

Summary of Key Features of Bill

S/N	Current Provisions	New Provisions	Rationale
(A) Clarify the Roles and Functions of TCs			
1	<p><u>Clarify Role of TCs in Relation to Use of Common Property</u></p> <ul style="list-style-type: none"> Under the existing Act, TCs may set and collect charges only for uses prescribed by MND, and are not entitled to charge HDB for the use of common property. Even though not expressly stated in existing Act, TCs are expected to cooperate with and facilitate public agencies' work for the benefit of residents. 	<ul style="list-style-type: none"> Going forward, any contravention of these restrictions will be an offence, liable to a fine not exceeding \$5,000. [Clause 12] The Bill will make it expressly clear that TCs must work cooperatively with HDB and public authorities for the benefit of residents. If a TC unreasonably hampers a public authority from discharging its functions on common property, the public authority can, with the consent of HDB as landowner, issue a notice to the TC to specify what is required of the TC. [Clause 14] 	<p>To ensure that common property is only used for the benefit of residents, and to facilitate HDB and public agencies in carrying out their statutory functions in HDB estates, such as upgrading works, installation of CCTV cameras to deter and detect crime, and carrying out of mosquito-control measures.</p>
2	<p><u>Clarify TCs' Functions under the TCs Act</u></p> <ul style="list-style-type: none"> Even though not expressly stated in existing Act, TCs are expected to focus on their core functions and not stray into commercial activities unrelated to their statutory functions. 	<ul style="list-style-type: none"> The Bill will make it expressly clear that TCs cannot carry out commercial activities that are inconsistent with its statutory functions. [Clause 12] TCs can nevertheless continue to collect charges for the use of common property which is part of their function to manage common property, and invest part of their funds to counter inflation, subject to risk exposure limits set under the existing Town Councils Financial Rules (TCFR). 	<p>To prevent TCs from being distracted from their core functions by being directly involved in commercial and financial activities.</p>

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3	<p><u>MND may direct TCs to prepare and assist during a public emergency</u></p> <ul style="list-style-type: none"> No existing provisions. 	<ul style="list-style-type: none"> MND may direct TCs to make preparations for public emergencies and to make their services available and/or grant access to buildings and facilities for emergency-related purposes. [Clause 14] 	<p>TCs manage HDB common property (e.g. lifts, electrical installations, common water pipes etc) and would play an important role in the national framework for managing public emergencies.</p>
(B) Improve TC Governance and Accountability			
4	<p><u>Management of Conflicts of Interest</u></p> <ul style="list-style-type: none"> Town Councillors are required to declare their conflicts of interest at a meeting of the TC and the disclosure shall be recorded in the meeting minutes. 	<ul style="list-style-type: none"> Town Councillors, TC committee members, TC Secretary and TC staff are required to declare their conflicts of interest, and the TC Secretary is required to keep a register of the conflict disclosures. [Clause 9] On matters for which the above persons have a conflict of interest, the person must recuse himself from the matter, i.e. not participate in the decision and not exercise the powers delegated to him by the TC. The TC's auditor and managing agent (specifically, their substantial shareholders and executive decision-makers) are disqualified from being appointed Town Councillors, TC Secretary, General Manager and Finance Manager, in view of the inherent conflicts of interest. [Clause 13] 	<p>To provide safeguards against conflicts of interest within the TC.</p>
5	<p><u>Notification of Change in Appointment of TC Key Officers</u></p> <ul style="list-style-type: none"> TCs are required to gazette the names of their Chairman, Vice-Chairmen and Town Councillors as soon as practicable after they assume office. 	<ul style="list-style-type: none"> TCs are required to notify MND and the public when there are new or changes in appointments of the TC Chairman, Vice-Chairmen, Town Councillors and key officers (Chairpersons of key TC committees, TC Secretary, General Manager and Finance Manager) within 30 days. [Clause 10] 	<p>To improve transparency and public accountability of TC appointments.</p>

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6	<u>Timely submission of annual audited financial statements</u> <ul style="list-style-type: none"> TCs are required to submit their annual audited financial statements as soon as practicable. 	<ul style="list-style-type: none"> TCs are required to submit their annual audited financial statements to MND within 6 months from the financial year end, for timely presentation to Parliament. It will be an offence if a TC, without reasonable excuse, persistently fails to comply. [Clause 21] 	To clarify the timeframe within which TCs must submit their audited financial statements to MND, to ensure timely presentation to Parliament and the public.
7	<u>Disclosure of Compliance with Governance Standards</u> <ul style="list-style-type: none"> No existing provisions. 	<ul style="list-style-type: none"> MND can prescribe requirements for TCs to disclose their compliance with governance standards. [Clause 31] 	MND intends to introduce a Code of Governance which highlights best practices for managing the accounts and internal controls in TCs. TCs will have to declare whether they adhere to the Code, and explain the areas of non-compliance, if any. This is to promote good governance in TCs.
8	<u>Provisions to facilitate post-election transitions</u> <ul style="list-style-type: none"> MND may make orders in relation to post-election transitions for TCs. 	<ul style="list-style-type: none"> The Bill will make it expressly clear that the orders may specify details such as the handover of assets and information between TCs. MND may also prescribe a caretaker policy governing the conduct of TCs and its officers during the period when the elected Members step down upon elections being called. [Clauses 3 & 31] 	To facilitate a smooth handover of responsibilities between TCs following an election.
(C) Strengthen Financial Management in TCs			
9	<u>TCs to establish a Lift Replacement Fund</u> <ul style="list-style-type: none"> TCs currently maintain 2 types of funds – Operating Fund and Sinking Fund. 	<ul style="list-style-type: none"> TCs are to establish a separate Lift Replacement Fund that is ring-fenced for lift-related replacement works. [Clause 18] 	To ensure that TCs have enough funds for the replacement of lifts and critical lift parts over the long run.

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10	<p><u>TCs to prepare and submit financial projections</u></p> <ul style="list-style-type: none"> No existing provisions. 	<ul style="list-style-type: none"> MND may make Rules requiring TCs to prepare and submit financial projections. [Clause 23] 	<p>To instil financial discipline in TCs.</p>
(D) Enhance MND's Regulatory Oversight			
11	<p><u>MND may appoint inspectors to conduct compliance reviews and investigations on TCs</u></p> <ul style="list-style-type: none"> The current Act provides MND with limited levers to ensure that TCs comply with the Act and the Rules. There are offence provisions in only three narrow areas. 	<ul style="list-style-type: none"> MND may appoint inspectors (public officers, HDB staff or other suitably qualified individuals from the private sector e.g. auditors) to conduct reviews and investigations to check TCs' compliance with the TCs Act and its Rules. The inspectors are empowered to enter the TCs' premises, require individuals to provide information and to produce documents relating to the TC's affairs. [Clause 24] If a TC has not complied with the TCs Act and its Rules, MND may issue a rectification order to the TC, specifying the remedial action to be taken by the TC within a stipulated timeframe. [Clause 24] The Bill includes new offence provisions corresponding to the new provisions, to deter against non-compliance in three key areas, (i) audit and disclosure of information, (ii) financial non-compliances; and (iii) other regulatory non-compliances, with penalties benchmarked against existing penalty provisions in the Charities Act where applicable. These offences will be compoundable. [Clause 26] 	<p>To allow MND as regulator to ensure good governance in TCs and their compliance with the Act and Rules, and investigate instances of irregularities where necessary.</p>