Rental Subsidy

3 October 2003

Prepared by

Vicky LEE

Research and Library Services Division
Legislative Council Secretariat

5th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong
Telephone : (852) 2869 9602
Facsimile : (852) 2509 9268
Website : http://www.legco.gov.hk
E-mail : library@legco.gov.hk
## Contents

<table>
<thead>
<tr>
<th>Acknowledgement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>1</td>
</tr>
<tr>
<td><strong>Chapter 1 - Introduction</strong></td>
<td>1</td>
</tr>
<tr>
<td>Background</td>
<td>1</td>
</tr>
<tr>
<td>Definition of rental subsidy</td>
<td>1</td>
</tr>
<tr>
<td>Scope of research</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>2</td>
</tr>
<tr>
<td><strong>Chapter 2 - Hong Kong</strong></td>
<td>3</td>
</tr>
<tr>
<td>Overview</td>
<td>3</td>
</tr>
<tr>
<td>Rent Allowance for Elderly Scheme</td>
<td>4</td>
</tr>
<tr>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>Eligibility and application statistics</td>
<td>4</td>
</tr>
<tr>
<td>Types of acceptable premises</td>
<td>5</td>
</tr>
<tr>
<td>Leasing arrangement</td>
<td>5</td>
</tr>
<tr>
<td>Rate of subsidy and other allowances</td>
<td>6</td>
</tr>
<tr>
<td>Conditions of renewal</td>
<td>7</td>
</tr>
<tr>
<td>Control and monitoring</td>
<td>8</td>
</tr>
<tr>
<td>Impact on the private rental market</td>
<td>8</td>
</tr>
<tr>
<td>Financial implications on the government</td>
<td>8</td>
</tr>
<tr>
<td>Review of programme effectiveness</td>
<td>8</td>
</tr>
<tr>
<td><strong>Chapter 3 - The United Kingdom</strong></td>
<td>9</td>
</tr>
<tr>
<td>Overview</td>
<td>9</td>
</tr>
<tr>
<td>Housing benefit programme</td>
<td>10</td>
</tr>
<tr>
<td>Background</td>
<td>10</td>
</tr>
<tr>
<td>Eligibility and waiting time</td>
<td>10</td>
</tr>
<tr>
<td>Types of acceptable premises</td>
<td>11</td>
</tr>
<tr>
<td>Leasing arrangement</td>
<td>11</td>
</tr>
<tr>
<td>Rate of subsidy and market rent</td>
<td>11</td>
</tr>
<tr>
<td>Conditions of renewal</td>
<td>13</td>
</tr>
<tr>
<td>Complaint mechanism</td>
<td>13</td>
</tr>
<tr>
<td>Control and monitoring</td>
<td>14</td>
</tr>
<tr>
<td>Impact on the private rental market</td>
<td>16</td>
</tr>
<tr>
<td>Financial implications on the government</td>
<td>16</td>
</tr>
<tr>
<td>Review of programme effectiveness</td>
<td>16</td>
</tr>
</tbody>
</table>
## Chapter 4 - New South Wales of Australia

### Overview

- Special Assistance Subsidy Programme
  - Background
  - Eligibility and waiting time
  - Types of acceptable premises
  - Leasing arrangement
  - Rate of subsidy and market rent
  - Conditions of renewal
- Rentstart
  - Background
  - Rentstart Standard
  - Rentstart - Plus
  - Rentstart - Tenancy Assistance
  - Waiting time
  - Leasing arrangement
  - Basis for calculating the affordable rent
  - Conditions of renewal
- Complaint mechanism
- Control and monitoring
- Impact on the private rental market
- Financial implications on the government
- Review of programme effectiveness
  - National Housing Policy Review 1989
  - Industry Commission Inquiry into Public Housing 1993
  - NSW Government Housing Policy Green Paper 1995
  - Review of the Special Assistance Subsidy programme
  - Review of Rentstart

## Chapter 5 - The United States of America

### Overview

- Housing choice voucher programme
- Tenant-based voucher programme
  - Background
  - Eligibility and waiting time
  - Types of acceptable premises
  - Leasing arrangement
  - Rate of subsidy and market rent
  - Conditions of renewal
- Complaint mechanism
- Control and monitoring
- Impact on the private rental market
- Financial implications on the government
- Review of programme effectiveness
Chapter 6 - Arguments For and Against Rental Subsidy

Introduction

Arguments for rental subsidy
- Greater choice of residence
- Greater mobility
- More flexibility
- Less costly compared to the provision of public housing
- More resources available to help the needy
- Increasing supply of quality flats

Arguments against rental subsidy
- Insufficient supply of appropriate flats
- Reluctance to lease flats to rental subsidy recipients by landlords
- Impact on economic and urban development
- Concern for the disabled

Chapter 7 - Analysis

Introduction

Reasons for the establishment of rental subsidy programmes
Eligibility for rental subsidy
Demand for rental subsidy
Cost comparison of rental subsidy versus public housing
Control and monitoring
Affordability of private rental flats
Impact of rental subsidy on the private market
Trend towards the provision of rental subsidy

Appendices

References
Acknowledgement

We sincerely acknowledge the kind assistance given to us by many people in this research. More specifically, we would like to thank the Department for Work and Pensions of the United Kingdom, the Department of Housing of New South Wales, Australia, the Housing and Development Board of Singapore and the Hong Kong Housing Authority for supplying very useful information on rental subsidy programmes in respective places.
Executive Summary

1. In Hong Kong, the Rent Allowance for Elderly Scheme (RAES) was introduced in 2001. The objective is to give eligible elderly persons an additional choice of accommodation so that they can live in districts of their choice or where no public rental housing (PRH) is available. RAES is also a pilot scheme to examine the feasibility of providing cash subsidies to non-elderly Waiting List applicants to rent private accommodations of their choice. Since its implementation, 1 700 applications have been received, of which 442 have been approved. The rate of subsidy is the lesser of the pre-determined rate or 60% of the negotiated rent. The entitlement period is two years. Recipients will continue to the entitlement subject to passing an income-cum-asset test and not owning any domestic property. In 2001/02, the total expenditure on RAES was HK$1.6 million. A review was conducted in 2002, concluding that the scheme had improved the living condition of the elderly.

2. In the United Kingdom (UK), the housing benefit programme was established in 1972. The objective is to assist low-income households and persons on social benefits in renting accommodations of a decent standard. In 2001, 3.9 million households were in receipt of rental subsidy, representing one in every six households in the UK. The rate of subsidy varies among recipients, and the calculations involved are complex. Nonetheless, the amount may fully cover rentals of public flats. The entitlement period is 60 weeks. Recipient will continue to receive entitlement subject to passing a reassessment test. In 2001, the total expenditure on housing benefit was £11.6 billion (HK$136 billion), equivalent to 12% of government expenditure on social benefits and 1% of the UK's gross domestic product. The latest review was conducted in 2000, resulting in a reform of the housing benefit policy.

3. In New South Wales (NSW) of Australia, the Special Assistance Subsidy (SAS) programme was established in 1988. The objective is to assist people with disabilities or HIV/AIDS in renting accommodations in the private market while awaiting public housing allocation. In 2002/03, 1 820 people with either HIV/AIDS or disabilities were provided with SAS. The amount of subsidy is the difference between either the actual rent or the market rent and the contribution made by the recipient to the rent. There is no cap on the entitlement period. In 2001/02, the total expenditure on SAS was A$11 million (HK$46.8 million), accounting for 1.8% of the total housing expenditure. A review has been conducted in 2001, and consultation of further action is ongoing.
4. In addition to the provision of SAS, the government of NSW also provides one-off financial assistance to help low-income households establish or maintain a tenancy in the private rental market through the Rentstart programme. In 2001/02, 50,250 households succeeded in obtaining Rentstart, representing 26.4% of the total number of public housing assistance recipients. There are three levels of assistance under the Rentstart programme. The standard assistance is 75% of the rental deposit, which is about three weeks rent for an unfurnished flat. In 2001/02, the total expenditure on Rentstart was A$23.9 million (HK$101.6 million), accounting for 3.9% of the total housing expenditure. A review was conducted in 2001, resulting in the termination of some establishment fees.

5. In the United States of America (US), the tenant-based voucher programme was established in 1974. The objective is to enable eligible households to obtain decent, safe and sanitary housing. In 2003, there are 1.7 million households in receipt of rental subsidy, accounting for 1.6% of the total number of households in the US. The rate of subsidy is the lesser of the pre-determined rate minus 30% of the family's monthly adjusted income or the gross rent for the flat minus 30% of the family's monthly adjusted income. Recipients will continue to receive the subsidy subject to passing an annual reassessment test. In 2003, the expenditure on tenant-based vouchers is US$16.9 billion (HK$132 billion), equivalent to 49% of the total public housing expenditure. A review was conducted in 2000. The report concluded that the programme was effective and cost-efficient, but should remedy fraud, errors, and abusive use of the subsidy.
Chapter 1 - Introduction

1.1 Background

1.1.1 It has been the aim of the Hong Kong Special Administrative Region (HKSAR) Government to reduce the average waiting time of elderly singletons for public rental housing (PRH). In this connection, the Housing Authority (HA) introduced a pilot scheme on rental subsidy for the elderly in August 2001. HA has also explored the feasibility of providing rental subsidy to non-elderly applicants on the Waiting List (WL). The Panel on Housing (the Panel) discussed at its meeting on 14 February 2003 the need to conduct a research on rental subsidy. Members of the Panel agreed that the research would be useful to facilitate their examination of the cost-effectiveness and the impact of rental subsidy on the private rental market. The Research and Library Services Division (RLSD) undertook to conduct the research and present the findings for the Panel's consideration.

1.2 Definition of rental subsidy

1.2.1 Rental subsidy is a kind of cash allowance provided by the government for low-income households to rent accommodations in the private rental market.

1.3 Scope of research

1.3.1 The scope of research includes the following:

(a) background to the establishment of the rental subsidy programme;
(b) eligibility criteria of applicants;
(c) extent of assistance offered to recipients;
(d) financial implications on the government;
(e) effectiveness of the programme; and
(f) future development of the programme.

1.3.2 The research mainly studies the experience of the United Kingdom (UK), New South Wales (NSW) of Australia and the United States of America (US) in providing rental subsidy for low-income households. A preliminary research has also been conducted on similar arrangements in Singapore, Taiwan and Japan, of which the social environment is comparable to that of Hong Kong.
1.3.3 In the UK, rental subsidy is called housing benefit, and is a type of social benefits. The government revamped the housing benefit programme in 2002 to make it fairer and simpler for subsidy recipients. It has also introduced measures for combating unscrupulous landlords who abuse the programme.

1.3.4 In NSW, long-term rental subsidy is only offered to persons with disabilities or HIV/AIDS. The state also provides a one-off financial assistance, Rentstart, for low-income households to establish and maintain a private tenancy.

1.3.5 In the US, rental subsidy is offered in the form of a voucher, and recipients are allowed to rent private accommodations across states, provided that the dwellings meet the health and safety requirements established by the government.

1.3.6 In Singapore, Taiwan and Japan, there are no rental subsidy or similar programmes available for low-income households to rent accommodations in the private market. This can be attributed to the different principles of housing policies adopted in these places.

1.3.7 In Singapore, the emphasis of its public housing policies has always been on home ownership. To achieve the government's nation-building objective, the Singapore Housing and Development Board encourages ownership of flats so that Singaporeans are given a stakeholdership in the nation.

1.3.8 In Taiwan, although there is no information indicating home ownership as the national goal, in 2000, 83% of households owned their flats built either by private developers or by the government, and only 1% of households lived in public rental housing.

1.3.9 In Japan, there is no readily available information on public housing.

1.3.10 RLSD has sent e-mail and letters to Singapore, Taiwan and Japan, enquiring whether their governments have considered rental subsidy as a choice of public housing assistance. Only Singapore has replied as at the time of publication. Please refer to Appendix I for information on public housing assistance in these three places.

1.4 Methodology

1.4.1 Information for this report was obtained from the Internet, government reports and relevant materials. Enquires were also sent to the relevant authorities in the UK, NSW, the US, Singapore, Taiwan, Japan and Hong Kong.
Chapter 2 - Hong Kong

2.1 Overview

2.1.1 In 2001, of the 2.1 million households in Hong Kong, 31% lived in public rental flats, 16% in subsidized sale flats, 50% in private flats and the remaining 4% in other types of flats.¹

2.1.2 There are two types of public housing assistance programmes, namely the subsidized home ownership programme and the public rental housing programme. Through the subsidized home ownership programme, the Government provides a variety of subsidized home ownership schemes and loan schemes to enable eligible families to buy their own homes. Low-income families with genuine housing needs are eligible to apply for PRH.

2.1.3 In 2001, the total housing stock amounted to 2 140 029, comprising 684 709 (32%) PRH flats, 403 320 (19%) subsidized home ownership flats and 1 052 000 (49%) private flats.² While both the production and sale of subsidized home ownership flats have halted indefinitely from 2003 onwards, the production of PRH flats from 2002/03 to 2006/07 is estimated to range from 18 300 to 23 100 per year, totalling 102 900 flats in these five years.³ In addition, about 17 000 surplus/overhung subsidized home ownership flats may be converted to PRH flats.

