

Community Care Fund Assistance Programme
Subsidy for Owners' Corporations of Old Buildings
Evaluation Report

Purpose

This paper aims to report on the evaluation of the effectiveness of the Subsidy for Owners' Corporations of Old Buildings Scheme (the Scheme) under the Community Care Fund (CCF).

Background

2. The CCF endorsed in May 2012 the Scheme to strengthen the support for owners' corporations (OCs) of old buildings with low rateable values and to enhance building management. The Scheme would also help encourage more owners of old buildings to form OCs.

3. The Scheme was implemented by the Home Affairs Department (HAD) for three years from October 2012 to September 2015. Eligible OCs¹ may apply for subsidy on an accountable basis in respect of the following specified items at most five times. Up to 50% of the actual expenses may be claimed for each item at a maximum total amount of \$20,000 for each OC:

- (a) fees for registration or filing of any document with the Land Registry;
- (b) expenses on the procurement of third party risks insurance for the common parts of the buildings;
- (c) expenses on regular inspection of fire service installations/equipment;
- (d) expenses on regular inspection of electrical equipment; and
- (e) expenses on clearance of fire escapes once a year.

4. The approved budget for the Scheme is \$67.2 million, including an estimated subsidy of \$64 million and an administrative cost of \$3.2 million. It was estimated that there were about 4 250 eligible OCs, among which 70% (2 950 OCs) was expected to apply for the subsidy.

¹ Buildings of eligible OCs should be (1) residential or composite (commercial/residential use) buildings aged 30 years or above, and (2) 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.

Implementation of the Scheme

5. To implement the Scheme, HAD has set up a central office to perform various duties, including formulating the application procedures, preparing the application form, brief and guidelines, drawing up publicity and promotion strategies, handling enquiries from OCs and the public, and processing and approving applications, etc.

6. HAD and its District Offices (DOs) have promoted the Scheme to the public and eligible OCs through various channels, including conducting 24 briefings for OCs, websites, newspapers, telephone calls and visits. Two professional property management companies (PMCs) commissioned to implement the Building Management Professional Advisory Service Scheme have also encouraged and assisted eligible OCs in submitting application.

7. We wrote to all of the 4 250 eligible OCs in September 2012 to invite applications. We also visited the OCs (1 000 visits in total) or telephoned them to remind them to submit expressions of interest and applications (about 3 100 calls). So far, about 2 900 eligible OCs (about 68%) have indicated their intention in writing, which is largely in line with our expectation.

8. More than 5 700 telephone enquiries on details of the Scheme and 2 741 applications from 1 735 OCs² have been received as at the end of July 2015. Among the applications, 2 440 have been granted subsidy, involving some \$11.12 million, 78 did not meet the eligibility criteria and the remaining 223 are still under process. It is estimated that the subsidy granted will amount to \$12 million when the Scheme concludes in September 2015.

Evaluation

9. We have conducted an evaluation to assess and analyse the effectiveness of the Scheme.

I. Number of Applications and Cases Approved

10. The 2 741 applications received were from 18 districts over the territory, with higher number of cases from districts which have more old buildings such as Yau Tsim Mong district (593 or 21.6%), Sham Shui Po district (366 or 13.4%), Central and Western district (332 or 12.1%) and Kowloon City district (311 or 11.3%).

² It is learnt that the reasons why some eligible OCs have not applied include failing to collect all relevant receipts; documents required for application under preparation; and office-bearers being engaged in re-election or repair and maintenance of the buildings, etc.

11. The 2 440 approved applications involved 1 571 OCs. Each OC was granted a subsidy of \$7,078 on average. Among the various items of subsidy, that for the expenses on third party risks insurance had the highest number of applications, accounting for 2 224 cases and involving \$6.3 million.

II. Beneficiary OCs/Persons

12. To evaluate the Scheme and plan ahead, we have invited the OCs to complete questionnaires on the first disbursement. As at the end of July 2015, a total of 1 571 questionnaires had been issued and 1 008 were received with a respondent rate of 64%. A statistical analysis showed that the majority of the flats of the buildings of the OCs were owner-occupied (about 63.2%). In terms of age, the majority were from 40 to 64, i.e. about 45.8%, and 30.2% were 65 or above. In terms of employment status, while 57.5% of the residents were employed, 42.5% were retired or unemployed. In terms of monthly household income, 55.3% were \$15,000 or less and 28% were less than \$10,000. As OCs are formed by owners, the data showed that many beneficiaries were elderly people or those with less financial means.

