

For Information

## **Legislative Council Panel on Financial Affairs**

### **DISPOSAL OF SURPLUS QUARTERS ARISING FROM THE IMPLEMENTATION OF HOME FINANCING SCHEME FOR ELIGIBLE STAFF IN UNIVERSITY GRANTS COMMITTEE-FUNDED INSTITUTIONS**

#### **Introduction**

On 2 May 2000, the Administration briefed the Legislative Council Panel on Financial Affairs on the disposal of surplus quarters arising from the introduction of Home Financing Scheme (HFS) in the University Grants Committee (UGC)-funded institutions. At that meeting, the Administration undertook to provide Members with periodic progress reports on the disposal of surplus quarters. The last progress report reflecting the situation as at September 2000 was submitted for Members' information in December 2000. This paper reports the position as of end September 2001 (which is the end of the "option" period for eligible staff serving on 1 October 1998).

#### **Background**

2. With the approval of Finance Committee of the Legislative Council (FC) *vide* FCR(1998-99)30, the UGC HFS was introduced with effect from 1 October 1998 as the only form of housing benefit available to newly appointed eligible staff of the UGC-funded institutions, and an irrevocable option for serving staff. The UGC HFS has been well received by eligible staff in the UGC-funded institutions. As at 30 September 2001, a total of 3 540 eligible staff have opted for the UGC HFS, representing a take-up rate of 69%. This is slightly higher than the 63% recorded for September 2000.

#### **Disposal of Surplus Staff Quarters**

3. As foreshadowed in FCR(98-99)30, we have set up a Task Force chaired by the Secretary-General, UGC, immediately after the introduction of the UGC HFS, to ensure that surplus quarters are disposed of or converted in ways that yield the greatest public benefits.

4. As at 30 September 2001, there were a total of 668 surplus staff quarters in the UGC-funded institutions arising from the implementation of the UGC HFS. Of these, 135 (20%) were occupied by eligible staff<sup>1</sup>, 336 (50%) were rented out to institutions' own staff (majority of whom were recipients of Home Financing Allowance and Private Tenancy Allowance), 63 (9%) were occupied by visiting scholars, etc which yielded savings in renting accommodation/hotels outside campus, 50 (8%) were allocated for other temporary use (e.g. rented to exchange students) and 84 (13%) were vacant.

5. As Members noted from the paper submitted to the Panel in May 2000, the benefits brought about by the disposal or alternative usage of the surplus staff quarters mainly take the following two forms –

- (a) Pursuant to an agreement between Government and the UGC-funded institutions and as endorsed by FC, Government is entitled to a share of the notional rental proceeds of surplus staff quarters one year after the quarters become surplus arising from UGC HFS<sup>2</sup>. In 2001-02, notional rental income of about \$69 million was accrued to the Government. We estimate that the notional rental income accrued to Government will amount to around \$81 million in 2002-03.
- (b) The Government or the institutions will derive benefits through the disposal of quarters. These include revenue accrued to Government through the sale of quarter sites where these are proposed for return to Government, or the provision of additional student hostels and other academic support facilities where the quarters are converted to these alternative uses by the institutions with the agreement of Government.

6. Regarding paragraph 5(b) above, institutions have formulated a number of medium to long term proposals on the disposal or alternative uses of quarters. A breakdown of these proposals is as follows:

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<sup>1</sup> These are staff who are eligible for staff quarters, but have been vacated from their original quarters because of the disposal in para. 5 (b) of the paper.

<sup>2</sup> This sharing arrangement does not apply to quarters built with private funds and situated on private land. It is also waived where the disposal plan of the surplus quarters is accepted by Government on the advice of the Task Force set up to consider such proposals and other matters related to implementation of HFS.

		Hong Kong Baptist University	Chinese University of Hong Kong	Hong Kong Institute of Education	Hong Kong Polytechnic University	University of Hong Kong	Total
(a)	Return to the Government	45	-	-	155	170	370
(b)	Convert into student hostels	-	94	66	-	-	160
(c)	Convert into academic or support facilities	-	14	5	-	-	19
	<b>Total</b>	45	108	71	155	170	549

7. As reported to Members in December 2000, the disposal proposals of Hong Kong Baptist University, the Chinese University of Hong Kong, the Hong Kong Institute of Education and the Hong Kong Polytechnic University were carried out smoothly as scheduled.

8. Regarding University of Hong Kong (HKU), it has plans to return a few blocks of quarters to Government in the overall context of the University's Strategic Campus Development proposal. Discussion is still underway between Government and HKU on the principles and technicalities. Consideration is being given to asking HKU to surrender a few quarter sites to the Government. The Director of Lands informed that according to the revised disposal programme, possession of the sites will unlikely be required before April 2004. Meanwhile, HKU has put some of the quarters on the market for renting. Since the overall disposal plan has yet to be agreed between the Government and HKU, the Administration agreed to account separately for the actual rental proceeds generated by these surplus quarters pending a decision on future use to be agreed between the Government and HKU.

### **Further Reporting**

9. The Task Force will continue to consider and advise on proposals to dispose of surplus quarters arising from the introduction of UGC HFS. We shall continue to provide regular updates to Members.

**Education and Manpower Bureau**  
**May 2002**