

**For discussion
on 9 January 2018**

Legislative Council Panel on Security

Fire Safety Improvement Works Subsidy Scheme

PURPOSE

The Chief Executive announced in the 2017 Policy Address that the Government plans to devote \$2 billion to launch the Fire Safety Improvement Works Subsidy Scheme (“the FSW Scheme”) to subsidise owners of old composite buildings to undertake fire safety enhancement measures as required by the Fire Safety (Buildings) Ordinance (Cap. 572) (“the FS(B)O”). This paper seeks Members’ views on the Scheme.

BACKGROUND

2. The FS(B)O came into operation on 1 July 2007. It requires that the fire safety measures of composite and domestic buildings which were constructed, or with their plans of the building works first submitted for approval, on or before 1 March 1987, be enhanced to better meet the current requirements, with a view to providing better protection for occupants and users of, and visitors to, such buildings from the risk of fire and to protect life and property. The Fire Services Department (“FSD”) and the Buildings Department (“BD”) issue Fire Safety Directions (“Directions”) to owners or occupiers to specify the required fire safety improvement works after inspecting the buildings.

3. There are at present around 10 500 target composite buildings (“TCBs”), most of which are commercial-cum-residential buildings, and about 3 000 target domestic buildings (“TDBs”) falling within the ambit of the FS(B)O. Since the commencement of the FS(B)O, the two enforcement authorities have inspected around 8 500 TCBs and issued

Directions to around 6 400. Compliance, however, has not been satisfactory. As at end November 2017, only 131 TCBs have complied with Directions issued by BD and 142 have complied with those issued by FSD. Amongst them, only 32 have complied with all Directions issued by both BD and FSD.

4. The implementation of the FS(B)O reflects, to a certain extent, the difficulties the owners face in complying with the Directions, including technical problems, financial difficulty as well as problems with coordination amongst owners. Government departments and agencies have rendered assistance to the owners on various fronts.

5. In the technical aspect, certain old buildings may not be able to fully comply with the requirements set out in the Directions due to structural or spatial constraints. As such, FSD and BD have been, on the premise of not compromising basic fire safety, adopting a flexible and pragmatic approach in handling individual cases. In particular, FSD has rolled out a series of measures targeting at the difficulties of installing fire service water tanks in recent years.

6. For old composite buildings of three storeys or less, since September 2016, FSD and the Water Supplies Department (“WSD”) have accepted the installation of “improvised hose reel systems” with direct water supply from government pipes on the ground floor of the buildings, sparing the owners the need to install related installations of fire service water tanks and pumps. This helps alleviate the technical difficulties and reduce the costs of works. As regards old buildings of four to six storeys, having assessed FSD’s response time in attending to building fire calls and the past experience in implementing the FS(B)O, FSD has lowered the capacity requirement of fire service water tanks for most of the composite buildings of four to six storeys from 2 000 litres to 500 litres since October 2016. Such a significant reduction in the capacity of the water tanks makes it possible for the rooftop of most of the old buildings to support the tanks structurally. For old buildings of seven storeys or above, FSD introduced a new initiative in September 2017, under which the capacity of the fire services water tanks can be significantly reduced from 9 000 litres to 4 500 litres if the buildings meet the relevant conditions.

7. Furthermore, WSD has agreed in principle to the use of the existing fresh water supply system and the rooftop fresh water tank for firefighting purpose. FSD and WSD are inviting suitable target buildings to join as trial spots under a pilot scheme for assessing the effectiveness of this measure.

8. Technical issues aside, another common problem faced by owners of old buildings is financial difficulty. While there are currently some financial assistance schemes available to owners for building repair works, which cover fire safety-related works, the amount of subsidy provided is relatively low. Taking the Common Area Repair Works Subsidy of the Urban Renewal Authority (“URA”) as an example, the owner of a unit may generally receive a subsidy of around 20-30% of the cost of building repair works at most, capped at \$4,500 per unit. A higher level of subsidy would offer owners a greater incentive to coordinate and carry out works.

FIRE SAFETY IMPROVEMENT WORKS SUBSIDY SCHEME

9. It must be emphasised that it is primarily the responsibility of the owners to improve the fire safety of their properties and meet the requirements of the FS(B)O. Having said that, enhancing the fire safety of properties is also pivotal to protecting the safety of the community at large. Taking into account the implementation of the FS(B)O and the level of the existing financial assistance, we propose to implement the FSW Scheme to subsidise owners of eligible buildings in carrying out fire safety improvement works, up to a maximum of 60% of the costs of works and consultancy fees. We hope that the FSW Scheme, coupled with supporting measures in other areas, will give the owners of old buildings greater motivation and incentive to improve the fire safety standard of their buildings as soon as possible.