2.1.4 In 2001/02, there were 83 779 applicants on the WL, of whom 11 127 were elderly applicants.⁴ The average waiting time for the non-elderly WL applicants to be allocated with a PRH flat was 3.2 years⁵, while that for the elderly WL applicants was 1.3 years⁶. At present, there is an average of 3 000 new applications on a monthly basis.⁷

---

² Information Services Department of the HKSAR Government, Hong Kong 2001 - Chapter 12, Housing.
⁷ Hong Kong Housing Authority, Minutes of the Annual Special Open Meeting of the Hong Kong Housing Authority on 12 June 2003, 20 June 2003.
2.2 Rent Allowance for Elderly Scheme

Background

2.2.1 The Rent Allowance for Elderly Scheme (RAES) was an initiative introduced by HA in 2001 to cater for the housing needs and location preference of the elderly. The objective is to give eligible elderly persons, who have registered on the WL for at least two years and are due for flat allocation or who are due to be rehoused under the development clearance, redevelopment and compassionate categories, an additional choice so that they can live in districts of their choice or where no PRH flats are available. Its introduction was also considered by the Government as a pilot scheme to examine the feasibility of extending the provision of cash subsidies to non-elderly WL applicants to rent private accommodations of their choice.

2.2.2 The establishment of RAES was based on the findings of a survey on housing aspirations of households conducted by the Housing Bureau (HB) in 1999. The survey found that 80% of elderly households preferred to rent flats, of which 10% preferred to rent private self-contained flats. They also preferred to live in their original district of residence. As stated by the Chief Executive of HKSAR in his 2000 Policy Address, HB undertook to explore the feasibility of providing rental subsidy in lieu of PRH to eligible elderly applicants on the WL.

Eligibility and application statistics

2.2.3 Elderly persons who fulfil any of the following criteria are eligible to apply for RAES:

(a) applicants on the WL who are 60 years old or above;
(b) elderly tenants who are due for rehousing under clearance, redevelopment or compassionate rehousing categories; and
(c) existing public housing elderly tenants who are eligible for special transfer on medical, social or compassionate grounds.

2.2.4 Elderly persons receiving the Comprehensive Social Security Assistance (CSSA) are also eligible for RAES.

---

2.2.5 A quota system is employed. When the pilot scheme was first established, the quota was set at 500 and was subjected to annual reviews.\(^\text{10}\) In 2002/03, the quota has been raised to 600.\(^\text{11}\)

2.2.6 Since the implementation of the pilot scheme, 1700 applications have been received, of which 442 have been approved.\(^\text{12}\)

**Types of acceptable premises**

2.2.7 The premises must be either a domestic flat with self-contained facilities or a room with proper partitioning inside a self-contained flat, which is located in Hong Kong. The Housing Department (HD) has the discretion to approve premises which marginally fail to meet the specified conditions. Flats with safety problems, squatter huts and rooftop structures are not acceptable for RAES.

2.2.8 The premises can be shared by up to three households, including the recipient's family.

**Leasing arrangement**

2.2.9 Upon receipt of an Approval-in-Principle issued by HD which is valid for three months, the applicant can start looking for suitable private flats. He may rent the flat from a landlord or a principal tenant. After negotiating the rent with the landlord or the principal tenant, the applicant should arrange an interview with HD. HD examines the documents, and if all requirements are met, approval for renting will be issued.

2.2.10 A recipient who intends to share the flat with another applicant must arrange for a separate lease with the landlord or the principal tenant.

\(^{10}\) Information Services Department of the HKSAR Government, *Hong Kong 2001 - Chapter 12, Housing*.


Rate of subsidy and other allowances

2.2.11 The proportion of rent shared by HA and recipients is 6:4. The rate of subsidy is reviewed annually. Factors affecting the amount of rental subsidy include:

(a) size of the household;

(b) average space allocated to a PRH tenant;

(c) average rental\(^{13}\) of private flats within the range of 30-39.9 m\(^2\) in the urban area; and

(d) the 40% contribution to rent by the RAES recipient.

2.2.12 Non-CSSA recipients may receive the maximum rate of rental subsidy as listed in Table 1 or 60% of the negotiated rent, whichever is lower.

Table 1 - Maximum rate of rental subsidy for Non-Comprehensive Social Security Assistance recipients

<table>
<thead>
<tr>
<th>Household size</th>
<th>Private rent (HK$)</th>
<th>Rent contributed by recipients (40%) (HK$)</th>
<th>Maximum rental subsidy (60%) (HK$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-person</td>
<td>3,010</td>
<td>1,200</td>
<td>1,810</td>
</tr>
<tr>
<td>2-person</td>
<td>4,370</td>
<td>1,750</td>
<td>2,620</td>
</tr>
<tr>
<td>3-person</td>
<td>5,250</td>
<td>2,100</td>
<td>3,150</td>
</tr>
</tbody>
</table>


\(^{13}\) The average rental of private flats within the range of 30 – 39.9m\(^2\) in the urban area in 2001 was HK$177/m\(^2\) which was calculated based on the provisional statistics of the Rating and Valuation Department in the first quarter of 2001.
2.2.13 The maximum rate of rental subsidy for CSSA recipients is listed in Table 2.

Table 2 - Maximum rate of rental subsidy for Comprehensive Social Security Assistance recipients

<table>
<thead>
<tr>
<th>Household size</th>
<th>Private rent (HK$)</th>
<th>Rent contributed by CSSA Scheme (HK$)</th>
<th>Maximum rental subsidy (HK$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-person</td>
<td>3,010</td>
<td>1,505</td>
<td>1,505</td>
</tr>
<tr>
<td>2-person</td>
<td>4,370</td>
<td>3,030</td>
<td>1,340</td>
</tr>
<tr>
<td>3-person</td>
<td>5,250</td>
<td>3,955</td>
<td>1,295</td>
</tr>
</tbody>
</table>


2.2.14 In addition to the rental subsidy which is paid on a monthly basis, successful RAES applicants may also obtain a one-off special grant to pay for the expenses arising from renting private flats, e.g. rental deposit and estate agent commission. The grant may be up to two times of the rental subsidy. RAES recipients in financial difficulties may also apply for an emergency alarm installation subsidy after moving into private rental flats.

Conditions of renewal

2.2.15 A RAES term lasts for two years. A recipient may apply for renewal of a further two-year term, subject to passing an income-cum-asset test and not owning any domestic property.

2.2.16 Upon renewal, the rate of subsidy will be reduced by half if the household's monthly income and assets are one to two times of the prevailing Waiting List Income Limits (WLILs) or Waiting List Asset Limits (WLALs). A recipient with monthly income or assets doubling the prevailing WLILs and WLALs at the termination of the two-year contract is not eligible for renewal.

2.2.17 Recipients may apply for switching back to PRH after the termination of the two-year contract, subject to a six-month advance notice and fulfilment of the prevailing WL eligibility criteria. They may also apply for subsidized home ownership schemes with green form status.
2.3 **Control and monitoring**

2.3.1 RAES recipients must live in the flats and no subletting is allowed. They are required to produce rental receipts for HD inspection once every three months and declare the occupation position at renewal. Random checks are conducted by HD's Central Investigation Team.

2.3.2 In the event of a breach of regulations, the provision of rental subsidy will be terminated. Applicants providing false information or being involved in malpractices will be prosecuted.

2.4 **Impact on the private rental market**

2.4.1 According to the Government, the impact of RAES on the private rental market is insignificant because the quota for the programme is small.\(^{14}\)

2.5 **Financial implications on the government**

2.5.1 For the first year of the establishment of RAES, the Government planned to spend HK$13 million on the programme, including expenditure on the subsidy and administrative fees.\(^{15}\) The actual total expenditure on the scheme was HK$1.6 million.\(^{16}\)

2.6 **Review of programme effectiveness**

2.6.1 In February 2002, a review of RAES was conducted by HA. Feedback from recipients confirmed that "*the scheme has, in general, been useful in providing an additional choice to the elderly and that their living condition has improved.*"\(^{17}\)


\(^{15}\) Legislative Council, Panel on Housing, *Power-point Presentation on Rent Allowance for the Elderly Scheme*, LC Paper No. CB (1) 1137/00-01 (05).


\(^{17}\) Hong Kong Housing Authority, *Press Release - Rent Allowance for Elderly Scheme to Take on Needy Elderly Tenants*, 28 February 2002.
Chapter 3 - The United Kingdom

3.1 Overview

3.1.1 In 2001, of the 20.7 million households in the UK, 3.1 million (15%) lived in public flats provided by local councils or registered social landlords (RSLs), and the remaining (85%) lived in private flats.

3.1.2 People living in both public and private housing units may apply for rental subsidy if they meet the eligibility requirements. In 2001, 3.9 million households were in receipt of rental subsidy, representing one in every six households in the UK. Among these recipients, 58% were aged under 60, of whom 36% were lone parents, 33% had long-term illness, 14% were unemployed, and the remaining 16% were either in work or taking care of the needy. While 81% of recipients were local council or RSL tenants, the remaining 19% were private flat tenants.

3.1.3 There are two types of housing assistance programmes in the UK, namely the housing benefit programme and the home ownership programme. While the former provides cash subsidy to low-income tenants to rent accommodations provided by local councils, RSLs and private landlords, the latter assists tenants residing in accommodations provided by local councils or RSLs to buy private properties.

---

19 Registered Social Landlords (RSLs) are housing associations established for the purpose of providing housing accommodations on a non-profit-making basis. They provide housing for employees of associated industrial and other undertakings, and for special groups such as the aged, disabled or single persons on a mutual and self-build basis. Some RSLs are fair rent societies, co-ownership associations or associations formed specially for providing homes on behalf of local councils. RSLs can raise private funds for new schemes and for investing in stock transferred from local councils outside the constraints of public expenditure control and the public sector borrowing requirements. Therefore, in government accounting, RSLs are treated as private associations even though they are engaged in the provision of social housing. RSLs in the UK are regulated by the Housing Corporation, an organization established by Parliament in 1964 to promote voluntary non-profit-making housing associations and co-operatives.
22 Ibid.
3.2  Housing benefit programme

Background

3.2.1 Housing benefit is considered a social benefit to assist low-income households and persons on social benefits in renting accommodations of a decent standard. The Department for Work and Pensions (DWP) is responsible for the formulation of housing benefit policy at the national level, while local councils are responsible for the administration of the scheme at the local level.

3.2.2 The first housing benefit programme was established in 1972. At that time, it was called the rent rebate scheme, which helped low-income tenants living in council flats pay their rent. In 1973, a parallel rental subsidy scheme was introduced, which helped tenants living in flats provided by private landlords and housing associations pay their rent. Both schemes were means-tested and introduced in a context where there was an appreciation of the growing diversity in labour markets and levels of pay for manual workers. There was also a policy objective to increase council rents in real terms to levels that would remain affordable to most working tenants. These two programmes were amalgamated in 1982/83.

Eligibility and waiting time

3.2.3 To be eligible for housing benefit, an applicant must:

(a) be a UK resident;
(b) be aged 18 or above;
(c) be a low-income earner or a social benefit recipient;
(d) have savings below £16,000 (HK$187,680); and
(e) not be living in a flat of a close relative.

3.2.4 In general, an applicant receives his first payment within 14 days of the submission of application, provided that he has supplied all the necessary information. However, in some cases, the waiting time can be up to 13 weeks. If there is a delay in assessing an application and the applicant is a tenant of a private flat or of RSL, he may apply for interim assistance.

---

23 The average exchange rate of Pound Sterling to Hong Kong Dollar for 2002 was £1=HK$11.73.
26 In 2001/02, the average time for processing a new application for housing benefit by a local council was nine weeks.
Types of acceptable premises

3.2.5 Recipients of housing benefit may rent the following types of premises:

(a) furnished or unfurnished flats;
(b) bedsits27;
(c) houses;
(d) hostels; and
(e) lodgings28.

These premises may be provided by local councils, RSLs or private landlords.

Leasing arrangement

3.2.6 An applicant is required to find an accommodation which meets both his needs and the hygiene and safety standards required by the local council. Whenever a housing benefit recipient moves into another flat, he is required to inform the local council and re-apply for housing benefit. If a landlord makes any changes to the rental, the recipient must also request the local council to make a reassessment of housing benefit.

Rate of subsidy and market rent

3.2.7 Factors affecting the calculation of rental subsidy include:

(a) income29, capital30, age and personal circumstances31 of an applicant;
(b) amount of rent, size and location of the flat; and
(c) amount of bills or services fees relating to the flat.

