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	SHC	37/2016
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	ASC	20/2016
	FMSC	9/2016

**Memorandum for the Hong Kong Housing Authority
and its Committees/Sub-Committees**

Reports from Chairmen of Committees

----- Enclosed are the reports from Chairmen of the following
Committees for Members' information.

Building Committee
Commercial Properties Committee
Finance Committee
Subsidised Housing Committee
Tender Committee

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Report by the Chairman of the Building Committee for 2015/16

INTRODUCTION

In 2015/16, the Building Committee (BC) made a commendable effort in advancing the planning, design and construction of public housing. Members held 11 regular meetings, three visits to three new works construction sites ^{Note 1} and four completed estate ^{Note 2}. Altogether, BC processed 59 discussion papers, seven presumption papers and 34 information papers, inclusive of joint papers of BC and Tender Committee.

ISSUES DISCUSSED

2. The work of BC covers the Housing Authority (HA)'s policies relating to the implementation of the construction and major improvement, renovation and rehabilitation programmes, and the monitoring of progress of these programmes, which are grouped in the following categories –

- (a) Endorse programme of activities including new initiatives, monitor their performance and approve the financial targets, service standards and performance measures; and
- (b) Approve project budget, master layout plans and scheme designs for public housing projects.

Note 1 Anderson Road Site E Phases 1 & 2, Lei Yue Mun Estate Phase 3, and Tuen Mun Area 54 Site 2 Phases 1 & 2.

Note 2 Yee Ming Estate, Mei Tak House of Mei Tung Estate, Lung Yat Estate, and Hung Fuk Estate.

PUBLIC HOUSING PRODUCTION

Production in 2015/16

3. We completed about 14 300 flats in 12 projects^{Note 3} in 2015/16. We also completed about 25 100 m² of retail facilities^{Note 4} and 530 parking spaces^{Note 5}. The completion of six projects^{Note 6} had slipped to 2016/17 as a result of an industry-wide shortage of labour and the consequences of the discovery of excess lead in fresh water. Unforeseen underground obstruction was also encountered in one of these projects^{Note 7}. We had foreseen the risks to which our high construction volume is exposed in the current operating environment (Paper No. **BC 14/2016** refers). We will continue to implement the strategies and initiatives we have put in place to mitigate them, including the use of labour-saving design and construction methods, various training and recruitment schemes for workers (Paper Nos. **BC 106/2013**, **BC 42/2014**, **BC 43/2014**, **BC 90/2014** and **BC 93/2014** refer).

4. Members visited the construction sites of four of the projects completed during the year. During the visits to Anderson Road Site E Phase 1 and Anderson Road Site E Phase 2 on 22 May 2015, and Hung Fuk Estate on 25 February 2016, Members were updated on how we design and construct integrated developments, complete with transport, retail and ancillary facilities, to achieve green, healthy and affordable quality housing. In the visit to Lei Yue Mun Estate Phase 3 on 16 October 2015, Members were briefed on the quality enhancement measures for fresh water inside services.

Commitment of Capital Works

5. Last year saw the commitment of capital expenditure of about \$19,262 M through our endorsement of the Scheme Design and Project Budget

Note 3 The 12 projects are: Ex-Yuen Long Estate, Shatin Area 52 Phase 2, Shatin Area 52 Phase 4 (Block 18), So Uk Estate Phase 1, Lower Ngau Tau Kok Estate Phase 2, Anderson Road Site E Phase 1, Anderson Road Site E Phase 2, Hung Shui Kiu Area 13 Phase 1 (Block 1), Hung Shui Kiu Area 13 Phase 2, Hung Shui Kiu Area 13 Phase 3 (Block 5), Po Heung Street, and Lei Yue Mun Estate Phase 3.

Note 4 In Ex-Yuen Long Estate, Shatin Area 52 Phase 2, So Uk Estate Phase 1, Anderson Road Site D, Anderson Road Site E Phase 1, and Po Heung Street.

Note 5 In Ex-Yuen Long Estate, Shatin Area 52 Phase 2 (Commercial Centre), So Uk Estate Phase 1, Anderson Road Site D (Commercial centre), and Po Heung Street.

Note 6 Shatin Area 52 Phase 2 (Blocks 4 to 5), Shatin Area 52 Phase 3, Shatin Area 52 Phase 4 (Blocks 15 to 17), Anderson Road Site D, Conversion of Chai Wan Factory Estate to PRH, and Au Tau Departmental Quarters.

Note 7 Conversion of Chai Wan Factory Estate to PRH.

of 15 projects producing 5 852 Public Rental Housing (PRH) flats^{Note 8} and 6 831 Subsidised Sale Flats (SSF)^{Note 9}. These projects are scheduled to be completed between the financial years of 2019/20 and 2023/24, and will contribute to meeting the production target of 200 000 PRH and 80 000 SSF units for the 10-year period from 2016/17 to 2025/26 stated in the Long Term Housing Strategy Annual Progress Report 2015.

PROGRAMME OF ACTIVITIES 2016/17

6. Following discussion sessions on 20 November 2015 and 10 December 2015, Members endorsed the 2016/17 Programme of Activities for Development and Construction (Paper No. **BC 89/2015** refers) and 2016/17 Programme of Activities for Building Control (Paper No. **BC 90/2015** refers), with an estimated construction expenditure of about \$22,381M including direct costs and overheads. While new initiatives were introduced in the past few years in response to Government Policy to expedite the development of housing units, the programmed activities in 2016/17 are primarily the continuation of current efforts in meeting the long term planned goals.

7. For the year 2015/16, we have met the majority of the targets and Key Performance Indicators set out in last year's Programme of Activities. These programmed activities are grouped into three themes: Providing Quality Homes, Promoting Sustainable Living, and Optimising and Rationalising the Use of Public Resources. The progress of some of the major activities have been reported and discussed in detail at BC.

PROVIDING QUALITY HOMES

Quality Assurance of Fresh Water Inside Service

8. Excess lead was found in fresh water of Kai Ching Estate in July 2015, and subsequently in 10 other public housing estates. Soldering material in pipe joints was suspected to be the source of lead. As soon as the incident had occurred, we immediately proceeded to review the adequacy of our quality assurance systems, and we implemented enhancements to our specification and inspection procedures in August 2015 (Paper No. **BC 69/2015** refers), including

Note 8 Queen's Hill Site 1 Phase 1, Queen's Hill Site 1 Phase 2, Choi Fook Estate Phase 3, Diamond Hill CDA Site Phase 1, Diamond Hill CDA Site Phase 2, Wing Tai Road, and Ma On Shan Area 86B.

Note 9 Queen's Hill Site 1 Phase 3, Au Pui Wan Street, Texaco Road, Tung Chung Area 27, Diamond Hill CDA Site, Hang Kin Street, Tseung Kwan O Area 65C2, Ma On Shan Road.

- (a) Exploring the use of pipes and fittings bearing the British Standard Kitemark;
- (b) Exploring the introduction of product certification to some plumbing fittings;
- (c) Requiring the building contractor to submit a Sub-contractor Management Plan;
- (d) Testing water samples in addition to those required by Water Supply Department;
- (e) More stringent Performance Assessment Scoring System (PASS) assessment and score deduction for major material non-compliance;
- (f) Registering the delivery of soldering materials;
- (g) Random audit checking of delivered soldering materials for compliance;
- (h) Remedial Works PASS for plumbing remedial works in completed estates affected by excess lead in fresh water;
- (i) Adopting a list of plumbing sub-contractors; and
- (j) Setting plumbing sub-contractors' workload capping limits.

9. The Task Force on Investigation of Excessive Lead Content in Drinking Water (the Task Force) announced in its preliminary findings on 25 September 2015 that leaded solder joints in inside service were the cause of excess lead. The Task Force submitted its final investigation report to the Secretary for Development on 31 October 2015, and concluded that excess lead was indeed caused by the use of leaded soldering materials in solder joints.

10. HA's Review Committee on Quality Assurance Issues Relating to Fresh Water Supply of Public Housing Estates (the Review Committee) submitted its interim report and final report to the HA Chairman on 6 October 2015 and 8 January 2016 respectively. The Review Committee is of the view that our past quality control mechanism had certain inadequacies. The quality control mechanism is risk-based, and is drawn up having regard to the laws and regulations, industry and trade practices, past experiences and known risks. The Review Committee considers that we have the expertise and experience and

have put in place a stringent quality control mechanism in aspects where high risks have been identified. However, we had not been conscious of the risks of presence of lead in solder joints and of such presence leading to excess lead in water. Therefore, we had not targeted soldering materials as a high risk item for contractors' checking and monitoring upon delivery to site and during construction, and had not checked the lead content in soldering materials when pipe joints were inspected in the past.

11. Noting the inadequacies in the past quality control system, the Review Committee recommended the following three measures in its Report on Interim Findings –

- (a) To require the main contractors to test water samples for lead and other heavy metals for newly established inside service in accordance with the Water Authority's latest requirements;
- (b) To require the main contractors to submit and comply with a stringent plumbing subcontractor management plan covering supervision and on-site monitoring (including measures such as central procurement of soldering materials by the main contractor or domestic sub-contractor; checking soldering/brazing materials upon delivery to site before putting them under quarantine, and during construction stage; and recording the works completed by individual workers so that they become more traceable); and
- (c) To use quick test methods to check for the presence of lead in soldering joints.

12. The Review Committee has made the following additional recommendations in its Final Report –

- (a) To include soldering/brazing alloys, and copper pipes and fittings in the list of on-site delivery verification items. Soldering/brazing joints should also be included in the list of plumbing items that require checking by the site inspection staff; and
- (b) To train site inspection staff to inspect whether the main contractors have duly conducted their supervisory checks.

As the Review Committee noted, we have already put the above enhancement measures into practice.

13. The Government has published the Report of the Commission of Inquiry into Excess Lead Found in Drinking Water on 31 May 2016. We will continuously explore and implement further enhancements as the needs arise, taking such recommendations into consideration.