10. We will partner with URA in implementing the FSW Scheme. URA will be responsible for handling applications, disbursing subsidies and monitoring the use of funds. We intend to leverage on URA’s experience in implementing other subsidy schemes to offer a one-stop service for applicants. The proposed modus operandi of the scheme is

set out at **Annex 1**.

ENSURING PROPER USE OF SUBSIDIES

11. To ensure that public money is used properly, applicants of the FSW Scheme who have not started engaging contractors must use URA's "Smart Tender" Building Rehabilitation Facilitating Services when engaging one. The services of "Smart Tender" include: independent cost estimate and technical advice for building repair works provided by professional consultants, an electronic tendering platform with tender opening procedures handled by independent professionals, as well as a DIY tool-kit for the owners. These services aim to enhance the fairness, impartiality and competitiveness of the tendering process.

12. URA plans to launch a Building Rehabilitation Platform in the second half of 2018. The initiative aims to provide a one-stop platform for owners and industry practitioners with the participation of relevant professional bodies, institutions, government departments and law enforcement agencies. URA is preparing the practical guidelines and standard tender and contract documents on procurement of consultancy and works contract, the reference cost on typical building repair works, as well as a list of service providers, which will be made available on the platform in stages. As with "Smart Tender", the platform aims to provide relevant information to owners, assisting them to make an informed decision on procurement of building repair works.

13. Besides, stronger collaboration will be forged amongst the Police, the Independent Commission Against Corruption ("ICAC"), the Competition Commission, the Home Affairs Department and URA to assist owners' corporations (OCs) enrolled in the FSW Scheme in combatting bid-rigging. Old buildings enrolled in the FSW Scheme will be automatically registered for the RenoSafe Scheme operated by the Police to enjoy the services offered. Under the RenoSafe Scheme, the Police will provide a support hotline and crime-prevention information to OCs, offer advice to them and even arrange for staff to attend the meetings of OCs or owners' committees on matters concerning the tendering of works on a need-basis for the prevention of crimes related to

bid-rigging. The Police, ICAC and the Competition Commission also have dedicated teams in place to handle reports related to bid-rigging for works under publicly funded schemes including the FSW Scheme. In addition, URA and the relevant departments will organise seminars for OCs joining the FSW Scheme for raising their awareness against bid-rigging.

IMPLEMENTATION PLAN

14. The FSW Scheme is planned to be open for application in the mid-2018. A centralised application process will be developed by URA to facilitate OCs / owners' committees in applying for subsidies under the FSW Scheme and the forthcoming Operation Building Bright 2.0¹ ("OBB 2.0") launched by the Development Bureau in one go. Considering that owners of eligible buildings will need time for coordination, BD, FSD and URA plan to begin promoting the FSW Scheme to target building owners in early 2018, with a view to encouraging the owners concerned to start the preparatory work as soon as possible for applying for the Scheme in mid-2018.

15. It is anticipated that the \$2 billion sum can benefit around 2 000 target buildings. Having due regard to the supply of qualified contractors in the market, applications for the FSW Scheme will be processed by phases. BD and FSD will formulate a marking scheme for determining the priorities for the granting of subsidies.

FINANCIAL IMPLICATION

16. We estimate that a non-recurrent funding of \$2 billion will be required for launching the FSW Scheme. We will disburse the funding by instalments to URA. The estimated expenditure for 2018-19 is about \$130 million. The estimated cash flow requirement is at **Annex 2**.

¹ The Government plans to launch OBB 2.0 at a cost of \$3 billion to provide technical and financial assistance to owner-occupiers of residential or composite buildings aged 50 years or above with rateable values not exceeding the prescribed limit, thereby helping them to comply with the requirements of the Mandatory Building Inspection Scheme.

VIEWS SOUGHT

17. Members are invited to comment on the proposed FSW Scheme. Subject to Members' views, we will seek the necessary funding approval from the Legislative Council.

Security Bureau
Buildings Department
Fire Services Department
January 2018

**Proposed modus operandi of the
Fire Safety Improvement Works Subsidy Scheme**

(I) Eligible Buildings

A building shall meet the following criteria to be eligible for the subsidy under the Fire Safety Improvement Works Subsidy Scheme (“the FSW Scheme”):

- (a) the building is a target composite building (“TCB”) to which the Fire Safety (Buildings) Ordinance (Cap. 572) (“the FS(B)O”) is applicable;
- (b) the average rateable value of the residential units does not exceed \$162,000 per annum for a building in urban areas (including Hong Kong Island, Kowloon, Sha Tin, Kwai Tsing and Tsuen Wan), or \$124,000 per annum for a building in the New Territories;
- (c) the owners of the building have been issued with Fire Safety Directions (“Directions”) by the Fire Services Department (“FSD”) and the Buildings Department (“BD”) but the required works had not yet been completed prior to the date of the 2017 Policy Address (i.e. 11 October 2017); and
- (d) the building has formed an owners’ corporation (“OC”) in accordance with the Buildings Management Ordinance (Cap. 344), or formed an owners’ committee in accordance with the Deed of Mutual Covenant (“DMC”) and will follow the requirements of DMC to organise repair works for its common areas.

