

Supplementary Information Sheets for PAC Members
Public Hearing on
Director of Audit's Report No. 61 (Chapter 3)

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Terms of Reference

◆ **Housing Authority (HA)**

- To liaise with other bodies concerned with housing in both the public and private sectors and to advise the Chief Executive on matters relating to housing.
- To plan, build and redevelop on its own or jointly with others rental housing estates, subsidised home ownership schemes, interim housing, transit centres, non-residential buildings or premises and such amenities ancillary thereto.
- To manage, maintain and improve the Authority's housing estates and non-residential buildings or premises and such amenities ancillary thereto.

◆ **HA's Standing Committees**

- **Strategic Planning Committee**
 - To review and endorse the corporate plan of the HA and to set strategic guidelines and planning parameters within the policies and objectives set by the Authority for submission to the Authority for approval.
- **Building Committee**
 - To advise the HA on policies related to the implementation of the construction and major improvement, renovation and rehabilitation programmes and to monitor progress on these programmes.
- **Commercial Properties Committee**
 - To advise the HA on policies concerning its commercial, industrial and other non-domestic facilities and to optimise financial return on its investment.
- **Finance Committee**
 - To advise the HA on financial policies and issues arising from Sections 4(3), 4(4) and 12 to 15 of the Housing Ordinance.
- **Subsidised Housing Committee**
 - To advise the HA on policies concerning the allocation, management and maintenance of the Authority's housing estates and ancillary facilities.
- **Tender Committee**
 - To consider and decide on any matters relating to procurement, tenders and quotations (except those for letting of non-domestic properties) exceeding the limits of delegated authority of the Chairman of the Housing Department Tender Board as approved from time to time by the HA.

Waiting List Applications and Average Waiting Time

Legislative Council Panel on Housing

Analysis of Housing Situation of Waiting List Applicants as at end-June 2013

PURPOSE

This paper sets out an analysis of the housing situation of applicants on the Waiting List (WL) for public rental housing (PRH) as at end-June 2013.

BACKGROUND

2. It is the Government's policy objective to provide PRH to low-income families who cannot afford private rental accommodation. Towards this end, the Hong Kong Housing Authority (HA) maintains a WL of PRH applicants. The HA's target is to maintain the Average Waiting Time (AWT) at around three years for general applicants (i.e. family and elderly applicants). The AWT target of around three years is not applicable to non-elderly one-person applicants under the Quota and Points System (QPS)¹.

3. In view of the increasing number of PRH applications and the public's concern over the waiting time of WL applicants (in particular in respect of applicants with a waiting time of more than three years), the HA has analysed the housing situation of WL applicants as at end-June 2013 based on the latest available data. It should be noted that only general applicants are covered in the analysis. The allocation of PRH units to non-elderly one-person applicants under the QPS, as well as other rehousing categories (e.g. transfer of existing tenants, compassionate rehousing and clearance for redevelopment) are not covered in the analysis as the AWT target of around three years is not applicable to them. The analysis is set out in ensuing paragraphs.

¹ The QPS was introduced in September 2005 to rationalise and re-prioritise the allocation of PRH to non-elderly one-person applicants. Under the QPS, the relative priorities for PRH allocation to applicants are determined by their points received, and the AWT target of around three years is not applicable to them.

OVERALL SITUATION

4. As at end-June 2013, there were about 118 700 general applications on the WL for PRH, and about 115 600 non-elderly one-person applications under the QPS. The AWT target of around three years is only applicable to the 118 700 general applicants. As shown in the table below, there has been an increasing trend in the number of PRH applications over the past three years –

	As at end-June 2011	As at end-June 2012	As at end-June 2013
Number of general applications <i>(% increase over previous year)</i>	89 000	106 100 <i>(+19%)</i>	118 700 <i>(+12%)</i>
Number of non-elderly one-person applications under the QPS <i>(% increase over previous year)</i>	66 600	93 500 <i>(+40%)</i>	115 600 <i>(+24%)</i>

AVERAGE WAITING TIME

Methodology in deriving the AWT

5. The HA has in place a consistent and fair mechanism to derive the AWT. Under the established methodology, waiting time refers to the time taken between registration on the WL and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). **The AWT for general applicants refers to the average of the waiting time of general applicants housed to PRH in the past 12 months.** This established methodology forms the basis for formulating and maintaining the target of keeping the AWT for general applicants at around three years.

6. It should be noted that some applicants on the WL might have their cases cancelled for different reasons (e.g. failure to meet income eligibility requirements at the detailed vetting stage, failure to attend interviews, etc). To provide flexibility to these applicants whose circumstances might change thereafter, the HA's existing policy is that they may apply for reinstatement of their applications if they fulfill the eligibility criteria again within a specific timeframe². Strictly speaking, the applicant is ineligible during the period from cancellation to reinstatement of application, and hence the period concerned should be excluded in calculating the waiting time. However, due to limitations in the computer system, the HA has not been able to exclude such periods from the calculation of AWT. Going through each individual file to exclude such periods is not practicable given the large number of applications involved.

