

**For discussion on
7 January 2020**

Legislative Council Panel on Security

**Proposed Continued Implementation of the Fire Safety
Improvement Works Subsidy Scheme**

PURPOSE

This paper seeks Members' views on the Government's proposal to allocate an additional funding of \$3.5 billion to the Fire Safety Improvement Works Subsidy Scheme (FSWS) in order to subsidise more owners of target composite buildings (TCBs) in complying with the requirements on enhancing the fire safety of common areas of the buildings concerned pursuant to the Fire Safety (Buildings) Ordinance (Cap. 572) (FS(B)O). This paper also reports the implementation progress of FSWS as at end November 2019.

IMPLEMENTATION PROGRESS OF FS(B)O

2. Currently there are about 10 500 TCBs regulated under FS(B)O. As at end November 2019, the Fire Services Department (FSD) and the Buildings Department (BD) have inspected about 9 300 TCBs. Amongst the inspected buildings, about 7 800 TCBs have been served with Fire Safety Directions (Directions) issued by FSD and BD. 282 of them have complied with Directions issued by FSD and 202 of them have complied with Directions issued by BD. 58 TCBs have complied with both Directions of FSD and BD. The two departments estimate that it will take about four more years (by 2023) to issue Directions to the remaining 2 700 TCBs.

IMPLEMENTATION PROGRESS OF FSWS

3. The Government, in partnership with the Urban Renewal Authority (URA), implemented the \$2-billion FSWS since 2018 to subsidise owners of TCBs in complying with the requirements on enhancing the fire safety standards of common areas of the buildings concerned pursuant to FS(B)O. It was then anticipated that the amount of \$2 billion could benefit around 2 000 TCBs.

4. FSWS was open for application from July to October 2018. URA received around 2 430 applications (involving around 2 600 TCBs) which met the basic requirements. The response from the public was positive and welcoming, with the number of eligible TCBs applying for FSWS exceeded the previous estimation by about 600. Since the \$2 billion funding will not be sufficient to cover all eligible applications, about 500 applications meeting the basic eligibility criteria (involving about 600 TCBs) are currently placed on the waiting list.

5. As at end November 2019, URA has approached the persons in charge of around 840 applications (involving around 860 TCBs) for commencement of fire safety improvement works. For the remaining about 1 090 applications¹, it is estimated that URA could finish approaching them all by June 2021.

INCREASE FUNDING FOR THE SCHEME

6. In view of the positive response to FSWS and a growing number of TCBs becoming eligible to participate in the scheme (after completion of inspection by FSD and BD, and issuing Directions to them (see paragraph 2 above)), we propose to allocate an additional funding of \$3.5 billion, increasing the total funding of FSWS to \$5.5 billion. Our latest

¹ 2 430 applications – 500 applications on the waiting list – 840 applications of which the persons in charge are being approached = 1 090 applications.

estimate is that the additional funding could benefit around 3 500 to 4 000 TCBs.

7. We propose to continue adopting broadly the current eligibility criteria after the injection of additional funding into FSWS, which mainly include the following –

- a. the building is not under single ownership and is a composite (commercial and residential) building under FS(B)O;
- b. the average annual rateable value (RV) for the residential units of the building must not exceed the specified amounts²; and
- c. the building owners have received Directions issued by FSD and BD for the common parts of the building and/or related Fire Safety Compliance Orders made by the magistrate, but compliance letters confirming the completion of all fire safety improvement works required by FS(B)O had not been issued as of 11 October 2017.

8. We will continue to seek URA's assistance in administering future rounds of application of FSWS, which involve handling applications, disbursing subsidies and monitoring the use of funds. We have also sought the agreement of URA on continuing the practice of it bearing the administrative costs of implementing FSWS. Moreover, the monitoring and control mechanism currently in place (for instance a separate bank account for URA to keep the funds disbursed to it by instalment and allocate subsidies to FSWS applicants, and regular progress reports from URA on FSWS) will also continue to be adopted in future rounds of application.

