

**Community Care Fund Assistance Programme
Subsidy for Owners' Corporations of Old Buildings
Mid-term Evaluation Report**

Background

The Community Care Fund (CCF) Task Force (Task Force) discussed the mid-term evaluation report on the Subsidy for Owners' Corporations of Old Buildings (the Scheme) at its meeting on 4 December 2014. It noted that the Scheme had been well-received by the community and owners of old buildings, benefiting many low-income families and elderly living there.

Overview of the Implementation of the Scheme

2. The former Steering Committee on the CCF (the former Steering Committee) endorsed at its meeting on 23 May 2012 the provision of subsidy for owners' corporations (OCs) concerned on a pilot basis to strengthen the support for 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) and would run for three years from 1 October 2012 to 30 September 2015. Each eligible OC¹ may apply for subsidy on an accountable basis for the following specified items at most five times. Up to 50% of the actual expenses may be claimed for each item at a maximum amount of \$20,000:

- (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.

¹ The targets of the Scheme are residential or composite buildings aged 30 years or above with OCs. The average rateable value of the residential units of the buildings in urban areas (including Sha Tin, Kwai Tsing and Tsuen Wan) shall not exceed \$120,000 while that of buildings in the New Territories shall not exceed \$92,000.

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

Implementation of the Scheme

5. To implement the Scheme, HAD has set up a central office, and deployed internally an experienced Liaison Officer for the co-ordination (the resources involved have been absorbed by HAD) and employed three full-time non-civil service contract Project Executives and a number of part-time Project Assistants (PAs) 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 24 briefings for OCs, websites, newspapers, telephone calls and visits. The staff of the 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 applications.

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

8. More than 3 900 telephone enquiries on application details and 1 624 applications have been received as at the end of August 2014. Among the applications, 1 410 had been granted subsidy, involving some \$6 million, 72 did not meet the eligibility criteria and the remaining 142 are still under process (detailed analysis is at paragraphs 10 and 11 below).

² There were 4 250 eligible OCs when HAD launched the Scheme in October 2012. With an estimation of 100 new OCs to be formed each year, there would be about 4 500 eligible OCs in three years.

³ Figure as at the end of August 2014.

Mid-term Evaluation

9. As requested by the former Steering Committee, we have conducted a mid-term evaluation to assess and analyse the effectiveness of the Scheme so far.

I. Number of Applications and Cases Approved

10. The 1 624 applications received by HAD came from the 18 districts over the territory, with higher number of applications from districts which have more old buildings such as Yau Tsim Mong district (349 or 21.5%), Sham Shui Po district (214 or 13.2%), Kowloon City district (193 or 11.9%) and Central and Western district (193 or 11.9%) (details are at Appendix I).

11. Of the 1 410 approved applications (involving 1 145 OCs), the majority were applications for subsidy for the expenses on third party risk insurance, 1 280 cases, involving \$3.349 million. Each OC was granted a subsidy of \$5,240 on average (details are at Appendix II).

II. Beneficiary OCs

12. To allow the Task Force understand the profiles of the owners/residents of the buildings of the OCs granted subsidy with a view to enhancing the Scheme and planning ahead, we have invited the OCs to complete questionnaires upon the first disbursement. A total of 1 145 questionnaires were issued for the 1 410 approved applications (involving 1 145 OCs). As at the end of August 2014, 756 questionnaires were received and the response rate was 66%.

13. A statistical analysis showed that the majority of the flats of the buildings of the OCs were owner-occupied (about 66.6%). In terms of age, the majority were from 40 to 64, i.e. about 41.2%, and about a quarter were 65 or above (25.8%). In terms of employment status, although 47.4% of the residents were employed, 37% were retired or unemployed. In terms of monthly household income, 43.7% were \$15,000 or less with 22.4% being less than \$10,000 (details are at Appendix III).

III. Views of OCs on the Scheme

14. To gauge the views on the Scheme of the OCs granted subsidy, 95 OCs (about 8%) have been selected at random for a telephone survey. A total of 71.6% of the respondents strongly agreed or agreed that the Scheme could alleviate their financial burden, and 72.7% were very satisfied or satisfied with the vetting and funding arrangements (details are at Appendix IV).