The AWT

7. As at end-June 2013, the AWT for general applicants was 2.7 years. For elderly one-person applicants, the AWT was 1.5 years. While the HA is still able to maintain the AWT within target, it is increasingly challenging for the HA to attain the target given the increasing number of WL applicants. This is demonstrated by the increasing trend in the AWT over the past three years, as shown in the table below –

	As at end-June 2011	As at end-June 2012	As at end-June 2013
AWT for general applicants	2.2 years	2.7 years	2.7 years
AWT for elderly one-person applicants	1.1 years	1.4 years	1.5 years

² For example, for an application which is cancelled because the applicant's income or asset has exceeded the prescribed limit, if the applicant subsequently becomes eligible again, the applicant can request for reinstatement of the original application not earlier than six months and not later than two years after the first cancellation date of the application.

8. It should be noted that the AWT only shows the average of the waiting time of general applicants housed to PRH in the past 12 months. The HA cannot predict the waiting time of applicants in future, which are affected by a variety of factors such as the number of PRH applicants, the number of units recovered from the PRH tenants which can be used for allocation to WL applicants, the district choices of the WL applicants, etc. However, the increasing number of WL applicants is putting immense pressure on the AWT, especially as the number of new PRH flats to be produced in the next few years is more or less fixed.

WAITING TIME OF APPLICANTS

9. As the AWT is an **average** figure of waiting time for all housed general applicants in the past 12 months, this means that there will inevitably be applicants whose waiting times exceed three years. To examine the distribution of waiting time in detail, the HA has conducted an analysis on two different groups of applicants, namely -

- (a) the 14 300 general applicants housed between July 2012 and June 2013; and
- (b) the 118 700 general applicants still on the WL as at end-June 2013.

The analysis for paragraph 9(a) above provides information complementary to AWT as at end-June 2013, since the analysis has been carried out on the same pool of households (i.e. housed general applicants between July 2012 and June 2013). On paragraph 9(b), the focus of the HA's analysis is on general applicants still on the WL as at end-June 2013 who have yet to receive the first offer three years after registration.

10. It has to be stressed that the established methodology for calculating AWT is an objective and fair basis on which to assess the waiting time of general applicants. The analysis in this paper is only intended to provide additional information as a supplement to the AWT for Members' reference. The information has been compiled by conducting special studies (including manually going through some individual file records) to examine the details of distribution of waiting time as well as to identify some of the major reasons behind those cases with longer waiting time.

General Observations

11. The key result of the HA's analysis is that for general applicants housed during the period under study, 56% of them received their first offer within three years. This is in line with the AWT of 2.7 years for housed general applicants as at end-June 2013. As for general applicants still on the WL as at end-June 2013, 16% have waiting time of three years or above and have not yet received any offer. However, about half (45%) of these applicants have already reached the detailed investigation stage and would be given an offer soon if they are eligible. Details are set out below.

Details

(a) Applicants housed

12. Between July 2012 and June 2013, 14 300 general applicants accepted flat offers and were housed. The distribution of their waiting time by district choice is shown in the table below. Although some of them might have accepted their second or third offer instead of the first offer, in accordance with the established methodology, the waiting time is counted up to the first offer only as the opportunity for housing is provided at that point.

**Distribution of waiting time of general applicants
housed between July 2012 and June 2013**

District choice	Waiting Time	Household size					Total
		1-P	2-P	3-P	4-P	5-P+	
Urban	Less than 1 year	250	220	90	70	30	660
	1 - <2 years	1 600	880	130	120	40	2 700
	2 - <3 years	190	770	100	170	50	1 300
	3 - <4 years	50	1 200	310	140	40	1 700
	4 - <5 years	20	150	620	220	60	1 100
	5 years or above	50	20	100	270	70	510
	Subtotal		2 100	3 200	1 400	980	280
Extended Urban	Less than 1 year	110	80	60	20	10	290
	1 - <2 years	490	230	50	40	30	840
	2 - <3 years	120	270	50	30	40	500
	3 - <4 years	10	970	170	60	50	1 300
	4 - <5 years	<5	140	480	130	60	820
	5 years or above	10	10	140	150	50	360
	Subtotal		750	1 700	960	430	230
New Territories	Less than 1 year	130	150	120	90	40	520
	1 - <2 years	260	100	170	50	30	590
	2 - <3 years	120	250	60	40	20	470
	3 - <4 years	30	250	90	70	20	450
	4 - <5 years	10	10	60	30	10	130
	5 years or above	20	<5	10	10	<5	40
	Subtotal		550	750	490	270	110
Islands	Less than 1 year	0	0	<5	<5	0	<5
	1 - <2 years	10	<5	0	10	0	20
	2 - <3 years	0	20	<5	<5	<5	30
	3 - <4 years	0	<5	<5	<5	0	10
	4 - <5 years	0	0	0	<5	0	<5
	5 years or above	0	0	0	0	0	0
	Subtotal		10	20	10	20	<5
Overall	Less than 1 year	480	460	280	180	70	1 500
	1 - <2 years	2 300	1 200	350	210	100	4 200
	2 - <3 years	430	1 300	210	240	110	2 300
	3 - <4 years	90	2 400	580	270	110	3 400
	4 - <5 years	30	310	1 200	380	120	2 000
	5 years or above	80	30	250	430	120	900
	Total		3 400	5 700	2 800	1 700	620

