



## Waikanae Library Review

Kapiti Coast District Council

June 2019

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## Executive Summary

In December 2018 Kapiti Coast District Council (Council) closed the Waikanae Library indefinitely after testing returned levels of toxigenic and allergenic mould within the building. Council was advised by biodec, the company that performed the testing, that *“the air quality could not be effectively managed as an interim without compromising the safety of persons working in or using the building for its intended purpose”*.<sup>1</sup> Biodec’s report references air sampling undertaken by Capitol Environment Services which confirmed the presence of a serious mould issue, and state in their report that *“the extent and degree of the water ingress as well as the extent of visible colonies suggested that the issue had been occurring long term.”*<sup>2</sup> Council responded promptly by closing the library and establishing a pop-up library in the foyer of the Library following decontamination until February 2019 when the pop-up moved to the Mahara Gallery.

Morrison Low was asked to investigate how Council found itself in the situation of having to close the Library. Council seeks to make improvements to its systems and processes to avoid this happening across Council’s assets. We have reviewed Council policies, processes and plans, previous decisions and interviewed a range of staff in order to reach our findings.

There is a long history of the Waikanae Library and potential upgrades or redevelopment with the Mahara Gallery (Gallery). In 2009 the Long-Term Council Community Plan included the Library expansion and upgrade for 2012-2014, and included \$1,903,000 for this work, and a shortfall for the Gallery was identified. In 2011 the design of the upgrade of the Library and Gallery was approved and a memorandum of understanding signed with the Gallery. The decision parameters were then changed because of funding and a revised concept design was agreed in June 2011. In 2012 the Long Term Plan included provision in 2015/16 for an upgrade to the Library and Gallery, provided all external funding for the Gallery had been obtained. Then in 2015 the upgrade, as a combined project, was approved in the 2015-2025 Long Term Plan for years 2016/17 and 2018/19. Subsequently the 2017/18 Annual Plan signalled investigation of site options for the Library and Gallery, but in 2017 Council deferred the need for a new library by undertaking a programme of renewals and minor building alterations to the existing building with work to start in 2018. In our view, the many delays of the joint upgrade and expansion of the Library and Gallery meant there was no appetite to invest in the building and the building was, as some staff members called it, nursed along. Staff working in the building were effectively told to hold on and wait until the project funding came through. This meant that maintenance and renewals were continually deferred. Ultimately, the Gallery could not secure external funding, and because of the ongoing delays, the Library and Gallery projects were separated in 2017.

It is clear from Council records and in talking with various Council staff, that it was widely known that the building leaked and leaked badly. The information was available, however staff saw in the information what they wanted to see. This is evidenced by the volume of requests for service (RFS) and the nature of the RFS which say things like as “just the usual leak”, “leak in the same places as last time”, “same old leak”. Staff complaints date back to 2002. While the symptoms of the leaks were dealt with as they arose on a very regular basis (i.e. every time it rained), the root cause was not. While we understand there was some frustration from property staff in not being able to address the root cause because of the imminent redevelopment, their frustration was not conveyed to the Senior Leadership Team (SLT) or to Councillors as decision makers.

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<sup>1</sup> Building Related Indoor Environmental Forensics Assessment. New Findings, biodec, 4 December 2018

<sup>2</sup> Ibid

Staff working in the building have been frustrated in having to either report or respond to ongoing leaks knowing that the root cause was not being dealt with and felt that their concerns about the building and their work environment were not being heard.

Irrespective of the number of RFS received, it was not until a building condition report was completed by Miyamoto International New Zealand Ltd in October 2018 for the commencement of budgeted renewals, that the true extent of the scale of the problem with the building and resulting costs became apparent. Failures with the membrane lined gutter and roof, window design failure and cladding design failure were identified, and the Miyamoto report also recommended air testing of areas such as the staff room and public areas due to the potential for mould contamination.

At a similar time, a complaint in the Ōtaki Library about the air conditioning unit resulted in the Acting Library and Arts Manager requesting the Acting Property Manager to undertake air testing. A decision was made to test the Waikanae Library at the same time. The testing returned level of toxigenic and allergenic mould in the Waikanae Library. The building was then quickly closed. Without this testing, Council could still be operating from the Waikanae Library and being reactive to building issues.

While we heard that there was no appetite for Council to spend money on the Waikanae Library, there is little evidence of specific decision making to support this view. From our observations and in reviewing the information provided, the Senior Leadership Team and Councillors were not informed of the condition of the Waikanae Library. The ongoing leaks and risks in deferring renewals for the property were never reported and therefore did not form part of the decision-making process. As such, senior management were not asked to reallocate budgets, bring forward renewals or any other action it saw fit, based on the working conditions and state of the Library building.

A culture of not spending money to meet the budget levels set by the Council through Annual and Long Term Plans was reported to us. While this drive to be careful with public money is understandable, and we are aware that decisions by previous councils have significantly impacted Council's financial position, we are concerned at what the long-term impact of this under-investment across the portfolio may mean for Council. Especially when those decisions were being made without the information that was needed for an informed decision.

The 2018 – 2038 Long Term Plan (LTP) finally identified a programme of renewals for the Waikanae Library and stated:

*“Council has decided to defer the need for a new library by undertaking a programme of renewals and minor building alterations to the existing library building. This work, which has a budget of \$900,000 in 2018/19 and a further \$100,000 the following year will achieve a high standard of library facility within the constraints of the existing building envelope.”<sup>3</sup>*

Planning for this work was underway when the building was closed, and the estimate was well short of the true costs because of the extent of design failures in the building identified in the Miyamoto Condition Report. The closure of the building raises some fundamental issues of whether the Council wants to spend approximately \$2million, as estimated by Miyamoto to get the building weathertight and some minor internal upgrades to last for another ten years, or whether a longer-term solution needs to be found.

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<sup>3</sup> Kapiti Coast District Council Long Term Plan 2018-2038 page 75

We have broader concerns about aspects of Council's community facilities portfolio. This is due to our discussions with staff, which anecdotally would indicate that Council may also have some significant issues with the community halls and pensioner housing portfolios due to historical low levels of investment in the community facilities portfolio.

To summarise our findings:

- There have been failures of council asset management systems, processes and reporting regarding the Waikanae Library.
- There has been a failure in management to respond to ongoing staff concerns with the condition of the Waikanae Library.
- There is a lack of using risk in decision making at a sufficient level as it relates to the impact on funding decisions.
- Property asset information is available. It, however, is not analysed, reported or collated, so staff do not have a full picture of the true funding needs of each building or asset group in the community facilities portfolio. There needs to be a way of bringing all information together so that Property can understand what the main issues for the portfolio are.
- Reporting from the current system does not meet the Property Manager's needs, and additional functionality is likely to be required to enable meaningful reporting to be undertaken.
- Staff and contractor knowledge of the buildings is not utilised in strategic asset management planning.
- The budget bottom line drives all decisions and resulted in staff not acting or investigating further as there is the perception that there is no money available. (i.e. don't bother asking for more money)
- We have concerns about the community halls and pensioner housing portfolios and would recommend a full review of those portfolios as a priority. This should form part of a wider strategic review of the property portfolio to develop a clear strategic direction for the acquisition, disposal, leasing and redevelopment of Council owned property.

We also note that from our discussions that senior managers have begun taking the first steps to implement change and improvements.

## Scope and approach

In undertaking our investigation, we:

- reviewed council policies, processes, systems and procedures for responding to Requests for Service (RFS) and complaints
- reviewed all available RFS / complaints / communications about the building and subsequent responses / actions and recording of responses / actions taken
- reviewed any advice / reports (officer, legal, engineering etc.) received regarding the Library
- identified if council processes were followed and
  - compared these to industry practice
  - if they were followed, why didn't they work?
  - if they were not followed, why not and what was done instead (and how that compares to industry practice)?
  - if Council's asset management systems and processes worked or didn't work in the current situation including links to the RFS system

- provided context and understanding of maintenance and/or funding decisions made throughout the period under review and identified any learnings
- interviewed key staff and contractors at Council offices.

On completion of the interviews we presented our interim findings to Councillors followed by a briefing to the staff that we interviewed. A draft report was provided to staff for feedback and a final report completed after consideration of the feedback received.

During any discussions with staff and or stakeholders there are three Morrison Low policies that apply to our interview and investigation.

- **We are where we are**  
Our culture demands we look forward to how improvements will assist stakeholders rather than look back to apportion blame for strategies that may have been sensible at the time of implementation but, as a result of circumstances, are no longer appropriate.
- **Every staff member and stakeholder has our undertaking that confidentiality will be maintained**  
To allow staff and stakeholders to discuss opportunities openly with us, we undertake that we will ensure that their comments are not traced back to them without their permission.
- **We are not here to judge the competence of anyone**  
We feel that competency is generally a management issue, and investigations into this involve completely different processes than those we would use on this project.

We would like to thank those staff that were interviewed for their openness in talking with us.

## Background

Morrison Low was engaged by the Group Manager Place and Space to investigate how Council found itself in the circumstances of having to close the Waikanae Library due to toxic mould being found in the building. A brief summary of the background to this situation is outlined below.

### Redevelopment of the library

There is a long history of the Waikanae Library renewal / redevelopment / new library dating back to 2008 where a decision was made for a joint upgrade and expansion of the Library and Mahara Gallery. The Gallery is Kapiti Coast District's public gallery, which is funded mostly by Council as well as private funders and volunteers. The Gallery has been offered the Field Collection, a significant art collection with strong local links, to be stored and displayed at the Gallery. The Field Collection contains 44 works collected and created by three generations of the Field family, including Frances Hodgkins, who is regarded as one of New Zealand's most famous painters. However, this offer is conditional on the Gallery premises being upgraded to professional museum standards. While Council provides financial support to the Gallery, the Gallery was also required to raise funds before the planned upgrade and expansion could go ahead.

