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Panel on Development

Meeting on 25 May 2021

**Updated background brief on the funding scheme to support the use of
vacant government sites by non-government organizations**

Purpose

This paper provides background information on the funding scheme to support the use of vacant government sites by non-government organizations ("NGOs") ("the Funding Scheme"), and summarizes the views and concerns expressed by Members on the subject at relevant committees of the Legislative Council.

Background

2. At present, a number of vacant government sites (including vacant school premises ("VSPs") on government land available for application) are available for use by NGOs to support community, institutional or other non-profit-making initiatives, on an application basis and through the issue of short-term tenancies ("STTs"). To facilitate the taking forward of worthy projects by NGOs and make better use of these vacant sites, the Financial Secretary announced in his 2018-2019 Budget that \$1 billion would be set aside to subsidize the costs of basic works of eligible projects. On 25 January 2019, the Finance Committee approved the creation of a non-recurrent commitment of \$1 billion for the implementation of the Funding Scheme.¹ Subsequently, the Development Bureau ("DEVB")

¹ Please refer to [FCR\(2018-19\)72](#).

launched the Funding Scheme and started receiving applications from NGOs on 21 February 2019.²

3. According to the Administration, the Funding Scheme does not change, but supplements, the current mechanism for handling applications for use of vacant government sites. At present, in relation to unleased and unallocated government sites that are under the Lands Department ("LandsD")'s management and may be suitable for temporary uses by way of STTs,³ District Lands Offices of LandsD would, upon receipt of an application from an NGO, consult relevant bureaux/departments on the proposal. A prerequisite for the approval of an application is that policy support has been given by a relevant bureau whose portfolio oversees the provision of services related to the relevant community, institutional or other non-profit-making use being applied for. When more than one application have received the requisite policy support, LandsD would escalate the case to DEVB (Planning and Lands Branch) for a steer. Apart from those under LandsD's management, there are also a small number of vacant sites managed by the Government Property Agency or other departments, and are available for use by NGOs by way of STTs or other tenancy arrangements. To optimize their use, the Administration has also included these vacant sites for the purpose of the Funding Scheme.

Eligibility and scope of financial and technical support

4. After an NGO⁴ has received in-principle approval from a relevant authority for renting a vacant government site (including VSP) under the

² Details of the Funding Scheme (including application guidelines and procedures) are available on DEVB's website:

https://www.devb.gov.hk/en/issues_in_focus/Funding_Scheme_to_Support_the_Use_of_Vacant_Government_Sites_by_Non_government_Organisations/index.html

³ Under LandsD's current practice, STTs let by direct grant are normally granted for the fixed term of a duration ranging from one-to five years (in some cases with policy justifications a longer term of up to seven years may be granted) and thereafter continue monthly or quarterly if the site concerned is not immediately required for permanent or other temporary uses.

⁴ The NGO concerned should meet any of the following criteria:

- (a) it is a charitable institution or trust of a public character exempted from tax under section 88 of the Inland Revenue Ordinance (Cap. 112), or a company incorporated under the Companies Ordinance (Cap. 622) as a limited company by guarantee whose objects and powers do not include distribution of profits to members, or a non-profit-making society registered or body established under any legislation in Hong Kong; or
- (b) it takes the form of a social enterprise.

existing mechanism, it may make an application for funding support under the Funding Scheme.

5. According to the Administration, subject to a cap of \$60 million, the funding to be allocated to each approved project varies, depending on a number of site-specific factors, in particular the size of the site, existing conditions, technical requirements and the uses proposed. The subsidies will support one-off, basic, and essential restoration works required to make the sites/premises fit for use.⁵ The costs in relation to consultancy services commissioned to determine the technical feasibility or parameters of the proposed works,⁶ as well as insurance policies covering any potential claims that may arise during surveys, investigations and renovation works, may also be covered. Yet, the Funding Scheme does not cover the cost for interior fitting-out, or the cost of furniture and equipment procured purely for the NGOs, or other operating or recurrent expenses (e.g. general repair and maintenance) to be incurred in implementing the proposed short-term use on the vacant sites.

6. While the restoration works on the vacant sites or school premises are essentially executed by consultants, professionals and contractors engaged by the relevant NGOs upon approval of the funding applications, DEVB and government professional departments may also provide technical advice and support to facilitate the smooth completion of projects.

Number of approved applications

7. According to the progress report on the Funding Scheme provided to the Panel on Development ("the Panel") by the Administration in April 2021 ([LC Paper No. CB\(1\)762/20-21\(01\)](#)), DEVB has received a total of 11 fresh applications during the Financial Year 2020-2021 and granted first-stage funding to eight of them. The remaining three applications are being processed. In addition, two projects (for which the first-stage funding were approved in the Financial Year 2019-2020) were granted further funding to commence and implement construction works. Counting all projects

⁵ Such works may include slope upgrading works, site formation, erection of temporary structures (such as those using modular integrated construction methods), provision of sewerage/drainage or other basic facilities, pedestrian/vehicular access, renovation of existing premises, installation of fire safety equipment or barrier-free facilities, etc.

