



**HONG KONG
HOUSING SOCIETY**

香港房屋協會

Our Ref. : D(PM)/AS/LegCo/KLL/Rent/ej

Your Ref. : CB1/PL/HG

27 June 2014

Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

(Attn.: Mr Ken Woo – for Clerk to Panel)

Dear Mr Woo

Panel on Housing
Follow-up to meeting on 5 May 2014

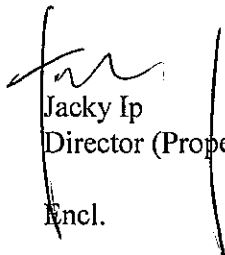
We refer to your letter of 19 May 2014.

In response to the request of Panel Members, we enclose the domestic rental housing operation account for year 2013/14 and the projection for the coming two years i.e. Year 2014/15 and 2015/16 for their reference. According to our projection, even with the 8% rent increase in Year 2014/15 and 2015/16, the books cannot be balanced and will record a total deficit of \$83M.

The operating account contains a provision for depreciation which is based on historical land and building costs. In view of the escalating redevelopment costs that we face today, this depreciation provision is by far not enough to meet today's redevelopment.

In the meantime, we are considering the suggestion of providing assistance to help needy tenants. We shall report to the Panel when further information is available.

Yours sincerely


Jacky Ip
Director (Property Management)

Encl.



Hong Kong Housing Society Domestic Rental Housing Operating Account			
	subject to audit		
	2013/2014	2014/2015	2015/2016
	Actual	Budget	Budget
	\$M	\$M	\$M
INCOME			
Rental & Other Income	578	672 N1	671
TOTAL INCOME	578	672	671
EXPENDITURE			
Staff Cost	113	138 N2	141
Government Rent & Rates & Management Fee	29	74 N1	76
Maintenance & Improvements	129	182 N3	249
Security/ Cleaning/ Utilities/ Administrative Overhead	111	141 N4	144
Depreciation**	133	141	140
TOTAL EXPENDITURE	515	676	750
Operating Surplus/ (Deficit)	63	(4)	(79)
Remarks:			
N1 8% increase in rent and reduced void rate (\$53M). Two quarters of government rates and rents (\$40M) to be collected due to reduced concession.			
N2 5% salary increase budgeted for the year (\$6M). Re-provide \$12M underspent in 2013/14 due to position not filled and staff turnover. Additional staff cost of \$7M to improve services to tenants and administrative support.			
N3 Increased maintenance work to upkeep aging rental estates (additional \$11M for slope maintenance, \$16M on spalling concrete repairs, and \$15M for flat refurbishment). Cost inflation on building and building services works accounts for \$11M.			
N4 Higher provision due to cost inflation related to minimum wages, utilities, care service, etc. (\$13M) and improvement in IT systems, office and support services (\$17M).			
** Based on historic land and building costs over unexpired lease terms and useful lives of 40 to 60 years. Eight of the rental estates aged over 40 years old			