

**For Discussion on
16 December 2019**

**LEGISLATIVE COUNCIL
PANEL ON DEVELOPMENT**

Assistance Schemes on Building Safety and Rehabilitation

PURPOSE

This paper seeks Members' views on our proposals on four assistance schemes relating to building safety and rehabilitation.

JUSTIFICATIONS

2. It has all along been the Government's position that owners should take primary responsibility for the proper maintenance of their properties. That said, the Government recognises that some owners may have genuine difficulties in fulfilling their responsibility in maintaining their properties due to their lack of financial means, technical knowledge and/or organisation ability. Therefore, apart from taking enforcement action to ensure that building owners discharge their statutory responsibilities under relevant statutes (for example, the Buildings Ordinance (Cap. 123) and the Fire Safety (Buildings) Ordinance (Cap. 572)), the Government has over the years rolled out various schemes to provide targeted financial and technical assistance to eligible owners to maintain their properties.

3. In view of the overwhelming support by the general public for these schemes and their effectiveness in achieving their respective objectives, the Government announced on 11 October 2019 proposals to inject additional funding into the following three existing building-related assistance schemes –

- (a) Operation Building Bright 2.0 (OBB 2.0);
- (b) Lift Modernisation Subsidy Scheme (LIMSS); and
- (c) Building Maintenance Grant Scheme for Elderly Owners, to be rechristened as Building Maintenance Grant Scheme for Needy Owners (BMGSNO).

Apart from the proposed funding injections, opportunity is also taken to enhance these schemes in the light of the experience gained so far and in view of public feedback received. Details of our proposals in respect of the three schemes are set out in **Annexes A, B and C** respectively.

4. Apart from the three existing schemes, the Chief Executive also announced in the 2019 Policy Address the Government’s plan to allocate funds to launch a new assistance scheme to encourage implementation of the Water Safety Plan for buildings in order to further safeguard drinking water safety in Hong Kong. Details on the proposed Water Safety Plan Subsidy Scheme (WSPSS) are set out in **Annex D**.

FINANCIAL IMPLICATIONS

5. The funding approval to be sought for the non-recurrent commitments for the three existing schemes and WSPSS, as well as the estimated expenditure for the four schemes in 2020-21 are set out below –

	Original commitment	Proposed funding sought	Estimated expenditure for 2020-21
	(\$' million)		
OBB 2.0	3,000	3,000	600
LIMSS	2,500	2,008.4	458
BMGSNO	1,000	2,000	152.5
WSPSS	Not applicable	440	120
Total	Not applicable	7,448.4	1,330.5

6. Members are invited to note the estimated cash flow requirements of the four proposals in the respective Annexes. The estimated costs for the four proposals will be included and reflected in the draft Estimates of the relevant financial years. Our current plan is to seek the Legislative Council's approval on the funding commitment in the context of the Appropriation Bill 2020.

Development Bureau
December 2019

Operation Building Bright 2.0 Proposed Funding Injection

PURPOSE

This annex sets out the detailed proposal for injecting additional funding of \$3 billion to Operation Building Bright 2.0 (OBB 2.0). Together with the original funding of \$3 billion, it is expected that a total of 5 000 eligible buildings would benefit under the entire OBB 2.0.

BACKGROUND

2. The Government announced in October 2017 the launching of OBB 2.0 in partnership with the Urban Renewal Authority (URA) at a total commitment of \$3 billion. The primary objective of OBB 2.0 is to safeguard public safety from hazards caused by building neglect. Under OBB 2.0, owner-occupiers of eligible high-aged residential or composite buildings are provided with substantial financial and technical assistance for carrying the requisite inspection and repair works under the Mandatory Building Inspection Scheme (MBIS)¹.

3. Buildings participating in OBB 2.0 are divided into two categories. Category 1 buildings cover those whose owners are prepared to take up the organisation of the prescribed inspection and repair works for at least the common parts of their buildings with a view to discharging outstanding MBIS notice(s) or complying with MBIS requirements voluntarily in the absence of any MBIS notice(s). Category 2 buildings cover those which have outstanding MBIS notice(s) for the common parts

¹ Except elderly owner-occupiers, all eligible owner-occupiers will be subsidised 80% of the cost for undertaking the prescribed inspection and repair works in the common parts of their buildings under MBIS subject to a cap of \$40,000 per unit; while eligible elderly owner-occupiers aged 60 or above will be subsidised 100% of such cost subject to a cap of \$50,000. Besides, all eligible owner-occupiers will be subsidised 50% of the cost for undertaking the prescribed inspection and repair works for the private projecting structures under MBIS subject to a cap of \$6,000 per unit.

of the buildings but the owners concerned have difficulties in coordinating the prescribed inspection and repair works for meeting the MBIS requirements. The Buildings Department (BD) will select Category 2 buildings proactively for exercising BD's statutory power to hire consultants and contractors to carry out the prescribed inspection and repair works in default of the owners concerned. Eligible owners may seek to cover all or part of the cost incurred by BD by claiming subsidies available to them under OBB 2.0.

4. Since its launch, OBB 2.0 was warmly received by the community. In accordance with the risk-based approach adopted by OBB 2.0, all buildings aged 50 or above with relatively low average rateable values (RV)² which have yet to comply with MBIS notice(s) for the common parts of the buildings were invited to participate in OBB 2.0 as Category 1 buildings in the first round of applications. During the application period from July to October 2018, applications were received from 480 eligible buildings, which represented the vast majority of target buildings invited to join in the first round excluding "three-nil" buildings³. At the same time, BD had proactively selected some 300 buildings (most of them are "three-nil" buildings) for participation in OBB 2.0 as Category 2 buildings as of October 2019. Having regard to the additional number of buildings to be selected as Category 2 buildings up till end 2020 and our work progress, our target is to commence in around 1 000 Category 1 and 2 buildings the prescribed inspection and repair works by end 2020.

PROPOSAL AND JUSTIFICATIONS

5. Having regard to the positive responses for OBB 2.0, we now **propose** that an additional \$3 billion be injected into the operation. This

² The average RV of the domestic units of eligible buildings should be lower than or equal to \$162,000 in urban areas (including districts of Sha Tin, Kwai Tsing and Tsuen Wan) and \$124,000 in the New Territories (all New Territories districts excluding districts of Sha Tin, Kwai Tsing and Tsuen Wan) as of 2017/18. The thresholds cover 80% of high-aged domestic buildings in Hong Kong.

