

ITEM FOR FINANCE COMMITTEE

HEAD 190 – UNIVERSITY GRANTS COMMITTEE Subhead 529 Home Financing Scheme

Members are invited to approve supplementary provision of \$85 million to Head 190 University Grants Committee Subhead 529 Home Financing Scheme.

PROBLEM

The approved provision for the Home Financing Scheme for eligible staff of the University Grants Committee-funded institutions (UGC HFS) is not sufficient to meet the increased expenditure in 2000-01.

PROPOSAL

2. The Secretary-General, University Grants Committee (SG, UGC), with the support of the Secretary for Education and Manpower, proposes supplementary provision of \$85 million to Subhead 529 Home Financing Scheme.

JUSTIFICATION

3. On the basis of latest forecast from the institutions on their requirements for 2000-01, the SG, UGC estimates that expenditure for the UGC HFS in 2000-01 will exceed the approved provision by about \$85 million, calculated as follows -

/(a)

	\$ million
(a) Actual expenditure from 1 April to 30 November 2000	758.459
(b) Estimated total expenditure for 2000-01	1,144.417
(c) Approved provision for 2000-01	1,059.961
(d) Shortfall [(b) - (c)]	<hr/> 84.456 <hr/>

Say, \$85 million

4. The supplementary provision is required due to a larger than anticipated number of eligible staff applying for the UGC HFS. The approved provision of \$1,059.961 million in the 2000-01 Estimates was estimated based on the UGC-funded institutions' forecast in late 1999 that 2 867 eligible staff (representing an overall take-up rate of 57%) would have opted for the UGC HFS and become eligible for receiving Home Financing Allowance (HFA) by the end of 2000-01. As at the end of November 2000, a total of 3 279 staff (representing an overall take-up rate of 64%) have started receiving HFA. The institutions estimate that the take-up rate will remain more or less the same in the remaining four months up to 31 March 2001. The actual take-up rate by institution as at 30 November 2000 is listed below -

Institution	Number of eligible staff receiving HFA	Take-up rate
City University of Hong Kong	491	63%
Hong Kong Baptist University	248	64%
Lingnan University	130	86%
The Chinese University of Hong Kong	598	65%
The Hong Kong Institute of Education	216	68%
The Hong Kong Polytechnic University	764	81%
The Hong Kong University of Science and Technology	354	55%
The University of Hong Kong	<hr/> 478 <hr/>	<hr/> 51% <hr/>
Total number and overall take-up rate	3 279	64%

FINANCIAL IMPLICATIONS

5. Subject to Members' approval of the proposal, we shall offset the supplementary provision of \$85 million by reserving an equivalent amount under Head 190 Subhead 530 Housing-related expenses other than Home Financing Scheme. Savings are available under Subhead 530 as a result of reduction in expenditure on non-HFS housing benefits in 2000-01, mainly due to more eligible staff switching to HFS and reduction in the rates of Private Tenancy Allowance with effect from 1 April 2000.

BACKGROUND INFORMATION

6. On 18 September 1998, Finance Committee accepted the financial implications of introducing an HFS for eligible staff of UGC-funded institutions with effect from 1 October 1998 to meet their home ownership aspirations and make the most effective use of the available financial resources. The UGC HFS closely resembles the civil service HFS under which participants are eligible for a monthly HFA for a maximum of 120 months, except that the UGC HFS does not include any downpayment loan, and that eligible staff under this scheme may use the allowance granted for rental purpose throughout the 120 months entitlement period.

7. As noted by Finance Committee when approving the UGC HFS, the scheme is not subject to any quota because it is a condition of service for eligible staff of the UGC-funded institutions. The Government has to provide supplementary provision to meet the additional expenditure if the approved provision is inadequate because of a higher than anticipated take-up rate. To allow Government to track the expenditure and savings arising from the implementation of the UGC HFS over time, Finance Committee has approved the creation of two subheads, i.e. Head 190 Subhead 529 Home Financing Scheme and Head 190 Subhead 530 Housing-related expenses other than Home Financing Scheme. Where the higher than expected take-up rate is due to staff switching from non-HFS housing benefits (e.g. Private Tenancy Allowance) to HFS, the supplementary provision in Subhead 529 will first be offset by reduced expenditure in Subhead 530.

8. We circulated an information paper to the Legislative Council Panel on Financial Affairs in November 2000 on the latest position of the disposal of

/surplus

surplus quarters in the institutions arising from the introduction of the UGC HFS and Members have noted the progress. We will continue to submit reports on the subject to the Panel on a half-yearly basis.

Education and Manpower Bureau
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