Note: Figures may not add up to total due to rounding. Values of one thousand or above are rounded to the nearest hundred and values below one thousand are rounded to the nearest ten.

13. The HA has the following observations on the distribution of these housed applicants –

- (a) among the 14 300 housed general applicants, 40% received their first offer within two years and 56% received the first offer within three years. This is consistent with the AWT of 2.7 years for housed general applicants as at end-June 2013. It is also noted that 44% of these housed general applicants (i.e. about 6 300 applicants) received their first offer at or after three years:
- (b) as regards the district choice of these 6 300 housed general applicants who received their first offer at or after three years, about 52% opted for flats in the Urban District, whereas 39% opted for flats in the Extended Urban District. In general, this reflects the popularity of the Urban and the Extended Urban Districts. Hence, applicants opting for flats in these two districts were more likely to have a longer waiting time as compared to those who opted for other districts:
- (c) on the distribution of waiting time of these 6 300 housed general applicants who received their first offer at or after three years, about 54% received the first offer at around three to four years, and about 32% received the first offer at around four to five years. In respect of the household size, about 68% of these 6 300 households were two-person and three-person households opting for flats in the Urban and the Extended Urban Districts: and
- (d) regarding the 900 housed general applicants with waiting time of five years or above, the HA has conducted a special exercise to go through the relevant records manually to find out the major reasons for the long waiting time. The HA's findings show that many of these cases involve special circumstances³ of various kinds, including change of district choice (55%):

³ Some cases involve two or more special circumstances and therefore the percentage breakdown does not add up to the total.

change of household particulars⁴ (43%); refusal to accept housing offer(s) with reasons (40%); applications cancelled due to failure to meet income eligibility requirements in the detailed vetting stage, failure to attend interview and inadequate documentary proof (20%); location preference on social/medical grounds (11%); and QPS cases housed through the Express Flat Allocation Scheme (EFAS)⁵ (8%).

(b) Applicants on the WL

14. Apart from general applicants already housed, the HA has conducted another analysis in respect of the general applicants still on the WL as at end-June 2013 to examine the distribution of their waiting time and to check if the patterns of waiting time are similar to those evident from general applicants that are already housed. However, it should be noted that the waiting time for applicants on the WL is not a particularly useful reference as it only shows the specific situation at a given point in time. The waiting time of successful applicants would eventually be reflected in the AWT when they are housed.

15. Among the 118 700 general applicants on the WL as at end-June 2013, there were about 16% (i.e. about 19 200 applicants) with a waiting time of three years or above and without any flat offer as at end-June 2013. As these applicants have yet to receive any flat offer, the waiting time is counted from the date of registration to end-June 2013, excluding frozen period. The distribution of waiting time of these 19 200 applicants is shown in the table below.

⁴ The HA's experience shows that many applicants requesting for change of household particulars fail to provide supporting documents over extended period of time, thus affecting the processing of their applications and lengthening their waiting time.

⁵ In theory, the waiting time of non-elderly one-person applicants under the QPS should not be counted in the waiting time of the general applicants. Nonetheless, if these applicants are housed through EFAS, the HA has not been able to exclude these cases in the calculation of waiting time of general applicants due to limitations in its computer system. Therefore, the actual waiting time of general applicants should have been shorter.

**Distribution of waiting time of general applicants on the WL
as at end-June 2013 with waiting time
at or above three years and without any flat offer**

District choice	Waiting Time	Household size					Total
		1-P	2-P	3-P	4-P	5-P+	
Urban	3 -<4 years	20	880	3 200	2 000	540	6 600
	4 -<5 years	10	110	1 700	2 300	690	4 800
	5 years or above	<5	<5	70	1 300	410	1 800
	Subtotal	40	1 000	4 900	5 600	1 600	13 200
Extended Urban	3 -<4 years	<5	170	830	900	210	2 100
	4 -<5 years	<5	40	170	860	210	1 300
	5 years or above	<5	10	30	210	100	340
	Subtotal	10	220	1 000	2 000	510	3 700
New Territories	3 -<4 years	10	370	890	600	170	2 000
	4 -<5 years	<5	20	60	100	30	200
	5 years or above	0	<5	10	10	<5	20
	Subtotal	10	390	960	700	200	2 300
Islands	3 -<4 years	0	0	<5	<5	0	<5
	4 -<5 years	0	0	0	<5	0	<5
	5 years or above	0	0	0	0	<5	<5
	Subtotal	0	0	<5	<5	<5	10
Overall	3 -<4 years	30	1 400	4 900	3 500	920	10 800
	4 -<5 years	20	170	1 900	3 300	920	6 300
	5 years or above	<5	10	110	1 500	510	2 100
	Total	50	1 600	6 900	8 300	2 300	19 200

Note: Figures may not add up to total due to rounding. Values of one thousand or above are rounded to the nearest hundred and values below one thousand are rounded to the nearest ten.