³ "Three-nil buildings" are buildings which do not have an owners' corporation (OC) or residents' organisations, or have not engaged any property management company. It is recognised that most of such buildings would have difficulties in organising the requisite inspection and repair works for participation in OBB 2.0 as Category 1 buildings. That said, we would encourage them to form OC and organise owners' meetings to participate as Category 1 buildings. Besides, such buildings may join OBB 2.0 as Category 1 buildings according to relevant provisions under deed of mutual covenant.

would increase the number of buildings to participate in OBB 2.0 from 2 500 to 5 000 based on our assumptions regarding average number of eligible beneficiaries of participating buildings and the cost of prescribed inspection and repair works involved.

6. With buildings under the first round application gradually commencing inspection and repair works, we **propose** accepting the second round of applications in the third quarter of 2020. According to our original plan, we will accept applications from all eligible residential and composite buildings (i.e. buildings aged 50 or above with average RV rates at or below the prescribed thresholds) in the second round, irrespective of whether they have any outstanding MBIS notice(s) for the common parts of the buildings, to encourage the culture of voluntary compliance. It is roughly estimated that some 3 300 buildings under this category will be eligible to apply in the second round according to this original plan. Having regard to public calls for allowing younger buildings to apply, we **propose** relaxing the application criteria of the second round to allow also residential and composite buildings aged between 40 to 49 to apply, on the condition that they have outstanding MBIS notice(s) for the common parts of the buildings not yet complied with. With this relaxation, it is roughly estimated that an additional 700 buildings will be eligible to apply. In sum, the total number of buildings eligible to apply in the second round will be around 4 000, excluding around 1 000 eligible buildings which have already applied or have been selected to participate in OBB 2.0.

7. To avoid causing undue pressure on the building repair and maintenance market by a huge upsurge in new projects at the same time, our original plan was to space out the commencement of prescribed inspection and repair works for the 2 500 participating buildings over a five-year period, i.e. around 500 buildings per year. With the increase in the number of participating buildings from 2 500 to 5 000, we **propose**, having regard to our latest assessment of the employment outlook of the construction industry, expediting the programme of the operation as follows –

Year	Up to 2019	2020	2021	2022	2023	2024	2025	Total
Target number of buildings to commence rehabilitation each year under original work plan	500	500	500	500	500	-	-	2 500
Target number of buildings to commence rehabilitation each year under new work plan	500	500	700	750	850	850	850	5 000

We will, in conjunction with URA and BD, closely monitor price changes as we gradually increase the number of buildings to commence rehabilitation concurrently. We will also maintain liaison with the Construction Industry Council (CIC) if signs of shortage in workers are observed with a view to stepping up training and recruitment of workers as needed. Requisite funds would be reserved for the purpose (see paragraph 12 below).

8. Apart from the above enhancements increasing the scope and therefore number of eligible buildings as well as the volume of cases for individual years, the scheme details of OBB 2.0 (including scope of works for Category 1 and Category 2 buildings, target beneficiaries, subsidy level, partnership arrangement with URA in implementing the operation, mechanism to prevent bid-rigging and monitoring quality of works) remain unchanged. Members may refer to LC Paper No. CB(1)343/17-18(04) for the details.

IMPLEMENTATION PLAN

9. To allow time for owners of target buildings to reach a consensus on joining the operation and making reference to the experience of the first round of applications, URA will issue publicity materials to buildings eligible for the second round of applications in early 2020 appealing to them to start planning for the prescribed inspection and repair works. Subject to approval of the proposed funding injection in mid-2020, we aim to invite the second round of applications in the third quarter of 2020. We intend to close the second round of applications in late 2020 with a view to announcing the list and priority of participating buildings

based on risk assessment from end 2020 onwards. Depending on the response and progress of the second round of applications, we would consider the need for further round(s) of applications and the details of such round(s) of applications including eligibility and timing in due course.

Transitional arrangement

10. When launching OBB 2.0 in 2017, we had already made known our plan to accept the applications of all eligible buildings aged 50 or above in the second and subsequent round(s) of applications, irrespective of whether they have outstanding MBIS notice(s) for the common parts of the buildings. With proposal to extend the application to buildings aged between 40 and 49 with outstanding MBIS notice(s) for the common parts of the buildings, we recognise that there are eligible buildings within this category whereby the owners concerned have already engaged an inspector or a contractor with a view to complying with the MBIS requirements. Following our exceptional transitional arrangement for the first round of applications, we **propose** allowing such buildings⁴ to apply in the second round if they meet the following conditions –

- (a) the concerned buildings should be issued with an MBIS notice(s) or pre-notification letters;
- (b) the MBIS-related works were regarded as ongoing⁵ as of 11 October 2019, when the proposed enhancement was announced in the context of the Policy Address;
- (c) for those ongoing works where repair contracts have been invited as of 16 December 2019, URA will scrutinise the tendering process for procuring the contractors to ensure that they are in compliance with the requirements of the Buildings Management Ordinance (Cap. 344); and

⁴ For the avoidance of doubt, such buildings should have complied with all statutory requirements relating to MBIS, most notably Building (Inspection and Repair) Regulation (Cap 123P) as a proof that the inspection conducted, works undertaken, or works to be undertaken, are for complying with MBIS requirements.

⁵ BD has not issued compliance letters to confirm the works carried out meeting the MBIS requirements.

- (d) where preparatory work has started but the owners have not yet invited tenders for repair contractors as of 16 December 2019, the contracts must be procured through URA’s e-tendering platform under “Smart Tender” Building Rehabilitation Facilitation Services scheme (“Smart Tender”)⁶.

Except specified otherwise, all applications under the aforesaid transitional arrangement will be subject to the same criteria as with other applications in the second round of applications.

FINANCIAL IMPLICATIONS

11. An additional non-recurrent funding of \$3 billion will be required for implementing the proposal, on top of the original approved funding of \$3 billion. As mentioned in paragraph 5 above, we expect that the entire OBB 2.0 may benefit a total of around 5 000 eligible buildings.

12. URA as our partner will continue to bear the associated costs of staffing, office accommodation and consultancy service fees from its own resources. As mentioned in paragraph 7, we intend to increase the number of prescribed inspection and repair works to be subsidised under OBB 2.0 concurrently in a gradual manner. While we do not envisage a labour shortage in the relevant trades, we **propose** reserving not more than 2% of the total additional commitment of \$3 billion (viz. \$60 million) in case CIC requires additional resources for training relevant skilled labours above and beyond the quota it has already planned for. If additional resources are not needed for training relevant skilled labours, the reserved amount with interests accrued would be spent on assisting owners in need under OBB 2.0.