The 2009-2019 LTP included an expansion and upgrade to the library in years 2012/13 and 2013/2014 but funding was moved to the 2015/16 budget provided that external funding had been obtained by the Gallery. The Gallery could not secure external funding and the project was put on hold in 2017. The strategy over this timeframe was to keep the building going until Council could build a new library.

Council has tried to progress options for the new Library/Gallery development and put together an offer back proposal for the Waikanae township car park land, however this was declined by the former landowners in March 2017. Additional site options have also been identified by Greg Pollock who was engaged to assist with the site selection based on Council's requirements.

In August 2018 Council signed an agreement for the Mahara Gallery Upgrade, Design, Build and Operational Review. As part of the Agreement it was stated that the Mahara Gallery Trustees *"...require the Council's commitment to the project, and to providing one-third of the funding of the project. The Mahara Gallery trust has until 30 June 2020 to raise its share of the project total. Council has planned for capital and operating expenditure for the expanded Mahara Gallery, provisional upon the Mahara Gallery Trust reaching its funding goals. The Council's commitment to this project is based on a project cost of \$5.205million."*<sup>4</sup>

Council made the decision in 2017 to separate the Library and Gallery projects, and allocated renewals budget for the Library in the 2018-2038 Long Term Plan of \$900,000 for 2018/19 and \$100,000 for 2019/2020.

## Library leaks

In the information provided, we understand that as early as 1995 as part of the library relocation project to the current premises, it was noted by the architect for the refurbishment of the building that there was a leak in the corner of the existing PO Box lobby (the building was a former post office), and that this would need to be attended to before refurbishment commences, along with any other maintenance work. It is not clear that this was ever done.

During our discussions we were told that it was widely known that the building leaked and every time it rained a Request for Service would be logged for the Waikanae Library building to deal with those leaks.

Those working in the building raised concerns / complaints received from staff and customers via:

- a request for service
- team meetings
- escalation to management
- direct discussions with Property
- emails and phone calls to Property
- incident reports.

The perception was that Property simply wanted to fix the immediate issues and not the root cause, and the eventual planned redevelopment with the Gallery would remedy the situation.

We have seen various versions of properties asset management plans and/or financial data dating from 1997 to 2011 and community facilities activity management plans from 2015 to 2018. The documents provided were in various states of completeness. Historical Long Term Plan, Annual Plan, Asset Management Plan and Corporate Business Committee decisions or information were also provided in summary documents. While many reference condition surveys and staff and customer satisfaction surveys that inform the asset management planning process, there is little evidence of this happening. There is also little discussion in the documents specifically about the Waikanae Library because of the high level of these documents.

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<sup>4</sup> Agreement for the Mahara Gallery Upgrade Design, Building and Operational Review, page 2

From the information provided to us, complaints / RFS about leaks in the Waikanae Library date back to 2002. Between 2002 and November 2018, 116 complaints / RFS were received, peaking in 2017/2018 at 22. Figure 1 shows the number of complaints received between 2001/02 and 2018/2019. The first reference to mould and fungus on the carpet and walls were raised in November 2017. After numerous staff complaints about the state of the staff room in May 2018, including noting the presence of mould, the wall in the staff room was opened up and some remedial works were undertaken, including cleaning to remove the mould. We are not aware of any testing of the staff room for the presence of toxic mould at this time.

**Figure 1 Complaints about leaks per year for the Waikanae Library**



Source: Kapiti Coast District Council

We are not aware of any specific reporting to Council on the ongoing leaks / lack of weather tightness of the building or the risks and consequences of deferring maintenance while the Library was tied up with the Gallery on the working conditions and general state of the Waikanae Library.

In preparation for the planned renewal works in 2019, in October 2018 Council received two reports from Miyamoto International New Zealand, one on building condition and the other a structural report for the boundary wall. The building condition report identified that the exterior cladding of the staff room, children’s area and work room tested positive for asbestos and recommended testing for mould in the staff room and public areas.

In November 2018 the Acting Libraries and Arts Manager requested the Acting Property Manager to undertake air testing of the air conditioning unit at the Ōtaki Library in response to a complaint that was made. At this time, it was decided to test the Waikanae Library. While the Ōtaki Library tests came back clear, the Waikanae Library did not.

In November Council engaged biodec to investigate the “source, dispersion, and severity of mould growth and reservoirs indicated by poor indoor air quality results.”<sup>5</sup> Council was advised by biodec that “the air quality could not be effectively managed as an interim without compromising the safety of persons working in or using the building for its intended purpose”.<sup>6</sup> Council responded promptly by closing the library and establishing a pop-up library in the foyer of the Library following decontamination until February 2019 when the pop-up moved to the Mahara Gallery.

<sup>5</sup> Ibid - Scope of Works

<sup>6</sup> Ibid – New Findings

We do not propose to go any further regarding the results of the testing that was carried out as the biodec report covers this in detail. Similarly, we do not propose to go into Council's response to the biodec report as prompt action was taken once the issues were identified. The focus of this report is what happened and did not happen prior to this.

## Findings

In undertaking our investigation there were key themes / areas that emerged that in our view have contributed to the current situation. We have categorised our findings in the following way:

- Asset management practices
- Decision making
- Other matters

We address each of these areas below.

## Asset Management Practices

### Asset management systems and processes

Council currently uses SPM Asset software for its asset management of property building / assets. SPM was installed approximately 18 months ago. Prior to this Council's property asset management was managed via an Access database. There are differing views as to the accuracy and validity of the Access database, and whether it was a good system or not. We heard that this was better than Council's own system as it linked maintenance costs (via purchase orders) to the budget which Council's system did not. We also heard that while at some point this database was kept up to date and included relevant asset management information such as condition surveys, good practice slipped, it was not updated, and became redundant. We understand that this is what the Property Manager inherited.

We are not clear on how much data was migrated from the Access database to SPM, or the accuracy of data derived from the previous asset management system.

#### ***SPM asset***

SPM Asset is an asset management system used primarily for property assets (buildings) and is widely used within local government for property asset management. It is primarily used for long term planning of forward works programmes for property assets.

SPM holds a detailed asset register down to component level with condition information. It can also be used to hold performance information about property assets and information such as asbestos, leased or owned property and asset criticality. The system has analytical tools to predict asset component renewal needs and cost associated with those renewals. It can also be used as a project management tool for work programmes. The accuracy of the predictions is based on the accuracy and completeness of the information held within the system. How current and accurate information held in the system is very dependent on the training of the people who use the system and have undertaken the condition survey.

The quality of the output is very reliant on the processes and people associated with supporting the system. If the organisation does not take responsibility for understanding the information within the system or keeping the data within the system up to date and accurate, then it will not provide the answers the organisation is looking for. Staff using the SPM Assets system should be trained and understand how to use the information contained within the system and have programmes in place to regularly update the information held. An understanding of the modelling behind the condition report is critical to being able to get the most out of the assessment.

While SPM contains modules that can be used to record requests for service and the full end to end process, in our experience most organisations only use the modules associated with long term planning for asset replacements and tend to use SPM as a modelling and budgeting tool.

### ***Condition assessment***

Most condition assessments are visual assessments. There is a rating applied from 1 (very good/new) to 5 (very poor or about to fail) for component parts resulting from an on-site survey. For each building asset component, the percentage of the asset component that is in poor condition is assessed. For example, 90% of roof might be in good condition but 10% may be in poor condition. The condition assessment should identify the assets / components that are in very poor condition that need to be replaced before others and provide a focus and help prioritise maintenance and funding for Council.

SPM undertook condition surveys for all council properties in 2017 for the 2018 LTP. The condition assessment survey for the Waikanae Library was undertaken in May 2017. In our view, the SPM Summary Report raised several red flags that should have attracted further investigation. These relate to:

- the butynol roof being in average condition and which typically has a life span of 20-30 years (the building was built in 1982)
- mould on the exterior of the building
- rust on metal spouting
- rot on the plant room door
- water stained ceiling tiles and missing tiles
- internal gutters (a design that tends to result in leaks / problems).

Condition assessments only look at the component parts and do not bring together all that is known with the building. The condition assessment only identified \$26,000 of replacement costs for components in poor or very poor condition, however this does not tell the full story of the building. It is up to property staff to interpret the condition assessment and bring together all other known maintenance issues and building performance information (e.g. RFS), to prioritise and make informed recommendations for the building. Based on our reading of the condition report, we would have expected that this information would be elevated up, all other information brought together, and the work presented and prioritised in a transparent decision-making process.

We note that Property have identified that they need to moderate these condition assessments to make them more holistic as they do not look at functionality, usability etc. We are aware that SPM can also do performance assessments that look at the functionality requirements of an asset. A programme of moderation of the SPM reports is proposed, however we understand that some of the professional services budget was removed by the Senior Leadership Team for the work planned for the 2020/2021 year.

Overall, we do not see a failing in the condition report. The failing is in understanding what the assessment was and what it was not, the interpretation of the report, and not bringing together all information about the building. We do acknowledge that the SPM condition report would not identify the design failings that the Miyamoto Condition Report identified as they are two very different reports undertaken for different purposes.

We did not receive any condition assessments for the Library apart from a summary report for 2017. Other than references to an asset register in 2002 that contained condition ratings for the Library in two sections, Halls and Buildings and Office, Service Centres and Depots, there were no other condition surveys available. Condition ratings are shown in Table 1 below.