(II) Form and level of subsidy

2. As the majority of fire safety improvement works required under the FS(B)O is to be conducted in the common areas of a building, owners have to come together in coordinating the works. We therefore propose that the subsidy be disbursed to OCs or owners’ committees on a building-basis. There will not be any asset or income means tests for individual owners.

3. Since the scope of works and the associated costs of different buildings may be affected by factors such as the number of storeys of the building, the authority will set the corresponding subsidy ceilings for each category of buildings having regard to the estimated costs of works for different kinds of buildings. For example, the proposed ceiling of subsidy for a TCB of six storeys will be around \$470,000.

4. In case an eligible building has not engaged any contractor for the works before applying for subsidy under the FSW Scheme, the OCs or owners' committees will need to make use of the "Smart Tender" services of the Urban Renewal Authority ("URA") to invite tenders so as to enhance the transparency of the tendering process. OCs or owners' committees may receive a subsidy not exceeding 60% of the costs of works and consultancy fees, or the corresponding cap imposed on that category of buildings, whichever is the less (see paragraph 3 above).

5. As regards buildings with contractors already engaged for the fire safety improvement works before applying for the subsidy, URA's independent consultant will assess relevant documents provided by the applicants (such as tender documents, works contract and works progress reports) to determine the level of subsidy, which will in any case not exceed 60% of the costs of works and consultancy fees, or the corresponding cap applicable to that category of buildings.

6. Apart from the FSW Scheme, owners may apply for other financial assistance schemes for building improvement works, e.g. the Building Safety Loan Scheme administered by BD and the Building Maintenance Grant Scheme for Elderly Owners by the Hong Kong Housing Society, to conduct other repair works in common areas. However, for a works item (e.g. installation of a fire service water tank) that has already been subsidised under the FSW Scheme, the owners will not be approved with subsidies for the same works item under other subsidy schemes covering fire safety works in common areas (including the Common Area Repair Works Subsidy administered by URA or the Operation Building Bright 2.0 to be launched by the Development Bureau).

(III) Scope of Works Covered by the Subsidy

7. The subsidy is to cover works item in common areas of TCBs required for compliance with the Directions, which include:

(a) Provision or improvement of the following fire service installations and equipment

- (i) Automatic sprinkler system;
- (ii) Fire hydrant and hose reel system;
- (iii) Manual fire alarm system;
- (iv) Emergency lighting;
- (v) Automatic cut-off device for the mechanical ventilating system;
- (vi) Other alternative fire service installations and equipment/measures acceptable by FSD; and

(b) Improvement of fire safety construction

- (i) Protection of exit routes and staircases with fire resisting construction;
- (ii) Improvement of the exit to a street;
- (iii) Provision or replacement of fire doors;
- (iv) Improvement of staircase width;
- (v) Provision of additional staircases;
- (vi) Enhancement of existing lifts to become fireman's lifts;
- (vii) Provision of fireman's lifts;
- (viii) Improvement of the resistance of external walls and the protection of openings therein;
- (ix) Provision of resisting construction separating different parts of a building;
- (x) Provision of fire resisting enclosures to non-emergency services within the staircases; and
- (xi) Provision of smoke vents to basements.

8. Professional services (e.g. the engagement of consultants) and any incidental or consequential works, such as touch-up and finishing works, arising from the eligible items of works may also be subsidised under the FSW Scheme. OCs or owners' committees must appoint qualified contractors for the works.

(IV) Monitoring and Control

9. The Government will work closely with URA to ensure smooth implementation of the FSW Scheme, and we will disburse the \$2-billion fund by instalments to URA. URA will open a separate bank account for keeping the funds and allocating subsidies to the OCs or owners'

committees. URA will be responsible for the management of the funds. Any interests generated will be ploughed back to the FSW Scheme for granting subsidies.

10. URA will bear the costs for the administration of the FSW Scheme, which include the costs of staffing, office accommodation and outsourced independent consultancy service fees from its own resources. URA will submit regular progress reports on, inter alia, the financial position of the FSW Scheme, the number of buildings and owners benefited under the FSW Scheme, the amount of subsidies drawn, interest income and such other information as required by the Government. It will also arrange an independent auditor to conduct an annual audit on the accounts of the FSW Scheme.

Annex 2

**Estimated Cost and Cash Flow Requirements of the
Fire Safety Improvement Works Subsidy Scheme**

Estimated Cash Flow Requirement (by year)	(HK\$'000)
2018-19	130,000
2019-20	270,000
2020-21	360,000
2021-22	360,000
2022-23	350,000
2023-24	350,000
2024-25	180,000
Total:	2,000,000