



Sinking Funds

Risk Management and Lessons Learned

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Introduction

- What is sinking Fund?
- What does a sinking Fund Budget do?
- History of sinking Funds in Australia?
- What does a sinking Fund Contain?
- sinking Fund Case Study

What is a sinking Fund?

- Definition
- A detailed and comprehensive estimate of the councils corporate's sinking fund expenditure for the scheme's 10 financial years that must include an estimate for the repainting of common property and of buildings that are Councils corporate assets.
- Thoughts
- Think of it as a servicing schedule for your car, with services in years rather than kilometres.

What does a sinking Fund Include?

- The sinking fund budget must—
- (a) allow for raising a reasonable capital amount both to provide for necessary and reasonable spending from the sinking fund for the financial year, and also to sinking an appropriate proportional share of amounts necessary to be accumulated to meet anticipated major expenditure over at least the next 10 years after the financial year,
- having regard to—
- (i) anticipated expenditure of a capital or non-recurrent nature; and
- (ii) the periodic replacement of items of a major capital nature; and
- (iii) other expenditure that should reasonably be met from capital; and
- (b) fix the amount to be raised by way of contribution to cover the capital amount mentioned in paragraph (a).
- Thoughts
- Big ticket items like Lifts and Painting are sinking Fund Items verses light bulbs in the Administration Fund

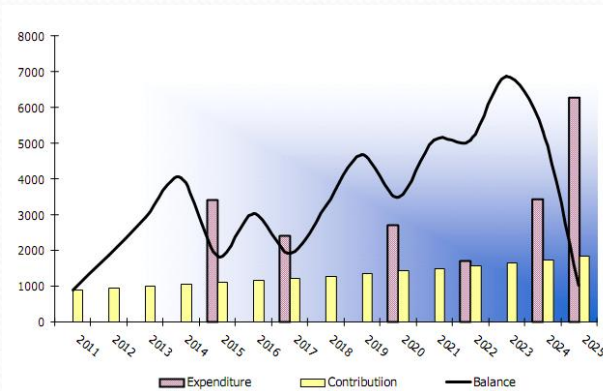
History of sinking Funds in Australia?

- QLD – Sinking Fund Introduced 1987
- NSW – Introduced 2004 to 2006
- ACT - 2009
- VIC – 2009 ,Over \$200,000 Turnover or 100 Units in size, Trends with Smaller schemes are increasing. Called a Maintenance Plan, is to be reviewed annually.
- WA, SA, NT – No Legal Requirement's yet.



What does a sinking Fund Contain?

- 15 Year Forecast Expenses
- Graphical and itemised Cash Flow.



Item	Cost ** (Ex GST)	Replace in	Remain Life/Int Years
EXTERNAL FASCAD			
• Repaint soffits	\$1,125	2015	10
• Repaint door face	\$300	2015	10
• Maintain garage doors	\$350	2020	10
ROOF			
• Maintain Roof	\$600	2017	7
• Replace Guttering and Downpipes over 30 years	\$800	2017	7
DRIVEWAY /CAR PARK & PAVING			
• Maintain driveway area	\$700	2020	10
FENCING			
• Replace timber fencing over 20 yrs	\$760	2015	7
FURNITURE & FITTINGS			
• Maintain Switchboard/ Electrical	\$1,000	2025	15
• Maintain/Repair Mail Boxes	\$300	2020	15
\$5,935			