13. It is our intention to expend the \$6 billion commitment in full. Funding would be disbursed to URA by instalments. The estimated

⁶ “Smart Tender” is a key safeguard put in OBB 2.0 to prevent bid-rigging. All Category 1 buildings, save for those mentioned under paragraph 10(b) as an exceptional transitional arrangement, must participate in it.

expenditure for 2020-21 is some \$600 million. The estimated cost for the proposal will be included and reflected in the draft Estimates of the relevant financial years. The estimated cash flow requirement upon funding injection is at **Appendix I**.

Appendix I to Annex A

**Operation Building Bright 2.0
Estimated Cost and Cash Flow Requirements upon Funding
Injection**

Estimated Cash Flow Requirement (by years)	(\$'000)
2018-19	290,000
2019-20	550,000
2020-21	600,000
2021-22	720,000
2022-23	720,000
2023-24	720,000
2024-25	840,000
2025-26	840,000
2026-27	720,000
Total	6,000,000

Expansion of Lift Modernisation Subsidy Scheme

PURPOSE

This annex sets out the details of the proposal to expand the Lift Modernisation Subsidy Scheme (LIMSS) to subsidise modernisation of about 3 000 additional aged lifts (i.e. about 8 000 lifts in total) in the community.

BACKGROUND

2. As a medium-term measure ¹ for enhancement of the safety of aged lifts, the Government has partnered with the Urban Renewal Authority (URA) in 2018 to launch the \$2.5 billion LIMSS over six years starting from 2019-20 to provide financial subsidy to needy owners of eligible buildings² for modernisation of about 5 000 aged lifts at the following subsidy level –

- (a) 60% of the total cost of the modernisation works and 100% of the fee of consultants engaged by participating buildings on their own, if any (at a cap of \$20,000 per lift), subject to a cap of \$500,000 per lift in total; and
- (b) the full cost that eligible elderly owner-occupiers ³ aged 60 or above need to contribute towards the lift modernisation works,

¹ In light of the two serious lift incidents happened in 2018, the Development Bureau and Electrical and Mechanical Services Department (EMSD) have formulated short-term, medium-term and medium to long term measures to enhance safety of aged lifts.

² Eligible buildings refer to private residential or composite buildings where the lifts have not yet installed with all the essential safety devices, i.e. double brake system, unintended car movement protection device, ascending car overspeed protection device, and car door mechanical lock and door safety edge; the 2017-18 average rateable value of the domestic units in a building does not exceed \$162,000 per annum in urban areas (including Sha Tin, Kwai Tsing and Tsuen Wan Districts), or \$124,000 per annum in the New Territories (all New Territories districts excluding Sha Tin, Kwai Tsing and Tsuen Wan Districts).

³ Owner-occupiers are defined to include occupiers who are themselves owners of the residential units, as well as owners of properties which are the primary residences of the owners' immediate family members. Immediate family members mean spouse, parents, children, dependent brothers and sisters, grandparents, grandchildren and spouse's parents.

subject to a cap of \$50,000 per domestic unit.

3. The application exercise is implemented in two rounds to allow more time for owners to coordinate and reach consensus on application. The first-round application, commenced on 29 March 2019, was closed on 1 August 2019. A total of around 1 200 applications involving about 5 000 lifts have been received.

PROPOSAL AND JUSTIFICATIONS

Expanding the LIMSS

4. In view of the encouraging responses of the first-round application, the Chief Executive has announced in 2019 Policy Address the Government's proposal to expand the LIMSS to subsidise modernisation works for about 3 000 additional aged lifts, with the proposed enhancement deliberated in paragraphs 6 to 7 below.

5. About 1 400 lifts with higher priorities were selected in the first-round application and the results were announced in October 2019. Unsuccessful eligible applications with lower priorities based on risk assessment will be automatically placed together for prioritisation with applications to be received in the second-round application, which will start in early 2020 tentatively.

Proposed Enhancement

6. To avoid inflating market prices and affecting works quality due to the additional lift modernisation works, we will continue to roll out LIMSS in an orderly manner by granting subsidies in batches over seven years starting from 2019-20. The timeline is shown in **Appendix I**. In parallel, we will collaborate with the Construction Industry Council (CIC) to arrange an appropriate training scheme to attract new blood to join the lift industry⁴ to meet the workforce demand of the modernisation works.

7. It is inevitable that building owners' access would be affected during the lift modernisation works, especially for buildings with single lift or with floors served by one lift only. As such, we **propose** that the LIMSS

⁴ Specifically, the lift trade will be incorporated into the Intermediate Tradesman Collaborative Training Scheme in which training subsidies would be provided to both general workers newly joining the trade and their employers for provision of necessary training.

be enhanced by providing outreach social services ⁵ through engagement of non-government organisations by the URA to the needy residents of these buildings, such as the aged and the disabled, in order to minimise inconvenience caused to them by the lift modernisation works.

FINANCIAL IMPLICATIONS

8. We estimate that a non-recurrent funding of about \$2.01 billion will be required to expand the LIMSS over six years commencing from 2020-21 covering subsidies to the works/services and other related expenses for modernisation of the additional 3 000 lifts, and provision of training and outreach social services for the whole scheme, as detailed below –

	(\$'000)
(a) Subsidy for lift modernisation including consultants' fees ⁶	1,628,100
(b) The URA's administration fee for its e-tendering platform under the Smart Tender	19,000
(c) Expenses related to the EMSD's relevant support services to the URA	19,500
(d) Training scheme for increasing industry capacity	53,800
(e) Outreach social services	288,000
Total	<u>2,008,400</u>

9. It is our intention to spend the \$2.01 billion in full. If there are funds left unspent upon completion of the modernisation works of about 3 000 additional aged lifts under the expanded LIMSS, we **propose** that subsidies be granted to more lifts under the scheme.

10. We will disburse the respective funding by installments to the URA and CIC. The estimated cash flow requirements together with the

⁵ Such outreach social services will include delivery of meals, procurement of daily supplies and provision of stair-climber service, etc. A consultancy study is currently undertaken by the URA to identify the social services required for the needy residents during the course of lift modernisation works. Results will be available in around April 2020.

⁶ With reference to past cases, consultants' fees are around 5% to 8% of the cost of modernisation works.

corresponding number of additional lifts to be modernised are at **Appendix I**. The estimated cost for the above proposal will be included and reflected in the draft Estimates of the relevant financial years.

Review

11. We will regularly review the responses and effectiveness of the LIMSS, and may propose introducing further phases of the LIMSS if deemed appropriate. Subject to factors such as the actual number of subsidy cases of elderly owner-occupiers granted with full subsidy and exact scope of lift modernisation works of each case, the actual subsidy to cover 8 000 lifts may be more than \$4.51 billion in total. We will closely monitor the situation and, where necessary, we may need to seek additional funding for the LIMSS in the future.