**Table 1 Waikanae Library 2002 condition ratings**

Condition rating						
	Exterior		Interior		Fitting	Ground
	Structural	Décor	Structural	Décor		
Halls and Buildings	2	2	2	3	4	3
Office, Service Centres and Depots	2	3	2	2		

Because no other copies of condition assessments have been provided, it is unclear whether they were undertaken and therefore we cannot say whether condition assessment underpinned previous asset and activity management plans or not. However, we note that previous activity management plans reference condition assessments as follows:

*“The Waikanae Library is in good to very good condition.”* (Draft 2006 Properties AMP)

The 2011/12 Property Asset Management Plan (AMP) identifies the timeframe for condition ratings assessment for libraries as June 2012.

*“The Council carries out regular condition surveys to ensure its assets are maintained, replaced or developed over the long term to meet required delivery standards and foreseeable future needs at minimal cost.*

*The Council has an asset management system which holds live condition date on property assets. Analysis of this data provides a good understanding of programmed cyclical maintenance needs to minimise costs.”* (2015-2035 Community Facilities Activity Management Plan)

The 2015-2035 Community Facilities Activity Management Plan indicates the timeframe for condition ratings assessment for libraries as June 2016.

The overall impression from the AMPs is that they are based, in part, on condition assessments and that the condition of the building is analysed as part of the process.

### ***Property does not use the information available to it to make or inform decision making***

While significant numbers of RFS were received for the Waikanae Library building, nobody was taking a holistic view of the asset. What we mean by this is that there is no system or process for reporting and /or analysis from the RFS system on a per building or per issue basis. Therefore, the Property team does not understand whether there are recurrent issues or themes related to one building or across its portfolio.

- Information from RFS is not used to inform asset management planning in the property team; it is not collated, analysed or reported.

- Service managers are not involved in strategic asset management discussions or given the opportunity to provide direct feedback to Property to discuss building performance and inform potential budget recommendations.
- Council's handyman and contractors are not consulted about common issues or in general, that could inform asset management planning. However, contractors must notify Council of any hazard they create or are aware of onsite in accordance with the Contractors Health, Safety and Environmental agreement.
- Customer satisfaction survey comments are not considered in asset management planning. Rather, the generally high library score is relied on to keep with the status quo.

This is valuable 'user' and performance information that should be being used.

We are however aware that Library and Customer Services staff reviewed a business case in 2017 for renewals and modifications of the Waikanae Library to *"achieve high standard of library facility for Waikanae for the next ten years"*.<sup>7</sup> We do not know if any issues were raised by those departments at the time as the business case only indicates that this review occurred.

The fact is that Council had all the information it required to act earlier on the Library to test it. Organisationally, it chose not to use it. Property staff did not escalate or report the issues and continued with nursing the building along regardless of the risk or consequences. In doing so, they assumed that it was a risk that was not theirs to manage. In addition to RFS and maintenance records, there was information from staff working in the building, contractor and handyman information and service manager feedback that was available. It is critical that time is taken to gather and analyse information about Council assets so that asset performance is understood, and information given (or escalated) to management to ensure an informed response to Council asset management planning.

We also heard that new staff may not have been made aware of what information Council has and where to find it. This should be covered as part of the induction process.

### ***Asset and activity management plans***

Section 14 of the Local Government Act 2002 requires local authorities to act in accordance with the following principle:

*"14(1)(g) a local authority should ensure prudent stewardship of the efficient and effective use of its resources in the interests of its district or region, including planning effectively for the future management of its assets..."*

The industry accepted practice to meet this is via asset management plans.

We were provided with various versions of properties asset management plans and/or financial data dating from 1997 to 2011, a property 30-year plan updated to 2014, and community facilities activity management plans from 2015 and 2018. The documents provided were in various states of completeness. While many reference condition surveys and staff and customer satisfaction surveys that inform the asset management planning process, there is little evidence of this happening for the Library. There is also little discussion in the documents specifically about the Waikanae Library because of the high level of these documents.

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<sup>7</sup> 2018 Long Term Plan Business Case Waikanae Interim Library Renewal Modification

The most recent Activity Management Plan for Community Facilities (dated 2018) is a draft document that should have been signed off as part of the 2018-2038 LTP. Libraries are identified as a strategically important asset in this document. As the most recent document, and what should be the most up to date version, we have undertaken a high-level review of the draft Plan. Our view is that the Plan shows a barely aware level of maturity when it comes to community facilities asset management when considered against the International Infrastructure Management Manual Asset Management Maturity Assessment tool. In particular:

- There is a fundamental misunderstanding of what Council needs to be doing e.g. Asset Management Processes response to Failure Prediction relies on condition assessments and does not recognise asset performance, RFS or other maintenance information that should be used to predict failure.
- The document does not bring together all the information, risks and consequences about community assets.
- The document is high level and appears to have been treated as a tick box template exercise to try to demonstrate asset management practice and procedures, regardless of whether they are followed.
- Optimised Renewal Decision Making is defined but not followed.
- The AMP is light on meaningful information on specific buildings and is more at an asset group level.

We also note that no interpretation of the Library condition assessment is included in the AMP. Rather parts of the assessment have been cut and pasted into the AMP with no further explanation or information on the performance of the building or recognition of RFS. Users of the building, contractors and council's handyman were not involved in any asset management discussions. There is a clear disconnect between the building and the service.

We heard that staff do not place much value on the activity management plans and find them too high level. This comes through in the Activity Management Plan, and better asset management practices and culture needs to be embedded in the Property team to support the development of a meaningful document that is used, valued and relied on for informed decision-making.

Good asset management requires funding to do the job properly. Analysis of data is critical to see what is happening with Council assets and to address maintenance, capital works, issues, risks, consequences and budget. Staff need to be trained, and business processes need to be in place. We do not infer that staff are not currently trained but emphasise the importance of training to get the most out of staff. Putting the resource in the right area is critical.

From our experience, it is not uncommon for low levels of asset maturity to be prevalent in councils, particularly in buildings. Kapiti is not unique in this way.

We also note that it appears that the building was able to obtain the required Building Warrants of Fitness (BWOFF). These are required where a building has specified systems. It would not be expected that the contractor undertaking the BWOFF inspection work would address broader building issues in their report as that is unlikely to be within the scope of the work requested.

## ***Budgeting***

Budgets are built on a historic basis with a starting point for budgeting for asset management being that there is no more money. Budgets are commonly known to be insufficient to do the work required, but there is no evidence provided to support the budget that is initially put forward. Information provided on the historic community facilities capital expenditure across the portfolio as (asset renewals and new assets / upgrades) from 2013/2014 to 2017/2018 shows a total spend of between \$187,000 – \$343,000 per financial year, totalling \$1.37million. This compares with 2018/2019 budget of \$2.7million that included \$945,000 for the Library upgrade and supports the limited spend on the Waikanae Library over this period as was reported to us by staff.

We are aware that Council is one of the most indebted in New Zealand, and this has resulted in significant pressure to keep rates and costs down. This provides context for decisions on the Library, and is arguably likely why further budget was not sought.

We have identified a culture of not spending Council money. Even the plumber was told that Council didn't want to spend money on the Library because of the upcoming Library / Gallery upgrade. While fiscally admirable, staff need to consider what are the consequences of not asking for the budget that is required to deliver an effective service. This culture is not new and dates back to the previous General Manager and we understand this position was regularly reinforced to the Property Manager. If Council cannot undertake its functions and services to a safe and satisfactory level in accordance with legislative requirements, decision makers need to know this so they can make an informed decision on it. Staff doing so take a risk that is not theirs to take. Additionally, it creates a situation where there will be greater future costs as a result. Again, that analysis is not presented to decision makers.

By not seeking additional funding, not utilising the information available, not specifically and transparently reporting risks to decision makers, the Property team and its managers have played a key role in enabling the current set of circumstances at the Waikanae Library to occur.

We have broader concerns about Council's property portfolio. This is due to our discussions with staff which anecdotally would indicate that Council may also have some significant issues with the community halls and pensioner housing portfolios. There are significant risks and consequences, including reputational damage if this is not investigated immediately.

## ***Roles and responsibilities***

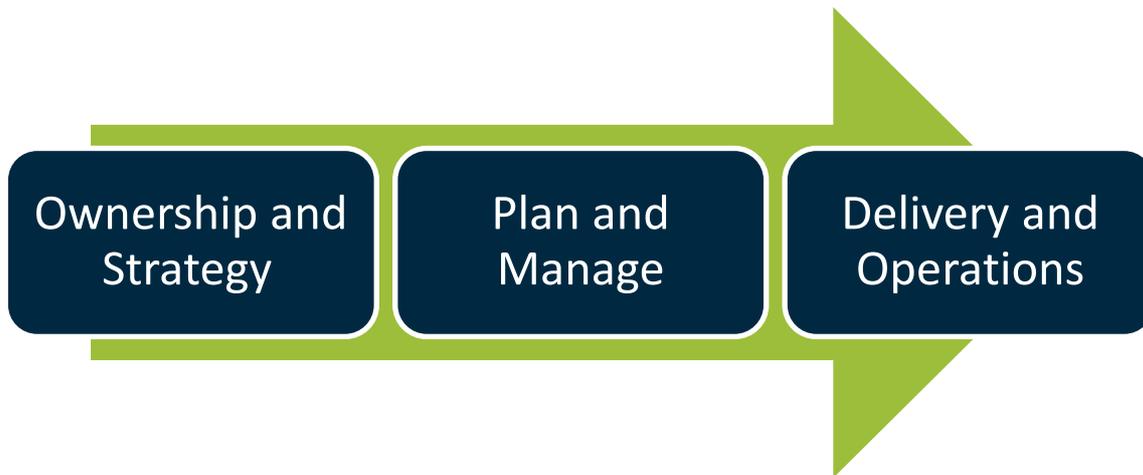
The efficient and effective management of Council's assets is essential. To be effective there must be a clear definition of roles and responsibilities, and this should be a whole of organisational approach. Currently, however, there is a lack of clarity around roles and responsibilities as they relate to the Library and building more generally.