⁶ The consultancy services may cover: (a) detailed design of the proposed restoration works, and engagement of contractors to pursue preliminary work for site investigation and surveys; (b) submissions of building plans or relevant proposals to satisfy a regulatory requirement; (c) tendering and management of works contracts; and (d) site supervision.

approved during the last two Financial Years, as at 31 March 2021, a total sum of about \$164 million were approved for NGOs to take forward a variety of worthy projects on 16 vacant government sites. Members may refer to [Annex A](#) to the progress report on the Funding Scheme for the list of approved projects.⁷

Major views and concerns expressed by Members

8. Members had expressed various views on the Funding Scheme at meetings of the Panel and the Finance Committee. Members' major concerns are summarized in the ensuing paragraphs.

Mechanism for handling applications for the Funding Scheme

9. Members were keen to ensure that the mechanism for submitting and approving funding applications for the Funding Scheme would be kept simple to minimize bureaucracy. The Administration advised that to facilitate eligible NGO-applicants to take forward worthy projects on vacant government sites, the Administration would see if the whole STT application process, particularly on the aspect of seeking policy support from the relevant policy bureau, could be streamlined. In addition, DEVB would keep the mechanism for processing funding applications simple, minimize bureaucracy and facilitate the kick-starting of worthy projects as early as possible.

10. Noting that some NGOs had faced opposition from the local community against the use of the vacant government sites in their villages to launch certain projects, such as those for religious uses or provision of services for ethnic minorities, Members enquired whether the Administration would assist the NGOs concerned in conducting local consultation before the launch of the projects with a view to resolving opposition from the local community. The Administration advised that in addition to providing financial and technical support under the Funding Scheme, appropriate assistance would be rendered to NGOs as the case might require, including communicating with the local community to obtain support for the projects.

Uses of the vacant government sites under the Funding Scheme

11. Members noted that some NGOs were interested in making use of vacant government sites located in the indigenous villages in the North District and the Islands District to set up elderly services and education facilities with the support from the Funding Scheme, but the relevant projects

⁷ Source: [LC Paper No. CB\(1\)762/20-21\(01\)](#)

were constrained by the land use restrictions within these areas that were mostly zoned as "Village Type Development" ("V-zone"). Members urged the Administration to relax the land use restrictions in this regard.

12. The Administration advised that under the current mechanism, if the proposed use of a vacant government site was not always permitted under the relevant outline zoning plan, the applicant concerned was required to first obtain planning permission from the Town Planning Board ("TPB") before applying for use of the site under STT from LandsD. TPB would usually consider planning applications by NGOs for community, institutional, or other non-profit-making uses on a short-term basis in a favourable light, as long as the proposed or temporary use of the land would be generally in line with the planning intention of the area and would not cause unacceptable traffic and environmental impact. The Administration further explained that as securing the planning permission from TPB was a pre-requisite for obtaining the approval for renting the sites, the NGOs concerned had to cover relevant expenses for that, including consultancy fees to prepare the planning application.

13. Members were concerned that while some NGOs had successfully carried out community projects by using vacant government sites under STTs, these NGOs, being less competitive financially, would not be able to continue using the sites if the sites were let out by means of open tenders after the end of the STT term.⁸ The Administration advised that STTs for vacant government sites which had been used by NGOs for community, institutional or non-profit-making uses would be renewed directly on periodic terms after expiry of the original term without the need of going through open tenders procedure if the relevant policy bureaux would confirm that the continuous use of the sites was fulfilling the specific policy objectives.

Scope and ceiling of financial support

14. Some Members considered that the financial assistance under the Funding Scheme that was capped at \$60 million for each approved project might not be sufficient for NGOs to complete the projects in case there was cost overrun or a need to erect new structures atop bare vacant government sites. They also pointed out that the \$1 billion fund from the Funding Scheme was only sufficient to support 17 projects at most, assuming that each project was granted the maximum funding amount of \$60 million. Such a level of funding support was only a drop in the bucket, considering that there were approximately 900 vacant government sites available. In this

⁸ STTs were granted for a term of not exceeding seven years.

connection, Members urged the Administration to consider launching a second round of the Funding Scheme.