Expediting the Development of Housing Units

14. The Department has held regular meetings with the Government bureaux and departments concerned to identify and endorse potential sites suitable for public housing development in an effort to increase and expedite the supply of housing units, and also sought to advance the availability of suitable sites for development and to increase their plot ratios (Paper No. **BC 88/2015** refers).

15. We have continued to implement measures to enhance productivity for our Capital Works New Works Contracts (Paper Nos. **BC 43/2014** and **QH 4/2014** refer) to help meet the increased construction volume and address the shortage of labour in the construction industry. These include the use of off-site prefabrication, off-site cutting and bending of steel reinforcement bars, the implementation of the Contractor Co-operative Training Scheme and the Care of New Workers Programme, etc.

Promoting Green and Healthy Living

16. We promote passive design with energy-saving practices, use of renewable energy, water conservation and other resource saving measures for a sustainable living environment. In 2015/16, the Department continued to register new projects with the Hong Kong Green Building Council for assessment under the Building Environmental Assessment Method (BEAM) Plus to foster a quality and sustainable built environment as well as to gain up to 10% Gross Floor Area concession in relevant projects under the Buildings Department (BD)'s Sustainable Building Design Guidelines. The green building labels obtained during the year are shown at **Annex A**.

17. We regularly review and refine the Model Client Brief (MCB) and Modular Flat Design (MFD) in response to tenants' changing needs. With universal design concept thoroughly applied, all domestic flats are self-contained with only basic provisions like flat entrance gateset (for PRH only), window grilles, sink and cooking bench in kitchen, wash basin and sunken shower in bathroom, laundry facility and air-conditioning platform. We have further renamed the current 1P/2P flat to Type A flat, so as to align with the terms commonly used for flat types in the private sector. This year, we issued a new edition of MCB and MFD (Paper No. **BC 58/2015** refers), in

which we adopted Type B and C MFD on top of the existing Type D MFD for SSF. We also designed additional fixed window underneath the air conditioning hood at Type B, C and D flat to enhance daylight penetration. MFD is key to our green production strategy as it helps achieve economies of scale and facilitates greater efficiency and productivity through the wider use of off-site prefabrication and mechanised construction.

18. We continue to adopt “green” construction methods. We had collaborated with the Buildings Department, Environmental Protection Department and Hong Kong Polytechnics University to further explore the design of “Acoustic Balcony” lined with sound absorptive material at the wall and ceiling of the balcony, and fitted with an inclined projecting panel from the parapet. It could achieve noise attenuation up to 10 dB(A) subject to the simulation results on project basis.

19. With our numerous initiatives for building green, healthy and affordable, quality housing, our estates are well received by our tenants. Our tenants’ satisfaction level on “estate as a whole”, surveyed under the Residents Surveys Term Service 11 covering eight estates, ranged from 90.3% to 98.1%.

Integrated Procurement Approach

20. Our second project adopting the Integrated Procurement Approach (IPA), namely Anderson Road Site A and Site B Phases 1 and 2 is currently under construction and is anticipated to complete in the latter part of 2016/17. Having reviewed the first IPA project, i.e. Tak Long Estate (Kai Tak Site 1B), enhancements were implemented in the implementation of IPA at Anderson Road. The innovations being implemented at Anderson Road include 5D Building Information Modelling (BIM) and structural soil (Paper No. **BC 88/2015** refers).

Quality Management System

21. The Department obtains and maintains certification to standards published by the International Organization for Standardization (ISO) in a number of areas, including quality, environment, energy, and safety and health, which have assured its management systems and processes being implemented at high, internationally recognised standards for efficient and effective delivery of quality services. It also allows the Department, through regular internal and external audits necessary for obtaining and renewing certification, to identify areas and opportunities for continual improvement vital in the increasingly demanding operating environment. In September 2015, a new edition of ISO 9001 and ISO 14001 have been published. The Department is preparing the

transition to the new edition, which includes providing staff training, implementing new requirements on leadership, risk consideration and context of organisation, reviewing risk and opportunity for improvement, etc. Standards to which the Department is certified are listed in **Annex B**.

22. In addition to certifiable standards, the Department keeps applying other quality schemes and standards in its work to assure a high level of performance. This is the fourth consecutive year and second consecutive year for Development and Construction Division and Estate Management Division respectively to have achieved the full score of 5.0 in the third party measurement on its performance under the Hong Kong Quality Assurance Agency (HKQAA) Corporate Social Responsibility (CSR) Advocate Index. Various other quality schemes and standards the Department applies in its operations are listed in **Annex B**.

PROMOTING SUSTAINABLE LIVING

Energy Saving Measures

23. To ensure that our new buildings meet the requirements of the Building Energy Code issued by the Electrical and Mechanical Services Department as an on-going initiative (Paper No. **BC 89/2015** refers), we implement various energy saving measures (Paper No. **BC 88/2015** refers), including –

- (a) Providing PRH blocks with grid-connected photovoltaic system to generate 1.5% of the communal electricity demand where sufficient roof space and direct sunlight are available;
- (b) Adopting LED bulkhead lights in suitable projects, including Anderson Road Site A, Site B, Site C1 and Site E, Conversion of Chai Wan Factory Estate, and Queen's Hill Site 1; and
- (c) Adopting permanent magnet synchronous lift motors in some projects, stipulating the use of gearless lift machine for new lift installations of domestic blocks to reap the benefit of lower motor power, and stipulating the use of regenerative power for lift motors of 18kW or above.

24. To further reduce energy consumption, the Department has widely adopted LED bulkhead lights instead of conventional ones with compact fluorescent tubes as the standard luminaires for the communal areas of new domestic blocks since February 2016.

25. We also implement programmes to enhance the energy efficiency of existing PRH estates, including –

- (a) Implementing the lighting improvement programme to replace existing light fittings with more energy efficient electronic ballast light fittings, which is able to save on electricity consumption by 20% as compared with electromagnetic ballast (Paper No. **BC 26/2011** refers); and
- (b) Implementing the Lift Modernisation Programme to replace aged lift cars, machinery and control systems, improving ride comfort and accessibility to every floor with additional lift landings, which is able to reduce electricity consumption by over 30% as compared with old ones (Paper No. **HA 11/2015** refers).

Carbon Emission Estimation for Projects under Design

26. The assessment of projects under design using “Carbon Emission Estimation” (CEE) is an on-going initiative (Paper No. **BC 89/2015** refers). CEE was conducted for 12 new development projects at detailed design stage during the year. Since the roll-out of CEE, we have achieved an average of about 13% reduction in estimated carbon emission for the designed whole life cycle of domestic blocks as compared with the baseline figure in terms of Construction Floor Area.

Carbon Audits and Carbon Reduction in Existing Estates

27. The Department has been conducting Carbon Audits since April 2011. We continued the carbon emission monitoring through the Carbon Audit exercise in selected 14 domestic blocks of 14 typical PRH block types covering the majority of HA block type designs. This verification process is conducted in accordance with ISO 14064-3 and the Guidelines issued by Environmental Protection Department (Paper No. **HA 11/2015** refers).

Site Safety

28. The Department continuously implements its Site Safety Strategy in new works construction sites, maintenance works sites, property services agents and cleansing and security contracts (Paper No. **BC 40/2015** refers). We set goals at an accident rate of no more than 12 accidents per 1 000 workers and zero fatal accidents (Paper No. **BC 93/2014** refers), and achieved accident rates in 2015 of 9.2 per 1 000 for New Works contracts and 1.5 per 1 000 for maintenance contracts, which are lower than the average industry accident rate of 39.1 per 1 000 workers. However, there were two fatal accidents in new works in 2015^{Note 10}. In addition to immediate enhancement of relevant safety measures on sites, we also promulgated new specification requirement for prevention of similar accidents.

29. During the year, the Department has taken steps to strengthen the safety systems to further improve safety performance for both New Works and Maintenance and Improvement (M&I) Works sites (Paper No. **BC 88/2015** refers), including –

- (a) Holding a Site Safety Forum and other safety seminars;
- (b) Enhancing contractual requirements in new works including addition of lunchtime's safety talks, mandatory use of Y-type chin strap of safety helmets, signallers possessing silver card qualification of construction materials riggers, video recording of tower crane, developing checklist of mobile crane, provision of automated external defibrillator, compliance of temporary electrical installation with Code of Practice for Electricity (Wiring) Regulations, safe delivery of materials by vehicles, provision of horizontal folding gates at site vehicular entrance, protection to protruded metal bars, and safe use of platforms for working at different height;
- (c) Promoting Pointing and Calling practice through organising competition on lifting operation and other high risk activities, and promulgating poster on commands of lifting operation;

Note 10 A fatal accident occurred on 29 July 2015 on the Ngan Kwong Wan Road West site in which foundation works were in progress. A worker was suspected to have been electrocuted and died while cleaning an electric arc welding machine after welding steel joint links on to steel reinforcement bars of a pile cap.

A fatal accident occurred on 17 October 2015 on the Anderson Road Sites A and B Phases 1 and 2 in which building works were in progress. A worker was knocked down by a vehicle at the site entrance and died.

- (d) Streamlining the Housing Authority Safety Auditing System (HASAS) for releasing more resources to focus on high risk activities and updating HASAS (M&I);
- (e) Developing the Occupational Injury and Disease Surveillance System for reporting accident/incident of new works construction sites; and
- (f) Rolling out the Development and Construction Site Mobile System Phase 1 for instant report of accident/incident by site staff using mobile devices and applications.

Research and Development

30. The Department kept up its efforts in Research and Development (R&D) to advance our development of low carbon, lean, green, healthy, accessible and affordable quality housing, collaborating with academia, industry, experts, business partners and other stakeholders. The Department maintains a R&D database of a total of 245 items (Paper No. **BC 88/2015** refers).

