

ITEM FOR FINANCE COMMITTEE

HEAD 46 - GENERAL EXPENSES OF THE CIVIL SERVICE Subhead 014 Home purchase allowance Subhead 033 Home Financing Scheme

Members are invited to approve supplementary provision of \$72 million under Subhead 014 Home purchase allowance and \$177 million under Subhead 033 Home Financing Scheme.

PROBLEM

The approved provision for the Home Purchase Scheme (HPS) and the Home Financing Scheme (HFS) under Head 46 Subhead 014 Home purchase allowance and Subhead 033 Home Financing Scheme respectively are insufficient to meet increased expenditure in 1999-2000.

PROPOSAL

2. The Director of Accounting Services (DAS) requests supplementary provision of \$72 million and \$177 million under Subhead 014 Home purchase allowance and Subhead 033 Home Financing Scheme respectively.

JUSTIFICATION

3. On the basis of the actual expenditure for the nine months from April to December 1999, DAS estimates that expenditure for payments of Home Purchase Allowance (HPA) and Home Financing Allowance (HFA) in 1999-2000 will exceed the approved provision by \$72 million and \$177 million respectively, calculated as follows -

/(a)

	HPA \$ million	HFA \$ million
(a) Actual expenditure from 1 April 1999 to 31 December 1999	813	1,955
(b) Estimated expenditure from 1 January 2000 to 31 March 2000	289	712
(c) Estimated total expenditure for 1999-2000 [(a) + (b)]	<u>1,102</u>	<u>2,667</u>
Less		
(d) Approved provision for 1999-2000	1,030	2,490
(e) Shortfall [(c) - (d)]	<u>72</u>	<u>177</u>

4. The supplementary provision required is mainly due to -

- (a) a higher than anticipated number of participants during 1999-2000 which accounts for \$63 million and \$111 million of the supplementary provision sought for the HPS and HFS respectively. In compiling the 1999-2000 Estimates, DAS estimated an average of 13 030 HPS participants and 9 740 HFS participants throughout the year. DAS now estimates an average of 13 818 HPS participants and 10 161 HFS participants in the fiscal year on the basis of the actual position in the first nine months of the year. For HFS, the major contributing factor is the higher than estimated number of eligible officers who joined the scheme from January to March 1999 prior to the reduction of rates of allowances by 13.7% in April 1999 which was not known at the time of preparation of the estimates. In addition, the number of new joinees in 1999-2000 also exceeds the original estimate. For HPS, it is mainly attributed to the smaller than estimated number of officers who leave the scheme in 1999-2000; and
- (b) a higher than estimated average payment per participant which accounts for about \$9 million and \$66 million of the supplementary provision sought for the HPS and HFS respectively. In compiling the 1999-2000 Estimates, DAS estimated an average monthly payment of \$6,587 for each HPS participant and \$21,304 for each HFS participant throughout the year. On the basis of the actual

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payments in the first nine months, DAS now estimates \$6,646 as the average monthly payment per HPS participant and \$21,873 per HFS participant in the fiscal year. This is mainly attributed to the receipt of higher rates of allowance by the participants due to their profile such as salary progression and promotion, which has been partly offset by the reduction of 13.7% in HPA and HFA rates as approved by Members *vide* FCR(98-99)81 for HPS and HFS participants who joined the scheme on or after 1 April 1999.

FINANCIAL IMPLICATIONS

5. If Members approve the proposal, we shall offset the total supplementary provision of \$249 million required by deleting \$220 million from Head 120 Pensions Subhead 015 Public and judicial service pension benefits and compensation and \$29 million from Head 120 Pensions Subhead 016 Gratuities for officers on contract in light of the lower than expected level of expenditure in these areas.

BACKGROUND INFORMATION

Home Purchase Scheme

6. The HPS was introduced in 1981 to help civil servants below Master Pay Scale (MPS) 34 or equivalent buy a permanent home in Hong Kong. It is a discretionary benefit which is subject to an annual quota of 1 800 and the availability of funds. Participants may receive a monthly allowance for up to 120 months and a downpayment loan to help them acquire residential properties in Hong Kong.

7. HPS participants shall remain throughout their entitlement period on the scale of rates of HPA prevailing at the time they join the scheme. They may progress to higher rates appropriate to their salary points on the same scale through salary progression or promotion. Notwithstanding this, if they subsequently trade up their properties, they may opt to draw HPA at the rates prevailing at the time they change properties.

Home Financing Scheme

8. The HFS was introduced on 1 October 1990 for officers on MPS 34 or above (or equivalent) to promote home ownership among civil servants. Participants are eligible for a monthly HFA for a maximum period of 120 months and a downpayment loan to help them acquire residential properties in Hong Kong.

9. Throughout their entitlement period, participants in the HFS are locked into the scale of rates prevailing at the time they joined it. They may progress to higher rates appropriate to their salary points on the same scale through salary progression or promotion. Notwithstanding this, those who joined the scheme before 1 November 1994 and subsequently trade up their properties, may opt to draw the allowance at the special rates prevailing at the time of trading up.

Civil Service Bureau
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