Mostly	Substantial achievement but with some recognised limitations in capacities, capabilities and/or resources	Formalised arrangements, tested, mostly effective, mostly reliable, and largely embedded within the organisation
YES (100%)	Always	Comprehensive achievement with sustained commitment and capacities at all levels	Formalised arrangements, tested, effective, reliable, and embedded within the organisation

Figure 1: Scoring Guide

This scale also links to the attributes of developing, advancing and mature with reference to the CDEM Capability Assessment Report: Part 1, August 2012 (See Figure 2).

unsatisfactory	developing		advancing	mature	
0 – 20%	21 – 40%	41 – 60%	60 – 80%	81 – 90%	90 – 100%

Figure 2: Developing, advancing and mature score percentages

The key descriptors are:

- 'Developing' organisations are said to practice traditional 'civil defence', with a focus on facilities, staffing, equipment, and procedures. These organisations comply with the CDEM Act – minimally; they rely on individuals, are reactive to needs, and CDEM usually struggles for resources and priority.
- 'Advancing' organisations are said to practice 'emergency management', with a mix of internal capability building, and externally facing programmes. These organisations comprehensively implement the requirements of the CDEM Act, with a range of programmes becoming coordinated within the organisation.
- 'Mature' organisations are said to practice more holistic 'public safety', with a focus on strategic community resilience building. These organisations go beyond the CDEM Act into acting for 'public good'. Their processes and procedures are systemic, and CDEM is integrated within and across organisations.

5

Hamilton City Council

General Observations

The complete shift in prioritisation and development of CDEM capability for HCC in recent years is impressive. There is an excellent CDEM team in HCC which includes the CDEM professional staff, HCC staff appointed CDEM positions (Local Controllers, Recovery and Welfare Managers) and staff identified in other CDEM and Emergency Operations Centre (EOC) function roles. In addition to the core CDEM team, senior management and elected members have supported this change with recognition that there are hazards that will directly affect Hamilton City and the requirement to have effective capability to respond. The prioritisation and development of CDEM capability has also enhanced CDEM culture. There is a willingness and 'can-do' attitude of HCC staff beyond their business-as-usual roles (BAU) to assist in the development of CDEM capability. There is now an energy in HCC with reference to CDEM.

One of the key drivers in the CDEM culture change has been the primary Local Controller's (City Safe Manager) dedication and contribution to the positive atmosphere for CDEM. The Local Controller is still considered the 'centre of gravity' in the development of CDEM capability for HCC. The Local Controller has continued to work in the organisation to promote and embed CDEM in HCC with a focus on identifying the right people to be part of the HCC CDEM team and succession planning beyond to add redundancy in these roles. Having the right staff involved in CDEM contributes to successful development of CDEM capability. The development in CDEM capability is also as a result of the continuity of CDEM support to HCC under the SLA arrangements[5] with the GEMO, through the CDEM professional staff. Although there has a steady turnover of CDEM professional staff for various reasons, having the SLA in place has resulted in a consistency in CDEM service regardless of staff shortfalls. The dedication and professionalism of the CDEM staff in conjunction with a regular physical presence in HCC, alongside the establishment of key relationships within council, has further embedded CDEM within council BAU practice.

The rewrite of the Hamilton CDEM Local Plan[6] supports the revitalisation of CDEM for HCC, with clear alignment to the Waikato CDEM Group Plan; other Group-level guidance documents; and HCC's purpose 'to improve the wellbeing of Hamiltonians'. There has been a suite of CDEM related documents (strategies, plans and guidelines) produced at both Group and local level to support CDEM capability. These CDEM documents are still in various stages of draft and review status. The management of these documents for review, consultation and a formal sign off process, and then identification of a subsequent review schedule, will be key for the continued viability of these documents to further development of HCC CDEM capability.

Development of CDEM capability is evolving beyond HCC and into the community. Of note is the establishment of relationships with Iwi Maori providing a model for engagement beyond council boundaries giving weight to a more regional focus. Formal establishment of an Emergency Management Group for Hamilton City recognises development of CDEM capability in partnership with the emergency services and other agencies that may provide significant resources in event response. The development of these relationships has strengthened CDEM culture for Hamilton City.

---

[5] Waikato Regional Council and Hamilton City Council Service Level Agreement, Provision and Management of Hamilton City Council CDEM Activity, 30 September 2016
[6] Hamilton CDEM Local Plan

6

Hamilton City Council

Goal One — Increasing community awareness, understanding, preparedness and participation in CDEM.

This section of the report focuses on the following activities;

- Public education, awareness and preparedness
- Public information management
- Community resilience

- Investing in communities and developing social capital
- Volunteer programmes
- Promulgation of hazard risk information to communities.

2019				**67.7**	
2018			**57.0**		
	unsatisfactory	*developing*	*advancing*	*mature*	

The overall score for Goal 1 is 67.7% which reflects an advancing capability. Organisational commitment has been attained and considerable progress has been made. There has been a significant improvement of 10.7% when scores are compared from the 2018 CDEM capability review score of 57%.

Goal 1: To increase community awareness, understanding, preparedness and participation in CDEM

	Weighted Score by Key Performance Indicator	HCC Score 2019
G1A-1	Public education programme on hazards and risks is planned, coordinated and given priority by the organisation	57.8
G1A-2	Awareness-building opportunities are proactively pursued	72.9
G1A-3	Public information management is planned, coordinated and given priority by the organisation	94.0
G1A-4	Public information manager is appointed and resourced to be able to do the job	94.9
G1B-1	A deliberate, strategic, and coordinated approach to community resilience is taken	60.0
G1B-2	Community resilience and related programmes are monitored and reviewed	60.0
G1B-3	The preparedness message is disseminated using multiple methods	78.3
G1C-1	Communities are supported to enhance their capacity and capability	60.0
G1C-2	Social capital is invested in as a method of enhancing community resilience	64.0
G1C-3	Volunteer participation in CDEM is supported and encouraged	68.6
G1D-1	Information on hazards and risks is readily available to the public	60.0
G1D-2	Community input on hazard risk management is sought, and 'acceptable levels of risk' defined	40.0
	Weighted Score by Objective	
G1A	Increase the level of community awareness and understanding of the risks from hazards	79.2
G1B	Improve individual and community preparedness	66.4
G1C	Improve community participation in CDEM	63.6
G1D	Encourage and enable wider community participation in hazard risk management decisions	50.0
	Weighted Score by Goal	
G1	To increase community awareness, understanding, preparedness and participation in civil defence emergency management	67.7

Table 2: Goal 1 scores by Key Performance Indicator and Objective

Hamilton City Council

General – Current State

Public education

The conduct of public education activities has been both reactive and proactive; and integrated into community engagement activities. The HCC CDEM team have been involved in regular public education activities including the HCC 'know your neighbourhood' events, multiple expo-type events around Hamilton and utilising broader CDEM promotional activities (Exercise Shakeout) which are utilised as the basis for CDEM information and messaging to the public.

HCC has adopted the Waikato CDEM Group Community Engagement Strategy[7] which includes the broad strategy for public education. In alignment to the Group Community Engagement Strategy, HCC consideration for the development of a Public Education Programme to formalise all public education activities would provide coordination and forward planning for this component of CDEM capability.

Considerable work to update the CDEM information available to the general public via the HCC website on a CDEM webpage has been completed. Hazard information is now linked to the Waikato CDEM Group Plan hazardscape and there are also some more specific links to flood hazard areas providing more relevant hazard specific information for the general public in Hamilton City's area.   There are also links to preparedness and other websites of relevance including the Waikato CDEM Group. What is pleasing to note is the priority of CDEM in relation to other HCC services. CDEM is highlighted in a small number of HCC services on the main HCC website. This highlights the emphasis that the organisation with reference to CDEM and importance to the public.

Public information management

Public information management (PIM) though the HCC Communication Team continues to be a strength for HCC CDEM capability. Trained and experienced PIM staff in the HCC Communications Team provide a high level of capability. Staff in the Communications Team can provide a wide-range of communications capability to support the PIM capability, including digital and social media expertise. HCC PIM staff have been deployed to support event response in other regions and exercises at the local level over the past 12 months. The Communications Team have also supported a number of public education initiatives in conjunction with the HCC CDEM staff where CDEM has been included in other council activities, including neighbourhood events. Three council-led 'know your neighbourhood' events with approx. 2,500 people in total attending have been conducted in 2019 with a fourth event planned for August 2019. The HCC Communications Team also supports CDEM in BAU through social media and other education campaigns both externally and internally for HCC staff (eg. Earthquake preparedness).

---

[7] Waikato CDEM Group Expanded Community Engagement Strategy 2019

The HCC Communications Team continues to effectively utilise a PIM pack of information as a PIM Plan which includes the Waikato CDEM Group PIM Plan, contact lists, templates for Media Releases, Advisories, Status Reports and Communication Plan; Checklists; and social and online media passwords. This PIM pack has been utilised effectively to inform Communication Team staff in response to an emergency or event. This PIM pack is used to induct new staff in the HCC Communications Team. It was evident that the HCC Communications Team takes the PIM role seriously and understands the importance and responsibility of the CDEM role that they have. The HCC Communications team have well established networks with other partner agencies and media and share other agency messages of relevance to HCC. The importance of the PIM role and training has been promoted outside of the usual PIM channels with the recent inclusion of a local journalist on the PIM course to gain that shared understand of the role and messaging that can be provided in response. The inclusion of external journalism staff in PIM training is considered an excellent initiative in relationship building and potentially enhancing PIM capability 'outside of the box'.

A Media Management Policy[8] and Social Media Management Policy[9] are in place for HCC. These organisational policies also support PIM capability and actions across the '4Rs'.

Community Resilience

Community profile information is available on the HCC website[10] on communities in the HCC area of responsibility with communities defined based geographically and a Community Ethnic Profile has also been developed which includes information on European, Maori, Pacific Islander, Asian, Middle Eastern, African and Latin Americans. A programme of Community Network meetings is also published. Community Network meetings are designed to give local agencies and citizens the opportunity to network with others working and living in their area and hear of activity that is occurring. There are also Community Network Meetings for the New Settlers Focus Group (New Settlers in Hamilton City). These Community Network meetings would be an excellent forum to also engage with communities on CDEM and community response planning. It is the future intent to develop a plan for community resilience which will include CDEM utilising the existing community profiles.

There are established links between the HCC Community Development Team and CDEM professional staff, but the further development of these relationships have not progressed as planned over the last 12 months mainly due to the CDEM professional staff member with the Community Engagement portfolio being seconded to the Group Emergency Management Office (GEMO) for over six months. It is recognised that community engagement practices require coordination and a joint-approach from both the Community Development Team and CDEM staff. A member of the Community Development Team was seconded to work with the CDEM staff whilst the CDEM professional staff member was seconded to GEMO. This Community Development Team member strengthens the relationship between both parties and assist in progressing a joint-approach to engagement activities with a more in-depth understanding of both teams. Social capital does exist through council community development BAU activities, but the social capital link between council BAU and CDEM community engagement also still requires further development.

---

[8] Hamilton City Council Media Management Policy (Organisation), March 2018
[9] Hamilton City Council Social Media Management Policy (Organisation), March 2018
[10] Hamilton City Council website: Community Development

9

Hamilton City Council

Although the main CDEM professional staff member with the Community Engagement portfolio being seconded to GEMO, CDEM community engagement activities have continued over the past 12 months covering the broad spectrum of community groups and organisations around the Hamilton area and beyond, guided by the Waikato CDEM Group Community Engagement Strategy[11]. A continued strength in community engagement activities has been the building of sustainable relationships with Iwi Maori. The key focus remains on iwi boundaries as opposed to HCC boundaries with community engagement support the Waikato CDEM Group, not just HCC.

The development of community response plans are in progress for some community groups with a focus of communities owning their planning with support from HCC CDEM staff. It is recognised that a more structured approach to community engagement and community response planning is required, in conjunction with an 'whole-of-council' centralised approach. Although the Waikato CDEM Group Community Engagement Strategy[12] has been adopted, there is a requirement to develop a strategy and programme for community engagement focused on HCC to ensure a clear prioritised approach to community engagement activities that can continue regardless of the CDEM staff changes. A 'whole-of-council' centralised approach with a programme of engagement will ensure robust community engagement and redundancy due to the involvement of both Community Development and CDEM staff.

Volunteer participation, coordination and management

Volunteer participation in CDEM for HCC is supported through the Waikato CDEM Group[13] utilising Volunteering Waikato. It is recognised that there is a Group-wide focus on centralising the management of volunteers. Although this guidance for the management of volunteers is in place at the Group level, there is still requirement for a local level process that links to the Group processes. Via the HCC website, CDEM webpage there is a link to 'Volunteering' and general Waikato CDEM Group guidance for volunteers, but what is missing is who to contact and any referral processes. Processes for the management of volunteers (spontaneous volunteers) at the local level does not need to be extensive, but a documented process with contact details and referral should alleviate confusion and provide a process where all enquires are valued and followed-up.

A HCC Volunteer Coordinator has been supporting the GEMO on the development of Group level guidance and resources for volunteers. It is recognised that screening of spontaneous volunteers is still an area of planning for volunteer management that requires further work. Overall, there has been significant progress made in this function through the development of the suite of documents included in the Waikato CDEM Group Volunteer Management Manual. How these Group-wide processes link to local processes to cater for volunteer enquires is a gap that requires planning.

---

[11] Waikato CDEM Group Expanded Community Engagement Strategy 2019
[12] Waikato CDEM Group Expanded Community Engagement Strategy 2019
[13] Waikato CDEM Group Volunteer Management Manual

10

Hamilton City Council

Areas of strength

Public information management

The PIM function in HCC remains a strength in HCC CDEM capability providing a multi-specialist suite of expertise for both internally HCC staff communications and broader external communications campaigns to the public. The HCC Communications Team take the PIM role very seriously an ensure that effective training on PIM plans and processes conducted for all their team. The relationships between the Communications Team and CDEM staff and also the relationships with partner agencies and media remain strong. It was recognised that there is a requirement to ensure that all PIM staff continue to upskill to ensure they are proficient in a range of skill sets beyond the more traditional PIM role, with emerging technologies including digital and social media platforms. There should be a confidence that the PIM capability can operate effectively in response with professionalism due to the current level of experience and procedures in place; and recognition that a PIM capability beyond the traditional skill set is now more the norm.

Community Resilience

The work effort on community engagement activities and strengthening of relationships with Iwi Maori is to be commended. This work is of benefit to HCC and the CDEM Group due to the key focus on iwi boundaries as opposed to HCC boundaries. The inclusion of principles and best practice in the Waikato CDEM Group Community Engagement Strategy would ensure that the work being conducted is documented and shared to the wider Waikato CDEM Group and beyond to other CDEM Groups.

Public Education

The work that has been completed to improve hazard and CDEM information to the public via the HCC website is to be highlighted. It is obvious that there has been considerable work effort to improve the information gap. Information is now more accessible with easy to follow links. The priority of CDEM as part of the main HCC webpage is also to be noted and emphasises the priority that HCC is placing on CDEM overall. The next steps in enhancing this component is including further hazard-specific information for Hamilton City linking hazard research.

Areas for improvement

Volunteer participation, coordination and management

It is recognised that volunteer participation in CDEM for HCC is supported through the Waikato CDEM Group[14] utilising Volunteering Waikato. There is still requirement for this Group level guidance to link to a local level process for the management of volunteers (spontaneous volunteers) with contact details and referral. Developing a local process should alleviate confusion and provide a process where all enquires are valued and followed-up. There are various models and website examples of management of spontaneous volunteer queries at the local authority level that should be considered for HCC.

Community resilience

A more structured approach to community engagement and community response planning is required, in conjunction with an 'whole-of-council' centralised approach to capitalise on the good work that is currently being conducted in this space. HCC would benefit from the development of strategy and programme for community engagement focused on HCC, with alignment to the Waikato CDEM Group Community Engagement Strategy[15] to ensure a clear prioritised approach to community engagement activities.

Recommendations

The following recommendations are made for consideration and inclusion in the HCC 2019/ 2020 Work Programme:

- Development of a HCC Public Education Programme with alignment to CDEM Group guidance.

- Development of a HCC Community Resilience Strategy and Programme with alignment to Group level guidance.

- Further coordination between CDEM professional staff and BAU HCC Community Development Team for development of CDEM community resilience and social capital.

- Further development of the relationships between HCC CDEM and Community Development Team for a 'whole or council' integrated approach to community engagement activities.

- Development of a HCC process for management of spontaneous volunteers with alignment to Group level guidance.

- Ensure that Iwi/ Maori engagement practices are incorporated into Group level strategies and guidance.

---

[14] Waikato CDEM Group Volunteer Management Manual
[15] Waikato CDEM Group Expanded Community Engagement Strategy 2019

12

Hamilton City Council

Goal Two: Reducing the risks from hazards

This section of the report focuses on the following activities;

- Emergency management research
- Hazard risk research and analysis
- Risk assessment
- Risk reduction programmes
- Hazard risk monitoring.

2019			58.1		
	unsatisfactory	developing		advancing	mature
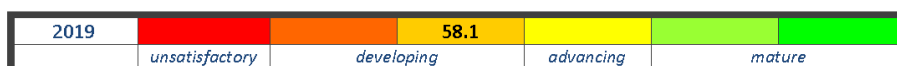
The overall score for Goal 2 is 58.1% which reflects a developing capability. Some work has been completed, but further work to develop, test and embed into the organisation is required. This M&E process includes assessment and reporting on Goal 2 for the first time and there are no previous scores available for comparison.

Goal 2: To reduce the risks from hazards to New Zealand		HCC Score 2019
Weighted Score by Key Performance Indicator		
G2A-1	EM research is undertaken, assessed, and analysed	50.0
G2A-2	EM research is applied	48.0
G2B-1	Hazard risks are understood through ongoing research	66.7
G2B-2	Hazard risks are analysed to determine local impact	64.3
G2B-3	Hazard risk information informs organisational plans, priorities, and expenditure	60.0
G2C-1	Viable risk reduction options are identified, evaluated, and used to inform planning	63.3
G2C-2	Implementation of risk reduction programmes is inclusive and coordinated	48.0
G2C-3	Hazards, vulnerabilities, and risks are monitored on an ongoing basis	50.0
Weighted Score by Objective		
G2A	Improve the coordination, promotion and accessibility of CDEM research	49.0
G2B	Develop a comprehensive understanding of New Zealand's hazardscape	63.7
G2C	Encourage all CDEM stakeholders to reduce the risks from hazards to acceptable levels	54.5
Weighted Score by Goal		
G2	To reduce the risks from hazards to New Zealand	58.1

Table 3: Goal 2 scores by Key Performance Indicator and Objective

General – Current State

Emergency management research

There is recognition of the value of emergency management research to inform HCC CDEM strategies, plans and work programmes. There has been a focus on the collation of qualitative and quantitative data through the conduct of CDEM community engagement and public education activities. This data and further research is being utilised to inform HCC CDEM strategies for an evidence based approach. HCC does collaborate with research and science agencies to inform CDEM policy and planning to some degree. Further work needs to be conducted on how research informs CDEM planning.

Hazard risk research

HCC does have a very good understanding of the local hazardscape and the risks associated with this hazardscape. The M&E interview process highlighted that were examples of where further risk research had been undertaken, relating to liquefaction and flooding. Developing a comprehensive understanding of the HCC hazardscape and promoting hazard risk awareness to communities is also detailed as part of the HCC CDEM work programme[16]. HCC has an awareness of most hazard risks and residual risks impacting HCC. Currently analysis of research is conducted through utilisation of external consultants which brings limited consistency for HCC. The integration of internal analysts to support HCC hazard risk research and application would ensure a regular consistent service that would include consistent knowledge of HCC systems and processes.

Risk reduction

Risk reduction as a result of hazard research is recognised across business units in HCC. HCC are beginning to understand the residual risks that face Hamilton City in the wide-ranging hazardscape of the Waikato region. There are indirect links between risk reduction and council planning for Hamilton City. Risk reduction options are evaluated against risk reduction principles, but there are limited processes in place to engage with the community in defining acceptable risk. Growth planning does consider some risk reduction but formal processes, particularly incorporating an emergency management lense require further development. There are no identified linkages between council planning and CDEM staff.

---

[16] Hamilton City Council CDEM Work Programme 2018-2019

14

Hamilton City Council

Areas of strength

<u>Hazard risk research</u>

There is recognition and an awareness of most hazard risks and residual risks impacting HCC. This awareness is part of the overall CDEM culture change. HCC does have a very good understanding of the local hazardscape and the risks associated with this hazardscape and are beginning to understand the residual risk associated with the broader Waikato region hazardscape and the impact that these risks may also have on HCC.

Areas for improvement

<u>Hazard risk research</u>

There is currently a lack of internal expertise in analysis and application of hazard risk research. Analysis of research is conducted through utilisation of external consultants which is expensive and provides no consistency in analysis for HCC. HCC 'buys' analyst capability at present. The review of analyst options for hazard risk research would provide a regular consistent service that would include consistent knowledge of HCC systems, processes and their application.

The link of hazard risk research and hazard data to the public also requires improvement. There are some referral to Hamilton City hazard-specific information via the HCC website, but these links could be improved to include further hazard data affecting properties in Hamilton City based on commissioned hazard research.

Recommendations

The following recommendations are made for consideration and inclusion in the HCC 2019/ 2020 Work Programme:

- Further development of emergency management research in future CDEM planning and work programmes.

- Review of analyst options for in-house analysis and application of hazard risk research.

- Further development and linking of hazard risk research and Hamilton-City specific information which is easily accessible to the public.

