

6 Consolidated BUDGETS

- 6.1** The HA is financially autonomous and funds its public housing programmes from internally generated revenue. Given the large scale of operations involved, its finances are subject to a wide range of variables and external factors.
- 6.2** While the HA's expenditure does not form part of Government's expenditure, it represents an important element of public sector spending. In 2002/03, it amounted to approximately 9.6% of the total public expenditure. The HA's revised budget for 2002/03 and proposed budget for 2003/04 comprise the following key items –

	Revised Budget 2002/03 (\$M)	Proposed Budget 2003/04 (\$M)
Operating Income	20,414	19,670
Operating Expenditure ⁽¹⁾	19,623	19,208
Capital Expenditure	14,852	14,593

Note⁽¹⁾: The figures shown are before deductions for exceptional items and special write-off for Tiu Keng Leng Development and reimbursement from the Urban Renewal Authority on allocated rental flats.

Efficiency Savings

- 6.3** The HD is fully committed to achieving Government's "efficiency savings" in operating expenditure at a rate of 1.8% for 2003/04 and an additional 1% each year from 2004/05 to 2006/07. Various business process re-engineering, outsourcing and cost containment initiatives to enhance efficiency and productivity have been identified and incorporated into the business plans and budgets. An estimated savings of 1.85% for 2003/04 and a cumulative expected savings of 17.05% for the period up to 2006/07 have been reflected in the budgets and forecasts.

Consolidated Operating Account Budget

- 6.4 The consolidated operating deficit is budgeted at \$524 million for 2003/04. A summary is set out below –

Summary of Operating Surplus/(Deficit) (\$M)

	Rental Housing	Commercial	Home Ownership Assistance	Special Write-off/Income ⁽¹⁾⁽²⁾	Consolidated Operating Deficit
2002/03 Revised Budget	(1,733)	1,047	677	(766)	(755)
2003/04 Proposed Budget	(1,687)	1,195	58	(90)	(524)

Cash Budget

- 6.5 The budgeted cash flow and closing cash balances are summarized below –

Summary of Cash Flow (\$M)

	Net Cash Outflow for the Year	Closing Cash Balance
2002/03 Revised Budget	10,590	22,020
2003/04 Proposed Budget	11,067	10,953

- 6.6 Notwithstanding the projected operating deficits in 2002/03 and 2003/04 following the cessation of HOS and TPS sales after Phases 6A and 6B, the HA's finances are forecast to remain positive with a projected cash balance of \$11 billion by end March 2004. This is mainly attributable to funding being available through external

Note⁽¹⁾⁽²⁾: This includes special write-off for Tiu Keng Leng Development and reimbursement from the Urban Renewal Authority on allocated rental flats.

financing of HPLS/HALS loans. With the reduction in sales income, the HA is actively pursuing a number of initiatives to ensure a steady and smooth availability of funds to meet its programmes and operation requirements in the medium and longer term. These include a comprehensive review of the financial arrangements between Government and the HA, divestment of its commercial properties and examining various options for disposing of the surplus HOS flats, which will have major implications for the long term finances and sustainability of the HA.

Capital Expenditure Budget

- 6.7 Capital expenditure is budgeted at \$15 billion in 2003/04. The capital budgets are summarized below –

Summary of Capital Expenditure (\$M)

	Revised Budget 2002/03	Proposed Budget 2003/04
Construction Expenditure	8,807	10,952
PSPS Projects converted to Rental	2,715	378
Improvement Works	407	452
Computer Assets	95	183
Direct Costs and Overheads charged to Construction, Improvement Works and Computer/IT Projects	2,828	2,628
Total	14,852	14,593

- 6.8 As compared with the 2002/03 Revised Budget, the proposed capital expenditure budget for 2003/04 shows an overall decrease of \$259 million (2%), while the increase in construction expenditure reflects the revision to the production programme.