

Community Care Fund
“Subsidy for Owners’ Corporations of Old Buildings”
(Phase III Programme)
Evaluation Report

Purpose

This paper aims to report on the evaluation results of the Community Care Fund (CCF)’s Phase III Programme of the “Subsidy for Owners’ Corporations of Old Buildings” (the Programme) launched in October 2018 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 for a period of three years. The pilot programme was implemented by the Home Affairs Department (HAD) from 1 October 2012 to 30 September 2015 with a budget of \$67.2 million (including administrative fees of \$3.2 million), while the Phase II Programme was implemented from 1 October 2015 to 30 September 2018 with two additional subsidy items, including (i) extending the coverage of expenses paid by OCs on the procurement of third party risks insurance to cover public liability insurance, and (ii) the expenses paid by OCs on the examination of lifts.

3. The Commission on Poverty approved the implementation of the Phase III Programme in 2018 with two enhancement measures, including (i) raising the limit on the average rateable value per annum of residential units, and (ii) raising the maximum amount of total subsidy in the implementation period for each OC, so as to benefit more OCs in need.

Programme Overview

4. The Phase III Programme was implemented from 1 October 2018 to 30 September 2021 for a period of three years. During the three-year implementation period, each eligible OC could apply for subsidy on an accountable basis in respect of specified items for a maximum of five times and up to 50% of the actual expenses. The maximum total amount of subsidy for each eligible OC was \$24,000. The specified items were as follows:

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

5. The target beneficiaries were OCs of residential or composite (commercial/residential use) buildings aged 30 years or above. The average rateable value per residential unit for the buildings in urban areas (including Sha Tin, Kwai Tsing and Tsuen Wan) should not exceed \$162,000 per annum, while that for the buildings in the New Territories should not exceed \$124,000 per annum.

6. The approved budget for the Phase III Programme was the unspent amount of the original approved provision of \$67.2 million (i.e. about \$25.27 million). The HAD continued to undertake the implementation work under the Phase III Programme, including production of publicity posters, preparation of application forms, reference guide and guidelines, handling of enquiries from OCs and the public, as well as processing and vetting of applications.

Implementation of the Phase III Programme

7. A total of 3 205 applications (involving 2 048 OCs) were received as at the end of August 2021. Among these applications, 2 325 were approved, involving a total sum of subsidy of some \$15.62 million. 108 applications did not meet the eligibility criteria¹ while the remaining 772 were being processed. The details are set out below.

Number of Applications and Cases Approved

8. The 3 205 applications received came from 18 districts across the territory, with higher number of applications from districts with more old buildings such as Yau Tsim Mong District (716 cases or 22.3%), Sham Shui Po District (518 cases

¹ Reasons for not meeting the eligibility criteria include: (a) the items applied for were not covered by the Phase III Programme; (b) the applicants failed to provide relevant receipts or documentary proof (e.g. copies of certificates of regular inspection of fire service installations/equipment); and (c) the dates of receipts for expenses did not fall within the implementation period of the Phase III Programme.

or 16.2%), Kowloon City District (365 cases or 11.4%) and Central and Western District (346 cases or 10.8%).

9. The 2 325 approved applications involved 1 498 OCs with an average subsidy of \$10,420² 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 OC applicants, which stood at 1 437, with some \$9.81 million granted.

Beneficiary OCs/Persons

10. The HAD invited the OCs to complete questionnaires when making the first disbursement. As at the end of August 2021, 611 out of 1 498 questionnaires issued were received, with a response rate of 40.8%. Analysis of the statistical results showed that the majority of the buildings served by the OCs were owner-occupied (59.2%). In terms of the age profile of the residents, the majority aged between 40 and 64 (46%), followed by those who were 65 or above (29.7%). In terms of employment status, 65% of the residents were employed, while 35% were retired or unemployed. In terms of total monthly household income, about half (50.6%) were \$15,000 or less. As OCs were formed by owners, the data showed that many beneficiaries of the Phase III Programme were elderly persons or those with relatively less financial means.

Views of OCs on the Phase III Programme

11. The HAD randomly selected 100 OCs among those granted with subsidy for a telephone survey on the Phase III Programme. About 70% of the respondents strongly agreed or agreed that the Phase III Programme had alleviated their financial burden. Furthermore, 90% of the respondents indicated that they were aware of other government subsidy schemes to assist OCs, and about 70% of them had applied for the schemes. Among the OCs who had applied for other subsidy schemes, about 90% strongly agreed or agreed that such schemes could better alleviate the financial burden of OCs.

