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Panel on Housing

Meeting on 4 March 2013

**Updated background brief on "Waiting List Income and Asset Limits"
prepared by the Legislative Council Secretariat**

Purpose

This paper provides background information on the Waiting List ("WL") income and asset limits, and gives a brief account of the views and concerns expressed by Members on the subject.

Background

2. The Hong Kong Housing Authority ("HA") maintains a WL system through which low-income families which cannot afford to rent private accommodation may apply for public rental housing ("PRH"). The eligibility of PRH applicants is determined by way of the WL income and asset limits. Households with incomes and assets below the respective prescribed limits are deemed unable to afford renting private accommodation and hence are eligible for PRH.

3. The WL income limits ("WLILs") are derived using a "household expenditure" approach that comprises housing and non-housing costs, plus a contingency provision. Housing cost, which measures the rent for renting a private flat comparable to PRH, depends on the differential unit rent of private accommodation and reference flat size. Non-housing cost is determined with reference to the latest Household Expenditure Survey ("HES")^{Note¹}, which collects detailed information of the expenditure patterns and levels of different households, with adjustment according to the latest movement in Consumer Price Index (A) ("CPI(A)") (excluding housing cost). The WLILs for different household sizes are the respective sums of the two major cost items, plus a 5% "contingency"

^{Note¹} The Household Expenditure Survey ("HES") provides the necessary statistics on the average household expenditure of the lower half expenditure group among tenant households in the private sector. The statistics form the basis for assessing the non-housing expenditure of different household sizes in calculating the WL income limits. As the Census and Statistics Department only conducts HES every five years, the household expenditure is adjusted according to the movement in CPI(A) (excluding housing cost) for the reviews conducted between the two HESs. The 2012/13 review has adopted the 2009/10 HES findings released in late April 2011.

provision. However, statutory contributions under the Mandatory Provident Fund Scheme are deductible from a household's income when it applies for PRH. The WL asset limits ("WLALs") are adjusted with reference to movement in CPI(A) over the year.

Adjustment of WL income and asset limits

4. The WL income and asset limits are reviewed annually at the beginning of each year using the latest available statistics as of the last quarter as compared to the corresponding quarter of the previous year.

5. Taking into account the uncertainties arising from possible changes in the economic environment including the implementation of the statutory minimum wage on 1 May 2011, the "contingency" provision was increased from 5% to 15% in the 2011/12 review to provide a bigger buffer for low-income families. For 2012/13, in the light of the economic situation and in order to provide an additional buffer for 1-person and 2-person households, their income limits have been frozen at the prevailing levels of 2011/12 (i.e. \$8,740 and \$13,410 for 1-person and 2-person households respectively). For 3-person and 4-person households, their income limits for 2012/13 have been increased by 11.8% and 11.6% respectively in accordance with the established formula. As regards WLAL, an increase of 5.3% has been made for 2012/13 under the established mechanism, following changes in overall CPI(A).

6. With the foregoing, the 2012/13 WL income and asset limits have increased by an average of 7.7% and 5.3% respectively over those for 2011/12. Some 112 800 non-owner occupied households in the private sector have become eligible for PRH following the adoption of the revised income and asset limits. The existing 2012/13 WL income and asset limits are in **Appendix I**.

The 2013 Policy Address

7. As announced in the 2013 Policy Address, HA will step up its efforts to investigate the income/assets declarations made by PRH tenants, including those suspicious cases referred by frontline staff and the public, as well as those randomly selected cases of income/assets declarations made under the "Well-off Tenants Policies", to ensure the rational use of PRH resources. To prevent abuse of PRH resources, HA will also continue to take enforcement actions to detect suspected non-occupation cases.

Deliberations by the Panel on Housing

8. The Panel on Housing ("the Panel") has been monitoring the review of the WL income and asset limits. Meetings were held on 17 March 2006,

5 March 2007, 3 March 2008, 2 March 2009, 1 March 2010 and 7 March 2011 to discuss the outcomes of previous reviews. The discussion on the outcome of the review of the WL income and asset limits for 2012/13 at the Panel meeting on 2 March 2012 is summarized in the ensuing paragraphs.