Observations

15. 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 on the Scheme was positive. Over 70% said that the subsidy had improved the financial positions of the OCs and helped 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 and enhanced the awareness of owners and residents regarding proper building management.
- Some successful cases are at Appendix V.

(b) The Scheme operated smoothly

- The results of the survey showed that over 70% of the respondents were satisfied with the Scheme's vetting and funding arrangements.

(c) Amount of approved subsidy was lower than expected

- As at the end of August 2014, HAD had disbursed a total of \$6 million in subsidy, which is 9.4% of the estimated total amount of \$64 million. The main reason for relatively low level of approved disbursement 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 approved by the former Steering Committee, the Scheme will only subsidise OCs to procure third party risks insurance as required under the Building Management Ordinance (Cap. 344). Other types of building-related insurance (e.g. those for a third party's property and fire risk etc.) fall outside the scope of subsidy. According to the information in the applications, we note that for most cases, 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 with their PMCs. It is understood 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 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 is less than that for the procurement of third party risks insurance only.

Other Views

16. Some OC respondents also put forward the following suggestions on the Scheme:

- (a) extending the scope of subsidy for expenses on third party risks insurance to cover those on public liability insurance; and
- (b) increasing the ceiling on the total amount of subsidy and the percentage of actual expenses for calculation of the subsidy.

17. Besides, individual District Council members and members of the public suggested to expand the scope of subsidy to cover expenses on the common parts of the buildings under the Mandatory Window Inspection Scheme (MWIS) and expenses on handling asbestos building structures.

18. The OC respondents suggested expanding the scope of subsidy for third party risks insurance to cover expenses on public liability insurance. As explained in paragraph 15(c) above, the main reason for OCs to procure public liability insurance and third party risks insurance at the same time is that the premium will be higher if only third party risks insurance is procured. As most insurance companies do not provide a breakdown of the premium on the policy, we need to further contact the OCs or even the insurance companies when processing the applications to confirm the relevant premium. If the information is not available, the subsidy will be calculated according to the insured amount on a pro rate basis. The procedures involved are complicated and time-consuming. To simplify the vetting procedures, we will further examine whether to make reference to the current practice of the Urban Renewal Authority (URA) and the Hong Kong Housing Society (HKHS)⁴ and provide subsidy for OCs for expenses on the procurement of public liability insurance and/or third party risks insurance.

19. Regarding the suggestion that the scope of subsidy should cover expenses on the common parts of buildings under the MWIS and expenses on handling asbestos building structures, we are of the view that this is not in line with the original intention of the Scheme to provide subsidy on the daily operating expenses of OCs in order to enhance building management. It will also duplicate other financial assistance schemes under the existing building maintenance incentive schemes of the URA/HKHS⁵. Therefore, the suggestion should not be considered.

Conclusion

20. The data collected, analysis made and feedback from residents in the mid-term evaluation show that the Scheme is effective in 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. It also helps OCs comply with the relevant legislative requirements, promote awareness of residents on safety and also ensure public safety.

⁴ The Integrated Building Maintenance Assistance Scheme (IBMAS), implemented by the URA/HKHS, provides OCs with subsidy after the OCs have completed the maintenance works/owners have formed an OC, for three consecutive years for the procurement of public liability insurance/third party risks insurance for the common parts of the buildings. The amount of subsidy is 50% of the annual premium at a maximum of \$6,000 per year.

⁵ The URA/HKHS have launched subsidy schemes in respect of the common parts of buildings under the MWIS (if applicable) to provide financial assistance to eligible owners. Moreover, OCs may apply for subsidy under the IBMAS jointly managed by the URA/HKHS if handling of materials containing asbestos is involved during the building maintenance works.

21. The Scheme will end in September 2015. HAD will conduct a comprehensive review on the effectiveness of the Scheme, and report the results with proposals on the way forward with a view to benefiting more OCs of old buildings.