Appendix I to Annex B

Lift Modernisation Subsidy Scheme Estimated Cash Flow Requirements and Corresponding Number of Lifts to be Modernised upon Funding Injection

Year	Originally Proposed Number of Lifts to be Modernised	Funding Approved in 2018 for the LIMSS (\$'000)	Proposed Number of Additional Lifts to be Modernised	Estimated Additional Funding ^{Remark} (\$'000)
2019-20	600	260,000	--	--
2020-21	800	360,000	100	98,100
2021-22	900	430,000	200	147,800
2022-23	900	460,000	300	267,800
2023-24	900	480,000	400	267,700
2024-25	900	510,000	500	342,000
2025-26	--	--	1 500	885,000
Total	5 000	2,500,000	3 000	2,008,400

Remark:

The estimated additional funding includes (i) subsidy for lift modernisation and the consultants' fees, (ii) administration fee of the URA, (iii) expenses for provision of supporting services to the URA, (iv) expenses for the training scheme for increasing industry capacity and (v) expenses of outreach social services. The last two sub-items will cover the relevant expenses for the whole scheme.

Building Maintenance Grant Scheme for Needy Owners

PURPOSE

This annex sets out the details of the proposal to establish a new Building Maintenance Grant Scheme for Needy Owners (BMGSNO), which would replace the existing Building Maintenance Grant Scheme for Elderly Owners (BMGSEO) and the proposed funding injection of \$2 billion into the new scheme. It is expected that the additional \$2 billion would benefit about 25 000 needy owner-occupiers.

BACKGROUND

2. Recognising that the lack of financial capability of many elderly owner-occupiers has hampered the repair and maintenance works of their self-occupied premises and has rendered such premises dilapidated and unsafe for occupants and users, the Government launched BMGSEO at a total commitment of \$1 billion in 2008. Under BMGSEO, elderly owner-occupiers aged 60 or above who satisfy the prescribed means tests may obtain a maximum grant of \$40,000 for undertaking a wide range of specified repair and maintenance works within their premises and/or for the common areas of their buildings. BMGSEO is applicable to residential or composite buildings, and there is no restriction on the age or rateable value of the buildings concerned. The scheme has been administered by the Hong Kong Housing Society (HKHS). Details of the scheme are set out in FCR(2008-09)5 which was endorsed by the Finance Committee (FC) on 25 April 2008.

PROPOSAL AND JUSTIFICATIONS

3. As of end October 2019, a total of around 27 000 cases had been approved in-principle under BMGSEO, with around \$684.2 million released or committed. The scheme has been well received by the community, with the number of new applicants remaining stable. Having regard to general public support for BMGSEO and the effectiveness of the scheme in achieving its objectives of improving the condition of the premises for needy elderly owner-occupiers, we **propose** injecting an

additional \$2 billion into the scheme. Besides, we **propose** to take the opportunity to introduce a number of enhancements to the scheme, and transform it into a new scheme to be rechristened as “Building Maintenance Grant Scheme for Needy Owners”. Details are set out in ensuing paragraphs.

Proposed enhancements

Expanding the scope of beneficiaries

4. Apart from eligible elderly owner-occupiers, we **propose** expanding the scope of beneficiaries under the scheme to cover the following two categories of needy owner-occupiers of residential or composite buildings irrespective of the applicants’ age –

- (a) recipients of Comprehensive Social Security Assistance (CSSA); and
- (b) recipients of Disability Allowance (DA)¹, subject to income and asset tests.

In extending the scheme to these categories of individuals, we have made reference to the Common Area Repair Works Subsidy (CAS) and the Home Renovation Interest-free Loan (HRIL) schemes administered by the Urban Renewal Authority (URA), which currently offer a \$10,000 hardship grant each to these two groups of beneficiaries.

5. Regarding paragraph 4(a) above, the CSSA Scheme provides cash assistance for financially vulnerable individuals and families to meet their basic needs. Owners of private properties are normally not able to meet the relevant asset test for receiving CSSA. However, the CSSA Scheme also provides that the value of an owner-occupied premises would be disregarded under the CSSA asset test for (a) a CSSA household which has elderly member(s) aged 65 or above; (b) a CSSA household which has disabled member(s) or member(s) medically certified to be in ill-health; or (c) a CSSA household which does not have any able-bodied adult aged below 50. The proposed BMGSNO would be able to benefit owner-occupiers who are receiving CSSA under the three aforesaid scenarios.

¹ The allowance is administered by SWD and provided to eligible persons with severe disabilities to meet their special needs arising from the disabling condition.

6. As regards paragraph 4(b) above, given that DA is currently not subject to any means tests, we see a need to put in place an appropriate financial test for owner-occupiers receiving DA if they wish to apply for BMGSNO, bearing in mind the spirit of the proposed scheme (and the existing BMGSEO from which it evolves) in helping those owner-occupiers with financial needs. Making reference to the eligibility of other building assistance schemes, most notably the hardship grant of CAS and HRIL under URA, we **propose** adopting the income and asset limits for applying for public rental housing (PRH) under the Hong Kong Housing Authority (HA) for the purpose². As the PRH income and asset limits are reviewed annually by HA, the limits adopted in the means test for DA recipients will be updated annually accordingly. For the avoidance of doubt, the amount of DA received will be excluded from the income limit for deciding whether an applicant is eligible for the BMGSNO.

Raising the asset limit for elderly applicants

7. Currently, the income limit for BMGSEO applicants is pitched at that of the Normal Old Age Living Allowance (Normal OALA). Given that many needy elderly owner-occupiers have little recurrent income and tend to rely heavily on their savings as their means of livelihood, the current asset limit for BMGSEO is fixed at two times of the limit for Normal OALA. However, based on past statistics, one of the main reasons for unsuccessful BMGSEO applications was the failure of applicants to meet the asset test, which gives rise to views in the community that the asset limit should be further relaxed. To strike a balance between the need to safeguard reasonable use of public resources and to address the genuine need for assistance amongst some elderly owner-occupiers, we **propose** that the asset limit of BMGSNO be raised to three times of the asset limit of the Normal OALA.

8. The proposed income and asset limits under BMGSNO for the respective groups of beneficiaries are set out at **Appendix I**. For the avoidance of doubt, the value of the self-occupied premises of the applicants would be excluded from the calculation of asset for the purpose of BMGSNO, following the current practice for administering the asset test applicable to BMGSEO and the hardship grant for the two relevant URA schemes. Where there are adjustments in the income and asset limits for

² The income limits for obtaining interest-free loans for applicants below the age of 60 under Buildings Department's Building Safety Loan Scheme (BSLS) are the same as the income limits of PRH applicants. Besides, asset test also applies for one to obtain interest-free loan under BSLS.