16. The HA's analysis of these general applicants on the WL who had waited for three years or above and without any flat offer as at end-June 2013 is as follows –

- (a) details of these 19 200 cases on the WL have been further examined. Results show that about half of them (i.e. about 8 700 cases) have already reached the investigation stage as at

end-June 2013. For applicants reaching investigation stage, detailed vetting would be arranged soon with allocation of units to follow for those found eligible. As regards the remaining 10 500 cases which have not reached the investigation stage, they mainly opt for flats in the Urban and the Extended Urban Districts. As analyzed above, waiting time for these two districts is generally longer than that in other districts:

- (b) the majority (69%) of these 19 200 general applicants have chosen the Urban District, while about 19% of the applicants have chosen the Extended Urban District. With the steady supply of new flats in the Urban and the Extended Urban Districts in the next few years⁶, more flats should be available to meet the demand from these applicants:
- (c) on the distribution of the waiting time, among these 19 200 general applicants, 56% had waiting time of around three to four years, and 33% had waiting time of around four to five years. In terms of household size, about 70% of these 19 200 applicants are three and four person households opting for flats in the Urban and the Extended Urban Districts; and
- (d) the HA has carried out a special exercise to study those 2 100 cases on the WL with a waiting time of five years or above and without any flat offer as at end-June 2013. Results show that many of these cases involve special circumstances of various kinds, including change of household particulars (33%); refusal to accept housing offer(s) with reasons (13%), as well as other circumstances such as cancellation periods, location preference on social/medical grounds and applications for Green Form Certificate (GFC) for purchasing Home Ownership Scheme (HOS) units⁷ (8%).

⁶ According to the Public Housing Construction Programme as at June 2013, there will be 23 300 and 15 500 newly completed flats available for allocation in the Urban and the Extended Urban Districts respectively in 2013/14 to 2015/16.

⁷ PRH applicants whose eligibility have been established after final vetting can apply for GFC to buy HOS flats when they are on sale or HOS flats with premium not yet paid on the HOS secondary market. When the PRH applicants are holding a valid GFC, they will not be allocated PRH units. Nonetheless, their waiting time for PRH would still be counted while they are holding a valid GFC.

Frozen time

17. As a number of applicants have experienced frozen time while they are awaiting allocation of PRH flats, the HA has also conducted an analysis on the frozen applications. An application can be frozen for various reasons, for example, when the applicant has yet to fulfill the seven-year residence requirement⁸ for flat allocation; the applicant has requested to put on hold his application pending provision of divorce documents; the applicant is in jail, or the applicant who is currently a member of a PRH household was evicted from PRH units due to previous misdeeds under the Marking Scheme or rent in arrears.

18. In fact, at any one point in time, there are applications which are frozen. For example, as at end-June 2013, among the 118 700 general applications on the WL, some 5 830 (5%) applications were frozen. Reasons are set out in the following table –

Reason	Frozen cases as at end-June 2013
Residence Requirement	5 590
Request by applicant (e.g. pending provision of divorce document)	130
Institutional Care (e.g. imprisonment)	60
In relation to misdeed in previous PRH tenancy (e.g. rent in arrears and marking scheme)	60
Total	5 830

Note: Figures do not add up to total due to rounding. Values are rounded to the nearest ten.

19. For these cases, applicants are allowed to remain on the WL even though their applications are frozen. This would allow them to be registered earlier and hence have higher priority in the queue, although they

⁸ To facilitate the integration of new arrivals into society of Hong Kong, the HA has reviewed and relaxed the seven-year residence rule on several occasions in the past. At present, eligible WL applicants would have already fulfilled the seven-year residence rule when half of the family members have lived in Hong Kong for seven years at the time of PRH allocation. No matter whether the main applicant can satisfy the residence rule, if at least half of the members of the applicant family satisfy the seven-year residence rule at the time of allocation, a PRH flat can be allocated to them when their turn is due. All members under the age of 18 are deemed to have satisfied the seven-year residence rule if either they have established the birth status as permanent residents in Hong Kong or, regardless of their place of birth, one of their parents has lived in Hong Kong for seven years. The current arrangement can facilitate the integration of new arrivals into society of Hong Kong.

have not yet fulfilled all criteria for flat allocation. The applicants are likely to perceive the frozen time as part of their waiting time, while in reality they are not qualified for allocation of PRH units or they have requested to withhold processing their application during that period.