Home Affairs Department
December 2014

Number of Applications and Subsidy Disbursed in the 18 Districts

District	Number of Applications	Percentage (%)	Subsidy Disbursed (\$)	Percentage
Hong Kong Island				
Central and Western District	193	11.9%	630,141	10.5%
Eastern District	126	7.8%	506,522	8.4%
Wan Chai	161	9.9%	534,926	8.9%
Southern District	39	2.4%	120,664	2.0%
Subtotal	519	32.0%	1,792,253	29.8%
Kowloon				
Kowloon City	193	11.9%	646,225	10.8%
Sham Shui Po	214	13.2%	765,211	12.8%
Yau Tsim Mong	349	21.5%	1,333,172	22.2%
Kwun Tong	81	5.0%	399,665	6.7%
Wong Tai Sin	39	2.4%	143,388	2.4%
Subtotal	876	53.9%	3,287,661	54.9%
New Territories				
Kwai Tsing	36	2.2%	144,143	2.4%
Yuen Long	56	3.4%	226,779	3.8%
Tuen Mun	18	1.1%	80,475	1.3%
Sai Kung	7	0.4%	14,565	0.2%
Tsuen Wan	55	3.4%	244,180	4.1%
North District	12	0.7%	45,991	0.8%
Tai Po	42	2.6%	140,971	2.3%
Sha Tin	2	0.1%	20,000	0.3%
Islands	1	0.1%	2,500	0.1%
Subtotal	229	14.1%	919,604	15.3%
Total	1 624	100% (accurate to the nearest integer)	5,999,518	100% (accurate to the nearest integer)

Breakdown of Application for Subsidy

Item	Number of Applications	Subsidy Disbursed (\$)	Average Subsidy for each OC (\$)
1. Registration/Filing of any document to the Land Registry	345	44,999	130
2. Annual premium for procurement of third party risks insurance for the common parts of the buildings	1 280	3,348,924	2,616
3. Regular inspection of fire services installations/ equipment [excluding installation, repair and maintenance]	461	305,574	663
4. Regular inspection of electrical installations [excluding installation, repair and maintenance]	334	2,227,656	6,670
5. Clearance of fire escapes [excluding removal of unauthorised building works]	53	72,365	1,365
Total		5,999,518	—

Background Information of Owners/Residents of Buildings of Beneficiary OCs

District	Number of Applications Approved	Number of OCs subsidised	Number of questionnaires received	Residents' Background			Age Group				Employment Nature				Residents' Income			
				Owner (self-occupied) %	Tenant %	Others (such as vacant) %	Aged 39 or below %	Aged 40-64 %	Aged 65 or above %	Information not available %	Employed %	Un-employed %	Retired %	Information not available %	Below \$10,000 %	\$10,001 -\$15,000 %	\$15,001 or above %	Information not available %
Central and Western District	158	131	82	61.1	36.4	2.5	26.6	52.0	21.4	0.0	64.8	13.9	21.8	0.0	15.0	31.3	53.8	0.0
Eastern District	110	96	63	70.1	28.6	1.2	20.6	48.3	31.1	0.0	51.8	18.7	29.4	0.0	31.7	16.7	51.7	0.0
Wan Chai	137	120	71	63.1	35.3	1.6	22.3	48.4	29.3	0.0	66.9	10.9	22.2	0.0	8.3	31.1	60.6	0.0
Southern District	32	28	12	50.9	47.1	2.0	30.1	44.9	25.0	0.0	71.0	13.0	16.0	0.0	50.0	30.0	20.0	0.0
Kowloon City	177	144	86	68.5	28.8	3.0	25.4	44.2	29.1	1.3	54.2	14.4	31.4	0.0	34.4	24.4	41.3	0.0
Sham Shui Po	183	143	102	62.2	35.3	2.5	23.5	45.9	29.4	1.2	54.3	12.4	33.3	0.0	45.0	33.3	21.7	0.0
Yau Tsim Mong	302	239	170	55.6	39.9	4.5	22.9	46.2	31.7	0.0	60.9	13.0	26.1	0.0	29.6	39.2	30.9	0.2
Kwun Tong	73	59	44	66.5	32.1	1.5	27.7	41.9	30.4	0.0	53.9	17.0	29.1	0.0	16.3	45.0	38.8	0.0
Wong Tai Sin	34	28	21	63.1	36.5	0.4	22.2	52.5	25.4	0.0	71.7	10.8	17.6	0.0	45.0	40.0	15.0	0.0
Kwai Tsing	31	26	14	74.9	24.6	0.5	24.5	48.0	27.5	0.0	64.4	18.0	17.6	0.0	0.5	34.5	65.0	0.0
Yuen Long	49	38	22	67.6	32.3	0.1	18.2	61.4	20.3	0.0	66.7	11.5	21.8	0.0	30.0	0.0	70.0	0.0
Tuen Mun	14	13	6	72.5	25.0	2.5	10.0	70.0	16.7	3.3	38.3	28.3	33.3	0.0	47.5	32.5	20.0	0.0
Sai Kung	6	3	2	84.0	16.0	0.0	10.0	60.0	30.0	0.0	60.0	20.0	20.0	0.0	1.0	60.0	39.0	0.0
Tsuen Wan	52	43	30	57.9	40.9	1.2	22.6	50.3	27.1	0.0	57.7	18.2	24.1	0.0	35.0	20.0	45.0	0.0
North District	10	7	4	35.0	63.8	1.3	25.0	25.0	50.0	0.0	25.0	25.0	50.0	100.0	0.0	0.0	0.0	100.0
Tai Po	40	25	25	60.6	37.4	2.0	22.1	48.3	29.6	0.0	52.3	19.1	28.6	0.0	10.0	43.3	46.7	0.0
Sha Tin	1	1	1	95.0	5.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	100.0
Islands	1	1	1	90.0	8.0	2.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	100.0
Subtotal	1410	1145	756	66.6	31.8	1.6	19.1	41.2	25.8	13.9	47.4	13.9	23.1	15.6	22.4	21.3	33.7	22.6
Total				100			100				100				100			