15

Hamilton City Council

Goal Three: Enhancing capability to manage emergencies

This section of the report focuses on the following activities;

- Capability development and exercising
- CDEM planning
- Collaboration and cooperation
- Exercises
- Emergency operation centres
- Warning systems

- Multi agency communications
- Controllers
- Critical resources and logistics
- Local welfare

2019				**78.0**	
2017			**61.0**		
	unsatisfactory	*developing*	*advancing*	*mature*	

The overall score for Goal 3 is 78% which reflects an advancing capability. There are arrangements that are yet to be tested, but there is a high degree of confidence that they will be effective. There has been a significant improvement of 17% when scores are compared from the 2018 CDEM capability review score of 61%.

Goal 3: To enhance New Zealand's capability to manage civil defence emergencies		
Weighted Score by Key Performance Indicator		**HCC Score 2019**
G3A-1	Capability development strategy and programmes are developed according to organisational needs	69.0
G3A-2	Capability development programmes are comprehensively implemented and evaluated	71.1
G3A-3	Exercising is effective in improving capability	91.1
G3A-4	Exercising is integrated across organisations and levels	55.5
G3B-1	Local CDEM planning is integrated and aligned across agencies	80.0
G3B-2	CDEM Group member agencies work together cooperatively and collaboratively	N/A
G3B-3a	Emergency operating centres (EOC/ECC) have appropriate facilities	88.6
G3B-3b	Emergency operating centres (EOC/ECC) are staffed adequately	78.9
G3B-3c	Emergency operating centres (EOC/ECC) are resourced and operated efficiently	81.3
G3B-4	Warning systems are in place and are maintained and effective	96.3
G3B-5	Communication with partner agencies is able to be maintained in an emergency	92.0
G3B-6	Controllers are able to provide effective leadership	93.8
G3B-7	Critical resources can be sourced rapidly in response to an emergency	52.0
G3B-8	Logistics processes are in place to manage resources effectively in an emergency	40.0
G3B-9a	Group welfare planning is comprehensive and coordinated	N/A
G3B-9b	Local welfare planning is comprehensive and coordinated	65.6
G3B-9c	Welfare is able to be provided to affected communities in a timely, effective manner	72.0
G3B-10	Lifeline utilities are coordinated in response	N/A
Weighted Score by Objective		
G3A	Promote continuing and coordinated professional development in CDEM	75.4
G3B	enhance the abiliyt of CDEM Groups to prepare for and manage civil defence emergencies	78.5
Weighted Score by Goal		
G3	To enhance New Zealand's capability to manage civil defence emergencies	78.0

Table 3: Goal 3 scores by Key Performance Indicator and Objective

General – Current State

Capability Development Strategy

There is no specific overall Capability Development Strategy for HCC, but capability development is captured in the HCC CDEM Work Programme[17]and subsequent HCC plans[18]. The Waikato CDEM Group Training and Exercising Strategy[19] has also been adopted by HCC. The HCC Work Programme details projects underway to enhance CDEM capability including CDEM training for HCC staff, public education, community engagement, sustainment of EOC response and welfare Civil Defence Centre (CDC) review and planning.

Exercises and training

The commitment and focus on training for HCC staff has continued. The conduct of training for HCC staff has included Integrated Training Framework (ITF) courses and Coordinated Incident Management System (CIMS) training coordinated at GEMO level; and initial Emergency Operations Centre (EOC) familiarisation and CIMS function specific training. A programme of ITF training for the Waikato CDEM Group[20] and a HCC Exercise Schedule[21] incorporating these training activities has been implemented. HCC have participated in a New Zealand Police-led Exercise Rauora which was a multi-agency exercise. In conjunction with this exercise, HCC exercised the set-up of a Civil Defence Centre (CDC) at Claudelands Event Centre supported key partner agencies. The CDC component of the exercise tested registration and needs assessment processes and involved over 60 role players. A Tier 2 exercise in conjunction with Waikato District Council and the Group Emergency Coordination Centre (GECC) is to be conducted in September 2019.

A significant number of HCC staff have had CDEM training in some capacity over the last 12 months, with over 100 HCC staff completing a range of CIMS and ITF courses.[22] The M&E interview process highlighted the requirement for succession planning to ensure redundancy in CIMS functions and training focused on ensuring that there are adequate staff trained in all CIMS function teams. The challenge of maintaining appropriate levels of trained staff was also highlighted due to the churn of staff. Staff churn has been acknowledged hence the focus on succession planning. Whilst succession planning was being conducted, there was still some resistance from managers to release identified staff for training. There was a willingness of staff to complete training, the priorities of BAU were still competing with CDEM training requirements.

It was recognised that training was a priority and focus, giving HCC staff the opportunity to gain experience beyond training was also required. Some HCC staff have deployed to other regions to assist in response to events in order to gain a level of operational experience. The creation of opportunities for staff in key IMT roles to gain experience through their participation in support to the response of other events around New Zealand is an area that the Local Controller (City Safe Manager) actively seeks for HCC staff and recognises the value of these experiences in enhancing CDEM capability for HCC.

---

[17] Hamilton Coty Council Work Programme 2018/2019
[18] Hamilton City Council CDEM Training and Exercise Plan 2018-2019 – 2019/2020
[19] Waikato CDEM Group Training and Exercising Strategy (draft)
[20] Waikato CDEM Group ITF training dates
[21] Hamilton City Council CDEM Training and Exercise Plan 2018-2019 – 2019/2020
[22] Hamilton City Council Database – CDEM Training Staff 2019

17

Hamilton City Council

Emergency Operating Centre

There is an updated HCC Initial Response Plan[23] and the updated Emergency Operating Centre (EOC) Operational Guidelines[24] (SOPs).   Both documents provide very detailed procedures to support initial activation and EOC response arrangements for HCC.   The EOC Operational Guidelines also detail checklists and tasks for EOC functions and key positions for activation, initial response actions, response and transition to recovery.

The primary HCC EOC is located in the new Genesis Energy Building and is co-located with the CDEM Group Emergency Coordination Centre (ECC). The EOC layout allows for designated areas for CIMS functions with planning for a scalable response.   An alternate EOC has also been confirmed with the Duke Street facility. Testing of the Duke Street alternate EOC has been conducted to ensure that the site is 'fit for purpose' as an alternate EOC site including confirmation of effective communications (wifi and radio) and an alternate power capability. There is a confidence the physical primary and alternate EOC sites provide effective EOCs to enable a robust response.

There has been continued to be further turnover of HCC CDEM staff over the past 12 months as a result of secondments to GEMO and staff leaving. However, the continuity of CDEM support to HCC has continued under the Service Level Agreement arrangements[25] with the GEMO still providing support and other HCC staff being seconded to backfill CDEM staff. But some advances in CDEM capability were not conducted at the rate originally predicted as a result of staff turnover and changes.

HCC are confident that there are now adequate HCC staff trained to sustain EOC response over three shifts on a 24/7 basis. There is now a confidence that there are the trained staff to fulfil CIMS functional roles and HCC staff are allocated CIMS functional roles[26]. The M&E interviews highlighted the implementation of succession planning within HCC. This planning was to ensure that there were effectively trained EOC function leads and redundancy in function teams. This level of planning highlights the depth of CDEM capability that is being instigated in HCC.

Warning systems

There is an updated HCC Initial Response Plan[27] in conjunction with the HCC EOC Guidelines detail the actions to be taken on receipt of a warning message and detailed callout lists. Considerable work has been completed to ensure that these response documents are detailed to assist in initiation and sustainment of an effective response.

---

[23] HCC EOC Initial Response Plan (Version 6) – 05 December 2018
[24] HCC EOC Operational Guidelines (Version 3) – 2019
[25] Waikato Regional Council and Hamilton City Council Service Level Agreement, Provision and Management of Hamilton City Council CDEM Activity, 30 September 2016.
[26] Hamilton City Council Resource and Contacts Manual (reviewed 06 June 2019)
[27] Hamilton City Council EOC Initial Response Plan (Version 6) – 05 December 2018

Local controllers

There are currently two appointed Local Controllers (City Safe Manager and Risk and Insurance Manager). There is a high level of confidence that both these Local Controllers can effectively led response to an event. Both these Local Controllers have influence in BAU for incident management and promotion of the importance of CDEM for HCC.

The primary Local Controller (City Safe Manager) is still actively engaged with the GEMO in line with the SLA[28] arrangements. There is an excellent working relationship between the GEMO and Local Controller. This relationship is strengthened by the co-location of the HCC City Safe Services and GEMO in the Genesis Building.

Welfare

The welfare function is continuing to move forward. There is an appointed Welfare Manager and Alternate Welfare Manager for HCC. The HCC Welfare Manager (Community Services Manager[29]) is supported by HCC CDEM staff in the enhancement of welfare capability for HCC. The Welfare Manager is enthusiastic and excited about the Welfare Manager role, but is new in this role and would benefit from further training. The Welfare Manager is also supported by a welfare team. There are staff trained CDC supervisors and additional staff have attended CDC courses.

There is a Hamilton City Local Welfare Plan[30] which includes the new national arrangements for welfare in an emergency outlined in The Guide to the National CDEM Plan (2015) and Director's Guidelines[31] . This plan is a good base for further development and to formalise current of the HCC welfare capability and includes detailed arrangements for the Local Welfare Committee. Appendix B to this plan highlights the Local Welfare Manager, HCC and CDEM professional staff responsibilities across the '4Rs'. The operational aspects as part of response still needed to be detailed in the Local Welfare Plan including CDC activation and welfare response.

A HCC Local Welfare Services Business Plan[32] has also been developed for the planning and coordination of activities in support of HCC welfare capability. This plan is essentially a work programme with prioritisation of activities with alignment to broader CDEM activities for HCC and the Waikato CDEM Group including Local Welfare Committee (LWC) meetings; and the development of CDC capability (locations, resources and training). It is important that this Business Plan is also aligned to the CDEM Work Programme.

The Local Welfare Committee (LWC) is actively engaged and effective in supporting welfare planning for Hamilton City. There have been regular meetings with a focus on the development of the Welfare Plan, Civil Defence Centres (CDCs) and the welfare roles and responsibilities of partner agencies.

---

[28] Waikato Regional Council and Hamilton City Council Service Level Agreement, Provision and Management of Hamilton City Council CDEM Activity, 30 September 2016
[29] A new Community Services Manager has only just been appointed in HCC
[30] Hamilton City Council Local Welfare Plan 2017-2022
[31] Welfare Services in an Emergency: Director's Guideline for CDEM Groups and agencies with responsibilities for welfare services in an emergency (DGL 11/15)
[32] Hamilton City Council Local Welfare Services Business Plan, January 2019 – January 2020

19

Hamilton City Council

The Waikato CDEM Group CDC Project[33] to plan to identify and plan for an effective Civil Defence Centre (CDC) is still in progress.   This project is focussed on the viability of the current primary CDC sites and also the identification of alternate CDC sites at community facilities with detailed CDC site maps. This project is linked to the planning for CDCs being conducted through the LWC for Hamilton City. Two principal CDCs have been identified for HCC to date: FMG Stadium Waikato and the Clauelands Event Centre. These CDCs have been fully tested with CDC plans in place. Work is in progress for the confirmation of other potential CDC sites in consideration with redundancy, capacity and locality.   A number of other locations have been identified as CDC's including the Te Rapa Sports Drome/ Pukete Neighbourhood House; Hamilton Central Library; Enderly Park Community Centre; and Fairfield Park Hall. Operational CDC plans have been developed for each of these locations along with seismic testing and confirmation of permission to use these facilities through owner/ occupier.

<u>Critical resources and logistics</u>

The HCC Resource and Contacts Manual database[34] remains the main source of all the contact information for all partner agencies and also contact details for other organisations including lifelines, logistics and welfare that can support a HCC response to an event. This database also details an extensive list of resources that could be utilised in the support to an event response. This database remains a valuable resource in the toolkit of resources for HCC response. Maintaining the currency of information in this database is still key to enable effective response.

---

[33] Waikato CDEM Group Civil Defence Centre Project, Welfare Coordination Group, October 2015
[34] Hamilton City Council Resource and Contacts Manual (reviewed 06 June 2019)

20

Hamilton City Council

Areas of strength

Overall EOC capability

There are robust primary and alternate EOC facilities (Genesis Energy and Duke Street) for HCC. Both these facilities have the capability to effectively accommodate an EOC response. The next steps are to ensure that testing the functioning of both these facilities through the conduct of an EOC exercise occurs. within the next 12 months. The Tier 2 exercise in conjunction with Waikato District Council and the Group Emergency Coordination Centre (GECC) has been scheduled for September 2019 to test the Genesis Energy EOC facility. This exercise will also be a valuable opportunity to test the functionality and coordination of the HCC EOC and GECC in operation at the same time.

There are now adequate HCC staff trained to sustain EOC response over three shifts on a 24/7 basis. Whilst there are adequate staff for response, there should still be a priority given by management for release of staff to fulfil CDEM training commitments in balance to BAU priorities. There is now a confidence that there are the trained staff to fulfil CIMS functional roles.

CDEM documentation

There are now updated CDEM documentation to support HCC response including the HCC Initial Response Plan[35] and the Emergency Operating Centre (EOC) Operational Guidelines[36] (SOPs). Both documents provide very detailed and current procedures to support initial activation and EOC response arrangements for HCC.

Local controllers

There are currently two appointed Local Controllers (City Safe Manager and Risk and Insurance Manager) are a strength based on their BAU roles and dedication to CDEM. There is a high level of confidence that both these Local Controllers can effectively led response to an event. Both these Local Controllers have influence in BAU for incident management and promotion of the importance of CDEM for HCC.

---

[35] Hamilton City Council EOC Initial Response Plan (Version 6) – 05 December 2018
[36] Hamilton City Council EOC Operational Guidelines (Version 3) – 2019

21

Hamilton City Council

Areas for improvement

Overall EOC capability

Even though there has been extensive development of trained staff to support EOC activation and response, there is a nervousness about the extent to which HCC will initially respond if required in an event. To alleviate these concerns, robust exercising of the initial activation of staff and planning in relation to hazards and personal staff circumstances should be conducted.

Priority of staff training

Post identification of HCC staff, there should be immediate prioritisation of these staff to attend the required training to fulfil their EOC functional roles. To formalise and influence prioritisation for identified HCC staff to attend training, consideration should be given to including EOC function job descriptions to BAU job descriptions when staff are identified. Having these job descriptions added post identified gives flexibility to the process of identifying appropriate staff based on 'best fit' as opposed to a BAU position. In line with adding this job description would be the inclusion of KPIs measuring performance (ie. completion of training) giving purpose and significance to CDEM roles in parallel to BAU roles.

Recommendations

The following recommendations are made for consideration and inclusion in the HCC 2019/ 2020 Work Programme:

- Consolidated review, update, consultation and sign off process introduced for all HCC CDEM documentation.

- Prioritise training for the appointed Welfare Manager.

- Continued development of suitable CDC and CLCs sites with alignment to the Group CDC project.

- Further development of the HCC Welfare Plan including operational arrangements for welfare response and CDC activation.

- Ensure that the Tier 2 exercise in September 2019 effectively tests the primary EOC (Genesis building) and staff activation procedures.

- Formalise identification and appointment of HCC staff to EOC function positions through inclusion of CDEM roles and responsibilities and associated KPIs on BAU job descriptions.

22

Hamilton City Council

Goal Four   Enhancing capability to recover from emergencies

This section of the report focuses on the following activities;

- Recovery structures
- Recovery planning (and integration with other planning processes)
- Transition from response to recovery
- Impact assessment

- Recovery centres
- Integration of the community with the recovery process
- Information management
- Debriefing / learning from past events

	unsatisfactory	developing	advancing	mature
2019		59.2		
2017		49.0		

The overall score for Goal 4 is 59.2% which still reflects a developing capability. There is some progress made, but there is a requirement for further work to develop, test, verify and embed recovery into the organisation. There has been an increase of 10.2% when scores are compared from the 2018 CDEM capability review score of 49%. Some of the KPI scoring for Goal 4 is significantly different to the 2018 scoring. The reasons for differences in scoring are outlined in the current state of recovery capability.

Goal 4: To enhance New Zealand's capability to recover from civil defence emergencies		
Weighted Score by Key Performance Indicator		**Score 2019**
G4A-1	Structures, roles and responsibilities for recovery are pre-determined and documented	50.0
G4A-2	Recovery Managers are identified, trained, supported and ready to perform the role	81.7
G4A-3	Recovery Plan outlines arrangements for holistic recovery management	82.0
G4A-4	Recovery planning is integrated with risk reduction and other community planning	80.0
G4A-5	Arrangements for the transition from response to recovery are pre-defined	62.5
G4B-1	Impact assessments are conducted before, during and after events in order to inform recovery planning and management	45.7
G4B-2	Plans and procedures for establishing a recovery centre or 'one-stop shop' are in place	20.0
G4B-3	The community is an integral part of recovery planning and management	30.0
G4B-4	Information management systems are effective in supporting recovery management	60.0
G4B-5	Processes for learning from emergencies are embedded in the organisation	80.0
Weighted Score by Objective		
G4A	Implement effective recovery planning activities	66.8
G4B	Enhance the ability of agencies to manage the recovery process	47.1
Weighted Score by Goal		
G4	To enhance New Zealand's capability to recover from civil defence emergencies	59.2

Table 4: Goal 4 scores by Key Performance Indicator and Objective

Hamilton City Council

23

General – Current State

There has been an impressive leap in recovery capability development over the last 12 months. HCC now has a recovery capability, which has not previously existed. Since the appointment of HCC's Local Recovery Manager, there has been enthusiasm and a willingness to develop recovery capability. A HCC Local Recovery Plan[37] has been drafted and also significant work conducted in the development of relationships and identifying key recovery environment team leaders to support recovery processes.

There has been an overall increase in the score, but some of the KPI scoring for Goal 4 is significantly different to the 2018 scoring. The lower scoring in some KPIs is directly related to assessment of the current HCC Recovery Plan. Whilst detail of agency task group roles and responsibilities is documented, agency understanding of their roles and responsibilities is still in development. There is also limited referral to and planning for Recovery Centres/ or one-stop shops. It remains unclear as to the level of community involvement in recovery planning. Equally, there have been some significant increases in recovery scoring, with reference to the commitment of identified Recovery Managers in recovery planning and the integration of recovery planning and structures within HCC.

Resources at the Waikato CDEM Group level have also supported local recovery capability development. The Group Recovery Workshops have also been an excellent platform to share resources and recovery experiences; and provide networking opportunities within the Waikato CDEM Group with other Recovery Managers.

<u>Recovery Planning</u>

Hamilton City Council Local Recovery Plan has been reviewed and updated by HCC CDEM staff in conjunction with the Local Recovery Manager. This plan has updated in consideration with current legislation; national recovery arrangements and for CDEM Groups, the Waikato CDEM Group Plan and the Waikato CDEM Group Recovery Plan. The 'whole of local authority' approach to recovery planning has also been a focus with the recognition of other council documents and strategies that would contribute in the event of activation of recovery arrangements.

The HCC Local Recovery Plan outlines the structures, roles and responsibilities; the arrangements for recovery management; impact assessments; community engagement; and information management systems to support recovery management. Some further work to operationalise this plan will ensure robust recovery arrangements. The Director's Guideline Strategic Planning for Recovery[38] outlining that local authorities take a 'whole of local authority' approach to strategic planning for recovery has been considered as part of the recovery planning and development of recovery capability across HCC.

---

[37] Hamilton City Council CDEM Local Recovery Plan 2019 – 2022, May 2019 (draft)
[38] Director's Guideline for Civil Defence Emergency Management Groups (DGL 20/17) Strategic Planning for Recovery, December 2017

24

Hamilton City Council

There are also further arrangements of how recovery will be conducted for HCC referred to in this revised Local Recovery Plan, in particular the development of recovery improvement tasks[39], which highlights tasking by recovery environment, task allocation and completion dates. These dates highlight all tasking completed by the end of 2019. What is impressive with this plan is the detailed planning that has been conducted in the production of HCC recovery structure and the staff that have been identified to for fill recovery environment Team Leader positions with careful thought on who are the right staff for these roles. The review of the Local Recovery Plan has been an excellent basis for engagement with staff and building relationships. A point that was highlighted in the M&E interview process that that whilst these staff have been identified, and the initial conversations conducted with reference to these recovery environment roles, there was now the requirement to confirm these positions and the time commitment to these positions with relevant management, if there was a requirement to activate recovery arrangements.

The work that has been conducted in the development of a meaningful Local Recovery Plan is a credit to the Local Recovery Managers (primary and alternate). The fact that these two staff work in the same department has meant that recovery development has occurred more easily in balance to BAU. The HCC Local Recovery Plan is still draft and awaiting finalisation of the Waikato CDEM Group Recovery Plan before final sign off and approval at HCC can occur. On finalisation of this plan, exercising of this plan would ensure the plan is robust and confirm an effective capability.

Local Recovery Manager and Recovery Team

HCC has appointed a Local Recovery Manager (Asset Programme Manager) and an Alternate Local Recovery Manager (Acting Strategy Manager). Both highlighted the steep learning curve with reference to understanding recovery over the past 12 months, but it was evident that there was a willingness and determination to ensure that meaningful arrangements and relationships are in place for recovery. There have also been HCC staff identified as part of a Recovery Team. All identified staff have completed the online Recovery 101 training. Both Local Recovery Managers (primary and alternate) highlighted that the CDEM Group Recovery Workshops have been a great professional development opportunity in the absence of any other recovery training. Both Recovery Managers would benefit from completing the Response and Recovery Leadership Programme when the programme and recognition of prior learning (RPL) is finalised.

Debriefing

Formalised debriefing processes have been put in place post exercises and any incident or event response including the identification of corrective actions. All corrective actions are consolidated into a centralised register[40] with actions, allocation of action and completion dates. Capturing all corrective actions and task allocation with appropriate timeframes will ensure further capability development.

