

Memorandum for the Hong Kong Housing Authority

Hong Kong Housing Authority's 2023/24 Budget 2024/25 Proposed Budget and 2025/26 to 2027/28 Financial Forecasts

PURPOSE

----- This paper seeks Members' endorsement on the 2024/25 Proposed Budget of the Hong Kong Housing Authority (HA) at **Annex**.

RECOMMENDATION

2. Members are invited to **endorse** the 2024/25 Proposed Budget of HA at **Annex** for submission to the Chief Executive (CE) for approval.
3. Members are also invited to **note** the revised 2023/24 Budget and the Financial Forecasts for the period from 2025/26 to 2027/28 ("Financial Forecasts").

BACKGROUND

4. Section 4(3) of the Housing Ordinance (Cap. 283) stipulates that HA should submit to CE for his approval of a programme of its proposed activities, and estimates of the income and expenditure of HA for the next financial year. Regarding the latter, it is established practice for us to formulate a five-year budgets and forecasts ("Budgets and Forecasts") of HA on an annual basis, covering –

- (a) the current financial year's revised Budget estimates;
- (b) the Budget for the next financial year; and
- (c) financial forecasts for the subsequent three years.

5. The Finance Committee (FC) discussed and endorsed the HA's 2024/25 Proposed Budget at its meeting on 8 January 2024. After HA's endorsement at its meeting on 16 January 2024, the 2024/25 Proposed Budget will be submitted together with HA's 2024/25 Corporate Plan, to CE for approval.

6. HA provides subsidised housing and related support facilities comprising the following (as at 30 September 2023) –

- (a) 822 630 Public Rental Housing (PRH) estates units;
- (b) 300 000 m² retail premises;
- (c) 34 000 parking spaces;
- (d) 80 200 m² factory premises; and
- (e) 1 360 700 m² welfare and other non-domestic premises.

BUDGET BASES AND ASSUMPTIONS

7. In accordance with the established mechanism, the major budget bases and assumptions adopted in preparing the Budgets and Forecasts have been endorsed by relevant business committees and FC are set out as follows –

Income

- (a) No rent variation for domestic rental properties.
- (b)
 - (i) average rental growth rate of 2.0% per annum (p.a.) for shops, shopstalls and factory estates, and carparks ^{Note 1} in 2024/25;
 - (ii) average rental growth rate of 3.0% p.a. for shops, shopstalls, carparks and factory estates in 2025/26; and
 - (iii) average rental growth rate of 4.0% p.a. for shops, shopstalls, carparks and factory estates from 2026/27 to 2027/28.

Note 1 In respect of carparks, the Commercial Properties Committee (CPC) approved on 20 November 2023 to increase the monthly carpark charges and hourly carpark charges with effect from 1 January 2024. The related financial implications have been incorporated in this Budgets and Forecasts.

- (c) The Home Ownership Scheme (HOS) and Green Form Subsidised Home Ownership Scheme (GSH) flats will be offered for –
 - (i) pre-sale around 24 months before building completion;
 - (ii) the selling rate of first sale at 98% and the remaining 2% to be sold in the subsequent sales exercise;
 - (iii) the discount rate for sale of HOS and GSH flats at 42% and 52% of the assessed market values respectively ^{Note 2}; and
 - (iv) the general selling price inflation adjustment at 2.5% p.a..
- (d) The opting rate p.a. for premium payment for –
 - (i) HOS/GSH/Private Sector Participation Scheme (PSPS)/Buy or Rent Option (BRO) flats at 0.22%; and
 - (ii) Tenants Purchase Scheme (TPS) flats at 0.04%.

Expenditure

- (e) Adoption of the latest September 2023 Housing Construction Programme (HCP) and the June 2023 Construction Cost Yardsticks for estimating future construction expenditure.
- (f) Price level adjustment for recurrent expenditure from 2024/25 onwards –
 - (i) personal emoluments at 3.5% p.a.;
 - (ii) maintenance and minor improvements at 4.5% p.a.;
 - (iii) cleansing and security at 3.5% p.a.; and
 - (iv) other recurrent expenditure at 2.5% p.a.

Note 2 For sale of HOS flats, a discount rate based on the three-year rolling average for Sale of HOS Flats 2020, 2022 and 2023 is assumed as the discount rate applicable throughout the budget and forecast period; and for sale of GSH flats, the discount rate at 10% more than that of the HOS sale will be assumed throughout the budget and forecast period.

- (g) Price level adjustment for capital expenditure from 2024/25 onwards –
- (i) construction expenditure at 4.5% p.a.;
 - (ii) improvement works at 4.5% p.a.; and
 - (iii) computer expenditure at 2.5% p.a.

Investment Return

- (h) Taken into account the advice of the Funds Management Sub-Committee, an investment return of 3.7% p.a. on funds balance be adopted from 2023/24 (remaining period) to 2027/28.

It should be noted that the above are adopted for budgetary purpose only. The actual price changes and business parameters will be subject to the outcome of tendering results, and assessments/reviews of individual operations and measures.