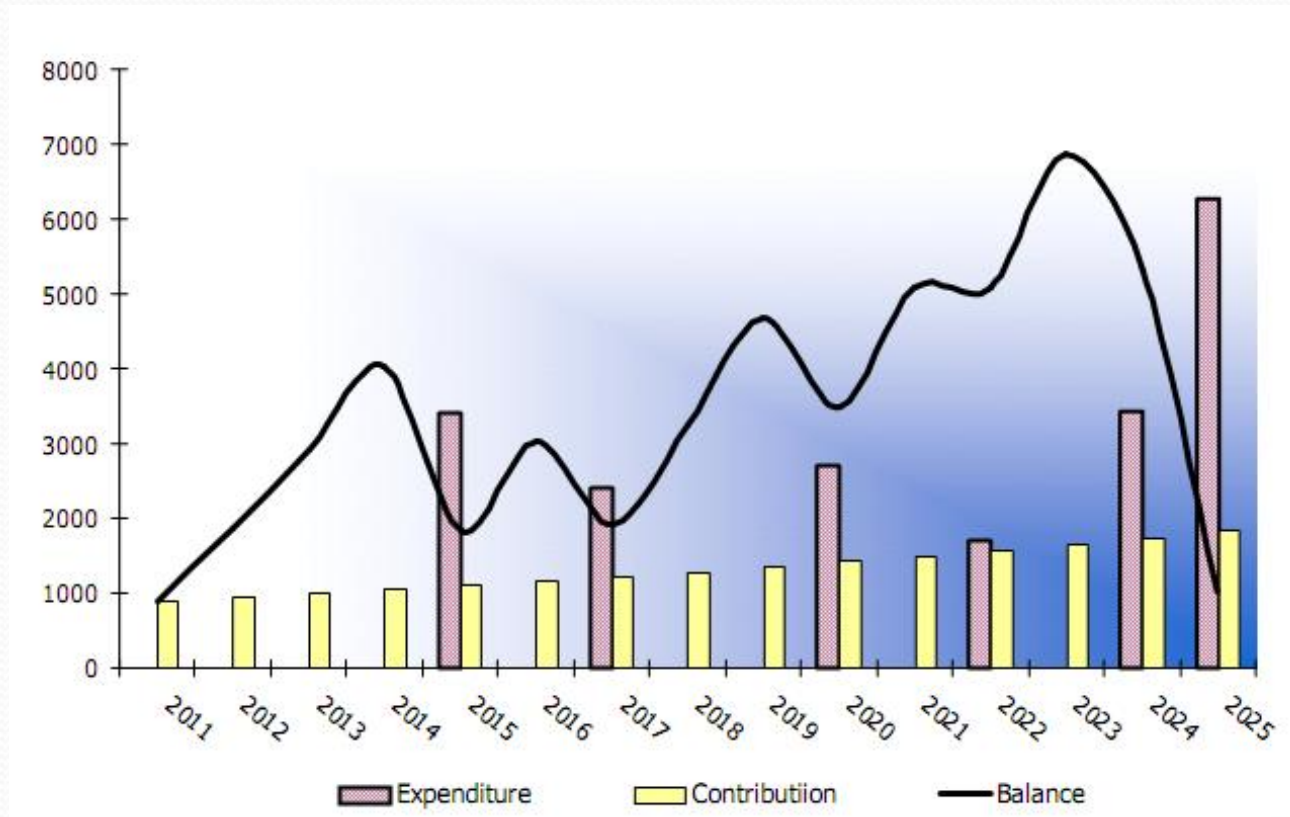
Case Study 1

ANNUAL BALANCE FORECAST,EXPENDITURE AND CONTRIBUTION

Life Years	Financial Year Starting	Costs Estimated Expenditure (Inc GST)	Income		Annual Fund Balance		Per Entitlement Levy
			Contribution Total P.A. incl 5.20% Inflation	Bank Interest at 2.50%	Opening Balance (Beginning of Year)	Closing Balance (End of Year)	
1	Feb 11	\$0	\$900	0	\$1	\$901	\$450.00
2	Feb 12	\$0	\$947	23	\$901	\$1,871	\$473.50
3	Feb 13	\$0	\$996	47	\$1,871	\$2,914	\$498.00
4	Feb 14	\$0	\$1,048	73	\$2,914	\$4,035	\$524.00
5	Feb 15	\$3,407	\$1,102	101	\$4,035	\$1,831	\$551.00
6	Feb 16	\$0	\$1,159	46	\$1,831	\$3,036	\$579.50
7	Feb 17	\$2,415	\$1,219	76	\$3,036	\$1,916	\$609.50
8	Feb 18	\$0	\$1,282	48	\$1,916	\$3,246	\$641.00
9	Feb 19	\$0	\$1,349	81	\$3,246	\$4,676	\$674.50
10	Feb 20	\$2,712	\$1,419	117	\$4,676	\$3,500	\$709.50
11	Feb 21	\$0	\$1,493	88	\$3,500	\$5,081	\$746.50