Other Views

12. The HAD also received the views of the public and local communities on the Programme through various channels during the implementation of the Phase III Programme. The views collected mainly included suggestions of increasing the number of subsidy items (e.g. expenses on mobile communication and photocopying, expenses on employing a registered arborist and procuring pest

² About 43% of the maximum total subsidy amount of \$24,000 for each eligible OC.

destruction and cleaning services, expenses on examination of communal water pipes/water quality and installation of security facilities, etc.), increasing the subsidy amount and relaxing the application criteria, etc.

Evaluation

13. By consolidating the data and opinions, as well as its experience in providing support services for OCs of old buildings, the HAD conducted a review on the Programme. Observations are set out below:

Effectiveness of the Programme

14. As at August 2021, the cumulative number of beneficiary OCs of the Programme (Phases I to III) was 3 240³. The total number of approved applications was 9 180, involving \$54.35 million. The average amount of subsidy granted to each OC in Phase I, Phase II and Phase III of the Programme was \$8,620, \$10,260 and \$10,420 respectively. The above figures showed that the Programme helped relieve the burden of building management expenses on some OCs of old buildings with low rateable values, and promote OCs’ awareness of compliance with the relevant legislation (such as procurement of third party risks insurance).

Demand for the Programme

15. Based on the information collected up to 31 August 2021, the HAD conducted an analysis on the number of beneficiary OCs and the average amount of subsidy granted to each OC under the Programme. The result is tabulated as follows –

	Phase I	Phase II	Phase III
No. of beneficiary OCs	2 138 (about 50% of the 4 250 eligible OCs)	1 980 (about 44% of the 4 500 eligible OCs)	1 498 ⁴ (about 30% of the 5 000 eligible OCs)

³ The respective number of beneficiary OCs in Phase I, Phase II and Phase III of the Programme was 2 138, 1 980 and 1 498. Some OCs applied for subsidy in multiple phases of the Programme and the cumulative number of beneficiary OCs of Phases I to III of the Programme was 3 240.

⁴ Figures as at 31 August 2021. If taking into account the 1 000 or so applications received in September 2021, and assuming that all applications are eligible, there are about 2 500 beneficiary OCs in total, accounting for about 50% of the eligible OCs.

	Phase I	Phase II	Phase III
Average amount of subsidy granted to each OC	\$8,620 (about 43% of the maximum amount of subsidy of \$20,000)	\$10,260 (about 51% of the maximum amount of subsidy of \$20,000)	\$10,420 (about 43% of the maximum amount of subsidy of \$24,000)

16. The HAD introduced a number of enhancement measures (as set out in paragraphs 2 and 3 above) during Phase II and Phase III of the Programmes with a view to benefiting more OCs and raising the amount of subsidy to them. During the implementation of the Programme, letters were sent to eligible OCs on numerous occasions to invite applications, and publicity was carried out through various channels (including the District Offices, providers of support services and the dedicated website on building management, etc.) to encourage OCs to apply. Nevertheless, as reflected in the table above, the number of OCs receiving subsidy under all three phases of the Programme were far below the total number of eligible OCs, while the average amount of subsidy granted to each OC accounted for only about 50% of the maximum.

17. It is further observed that, of the cumulative 3 240 beneficiary OCs, only about 19% (about 610 OCs) submitted applications under all three phases of the Programme. The average amount of subsidy granted to them was \$10,720, accounting for about 50% of the maximum amount of subsidy (i.e. \$20,000) under Phase I and Phase II of the Programme, and only 45% of the maximum amount of subsidy (i.e. \$24,000) under Phase III.

18. The above statistics indicated that the demand for the Programme was much lower than expected. In fact, the approved provision of \$67.2 million for the Programme in 2012 was initially expected to cover the expenditure for a period of three years only. However, the Programme was implemented for a period of nine years from 2012 to 2021 over three phases with subsidies paid from the remaining balance of the budget approved in 2012. Additional provision was not sought from the CCF.

Other Support for Building Management

19. The Government's policy on building management is to assume the role of a facilitator to encourage and assist owners in forming suitable residents' organisations through a multi-pronged approach, by providing a legal framework for buildings to form OCs under the Building Management Ordinance (Cap. 344)

(BMO), as well as offering suitable support to assist owners in discharging their building management responsibilities.

