SUMMARY

As buildings aged, the need for maintenance increase. In Singapore, where the oldest condominiums are over twenty years old, the problem of maintenance becomes increasingly urgent.

The Land Title (Strata) Act 1987 recognises this by requiring management corporations to set up a sinking fund. However, the Act does not stipulate the amount required nor does it direct any agency to keep records of such accounts.

The lack of records make any study of the sinking fund difficult. However, from studies of the trends in maintenance fees and management funds, it is possible to identify certain characteristics of sinking fund contributions and expenditure.

This paper seeks to study some of these characteristics of sinking fund contributions and expenditure, particularly in relation to:

how contributions are determined and made.

how and why expenditure varies between condominiums.

how a sinking fund budget can be established.

Contributions for the sinking fund are collected both on a regular basis as well as on a one-time levy basis. It is submitted that collection on a regular basis is better than a one-time basis when inflation is low. However, any condominiums doing so must consider
other issues such as the feelings of owners.

The quantum of contribution depends on expenditure. It is expected that expenditure will vary between condominiums depending on the age, size and type of facilities; amongst other variables. However even when these variables were kept constant, expenditure were found to vary significantly.

One other factor that seems to contribute to high sinking fund expenditure is the presence of a professional managing agent. His professional knowledge and objectivity should lead to a more realistic assessment of maintenance requirements.

Once all maintenance needs have been determined, the budget for the sinking fund can be drawn up. There are many factors to consider in drawing up the budget but most importantly, it should be flexible enough for reviews to be done periodically and changes made if necessary.