---

[39] Appendix 6, Hamilton City Council CDEM Local Recovery Plan 2019 – 2022, May 2019 (draft)
[40] Hamilton City Council Consolidated Corrective Action Register

25

Hamilton City Council

Areas of strength

Recovery capability

The overall impressive development of HCC recovery capability in the last 12 months is considered a strength and significant contribution to the effectiveness of HCC CDEM capability. The drive and enthusiasm of both Recovery Managers (primary and alternate), have been the main reason for the significant development in this capability. Retention of both these HCC staff in these roles and priority for their professional development in the recovery space is to be encouraged for the further development of this capability to reach an advancing state.

Local Recovery Plan

The complete review of the HCC Local Recovery Plan and the development of HCC recovery structures to support this plan is to be commended. Considerable work has been conducted to make the Local Recovery Plan a HCC Recovery Plan. The next stage in this plan development is to ensure that the HCC staff that have been identified in recovery roles as part of the recovery environments can be released to for fill these roles for potentially extended periods of time in lieu of their BAU roles. Further planning to operationalise the Recovery plan is also required including the confirmation of agency understanding of their roles and responsibilities across task groups and development of Recovery Centre/ one-stop shop arrangements appropriate for HCC and Hamilton City.

Areas for improvement

Recovery relationships

Now that the relationships are being developed for recovery arrangements, the Local Controller-Recovery Manager relationship also requires further development. It was recognised the M&E interviews that these relationships could be stronger and could be enhanced through the conduct of regular meetings.

Recommendations

The following recommendations are made for consideration and inclusion in the HCC 2019/ 2020 Work Programme:

- Confirmation of operational arrangements for the HCC Recovery Plan.
- Finalisation of the HCC Local Recovery Plan post finalisation of the Waikato CDEM Group Recovery Plan.
- Appointed Recovery Managers to complete the Response and Recovery Leadership Programme when the programme and RPL is finalised.
- Instigation of formal and regular meetings between the Local Controllers and Recovery Managers to strengthen relationships.
- Inclusion of recovery on the Hamilton CDEM Exercise Programme.

26

Hamilton City Council

Enabler One: Governance and management arrangements

This section of the report focuses on the following activities;

- Work planning
- CDEM culture
- Funding

2019	unsatisfactory	developing	advancing	77.8	mature

The overall score for Enabler 1 is 77.8% reflecting an advancing capability. Organisational commitment has been attained and considerable progress made. There are arrangements that are yet to be tested, but there is a high degree of confidence that they will be effective. This M&E process includes assessment and reporting on Enabler 1 for the first time there are no previous scores available for comparison.

Enabler 1: Governance and management arrangements support and enable CDEM		Score 2019
Weighted Score by Key Performance Indicator		**Score 2019**
E1A-1	CDEM Group Plan provides the platform for comprehensive, coordinated CDEM across its area	N/A
E1A-2	CDEM Group Joint Committee includes appropriate level representation and has formalised procedures	N/A
E1A-3	Coordinating Executive Group includes appropriate level representation and has formalised procedures	N/A
E1A-4	CDEM Group's CDEM activity is planned, monitored, and effective in achieving CDEM objectives	N/A
E1A-5	Local authority CDEM activity is planned, aligned, monitored, and effective in achieving CDEM objectives	78.3
E1B-1	CDEM leadership is effective in directing and managing CDEM outcomes	N/A
E1B-2	The Emergency Management Community shares collective responsibility for championing CDEM outcomes	N/A
E1B-3	CDEM organisations demonstrate behavioural attributes that contribute positively to CDEM delivery	80.0
E1C-1	CDEM Group funding arrangements are identified and reported	N/A
E1C-2	Organisation's emergency management funding arrangements are identified and reported	86.7
E1C-3	Organisation's hazard reduction funding is prioritised to risk	50.0
Weighted Score by Objective		
E1A	Implement effective organisational structures for CDEM	78.3
E1B	CDEM Group culture positively influences the effective delivery of CDEM	80.0
E1C	Ensure agencies have funding for civil defence emergency management	68.3
Weighted Score by Goal		
E1	Governance and management arrangements support and enable civil defence emergency management	77.8

Table 5: Enabler 1 scores by Key Performance Indicator and Objective

Hamilton City Council

27

General – Current State

Work planning

There is a HCC CDEM work programme[41] 2016-2017-2018 which demonstrates some alignment with Waikato CDEM Group objectives, targets and actions. The HCC CDEM work programme details work streams and tasks to be completed across the spectrum of CDEM which are reported on to both the senior leadership team and council. There are numerous work streams in this work programme that are still to be completed with tasks at a 'planning' or 'ongoing' status. The achievement of all work streams in balance with manpower resources is recognised and these outstanding work streams and tasks should be carried forward into the 2019-2020 work programme.

Culture within HCC

The positive culture shift with CDEM within HCC has continued over the last 12 months.   The complete change in CDEM culture in recent years is impressive given the state of culture only two years ago. There is commitment, a positive attitude; a sense of pride; and enthusiasm with reference to CDEM capability and activities within HCC at all levels from management and governance. The willingness and 'can-do' attitude of HCC staff and professionalism of the CDEM staff; and dedication of the Local Controller (City Safe Manager) have been the main drivers in contributing to the positive atmosphere for CDEM.   The Local Controller has continued to work in the organisation to promote and embed CDEM in HCC with a focus on having an effective capability.

The perception that nothing is going to happen in Hamilton, (an emergency or event that will effect Hamilton) is no longer as strong with a more broader understanding of the residual hazard risks and also HCC's role in supporting other local authorities, partner agencies and the Waikato CDEM Group in event response. The M&E interviews identified that CDEM culture at HCC has changed dramatically in recent years, which is a credit to leadership and drive of the Local Controller. It is assessed that the centre of gravity for CDEM continues to be the ongoing drive and commitment of the Local Controller. (Also refer to Enabler 2)

CDEM funding

There are appropriate funding processes in place for HCC CDEM capability.   HCC has appropriate asset insurance and financial access arrangements to meet insurance shortfalls. During the M&E interview process is was highlighted that based on recent events across New Zealand that robust tracking of the detail relating to CDEM expenditure may not be as effective. It was highlighted that this was an area of funding process that required further attention to ensure that stringent processes were in place with detailed explanations of expenditure to effective support HCC event response and recovery, especially for the recovery of costs associated with an event.

---

[41] Hamilton City Council CDEM Work Programme 2018-2019

Hamilton City Council

Areas of strength

CDEM Culture

The CDEM culture is becoming a strength in CDEM capability for HCC with an impressive change in the last two years. The perception that nothing is going to happen in Hamilton, (an emergency or event that will effect Hamilton) has changed with recognition of the support role that this local authority also plays. The commitment and a positive attitude with reference to CDEM capability and activities is a direct result of the willingness and 'can-do' attitude of HCC staff; professionalism of the CDEM staff and the drive and dedication of the Local Controller (City Safe Manager). The centre of gravity for CDEM continues to be the ongoing drive and commitment of the Local Controller. (Also refer to Enabler 2)

Areas for improvement

CDEM funding

Robust processes for tracking of the detail relating to CDEM expenditure were not in place for HCC. This was an area of funding process that required further attention to ensure that stringent processes were in place with detailed explanations of expenditure to effective support HCC event response and recovery, especially for the recovery of costs associated with an event.

Recommendations

The following recommendations are made for consideration and inclusion in the HCC 2019/ 2020 Work Programme:

- Transfer all outstanding work programme tasking to future work programmes.

- Development of robust processes tracking the detail relating to CDEM expenditure in response and recovery.

29

Hamilton City Council

WAIKATO REGION EMERGENCY MANAGEMENT GROUP

Hamilton City Council
Te kaunihera o Kirikiriroa

Enabler Two: Organisational resilience

This section of the report focuses on the following activities;

- Risk management
- Business continuity framework
- Critical functions
- Business continuity planning

- Leadership and culture
- Relationships and networks
- Adaptive capacity

2019				**70.2**		
	unsatisfactory	developing		advancing		mature

The overall score for Enabler 2 is 70.2% reflecting an advancing capability. Organisational commitment has been attained and considerable progress made. There are arrangements that are yet to be tested, but there is a high degree of confidence that they will be effective. This M&E process includes assessment and reporting on Enabler 2 for the first time there are no previous scores available for comparison.

Enabler 2: Organisational resilience supports effective crisis management			
Weighted Score by Key Performance Indicator			**Score 2019**
E2A-1	Risk management is comprehensive and integrated throughout the organisation		82.9
E2A-2	Business Continuity Management has a formalised programme with high-level commitment		84.0
E2A-3	Critical business functions and processes, and potential impacts on them are defined		76.7
E2A-4	Business continuity strategies and arrangements are developed and implemented		62.9
E2B-1	Leadership and culture are enabling of a forward-looking, agile organisation		80.0
E2B-2	Effective relationships, partnerships and networks are developed		60.7
E2B-3	Adaptive capacity is fostered through active learning and capability development		51.4
Weighted Score by Objective			
E2A	Organisational resilience is developed through risk management and planned strategies		76.6
E2B	Organisational resilience is developed through adaptive capacity		63.8
Weighted Score by Goal			
E2	Organisational resilience supports effective crisis management		70.2

Table 6: Enabler 2 scores by Key Performance Indicator and Objective

30

Hamilton City Council

General – Current State

Leadership, culture and relationships

One of the significant factors in the current HCC CDEM culture change has been the leadership within HCC management and elected members. There is support from the senior leadership team for CDEM activities and growth in capability.   The elected members recognise the importance of CDEM through regular reporting of HCC's CDEM development. CDEM on council agenda is standing item.

In further strengthening of this culture, is effective relationships and partnerships with other agencies, especially where partner agencies roles and responsibilities can assist in a crisis or emergency event. The establishment of the Hamilton City Emergency Management Group with membership from the emergency services, tertiary institutions, New Zealand Defence Force and some Lifeline Utilities agencies provides a forum specific to Hamilton City for development multi-agency response capability. (Also refer to Enabler 1)

Risk management

Risk management appears to be comprehensive and embedded throughout HCC. HCC manages risk in accordance with the HCC Risk Management Policy and Risk Framework[42]. There are three levels of Risk Registers in HCC: Level 1 (Strategic), Level 2 (Business Units) and Level 3 (Projects). These Risk Registers are currently operating in separate programmes. It is the future intent for the utilisation of the same software tool across all three Risk Registers for a consistent approach. There has been a culture shift in the education and accountability of risk from elected members to management. A series of Risk Workshops have been conducted elected members as part of this education process. Risk overall is being driven not just for HCC but for Hamilton City.

Business continuity management

HCC has a current Business Continuity Management (BCM) which is linked to the HCC Crisis management Guide covering Incident Response, Civil Defence Emergency Management and BCM. Business Continuity Plans (BCPs) are in the process of finalisation with prompts for actions and links to key documents. 73% of these BCPs have been approved. There has also been a shift in culture of BCM through education. The next step post approval of all BCPs is testing and alignment to Emergency Response Plans. It is the intent that BCPs will be tested by December 2019. There is a confidence that HCC critical services will remain operational in an event.

---

[42] Hamilton City Council Risk Management Policy

Hamilton City Council

31

Areas of strength

CDEM Culture

HCC CDEM culture change is as a result of the leadership within HCC management and elected members. Further strengthening of this culture, is effective relationships and partnerships with other agencies, especially the establishment of the Hamilton City Emergency Management Group with membership from the emergency services, tertiary institutions, New Zealand Defence Force and some Lifeline Utilities agencies provides a forum specific to Hamilton to development multi-agency response capability. (Also refer to Enabler 1)

Areas for improvement

Business continuity management

Whilst BCPs are being finalised, they are currently untested. The testing of all BCPs by December 2019 will ensure that BCM and the return to BAU is effective post incident or a CDEM response.

Recommendations

The following recommendations are made for consideration and inclusion in the HCC 2019/ 2020 Work Programme:

- Continue the development of Hamilton City Emergency Management Group for enhancement of multi-agency response capability.

- Ensure testing of BCPs for effective BCM for HCC.

32

Hamilton City Council

Summary of scoring results

The table below (Table 7) summarises the suite of scores for Hamilton City Council at objective level[43].

Results for Goal 1		SCORE
G1A	Increase the level of community awareness and understanding of the risks from hazards	79.2
G1B	Improve individual and community preparedness	66.4
G1C	Improve community participation in CDEM	63.6
G1D	Encourage and enable wider community participation in hazard risk management decisions	50.0

Results for Goal 2		SCORE
G2A	Improve the coordination, promotion and accessibility of CDEM research	49.0
G2B	Develop a comprehensive understanding of New Zealand's hazardscape	63.7
G2C	Encourage all CDEM stakeholders to reduce the risks from hazards to acceptable levels	54.5

Results for Goal 3		SCORE
G3A	Promote continuing and coordinated professional development in CDEM	75.4
G3B	Enhance the ability of CDEM Groups to prepare for and manage civil defence emergencies	78.5

Results for Goal 4		SCORE
G4A	Implement effective recovery planning activities	71.2
G4B	Enhance the ability of agencies to manage the recovery process	47.1

Results for Enabler 1		SCORE
E1A	Implement effective organisational structures for CDEM	78.3
E1B	CDEM Group culture positively influences the effective delivery of CDEM	80.0
E1C	Ensure agencies have funding for civil defence emergency management	68.3

Results for Enabler 2		SCORE
E2A	Organisational resilience is developed through risk management and planned strategies	76.6
E2B	Organisational resilience is developed through adaptive capacity	63.8

Results by Goal		SCORE
G1	To increase community awareness, understanding, preparedness and participation in civil defence emergency management	67.7
G2	To reduce the risks from hazards to New Zealand	58.1
G3	To enhance New Zealand's capability to manage civil defence emergencies	78.0
G4	To enhance New Zealand's capability to recover from civil defence emergencies	59.2
E1	Governance and management arrangements support and enable civil defence emergency management	77.8
E2	Organisational resilience supports effective crisis management	70.2

OVERALL SCORE	70.9

Table 7 – Summary of results: Scores for Hamilton City Council at objective level

---

[43] Objectives underpin the Goals set out in the National CDEM Strategy

Hamilton City Council

The table below (Table 5) summarises the suite of scores for Hamilton City Council at objective level[44]. The table below illustrates a comparison of the Hamilton City Council M&E processes conducted in 2018[45] and 2019.

		unsatisfactory	developing	advancing		mature	
Goal 1	2019				67.7		
	2018			57.0			
Goal 2	2019			58.1			
Goal 3	2019				78.0		
	2018				61.0		
Goal 4	2019			59.2			
	2018			49.0			
Enabler 1	2019				77.8		
Enabler 2	2019				70.2		

Table 8 – Comparison Hamilton City Council 2018/2019 Monitoring and Evaluation

The HCC overall score of 70.9% is a direct result of the hard work, commitment and continued investment to CDEM made by HCC in the last 12 months. Since the conduct of the 2018 CDEM capability review there has been an overall improvement of 14.9%. Since the conduct of the first M&E process and CDEM capability review in 2017, there has been a significant increase with an overall improvement of 26.9%. The efforts invested in promoting CDEM culture and development of CDEM capability are a direct result of the leadership within HCC. The scoring of Enabler 1 and 2 are a direct reflection of the positive CDEM culture.

---

[44] Objectives underpin the Goals set out in the National CDEM Strategy
[45] Only Goal 1, Goal 3 and Goal 4 were assessed as part of the M&E processes conducted in 2018

34

Hamilton City Council

Summary of recommendations

Goal 1 – Increasing community awareness, understanding, preparedness and participation in CDEM.

- Development of a HCC Public Education Programme with alignment to CDEM Group guidance.

- Development of a HCC Community Resilience Strategy and Programme with alignment to Group level guidance.

- Further coordination between CDEM professional staff and BAU HCC Community Development Team for development of CDEM community resilience and social capital.

- Further development of the relationships between HCC CDEM and Community Development Team for a 'whole or council' integrated approach to community engagement activities.

- Development of a HCC process for management of spontaneous volunteers with alignment to Group level guidance.

- Ensure that Iwi/ Maori engagement practices are incorporated into Group level strategies and guidance.

Goal 2 – Reducing the risks from hazards

- Further development of emergency management research in future CDEM planning and work programmes.

- Review of analyst options for in-house analysis and application of hazard risk research.

- Further development and linking of hazard risk research and Hamilton-City specific information which is easily accessible to the public.

Goal 3 – Enhancing capability to manage emergencies

- Consolidated review, update, consultation and sign off process introduced for all HCC CDEM documentation.

- Prioritise training for the appointed Welfare Manager.

- Continued development of suitable CDC and CLCs sites with alignment to the Group CDC project.

- Further development of the HCC Welfare Plan including operational arrangements for welfare response and CDC activation.

- Ensure that the Tier 2 exercise in September effectively tests the primary EOC (Genesis building) and staff activation procedures.

- Formalise identification and appointment of HCC staff to EOC function positions through inclusion of CDEM roles and responsibilities and associated KPIs on BAU job descriptions.

35

Hamilton City Council

Goal 4 – Enhancing capability to recovery from emergencies

- Confirmation of operational arrangements for the HCC Recovery Plan.

- Finalisation of the HCC Local Recovery Plan post finalisation of the Waikato CDEM Group Recovery Plan.

- Appointed Recovery Managers to complete the Response and Recovery Leadership Programme when the programme and recognition of RPL is finalised.

- Instigation of formal and regular meetings between the Local Controllers and Recovery Managers to strengthen relationships.

- Inclusion of recovery on the Hamilton CDEM Exercise Programme.

Enabler 1 – Governance and management arrangements

- Transfer all outstanding work programme tasking to future work programmes.

- Development of robust processes tracking the detail relating to CDEM expenditure in response and recovery.

Enabler 2 – Organisational resilience

- Continue the development of Hamilton City Emergency Management Group for enhancement of multi-agency response capability.

- Ensure testing of BCPs for effective BCM for HCC.

36

Hamilton City Council

Conclusion

The complete shift in prioritisation and development of CDEM capability for HCC in recent years is exciting. There is an excellent CDEM team in HCC further enhancing the level of confidence that HCC have an effective CDEM capability in response to an event. The development in CDEM capability has been a result the continued drive of the Local Controller (City Safe Manager) and the continuity of CDEM support to under the SLA arrangements with the GEMO through the CDEM staff.

The overall rating of the current HCC CDEM Capability is 70.9% which reflects an overall advancing capability and defines that organisational commitment has been attained with considerable progress made. The next steps are the testing of capability, which is to be conducted through a Tier 2 exercise and BCM testing by 2019 end. HCC's current projected path with CDEM, in consideration of the recommendations in this report, should meet with continued improvement in the future. CDEM capability is on track in the future to advance to a mature level of CDEM capability.

Report prepared by:

Malinda Meads
Consultant
Phone: 021 157 1093
Email: malinda.meads@gmail.com

Suzanne Vowles
Regional Emergency Management Adviser
Ministry of Civil Defence & Emergency Management
Phone: 027 283 1732
Email: suzanne.vowles@dpmc.govt.nz

37

Hamilton City Council

Appendix 1 – Summary of M&E Interviewees

Hamilton City Council	Councillor Leo Tooman
	Richard Briggs – Chief Executive
	Fraser McNutt - Manager – Planning Guidance Unit
	Andre Chatfield - Risk and Insurance Manager
	Tracey Musty - Financial Controller
	Jen Baird – General Manager Growth Group
	Nigel Ward – Team Leader Comms & Engagement
	Natalie Palmer - Manager Comms & Engagement
	Paul Gower - Asset Programme Manager
	Sarah Seel - Acting Strategy Manager
	Helen Paki - Community Services Manager
	Kelvin Powell - City Safe Manager
	Donna Tracey – Strategic Planning Team Leader
	Scott Bult - Emergency Management Officer
	Justin Douglas - Emergency Management Officer
	Andy Bubear - Emergency Management Officer
Waikato CDEM Group/ Group Emergency Management Office	Andy Bubear - Team Leader Operations

38

Hamilton City Council
Draft CDEM Capability Assessment Report – July 2019

Appendix 2 – Summary of documents reviewed

The main documents and websites that have been reviewed in compilation of this report include:

- Hamilton City Council website
  http://www.hamilton.govt.nz/
- Waikato CDEM Group Plan 2016-2020
- Waikato CDEM Group Volunteer Management Manual
- Waikato CDEM Group Community Response Plan Guide and Template
- Waikato CDEM Group Expanded Community Engagement Strategy 2019
- Waikato CDEM Group Training and Exercising Strategy (draft)
- Waikato CDEM Group Civil Defence Centre Project, Welfare Coordination Group, October 2015
- Hamilton City Council CDEM Capability Assessment Report, April 2018
- Hamilton City Council CDEM Work Programme 2018-2019
- Hamilton CDEM Local Plan
- Hamilton City Council CDEM Community Resilience and Implementation Plan 2019
- Hamilton City Council CDEM Training and Exercise Plan 2018-2019 – 2019/2020
- Hamilton City Council Database – CDEM Training Staff 2019
- Hamilton City Council Emergency Operations Centre (EOC) Operational Guidelines (Version 3) – 2019
- Hamilton City Council EOC Initial Response Plan (Version 6) – 05 December 2018
- Hamilton City Council Consolidated Corrective Action Register
- Hamilton City Council CDEM Local Recovery Plan 2019 – 2022, May 2019 (draft)
- Hamilton City Council Local Welfare Plan 2017-2022
- Hamilton City Council Local Welfare Services Business Plan, January 2019 – January 2020
- Hamilton City Council Event Specific Corrective Action Registers
- Hamilton City Council CDEM Update Council Reports
- Hamilton City Council Resource and Contacts Manual (reviewed 06 June 2019)

39

Hamilton City Council
Draft CDEM Capability Assessment Report – July 2019

Council Report

Committee:	Strategic Risk and Assurance Committee	Date:	11 December 2019
Author:	Andre Chatfield	**Authoriser:** David Bryant	
Position:	Risk and Insurance Manager	**Position:** General Manager Corporate	
Report Name:	Insurance Report		

Report Status	*Open*

Purpose

1. To inform the Strategic Risk and Assurance Committee on Council's 2019/20 insurance renewal programme.

Staff Recommendation

2. That the Strategic Risk and Assurance Committee receives the report.

Background

3. Council tenders it's insurance programme under the Waikato Local Authority Shared Service (WLASS) company umbrella with Aon New Zealand as the insurance broker.