PRH (for the case of DA recipients applicants) or for Normal OALA (for the case of elderly applicants), BMGSNO will follow such adjustments. In cases where applicants belong to more than one category of beneficiaries, they will be eligible for BMGSNO in case they meet any one set of the eligibility criteria under the new scheme.

Increasing the maximum amount of grant

9. The maximum amount of grant under BMGSEO is \$40,000 per case, and the amount was set when the scheme was launched in 2008. There is a need to adjust the amount of grant to bring it in line with the increase in the cost of building repair and maintenance works over the years³. Besides, we also see merits from both the beneficiaries' and the administrative agent's perspectives to integrate the hardship grants under URA's CAS and HRIL into BMGSNO⁴. Having taken into account the inflation in cost for building repair and maintenance works and our plan to integrate URA's hardship grants into BMGSNO, we **propose** that the maximum amount of grant under BMGSNO be increased from \$40,000 to \$80,000 per case.

10. With the proposed increase in the maximum amount of grant under BMGSNO, we **propose** that individuals who have already applied for grants under the existing BMGSEO may also apply for grants under BMGSNO, subject to the aggregate amount of subsidies received by the same applicant under the BMGSEO and the reconstituted BMGSNO not exceeding \$80,000 and resource availability under the approved non-recurrent commitment.

IMPLEMENTATION PLAN

11. BMGSEO is currently administered by HKHS. With the evolvement of its organisational goals since 2008, URA has been assuming a more prominent role in the facilitation of building rehabilitation. Specifically, URA has been administering various technical and financial assistance schemes related to building safety and maintenance, including but not limited to Operation Building Bright 2.0, the Lift Modernisation

³ As an indicator, the Building Works Tender Price Index compiled by the Architectural Services Department has increased by some 52% from Q1 2008 to Q1 2019.

⁴ With the expanded scope of beneficiaries, BMGSNO would cover all beneficiaries eligible for the hardship grants under CAS and HRIL. The regular subsidy of the CAS and loan under HRIL, which are non means-tested, would remain intact.

Subsidy Scheme, the “Smart Tender” Building Rehabilitation Facilitation Services Scheme, as well as CAS and HRIL as mentioned above. On the other hand, BMGSEO is the only remaining building maintenance subsidy scheme administered by the HKHS. In view of the evolvement in the roles of the two organisations and to provide more integrated services to owners who may benefit from various building subsidy schemes, we **propose** that URA would assist the Government in administering BMGSNO.

12. As our partner, URA will bear the cost of staffing and accommodations in administering the scheme and will be reimbursed the out-of-pocket expenses (including legal costs, auditor’s fees and costs for publicity events) incurred for the operation of the scheme from the grant. Funding will be disbursed by installments to URA, which will open a separate bank account for keeping the funds and allocating subsidies to eligible applicants. Any interest generated will be ploughed back to BMGSNO. URA will submit regular progress reports on, inter alia, the financial position of BMGSNO, the number of applications and successful applications, the amount of subsidies granted, interest and investment income, and other information required by the Government. URA will arrange an independent auditor to conduct annual audit on the accounts. The detailed terms of partnership between the Government and URA will be stipulated by way of a memorandum of understanding (MoU) to be entered into by the two parties. A mechanism will be provided under the MoU to resolve difficulties from the implementation of BMGSNO.

13. Subject to early approval being obtained for the proposed increase in funding commitment, URA will commence the necessary preparatory work. In view of the lead time required for URA to take up the administration of BMGSNO in terms of notifying existing BMGSEO applicants, establishing a computer system, tidying up and migrating the data of existing BMGSEO applicants to the new system, establishing the application infrastructure and supportive team, etc., our target is to launch BMGSNO around Q3 2020. We shall strive to achieve a seamless transition when URA takes over from HKHS the administration of BMGSNO. Specifically, HKHS will continue to accept applications under BMGSEO until the launch of the new scheme.

14. Taking into account the experience in administering BMGSEO and other building assistance schemes, URA as the administrative agent is refining the operational details of the scheme in consultation with the Government and HKHS. The objective is to bring better services to the applicants while streamlining the administrative procedures with a view to

minimising the amount of administrative expenses. For example, we plan to remove the current restriction under BMGSEO whereby the same premises may only be eligible for grants up to the maximum amount within a five-year period. This restriction has resulted in subsequent buyer(s) of a premises whose former owner has already benefitted from BMGSEO up to the maximum grant not being able to apply for a grant under the scheme within a five-year period, thus hindering the possibility of the subsequent buyer(s) in seeking for assistance under the scheme to cater for his special needs (e.g. the installation of barrier-free facilities). Besides, we plan to remove the present requirement under BMGSEO for disbursing grants upon satisfactory completion of all common area repair and maintenance works, which may cause financial hardship to applicants. Instead, we are considering issuing interim payments for common area works to applicants upon production of proof of staged completion of works.

15. Apart from the enhancements and changes set out in paragraphs 2 to 14 above, the proposed BMGSNO will adopt all the other eligibility criteria and requirements of BMGSEO as set out in FCR(2008-09)5. In particular, there will be no material change in the types of buildings to be covered, the handling of applications concerning co-owned premises where not all owners are potential beneficiaries of the scheme, the scope of works to be covered, and that the grant could be expended for repaying building maintenance-related loans. A table comparing the key parameters of the two schemes is at **Appendix II**.

FINANCIAL IMPLICATIONS

16. We **propose** that a funding injection of \$2 billion be made into the existing BMGSEO for the launching of the BMGSNO. The additional funding could benefit some 25 000 eligible owners, assuming nearly all applicants could obtain a maximum grant of \$80,000. The amount of the uncommitted fund remaining in the original \$1 billion of BMGSEO is around \$315.8 million as of end October 2019.

17. As pointed out in paragraph 12 above, we will disburse the funding by installments to URA. The estimated expenditure for 2020-21 is around \$152.5 million. The estimated cost for the BMGSNO will be included and reflected in the draft Estimates of the relevant financial years. The estimated cash flow requirement is at **Appendix III**.

