

6. FINANCIAL SUMMARY

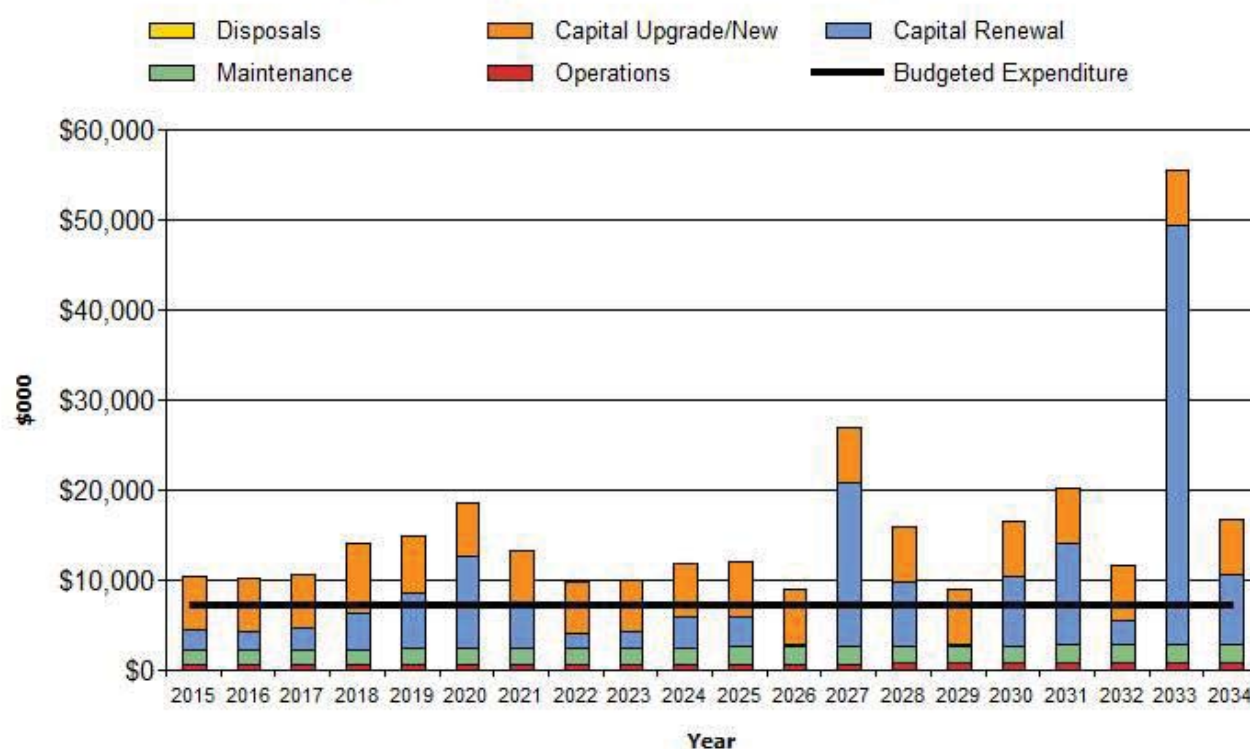
This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

The financial projections are shown in Fig 7 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets). Note that all costs are shown in real values.

Fig 7: Projected Operating and Capital Expenditure and Budget (Scenario 1 - from Asset Register)

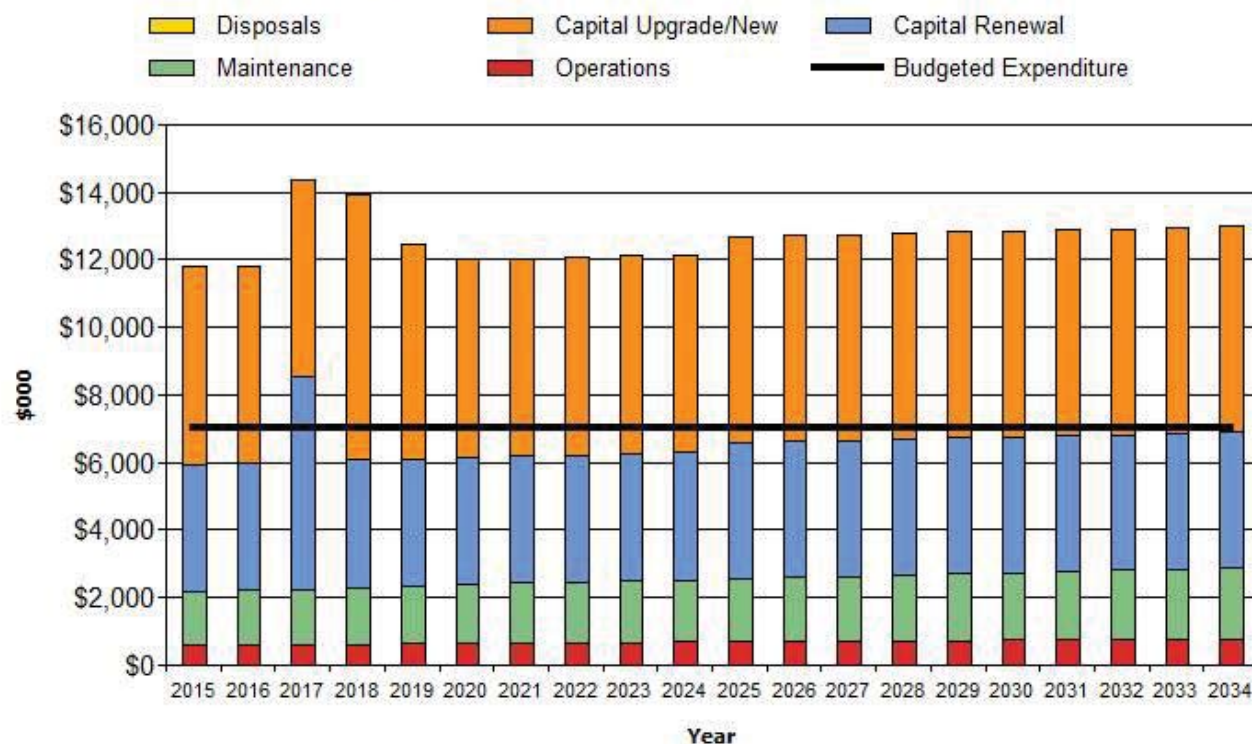
Singleton - Projected Operating and Capital Expenditure (Transport 2015_S1_V1)



As discussed in Section 5.4 the expenditure projection (forecast) in Scenario 1 (Using the asset/valuation register) is not consistent with the required works program or the long term financial plan over the ten year period.

Figure 7.2: Projected Operating and Capital Expenditure and Budget (Scenario 2 - from technical analysis)

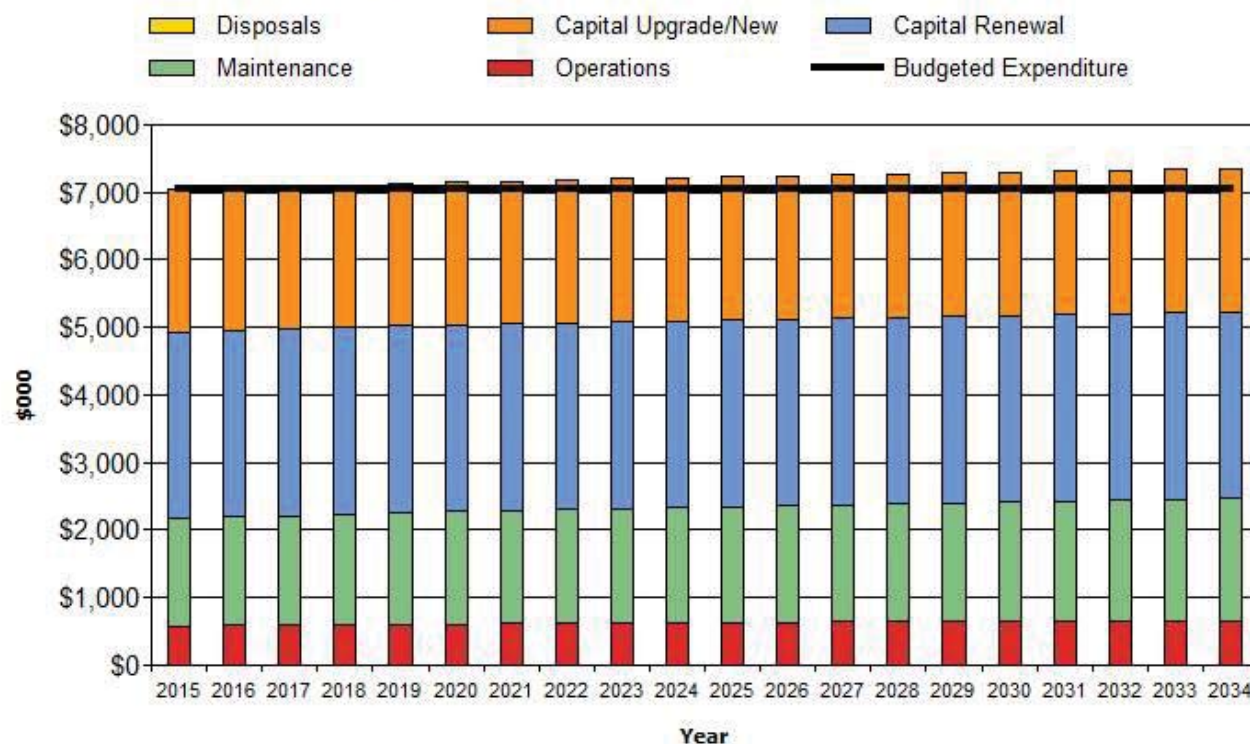
Singleton - Projected Operating and Capital Expenditure (Transport 2015_S2_V1)



The Scenario 2 renewal requirements are based on the technical judgement made by Singleton technical staff. This level of funding is not currently being achieved, and indicates a future reduction in services levels and a potential increase in risk.