4. The purpose of this relationship is to leverage the region's collective insurance requirements to deliver economies of scale through reducing brokerage costs and reducing the exposure to market increases in premium costs while also ensuring adequate coverage of risk.

5. Council's insurance period runs from 1 November to 1 November each year.

6. Council uses a 'Probable Maximum Loss' (PML) reinstatement value approach rather than replacement value for all council assets. The benefit for this approach is to ensure our Material Damage, Business Interruption and Infrastructure arrangements provide adequate cover.

7. Council has fourteen insurance policies within its portfolio managed by the Risk and Insurance Manager. Details of these policies including a comparison of premium costs against last year is included as appendix 1 of this report.

8. Council's insurance programme is regarded as a risk management tool used to mitigate financial loss associated with any significant adverse event.

9. Council's Infrastructure insurance programme specifically addresses losses to underground assets such as water supply, waste water, storm water assets and bridges.

Discussion

10. A key influence on insurance premium increases are the global economic losses from natural disasters in 2018. There were 42 individual billion-dollar natural disaster events in 2018, which

was above the average of 31 events dating back to 2000 and higher than the 36 events that occurred in 2017. Asia Pacific led with 17 events, which was the most in the region since 2013.

11. Because of last year's events, Material Damage Insurers are significantly reducing their natural disaster exposure to earthquake areas which is resulting in premium increases to most areas across the globe, and New Zealand, and includes some increases in excess levels. Despite this trend Hamilton City is still considered one of the lowest areas impacted.

12. At the time of writing this report the Statutory Liability insurance premium cost is yet to be received and not expected to have any significant increase to last years.

Financial Considerations

13. For the 2019/20-year Council has budgeted for a 20% increase in insurance premium costs. The final insurance costs will not be known until the Liability suite of policies have been finalised. Refer Attachment 1 for details.

Legal and Policy Considerations

14. Staff confirm that the matters in this report comply with the Council's legal and policy requirements.

Wellbeing Considerations

15. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

16. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.

17. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks

18. Any known risks have been identified relevant to the matters in this report.

Significance & Engagement Policy

Significance

19. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

Engagement

20. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - Insurance Premium Costs 2019 2020

Appendix 1

Insurance Premium Costs

	Insurance Policy	Insurance Period			
		1 Nov 2018 - 1 Nov 2019	1 Nov 2019 - 1 Nov 2020	Variance	Variance
		$	$	$	%
1	Material Damage	976,957.23	1,028,586.92	51,629.69	5%
2	Infrastructure	759,318.51	647,621.50	(111,697.01)	-15%
3	Annual Contract Works	15,290.00	16,450.00	1,160.00	8%
4	Personal Accident	1,127.58	1,127.58	-	0%
5	Corporate Travel	1,295.00	1,295.00	-	0%
6	Statutory & Employers Liability	6,606.00	6,700.00	94.00	0%
7	Crime	25,710.13	26,039.00	328.87	1%
8	Boiler Explosion	2,481.00	2,752.00	271.00	11%
9	Fine Arts	53,121.00	55,800.00	2,679.00	5%
10	Fine Arts Fire Service Levy	43,509.63	14,154.88	(29,354.75)	-67%
11	Hall Hirers	13,250.00	19,050.00	5,800.00	44%
12	Commercial Motor Vehicle	154,090.18	174,543.84	20,453.66	13%
13	Business Interruption	45,908.57	58,918.73	13,010.16	28%
14	Professional Indemnity & Public Liability	225,450.00	276,471.00	51,021.00	23%
15	Brokerage Fee	20,010.00	20,010.00	-	0%
		$2,344,124.83	**$2,349,520.45**	**$5,395.62**	**0.2%**

Note: Statutory & Employers Liability 2020 is an estimate as premium invoice not received to date.

Council Report

Committee:	Strategic Risk and Assurance Committee	**Date:**	11 December 2019
Author:	Morva Kaye	**Authoriser:** Tracey Musty	
Position:	Internal Auditor	**Position:** Financial Controller	
Report Name:	2019/20 Internal Audit Update PwC		

Report Status	*Open*

Purpose

1. To inform the Strategic Risk and Assurance Committee on Internal Audit progress to 30 November 2019.

Staff Recommendation

That the Strategic Risk and Assurance Committee:

a) receives the report; and

b) notes the progress against the Hamilton City Council Internal Audit Plan for PwC.

Background

2. Council's internal audit function incorporates engagements delivered by PwC and internal Council staff. This report only provides an update on progress by PwC.

Discussion

3. **PwC Internal Audit Plan – progress summary**

KEY

🟩	Completed or on track
🟧	Currently behind, expect to get back on track
🟥	Permanently delayed

4.   Attached is PwC's Internal Audit plan covering 2019/20 – 2021/22 for the Committee's reference.

5.   The following progress has been made on the internal audit engagements included in the 2018/19 and 2019/20 Internal Audit Plans:

Engagements in Progress – 2018/19	Status
Capital Project Delivery – Cost Estimation The fieldwork for this engagement is approximately 80% complete. Due to HCC staff availability the fieldwork will not be completed until January 2020.	
Asset Management and Operating Expenditure This engagement has been completed and the final report is attached.	
Engagements in Progress – 2019/20	**Status**
Preparation of Strategic Performance Measures The first phase of the fieldwork - understanding the processes in place, has been completed. The second phase being detailed procedures to confirm the inputs, has commenced.	
Data Governance – Q2 The fieldwork for this engagement has commenced.	
Psoda Data – Q2 The scope of works has been discussed with management and it is intended to start this work in February 2020.	

Financial Considerations

6.   The cost of the PwC annual internal audit programme is $150,000 (GST excl.) and is budgeted in the Annual Plan.

Legal and Policy Considerations

7.   Staff confirm that the matters in this report comply with the Council's legal and policy requirements.

Wellbeing Considerations

8.   The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

9.   The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.

10. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks

11.   Any known risks have been identified relevant to the matters in this report.

Significance & Engagement Policy

Significance

12.   Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

Engagement

13.   Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

Attachment 1 - PwC Final_HCC IA Plan 2019

Attachment 2 - FINAL Report HCC Asset Management and Opex_November 2019

Hamilton City Council

Internal Audit Plan FY19/20-21/22

Private and Confidential
5 June 2019

pwc

FINAL

Content

Item 10

Attachment 1

1

Internal Audit Plan Development

Internal Audit Plan Development

Consistent with the spirit of internal audit delivery, we have worked with those governing, leading and managing Hamilton City Council (HCC or Council) to develop the internal audit plan for the next 3 years. In addition to strategic risk, our focus remains on providing value, innovative delivery and alignment with your strategic imperatives, being:

- A city that embraces growth

- A great river city

- A council that is best in business.

We have consulted individually with all members of the Senior Leadership Team (SLT) to obtain their input for the content for the internal audit plan. We have evaluated those suggested areas against the SLT's and organisational strategic outcomes. We have also considered the balance between value protection and value enhancement using PwC's Internal Audit Value Framework (illustrated over).

The outcome of this process is an internal audit plan that will deliver confidence that the strategic risks are being addressed appropriately or identify improvements that need to be made.

In collating the plan two key themes have emerged:

- Strategic planning; and

- Organisational culture.

When performing the engagements within the internal audit plan we will consider where Council is currently at with regard to good practice and provide our views as to what would need to happen to move towards a more aspirational, world class standard. This additional insight will be valuable in driving the ambition within your team to make a difference to the wellbeing of Hamilton.

In addition to the specific engagements identified in the plan, in order to build your internal capability, we will continue coaching and providing quality assurance to HCC's internal resource in her delivery of those areas where specialist resource is not required. As a general rule of thumb, these are value protection activities and they are included in a separate plan.

PwC

4

Internal Audit Plan Development

PwC's Internal Audit Value Framework
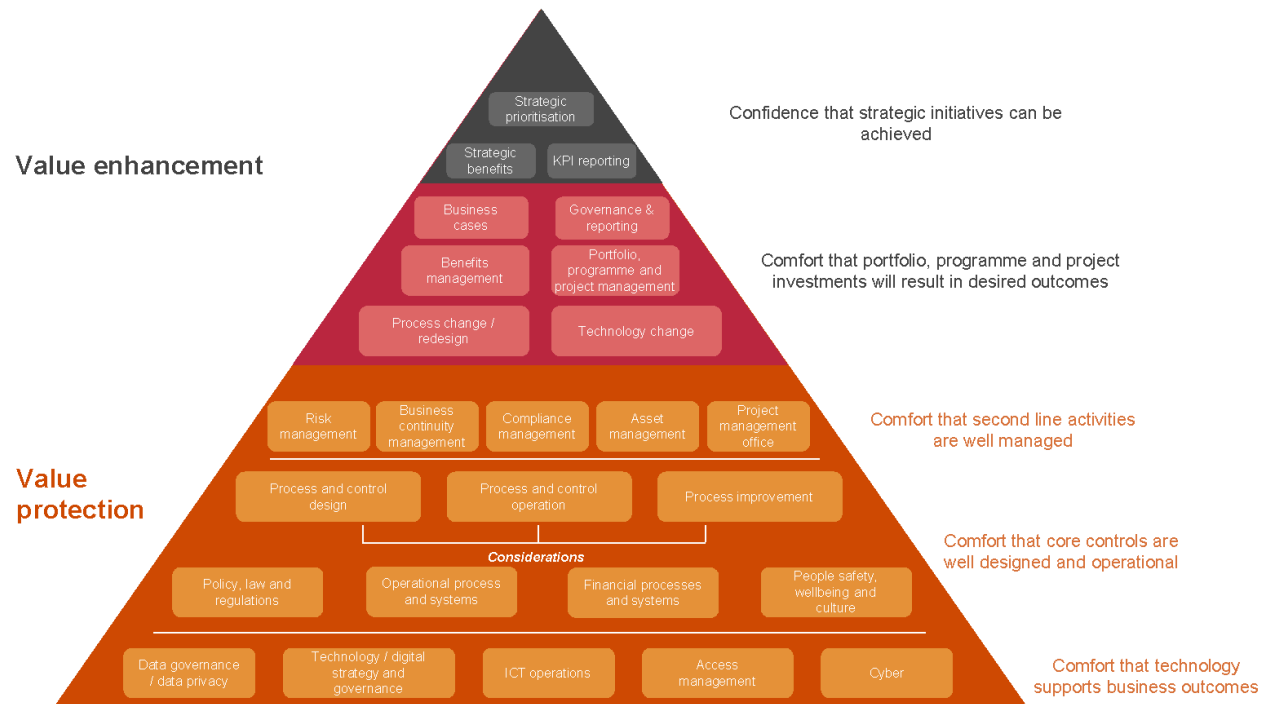
Linkage with Council's Strategic Risks

Management is developing the nine strategic risks identified in the March 2019 risk workshop in parallel to our plan. Once these are finalised we will link these to the internal audit plan. We will continue to work with management to ensure that the strategic risks are covered within Council's combined internal audit activity.
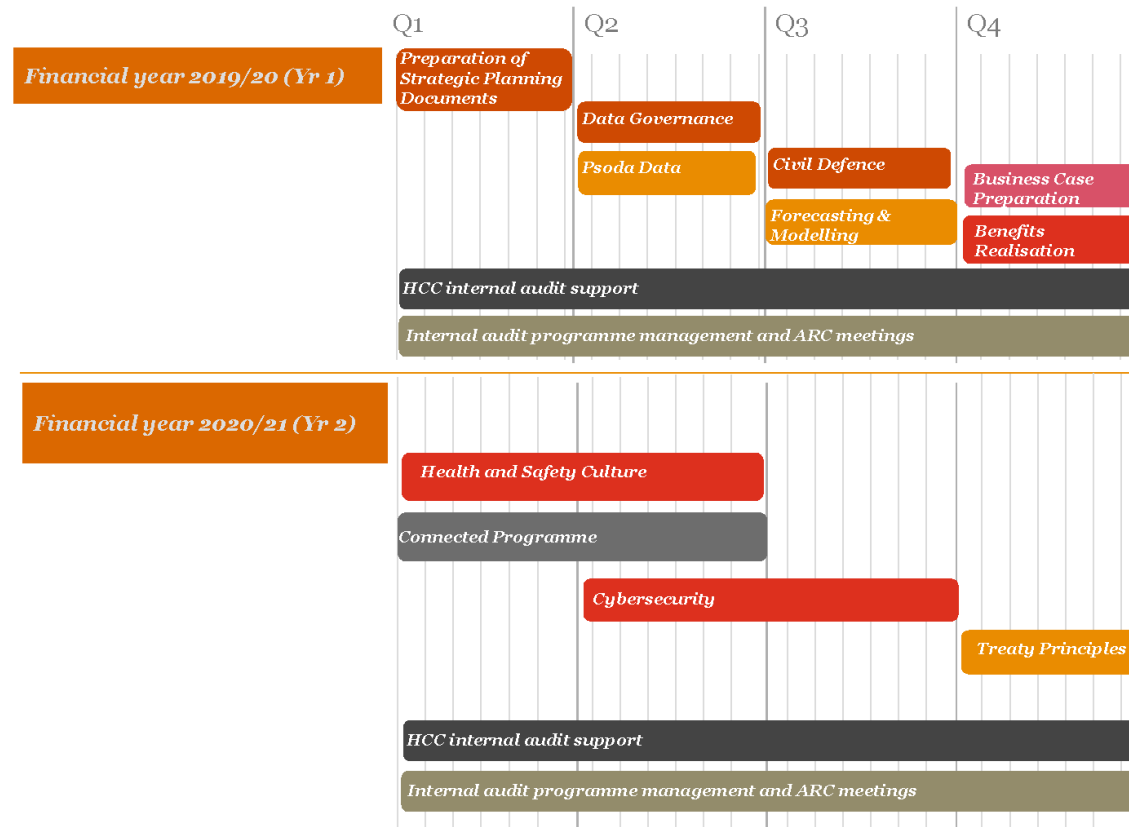
2

Internal Audit Plan

Internal Audit Plan Overview

The internal audit plan engagements have been categorised into the following themes. Similar to our focus on the asset life cycle in the prior plan having a number of engagements focussed on the same area gives a clearer view of Council's maturity in a specific area whilst providing confidence over the mitigation of certain risks.
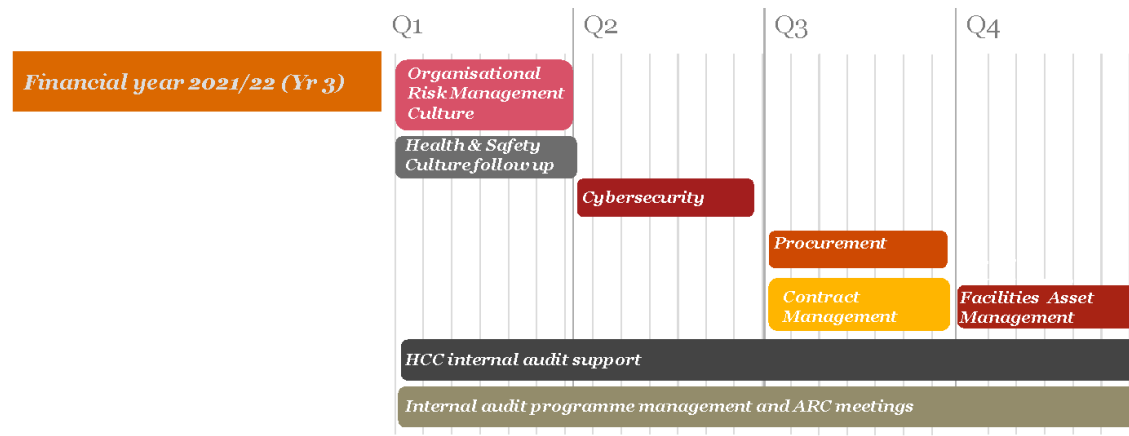
Strategic planning	Year	Organisational Culture	Year
Preparation of Strategic Planning Documents	2019/2020	Health and Safety Culture	2020/2021
Data Governance	2019/2020	Connected Programme	2020/2021
Psoda Data	2019/2020	Treaty Principles	2020/2021
Civil Defence Preparedness	2019/2020	Organisational Risk Management Culture	2021/2022
Forecasting and Modelling	2019/2020	Procurement	2021/2022
Business Case Preparation	2019/2020	Contract Management	2021/2022
Benefits Realisation	2019/2020		
Cybersecurity	2020/2021, 2021/2022		
Facilities Strategic Asset Management Planning	2021/2022		

We note that this is a plan at a point in time. Given the need to confirm alignment with the strategic risk register and the accelerated change environment Council is operating in it will be subject to ongoing review with the GM Corporate Services and the Risk Manager.

PwC   7

Internal Audit Plan Outline

	Q1	Q2	Q3	Q4
Financial year 2019/20 (Yr 1)	Preparation of Strategic Planning Documents	Data Governance	Civil Defence	Business Case Preparation
		Psoda Data	Forecasting & Modelling	Benefits Realisation
	HCC internal audit support			
	Internal audit programme management and ARC meetings			
Financial year 2020/21 (Yr 2)		Health and Safety Culture		
		Connected Programme		
			Cybersecurity	
				Treaty Principles
	HCC internal audit support			
	Internal audit programme management and ARC meetings			

PwC

Internal Audit Plan Outline

Financial year 2021/22 (Yr 3)

	Q1	Q2	Q3	Q4

- Organisational Risk Management Culture
- Health & Safety Culture follow up
- Cybersecurity
- Procurement
- Contract Management
- Facilities Asset Management
- HCC internal audit support
- Internal audit programme management and ARC meetings

Internal Audit Plan Outline

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
Preparation of Strategic Planning Documents	Incomplete information leading to poor decision-making and conclusions. Lack of financial sustainability.	• Community Infrastructure plays an integral role in the organisational planning process - *Community* • Greater influence in infrastructure planning and delivery city-wide, regionally and nationally – *Development* • Service provision and capacity demands are understood to allow fast and robust decision-making – *Infrastructure Operations*	Yr 1, Q1	GM Strategy and Communications	An assessment of the effectiveness and innovation in preparing asset management plans, long term plans and 30 year infrastructure plans in particular the integration and linkages between them all.
Data Governance	Inadequate data governance leading to poor quality data or loss in confidence and trust.	• Business Intelligence enables insight and foresight - *Corporate* • Accessible data and insight for good decision making for HCC and the wider community – *Growth/Development*	Yr 1, Q2	GM Corporate / GM Growth	An assessment of governance and management of key data across Council. Comparison of Council's data governance processes against good practice.
Psoda Data	Weaknesses in portfolio, programme or project management leading to non-achievement of objectives for the capital programme.	• Accessible data and insight for good decision making for HCC and the wider community – *Development* • Business Intelligence enables insight and foresight – *Corporate*	Yr 1, Q2	GM Development / GM Corporate	Assessment of the design effectiveness and operation of controls in Psoda to evaluate the accuracy, completeness, validity and appropriate access of: • Data imported • Financial and non-financial information entered in Psoda.
Civil Defence Preparedness	The organisation is not fully prepared to support a civil defence event, leading to a poor response and outcomes.	• Natural Disaster strategic risk	Yr1, Q3	GM Corporate	Evaluation of Council's readiness to support a civil defence emergency, including: • Skills/Resources register • Training of staff • Partnerships in place • Organisational knowledge of what to do

PwC

10

Internal Audit Plan Outline

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
Forecasting and Modelling	Weaknesses in the models used for projections and planning leading to inadequate planning and service delivery.	• Robust consistent growth modelling - *Growth* • Business Intelligence enables insight and foresight – *Corporate*	Yr 1, Q3	GM Growth / GM Corporate	Maturity assessment of the quality and ability of growth forecasting and modelling used to enable sustainable growth and wellbeing for the community.
Business Case Preparation	Inadequate planning or implementation of key projects resulting in desired outcomes not being achieved.	• Develop clear customer value propositions – *Strategy and Communications* • Our work has a direct link to better quality of life for Hamiltonians – *Development*	Yr 1, Q4	GM Strategy and Communications / GM Development	An assessment of business case criteria and selected business cases against good practice based on the scale and impact of the subject.
Benefits Realisation	Inadequate implementation of key projects resulting in desired outcomes not being achieved.	• More and more Hamiltonians believe that our city is a great place to live.	Yr 1, Q4	GM Strategy and Communications / GM Development	An assessment of benefits realisation over selected projects. This engagement can also be performed as a part of the business cases assessment described above.
Health and Safety Culture	Inadequate health and safety practices leading to serious harm or injury to staff and contractors.	• A strong people and wellness culture - *Corporate* • Everyone feels safe, valued and supported – *Infrastructure Operations* • Our people feel safe, valued and know how they make a positive difference – *Development* • A plan is developed with H&S to develop a strong health & safety culture and effectively manage critical risks – *Community*	Yr 2, Q1/Q2	GM Corporate	Perform an assessment over the health and safety culture across business units, which may include: • Employee/Contractor survey • Selected interviews • External stakeholder interviews • Links to the Connected programme • Review of status of recommendations from prior H&S internal audits A follow-up of the implementation of recommendations will be conducted 6 months after issuing the report.

PwC

11

Internal Audit Plan Outline

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
Connected Programme*	Not realising our full potential as an organisation.	• Council services are delivered in a manner that enables the community to have their say, enriches their lives and delivers the best value for money to the ratepayer.	Yr 2, Q1/Q2	GM Corporate	Evaluate how successful the Connected programme has aligned staff towards achieving Council's strategic intent and its effectiveness in delivering a high performance organisation.
Cybersecurity	Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal and financial losses.	• Cyber Attack strategic risk	Yr 2, Q2/3 & Yr 3, Q2	GM Corporate	Perform in-depth work over specific areas, examples include performing an internal audit of: 1. Business continuity plan testing 2. Access and Identity management 3. Privacy Act compliance and/or Privacy Impact Assessment for technology-enabled customer services 4. Implementation of prior recommendations
Treaty Principles	Council is not committed to incorporating the Treaty principles of partnership, participation and protection.	• Relationships with Taangata Whenua are an exemplar of a treaty partnership – *Development / Infrastructure Operations*	Yr 2, Q4	GM Strategy and Communications	An assessment of how well the Treaty partnership principles have been embedded within Council.