---

27 Bedsits are single rooms in large houses. They can be self-contained with mini kitchens and bathrooms, or living/sleeping rooms with kitchens and bathrooms shared with other people.
28 Lodgings are flats where tenants are living with their landlords.
29 Income includes wages, salaries, self-employed income, rental income paid by a lodger or subtenant, tax credits, maintenance payments, occupational pensions and other welfare benefits (except Income Support, Job Seekers Allowance and Disability Living Allowance provided by the UK Department for Work and Pensions).
30 Capital includes cash, savings, shares, redundancy payments and property. Capital over £3,000 (HK$35,190) (£6,000 (HK$70,380) if the applicant and his partner are aged 60 or above) will affect the amount of housing benefit. Source: Web site of the UK Department for Work and Pensions, http://www.dwp.gov.uk/lifeevent/benefits/housing_benefit.htm.
31 Personal circumstances include the family size of the applicant, the degree of disability of the applicant and the contribution to the rent made by family members living with the applicant.
3.2.8 The rate of subsidy varies among recipients, and the calculations involved are perceived by recipients to be "unclear and difficult to understand".\(^{32}\) In a House of Commons report, some 10% of rental subsidy payments were determined to be wrong due to the involvement of numerous parameters in the calculations.\(^{33}\)

3.2.9 In general, housing benefit can fully cover rent charged by local councils or RSLs, i.e. the eligible rent. For private flats, however, recipients have to pay a portion of their income to cover the balance between the rent charged by the landlord and the eligible rent. Meanwhile, housing benefit does not cover water rates, fuel charges\(^{34}\), meal charges and service charges\(^{35}\).\(^{36}\) It also does not cover housing deposit.\(^{37}\)

3.2.10 If there is a shortfall in the amount of housing benefit causing the recipient serious financial hardship, the recipient may apply to local councils for a discretionary housing payment. However, the budget allocated to each local council for such payment is limited, and different local councils have different application procedures.

3.2.11 In 2000/01, the average rentals of council flats and RSL flats were £46 (HK$540) and £61 (HK$716) per week respectively. In the private rental market, the average rental was £94 (HK$1,103) per week.\(^{38}\) Housing benefit recipients living in council flats and RSL flats on average paid £21 (HK$246) and £26 (HK$305) out of their own pocket for rent respectively, corresponding to 12% and 14% of their income. Recipients living in private flats paid £76 (HK$891) out of their own pocket for rent, equivalent to 25% of their income.\(^{39}\)


\(^{34}\) Fuel charges include gas and electricity charges.

\(^{35}\) Service charges include laundry, medical and nursing care, and rental and licence fees of television.

\(^{36}\) For recipients of Income Support or Job Seekers Allowance, water rates, fuel charges, meal charges and service charges are covered by the Income Support or Job Seekers Allowance programmes.

\(^{37}\) Housing deposit may be covered under some other schemes. For instance, in Oxford, applicants may apply for the Lord Mayors Deposit Scheme to cover their housing deposits. The Scheme is administered by the Oxford Citizens Housing Association.


Conditions of renewal

3.2.12 If a recipient’s status and conditions remain the same throughout, the entitlement period is 60 weeks. The recipient will continue to receive entitlement subject to passing an assessment conducted by the local council.

3.2.13 Circumstances which may affect the amount of housing benefit disbursed to a recipient include:

(a) commencement of work by a recipient or people living with him;
(b) changes in income or capital of the recipient;
(c) changes in rent;
(d) changes in the number of people living in the same household; and
(e) permanent or temporary relocation of a recipient.

3.2.14 In the event that a recipient gets a job and is no longer entitled to housing benefit, he may apply for an extended disbursement of housing benefit for another four weeks. If a recipient is temporarily away, he may be able to receive 13 or 52 weeks of housing benefit, depending on the reason of relocation.

3.3 Complaint mechanism

3.3.1 If an applicant is not satisfied with the way in which his application is handled, he can file a complaint to the local council or to the local government ombudsman. The ombudsman may order the local council to pay compensation and to review its procedures when the complaint is determined to be valid.

---

41 Situation of temporary relocation includes (a) looking after a relative in some other places; (b) going to prison; (c) staying at hospital; and (d) visiting family abroad.
43 Conditions for filing a complaint include (a) the local council losing the application form; (b) delays of the local council in granting the benefit; (c) the local council not following the usual procedures; and (d) the local council not informing the applicant of the outcome of the application.
44 The local government ombudsman investigates complaints about local councils and other authorities relating to ‘mal-administration’ which leads to ‘injustice’.
3.3.2 An applicant may also appeal against the decision on denying housing benefit to him. Within one month of receiving the notification of the decision, the applicant can ask the local council to reconsider its decision, and/or request a full appeal. An independent tribunal\(^{45}\) will decide whether or not to change the decision. If the applicant is still not satisfied with the appeal decision, he can further appeal to Social Security Commissioners\(^{46}\), whose decision is final.

3.4 Control and monitoring

3.4.1 In 1997/98, a National Housing Benefit Accuracy review was conducted by the former Department of Social Security. The review found that the estimated annual cost of incorrect payments amounted to £840 million (HK$9.9 billion), of which £600 million (HK$7 billion) could be due to frauds.\(^{47}\)

3.4.2 In 2001/02, over 4,000 people received a sanction or were prosecuted for housing benefit fraud.\(^{48}\) These frauds included:

(a) individuals making claims as single parents, but in reality living with partners;

(b) individuals working whilst claiming benefit;

(c) undeclared capital or income;

(d) undeclared changes of circumstances;

(e) collusion between landlords and tenants whereby rents being set higher than usual, with the difference being split between them; and

(f) landlords continuing to claim for vacant flats.

---

\(^{45}\) Tribunal members are independent of local councils. They are appointed by the Lord Chancellor following an open selection process designed to select the most suitable people for making decisions about appeals. The tribunal usually selects a legally qualified person as the chairman, and in some cases, there may also be a finance person such as an accountant.

\(^{46}\) Social Security Commissioners are judges who determine appeals on issues of law arising under the Social Security Acts and the Child Support Acts. They are appointed directly by the Queen on the recommendations of the Lord Chancellor and the Lord Advocate.

\(^{47}\) Of the £600 million (HK$7 billion), only £180 million (HK$2.1 billion) was actually attributable to confirmed frauds since the UK Department of Social Security failed to distinguish between frauds and errors. Source: House of Commons, Social Security - Sixth Report, 19 July 2000.

3.4.3 Local councils have taken various measures to tackle frauds. For example, they will verify the identity and residency of applicants, and sometimes carry out spot checks on flats where there are suspicions.

3.4.4 To strengthen the drive to reduce frauds and errors, the government introduced some measures in 2000 to reduce the possibility of abusive use of the programme. These measures include:49

(a) increasing funding for authorities which conduct the verification process, with a view to supporting tighter checking of claims;

(b) developing incentive schemes which reward local councils for identifying and stopping overpayments, and for administering sanctions and prosecutions;

(c) working with local councils to achieve new performance standards on internal security and counter-fraud measures;

(d) working closely with authorities through joint regional boards and other means to improve performance and spread good practice across the whole range of fraud and error prevention and fraud investigations; and

(e) improving information sharing between DWP and local councils.

3.4.5 In the 2002 reform of public services50, the government set clear standards for performance in the administration of housing benefit. These standards cover speed and accuracy of processing, effective customer service, effective action to drive out frauds and errors occurred in the administration of housing benefit, effective liaison with landlords and recovery of overpayments. The Benefit Fraud Inspectorate has been established to perform inspection based upon these standards. Poorly performed authorities are required to produce action plans to improve their standards, and progress against these plans is being closely monitored. If a local council persistently fails to improve, the government may terminate the work of the local council, and transfer or contract out the service to another provider.


50 On 7 March 2002, the Prime Minister launched Reforming our Public Services: Principles into Practice which set out the government's overall strategy for public services reform.
3.5 Impact on the private rental market

3.5.1 Since the amount of subsidy is usually sufficient to cover the full rentals of most council and RSL flats, recipients tend to rent these flats. As such, demand for private flats is relatively low among subsidy recipients. However, information is not available as to whether rental subsidy has much impact on the private rental market.

3.6 Financial implications on the government

3.6.1 Between 1997 and 2001, the annual expenditure on housing benefit remained quite stable at £11 - £12 billion (HK$129 - HK$141 billion), equivalent to 12% of government expenditure on social benefits and 1% of the UK's gross domestic product.

3.6.2 Administration costs have not been substantial in the provision of housing benefit. For instance, in 1999/2000, the administrative expenditure of the housing benefit programme was £380 million (HK$4.5 billion), accounting for only 3.4% of the total programme expenditure.

3.7 Review of programme effectiveness

3.7.1 There is no periodic review of the housing benefit programme. Nonetheless, ad hoc reviews have been conducted since the commencement of the programme, with the latest one being conducted in 2000. The 2000 review was conducted in response to the call for reducing the complexity of the housing benefit programme and the need to streamline the administration procedures of the programme.

3.7.2 As a result of the 2000 review, the government published a Housing Green Paper entitled Quality and Choice: A Decent Home for All, announcing a reform on housing policies, including the housing benefit policy.

---

3.7.3 Recommendations of the reform included:

(a) introduction of a flat rate for tenants living in private properties;
(b) determination of subsidy based on rents in the local market;
(c) advance notice of housing benefit to both tenants and landlords;
(d) retention of the balance by tenants if the rent charged by the landlord is below the flat rate as stated in (a) above;
(e) abolition of re-application if circumstances change;
(f) introduction of a simpler and quicker process of re-application upon expiry of the entitlement period;
(g) abolition of site inspections by a local rent officer;
(h) extension of provision for recipients until local authorities re-calculate the amount of subsidy if circumstances change;
(i) abolition of entitlement periods\(^{54}\);
(j) streamlining of the administration of services; and
(k) introduction of a verification framework to drive down frauds and errors.

3.7.4 The government would inject £200 million (HK$2.3 billion) between 2000 and 2003 to improve the administrative process by investing in training, recruitment and retention initiatives, and information technology.\(^{55}\) Quarterly performance monitoring will be used to check the progress of these initiatives.

3.7.5 The proposed reforms, in particular, the streamlining of the delivery of services, are welcome by recipients as well as Members of Parliament in principle. Nevertheless, there are areas which are considered controversial and need further consideration, such as the introduction of a flat rate, either nationally or locally, for all private rental flats, and the delays in approval if tighter inspection is involved in tackling frauds and errors.

\(^{54}\) The entitlement period of pensioners will be first lifted in October 2003.

Chapter 4 - New South Wales of Australia

4.1 Overview

4.1.1 In 2001, of the 2.4 million households living in NSW,\(^{56}\) 130,000 (5.4%) lived in public housing.\(^{57}\)

4.1.2 In 2001, 190,000 households were in receipt of public housing assistance such as public housing tenancy or rental subsidy, accounting for 8% of the total number of households in the state.

4.1.3 The government of NSW does not provide rental subsidy in the form of periodic payments for low-income households to rent accommodations in the private market. However, people with disabilities or HIV/AIDS are eligible for periodic rental subsidy so that they can rent accommodations which fit their needs in the private market. These people obtain the financial assistance through the Special Assistance Subsidy (SAS) programme. In 2002/03, 1,820 people with either HIV/AIDS or disabilities were provided with SAS.\(^{58}\)

4.1.4 In addition to the provision of public housing and home purchase assistance for eligible residents, the government of NSW also provides one-off financial assistance to help low-income households establish or maintain a tenancy in the private rental market through the Rentstart programme. In 2001/02, 50,250 households\(^{59}\) succeeded in obtaining Rentstart, representing 26.4% of the total number of public housing assistance recipients.\(^{60}\)

---


\(^{57}\) NSW Department of Housing, Annual Report 2001/02.

\(^{58}\) Deputy Premier, Minister for Planning, Minister for Aboriginal Affairs and Minister for Housing of the NSW government, 2002/03 NSW Budget Commentary on the Housing Assistance Programme, June 2002.

\(^{59}\) Information is provided by the NSW Department of Housing.

\(^{60}\) The percentage calculation is based on the total number of housing assistance recipients in 1999, which was 190,000. Information is provided by the NSW Department of Housing.
4.2 Special Assistance Subsidy Programme

Background

4.2.1 SAS is a rental subsidy paid to people with disabilities or HIV/AIDS who rent accommodations in the private market while awaiting public housing allocation. This policy recognises that suitable public housing may not be readily available for occupation by people with disabilities or HIV/AIDS. It also recognises that the provision of public housing services to people with disabilities or HIV/AIDS often incurs additional costs associated with their disabilities or illness. The Department of Housing of NSW (DoH) is responsible for the administration of the SAS programme. Funding for this programme comes from both federal and state governments.

4.2.2 SAS originally worked under two separate programmes, namely the special assistance subsidy – disability launched in 1988, and the special assistance subsidy – HIV/AIDS launched in 1993 in response to a sudden demand for public housing due to the AIDS epidemic, particularly in the inner city. In October 1999, these two programmes were amalgamated to form the SAS programme.

Eligibility and waiting time

4.2.3 To be eligible for SAS\(^{61}\), applicants must:

(a) meet public housing eligibility criteria\(^{62}\);
(b) be diagnosed with HIV/AIDS or disability; and
(c) be approved for priority housing\(^{63}\).

4.2.4 SAS applicants are allowed to have cash assets of A$1,000 (HK$4,250)\(^{64}\) or above if the applicant shows that the savings are essential to:

(a) meet their medical bills;
(b) pay carer costs;
(c) buy special medical equipment; or
(d) meet the costs of other essential services.