12	Feb 22	\$1,690	\$1,571	127	\$5,081	\$5,089	\$785.50
13	Feb 23	\$0	\$1,653	127	\$5,089	\$6,869	\$826.50
14	Feb 24	\$3,444	\$1,739	172	\$6,869	\$5,336	\$869.50
15	Feb 25	\$6,277	\$1,829	133	\$5,336	\$1,021	\$914.50

Graphical Presentation of Fund Balance

- Graphs used for Visual Evaluation of Fund



Building Breakdown by Area

- Area Breakdown in Sections

Item	Cost ** (Ex GST)	Replace in	Remain Life/int Years
EXTERNAL FASCAD			
- Repaint Soffits	\$1,125	2015	10
- Repaint door face	\$300	2015	10
- Maintain garage doors	\$350	2020	10
ROOF			
- Maintain Roof	\$600	2017	7
- Replace Guttering and Downpipes over 30 years	\$800	2017	7
DRIVEWAY /CAR PARK & PAVING			
- Maintain driveway area	\$700	2020	10
FENCING			
- Replace timber fencing over 20 yrs	\$760	2015	7
FURNITURE & FITTINGS			
- Maintain Switchboard/ Electrical	\$1,000	2025	15
- Maintain/Repair Mail Boxes	\$300	2020	15
\$5,935			

