

Laying of the Report The Report of the Director of Audit on the Accounts of the Government of the Hong Kong Special Administrative Region for the year ended 31 March 2005 and his Report No. 45 on the results of value for money audits were laid in the Legislative Council on 16 November 2005. The Committee's subsequent Report (Report No. 45) was tabled on 15 February 2006, thereby meeting the requirement of Rule 72 of the Rules of Procedure of the Legislative Council that the Report be tabled within three months of the Director of Audit's Report being laid.

2. **The Government Minute** The Government Minute in response to the Committee's Report No. 45 was laid in the Legislative Council on 10 May 2006. A progress report on matters outstanding in the Government Minute was issued on 29 September 2006. The latest position and the Committee's further comments on these matters are set out in paragraphs 3 to 56 below.

Hong Kong Harbour Fest

(Paragraphs 5 to 7 of Part 3 of P.A.C. Report No. 45)

3. Regarding the disciplinary proceedings surrounding the Harbour Fest case, the Committee was informed that the appeal of the officer concerned to the Chief Executive (CE) was still being dealt with. The Administration would give an account of the outcome of the disciplinary proceedings to the Legislative Council after the appeal had been disposed of.

4. Noting that the position of the case had remained unchanged as that in January 2006 and in view of the long time taken to process the appeal, the Committee enquired:

- why the appeal had still not been concluded after more than one year;
- about the average time-frame for processing such appeals, and whether it was normal for the CE to take more than a year to process an appeal;
- when the appeal was expected to be concluded;
- about the actions that had been taken by the Administration since October 2005 to deal with the appeal; and
- as it had been reported that the officer concerned would reach the retirement age of 60 in two years' time, what the consequence would be if the appeal was concluded and the decision of the Secretary for the Civil Service was upheld after the officer had retired from the civil service.

5. The **Secretary for the Civil Service** informed the Committee, in her letter of 22 December 2006 in *Appendix 3*, that:

- the appeal in question had yet to be disposed of due to its complexity and the amount of information that required examination;
- in the last three years (from 2003-2004 to 2005-2006), the Administration took an average of two to three months to process an appeal against the ruling made in a disciplinary case under the Public Service (Administration) Order following completion of the necessary process (including hearing) by the Secretariat on Civil Service Discipline. The amount of time taken to process each appeal case varied and was usually proportionate to the complexity and specific circumstances of the case;
- effort was being made to complete processing of the appeal as soon as possible but the Administration was not able to advise when the appeal would be disposed of;
- since October 2005, the appeal authority had been examining the representations made by the officer concerned and other information on and issues relating to this appeal case; and
- the Administration expected that the appeal would have been disposed of well before the officer's retirement from the service.

6. In her letter of 31 January 2007 in *Appendix 4*, the **Secretary for the Civil Service** further informed the Committee that the CE had delegated the authority of handling the appeal to the Chief Secretary for Administration (CS). The CS had completed his deliberation and informed the officer concerned of the outcome on 26 January 2007. The **Secretary for the Civil Service** also stated that she would report to the Public Accounts Committee and the Legislative Council Panel on Public Service on the disciplinary proceedings and outcome as soon as practicable.

7. The Committee wishes to be kept informed of further development on the subject and the outcome of the disciplinary proceedings against the officer concerned.

Provision of aquatic recreational and sports facilities

(Paragraphs 8 to 9 of Part 3 of P.A.C. Report No. 45)

8. The Committee was informed that:

Improving water quality of the gazetted beaches in Tsuen Wan District

- the Administration planned to implement Stage 2 of the Harbour Area Treatment Scheme (HATS) in two phases, subject to the acceptance by the community of the full recovery of the operational costs of the scheme through sewage charges. HATS Stage 2A would include the advancement of the disinfection facilities;
- the Drainage Services Department was still carrying out the Environmental Impact Assessment (EIA) study for advancing part of the disinfection facilities. The EIA study and the statutory EIA process under the Environmental Impact Assessment Ordinance were scheduled for completion in the first half of 2007. The Administration expected that the water quality of the gazetted beaches in Tsuen Wan would improve once the advanced disinfection facilities became operational;