Figure 7.3: Projected Operating and Capital Expenditure and Budget (Scenario 3 balanced)

Singleton - Projected Operating and Capital Expenditure (Transport 2015_S3_V1)



The first 10 years of Scenario 3 have been balanced with the funding available. In practice to achieve this infrastructure renewal projects will be deferred. The detailed project implications and the service and risk consequences of this should form the basis of developing an advanced asset management plan.

6.1.1 Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio¹⁰ 71%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, Council is forecasting that it will have 71% of the funds required for the optimal renewal and replacement of its assets.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$7,265,000 per year (average operations and maintenance expenditure plus depreciation expense projected over 10 years).

¹⁰ AIFMG, 2012, Version 1.3, Financial Sustainability Indicator 4, Sec 2.6, p 2.16

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the 10 year planning period is \$4,932,000 per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap. The life cycle gap for services covered by this asset management plan is \$2,333,000 per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 68% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$6,260,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$4,932,000 on average per year giving a 10 year funding shortfall of \$1,328,000 per year. This indicates that Council expects to have 79% of the projected expenditures needed to provide the services documented in the asset management plan.

Medium Term – 5 year financial planning period

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is \$5,657,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$4,932,000 on average per year giving a 5 year funding shortfall of \$725,000. This indicates that Council expects to have 87% of projected expenditures required to provide the services shown in this asset management plan.

Asset management financial indicators

	Scenario 1	Scenario 2	Scenario 3
Asset Renewal Funding Ratio			
Asset Renewal Funding Ratio	71%	68%	100%
Life Cycle Cost (long term)'(\$000)			
Life Cycle Cost (depreciation + operations and maintenance expenditures – 10 year average)	\$7,265	\$7,265	\$7,169
Life Cycle Exp. (Capital renewal. + operations + maintenance expenditure 10 year average)	\$4,932	\$4,932	\$4,932
Life Cycle Gap [life cycle expenditure - life cycle cost [-ve = gap]	\$-2,333	\$-2,333	\$-2,237
Life Cycle Sustainability Indicator [life cycle expenditure / LCC]	68%	68%	69%
Medium Term (10 yrs) Sustainability			
10 year Operations, Maintenance & Renewal Projected Expenditure	\$6,260	\$6,379	\$5,022
10 year Operations, Maintenance & Renewal Planned (Budget) Expenditures	\$4,932	\$4,932	\$4,932
10 year Funding Shortfall (10 year projected. expenditures. - Planned (Budget) Expenditures)	\$-1,328	\$-1,447	\$-90
10 year Sustainability Indicator (10 year planned exp. / projected. Expenditure)	79%	77%	98%
Short Term (5 years) Sustainability			
5 year Operations, Maintenance & Renewal Projected Expenditure	\$5,657	\$6,528	\$4,977
5 year Operations, Maintenance & Renewal Planned (Budget) Expenditure	\$4,932	\$9,432	\$9,432
5 year Funding Shortfall (5 year projected expenditures. - planned (budget) expenditures)	\$-725	\$-1,596	\$-45
5 year Sustainability Indicator (5 year planned expenditures. / projected expenditures)	87%	76%	99%

Figure 7A shows the asset management financial indicators over the 10 year planning period and for the long term life cycle.

Figure 7A: Asset Management Financial Indicators (Scenario 1 - from Asset Register)

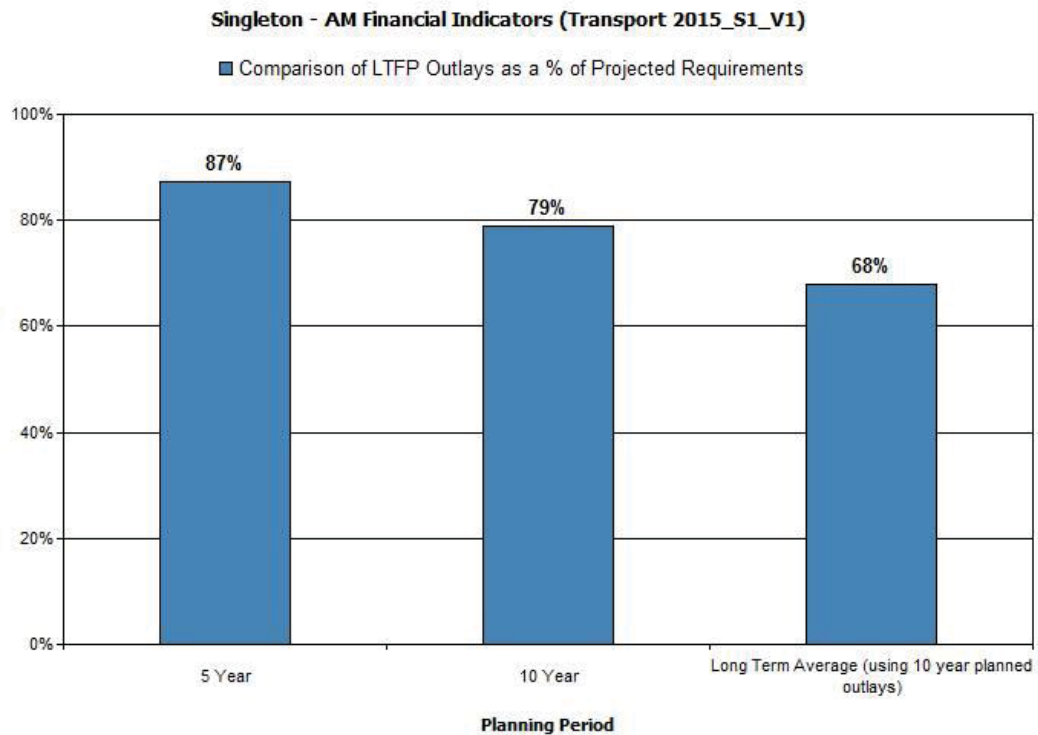


Figure 7B: Asset Management Financial Indicators (Scenario 2 - from technical analysis)