Beneficiary OCs' Feedback on the Programme

Statements and Views	Number of OCs	Percentage
1. The Scheme can alleviate the financial burden of OCs		
- Strongly Agree	21	22.1%
- Agree	47	49.5%
- Neutral	17	17.9%
- Disagree	8	8.4%
- Strongly Disagree	2	2.1%
Total	95	100%
2. OC is satisfied with the vetting and funding arrangements		
- Very Satisfied	11	11.5%
- Satisfied	58	61.1%
- Neutral	20	21.1%
- Dissatisfied	5	5.2%
- Very dissatisfied	1	1.1%
Total	95	100%

Case Sharing

Case 1

Encouraging owners' corporations (OCs) to keep the fire escapes of its building clear

Case Details:

Building profile:	Completed in 1961 (53 years) 12 residential flats in total (two flats each on six floors) Managed by two <u>OCs</u>
Subsidy approved:	First application: 1) Expenses on regular inspection of electrical installations: \$2,750 (x2) Second application: 1) Expenses on procurement of third party risks insurance: \$4,125 (x2) 2) Expenses on clearance of fire escapes: \$1,250 (x2) Total: \$8,125 (x2)

Enhancing fire safety and awareness

The building, built more than 50 years, is situated in Yau Tsim Mong District. It has two flats on each of the six floors and is managed by two OCs. With the subsidy provided under the Scheme, the OCs can conduct regular clearance of the fire escapes.

Having lived in the building for many years, Mr A, the Treasurer of the management committee (MC) of the OC, said, “The building is dilapidated as it was built over 50 years. Most of the residents are tenants. The OCs cannot afford hiring security guards to assist in management, members of the OCs have undertaken to inspect the floors of the building to enhance security.”

Mr A continued, “When new tenants moved in or before Lunar New Year, the staircases, the only fire escape, were largely occupied by discarded large furniture. Such acts of individual residents not only caused inconvenience to all residents, but pose a serious risk to the public.”

Despite financial constraint, the OCs would arrange occasionally a cleansing contractor to clear objects and junk in the common areas to protect the safety of residents. Upon receipt of the written notification from HAD that the building was eligible for subsidy, the member concerned informed other MC members and they started applying for subsidy for items such as expenses on the clearance of fire escapes.

Mr A said at first he was worried that the application procedures might be complicated and did not quite know what to do. Thanked to the patient explanation of HAD staff, the application process went smoothly. To obtain the subsidy, the OC was only required to provide relevant receipts and supporting documents, such as notices to residents about the clearance or the photos taken before and after the clearance.

At present, the Buildings Department and the Fire Services Department conduct regular inspection on the fire escapes. After the clearance, the staircases on each floor are kept clean and the access to the roof is clear. Residents’ awareness of fire safety has also been enhanced and the living environment improved.