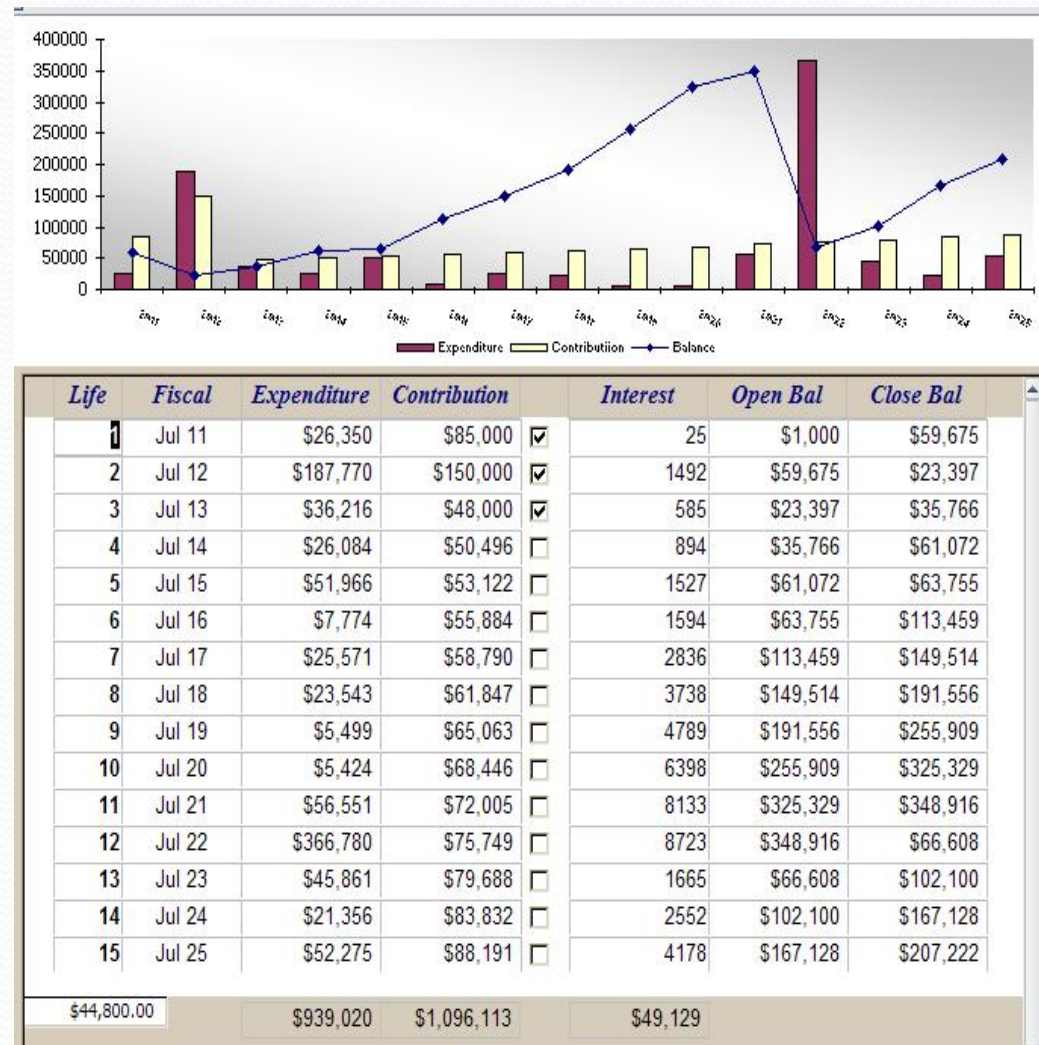
Case Study

- The Complex 56 Units
- Not Maintained for 20 Years
- Building Cracking and Needs Repair
- Complex under insured
- Complex needs painting,
- Pool Needs attention
- Retaining walls falling down
- Pipework issues



Site Strategy

- \$280,000 Over 4 Years
- Building Repairs Year 1
- Paint Outside Year 2
- Paint Stairwells Year 3



Site Data

Case study 2

FORECAST EXPENDITURE BY BUILDING AREAS

SUPERSTRUCTURE

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Item	Cost ** (Ex GST)	Replace In	Remain Life/Int Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EXTERNAL FASCAD																		
- Repaint Building	\$45,000	2012	10		60260									100043				
- Repaint Balcony Ceilings	\$8,000	2012	10		10713									17785				
- Allowance for building Repairs	\$18,000	2011	10	22913									38039					
- Scaffold allowance	\$81,000	2012	10		108468									180077				
- Repaint door face	\$4,200	2015	10					6548										10871
- Maintain screens/louvres/rails/frames	\$2,240	2016	9						3674									5798
- Maintain balustrade fixings	\$1,925	2025	15															4983
- Replace balustrades over 20 years	\$7,000	2017	7							12078							17223	
ROOF																		
- Maintain Roof	\$16,800	2015	7					26192						37349				
- Replace Guttering and Downpipes over 30 years	\$1,600	2013	7			2254							3214					
- Maintain Common Roofing/Guttering	\$4,000	2014	4				5928				7261			8893				
STAIRWELL																		
- Repaint walls	\$6,555	2013	10			9234								15331				
- Repaint ceiling	\$4,104	2013	10			5781								9598				
- Repaint/Maintain rails	\$3,000	2013	10			4226								7016				
- Replace/Maintain door hardware	\$1,680	2014	5				2490					3208					4133	
- Repaint Floors	\$6,156	2015	10					9598										15934

