



TOWN COUNCIL FUNDS

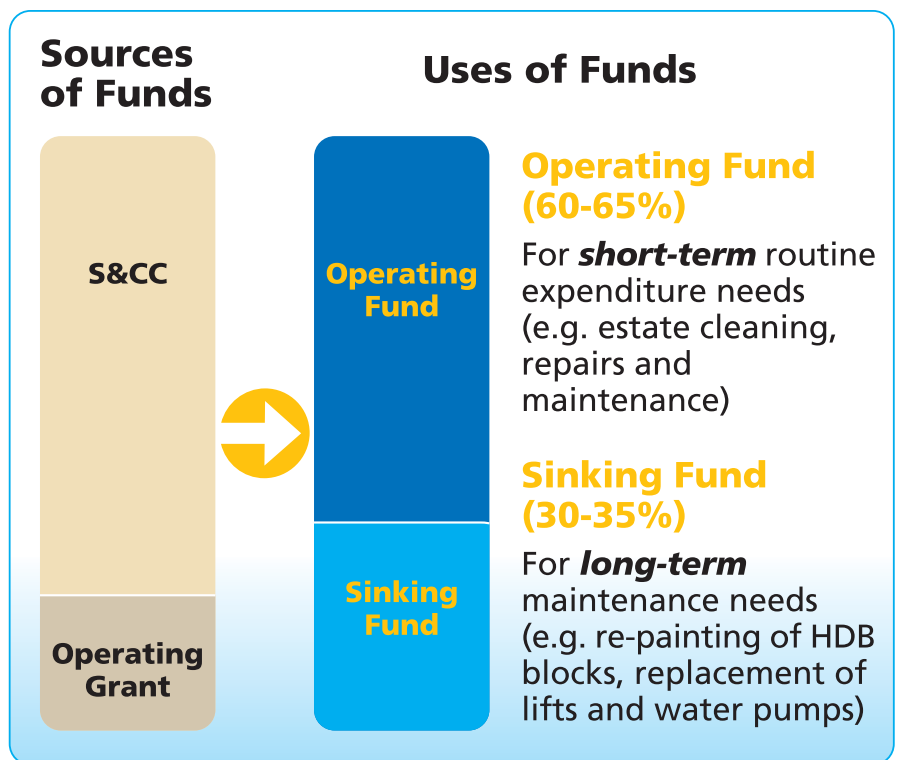
HOW ARE THEY MANAGED?

Town councils manage and maintain Singapore public housing estates based on local needs and conditions in each town.

Where do town councils get their funds?

Town councils get their funds from **service and conservancy charges** (S&CC) which are collected from residents and commercial tenants.

The Government also provides each town council with an annual **operating grant**.



At least 30% to 35% (depending on flat type) of town council funds are required to be set aside as sinking funds.

Sinking funds are accumulated over time so that residents do not have to pay extra charges each time major repairs and maintenance are needed. Town councils also use sinking funds to co-pay for the Lift Upgrading Programme.

Why are town councils allowed to invest their funds?

Town councils are allowed to invest their funds to mitigate the impact of inflation.

For example, the lifespan of a lift is roughly 28 years. Replacing a lift costs about \$100,000 today. But it will cost the town council more than \$220,000 to replace a lift in 28 years' time if inflation is 3% per year.

If a town council places \$100,000 into fixed deposits at a 1% annual interest rate, there will only be \$132,000 after 28 years. It is not enough for the lift replacement. And if the town council collects more funds to top up the difference, it may increase the financial burden on residents.

By investing wisely and prudently, the town council will get the \$220,000 after 28 years, assuming average returns of 3% per annum, enough to pay for the lift replacement.

How are town council investments regulated?

Town councils are allowed to invest sinking funds and short-term surpluses in Singapore dollar-denominated fixed deposits, stocks, funds and securities.

However, investments in stocks, funds or securities not issued by the Singapore Government or any statutory body, or not guaranteed by the Singapore Government, **cannot exceed 35%** of the funds available for investment.

Investments in stocks, funds and securities must be on the advice of a qualified person, such as:

- Licensed investment adviser
- Bank approved by the Monetary Authority of Singapore

Some town councils engage professional fund managers to invest in a diversified portfolio to minimise risk.

IN SHORT, TOWN COUNCILS INVEST...

- To maintain the value of the funds
- To fight the impact of inflation
- To reduce the future financial burden on residents