

**Community Care Fund
Enhanced Scheme of
Subsidy for Owners' Corporations of Old Buildings
Evaluation Report**

Purpose

This paper aims to report on the evaluation results of the Enhanced Scheme of Subsidy for Owners' Corporations of Old Buildings (the Enhanced Scheme) under the Community Care Fund (CCF) launched in October 2015 for a period of three years.

Background

2. To strengthen the support for owners' corporations (OCs) of old buildings with low rateable values and to enhance building management, the former Steering Committee on the CCF endorsed in May 2012 the provision of subsidy for the OCs concerned on a pilot basis. The pilot Scheme (Phase I Scheme) was implemented by the Home Affairs Department (HAD) for a period of three years from 1 October 2012 to 30 September 2015 with a budget of \$67.2 million (including \$3.2 million as administrative fee). HAD reported on the evaluation results of the Phase I Scheme to the Commission on Poverty (CoP) in September 2015. The evaluation report showed that most of the beneficiary OCs of old buildings recognised that the Phase I Scheme relieved their burden on daily operating expenses and improved building management effectively.

3. The CoP endorsed the implementation of the Enhanced Scheme in September 2015 and the introduction of two additional subsidy items, including (i) extending the coverage of subsidy for procurement of third party risks insurance by OCs to also cover expenses on public liability insurance, and (ii) subsidising OC's expenses for the examination of lifts, with a view to further enhancing overall building management and benefitting more OCs of old buildings and grass-root owners.

4. The Enhanced Scheme was implemented by HAD for a period of three years from 1 October 2015 to 30 September 2018. Eligible OCs¹ may apply for subsidy on an accountable basis in respect of the following specified items for a maximum of five times. Up to 50% of the actual expenses may be granted for each item, and the maximum total amount of subsidy for each OC is \$20,000:

¹ Buildings of eligible OCs should be (i) residential or composite (commercial/residential use) buildings aged 30 years or above, and (ii) the average rateable value per annum of the residential units of the buildings in urban areas (including Tsuen Wan, Kwai Tsing and Sha Tin) shall not exceed \$120,000 while that of buildings in the New Territories shall not exceed \$92,000.

- (a) fees for registration or filing of any document with the Land Registry;
- (b) expenses on the procurement of public liability insurance and third party risks insurance for the common parts of the building;
- (c) expenses on regular inspection of fire service and electrical equipment;
- (d) expenses on examination of lifts; and
- (e) expenses on the annual clearance of fire escapes.

5. The approved budget for the Enhanced Scheme is about \$45.6 million (i.e. the unspent amount of the approved provision of \$67.2 million for the Phase 1 Scheme), excluding administrative fee. The estimated number of eligible OCs is about 4 500, of which 50% (about 2 200 OCs) are expected to apply for the subsidy.

Implementation of the Enhanced Scheme

6. The central office under HAD established for the Scheme continued to perform various work under the Enhanced Scheme, including preparation of application forms, reference guides and guidelines, formulation of publicity and promotion strategies, handling of enquiries from OCs and the public, as well as processing and approval of applications, etc.

7. HAD and its District Offices promoted the Enhanced Scheme to the public and eligible OCs through various channels, including promotion letters to eligible OCs (with application forms and reference guides enclosed), and extensive publicity through HAD's dedicated website on building management, telephone calls and visits, etc. The two professional property management companies commissioned by HAD for implementing the Building Management Professional Advisory Service Scheme also encouraged and assisted eligible OCs in submission of applications.

8. Invitation letters were issued to all eligible OCs (about 4 500) in September 2015. We also visited OCs (about 200 visits) or made telephone calls to remind OCs to submit expressions of interest and application forms (about 350 calls). Moreover, further letters were issued to all eligible OCs in January 2017 and February 2018 to remind them of the details of the Enhanced Scheme, application method and deadline, and to encourage them to submit their applications as soon as possible. So far, about 1 100 eligible OCs (about 24%) have indicated in writing their intention to apply for the subsidy.

9. Up to April 2018, about 2 844 telephone enquiries on details of the Enhanced Scheme and 1 882 applications (involving 1 266 OCs) have been received. Among the applications, 1 720 have been granted subsidy, involving about \$9 million, 20 did not meet the eligibility criteria, and the remaining 142 are being processed (see detailed analysis in paragraphs 11 and 12 below). Based on the experience of Phase I Scheme, many OCs would submit applications when the Scheme was drawing to a close. We estimate

that the subsidy to be granted will amount to about \$20 million when the Enhanced Scheme concludes in September 2018.

Evaluation

10. We have conducted an evaluation of the Enhanced Scheme (as at the end of April 2018) to assess and analyse the effectiveness of the Scheme.

I. Number of Applications and Cases Approved

11. The 1 882 applications received were from the 18 districts across the territory, with higher number of applications from districts which had more old buildings such as Yau Tsim Mong District (422 or 22.4%), Sham Shui Po District (358 or 19%), Kowloon City District (267 or 14.2%) and Central and Western District (165 or 8.8%).

12. The 1 720 approved applications involved 1 179 OCs with an average subsidy of \$7,630 for each OC. Among the items of subsidy, the subsidy for the procurement of public liability insurance and third party risks insurance had the highest number of applications of 1 604 cases, with some \$6.47 million disbursed.