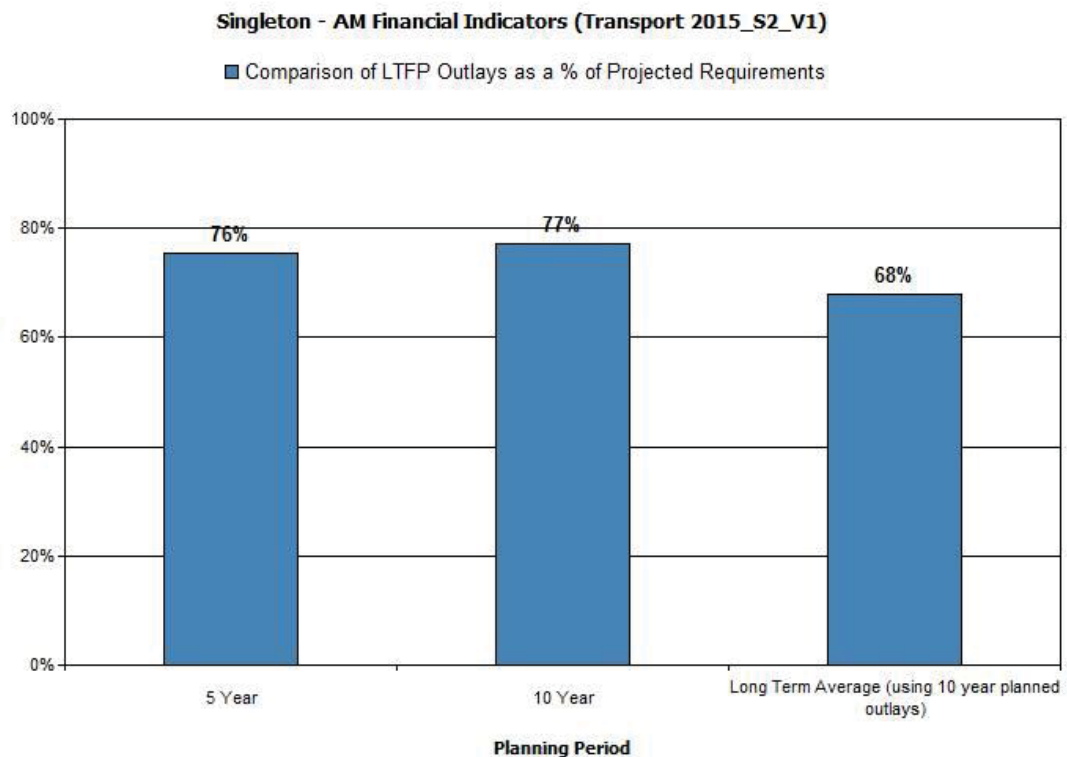
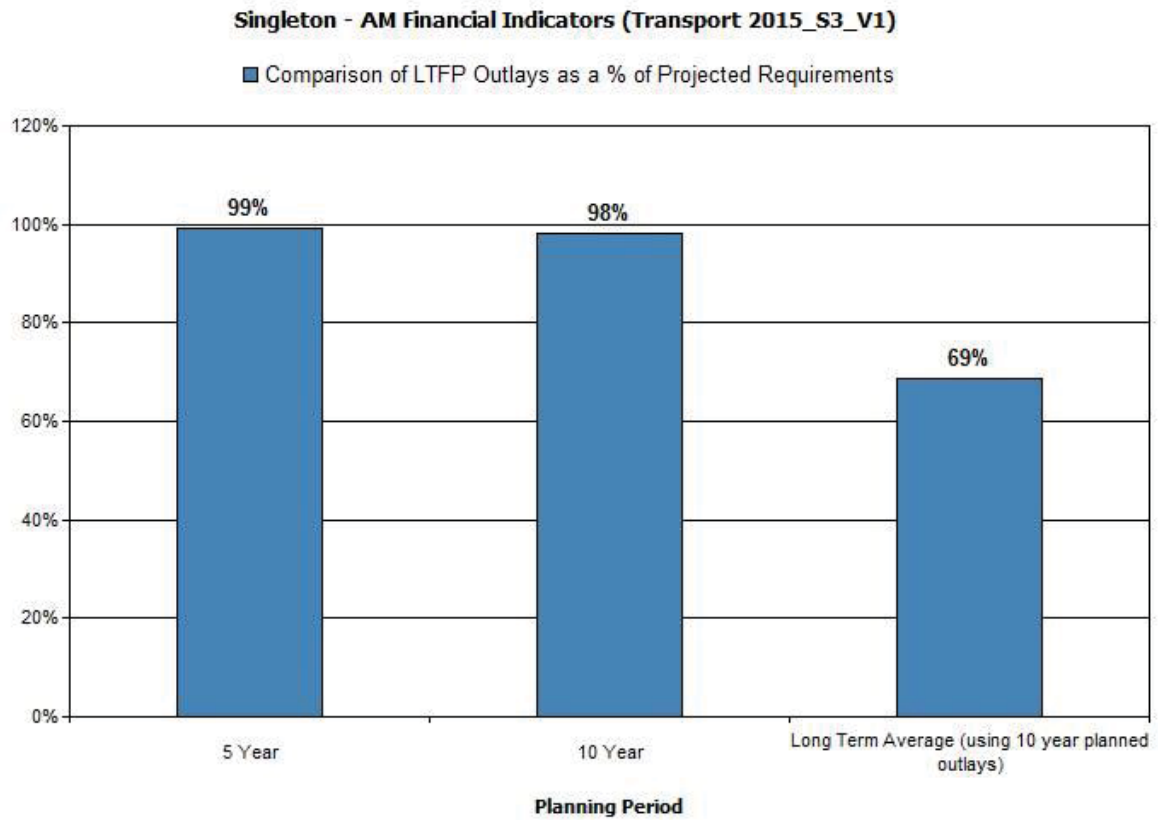


Figure 7C: Asset Management Financial Indicators (Scenario 3 – Balanced)



Providing services from infrastructure in a sustainable manner requires the matching and managing of service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 1.0 for the first years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

Figure 8.1-8.3 shows the projected asset renewal and replacement expenditure over the 20 years of the AM Plan. The projected asset renewal and replacement expenditure is compared to renewal and replacement expenditure in the capital works program, which is accommodated in the long term financial plan

Figure 8.1: Projected and LTFP Budgeted Renewal Expenditure (Scenario 1 - from Asset Register)

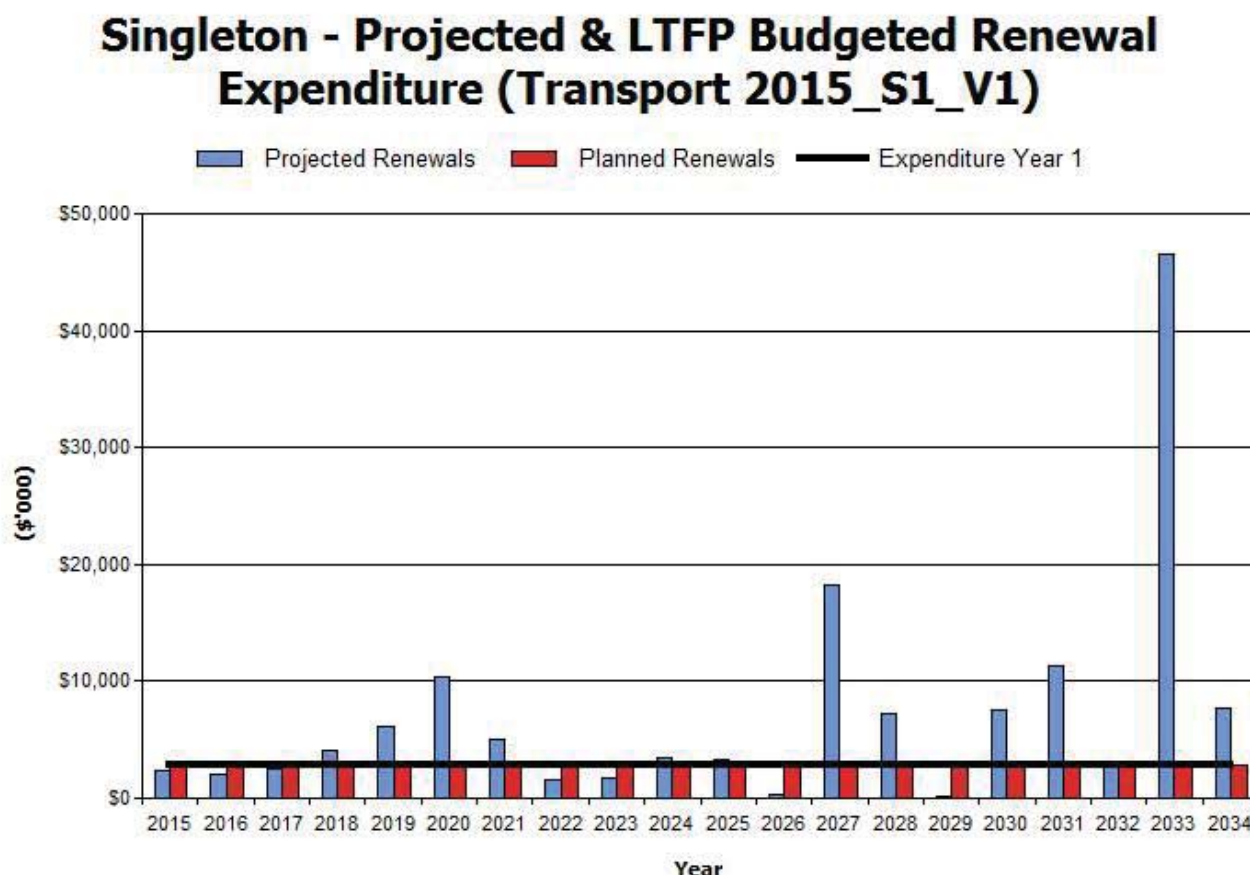


Table 6.1.1 Scenario 1 shows the shortfall between projected renewal and replacement expenditures and expenditure accommodated in long term financial plan. Budget expenditures accommodated in the long term financial plan or extrapolated from current budgets are shown in Appendix D.

Table 6.1.1 Scenario 1: Projected and LTFP Budgeted Renewals and Financing Shortfall (From Asset Register)

Year	Projected Renewals (\$000)	LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2015	\$2,326	\$2,761	\$435	\$435
2016	\$2,047	\$2,761	\$714	\$1,149
2017	\$2,465	\$2,761	\$296	\$1,445
2018	\$4,032	\$2,761	\$-1,271	\$174
2019	\$6,132	\$2,761	\$-3,371	\$-3,198
2020	\$10,336	\$2,761	\$-7,575	\$-10,773

Year	Projected Renewals (\$000)	LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2021	\$5,031	\$2,761	\$-2,270	\$-13,043
2022	\$1,561	\$2,761	\$1,200	\$-11,843
2023	\$1,710	\$2,761	\$1,051	\$-10,792
2024	\$3,389	\$2,761	\$-628	\$-11,420
2025	\$3,287	\$2,761	\$-526	\$-11,946
2026	\$321	\$2,761	\$2,440	\$-9,507
2027	\$18,182	\$2,761	\$-15,421	\$-24,928
2028	\$7,210	\$2,761	\$-4,449	\$-29,377
2029	\$219	\$2,761	\$2,542	\$-26,835
2030	\$7,602	\$2,761	\$-4,841	\$-31,676
2031	\$11,279	\$2,761	\$-8,518	\$-40,194
2032	\$2,805	\$2,761	\$-44	\$-40,237
2033	\$46,487	\$2,761	\$-43,726	\$-83,963
2034	\$7,714	\$2,761	\$-4,953	\$-88,916

Note: A negative shortfall indicates a financing gap, a positive shortfall indicates a surplus for that year.