OPTIMISING AND RATIONALISING THE USE OF PUBLIC RESOURCES

Prolonging the Useful Life of Aged Estates

31. The Department continued to implement the Estate Improvement Programme (EIP) during the year. Under EIP, while preserving a familiar and harmonious environment, we inject new facilities and provisions to enable older estates to better serve the residents' current needs. The barrier-free improvement programme in existing estates was completed during the year, except for a small portion of works tied in with the Lift Modernisation Programme which was scheduled for completion in 2016/17. Feasibility study on fire safety improvement works under Fire Safety (Building) Ordinance for 62 PRH estates was being carried out during the year.

Cost Yardsticks and Project Budgets

32. Construction Cost Yardsticks (CCY) are updated annually in June to serve as a reference for preparing Project Construction Cost Ceilings, Project Budgets, annual capital expenditure budgets and five-year forecasts for projects under planning. Half-yearly review is also carried out to track cost trends with better accuracy. The June 2015 cost yardsticks of average \$9,500/m² and

10,699/m² Construction Floor Area for the superstructure construction cost of HA's rental domestic buildings and SSF domestic buildings (Paper No. **BC 31/2015** refers) both showed a rise of +6.9% over the June 2014 yardsticks mainly due to the notable increase in the cost of labour and increase in the cost of some materials since June 2014. The half-yearly review conducted in December 2015 (Paper No. **BC 31/2016** refers) indicated there were increase in tender price level of +11% and +11.1% to the superstructure construction cost of rental and SSF domestic buildings respectively as compared with those of the June 2015 CCY. The increase is mainly attributed to the incident of "excessive lead content in fresh water in public housing estates", in which the HA also imposed regulatory actions against those contractors involved in that incident.

33. We have closely monitored the adequacy of project budgets. During the past year, Members have approved the revision of project budgets for four projects due to design development, optimization of design and increase in flat production, and fifteen projects following the Tender Committee's approval of the award of the building contracts. We shall closely monitor cost trends and manage our project budgets in a timely manner to ensure smooth delivery of the public housing programme.

Bench-marking of Construction Cost

34. The average construction cost of the superstructure of HA's rental domestic buildings is about 45% ^{Note 11} lower than that of high rise residential buildings of "average standard" in the private sector (Paper Nos. **BC 48/2013** and **BC 88/2015** refer). This is attributed to economies of scale, mechanised construction methods, optimised structural design and a lean specification on finishes and fittings with emphasis on quality being fitness for purpose. Quality of design and construction, however, is strictly maintained for long term durability.

Maintenance and Improvement Cost Indicators

35. M&I Cost Indicators are derived from historical expenditure data and are updated annually. They serve as benchmark references for the planning, management and monitoring of M&I works in PRH estates. The average yearly M&I recurrent expenditure in 2014/15 ranged from \$1,300 per flat for estates aged below 10 years to \$5,070 per flat for estates aged over 40 years (Paper No. **BC 79/2015** refers). This indicates that portfolio age is a key factor affecting M&I costs. In the long term, a number of building elements have been chosen for studying life cycle costing, which will include

Note 11 The comparison is based on the construction cost data published by our consultant for 4th Quarter 2015 for high rise residential buildings of "average standard" in private housing estates.

analysis of capital procurement costs, operating costs and disposal costs, etc., to facilitate strategic planning on cost-effective design, management and maintenance of the HA's building assets. The analysis will also be used as a reference in the future design and planning of new PRH developments.

Building Control

36. The Independent Checking Unit (ICU) under the office of the Permanent Secretary for Transport and Housing (Housing) reported to Members in the meeting of 10 December 2015 (Paper No. BC **82/2015** refers) that it had been placed under the Bureau and detached from the Department in June 2015 to enhance the public's understanding of its independent nature. ICU explained to Members in the same meeting that ICU exercises dual building control functions as an independent party on new housing development and existing buildings developed by HA, including –

- (a) Administrative building control to new PRH development projects, and existing PRH estates without any part sold to a third party, which are not subject to the Buildings Ordinance, applying parallel standard and practice to that of BD. A Memorandum of Understanding (MOU) was signed between HA/Housing Department and BD as a formal reminder of the alignment of practices between ICU and BD. MOU is reviewed biennially and was last signed on 20 July 2015. Administrative building control is funded by HA; and
- (b) Statutory building control under delegated authority from Director of Buildings for those properties which are subject to Buildings Ordinance, including properties in PRH Estates with retail and car parking facilities divested to Link REIT, Courts under Home Ownership Scheme (HOS), and Estates under Tenant Purchase Scheme. Statutory building control is funded by the Government.

37. Besides, the Lift Inspection Focus Team is responsible for monitoring the use and operation of the HA's lifts and escalators for risk management and facilitating the compliance with the Lifts and Escalators Ordinance (Cap. 618).

38. To strive for better efficiency and continual improvement, ICU continued to implement both ISO 9001 and ISO 14001 during the year. ICU also explores and applies appropriate information technology systems in its work, and implemented an Electronic Submission and Processing System (Paper No. **BC 90/2014** refers) and an Electronic Viewing of Plans System for

Public (Paper No. **BC 82/2015** refers) during the year.

AWARDS RECEIVED

39. In 2015/16, HA was honoured to have received a number of awards, including local and international project related awards, and corporate environmental, safety awards and labels. The details are shown in **Annex C**.

FINANCIAL PERFORMANCE

Construction Expenditure

40. The provisional construction expenditure for the year ended 31 March 2016 was \$17,679.8M, which was \$1,336.3M or 7% lower than the 2015/16 Revised Budget of \$19,016.1M. The variance was mainly due to construction programme adjustments of some projects.

Building Control (by Independent Checking Unit)

41. The provisional Building Control expenditure for the year ended 31 March 2016 was \$175.9M, which was \$20.5M or 10.4% lower than the 2015/16 Revised Budget of \$196.4M.

THE WAY FORWARD

42. We will continuously review our quality assurance systems, and improve them where appropriate, to ensure the proper use of materials for all critical site works and installation, including fresh water inside service.

43. To meet the production target of 200 000 PRH and 80 000 SSF units for the 10-year period from 2016/17 to 2025/26 stated in the Long Term Housing Strategy Annual Progress Report 2015, we will continue our efforts in increasing and expediting the supply of subsidised housing by working closely with Development Bureau, Planning Department and other relevant Government Departments to secure suitable land and fast-track the upstream preparatory work. We will continue to seek ways to enhance productivity by collaborating with stakeholders in the building industry to devise innovative, streamlined, labour-saving construction methods for the downstream construction stages of foundation and superstructure works.

44. To better sustain our ageing housing stock, we will continue to implement our sustainability-focused maintenance strategy, emphasising preventive maintenance, people-based and customer-oriented approaches for the implementation of maintenance and improvement programmes and energy-saving initiatives. We will continue to develop sustainable and innovative solutions in the delivery of quality housing, management and maintenance services to our tenants.

CONCLUSION

45. As demonstrated by the local and international recognitions we received during the year, our Programme of Activities is effective in providing green, healthy and affordable quality housing. We will continue to collaborate with stakeholders on all fronts to further develop the delivery process of public housing. In meeting the housing production target in the coming years, we will continue to uphold HA's core values of caring, committed, customer-focused and creative in serving the community, striving for innovations and making effective use of resources in an environment-friendly manner.

46. I thank all BC Members and staff of the Department for their valuable contributions and unfailing support to the work of BC during the past year.

Bernard Vincent LIM Wan-fung
Chairman, Building Committee

Green Building Labels Obtained in 2015/16

Project	Scheme	Rating
Development and Construction Division		
PRH Development at Ex-Kwai Chung Police Married Quarters	BEAM Plus Version 1.2 for New Buildings	Platinum rating in the Provisional Assessment
PRH Development at Lin Shing Road	BEAM Plus Version 1.2 for New Buildings	Gold rating in the Provisional Assessment
Home Ownership Scheme Development at Ngan Kwong Wan Road West	BEAM Plus Version 1.2 for New Buildings	Bronze rating in the Provisional Assessment
PRH Development at Lai Chi Kok Road - Tonkin Street Phase 1 & 2	BEAM Plus Version 1.2 for New Buildings	Gold rating in the Provisional Assessment
Public Rental Housing Development at Cheung Sha Wan Wholesale Food Market (Site 3)	BEAM Plus Version 1.2 for New Buildings	Gold rating in the Provisional Assessment
Home Ownership Scheme Development at Cheung Sha Wan Wholesale Food Market (Site 5)	BEAM Plus Version 1.2 for New Buildings	Gold rating in the Provisional Assessment
Home Ownership Scheme Development at Kiu Cheong Road East	BEAM Plus Version 1.2 for New Buildings	Gold rating in the Provisional Assessment

Certified Standards

Certified Standard	Scope	Certified Since
Development and Construction Division		
ISO 9001 : Quality Management	Planning, design, project management and contract administration for the construction of public housing.	1993
ISO 14001 : Environmental Management	Planning, design, project management, contract administration and materials testing for the construction of public housing.	2009
ISO 50001: Energy Management	Planning, design, project management and contract administration for the construction of public housing.	2012
OHSAS 18001: Occupational Health and Safety Management System <i>(to be developed as ISO 45001 in the near future)</i>	Materials testing for the construction of public housing.	2013
Estate Management Division		
ISO 9001 : Quality Management	Planning, design, project management and contract administration for the planned maintenance and improvement of public housing.	1993
ISO 14001 : Environmental Management	Planning, design, project management and contract administration for the planned maintenance and improvement of public housing. Provision of property management services (including cleansing, security, landscaping and office administration) in public housing estate.	2011
ISO 50001 : Energy Management	Planning, design, operation, project management and contract administration for facility management and improvement works of the communal areas of public rental housing domestic blocks.	2013
OHSAS 18001: Occupational Health and Safety Management System <i>(to be developed as ISO 45001 in the near future)</i>	Planning, design, project management and contract administration for the planned maintenance and improvement of public housing.	2014
Independent Checking Unit		
ISO 9001 : Quality Management	Building Control for Public Housing	2014
ISO 14001 : Environmental Management	Building Control for Public Housing	2014