**Building Maintenance Grant Scheme for Needy Owners (BMGSNO)
Proposed Income and Asset Limits**

Categories of Applicants	Income Limit for the purpose of BMGSNO	Asset Limit for the purpose of BMGSNO
Disability Allowance recipients	Following the limits for applying for public rental housing under the Hong Kong Housing Authority (prevailing limits for 2019/20 at <i>Table 1</i>)	
Comprehensive Social Security Assistance (CSSA) recipients	The CSSA recipients should have passed the applicable means test for CSSA. No separate means tests to be imposed for their application for BMGSNO.	
Elderly aged 60 or above	Following those for Normal Old Age Living Allowance (Normal OALA) (prevailing level at <i>Table 2</i>)	Triple those for Normal OALA (prevailing level at <i>Table 2</i>)

Table 1 – For applicants receiving Disability Allowance

Family size	Income Limit[^]	Asset Limit
1-person	\$11,830	\$257,000
2-person	\$18,690	\$348,000
3-person	\$23,010	\$454,000
4-person	\$29,240	\$530,000
5-person	\$35,280	\$589,000
6-person	\$38,810	\$637,000
7-person	\$44,550	\$680,000
8-person	\$49,820	\$713,000
9-person	\$54,940	\$788,000
10-person or above	\$59,950	\$849,000

[^] The amount of statutory contribution to the Mandatory Provident Fund or Provident Fund Scheme can be deducted when making income declaration.

Table 2 – For elderly applicants aged at or above 60

Applicant	Income Limit	Asset Limit
Singleton	\$7,970	\$1,029,000
Couple	\$13,050	\$1,560,000

Appendix II to Annex C

Building Maintenance Grant Scheme for Needy Owners Comparison of Prevailing and Proposed Schemes

Major parameters	Building Maintenance Grant Scheme for Elderly Owners	Building Maintenance Grant Scheme for Needy Owners
Target beneficiaries	Elderly owner-occupiers aged 60 or above subject to means test	Owner-occupiers who are (a) elderly aged 60 or above (subject to means test); (b) Disability Allowance recipients (subject to means test); or (c) Comprehensive Social Security Assistance recipients
Live-in requirement	Yes	
Type of building	Domestic buildings or domestic portions of composite buildings	
Building's rateable value and age	No restriction	
Declaration-based means test	<u>Income limit</u> Income limit of Normal Old Age Living Allowance (OALA) <u>Asset limit</u> Twice the asset limit of Normal OALA	Refer to Appendix I.
Co-owned premises by an eligible person and another ineligible person who is not his/her spouse	The eligible person could still apply for the scheme and will be assessed according to the respective income or asset limits (if applicable). However, the maximum amount of grant that the eligible person could apply for will be in proportion to his/her share of the ownership of the flat	
Married couples	For married couples, as long as the registered owner satisfies the respective requirements as recapped in this appendix and the spouse is residing at the property under application, they will be eligible for the scheme	
Maximum grant	\$40,000 per owner(s) ^(Note) , and per premises within a five-year period	\$80,000 per owner(s) ^(Note) , no restriction per premises

Major parameters	Building Maintenance Grant Scheme for Elderly Owners	Building Maintenance Grant Scheme for Needy Owners
Scope of works	<p>In-flat and common area improvements, repairs or maintenance works relating to building safety, including –</p> <ul style="list-style-type: none"> (a) structural aspects of buildings; (b) external elevations of buildings; (c) defective windows; (d) fire safety of buildings (including the provision of fire safety installations and equipment); (e) removal of unauthorised building works; (f) building and sanitary services; (g) water-proofing membranes; (h) slopes and retaining walls; (i) maintenance works in association with the above works, including investigation works and professional services; and (j) any incidental or consequential works relating to items (a) to (h) above 	
Repayment of loans	<p>Grant could be used to repay building maintenance related loans under the Buildings Department (BD), the Urban Renewal Authority and the Hong Kong Housing Society</p>	
Handling disputes in eligibility	<p>An assessment committee with representatives from the Development Bureau, the partnering organisation and BD will be established to review the case</p>	

(Note) Maximum amount of grant available for an applicant will also be subject to his/her proportion of share of the ownership of the flat.

Appendix III to Annex C

Building Maintenance Grant Scheme for Needy Owners Estimated Cost and Cash Flow Requirements

Financial Year	Existing commitment of \$1 billion	Proposed commitment of \$2 billion	Total
	Actual / Estimated cash flow requirement (\$'000)		
Up to 31 March 2019	647,000 ^(Note)	0	647,000
2019-20	70,000	0	70,000
2020-21	152,500	0	152,500
2021-22	130,500	49,500	180,000
2022-23	0	180,000	180,000
2023-24	0	180,000	180,000
2024-25	0	180,000	180,000
2025-26	0	180,000	180,000
2026-27	0	180,000	180,000
2027-28	0	180,000	180,000
2028-29	0	180,000	180,000
2029-30	0	180,000	180,000
2030-31	0	180,000	180,000
2031-32	0	180,000	180,000
2032-33	0	150,500	150,500
Total	1,000,000	2,000,000	3,000,000

^(Note) Of the total fund of \$885,000,000 disbursed to Hong Kong Housing Society (HKHS) as of end 31 March 2019, \$647,000,000 has been released or committed to be released and \$238,000,000 is the uncommitted fund kept by HKHS. The Government will arrange transfer back of uncommitted funds from HKHS to the Government after the Urban Renewal Authority formally takes over the administration of the Building Maintenance Grant Scheme for Needy Owners.

Water Safety Plan Subsidy Scheme

PURPOSE

This annex sets out the details of the proposed Water Safety Plan Subsidy Scheme (WSPSS).

BACKGROUND

2. Notwithstanding that the drinking water supplied by the Water Supplies Department (WSD) complies with the Hong Kong Drinking Water Standards, the quality of drinking water could be affected by the internal plumbing systems of buildings. Registered consumers and agents who are generally property owners and management agents of buildings respectively bear the primary responsibility for proper management and maintenance of the buildings' internal plumbing systems. To safeguard drinking water safety in buildings, WSD has been promoting implementation of Water Safety Plan for Buildings (WSPB) by property owner associations and management agents in accordance with the recommendation of the World Health Organization since 2017. In essence, WSPB provides a systematic and effective management framework for the internal plumbing systems through which the water safety risks of buildings could be properly addressed and minimised. Details of the formulation and implementation of WSPB are given in **Appendix I**. WSD has also launched the Quality Water Supply Scheme for Buildings – Fresh Water (Management System) (QMS) to encourage property owner associations and management agents to implement WSPB.

3. Currently, implementation of WSPB is voluntary. On public housing side, the Hong Kong Housing Authority has committed to implementing WSPB for all its public rental housing estates¹ in four years, starting from the fourth quarter of 2018, covering about 730 000 households or 28% of the total number of households in Hong Kong. As for private residential buildings, by the end of October 2019, only about 1 000 private residential buildings, covering about 258 000 households or

¹ Housing Authority Paper No. HA 32/2018 dated 26 November 2018.

10% of the total number of households in Hong Kong, have implemented WSPB. The participation rate is not satisfactory.