De-gazetting of the Rocky Bay Beach

- the Leisure and Cultural Services Department (LCSD) planned to de-gazette the Rocky Bay Beach upon resolution of the land issue for returning the beach to the Lands Department by end 2006;

De-gazetting of the Kiu Tsui Beach on Sharp Island

- a private developer had once shown interest in developing the Sharp Island into a resort. The proposed development might affect the Kiu Tsui Beach. The LCSD would keep in view of the future development of the Sharp Island and consider de-gazetting the Kiu Tsui Beach when required;

Alignment of fees and charges of all swimming pool complexes

- the LCSD was reviewing the fee structure and evaluating the financial implications for the use of public swimming pools together with other recreational and sports facilities in one go;

Closing five non-heated outdoor swimming pool complexes in the urban areas in November each year

- the Eastern District Council (DC) and the Kowloon City DC had agreed to the proposal to open the Victoria Park Swimming Pool and the Kowloon Tsai Swimming Pool in the morning sessions only in November each year, as in

the case of the Kennedy Town Swimming Pool. The LCSD would follow up with the arrangement. In addition, having consulted the respective DCs, the LCSD had decided to close the Pao Yue Kong and Jordan Valley Swimming Pools in November each year; and

Swimming training courses

- the LCSD had conducted a review on the ratio of instructors to participants and the related financial implications of the Progressive Swimming Scheme. Based on the findings of the review, the LCSD had increased the size of swimming classes by one-third to enhance their cost-effectiveness. As a result, the programme fees collected for the scheme had fully covered the instructor cost. As regards the review of the fee level of swimming courses, the LCSD was conducting it as part of the overall review exercise on the fees and charges for recreation and sports programmes.

9. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions - Governance, strategic planning and financial and performance reporting

(Paragraphs 3 to 4 of Part 4 of P.A.C. Report No. 45)

10. The Committee was informed that:

Corporate governance of institutions

Amendment to the University of Hong Kong Ordinance regarding the statutory roles of its Council and Court

- the University of Hong Kong (HKU) would take forward the legislative amendments in accordance with the decision of the Court. The HKU planned to submit their legislative amendments to the Administration for consideration in or before mid-2007;

Amendment to the City University of Hong Kong Ordinance

- the City University of Hong Kong (Amendment) Bill 2006 had been introduced into the Legislative Council (LegCo) in October 2006. The Bill sought to change the structure of the Council of the City University of Hong Kong and reduce the total number of Council members. A bills committee was formed by the LegCo to study the Bill;

“Fitness for purpose” reviews on the governance structures of the other seven institutions

- the Hong Kong Baptist University (HKBU) had completed the “fitness for purpose” review on the governance structure and concluded that the University Court and Senate had been functioning effectively, and that the University Court and Council had been playing complementary roles in governing the University. Furthermore, the Senate, with its existing powers and duties, was fit for its purpose as the supreme academic body of the University. The HKBU Council had endorsed the final report on the Review in June 2006; and

Proposal to conduct periodic reviews of the effectiveness of governing bodies

- the HKBU had examined the issue under the final part of its review on governance structure, and decided that future reviews of its governance structure should be conducted on a need basis.

11. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions - General administrative services
(Paragraphs 5 to 6 of Part 4 of P.A.C. Report No. 45)

12. The Committee was informed that:

Provision of senior staff quarters

University Grants Committee (UGC) Working Group on Housing Arrangement After Deregulation of University Salaries

- the Administration and the Secretary-General, UGC were examining the joint proposal put forward by the UGC-funded institutions regarding the funding arrangement of staff housing benefits after the deregulation of salaries. Subject to the outcome of their deliberations, the proposal would be submitted to the Working Group on Housing Arrangement After Deregulation of University Salaries for consideration; and

Student hostels

Review of the existing policy on students’ grants and loans

- the advisory committee that advised the Administration on the operation of the Local Student Finance Scheme had recommended that needy students

should be provided with an accommodation expenses loan. This would be considered in the context of a consultancy study on the establishment of a simpler, more viable and sustainable mechanism for setting and adjusting the levels of student financial assistance.