Other Quality Schemes and Standards

Scheme/Standard	Scope	Adopted Since	Remarks
Development and Construction Division (DCD)			
ISO 26000 : Social Responsibility	Planning, design, project management and contract administration for the construction of public housing.	2010	A non-certifiable standard, but measured through HKQAA CSR Advocate Index. For the fourth consecutive year since 2012, DCD achieved the full score of 5.0.
ISO 31000 : Risk Management	Planning, design, project management and contract administration for the construction of public housing.	2010	Integrated with other management systems of DCD.
European Foundation for Quality Management (EFQM) Excellence Model	Planning, design, project management and contract administration for the construction of public housing.	2010	Integrated with other management systems in DCD.
Estate Management Division (EMD)			
ISO 19011 : Auditing Management System	Internal audit for planning, design, project management and contract administration for the planned maintenance and improvement of public housing.	2012	Incorporated in Quality Management System. A non-certifiable standard, but verified through HKQAA with Verification Statement obtained in 2013.
ISO 26000 : Social Responsibility	Planning, design, project management and contract administration for the planned maintenance and improvement of public housing.	2012	Incorporated in Quality Management System. A non-certifiable standard, but measured through HKQAA CSR Advocate Index. For the second consecutive year since 2014, EMD achieved the full score of 5.0.
ISO 31000 : Risk Management	Planning, design, project management and contract administration for the planned maintenance and improvement of public housing.	2012	Incorporated in Quality Management System. A non-certifiable standard, but verified through HKQAA with Verification Statement obtained in 2013.
HKQAA Sustainable Building Index (SBI) Scheme	Sustainability performance on environmental, social and economic aspects of domestic blocks in 10 estates with major block types.	2012	A non-certifiable standard, but verified through HKQAA SBI Scheme. HA became the first organisation obtained the HKQAA SBI Verified Mark in 2012.

Project Related Local Awards

Award Title	Project/Research Topic	Category and Level Attained
Hong Kong Green Awards 2015, Green Management Award - Project Management	Construction of Home Ownership Scheme at Wang Yip Street West, Yuen Long / Project Management (Large Corporation)	Project Management (Large Corporation) – Silver
Development Bureau, 21 st Considerate Contractors Site Award Scheme	Construction of Home Ownership Scheme at Wang Yip Street West, Yuen Long	Non-Public Works, New Works, Group A – Bronze
Development Bureau, 21 st Considerate Contractors Site Award Scheme	Construction of Home Ownership Scheme at Wang Yip Street West, Yuen Long	Outstanding Environmental Management & Performance Award
Development Bureau, Construction Industry Council, Hong Kong Construction Association, Innovative Safety Initiative Award 2015	Construction of Home Ownership Scheme at Wang Yip Street West, Yuen Long / RFID Contactless Access Controlling and Recording System	Safety Management System, Training and Promotion Category – Bronze
buildingSMART Hong Kong International BIM Awards 2015	Pioneering BIM for Quantity Surveying (Shui Chuen O Phase 1)	Pioneering BIM for Quantity Surveying – Team's Award
buildingSMART Hong Kong International BIM Awards 2015	<ol style="list-style-type: none"> 1) Driving BIM Development in HA; 2) Fast-track Development of HOS Projects; 3) BIM for Safety - Demolition for Redevelopment of LNTK Estate; 4) Transforming Business Practice in the Delivery of Public Housing - TTCAE; 5) Successful Transformation of Revit Model to DIALux for Lighting Simulation and Rendering - Development of Hin Tin Street, Shatin Area 31; 6) Pioneering BIM for QS - Shui Chuen O Phase 1; 7) Integrated Use of BIM & GIS 	Best BIM Application Prize – Enterprise

Project Related International Awards

Award Title	Project/Research Topic	Category and Level Attained
World GBC Congress 2015 – Recognition to BEAM Plus Projects	BEAM Plus Platinum Rated Projects	Project Team Attaining the Most BEAM Plus Platinum Projects – Developer
World GBC Congress 2015 – Recognition to BEAM Plus Projects	BEAM Plus Platinum Rated Projects	Project Team Attaining the Most BEAM Plus Platinum Projects – Project Manager
World GBC Congress 2015 – Recognition to BEAM Plus Projects	BEAM Plus Platinum Rated Projects	Project Team Attaining the Most BEAM Plus Platinum Projects – Architect
Structural Excellence Award 2015 Hong Kong Institution of Engineers, The Institution of Structural Engineers UK, Joint Structural Division	Tak Long Estate	Residential (Commendation Merit)
Autodesk BIM Awards 2015 – Hong Kong, Macau and Taiwan	BIM Culture – A New Paradigm Towards Partnering for Change	Winner

Corporate Environmental, Safety Awards and Labels

Award Title	Level Attained and Category
Lighthouse Club - Construction Industry Council, The Derek Smyth Safety Leadership Awards 2016	Client-Developer Category – Gold Award
Green Council, Hong Kong Green Awards 2015	Corporate Green Governance Award – Grand Award
Green Council, Hong Kong Green Awards 2015	Corporate Green Governance Award – Corporate Leadership Award
Green Council, Hong Kong Green Awards 2015	Green Management Award (Corporate) – Platinum Award
Green Council, Hong Kong Green Awards 2015	Green Purchasewi\$e Award (Large Corporation) – Platinum Award
Green Council, Hong Kong Green Awards 2015	Outstanding Sustained Performance 6 Years + Recognition
Hong Kong Awards for Environmental Excellence, Environmental Labels	One of the top three organizations achieving cumulatively the most number of goals in Wastewi\$e Certificate
Hong Kong Awards for Environmental Excellence, Environmental Labels	Wastewi\$e Label – Class of Excellence

Report by the Chairman of the Commercial Properties Committee for 2015/2016

INTRODUCTION

The Commercial Properties Committee (CPC) held five meetings, including one joint meeting with the Subsidised Housing Committee during the year. Members also paid two visits to the Housing Authority (HA)'s shopping centres in May 2015 and March 2016 respectively. Under the five-year rolling programme for asset enhancement based on the strengths, weaknesses, opportunities and threats (SWOT) analysis, efforts to optimise the use of our retail and carparking facilities were continued. Every possible means was also exerted to convert unpopular retail premises and surplus parking facilities into other beneficial uses with a view to enhancing the potential and effective operation of HA's commercial properties.

ISSUES CONSIDERED

New Developments

2. We are pleased that our retail portfolio had delivered another year of steady growth. Hung Fuk Shopping Centre and Shui Chuen O Plaza were completed in the year, providing additional retail space of some 11 200 m² Internal Floor Area (IFA) for letting. By end of March 2016, the total retail stock stood at around 218 700 m² IFA.

Existing Retail Facilities

Asset Enhancement Works

3. To meet residents' needs and optimise the use of resources, HA has since 2011 formulated a five-year rolling programme for prioritising asset enhancement of its retail and carparking facilities. Based on the SWOT analysis, a number of suitable projects have been identified for detailed studies on asset enhancement through major improvement works, re-designation of trade mix and conversion of usage in accordance with their relative priorities. During the year, improvement works for Lung Poon Court Commercial Centre have been completed, while works in On Kay Commercial Centre and Kwai Shing West Shopping Centre were in good progress. Conversion works of the vacant parking spaces in Yip On Factory have also commenced. Meanwhile, retail facilities in Hoi Lai and Tin Yan Estates have also been earmarked under

the five-year programme for undertaking detailed studies on asset enhancement and enriching the trade mix.

4. The Department continued to take every strategic measure to enhance the potential and attractiveness of HA's commercial properties. The rolling programme has been kept under review and reports will be given to Members on an annual basis taking into account the change in circumstances.

Marketing Initiatives

5. Provision for the basic daily needs of our residents is always our prime concern. In the year, we continued to enhance the potential of HA's commercial properties by keeping track with the market and provide retail services whenever opportunities arise. We well planned the trade mix and leasing programme in new shopping centres to maintain the balance between residents' needs and shop tenants' business viability. We collaborated with the banking clients to enhance banking services in the forms of self service bank and automatic teller machines. We adopted flexible leasing arrangements to keep pace with any new initiatives receptive to our residents. With the support of the Hong Kong Monetary Authority, the new initiative of mobile branch provided by the banking industry had firstly been introduced in our public housing estates. Besides, we kept on arranging short term promotional sale activities in our shopping venues strategically to enhance the operation of retail facilities and provide more shopping choices for our residents.

6. Notwithstanding the uncertain economic environment of the retail market, we were still able to achieve an almost full letting rate of our retail portfolio consistently.

Announcement of Clearance of Pak Tin Commercial Centre

7. To tie in with the redevelopment programme of Pak Tin Estate, we announced the clearance arrangements for the commercial tenants in Pak Tin Commercial Centre in September 2015 and are actively preparing for the transition to a new face of development.

Vacancy

8. With our flexible leasing strategy and asset enhancement measures, we were able to maintain the average vacancy rate for retail premises at a low rate of 1.6% throughout the year.

Rent Arrears

9. The average rent arrears rate was maintained at 2.3% in the year which was within the performance target at less than 2.5%.

Carparks

Management Services of Carparks

10. We have a portfolio of 139 carparks providing about 28 700 parking spaces. Four carpark operators have been procured to manage some 86 carparks under five management contracts, and the rest are under the management of Housing Department (HD)'s staff and other property management agents. Carpark automation and electronic payment system by Octopus have been in place in most of the carparks for enhancing cost effectiveness and users' convenience.

Maximising the Usage of Carparks

11. To maximise the usage of carparks, we have commenced to convert some surplus parking spaces in Yip On Factory to a retail shop. Besides, the sub-standard parking spaces in Cheung Shan Estate were upgraded to align with the prevailing standard in July 2015 and its occupancy rate was gradually increased to about 80%. As the occupancy rate of the parking spaces in Choi Hung Estate had improved substantially, the department dropped the initiative to arrange bulk letting of parking spaces for car sales in early 2016.