Overall observations on the waiting time of applicants

20. The HA's analysis shows that for applicants already housed, most of those with longer waiting times are two or three persons households opting for the Urban or the Extended Urban Districts. Similarly, for applicants still on the WL, most of those with longer waiting times are three or four persons households opting for the Urban or the Extended Urban Districts. Those with particularly long waiting times often involve special circumstances such as cancellation periods (during which they are ineligible for housing), change of household particulars, etc.

21. It is noteworthy that for the 14 300 general applicants housed during the period under study, 44% of them (i.e. about 6 300 applicants) received their first offer at or after three years. There were also about 19 200 general applicants still on the WL with a waiting time of three years or above and without any flat offer as at end-June 2013. These analysis results show the difficulties for the HA to maintain the AWT target of around three years for general applicants.

SUPPLY OF FLATS

22. The HA will strive to address the demand for PRH flats through new production and recovery of PRH flats. Based on the HA's experience, there is a net gain of an average of about 7 000 flats⁹ recovered from surrender of flats by sitting tenants as well as enforcement actions against abuse of PRH resources, which could be made available for allocation to WL applicants every year.

⁹ Excluding those flats recovered from PRH transferees. As PRH flats have to be offered to transferees, there will not be net gain of flats.

New production

23. According to the Public Housing Construction Programme as at June 2013, the forecast public housing production from 2013/14 to 2017/18 is summarized in the table below -

District	Expected number of units and year of completion				
	2013/14	2014/15	2015/16	2016/17	2017/18
Urban	9 700 (69%)	3 900 (31%)	9 800 (48%)	10 500 (56%)	9 100 (57%)
Extended Urban	4 400 (31%)	3 000 (24%)	8 100 (40%)	3 600 (19%)	6 900 (43%)
New Territories	-	5 800 (45%)	2 600 (13%)	4 700 (25%)	-
Total	14 100 (100%)	12 700 (100%)	20 500 (100%)	18 800 (100%)	16 000 (100%)

Note: Figures may not add up to total due to rounding.

24. As shown from the above table, there will be a steady supply of newly completed flats in the Urban and the Extended Urban Districts. Among the new production from 2013/14 to 2016/17, about 19% would be one/two-person units, 25% would be two/three-person units, 39% would be one-bedroom units (for three to four persons) and 16% would be two-bedroom units (for four persons or above). The new supply should help meet the demand for PRH in the Urban and the Extended Urban Districts and for two to four persons households.

Under-occupation of PRH flats

25. As at end-June 2013, using the existing allocation standards¹⁰, there were 55 500 under-occupation (UO) cases in PRH. The HA encourages under-occupation households to transfer to smaller units by offering flats in the same estate or in the same District Council (DC) district.

¹⁰ The current standards are 1-person>25m², 2-person>35m², 3-person>44m², 4-person>56m², 5-person>62m² and 6-person>71m².

**Annex B
(P.14 of 16)**

Domestic Removal Allowance and an opportunity for transfer to new estates. Among the 55 500 UO households, about 1 760 were the prioritised UO (PUO) cases with living density exceeding 34 m² per person and without elderly or disabled family members.

26. The HA has recently reviewed the UO policy and endorsed a series of revised measures which took effect from 1 October 2013. PUO thresholds are redefined as households with living space exceeding the prescribed Internal Floor Area according to family size and without elderly and disabled members. The revised PUO standards are shown in the table below –

1-person	>30m ²
2-person	>42m ²
3-person	>53m ²
4-person	>67m ²
5-person	>74m ²
6-person	>85m ²

As an enhancement measure, those UO households with disabled members or elderly members aged 70 or above are excluded from the UO list. PUO households will be given a maximum of three offers to transfer to smaller units¹¹. They will be offered incentives including housing offers in the same estate or in the same DC district, Domestic Removal Allowance upon transfer to smaller flats and opportunity for transfer to new estates, which are also provided to other UO cases. For those who refuse all the three offers unreasonably, a Notice-to-quit will be served. Besides, non-PUO households¹² will continue to be encouraged to opt for voluntary transfer to suit their needs.

¹¹ Newly identified PUOs will be given a maximum of three housing offers. As regards the existing PUO households, to minimize the impact on them, they would continue to be provided with a maximum of four housing offers.

¹² Non-PUO households refer to all households with living space exceeding the prescribed UO standards other than those PUO households (including those with disabled members or elderly members aged 70 or above and excluded from the UO list).

27. From October 2010 up to end-June 2013, 2 770 UO households have been relocated to smaller units, and another 4 290 UO households moved out of PRH and surrendered their units. According to the HA's experience, units recovered were mostly one-bedroom units suitable for re-allocation to three to four-person households. This should help increase the supply of PRH flats, especially for households of three to four persons.