9. Taking into account the supply of qualified contractors in the market and to avoid driving up the costs of the fire safety improvement

² The average annual RV of the residential units of the building must not exceed the prescribed level of \$162,000 for units in urban areas (including Hong Kong Island, Kowloon, Sha Tin, Kwai Tsing and Tsuen Wan) or \$124,000 for units in the New Territories as of 2017-18.

works required under FS(B)O, we propose that URA will process the applications to be received in future rounds of application by phases, similar to the existing arrangement. Given the market capacity, it is proposed that URA will continue to process around 450 to 500 applications per year.

SCOPE OF BENEFICIARIES

10. There are three main categories of TCBs which will benefit from the proposed additional funding: (1) the about 100 buildings on the waiting list which the original funding is not sufficient to cover³; (2) buildings that did not participate in FSWS when it was launched but intend to participate afterwards; and (3) buildings becoming eligible after the application deadline of FSWS in 2018 (e.g. buildings served with Directions after the application deadline).

11. After the deadline of the previous round of FSWS application in October 2018, the estimated additional number of TCBs which will become eligible for the next round of application tentatively to be rolled out by mid-2020 (i.e. those which had not been issued with Directions at the time of the previous round of application) would reach around 1 300⁴, and hence we consider it timely for a second round of application to be invited. It is also our plan that another round of application be invited in around 2023, after FSD and BD have issued Directions to all TCBs (see paragraph 2 above). That round of application will cover those TCBs which have not yet submitted, or were not yet eligible for submitting, application at the time of mid-2020. We anticipate that FSWS will be more established in the community and there would be a higher application rate among the eligible TCBs. As such, the estimated number of eligible TCBs applying for FSWS in 2023 will be around 3 000.

³ As at end November 2019, it was anticipated that the original \$2 billion funding may be able to further cover around 500 TCBs on the waiting list. For the remaining 100 TCBs on the waiting list, it is estimated that around \$80 million, in addition to the \$2 billion funding, is needed to subsidise them.

⁴ According to the experience of the previous round of FSWS application, not all eligible TCBs would join.

12. We propose that to maintain consistency with the previous round of application on ground of fairness, the existing features of FSWS (including the eligibility criteria, the subsidy level at 60% of the works costs and consultancy fees, the scope of works covered, etc.), which are generally well received by the public, should continue to be adopted in future rounds of application⁵. On the basis of an average subsidy of about \$0.8 million for each TCB under the current stage of application, the additional funding of \$3.5 billion can benefit around 3 500 to 4 000 TCBs. Together with the about 2 500 TCBs covered by the previous round of application rolled out in 2018, the whole FSWS is estimated to benefit around 6 000 to 6 500 TCBs in overall, which should possibly cover the eligible buildings regulated by FS(B)O and in need for subsidy.

FINANCIAL IMPLICATION

13. A non-recurrent funding of \$3.5 billion will be required for continuing to implement FSWS. We will disburse the funding by instalments to URA. The estimated expenditure proposed for 2020-21 is \$100 million, in addition to the original estimated expenditure of \$360 million. The estimated cash flow requirement is at Annex.

⁵ For the application exercise to be launched in mid-2020, the existing subsidy ceiling, as follows, will continue to be adopted –

Number of storeys of the building	1 – 3 storeys	4 – 6 storeys	7 – 12 storeys	13 or above storeys
Subsidy ceiling per building	\$230,000	\$470,000	\$790,000	\$1,260,000

We will keep in view the subsidy amount for each building category under the next round of application, as well as any upsurge in works costs over the period, and consider if there is a need for any upward adjustment of the subsidy ceiling before the further application exercise is launched (tentatively in 2023).

VIEWS SOUGHT

14. Members are invited to comment on the proposed additional funding to FSWS. Subject to Members' views, we will seek the necessary funding approval from the Legislative Council.

Security Bureau

Fire Services Department

Buildings Department

Urban Renewal Authority

January 2020

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

Estimated Cash Flow Requirement (by year)	(in HK\$ billion)	
	Original Funding	Proposed Additional Funding
2018-19	0.13	
2019-20	0.27	
2020-21	0.36	0.1
2021-22	0.36	0.2
2022-23	0.35	0.2
2023-24	0.35	0.3
2024-25	0.18	0.6
2025-26 and beyond		2.1
Sub-total:	2.0	3.5
Total:	5.5	