12. To boost the patronage of the carparks, both the "Day Pass" and "24-hour Pass" hourly parking schemes and the 20% discount for bulk purchase of parking coupons offered to shop tenants under the parking coupon discount scheme were continued.

13. We have made every effort over the years to maximise the usage of carparks by re-designating the surplus spaces for parking of other vehicle types in demand, adopting a flexible letting strategy and initiating appropriate conversion exercises for those parking spaces in diminishing demand. The conversion exercises were successful not only in better utilising the carpark resources, but also in improving the occupancy of the carparks effectively. The overall occupancy rate for HA's carparks had reached a record high level of around 93% in March 2016. The conversion has also led to the introduction of new facilities which has brought in additional carpark users and visitors. We will continue to further improve the occupancy rate of our

carparks through seeking necessary permission to let surplus parking spaces to non-residents and changing the types of surplus parking spaces to meet the demand.

Provision of Electric Vehicle Charging Facilities

14. We continued to support Government's policy to promote the wider use of electric vehicles (EV) and offered a maximum of two hours free parking for EV during charging.

15. Apart from the quick and semi-quick EV charging facilities installed by the two power companies in six HA's carparks, we have also provided EV standard charging facilities in the carparks of seven new public rental housing estates involving around 220 parking spaces. In addition, EV standard charging facilities in small scale are also provided to parking spaces let to monthly licencees in other existing carparks upon demand and when technically feasible.

Factory Estates

16. The letting rate of HA's factory estates had all along been maintained at high level with persistent demand for small-sized units. We would continue the management of the six factory estates, namely Wang Cheong, Yip On, Hoi Tai, Sui Fai, Chun Shing and Kwai On, and review the situation from time to time.

Telecommunication Installations

17. The total number of telecommunication installations erected in HA's premises rose by 4.1% and a total income of around \$163M was generated last year. In line with previous reviews, the licence fees were set at market level by making reference to the latest market evidence for letting of various telecommunications sites in private sector properties gathered from the operators and the Rating and Valuation Department. We approved to increase the existing charges ranging from 3.6% to 5.6% for different types of telecommunications installations in HA properties with effect from 1 April 2016, bringing an anticipated total income of around \$169M in the coming year.

Rates Concession Exercise for Non-domestic Premises

18. To align with the Government's mitigation measures to waive the rates for the financial year of 2016/17, subject to a ceiling of \$1,000 per quarter for each rateable property, we approved to pass on the rates concession to our non-domestic tenants/licensees on a "no-gain-no-loss" basis by offsetting an equivalent amount of monthly rent/licence fees payable by them.

19. In view of the small amount of rates concession for individual carpark users but a significant administrative cost involved for its distribution, carparks were excluded from the exercise similar to the previous rebate exercises. The rates concession received would be invested in enhancing our carpark facilities, such as installation of EV charging facilities at suitable sites, replacement of energy-efficient lighting to promote environmental protection and upgrading of security system.

Promotion Activities

20. To sustain Domain as HA's regional mega shopping centre located in Kowloon East District, we continued launching a full range of tailor-made promotion activities with special events and activities to enhance its popularity. Last year, 65 promotional events, publicity activities and community functions with a total of around 900 hours were held. The tailor-made seasonal decorations, publicity and festive promotion activities which were welcomed by our shoppers, shop tenants and residents had successfully improved the competitiveness and attractiveness of Domain and helped to sustain footfall and boost retail receipts in the past year. Moreover, the Domain Club has promoted the customer loyalty with the number of members reaching to some 18 200 by March 2016, representing an increase of 10% for the year.

21. Regarding our neighbourhood shopping centres and estates with major retail facilities, centrally planned promotion programmes and packaged seasonal decorations of different scales were arranged with a view to sustaining their attractiveness and competitiveness, enhancing the shopping ambience and achieving economies of scale. A celebrating ceremony was held to mark the completion of the revitalisation programme for the retail facilities at Ping Shek Estate and to enhance its publicity and shopping ambience. During the year, a total of around 850 hours of promotion activities were held in 12 major shopping centres, whilst decoration packages for 24 shopping centres and estates were provided during major festivals in 2015/16.

Community Services

22. To advocate community building and civic education, we continued to provide free platforms in our commercial properties for non-government organisations (NGOs) and government departments to hold events and exhibitions. In 2015/16, a total of around 1 900 hours of community functions were held in collaboration with 61 NGOs/government departments in our shopping centres for promotion of community building, social services, health care, environmental protection, etc.

WAY FORWARD

23. Same as last year, CPC has endorsed the 2016/17 programme of activities with the theme of enhancing the attractiveness of commercial properties. In accordance with the SWOT analysis of HA's commercial portfolio, we will continue our focus in the coming year on improving the earmarked retail and carparking facilities under the consolidated five-year rolling programme for asset enhancement. With a view to enhancing the business potential and shopping environment of our commercial properties, we will keep reinforcing our leasing and promotional strategies for HA's new and existing retail facilities.

24. To sustain Domain as a regional shopping centre and entertaining hub, apart from the continual delivery of quality service and facility management to our tenants and customers, tailor-made promotion activities in partnership with shop tenants, mass media and NGOs will be continued to enhance Domain's popularity. Also, signature events will be arranged to strengthen its market positioning and attractiveness. Meanwhile, packaged promotion programme and festive decorations will be arranged for other HA's shopping centres to enhance the shopping ambience. We and the staff of the Department will continue to support the community building through sponsoring suitable venues in Domain and other shopping centres for community services.

CONCLUSION

25. In the last year, we had worked actively to optimise the potential of retail facilities with the vacancy rates kept well within the targets throughout the year. Despite the recent downturn of retail market and the anticipated economic slowdown in the coming year, we shall continue our effort in implementing asset enhancement, conducting appropriate conversion initiatives

and promoting effective tenant mix management to sustain the business of our commercial portfolio. We have confidence that with our commitment and endeavour, we will be able to continue providing services that best suit the needs of our community and public housing tenants.

26. As the Chairman of CPC, I would like to express my sincere gratitude to all Members, including the outgoing Members. I count on all Members for their continued support in the coming years. Finally, my appreciation also goes to the staff of the Department for their valuable contribution and unfailing support to the work of CPC.

Tennessy HUI Mei-sheung
Chairman, Commercial Properties Committee

Report by the Chairman of the Finance Committee for 2015/16

INTRODUCTION

The main responsibilities of the Finance Committee (FC) in 2015/16 included examination and review of the Housing Authority (HA)'s financial performance and budgets and forecasts, provision of advice on HA's financial and investment policies, as well as overseeing the funds management, human resources and information technology functions.

FINANCE COMMITTEE MEETINGS

2. A total of four FC meetings were held in 2015/16.

SUMMARY

Finance and Funds Management

Financial Planning and Budgeting Process

3. Since endorsement by FC in May 2009, HA had adopted a more centralised budgeting approach in resource allocation to enhance deployment of resources. Divisions/budget holders were invited to submit bids for additional resources above the expenditure baselines in July each year for consideration of the Senior Officials Meeting (SOM) chaired by the Director of Housing.

4. In addition, to promote cost consciousness and to channel savings from existing services to fund some of the new and improved services, a threshold of 1% of the respective division expenditure baseline or \$3 million (whichever is the less) was set. Only bids (on a per bid basis) above the threshold were submitted to SOM for resource allocation.

5. The Financial Planning and Budgeting Process was reviewed regularly, and an updated Financial Instruction promulgating the main budgetary process and promoting cost consciousness was issued by the Housing Department (HD).

Budgets and Forecasts

6. The HA Budgets and Forecasts for 2015/16 to 2019/20 reviewed and endorsed by FC were submitted to HA and the Chief Executive for approval in January 2016 as planned. It is projected that HA will have sufficient financial resources to meet its recurrent expenditure and implement its current public housing construction programme and maintenance programme in the budget and financial forecast period. Nevertheless, the cash and investment balance of HA is projected to decrease from about \$67 billion in April 2015 to about \$16 billion by the end of March 2020, mainly due to the projected increase in construction expenditure and operating expenditure while no rent adjustment for public rental housing is assumed.

7. To achieve the public housing supply target, HA will come under increasing fiscal pressure in the longer term and the Government's funding support to HA will become necessary. In December 2015, the Government set aside about \$45 billion for further injection into the Housing Reserve. Together with the initial injection and interest accrued, the Housing Reserve measures a total of about \$74 billion, which fully demonstrates the Government's commitment to financially support HA to meet the public housing supply target.

8. HA will continue to conduct the annual rolling five-year budgeting process and assess its financial position and future funding requirements. HA will keep close dialogue with the Government. When the two sides have reached consensus on the quantum and timing of funding injection, the Government will, at an appropriate time, seek the approval of the Finance Committee of the Legislative Council for funding to be drawn from the Housing Reserve to support the public housing development.

Review of Investment Strategy

9. The aim of the 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 the HA's funds into longer-term investments in a prudent and diversified manner to enhance long term returns.

10. Under the HA's Statement of Investment Policies and Objectives, an overall Strategic Asset Allocation (SAA) review should be conducted every three years with annual risk budgeting health check in between. An overall review on the HA's SAA was conducted in 2015/16 taking into account the latest financial markets situation and risks. Having considered the recommendations made by the HA's independent investment consultant under

the review, FC approved the extension of the principal protection placement with the Exchange Fund of \$20 billion for six years from October 2015 and the related revisions to SAA. The revised SAA is to allocate around 70% of the HA's funds to principal protection placements with the Exchange Fund, 17.5% to equity, 1% to global bond, 4.5% to RMB deposits and bonds, and 7% to HKD/USD deposits and bonds to cater for the liquidity requirements to meet the operational need of HA. The portfolio comprises mostly investments with relatively stable return.

Human Resources

Implementation of the Long Term Manpower Strategy

11. To implement the long-term manpower strategy as endorsed by FC in October 2008, 38 HA contract posts in grades to be staffed by civil servants in the long run were converted into civil service (CS) posts in 2015/16. Together with the 499 HA contract posts converted since 2009/10, the total establishment of CS posts has increased by 7% through such conversion. Given that the same number of HA contract posts were deleted to offset the creation of the corresponding CS posts, such conversion had no net effect on the overall establishment of HD.