2023/24 AND 2024/25 BUDGETS

Consolidated Operating Account

8. Overall the revised estimate for 2023/24 does not exceed the provision in the original Budget. Both recurrent and capital expenditures are not expected to exceed the 2023/24 original Budget. The consolidated operating account for 2023/24 (both original and revised estimates) and 2024/25 Budgets as set out in Section I of the **Annex** are highlighted in Table 1 below –

Table 1 – Summary of Consolidated Operating Account (in \$M)				
	2022/23	2023/24 (Original)	2023/24 (Revised)	2024/25
<u>Surplus / (Deficit)</u>				
Rental Housing	1,164	(46)	174	(1,167)
Commercial	678	1,286	865	1,539
Home Ownership Assistance	5,762	14,968	11,584	2,231
Consolidated Operating Surplus	7,604	16,208	12,623	2,603

9. Details of the Operating Accounts of respective businesses of HA are set out in paragraphs 10 to 18 below.

Rental Housing

10. The Rental Housing operating account covers the allocation, management and maintenance of domestic rental properties of HA. **The recurrent operating expenditure of rental housing business is the second large expenditure item on HA's accounts.** The operating results from 2022/23 to 2024/25 are highlighted in Table 2 below –

Table 2 – Rental Housing Operating Account (in \$M)				
	2022/23	2023/24 (Original)	2023/24 (Revised)	2024/25
Income	20,042	22,618	21,659	23,131
Expenditure	(18,878)	(22,664)	(21,485)	(24,298)
Operating Surplus / (Loss)	1,164	(46)	174	(1,167)

11. The revised estimate for 2023/24 is expected to record a small surplus of \$174M in PRH operation, as compared to a loss of \$46M in the original Budget. This is mainly due to the lower recurrent expenditure in daily maintenance and improvement works, cleansing and security services, etc.

12. The operating result for 2024/25 is estimated to incur a loss of \$1,167M **on the basis of a conservative budgetary assumption of no adjustment in PRH rental.** The next PRH rental review is due to be conducted in mid-2024.

13. It should also be noted that the capital expenditure for major improvement works to existing PRH estates (e.g. lift modernisation, implementation of Fire Safety (Building) Ordinance, etc.) are not included in the above operating account, but booked in the capital expenditure account (see paragraph 21). Given that PRH estates are ageing, this will increase in the years ahead and the estimated annual expenditure in this regard will likely increase continuously from \$678M in 2024/25 to \$806M by 2027/28.

Commercial

14. The Commercial Operating Account covers the management and operation of the commercial properties of HA. The property portfolio can be broadly categorised into retail premises, carparking spaces, factory premises and welfare/community premises. The operating results from 2022/23 to 2024/25 are highlighted in Table 3 below –

Table 3 – Commercial Operating Account (in \$M)				
	2022/23	2023/24 (Original)	2023/24 (Revised)	2024/25
Income	2,777	3,646	3,145	4,027
Expenditure	(2,099)	(2,360)	(2,280)	(2,488)
Net Income ^{Note 3}	678	1,286	865	1,539

15. The net income in 2024/25 is estimated to be \$1,539M, which is higher than the 2023/24 (Original) by \$253M (or +20%). The **Commercial** business is expected to generate a net income ranging from \$1.5B to \$2.3B per annum in the coming few years.

Note 3 The overall profits arising from the operation of non-domestic facilities are to be shared equally between HA and the Government and distributed to the Government in the form of dividend each year.

Home Ownership Assistance

16. The Home Ownership Assistance Operating Account covers the development, monitoring and review of measures to assist the low to middle-income families to achieve home ownership through various subsidised housing schemes. **Income from the Subsidised Sale Flats (SSFs) (including HOS/GSH/TPS flats and the alienation premium from HOS, GSH and TPS flats) is another major income source for HA**, and the level of income from SSFs fluctuates year by year depending on the number of SSFs assignments completed and income recognised^{Note 4}. The operating results from 2022/23 to 2024/25 are highlighted in Table 4 below –

Table 4 – Home Ownership Assistance Operating Account (in \$M)				
	2022/23	2023/24 (Original)	2023/24 (Revised)	2024/25
Income ^{Note 5}	11,506	28,334	22,774	5,966
Expenditure ^{Note 6}	(5,744)	(13,366)	(11,190)	(3,735)
Net Income	5,762	14,968	11,584	2,231

17. The lower revised estimate for 2023/24 as compared with the original estimate is mainly due to earlier completion of SSFs assignment for around 1 600 flats from April 2023 to February/March 2023. Such income was recognised in 2022/23 instead of 2023/24.

18. The net income for the Home Ownership Assistance Operating Account for 2024/25 is estimated to be \$2,231M. This is lower than that of 2023/24, mainly due to fewer number of SSF assignment expected to be completed (i.e. 1 400 HOS/GSH units in 2024/25 as compared with 8 200 HOS/GSH units in 2023/24).

Note 4 Income from sale of SSFs is recognised upon signing of the Deed of Assignment.

Note 5 This includes other income from alienation premium, sale of remaining TPS flats and repurchased flats, etc.

Note 6 This includes land costs of the domestic elements of SSFs which are charged at 35% of the development costs of the flats.

Funds Management Account

19. The aim of HA's investment strategy is to ensure that there is sufficient liquidity to meet the operational need of HA, and to put the rest of HA's funds into longer-term investments in a prudent and diversified manner to enhance long term returns.

