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Panel on Housing

Meeting on 3 March 2014

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

Purpose

This paper provides updated 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 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.

Review mechanism

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. The exact figure is obtained by

multiplying the average space^{Note 1} allocated to WL applicants in the past three years by a unit rent derived from a sample survey of private dwellings conducted by the Census and Statistics Department ("C&SD"). Non-housing cost is determined with reference to the latest Household Expenditure Survey ("HES")^{Note 2}, 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). WLILs for different household sizes are the respective sums of the two major cost items, plus a 5% "contingency" 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.

Refined mechanism

4. HA's Subsidised Housing Committee ("SHC") approved at its meeting on 7 February 2013 the refinement to the mechanism for reviewing WLILs, whereby the non-housing cost component would be adjusted by either the change in CPI(A) (excluding housing cost) or the change in nominal wage index obtained through the Labour Earnings Survey ("LES")^{Note 3} conducted quarterly by C&SD as the income factor, whichever is higher. The refinement aimed to take into account the changes in income, including implementation of Statutory Minimum wage ("SMW"), while maintaining the expenditure-led review mechanism which functioned well. SHC agreed to adopt the refined mechanism for the review of WLILs for 2013/14.

^{Note 1} All Home Ownership Scheme flats which were transferred to PRH and 3-bedroom flats allocated to 4-person households are excluded from the calculation.

^{Note 2} 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 WLILs. As C&SD 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.

^{Note 3} As the summary statistics of LES are presented in the Quarterly Report of Wage and Payroll Statistics published by C&SD in March, June, September and December each year, SHC agreed at its meeting on 7 February 2013 that a yearly comparison can be made by using figures published in December (i.e. the nominal wage index in the third quarter) to fit in with the established schedule for conducting the review of WL income and asset limits for the new limits to come into effect on 1 April every year.

Adjustment of WL income and asset limits

5. Using the refined review mechanism, the derived WLILs for 2013/14 have increased by an overall average of 6% over the income limits for 2012/13. Although WLILs for 1-person and 2-person households for 2013/14 have only increased by 1.6% and 2.5% when compared with the existing income limits for 2012/13, they actually represented 7.9% and 7.5% increase to what would have been the 2012/13 levels^{Note 4} if they have not been frozen at the 2011/12 levels. For 3-person and 4-person households, their income limits for 2013/14 have increased by 7.3% and 6.9% respectively in accordance with the refined mechanism. As regards WLALs, an increase of 4.2% has been made for 2013/14.

6. With the foregoing, the 2013/14 WL income and asset limits have increased by an average of 6.0% and 4.2% respectively over those for 2012/13. According to the Administration, some 125 200 non-owner occupied households in the private sector should become eligible for PRH following the adoption of the revised income and asset limits. The existing 2013/14 WL income and asset limits are in **Appendix I**.

Deliberations by the Panel on Housing

7. The Panel on Housing ("the Panel") has been monitoring the review of the WL income and asset limits. Meetings were held each year to discuss the outcomes of previous reviews. The Panel discussed the outcome of the review of WL income and asset limits for 2013/14 at its meeting on 4 March 2013.

^{Note 4} This is because in the review for 2011/12, SHC endorsed the addition of an extra 10% of household expenditure on top of the contingency provision of 5% of the household expenditure on a special and one-off basis for WLILs, taking into account the uncertainties arising from possible changes in the economic environment, including fluctuations in price levels and implementation of SMW and to provide a buffer for the low-income households in applying for PRH. As a consequence, WLILs with the special and one-off extra contingency provision were on average 9.5% higher than what the income limits would have been if they have incorporated only a 5% contingency provision in accordance with the established methodology. Therefore, in the 2012/13 review, when comparing the assessed income limits for 2012/13 determined using the established methodology of a 5% contingency provision with the income limits adopted for 2011/12 (which included the special one-off provision of an additional 10% contingency provision as buffer), there should in fact be a decrease in the income limits for 1-person and 2-person households. But in the light of the then economic situation, and in order to continue to provide an additional buffer for 1-person and 2-person households, SHC endorsed to give special consideration to freeze their income limits at the then existing levels.

8. The Panel noted that the refined mechanism was adopted for the review of WLILs for 2013/14. Some members held the view that a people-oriented approach should be adopted in reviewing WLILs, instead of relying on a set of indices. Given that workers receiving SMW and who worked overtime might easily exceed the income limits and be rendered ineligible for PRH, they requested that consideration be given to increasing the contingency provision. Some members also commented that the mechanism for reviewing WL income and asset limits was unfair in that Hong Kong's economy was affected by many external factors, especially when the Hong Kong dollar was pegged to the US dollar which had given rise to inflationary pressure. Tenants of private accommodation were hardest hit by inflation as they were exposed to rising rentals as a result of escalating property prices. These members requested for the reinstatement of rent control and the upward adjustment of WLILs on account of the high housing and non-housing costs.

9. As housing costs were derived from the cost of renting a private flat comparable to PRH, some members were concerned that such costs might not have taken into account the high unit rents for cubicles and subdivided flats and hoped that separate surveys would be conducted. There was also the concern that the average space of flats allocated to WL applicants had been reduced over the years. As housing costs were obtained by multiplying the unit rent by the average space allocated to WL applicants, a reduction in the latter would have resulted in lesser housing cost, and this might not be able to reflect the rising rentals in the property market. These members therefore supported that the percentage change in housing costs should take account of the percentage increase in unit rents only, which was 15%.