PROPOSAL AND JUSTIFICATIONS

4. To encourage property owners and management agents to implement WSPB at their premises, the Chief Executive announced in the 2019 Policy Address that the Government plans to launch a new subsidy scheme (i.e. the WSPSS) in order to further safeguard drinking water safety in Hong Kong. The Government has allocated \$440 million over five years starting from 2020-21 for the WSPSS.

5. The WSPSS would provide financial assistance to property owners to initiate implementation of WSPB at their premises including water safety risk assessment on the internal plumbing system of the building for formulation of WSPB and rectification works for controlling the risk(s) as recommended in the water safety risk assessment. The WSPSS also provides financial subsidy for the expenses to be incurred in the first two cycles² of the implementation of the WSPB. It is believed that with the increased awareness of property owners and management agents about the benefits of implementing WSPB on enhancing drinking water safety of their premises, they would be willing to continue implementing WSPB at their premises as routine.

6. The proposed WSPSS will cover subsidy of the following items

- (a) formulation of WSPB including water safety risk assessment on the internal plumbing system of building by qualified person (QP)³, subject to a cap of \$10,000 per building;
- (b) specific checking by QP, and regular maintenance (including cleansing of water tanks) for the internal plumbing system as required in the WSPB during the first and second cycle of implementation, subject to a cap of \$32,500 and \$10,000 per building for the first and second cycle respectively; and

² A cycle of implementation of WSPB typically covers a 2-year period for undertaking the requisite tasks including implementing control measures, regular checking, inspection and maintenance of the internal plumbing system, audit of implementation of the WSPB and review of the WSPB.

³ QP refers to building services engineer, building surveyor, licensed plumber, etc.

- (c) audit of the implementation of the WSPB and subsequent review of the WSPB during the first and second cycle of implementation, if independent party is engaged for the tasks, subject to a cap of \$5,000 and \$2,500 per building for the first and second cycle respectively.

The total maximum subsidy for each building successfully joining the WSPSS is \$60,000 which will cover most of the expenses for items (a) to (c) above.

7. We anticipate that, upon the completion of the water safety risk assessment in item (a) of paragraph 6, only a small portion of the buildings joining the WSPSS may require large-scale rectification works for part(s) of their internal plumbing systems and/or water quality tests. In any case, if such tasks are recommended by QP in the risk assessment, we would assess their genuine need on a case-by-case basis and will consider granting additional subsidy for the genuine cases, which will be subject to a cap of \$250,000 per building.

Eligible Buildings

8. As mentioned above, it is the primary responsibility of property owners for proper management and maintenance of the internal plumbing systems of their buildings to safeguard their drinking water safety. The WSPSS serves to provide subsidy to those property owners in need to encourage them to implement WSPB at their premises. Against this background, we have made reference to the on-going Operation Building Bright 2.0 and Lift Modernisation Subsidy Scheme administered by the Urban Renewal Authority (URA), and propose to adopt the same⁴ average rateable value (RV) ceilings of domestic units in private residential or composite buildings as the eligibility criterion for the WSPSS. We will review and where necessary update such average RV ceilings in line with those of the subsidy schemes mentioned above.

⁴ RV ceiling for participating buildings was set at \$162,000 in urban areas (including Sha Tin, Kwai Tsing and Tsuen Wan districts) and \$124,000 in the New Territories (all New Territories districts excluding Sha Tin, Kwai Tsing and Tsuen Wan districts) as of 2017/18.

9. Based on the proposed eligibility criterion in paragraph 8 above, we estimate that there will be some 10 000 private buildings⁵ eligible for the WSPSS. The WSPSS will be operated on the first-come-first-serve basis and we envisage that about 5 000 eligible buildings could be benefited by the scheme.

Target Beneficiaries

10. The implementation of WSPB, which involves the internal plumbing system of the whole building, will require the coordinated effort of all property owners in the building. We therefore recommend the subsidy be disbursed to owners' corporation (OC) or owners' committees on a building-basis. Those buildings without OCs or owners' committees will be considered on a case-by-case basis.

11. All buildings successfully joining the WSPSS will automatically be admitted into QMS administered by WSD, since they have already met the relevant requirements. WSD will award certificates⁶ to these buildings to recognise the efforts and commitments of property owners and/or management agents of the buildings for proper management and maintenance of the internal plumbing system through implementation of WSPB. The names of the buildings, property owner associations and/or management agents awarded with QMS certificates will be shown on relevant webpage of WSD.

Transitional Arrangement

12. We plan to invite applications for the WSPSS in the second quarter of 2020. To avoid property owners' deferral of implementation of WSPB for the purpose of obtaining the subsidy under the WSPSS, buildings that already have their QMS applications (including the implementation of WSPB) submitted on or after 16 October 2019 (the date of announcement of the WSPSS by the Chief Executive in her 2019 Policy

⁵ The WSPSS will not cover those buildings with three storeys or less, as the water safety risk of their internal plumbing system, which is generally simple with a small number of components and insignificant portion of communal parts, is relatively lower. Individual property owners in these buildings can enhance drinking water safety in their premises by making reference to the practices set out in WSD's water use tips at <https://www.wsd.gov.hk/en/core-businesses/water-quality/water-use-tips/index.html>

⁶ QMS certificates or their copies could be displayed in those awarded buildings, and their stationeries and promotional materials, subject to WSD's guidelines. For details, please refer to <https://www.wsd.gov.hk/en/core-businesses/water-quality/buildings/fresh-water-management-system-/index.html>

Address) will still be eligible for applying subsidy under the WSPSS provided that they can meet the eligibility criterion mentioned in paragraph 8 above.

Administration of the WSPSS

13. The WSPSS will be administered by WSD. WSD will vet applications, validate documentary proofs and process payment of the subsidies. WSD will also provide technical assistance to the subsidised buildings regarding the formulation and implementation of WSPB. Furthermore, WSD's social service team⁷ will offer assistance to those property owners of buildings in need. Apart from the above, the Government will also provide property owners of buildings in need, in particular those of "three-nil buildings"⁸, with free professional advisory and follow-up services on building management, such as the Building Management Professional Advisory Service Scheme implemented by the Home Affairs Department.

Ensuring Proper Use of Subsidies

14. To ensure proper use of public funds under the WSPSS, WSD will undertake site checks to verify the work done by the subsidised buildings (e.g. cleansing of water tank) before certification of the corresponding payments for relevant subsidy items. In order to prevent overcharging by the service providers to the subsidised buildings, we will provide indicative cost level for the major items of works/services⁹ under the WSPSS for different typical types of buildings for reference by OCs, owners' committees or management agents. Moreover, WSD will engage independent consultants to assess the scope of rectification works and advise the corresponding cost estimate(s) for the part(s) of the internal plumbing system, if any, as recommended by QPs in their water safety risk assessment.