20. Based on an investment return assumption of 3.7% p.a. on funds balance, the surplus in the 2024/25 is estimated to be \$2,130M.

Capital Expenditure

21. HA's capital expenditure, which includes construction expenditure, major improvement works (mainly for existing PRH estates), computer systems and equipment, other equipment and motor vehicles, for the period from 2022/23 to 2024/25 is highlighted in Table 5 below –

Table 5 – Capital Expenditure (in \$M)				
	2022/23	2023/24 (Original)	2023/24 (Revised)	2024/25
Construction Expenditure	16,521	28,443	21,904	31,625
Improvement Works	604	856	842	1,027
Computer systems and equipment, other equipment and motor vehicles	182	204	185	257
Total:	17,307	29,503	22,931	32,909

22. **The construction expenditure for HA's public housing development is the largest expenditure item** and accounts for over 95% of HA's total capital expenditure. The capital expenditure is estimated to be \$32,909M in 2024/25, an increase over 2023/24 (Revised) by \$9,978M (or +44%). The lower level of construction expenditure in 2023/24 is partly due to construction programme adjustments for some works contract arising from shortage of labour in the construction industry and slow recovery of the supply chain blockage in the aftermath of COVID-19 pandemic, etc.

SUMMARY OF BUDGET AND FORECAST

23. A detailed breakdown of the consolidated account for the period from 2023/24 to 2027/28 are set out in Table 6 below –

Table 6 – Consolidated Surplus for the period from 2023/24 to 2027/28 (in \$M)					
	Budgets		Financial Forecasts		
	2023/24 (Revised)	2024/25	2025/26	2026/27	2027/28
Operating Accounts					
Rental Housing	174	(1,167)	(2,143)	(2,960)	(4,284)
Commercial	865	1,539	1,880	2,116	2,312
Home Ownership Assistance	11,584	2,231	18,259	12,740	12,178
Consolidated Operating Surplus	12,623	2,603	17,996	11,896	10,206
Funds Management Account Surplus	2,282	2,130	1,923	1,943	1,613
Consolidated Surplus ^{Note 7}	15,001	4,898	20,020	13,943	11,929

24. The estimated construction expenditure for HA's public housing development programme up to 2027/28 is set out in Table 7 below –

Table 7 – Construction Expenditure for the period from 2023/24 to 2027/28 (in \$M)					
	Budgets		Financial Forecasts		
	2023/24 (Revised)	2024/25	2025/26	2026/27	2027/28
Construction Expenditure	21,904	31,625	37,947	39,888	40,826

Note 7 The Consolidated Surplus includes the results from the Consolidated Operating Account, the Funds Management Account, the Agency Account and the non-operating income from the Urban Renewal Authority for the rental flats allocated to affected tenants.

25. No doubt construction expenditure continues to increase due to both increase in housing production and rising prices of construction works. It should be noted that the sale price of SSF is delinked with the construction cost. Under the existing pricing mechanism adopted by HA since 2018, SSF pricing is set with reference to the affordability to ensure the flats are affordable to households from the target income group. The discount applied to the assessed market values of the SSFs for sale is determined based on the affordability benchmark whereby at least 75% of the flats for sale can allow non-owner occupier households earning the median monthly household income to spend no more than 40% of their monthly income on mortgage payment. The discount rate is determined with regard to the median monthly household income of non-owner occupier households for that particular exercise, which is affected by various factors and circumstances. Hence changes in economic conditions may result in changes in income from SSF.

26. More importantly, the Budgets and Financial Forecasts from 2023/24 to 2027/28 only reflects the financial commitments of the planned production of around 110 000 flats, which is about one-third of the 10-year public housing supply target (i.e. from 2024/25 to 2033/34) as announced in the Long Term Housing Strategy Annual Progress Report 2023. While we hope that construction cost may partly stabilise with more common use of new building methods such as the Modular Integrated Construction (MiC) approach, we do envisage that **HA's construction expenditure beyond 2027/28 for meeting the 10-year public housing supply target will be at least double of the estimates in the current Forecasts.**

27. The latest financial forecasts in Table 7 indicate that the annual construction expenditure from 2024/25 to 2025/26 will exceed \$30B and rise further to around \$40B for both 2026/27 and 2027/28. As a result, the level of Cash and Investment Balance of HA will drop to \$40.6B by the end of March 2028.

28. The projected Cash and Investment Balance (at year-end) is set out in Table 8 below –

Table 8 – Cash and Investment Balance at year-end (in \$M)					
	Budgets		Financial Forecasts		
	2023/24 (Revised)	2024/25	2025/26	2026/27	2027/28
Cash and Investment Balance (at year-end)	69,735	49,879	59,027	51,100	40,625

29. These forecasts are inevitably subject to revisions due to price changes, programme adjustments for individual projects (including site availability), pricing of SSF, etc. We will exercise careful and serious budgetary control to ensure prudent and cost-effective use of resources. We will also monitor closely and review the income and expenditure projections in the next round of financial forecasts updating.

