

HONG KONG HOUSING AUTHORITY

Memorandum for the Housing Authority

Year-end Review of the Housing Authority 1999/2000 Corporate Plan

PURPOSE

This paper presents the year-end review of the Housing Authority (HA) 1999/2000 Corporate Plan.

BACKGROUND

2. To facilitate forward planning in achieving the HA's strategic objectives, the HA has introduced a corporate planning process since 1997. Under this planning process, a strategic plan will first be drawn up by the Strategic Planning Committee (SPC) to set out the corporate objectives and key initiatives for the forthcoming year. Thereafter, Business Directors will formulate their business/service plans, covering key objectives, new initiatives and operating budgets of their businesses. A corporate plan, summarizing the HA's key strategies and initiatives of different businesses, will be consolidated and published at the end of the planning process.

3. The HA 1999/2000 Corporate Plan was endorsed by Members on 28 January 1999 vide Paper No. HA 5/99. A mid-year review on its implementation was reported to Members vide Paper No. HA 2/2000 in January 2000. This year-end review aims to present the final position of implementing these initiatives as at 31 March 2000.

PROGRESS

Key Initiatives

4. A total of 84 initiatives are covered in the HA 1999/2000 Corporate Plan. Up to 31 March 2000, 67 initiatives (80%) were either completed or on schedule, 4 initiatives (5%) under review and 13 initiatives (15%) behind schedule. A summary of the overall progress by business/service is tabulated as follows -

<u>Business/ Service</u>	<u>No. of Initiatives</u>	<u>Action Completed</u>	<u>Implementation Status</u>		
			<u>On Schedule/ On-going</u>	<u>Under Review</u>	<u>Behind Schedule</u>
Building	11	6	4	-	1
Rental Housing	23	13	6	1	3
Home Ownership	10	6	1	-	3
Commercial	11	5	1	1	4
Corporate Services	15	10	4	1	-
Finance and Accounting	14	7	4	1	2
Total	84	47	20	4	13

5. Four initiatives are under review and their current position is set out below.

Initiative	Justifications	Current Position
<p>1. To implement new Property Management Agent (PMA) packages which combines management and maintenance services and to introduce performance-based tender evaluation and punitive systems. (Rental Housing)</p>	<p>New PMA package and performance-based tender evaluation system were implemented on schedule. The punitive system will be implemented after the finalization of the Phased Service Transfer (PST) which will impact on the performance monitoring system.</p>	<p>While the punitive system will be developed later, pre-qualification exercise for selecting quality contractors has been implemented.</p>
<p>2. To streamline tender procedures and introduce a performance-related procurement system in selecting management agents and carpark operators. (Commercial)</p>	<p>It has been withheld pending a final decision on the arrangements for Property Service Companies (PSC) under PST which will impact on this initiative.</p>	<p>The review will be deferred until finalization of PSC arrangements.</p>
<p>3. To review and fine-tune HA's manpower strategy to support the changing organisational needs. (Corporate Services)</p>	<p>Given the various changes taking place both within and outside the Department, namely PST, consultancy on organizational streamlining, temporary recruitment freeze, Enhanced Productivity Programme (EPP), etc, it is not the best timing to conduct the review now.</p>	<p>The review will be deferred to end 2000 when the overall picture for these variables is clearer.</p>
<p>4. To enhance the Stock and Inventory Control System and update stores regulations. (Finance and Accounting)</p>	<p>System enhancement is considered not cost-effective. The requirements can be met by administrative arrangements.</p>	<p>A comprehensive review of the system will be carried out.</p>

6. On the other hand, 13 initiatives were behind schedule. The reasons for their delay and our follow-up actions are summarized as follows -

Initiative	Position as at 31.3.2000	Reasons for slippage and follow-up actions
1. To produce 58,000 Public Rental Housing (PRH)/ Home Ownership Scheme (HOS)/Private Sector Participation Scheme (PSPS) flats, 98,000m ² commercial properties and 4,900 car and lorry parking spaces. (Building)	<ul style="list-style-type: none"> • A total of 48,500 flats were completed. • 113,200m² gross floor area of commercial properties and 4,900 car/lorry parking spaces had been completed. 	<ul style="list-style-type: none"> • To ensure consistent building quality, a number of projects involving some 10,000 flats will be completed later for meeting our acceptance standard. These flats will be completed by May 2000.
2. To reduce domestic rent arrears to below 1.5%. (Rental Housing)	Rent arrears rate was 2.5%.	The rate remained high probably because of the economic downturn and the filtering effect arising from the Tenants Purchase Scheme (TPS) estates. Efforts on rent chasing will be strengthened. We have encouraged tenants in hardship to apply for the HA's Rent Assistance Scheme (RAS) or Social Welfare Department (SWD)'s Comprehensive Social Security Assistance (CSSA).
3. To achieve a recovery rate of 95% for rental flats from HOS/Home Purchase Loan Scheme (HPLS) purchasers/ recipients within one month after the in-take of new flats. (Rental Housing)	53% of the flats were recovered within one month.	Most purchasers needed more time to decorate their new flats. Rental Housing Committee (RHC) approved that purchasers/ recipients should be allowed to surrender their PRH flats within two months with effect from March 2000.