Council questions

10. Hon CHAN Hak-kan, Hon Starry LEE, Hon LAM Tai-fai, Hon NG Leung-sing, Hon KWOK Wai-keung and Hon James Tien raised questions relating to WL income and asset limits for PRH at the Council meetings on 7 January 2009, 8 December 2010, 2 November 2011, 20 February, 29 May and 18 December 2013 respectively. Details of the Council questions are also hyperlinked in **Appendix II** for ease of reference.

Latest development

11. Following established practice, the Housing Department will report the findings of the review of the WL income and asset limits for 2014/15 at the Panel meeting on 3 March 2014 and then reflect members' comments on the findings to SHC.

Relevant papers

12. A list of relevant papers since the fourth Legislative Council is in **Appendix II**.

Council Business Division 1
Legislative Council Secretariat
27 February 2014

Waiting List (WL) Income and Asset Limits for Public Housing for 2013/14

| Household Size | WL Income Limits for 2013/14 ^{Note 1} | WL Asset Limits for 2013/14 ^{Note 2} |
|-----------------------|---|--|
| 1-Person | \$8,880 (\$9,347) | \$212,000 |
| 2-Person | \$13,750 (\$14,474) | \$286,000 |
| 3-Person | \$18,310 (\$19,274) | \$374,000 |
| 4-Person | \$22,140 (\$23,305) | \$436,000 |
| 5-Person | \$25,360 (\$26,695) | \$485,000 |
| 6-Person | \$28,400 (\$29,895) | \$524,000 |
| 7-Person | \$31,630 (\$33,295) | \$560,000 |
| 8-Person | \$33,810 (\$35,589) | \$587,000 |
| 9-Person | \$37,850 (\$39,842) | \$648,000 |
| 10-Person and above | \$39,740 (\$41,832) | \$698,000 |

Note ¹ Figures in brackets denote the effective income limits should a household be contributing 5% of its income under the MPF Scheme as required by law.

Note ² 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.

List of relevant papers

| Council/ Committee | Date of meeting | Paper |
|-----------------------|-----------------|---|
| Panel on Housing | 3 March 2008 | <p>Administration's paper on "Review of Waiting List Income and Asset Limits for 2008/09" (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>Administration's <u>letter and information paper</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> |
| Panel on Housing | 2 March 2009 | <p>Administration's paper on "Review of Waiting List Income and Asset Limits for 2009/10" (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>Administration's follow-up paper (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> |

| Council/ Committee | Date of meeting | Paper |
|-----------------------|-----------------|--|
| Panel on Housing | 1 March 2010 | <p>Administration's paper on "Review of Waiting List Income and Asset Limits for 2010/11" (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>Administration's paper on "Review of Waiting List Income and Asset Limits for 2011/12" (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>Updated background brief on "Waiting List Income and Asset Limits" prepared by the Legislative Council Secretariat (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> |
| Panel on Housing | 2 March 2012 | <p>Administration's paper on "Review of Waiting List Income and Asset Limits for 2012/13" (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>Updated background brief on "Waiting List Income and Asset Limits" prepared by the Legislative Council Secretariat (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> |

| Council/ Committee | Date of meeting | Paper |
|-----------------------|-----------------|--|
| Panel on Housing | 4 March 2013 | <p>Administration's paper on "Review of Waiting List Income and Asset Limits for 2013/14" (LC Paper No. CB(1)619/12-13(04)) http://www.legco.gov.hk/yr12-13/english/panels/hg/papers/hg0304cb1-619-4-e.pdf</p> <p>Updated background brief on "Waiting List Income and Asset Limits" prepared by the Legislative Council Secretariat (LC Paper No. CB(1)619/12-13(05)) http://www.legco.gov.hk/yr12-13/english/panels/hg/papers/hg0304cb1-619-5-e.pdf</p> <p>Minutes of meeting (LC Paper No. CB(1)1390/12-13) http://www.legco.gov.hk/yr12-13/english/panels/hg/minutes/hg20130304.pdf</p> |

Hyperlinks to relevant Council Questions:

| Date | Council Question |
|------------------|--|
| 7 January 2009 | Council question raised by Hon CHAN Hak-kan http://www.info.gov.hk/gia/general/200901/07/P200901070163.htm |
| 8 December 2010 | Council question raised by Hon Starry LEE http://www.info.gov.hk/gia/general/201012/08/P201012080128.htm |
| 2 November 2011 | Council question raised by Hon LAM Tai-fai http://www.info.gov.hk/gia/general/201111/02/P201111020191.htm |
| 20 February 2013 | Council question raised by Hon NG Leung-sing http://www.info.gov.hk/gia/general/201302/20/P201302200344.htm |
| 29 May 2013 | Council question raised by Hon KWOK Wai-keung http://www.info.gov.hk/gia/general/201305/29/P201305290420.htm |
| 18 December 2013 | Council question raised by Hon James TIEN http://www.info.gov.hk/gia/general/201312/18/P201312180290.htm |