III. Views of OCs on the Scheme

13. Among the OCs granted subsidy, we have selected at random 150 of them (about 10%) for a telephone survey. A total of 74.7% of the respondents strongly agreed or agreed that the Scheme could alleviate their financial burden, and 75.3% were very satisfied or satisfied with the vetting and funding arrangements.

Observations

14. We have the following observations from the applications process, results of the questionnaire survey as well as practical experience in implementing the Scheme:

(a) The Scheme alleviated the financial burden of OCs

- Feedback from beneficiary OCs was positive. Over 70% said that the subsidy had improved their financial position effectively and enabled them to comply with the legislative requirements duly (including the procurement of third party risks insurance and regular inspection of fire service and electrical equipment). It had also greatly facilitated improvement in the management and living environment of their buildings, raised the awareness of owners and residents regarding proper building management, and enhanced the safety of the buildings and the public.

(b) The Scheme operated smoothly

- Over 70% of the respondents were satisfied with the vetting and funding arrangements.

(c) Amount of approved subsidy was lower than expected

- The main reason for relatively low level of approved disbursement than expected is that the expenses by OCs on specified items is less than expected, notably for those regarding the procurement of third party risks insurance.
- According to the subsidy criteria, the Scheme only subsidises OCs to procure third party risks insurance. Other types of building-related insurance (e.g. those for a third party's property) are outside the scope of subsidy. However, most OCs have procured public liability insurance covering bodily injury to or the death of a third party as well as loss of property and some have even made procurement jointly with their PMCs. It is learnt that if OCs take out several types of insurance together, lower premium will be charged for the third party risks insurance. For some older buildings, the insurance companies may require them to procure also other types of insurance before the insurance concerned can be underwritten. In these cases, the premiums of other non-mandatory insurance policies and the contributions of PMCs will first be deducted to obtain the expenses on third party risks insurance. The subsidy will then be determined at 50% of the actual expenses. Therefore, the actual amount of subsidy to OCs will be less than that for the procurement of third party risks insurance only.

(d) OCs also receiving subsidy/grant under other subsidy schemes³

- HAD will regularly check the details of applications against those applications with items subsidised and amounts disbursed from the database of the Integrated Building Maintenance

³ Paragraph 7(1) of the Paper No. 15/2012 of the then Steering Committee on CCF states that when submitting applications for subsidy to HAD, OCs are required to declare that they have not received any subsidy/grant from other organisations or government departments in respect of the amounts of subsidy under application to ensure there will be no duplication of assistance for the same purpose. Footnote 1 of the Paper also explains with an example that a newly established OC which has been granted the Owners' Corporation Formation Subsidy capped at \$3,000 under the Integrated Building Maintenance Assistance Scheme jointly managed by the Urban Renewal Authority and Hong Kong Housing Society is not eligible for the subsidy in respect of registration of an OC and filing of any document for its formation unless it has made a declaration that the subsidy of \$3,000 received does not cover the fees for registration and filing concerned.

Assistance Scheme (IBMAS)⁴ jointly managed by the Urban Renewal Authority (URA)/Hong Kong Housing Society for verification. Subsidy will only be granted for 50% of the actual uncovered expenses incurred by the OC (if any), to forestall receipt of double benefits. The figures showed that among the 1 571 beneficiary OCs, about 200 (13%) were granted subsidies to procure public liability insurance/third party risks insurance for the common areas of the buildings⁵, when they were assisted by the IBMAS in their formation or building repair or maintenance. No OCs have received subsidies under the IBMAS in respect of other items, such as the expenses on regular inspection of fire service and electrical installations/equipment and the expenses on clearance of fire escapes.

