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Panel on Security

Background brief prepared by the Legislative Council Secretariat for the meeting on 7 January 2020

Fire Safety Improvement Works Subsidy Scheme

Purpose

This paper gives a brief account of the past discussions by the Panel on Security ("the Panel") on the launch of the Fire Safety Improvement Works Subsidy Scheme ("FSW Scheme") to subsidize owners of old composite buildings to undertake fire safety enhancement measures as required by the Fire Safety (Buildings) Ordinance (Cap. 572) ("FS(B)O").

Background

2. FS(B)O came into operation on 1 July 2007. It requires that the fire safety measures of composite buildings 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. The Chief Executive ("CE") announced in the 2017 Policy Address that the Government planned to devote \$2 billion to launch the FSW Scheme to subsidize owners of eligible composite buildings to undertake fire safety enhancement measures as required by FS(B)O. The eligibility criteria for the subsidy under the FSW Scheme is in **Appendix I**. Eligible building 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. In mid-2018, the Government jointly launched the FSW Scheme with the Urban Renewal Authority ("URA") with an allocation of \$2 billion.

Deliberations of the Panel

Need for the Fire Safety Improvement Works Subsidy Scheme

4. Some members pointed out that when FS(B)O was enacted, the financial burden arising from fire safety improvement works required was not a concern. They considered that the major difficulties encountered by the building owners in carrying out fire safety improvement works were mainly technical but not financial in nature, and queried the need for the FSW Scheme.

5. Some other members, however, held different views. They considered that while failure to comply with the Directions issued by FSD or BD might be due to various reasons, including technical problems and difficulties in forming owners' corporation ("OC") or owners' committee, owners lacking in funding was the major problem especially for those buildings where a majority of owners were seniors facing financial difficulties.

6. According to the Administration, compliance situation with the Directions had been unsatisfactory. It was highlighted that apart from technical issues, another common problem faced by owners of old buildings was financial difficulties. While there were some financial assistance schemes available to owners for building repair works, which covered fire safety-related works, the amount of subsidy provided was relatively low. Taking the Common Area Repair Works Subsidy of URA as an example, the owner of a unit could generally receive a subsidy of around 20-30% of the cost of building repair works at most, capped at \$4,500 per unit. The Administration considered that a higher level of subsidy would offer owners a greater incentive to coordinate and carry out repair works. That said, the Administration stressed that to ensure proper use of public money, certain criteria had to be met for a building to be eligible for subsidy under the FSW Scheme. For example, a ceiling on the average rateable value of residential units of a building would be imposed so that the subsidy could target those building owners with greater need for financial support.

Technical difficulties encountered by owners of old buildings

7. Members expressed concern that some old building owners could not be able to fully comply with the requirements set out in the Directions due to structural or spatial constraints of their buildings. Specifically, old buildings of three storeys or less might encounter genuine technical difficulties in carrying

out fire safety improvement works, as these aged buildings would be subject to greater structural or spatial constraints in the installation of fire service water tanks and pumping stations.

8. The Administration advised that it was aware of the difficulties faced by some owners in complying with the Directions. As such, FSD had, as allowed under FS(B)O, extended the compliance period of the Directions in the light of the justifications provided and/or the scale of works involved. Having regard to the circumstances of individual buildings, FSD and BD had, where basic fire safety would not be compromised, adopted a flexible and pragmatic approach in handling individual cases and allowed owners more time and flexibility in complying with the Directions. Besides, FSD had introduced a series of improvised measures, including the "improvised hose reel system" and lowering of the capacity requirements for supply tanks of the fire service systems, with a view to assisting owners in overcoming technical difficulties associated with the works. As for old buildings of three storeys or less, FSD and the Water Supplies Department had since September 2016 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. As regards old buildings of four to six storeys, FSD had lowered the capacity requirement of fire service water tanks for most of them from 2 000 litres to 500 litres.

9. Some members suggested that FSD should carry out fire safety improvement works for aged owners who had difficulties in complying with the Directions. Concern was also raised as to whether FSD could carry out the fire safety improvement works required under the Directions and recover the costs from owners of the buildings concerned.

10. The Administration advised that it would be difficult for FSD to carry out the works concerned for owners of buildings, as there were various matters requiring the agreement and coordination amongst the owners, for instance, the location for installation of a fire service water tank in the common area of a building, the arrangement of annual inspection of the fire service installations and equipment, as well as the sharing of the subsequent repair and maintenance costs. Nevertheless, the Administration would review the FSW Scheme some time after its implementation.