Figure 8.2: Projected and LTFP Budgeted Renewal Expenditure (Scenario 2 - from technical analysis)

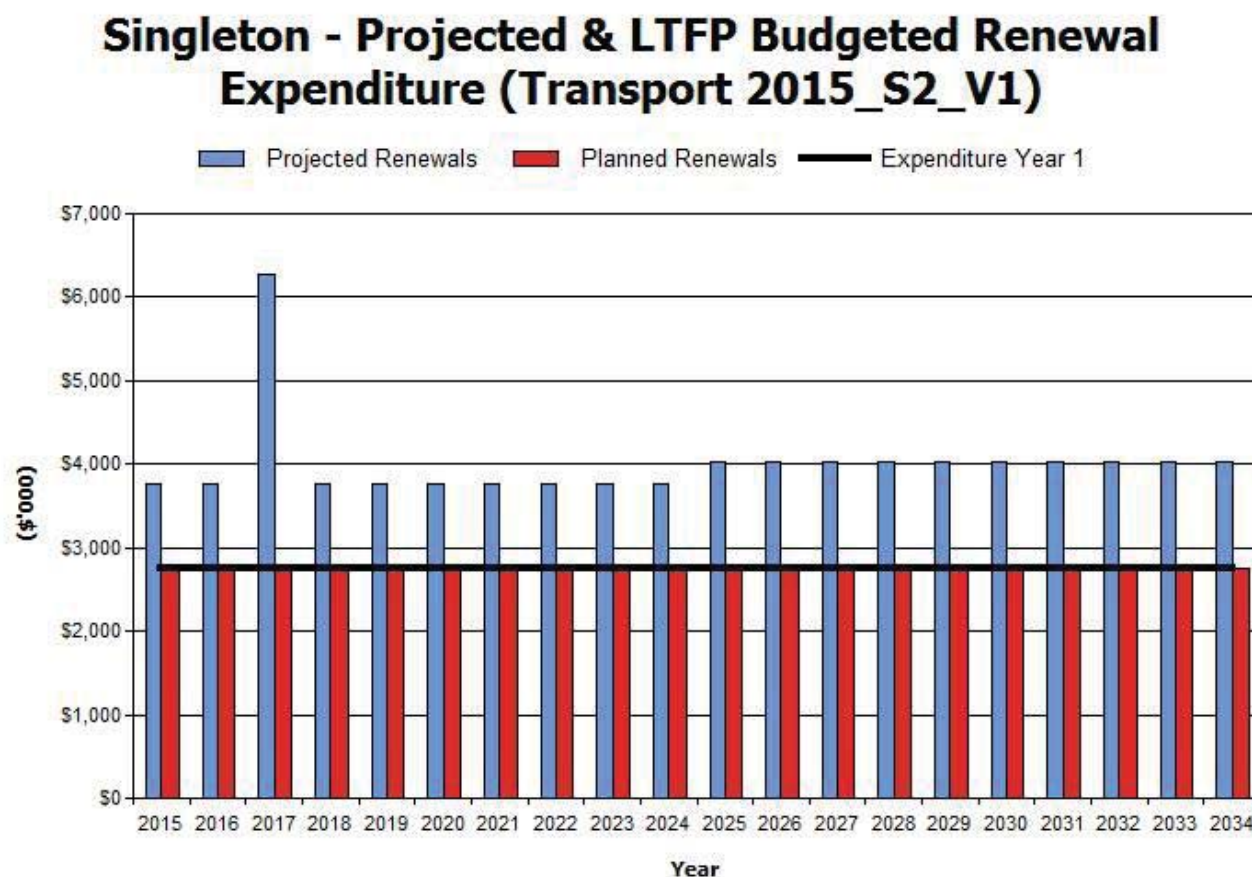


Table 6.1.1 Scenario 2 shows the shortfall between projected renewal and replacement expenditures and expenditure accommodated in long term financial plan.

Table 6.1.1 Scenario 2: Projected and LTFP Budgeted Renewals and Financing Shortfall (From Technical Analysis)

Year	Projected Renewals (\$000)	LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2015	\$3,771	\$2,761	\$-1,010	\$-1,010
2016	\$3,771	\$2,761	\$-1,010	\$-2,021
2017	\$6,271	\$2,761	\$-3,510	\$-5,531
2018	\$3,771	\$2,761	\$-1,010	\$-6,542
2019	\$3,771	\$2,761	\$-1,010	\$-7,552
2020	\$3,771	\$2,761	\$-1,010	\$-8,563
2021	\$3,771	\$2,761	\$-1,010	\$-9,573
2022	\$3,771	\$2,761	\$-1,010	\$-10,584
2023	\$3,771	\$2,761	\$-1,010	\$-11,594

Year	Projected Renewals (\$000)	LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2024	\$3,771	\$2,761	\$-1,010	\$-12,605
2025	\$4,021	\$2,761	\$-1,260	\$-13,865
2026	\$4,021	\$2,761	\$-1,260	\$-15,126
2027	\$4,021	\$2,761	\$-1,260	\$-16,386
2028	\$4,021	\$2,761	\$-1,260	\$-17,646
2029	\$4,021	\$2,761	\$-1,260	\$-18,907
2030	\$4,021	\$2,761	\$-1,260	\$-20,167
2031	\$4,021	\$2,761	\$-1,260	\$-21,428
2032	\$4,021	\$2,761	\$-1,260	\$-22,688
2033	\$4,021	\$2,761	\$-1,260	\$-23,949
2034	\$4,021	\$2,761	\$-1,260	\$-25,209

Figure 8.3: Projected and LTFP Budgeted Renewal Expenditure (Scenario 3 - Balanced)

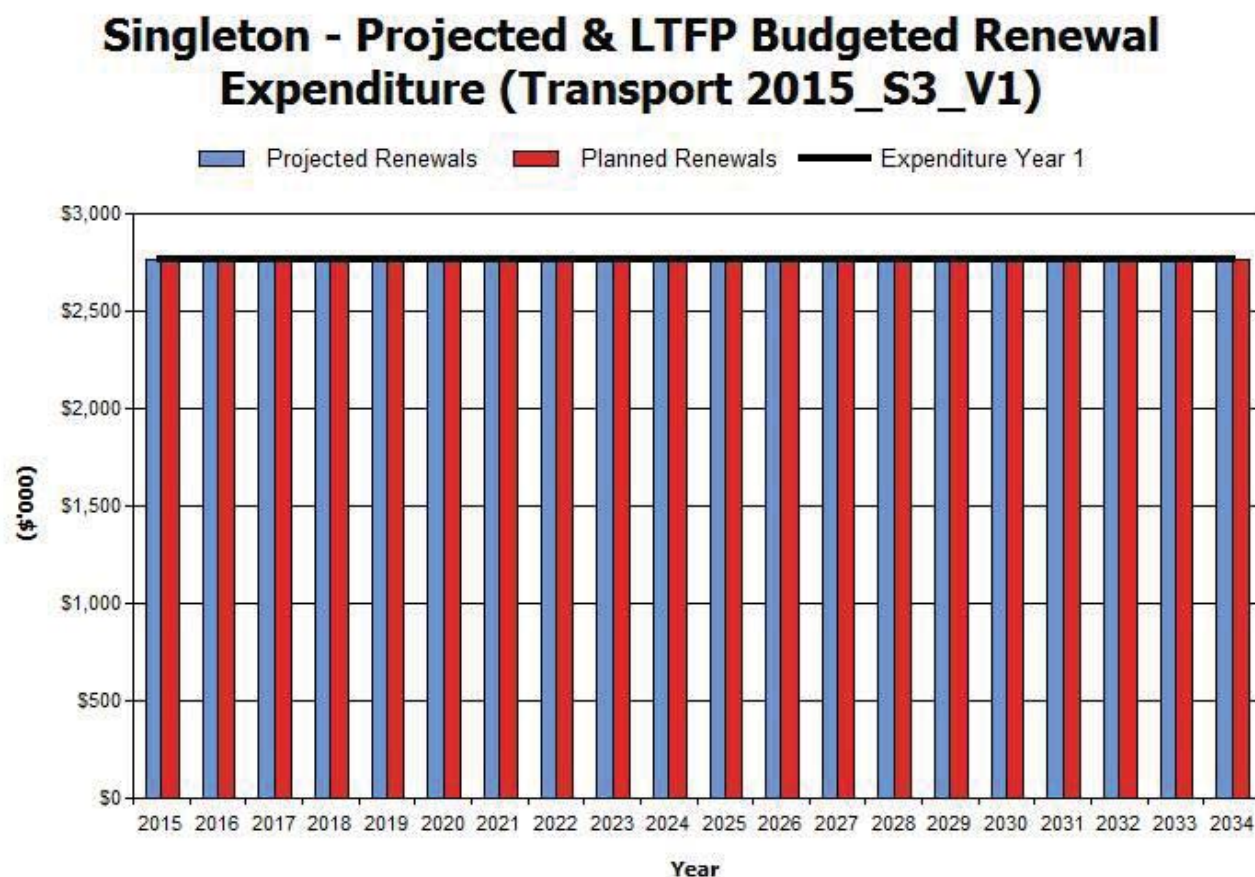


Table 6.1.1 Scenario 3 shows no shortfall between projected renewal and replacement expenditures and expenditure accommodated in long term financial plan.