Staff Increase to Cope with the New Public Housing Supply Target and Other Housing Initiatives

12. A total of 226 new CS (including one directorate) posts were secured for HD in 2015/16, of which 222 posts are funded by HA, including 154 posts for meeting the new public housing supply target; 8 posts for processing increasing number of public rental housing applications; 15 posts for providing tenancy, maintenance services, property management services and rental assessments for new domestic and non-domestic properties; and 45 posts for repositioning body-shopped personnel to civil service posts. The remaining 4 posts are funded by the Government for updating the projection of long term housing demand and implementing initiatives under the Long Term Housing Strategy. The manpower requirement is being closely monitored to ensure that HA has the necessary staffing resources to deliver the new housing initiatives.

Recruitment and Promotion Exercises

13. Recruitment and promotion exercises were conducted to fill new posts as well as vacancies arising from natural wastage. In 2015/16, HD carried out 43 recruitment exercises and 48 promotion exercises. Altogether,

around 850 new colleagues joined the Department and around 550 existing staff were recommended for promotion/acting in the higher ranks.

Staff Engagement Initiatives

14. Various activities including the Extra Mile Card Plan, Care@Work Workshops, and publication of success stories of exemplary work teams were organised to promote the HA core values and enhance staff's sense of belonging to the Department. A new series of Employee Wellness Seminars was arranged and the Health Portal was updated regularly to promote healthy living. Comprehensive training was arranged for different levels of staff to enhance their competencies in discharging duties and facing challenges ahead.

Information Technology

15. Since the formulation of the HA's IT Strategy in 2012, the progress of implementation of the Strategy was monitored regularly by the Housing Department Information Technology Steering Committee chaired by the Director of Housing.

16. The New Home Ownership Scheme System was further enhanced in October 2015 to support the "Interim Scheme to Extend the HOS Secondary Market to White Forms Buyers".

17. To enable online submission of building proposals to Independent Checking Unit (ICU), the Housing Electronic Plan Submission (HePlan) System was launched in March 2016. HePlan provides ICU with comprehensive functions to track, process and approve the submissions online, and to retrieve the approved submissions/drawings quickly and easily in future.

18. The Development and Construction Site Mobile System Phase 1 was put into production in November 2015, as pioneer in the adoption of mobile applications to enhance the quality and productivity of site inspection and allow site staff to report accidents and incidents to management efficiently for better site safety management. These applications are being rolled out to all construction sites and expected to be fully rolled out by mid-2016.

19. To promote wider use of mobile technologies in HA, the HA Mobility Policies and Guidelines were published in September 2015 for reference of relevant developers and users. A project to implement an Enterprise Mobility Management Infrastructure was also kicked off in September 2015 to support central management and better security control of mobile devices and applications.

20. In relation to network infrastructure, the core components of the departmental network (including those for the Housing Authority Data Centre and the local area networks at about 130 remote offices) had been upgraded in 2015/16. Upgrade of the remaining parts is in progress and will be completed by March 2017.

FINANCIAL HIGHLIGHTS

21. The key figures for HA's 2015/16 financial performance are summarised below –

	2015/16 Provisional Result ^{Note 1}	2015/16 Revised Budget	Variance
	<A>		<A> -
	\$M	\$M	\$M
Operating Surplus/(Deficit)			
Rental Housing	(15.3)	(636.4)	621.1
Commercial	1,150.9	1,104.4	46.5
Home Ownership Assistance	1,984.0	2,484.3	(500.3)
Operating Surplus before exceptional and special items	3,119.6	2,952.3	167.3
Exceptional Items ^{Note 2}	(66.0)	(73.6)	7.6
Special Items ^{Note 3}	57.4	14.5	42.9
Operating Surplus before accounting provision written back	3,111.0	2,893.2	217.8
Accounting provision written back ^{Note 4}	9.2	-	9.2
Funds Management Account Surplus	1,022.3	1,914.3	(892.0)
Agency Account Surplus	8.8	22.2	(13.4)
Total Surplus before appropriation	4,151.3	4,829.7	(678.4)
Appropriation to the Government	(542.5)	(515.4)	(27.1)
Net surplus after appropriation	3,608.8	4,314.3	(705.5)
Capital Expenditure	18,618.4	20,068.8	(1,450.4)
Cash and Investment Balance at year-end	57,041.3	55,587.0	1,454.3

Note 1 These are provisional figures which may be subject to year-end and audit adjustments upon finalisation of the 2015/16 annual accounts.

Note 2 Exceptional items represent expenditure incurred on demolition and clearance costs and Government Non-reimbursable items charged to the Commercial Operating Account.

Note 3 Special items mainly represent the income from Urban Renewal Authority for the rental flats allocated to affected tenants and adjustment on divestment expenditure of retail and carparking facilities, partly offset by the write-off of the development cost arising from abortive sites returned to the Government.

Note 4 The accounting provision written back represents the reduction in future liabilities on interest for loans sold to Hong Kong Mortgage Corporation Limited. The provision written back was credited to the Home Ownership Assistance Operating Account. This year-end accounting adjustment was made in accordance with the Hong Kong Accounting Standards and the HA's Accounting Policies and did not have any cash flow implications.

22. The provisional operating deficit for the rental housing operations in 2015/16 was lower than the Revised Budget by \$621.1 million, mainly due to the lower than budgeted spending on personal emoluments, maintenance and improvements expenditure and other recurrent expenditure. The provisional operating surplus (before exceptional items) for the commercial operations was higher than the Revised Budget by \$46.5 million, mainly due to the lower than budgeted spending on maintenance and improvements expenditure and other recurrent expenditure. The provisional operating surplus (before accounting provision written back) for the home ownership assistance operations was lower than the Revised Budget by \$500.3 million, mainly due to the lower than budgeted income from alienation premium and sale of Tenants Purchase Scheme flats in the year.

23. The Funds Management Account had a provisional surplus of \$1,022.3 million in 2015/16, which was \$892 million lower than the Revised Budget surplus of \$1,914.3 million, mainly due to the lower than budgeted return on Equity Portfolio. The overall gross return for the HA's funds in 2015/16 was 1.8%, as compared to the Revised Budget return of 3.3%.

24. Taking into account the accounting provision written back at year end, the Agency Account surplus and the appropriation to the Government, the provisional net surplus in 2015/16 was \$3,608.8 million, as compared to the projected net surplus of \$4,314.3 million in the Revised Budget.

25. The provisional capital expenditure in 2015/16 was \$18,618.4 million, which was lower than the Revised Budget of \$20,068.8 million by \$1,450.4 million, mainly due to construction programme adjustments for some construction projects.

26. As at 31 March 2016, HA had a provisional cash and investment balance of \$57 billion, which was \$1.4 billion higher than the Revised Budget of \$55.6 billion, mainly due to the lower than budgeted construction payments.

THE WAY FORWARD

27. In 2016/17, FC will continue to examine and monitor the HA's financial performance, and budgets and forecasts. FC and its Funds Management Sub-Committee (FMSC) will also continue to closely monitor the performance of the HA's fund managers and review the HA's investment strategy, taking into account the latest financial market situation and risks, the HA's liquidity requirements and its decreasing cash and investment balance.

28. In addition, FC will continue to provide policy steer to enable the Department to maintain and enhance human resources management services that are commensurate with benchmarks and best practices of other public sector organisations in Hong Kong.

29. The Housing Authority Information Technology Architecture Platform has been serving as a shared platform for HA's IT applications since 2004. Currently, around 50 applications are running on this platform. To reap the benefits of technological advancement (such as cloud computing), HA is now reviewing this platform and is planning to commence a major upgrade on it in 2017.

30. HD will review the IT systems profile regularly with a view to upgrading various systems to align with the latest business development.

CONCLUSION

31. Finally, I would like to express my gratitude to all Members of FC and FMSC for their invaluable advice and my appreciation to the staff of the Department for their unfailing support during the past year. I am confident that Members of FC will continue to contribute positively and effectively to the mission and goals of HA.

Raymond SO Wai-Man
Chairman, Finance Committee

Report by the Chairman of the Subsidised Housing Committee for 2015/16

INTRODUCTION

The Subsidised Housing Committee (SHC) held seven meetings including one joint meeting with Commercial Properties Committee and issued 70 papers in the year. Four separate meetings were held with concern groups.

2. The subsidised housing operation continued to focus on the allocation, management and maintenance of the rental housing stock of the Housing Authority (HA) to address the public needs. On-going measures to optimise and rationalise the use of public resources have been adopted. We had implemented various activities on the allocation and management of public rental housing (PRH) in pursuit of providing quality homes as well as promoting sustainable living.

OPTIMISING AND RATIONALISING THE USE OF PUBLIC RESOURCES

Meeting Housing Needs

3 In 2015/16, around 22 400 PRH units were allocated to meet the housing needs of different categories of people. They included PRH applicants, PRH tenants requesting for transfer, households recommended by Social Welfare Department for compassionate rehousing, junior civil servants and pensioners, eligible carees and other miscellaneous categories.

4. Out of the above 22 400 units, about 14 280 units were allocated to PRH applicants. As at end March 2016, the average waiting time (AWT)^{Note} for general applicants was 3.9 years. For elderly one-person applicants, AWT was 2.3 years.

Note Waiting time refers to the time taken between registration for PRH and the first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc.). The average waiting time for general applicants (i.e. family and elderly one-person applicants) refers to the average of the waiting time of those general applicants who were housed to PRH in the past 12 months.

5. The Express Flat Allocation Scheme provides PRH applicants with a fast-track access to PRH and improves the letting rate of less popular flats. In 2015/16, around 1 080 units were successfully allocated to eligible applicants through the scheme.