13. The Committee wishes to be kept informed of further development on the subject.

University Grants Committee funded institutions - Staff remuneration packages and stipends

(Paragraphs 7 to 8 of Part 4 of P.A.C. Report No. 45)

14. The Committee was informed that:

Pay structure

Institutions' reviews of their pay structure

- the University of Hong Kong (HKU) had completed the salary review for non-academic staff, and the HKU Council had approved the recommendations of the review in May 2006. The HKU would implement the recommendations, including the introduction of an across-the-board performance review and staff development system as well as the adoption of a broadband salary structure, by stages; and

The Hong Kong Polytechnic University (PolyU)'s review on the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application

- the PolyU planned to submit the suggested legislative amendments to the Administration for consideration by the end of 2006.

15. The Committee wishes to be kept informed of further development on the subject.

Financial performance of the Post Office

(Paragraphs 9 to 10 of Part 4 of P.A.C. Report No. 45)

16. The Committee was informed that the revenue generation and other cost-cutting measures introduced by the Post Office (PO) had shown positive results. Increasing after-tax profits had been achieved since 2003-2004. In addition, the PO had also revised the postage rates of surface bulk bag service to all destinations and bulk posting of

lightweight items to Japan and Thailand to recover the service costs in August 2006. The Administration would continue to identify ways to respond to the challenges faced by the PO.

17. The Committee wishes to be kept informed of the results of the comprehensive review of postal policy and services.

Provision of slaughtering facilities for supplying fresh meat
(Paragraphs 11 to 12 of Part 4 of P.A.C. Report No. 45)

18. The Committee was informed that:

- the consultancy study on the feasibility of modifying the Sheung Shui Slaughterhouse (SSSH) to cater for the increase in the slaughtering throughput of pigs was originally scheduled for completion in the second quarter of 2006. The Architectural Services Department, after reviewing the preliminary proposal, considered that the size of the proposed holding lairage inside the slaughterhouse boundary might not be large enough to cater for the additional capacity. There might be merits to examine the feasibility of increasing the capacity of the holding lairage by extending the annex building onto the adjoining government land to cater for the additional slaughtering throughput; and
- the completion date of the consultancy study had therefore been extended to early November 2006. The Food and Environmental Hygiene Department (FEHD) would consider the findings of the study and other related factors before making recommendations on the feasibility of centralising the slaughtering operation of livestock at the SSSH and the way forward.

19. The Committee wishes to be kept informed of the progress made in ascertaining the feasibility of centralising the slaughtering operation of livestock at the SSSH and the FEHD's recommendations on the way forward.

Services provided by the Official Receiver's Office
(Paragraphs 13 to 14 of Part 4 of P.A.C. Report No. 45)

20. The Committee was informed that:

Consultancy study and fees of the Official Receiver's Office (ORO)

- the Bankruptcy (Amendment) Ordinance 2005 was expected to come into force after the corresponding subsidiary legislation was passed and the

administrative logistics were ready. They were expected to be completed in late 2006. The Ordinance would facilitate the outsourcing of debtor-petition summary bankruptcy cases (i.e. with assets not likely to exceed \$200,000) to private sector insolvency practitioners (PIPs) by the ORO; and

- after the implementation of the outsourcing, the ORO would review the fees and cost recovery rates. It would also consider the proposed “cab-rank” system and some form of authorisation of PIPs in the context of the evaluation of the implementation of the outsourcing arrangements in the future.