Case study 2

FORECAST EXPENDITURE BY BUILDING AREAS

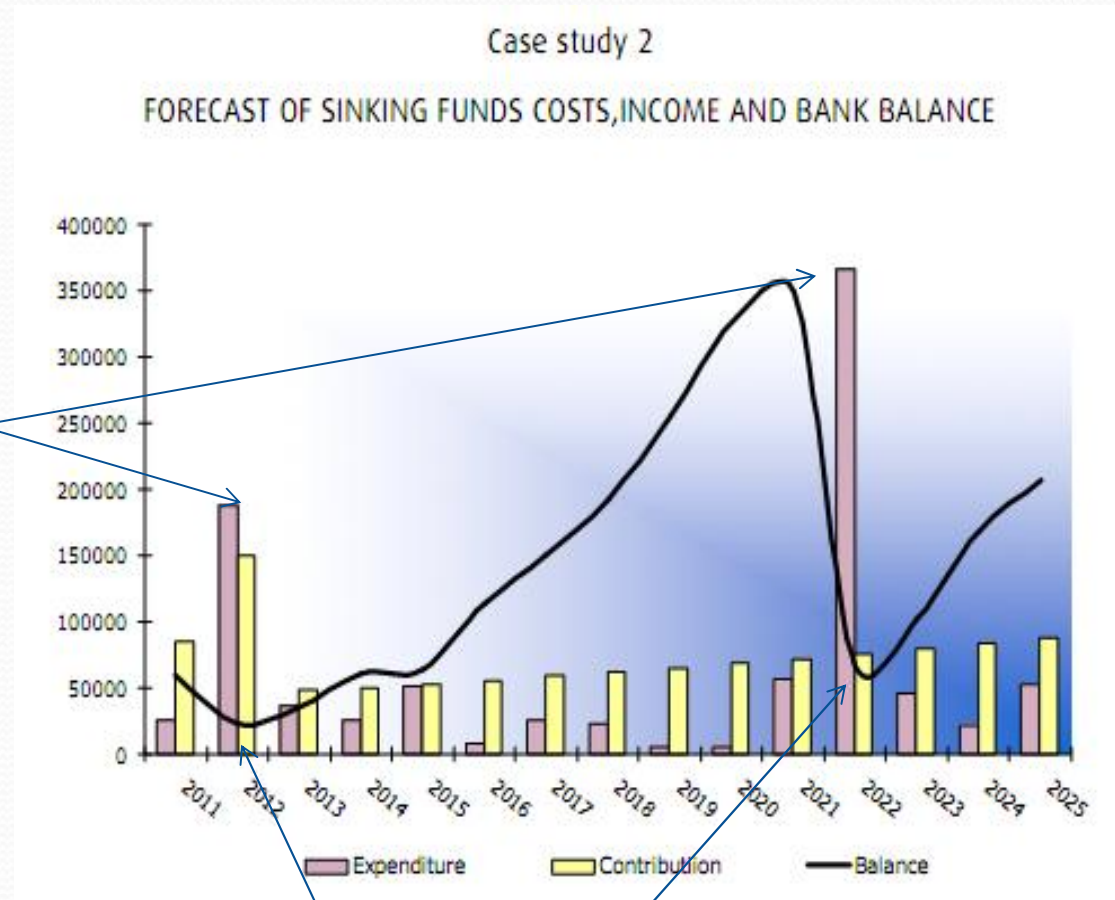
EXTERNAL COMMON AREAS

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Item	Cost ** (Ex GST)	Replace in	Remain Life/int Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
DRIVEWAY /CAR PARK & PAVING																		
- Maintain drainage grates	\$1,600	2017	9							2761								
- Maintain pavers	\$1,200	2011	4	1528				1871				2291						
- Maintain driveway area	\$4,000	2014	7				5928							8453				
FENCING																		
- Maintain Fencing	\$1,760	2014	7				2608							3719				
- Maintain Bin Areas	\$500	2014	4				741				908				1112			
- Repaint Fence	\$1,000	2013	10				1409									2339		
- Maintain Underground Pipework	\$2,500	2012	5		3348					4314					5558			
LANDSCAPING																		
- Maintain pathway areas	\$800	2014	4				1186				1452				1779			
- Maintain retaining wall	\$2,500	2015	7					3898							5558			
- Remove trees/roots	\$1,500	2011	5	1909					2460					3170				
POOL BUILDING																		
- Repaint external pool pergola	\$3,000	2013	10				4226									7016		
SWIMMING POOL/SPA																		
- Maintain Pool Pump	\$950	2013	5				1338				1724					2222		
- Replace Pool Filter	\$1,100	2020	15										2210					
- Maintain Pool Surface	\$5,500	2013	15				7748											
- Maintain pool furniture	\$1,500	2014	7				2223							3170				
- Maintain pool concourse	\$2,475	2015	10					3859										6406
FURNITURE & FITTINGS																		
- Maintain Signage	\$1,000	2016	7						1640							2339		
- Maintain Switchboard/ Electrical	\$3,200	2017	8							5521								8283
- Replace clothes lines	\$520	2012	5		696					897					1156			
- Maintain/Repair Mail Boxes	\$6,720	2018	11								12198							
- Maintain Lighting	\$3,360	2014	8				4980								7470			
- Allowance towards upgrade to digital aerial	\$3,200	2012	15		4285													
\$261,145				26350	187770	36216	26084	51966	7774	25571	23543	5499	5424	56551	366780	45861	21356	52275