Table 6.1.1 Scenario 3: Projected and LTFP Budgeted Renewals and Financing Shortfall (Balanced)

Year	Projected Renewals (\$'000)	LTFP Renewal Budget (\$'000)	Renewal Financing Shortfall (\$'000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$'000) (-ve Gap, +ve Surplus)
2015	\$2,761	\$2,761	0	0
2016	\$2,761	\$2,761	0	0
2017	\$2,761	\$2,761	0	0
2018	\$2,761	\$2,761	0	0
2019	\$2,761	\$2,761	0	0
2020	\$2,761	\$2,761	0	0
2021	\$2,761	\$2,761	0	0
2022	\$2,761	\$2,761	0	0

Year	Projected Renewals (\$000)	LTFP Renewal Budget (\$000)	Renewal Financing Shortfall (\$000) (-ve Gap, +ve Surplus)	Cumulative Shortfall (\$000) (-ve Gap, +ve Surplus)
2023	\$2,761	\$2,761	0	0
2024	\$2,761	\$2,761	0	0
2025	\$2,761	\$2,761	0	0
2026	\$2,761	\$2,761	0	0
2027	\$2,761	\$2,761	0	0
2028	\$2,761	\$2,761	0	0
2029	\$2,761	\$2,761	0	0
2030	\$2,761	\$2,761	0	0
2031	\$2,761	\$2,761	0	0
2032	\$2,761	\$2,761	0	0
2033	\$2,761	\$2,761	0	0
2034	\$2,761	\$2,761	0	0

Providing services in a sustainable manner will require matching of projected asset renewal and replacement expenditure to meet agreed service levels with **the corresponding** capital works program accommodated in the long term financial plan.

A gap between projected asset renewal/replacement expenditure and amounts accommodated in the LTFP indicates that further work is required on reviewing service levels in the AM Plan (including possibly revising the LTFP). This work forms part of the ongoing improvement of the asset management plan. In this asset the extent of the “gap” is shown in the difference between Scenario 2 and Scenario 3.

We will manage the ‘gap’ by developing this asset management plan to provide guidance on future service levels and resources required to provide these services, and review future services, service levels and costs with the community.

6. FINANCIAL SUMMARY

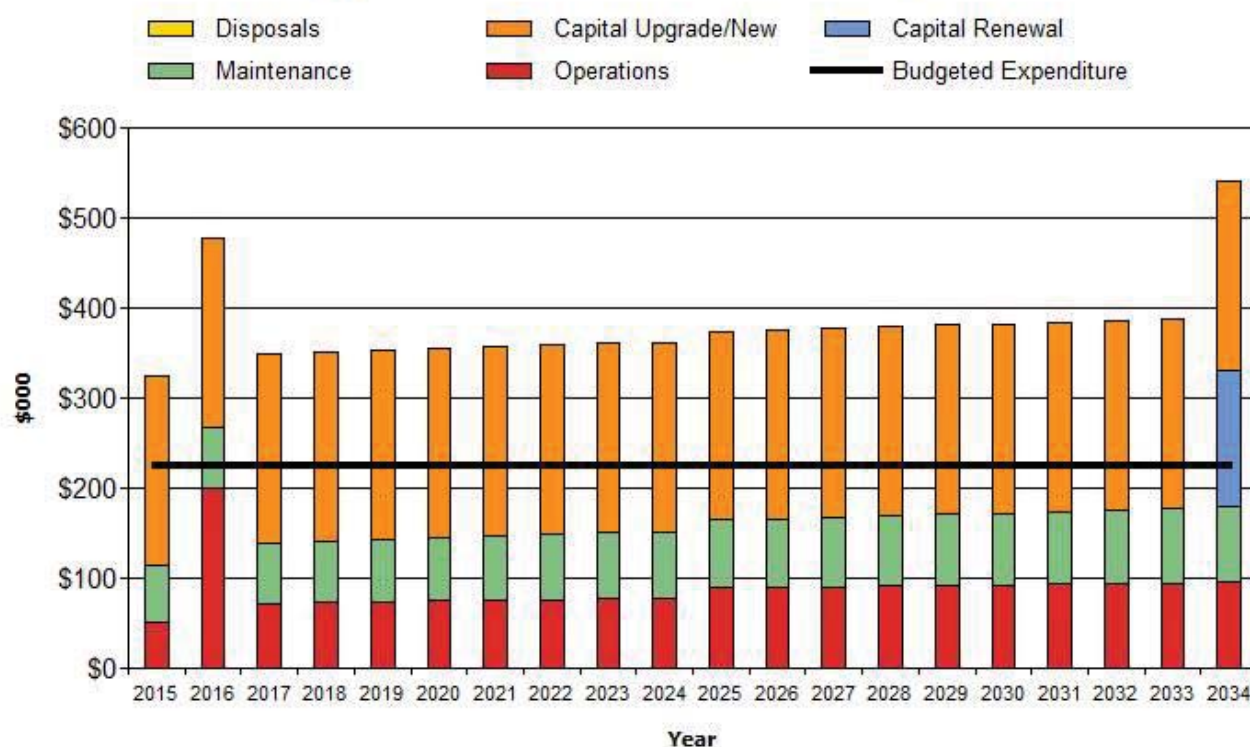
This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

The financial projections are shown in Fig 7 for projected operating (operations and maintenance) and capital expenditure (renewal and upgrade/expansion/new assets). Note that all costs are shown in real values.

Figure 7.1: Projected Operating and Capital Expenditure and Budget (Scenario 1 - from Asset Register)

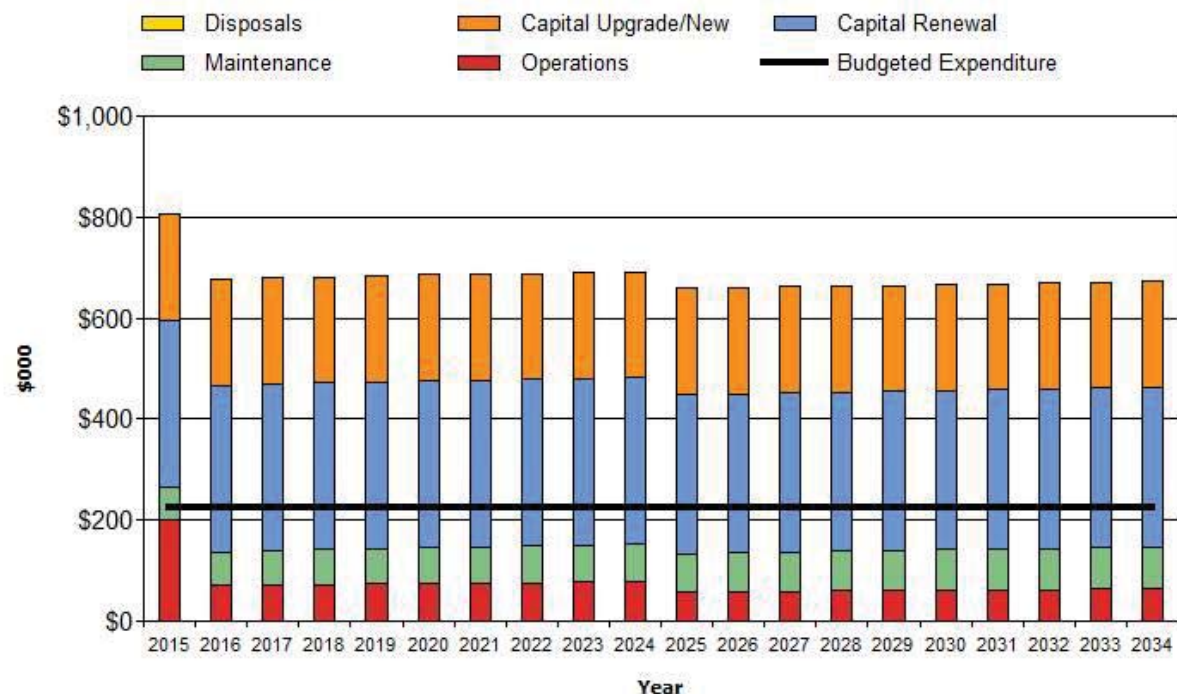
Singleton - Projected Operating and Capital Expenditure (Stormwater 2015_S1_V3)



As discussed in Section 5.4 the expenditure projection (forecast) in Scenario 1 (Using the asset/valuation register) is not consistent with the required works program as determined by technical staff and is not included in the long term financial plan. The spike in 2015 is indicative of the additional operational funding in section 5.3.3 Future operations and maintenance expenditures.