Tackling abuse of PRH

28. The Housing Department (HD) carries out rigorous investigations into occupancy-related cases randomly selected from PRH tenancies and suspected abuse cases referred by frontline management and the public. In 2012/13, HD proactively investigated some 8 700 cases, and some 490 PRH flats were recovered on grounds of tenancy abuse. In addition, to detect suspected non-occupation cases, HD completed an 18-month "Taking Water Meter Readings Operation" in all PRH flats in July 2012. HD has conducted checking or rigorous investigation into some 9 400 zero or low water consumption cases under this exercise. As at end-June 2013, some 1 200 PRH flats have been recovered due to this initiative. In view of its effectiveness, a second phase operation will be launched shortly.

WAY FORWARD

29. The HA will continue to keep in view the number of applications on the WL and maintain the objective to provide PRH to low-income families who cannot afford private rental accommodation, with a target of maintaining the AWT at around three years for general applicants on the WL.

30. Despite our efforts, the increasing number of WL applicants would eventually put pressure on the AWT, especially when the supply of new PRH flats in the coming few years is almost fixed. In this connection, the HA will step up its efforts against abuse of PRH resources to recover flats for re-allocation to those in greater need. The Government will also work with the HA to identify more land for building PRH flats. To meet the WL demand, the community as a whole would also need to work together and

make hard choices so as to maximize the use of sites to increase the PRH production.

ADVICE SOUGHT

31. Members are invited to note this paper for information.

Transport and Housing Bureau
October 2013

Well-off Tenants Policies

Background

- Since 1 April 1987, the Housing Authority (HA) has been implementing the **Housing Subsidy Policy (HSP)** with a view to reducing the housing subsidy to households whose financial conditions have been considerably improved after moving into public rental housing (PRH). HA further endorsed in April 1996 the implementation of the **Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA)** whereby household income and net assets value are adopted as the two criteria for determining PRH households' eligibility to continue to receive public housing subsidy. HSP and SRA are commonly known as "Well-off Tenants Policies".

HSP

- Under HSP, households having lived in PRH flats for ten years or more are required to declare income every two years. Those with household income equivalent to two to three times of the Waiting List Income Limits (WLILs) are required to pay 1.5 times net rent plus rates. Those with household income exceeding 3 times of the WLILs or opt not to declare income are required to pay double net rent plus rates.

SRA

- Under SRA, households required to pay double net rent plus rates have to declare assets biennially. Households with net assets value exceeding the Net Assets Limits (NALs) or opt not to declare assets are required to vacate their PRH flats. Those households required to vacate their PRH

flats but have a temporary housing need may apply for a fixed-term licence to stay put in their PRH flats for a period of not more than 12 months, during which licence fee equivalent to the double net rent plus rates or market rent (whichever is the higher) will be charged.

Relevant Statistics on the “Well-off Tenants Policies”

- Appendix A - Statistics on “Well-off Tenants”^{Note} as at 1 April from 2008 to 2013
- Appendix B - Number of flats recovered from “Well-off Tenants” for the past five years
- Appendix C - Assets required to be declared under SRA
- Appendix D - Subsidy Income Limits and Subsidy Assets Limits

Note “Well-off Tenants” denotes those paying additional rent including 1.5 times net rent plus rates, double net rent plus rates and market rent.

Statistics on “Well-off Tenants” as at 1 April from 2008 to 2013

Year	No. of Households Required to Declare Income Biennially Note 1	No. of Households Paying ^{Note 2}			Total No. of Households Paying Additional Rent
		1.5 Times Net Rent plus Rates	Double Net Rent plus Rates	Market Rent	
2008/09	170 000	24 600	4 700	120	29 420
2009/10	170 000	26 300	5 700	140	32 140
2010/11	190 000	24 900	4 700	100	29 700
2011/12	180 000	25 100	4 400	130	29 630
2012/13	220 000	22 700	3 600	80	26 380
2013/14	200 000	21 500	3 200	80	24 780

Note 1 : PRH households who having lived in PRH for ten years or more are required to declare household income biennially.

Note 2 : Those with income/assets exceeding the prescribed limits will be required to pay rent at the corresponding levels w.e.f. April of the following year. These households can apply for rent reversion if their income falls below the corresponding SILs for three consecutive months or in permanent nature due to deletion/death of income-earning members, etc.