We understand that the Property team undertake the asset management and property management function for Council. They are the asset owner, and their activities range from strategy to operations.

It is not uncommon for people to do multiple roles, particularly in smaller councils. However, it is important to understand the difference in each role you perform.

Successful delivery of asset management functions within an organisation requires a clear definition of the roles and responsibilities of asset management. This is reflected in an activity to continuum from owner to strategy to planning, to managing, to delivery and operations as shown in Figure 2 below.

Figure 2 Asset management activity continuum



Asset management has a number of key functions, each with core activity responsibilities. Generally, better results are achieved if roles have distinct boundaries within their functional areas. summary for roles and responsibilities is outlined in Table 2 below.

Table 2 Roles and responsibilities

Roles	Responsibilities
<p><b>Asset owner</b> Ownership responsibility for the management of assets and is usually responsible for policy and overall asset strategy</p>	<ul style="list-style-type: none"> <li>Establish long term policy and strategy</li> <li>Establish future demand for assets (type and standard)</li> <li>Establish long term organisational expectations</li> <li>Develop strategic service level outcomes</li> <li>Implement policy and strategy for existing assets through AMPs</li> <li>Develop AMPs</li> <li>Develop investment programmes to inform budget envelopes</li> <li>Ensure integration of asset management into delivery and operational plans</li> <li>Maintain and develop asset systems and strategic reporting</li> <li>Ensure asset accounting is accurate and maintained</li> <li>Develop renewals strategy</li> <li>Develop capital works prioritisation</li> <li>Collect asset management data</li> <li>Data custodian</li> </ul>
<p><b>Asset custodian</b> Responsible for planning and management of the assets including collecting and maintaining asset data, determining works programmes and maintenance strategies etc</p>	<ul style="list-style-type: none"> <li>Develop and oversee forward works programme</li> <li>Project handover documentation</li> <li>Control budgets</li> <li>Commission improvements</li> <li>Develop asset management delivery plans</li> <li>Specify service levels</li> <li>Determine asset condition rating</li> <li>Undertake risk management</li> <li>Recommend asset disposal and renewal</li> </ul>
<p><b>Asset delivery</b> Responsible for day to day maintenance of assets</p>	<ul style="list-style-type: none"> <li>Deliver programmed and reactive maintenance</li> <li>Deliver and / or manage capital works</li> </ul>

Roles	Responsibilities
<p><b>Operations</b></p> <p>Responsible for the operations and services delivered by the assets</p>	<p>Deliver operations and services</p> <p>Manage service delivery functions</p> <p>Manage service user expectations</p> <p>Deliver adopted levels of service</p>

It is our view that these roles should be clear and distinct in any structure. How these roles and responsibilities are split will depend on a number of factors, such as organisational priorities, size, organisational asset management maturity and location.

It also appears that there are very clear grades / levels within which the Property team operate, with specific tasks allocated to a specific level role. It is important that the different roles and levels work together to achieve good property outcomes for staff and its customers in accordance with Council’s delegation’s manual and vision. Property is a specialist area which comes with high risk to Council if not managed properly. This should be reflected in the roles, responsibilities and delegations of the team.

**Staff and customer satisfaction survey**

Activity management plans reference staff and customer satisfaction surveys, often as mitigation or as an information source in the asset management planning process.

Given what we heard about the condition of the building, and after reviewing the extensive complaints from staff and customers, we expected that the staff and customer satisfaction surveys may provide further insight and information on the poor condition of the library. The community clearly values its library and its staff; they did have comments about the library building. By way of some examples, the 2017 customer satisfaction survey asked, “Are you satisfied with the library building facilities?” Answers included:

- Stained carpet by heater is disgusting
- Cramped and unwelcoming
- Could be a better building, previous water damage is apparent
- Ceiling in ladies toilet is a mess.

When asked in the same survey “what if anything could we do to make your library environment better” responses included:

- Need purpose building library
- New carpet. Very stained in places though I guess this is a low priority for KCDC
- Leaks all over carpet bad.

A 2016 customer feedback survey also elicited comments about the building including:

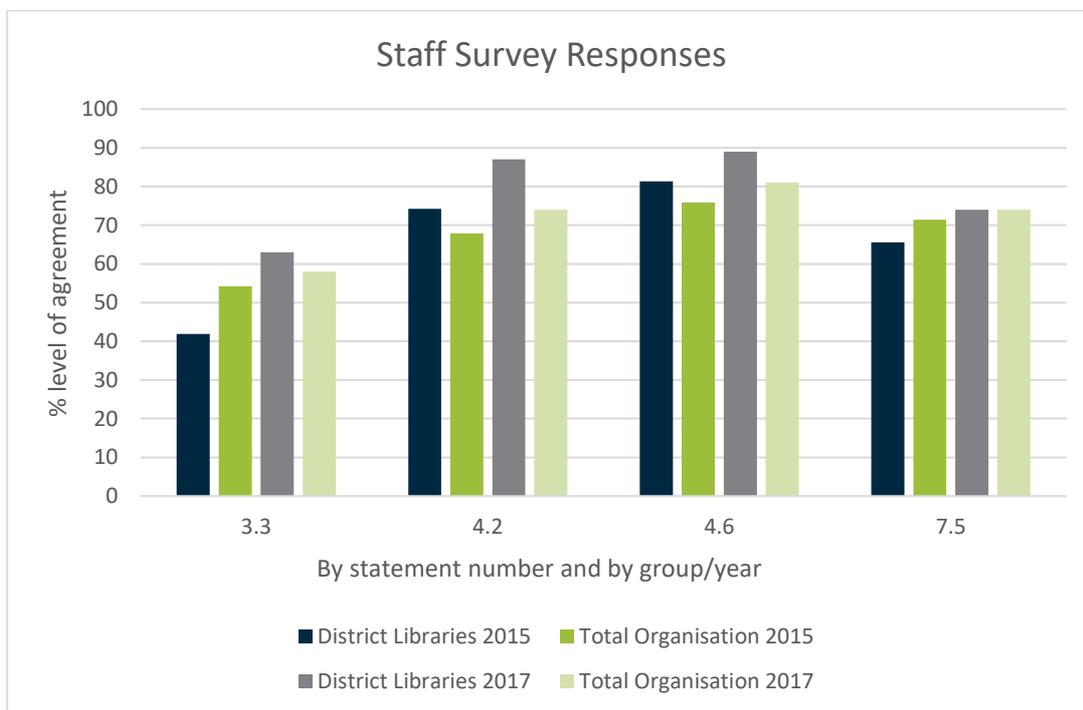
- Modernise and upgrade building
- Building not ideal, fabric looks tired. Please bowl and start from scratch
- Needs major rejuvenation
- Needs major upgrade
- Needs to be updated
- Poor condition
- Needs total rebuild – fit for purpose
- Things are very tired.

Based on these comments we would expect the Activity Management Plan to acknowledge the comments received, and not just rely on the high approval ratings of a library that the community does not want to lose. In the 2017 customer survey 83% of respondents were satisfied with services provided by libraries. High satisfaction results are not surprising for libraries, but if the feedback received is not considered, particularly in the mix of other information known by Council such as RFS and maintenance records, just using the overall satisfaction rating does not tell the full story.

We have received information on staff satisfaction surveys from 2015 and 2017. We understand that the 2017 survey was run by an external company, however we are not clear on whether this was the case for 2015. Answers to the survey are aggregated to *District Libraries* and measured against the *Total Organisation*. We note the following level of agreement to the following statements from the 2015 and 2017 survey in Figure 3 below.

- Statement 3.3 This organisation is interested in the views and opinions of its people
- Statement 4.2 This organisation cares about the well-being of its people
- Statement 4.6 This organisation is committed to the Health and Safety of its people (renumbered as 4.7 in 2017)
- Statement 7.5 I am satisfied with my physical work environment

**Figure 3 Staff survey responses**



While we cannot separate out those staff responses for those working at the Waikanae Library, the library staff survey results improved from 2015 to 2017, which does not correspond with what we were hearing. This may be because those staff interviewed as part of this review did not start working in the Library until 2018.

Overall, while survey results can be useful for asset management planning and gauging public and staff opinion, we do not see any evidence of this information being used in the 2018 draft Activity Management Plan for Community Facilities.

## Recommendations

- Undertake an asset management practices and procedures (core business processes) review, develop an improvement plan and implement recommendations resulting from the review.
- Update and finalise the 2018 Activity Management Plan for Community Facilities utilising all known asset information and survey feedback so that it is a valuable information source for asset management planning.
- Property to transparently identify, escalate and report risks and consequences in their portfolio for under investment, deferrals etc.
- Identify any additional SPM and RFS functionality requirements to enable better reporting and analysis of information to achieve an integrated view of community facilities assets.
- Set clear criteria in line with a risk framework that will trigger specific action in particular circumstances.
- Clearly set out roles and responsibilities as they relate to buildings and the services within them.
- Property to liaise better with service managers and contractors to build a strong evidence base on the portfolio.
- Property to request a true and accurate level of funding required for capital projects and renewals.
- Urgently review the community halls and pensioner housing portfolios and identify risks, consequences, funding, health and safety implications from the review and a programme of work.
- Review staff training, identify training needs and develop a training programme.
- Review Property functions and assess alignment with available resource and identify any capability or capacity gaps.