Figure 7.2: Projected Operating and Capital Expenditure and Budget (Scenario 2 - from technical analysis)

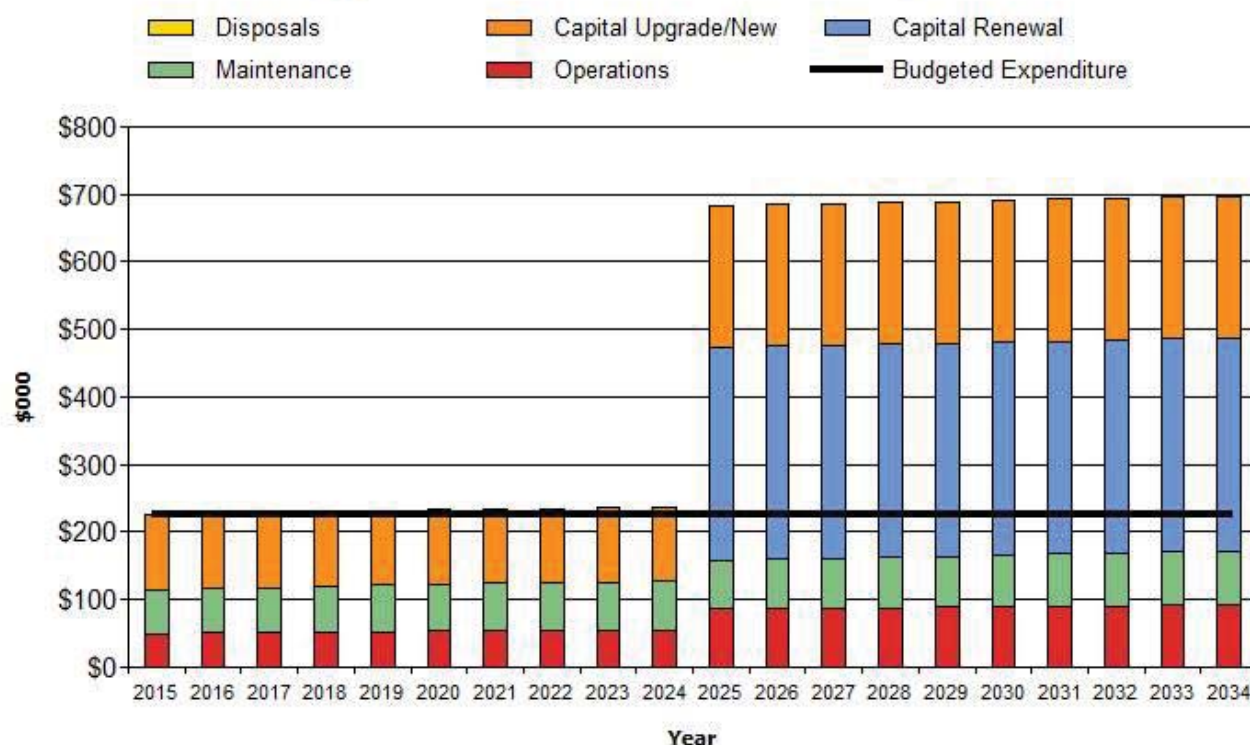
Singleton - Projected Operating and Capital Expenditure (Stormwater 2015_S2_V4)



Scenario 2 renewal requirements are based on the technical judgement made by Singleton technical staff. This level of funding is not currently being achieved, and indicates a future reduction in services levels and a potential increase in risk.

Figure 7.3: Projected Operating and Capital Expenditure and Budget (Scenario 3 – Balanced with Long Term Financial Plan)

Singleton - Projected Operating and Capital Expenditure (Stormwater 2015_S3_V4)



The first 10 years of Scenario 3 have been balanced with the funding available. To achieve this infrastructure renewal and upgrade projects will be deferred. The detailed project implications and the service and risk consequences of this should form the basis of developing an advanced asset management plan.

6.1.1 Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period. **(Based on Scenario 2 Version 4)**

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio¹⁰ 0%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, the organisation is forecasting that it will have 0% of the funds required for the optimal renewal and replacement of its assets. This will result a continued declined in the condition of the network is anticipated and there is likely to be a reduction in service levels and increasing risks.

¹⁰ AIFMG, 2012, Version 1.3, Financial Sustainability Indicator 4, Sec 2.6, p 2.16

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$510,000 per year (average operations and maintenance expenditure plus depreciation expense projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the 10 year planning period is \$115,000 per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap. The life cycle gap for services covered by this asset management plan is -\$393,000 per year (-ve = gap, +ve = surplus).

Life cycle expenditure is **22% of life cycle costs**.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$487,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$115,000 on average per year giving a 10 year **funding shortfall of \$372,000 per year**. This indicates that Council expects to have **24% of the projected expenditures required** to provide the services documented in the asset management plan.

Medium Term – 5 year financial planning period

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is \$495,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$115,000 on average per year giving a 5 year **funding shortfall of -\$380,000**. This indicates that Council expects to have **23% of projected expenditures required** to provide the services shown in this asset management plan.

6. FINANCIAL SUMMARY

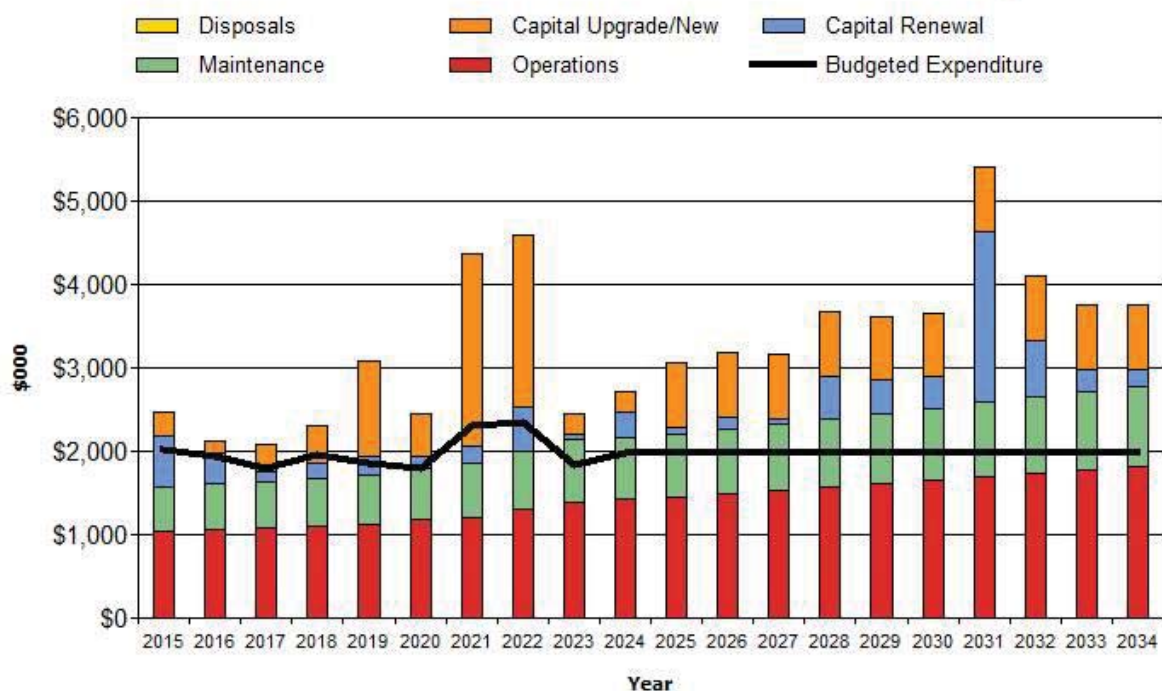
This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

The financial projections are shown below in the scenarios below. Scenario 1 which is **Figure 6.1(a)** uses the asset register and relies on the data accuracy. In the case for Parks and Reserves the data in the asset management plan matches that of the data that is used by the Finance team for reporting to Council and the NSW Government. This match increases the confidence level of the data. It shows that the budget will sustain most of the operations and maintenance of the Parks and Reserves with some of the funding being able to cover renewals. However as the years progress along the funding falls short and the renewals will not be funded along with new assets.