*Connected is Council's performance programme that enables staff to relate their work to achieving Council's strategic vision.

Internal Audit Plan Outline

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
Organisational Risk Management Culture	Risk management mindset is not part of business as usual within business units resulting in constrained, risk adverse outcomes.	• An organisation that's performing to its potential for the people of Hamilton	Yr 3, Q1	GM Corporate	To assess how business units are managing their operational level risks and the risk culture. Is the risk culture preventing the right strategies, decisions and actions from occurring?
Procurement	Poor procurement understanding and practices lead to poor outcomes for the organisation and community.	• Council services are delivered in a manner that enables the community to have their say, enriches their lives and delivers the best value for money to the ratepayer.	Yr 3, Q3	GM Corporate / GM Development	Assess how procurement practices deliver best value for money to the ratepayer and enable innovative delivery of services.
Contract Management	Poor contract management practices leading to value loss and/or non-delivery of projects or outcomes.	• Council services are delivered in a manner that enables the community to have their say, enriches their lives and delivers the best value for money to the ratepayer.	Yr 3, Q3	GM Corporate / GM Development	Identify and assess how contract management practices at Council allow alignment with its partners to successfully deliver community outcomes and ensure the full benefit from contractual arrangements is obtained.
Facilities Strategic Asset Management Planning	Poor asset management leading to failure of critical assets or non-optimisation of operating expenditure over asset lifecycle.	• Skilled teams partnering with the organisation to deliver its strategy – *Corporate* • A structure for working collaboratively and innovatively with our internal partners is in place to ensure aligned open space and community facilities planning and delivery - *Community* • All major asset management challenges are resolved – *H3*	Yr 3, Q4	GM Corporate / GM Development	Assessment of the asset management processes performed by Facilities, focusing on: • Collaboration with other groups • Robustness of data • Strategic outcomes aligned with community expectations • Execution of the plan

PwC   13

3 Past Internal Audit Engagements
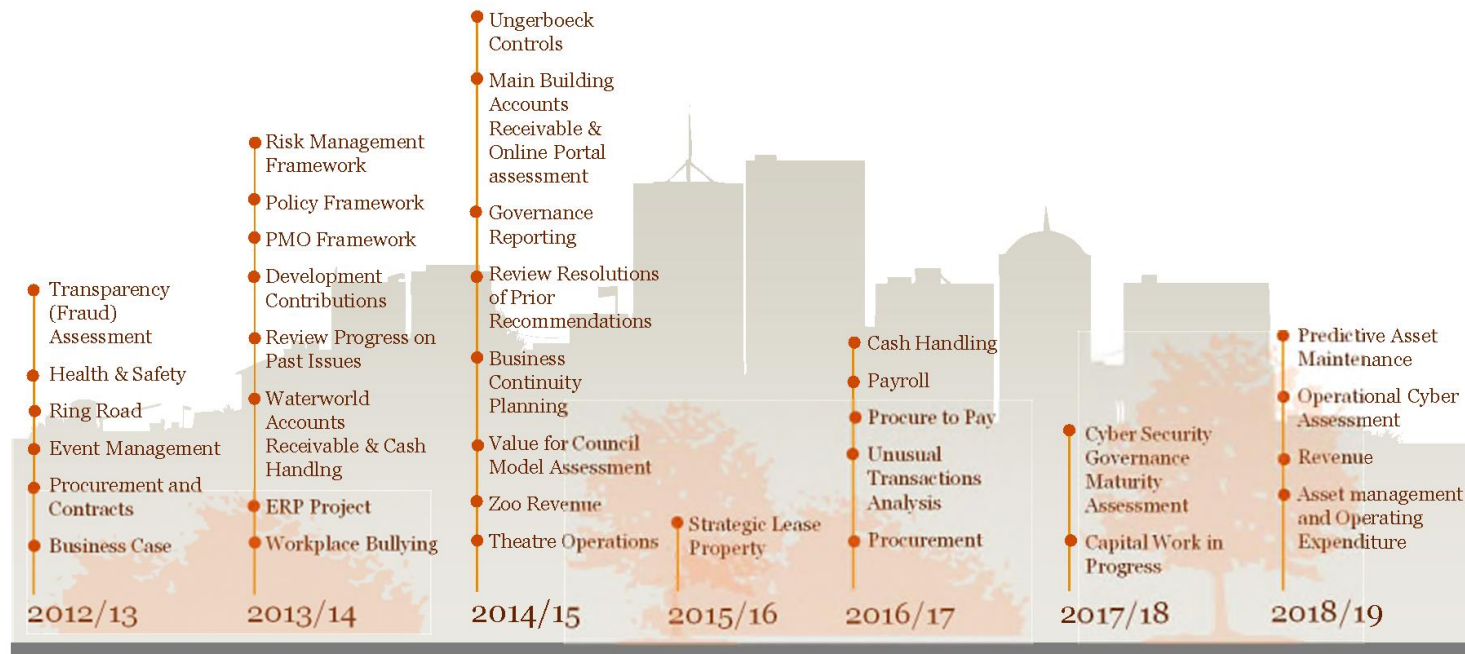
Past internal audits delivered

Our city scape illustrates the focus of internal audit over the previous seven years.

2012/13
- Transparency (Fraud) Assessment
- Health & Safety
- Ring Road
- Event Management
- Procurement and Contracts
- Business Case

2013/14
- Risk Management Framework
- Policy Framework
- PMO Framework
- Development Contributions
- Review Progress on Past Issues
- Waterworld Accounts Receivable & Cash Handlng
- ERP Project
- Workplace Bullying

2014/15
- Ungerboeck Controls
- Main Building Accounts Receivable & Online Portal assessment
- Governance Reporting
- Review Resolutions of Prior Recommendations
- Business Continuity Planning
- Value for Council Model Assessment
- Zoo Revenue
- Theatre Operations

2015/16
- Strategic Lease Property

2016/17
- Cash Handling
- Payroll
- Procure to Pay
- Unusual Transactions Analysis
- Procurement

2017/18
- Cyber Security Governance Maturity Assessment
- Capital Work in Progress

2018/19
- Predictive Asset Maintenance
- Operational Cyber Assessment
- Revenue
- Asset management and Operating Expenditure

PwC

15

PwC

Hamilton City Council

Asset Management & Operating Expenditure

Final Report

28 November 2019

Confidential

pwc

David Byrant
General Manager Corporate

Chris Allen
General Manager Development

Hamilton City Council
Private Bag 3010
Hamilton 3240

28 November 2019

Dear David and Chris

Asset Management & Operating Expenditure

In accordance with our Contract dated 1 July 2017 and the Terms of Reference dated 21 December 2018, we are pleased to report the findings and recommendations arising from our assessment of Asset Management & Operating Expenditure at Hamilton City Council.

We would like to extend our appreciation for the assistance provided by staff and management in the completion of this engagement.

We welcome the opportunity to discuss our findings and recommendations in the report with you.

Yours faithfully

Matthew White
Partner
PricewaterhouseCoopers

PricewaterhouseCoopers, Corner Anglesea and Ward Streets, PO Box 191, Hamilton 3420, New Zealand
T: +64 (7) 838 3838, F: +64 (7) 839 4178, www.pwc.com/nz

Executive Summary

Introduction

Asset management is a core function of Hamilton City Council (HCC). Consideration of the whole-of-life costs during asset design and procurement can have significant impacts upon on-going operating expenditure and the assets level of service.

Asset Management Plans (AMP) are the base document that outline the on-going operating expenditure for capital works and vested assets that flows through to the Long Term Plan (LTP). The approved Long Term Plan 2018-28 outlines a significant increase in Council's capital programme compared to previous years. The resultant increase in infrastructure maintained by the Council is likely to have flow on effects into maintenance budgets for several decades. Sufficient consideration of consequential expenditure in long term budgets is essential for Council to maintain desired levels of service.

This internal audit links to the Council's strategic objective of Best in Business and strategic/organisational risks.

Re-imagining Local Government

HCC has the opportunity to set expectations both within the organisation and with its design consultants and contractors by implementing a whole-of-life (also referred to as lifecycle costing or LCC) approach to asset design and procurement. Whole-of-life costing analysis is a key asset management tool which promotes strategic thinking and focuses on reducing the total cost of owning an asset. This will assist Council in achieving reductions in cost that will go towards realising the savings of $94 million in the 2018-28 LTP. A LCC approach also drives a focus on the sustainability of an asset through the planning, design, construction and maintenance phases.

Adoption of a whole-of-life costing framework has the potential to be transformational and improve long-term decision-making on assets and projects. The American Society of Civil Engineers has a series of case studies where whole-of-life costing has proven to create both short-term and long-term savings. These include:

- The Pennsylvania Department of Transportation has estimated savings of $30 million from implementing LCC for pavement rehabilitation, with improved performance and lower costs for maintenance.

- The Port Authority of New York and New Jersey piloted the use of LCC on four projects with estimated costs between $4 million and $450 million. The pilot cost about $67,000, yet the use of LCC saved approximately $37 million.

- Through the use of LCC requirements in tendering the operations and maintenance of the Denver Eagle transit line, the Denver Regional Transit District saved $300 million from their initial cost estimate, due to the private sector proposing innovative designs that reduced upfront costs and controlled future costs.

Scope and approach

The objective of this engagement was to assess how operating expenditure is factored into asset management decisions, covering:

Whole-of-life costs

Through inquiry and review of documentation related to the sample projects (from Community Group and City Waters as listed in Appendix I) we assessed how whole-of-life costs are factored into asset design and procurement.

Asset Management & Operating Expenditure
Confidential
3

Our agreed scope was to select a sample of five recent projects covering a number of asset types, including one vested asset. In the initial discussions, we understood that vested assets did not require whole-of-life assessments as long as they were developed in line with Regional Infrastructure Technical Specifications (RITS). No recent vested assets that did not meet RITS could be identified by management.

The scope was thus changed to assessing four projects and understanding the approach to be taken if a future vested asset did not meet the RITS.

Consequential operating expenditure

Our scope was to understand how consequential operating expenditure is captured and flows from the Asset Management Plans (H3 and Parks & Open Spaces) through to Psoda and the Long Term Plan through inquiry and walkthroughs.

During our fieldwork, we discovered that consequential operating expenditure for capital projects was planned for in the project management software Psoda and flowed from Psoda into the LTP, therefore, through inquiry with the PMO Manager, we have understood this process.

Terms of reference of this engagement are attached in Appendix V. The scope of this work was limited to new and vested assets only.

Key messages

HCC has been making incremental changes in the processes to support better consideration of whole-of-life costs and consequential operating expenditure. HCC is still at the lower end of the maturity scale, although there are examples of where option analysis based upon extended asset life have been made and the benefits from reduced on-going maintenance and greater asset life have been realised. The lessons learnt and good practices from these examples, need to be applied across the organisation.
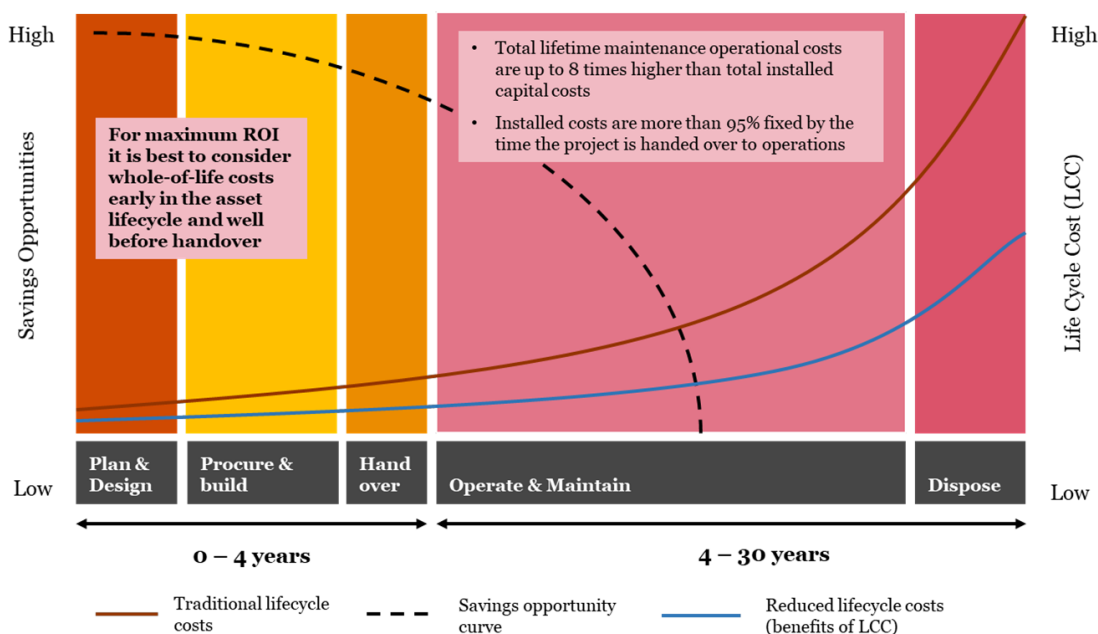
Whole-of-life costs

HCC is undertaking to deliver its largest ever infrastructure development programme and a reimagined way of operating for local government. An organisational strategic outcome is that Council services are delivered in a manner that enables the community to have the greatest say, enriches their lives and delivers the best value for money to the ratepayer.

HCC's procurement procedures manual makes reference to whole-of-life cost (lifecycle costing) and states that "Complete consideration of these factors at the planning stage will help to deliver better value for money for HCC", although there is no supporting framework to provide staff with the guidance and tools to enable this.

Whole-of-life costing is a process to determine all costs associated with an asset or product that encompasses its entire life cycle from acquisition to decommission as shown in the below diagram.

Asset Management & Operating Expenditure
Confidential

4
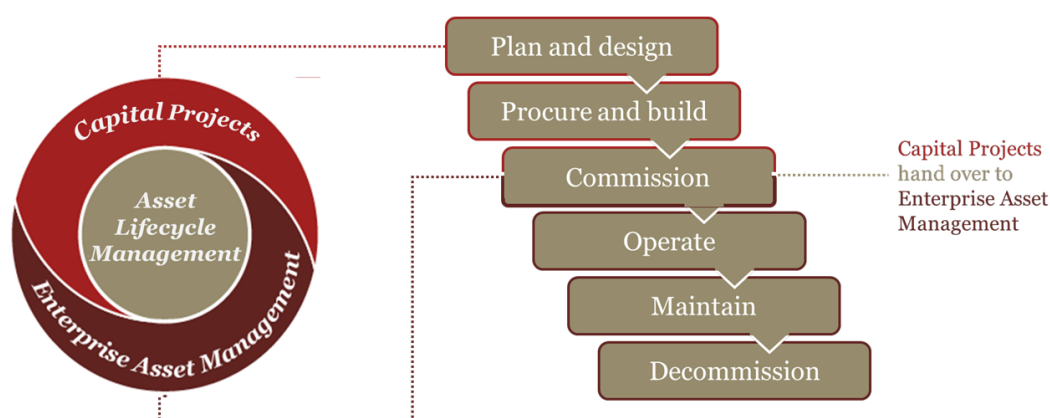
Traditional asset lifecycle approaches have higher overall lifecycle costs. LCC is most effectively applied early in an assets planning and design phase to optimise savings opportunities as shown in the below diagram. It should also be used during the operational and maintenance phases to optimise maintenance strategies and allocation of resources.

Based on the sample projects that we have assessed, we note that although there was consideration of consequential operating expenses, there is a lack of a structured approach to whole-of-life cost assessment. One of the projects assessed, demonstrated considerations of different solutions to meet the required 100 year asset life, but it was not clear from the documentation that whole-of-life costing was assessed in a structured manner.

The application of whole-of-life costing is still evolving within Council and it needs to build upon the practices and experiences of some of the areas that are more advanced and apply it across the organisation.

For vested assets, our understanding is that since July 2018 RITS provides the base specifications for developers that means the infrastructure asset provided should meet the desired whole-of-life costs as if it was delivered by HCC. It is noted, that developers need to be held to account if the specifications are not met.

In summary, we recommend that HCC should:

- implement an organisational framework to facilitate whole-of-life cost identification, analysis and assessment

- provide guidelines and recommended metrics that can be used to encourage and reward a whole-of-life costing approach by suppliers, design consultants and contractors, including the use of innovative procurement approaches

- incorporate learnings from projects that have benefited from whole-of-life considerations across the organization

- define the minimum requirements and provide good practice case studies for documentation of whole-of-life cost assessments

- regularly review the RITS to ensure that the base specifications are current.

Asset Management & Operating Expenditure
Confidential

5

Consequential operating expenditure

HCC has implemented several initiatives to improve capital project planning, management and budgeting. In 2018, to provide structure to planning and budgeting for capital projects, management implemented new project management software called Psoda. All business units were required to enter the capital and consequential operating expenditure budgets for their recommended capital projects to develop the 2018-28 LTP.

We note that:

- in Psoda there is no explanation why there is no consequential operating expenditure for projects. This can be valid for a number of reasons, such as renewing like-for-like and capital expenditure being at the end of the 10 year period.

- the Parks & Open Spaces AMP and the Psoda consequential operating expenditure were not aligned.

- currently consequential operating expenditure for vested assets is budgeted using high level estimates i.e. not in detail per asset or development. Management considers this appropriate given vested assets constitute a minor proportion (approximately 7%) of Council's capital projects.

In summary, we recommend that HCC should:

- ensure that all consequential operating expenditure is accounted for in Psoda

- document why no consequential operating expenditure is necessary

- retain the detailed information that supports AMPs

- provide linkages between the AMP and Psoda to ensure consistency and completeness of strategic planning documents

Detailed Findings and Recommendations

Our detailed findings are presented in Appendix II of this report.

Inherent limitations

Our engagement does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

Asset Management & Operating Expenditure
Confidential

6

Findings Index

We set out alongside a mapping of our findings arising from this engagement against the risk matrix in Appendix IV.

This is a subjective assessment of the findings identified compared against likelihood of occurrence at HCC and the possible impact.

No	Summary Recommendations	Risk Rating	Page No.
1	Develop an organisational framework and guidelines to apply whole-of-life considerations and costing to asset design and procurement.	High	10
2	Ensure consequential operating expenditure is aligned between Psoda and the asset management plans.	Low	13
3	Implement monitoring controls to ensure that consequential operating expenditure information in Psoda is accurate and complete.	High	15
4	Reflect the impact of timing differences in the vesting of assets into future operational cost budgets.	Low	16
5	Implement a process for assessing vested assets that do not meet the Regional Infrastructure Technical Specifications.	Low	17
6	Analyse actual operating expenditure against management's forecasts and track operating expenditure by asset.	Low	18

Asset Management & Operating Expenditure   Confidential   7

Appendices

Appendix I: Sample projects

In the light of improvements and changes to HCC's asset management practices in recent years, and to ensure that our findings and recommendations are in line with the current state of processes and practices, it was agreed that the scope of our assessment would include recent projects (i.e. started within the last 3 years).

The following four projects were selected to assess how whole-of-life costs are factored into asset design and procurement:

Sample project	From business unit / activity group	Budgeted cost*	Projects included – sourced from Psoda
Far Western Wastewater Interceptor (Rotokauri Extension)	City Waters	$4,180,000 (actual construction cost)	Not included in LTP 2018-28 or Psoda as the project was delivered by FY17/18
Rototuna Sports Park	Community	$5,979,000	44344: Rototuna Sports Park Development
Playgrounds Programme (development and renewal)	Community	$33,999,000	36332: Parks and Open Spaces – Playground Renewals ($26.5m over 30 years) 36310: Playground Development Programme ($7.5m over 10 years)
Toilets and Changing Rooms Programme (development and upgrade)	Community	$8,921,000	36352: Toilet and Changing room Development Programme ($7.2m over 14 years) 36354: Toilet and Changing Room Upgrade Programme ($1.7m over 10 years)

*Psoda QA report - Calculated Capital Cost not including inflation

Appendix II: Detailed Findings & Recommendations

Observations	Likelihood: Moderate | Impact: High Risk Rating: High	Recommendations	Management Comment
1. Develop an organisational framework and guidelines to apply whole-of-life considerations and costing to asset design and procurement.			
Observation 1.1 Three policy documents were provided by management: Regional Infrastructure Technical Specifications (RITS), HCC Procurement Policy, and HCC Procurement Policy and Procedures Manual. The policy documents briefly mention the need to minimise whole-of-life costs (RITS) or to consider them when assessing value for money (Procurement Policy & Procedures Manual). However, HCC does not have a framework to apply whole-of-life costing to asset design, maintenance and procurement. This means reliance is placed on individual project/asset manager's knowledge and previous experience of factoring in whole-of-life assessments at asset design phases. From the sample of four projects that we assessed, we note that whole-of-life costing in asset design and procurement is applied inconsistently and in an unstructured manner, if considered at all. ***Good practices*** The Far Western Wastewater Interceptor design is a good example of documentation for various asset design options, based on a requirement for a specified asset life. This led to other design benefits, including decreasing ongoing maintenance costs. From our discussions with the project manager, important factors for enabling assessment of options and more generally, whole-of-life cost assessments from the delivery team's perspective include: • early engagement with the operational team • shared ownership of the project by the asset owner and the operational team		1.1 Implement a framework/guidelines to enable staff to apply whole-of-life costing to asset design, maintenance and wider procurement practices covering: • whole-of-life costing assessments and tools/templates • guidance on mechanisms to encourage a whole-of-life costing approach by suppliers, design consultants and contractors • documentation requirements. 1.2 Provide training to staff about the application of whole-of-life costing to asset design, maintenance and procurement, include previous Council projects or procurement approaches where whole-of-life considerations have been done well as case studies of good practice. 1.3 Incorporate a critical review of proposed options, designs and procurement approaches from a whole-of-life perspective.	**Action owner:** PMO Manager **Completion Date:** 30 June 2020 **Comment:** The Project management framework for the organisation requires project reviews at key parts of the project development and delivery process. The framework also includes key analysis and planning tools such as the preparation of business cases and project plans. Management will evaluate the need for changes to the project management framework to reinforce the appropriate assessment of whole of life costs as part of project design, procurement and project delivery.

