

For Information  
On 17 January 2000

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 reports progress on the implementation of the Home Financing Scheme (HFS) for eligible staff in University Grants Committee (UGC)-funded institutions since its inception in October 1998.

**Background**

2. With the endorsement of the Executive Council and approval by Finance Committee of the Legislative Council (FC) *vide* FCR(1998-99)30, the UGC HFS was introduced with effect from 1 October 1998 as the only form of housing benefit available to newly appointed eligible staff of the UGC-funded institutions, and an irrevocable option for serving staff. The following paragraphs set out the take-up rate, expenditure requirements and measures to optimise the use of surplus quarters.

**Take-up Rate**

3. UGC HFS has been well received by eligible staff in the UGC-funded institutions. As at 31 December 1999, a total of 2 785 eligible staff in UGC-funded institutions have opted for HFS, representing a take-up rate of 54%. The institutions estimate that the take-up rate will remain broadly the same in the remainder of the 1999-2000 financial year. This take-up rate in 1999-2000 far exceeds the level we assumed in the cost and benefit analysis submitted to FC on 18 September 1998 and the projection of financial requirements contained in the 1999-2000 Estimates. Our projection then was that slightly more than a third (around 1 900) of total eligible staff would have joined HFS by the end of 1999-2000.

## **HFS expenditure**

4. The approved provision in the 1999-2000 Estimates for the UGC HFS is \$645 million. Because of the higher than anticipated take-up rate, UGC-funded institutions will need around \$1,007 million to meet the HFS requirement in 1999-2000, representing an increase of \$362 million over the 1999-2000 Estimates provision. We shall shortly make a submission to FC seeking approval for supplementary provision.

5. The additional expenditure on HFS is only an increase in upfront cashflow requirements. Part of this additional expenditure will be offset by reduced requirement for funding of other forms of housing benefit. According to the cost and benefit analysis 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). The higher than expected take-up rate of HFS will in fact help advance the materialisation of such savings.

6. In 1999-2000, savings in the expenditure on other types of housing benefits are expected to amount to \$85 million. Besides, the Government may also derive benefits from surplus staff quarters. These benefits will mainly take two forms. First, pursuant to an agreement between Government and UGC-funded institutions and endorsed by FC, Government is entitled to a share of the notional rental proceeds of surplus staff quarters one year after the quarters become surplus arising from UGC HFS. However, this sharing arrangement 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. In 1999-2000, we estimate that the notional rental income accrued to Government will amount to around \$21 million. Secondly, the Government will derive benefits through the disposal of quarters. These include revenue to be gained through the sale of quarter sites where these are proposed for return to Government and reduced capital expenditure on student hostels and other academic support facilities where the quarters are put to these alternative uses.

## **Disposal of Surplus Quarters**

7. As at 31 November 1999, there were a total of 759 surplus staff quarters in the UGC-funded institutions arising from the implementation of HFS. To ensure that surplus quarters are disposed of or converted in ways that yield the greatest public benefits, we have, as foreshadowed in FCR(98-99)30, set up a Task Force chaired by Secretary-General, UGC immediately after the introduction of UGC HFS. The Task Force comprises representatives from the Administration and institutions, and is tasked to consider and advise on proposals from institutions on disposal plans or alternative uses of surplus quarters and their consequential implications on Government's share of the rental proceeds from the surplus quarters.

8. Since its establishment in December 1998, the Task Force has met five times. When considering proposals on disposal of surplus quarters, the Task Force has adhered to the following principles:

- (a) We should safeguard Government's interest as envisaged in the cost and benefit analysis which formed the basis of Finance Committee's approval of the Scheme, and at the same time not undercut institutions' resources for educational services; and
- (b) We accept that the UGC HFS is a new scheme that may give rise to unforeseen implementation problems, in particular in the initial period. We are therefore prepared to consider more flexible arrangements provided that the overall and long-term objectives of the HFS are achieved.

9. The Administration and the institutions have taken the following measures:

- (a) In anticipation of the introduction of the UGC HFS, the Administration has stopped the staff quarter project of the City University of Hong Kong with an estimated project cost of about \$313 million.
- (b) A total of 69 leased quarters have been released since the implementation of the UGC HFS in October 1998.

- (c) Some institutions have obtained temporary waivers from the Director of Lands to turn some quarters into rentable premises for their staff members (particularly those receiving Home Financing Allowance for rental) and, where appropriate, outsiders.

10. Institutions have also formulated medium to long term proposals on the disposal or alternative uses of quarters for consideration by the Task Force. The breakdown of these proposals and the respective number of quarters involved are as follows:

		<b>Hong Kong Baptist University</b>	<b>Chinese University of Hong Kong</b>	<b>Hong Kong Polytechnic University</b>	<b>University of Hong Kong</b>	<b>Total</b>
(a)	To return the quarters to the Government	45	-	118	100	263
(b)	To convert the quarters into student residence	-	94	-	-	94
(c)	To convert the quarters into academic support facilities	-	14	-	-	14
	<b>Total</b>	45	108	118	100	371