Figure 6.1(a) – Projected Operating and Capital Expenditure

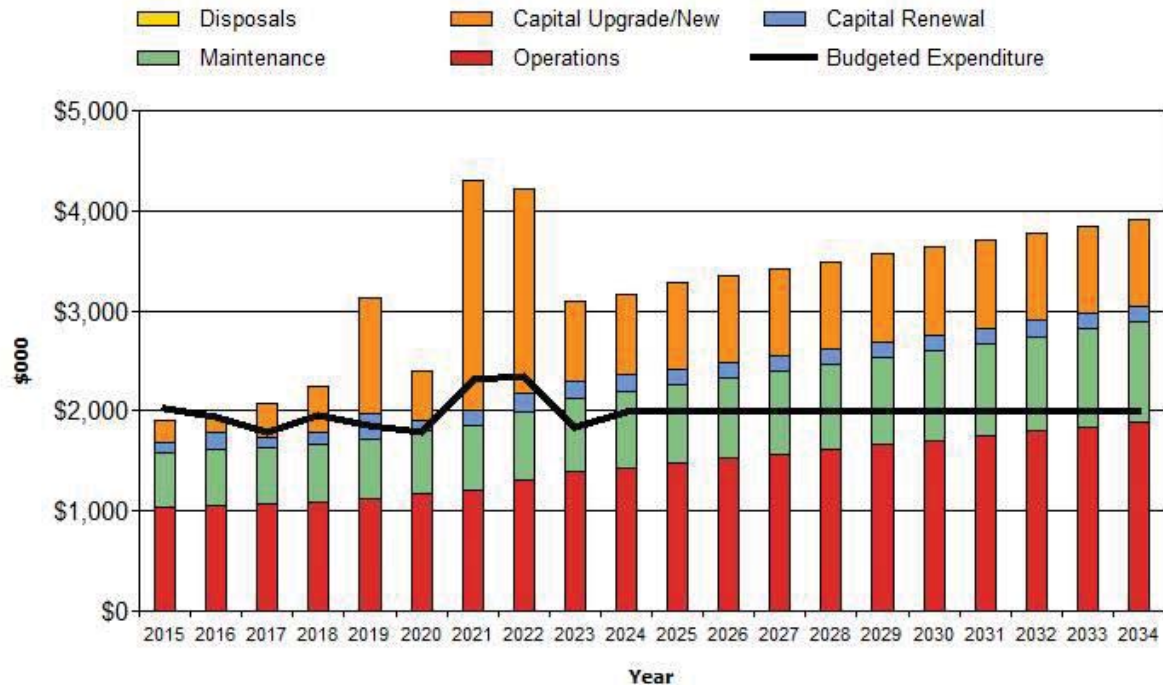
Singleton - Projected Operating and Capital Expenditure (Parks and Other Structures 2015_S1_V3)



Scenario 2 which is **Figure 6.1(b)** uses the technical information against the actual figures within the current budget. This technical type of scenario looks more closely to what is needed against the funding that is available. The costings for this scenario rely on inspections, audits and monitoring to take place out in the field. Often vandalism and damage shorten a life of an asset and therefore renewal or replacement will happen earlier in its life rather than the due date. With the 10 year budget Council will be able to just fund the renewal projects, though the new assets will have to be left as funding is not available. Therefore the increase in demand for new assets will not be achievable as funding will not be available. If these projects cannot be financed then they will be represented in future asset management plans until such funding becomes available.

Figure 6.1(b) – Projected Operating and Capital Expenditure

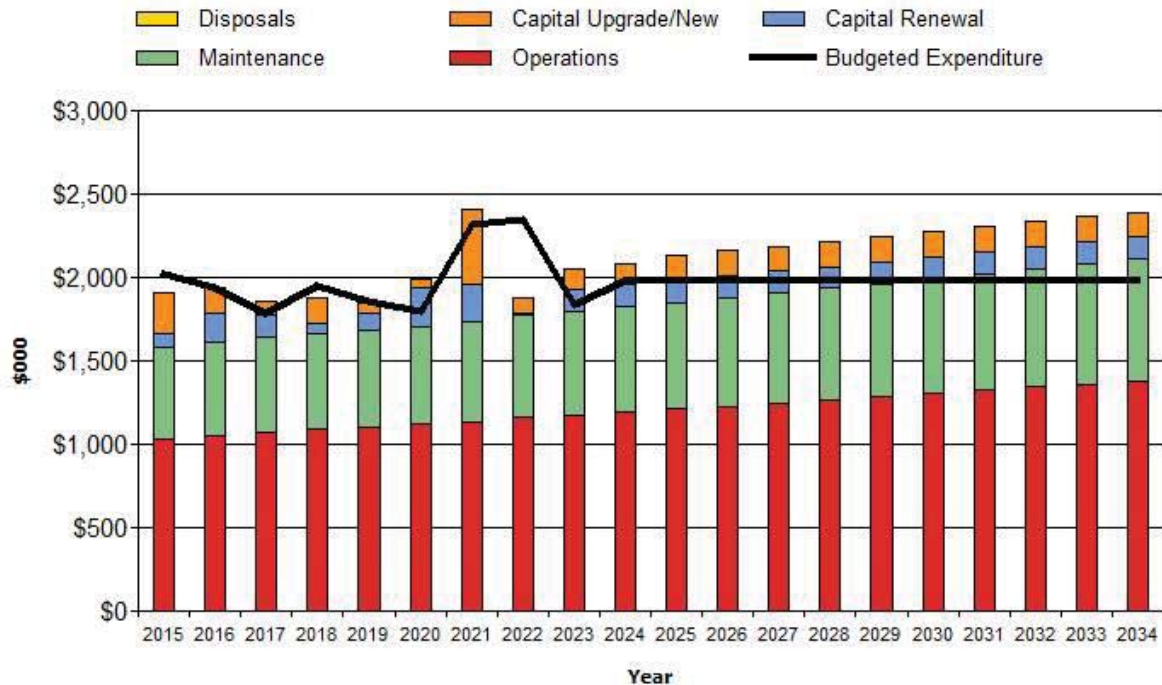
Singleton - Projected Operating and Capital Expenditure (Parks and Other Structures 2015_S2_V3)



Scenario 3 which is **Figure 6.1 (c)** takes all the projects that have been identified in scenario 2 and matches the funding with the Long Term Financial Plan (LTFP) over the next 10 years. This gives a more realistic approach to the actual funding that Council will provide for its Parks and Reserves assets. All projects in the renewal and new will be funded over the next ten years as can be seen. However the projects that have been identified in the first 10 years of the plan have been pushed out to the next 10 years, thus causing a spike in year 2023/24. This is because the funding in the next 10 years of the graph are an estimate and any projects that were identified but not funded in the first 10 years are merged into the first few years of the following 10 years. By the time the year 2021 approaches it is estimated by then that Council should know if future funding can be supplied to allow these projects to occur or to be still identified in the plans for further future funding.

Figure 6.1(c) – Projected Operating and Capital Expenditure

Singleton - Projected Operating and Capital Expenditure (Parks and Other Structures 2015_S3_V3)



6.1.1 Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

Asset Renewal Funding Ratio

Asset Renewal Funding Ratio⁸ 91%

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, Council is forecasting that it will have 91% of the funds required for the optimal renewal and replacement of its assets.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$2,309,000 per year (average operations and maintenance expenditure plus depreciation expense projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations,

⁸ AIFMG, 2012, Version 1.3, Financial Sustainability Indicator 4, Sec 2.6, p 2.16

maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the 10 year planning period is \$1,838,000 per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap. The life cycle gap for services covered by this asset management plan is -\$471,000 per year (-ve = gap, +ve = surplus).

Life cycle expenditure is 80% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$2,092,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$1,838,000 on average per year giving a 10 year funding shortfall of -\$254,000 per year. This indicates that Council expects to have 88% of the projected expenditures needed to provide the services documented in the asset management plan.

Medium Term – 5 year financial planning period

The projected operations, maintenance and capital renewal expenditure required over the first 5 years of the planning period is \$1,940,000 on average per year.

Estimated (budget) operations, maintenance and capital renewal funding is \$1,798,000 on average per year giving a 5 year funding shortfall of -\$142,000. This indicates that Council expects to have 93% of projected expenditures required to provide the services shown in this asset management plan.

Asset management financial indicators

Figure 6.1.1(a) highlights the percentage values of the 5 year, 10 year and overall life cycle costs of the assets within this AMP. Overall it portrays an ability to fund the capital renewals of the assets in the short term. However this becomes a bigger gap over time as the assets age and funding sources become less available. To reduce the gap council needs to increase the funding to maintain these assets or source external funding. The other option is to take the step and dispose of assets that are costing Council and are not sustainable.

Providing services from infrastructure in a sustainable manner requires matching and managing the service levels, risks, projected expenditures and financing to achieve a financial indicator of approximately 100% for the first years of the asset management plan and ideally over the 10 year life of the Long Term Financial Plan.

6. FINANCIAL SUMMARY

This section contains the financial requirements resulting from all the information presented in the previous sections of this asset management plan. The financial projections will be improved as further information becomes available on desired levels of service and current and projected future asset performance.

6.1 Financial Statements and Projections

The financial projections are shown below in the scenarios below. Scenario 1 which is **Figure 7(a)** uses the asset register and relies on the data being the most accurate it can be.

In the case for Council Buildings the data in the asset management plan matches that of the data that is used by the Finance team for reporting to council and the state. This match increases the confidence level within the data.

Figure 7(a) shows that the budget will sustain the operations and maintenance of the Council Buildings with some of the funding being able to cover renewals. The spike in year 2015 is the major improvements that will be done to the Gym and Swim and saleyards (which allocated funding). This funding shows up in each scenario. However as the years progress along the funding falls short and the renewals will not be funded along with assets.