21. The Committee wishes to be kept informed of further progress on this subject.

Recoverability of the outstanding advances to the United Nations High Commissioner for Refugees

(Paragraphs 15 to 16 of Part 4 of P.A.C. Report No. 45)

22. The Committee was informed that:

- the Administration had continued to urge the United Nations High Commissioner for Refugees (UNHCR) to make renewed efforts to appeal to the international community for donations with a view to settling the outstanding advances, which remained at \$1,162 million. The Security Bureau had written to the Head of Hong Kong Sub-office of the UNHCR again in March 2006 for this purpose. When meeting with the UNHCR representatives in April 2006, the Secretary for Security had urged the UNHCR to seek more resources on all fronts; and
- as the UNHCR was still facing budget constraints and other more pressing refugees and humanitarian issues, it was not optimistic that further donations could be sought for repaying the outstanding advances. Nevertheless, the Administration would continue to pursue repayment of the outstanding advances.

23. The Committee wishes to be kept informed of the action taken by the Administration in pressing the UNHCR to repay as soon as possible the outstanding advances to the Government of the Hong Kong Special Administrative Region.

Footbridge connections between five commercial buildings in the Central District
(Paragraphs 17 to 18 of Part 4 of P.A.C. Report No. 45)

24. The Committee was informed that:

- as the column of the proposed footbridge linking Building I (i.e. Aon China Building) and Building II (i.e. Entertainment Building) would affect the station entrances/exits of the proposed Shatin to Central Link (SCL) of the Kowloon-Canton Railway Corporation (KCRC), KCRC had raised objection to the proposed footbridge during consultation; and
- the Administration was discussing with the railway corporations the implementation details of the proposed SCL Scheme in the context of the proposed rail merger. It would consider the way forward for the footbridge proposal in conjunction with the SCL Scheme.

25. The Committee wishes to be kept informed of the way forward for the footbridge proposal in conjunction with the SCL Scheme of the KCRC.

Residential services for the elderly

(Paragraphs 23 to 24 of Part 4 of P.A.C. Report No. 45)

26. The Committee was informed that the Administration aimed to come up, by the end of 2006, with detailed proposals on the trial scheme to provide infirm care places for medically stable elders in a non-hospital setting. In response to the Committee's enquiry about the details of the trial scheme, the **Director of Social Welfare** provided a progress report in December 2006 in **Appendix 5**. It stated that:

- the Elderly Commission (EC) and the Legislative Council Panel on Welfare Services (the Panel) had been consulted in late 2004 on the proposal to invite, through tender, suitable operators to launch a trial scheme to provide subsidised infirm care to medically stable infirm elders in a non-hospital setting;
- the EC and the Panel commented, among other things, that infirm elders to be taken care of under the trial scheme should receive proper medical services and support in a non-hospital setting. Taking into account the need for a closer interface between the operator of the proposed infirm care services and the Community Geriatric Assessment Team (CGAT), the Social Welfare Department (SWD) was working with the Hospital Authority on the medical package to be provided by the CGAT to the operator of the proposed services. The SWD was also finalising the tendering requirements and service specifications for the proposed infirm care services; and

- the SWD would update the Panel on the latest developments and details of the tendering exercise and the trial scheme in the second quarter of 2007.

27. The Committee wishes to be kept informed of further development on the subject.

Special Finance Scheme for small and medium enterprises

(Paragraphs 27 to 28 of Part 4 of P.A.C. Report No. 45)

28. The Committee was informed that the Treasury had been processing claims for compensation with the assistance of the Department of Justice and the Hong Kong Monetary Authority as necessary. So far, 1,398 claims involving a total of \$325 million had been settled. Another 22 claims involving a total of \$12 million had been suspended from processing as requested by the participating lending institutions in view of active repayment by the borrowers. The Treasury was processing the remaining 34 cases involving a total of \$11 million.