## Requests for service

We have included RFS under the broader asset management practices theme as the information contained in the system should be used to inform asset management planning. We understand that the RFS system started out as a customer services database and it is used in different ways across the organisation e.g. some use it as a workflow, but in essence it is a transactional system and used as a de facto works order system. We understand that there is currently no reporting on RFS's whether it be by site or by theme.

The number of service requests logged across the organisation annually is approximately 25,000. While we do not have a breakdown of the proportion of RFS that are overseen by Property, given the assets managed and broader property functions, we would expect that a large number of these requests would be property related. For the purposes of this report we focus on RFS as they relate to the Waikanae Library. There are a number of channels that RFS can be logged:

- By phone
- Face to face
- Email
- Direct to Property.

Not all staff members know how to log an RFS, and it is often a Customer Services Representative (CSR) who receives and logs the requests on behalf of other staff or the public.

We heard conflicting things around process and delegations in assigning work to contractors. We heard that CSRs log the RFS, send out to the contractor and cc the instruction to a generic Property email address. It is not possible for Property to identify, from the subject line, whether the email is for information or for action, so they must open each email, read it and take appropriate action (if any). We heard differing views for what the contractor is able to do when responding to an RFS. We understand that beyond an inspection or a quick fix that the contractor cannot undertake work without approval from, in most cases, the Property Manager. From this it appears that staff in Property who work with contractors on RFS do not have a clear or common understanding of what they are able to approve a contractor to do, and are not clear if they have a value limit on assigning work. As a result, staff delegate this up to the manager. This is inefficient and is not good use of the manager's time as it takes time away from the strategic functions of that role.

We also understand that an RFS gets closed on receipt of the contractor's invoice, and any comments received from the contractor about the job are noted in the RFS system. Details on RFS and feedback from contractors / suppliers are not recorded or migrated to any asset management system and it is not reported on.

In regard to the Waikanae Library, we heard that contractors were called out (via RFS) every time there was heavy rain. However, we also heard that there were times that staff working in the library would deal with smaller leaks themselves with buckets etc. Therefore, the building leaked more than the 116 times recorded between 2002 and 2018 and what is recorded through the RFS system.

Over the years, various forms of recording and tracking the leaky building issues have been developed by those working in the Library. Staff should not have felt they needed to do this to provide evidence of their requests / attempts to get the leaks fixed permanently.

We did not find any barriers for staff working at the library logging RFS on behalf of staff or customers. The barrier was in how the underlying source of the problem was not addressed. We do not understand how the number of RFS in the system with language such as *"just the usual leak"*, *"leak in the same places as last time"* *"same old leak"*, let alone the complaints relating to mould can still result in the root cause being unresolved and continual patch ups applied. The only answer we can come to on this is that it was because the building was being 'nursed along' waiting for the ever-impending redevelopment with the Gallery, and until funding was allocated in the LTP. Staff just needed to wait for that to happen, whenever that was going to be.

### **Recommendations**

- Establish and communicate clear delegations be established for Property staff with clear parameters to be able to confidently instruct contractors to undertake required maintenance works through the RFS system.
- CSRs to include in the email subject line if Property is required to undertake an action or if it is for information for an RFS.
- Review the RFS process and information logged.
- Undertake quarterly reporting and analysis from the RFS system to understand asset performance and inform council asset management plans and decision making.
- Develop triggers for reporting that would help to identify repeated issues or themes logged in the RFS system for individual buildings and across portfolios so that Council can identify risk and consequences early.

## Decision Making

We were provided with information on decisions made by Council on the Library. Long Term Plan and Annual Plan and report decisions on the library (and the gallery) are summarised below:

- 2008 - Annual Plan provides capex of \$120,000 for replacement and upgrade of the lift.
- 2009 - LTCCP includes library expansion and upgrade in 2012/2013 and 2013/2014 as part of a gradual increase in service levels over the next ten years. Council included \$1,903,000 in the 2009 LTCCP for this work and the shortfall for the Gallery was identified.
- 2010/2011 - Annual Plan - Design work for the Gallery and Library project to be completed (\$120,000).
- 2011 - Report approves the design for the upgrade of the Library and Gallery. A memorandum of understanding was signed with the Gallery following concept designs. Four proposals were received but design parameters changed because of funding, and then were considered overly compromised. A revised concept design was presented to a stakeholder group in June 2011 and agreed.
- 2012 - LTP included provision in 2015/16 for an upgrade to the Library and Gallery provided all external funding for the Gallery had been obtained.
- 2015 - Report approves inclusion in the 2015-2025 LTP of the upgrade as a combined project in 2016/2017 and 2018/2019 with a budget of \$5.3 million as per the MOU with the Mahara Gallery Trust.
- 2016/2017 - Annual Plan is to continue maintenance and renewal programme and commence the Library and Gallery upgrades subject to the Mahara Gallery Trust securing funding
- 2017/2018 - Annual Plan – investigate site options for Library and Gallery based on outcomes and commence preliminary design work.
- 2018 - LTP - Waikanae Library “Council has decided to defer the need for a new library by undertaking a programme of renewals and minor building alterations to the existing library building. This work, which has a budget of \$900,000 in 2018/19 and a further \$100,000 the following year, will achieve a high standard of library facility with the constraints of the existing building envelope. This will allow us to defer the building of a new library in Waikanae until 2029/2030 and will give us time to identify a preferred site and resolve any land ownership issues.

*Mahara Gallery – In place of the original plan to build a new combined library and art gallery on a new site it is now intended that the Mahara Gallery will have its footprint extended to take over the current Waikanae public toilets space on the western side of the building. The existing public toilets will first be replaced by a new ‘Exceloo’ style facility to be built in 2020/21. The gallery extension is planned to follow in 2021 at an estimated cost of \$6.1 million, although this remains subject to the Mahara Gallery Trust completing their fundraising.”<sup>8</sup>*

<sup>8</sup> 2018-2038 Kapiti Coast District Council Long Term Plan, page 75

From what we have seen we cannot see any reference to risk, the continual leaks, conditions that staff were working in, and eventually mould in any reports to Council. It appears from the evidence we have seen that Councillors were unaware of the extent of the problems with the Library until the toxic mould was discovered and a significant decision having to be made to close the Library – primarily based on risk. There is a failing of Property staff to inform SLT and Council of the ongoing problems with the building and the risks in continuing to defer investment. The right information was not getting to decision makers. In addition, and as we identified earlier, we know that there is a culture of “don’t ask” for more budget, hence risk is not identified because nothing is reported. This culture is not new and dates back to the previous General Manager, Community Services. This is a perpetuating downward spiral that was not tested and can only lead to more problems. We heard that there was no appetite by Council to spend money on this asset. Who “Council” was it is not clear, as there is no evidence to suggest that this was elected members.

From the information that we have seen provided to SLT from Property, we have seen no reference to the current state of the Library, the constant leaks, no reference to the number of RFS, and no real assessment of the risk and consequences in delaying renewals or a new build.

In an LTP property presentation document for SLT and Councillors in 2018 there is a page on the Waikanae Library renewal which includes minor building alterations “...to achieve a high standard of library facility within the constraints of the existing building envelope.” The presentation states that:

- *“Cost of a new library is prohibitive at an estimated \$10.5m including land purchase*
- *18/19 = \$400k undertaking renewals to extend the life of the library*
- *18/19 = \$600k for minor building alterations to improve library service*
- *Deferring the new library development gives Council time to identify site and resolve land ownership issues*
- *Assumed a new library facility would be constructed in 2027/28 at a site to be determined.”<sup>9</sup>*

It is difficult to understand how any decisions on funding, the joint project with the Gallery, thinking about alternative sites and what Council needs from a new site and Library, that the state of current Library was not referenced in any of the documents.

We are aware that initial budget decisions are made by SLT before being put up to Council for consideration. If there is a failure to provide good information to Council, there will be no change to the continual under-investment in renewals, and council’s risk will increase. This requires managers to provide detailed information to SLT so that they can make an informed decision as well. We understand the reluctance to invest hundreds of thousands of dollars, or now millions of dollars to fix a leaky building that could be pulled down or, replaced. But that decision sits with Council and not council staff.

It is important for Council to be focussed at the strategic level of decision making, rather than in operational matters. However, the use of specific examples to demonstrate the impact of funding deficits will help Council make informed decisions on rates rises, prioritise projects in their Infrastructure and LTP so that the needs of the community will be met.

It is also important for decisions to be made in the context of the anticipated growth that Kapiti is likely to receive, particularly with the completion of significant roading projects that will increase the accessibility of the District. This may mean different priorities for funding and investment decisions, but these still need to be made in the context of risks, consequences and transparency of information.

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<sup>9</sup> Property Services 2018 LTP Activity Presentation, page 4

## Recommendations

- SLT to clearly communicate to the business that it is reliant on good information to make decisions and recommendations to Council and encourage early escalation of potential risks and issues to SLT.
- Business cases must include detailed risk assessments and state clear consequences if funding is not secured, or a project does not go ahead. These should be addressed at an organisational and project level, include staff workplace and wellbeing considerations and reputational risk.
- SLT to require quarterly reporting on the state of council's property portfolio, including an analysis of RFS and maintenance requests and potential risks and consequences identified.