Fig 7(a): Projected Operating and Capital Expenditure – Scenario 1

Singleton - Projected Operating and Capital Expenditure (Buildings 2015_S1_V3)

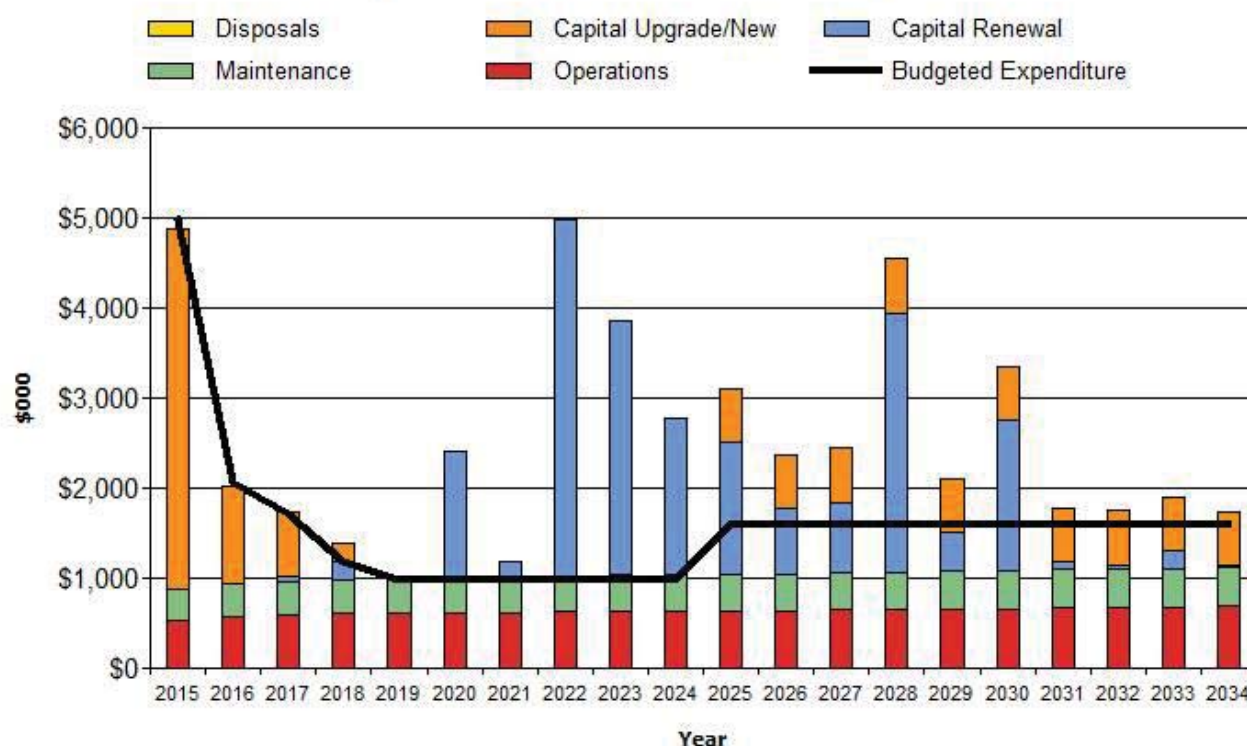
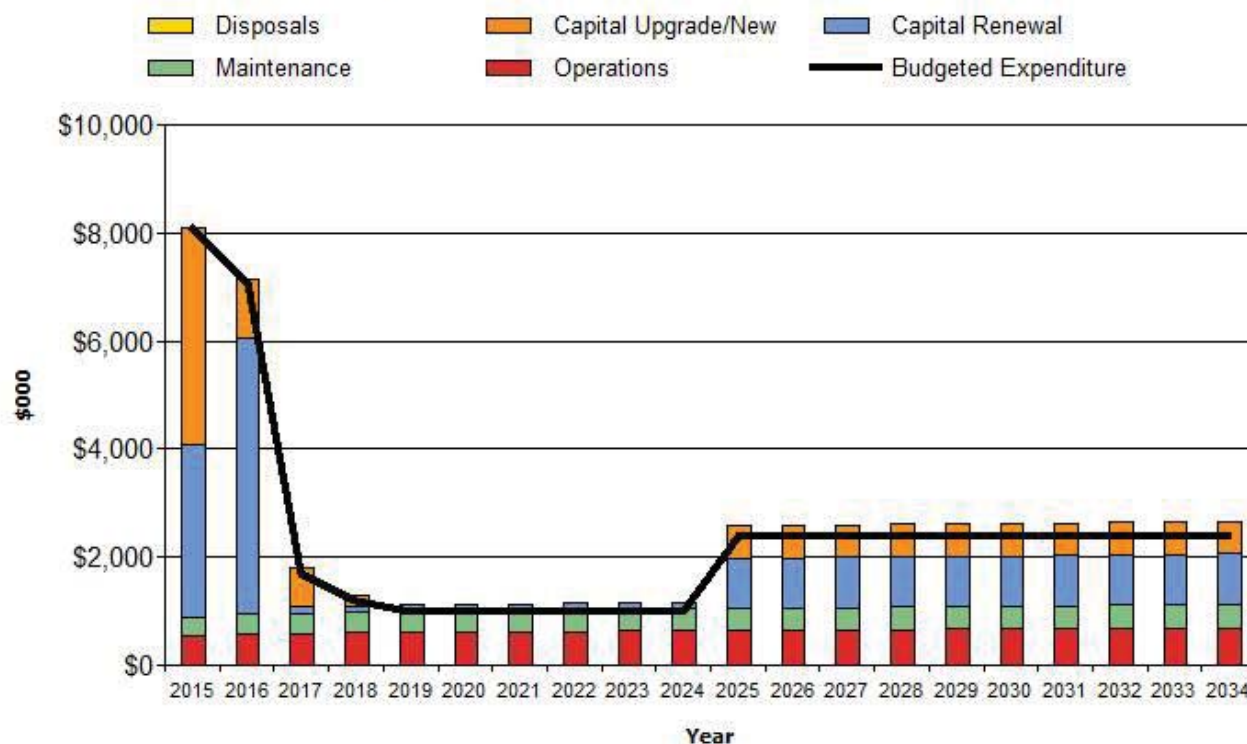


Fig 7(b): Projected Operating and Capital Expenditure –Scenario 3

Singleton - Projected Operating and Capital Expenditure (Buildings 2015_S3_V3)



Scenario 3 which is **Figure 7 (b)** takes all the projects that have been identified in scenario 2 and matches the funding with the Long Term Financial Plan (LTFP) over the next 10 years.

This gives a more realistic approach to the actual funding that Council will provide for its Parks and Reserves assets.

Note, limited upgrade projects have been funded beyond 2017. As a result, some projects that have been identified in the first 10 years of the plan have been pushed out to the next 10 years. This is because the funding in the next 10 years of the graph are an estimate only and any projects that were identified but not funded in the first 10 years are merged into the following 10 years. By the time the year 2021 approaches it is estimated by then that Council should know if future funding can be allocated to allow identified projects to proceed or be put on hold further.

Scenario 3 lists limited renewal projects, acknowledging that the renewal budget is only \$120,000 and as well as planned renewal tasks, adequate funding must be left available for urgent renewal work each year.

6.1.1 Sustainability of service delivery

There are four key indicators for service delivery sustainability that have been considered in the analysis of the services provided by this asset category, these being the asset renewal funding ratio, long term life cycle costs/expenditures and medium term projected/budgeted expenditures over 5 and 10 years of the planning period.

Asset Renewal Funding Ratio

Scenario 3 Asset Renewal Funding Ratio ⁷	100%
---	------

The Asset Renewal Funding Ratio is the most important indicator and reveals that over the next 10 years, Council is forecasting that it will have 100% of the funds required for the optimal renewal and replacement of its assets.

Long term - Life Cycle Cost

Life cycle costs (or whole of life costs) are the average costs that are required to sustain the service levels over the asset life cycle. Life cycle costs include operations and maintenance expenditure and asset consumption (depreciation expense). The life cycle cost for the services covered in this asset management plan is \$2,584,000 per year (average operations and maintenance expenditure plus depreciation expense projected over 10 years).

Life cycle costs can be compared to life cycle expenditure to give an initial indicator of affordability of projected service levels when considered with age profiles. Life cycle expenditure includes operations, maintenance and capital renewal expenditure. Life cycle expenditure will vary depending on the timing of asset renewals. The life cycle expenditure over the 10 year planning period is \$1,798,000 per year (average operations and maintenance plus capital renewal budgeted expenditure in LTFP over 10 years).

A shortfall between life cycle cost and life cycle expenditure is the life cycle gap. The life cycle gap for services covered by this asset management plan is \$-786,000(-ve = gap, +ve = surplus).

Life cycle expenditure is 70% of life cycle costs.

The life cycle costs and life cycle expenditure comparison highlights any difference between present outlays and the average cost of providing the service over the long term. If the life cycle expenditure is less than that life cycle cost, it is most likely that outlays will need to be increased or cuts in services made in the future.

Knowing the extent and timing of any required increase in outlays and the service consequences if funding is not available will assist organisations in providing services to their communities in a financially sustainable manner. This is the purpose of the asset management plans and long term financial plan.

Medium term – 10 year financial planning period

This asset management plan identifies the projected operations, maintenance and capital renewal expenditures required to provide an agreed level of service to the community over a 10 year period. This provides input into 10 year financial and funding plans aimed at providing the required services in a sustainable manner.

These projected expenditures may be compared to budgeted expenditures in the 10 year period to identify any funding shortfall. In a core asset management plan, a gap is generally due to increasing asset renewals for ageing assets.

The projected operations, maintenance and capital renewal expenditure required over the 10 year planning period is \$1,919,000 on average per year.

⁷ AIFMG, 2012, Version 1.3, Financial Sustainability Indicator 4, Sec 2.6, p 2.16