30. It is worthy recalling that the Government has earmarked \$82.4B (the balance of the previous Housing Reserve as at 31 December 2018) in the fiscal reserves for the development of public housing and related infrastructure to demonstrate the Government's commitment in this regard. To meet the public housing production target, HA will need to plan ahead to ensure that its financial position will be able to cope with the construction expenditure required for the existing public housing development programme as well as day-to-day estate management operation including maintenance and improvement works to the ageing PRH estates in particular. We will discuss with the Government on the quantum and timing of funding injection at the appropriate time.

FINANCIAL AND STAFFING IMPLICATIONS

31. The financial and staffing implications have been incorporated in the proposed Budgets and Forecasts.

INFORMATION TECHNOLOGY AND LEGAL IMPLICATIONS

32. The proposed Budgets and Forecasts do not carry any information technology or legal implication.

NEXT STEPS

33. Subject to Members' endorsement, we will submit the 2024/25 Proposed Budget to CE for approval. The 2023/24 Revised Budget and the Financial Forecasts will form part of the submission.

CONSULTATION

34. The relevant business committees had endorsed the Budgets for individual businesses under their purview. FC endorsed the proposed HA's Budgets at its meeting on 8 January 2024.

PUBLIC REACTION

35. With the coverage of the housing initiatives in the 2023 Policy Address, the public and the media will likely be interested in HA's financial position, in particular its Cash and Investment Balance in the budget and forecast period and whether HA has sufficient financial resources to meet the public housing supply target in the long run.

PUBLICITY

36. A press release on the 2024/25 Corporate Plan and the Budgets and Financial Forecasts will be issued after HA's endorsement.

DISCUSSION

37. This paper is issued for discussion at the HA meeting to be held on 16 January 2024.

Davey CHUNG
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HONG KONG HOUSING AUTHORITY

Proposed Budgets and Financial Forecasts

for

2023/24 - 2027/28

(Budget Pack)

Hong Kong Housing Authority
Proposed Budgets and Financial Forecasts

Contents

	<u>Page</u>
I. 2023/24 Budget, 2024/25 Proposed Budget and 2025/26 to 2027/28 Financial Forecasts	
1.1 Consolidated Operating Account	1
1.1.1 Rental Housing Operating Account	2
1.1.2 Commercial Operating Account	3
1.1.3 Home Ownership Assistance Operating Account	4
1.2 Funds Management Account	5
1.3 Agency Account	6
1.4 Consolidated Appropriation Account	7
1.5 Capital Expenditure	8
1.5.1 Construction Expenditure	9
1.6 Statement of Changes in Cash and Investment Balance	10
1.7 Development Fund	11
1.8 Public Housing Production Forecast	12
II. Budget Bases and Assumptions	
2.1 Income	13
2.2 Cost – Price Level Adjustment	14

HONG KONG HOUSING AUTHORITY

CONSOLIDATED OPERATING ACCOUNT

Section 1.1

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Recurrent income							
Rental - domestic	19,933	22,552	21,549	23,017	23,280	23,492	23,800
Rental - commercial	2,611	3,496	2,979	3,854	4,340	4,761	5,242
Other income	275	216	276	287	298	310	322
Sub-total	22,819	26,264	24,804	27,158	27,918	28,563	29,364
Subsidised Sale Flats income							
Home Ownership Scheme / Green Form Subsidised Home Ownership Scheme	9,795	25,641	20,992	3,972	37,009	27,766	26,099
Tenants Purchase Scheme	569	1,240	493	666	662	678	695
Sale of repurchased flats	12	13	15	16	16	17	17
Alienation premium	1,059	1,285	1,141	1,190	1,224	1,259	1,291
Other income	71	155	133	122	137	137	136
Sub-total	11,506	28,334	22,774	5,966	39,048	29,857	28,238
TOTAL INCOME	34,325	54,598	47,578	33,124	66,966	58,420	57,602
EXPENDITURE							
Recurrent expenditure							
Personal emoluments	4,213	4,742	4,734	5,061	5,278	5,566	5,855
Government rent and rates	400	2,902	1,746	3,016	3,058	3,099	3,155
Maintenance and improvements	4,611	5,057	5,034	5,321	5,703	5,988	6,285
Other recurrent expenditure	6,695	7,166	7,112	7,961	8,367	8,757	9,171
Depreciation and amortisation	5,406	5,563	5,517	5,840	6,215	6,484	7,356
Share of corporate supervision and support services expenses	244	288	317	325	339	350	361
Government non-reimbursable items	39	41	41	43	41	42	43
Sub-total	21,608	25,759	24,501	27,567	29,001	30,286	32,226
Subsidised Sale Flats expenditure							
Construction cost and overheads	3,732	9,252	7,640	2,108	14,695	11,933	11,142
Land cost	1,331	3,291	2,751	767	5,172	4,206	3,930
Cost of repurchased flats sold	2	1	1	1	1	1	1
Other expenditure	48	87	62	78	101	98	97
Sub-total	5,113	12,631	10,454	2,954	19,969	16,238	15,170
TOTAL EXPENDITURE	26,721	38,390	34,955	30,521	48,970	46,524	47,396
CONSOLIDATED OPERATING ACCOUNT SURPLUS	7,604	16,208	12,623	2,603	17,996	11,896	10,206