Territory-wide Overcrowding Relief Exercise and Living Space Improvement Transfer Scheme

6. Through the Territory-wide Overcrowding Relief Exercises, HA transferred overcrowded households with Internal Floor Area (IFA) less than 5.5 m² per head to larger accommodations of appropriate size. Living Space Improvement Transfer Scheme was also launched to improve the living condition of those PRH households with IFA less than 7 m² per head. In 2015/16, overall 2 100 households were rehoused through the two schemes. As at end March 2016, the number of overcrowded families was about 3 680, representing 0.5% of the total PRH households.

Estate Clearance Projects

7. The clearance of Long Bin Interim Housing involving about 820 people from 500 families and its related rehousing arrangements were announced on 9 January 2014. As at end March 2016, rehousing of two cases remained outstanding. Subsequently in May, these two cases were allocated with PRH. The whole clearance project was successfully completed.

Regular Checking of Applicants under the Quota and Points System

8. On 14 October 2014, SHC decided to conduct checking on non-elderly one-person applicants under the Quota and Points System (QPS) who had waited for five years but not yet due for detailed vetting within the next two years, and adopt a two-stage process to draw up the list of target applicants for checking with effect from February 2015. The regular checking of 28 039 QPS applicants in 2015/2016 was implemented in April 2015. As at end March 2016, around 4 100 applications were cancelled for various reasons including self-withdrawal of application; exceeding income/asset limits; having ownership of domestic property in Hong Kong, etc. Cancellation letters were also issued in end March 2016 to the 9 960 QPS applicants who did not respond to repeated requests and reminders for checking during the 2015-16 checking exercise. For applicants who have passed the checking and maintained their eligibility for PRH, they will be subject to further checking after five years from the checking date if they still fall into the target group of checking by then. A report on the final results of the 2015-16 checking exercise will be submitted to SHC in June 2016.

Interim Scheme to Extend the Home Ownership Scheme Secondary Market to White Form Buyers

9. In 2013, HA introduced an Interim Scheme to Extend the Home Ownership Scheme (HOS) Secondary Market to White Form (WF) Buyers (the Interim Scheme). The first round of the Interim Scheme was completed in April 2015, with over 2 400 WF applicants having purchased flats in the HA's HOS Secondary Market or the Hong Kong Housing Society's Flat-for-Sale Scheme Secondary Market without paying the premium.

10. Taking into account the strong demand for subsidised sale flats, SHC decided on 24 November 2014 to implement one more round of the Interim Scheme in the second half of 2015 with a quota of 2 500. On 11 June 2015, SHC approved the income and asset limits for applicants of the new round of the Interim Scheme. The income limit for family applicants was \$48,000 per month while that for one-person applicants was \$24,000 per month. The asset limit for family applicants was \$1,600,000 while that for one-person applicants was \$800,000.

11. After its implementation on 26 August 2015, about 43 900 applications were received and a total of 2 489 successful applicants had eventually applied for the Certificate of Eligibility to Purchase, which will be valid for 12 months. Up to end March 2016, 434 Letter of Nominations were approved. Upon completion of the new round of Interim Scheme in the first half of 2017, SHC will conduct a comprehensive review to decide on the future of the Interim Scheme.

Green Form Subsidised Home Ownership Pilot Scheme

12. In his 2015 Policy Address, the Chief Executive proposed to HA that suitable flats should be identified among HA's PRH developments under construction for sale to eligible Green Form applicants in the form of a pilot scheme, with prices set at a level lower than those of HOS flats (generally referred to as the "Green Form Subsidised Home Ownership Pilot Scheme" (GSH)). In May 2015, SHC endorsed the implementation details of GSH. The PRH development at San Po Kong was selected for conversion to GSH. The project will provide a total of about 860 flats. Pre-sale is planned for the second half of 2016 and the flats are expected to be ready for occupation by mid-2017. Detailed sales arrangements and pricing for the flats will be put up to SHC for endorsement in the second half of 2016.

Sale of Home Ownership Scheme Flats

13. All the 2 160 new HOS flats under the “Sale of HOS Flats 2014” were sold out by 12 August 2015 to 1 296 Green Form (GF) applicants and 864 WF applicants in the ratio of 60:40. The flats were expected to be completed in 2016/17.

14. The second batch of 2 657 new HOS flats in two developments, namely Ka Shun Court in Sha Tin and Ping Yan Court in Ping Shan, Yuen Long, were scheduled for completion in 2018.

15. On 9 December 2015, SHC approved the income and asset limits for WF applicants for the “Sale of HOS Flats 2016”. The income limit for family applicants was \$49,000 per month while that for one-person applicants was \$24,500 per month. The asset limit for family applicants was \$1,700,000 while that for one-person applicants was \$850,000. SHC also endorsed the average selling prices for flats in the two projects at 30% discount from market values. The selling prices of the flats ranged from \$1,496,900 to \$3,275,700.

16. Pre-sale of these new HOS flats was launched on 29 February 2016 with some 53 000 applications received, including some 4 100 GF and some 48 700 WF applications. Ballots to determine the priority of detailed eligibility vetting of the applicants was held in May 2016 and flat selection by successful applicants scheduled to commence in July 2016.

The Ombudsman’s Investigation into the Method of Calculation of Waiting Time for Public Rental Housing and Release of Information

17. On 15 March 2016, SHC discussed the findings of the direct investigation conducted by the Office of the Ombudsman (the Ombudsman) into the method of calculation of waiting time for PRH and the release of information. Regarding the Ombudsman’s view that the waiting time information for PRH lacks transparency, SHC noted that the Housing Department (HD) has already provided relevant information through different channels, which include explaining the definition of AWT and its calculation basis in details in the application guide for PRH and on the website; publishing the latest PRH allocation status of different family sizes in different districts in newspapers and on the website on a monthly basis; uploading the latest quarter-end figures of PRH applications and AWT in about five weeks’ time after the end of each quarter onto the website; releasing the latest public housing production forecast for the next five years through the website, and updating the forecast on a quarterly basis; and uploading the paper on HD’s special analysis of the housing situation of general applicants every year onto the HA Paper Library on the website and providing a link at the “Flat Application” webpage. In light of the views of SHC, HD will upload the

waiting time distribution of general applicants housed to PRH over the past year by their district choice and household size onto the website with regular updates, with a view to further enhancing transparency.

Enhanced Measures and Additional Incentives for Handling Under-occupation Cases

18. Upon the implementation of the prevailing measures in tackling Under-occupation (UO) cases taken effect from October 2013, the Prioritised Under-occupation (PUO) threshold has been further lowered with more families being identified as PUO households who are required to transfer to smaller flats.

19. The policy of treating all households the same under the UO policy irrespective of their rehousing categories would continue to be upheld. As enhanced measures, HA further endorsed in October 2014 the arrangement to allow a standard stayput period of one year at the existing flats to PUO households arising from decease of family member generically to allow adequate time for them to recover from emotional/psychological stress. HA also considered excluding households with elderly members aged between 60 to 69 from the UO list in the next policy re-visit in 2016.

20. To encourage early transfer of PUO households to smaller flats so as to speed up the recovery of larger public rental housing flats, HA offers additional incentive to them apart from the provision of Domestic Removal Allowance. They would be provided with a rent waiver of three months, two months and one month correspondingly for accepting the first, second and third housing offers.

21. HA shall re-visit the existing measures to tackle UO cases in the latter half of 2016 after their implementation for three years. HA will duly consider exclusion of households with elderly members aged 60 or above from the UO list during the re-visit of measures.

Intensified Action against Abuse of Public Rental Housing Resources

22. We continued the three-pronged approach, including prevention, investigation and education through publicity, to tackle suspected tenancy abuse. In addition to the biennial flat inspections, we conducted rigorous checks on some 6 100 occupancy-related cases. We also carried out regular checks on all 211 500 income and assets declarations and intensive checks on some 5 000 cases. The Special Team worked with the regional management staff to conduct checking on some 9 800 additional occupancy-related cases in the year. Moreover, the deployment of the Special Team has further been extended for another two years up to 2017/18.

Enhanced Phasing-out Programme of Housing for Senior Citizens of Type 1 Design (HS1)

23. Housing for Senior Citizens (HSC), with HS1 design blocks being the earliest design through internal partitioning of a normal domestic flat into two to four smaller units with shared toilet and kitchen facilities, is a hostel type of PRH accommodation with 24-hour Welfare Worker service introduced initially for elderly residents. In view of the high vacancy rate as a result of applicants' preference for self-contained flat, HA had ceased construction of HSC and uplifted the age restriction for HSC allocation in early of the 21st century. Despite, the vacancy rate of HS1 has still stood high and therefore a Phasing-out Programme has been introduced in 2006 to convert these HSC blocks into other uses.

24. With a view to fully utilisation of public housing resources, HD extended the Phasing-out Programme in March 2011 to cover all the remaining HS1 design blocks and took proactive measures to encourage affected tenants to move to self-contained small flats or other HSC design blocks on voluntary basis. As incentives, Domestic Removal Allowance and offer of flats in new estates were provided. In 2013, to further expedite this programme HA endorsed the "Management Transfer" of non-elderly tenants of HS1 units by offering three housing offers for their moving to self-contained flats to speed up the conversion progress. In December 2014, all the non-elderly tenants had been handled.

25. In view of the fact that the vast majority (93%) of elderly tenants in HS1 units are of very old age above 70 and are very reluctant to leave their HS1 units, HA considers that a voluntary transfer approach under the Enhanced Phasing-out Programme for these remaining elderly tenants should continue to be adopted.

PROVIDING QUALITY HOMES

ISO 14001 Environmental Management System Certification

26. To maintain the certification status, the annual surveillance audit to ISO 14001 for the Environmental Management System on planned maintenance and improvement works as well as property management services in all existing PRH estates was successfully completed in May 2015.

Implementation of ISO 50001 Energy Management System

27. We achieved ISO 50001 Energy Management System certification for our pilot estate, Kwai Shing West Estate, in June 2013. ISO 50001 has been extended to cover all PRH estates in two phases since then. Certification for Phase One estates was granted by the Hong Kong Quality Assurance Agency (HKQAA) in August 2014, and full certification covering all PRH estates was obtained in April 2015.