29. The Committee wishes to be kept informed of further progress on the subject.

Small house grants in the New Territories

(Paragraphs 29 to 32 of Part 4 of P.A.C. Report No. 45)

30. The Committee was informed by the Audit Commission in October 2006 that:

Review of small house policy

- in taking forward the small house policy review, the Housing, Planning and Lands Bureau (HPLB) had set up an inter-departmental Steering Committee to look into the various issues relating to the small house policy, including the social, economic and environmental development in the New Territories and the whole of Hong Kong since the introduction of the policy in 1972. Given the wide-ranging and complex issues involved, the Steering Committee had yet to formulate detailed proposals for consultation with the Heung Yee Kuk (HYK) and the community; and

Processing of small house grant applications

- a set of new procedures, agreed to by the HYK, to streamline the processing of small house applications through early classification of straightforward and non-straightforward categories, had been implemented by the Lands Department (Lands D) with effect from 1 July 2006. Under this new procedure, the Lands D's target was to process not less than 2,300

applications each year. The waiting time for commencing the processing of all new applications would be shortened to not more than one year.

31. The Committee was concerned that the position of the small house policy review had remained basically the same as that reported to the Committee in January 2006. The Committee therefore asked the Secretary for Housing, Planning and Lands:

- about the current progress of the review;
- whether the HPLB had formulated detailed proposals for consultation with the HYK and the community and, if so, what the details and timetable for consultation were; if not, what the expected time-frame for putting up the proposals was; and
- whether it was still feasible to complete the review of the small house policy and resolve the associated problems within the tenure of his office, as he had undertaken in December 2002.

32. The **Secretary for Housing, Planning and Lands**, in his letter of 11 January 2007 in *Appendix 6*, provided a progress report on the review of the small house policy.

33. Regarding the progress made so far, the report stated that a number of proposals had been implemented after consultation with the HYK, including:

- the new procedure for processing small house applications mentioned in paragraph 30 above;
- preventing prior arrangement for transfer or disposal of small house applicant's interest;
- new fire safety requirements for small houses; and
- putting on hold the Village Expansion Area (VEA) scheme pending the review of the small house policy.

34. The **Secretary for Housing, Planning and Lands** stated in the same letter that the following proposals were under discussion with the HYK or were being considered by the HPLB:

New procedures for handling objections

- taking into account the HYK's views, the Lands D had drawn up a set of procedures for resolving objections to small house applications. Under the proposed procedures, the Lands D would take the lead to handle all received objections. Consultation on the revised procedures was underway with the HYK;

Rationalisation scheme of unauthorised building works (UBWs)

- a working group had been set up to consider a rationalisation scheme of UBWs in New Territories Exempted Houses which included, among them, small houses. The subject was now under discussion with the HYK;

Increasing the development density of the VEAs

- given that land was scarce and in great demand for small house development, the HPLB was exploring whether the development density of the VEAs could be increased by allowing multi-storey development, thereby providing a greater number of residential units to meet demand. The HPLB was exploring internally within the Administration a pilot scheme for multi-storey development in two planned VEAs, i.e. the VEAs in Pai Tau and Sheung Wo Che in Shatin, and Ha Mei Sun Tsuen in Yuen Long; and
- the feasibility of this proposal had yet to be ascertained. While the planning and land aspects had briefly been studied, the engineering and financial aspects were subject to fuller examination. Feasibility studies, assessment of capital costs and formulation of financing arrangements between the Government and the concerned villagers had to be conducted for further examination. If the HPLB was to take this proposal forward, the HYK and the concerned villagers must be consulted on the operational and implementation aspects. Their views and acceptance were critical and essential before proceeding further.

35. The **Secretary for Housing, Planning and Lands** further stated that:

- there was a range of other issues which the inter-departmental Steering Committee had identified and considered in conducting its review. These included the legal and human rights implications, the sustainability issue, the land-use problems, environmental impacts and other practical and resources considerations inherent in and associated with the small house policy. These

were complex issues with far-reaching implications requiring further and careful deliberations within the Administration; and

- whilst resolute actions were being taken to pursue possible options for further discussion within the Administration, it remained premature at this juncture to forecast how soon the HPLB would be in a position to release more detailed proposals for consultation with the HYK and the community at large and to conclude the review.