Asset Management & Operating Expenditure   Confidential   10

Observations	Likelihood: Moderate | Impact: High Risk Rating: High	Recommendations	Management Comment
- having the operational team being involved in the tender process - use by City Waters of the Building Information Model (BIM) process during asset design, which is supported by various tools and technologies involving the generation and management of digital representations of physical and functional characteristic of places (3D walkthroughs), to understand how things will look and work from an operational perspective - use by City Waters of checklists for whole of life considerations - use of an experienced third party to critically evaluate an asset design and provide feedback that considers whole-of-life costs - upfront thinking from the above in the construction of the brief to the design consultant - non-price attributes and weighting placed in tender evaluation on health & safety and design that minimises operating expenditure. For the Toilets and Changing Rooms Programme, we note that the Procurement Plan shows an innovative approach by the use of a design comparison for the evaluation of suppliers. We did not review the brief provided to the contractors and therefore cannot say whether it specified considerations of whole-of-life costs. ***Examples of deficiencies that we noted include:*** a. Consideration of *whole-of-life costs* into asset design and procurement is not evident in documentation for three out of the four projects assessed. Documentation provided consisted of the proposal documents, business cases, project and procurement plans. Documentation for only one project had consideration of different types of solutions from an asset life perspective. b. We note that the project manager of the Rototuna Sports Park had left the organisation and staff were unable to explain what (if any) whole-of-life costing evaluations and decisions had been made.			Training will also be provided to preparers of financial forecasts for the 2021-31 10-Year Plan to reinforce the need for and tools to use in the assessment of whole of life costs for new assets. This may include the creation of some standard rates for the development of consequential operational expenditure forecasts.

Asset Management & Operating Expenditure   Confidential   11

Observations	Likelihood: Moderate | Impact: High Risk Rating: High	Recommendations	Management Comment
1.2 In our sample, we noted that where contractors were used for design and build there was no evidence of evaluation criteria in the Request for Tenders to encourage suppliers to minimise whole-of-life costs. This increases the risk that whole-of-life costs are not considered by tender evaluation criteria and/or contractors for the design and build of assets. "Cost effectiveness" as a tender evaluation criteria can, for example, be interpreted as minimising capital expenditure not whole-of-life costs. **Risk / Implication** In the absence of an organisational wide framework and clear guidelines, reliance is placed on the knowledge and experience of individual project / asset managers, which results in inadequate or inconsistent consideration of whole-of-life costing in asset design, maintenance and procurement. Without clear criteria to evaluate external suppliers' proposals from a whole-of-life cost perspective, there is a higher risk that capital expenditure may be minimised at the cost of higher operating expenditure over the long term, resulting in a higher whole-of-life cost to Council.			

Item 10

Attachment 2

Asset Management & Operating Expenditure

Confidential

12

Observations	Likelihood: Moderate | Impact: Low Risk Rating: Low	Recommendations	Management Comment
2. Ensure consequential operating expenditure is aligned between Psoda and the asset management plans.			
Observation The Parks & Open Spaces Asset (Activity) Management Plan 2018-28 (Document # D-2655337 – Final Draft) "Parks AMP" included consequential operating expenditure budgeting within total operating cost forecasts. However, the consequential operating expenditure shown did not reconcile with that forecasted within Psoda and management were unable to provide any detailed consequential operating expenditure forecasts (as included in the Parks AMP) , citing an inability to locate the relevant documentation after the staff who had prepared the documents left the organisation. Of the 34 planned capital (non-renewal) projects within Psoda, 12 had no project level consequential operating expenditure included within the total project costs. **Risk / Implication** Lack of reconciliation between Psoda budgeting that supports the AMP increases the risk that the organisation will not be able understand the basis of long term expenditure forecasts and/or appropriately measure the actual delivery against forecasts.		2.1 For the Parks & Open Spaces Activity Management Plan, ensure that consequential operating expenditure is budgeted accurately and completely in Psoda and aligned with the Parks & Open Spaces Asset Management Plan.	**Action owner:** Programme Manager Asset Strategy / PMO **Completion Date:** 30 December 2020 **Comment:** The recommendations on forecasting of and controls for consequential operating expenditure will be considered as part of the process for the development of the 2021-31 10-Year Plan. We are making changes to Psoda through addition of fields to ensure consequential operating expenditure is accurately and completely recorded. Reasons will be captured for where no consequential operating expenditure is required.

Asset Management & Operating Expenditure   Confidential   13

Observations	Likelihood: High | Impact: Moderate Risk Rating: High	Recommendations	Management Comment
3. Implement monitoring controls to ensure that consequential operating expenditure information in Psoda is accurate and complete.			
Observation Psoda was used in the 2018-28 LTP planning process for capital projects. Project budgets within Psoda are amalgamated to form the basis of the capital and consequential operating expense budget in the LTP. We found that a high number of projects did not have any consequential operating expenditure. This can be valid for a number of reasons, yet there was no documentation of the reason why. The budgets in Psoda are high-level budgets for most large projects or programmes. The supporting detailed documentation should be linked by using the "Project Costing Link" field. However, we note that in the Psoda "QA Report" provided to us, there was no information in the Project Costing Link field for 770 out of the 784 projects (98%) included in LTP. Business units are owners of project budgets and any changes to the budget should be updated in Psoda by them. We were unable to identify any monitoring controls to ensure that the impact of any changes to project scope or timing (e.g. deferral or early implementation) is updated in the project's capital or consequential operating expenditure budget in Psoda, which would feed into the next LTP budget or reporting to the Finance Committee. **Risk / Implication** If consequential operating expenditure is missed in project budgets, the LTP may be under-budgeted. Inability to identify or locate the detailed cost workings that support the LTP increases the risk that the information supporting the LTP may not be available, if and when required. If Psoda is not kept up-to-date, then forecasting and reporting will be inaccurate and may lead to poor decision-making.		3.1 Implement a monitoring process to ensure that: a. All projects' budgets in Psoda include consequential operating expenditure. Reasons for inapplicability should be clearly noted in Psoda. b. The "Project Costing Link" field is populated with a link to the detailed project costings. c. The impact of changes to project scope or timing is reflected in the project's capital and consequential operating expenditure budget in Psoda. d. Missing details are actioned in a timely manner. 3.2 Alternatively, Psoda functionality for data input should specify the consequential operating expenditure and project costing link as mandatory fields.	**Action owner:** PMO Manager **Completion Date:** 30 June 2020 **Comment:** The implementation and use of Psoda allowed for a significant improvement in our information for the 2018-28 10-Year Plan. The Psoda system was introduced partway through the last 10-Year Plan and there was variability in the completeness of information recorded across the organisation. Future improvements to financial asset planning approaches will be considered as part of the 2021-31 10-Year Plan. The use of mandatory fields for project costings will be considered as part of 2021-31 10-Year Plan developments. For renewal of some assets, it is not considered efficient or necessary to budget consequential operating expenditure at an individual asset level – there is only value in this when there is a measurable change in the operating expenditure resulting from the replaced asset. Asset managers currently take this into account.

Observations	Likelihood: Low | Impact: Low Risk Rating: Low	Recommendations	Management Comment
4. Reflect the impact of timing differences in the vesting of assets into future operational cost budgets.			
Observation The budget in the LTP for consequential operating expenditure related to vested assets is based on a historical average spend projected over the expected total vested asset growth and is not identifiable based on individual vested asset or development. Due to this, it is difficult for management to reflect the impact of timing differences in the vesting of assets into future operational cost budgets. Further, it is assumed that consequential operating expenditure on vested assets will be no different from that on constructed assets. An assessment of whether this assumption is correct has not been conducted. We understand from management that this approach is used as vested assets constitute a minor portion (approximately 7%) of the total capital programme - therefore the related consequential operating expenditure is expected to be immaterial to whole of Council. **Risk / Implication** Non-identification of actual operating expenditure on vested assets and the use of averages for budgeting may impede HCC's ability to: a) Budget for consequential operating expenditure on vested assets accordingly; and b) Understand whether vested assets incur a higher operational cost than constructed assets.		4.1 Management should assess whether the assumptions made with respect to consequential operating expenditure on vested assets are reasonable. This could be achieved by 4.2. 4.2 To improve the understanding and forecasting of consequential operating expenditure on vested assets, management should track operating expenditure on vested assets in the work order management system (IPS).	**Action owner:** Programme Manager – Asset Strategy **Completion Date:** 30 June 2020 **Comment:** An assessment of the actual maintenance costs associated with vested assets (transport, 3 waters and open spaces) over recent years will be considered as part of the asset planning analysis that will be undertaken as part of the 2021-31 10-Year Plan.

Asset Management & Operating Expenditure   Confidential   15

Observations	Likelihood: Low | Impact: Low Risk Rating: Low	Recommendations	Management Comment
5. Implement a process for assessing vested assets that do not meet the Regional Infrastructure Technical Specifications.			
Observation 5.1 Council has developed and implemented the Regional Infrastructure Technical Specifications (RITS) in collaboration with other Waikato local authorities. The RITS define the standard specifications for transport and water assets as well as earthworks. RITS were adopted by HCC in June 2018. We understand that the RITS will be updated regularly to ensure that the specifications remain up-to-date. HCC has defined RITS as the benchmark that developers must meet for any assets developed by them to be vested to Council. The RITS allows for alternative designs to be submitted (Clause 1.1.4) "provided the alternative specification meets or exceeds the RITS and addresses any operational and maintenance aspects". Management understands that alternatively designed assets must undergo a whole-of-life assessment by Council to meet the requirements of Clause 1.1.4 of the RITS. However, this has not been specified within any internal policy documents. We note that a process has not been defined, neither has personnel nor an approval structure been identified in respect of whole-of-life cost assessments for vested assets that do not meet RITS. The City Waters team noted that they have recently received applications for existing assets to be vested to Council that have limited remaining useful lives and were built to pre-RITS specifications. The whole-of-life cost assessments performed for these assets were done in an ad-hoc manner relying on the knowledge and experience of the personnel assessing the application. 5.2 Due to the recent implementation, no study has as yet been done to assess the benefits of RITS in minimising whole-of-life costs to Council. **Risk / Implication** Lack of guidelines for whole-of-life assessments for vested assets that do not meet RITS specifications increases the risk that the process of assessment is inconsistent.		5.1 For vested assets that do not meet RITS: a) Document the requirement to conduct a whole of life cost assessment as part of the Council's evaluation of the design under Clause 1.1.4 of the RITS. b) Implement delegated authorities for approval of such vested asset applications to ensure that decisions regarding vested assets are made in line with the long term feasibility of maintaining such assets. c) Include monitoring controls in the developer's resource consent to ensure that the vested assets meet the approved requirements. 5.2 Perform a benefits realisation analysis on whether the original benefits of RITS in minimising whole-of-life costs to Council have been achieved.	**Action owner:** Development Engineering Manager **Completion Date:** 30 June 2020 **Comment:** Management will review the process, documentation and criteria for the assessment of whole of life costs and quality assurance for vested assets that do not meet the RITS. The review will include: - Identifying any recommended changes to the RITs document - Any necessary changes to officer delegations in the relevant Delegations Policies. The evaluation of effectiveness of RITs provisions will be considered as part of future reviews of the RITs.

Attachment 2

Item 10

Observations	Likelihood: Low | Impact: Moderate Risk Rating: Low	Recommendations	Management Comment
**6. Analyse actual operating expenditure against management's forecasts and track operating expenditure by asset.**		

Observation Management does not analyse actual operating expenditure against budgeted consequential operating expenditure for assets. This is partly due to operating expenditure not being tracked by individual asset (where appropriate) on a consistent basis across Council. Information systems to identify each asset, built year and programme of maintenance (frequency/type) are not used consistently across the organisation. Through our discussions with personnel in City Waters, Facilities and H3, we understand that: a. City Waters tracks maintenance by asset using Maintenance connect (treatment plants) and IPS (reticulation and other). b. Facilities unit tracks maintenance by site (comprising of several assets) in the financial application, AX. c. H3 is in the process of implementing a fixed assets model within their financial application, Ungerboeck, however, it has not yet been decided how assets will be identified (e.g. by site or at a detailed level) and the respective operating expenditure tracked. **Risk / Implication** HCC forecasts consequential operating expenditure resulting from its capital programmes based on assumptions. Analysing the actual operating expenditure by asset will help HCC to refine its assumptions and improve future forecasting.	6.1 Analyse actual operating expenditure against forecasted consequential operating expenditure. 6.2 Implement processes to ensure that operating expenditure is tracked for each asset (at an appropriate level) consistently across the organisation. 6.3 Benchmarking operating costs by activity in HCC against other councils to evaluate the effectiveness of its asset management and maintenance practices.	**Action owner:** Programme Manager – Asset Strategy **Completion Date:** 30 June 2021 **Comment:** Improvements continue to be made at the tracking of expenditure of reactive and planned maintenance at an appropriate asset level. For some assets it is important to understand maintenance expenditure at an asset level (e.g. critical pumps) but this is not efficient or appropriate for other types of assets (some parks assets / facilities assets). Improvements are being made through increased use of the IPS asset information system (including more asset types), and through changes in how maintenance costs are being captured as part of the corporate financial system (AX to Authority).	

Asset Management & Operating Expenditure   Confidential   17

Appendix III: Whole-of-life useful links/sources

We have included a listing of links and sources of information on whole-of-life costing that may be useful for Hamilton City Council in developing a framework and guidance:

- Treasury's Whole of Life Costs metric
- AS/NZS 4536:1999 Life cycle costing – An application guide
- The Department of Local Government, Sport and Cultural Industries of the Government of Western Australia has some good guidelines on Life Cycle Cost
- Landcare Research/Auckland Regional Council – Costing Low Impact Stormwater devices
- Life Cycle Costing – Transport for NSW (T MU AM 01001 ST v3.0)
- Maximising the Value of Investments using Life Cycle Cost Analysis – American Society of Civil Engineers

Item 10

Attachment 2

Appendix IV: Risk matrix

Impact

Level	Description
High	A significant weakness which could compromise Management's internal control.
Moderate	An issue which can undermine Management's internal control and should be addressed but with a lower priority than High.
Low	A weakness which does not seriously detract from the system of internal control but which should nevertheless be considered by Management.

Likelihood

Level	Description
High	Risk is likely or almost certain to happen (66-100%)
Moderate	Risk is possible to happen (36- 65%)
Low	Risk is unlikely or rarely will happen (0-35%)

Risk Matrix

	Low	Moderate	High
High	Moderate	High	High
Moderate	Low	Moderate	High
Low	Low	Low	Moderate

Likelihood (vertical axis) / Impact (horizontal axis)

Priority Rating

Level	Risk	Consequences of Risk Ratings
H	High	Requires immediate attention
M	Moderate	Requires attention/action underway within 3 months
L	Low	Requires attention/action underway within 6 months

Appendix V: Terms of Reference (extract)

In accordance with our contract 16265 dated 1 July 2017, including all terms, we set out below the terms of reference for our Asset Management & Operating Expenditure Assessment at Hamilton City Council (HCC).

Background

Asset management is a core function of HCC. Consideration of the whole-of-life costs during asset design and procurement can have significant impacts on on-going operating expenditure and the assets level of service.

Asset management plans are the base document that outline the on-going operating expenditure for capital works and vested assets that flows through to the Long Term Plan.

Hamilton City Council has between 2009 and 2017 been operating at a minimum level of planned maintenance and with more reactive maintenance being incurred, due to tight budgets and a need to balance operating costs to revenue. The current 10 year long term plan has a financial strategy of looking after the assets that the Council has. There has been an increase in funding to ensure that there is enough funding to maintain assets to ensure levels of service and asset life are appropriately maintained.

Objective and scope

The objective of this engagement is to assess how operating expenditure is factored into asset management decisions. This will cover how the following are considered:

- whole-of-life costs – how are these factored in the design and procurement of assets
- consequential operating expenditure – is this sufficiently factored into asset management plans and the Long Term Plan.

Scope limitations

Our assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.

The scope of this work will be limited to new and vested assets only.

Approach

The approach is split into two parts:

Part One – whole-of-life costs

Through inquiry and review of documentation we will assess how whole-of-life costs are factored into asset design and procurement:

- interview with project managers
- reading of relevant policies and procedures
- desktop review of project documentation.

A sample of five projects will be selected covering a number of asset types, including vested assets.

Part Two – consequential expenditure

Understand through inquiry and walkthrough (and data analysis – if possible) of new and vested assets, how consequential operating expenditure is captured and flows from the Asset Management Plans through to Psoda and the Long Term Plan.

Sponsor

The Hamilton City Council (HCC) Executive Sponsors for this engagement will be David Bryant, General Manager, Corporate and Chris Allen, General Manager Development.

Deliverable

At the conclusion of this engagement we will workshop the findings with management and prepare a written report containing our findings identified during the assessment (both strengths and weaknesses) along with recommendations for improvement where weaknesses are identified.
The report will be issued in draft to the engagement sponsor for comment, followed by a final report once all comments have been received, agreed, and incorporated within the report.

Staffing

It is anticipated that this engagement will be performed by the following PwC personnel:

Sharon Cresswell	Engagement Partner responsible for the overall engagement
Matthew White	Engagement Partner responsible for the overall engagement
Aaron Steele	Engagement Manager responsible for coordinating and delivering the engagement
Nida Naeem	Senior Associate responsible for performing the engagement.
David Rickard	Associate responsible for performing the fieldwork.

Council Report

Committee:	Strategic Risk and Assurance Committee	Date:	11 December 2019
Author:	Tracey Musty	Authoriser:	David Bryant
Position:	Financial Controller	Position:	General Manager Corporate
Report Name:	Fitch Ratings Credit Rating		

Report Status	*Open*

Purpose

To inform the Strategic Risk and Assurance Committee on the Annual Rating Report prepared by Fitch Ratings based on the year ending June 2019.

Staff Recommendation

That the Strategic Risk and Assurance Committee receives the report.

Discussion

2.   Fitch Ratings is the credit rating agency that Hamilton City Council uses to complete an independent review of how we are managing financially.

3.   The credit ratings that are assigned rate the ability of an organisation to pay back debt by making timely interest payments, and the likelihood of default.

4.   The ratings are taken into consideration by lending facilities, to determine the cost of debt being borrowed i.e. higher rating means we are a lower risk to lend money too, which results in lower interest rates.

5.   Fitch Ratings have completed the review for Hamilton City Council which provides the key indicators of HCC's financial health.

6.   Fitch Ratings has affirmed Hamilton City Council's Long and Short Term Local Currency Issuer Default ratings at AA- and F1, with the Outlook remaining Stable.

     Fitch Ratings has published the Rating Action Commentary (RAC's) which can be found in Attachment 1. The full report will be circulated to the Committee when this has been received.

Financial Considerations

7.   This is a regular operating activity funded through the Long Term Plan.

8.   There are no financial implications in relation to decision as the ratings remain the same as they are currently.

Legal and Policy Considerations

9.   Staff confirm that this matter complies with the Council's legal and policy requirements.

Wellbeing Considerations

10.   The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

11.   The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.

12.   There are no known social, economic, cultural and environmental wellbeings associated with this matter.

Risks

13.   There are no known risks associated with this matter.

Significance & Engagement Policy

14.   Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report has low significance

Attachments

Attachment 1 - Fitch Ratings RAC Release 2019 .

FitchRatings

Fitch Affirms Hamilton City Council at 'AA-'; Outlook Stable

Fitch Ratings - Sydney - 09 October 2019:

Fitch Ratings has affirmed Hamilton City Council's (HCC) Long- and Short-Term Local-Currency Issuer Default Ratings at 'AA-' and 'F1+', respectively. The Outlook is Stable. At the same time, Fitch has affirmed the rating on Hamilton's outstanding senior secured notes at 'AA-'. All ratings have been removed from Rating Watch Negative.

The affirmation follows Fitch's assessment of HCC's risk profile, debt sustainability and Standalone Credit Profile under the revised Rating Criteria for International Local and Regional Governments (LRGs) published 9 April 2019. Fitch placed HCC's rating on Rating Watch Negative on 10 April 2019.

The key rating drivers for LRGs under the criteria are their risk profiles and debt-sustainability ratios. Fitch classifies Hamilton as a 'Type B' LRG as its debt service requirements are largely covered by its own source revenues and cash flows on an annual basis. Fitch assesses Hamilton's final Standalone Credit Profile (SCP) at 'aa-', which results from a 'High Midrange' assessment of its risk profile and 'aa' assessment of debt sustainability.

The debt sustainability score takes into account Hamilton's historically strong payback ratio, which Fitch expects to weaken in future years (due to a projected increase in leverage) and the council's weaker secondary metrics, including actual debt service coverage ratio (DSCR) of 0.9x for the financial year ending 30 June 2024 (FY24), which corresponds to a 'b' category assessment. Overall, Fitch has concluded that the score suggested by the primary metric does not require any further adjustment.

Hamilton's SCP assessment also takes into consideration the council's positioning among peers rated in the broader 'aa' rating category. Furthermore, the council's final IDR is unaffected by any asymmetric risk or extraordinary support from the central government.

Key Rating Drivers

The assessments of the six rating factors in Fitch's criteria were 'Stronger' or 'Midrange' for Hamilton, similar to other New Zealand local councils. No factors were assessed at 'Weaker'. As a result, the overall assessment of HCC's risk profile is 'High Midrange'.