15. The Administration advised that drawing reference from the costs of basic works for comparable projects in recent years, renovation expenses for VSPs could cost up to \$60 million, while the cost of erecting new structures on vacant sites using modular integrated construction methods could range from over \$800,000 to \$60 million. When setting the funding ceiling, the Administration had already made reference to the above figures and factored in additional provisions. In principle, the Funding Scheme would not cover any expenses above the funding ceiling. That said, in case of cost overrun caused by unforeseen factors, the Administration would consider such cases on a case by case basis. Subject to enthusiastic response to and satisfactory results of the Funding Scheme, the Administration would consider seeking additional funding for the scheme to support more projects.

16. Members called on the Administration to expand the scope of the Funding Scheme to cover the costs for interior fitting-out, furniture and equipment. Given that the approved subsidies from the Funding Scheme would be disbursed to NGOs by instalments on a reimbursement basis yet some smaller NGOs might not be able to afford the upfront payment for the restoration and repair works, Members urged the Administration to provide advance payment of the costs of works to the successful applicants, and take up the essential restoration works to make the sites fit for use (such as slope upgrading works, site formation, and provision of sewerage/drainage) before letting them out to NGOs.

17. The Administration advised that the Funding Scheme was intended for providing successful NGO-applicants with subsidies to support one-off, basic, and essential restoration works required to make the sites/premises fit for use. Should NGOs need any financial assistance to cover the cost for interior fitting-out, furniture and equipment, and other operating or recurrent expenses (e.g. repair and maintenance), they might seek financial assistance from other funding schemes such as the Community Care Fund or the Lotteries Fund. While the approved grant would be disbursed by instalments, normally on a reimbursement basis, subject to the fulfilment of project milestones in the funding agreement and verification of certified invoices or bills, DEVB would consider exercising flexibility in the disbursement of the approved funding in accordance with the certified works contracts, quotations and payment documents if the NGO concerned had difficulties in settling the payment first.

Monitoring and control

18. Some Members were concerned about the monitoring and control of the implementation of the works approved under the Funding Scheme, and the

monitoring of the use of sites upon completion of the advanced works projects to ensure that the community projects would not deviate from the short-term uses as stated in the applications.

19. The Administration advised that successful applicants would be required to sign a separate funding agreement with the Government in respect of the implementation of the approved works on the relevant sites and premises. Each successful applicant had to keep a proper set of books and records for the project receiving funding support under the Funding Scheme, and submit regular progress reports and financial reports against the milestones agreed in the funding agreement until completion of the project, as well as audited statements certified by independent auditors upon completion of the project. In addition, a control mechanism would also be in place to suspend the disbursement of funding or even cease a project when necessary. As for the use of the vacant government sites, LandsD was responsible for monitoring whether the tenants of the sites/premises had complied with the terms and conditions stated in STTs. When NGOs applied for vacant government sites, the supporting policy bureau might also include certain specific terms and conditions into STTs to monitor the use of the site/premises.

Council questions

20. At the Council meetings of 3 April 2019, 30 October 2019, 6 November 2019 and 26 February 2020, Members raised questions relating to the use of vacant government premises and sites. The hyperlinks to the questions and the Administration's replies are provided in the **Appendix**.

Latest development

21. At the meeting of the Panel to be held on 25 May 2021, the Administration will brief members on the progress of the implementation of the Funding Scheme.

Relevant papers

22. A list of relevant papers is in the **Appendix**.

**Funding scheme to support the use of vacant government sites
by non-government organizations**

List of relevant papers

Committee	Date of meeting	Paper
Panel on Development	27 November 2018	Administration's paper on "Proposed funding scheme to support the use of vacant government sites by non-government organizations" [LC Paper No. CB(1)190/18-19(04)] Minutes of meeting [LC Paper No. CB(1)730/18-19]
	23 June 2020	Administration's paper on "Progress report on funding scheme to support the use of vacant government sites by non-government organizations for the financial year 2019-2020" [LC Paper No. CB(1)500/19-20(01)] Minutes of meeting [LC Paper No. CB(1)893/19-20]
	25 May 2021	Administration's paper on "Progress report on funding scheme to support the use of vacant government sites by non-government organizations for the financial year 2020-2021" [LC Paper No. CB(1)762/20-21(01)]
Finance Committee	25 January 2019	Administration's paper on the funding proposal for a new non-recurrent commitment of \$1 billion for the implementation of a funding scheme to support the use of vacant government sites by non-government organizations [FCR(2018-19)72]

Committee	Date of meeting	Paper
		Minutes of meeting [LC Paper No. FC239/18-19]

Hyperlinks to relevant Council questions and the Administration's written replies:

Date	Council question
3 April 2019	Question on " Making good use of government properties and lands "
30 October 2019	Question on " Vacant school premises under the Education Bureau "
6 November 2019	Question on " Optimal use of government and private sites "
26 February 2020	Question on " Vacant government sites managed by Lands Department "