36. The Committee wishes to be kept informed of further development on the review of the small house policy.

Public markets managed by the Food and Environmental Hygiene Department
(Paragraphs 33 to 36 of Part 4 of P.A.C. Report No. 45)

37. The Committee was informed that:

Comprehensive review on the market stall vacancy rate of public markets

- the Food and Environmental Hygiene Department (FEHD) continued to carry out general improvement works and conduct promotional activities in selected public markets with a view to improving the trading environment in public markets. The general improvement works (including upgrading of drainage, lighting, ventilation and signage) at four markets (Yau Ma Tei Market, Tai O Market, Shui Wo Street Market and Lai Wan Market) would be completed by end 2006 while the works at four other markets (San Hui Market, Haiphong Road Temporary Market, Plover Cove Road Market and Hung Shui Kiu Temporary Market) were scheduled for completion in 2007. The estimated total cost for the above works was about \$156 million. The FEHD was also planning similar works in another 12 markets;
- in the first half of 2006, the FEHD had conducted in selected markets a number of promotional activities, such as the Chinese New Year festive decorations and performances, workshops on gardening/floral arrangements and seafood cooking, a roving exhibition on prevention of Japanese Encephalitis, and the Dessert Recipe Competition. Since July 2006, the FEHD had conducted a series of customer service training sessions tailor-made for market tenants to enhance their customer service skills;
- the survey on tracking the changes in public patronage of wet markets vis-à-vis other retail outlets had just been completed. The results of this survey and a previous survey on changes in customers' food purchasing habits suggested that markets continued to serve as the most favoured type of retail outlets for food purchase, and were the most frequently patronised

outlets for all types of food except “chilled poultry”, though slightly more customers were turning to supermarkets for shopping. The survey information helped understand the general trend on purchasing habit of customers, but could not provide concrete information on individual markets;

- as patronage of public markets depended on a number of factors, including some which were beyond the control of the Government (e.g. demographical changes in the catchment area following completion and demolition of residential estates, number of supermarkets and competing retail outlets selling wet/dry goods in the neighbourhood, price and quality of the goods sold by market tenants, etc.), the FEHD considered it not feasible to set a target market stall vacancy rate (MSVR) for individual markets. In future, the FEHD would continue to upgrade the hardware of individual markets and carry out promotion work as and when appropriate for individual public markets with a view to reducing their MSVRs;

Review of the demand for public market facilities

- the Health, Welfare and Food Bureau (HWFB) and the FEHD were conducting a review on wet market policy and would consult the Legislative Council and relevant stakeholders on any major findings and recommendations prior to implementation;

Study to identify markets that might merit closure and details of the HWFB’s rationalisation plan to be drawn

- the HWFB and the FEHD would identify markets that might merit closure and would consult the relevant stakeholders, including the affected stall tenants and District Councils, before drawing up the rationalisation plans; and
- in response to a request from the Food and Environmental Hygiene Committee (FEHC) of the Yau Tsim Mong DC (YTMDC), the FEHD had consulted the tenants of the Mong Kok Market on the proposal to close down the Market due to viability problems. However, most of the tenants did not support the proposal. The FEHC of the YTMDC was consulted again on 20 July 2006 on the closure proposal. While agreeing that the Market should be closed down, they considered that the FEHD should further enhance the package offered to the affected tenants. The FEHD would consult relevant bureaux/departments before deciding the way forward.