---


\(^{62}\) Eligibility criteria for public housing include (a) having an Australian residency status; and (b) meeting the income limit requirement.

\(^{63}\) Priority housing aims to meet the urgent housing needs of applicants who require long-term housing assistance. Applicants approved for priority housing are housed ahead of most of the other applicants on the waiting list.

\(^{64}\) The average exchange rate of Australian Dollar to Hong Kong Dollar for 2002 was A$1=HK$4.25.
4.2.5 Once an applicant receives approval for SAS, he will be given the subsidy immediately.\(^{65}\)

**Types of acceptable premises**

4.2.6 Premises must meet the special needs of applicants.

**Leasing arrangement**

4.2.7 Once a person with disabilities or HIV/AIDS obtains the consent of DoH for granting SAS, he has to find a flat in the private market and forward to DoH the required information such as the notice of priority assistance and medical assessment certificate. If the person is already an existing tenant of an appropriate flat, he has to provide a copy of the lease agreement and a current rent receipt to DoH.

**Rate of subsidy and market rent**

4.2.8 The rate of subsidy varies among recipients. Factors affecting the calculation of rental subsidy include the approved rent and the total income of an applicant. The total income comprises the applicant's salary (if any), disability pension and rent assistance which is a social benefit provided by the federal government to recipients of social security pensions.

4.2.9 For example, an applicant receiving no salary, a disability pension of A$178 (HK$757) and rent assistance\(^{66}\) of A$38 (HK$162) per week will have a contribution to rent of A$73.6 (HK$313) per week.\(^{67}\) If the approved rent is A$195 (HK$829) per week, the amount of SAS he receives is A$121.4 (HK$516) per week.\(^{68}\)

4.2.10 In general, the amount of SAS paid is the difference between the approved rent\(^{69}\) and the contribution made by the recipient to the rent. The recipient’s contribution is equivalent to the rent of a public rental flat.

---

\(^{65}\) Information is provided by the NSW Department of Housing.

\(^{66}\) Rent assistance is a social benefit provided by the federal government. The amount given must be fully contributed to the rental of an accommodation.

\(^{67}\) The calculated contribution (A$73.6 (HK$313)) is the sum of 20% of the person's salary (in this case is nil) and disability pension (A$178 x 20% = A$35.6) and 100% of his rent assistance (A$38 x 100% = A$38).


\(^{69}\) The approved rent is the rent approved by DoH, which refers to the actual dwelling rent, or the market rent which DoH has taken into account the current market rent in the area and also the condition of the accommodation with regard to meeting the recipient's special housing needs.
4.2.11 In 1999, the median rent for two-bedroom private flats in NSW was A$180 (HK$765) per week, and the approved rent was A$195 (HK$829). However, the median rent of similar flats in Sydney was A$230 (HK$978) per week. Since some applicants could not afford flats at rents higher than the approved rent, they had to find flats in the outer city areas where the rentals were below the approved rent.

Conditions of renewal

4.2.12 If a person with disabilities or HIV/AIDS is applying for public housing and granted SAS, he can either continue to wait for public housing or remain in the private flat and have the rent subsidized by DoH as a long-term option. If a recipient decides at a later date that he wants priority housing, he is still able to reactivate his priority application. He will continue to receive SAS while awaiting priority housing.

4.3 Rentstart

Background

4.3.1 Rentstart is a housing assistance programme specific to NSW. It provides a one-off financial contribution to the costs of establishing and maintaining a private tenancy. There are three levels of assistance under the Rentstart programme, namely Rentstart Standard, Rentstart - Plus and Rentstart - Tenancy Assistance. The three levels of assistance are primarily in an increasing order of assistance provided by the government.

4.3.2 Rentstart was introduced by the NSW Department of Community Services in 1987, with an aim to provide removalist expenditure for low-income households. Since 1999, the administration of programme has been taken over by DoH.

---

70 NSW Department of Housing, Directions for Housing Assistance Beyond 2000, Background Paper, September 1999.
Rentstart Standard

Eligibility

4.3.3 To be eligible for Rentstart Standard\(^{71}\), an applicant must:

(a) be an Australian citizen or have permanent residency status and reside in NSW;

(b) be aged 18 or above;

(c) meet the income limits criteria\(^{72}\);

(d) have savings less than A$1,000 (HK$4,250);

(e) intend to maintain the tenancy for up to 12 months; and

(f) show that he can afford the private rental.

Rate of subsidy

4.3.4 The standard assistance is 75\% of the rental deposit\(^{73}\), which is about three weeks rent for an unfurnished flat.\(^{74}\)

Types of acceptable premises

4.3.5 Rentstart Standard is provided to applicants moving into accommodations such as private rental flats, caravan parks, boarding houses and hostels.

---


\(^{72}\) Household income limits change in accordance with the household size: (a) one-person is A$395 (HK$1,679) per week; (b) two-person is A$500 (HK$2,125); (c) three-person is A$580 (HK$2,465); (d) four-person is A$665 (HK$2,826); (e) five-person is A$720 (HK$3,060); and (f) six-person is A$775 (HK$3,294). Source: NSW Department of Housing, *Fact Sheet on Rentstart*, August 2002, [http://www.housing.nsw.gov.au/rentstart.pdf](http://www.housing.nsw.gov.au/rentstart.pdf).


\(^{74}\) In some cases, DoH only contributes 50\% of rental deposit. This happens when a person has already received Rentstart Standard in the previous year, DoH's contribution to the previous rental deposit has not been returned by the recipient at the end of the tenancy and no acceptable reason has been provided.
Rentstart - Plus

Eligibility

4.3.6 If an applicant demonstrates that he has severely limited access to financial or other resources to sustain the tenancy, or has difficulty to cover additional costs such as medical or disability-related costs, including carer costs, he may apply for Rentstart - Plus.

4.3.7 To be eligible for Rentstart - Plus, an applicant must demonstrate that he is eligible for Rentstart Standard and is also in one of the following conditions:75

(a) homeless or about to become homeless;
(b) fleeing domestic violence;
(c) being subject to violence, harassment, or abuse;
(d) residing in a refuge;
(e) aged under 18 and at risk;
(f) with HIV/AIDS;
(g) having a disability;
(h) being just released from jail; or
(i) being a refugee.

Rate of subsidy

4.3.8 Rentstart - Plus provides assistance with up to the full rental deposit and two weeks advance rent.76

76 Ibid.
Rentstart - Tenancy Assistance

Eligibility

4.3.9 Rentstart - Tenancy Assistance is for applicants living in private flats who are facing eviction because of rental arrears. The applicant must be eligible for Rentstart Standard and have:

(a) arrears which are the result of unexpected circumstances outside the control of the applicant;
(b) received a notice of termination;
(c) a household income sufficient to meet future rent;
(d) an agreement with the agent or landlord to continue the tenancy for up to 12 months; and
(e) been unable to negotiate, with the landlord or estate agent, a repayment plan for the rental arrears.

Rate of subsidy

4.3.10 Rentstart - Tenancy Assistance provides for up to four weeks of rental arrears to secure an existing tenancy. This form of assistance cannot be provided more than once in a 12-month period. Assistance to cover only two weeks of rental arrears is provided where an applicant has received assistance covering four weeks of rental arrears in the previous two years.

Waiting time

4.3.11 In general, an application for Rentstart is assessed within one working day, and approval will be granted if the applicant meets the eligibility criteria.

Leasing arrangement

4.3.12 Once an applicant identifies an accommodation, he needs to submit an accommodation form completed by either the landlord or the estate agent to DoH so as to confirm the information regarding the leasing.

---

Basis for calculating the affordable rent

4.3.13 Applicants are not assisted in renting accommodations which are beyond their financial means. The rental for a private flat to be leased under Rentstart should not exceed 50% of the household's total gross weekly income. For example, if a single person is unemployed and receiving social benefit of A$168.60 (HK$717) per week and rent assistance of A$43.20 (HK$184) per week, DoH will assess his income as follows:

\[
\text{The sum of } ((0 + A$168.60) \times 50\% = A$84.30) \text{ and } (A$43.20 \times 100\% = A$43.20), \text{ which equals to A$127.50 (HK$542).}^{80}
\]

4.3.14 If the rent is in excess of A$127.50 (HK$542) per week, the application is not likely to be approved. However, if the applicant can demonstrate that he has an ability to meet reasonable living expenses and the tenancy is likely to be sustained for up to 12 months, the application will be approved even though the rent accounts for over 50% of his income.

Conditions of renewal

4.3.15 No renewal is required as Rentstart is a one-off financial assistance for paying the deposit of flats. As long as a tenant stays in the premises and pays rent accordingly, he can keep his tenancy.

4.4 Complaint mechanism

4.4.1 Any person who is not satisfied with the services of DoH or the amount of assistance can appeal to DoH. The decision is first reviewed by DoH. If the complainant is not satisfied with the outcome of the appeal, he can lodge the complaint with the Housing Appeals Committee.\(^{81}\)

---


\(^{81}\) Housing Appeals Committee is an independent appeal agency reporting to the Minister for Housing of the NSW government.
4.4.2 DoH aims to respond to a complaint within 15 working days, and revert to the complainant about the outcome of the complaint and the action being taken within 20 working days. If the first-level review is declined by DoH, the complainant will be sent a form by DoH for further appeal to the Housing Appeals Committee. The Housing Appeals Committee will consider the applicant’s circumstances and assess whether the original decision is made according to DoH’s policy and guidelines. The Housing Appeals Committee may uphold the original decision or recommend that DoH should re-consider the original application, and/or change the decision in full or in part. The review is completed within 30 working days upon receipt of the form.

4.5 Control and monitoring

4.5.1 SAS applicants or recipients who deliberately make false, misleading or incomplete statements about their circumstances, household income, or assets are considered committing an act of rental fraud. If a recipient is found to receive a subsidy to which he is not entitled, DoH may seek to terminate the tenancy or take legal action to recover the subsidy.

4.5.2 Any false declaration on an application for Rentstart will exclude a person from assistance for two years. Information is not available as to whether there is any abusive use of SAS and Rentstart programmes.

4.6 Impact on the private rental market

4.6.1 Considering the relatively small number of recipients for SAS and the Rentstart programmes, both programmes do not have much impact on the supply of private rental flats. This is because the former subsidizes a small number of persons with special needs, while the latter is one-off and does not subsidize any periodic rental payments.

---

82 NSW Department of Housing, Annual Report 2001/02.
83 Ibid.
4.6.2 Moreover, the high market rent in NSW prohibits low-income households from finding affordable housing in the private market. For example, only 1% of two-bedroom flats in Sydney are considered affordable to a single parent with one child who is receiving social assistance. As there are limited choices in the private rental market, low-income households would rather go for public rental flats than participate in the Rentstart programme. This explains the growth of the waiting list for public housing by about 2,000 households every year.

4.7 Financial implications on the government

4.7.1 The cost of public housing provision is shared by the federal and state governments. However, funding from the federal government has declined by 19% from 1996 to 2003.

4.7.2 During 2001/02, the NSW government spent A$11 million (HK$46.8 million) on SAS and A$23.9 million (HK$101.6 million) on Rentstart, accounting for 1.8% and 3.9% of the total housing expenditure respectively.

4.7.3 In 2002/03, the government estimated that A$11 million (HK$46.8 million) and A$23.7 million (HK$100.7 million) would be spent on SAS and Rentstart respectively.

4.7.4 Comparing the cost of the provision of rental subsidy with that of the provision of public housing, which includes maintenance, water rates, administrative costs and interest on capital outlay, the cost of the former is relatively small. In the past 10 years, the maintenance expenditure of public housing has almost doubled due to the costly maintenance liabilities arising from past under-investment in the public housing stock.

---

86 NSW Department of Housing, Directions for Housing Assistance Beyond 2000, Background Paper, September 1999.
87 The waiting list contains 97,000 households waiting for the allocation of public rental housing.
88 NSW Department of Housing, Directions for Housing Assistance Beyond 2000, Background Paper, September 1999.
89 NSW Department of Housing, NSW Housing Indicators Report, Data to December 1999.
90 NSW Department of Housing, Annual Report 2001/02.
91 Total housing expenditure for 2001/02 was A$616.15 million (HK$2.6 billion). Source: Deputy Premier, Minister for Planning, Minister for Aboriginal Affairs and Minister for Housing of the NSW government, 2002/03 NSW Budget Commentary on the Housing Assistance Programme, June 2002.
92 Deputy Premier, Minister for Planning, Minister for Aboriginal Affairs and Minister for Housing of the NSW government, 2002/03 NSW Budget Commentary on the Housing Assistance Programme, June 2002.
4.8 Review of programme effectiveness

4.8.1 The Program Evaluation Steering Committee of DoH initiates and oversees evaluations of housing programmes which are high risk, high cost and/or high impact. Long before the implementation of Rentstart, there were a few reviews of rental subsidy for low- and medium-income households to rent accommodations in the private market.