HONG KONG HOUSING AUTHORITY

RENTAL HOUSING OPERATING ACCOUNT

Section 1.1.1

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Rental	19,933	22,552	21,549	23,017	23,280	23,492	23,800
Other income	109	66	110	114	115	115	112
TOTAL INCOME	<u>20,042</u>	<u>22,618</u>	<u>21,659</u>	<u>23,131</u>	<u>23,395</u>	<u>23,607</u>	<u>23,912</u>
EXPENDITURE							
Personal emoluments	3,346	3,765	3,768	4,035	4,210	4,438	4,670
Government rent and rates	253	2,688	1,546	2,786	2,814	2,836	2,869
Maintenance and improvements	4,383	4,799	4,782	5,057	5,429	5,690	5,968
Other recurrent expenditure	5,754	6,125	6,110	6,865	7,201	7,511	7,847
Depreciation and amortisation	4,953	5,064	5,033	5,302	5,620	5,820	6,561
Share of corporate supervision and support services expenses	189	223	246	253	264	272	281
TOTAL EXPENDITURE	<u>18,878</u>	<u>22,664</u>	<u>21,485</u>	<u>24,298</u>	<u>25,538</u>	<u>26,567</u>	<u>28,196</u>
OPERATING SURPLUS / (DEFICIT)	<u>1,164</u>	<u>(46)</u>	<u>174</u>	<u>(1,167)</u>	<u>(2,143)</u>	<u>(2,960)</u>	<u>(4,284)</u>

HONG KONG HOUSING AUTHORITY

COMMERCIAL OPERATING ACCOUNT

Section 1.1.2

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Rental	2,611	3,496	2,979	3,854	4,340	4,761	5,242
Other income	166	150	166	173	183	195	210
TOTAL INCOME	<u>2,777</u>	<u>3,646</u>	<u>3,145</u>	<u>4,027</u>	<u>4,523</u>	<u>4,956</u>	<u>5,452</u>
EXPENDITURE							
Personal emoluments	399	448	440	476	492	517	545
Government rent and rates	147	214	200	230	244	263	286
Maintenance and improvements	215	242	238	249	258	281	299
Other recurrent expenditure	848	919	879	961	1,024	1,095	1,171
Depreciation and amortisation	428	468	451	497	551	608	761
Share of corporate supervision and support services expenses	23	28	31	32	33	34	35
Government non-reimbursable items	39	41	41	43	41	42	43
TOTAL EXPENDITURE	<u>2,099</u>	<u>2,360</u>	<u>2,280</u>	<u>2,488</u>	<u>2,643</u>	<u>2,840</u>	<u>3,140</u>
OPERATING SURPLUS	<u>678</u>	<u>1,286</u>	<u>865</u>	<u>1,539</u>	<u>1,880</u>	<u>2,116</u>	<u>2,312</u>

HONG KONG HOUSING AUTHORITY

HOME OWNERSHIP ASSISTANCE OPERATING ACCOUNT

Section 1.1.3

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Subsidised Sale Flats income							
Home Ownership Scheme / Green Form Subsidised Home Ownership Scheme	9,795	25,641	20,992	3,972	37,009	27,766	26,099
Tenants Purchase Scheme	569	1,240	493	666	662	678	695
Sale of repurchased flats	12	13	15	16	16	17	17
Alienation premium	1,059	1,285	1,141	1,190	1,224	1,259	1,291
Other income	71	155	133	122	137	137	136
TOTAL INCOME	11,506	28,334	22,774	5,966	39,048	29,857	28,238
EXPENDITURE							
Recurrent expenditure							
Personal emoluments	468	529	526	550	576	611	640
Maintenance and improvements	13	16	14	15	16	17	18
Other recurrent expenditure	93	122	123	135	142	151	153
Depreciation and amortisation	25	31	33	41	44	56	34
Share of corporate supervision and support services expenses	32	37	40	40	42	44	45
Sub-total	631	735	736	781	820	879	890
Subsidised Sale Flats expenditure							
Construction cost and overheads	3,732	9,252	7,640	2,108	14,695	11,933	11,142
Land cost	1,331	3,291	2,751	767	5,172	4,206	3,930
Cost of repurchased flats sold	2	1	1	1	1	1	1
Other expenditure	48	87	62	78	101	98	97
Sub-total	5,113	12,631	10,454	2,954	19,969	16,238	15,170
TOTAL EXPENDITURE	5,744	13,366	11,190	3,735	20,789	17,117	16,060
OPERATING SURPLUS	5,762	14,968	11,584	2,231	18,259	12,740	12,178

HONG KONG HOUSING AUTHORITY**FUNDS MANAGEMENT ACCOUNT****Section 1.2**

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Investment income	1,375	2,791	2,352	2,200	1,993	2,016	1,680
EXPENDITURE							
Personal emoluments	15	14	16	17	18	18	19
Other recurrent expenditure	43	50	53	52	51	54	47
Share of corporate supervision and support services expenses	1	1	1	1	1	1	1
	59	65	70	70	70	73	67
SURPLUS	1,316	2,726	2,282	2,130	1,923	1,943	1,613