## Risk management

While we have seen council's health and safety registers, we have not seen a risk register for Council. With the number of Requests for Service about the building, in our view the building should have been registered on a Council risk register identifying risks from asset management and user perspectives, and be subject to threshold criteria for reporting and reported to the Risk and Assurance Committee. This would have highlighted the issue to Council and enabled informed decision making. While elected representatives are tasked with setting the strategic direction for Council rather than being involved in detailed operational matters, there are times that a very specific risk with significant consequences should be brought for Committee attention.

If risk management was part of the reporting process then we would have expected to see an analysis of the leaks in the "usual" places and a detailed assessment of the building to understand the full extent of the costs required much earlier than when the Miyamoto report was commissioned in 2018. We also would have expected the property to be tested immediately after the first complaints about mould were received because of the known history of leaks in the building. A simple risk matrix approach should have been applied to the Library, particularly when mould was reported.

In thinking about a general approach to risk management, the following questions need to be asked at a strategic level:

1. What could go wrong?
2. What is the consequence?
3. What is the likelihood?
4. Can I mitigate the risk?
5. Do I accept the risk?

Figure 4 below shows the potential impact when considering the likelihood and consequence of an action or approach when answering the above questions. Decisions at all levels can be guided using this simple matrix.

Figure 4 Likelihood and consequences matrix

		CONSEQUENCE				
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost Certain	Medium	High	Extreme	Extreme	Extreme
	Likely	Medium	Medium	High	Extreme	Extreme
	Possible	Low	Medium	High	Extreme	Extreme
	Unlikely	Low	Low	Medium	High	Extreme
	Rare	Low	Low	Medium	High	High

As identified earlier, the LTP business case template for interim renewals modifications for the library identifies strategic risks if the investment is not approved. Risks in business cases tend to be at a high level, however in the case of the Waikanae Library, when the business case was considered for a change to the planned funding, the strategic risks if the investment was not approved stated *“If this case is not approved, potentially the library will deteriorate to an unacceptable level in terms of health and safety and customer and staff wellbeing. Council would be under significant pressure to invest in a new library facility.”*<sup>10</sup> We find it difficult to believe that there is no discussion or identification of the significant history of leaks, deferrals and the condition of the building that staff and customers were using. Based on what we have heard, and the information reviewed, the building was likely to already be at an unacceptable level in terms of health and safety for staff and customers. This business case was written in October 2017, before mould was first reported in December 2017, however, the 15-year history of leaks and deferrals should have been enough to trigger a more in-depth risk assessment.

There are also reputational risks for Council if they are seen not to be investing in their property assets.

Property do not report or appear to actively manage risk. There is a risk register in the Draft 2018 Activity Management Plan which includes a description of the risks, causes and consequences, mitigation and management options. The risk register is not informed by all information available to Property, is relatively high level, and we can see no evidence of the mitigation or management options being undertaken. No explanation of the scoring is included in the document. Relevant risks identified in the risk register in the Activity Management Plan are:

General risks

- Loss of property portfolio knowledge (information)
- Insufficient budget
- Lack of political alignment

Risks identified for Libraries, halls, depots, land holdings

- Equipment/Plant/Building failure
- Fire or water damage (to Library Collections)

We briefly touch on each of these risks below, and for completeness, relevant pages of the risk register corresponding included in Appendix A.

<sup>10</sup> 2018 Long Term Plan Business Case, Waikanae Interim Library Renewal Modifications, Section 2.3

### ***Loss of property portfolio knowledge***

We have identified that there are many staff that are relatively new to their roles and Council does not have the institutional knowledge that we often see in these roles (we address this later in our report). Cause and consequences are identified; however, there is no acknowledgement of health and safety or workplace consequences associated with this risk. Mitigation measures include; asset management planning, condition surveys held in SPM standardisation of process, practices and equipment, asset management systems and database, data auditing and outcomes fed into the Improvement Plan, staff handover /exit plans, creation of property profile folders management options. to deal with this risk the AMP states to *“continue to form a robust end to end process of information management, improve use of filing systems, define responsibilities clearly, provide appropriate training for staff, protocols for update and ongoing auditing, ongoing customisation of asset management systems to meet needs.”* From our investigations there is no end to end information management currently, let alone continuing. As stated previously all information available to council is not being used to inform asset management planning. Similarly, there is no ongoing customisation of asset management systems to meet needs. Therefore, while this risk is appropriately identified mitigation measures described, no meaningful actions are being undertaken to manage this risk.

### ***Insufficient budget***

We note that the causes identified for insufficient budget include incomplete data and insufficient analysis of predictive asset data, budget capping and/or removal through Long Term Plan / Annual Plan process. We note that there are no health and safety or workplace consequences identified with this risk. Mitigation includes condition assessments, asset management plans and ensuring the expected life of assets is realistic. Condition assessments are only one source of information and do not give the full picture of assets. These may be being over-relied on when it comes to budget planning as performance of the asset is also relevant.

### ***Lack of political alignment***

This risk identifies that a lack of political alignment may be caused by a lack of communication to/from elected members and a *“lack of appreciation of risks associated with decisions by Council”*. Mitigation includes asset management planning process including community facilities asset management plans and reports, and the management options is to continue to manage processes and increase Councillor awareness of levels of service implications of decisions through CE/workshops. We would emphasise the need to communicate the right information to Councillors so that they have what they need to make informed decisions taking into account risks and consequences. This risk accurately describes exactly what occurred. In our view, the focus on levels of service as a management option, does not align with the description of the risk or the mitigation.

### ***Equipment/Plan/Building Failure (for libraries, halls, depots, land holdings)***

The cause of failure correctly identified a breakdown of operational equipment plant or building facilities and a lack of maintenance/budgets. We would also identify continually deferred work and lack of integrated asset information analysis and assessment. Mitigation includes condition assessments, condition-based renewals programme, user survey feedback and live asset data system (all maintenance, renewals and capex work is updated in Asset System), but there is no reference to any other information. We have reservations about the weight put on condition assessments as mitigation measures throughout the risk register, as this information should not be used in isolation of the RFS data and other asset management data and analysis. A management option also includes am move from reactive to cyclic maintenance, however in interviews we heard that all maintenance was reactive.

### ***Fire or Water Damage (to Library Collections)***

There are obvious process flaws if a property that is not weathertight (on a regular and reoccurring basis) can be in the condition that the Waikanae Library was and not make it onto a property risk register.

While this risk is specific to library collections, we found the cause, mitigation and management approach to be of interest given building failure may be because of a major leak. In this case mitigation includes maintenance/ preventative maintenance contracts, condition assessments, customer and user survey feedback etc. As indicated above, condition assessments were too heavily relied on as a risk management tool. We also know that Property now accept the need to moderate the condition assessments because of their limitations. This will be important if the risk register is to be held as a meaningful living document. We note that the management response is to continue current practices and this should be reviewed.

While we recognise that the AMP is draft, we recommend that the risk register be reviewed and updated to reflect better asset management practices. This can be done as part of the practices review as recommended above.

### ***Recommendations***

- Property to update and maintain the risk register in the Activity Management Plan, and ensure that it is informed by integrated asset management practices and report this to SLT and the Audit and Risk Committee on a quarterly basis.
- Amend business case templates to give guidance on risk and consequence including trust and confidence when considering investment decisions or applications for additional funding.

### **Workplace environment**

In talking with a range of staff there were almost universal comments that the building / work environment was unpleasant. Many commented about the smell of the building which was also reflected in the complaints from customers and staff. Carpet and ceilings were water stained from where water had entered the building, the staff room was damp and eventually mouldy to the point it was not used.

While those working in the library enjoyed their job, they did not enjoy their workspace, and were embarrassed by it. Staff wanted a building that didn't leak with a usable staffroom, something they could be proud of and for the community to use. The fact that Council staff endured that work environment is a testament to those people and their dedication in continuing to provide a service to the community under difficult working circumstances.

As we stated previously, we are also aware that while it was not as widely known as the leaks, when it rained that sometimes the Library's phone and computer system would go down. We attribute this to the fact that this may have been reported to an IT help desk, rather than as a standard service request, although we are aware of at least one RFS relating to computers.

It also appears that there was a lack of clarity about who was responsible for the Library as a work place itself. For example:

- Who made sure that space requirements were met for staff and the collection?
- Who organised workplace assessments (desk, posture etc.)?
- Who assessed the impact on staff and customer wellbeing from the constant leaks, and how often?
- Who addressed the issues identified in the hazard register?

The library had a hard copy hazard register; however, this was destroyed through the decontamination process and no soft copy existed. We understand that the problems with the building were recorded in the hazard register which was reviewed every month. We also understand that at some point in time the reconciliation of the site register to Councils corporate system ceased.

As outlined in the Risk management section above, when additional funding was requested for the 2018 LTP in a business case, the strategic risk if the investment was not approved as “... *potentially the library will deteriorate to an unacceptable level in terms of health and safety and customer and staff wellbeing. Council would be under significant pressure to invest in a new library facility.*”<sup>11</sup> Based on our investigation our view is that it is likely that the building was already at an unacceptable level.

### **Recommendations**

- Council to develop a programme of work to prioritise building audits of work environments for suitability and safety.
- Roles and responsibilities clearly identified and communicated for managing the workplace.
- Site registers should be reconciled to the Council’s corporate register on a regular basis.

## **Other Matters**

In undertaking this investigation, a number of other matters have arisen that we wish to note.

### **Dangerous and Insanitary Buildings Policy 2018**

The Building Act 2004 required that Territorial Authorities adopt a policy on earthquake-prone, dangerous and insanitary buildings by May 2006. Council’s current policy was adopted in 2018.