9. Noting that the 2012/13 WLILs for 1-person and 2-person households had been frozen at the 2011/12 levels while the limits for 3-person and 4-person households had been increased, some members queried the rationale behind the discrepancies and the justifications for the freeze. They expressed concern that the freezing of the 2012/13 WLILs for 1-person and 2-person households might affect the eligibility of these households for PRH application. Consideration should therefore be given to providing more 1-person and 2-person PRH flats to meet the demand.

10. Some members considered that the housing cost of 1-person household had been under-estimated. They were of the view that the sample survey on private dwellings conducted by the Census and Statistics Department from which the differential unit rents were derived was inaccurate and too broad-brush as all smaller flats (including cubicles and subdivided flats) were grouped under the same category. Given that the rentals of subdivided flats were comparable to that of private flats in the middle to higher end of the property market, the survey might not be able to reflect the actual situation of high rentals of subdivided flats in urban areas. Consideration should therefore be given to including a separate category for subdivided flats in the sample survey. It was also considered necessary for HA to conduct its own survey or entrust the survey on rentals of subdivided flats to professional organizations. There was a need for HA to gather more information on the rental situation in Hong Kong, particularly on the rentals of subdivided flats which were the common dwellings of many low-income 1-person households. Members also questioned the decrease in the non-housing cost of 1-person household as against the significant increases in that of other household sizes, when all household sizes were exposed to rising living costs.

Relevant papers and Council questions

11. A list of relevant papers is in **Appendix II**. Hon CHAN Hak-kan, Hon Starry LEE and Hon LAM Tai-fai raised questions on WL income and asset limits for PRH at the Council meetings on 7 January 2009, 8 December 2010 and 2 November 2011 respectively. Details of the Council questions are also hyperlinked in **Appendix II** for ease of reference.

The existing 2012/13 WL Income and Asset Limits

Household Size	Existing WL Income Limits for 2011/12	Existing WL Asset Limits for 2011/12*	Proposed WL Income Limits for 2012/13		Proposed WL Asset Limits for 2012/13*
1-Person	\$8,740 (\$9,200)	\$193,000	\$8,740	(\$9,200)	\$203,000
2-Person	\$13,410 (\$14,116)	\$260,000	\$13,410	(\$14,116)	\$274,000
3-Person	\$15,260 (\$16,063)	\$341,000	\$17,060	(\$17,958)	\$359,000
4-Person	\$18,560 (\$19,537)	\$397,000	\$20,710	(\$21,800)	\$418,000
5-Person	\$21,520 (\$22,653)	\$442,000	\$23,640	(\$24,884)	\$465,000
6-Person	\$25,040 (\$26,358)	\$478,000	\$26,590	(\$27,989)	\$503,000
7-Person	\$27,340 (\$28,779)	\$510,000	\$29,560	(\$31,116)	\$537,000
8-Person	\$28,950 (\$30,474)	\$535,000	\$31,620	(\$33,284)	\$563,000
9-Person	\$32,230 (\$33,926)	\$591,000	\$35,360	(\$37,221)	\$622,000
10-Person and above	\$33,590 (\$35,358)	\$636,000	\$37,150	(\$39,105)	\$670,000

*Asset limits for elderly households (including both nuclear and non-nuclear households comprising solely elderly members) are set at two times of the limits for non-elderly applicants.

Figures in () denote the effective income limits should a household be contributing 5% of its income under the MPF Scheme as required by the law.

Waiting List Income and Asset Limits

List of relevant papers

Council/ Committee	Date of meeting	Paper
Panel on Housing	17 March 2006	<p>Information paper on "Review of the Waiting List Income and Asset Limits for 2006/07" provided by the Administration (LC Paper No. CB(1) 1060/05-06(05)) http://www.legco.gov.hk/yr05-06/english/panels/hg/papers/hg0317cb1-1060-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 1406/05-06) http://www.legco.gov.hk/yr05-06/english/panels/hg/minutes/hg060317.pdf</p>
Panel on Housing	5 March 2007	<p>Information paper on "Review of the Waiting List Income and Asset Limits for 2007/08" provided by the Administration (LC Paper No. CB(1) 1012/06-07(04)) http://www.legco.gov.hk/yr06-07/english/panels/hg/papers/hg0305cb1-1012-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 1568/06-07) http://www.legco.gov.hk/yr06-07/english/panels/hg/minutes/hg070305.pdf</p>
Panel on Housing	3 March 2008	<p>Information paper on "Review of Waiting List Income and Asset Limits for 2008/09" provided by the Administration (LC Paper No. CB(1) 905/07-08(06)) http://www.legco.gov.hk/yr07-08/english/panels/hg/papers/hg0303cb1-905-6-e.pdf</p> <p><u>Letter and information paper provided by the Administration</u> (LC Paper No. CB(1) 1116/07-08(01)) http://www.legco.gov.hk/yr07-08/english/panels/hg/papers/hg0303cb1-1116-1-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 1658/07-08) http://www.legco.gov.hk/yr07-08/english/panels/hg/minutes/hg080303.pdf</p>