No. of Flats Recovered from “Well-off Tenants”

Grounds for Flat Recovery	No. of Flats Recovered from “Well-off Tenants”				
	2008/09	2009/10	2010/11	2011/12	2012/13
SRA	100	76	114	81	46
Other than SRA	436	286	658	237	215
Total	536	362	772	318	261

- An average of 83 flats were recovered per annum under SRA
- In the past five years, a total of 2 249 flats (with an average of 450 flats per year) were recovered from well-off tenants on various grounds

Assets Required to be Declared under SRA

Types of Assets

1. Land
2. Landed Properties
3. Vehicles
4. Taxi and Public Light Bus Licences (including vehicles)
5. Investments
6. Bank Deposits and Cash
7. Business Undertakings



**NET ASSETS LIMITS FOR
PUBLIC HOUSING TENANTS / INTERIM HOUSING LICENSEES
(Effective from 1 April 2013)**

Ordinary households

<u>Household Size</u>	<u>Income Limits (\$) (3 times 2013/2014 Waiting List Income Limits)</u>	<u>Net Assets Limits (\$) (84 times 2013/2014 Waiting List Income Limits)</u>
1	26,640	750,000
2	41,250	1,160,000
3	54,930	1,540,000
4	66,420	1,860,000
5	76,080	2,140,000
6	85,200	2,390,000
7	94,890	2,660,000
8	101,430	2,850,000
9	113,550	3,180,000
10+	119,220	3,340,000

Small households with *All Members* aged over 55

<u>Household Size</u>	<u>Income Limits (\$) (3 times 2013/2014 Waiting List Income Limits)</u>	<u>Net Assets Limits (\$) (84 times 2013/2014 Waiting List Income Limits)</u>
1	26,640	1,860,000
2	41,250	1,860,000
3	54,930	1,860,000

Notes :

- (a) The Net Assets Limits for a 4-person household applies to small households at sizes of 1 to 3 persons if all their members aged over 55.
- (b) Compensation for loss of earning power due to injuries sustained at work, traffic and other accidents may be deducted from individual assets value.
- (c) In accordance with the Policy on Safeguarding Rational Allocation of Public Housing Resources, double rent paying households with both household income and net assets value exceeding the prescribed limits or those choosing not to declare household assets (including those failing to provide all the required information) will be required to vacate the public housing flats^{Note} they are occupying. In this connection, the Housing Authority shall terminate the tenancies/occupation licences in respect of the flats they are occupying on 31.3.2014 by the service of notice to quit under section 19(1)(b) of the Housing Ordinance. However, if they have difficulties and are unable to vacate on specified date, they may apply for temporary stay at their flats. The Housing Department may grant them on need basis a "Fixed Term Licence" for occupying the flats for a maximum duration up to 31.3.2015. The monthly licence fee payable will be equivalent to the double net rent/licence fee plus rates or market rent/licence fee level (whichever is the higher) of the flats they are occupying. During the term of the licence, if the income/net assets values of the households fall below the prevailing income/net assets limits for a sustained period of three months, the licensees may apply for grant of tenancy/occupation licence and payment of rent/licence fee at an appropriate level.

Note : The term "Public Housing Flats" includes Interim Housing Units

HD857 (Rev. 3/2013)

Under-occupation of PRH Flats

The Housing Authority (HA) adopted a phased approach to tackle the under-occupation (UO)¹ and defined the Most Serious UO (now renamed as Prioritised UO) standard in 2007. As at 2007, there were about 35 500 UO households according to records in HA. Over the past 6 years, HA has solved about 21 000 UO cases, indicating an average of about 3 700 cases resolved per year. However, at the same time, about 40 000 cases became under-occupied households as a result of having their family members moved out or passed away. This accounted for the accumulation of about 54 500 cases in March 2013.

Out of the 21 000 resolved UO cases, 5 500 cases were resolved through transfer to smaller units. Another 9 000 cases have their flats recovered through purchase of a flat under the Home Ownership Scheme/Tenants Purchase Scheme, voluntary surrender, etc. Of the remaining 6 500 cases, they were resolved through addition of family members, becoming disabled or attaining the age 60. Upon the implementation of the revised under-occupation threshold², households with disabled members or elderly members aged 70 or above are excluded from the under-occupied transfer list

¹ The prevailing UO standards-

Family Size (Person)	1	2	3	4	5	6
UO Standard – Internal Floor Area (IFA) exceeding (m²)	25	35	44	56	62	71

² Revised PUO threshold w.e.f. 1 October 2013

Family Size (Person)	1	2	3	4	5	6
PUO Thresholds IFA exceeding(m²)	30	42	53	67	74	85

while all non-PUO households, including those with elderly members aged 60-69 are not required to transfer until the next policy review in 2016.