National Housing Policy Review 1989

4.8.2 In 1989, a national review of public housing provision versus increased income support to meet the housing needs of low-income households was undertaken by a consultant as part of the National Housing Policy Review. The review raised serious doubts about the efficacy of rental subsidy vis-à-vis public housing provision, and concluded that public investment in housing provision would continue to be required because the private rental market simply could not provide sufficient housing for the rental subsidy programme.

Industry Commission Inquiry into Public Housing 1993

4.8.3 In 1993, the Industry Commission (IC) conducted an inquiry into public housing in Australia and concluded that the government-funded housing provision “is a cost-effective way to meet government housing objectives”. IC recommended the federal government to continue to make payments to the states to ensure an appropriate level of provision.

4.8.4 Nonetheless, IC recognized the inequities inherent in a highly rationed public housing system. It pointed out that “with scarce public resources, trade-offs have to be made since the provision of ‘appropriate’ housing for some may be at the expense of deferring even basic shelter for others”. IC called for significant changes in funding, allocation and rent setting. These proposed changes included the introduction of limited-term leases on the basis of temporary need, and rents set to reflect the location and amenities enjoyed by tenants rather than to ensure that tenants of similar circumstances pay the same rent for flats with different amenities or in different locations.

NSW Government Housing Policy Green Paper 1995

4.8.5 In 1995, the NSW government published the NSW Government Housing Policy Green Paper which presented a set of integrated strategies to put in place a more customer-focused, diversified and accountable housing assistance system. The paper also developed strategies to encourage the private market to play a bigger role in providing affordable housing.
Review of the Special Assistance Subsidy programme

4.8.6 There is no periodic review on SAS. However, in 2001, a review of SAS was undertaken by DoH. As at the publication of this report, DoH is still discussing the recommendations with various advocacy groups and no action has been taken.

Review of Rentstart

4.8.7 There is no periodic review timetable for Rentstart. However, a review was undertaken by DoH in 2001. A number of changes to the programme have been implemented. These changes include the termination of indemnities for gas and electricity connection fees and removalist expenses. These two elements were terminated because their need was declining and assistance for similar purposes was available from other sources.

4.8.8 To increase the capacity of DoH to meet the needs of current recipients and prospective applicants, a longitudinal study of Rentstart users has commenced in 2001/02 to better understand the effectiveness of the programme in supporting low- and medium-income households in securing accommodations in the private market as well as the impact of the assistance on the public housing system. As at the publication of this report, no information has been published regarding the results of that study.
Chapter 5 - The United States of America

5.1 Overview

5.1.1 In 2000, of the 105.5 million households in the US, 93 1.3 million (1.2%)\(^94\) lived in public flats and the remaining (98.8%) lived in private flats.

5.1.2 In 2003, there are 4.5 million households\(^95\) in receipt of public housing assistance, of which approximately 1.7 million are in receipt of rental subsidy,\(^96\) accounting for 1.6% of the total number of households in the US. Among the voucher recipients in 2000, 64% were families with children, 15% were elderly families or individuals, and 13% were disabled persons.\(^97\) Slightly less than half (46%) of the recipients had their primary income from work while 36% were in receipt of public assistance.\(^98\)

5.1.3 In the US, there are two types of housing assistance programmes, namely the public rental housing programme and the housing choice voucher programme. The former provides rental housing owned and managed by local public housing agencies for eligible low-income families, the elderly and the disabled, and the latter allows very low-income families to choose and lease or purchase flats in the private market. Some cities operate both programmes, while other cities operate only one of these two programmes.


\(^97\) Information as at 2000 was used as a proxy for 2003. Source: US Department of Housing and Urban Development, Section 8 Tenant-Based Housing Assistance: Look Back After 30 Years, March 2000.

\(^98\) US Department of Housing and Urban Development, Section 8 Tenant-Based Housing Assistance: Look Back After 30 Years, March 2000.
5.2    Housing choice voucher programme

5.2.1 There are various types of housing choice vouchers. Table 3 shows the types of vouchers and their targeted recipients.

Table 3 - Types of housing choice vouchers and recipients

<table>
<thead>
<tr>
<th>Type of vouchers</th>
<th>Target recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tenant-based vouchers</td>
<td>Very low-income households who rent private flats</td>
</tr>
<tr>
<td>Vouchers for the disabled</td>
<td>Very low-income people with disabilities who rent private flats</td>
</tr>
<tr>
<td>Conversion voucher</td>
<td>Households affected by demolition, disposition, or mandatory conversion of public rental flats; and the decision of landlords to opt out of a project-based voucher</td>
</tr>
<tr>
<td>Family unification vouchers</td>
<td>Households whose primary factor of separation is due to the lack of adequate housing</td>
</tr>
<tr>
<td>Homeownership vouchers</td>
<td>Households who decide to purchase a flat</td>
</tr>
<tr>
<td>Project-based vouchers</td>
<td>Property owners who construct, rehabilitate, or make available existing flats to lease to very low-income households</td>
</tr>
<tr>
<td>Welfare-to-Work vouchers</td>
<td>Households who have a critical need for housing in order to obtain or retain viable employment to achieve transition from welfare to economic self-sufficiency</td>
</tr>
</tbody>
</table>


5.2.2 As this research focuses on the study of subsidy paid to low-income households to rent accommodations in the private market, only the tenant-based voucher programme will be discussed in the ensuing paragraphs.
5.3 Tenant-based voucher programme

Background

5.3.1 The objective of the tenant-based voucher programme is to enable eligible households to obtain decent, safe and sanitary housing by paying a portion of rental costs, including utilities, for these households. All housing choice vouchers are administered by local public housing agencies who receive federal funds from the Department of Housing and Urban Development (HUD) to administer the voucher programmes. By law, a public housing agency must provide 75% of vouchers to applicants whose incomes do not exceed 30% of the area median income.99

5.3.2 The first tenant-based voucher programme (the 1974 programme) was introduced by HUD in 1974 amid the concentration of the very poor minorities in public housing and a growing academic preference for anti-poverty programmes that could be more cost effective and less bureaucratic and that could enhance recipient mobility. Voucher recipients of the 1974 programme were not allowed to rent private flats at rentals higher than the payment standard100 established by public housing agencies.

5.3.3 In 1983, Congress accepted HUD’s proposal that more flexibility should be built into the tenant-based voucher programme. A parallel programme (the 1983 programme) was introduced, allowing recipients to choose either to rent a flat, the rental of which was less than the payment standard and keep the balance, or to rent a flat, the rental of which was higher and pay the balance.

5.3.4 In 1998, Congress passed the housing reform legislation in response to the demand for more affordable housing101 and better performance of public housing agencies. The reform consolidated the 1974 programme and the 1983 programme into a market-driven programme, while maintaining most of the features of the 1983 programme.102


100 Payment standard is the maximum rent paid by tenant-based voucher tenants, which is a function of the fair market rent. The fair market rent is set at the 40th percentile of the rent in the local rental market for standard quality existing units, based on new leases commenced in the previous year.

101 There was a need for more affordable housing because 5.4 million households, whose income was below 50% of the local median income, were living in sub-standard private rental flats and/or paying more than 50% of their income for rent. Source: US Department of Housing and Urban Development, Office of Policy Development and Research, Rental Housing Assistance - the Worsening Crisis - A Report to Congress on Worst Case Housing Needs, March 2000.

102 Other objectives of this reform included (a) reducing the concentration of poverty in public housing; (b) protecting access to housing assistance for the poorest households; (c) supporting households making the transition from welfare to work; (d) raising performance standards for public housing agencies, and rewarding those for high performance; (e) transforming the public housing stock through new policies and procedures for demolition and replacement and mixed-finance projects, and through other revitalization programmes; and (f) supporting HUD’s reforms by deregulation, streamlining, and programme consolidation.
Eligibility and waiting time

5.3.5 To be eligible for tenant-based vouchers, an applicant must:

(a) be a US citizen;

(b) aged 18 or above;

(c) be within either the "extremely low" (30% of area median income) or "very low" (50% of area median income) income limit for his family size;\(^{103}\)

(d) have previously participated in other federally subsidized public housing programmes as described in Table 3 or have been a public housing tenant; and

(e) be without criminal history.

5.3.6 The average national waiting time for a tenant-based voucher is 28 months, while that for a public rental flat is 11 months. The waiting time for either programme in large cities\(^{104}\) is much longer.\(^{105}\)

Types of acceptable premises

5.3.7 A voucher recipient may choose a flat anywhere in the US, but he must be living in the jurisdiction of the public housing agency at the time he applies for the subsidy. A recipient who is not residing in the jurisdiction of the public housing agency at the time he puts in an application must stay in that jurisdiction for the first year. Any recipient who wishes to move to the jurisdiction of another public housing agency must consult with the public housing agency which is currently administering his rental subsidy to verify the procedures for moving.

5.3.8 A voucher recipient is advised of the size of the flat in advance. The flat selected must meet the acceptable level of health and safety standards. The public housing agency will inspect the flat and determine whether the rent for that flat is reasonable.

---

\(^{103}\) US Department of Housing and Urban Development publishes income limits by family size for each county annually.

\(^{104}\) The waiting time for a tenant-based voucher in New York City or Washington is eight years, while that in Los Angeles is 10 years.

\(^{105}\) US Department of Housing and Urban Development, *Section 8 Tenant-Based Housing Assistance: Look Back After 30 Years*, March 2000.
Leasing arrangement

5.3.9 It is the responsibility of the recipient to find a flat that meets his needs. He has 60 days from the time he receives a voucher to find a flat in the area.106 Public housing agencies have a list of landlords who are willing to take housing choice vouchers. When the public housing agency approves the lease of a flat, the recipient signs the lease with the landlord for at least one year. After the first year, the landlord may initiate a new lease or allow the family to remain in the flat on a month-to-month lease.107 The tenant may be required to pay a security deposit to the landlord.

Rate of subsidy and market rent

5.3.10 The rate of subsidy varies among recipients, which is the lesser of the payment standard108 minus 30% of the family's monthly adjusted income or the gross rent for the flat minus 30% of the family's monthly adjusted income. The recipient may rent a flat at a rental higher than the payment standard by paying the exceeding balance with his income, with his total contribution for rent being capped at 40% of his adjusted income.109

5.3.11 Following the enactment of the Public Housing Reform Act of 1998, public housing agencies have more control over payment standards and may respond on their own to changing conditions. At present, public housing agencies may set the payment standard between 90% and 110% of the fair market rent. A public housing agency may obtain permission from the local office of HUD for an increase in the payment standard to 120% due to the difficulty in finding an appropriate flat in some areas. The public housing agency may also appeal to the headquarters of HUD for an even higher adjustment if higher rents are charged for some special facilities. However, such a high adjustment requires the support of a statistically significant rental housing survey.

5.3.12 Apart from rents charged by landlords, rental subsidy also covers charges on sewage, water, garbage, and pest control. Gas and electricity are paid separately by the tenant.

108 Each public housing agency determines its own payment standard, which is generally the amount for renting a moderately-priced flat in the local housing market.
109 US Department of Housing and Urban Development, Section 8 Tenant-Based Housing Assistance: Look Back After 30 Years, March 2000.
5.3.13 In 2002, only four states, namely Indiana, Iowa, Nebraska and Wisconsin, had two-bedroom flats available for lease at 40% of the area median income. Twenty-seven states had similar flats leased at 41-50% of the area median income. In some states, such as Alaska, California, Michigan and New York, residents had to pay more than 60% of the area median income for a two-bedroom flat. In other words, a four-member household voucher recipient could only afford to rent either a two-bedroom flat in Indiana, Iowa, Nebraska and Wisconsin or a one-bedroom flat in the other 33 states.\footnote{National Low income Housing Coalition, \textit{Rental Housing for America's Poor Families: Farther Out of Reach Than Ever}, 2002, http://www.nlihc.org/oor2002/}

5.3.14 According to a HUD study, 69% of voucher recipients living in large metropolitan areas succeeded in using vouchers to rent flats in 2000.\footnote{US Department of Housing and Urban Development, \textit{Study on Section 8 Voucher Success Rates, Volume I: Quantitative Study of Success Rates in Metropolitan Areas}, November 2001.} However, the successful rate for using vouchers in renting flats in New York city and the city of Los Angeles fell to 57% and 47% respectively.\footnote{Ibid.}

Conditions of renewal

5.3.15 Each year, public housing agencies review the income and composition of voucher recipients. As long as the recipients meet the eligibility requirements, they will continue to be entitled to tenant-based vouchers. Public housing agencies also inspect each flat to ensure that the flat meets the minimum quality standards.

5.4 Complaint mechanism

5.4.1 In the event that a public housing agency makes a decision affecting the eligibility of a voucher applicant, the applicant may request the public housing agency to conduct an informal review. The public housing agency must notify the applicant of its final decision after the informal review, including a brief written statement of the reasons for the final decision.
5.4.2 If a recipient is not satisfied with the amount of rental subsidy, he may request for an informal hearing conducted by a hearing officer or officers appointed by the public housing agency concerned. The recipient is entitled to representation by a lawyer or other spokesperson at his own expense. Factual determination relating to the individual circumstances of the recipient is based on a "preponderance of the evidence" presented at the hearing. Nevertheless, the public housing agency may not be bound by the decision made at the informal hearing.

