

For Information
on 4 December 2000

Legislative Council Panel on Financial Affairs

DISPOSAL OF SURPLUS QUARTERS ARISING FROM THE IMPLEMENTATION OF HOME FINANCING SCHEME FOR ELIGIBLE STAFF IN UNIVERSITY GRANTS COMMITTEE-FUNDED INSTITUTIONS

Introduction

On 2 May 2000, the Administration briefed the Legislative Council Panel on Financial Affairs on the disposal of surplus quarters arising from the introduction of Home Financing Scheme (HFS) in the University Grants Committee (UGC)-funded institutions. At that meeting, the Administration undertook to provide Members with half-yearly progress reports on the disposal of surplus quarters. This paper reports development since May 2000.

Background

2. With the approval of 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 UGC HFS has been well received by eligible staff in the UGC-funded institutions. As at 30 September 2000, a total of 3 200 eligible staff have opted for the UGC HFS, representing a take-up rate of 63%. This is slightly higher than the 62% recorded for March 2000.

Disposal of Surplus Staff Quarters

3. As foreshadowed in FCR(98-99)30, we have set up a Task Force chaired by the Secretary-General, UGC, immediately after the introduction of the UGC HFS, to ensure that surplus quarters are disposed of or converted in ways that yield the greatest public benefits.

4. As at 30 September 2000, there were a total of 626 surplus staff quarters in the UGC-funded institutions arising from the implementation of the UGC HFS (the figure was 826 as at 31 March 2000). Of these, 112 (18%) were occupied by eligible staff, 326 (52%) were rented out to institutions' own staff (majority of whom were recipients of Home Financing Allowance and PTA), 67 (11%) were occupied by visiting scholars, etc which yielded savings in renting accommodation/hotels outside campus, 50 (8%) were allocated for other temporary use (e.g. rented to exchange students) and 71 (11%) were vacant. The number of vacant surplus quarters in March 2000 was 171 (21%).

5. As Members noted from the paper submitted to the Panel in May 2000, the benefits brought about by the disposal or alternative usage of the surplus staff quarters mainly take the following two forms -

- (a) Pursuant to an agreement between Government and the UGC-funded institutions and as 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 HFS¹. In 2000-01, notional rental income of about \$47 million was accrued to the Government. We estimate that the notional rental income accrued to Government will amount to around \$52 million in 2001-02; and
- (b) The Government or the institutions will derive benefits through the disposal of quarters. These include revenue accrued to Government through the sale of quarter sites where these are proposed for return to Government, or the provision of additional student hostels and other academic support facilities where the quarters are converted to these alternative uses by the institutions with the agreement of Government.

6. Regarding paragraph 5(b) above, institutions have formulated a number of medium to long term proposals on the disposal or alternative uses of quarters. Details of these proposals including the number of quarters involved are as follows:

¹ This sharing arrangement does not apply to quarters built with private funds and situated on private land. It is also 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.

		Hong Kong Baptist University	Chinese University of Hong Kong	Hong Kong Institute of Education	Hong Kong Polytechnic University	University of Hong Kong	Total
(a)	Return to the Government	45	-	-	155	170	370
(b)	Convert into student hostels	-	94	66	-	-	160
(c)	Convert into academic or support facilities	-	14	5	-	-	19
	Total	45	108	71	155	170	549

Details of Proposals

(a) Hong Kong Baptist University (HKBU)

The Government reached an agreement with HKBU to take possession of Towers 4 and 5 of its Fotan Quarters at nil cost. The quarters were handed over to the Government Property Administrator on 1 July 2000. The Administration plans 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 proposed to convert five blocks of its staff quarters into 590 student hostels places and one block of staff quarters into academic support facilities. On 23 June 2000, the Finance Committee (FC) approved a new commitment of \$49.99 million in money-of-the-day prices for implementing the conversion proposals.

(c) Hong Kong Institute of Education (HKIED)

The staff quarters project in HKIED's new Tai Po campus was in an advanced stage of construction at the time of the introduction of the UGC HFS and was ready for occupation by February 2000. In view of the lower than expected demand for quarters, the HKIED proposed to convert 66 staff quarters into 500 student hostel places and five quarters into an early childhood learning centre with private funds. The proposal was approved by the FC on 23 June 2000.

(d) The Hong Kong Polytechnic University (PolyU)

The Government reached an agreement with PolyU for the Government to take over the Pak Tak Yuen site in Fotan at nil cost. The whole Pak Tak Yuen site was handed over to the Lands Department on 30 September 2000 for disposal.

(e) University of Hong Kong (HKU)

HKU has plans to return a few blocks of quarters to Government in the overall context of the University's Strategic Campus Development proposal. Discussion is presently under way between Government and HKU on the principles and technicalities. Consideration is being given to asking HKU to surrender a few quarter sites to the Government by September 2002 or such later date as may be approved by the Director of Lands. Meanwhile, HKU has put some of the quarters on the market for renting. Since the overall disposal plan has yet to be agreed between the Government and HKU, the Administration agreed to account separately for the actual rental proceeds generated by these surplus quarters pending a decision on future use to be agreed between the Government and HKU.

Further Reporting

7. The Task Force will continue to consider and advise on proposals to dispose of surplus quarters arising from the introduction of UGC HFS. As agreed at the Panel meeting in May 2000, we shall continue to provide half-yearly updates to Members.