⁷ Non-governmental organisation will be engaged to establish the WSD's social service team, which will handle and follow up cases involving social issues by liaising with and referring to other government departments.

⁸ Buildings without OCs or residents' organisations as well as engagement of property management companies.

⁹ Such as the formulation of WSPB including water safety risk assessment on internal plumbing system of buildings by QP, regular checking and inspection of the internal plumbing system by QP as required in the WSPB, etc.

Industry Capacity

15. In general, building services engineers, building surveyors and licensed plumbers can take up the role of QP for WSPB. At present, over 400 QPs have received training¹⁰ on WSPB and we expect that the number of such QPs will continue to grow with more training courses on WSPB organised after the launch of the WSPSS. The industry should therefore have adequate capacity and offer a competitive market to meet the demand for wider implementation of WSPB in the community.

Implementation Plan

16. We intend to invite applications for the WSPSS in the second quarter of 2020 and start granting subsidies around the third quarter of 2020. Publicity programme will be launched in the first quarter of 2020 to provide more details of the scheme to the public.

FINANCIAL IMPLICATION

17. We estimate that a non-recurrent funding of \$440 million will be required for launching the WSPSS over five years. The fund will cover subsidies for the services/works and other related expenses under the WSPSS with breakdown as follows -

	(\$'000)
(a) Subsidy for services required for formulation and implementation of WSPB (paragraphs 6(a) to (c) above)	300,000
(b) Subsidy for rectification works (paragraph 7 above)	125,000
(c) Administration and promotion fees for the WSPSS	15,000
Total	440,000

¹⁰ The Vocational Training Council (VTC) has been providing training courses for building services engineer, building surveyor, licensed plumber, etc. on WSPB on a regular basis. Persons who complete the training course and pass the examination will receive a certificate issued by the VTC. The list of QPs who have already received training on WSPB is available on WSD's website at https://www.wsd.gov.hk/filemanager/en/content_1734/list-of-qualified-person-trained-in-wsp.pdf.

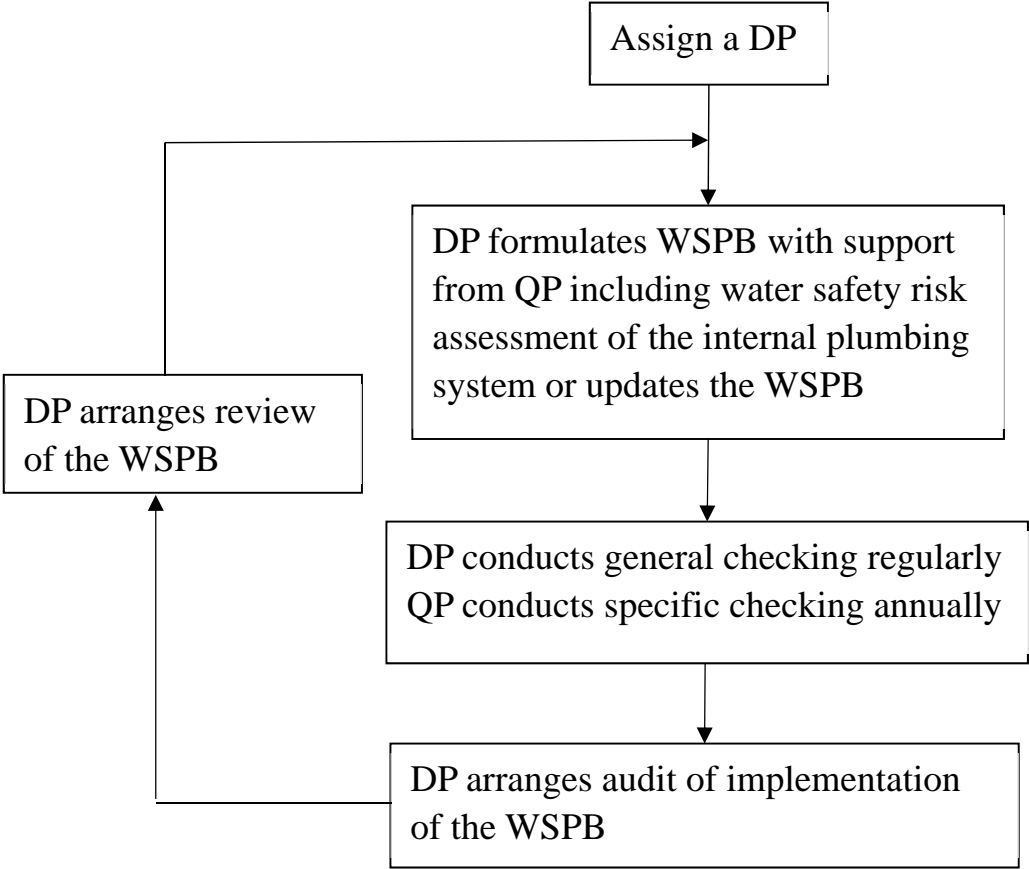
18. It is our intention to spend the \$440 million in full. In other words, if there are funds left unspent upon completion of the implementation of WSPB of the first 5 000 buildings under the WSPSS, we may invite more eligible buildings to apply for the WSPSS.

19. The estimated expenditure in 2020-21 is about \$120 million. The estimated expenditures of the WSPSS during the five years from 2020-21 to 2024-25 are summarised at **Appendix II**. The estimated cost for the above proposal will be included and reflected in the draft Estimates of the relevant financial years.

Formulation and Implementation of WSPB

- A Designated Person (DP) should be assigned to oversee the formulation and implementation of WSPB. DP can be a person familiar with the operations of the building, e.g. the property management officer. DP should be supported by other administrative, maintenance or technical staff. DP should engage Qualified Person (QP) for the formulation of WSPB including water safety risk assessment. If required, DP may seek technical advice from QP for the implementation of the WSPB.
- DP should perform more general checking duties (such as routine inspections of drinking water tanks) and engage QP to conduct more specific checking (such as checking the performance of the water pumps) according to the WSPB.
- DP should arrange an audit of implementation of the WSPB at least once every two years. The auditor can be an internal staff or independent party who is not involved in the implementation of the WSPB.
- DP should arrange a review for updating of the WSPB at least once every two years as well as addressing the audit findings and other improvements, where applicable.
- The steps for the formulation and implementation of WSPB for a general building are summarised in the following figure.

Appendix I to Annex D



Appendix II to Annex D

Estimated Expenditures of the WSPSS

Year	Estimated Expenditure (\$'000)
2020-21	120,000
2021-22	120,000
2022-23	80,000
2023-24	80,000
2024-25	40,000
Total:	440,000