5.5 Control and monitoring

5.5.1 To prevent the abusive use of rental subsidy, public housing agencies review the income level of recipients to ensure that they meet the eligibility criteria. Meanwhile, to avoid landlords from milking voucher recipients, public housing agencies conduct local rent reasonableness tests to ensure that the rent of a particular flat is in line with the rents of other flats in the neighbourhood.

5.5.2 Public housing agencies also have the power to sanction both tenants and landlords who break the leasing arrangement. Public housing agencies may deny tenants admission to the voucher programme or terminate assistance to tenants with a history of use or abuse of drugs or alcohol, or of criminal behaviour which disturbs other residents of the premises. They may also decide not to renew the lease with the landlord if the landlord refuses to terminate the lease for the aforementioned reasons. In addition, landlords with a history of non-compliance with the housing standards or failure to meet state or local housing codes may also be denied participation in the programme.

5.5.3 Although measures have been taken by public housing agencies to prevent voucher recipients and landlords from abusing the tenant-based voucher programme, frauds and errors still exist. HUD has overpaid a substantial amount of money for rental subsidy because incomes of tenants were under-reported and rents were improperly calculated or not fully collected.

---

113 The hearing officer or officers may be (a) a HUD staff member who serves on a different function team from the staff who made the decision under review; (b) a HUD staff member in another department; (c) an individual from the community such as an attorney or (d) a group of housing choice voucher recipients, HUD staff members and people from the community.

114 A public housing agency is not bound by the decision made at the informal hearing under the following circumstances: (a) concerning a matter for which the public housing agency is not required to provide an opportunity for an informal hearing; (b) concerning a matter that exceeds the authority of the person conducting the hearing under the hearing procedures of the public housing agency; or (c) that the decision made is contrary to regulations or requirements of HUD, or otherwise contrary to federal, state, or local laws.

115 Statistics are not available on the frauds and errors committed by tenants and landlords.

116 HUD estimates that there are over US$2 billion (HK$15.6 billion) in net housing assistance overpayments each year.

5.5.4 To improve the administration and management of the tenant-based voucher programme, a Section Eight Management Assessment Program (SEMAP) has been developed to measure the performance of public housing agencies in some key areas which are summarized below:118

(a) selection of applicants;
(b) determination of rent and establishment of payment standards;
(c) verification of household income of new applicants and the review of household income of existing tenants;
(d) calculation of rental subsidy;
(e) maintenance of a schedule of allowances for utility charges;
(f) quality control of flats119;
(g) utilization of available tenant-based vouchers;
(h) extension of tenant-based vouchers outside areas of poverty or minority concentration; and
(i) enrolment in family self-sufficiency programme.

5.5.5 HUD assigns each public housing agency once every year a rating on each of the indicators described in paragraph 5.5.4 and an overall performance rating of high, standard, or troubled. If a public housing agency does not perform adequately on any of the indicators or is assigned an overall performance rating of troubled, HUD will conduct an on-site review of the concerned public housing agency to assess the magnitude and seriousness of the problem. The public housing agency concerned must implement a thorough corrective action plan to ensure improvement in programme management. Failure to correct deficiencies can result in termination of the administration of the tenant-based voucher programme.

119 Quality control of flats includes: (a) ensuring that flats complying with the housing quality standards before low-income households entering into leases and public housing agencies approving landlords to join the programme; (b) conducting timely annual housing quality inspections; (c) performing quality control inspections to ensure housing quality; and (d) ensuring that both landlords and tenants promptly correcting housing quality deficiencies.
5.6  Impact on the private rental market

5.6.1  According to HUD, rental subsidy does not affect the price or increase the rent of a private flat. Overall, it has not created a higher effective demand for private rental housing. However, it has contributed to the increased supply of standard quality flats by stimulating repairs and maintenance of substandard flats through regular inspections of flats which are leased under the programme.

5.7  Financial implications on the government

5.7.1  Although government spending on tenant-based vouchers has fallen in real terms since 1997 as a result of the success in reducing unemployment and helping more single parents move from receiving welfare into work, the proportion of spending on tenant-based vouchers to total spending on housing has increased. In 2001, the expenditure on tenant-based vouchers was US$14.3 billion (HK$112 billion), accounting for 44.1% of the total expenditure on public housing. In 2003, the expenditure on tenant-based vouchers rose to US$16.9 billion (HK$132 billion), equivalent to 49% of the total public housing expenditure.

5.7.2  In 1995, HUD’s Office of Policy Development and Research examined the cost of giving out a voucher in metropolitan areas where there was public housing, and compared it with the cost of public housing maintenance, modernization, and drug elimination grants. The study concluded that the marginal cost of the provision of a rental flat was US$41 (HK$320) more than that of a voucher per month, disregarding the construction cost of a public rental flat. This difference reflected that the costs involved in the maintenance and modernization of the aging public housing stock and the management cost for combating drug activities and crime around densely populated developments were substantial. In a follow-up study conducted by HUD in 1998, the average ongoing public housing cost per occupied flat was 8-19% higher than voucher subsidy cost.

121 The average exchange rate of US Dollar to Hong Kong Dollar for 2002 was US$1=HK$7.799.
5.7.3 According to HUD, as the provision of public housing is more expensive than tenant-based vouchers, it has not considered the former a cost-effective alternative.

5.8 Review of programme effectiveness

5.8.1 There is no periodic review mechanism for the tenant-based voucher programme. Nonetheless, HUD conducts a biennial Quality Control for Rental Assistance Subsidy Determination (QC Study) to improve the accuracy of its assisted housing subsidy payments. Using a nationally representative sample of private flats paid by tenant-based vouchers, tenant interviews are conducted and reviews are performed to determine the type, severity, and cost of possible errors. This information is used to design and implement corrective actions.

5.8.2 In 2000, HUD examined the performance of the tenant-based voucher programme to assess its merits after 30 years of its implementation. The report concluded that the programme had proven to be both effective and cost-efficient. It was effective because it provided recipients with more choices of residence. It was also well accepted by public housing agencies because the cost incurred was less than that of building and managing public rental flats. However, there were also criticisms such as accusations of fraud, waste, or abusive use of this programme. In response, SEMAP has been developed to address these issues.

5.8.3 HUD also conducts many ad hoc researches with a view to rectifying problems identified, improving administration on the voucher programme, and responding to changing conditions. These ad hoc researches include studies on the utilization of vouchers and clusters of neighbourhood of recipients.

5.8.4 In the fiscal year 2004 budget, the federal government proposes converting the housing choice voucher programme, including the tenant-based voucher programme, to a state-run block grant called Housing Assistance for Needy Families (HANF). The reason for the conversion is that "the current housing choice voucher program has grown into a complex, overly prescriptive, and at times extremely difficult program to administer." HANF aims at simplifying the housing choice voucher programme and allowing states to work with localities to design individual programmes catering to the needs of individual states. It also aims at improving the management of public housing agencies by the federal government as states will selectively contract with housing agencies to administer HANF. It allows states to co-ordinate HANF with other welfare programmes so that resources can be allocated in a more timely and effective manner.

---

Chapter 6 - Arguments For and Against Rental Subsidy

6.1 Introduction

6.1.1 In places such as Hong Kong, the UK, NSW and the US where a rental subsidy programme is in place, studies\textsuperscript{127} have been conducted to evaluate the effectiveness of rental subsidy in achieving the targeted goals. The following summarizes the arguments for and against the rental subsidy programme in these studies:

6.2 Arguments for rental subsidy

Greater choice of residence

6.2.1 Rental subsidy allows a household to live in any neighbourhood or community of its desire, provided that it can find a flat that is affordable and meets the standards established by the government. Subsidized households may have the option of moving to an area of low-poverty or of low minority concentration\textsuperscript{128}, which may not be available in a public housing programme.

Greater mobility

6.2.2 Rental subsidy allows greater mobility of households because they may rent anywhere within the country. They may be able to move across towns and go to another city or state to find accommodations that best meet their needs. They may be able to move to places where they can have greater access to better community services, transportation and quality schools. Some people may like to live near to their family members, friends, churches or community facilities.

\textsuperscript{127} These studies include (a) UK Department for Work and Pensions, Building Choice and Responsibility: a Radical Agenda for Housing Benefit, 17 October 2002; (b) US Department of Housing and Urban Development, Section 8 Tenant-Based Housing Assistance: Look Back After 30 Years, March 2000; (c) NSW Department of Housing, Directions for Housing Assistance Beyond 2000, Background Paper, September 1999; (d) Darcy, Michael and Randolph, Bill, Strategic Directions for Housing Assistance, Final Report prepared for NSW Department of Housing, December 1999; and (e) Monro, Dugald, Social Policy Group, Research Paper 6 1997-98, Public Rental Housing Policy: Learning the Lessons from Overseas, Parliament of Australia, Department of the Parliamentary Library, 27 September 2001, (f) Housing Bureau of the Government of the Hong Kong Special Administrative Region, Research and Planning Division, Preliminary Findings of the International Experience of Rental Subsidies, October 2000.

\textsuperscript{128} Minorities are sometimes perceived as troublemakers and thus not being welcomed in the community.
6.2.3 As rental subsidy is portable, households are allowed to move to neighbourhoods where they can find better employment opportunities. In this way, rental subsidy may enhance the chances of recipients moving towards self-sufficiency.

More flexibility

6.2.4 Rental subsidy provides more flexibility when compared with public housing in satisfying various housing needs, such as relocating residents of foreclosed properties, enabling family unification and assisting the disabled whose needs are not met by the design of public rental flats.

6.2.5 Rental subsidy also provides more flexibility in responding to the changing socio-economic environment. In the event that the economy is in a downturn and more households need assistance, the government can increase the subsidy quota quickly to meet the surged needs. In an economic boom where unemployment is down and people can afford market rent, the government can also reduce the subsidy quota speedily and save the funds for other purposes.

Less costly compared to the provision of public housing

6.2.6 The cost of the provision of rental subsidy could be less than that of public housing, such as the case in the US. The provision of rental subsidy mainly involves administration costs and the subsidy itself, whereas the provision of public housing usually involves heavy capital outlay of construction, building maintenance and management costs. In some places, substantial management costs may also be incurred regarding the provision of public housing to avoid crime or drug activities around densely populated public housing areas.

More resources available to help the needy

6.2.7 Since the amount of rental subsidy is inversely proportional to household income, the level of subsidy decreases as the income of a household increases. When the income of a recipient exceeds a pre-determined level\textsuperscript{129}, the household will stop receiving the subsidy, leaving the resources to serve another household. This quick and simple mechanism of resource deployment contrasts sharply with the set-up of a public housing programme. In the public housing programme, when the income of a public housing tenant exceeds a pre-determined level, the government needs to notify the tenant and grant the household a grace period to move out. The government may also need to renovate the flat before a new tenant can move in. As the cost of the provision of rental subsidy is often less than that of public housing, the replacement of public housing programmes by rental subsidy programmes may provide assistance for a larger number of needy households.

\footnote{129 In all rental subsidy programmes studied, an income limit has been imposed by the respective government on recipients to determine their eligibility for rental subsidy.}
Increasing supply of quality flats

6.2.8 Very often, in order to be eligible for receiving rental subsidy, applicants need to find flats which meet the quality standards established by the government. This demand helps increase the supply of quality flats and stimulates repairs and maintenance of some sub-standard flats. Regular inspections by the government to ensure compliance with the standards also help maintain the quality of flats.

6.3 Arguments against rental subsidy

Insufficient supply of appropriate flats

6.3.1 Considering the lengthy construction cycle, the private rental market (as well as the public rental market) cannot adjust quickly to the sudden surge in demand resulting from an increase in rental subsidy. The lack of supply of low-cost rental flats in high demand areas may exacerbate the supply-demand imbalance, which can drive market rents up, leading to an affordability problem. Meanwhile, the rise in demand for rental flats may not elicit a corresponding increase in supply even in the medium term if investment in rental properties is not considered attractive, particularly in times of low inflation when potential capital gain is estimated to be small. Therefore, rental subsidy may not achieve its intended objective of assisting low-income households in renting accommodations in the private market.

6.3.2 Housing is a durable asset which in reality forms part of the economic infrastructure and requires very large capital investment. There are often insufficient private investors willing to put up enough capital without government incentives or guarantees. Again, supply of private rental flats may not be sufficient to meet demand stimulated by rental subsidy.

6.3.3 If the government imposes tight quality control on private rental flats, supply will be restricted by the requirements. On the other hand, if no control is exercised on the quality of private rental flats, some areas may result in ghettoization.

Reluctance to lease flats to rental subsidy recipients by landlords

6.3.4 Many landlords are reluctant to lease their flats to rental subsidy recipients as they want to avoid the regulations imposed by the government and the amount of paper work involved. Some landlords, as in the case of the UK, may also discriminate against rental subsidy recipients due to their status.130

---

130 UK Office of the Deputy Prime Minister, Housing Benefit and the Private Landlord, 29 April 1999.
Impact on economic and urban development

6.3.5 Public housing development often brings in other amenities, such as the operation of private bus companies and retail centres, stimulating possible private developments in surrounding areas, etc. Sometimes, public housing development is a tool used by the government to counter cyclical downturns in the building industry. However, rental subsidy programmes do not serve these purposes.