Council/ Committee	Date of meeting	Paper
Panel on Housing	2 March 2009	<p>Information paper on "Review of Waiting List Income and Asset Limits for 2009/10" provided by the Administration (LC Paper No. CB(1) 894/08-09(03)) http://www.legco.gov.hk/yr08-09/english/panels/hg/papers/hg0302cb1-894-3-e.pdf</p> <p>Follow-up paper provided by the Administration (LC Paper No. CB(1) 1697/08-09(01)) http://www.legco.gov.hk/yr08-09/english/panels/hg/papers/hg0302cb1-1697-1-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 1445/08-09) http://www.legco.gov.hk/yr08-09/english/panels/hg/minutes/hg20090302.pdf</p>
Panel on Housing	1 March 2010	<p>Information paper on "Review of Waiting List Income and Asset Limits for 2010/11" provided by the Administration (LC Paper No. CB(1) 1210/09-10(03)) http://www.legco.gov.hk/yr09-10/english/panels/hg/papers/hg0301cb1-1210-3-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 1744/09-10) http://www.legco.gov.hk/yr09-10/english/panels/hg/minutes/hg20100301.pdf</p>
Panel on Housing	7 March 2011	<p>Information paper on "Review of Waiting List Income and Asset Limits for 2011/12" provided by the Administration (LC Paper No. CB(1) 1447/10-11(03)) http://www.legco.gov.hk/yr10-11/english/panels/hg/papers/hg0307cb1-1447-3-e.pdf</p> <p>Paper on Waiting List Income and Asset Limits prepared by the Legislative Council Secretariat (updated background brief) (LC Paper No. CB(1) 1447/10-11(04)) http://www.legco.gov.hk/yr10-11/english/panels/hg/papers/hg0307cb1-1447-4-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1) 2397/10-11) http://www.legco.gov.hk/yr10-11/english/panels/hg/minutes/hg20110307.pdf</p>

Council/Committee	Date of meeting	Paper
Panel on Housing	2 March 2012	<p>Information paper on "Review of Waiting List Income and Asset Limits for 2012/13" provided by the Administration (LC Paper No. CB(1)1149/11-12(04)) http://www.legco.gov.hk/yr11-12/english/panels/hg/papers/hg0302cb1-1149-4-e.pdf</p> <p>Paper on Waiting List Income and Asset Limits prepared by the Legislative Council Secretariat (updated background brief) (LC Paper No. CB(1)1149/11-12(05)) http://www.legco.gov.hk/yr11-12/english/panels/hg/papers/hg0302cb1-1149-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)2036/11-12) http://www.legco.gov.hk/yr11-12/english/panels/hg/minutes/hg20120302.pdf</p>
Panel on Housing	18 January 2013	<p>Information paper on "2013 Policy Address – Housing-related policy initiatives of Transport and Housing Bureau" provided by the Administration (LC Paper No. CB(1)438/12-13(01)) http://www.legco.gov.hk/yr12-13/english/panels/hg/papers/hg0118cb1-438-1-e.pdf</p>

Hyperlinks to relevant Council Questions:

Date	Council Question
7 January 2009	<p>Council question raised by Hon CHAN Hak-kan http://www.info.gov.hk/gia/general/200901/07/P200901070163.htm</p>
8 December 2010	<p>Council question raised by Hon Starry LEE http://www.info.gov.hk/gia/general/201012/08/P201012080128.htm</p>
2 November 2011	<p>Council question raised by Hon LAM Tai-fai http://www.info.gov.hk/gia/general/201111/02/P201111020191.htm</p>