

## ARF005 delivery of Service Risk (affordability)

### Risk Status Progress Report June 2019

#### Description of risk and impact

Economic delivery is the financial ability to deliver Council services, strategies and initiatives to the community at affordable levels.

Affordability of services is acknowledged as one of FN's key challenges. With a small rating base, diverse socio-economic factors and large distributed infrastructure base and service requirement, this will get worse over time without intervention.

Ageing infrastructure and the forecast impacts of climate change and natural hazards present further delivery challenges. We do not fully understand our assets – location, condition, capacity, long-range requirements. Unbudgeted costs emerge frequently as a result of under-estimation and poor understanding of requirements.

The affordability of delivery relates predominantly to core infrastructure assets, although services such as enforcement cannot be excluded as an area of risk.

Central government's productivity commission enquiry acknowledges affordability as an issue for many councils, particularly for those without funding sources beyond rates and charges.

#### Existing Treatments

FNDC has a traditional financial model of budgeting for endorsed plans and strategies such as the Long Term Plan, infrastructure and district plans including Council resource and capability to deliver on these plans and core service base.

These plans and services are funded by mainly rating revenue, complemented by a small return on some assets such as pensioner housing, and Councils CCO, Far North Holdings Ltd, who provides a shareholder dividend back to council.

A revenue and rating review is underway looking at aspects such as Land value vs. Capital value to see if additional revenue can be derived from a more equitable rating system for the district.

This review is also planned in the near term to look at sources of revenue and investigate new opportunities to grow and improve the funding base and potential.

Planned enhancements such as; planning quality, business casing, project support, asset condition and management and contract management will all assist with managing costs, however it will take time for the cumulative benefits from these initiatives to flow down to accurate budgeting and forecasting processes.

FNDC has joined regional alliances such as the Northern Transport Alliance to share costs and opportunities and the regional shared services model is one that will be utilized more frequently.

Longer term strategy work such as the "Far North 2100" initiative is underway to assist with forecasting future services and costs.

High level treatment plan:

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1. CouncilMark:
  18. Asset Management Improvement
  29. Capital Project Life Report Improvement
  16. Long Term Asset Funding Improvement
2. Knowing where new assets will be required and when, including:
  - Location, timing and quantum of potential growth/decline
  - Current capacity of assets and likely future demand
  - The future/agreed strategy for the asset class
  - Where change (unforeseen and/or uncontrollable) may force action.
3. Accurate and process-driven options assessment, with realistic budgets and timelines (taking the guess-work out of corporate planning (LTP and Annual Plans)).
4. Ensuring that work practices across Council are free of waste, keeping the rates requirement as low as possible.
5. Building a rating system that is as fair and equitable as possible.

**Where are the gaps? / what more could we be doing?**

<b>Inherent Risk:</b>	<b>Trend</b>	<b>Residual Risk:</b>	<b>Accountable:</b>	CEO	<b>Date raised:</b>	29/11/18	<b>Report frequency:</b>
	—		<b>Responsible:</b>	GM SPP	<b>Date accepted:</b>	30/05/19	Six monthly