Other Views

15. Some OC respondents put forward the following suggestions:

- (a) It is requested that HAD should continue the Scheme so that those which could not benefit during its three-year implementation period as regular inspection of fixed electrical installations had been conducted beforehand may receive the subsidy in future;
- (b) It is suggested that the scope of subsidy for expenses on third party risks insurance should be extended to cover those on public liability insurance; and
- (c) It is suggested that the ceiling on the total amount of subsidy and the percentage of actual expenses for calculation of the subsidy should be increased.

16. Besides, District Councils (DCs)⁶, local organisations and members of the public put forward the following suggestions:

- (a) The Scheme is effective in relieving the financial pressure on owners and encouraging them to raise funds for the procurement of third party risks insurance, regular inspection of electrical equipment and fire service installations, etc. in order to enhance building management;

⁴ The IBMAS has been implemented and managed by the URA since 1 July 2015.

⁵ Before 1 July 2015, eligible OCs might receive subsidies under the IBMAS to procure public liability insurance/third party risks insurance for the common areas of the buildings. The subsidy covered 50% of the annual premium, capped at \$6,000 per year.

⁶ These include Central and Western DC, Sham Shui Po DC and Kowloon City DC.

- (b) In view of the cessation of subsidy for OCs to procure public liability insurance/third party risks insurance for the common areas of the buildings by the IBMAS from 1 July 2015, it is suggested that the Scheme should continue and subsidise OCs for third party risks insurance. It should also be enhanced or regularised;
- (c) It is suggested that expenses on the common parts of the buildings under the Mandatory Window Inspection Scheme, handling asbestos building structures, improving security facilities, fire service installations and hiring consultants, testing water seepage, cleaning water tanks of buildings, examining drinking water and pipes (including solder joints) for individual households, replacement of pipes and mediation on building management disputes should be covered by the subsidy;
- (d) It is suggested that the application procedures should be streamlined; and
- (e) It is suggested that the rateable value limits for applications should be relaxed.

17. Regarding the view set out in paragraph 16(c) above, we consider it inappropriate to provide subsidy for the following reasons to avoid duplication of resources:

- (a) Some of the items (e.g. the suggestion to examine water and pipes for individual households for water safety concern) are not in line with the original intention of the Scheme to provide subsidy on the daily expenses of OCs in order to enhance building management;
- (b) Currently, items such as repair of windows of the common areas, maintenance of building structure, improvement of building security system, fresh water supply system and fire safety works, etc. have been covered by the IBMAS of the URA;
- (c) Joint offices have been set up by the Buildings Department and the Food and Environmental Hygiene Department since 2006 to be responsible for water seepage complaints and the investigations concerned; and
- (d) We launched the Free Mediation Service Pilot Scheme for Building Management in March 2015 to arrange for accredited mediators to provide free professional mediation services with a view to assisting the parties concerned to reach a settlement in respect of the disputes on building management.

18. Regarding the application procedures, an eligible OC will be granted subsidy through a simple procedure of submitting a duly completed application form together with the receipts and supporting documents, such as the minutes of meetings of the OC, certificates of the items concerned, notice of the clearance of fire escapes, etc., upon obtaining a resolution at a meeting of the management committee or OC. In addition, most of the OC respondents considered that the operation of the existing vetting and funding arrangements was on the whole effective. We propose that the Scheme should continue with enhancements on the basis of the existing mode of operation.

19. In respect of relaxing the eligibility criteria concerning the rateable value limits of the property, this will incur additional expenditure and some financial implications on the CCF. In order to use public resources effectively and to be consistent with the existing eligibility criteria for the IBMAS of the URA, we consider that the current rateable value limits should be maintained.

20. As to the other views set out in paragraphs 15 and 16 above, due consideration will be given in the formulation of the proposal for the continuation and enhancement of the Scheme.

Conclusion

21. Having regard to the data collected and feedback from the beneficiary OCs, DCs, local organisations and members of the public in the evaluation, we are of the view that the Scheme is effective in relieving the burden relating to the daily operating expenses on OCs of old buildings, so that they may maintain basic operation and enhance building management. It also helps OCs comply with the relevant legislative requirements, promote awareness of residents on safety and protect the public.

22. As the Scheme is well-received, we propose that upon its conclusion in September 2015, the Scheme should be continued with enhancements so as to benefit and assist more OCs of old buildings and owners from the grassroots.

Home Affairs Department
September 2015