HONG KONG HOUSING AUTHORITY

AGENCY ACCOUNT

Section 1.3

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
INCOME							
Supervision fee and on-cost	307	390	360	430	387	405	440
Amount reimbursed by Government	519	606	627	635	539	526	493
Managers' remuneration	81	81	85	85	85	85	85
TOTAL INCOME	907	1,077	1,072	1,150	1,011	1,016	1,018
EXPENDITURE							
Personal emoluments	723	814	845	853	789	786	784
Other recurrent expenditure	136	159	163	165	159	162	140
Share of corporate supervision and support services expenses	18	21	12	12	13	14	14
TOTAL EXPENDITURE	877	994	1,020	1,030	961	962	938
	30	83	52	120	50	54	80
AMOUNT PENDING REFUND	(1)	-	-	-	-	-	-
SURPLUS / (DEFICIT)	29	83	52	120	50	54	80

HONG KONG HOUSING AUTHORITY
CONSOLIDATED APPROPRIATION ACCOUNT

Section 1.4

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Consolidated Operating Account surplus / (deficit)							
Rental housing	1,164	(46)	174	(1,167)	(2,143)	(2,960)	(4,284)
Commercial	678	1,286	865	1,539	1,880	2,116	2,312
Home ownership assistance	5,762	14,968	11,584	2,231	18,259	12,740	12,178
Sub-total	7,604	16,208	12,623	2,603	17,996	11,896	10,206
Net non-operating income ^{Note 1}	12	29	44	45	51	50	30
	7,616	16,237	12,667	2,648	18,047	11,946	10,236
Funds management account surplus	1,316	2,726	2,282	2,130	1,923	1,943	1,613
Agency account surplus / (deficit)	29	83	52	120	50	54	80
SURPLUS FOR THE YEAR	8,961	19,046	15,001	4,898	20,020	13,943	11,929
Distribution:							
Dividend to the Government for the year	339	643	433	771	940	1,058	1,156
SURPLUS FOR THE YEAR AFTER DISTRIBUTION	8,622	18,403	14,568	4,127	19,080	12,885	10,773

Note 1

It includes mainly income from the Urban Renewal Authority for the rental flats allocated to affected tenants.

HONG KONG HOUSING AUTHORITY

CAPITAL EXPENDITURE

Section 1.5

Reference	2022/23	2023/24	2023/24	2024/25	Section 1.5		
	Actual	Approved Budget	Revised Budget	Proposed Budget	2025/26	2026/27	2027/28
	\$M	\$M	\$M	\$M	Forecast	Forecast	Forecast
1. Construction expenditure							
- Construction expenditure <u>before</u> in-house supervision and administration costs	13,721	25,582	19,057	28,602	34,737	36,519	37,297
- In-house supervision and administration costs	2,800	2,861	2,847	3,023	3,210	3,369	3,529
Subtotal (1)	S.1.5.1	<u>16,521</u>	<u>28,443</u>	<u>21,904</u>	<u>37,947</u>	<u>39,888</u>	<u>40,826</u>
2. Improvement works							
- Improvement works <u>before</u> in-house supervision and administration costs	548	794	776	958	872	852	884
- In-house supervision and administration costs	56	62	66	69	72	75	79
Subtotal (2)		<u>604</u>	<u>856</u>	<u>1,027</u>	<u>944</u>	<u>927</u>	<u>963</u>
3. Computer systems and equipment, other equipment and motor vehicles							
- Computer systems and equipment, other equipment and motor vehicles <u>before</u> in-house supervision and administration costs	181	203	183	255	366	463	306
- In-house supervision and administration costs	1	1	2	2	2	2	2
Subtotal (3)		<u>182</u>	<u>204</u>	<u>185</u>	<u>368</u>	<u>465</u>	<u>308</u>
Total (1) + (2) + (3)		<u>17,307</u>	<u>29,503</u>	<u>22,931</u>	<u>39,259</u>	<u>41,280</u>	<u>42,097</u>

HONG KONG HOUSING AUTHORITY

CONSTRUCTION EXPENDITURE

					Section 1.5.1		
	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
Reference	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
<u>Construction expenditure before in-house supervision and administration costs</u>							
1. Housing Authority (HA) projects							
(a) Public rental housing / Green Form Subsidised Home Ownership Scheme	7,594	13,966	10,008	15,535	19,467	20,721	19,604
(b) Other subsidised sale flats	3,865	7,489	5,754	8,079	9,818	10,043	11,463
(c) Commercial centres	448	710	558	747	944	858	807
(d) Car parks	756	1,507	1,173	1,921	2,445	2,712	2,964
(e) Welfare	56	162	117	181	244	262	261
(f) Other HA projects	47	85	81	197	226	133	115
Sub-total (1)	12,766	23,919	17,691	26,660	33,144	34,729	35,214
			(Note 1)			(Note 1)	
2. Government non-reimbursable projects	-	1	-	3	-	-	-
Sub-total (1) + (2)	12,766	23,920	17,691	26,663	33,144	34,729	35,214
3. Government-funded projects	955	1,662	1,366	1,939	1,593	1,790	2,083
Sub-total (1) + (2) + (3)	S.1.5 13,721	25,582	19,057	28,602	34,737	36,519	37,297
<u>In-house supervision and administration costs</u>							
4. In-house supervision and administration costs by businesses							
(a) Public rental housing / Green Form Subsidised Home Ownership Scheme	1,541	1,659	1,585	1,750	1,905	2,047	1,940
(b) Other subsidised sale flats	941	907	956	931	925	935	1,169
(c) Commercial facilities (Commercial centres, car parks and welfare)	291	284	296	325	363	377	410
(d) Other HA projects	26	10	10	17	17	10	10
(e) Government non-reimbursable projects	1	1	-	-	-	-	-
Sub-total (4)	S.1.5 2,800	2,861	2,847	3,023	3,210	3,369	3,529
Total (1) + (2) + (3) + (4)	16,521	28,443	21,904	31,625	37,947	39,888	40,826

Note 1

Less than \$1M.