**An Analysis on Resolved Under-occupation (UO) Cases
between August 2007 and March 2013**

	Resolved UO Cases					Average Per Year
	Transfer to Small Flats (a)	Other Cases of Flats Recovery (e.g. Purchase of HOS/TPS, Self-NTQ, Transfer, etc.) (b)	Flat Recovery Cases (c) = (a) + (b)	No. of Cases become Non-PUO/Non UO (e.g. addition, become disabled or elderly) (d)	Total (e) = (c) + (d)	
Total	5 500 (PUO: 3 000 Non-PUO: 2 500)	9 000	14 500 (PUO: 3 600 Non-PUO: 10 900)	6 500	21 000 (PUO: 5 590 Non-PUO: 15 410)	3 700
Average	970	1 580	2 550	1 150	3 700	3 700

Note : There were some 500 transfer cases resolved on average in 2005 and 2006

Checklist of Cases mentioned in the Audit Report

(as at 25.11.2013)

Irregularities Identified	Case Detail	Progress
Case 1 (pg. 30)	A QPS applicant was already housed through Compassionate Rehousing in July 2010 but the record was not deleted from the records of the WL. The WL application was subsequently cancelled in July 2013.	A trigger mechanism has already been in place in our computer system to avoid duplicated allocation for cases housed through other channels. We will, subject to resources, conduct regular checks to ensure that follow-up actions are promptly taken on WL applicants who have been housed through other channels
Case 2 (pg. 38)	The vetting officer did not give adequate advice to the new G-No. applicant on the necessary information/documents to be provided, resulting in the resubmission being returned again	We will strive to provide clearer advice to applicants To make the application more user friendly, we are improving the application forms, the Information for Applicants, and the video clip on PRH application for implementation in early 2014.
Case 3 (pg. 39)	The original vetting officer repeatedly requested the new applicant to provide the valuation report of a property he owned in the Mainland but he failed to do so. The applicant later submitted a new application form but the Mainland property was not declared. Due to inadequate	We will remind applicants to refer to previous return letters when resubmitting applications Reminders to advise applicants to refer to previous return letters will be incorporated in the Information for Applicants and the video clip on PRH application.

Irregularities Identified	Case Detail	Progress
	<p>coordination with the former vetting officer, another vetting officer processing the application registered the application on the WL without clarifying the updated status of the Mainland property concerned. In-depth investigation to this case is being conducted.</p>	
<p>Case 4 (pg. 41)</p>	<p>A family member of a G.-No application passed away on 12.10.2011. Before updating of the deceased person was effected in the computer system in February 2012, a PRH flat in a to-be-completed estate had already been provisionally allocated to the applicant in December 2011. Without timely updated action, the applicant submitted the intake declaration form in May 2012 with a forged signature of the deceased person and was housed to a larger PRH flat than he was entitled. The tenant was subsequently convicted and the PRH flat was recovered.</p>	<p>We will take measures to ensure that names of the deceased persons are promptly deleted from the WL applications for PRH.</p>

Irregularities Identified	Case Detail	Progress
Case 5 (pg. 125)	A PRH tenancy with 5 members wrongly input with an indicator of “EPS” in the DTMS leading to omission from the required HSP biennial declaration	Indicator already removed in July 2013
Case 6 (pg. 126)	A PRH tenancy with 4 members ranging with ages from 26 to 63 were input with an indicator of “SHT-Sharing Tenancy” leading to omission from the required HSP biennial declaration	Indicator already removed in July 2013
Case 7 (pg. 76)	More than 4 housing offers given to an MS UO household	One of the offers was counted as reasonable refusal and Regional Chief Manager had granted an extra housing offer to the tenant who eventually accepted a small flat with tenancy commenced in mid August 2013.
Case 8 (pg. 78)	An UO household with 2 family members occupying two flats	Addition of an adult daughter on 24.10.2013. The 3-person family is no longer a Prioritized UO household.
Case 9 (pg. 85)	A WL applicant applied for PRH in March 2009 only declared bank deposit / cash in hand of \$2 000 and \$960 respectively. The applicant and his wife	The case was caused by the applicant’s deliberate act in providing false information. As explained in our previous response to Audit, HD puts more

Irregularities Identified	Case Detail	Progress
	<p>were later found to have concealed substantial amount of deposits, four bank accounts, and insurance policy asset which exceeded the asset limit at the time of application. The application was cancelled ultimately and the case was referred Prosecutions Section for action in May 2012.</p>	<p>emphasis on the detailed vetting before allocation. Therefore, in the preliminary vetting stage, we require supporting documents on major declarable assets only. There are only certain types of assets for which we do not require supporting documents, e.g. bank deposits, shares in listed companies etc. However, applicants need to make declarations on these items at the time of application. During the detailed investigation stage, supporting documents on these items are required for vetting and if we find discrepancy on the value of these items as at the time of application, we will cancel the application on the basis of false information and consider prosecution. Therefore, the present system has struck an appropriate balance between asking the applicant to submit too many supporting documents at application stage hence delaying the application process on the one hand, and guarding against false submission of information on the other</p> <p>To avoid possible mistaken declaration by applicants, we have issued a reminder to advise applicants to declare the exact amount of bank deposit since September 2013.</p>

Irregularities Identified	Case Detail	Progress
Case 10 (pg. 100)	A member of a PRH tenancy passed away in 1996. OP declaration was made by his son in 2000 and BI was made in 2010. Not until 2012 that the son revealed the death of his father to the estate office that deletion could be made	The management staff has already taken timely action to delete the deceased person once it was discovered