Concern for the disabled

6.3.6 Theoretically, a rental subsidy recipient should be able to find an accommodation in the private rental market that meets his needs. However, this may not be practicable for the disabled when there is a limited supply of private rental flats which have facilities accommodating their needs and, at the same time, are affordable to them even with rental subsidy.
Chapter 7 - Analysis

7.1 Introduction

7.1.1 This analysis looks into the reasons for the establishment of rental subsidy programmes, the nature of rental subsidy and the extent of assistance, the cost-effectiveness of rental subsidy, the control and monitoring measures of the programmes, the affordability of private rental flats to subsidy recipients, the impact of rental subsidy on the private rental market and the trend towards the provision of rental subsidy in the UK, NSW, the US and Hong Kong. A comparison of the rental subsidy programmes in these places is given in Appendix II.

7.2 Reasons for the establishment of rental subsidy programmes

7.2.1 The rental subsidy programmes in the three overseas places under study are established under different socio-economic environments, different financial situations of the government and different principles of housing policies.

7.2.3 In the UK, the rental subsidy programme was introduced in the context where there was an appreciation of the growing diversity in labour markets and levels of pay for manual workers. There was also a policy objective to increase the rentals of public flats to a level which reflected the rentals of similar flats in the private market. With the aim of ensuring the affordability of both public and private flats to working tenants, the UK government established the rental subsidy programme.

7.2.4 In NSW, the establishment of the rental subsidy programme for the disabled and HIV/AIDS persons was in response to a sudden demand for public housing due to the AIDS epidemic in the inner city.

7.2.5 In the US, the rental subsidy programme was established amid the concentration of the very poor minorities in public housing and a growing academic preference for anti-poverty programmes that could be more cost effective and less bureaucratic and that could enhance recipient mobility.

7.2.6 A common theme in these three places is that the provision of rental subsidy to low-income households is regarded as one of the many alternatives to avoid the substantial repair and maintenance costs involved in the provision of public rental housing.

7.2.7 In Hong Kong, RAES was introduced on the basis of a survey on housing aspirations of households. The survey found that elderly households preferred to live in private self-contained flats in their original districts of residence. The introduction of RAES was also considered by the Government as a pilot scheme to examine the feasibility of extending the provision of cash subsidies to non-elderly WL applicants to rent private accommodations of their choice.
7.3 Eligibility for rental subsidy

7.3.1 In the UK, rental subsidy is a social benefit. Any person who meets the eligibility criteria and applies for the subsidy will, in general, receive the subsidy within 14 days upon submission of the application. The provision of rental subsidy will continue as long as the recipient can prove to the local council once every 60 weeks that he meets all the eligibility requirements.

7.3.2 In NSW, rental subsidy is restricted to persons with disabilities and HIV/AIDS. The state also provides a one-off financial assistance for low-income households to establish and maintain a private tenancy. Meanwhile, there is no cap on the period of entitlement to rental subsidy, and the eligibility of recipients is not subject to periodic assessments.

7.3.3 Unlike the UK and NSW, the US government determines the quota of vouchers supplied under the budget constraint on an annual basis. Even if a person meets all the eligibility requirements, he may have to wait for an average of 28 months before receiving the subsidy. Therefore, the rental subsidy programme may not meet the immediate housing need of needy persons. However, once a person succeeds in obtaining the rental subsidy, he will continue to receive the subsidy provided that he passes the annual assessment test conducted by the public housing agency.

7.3.4 In Hong Kong, RAES is an income-cum-asset tested assistance. The objective is to give eligible elderly persons an additional choice of accommodation so that they can live in districts of their choice or where no PRH flats are available. RAES is also considered by the Government as a pilot scheme to examine the feasibility of extending the provision of cash subsidies to non-elderly WL applicants to rent private accommodations of their choice. Since RAES is a pilot scheme, a quota system is employed. In 2002/03, the quota is set at 600. Although the entitlement period of RAES is two years, a recipient may apply for renewal of another two years provided he passes the income-cum-asset test upon renewal.
7.4 Demand for rental subsidy

7.4.1 In all three overseas places studied, rental subsidy is an income-related assistance. Once the income of a person exceeds the income limit imposed by the government, the government may terminate the assistance. Demand for rental subsidy thus depends on the earning power of both existing and potential subsidy recipients. If the majority of recipients are unemployed able adults, their chance of going back to the work force is greater when the economic environment becomes favourable. Therefore, when the economy is good, demand for rental subsidy is reduced. On the other hand, if the majority of recipients are the elderly, disabled persons or families with children, demand for rental subsidy may persist regardless of the economic performance, because these people may not have the earning power or resources to rent private flats out of their own pockets.

7.4.2 In 2001, one-third of subsidy recipients in the UK are the unemployed or persons with short-term illness. When economic growth picks up, they may easily get back to the work force and earn an income, reducing demand for rental subsidy. Therefore, demand for rental subsidy may be more volatile.

7.4.3 In NSW, there is not a large demand for rental subsidy due to the restrictive eligibility requirement of persons with special needs. In this connection, the government can easily meet demand and be able to provide assistance to the needy immediately.

7.4.4 In 2000, 64% of subsidy recipients in the US are families with children, 15% are elderly persons and 13% are disabled persons. Since they may not be able to benefit from economic growth, they persistently rely on government assistance to rent appropriate flats in the private market, implying a fairly stable demand.

7.4.5 In Hong Kong, income is not a determining factor in RAES. In any event, since RAES serves the elderly, demand is expected to be relatively consistent.

7.5 Cost comparison of rental subsidy versus public housing

7.5.1 The provision of rental subsidy mainly involves administration costs and the subsidy itself, while the provision of public housing involves construction cost, maintenance and management costs. In most cases, the cost of providing rental subsidy appears to be lower than the cost of providing public housing.

7.5.2 According to a study conducted by HUD, the marginal cost of providing a public rental flat was US$41 (HK$320) more than that of a voucher per month, disregarding the construction cost of a public rental flat.
7.5.3 Another study conducted by DoH of NSW also finds that the cost of providing public housing is higher than that of the provision of rental subsidy. The maintenance cost of public housing has almost doubled in the past 10 years due to the costly maintenance liabilities arising from past under-investment in the public housing stock.

7.5.4 To alleviate the burden of repairs and maintenance of public housing, the governments of the three overseas places under study have reduced the production of public housing and provided other forms of housing assistance for low-income households either to buy or to rent private accommodations. In Hong Kong, while RAES is a pilot scheme for the examination of the feasibility of providing cash subsidies to non-elderly WL applicants to rent private accommodations of their choice, there is no indication that the Government will reduce the production of public housing.

7.5.5 Although the cost of providing rental subsidy appears to be lower than the cost of providing public housing, the processing of rental subsidy applications requires considerable verifications of information and complex calculations to determine the rate of subsidy, which may result in errors and delays, causing substantial loss to the government.

7.5.6 In the UK, the rental subsidy programme is considered complex and difficult to both understand and administer. The complexity of the calculation of the rate of rental subsidy leads to the occurrence of errors in the administrative process, resulting in over-payment (£840 million (HK$9.9 billion) in 1997/98) and delays in payment. The case in the US is similar to that of the UK. HUD estimates that there is an overpayment of US$2 billion (HK$15.6 billion) for all housing assistance each year because of incorrect rental calculations.

7.5.7 In NSW, since the number of recipients is very small, there is no indication of major concerns for the administration of the subsidy. In Hong Kong, since RAES is a pilot scheme and the number of recipients is very small, no study has been conducted on the complexity of the scheme.

7.5.8 In view of the diverse profile of subsidy recipients, the changing economic environment and the apparent withdrawal from the provision of public housing by the governments, it is difficult to determine whether or not the provision of rental subsidy has increased the financial burden of the governments.
7.6 **Control and monitoring**

7.6.1 There are concerns over the abusive use of rental subsidy by both tenants and landlords. In some cases, applicants provide false information to the government to ensure that the eligibility requirements are met. In other cases, landlords collude with tenants, charge a higher rent, and split the balance between themselves. With a view to combating frauds, the governments of the three overseas places under study have introduced measures or imposed penalties to reduce the possibility of abusive use of rental subsidy.

7.6.2 In the UK, there were over 4,000 fraud cases in 2001/02. The government has increased the funding for local councils so that they have more resources to spend on the verification of applications, administration of sanctions and prosecution of unscrupulous landlords and irresponsible tenants, as well as on improvement of the information sharing between DWP and local councils.

7.6.3 In NSW, rental subsidy applicants or recipients who deliberately make false, misleading or incomplete statements upon application may result in termination of tenancy or recovery of subsidy by way of legal action.

7.6.4 In the US, public housing agencies conduct annual reviews on the income level of recipients and the quality standard of leased flats. They also conduct local rent reasonableness tests to ensure that the rents charged by landlords are reasonable.

7.6.5 In Hong Kong, since RAES is a pilot scheme tailored-made for the elderly with a set quota, no study has been conducted on the abusive use of the scheme.

7.7 **Affordability of private rental flats**

7.7.1 The governments of the three overseas places under study provide cash subsidy to assist low-income households in renting private flats, and the level of cash assistance relative to the market rent primarily determines whether or not these households can rent appropriate private rental flats.

7.7.2 The level of rental subsidy in both the UK and NSW only allows recipients to rent low-cost accommodations in the private market. In the UK, a subsidy recipient renting a private flat may have to use a larger portion of his income to pay the rental than a recipient who rents a council or RSL flat. In NSW, the rents for private flats in Sydney far exceed the approved rent, and thus low-income households can only choose to live in outer areas where the rents are below the approved rent.
7.7.3 Unlike the UK and NSW, in the US, public housing agencies have the flexibility in setting the payment standard, which allows more private rental flats to fall within the range of the fair market rent. In addition, public housing agencies have considerable autonomy in adjusting the level of subsidy in accordance with the market situation, thus increasing the affordability of flats in high demand areas to recipients. Moreover, public housing agencies also maintain a list of landlords who have participated in the tenant-based voucher programme, which makes it easier for recipients to locate appropriate flats. According to HUD, these measures help recipients find appropriate accommodations. In 2000, 69% of voucher recipients living in large metropolitan areas were able to find a flat in the private rental market.

7.7.4 In Hong Kong, since only 442 applications have been approved, the figure is not significant enough to indicate whether these successful applicants are able to rent a private flat of their choice and within their districts of residence.

7.8 Impact of rental subsidy on the private market

7.8.1 Owing to the relatively small number of rental subsidy recipients and the few studies on the impact of rental subsidy on the private rental market, the impact on the private market is insignificant or difficult to determine.

7.8.2 In the UK, the rental subsidy programme has not stimulated demand for private housing, since only 19% of subsidy recipients, or 3.6% of the total number of households, rent private flats. Other subsidy recipients prefer to stay in council or RSL flats because rentals for those flats are lower.

7.8.3 In NSW, the SAS programme does not have much impact on the supply of private rental flats because all eligible recipients are persons with special needs who demand flats with special amenities which belong to a small sector of the private rental market.

7.8.4 In the US, since only 1.6% of the total number of households receive rental subsidy, they are not expected to have much impact on the private rental market. In fact, a study on the effect of rental subsidy on the private rental market conducted by HUD found that rental subsidy had not affected the price or increased the rent of private flats. It had only increased the supply of standard quality flats.

7.8.5 In Hong Kong, since RAES is a pilot scheme, the impact on the private market is insignificant.
7.9 Trend towards the provision of rental subsidy

7.9.1 In all three overseas places under study, there is a growing trend towards the provision of rental subsidy with a view to alleviating the financial burden involved in the provision of public housing. The governments also try to streamline the administrative process in the delivery of the subsidy. To enhance the delivery of the subsidy in an efficient and cost-effective manner, reviews have been conducted to assess the performance of the rental subsidy programmes.

7.9.2 In the UK, the government has conducted a number of reviews on rental subsidy, and the most comprehensive one was in 2000. Proposed changes to the rental subsidy programme included the introduction of a flat rate for private tenants, the retention of the balance of subsidy by tenants if the rent is below the standard rate of subsidy, the abolition of re-application if circumstances remain unchanged and the abolition of site inspections by rent officers. The government would also inject £200 million (HK$2.3 billion) between 2000 and 2003 to improve the administrative process by investing in training, recruitment and retention initiatives and information technology.

7.9.3 In NSW, a review on SAS was conducted in 2001, and DoH is currently discussing the recommendations generated from the review with various advocacy groups.

7.9.4 In the US, HUD examined the performance of the tenant-based voucher programme in 2000. The report concluded that the programme had proven to be both effective and cost-efficient, but there were also criticisms such as accusations of fraud, waste and abusive use of the programme. HUD also conducts other ad hoc studies regularly, such as one on the utilization of vouchers and clusters of neighbourhood of recipients.

7.9.5 Although the governments of all three overseas places under study conduct ad hoc reviews of the rental subsidy programmes, there is no periodic review mechanism to evaluate the effectiveness of the various rental subsidy programmes. Only in the US is there a biennial QC Study for improving the accuracy of subsidy payments.