HONG KONG HOUSING AUTHORITY

STATEMENT OF CHANGES IN CASH AND INVESTMENT BALANCE

Section 1.6

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
RECEIPTS							
Recurrent receipts							
Rental - domestic	20,088	22,553	21,549	23,017	23,280	23,492	23,800
- commercial	2,509	3,701	3,065	4,091	4,416	4,803	5,269
Other recurrent receipts	1,675	2,340	2,077	2,733	2,355	2,582	2,922
Amount reimbursed by Government for Head 62	519	605	627	634	538	525	492
Sub-total	24,791	29,199	27,318	30,475	30,589	31,402	32,483
Subsidised Sale Flats receipts							
Home Ownership Scheme / Green Form Subsidised Home Ownership Scheme	10,982	25,493	21,978	4,616	37,935	28,215	26,243
Tenants Purchase Scheme	570	1,240	493	666	662	678	695
Sale of repurchased flats	12	13	15	16	16	17	17
Alienation premium	1,058	1,285	1,141	1,190	1,224	1,259	1,291
Other receipts	41	126	104	102	103	103	104
Sub-total	12,663	28,157	23,731	6,590	39,940	30,272	28,350
Net repayments for housing loans	4	1	2	-	-	-	-
Other non-recurrent receipts	314	29	44	45	51	50	30
TOTAL RECEIPTS	37,772	57,386	51,095	37,110	70,580	61,724	60,863
PAYMENTS							
Recurrent payments							
Personal emoluments	7,308	8,065	7,879	8,487	8,852	9,314	9,798
Government rent and rates	398	2,906	1,750	3,020	3,061	3,103	3,159
Maintenance and improvements	4,636	5,136	5,108	5,398	5,783	6,072	6,374
Other recurrent payments	7,002	7,417	7,408	8,272	8,697	9,106	9,523
Payment for Head 62	496	575	602	608	511	497	463
Sub-total	19,840	24,099	22,747	25,785	26,904	28,092	29,317
Non-recurrent payments							
Construction	13,925	25,200	19,275	28,554	33,407	35,815	36,945
Land cost	1,414	843	1,357	2,688	765	5,206	4,245
Improvement works	491	794	776	958	872	852	884
Computer systems and equipment, other equipment and motor vehicles	111	203	183	255	366	463	306
Other non-recurrent payments	613	20	19	28	24	38	31
Purchase of returned flats	1	9	4	4	4	3	3
Other subsidised sale flats payments	40	87	67	78	99	95	94
Sub-total	16,595	27,156	21,681	32,565	35,537	42,472	42,508
TOTAL PAYMENTS	36,435	51,255	44,428	58,350	62,441	70,564	71,825
CASH INFLOW / (OUTFLOW) BEFORE APPROPRIATION AND INVESTMENT INCOME	1,337	6,131	6,667	(21,240)	8,139	(8,840)	(10,962)
Less:							
Dividend paid to the Government	424	643	480	771	940	1,058	1,156
NET CASH INFLOW / (OUTFLOW) BEFORE INVESTMENT INCOME	913	5,488	6,187	(22,011)	7,199	(9,898)	(12,118)
Net investment gain	1,414	2,746	2,305	2,155	1,949	1,971	1,643
NET CASH INFLOW / (OUTFLOW) AFTER INVESTMENT INCOME	2,327	8,234	8,492	(19,856)	9,148	(7,927)	(10,475)
OPENING CASH AND INVESTMENT BALANCE	58,916	54,813	61,243	69,735	49,879	59,027	51,100
CLOSING CASH AND INVESTMENT BALANCE	61,243	63,047	69,735	49,879	59,027	51,100	40,625

HONG KONG HOUSING AUTHORITY

DEVELOPMENT FUND

Section 1.7

Reference	2023/24	2023/24	2024/25	2025/26		2026/27	
	Approved Budget	Revised Budget	Proposed Budget	Forecast	Forecast	Forecast	Forecast
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
OPENING CASH AND INVESTMENT BALANCE AS AT 1 APRIL	54,813	61,243	69,735	49,879	59,027		
Add:							
(Decrease) / Increase for the year	8,234	8,492	(19,856)	9,148	(7,927)		
FORECAST CLOSING CASH AND INVESTMENT BALANCE AS AT 31 MARCH	63,047	69,735	49,879	59,027	51,100		
Less:							
Cash retained for liquidity							
- 3 month's recurrent payments	6,105	6,294	6,598	6,899	7,214		
Capital expenditure (except for improvement)	12,057	13,435	16,090	17,244	17,584		
HCWF - Improvement account	2,000	2,000	2,000	2,000	2,000		
Outstanding payments to the Government							
- Land cost	3,274	2,688	765	5,206	4,245		
- Dividend	865	771	940	1,058	1,156		
	4,139	3,459	1,705	6,264	5,401		
	24,301	25,188	26,393	32,407	32,199		
CASH AND INVESTMENT AVAILABLE FOR DEVELOPMENT FUND	38,746	44,547	23,486	26,620	18,901		
Less:							
OPENING BALANCE OF DEVELOPMENT FUND	33,385	33,385	44,547	23,486	26,620		
TRANSFER (TO) / FROM ACCUMULATED SURPLUS	5,361	11,162	(21,061)	3,134	(7,719)		