Section 123 of the building Act states that a building is insanitary if the building

- a) *“is offensive or likely to be injurious to health because -
  - i. of how it is situated or constructed; or
  - ii. it is in a state of disrepair; or”*
- b) *has insufficient or defective provisions against moisture penetration to cause dampness in the building or in any adjoining building; or*
- c) *does not have a supply of potable water that is adequate for its intended use; or*
- d) *does not have sanitary facilities that are adequate for its intended use.”*

While the policy is worded as an outward facing document, the provisions of the Building Act (Act) apply to Council’s buildings as much as it does to any other building.

We do note that in the information provided to us the following statement was made:

*“In 2006 the Council adopted its Earthquake-Prone, Dangerous and Insanitary Building Policy as required by the Building Act 2004. The Act defines ‘insanitary’ as a building which “has insufficient or defective provisions against moisture penetration to cause dampness in the building.” At the time, a Council desk-top risk assessment of buildings in the District noted that “Waikanae business area is of predominantly modern building stock and is unlikely to have buildings falling into the at risk category.”<sup>12</sup>*

<sup>11</sup> 2018 Long Term Plan Business Case, Waikanae Interim Library Renewal Modifications, Section 2.3

<sup>12</sup> Waikanae Library Closure Memo, 28 January 2019

We have not seen a complaint specifically describing the building as insanitary, however based on the widely known problem of the leaks, the dampness, smell and constant RFS, the building appears to meet the meaning of insanitary building in the Act in that it was defective against moisture penetration and caused dampness in the building. It is, however, acknowledged that the true extent of the problem was not known until the Miyamoto structural report for the boundary wall at the Library was received in October 2018.

## Staff turnover

From the range of staff we interviewed we were surprised at how new everybody was to their roles in Property and management. Many staff members had only been in their current role between five weeks and a year, with only a couple of people with three or more years' experience in their current role, including the current Property Manager who was employed in December 2015 who inherited the property portfolio. We note that some staff had other positions in Council prior to taking up their current role in libraries, customer services or property. We also note that the Waikanae Library mould issue arose on day one of the Acting Arts and Library Manager being in the job. We were also advised that there had been six library Team Leaders in ten years which is a high turnover of staff for that role.

While some SLT members who were not responsible for the Library have worked in Council for a longer period of time, the loss of institutional knowledge across the teams is significant and goes some way to understanding why the scale of the problem at Waikanae Library was not identified. As new staff were appointed into roles, they accepted what they had been told about the Library (and probably other buildings), and this does not appear to be questioned. This is exacerbated by poor asset management practices and systems, a lack of analysis of the information available. Waikanae Library provides a demonstration of why systems and processes are important.

## Recommendations

A complete list of our recommendations is included below, by category and by priority.

### ***Asset management***

High priority

- Undertake an asset management practices and procedures (core business processes) review, develop an improvement plan and implement recommendations resulting from the review.
- Urgently review the community halls and pensioner housing portfolios; identify risks, consequences, funding, health and safety implications from the review, and a programme of work. This should form part of a wider strategic review of the property portfolio to develop a clear strategic direction for the acquisition, disposal, leasing and redevelopment of Council owned property.
- Clearly set out roles and responsibilities as they relate to buildings and the services within them.
- Identify any additional SPM and RFS functionality requirements to enable better reporting and analysis of information to get an integrated view of community facilities' assets.
- Property to transparently identify, escalate and report risks and consequences in their property portfolio for under investment, deferrals etc.

#### Medium priority

- Review Property functions and assess alignment with resource available and identify any capability or capacity gaps.
- Update and finalise the 2018 Activity Management Plan for Community Facilities, utilising all known asset information and survey feedback, so that it is a valuable information source for asset management planning.
- Set clear criteria in line with a risk framework that will trigger specific action in particular circumstances.
- Review staff training, identify training needs and develop a training programme.
- Property to request a true and accurate level of funding required for capital projects and renewals.
- Property to liaise better with service managers and contractors to build a strong evidence base on the portfolio.

### ***Requests for service***

#### High priority

- Establish and communicate clear delegations to be established for property staff with clear parameters to be able to confidently instruct contractors to undertake required maintenance works through the RFS system.
- CSRs to include in the email subject line if Property are required to undertake an action, or if it is for information for an RFS.
- Review the RFS process and information logged.

#### Medium priority

- Undertake quarterly reporting and analysis from the RFS system to understand asset performance and inform council asset management plans and decision making.
- Develop triggers for reporting that would help to identify repeated issues or themes logged in the RFS system, for individual buildings and across portfolios so that Council can identify risk and consequences early.

### ***Decision making***

#### High priority

- SLT to clearly communicate to the business that it is reliant on good information to make decisions and recommendations to Council and encourage early escalation of potential risks and issues to SLT.

#### Medium priority

- Business cases must include detailed risk assessments and state clear consequences if funding is not secured, or a project does not go ahead. These should be addressed at an organisational and project level, include staff workplace and wellbeing considerations and reputational risk.
- SLT to require quarterly reporting on the state of council's property portfolio, including an analysis of RFS and maintenance requests and potential risks and consequences identified.

## ***Risk management***

Medium priority

- Property to update and maintain the risk register in the Activity Management Plan and ensure that it is informed by integrated asset management practices and report this to SLT and the Audit and Risk Committee on a quarterly basis.
- Amend business case templates to give guidance on risk and consequence including trust and confidence when considering investment decisions or applications for additional funding.

## ***Workplace environment***

Medium priority

- Roles and responsibilities clearly identified and communicated for managing the workplace.
- Council to develop a programme of work to prioritise building audits of work environments for suitability and safety.
- Site registers should be reconciled to the Councils corporate register on a regular basis.

## **Next Steps**

In order to maximise the value of this investigation and our findings, Council should develop a programme of work to implement and prioritise the recommendations put forward in this report. We would suggest that Council begins with the asset management recommendations, as these will have the greatest impact.

While our recommendations focus on establishing processes and practices, we reiterate our concerns over the state of the community halls and pensioner housing portfolios, and recommend that a review of these portfolios is prioritised. In undertaking this review, our recommendations from asset management practices and in the analysis of information will be relevant to ensure all known information is gathered about the assets.

Council will need to develop a statement to the public and media as a result of this review and have a clear understanding of what will be released in the event of an Official Information Act request.

**Appendix A      Risk Register**

Asset Management Risks - General

Risk Descriptor – details the main component and provides an example of a risk(s) that may be attributable.	Risk Type	Gross Risk (No effective measures in place)			Current Practice/Strategy (Avoidance and mitigation measures)		Net Risk (Considering Measures in place)			Management Options
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor	
<p><b>Loss of Property Portfolio Knowledge (Information)</b></p> <p><i>Caused by:</i></p> <ul style="list-style-type: none"> <li>Temporary or permanent loss of strategic information through damage to information systems.</li> <li>Telecommunication systems not working.</li> <li>Insufficient systems in place to manage data/information, especially regarding asset performance and condition.</li> <li>Loss of institutional knowledge (staff turnover/outourcing).</li> <li>IT failure.</li> </ul> <p><i>Consequences:</i></p> <ul style="list-style-type: none"> <li>Operational failure.</li> <li>Financial costs.</li> <li>Failure to meet compliance requirements (for example, asset inventory and condition information, unable to forecast renewals requirements).</li> <li>Poor public perception/negative image.</li> </ul>	Financial Skills and Knowledge Operational Legal Public Perception	3	1	3	<ul style="list-style-type: none"> <li>Asset Management Planning.</li> <li>Condition surveys undertaken and programmed held in SPM (Cloud based).</li> <li>IT practices (backup, viruses, security etc).</li> <li>Document filing systems.</li> <li>Existing corporate manuals.</li> <li>Standardisation of processes, practices and equipment.</li> <li>Asset Management systems and database.</li> <li>Quality management procedures and practices.</li> <li>Business Continuity Plan.</li> <li>Data auditing and outcomes fed into the Improvement Plan.</li> <li>Staff handover/exit plan.</li> <li>Creation of Property profile folders</li> </ul>	Good	2	1	2	<ul style="list-style-type: none"> <li>Continue to form a robust end to end process of information management.</li> <li>Improve use of filing systems.</li> <li>Define responsibilities clearly.</li> <li>Provide appropriate training for staff.</li> <li>Protocols for update and ongoing auditing</li> <li>Ongoing customisation of Asset Management Systems to meet needs.</li> </ul>

