THE HONG KONG HOUSING AUTHORITY

Memorandum for the Rental Housing Committee

Year-end Review of the
Rental Housing Business in 1999/2000

PURPOSE

This paper presents the year-end review for Rental Housing Business in 1999/2000.

BACKGROUND

2. As part of the corporate planning process, Heads of Branches draw up business/service plans in respect of their core business/service for endorsement by the relevant Business Committees on an annual basis to set the business objectives and performance standard in accordance with the corporate lines. This is to ensure the coherent and effective set of policies and programmes is put in place to achieve the HA strategic objectives. The 1999/2000 Business Plan on the rental housing business/services was approved by Members in November 1998 vide Paper No. RHC 97/98. Members were informed in November 1999 vide Paper No. RHC 83/99 of the mid-year progress in implementing the key initiatives set out in the 1999/2000 Business Plan. This paper reports the overall performance and final position as at 31st March 2000.
PERFORMANCE REVIEW

Overall Review

3. Due to the bunching effect of new flat production in these few years, we saw a substantial increase in rental stock, which, however, was off-set to a great extent by the sale of flats through the Tenants Purchase Scheme (TPS). The overall result is shown in the following table -

<table>
<thead>
<tr>
<th></th>
<th>1998/99</th>
<th>1999/00</th>
<th>2000/01</th>
<th>2001/02</th>
<th>2002/03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Stock</td>
<td>664,219</td>
<td>650,893</td>
<td>641,574</td>
<td>618,949</td>
<td>602,719</td>
</tr>
</tbody>
</table>

4. This influx of new property had created very tremendous workload on the allocation, hand/take-over and in-take operations. The already very tight staff resources was further stretched beyond limit. The entrustment of the hand-take-over duties to private management agents (PMA) could only give a partial relief to the situation because the majority of work - like tenancy management, allocation, etc. - was still shouldered by our staff. There is a need to further streamline our operations and processes to cope with the situation. A working group had been established with New Development to work along this direction.

5. 1999/2000 was certainly the most turbulent year for the Business. The decision of the Authority in May 1999 on Private Sector Involvement (PSI) triggered fundamental and profound changes in the future development of the Business. It posed an onerous task on the management to initiate various necessary changes and reforms through its staff, which, quite naturally were bewildered by the implications of PSI on their career prospect. The situation was, to a certain extent, stabilized upon the announcement of the details of the Voluntary Departure Scheme (VDS) as each of our staff can now visualizes a clearer picture for individual career planning.

6. Prudent financial control remains a key agenda for our staff at all level. The overall financial performance of the Rental Housing Business in 1999/2000, however, fell slightly below the target due to the prolonged effect of various economic relief measures implemented over the past two years. Stringent management measures and productivity drives had
succeeded to put costs and expenditures under effective control while the service standard is maintained or even enhanced.

7. The very unusual heavy rainfall recorded in the year led to a landslip at Shek Kip Mei Estate. The incident, though involving no casualty, entailed an urgent re-housing of some 380 families within a very short time. Despite our very thin staff resources in this area, we, for the benefits of our customers, had agreed with the Government to act as an agent to handle the inspection and maintenance duties of 398 slopes in the vicinity of our rental estates and cottage areas.

8. Notwithstanding all these challenges, the Management and its dedicated staff have managed to implement satisfactorily most of the key initiatives we pledged at the beginning of the year. These are summarised in the following table -

<table>
<thead>
<tr>
<th>Business/Service Plan</th>
<th>Total No. of Initiatives Committed</th>
<th>Status of Committed Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Action Completed</td>
</tr>
<tr>
<td>Business/Service Plan</td>
<td>29</td>
<td>8</td>
</tr>
</tbody>
</table>

9. Details of the progress of individual initiatives are shown in Annex A. Highlights on certain major achievements and problems are given in the following paragraphs.

**Rational Allocation and Utilisation of Housing Resources**

10. Over the last year, the Authority has allocated 22,510 rental flats; sold 1,137 Buy-or-Rent Option (BRO) flats to the Waiting List applicants and re-housed 8,400 households. Our pledge to offer overcrowding relief to families of living standard below 4.5M$^2$ as logged in 1995 has already been accomplished.
11. On the recovery of rental flats from HOS/HPLS purchasers, we have taken measures to accelerate the progress. Nearly all the flats (i.e. 95%) are now recovered within a period of two months in accordance with the revised policy.

Cost Effectiveness and Quality Housing Management and Maintenance Services

12. Decentralisation of cleansing contracts has been fully implemented. Security contracts are undergoing a similar exercise. The award and renewal of 72 estates-based security contracts had been taken up by estate Housing Managers. The arrangement of the remaining contract, including the development of the contract to suit the particular requirements and the selection of tender, would be taken up solely or jointly handled by the estate Housing Managers when the existing contracts are due to renew.