II. Beneficiary OCs/Persons

13. For evaluating the Enhanced Scheme and planning ahead, we have invited the OCs to complete questionnaires upon the first disbursement. As at the end of April 2018, 490 out of 1 144 questionnaires issued were received, with a respondent rate of 42.8%. Analyses of the statistical results showed that majority of the buildings served by the OCs were owner-occupied (64.3%). In terms of age profile, the majority were from 40 to 64 (49.5%), followed by 65 or above (26.4%). In terms of employment status, 59.7% were employed while 40.3% were retired or unemployed. In terms of total monthly household income, almost 60% (59.5%) were \$15,000 or less and nearly a quarter (23.5%) were even less than \$10,000. As OCs were formed by owners, the data showed that many beneficiaries of the Enhanced Scheme were elderly people or those with less financial means.

III. Views of OCs on the Enhanced Scheme

14. We have selected at random 125 of the OCs granted subsidy (about 10.6%) for a telephone survey on the Enhanced Scheme. A total of 81.6% of the respondents strongly agreed or agreed that the Enhanced Scheme alleviated their financial burden, and 84.8% were very satisfied or satisfied with the vetting and funding arrangements.

Observations

15. We have the following observations from the application process, results of the questionnaire survey as well as practical experience in implementing the Enhanced Scheme –

(a) The Enhanced Scheme alleviated the financial burden of OCs

- Results of the random telephone survey showed that over 80% of the respondent OCs indicated that the subsidy had relieved their financial burden. The two new items, including the subsidy on expenses for public liability insurance, further reduced their expenses on insurance. The subsidy on expenses for examination of lifts not only helped encourage OCs to comply with relevant legislative provisions and hence safeguard the residents and the public, but also reduced their expenses on this item effectively.

(b) The Enhanced Scheme operated smoothly

- With their experience from application for subsidy under the Phase I Scheme and the detailed explanation by staff of HAD during telephone contacts and visits, over 80% of the respondent OCs were satisfied with the vetting and funding arrangements of the Enhanced Scheme.

(c) Amount of approved subsidy was relatively low

- As at the end of April 2018, a total of \$9 million was disbursed, accounting for 19.7% of the estimated total provision of \$45.6 million. The main reasons for the relatively low level of subsidy approved include OCs' failure to collect all relevant receipts; documents required for application still under preparation; and office-bearers being engaged in re-election or repair and maintenance of the building, etc. HAD will continue to encourage OCs to submit applications as soon as possible through publicity such as letters, telephone calls and visits.

Other Views

16. Some respondent OCs make the following suggestions on the Enhanced Scheme:

- (a) subsidy be granted for building maintenance, improvement to and maintenance of fire services installations, and lift maintenance; and

- (b) the ceiling on the amount of subsidy and the percentage of actual expenses for calculation of the subsidy be increased.

17. Besides, District Council (DC) and individual DC Members² make the following suggestions on the Enhanced Scheme:

- (a) to relax the restriction on rateable values;
- (b) to introduce new subsidy to OCs of private buildings for inspection of communal water pipes/water quality;
- (c) to expand the scope of subsidy to cover expenses on repair and maintenance of buildings' fire services, electrical installations and lifts upon inspection;
- (d) to introduce new subsidy to assist owners and OCs in complying with orders concerning building inspection, repair and fire safety; and
- (e) to introduce new subsidy to assist owners in regular cleaning of external walls of buildings.

18. The provision of subsidy for suggestions set out in paragraphs 16(a), 17(b), 17(c), (17)d and 17(e) above is considered undesirable for the following reasons and to avoid duplication of resources:

- (a) Some of the suggested items (including inspection of communal water pipes/water quality, building maintenance, improvement to and maintenance of fire services installations, lift maintenance and cleaning of external walls of buildings, etc.) are not in line with the original intention of the Enhance Scheme in providing subsidy on the daily expenses of OCs in order to enhance building management;
- (b) Items such as repairing, maintaining and replacing lifts, fire services installations and equipment as well as electrical installations are covered under the existing Integrated Building Maintenance Assistance Scheme of the Urban Renewal Authority (URA);

² These include the Sham Shui Po DC, and Members of Kowloon City DC and Yuen Long DC.

- (c) The upcoming Operation Building Bright 2.0 and Fire Safety Improvement Works Subsidy Scheme will cover the prescribed inspection and repair works under the Mandatory Building Inspection Scheme, and fire safety enhancement works; and
- (d) The existing Mandatory Building Inspection Subsidy Scheme jointly managed by URA and the Hong Kong Housing Society provides subsidy for expenses on the first inspection of building, which includes appointment of a registered inspector for conducting first prescribed inspection of the common parts of a building.

19. As for the suggestions regarding the amount of subsidy and rateable values as set out in paragraphs 16(b) and 17(a), we have incorporated them in the enhancement proposals under the Phase III Scheme.

Conclusion

20. The data collected, analysis and views of respondent OCs in the evaluation show that the Enhanced Scheme and the new enhancement items are effective in further relieving the burden of daily operating expenses on OCs of old buildings with low rateable values, so that they may maintain basic operation and enhance building management. They also help OCs comply with relevant statutory requirements, promote residents' awareness of safety and safeguard public safety.

21. Given the proven effectiveness of the Enhanced Scheme and an unspent approved provision of about \$25.6 million, we propose to continue the implementation of a Phase III Scheme upon completion of the Enhanced Scheme in September 2018 to benefit more OCs of old buildings and grass-root owners.

Home Affairs Department
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