20. As far as support services are concerned, in parallel with the implementation of the Programme, the HAD has been introducing a series of measures since 2011 to provide support to OCs and owners in areas such as OC formation, education and training, advisory services and dispute resolution, etc. Examples in recent years include -

- (a) The HAD has implemented the Owners' Corporations Advisory Services Scheme since 2018. Property management companies are engaged to provide OCs with free advisory services on building management, including assisting OCs in complying with the requirements of the BMO, procuring third party risks insurance or engaging accountants to audit financial statements, and assisting OCs in need in handling complaints or enquiries about building management matters;
- (b) In 2018, the HAD introduced the Building Management Dispute Resolution Service, under which retired Judges/Judicial Officers with experience in dealing with building management cases assist the parties in identifying issues in the disputes, and exploring and generating options, with a view to reaching settlements of the disputes; and
- (c) To address the concerns of owners of old buildings on building management and maintenance, the HAD has launched the Central Platform for Building Management to assist OCs and owners in building management and large-scale maintenance projects, under which regular briefings with speakers from relevant government departments and institutions are organised to introduce various services and financial assistance schemes on building management and maintenance.

The above services provide solid support to OCs and owners of old buildings on general building management matters.

Financial Assistance for Building Maintenance

21. As far as owners of old buildings are concerned, building maintenance creates a much bigger financial burden than daily building management. To assist private building owners to maintain and repair their buildings, the Government and the Urban Renewal Authority (URA) have been providing

assistance to owners in need, and have launched a number of new subsidy schemes in recent years, which include -

- (a) launching in 2018 the \$3 billion “Operation Building Bright 2.0” scheme to subsidise owners to inspect and repair their buildings, and the \$2 billion “Fire Safety Improvement Works Subsidy Scheme” to subsidise owners to carry out necessary fire safety improvement works;
- (b) implementing in 2019 the \$2.5 billion “Lift Modernisation Subsidy Scheme” to provide financial incentive for enhancing safety of aged lifts;
- (c) further injecting \$8.5 billion in 2019 to enhance subsidy schemes such as the “Operation Building Bright 2.0” and the “Lift Modernisation Subsidy Scheme” so as to assist more owners in need;
- (d) allocating \$440 million in 2020 to launch the “Water Safety Plan Subsidy Scheme” to encourage owners to implement water safety plan for buildings to further safeguard drinking water safety; and
- (e) launching in May 2021 the \$1 billion “Building Drainage System Repair Subsidy Scheme” to assist owners of aged residential buildings to conduct inspection or repair works for drains of the buildings.

The URA has been providing the above-mentioned subsidy/loans/support services on building maintenance and repair to OCs and owners under the “Integrated Building Rehabilitation Assistance Scheme”, details of which are available at the webpage of the “Building Rehabilitation Platform” (<https://www.brplatform.org.hk/en/subsidy-and-assistance/integrated-building-rehabilitation-assistance-scheme>).

Overall Observations

22. The three Phases of the Programme have undoubtedly alleviated the burden on some OCs of old buildings in respect of the general expenses on building management, and were well received by the beneficiary OCs. On the other hand, the much lower than expected demand for the Programme shows that daily expenses on building management might not be the primary concern of owners of old buildings.

23. Past experience suggested that owners and OCs of old buildings required more assistance in respect of practical issues such as compliance with the BMO, and handling disputes and complaints involving building management, etc. To this end, the HAD has introduced support measures in various aspects of building management (see paragraph 20 above) in recent years to better assist OCs and owners in discharging their responsibilities on building management. Moreover, in view of the financial burden on owners of old buildings generated by the one-off capital expenditure incurred in building maintenance, the Government has already set aside over \$10 billion (see paragraph 21 above) to assist them. The Programme's beneficiary OCs also generally considered that the Government's financial support on building maintenance was a better relief for OCs than the Programme (see paragraph 11 above).

24. Private buildings are the properties of individual owners, and building management is the responsibility of owners. In view of the analysis above, the on-going provision of subsidy through the CCF or other means to OCs of old buildings to cover their recurrent expenditure cannot be justified. The Programme will end accordingly upon the completion of Phase III.

Conclusion

25. Having regard to owners' actual needs and the principle of optimising the use of public resources, the Programme will end upon completion of Phase III.

Home Affairs Department
November 2021