

For Information

Legislative Council Panel on Education

HOME FINANCING SCHEME FOR ELIGIBLE STAFF IN UNIVERSITY GRANTS COMMITTEE-FUNDED INSTITUTIONS: PROGRESS REPORT ON ITS IMPLEMENTATION

Purpose

This paper provides supplementary information on the implementation of the Home Financing Scheme (HFS) for eligible staff in University Grants Committee (UGC)-funded institutions.

Background

2. On 17 January 2000, the Administration presented a paper to the LegCo Panel on Education (the Panel) on the progress of implementing the UGC HFS. Members expressed support for the Administration's request to seek supplementary provision for the implementation of the UGC HFS. The Panel also asked the Administration to provide more details on the estimated costs and benefits, particularly on the utilisation of surplus quarters arising from the introduction in the UGC HFS.

Cost and Benefit

3. According to the original Cost Benefit Analysis (CBA) presented in FCR(98-99)30, over a 15-year period, the introduction of the HFS will cost \$5.6 billion less than the continued provision of the existing housing benefits (e.g. Private Tenancy Allowance (PTA)). The higher than expected take-up rate of HFS will help advance the materialisation of such savings. We intend to update the CBA towards the end of the three-year option period for the UGC HFS when the take-up rate of the HFS is stabilised. We will report the findings to the Panel in due course.

4. In the meantime, the Administration and the institutions have made arrangements to safeguard Government's interest as envisaged in the CBA which formed the basis of Finance Committee's approval of the scheme. Taking account of the higher than originally anticipated take-up rate, the benefits of the HFS to date include -

- (a) reduced expenditure of some **\$300 million** on non-HFS housing benefits in 1999-2000, the bulk of which has already been reflected in the approved provision for these requirements in the 1999-2000 Estimates. In accordance with the agreed financial controls, additional savings arising in the course of the year will be used to offset HFS requirements;
- (b) notional rental income of about **\$21 million** in 1999-2000 accrued to the Government in accordance with the agreement for the Government and the institutions to share rental proceeds of surplus quarters arising from UGC HFS¹;
- (c) savings in capital works expenditure of about **\$313 million** arising from deletion of the City University of Hong Kong's staff quarter project; and
- (d) disposal or alternative uses of quarters, including returning the quarters to Government and converting them into student residence or academic support facilities. Details of these proposals as drawn up by the institutions and under consideration by the Administration are set out in paragraph 6.

Latest Position

5. As at 31 January 2000, there were a total of 788 surplus staff quarters in the UGC-funded institutions arising from the implementation of UGC HFS. Of them, 81 (10%) were occupied by eligible staff, 362

¹ This sharing arrangement will only come into effect 12 months after the quarters become surplus. It does not apply to quarters built with private funds and situated on private land or will be waived where the disposal plan of the surplus quarters is accepted by Government on the advice of the Task Force set up to consider such proposals and other matters related to implementation of HFS.

(46%) were rented out to institutions' own staff (majority of whom were recipients of Home Financing Allowance and PTA), 93 (12%) were occupied by visiting scholars, etc, 75 (10%) were allocated for other temporary use and 177 (22%) were vacant.

6. The Task Force has been monitoring the situation to ensure optimal utilisation of the surplus quarters. It has met five times so far. In addition, ad hoc meetings have been held with relevant institutions and departments (e.g. the Government Property Agency and Lands Department) to discuss specific disposal proposals. The following proposals have been discussed and/or agreed.

(a) **Hong Kong Baptist University (HKBU)**

Government has reached agreement with HKBU to take possession of Towers 4 and 5 of its Fotan Quarters at nil cost in early 2000. We plan to make use of these two blocks of 45 units to facilitate the decanting of Government quarters elsewhere.

(b) **Chinese University of Hong Kong (CUHK)**

CUHK proposes to convert five blocks of its staff quarters into student hostels. If implemented, this will enable CUHK to meet part of the shortfall which Government has agreed in principle to provide, subject to funding availability, under the student hostel policy. This will save the cost for constructing two brand new student hostel blocks. CUHK also proposes to convert one block into academic support facilities. CUHK has submitted a revised preliminary project feasibility study for this proposal which is being vetted by the Architectural Services Department. In addition, there has been discussion between CUHK and the Science Park about the possibility of renting some quarters to people working in the Science Park.

(c) **The Hong Kong Polytechnic University (PolyU)**

Government has reached agreement with PolyU on the return of the quarter site in Fotan, involving a total of 155 units, at nil cost to Lands Department in mid-2001. In the meantime, PolyU has obtained temporary waivers to turn these quarters into rentable premises for their staff members and where appropriate, outsiders.

(d) **University of Hong Kong (HKU)**

HKU has plans to return a few blocks of quarters to Government in the overall context of HKU's Strategic Campus Development proposal. Discussion is presently under way between Government and HKU on the principles and technicalities.

(e) **Hong Kong Institute of Education (HKIEd)**

The staff quarter project in HKIEd's new Tai Po campus, which was in the advance stage of construction at the time of the introduction of the UGC HFS, has recently been completed. In view of the lower than expected demand for quarters, the HKIEd is considering the possibility of converting some of them into student hostels.

Finance Committee Submission

7. We will submit a paper to the Finance Committee on 18 February 2000 seeking its approval for a supplementary provision of **\$362 million** in 1999-2000 under Head 190 - University Grants Committee Subhead 529 to meet the additional cashflow requirements arising from the higher than expected take-up rate.