7.9.6 In Hong Kong, HA conducted a review of RAES in February 2002. It found that the scheme was able to provide an additional choice of accommodation to the elderly and that their living condition had improved.
Appendix I

Public Housing Assistance in Singapore, Taiwan and Japan

Singapore

1. In Singapore, it is the government's policy to encourage home ownership. Therefore, flats built by the Housing and Development Board of Singapore (HDB) for sale are appropriately priced so that even a low-income household can afford to buy a small flat. Tenants of public housing are also allowed to use their Central Provident Fund savings to pay for the downpayment (set to be 20% of the price of a flat) and monthly mortgage loan instalments. To further assist tenants to pay the mortgage, HDB offers housing loans at modest rates over a repayment period of up to 30 years.131

2. Public rental flats are built to meet the needs of low-income households in the bottom 10th income percentile whose earning is less than S$800 (HK$3,488)132 per month, and who cannot afford owner-occupied flats. According to HDB, supply of public rental flats has always been able to meet demand. HDB has not conducted any study on giving rental subsidy to low-income households to rent accommodations in the private rental market.

3. In 2000, 85% of the population were living in HDB flats, of which 82% were owner-occupied.133

Taiwan

4. The home ownership situation in Taiwan is similar to that of Singapore. In 2000, 83% of households owned their flats built either by private developers or by the government, and only 1% of households lived in public rental housing.134 Public rental housing is provided by city governments.

Japan

5. In Japan, public housing is provided by both municipal or prefectural governments and public housing corporations. As there is limited readily available information on public housing in Japan, RSLD has sent enquiries to the relevant department in Japan to obtain more information. However, no reply has been received as of the date of publication of this report.

132 Average exchange rate of Singapore Dollar to Hong Kong Dollar for 2002 was S$1=HK$4.36.
## Comparison of Rental Subsidy Programmes in the United Kingdom, New South Wales, the United States and Hong Kong

<table>
<thead>
<tr>
<th>General Information</th>
<th>United Kingdom</th>
<th>New South Wales</th>
<th>United States</th>
<th>Hong Kong (Pilot scheme)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>• A social benefit to assist low-income households and persons on social benefits in renting accommodations of a decent standard.</td>
<td>• To ensure people with disabilities or HIV/AIDS not to be financially disadvantaged while waiting for suitable public housing.</td>
<td>• To enable eligible households to rent decent and safe accommodations.</td>
<td>• To give eligible elderly persons an additional choice of accommodation so that they can live in districts of their choice or where no public rental housing (PRH) are available.</td>
</tr>
<tr>
<td><strong>Responsible authorities</strong></td>
<td>• Department for Work and Pensions (DWP) - formulation of housing benefit policies at the national level.</td>
<td>• Department of Housing of New South Wales (DoH).</td>
<td>• Department of Housing and Urban Development (HUD) - oversight of the housing choice voucher programmes at the national level.</td>
<td>• Hong Kong Housing Authority (HA).</td>
</tr>
<tr>
<td><strong>No. of recipient households</strong></td>
<td>• 3.9 million (as at 2001/02).</td>
<td>• 1,820 (as at 2002/03).</td>
<td>• 1.7 million (as at 2003).</td>
<td>• 442 (as at February 2003).</td>
</tr>
<tr>
<td><strong>Proportion of recipients to total number of households</strong></td>
<td>• 18.8%.</td>
<td>• 0.08%.</td>
<td>• 1.6%.</td>
<td>Not applicable.</td>
</tr>
<tr>
<td><strong>Profile of recipients</strong></td>
<td>• Single parents 36%</td>
<td>• Information is not available.</td>
<td>• Families with children 64%</td>
<td>Information is not available.</td>
</tr>
<tr>
<td></td>
<td>• With long-term illness 33%</td>
<td></td>
<td>• Elderly families or individuals 15%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Unemployed 14%</td>
<td></td>
<td>• Disabled persons 13%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• In work/carers/widows/short-term illness 16%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
<td>• A UK resident;</td>
<td>• Meeting public housing eligibility criteria;</td>
<td>• A US citizen;</td>
<td>• A Waiting List applicant aged 60 or above; or</td>
</tr>
<tr>
<td></td>
<td>• Aged 18 or above;</td>
<td>• Diagnosed with HIV/AIDS or disabled; and</td>
<td>• Aged 18 or above;</td>
<td>• An elderly tenant due for rehousing; or</td>
</tr>
<tr>
<td></td>
<td>• A low income earner or a social benefit recipient;</td>
<td>• Approved for priority housing.</td>
<td>• Income &lt; 50% of area median income;</td>
<td>• A PRH tenant on special transfer on health or social grounds.</td>
</tr>
<tr>
<td></td>
<td>• Savings &lt; £16,000 (HK$187,680); and</td>
<td></td>
<td>• A federally subsidized housing programme participant; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Not living in a close relative’s flat.</td>
<td></td>
<td>• No record of criminal offences.</td>
<td></td>
</tr>
<tr>
<td><strong>Waiting time</strong></td>
<td>• 14 days to 13 weeks.</td>
<td>• Pay upon approval.</td>
<td>• 28 months.</td>
<td>Information is not available.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Large cities - eight to 10 years.</td>
<td></td>
</tr>
</tbody>
</table>
Comparison of Rental Subsidy Programmes in the United Kingdom, New South Wales, the United States and Hong Kong

<table>
<thead>
<tr>
<th>Affordability</th>
<th>United Kingdom</th>
<th>New South Wales</th>
<th>United States</th>
<th>Hong Kong (Pilot scheme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of subsidy</td>
<td>Varies among applicants;</td>
<td>Varies among applicants;</td>
<td>Varies among applicants;</td>
<td>Varies among applicants; and</td>
</tr>
<tr>
<td></td>
<td>Almost fully covers rent charged by local councils or registered social landlords (RSLs);</td>
<td>The amount of subsidy is the difference between the approved rent and the contribution made by the recipient to the rent.</td>
<td>The amount of subsidy is the lesser of the payment standard minus 30% of the family's monthly adjusted income or the gross rent for the flat minus 30% of the family's monthly adjusted income.</td>
<td>The amount of subsidy is the lesser of the pre-determined rate or 60% of the negotiated rent.</td>
</tr>
<tr>
<td></td>
<td>Subsidy recipient who rents a private flat has to pay a portion of his income to cover the balance between the rent charged by the landlord and the eligible rent; and</td>
<td>Calculations are perceived to be “unclear and difficult to understand”.</td>
<td>Rent; and</td>
<td>Rent; and</td>
</tr>
<tr>
<td></td>
<td>Calculations are perceived to be “unclear and difficult to understand”.</td>
<td></td>
<td>Charges on sewage, water, garbage, and pest control.</td>
<td>A one-off special grant for rental deposit, estate agent commission and emergency alarm installation.</td>
</tr>
<tr>
<td>Coverage</td>
<td>Rent only.</td>
<td>Information is not available.</td>
<td>Rent; and</td>
<td>Rent; and</td>
</tr>
<tr>
<td>Basis for calculating the amount of rental subsidy</td>
<td>Income (including earnings, other benefits and tax credits); Capital; Age and personal circumstances of the applicant; and Rent, size and location of the flat.</td>
<td>Income; Market rent; and Amenities and facilities of the flat.</td>
<td>The 40th percentile of the rent in the local rental market for standard quality flats.</td>
<td>Size of the household; Average space allocated to a PRH tenant; Average rental of private flats within the range of 30-39.9 m2 in the urban area; and the 40% contribution to rent by the recipient.</td>
</tr>
<tr>
<td>Security of tenure</td>
<td>Duration of entitlement</td>
<td>No time limit as long as the recipient decides to remain in the flat.</td>
<td>12 months.</td>
<td>24 months.</td>
</tr>
<tr>
<td>Conditions of renewal</td>
<td>Recipients need to file a new claim upon expiry of the housing benefit entitlement.</td>
<td>No cap on the number of renewal of entitlement.</td>
<td>Subject to the annual review of the income and composition of voucher recipients by the public housing agency.</td>
<td>Subject to passing an income-cum-asset test and not owning any domestic property.</td>
</tr>
<tr>
<td></td>
<td>No cap on the number of renewal of entitlement.</td>
<td></td>
<td>Meeting the eligibility requirements and complying with the lease arrangements.</td>
<td>Income or assets &lt; two times of the prevailing Waiting List Income Limits or Waiting List Asset Limits.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No cap on the number of renewal of entitlement.</td>
<td>No cap on the number of renewal of entitlement.</td>
</tr>
</tbody>
</table>
### Appendix II (cont’d)

**Comparison of Rental Subsidy Programmes in the United Kingdom, New South Wales, the United States and Hong Kong**

<table>
<thead>
<tr>
<th>Control and monitoring</th>
<th>United Kingdom</th>
<th>New South Wales</th>
<th>United States</th>
<th>Hong Kong (Pilot scheme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measures</td>
<td>• Increase funding to support tighter checking of claims; • Develop incentive schemes to reward local councils to reduce wrong payments; • Establish clear standards for performance in benefit administration; • Adopt good practice to prevent frauds and errors; and • Improve information sharing between DWP and local councils.</td>
<td>• Careful assessment of applications, taking into account the applicants’ needs and the availability of suitable housing stock.</td>
<td>• Annual examination of the income and composition of recipients; • Annual inspection of the flats to ensure compliance with the minimum housing quality standards; • Adoption of the local rent reasonableness test to ensure that rents charged for flats are comparable to rents for other flats in the neighbourhood; and • Performance measures of PHAs by Section Eight Management Assessment Program.</td>
<td>• Inspection of rental receipts once every three months; • Declaration of occupation position at renewal; • Random checks of recipients by the Housing Department.</td>
</tr>
<tr>
<td>Penalty</td>
<td>• Information is not available.</td>
<td>• Terminate tenancy. • Take legal action to recover the subsidy.</td>
<td>• Deny admission to the programme or terminate assistance to recipients with criminal behaviour. • Deny participation by landlords with a history of non-compliance with housing quality standards. • Terminate administration of the programme if PHAs fail to correct deficiencies.</td>
<td>• Terminate subsidy payment. • Prosecute applicants for providing false information or being involved in malpractices.</td>
</tr>
</tbody>
</table>

### Impact on private rental market

<table>
<thead>
<tr>
<th>Impact on market rent</th>
<th>United Kingdom</th>
<th>New South Wales</th>
<th>United States</th>
<th>Hong Kong (Pilot scheme)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost of provision of rental subsidy versus direct provision of public housing</strong></td>
<td>• Information is not available.</td>
<td>• The cost of provision of rental subsidy is relatively smaller than the cost of provision of public housing.</td>
<td>• In 1995, the monthly marginal cost of providing a voucher was US$41 (HK$320) less than that of providing a public housing unit.</td>
<td>• Information is not available.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial implications</th>
<th>United Kingdom</th>
<th>New South Wales</th>
<th>United States</th>
<th>Hong Kong (Pilot scheme)</th>
</tr>
</thead>
</table>
Comparison of Rental Subsidy Programmes in the United Kingdom, New South Wales, the United States and Hong Kong

<table>
<thead>
<tr>
<th>Review of the effectiveness of the rental subsidy programmes</th>
<th>United Kingdom</th>
<th>New South Wales</th>
<th>United States</th>
<th>Hong Kong (Pilot scheme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Periodic review</td>
<td>• No periodic review mechanism.</td>
<td>• No periodic review mechanism.</td>
<td>• Biennial Quality Control for Rental Assistance Subsidy Determination to determine the type, severity and cost of errors.</td>
<td>• Information is not available.</td>
</tr>
<tr>
<td>Ad hoc review</td>
<td>• Latest review was conducted in 2000, resulting in the introduction of some measures with a view to reducing the complexity and streamlining the administration procedures of the scheme.</td>
<td>• A review was undertaken by DoH in 2001. DoH is still discussing the recommendations with various advocacy groups.</td>
<td>• Latest review was in 2000. The report concluded that the programme was effective and cost-efficient. Criticisms on the programme included accusations of fraud, waste, or abusive use of the subsidy.</td>
<td>• A review was conducted by HA in 2002. Feedback from RAES recipients confirmed that the scheme had improved the living condition of the elderly.</td>
</tr>
</tbody>
</table>
References

UK


Web site

NSW


3. Deputy Premier, Minister for Planning, Minister for Aboriginal Affairs and Minister for Housing of the NSW government, 2002/03 NSW Budget Commentary on the Housing Assistance Programme, June 2002.


5. NSW Department of Housing, Annual Report 2001/02.

6. NSW Department of Housing, Directions for Housing Assistance Beyond 2000, Background Paper, September 1999.


11. NSW Department of Housing, NSW Housing Indicators Report, Data to December 1999.


Web site


USA


**Web site**


**Hong Kong**


13. Information Services Department of the HKSAR Government, *Hong Kong 2001-Chapter 12 Housing*.


16. Legislative Council, Panel on Housing, *Power-point Presentation on Rent Allowance for the Elderly Scheme*, LC Paper No. CB (1) 1137/00-01 (05).

**Web sites**


**Other publications**