11. Some members pointed out that a number of owners of pre-1987 composite buildings and domestic buildings, especially "three-nil" buildings (i.e. buildings without OCs, residents' organizations or property management companies), had encountered difficulties in coordinating fire safety improvement works. Specifically, these owners were unable to apply under the name of an OC for the relevant building maintenance loans and grants.

12. The Administration advised that noting the difficulties encountered by "three-nil" buildings, FSD had extended the compliance period of the Directions in the light of the justifications provided and/or the scale of works involved. To strengthen the provision of free professional advice and support services to "three-nil" buildings and enhance building management and maintenance works on all fronts, members were further advised that the Home Affairs Department ("HAD") had introduced the Building Management Professional Advisory Service Scheme since 2011. In addition, FSD and BD would refer a list of target buildings without OCs to HAD so that the latter could assist the owners in establishing OCs.

13. Members were assured that that the Administration had been, and would continue adopting a flexible and pragmatic approach in handling individual cases. The relevant departments would also continue to review the measures implemented from time to time and explore various works options so as to assist the old building owners in complying with the Directions.

Eligibility for the Fire Safety Improvement Works Subsidy Scheme and scope of eligible buildings

14. Members noted that the \$2 billion fund for the FSW Scheme would only benefit around 2 000 target buildings, although 6 400 target composite buildings had been issued with the Directions. Concern was raised about the criteria for assessing applications under the FSW Scheme. The Administration advised that factors such as the age of a building and the time elapsed after a Direction was issued would be taken into consideration in the assessment of applications. The relevant departments would draw up the criteria, which would be made public, for assessment of applications under the FSW Scheme.

15. Some members suggested that direct subsidy should be provided to individual owners of buildings without OCs and owners' committees. Some members considered that subsidy should also be provided under the FSW Scheme to owners of target composite buildings which had already complied with the Directions issued by BD and FSD respectively. Otherwise, these owners would be reluctant to carry out improvement works in future unless subsidies were provided.

16. The Administration advised that only buildings, which had formed OCs or owners' committees, on which the Directions had been served and with required works not yet completed prior to the date of delivery of the CE's 2017 Policy Address would be eligible for subsidy under the FSW Scheme. As FS(B)O had commenced operation since 2007, some fire safety improvement works arising from the Directions previously issued might have been completed

many years ago and there might have been subsequent changes in the ownership of the units concerned.

Latest development

17. According to the paper provided by the Security Bureau on relevant policy initiatives in the CE's 2019 Policy Address and Supplement, the FSW Scheme had received around 2 430 applications which met the basic eligibility criteria, involving about 2 600 buildings. Since the \$2 billion funding would not be sufficient to cover all accepted applications, about 500 applications meeting the basic eligibility criteria were currently placed on the waiting list. In view of the positive response, the Administration proposed to allocate an additional \$3.5 billion to the FSW Scheme, which was expected to benefit over 3 500 buildings additionally. Subject to the funding approval of the Legislative Council ("LegCo"), it was expected that URA could launch the next round of applications in mid-2020.

18. The Administration will brief the Panel on the enhancements to the FSW Scheme at the meeting on 7 January 2020.

Relevant papers

19. A list of the relevant papers on the LegCo's website is in **Appendix II**.

Council Business Division 2
Legislative Council Secretariat
3 January 2020

Appendix I

The eligibility criteria for the subsidy under the Fire Safety Improvement Works Subsidy Scheme

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

- (a) the building is a target composite building to which the Fire Safety (Buildings) Ordinance (Cap. 572) 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 by the Fire Services Department and the Buildings Department 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 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.

**Relevant papers on the
Fire Safety Improvement Works Subsidy Scheme**

| Committee | Date of meeting | Paper |
|---------------------|------------------------------|--|
| Panel on Security | 25.1.2007 (Item IV) | Agenda Minutes |
| | 5.1.2016 (Item VIII) | Agenda Minutes |
| | 3 November 2017 (Item IV) | Agenda Minutes |
| | 9 January 2018 (Item IV) | Agenda Minutes |
| Legislative Council | 2.3.2016 | Official Record of Proceedings (Question 6) |
| | 2.11.2016 | Official Record of Proceedings (Question 10) |
| | 14.6.2017 | Official Record of Proceedings (Question 5) |
| | 5.7.2017 | Official Record of Proceedings (Question 10) |