Graphic Data

- Initial Cost
- 2 Paint Cycles
- Critical Points
- Levies in Year 3 adjusted after initial cost



Monies Left in bank After Critical Expense Points

Cashflow

- Planning and monitoring expenses needs to be looked at long term for benefits.

Case study 2

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Case study 2

ANNUAL BALANCE FORECAST, EXPENDITURE AND CONTRIBUTION

Life Years	Year	Financial Year Starting	Costs Estimated Expenditure (Inc GST)	Income		Annual Fund Balance		Per Entitlement Levy
				Contribution Total P.A. incl 5.20% Inflation	Bank Interest at 2.50%	Opening Balance (Beginning of Year)	Closing Balance (End of Year)	
1	Jul 11		\$26,350	\$85,000	25	\$1,000	\$59,675	\$1,517.86
2	Jul 12		\$187,770	\$150,000	1492	\$59,675	\$23,397	\$2,678.57
3	Jul 13		\$36,216	\$48,000	585	\$23,397	\$35,766	\$857.14
4	Jul 14		\$26,084	\$50,496	894	\$35,766	\$61,072	\$901.71
5	Jul 15		\$51,966	\$53,122	1527	\$61,072	\$63,755	\$948.61
6	Jul 16		\$7,774	\$55,884	1594	\$63,755	\$113,459	\$997.93
7	Jul 17		\$25,571	\$58,790	2836	\$113,459	\$149,514	\$1,049.82
8	Jul 18		\$23,543	\$61,847	3738	\$149,514	\$191,556	\$1,104.41
9	Jul 19		\$5,499	\$65,063	4789	\$191,556	\$255,909	\$1,161.84
10	Jul 20		\$5,424	\$68,446	6398	\$255,909	\$325,329	\$1,222.25
11	Jul 21		\$56,551	\$72,005	8133	\$325,329	\$348,916	\$1,285.80
12	Jul 22		\$366,780	\$75,749	8723	\$348,916	\$66,608	\$1,352.66
13	Jul 23		\$45,861	\$79,688	1665	\$66,608	\$102,100	\$1,423.00
14	Jul 24		\$21,356	\$83,832	2552	\$102,100	\$167,128	\$1,497.00
15	Jul 25		\$52,275	\$88,191	4178	\$167,128	\$207,222	\$1,574.84



A Guide to Set initial sinking Fund Levy

- Standard Duplex \$400 to 500 Per Lot
- 3 Level Walk up With No Lift, \$500 to 750 Per Lot
- Rendered 3 Levels With Lift \$850 to \$1600 Per Lot
- Over 3 Levels with Lift \$1500 to \$2500 Per Lot

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Identifying your needs



Thankyou