Revenue Robustness Assessed as 'Stronger'

Hamilton sources the majority of its operating revenues from rates, including general property and targeted (including water and a specialised 'Access Hamilton' targeted rate), with the share of general rates rising in recent years to 72.6% of the council's operating revenue in FY19 from 65.6% in FY15. This share remains broadly in line with that of many domestic peers, where aggregate rate revenues represent more than 70% of total operating revenue. Although less dynamic than direct or indirect taxes, Fitch believes that local council rates are also less vulnerable to changes in the economic cycle.

NZ local councils such as Hamilton also receive central government grants and subsidies - principally from the New Zealand Transport Agency, which subsidises part of the cost of maintaining the local road infrastructure. Aside from fees, fines and other operational revenues (24.4% of FY19 operating revenue), another key capital revenue source for a 'high growth' local council such as Hamilton are development contributions from the private sector, which HCC collects as cash payments and uses to help fund capital

expenditure for new property developments. These revenue sources are driven in part by the level of local investment, development activity and the district's above-average economic growth in recent years.

Revenue Adjustability Assessed as 'Stronger'

In New Zealand, there is no system of horizontal fiscal equalisation scheme under which the revenues of local authorities with smaller or weaker economic profiles can benefit. However, this point is largely mitigated by the historically low correlation between rate revenues and the local socio-economic profile of NZ local councils.

Local councils such as Hamilton have a considerable range of flexibility as to how they actually levy this local tax, which can comprise of:

(i) General rates - based on the land, capital or rental value of a property

(ii) Targeted rates - rates calculated on the basis of a feature of a property and used to fund a specific service, such as funding the capital of a new sea wall, refuse collection service or community-specific sewage treatment plant

(iii) Uniform annual general charges (UAGC) - based on a standard cost per rateable property and land (unrelated to property value)

However, each council can raise rate levels to meet unexpected increases in expenditure. In addition, local councils' areas of responsibility are not affected by their demographic profile, and their revenues are not heavily correlated to their socio-economic profile. Fitch believes HCC has ample fiscal headroom to address a potential revenue decline because there are no legal restrictions on increases in rates by a New Zealand local council and our view that there is a strong level of affordability of additional local rates. Fitch estimates that HCC's average residential rates as a percentage of local household income is around 2.11% in 2019. Hamilton's average rates increase (to existing ratepayers) for FY20 has been set at 3.8% (vs. 9.7% in FY19), which remains in line with forecast annual increases outlined in the council's 2018-2028 Long-Term Plan. Consequently, Fitch has assessed Hamilton's revenue adjustability as 'Stronger'.

Expenditure Sustainability Assessed as 'Midrange'

Like other NZ local councils, Hamilton is not responsible for resource-consuming mandates, such as healthcare and education, which are provided by the central government. Instead, its main areas of expenditure are the provision of local water supplies, sewerage, storm water infrastructure, roads, waste collection, area development and other local services - many of which are non-cyclical in nature.

Despite the absence of a formal system of a centralised prudential regulation scheme, which could impose restrictions on leverage and debt-servicing metrics, local councils have historically demonstrated a broadly consistent track record of moderate expenditure growth (excluding debt). This is due to the level of public engagement and community participation in local councils' total expenditure and the sector's strong focus on rates affordability for local communities across New Zealand.

However, in the case of Hamilton, several years of strong economic and population growth have placed a strain on the district's infrastructure and led to sustained pressures on the council's operating expenditure. While HCC's operating expenditure rose by CAGR of 5.1% over FY15-FY19 and matched the corresponding CAGR for operating revenue, this comparison is distorted by the council's borrowings in previous years to fund operating expenditure after its existing financial strategy measures were deemed no longer fit for purpose. The council has since adopted a revised internal performance measure to 'balance the books', which excludes all capital revenue and expenses. Consequently, Fitch has assessed HCC's expenditure sustainability as 'Midrange' due to the council's moderate track record of control over operating expenditure growth.

Expenditure Adjustability Assessed as 'Stronger'

The operating expenditure of most NZ local councils have a moderate share of inflexible costs, which are compared with 'best-in-class' peers by several, privately-owned, independent advocacy and watchdog groups. In the case of HCC, staff remuneration and contributions to superannuation (i.e. pension) schemes accounted for 24.8% of FY19 total expenditure (FY18: 27.6%) as the number of council employees rose by 2.9% to 1,173 from 1,140 in FY18.

HCC's capital expenditure is considerably more flexible in nature and can be adjusted in a relatively short period of time - as demonstrated by the council's FY19 actual capital expenditure of NZD143.2 million (Fitch calculated, which includes purchase of intangible assets), which represented 65.1% of the council's FY19 budgeted capital expenditure (NZD219.8 million) as HCC deferred 108 capex projects. These projects were deferred due to third-party delays, such as infrastructure that is developer dependent; contractual delays, such as design issues or delayed tendering processes; and delays due to changes in project scope or prioritisation.

With capex projected to average 46.4% of the council's total expenditure in FY20-FY24, we believe that HCC will continue to be flexible in its cost base. When combined with the sector's effective balanced budget rules, Fitch has assessed the council's expenditure adjustability as 'Stronger'.

Liabilities and Liquidity Robustness Assessed as 'Stronger'

While there is a lack of nationally imposed borrowing limits for local authorities such as Hamilton, these entities do operate under a solid national framework for debt and liquidity and in accordance with their own risk management policies and limits. The Local Government Act 2002 (Amendment Act 2012) grants enhanced supervisory powers to the Minister of Local Government - including six key powers that the minister has when considering whether or not to intervene in a local council's activities. The powers gradually increase in severity depending on the seriousness of the issue.

HCC is permitted to borrow via bank facilities, domestic bond issuance or from the New Zealand Local Government Funding Agency Limited (LGFA), which now services 64 of New Zealand's 78 local authorities as of 2 September 2019 and accounts for over 97% of debt of the New Zealand local government sector. This includes NZD385.0 million of lending to HCC (around 4.0% of total LGFA lending at this point). Hamilton closely adheres to its own internal debt, interest-rate, treasury and liquidity management policies and limits, which usually prohibits the use of risky loan types or speculative hedging, and restricts the quantum of refinancing debt in any one period. With the notable exception of Auckland Council, relevant legislation prevents all other NZ local councils from borrowing in foreign currency.

While local councils are not legally permitted to guarantee the liabilities of council-controlled organisations, there are no other restrictions on the issuance of guarantees by local authorities. Guarantees are shown in the accounts as contingent liabilities while local authorities are not responsible for the pensions of civil servants as these are paid by the central government. There are no limits on the investment of local councils' financial assets, although credit risk, investment risk, liquidity risk, and market risk are closely monitored and are commented on in councils' financial statements.

HCC's strong debt profile is underpinned by a balanced debt maturity profile (weighted-average maturity as of June 2019: 4.87 years), significant levels of forecast debt amortisation (around NZD295.6 million between FY20 and FY24), limited off-balance sheet risks, and around 78.1% of total debt hedged on a fixed-rate basis at end-June 2019 through a combination of floating-to-fixed interest rate swaps and a NZD10.0 million fixed-rate bond. Accordingly, Fitch has assessed Hamilton's liabilities and liquidity robustness as 'Stronger'.

Liabilities and Liquidity Flexibility Assessed as 'Midrange'

Apart from unrestricted cash held on its balance sheet and significant ability to borrow via LGFA debt issuance, Hamilton held a NZD0.5 million overdraft facility and NZD445 million of committed borrowing facilities (with available headroom of NZD105 million as of FYE19), which are also used as readily available liquidity backups. Furthermore, Hamilton held NZD38.4 million of restricted reserves and NZD1.3 million of 'council created' reserves as of FYE19, which are accounted for as an equity component on the council balance sheet. Restricted reserves include funds, which are subject to specific conditions that HCC accept

as binding and which may not be revised without reference to the courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

HCC's planned FY20 borrowings continue to remain well within its own debt affordability benchmark measure of net debt/total revenue (limit: 230% vs. FY20: 167%) and debt servicing benchmark of total borrowing costs/total revenue (limit: 15% vs. FY20: 7%). The debt affordability benchmark measure and related limit are within the corresponding LGFA foundation policy covenant for 'rated' local councils (i.e. net debt/total revenue less than 250%). The available headroom under the measures demonstrates the council's prudent debt management and future funding availability with its primary financier.

Derivation Summary

HCC's debt sustainability has been assessed in the 'aa' category. Fitch's forward-looking rating case scenario captures the council's projected FY20 capex and Fitch's views on the council's likely level of delivered FY20-FY24 capex (as derived from the council's recent FY20 Annual Plan and its 2018-2028 Long-Term Plan) and related increases in council indebtedness over the same period. As a result of this rating case, the council's net adjusted debt rises from NZD35.3 million in FY19 (payback ratio: 4.6x) to NZD544.9 million in FY24 (payback ratio: 5.7x).

This yields a 'Type B' primary metric score of 'aa' category. However, when examined under the relevant secondary metrics, Hamilton's performance is weaker - synthetic DSCR ('a' category), actual DSCR ('b' category) and Fiscal Debt Burden ('bb' category) - as the council encounters rising interest expenses and significant debt repayments over the forecast period. Under Fitch's rating case scenario, HCC's actual DSCR is expected to slightly improve from 0.7x in FY19 to 0.9x in FY24. Overall, HCC has been assigned a final SCP at the weaker end of the 'aa' category after relevant peer comparison.

Based on a Risk Profile of 'High Midrange', a debt sustainability score of 'aa' and a final SCP of 'aa-,' the council is rated two notches below the sovereign's Long-Term Local-Currency IDR. There are no other asymmetric risk factors nor have we identified extraordinary support.

Based on the short-term ratings correspondence contained within the current LRG criteria, Hamilton is automatically assigned a Short-Term IDR of 'F1+' due to the fact that the council's corresponding Long-Term IDR lies between 'AAA' and 'AA-' (inclusive).

Key Assumptions

Fitch's key assumptions within our rating case for the issuer include:

Modest stress of operating revenue growth rates across forward estimates: FY20 (-1.9%), FY21 (-2.0%), FY22 (-1.2%), FY23 (-1.8%) and FY24 (-1.8%) - based primarily on a stressed scenario of weaker economic conditions affecting key industry sectors locally, a contraction in construction and development activity and the resulting effects that Fitch expects on the council's own source revenues and subsidies or grants from the central government.

Conservative forecast operating expenditure - as outlined in the council's FY20 Annual Plan and 2018-2028 Long-Term Plan.

Operating revenue CAGR of 3.8% during FY20-FY24 compared with 5.5% for the base case while operating expenditure CAGR of 1.1% has been maintained from the base case.

Capital revenue growth rates cut by 2.0pp, 4.0pp and 11.5pp in FY20, FY21 and FY22, respectively, due to a forecast slowdown in local construction activity and consequently, weaker revenues from development contributions.

Capital expenditure (and related borrowings) have been reduced to reflect Fitch's view that the council will deliver around 85% of its budgeted (i.e. Fitch base case) capital expenditure for the FY20-FY24 period.

RATING SENSITIVITIES

An upgrade of New Zealand's long-term local-currency sovereign rating (AA+/Stable) and an upward revision of HCC's Standalone Credit Profile could lead to positive rating action. Hamilton's Standalone Credit Profile may be raised by a positive reassessment of its risk profile, or an improvement in the payback ratio and actual DSCR to less than 7.0x and greater than 2.0x, respectively, on a sustained basis in our rating-case scenario.

A weakening of Hamilton's Standalone Credit Profile may lead to negative rating action. This could be caused by negative re-evaluation of the council's risk profile, or deterioration of the payback ratio to more than 9.0x on a sustained basis in our rating-case scenario.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

RATING ACTIONS

ENTITY/DEBT	RATING		PRIOR
Hamilton City Council	LC LT IDR AA- ⬤ Affirmed		AA- ◆
	LC ST IDR F1+ Affirmed		F1+ ◆
senior secured	LT AA- Affirmed		AA- ◆

Additional information is available on www.fitchratings.com

Applicable Criteria

Rating Criteria for International Local and Regional Governments (pub. 13 Sep 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

Item 11

Attachment 1

Solicitation Status
Endorsement Policy

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

COPYRIGHT

evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Endorsement Policy

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Fitch Updates Terms of Use & Privacy Policy

We have updated our Terms of Use and Privacy Policies which cover all of Fitch Group's websites. Learn more.

Council Report

Committee:	Strategic Risk and Assurance Committee	Date:	11 December 2019

Author: Tracey Musty **Authoriser:** David Bryant

Position: Financial Controller **Position:** General Manager Corporate

Report Name: Audit NZ Final Management Report June 2019

Report Status	*Open*

Purpose

To inform the Strategic Risk and Assurance Committee on the Audit NZ Final Management Report for June 2019.

Staff Recommendation

That the Strategic Risk and Assurance Committee receives the report.

Discussion

2. Audit NZ completed their audit for the financial year ended June 2019.

3. They issued a modified audit opinion on the statement of service performance and expressed an unmodified audit opinion on the rest of the information audited.

4. Four new audit recommendations were raised as a result of this year's audit. Another three previous audit recommendations were carried over until next year's audit as these were not scheduled to be covered in their 2019 audit visit.

5. Audit NZ did close 18 issues relating to the 2019 interim audit and prior year audits.

6. The full Management Report is attached in Appendix 1.

Financial Considerations

7. This is a regular operating activity funded through the Long Term Plan.

8. There are no financial implications in relation to this decision.

Legal and Policy Considerations

9. Staff confirm that this matter complies with the Council's legal and policy requirements.

Wellbeing Considerations

10. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

11. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.

12. There are no known social, cultural, economic and environmental wellbeings associated with this matter.

Risks

13. There are no known risks associated with this matter.

Significance & Engagement Policy

14. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report has low significance.

Attachments

Attachment 1 - Audit NZ Final Management Report June 2019

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Hamilton City Council

For the year ended 30 June 2019

Contents

Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where the Hamilton City Council (the City Council) is doing well and where we have made recommendations for improvement.

We issued a modified audit opinion dated 26 September 2019 on Hamilton City Council and group's annual report. We expressed an unmodified audit opinion on the information we audited, other than the statement of service performance, upon which we issued a modified ('except for') audit opinion because our work was limited in relation to resource consent processing time measures. This qualification will flow through to our opinion on next financial year's comparative service performance information.

In our Audit Plan, we identified the following main audit focus areas for this year audit:

- The risk of management override of internal controls;

- Timely capitalisation of work in progress and vested assets;

- Property, plant and equipment revaluations and fair value assessments; and

- Financial strategy and Housing Infrastructure Fund loan accounting.

We found no issues to report on these matters. Our detailed comments are contained in section 3 of the report.

This report includes recommendations to improve the council's control environment. We suggest as a high priority, the City Council should focus on enhancing the processes and systems for measuring the timeliness of resource consents as well as building consents. This links to the 'except for' audit opinion that we issued in relation to resource consents discussed above.

We are satisfied that all audit adjustments required have been made, except for those mentioned in section 2.3 below.

The City Council has progressed a number of prior year audit recommendations, with a further 18 matters closed in this report. This takes the total number of prior year audit recommendations closed during the year to 28 (10 of which were reported in our interim report).

We also provide other information in this report that may be useful for management and the Council to consider.

Thank you

We would like to thank the Council, management, and staff for assistance provided during the audit and for the quality of the draft annual report that was provided at the start of audit process.

Clarence Susan
Appointed Auditor
12 November 2019

1   Recommendations

Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	**Needs to be addressed *urgently*** These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.
Necessary	**Address at the earliest reasonable opportunity, *generally within six months*** These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	**Address, *generally within six to 12 months*** These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1   New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
The City Council to enhance controls and review processes to ensure that the date and length of time the 'clock stops' for the processing of resource consents is recorded accurately. All documentation relating to the processing of a resource consent is filed and maintained for review purposes.	4.1	Urgent
We recommend that systems and processes are enhanced to ensure correct and accurate reporting. All documentation relating to the processing of a building consent is filed and maintained for review purposes.	4.2	Necessary
The City Council apply the Treasury's guidance on '*Discount Rates and CPI Assumptions for Accounting Valuation Purposes*' for the calculation of landfill aftercare provisions.	4.3	Necessary

Recommendation	Reference	Priority
Processes and procedures are in place to ensure that all elected member's interests are recorded in the interests register.	4.4	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

	Priority	Priority			
		Urgent	Necessary	Beneficial	Total
Final audit	New matters	1	2	1	4
	Prior year open matters	-	-	-	-
	Matters that were not followed up during the final audit visit	-	3	-	3
Interim audit	New matters	-	3	1	4
	Prior year open matters	-	3	-	3
	Total	**1**	**11**	**2**	**14**
	Implemented or closed in this report	**3**	**8**	**7**	**18**

AS2.k - H600HamCC19J - 30-06-2019.docx

6

2   Our audit report

2.1   We issued a modified audit report

We issued a modified audit report on 26 September 2019 with an 'except for' audit opinion. This means we were satisfied that the financial statements and performance information, except for the service performance measure discussed in 2.2 below, present fairly the City Council's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters.

2.2   Resource Consents – our 'except for' qualification

The City Council included in its Long-term plan (referred to as the 10 Year plan by the City Council) a performance measure on the average processing time for non-notified land use and subdivision resource consents. The City Council has reported that it has met its performance target of 18 working days. However as disclosed by the City Council on page 51 of the annual report there are issues with recorded processing times not agreeing to underlying consent information.

Due to the extent of the inaccuracies we identified from our sample testing, we are unable to determine whether the City Council reported result for this measure is materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the reported result for resource consent processing times.

Our finding was based on a sample of 36 and we found six errors. Refer to section 4.1 for more detail about the errors found in the sample.

2.3   Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed in Appendix 2 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

2.4   Corrected misstatements

There were a few corrected misstatements that management agreed to adjust. We have not listed the adjustments made in this report as it is not significant.

2.5   Quality and timeliness of information provided for audit

Management is responsible for providing information relating to the audit of the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 1 April 2019. This included the dates we required the information to be provided to us.

In general, the information provided to support the final audit was of a good quality and was provided on time. This complements the fact that there were minimal misstatements requiring adjustment.

3   Audit focus areas per our Audit Plan

In our Audit Plan of 22 February 2019, we identified our main focus areas for this year's annual audit. The areas and the outcome of our audit work are summarised as follows:

Audit risk/issue	Outcome
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	In order to satisfy ourselves that management did not override controls in preparing the financial statements, we performed the following audit procedures: • tested the appropriateness of selected journal entries; • reviewed accounting estimates for indications of bias; and • evaluated any unusual or one-off transactions, including those with related parties. Based on our work performed we did not identify any instances of management override.
Timely capitalisation of work in progress and vested assets	
The City Council has historically experienced difficulties capitalising work in progress and vested assets in a timely manner. This creates a risk that information used for decision-making may be incomplete or inaccurate. The City Council's capital programme is forecast to increase significantly over the coming ten-year period, which is likely to create additional pressures on the capitalisation process.	As part of our review we: • updated our understanding of the City Council's capitalisation processes; • reviewed work-in-progress and vested assets at year-end to identify assets that are complete and available for use; • reviewed the City Council's adjustments to correctly present these assets as additions during the year; and • obtained an understanding of progress made towards clearing the backlog of uncapitalised assets.

Audit risk/issue	Outcome
	We note that work in progress as at 30 June 2019 is $139 million (2018: $67 million) which is in line with the significant capital budget set through the long-term plan.

However, during this financial year a significant portion of work in progress ($27 million) and vested assets ($28 million) was capitalised in the financial statements but not recorded as such in the financial system at year-end. (In the prior year, this amounted to $31 million and $22 million respectively).

There is a risk that when these assets are eventually capitalised in the financial system, the depreciation cost linked to these assets will not be automatically aligned to the correct financial period and cause errors in the timing and accuracy in the calculation of depreciation.

However, based on our work performed, we assessed the impact of the risk for misstatements within depreciation and movement in revaluation balances as a result of assets available for use not being capitalised at year-end to be immaterial. |
| **Property, plant and equipment revaluations and fair value assessments** | |
| We understand that the City Council's land and buildings, three waters and refuse assets will be revalued during the financial year.

Revaluations can be complex and require the use of assumptions and judgement. The asset classes being revalued are a significant portion of Council's assets and there is a risk that errors in the process or calculation could result in a material misstatement.

We expect that City Council staff will review the outcome of externally prepared valuations and assess these for reasonableness. | The following classes of assets has been revaluated during the financial year:

- Investment properties

- Land and Buildings

- Water, Wastewater and Stormwater Networks and Solid Waste Sites

For these classes of assets that had been revalued we have:

- reviewed the scope of the valuation performed and ensured it has been completed in accordance with the appropriate standards; |

Audit risk/issue	Outcome
Internally prepared valuations should be subject to appropriate levels of quality assurance and may benefit from a peer review of the process and outcome.	• ensured the entire asset class have been revalued, however we noted that there were some items of land that were not included in the revaluation; • made enquiries of the valuer regarding the assumptions used in the valuation and assessed their suitability to undertake the valuation; and • reviewed adjustments posted to the general ledger as part of the revaluation and related disclosures.
The City Council also periodically revalues the following asset classes: • parks and gardens improvements; • heritage assets; and • roads and traffic network. If a material movement between the carrying amount and the fair value of these classes of assets is identified, they must be revalued for the City Council to comply with *PBE IPSAS 17 Property, Plant and Equipment*.	Based on our work performed, we are satisfied that revaluation movements have been recorded accurately and assets are fairly stated as at 30 June 2019. For assets that have not been revalued in the 2018-19 financial year, we reviewed management's fair value assessments and are satisfied that there is no material difference between the carrying amount and the fair value for these classes of assets.
Financial strategy and Housing Infrastructure Fund loan accounting	
The City Council's 2018-28 10-Year Plan includes a new financial strategy that will see the City Council invest in growth, increase its borrowings (including borrowing interest free from the Housing Infrastructure Fund), and drive for efficiency savings across the organisation. The City Council's financial strategy is subject to a degree of sensitivity, particularly in terms of any significant and unexpected negative changes in the City Council's revenue.	As part of our review we: • reviewed the disclosures relating to compliance with the Financial Strategy limits for accuracy; • ensured that any disclosures relating to savings realised during the period are reasonable and appropriate; and • reviewed the accounting treatment for borrowings from the Housing Infrastructure Fund for consistency with the requirements under the accounting standards.