**Staircases and fire escape – the roof
(before clearance)**



**Staircases and fire escape – the roof
(after clearance)**



**Staircases and fire escape – 5th floor
(before clearance)**



**Staircases and fire escape – 5th floor
(after clearance)**

Case Sharing

Case 2

Assisting OC in conducting regular inspection of fire services installations/equipment

Case Details:

Building profile:	Completed in 1965 (49 years) A total of 141 residential flats
Subsidy approved:	<p>First application:</p> <ol style="list-style-type: none">1) Expenses on procurement of third party risks insurance: \$1,2502) Expenses on regular inspection of fire services installations/equipment: \$650 <p>Second application:</p> <ol style="list-style-type: none">1) Fees for filing of documents with the Land Registry: \$2902) Expenses on procurement of third party risks insurance: \$1,2503) Expenses on regular inspection of fire services installations/equipment: \$650 <p>Total: \$4,090</p>

Assistance to OC in improving fire services installations and equipment commended by owners

The building is situated in Shau Kei Wan, Eastern District. Its OC has been granted subsidy under the CCF after completion of inspections and tests for the fire services installations and equipment in 2013 and 2014 respectively.

Mr B, the Treasurer of the MC of the OC, said, “The building was built nearly 50 years ago and most of the residents are elderly. It is quite difficult to raise funds for improving the living environment. The OC had discussed many times in meetings ways to ease the financial pressure.”

When the OC received a written notification from HAD that it was eligible for subsidy for expenses on inspection of fire services installations and procurement of third party risks insurance, it was unanimously welcome by all OC members.

Till now, the OC has received subsidy under the Scheme for two consecutive years for regular inspections and tests to ensure that the fire services installations and equipment comply with the safety standards for the protection of the life and property of the residents. Mr B thanked the CCF and HAD for implementing the Scheme to provide financial support for OCs of old buildings. This greatly relieved the financial burden of the owners, especially the elderly, and enabled the OC to use the resources more effectively to enhance building management.

Mr B hoped that the CCF would continue to provide financial assistance for the Scheme implemented by HAD so that OCs of old buildings could apply for further subsidy.



**Fire services installation
(hose reel)**



**Fire services installation
(fire extinguisher)**



**Fire services installation
(fire alarm)**



**Fire services installation
(fire services inlet)**

Case Sharing

Case 3

Enhancing OC's awareness of regular inspection on the electrical equipment of the building

Case Details:

Building profile:	Completed in 1972 (42 years) 8 residential flats, 4 commercial units (two flats on each floor)
Subsidy approved:	1) Fees for filing of documents with the Land Registry: \$145 2) Expenses on procurement of third party risks insurance: \$1,500 3) Expenses on regular inspection of electrical installations: \$12,700 Total: \$14,345

Regular inspection on electrical equipment ensures a safe environment for residents

Situated in Yau Tsim Mong District, it is a 42-year six-storey building. The OC carried out a comprehensive inspection on the electrical installations and equipment and has been granted subsidy under the CCF after completion.

Mr C, the Chairperson of the MC of the OC, said, “At present, only the Secretary and I are engaged in the management of the building. Other owners rarely participate. Both of us knew little about the procedures of routine inspection. Only upon receipt of the order from the Electrical and Mechanical Services Department did the OC aware that inspection and test on the electrical installations was required once every five year. Since the reserve of the OC was insufficient to cover the expenses, we convened a general meeting of owners to discuss the funding arrangement for the inspection.”

The OC then received a written notification from HAD that it was eligible for the subsidy for the specified items such as the inspection on the fixed electrical installations. Mr C said that the subsidy approved could increase the operating funds and greatly relieve the financial burden of the OC. Besides, he opined that the Scheme could help effectively remind OCs of the need to arrange timely inspections and tests for electrical installations to ensure the safety of electricity supply.

The inspection and tests were completed before summer. The contractor had confirmed the electrical installations were working well and no repair or maintenance or upgrading was needed. A Periodic Test Certificate (Form WR2) was issued duly.

Mr C said that electricity consumption in hot summer was high owing to the extensive use of air-conditioning by residents. Tests on the safety of the electrical installations could effectively avoid electricity-related accidents (such as electricity leakage or possible consequent fire), hence ensuring a safe environment for all.



Electrical installations of the building



Certified distribution boxes and electric meters