13. The award of the works contracts has been shortened from four to three months for all District Term Contracts (DTCs). The performance of our main building contractors during the maintenance period has been taken into account when making the PASS score to facilitate a holistic assessment of the building contractors by our counterpart in the Development and Construction Branch. A major review exercise was arranged to enhance MASS assessment to empower our frontline staff to have a more effect supervision on works contractors.

Development of Partnership with Customers and other Stakeholders and Customer Focus Culture

14. The clean neighbourhood campaign has been extended to all estates. The performance of the service contractor (SC) is assessed by EMAC members at the bi-monthly meeting with SC’s attendance. The assessment results are crucial factors to be considered in the renewal of the cleansing contract. In additional to the provisions of the 24-hours complaint hot line services and the installation of the opinion collection box in the lift lobby, a new mode of tenant survey is being considered to improve tenants’ participation in assessing SC performance.
Improvement in Living Environment and Environmental Friendliness

15. The waste reduction promotion activities have been organised in all rental estates over the last year. Each of the domestic block has been provided with the three recyclable collection bins specific for paper waste, aluminium cans and plastic bottles. The contract document for building works has also been revised to incorporate the specific environmental requirements. Proper communication channels are being arranged with EPD and other departments to facilitate the liaisons and/or cooperations to jointly promote various environmental programmes.

16. On the effort to enhance the security of our estates, we have awarded several contracts for installing security systems at 208 blocks, of which 75 blocks have been completed. All Building Services Improvement works, such as fire services (exit signs), electrical reinforcement and rewiring and lighting improvement, have been completed as scheduled.

Enhancement of Staff Productivity

17. A total of 21 business process re-engineering projects have been implemented and five projects are being developed.

KEY PERFORMANCE INDICATORS

18. The present position and outcome of various key performance indicators are summarised below -

<table>
<thead>
<tr>
<th>KPIs</th>
<th>1999/2000 Targets</th>
<th>Position as at 31.3.2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Average direct management and maintenance cost</td>
<td>Below $8,150 annually for management and $5,450 annually for maintenance</td>
<td>$6,254 annually for management and $5,088 annually for maintenance</td>
</tr>
</tbody>
</table>
(b) Average waiting time for PRH
6 years generally and 3.5 years for the elderly
5.2 years generally and 2.8 years for the elderly

(c) Percentage of overcrowded families (with space below 5.5 M² per person) against total PRH families
4% or below
3.69%
No. of families offered a larger flat: 1,816

(d) Vacancy rate
1.5% or below
1.22%

(e) Average void period of vacated PRH
10 weeks
8 weeks

(f) Additional number of EMACs formed.
Add 2 EMAC
2 EMAC added

(g) Rent Arrears
Below 1.5%
2%

(h) Volume of waste paper collected for recycling
At least 17,000 tonne
21,916 tonne

FINANCIAL PERFORMANCE

19. For the financial year 1999/2000, the operating deficit (Annex B) of the rental housing business was $1,359.4 million (i.e. $2,088 per flat), representing a reduction of 21% over the Revised Budget Deficit of $1,915.1 million estimated six months ago. It is 14.6% lower than the 1999/2000 Original Budget Deficit of $1,591.6 million.

20. The year-end income for 1999/2000 was $9,390.7 million, representing 88.3% of the 1999/2000 Original Budget Income of $10,632.5 million, or 99.1% of the Revised Budget Income of $9,474.7 million. With the adjustment of our rent review cycle and other rent relief measures, the income would remain at this level without significant improvement in the coming year.

21. The Management has adopted a tight financial control to curb the increase in expenditures. The year-end expenditures for the financial year 1999/2000 was reduced to $10,750 million, representing 87.9% of the 1999/2000 Approved Budget Expenditures of $12,224.1 million, or 94.4%
of the Revised Budget Expenditure of $11,389.9 million. This reduction was achieved by continuous improvement on cost effectiveness and productivity.

22. Over the financial year 1999/2000, the actual expenditure for Personal Emoluments was $2,473 million - i.e. 13% lower than 1998/1999 actual expenditure of $2,838.7 million. The actual expenditure for Other Recurrent Expenditures was $1,506.5 million, or 5% higher than 1998/1999 actual expenditure of $1,436.4 million. The reduction in expenditure for Personal Emoluments was mainly attributed to efficient control and utilisation of staff resources by Management. The increase in Other Recurrent Expenditures reflects both the impact of Internal Service Agreement (ISA) arrangement and the average of about 5% to 6% increment on utility and security expenses.

INFORMATION

23. This paper is issued for Members' information.