HONG KONG HOUSING AUTHORITY

HOUSING PRODUCTION FORECAST ^{Note 1}

Section 1.8

Year	PRH / GSH	Other SSFs	Total
2022/23 (Actual)	<u>3 725</u>	<u>6 862</u>	<u>10 587</u>
2023/24	12 778	248	13 026
2024/25	17 273	11 329	28 602
2025/26	15 289	8 178	23 467
2026/27	15 444	6 214	21 658
2027/28	<u>16 880</u>	<u>6 722</u>	<u>23 602</u>
5-year Total	<u><u>77 664</u></u>	<u><u>32 691</u></u>	<u><u>110 355</u></u>

Note 1

The Housing Production Forecast is based on the September 2023 Housing Construction Programme (HCP).

HONG KONG HOUSING AUTHORITY

Budget Bases and Assumptions

Section 2.1

INCOME

	Annual Increase (%)		
	2024/25 Proposed Budget	2025/26 Forecast	2026/27 to 2027/28 Forecasts
(i) Rental Income			
Domestic properties ^{Note 1}			
- For both existing and new flats (% increase p.a.)	0.00%	0.00%	0.00%
Commercial / non-domestic properties ^{Note 2}			
- Shops and shopstalls	2.00%	3.00%	4.00%
- Carparks	Note 3	3.00%	4.00%
- Factory Estates	2.00%	3.00%	4.00%
- Welfare premises	0.00%	0.00%	0.00%
(ii) Income from Subsidised Sale Flats operations			
- Subsidised sale flats ^{Note 4}			
• Selling price inflation adjustment (% increase p.a. based on the price level of 2023/24)	2.50%	2.50%	2.50%
• Discount rate for HOS flats	42.0%	42.0%	42.0%
• Discount rate for GSH flats	52.0%	52.0%	52.0%
- Annual opting rate for premium payment			
• HOS, GSH, Private Sector Participation Scheme & Buy or Rent Option Scheme flats	0.22%	0.22%	0.22%
• Tenants Purchase Scheme flats	0.04%	0.04%	0.04%
(iii) Investment income (p.a.)			
- Percentage on fund balance	3.70%	3.70%	3.70%

Note 1

No rent variation for domestic rental properties in 2024 and 2026 rental review exercises and no change to the level of district best rent for new estates (Paper No. SHC 21/2023 refers).

Note 2

The assumed average year-on-year rental growth rates are adopted for budgetary purpose only. The actual rental growth will be subject to the actual rental achieved in tenancy renewal and / or new lettings in the respective financial years (Paper No. CPC 7/2023 refers).

Note 3

In respect of carparks, the Commercial Properties Committee (CPC) approved on 20 November 2023 to increase the monthly carpark charges for private car and light goods vehicle parking spaces by \$140 (for covered spaces) / \$120 (for open spaces), coach / bus parking spaces by \$180 (for covered spaces) / \$160 (for open spaces) and motor car parking spaces by \$40 (for covered spaces) / \$30 (for open spaces); and increase the hourly carpark charges by \$1, Day Pass charges by \$5 and 24-hour Pass charges by \$10 with effect from 1 January 2024.

Note 4

Home Ownership Scheme (HOS) / Green Form Subsidised Home Ownership Scheme (GSH) flats will be offered for pre-sale around 24 months before building completion, and the selling rate of first sale is 98% and the remaining 2% will be sold in the subsequent sale exercise (Paper No. SHC 21/2023 refers).

HONG KONG HOUSING AUTHORITY

Budget Bases and Assumptions

Section 2.2

COST - PRICE LEVEL ADJUSTMENT

	Annual Increase (%)	
	2024/25 Proposed Budget	From 2025/26 Onwards
(i) Recurrent expenditure		
- Personal emoluments	3.50%	3.50%
- Maintenance and minor improvements	4.50%	4.50%
- Cleansing and security	3.50%	3.50%
- Other recurrent expenditure	2.50%	2.50%
(ii) Capital expenditure		
- Construction expenditure ^{Note 1}	4.50%	4.50%
- Improvement works	4.50%	4.50%
- Computer expenditure	2.50%	2.50%

Note 1

The assumed annual price increase rates for construction expenditure are set with reference to the Government's updated rates of price change for estimation of public sector building and construction cost, and with consideration of Hong Kong's near term economic situation. Construction cost estimates for capital works projects under planning based on the June 2023 Construction Cost Yardsticks approved by Members in June 2023 vide Paper No. BC 26/2023 will be adopted for estimating the annual construction expenditure in the budget and forecast period.