<p>4. To upgrade security installations in 208 public housing blocks from System B to System A. (Rental Housing)</p>	<p>Upgrading work for 75 blocks had been completed while works for remaining blocks were in progress.</p>	<p>The slippage was mainly due to the long lead time required to reach agreement with tenants on the locations of main entrance doors for blocks with multi-level entries. We have discussed with tenants and Estate Management Advisory Committees (EMACs) to sort out the works details. The upgrading work for the remaining blocks will be completed in June 2000.</p>
<p>5. To offer 24,500 HOS/PSPS flats for sale. (Home Ownership)</p>	<p>20,900 flats (14,500 new flats and 6,400 resale flats) were offered for sale in HOS Phases 21A and 21B.</p>	<p>The sale programme has been adjusted in response to the prevailing market sentiment.</p>
<p>6. To offer 3,000 flats for sale to tenants affected by the Comprehensive Redevelopment Programme (CRP) within 3 years of redevelopment under the Mortgage Subsidy Scheme (MSS). (Home Ownership)</p>	<p>2,700 flats were offered for sale under MSS.</p>	<p>The difference was due to the reversion of 2 MSS projects, Hing Wah Phase 1 (754 flats) and Upper Wong Tai Sin Phase 1 (779 flats) to rental so as to meet the rehousing demand of CRP tenants.</p>
<p>7. To assist the formation of Owners Corporations (OCs) in 7 new HOS courts for taking up management duties. (Home Ownership)</p>	<p>5 OCs in new HOS courts were formed.</p>	<p>The 2 outstanding courts are Kwun Fai and Kwong Ming. For Kwun Fai Court, the 12-month statutory OC formation period will expire in June 2000. For Kwong Ming Court, the formation of OC was withheld because of non-compliance of the Land Registry's requirement on the appointment of Owners Committee prior to the formation of OC.</p>
<p>8. To recover capital cost in</p>	<p>Given the</p>	<p>The initiative will be covered in</p>

the provision of welfare/community facilities. (Commercial)	complexity of the issue, we took more time to sort out with other departments.	the overall review of the Financial and Administrative Arrangements between the HA and the Government.
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<p>9. To enhance the financial evaluation for each cost centre. (Commercial)</p>	<p>A working group has been looking into the enhancement of the existing cost allocation system so that it can attribute expenses to core businesses and cost centres.</p>	<p>The working group is consolidating views from branch representatives and is finalizing its proposal.</p>
<p>10. To develop a computerized system for rent collection for non-domestic properties. (Commercial)</p>	<p>Arrangements of outsourcing rent collection function to finance/banking institutions were being prepared.</p>	<p>The establishment of an independent revenue management system for non-domestic properties in the long run is being considered. Approval from Departmental Computer Committee will be sought for appointing a consultant to develop the proposed system.</p>
<p>11. To provide 55,000 m² retail space. (Commercial)</p>	<p>46,700m² retail space in 12 housing estates/courts had been completed.</p>	<p>The difference was due to the delay in completion of three estates concerned. The remaining 8,300m² retail space will be provided in 2000/01.</p>
<p>12. To redevelop and enhance the Financial Budgeting and Forecasting Modelling System. (Finance and Accounting)</p>	<p>The system's critical functions had been developed in March 2000. System Integration Test and User Acceptance Test were carried out in April and May 2000. All budgeting functions are expected to be completed in July 2000.</p>	<p>The slippage was caused by the delay in finalizing the system design. We will closely monitor the project for meeting the revised completion date.</p>
<p>13. To shorten tender issuing lead time to within 12 working days. (Finance and Accounting)</p>	<p>A review had been conducted and relevant proposals will be finalized in</p>	<p>The slippage was due to the emergence of some priority tasks in the period. A proposal will be finalized by June 2000.</p>

(Finance and Accounting)	June 2000.	will be finalized by June 2000.
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7. A detailed report on the progress of individual initiatives is at **Annex A.**

Key Performance Indicators (KPIs)

8. For facilitating the evaluation in HA's performance, 16 KPIs have been set in the 1999/2000 HA Corporate Plan. Their latest position is at **Annex B.**

FINANCIAL PERFORMANCE

9. The key figures in respect of the HA's 1999/2000 financial performance are -

Operating Surplus/(Deficit)

	1999/2000 Provisional Actual (Note 1)	1999/2000 Revised Budget	1999/2000 Approved Budget
	\$M	\$M	\$M
Rental Housing	(1,700)	(1,915)	(1,592)
Commercial	1,554	1,384	1,755
Home Ownership	9,506	10,272	10,161
Total Operating Surplus	<u>9,360</u>	<u>9,741</u>	<u>10,324</u>

Note 1: The 1999/2000 actual are preliminary figures subject to year-end and audit adjustments.

- (a) Notwithstanding the reduction in rental income arising from the extension of various rent relief measures for PRH and commercial tenants, the Department has continued to contain costs and to improve productivity through outsourcing activities and streamlining work processes and procedures.

- (b) The budgeted surplus from Home Ownership operations is slightly below the revised budget because of the delay in the completion of Tung Shing and Kwun Hei Courts and the reduction on alienation premium received.
- (c) Overall, the HA continues to be financially robust, stable and self-sufficient.

Capital Expenditure

10. The capital expenditure for the year ending 31 March 2000 amounted to \$32.8 billion (provisional), representing 9% (or \$2.8 billion) above the 1999/2000 Revised Budget. The difference was attributed to the rather conservative estimates during the budgetary process, as well as other factors such as less wet days in the latter part of the year and the conduct of additional piling tests, etc. Supplementary provision of \$4 billion to meet the additional expenditure was approved by Finance Committee (FC)/HA in March 2000. However, there is no overspending involved for the committed projects. The total construction expenditure in the next four years up to March 2004 is estimated to be \$98.1 billion according to the approved production programme.

INFORMATION

- 11. This paper is for Members' information.

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