38. The Committee wishes to be kept informed of further development on the subject.

Buildings Department's efforts to tackle the unauthorised building works problem
(Paragraphs 37 to 38 of Part 4 of P.A.C. Report No. 45)

39. The Committee was informed that:

The Coordinated Maintenance of Buildings Scheme (CMBS)

- the Buildings Department (BD) had taken enforcement action against those owners who had not taken action according to the advisory letters. As at end of May 2006, the BD had issued a total of 147 repair orders and 3,359 removal orders to uncooperative owners of the target buildings. The BD had also commenced compliance inspections since June 2006 in accordance with the expiry dates of the orders;
- as at July 2006, out of the 150 buildings, 39 had formed Owners' Corporations (OCs) and 34 had appointed Authorised Persons (including 16 of the 39 buildings with newly formed OCs) to commence the improvement works. So far, the repair works of three buildings had been completed. The Hong Kong Housing Society (HKHS) had also stepped up its efforts in providing technical support to the owners of these 150 target buildings, such as advising them of the procedures in forming OCs. In addition, financial assistance was offered to the owners through the HKHS's Building Maintenance Incentive Scheme to facilitate the formation of OCs and support the repair works; and
- the BD continued to adopt the new modality in the CMBS 2006 which had commenced in April 2006 and had been extended to cover another 153 target buildings. Similarly, the BD had issued advisory letters to the owners of these 153 target buildings informing them of the scope and nature of the improvement works required. The cases were being followed up by the HKHS and the relevant departments.

40. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Planning and provision of public secondary school places
(Paragraphs 39 to 40 of Part 4 of P.A.C. Report No. 45)

41. The Committee was informed that the Direct Subsidy Scheme (DSS) school places accounted for about 5.8% of the total provision of places in public sector schools. The Education and Manpower Bureau would continue to monitor the development of DSS schools from time to time, including their enrolment situation and future development plan.

42. The Committee wishes to be kept informed of the development of the DSS schools, with particular attention to the trend and pattern of their enrolment.

The acquisition and clearance of shipyard sites

(Paragraphs 41 to 42 of Part 4 of P.A.C. Report No. 45)

43. The Committee was informed that:

Resumption and clearance of the North Tsing Yi shipyard site

- the Administration was considering how best to implement the recommendations. Given the fact that some tenants of short-term tenancies might have genuine financial difficulties in arranging for the demolition of their structures, there might be a need to exempt certain clearees from the self-demolition requirement on compassionate grounds. The relevant bureaux and departments were examining this matter. At the same time, the Lands Department was also exploring measures to better enforce the self-demolition requirement. Subject to the outcome of the foregoing exercises, the Director of Lands would amend the Lands Administration Office Instructions as recommended by the Director of Audit; and

Assessment of contamination at the Penny's Bay shipyard site

- the ex-lessee of the Penny's Bay shipyard site had made an application to the Lands Tribunal for a hearing to determine certain points of law, including the issue of whether the costs of decontamination of the site be taken into account in determining the ex-lessee's claim for compensation under the Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127). Following the hearing on 16 January 2006, the President of the Lands Tribunal had handed down his decision on 8 February 2006 that there should be a hearing to determine certain points of law as preliminary issues. Such hearing had been scheduled for 22 to 25 January 2007.

44. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Funding of tertiary education

(Paragraphs 43 to 44 of Part 4 of P.A.C. Report No. 45)

45. The Committee was informed that:

University Grants Committee (UGC)'s endeavours in benchmarking the cost of tertiary education

- the UGC's consultant was expected to submit its proposal to the UGC for consideration within 2006;

Funding of self-financing activities

- the UGC was ascertaining the amount of overhead charges involved in student hostel operation and would examine how such charges should be dealt with in consultation with the institutions. The UGC aimed to complete the process by the end of 2007; and

Refund of rates and government rents

- the Administration had studied the UGC's draft guidelines on the eligibility criteria for refund of rates and government rents. The UGC would consult the institutions on the draft guidelines and aimed to update the UGC Notes on Procedures accordingly by the end of 2006.