Risk Descriptor – details the main component and provides an example of a risk(s) that may be attributable.	Risk Type	Gross Risk			Current Practice/Strategy		Net Risk			Management Options
		(No effective measures in place)			(Avoidance and mitigation measures)		(Considering Measures in place)			
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor	
<p><b>Insufficient Budgets</b> <i>Caused by:</i></p> <ul style="list-style-type: none"> <li>Incomplete data.</li> <li>Insufficient analysis of predictive asset data.</li> <li>Incorrect asset description and condition data.</li> <li>Incorrect assumptions around expected life.</li> <li>Budge capping and/or removal through Long Term Plan/Annual Plan process.</li> <li>Health and Safety issues.</li> </ul> <p><i>Consequences:</i></p> <ul style="list-style-type: none"> <li>Decline in integrity and service capacity of assets due to underfunding of renewals.</li> <li>Insufficient depreciation funding.</li> </ul>	Financial Health and Safety Operational Public Perception	3	1	3	<ul style="list-style-type: none"> <li>Asset valuation carried out at three year intervals.</li> <li>Periodic asset condition assessment.</li> <li>Ensure expected life of assets is realistic.</li> <li>Asset Management Plans.</li> </ul>	Good	1	1	1	<ul style="list-style-type: none"> <li>Ensure asset descriptions and condition data is accurate prior to valuation exercise.</li> <li>Annual Plan budgets are based on condition data.</li> <li>Improved asset planning processes linked to project delivery and asset replacement.</li> </ul>
<p><b>Inadequate Contractor Performance</b> <i>Caused by:</i></p> <ul style="list-style-type: none"> <li>Inadequate procurement practices.</li> <li>Inadequate documents.</li> <li>Inadequate management of contractors.</li> <li>Poor communication.</li> </ul> <p><i>Consequences:</i></p> <ul style="list-style-type: none"> <li>Increased incidence of defects and hazards.</li> <li>Excessive deterioration of assets.</li> <li>Unnecessary or excessive costs.</li> <li>Health and Safety issues.</li> <li>Legislative requirements not met (compliance).</li> <li>Insufficient output or quality.</li> <li>Poor public perception/negative image.</li> </ul>	Financial Operational Public Perception	3	1	3	<ul style="list-style-type: none"> <li>Contracts based on NZS3910, or relevant NZ Standards.</li> <li>Contract Management approach has strong focus on relationship management, to maintain a 'no surprises' environment.</li> <li>Performance reviews related to performance incentives, and clear consequences of substandard performance.</li> <li>Specified incidence levels and response times for specified defects (Key results schedules).</li> <li>Specific performance criteria for responsiveness and data management.</li> <li>Monthly reporting and review of expenditure.</li> <li>Comprehensive contract documentation.</li> <li>Contract management supported by professional services.</li> <li>Contract conditions (KPIs, penalties).</li> <li>Engineers representative monitoring of expenditure.</li> <li>Procedures for suppliers to provide asset description data.</li> <li>Audits and reviews.</li> </ul>	Good	2	1	2	<ul style="list-style-type: none"> <li>Continue current practices.</li> <li>Monitor customer feedback and trends.</li> </ul>

Risk Descriptor – details the main component and provides an example of a risk(s) that may be attributable.	Risk Type	Gross Risk			Current Practice/Strategy		Net Risk			Management Options
		(No effective measures in place)			(Avoidance and mitigation measures)		(Considering Measures in place)			
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor	
<b>Lack of Political Alignment</b>  <b>Caused by:</b> <ul style="list-style-type: none"> <li>▶ Lack of communication to/from elected members.</li> <li>▶ Lack of understanding from elected members and not following due process (for example, decisions which are inconsistent with previous decisions, policies or the adopted Long Term Plan or other documents.</li> <li>▶ Indecisiveness.</li> <li>▶ Lack of appreciation of risks associated with decisions by Council.</li> <li>▶ Decisions made outside Council governance role.</li> </ul> <b>Consequences:</b> <ul style="list-style-type: none"> <li>▶ Essential services under-resourced.</li> <li>▶ Delays may result in significant cost escalation.</li> <li>▶ Programmes not delivered on time.</li> <li>▶ Long Term Plan outcomes not achieved.</li> <li>▶ Poor public perception/negative image.</li> </ul>	Financial Operational Public Perception	3	1	3	<ul style="list-style-type: none"> <li>▶ Agreed programme of works is signed off by Council under Long Term Plan</li> <li>▶ Councillor’s roles well defined.</li> <li>▶ Asset management planning process, including Community Facilities Asset Management Plans (“core”) and reports.</li> <li>▶ Councillor induction/handbook.</li> <li>▶ Councillor briefings/workshops.</li> <li>▶ Chief Executive giving advice to Councillors.</li> </ul>	Good	2	1	2	<ul style="list-style-type: none"> <li>▶ Continue to manage process and increase Councillor awareness of Levels of Service implications of decisions through CE/workshops.</li> </ul>
<b>Unanticipated Cost Increases</b>  <b>Caused by:</b> <ul style="list-style-type: none"> <li>▶ Cost escalations (for example, due to construction cost increases, economic failures).</li> <li>▶ Uncontrollable movements in economy (for example, exchange rates).</li> <li>▶ Changes in legislation.</li> </ul>	Financial Operational	3	1	3	<ul style="list-style-type: none"> <li>▶ Local government networking.</li> </ul>	Good	2	1	2	<ul style="list-style-type: none"> <li>▶ Improve current practices – increase efficiencies, smart procurement practices, cost monitoring.</li> <li>▶ Defer/reduce expenditure (may result in reduced Levels of Service or increased rest of life cost).</li> <li>▶ Investigate alternative construction/maintenance options.</li> <li>▶ Concentrate on core activities.</li> </ul>

Risk Descriptor – details the main component and provides an example of a risk(s) that may be attributable.	Risk Type	Gross Risk			Current Practice/Strategy		Net Risk			Management Options
		(No effective measures in place)			(Avoidance and mitigation measures)		(Considering Measures in place)			
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor	
<p><b>Consequences:</b></p> <ul style="list-style-type: none"> <li>▶ Financial impact on the cost of services.</li> <li>▶ Inability to provide services, maintain service levels or achieve Community Outcomes.</li> <li>▶ Difficulty of attracting staff when economy is buoyant.</li> </ul>										

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Asset Management Risks – Council Services Portfolio Libraries, Halls, Depots, Land Holdings

Risk Descriptor – details the main component and provides an example of a risk(s) that may be attributable.	Risk Type	Gross Risk (No effective measures in place)			Current Practice/Strategy (Avoidance and mitigation measures)		Net Risk (Considering Measures in place)			Management Options
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor	
<b>Equipment/Plant/Building Failure</b>  <b>Caused by:</b> <ul style="list-style-type: none"> <li>Breakdown of operational equipment plant or building facilities.</li> <li>Lack of maintenance/budgets.</li> </ul> <b>Consequences:</b> <ul style="list-style-type: none"> <li>Closure of facility.</li> <li>Loss of revenue.</li> <li>Health and Safety.</li> <li>Poor public perception/negative image.</li> </ul>	Financial Operational Health and Safety Public Perception Cultural / Community	3	3	9	<ul style="list-style-type: none"> <li>Maintenance contracts.</li> <li>Condition assessments.</li> <li>Condition based renewals programme.</li> <li>User Survey feedback.</li> <li>Senior Advisor Climate Change and Energy.</li> <li>Live asset data system (all maintenance, renewals and capex work is updated in Asset System).</li> </ul>	Good	2	2	4	<ul style="list-style-type: none"> <li>Ensure there are ongoing condition surveys of asset data.</li> <li>Analysis of asset data used for predicting renewal requirements.</li> <li>Move from reactive to cyclic maintenance.</li> </ul>
<b>Security Issues</b>  <b>Caused by:</b> <ul style="list-style-type: none"> <li>Inappropriate levels of physical security measures, procedures and/or systems.</li> </ul> <b>Consequences:</b> <ul style="list-style-type: none"> <li>Theft (including cash handling).</li> <li>Vandalism.</li> <li>Graffiti.</li> <li>Reluctance of community to utilise facilities.</li> <li>Closure.</li> <li>Loss of revenue.</li> </ul>	Financial Operational Health and Safety Public Perception Cultural / Community	3	3	9	<ul style="list-style-type: none"> <li>Design/location.</li> <li>Security contracts including patrols and alarm monitoring.</li> <li>Maintenance contracts (response maintenance).</li> <li>Graffiti removal, internal staff member.</li> </ul>	Good	2	2	4	<ul style="list-style-type: none"> <li>Use of Crime Prevention through Environmental Design principles.</li> <li>Improved coordination across Council.</li> </ul>
<b>User Issues</b>  <b>Caused by:</b> <ul style="list-style-type: none"> <li>Facility users not meeting agreement requirements.</li> </ul> <b>Consequences:</b> <ul style="list-style-type: none"> <li>Damage.</li> <li>Noise (neighbourhood complaints).</li> <li>Cleanliness.</li> <li>Poor public perception/negative image.</li> </ul>	Financial Operational Health and Safety Public Perception Cultural / Community	3	3	9	<ul style="list-style-type: none"> <li>Communication with staff.</li> <li>Inspections.</li> <li>Conditions of Hire.</li> <li>Bonds.</li> <li>Caretaker/cleaner role – mostly on daily basis.</li> </ul>	Good	2	2	4	<ul style="list-style-type: none"> <li>Further monitoring and improvement of booking system.</li> </ul>

Risk Descriptor – details the main component and provides an example of a risk(s) that may be attributable.	Risk Type	Gross Risk (No effective measures in place)			Current Practice/Strategy (Avoidance and mitigation measures)			Net Risk (Considering Measures in place)			Management Options
		Consequence	Likelihood	Factor	Description	Effectiveness	Consequence	Likelihood	Factor		
		<p><b>Fire or Water Damage (to Library Collections)</b></p> <p><b>Caused by:</b></p> <ul style="list-style-type: none"> <li>Fire, flood, storm, earthquake, building failure (for example, major leak).</li> </ul> <p><b>Consequences:</b></p> <ul style="list-style-type: none"> <li>Total or partial loss of library collections (including heritage).</li> <li>Total or partial loss of public facility.</li> <li>Poor public perception/negative image.</li> </ul>	Financial Health and Safety Operational Public Perception	3	2	6	<ul style="list-style-type: none"> <li>Maintenance/preventative maintenance contracts.</li> <li>Condition assessments.</li> <li>Customer and User Survey feedback.</li> <li>Fire and automated systems (inspections and servicing).</li> <li>Building Warrant of Fitness compliance.</li> <li>Fire evacuation drills and procedures.</li> <li>Building standards.</li> <li>Earthquake Prone Buildings Policy.</li> </ul>	Good	2	1	

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