Audit risk/issue	Outcome
In addition, the City Council will need to ensure that interest free borrowings from the Housing Infrastructure Fund are correctly accounted for in accordance with the requirements of PBE IPSAS 29 *Financial instruments: Recognition and measurement* and that the details of the loan facility are appropriately disclosed.	Based on our work performed we have not identified any concerns through any of the above processes.

AS2.k - H600HamCC19J - 30-06-2019.docx

12

4   Matters identified during the audit

4.1   Resource Consents: Errors identified in sample population

As part of our audit process, we select key (material) measures for review and to verify the reported results in the statement of service performance in the annual report. The expectation is that reported results is based on robust systems and internal controls in place to ensure that the reported results is based on accurate and complete data that can be verified against supporting documentation. Our testing is done on a sample basis. Any errors or limitation in supporting documentation within our sample above our acceptable error threshold may lead to an audit opinion qualification, as we experienced this year. (Refer to section 2.2).

We performed audit work over the measure "average processing days for non-notified land use and subdivision resource consents" to ensure it is accurately reported in accordance with the requirements of the Resource Management Act, 1991 timeframe regulations.

From an audit sample of 36, we identified six records reported inaccurately or inadequate underlying supporting documentation.

The errors found were as follows:

- For five records, the supporting documentation provided did not validate the data recorded in the system; and

- for one record, we were unable to obtain supporting documentation to validate the time the clock was stopped.

Because of the high rate of inaccuracies in our sample, we were unable to obtain sufficient assurance over the reported result. We discussed the errors with management who agreed with our findings.

Recommendation

We recommend that the City Council enhance controls and review processes to ensure that the date and length of time the 'clock stops' for the processing of resource consents is recorded accurately.

We also recommend that adequate documentation relating to the processing of resource consents are filed and maintained for audit purposes. This to enable us to verify and re-perform the reported results.

Management comment

Earlier this year, the Council started a project to review and improve our resource consent administrative processes. That project, which supports the findings of this audit, is already underway and will ensure changes are made to how documentation is recorded and stored. We will also instigate a monthly internal audit process.

Management is committed to ensuring the resource consent process is as timely and transparent as possible and are investigating opportunities to move to an online consenting system sooner than planned.

4.2 Building Consents: Improvements required in maintaining supporting documentation

As part of our review of the performance measures, we also covered the measure "average processing days for building consents", to ensure it is accurately reported in accordance with the requirements of the Building Act, 2004 timeframe regulations.

We found two errors from our sample of 36 tested. Although the error rate is just beneath our acceptable threshold, we also identified instances where the supporting documentation to verify the dates captured in the system was not readily available. This required audit to engage with the Building Consent staff to find adequate supporting documentation.

The risk for the City Council is that, as raised with resource consents discussed above, a higher error rate and potential limitation in adequate audit evidence may result in a modification of our audit opinion.

Recommendation

We recommend that systems and processes are enhanced to ensure correct and accurate reporting. This should include that documentation relating to the processing of a building consent is filed and maintained for review purposes.

Management comment

Management have taken immediate steps in response to the audit findings in particular around training and document management awareness.

In addition to this, from a process perspective, a review of the acceptance criteria for Request For Information (RFI) responses and processing checklist is being undertaken to ensure staff make accurate and timely records of when RFI responses are received. The acceptance criteria will enable the QA system to identify incidents where RFI response information has not been entered into the regulatory systems in a timely manner.

4.3 Discount rate to calculate the unwinding for landfill provisions

We noted that the City Council, used a discount rate of 5.09% in order to calculate the unwinding for the landfill provision. This rate is based on prior year budgeted cost of borrowings. This is applied to each year of the aftercare period of the landfill sites. Using this discount rate the total landfill provisions recognised in the financial statements is $14.4 million as at 30 June 2019. The use of the 5.09% rate by the City Council is not in line with Treasury guidance: *Discount Rates and CPI Assumptions for Accounting Valuation Purposes*. https://treasury.govt.nz/information-and-services/state-sector-leadership/guidance/financial-reporting-policies-and-guidance/discount-rates/discount-rates-and-cpi-assumptions-accounting-valuation-purposes

We believe the use of an external credible source such as the Treasury rates are more appropriate rates to use. In addition, the relevant rate should be used to match each cash flow and not just be applied as one average rate for each year. If this basis is applied and the varied treasury rate is used, the provision will amount to $18.2 million as at 30 June 2019. We have recorded the difference of $3.8 million as an unadjusted misstatement in Appendix 2. We are satisfied that the error is not material.

Recommendation

The City Council apply Treasury's guidance on *'Discount Rates and CPI Assumptions for Accounting Valuation Purposes'* for the calculation of the landfill aftercare provisions.

Management Comment

We are satisfied that our landfill provision appropriately reflects the level of discounting required. The methodology for calculating the landfill provision has changed from the previous financial year and the 10-Year Plan. We will use the new methodology for calculating the provision in the next financial year.

4.4 Interest register

We checked the City Councils interest register against the Companies Register and Charities Register to check that all interests by elected members had been declared. This to ensure that in cases where elected members do have a perceived conflict of interest it is dealt in accordance to policies and procedures.

During our search, we noted some cases where interests were not recorded in the interest register.

We are aware that the City Council do have a separate process before each chamber meeting that require that participants of the meeting to declare any potential conflict of interests.

Besides the risk for irregularities, if an actual and perceived conflict of interest is not detected timely, it may result in a reputational risk for the City Council.

Recommendation

Council should ensure that processes and procedures are in place to ensure that all elected member's interests are recorded in the interests register. The City Council could perform regular searches of various registers to ensure that the interest register is complete and up to date.

Management Comment

We have updated our declaration of interests form to ensure elected members declare all interests. We will perform a related party search of the various registers during the next financial year to ensure our interest register is complete.

AS2.k - H600HamCC19J - 30-06-2019.docx

16

5   Public sector audit

The City Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the City Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the City Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;

- the City Council carrying out its activities effectively and efficiently;

- the City Council incurring waste as a result of any act or failure to act by a public entity;

- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its members, office holders, or employees; and

- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

6   Group audit

The group comprises:

- Hamilton City Council (HCC);

- Waikato Innovation Growth Limited (Group);

- Vibrant Hamilton Trust; and

- Waikato Regional Airport Limited.

We have not identified any of the following during our audit for the year ended 30 June 2019:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.

- Limitations on the group audit.

- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

AS2.k - H600HamCC19J - 30-06-2019.docx

18

7   Crown Infrastructure Partners funding for housing

Hamilton City Council, like some other high growth Councils in New Zealand, are constrained in their ability to take on further debt to invest in infrastructure. Many of these high-growth Councils are near their borrowing limits, making it challenging to finance the infrastructure investments needed to keep up with demand. This limits their ability to open up the supply of land for housing construction.

The Crown Infrastructure Partners (CIP) bulk housing team has developed a commercial model used in Auckland for Government and private sector funding to support growth in housing. The goal is to significantly bring forward in time the building of bulk infrastructure, which will in turn allow new houses to be built now and in the coming years.

We noted that that the CIP is working with high-growth Councils (Auckland, Hamilton, Tauranga and Queenstown Lakes) to form a pipeline of potential future transactions based on a new version of the model used in Auckland. Development of this new CIP model is underway.[1]

We understand that some Councils are considering recovering infrastructure payments from property owners by using rate assessments as the mechanism to collect the money on behalf of the developers. This approach carries some legal risk, as the 'infrastructure payment' is not included in the definition of a rate in the Local Government (Rating) Act 2002 (LGRA).

Based on discussions with management we are pleased that the City Council is well aware of the legal risk and will follow a process of due diligence before any decision will be made on the mechanisms to be used to recover infrastructure payments should it decide to use the new CIP model.

---

[1] This will be over and above the $290 million funding from the Housing Infrastructure Fund for the Greenfield development (Peacocke).

8   Useful publications

Based on our knowledge of the City Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Client updates	
In March and April 2019, we hosted a series of client updates. The theme was "Improving trust and confidence in the public sector". These included speakers from both Audit New Zealand and external organisations. Relevant sessions for the City Council include: • Procurement and how it contributes to trust and confidence; • Audit and Risk Committees: How do we make them more effective; and • Using your Audit and Risk Committee Effectively – a chair's perspective.	On our website under publications and resources. Link: Client updates
Good practice	
The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on: • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments.	On the OAG's website under good practice. Link: Good practice

Description	Where to find it
Reporting fraud	
The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.	On the OAG's website under data. Link: Reporting Fraud

Appendix 1: Status of previous recommendations

Implemented or closed recommendations

Recommendation	First raised	Status
H3 - Internal controls We recommended that the City Council perform an internal review over revenue and expenditure systems to identify areas where the internal controls can be improved.	**2015**	A monthly process is now being performed. **Matter closed.**
Capital expenditure for Groups of Activities We recommend that the City Council include additional disclosure going forward, of its actual versus planned capital expenditure for each Group of Activity. This may include detailing major capital expenditure projects or initiatives. This would help improve transparency by enabling members of the public to see and compare Council's forecast capital expenditure and project timings against actual delivery. As part of this disclosure, the City Council should comment on any significant variances between planned and actual expenditure.	**2017**	A review of the annual report has noted that capital expenditure by group of activity has been included. **Matter closed.**
Wastewater – median resolution time for sewerage overflows We recommend the City Council perform a quality assurance review of the data extracted from the system, prior to calculating the median resolution time. The classification of services requests should be checked as part of this review. In addition, we recommend that each customer call is given a new service request number in the system, to ensure that all service requests are individually recorded.	**2017**	We did not identify any records of concern during our audit work. **Matter closed.**

Recommendation	First raised	Status
Operational, parks and gardens, restricted and infrastructural land valuations Management should review the assumptions applied during the valuation process, as well as the values assigned, and confirm that they are comfortable with these.	**2017**	Management have reviewed the assumptions applied during the valuation process this financial year and are comfortable with these. **Matter closed.**
Lack of centralised register for leased Council properties We recommend that a central register is developed and maintained to record all operating leases held by the City Council. This register should be continually updated throughout the year as leases are entered into or renewed.	**2018**	Council currently maintains four registers of leased property (Strategic Property, Parks and Open Spaces, Community Development and H3). The registers are updated throughout the year as leases are entered into and renewed. At year-end as part of preparing the Annual Report, all the leased property schedules are brought together to form one centralised lease property schedule. Management have accepted the associated risks of only updating the centralised risk register once a year. **Matter closed.**
Group revaluation timetable not consistent with parent We recommend that the City Council ensure that subsidiary entities revaluation timetables are aligned with that of the Group.	**2017**	The City Council has communicated with WIGL to align the revaluation timetable, however, we do not assess this to be a significant impact on the financial statements. **Matter closed.**

AS2.k - H600HamCC19J - 30-06-2019.docx

23

Strategic Risk and Assurance Committee Agenda 11 December 2019- OPEN · Page 172 of 183

Recommendation	First raised	Status
Plant, property and equipment - monthly reconciliations We recommended the City Council ensure disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.	**2015**	During the 2018/19 audit process, we have sited the reconciliations used to prepare the financial statements. We note that the City Council are currently preparing these reconciliations and will continue to ensure they do so in the next financial year. **Matter closed.**
Disposal of assets not recognised in a timely manner We recommend that processes are put in place to ensure that assets that are disposed of and reported in the correct accounting period.	**2017**	From our work completed during the current financial year, we did not note any significant disposals that should have been disposed of during the 2018/19 year and were not. **Matter closed.**
Lack of formalised impairment assessment processes We recommend that a formal impairment review is performed and documented as at balance date each year for all classes of property, plant and equipment, and intangible assets that are not subject to annual revaluations.	**2017**	An impairment assessment has been completed by the relevant service areas. We have performed a review of the impairment assessment and have not noted any issues. **Matter closed.**
Heritage asset classification We recommend that a review is performed of the library and heritage asset classes to ensure that assets are classified in the correct asset class.	**2017**	We note that this have been performed. **Matter closed.**
Intangible assets classification We recommend that separate asset registers are maintained for each class of intangible assets. Additionally, criteria should be set to clarify initial classification to these asset classes to avoid subsequent reclassification.	**2017**	An intangible logic/rational register has been developed to record the reasoning for classification of intangible assets. This helps ensuring that a consistent logic is applied to similar assets and the classification of intangible assets is standardised.

Recommendation	First raised	Status
		Management believe that the process now in use does not require having separate asset registers for each class of intangible assets. **Matter closed.**
Journals not independently approved We recommend that the City Council investigate whether system controls can be implemented to prevent users having the ability to enter and post their own journals.	**2017**	The City Councils has now moved to the new Authority Financial Information System from 1 September 2019, hence this finding is no longer relevant. On this basis, we have closed the matter. We will evaluate controls for journal processing in the new system during our next interim audit visit. **Matter closed.**
Self-approval of purchasing card transactions We recommend that the City Council review its purchasing cards policy to ensure that guidance is included on approval processes in the above situations, and going forward, recommend that all purchasing cards are subject to independent approval from the persons benefiting, or perceived to be benefiting from the expenditure.	**2018**	The standard process now is that all purchases made on behalf of General Manager are required to be approved by the Chief Executive and any purchases made on behalf of the Chief Executive is required to be approved by the Mayor. We identified one incident where self-approval of a purchasing card transaction occurred. After further review, this was determined as an isolated case. Based on above, we have closed the issue. **Matter closed.**
Property, plant and equipment – stocktakes not performed We recommend that fixed asset stocktakes are completed on a cyclical basis to ensure that assets recorded on the City Council's fixed asset registers remain under Council's control. Any information regarding the condition or state of assets should also be reflected within the fixed asset register following these reviews (that is, impairment or disposal if applicable).	**2017**	Valuations of property, plant and equipment for material asset classes are now done on an annual basis. This includes inspection and verification processes required for valuations. Smaller asset classes are valued and inspected on a cyclical basis but fair value assessments done annually. This limits the risk that assets are misstated in the annual report. **Matter closed.**

Recommendation	First raised	Status
Attribute data recorded for historical land We recommend that the City Council review the attribute data recorded for its land, and update asset records to include legal title and land areas going forward.	**2018**	We have noted the City Council's efforts in updating asset records to include legal title and land areas going forward. **Matter closed.**
Depreciation and amortisation rates We recommend that the City Council review its accounting policies for depreciation and amortisation of assets. These policies should reflect the expected pattern of consumption of economic benefits or service potential embodied by the asset. The policy should also be consistent with the useful lives noted within valuation reports, and updated for condition assessments performed during the year.	**2017**	We did not identify any cases where depreciation and amortisation rates of assets were inconsistent with the policy. **Matter closed.**
Property, plant and equipment - work in progress We recommended that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We recommended that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	**2014**	We have noted improvements in the delays in WIP during the current year audit. There is less WIP that should have been capitalised at year-end. Based on this we have closed the matter. **Matter closed.** (We will continue to monitor this in future years and re-report should we note a deterioration).
Property, plant and equipment - timely capitalisation of vested assets We recommended that asset managers provide information to the finance team on a monthly basis to ensure vested assets are capitalised in a timely manner.	**2015**	We have noted an improvement in the process of capitalising vested assets on a timely basis. Based on this we have closed the matter. **Matter closed.** (We will continue to monitor this in future years and re-report should we note a deterioration.)

Recommendations that were not followed up on during this audit

Recommendation	First raised	Status
Road and traffic network asset revaluations We recommend that the City Council review the data integrity of the asset sub system, and where appropriate, ensure that data is corrected within the ledger or sub-ledger to ensure the systems reconcile.	2017	Road and traffic network assets were not revalued during this financial year, we will follow up on this next revaluation year.
Property, plant and equipment – completeness of information in IPS We recommended the City Council ensures all the parks, gardens and building assets are added to the IPS system (previously Hansen 8) so information is all maintained and processed within one database.	2015	Parks and gardens improvements were not valued during this financial year, we will follow up on this next revaluation year.
Assets missed from the revaluation We recommend that processes are put in place to ensure that all assets within a class subject to revaluation are valued in accordance with the requirements of PBE IPSAS 17.	2017	Parks and gardens improvements were not valued during this financial year, we will follow up on this next revaluation year.

AS2.k - H600HamCC19J - 30-06-2019.docx

27

Appendix 2: Uncorrected misstatements

Uncorrected misstatements

Statement of comprehensive income		Statement of financial position	
Dr	**Cr**	**Dr**	**Cr**
$3,815,000			$3,815,000

Explanation for uncorrected misstatements

Incorrect discount rate used in calculation for the unwinding of the landfill aftercare provision. The City Council has applied a discount rate of 5.09%, which reflects the level of discounting required for the landfill provision. This rate reflects the risk free discount rate plus an inflation adjustment. The variance represents the difference between the discount rate applied, and risk free discount rate range of 1.03% to 3.16% stated by Treasury, which is, deem to be a more appropriate basis.

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Council of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners,* issued by New Zealand Auditing and Assurance Standards Board. Other than our audit of Hamilton City Council's annual financial statements and performance information and our assignment in the area of the debenture trust deed and other assurance engagements over the tender process for the review of aspects of decision-making related to the Victoria River Precinct and the procurement of professional services for the Peacocke Housing Infrastructure project we have no relationship with or interests in the City Council or its subsidiaries. Other than these engagements, we have no relationship with, or interests in the City Council or its subsidiaries.
Fees	The audit fee for the year is $230,000, as detailed in our Audit Proposal Letter. Fees for other engagements were as follows: • Debenture Trust Deed Audit : $8,000 • Other assurance work: $46,070

Area	Key messages
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.
	We would like to note that the previous in-charge on the Hamilton City Council audit has taken up the position of Corporate Planning Manager at the City Council from April 2019. Another former employee and in-charge at Hamilton City Council has taken up the position of Financial Accounting Team Leader at Hamilton City Council from July 2019. From the time both entered into a formal recruitment process with the City Council they were removed from all aspects of the audit.

AS2.k - H600HamCC19J - 30-06-2019.docx

30

Attachment 1

Item 12

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 256
Waikato Mail Centre
Hamilton 3204
Phone: 04 496 3099

www.auditnz.govt.nz

Council Report

Committee:	Strategic Risk and Assurance Committee	Date:	11 December 2019
Author:	Morva Kaye	Authoriser:	Tracey Musty
Position:	Internal Auditor	Position:	Financial Controller
Report Name:	Organisational Improvement Register - 30 November 2019		

Report Status	*Open*

Purpose

1. To inform the Strategic Risk and Assurance Committee on the status of the Council's Organisation Improvement Register as at 30 November 2019.

Staff Recommendation

That the Strategic Risk and Assurance Committee receives the report.

Discussion

2. Council's risk management programme includes the completion of external audits by Audit New Zealand, New Zealand Transport Agency (NZTA) and others and internal audits by PricewaterhouseCoopers (PwC) and an internal resource.

3. Actions and recommendations resulting from these audits are recorded and monitored through the Organisational Improvement Register.

Audit New Zealand

4. There are 14 recommendations outstanding as at 30 November 2019 compared with 34 recommendations at 30 June 2018.

5. Since the last report to this Committee, 18 items have been closed and four new items have been raised.

6. The only outstanding recommendation classified as urgent, relates to the inaccurate reported results for resource consents.

New Zealand Transport Agency

7. Eight recommendations from the previous audit in August 2016 have all been addressed.

8. In the May 2019 NZTA Investment Audit Report, NZTA identified an area of 'improvement' with regards to procurement procedures.

   The improvement related to publishing on Council's Website contracts appointed by 'Direct Appointment' in line with our current procurement strategy, endorsed by NZTA.

Council has advised NZTA that both a copy of our current procurement strategy and updated contract register will be publicly available and accessible through our website by December 2019.

PwC Tax Compliance Review

9. The Tax Compliance Review was completed in December 2017.

10. Seven outstanding recommendations are at various stages of being implemented.

Financial Considerations

11. This is a regular operating activity funded through the Annual Plan.

Legal and Policy Considerations

12. Staff confirm that this project complies with the Council's legal and policy requirements.

Wellbeing Considerations

13. The purpose of Local Government changed on the 14 May 2019 to include promotion of the social, economic, environmental and cultural wellbeing of communities in the present and for the future ('the 4 wellbeings').

14. The subject matter of this report has been evaluated in terms of the 4 wellbeings during the process of developing this report as outlined below.

15. There are no known social, economic, environmental or cultural considerations associated with this matter.

Risks

16. Any known risks have been identified relevant to the matters in this report.

Significance & Engagement Policy

Significance

17. Having considered the Significance and Engagement Policy, staff have assessed that the matters in this report have low significance.

Engagement

18. Given the low level of significance determined, the engagement level is low. No engagement is required.

Attachments

There are no attachments for this report.

Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. 2019/20 Internal Audit Update to 30 November 2019 C2. Fraud and Protected Disclosures Update C3. Cyber Risks/Issues - Verbal Report C4. Verbal Update on any Legal Issues and/or Risks	) Good reason to withhold) information exists under) Section 7 Local Government) Official Information and) Meetings Act 1987)	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to protect information which is subject to an obligation of confidence and disclosure would likely prejudice continual supply of similar information where it is in the public interest for that information to continue to be available to protect information which is subject to an obligation of confidence where disclosure would likely damage the public interest	Section 7 (2) (c) (i) Section 7 (2) (c) (ii)
Item C3.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C4.	to maintain legal professional privilege	Section 7 (2) (g)