46. The Committee wishes to be kept informed of further development on the subject.

Government subsidies to the English Schools Foundation

(Paragraphs 47 to 48 of Part 4 of P.A.C. Report No. 45)

47. The Committee was informed that the Administration would start substantive discussions with the English Schools Foundation (ESF) on a review of the subvention arrangements after the ESF had implemented its governance reform and put in place a sound governance structure. At this stage, the Government had not come up with any specific proposals.

48. The Committee wishes to be kept informed of further development on the subject.

Corporate governance and Headquarters administration of the English Schools Foundation

(Paragraphs 49 to 50 of Part 4 of P.A.C. Report No. 45)

49. The Committee was informed that:

Corporate governance

- in June 2006, the English Schools Foundation (ESF) approved the proposed amendments to The English Schools Foundation Ordinance so as to give effect to a new governance framework. The new framework would include the following features:
 - (a) a Board of Governors would be established in which parents, School Council Chairmen, Legislative Council (LegCo) Members and representatives of the wider community would form a substantial majority;
 - (b) there would be provisions to encourage members to attend Board meetings regularly. A code of conduct would also be drawn up requiring members to declare any interest; and
 - (c) Standing Committees would be established to audit the Foundation's management processes, to make recommendations on remuneration and terms and conditions of service for staff and to advise on a financial strategy. There would not be any employees sitting on the Audit Committee nor the Remuneration Committee;
- the ESF planned to introduce the amendments into the LegCo in the 2006-2007 legislative session by way of a private member's bill. The ESF also planned to make a new set of regulations under The English Schools Foundation Ordinance which would be laid before the LegCo for scrutiny. The ESF expected that the legislative proposals would address those key issues of concern raised by the Public Accounts Committee (PAC);
- as regards the other outstanding matters, the ESF had applied the revised remuneration package to teachers who had their contract renewal scheduled for September 2006, and would apply the revised remuneration package to the remainder of its teachers upon their contract renewal in September 2007. The review of the remuneration of senior staff and support staff had started. The ESF anticipated that the vacancy rate for staff quarters would be further reduced from 3% in March 2006 to an estimated 2.5% by March 2007. Moreover, a full review of the ESF's property holdings would be conducted under the guidance of the ESF's Finance Committee which was to be established under the revised Ordinance; and

Action plan

- the ESF had updated its action plan as at September 2006 (in *Appendix 7*). For most of the remaining recommendations of the PAC, full implementation was subject to the legislative amendments to be introduced into the LegCo.

50. The Committee wishes to be kept informed of further development on the subject.

School administration of the English Schools Foundation

(Paragraphs 51 to 52 of Part 4 of P.A.C. Report No. 45)

51. The Committee was informed that the English Schools Foundation planned to abolish the incentive allowances and would start implementing modern management structures in November 2006.

52. The Committee wishes to be kept informed of further development on the subject.

Grant of land at Discovery Bay and Yi Long Wan

(Paragraphs 53 to 54 of Part 4 of P.A.C. Report No. 45)

53. The Committee was informed that:

Site boundaries of Discovery Bay and Yi Long Wan development

- the implementation of practical measures to, during the construction period of a development, deter encroachments on Government land, and to monitor and identify for rectification such encroachments, would commence in early 2007; and
- following receipt of legal advice, the Director of Lands was considering the possible and pragmatic alternative options to resolve the land encroachment problems of the Yi Long Wan development. A decision on the way forward would be made and implemented shortly.

54. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.

Development of a site at Sai Wan Ho

(Chapter 1 of Part 7 of P.A.C. Report No. 45)

55. The Committee was informed that:

Granting of exempted and bonus gross floor area (GFA)

- an inter-departmental working group headed by the Buildings Department was conducting a review of the GFA concessions granted under the Buildings Ordinance and the need to impose a cap on such GFA concessions. The Government would consult various sectors before finalising the proposals.

56. The Committee wishes to be kept informed of the progress of the various courses of action taken by the Administration.