Energy Conservation

28. We were active in assessing energy usage across PRH estates and constantly looking for new ways of saving energy. During the year, we replaced the existing electromagnetic ballast with energy-saving electronic ballast for light fittings in 140 existing domestic blocks by September 2015. The lighting retrofit programme, which involved 960 numbers of domestic blocks, was completed during the period of 2012/13 to 2015/16.

29. We completed the lighting performance monitoring of lower-energy LED light fittings in one of the domestic blocks of Kai Ching Estate.

30. We continued the carbon emission monitoring through Carbon Audit Exercises for 14 selected PRH domestic blocks of 14 typical PRH block types covering majority of HA's block type designs.

Lift Modernisation Programme

31. Lift modernisation was continued in PRH estates. The condition of all lifts over 25 years of age would be evaluated and prioritized in the rolling programme, based on the lift conditions and the availability of resources. Where the structure permits, lift openings would also be added for the floors currently not served by lift. During the year, 101 lifts were replaced.

Total Maintenance Scheme

32. With the endorsement of SHC in December 2014, new inspection frequency for the Total Maintenance Scheme has been changed to 5 years for estates older than 30 years, and 10 years for estates between the age of 10 and 30. The in-flat inspection programme for 2015/16 has been reviewed accordingly, and 14 estates have hence commenced the respective inspection cycle and around 56 000 flats have been inspected in 2015/16.

Comprehensive Structural Investigation Programme in Aged Public Rental Housing Estates

33. Surveys and testing under the Comprehensive Structural Investigation Programme (CSIP) have been ongoing for aged PRH estates. To ensure the sustainability of our aged public housing stock in terms of safety, building quality, quality of accommodation, lifestyle and living standard, HA would continue the Estate Improvement Programme to those estates to be sustained after the CSIP assessment.

Lift Addition Programme

34. HA has implemented a series of Lift Addition Programme (LAP) in consideration of the need of elderly and people with various forms of physical infirmities or limitations, such as pregnant women and families with young children. Since 2008, Stage 1 and Stage 2 of LAP have completed or started works on 83 lifts in 32 existing PRH estates. In 2015, LAP was turned into an on-going programme and LAP 2015/16 was launched to provide two lifts in two existing PRH estates. HA will continue to consider lift addition proposals within PRH estate boundaries.

Enhancement Programme to Replace Laundry Pole Holders with Laundry Racks

35. To keep pace with the rising expectation of tenants, we have holistically reviewed the laundry pole holder policy and will replace the pole holders with free installation drying racks for tenants opting for the new provision.

36. Replacement of laundry racks in 18 estates was completed as at March 2016. Meanwhile, the replacement works in 31 estates were in progress. Meanwhile, contracts for replacement works in 111 estates have been awarded and the works would soon commence. We anticipated that the overall replacement programme would be completed in late 2017.

Corporate Social Responsibility Index

37. Further to the adoption of ISO 26000 social responsibility framework for maintenance and improvement works since 2012, we were awarded the HKQAA Corporate Social Responsibility Advocate Mark in November 2015 for the second consecutive year in recognition of our contribution to the social well-being of stakeholders and the community.

Building and Environmental Assessment method Plus version 1.2 for Existing Buildings

38. For specific estate-based improvement project for existing estates, we have made use of the Building and Environmental Assessment Method Plus Version 1.2 for Existing Buildings for Kwai Shing West Estate which achieved “Final Platinum” rating in October 2015. The experience gained in Kwai Shing West Estate provides useful reference for similar projects for existing estates.

Occupational Health and Safety Management Systems 18001

39. To enhance the HA’s occupational health and safety performance and to demonstrate our commitment to caring for our staff and stakeholders, we have implemented and obtained the Occupational Health and Safety Management Systems 18001: 2007 Occupational Health and Safety Management System (OHSMS) Certification for maintenance and improvement (M&I) works for public housing since 2014. OHSMS enables us to assess occupational health and safety risks in our M&I works more systematically and efficiently, and allocates our resources more cost-effectively. The System also boosts awareness among frontline staff of the risks, statutory requirements, codes of practice, instructions and guidelines associated with their works. The result is an overall enhancement of our occupational health and safety performance, including savings in time lost and costs incurred as a result of occupational injuries.

PROMOTING SUSTAINABLE LIVING

Review of Income and Asset Limits for Public Rental Housing for 2016/17

40. SHC endorsed the income and asset limits for PRH for 2016/17 on 15 March 2016. Review of the income and asset limits for PRH was conducted annually in accordance with the established mechanism. Under the mechanism, the income limits for PRH are derived using a household expenditure approach, which consists of housing costs and non-housing costs, plus a contingency provision; while the asset limits are adjusted with reference to movements in the Consumer Price Index. The income and asset limits for PRH for 2016/17 increased by an average of 8.9% and 2.7% respectively when compared with the limits for 2015/16. They came into effect on 1 April 2016.

Implementing the Government's Initiative to Assist Lower Income Families

41. To help ease the community burden, the Government announced to waive the rates for the first two quarters of 2015/16. HA passed on the amount to tenants/licensees on a monthly basis by offsetting an equivalent amount of monthly rent/licence fees payable by them. The Government also proposed in the 2015/16 Budget to pay one month's rent for public housing tenants. After obtaining the funding approval from the Finance Committee of the Legislative Council on 26 June 2015, the Government paid on behalf of the HA's tenants/licencees all or part of their rent/licence fees in August 2015.

Rent Assistance to Needy Tenants

42. The Rent Assistance Scheme (RAS) provides relief to PRH tenants facing temporary financial hardship. As at end March 2016, around 15 000 families were receiving assistance under the scheme through rent reduction of 50% or 25%. We have stepped up publicity of RAS through radio broadcast, Housing Channel, Estate Management Advisory Committee (EMAC) newsletters, leaflets and posters.

ENHANCING HYGIENE AND GREENING

Strengthening of Tree Management in Public Rental Housing Estates

43. Apart from updating the tree data to a centralised electronic tree database operated on Geographic Information System, a new Enterprise Tree Management System using web based platform and mobile device application to assist in keeping tree inventory and conducting tree risk assessment, was launched in early 2016. We continued conducting tree inspections and carried out required remedial works. As at March 2016, we had enrolled some 690 Estate Tree Ambassadors from tenants to help us maintain proper surveillance on trees.

Marking Scheme for Estate Management Enforcement

44. The Marking Scheme (MS) for Estate Management Enforcement in Public Housing Estates has been well received and supported by tenants since its implementation in 2003. The scope of MS has been extended to include 28 misdeeds which cover common misconducts affecting environmental hygiene and estate management. It is widely held that the overall cleanliness and hygiene condition of estate common areas has been improved. Up to December 2015, there were accumulatively some 27 500 point-allotment cases recorded and 58 tenants had their tenancies terminated upon the allotment of 16 valid points.

45. We will continue to implement the proactive measures to deter the misdeeds through intensify patrol and enforcement actions by staff at estate level and the Special Operation Teams at regional level, enlisting assistance from other public officer, e.g., police, in particular to tackle the misdeeds of littering, smoking, unauthorised dog keeping, throwing objects from height and gambling at estate common areas and which are gravely concerned by the public. Also, we will continue to enhance the publicity through EMAC, Housing Channel, radio broadcast, estate newsletters, posters and leaflets to promote civic responsibility of the tenants and to maintain a decent living environment in the estates.

Waste Reduction Activities

46. With the aim to increase tenants' awareness and upkeeping the momentum on domestic waste reduction, Mascots Tour for Waste Reduction 2015/16 was held by Housing Authority in 43 PRH estates from November 2015 to end March 2016. As a continuation of the waste reduction campaign launched in June 2014, another round of waste reduction competition was successfully launched in the second half year 2015.

47. The campaign was successfully and smoothly launched resulting in continual decrease in the amount of refuse collected. From July to December 2015, the result represented a continuous drop of about 11.5 per cent from June 2014. We also collected glass bottles at about 635 tonnes, and over 56 000 moon cake boxes at about 17 tonnes just in 2015. As for the collection of New Year citrus plants first launched in 2013, the year 2015 saw a record of 6 000 pots collected, of which 4 000 pots were re-pruned, replanted and reused in various PRH estates.

THE WAY FORWARD

48. In 2016/17, we continue to focus on the themes of providing quality homes, promoting sustainable living, optimising and rationalising the use of public resources through delivering high quality services to our customers vide allocation, management and maintenance business. We continue implementing a people-based life-cycle maintenance strategy to maximise sustainability of PRH estates and intensifying action against abuse of public housing resources to safeguarding rational allocation and maximising the turnover of public housing resources.

49. The Housing Ordinance provides that HA shall conduct a rent review every two years and vary the PRH rent according to the change in the income index between the first and second periods covered by the review, with any increase capped at 10%. The next review will be conducted in mid-2016. Outcome of the review will be submitted to SHC for endorsement.

CONCLUSIONS

50. As the Chairman of SHC, I would take this opportunity to extend my heartfelt thanks to the outgoing Members for their valuable contribution and a warm welcome to new Committee Members. I count on all Members for their continual support and advice in the years ahead. I would also like to thank staff of the Housing Department for their dedicated work. I look forward to working with all of you in the coming year.

Stanley WONG Yuen-fai
Chairman, Subsidised Housing Committee

Report by the Chairman of the Tender Committee for 2015/16

INTRODUCTION

I have pleasure in presenting the 13th report of the Tender Committee (TC), which was established in April 2003.

2. In 2015/16, TC held 11 regular meetings, three special meetings and two visits to two new works construction sites and four completed estates. Altogether, TC processed 82 discussion papers, 22 presumption papers and 26 information papers.

ISSUES DISCUSSED

3. The work of TC covers a comprehensive range of activities relating to the Housing Authority (HA)'s procurement, tenders and quotations exceeding the limits of delegated financial authority of the Chairman of the Housing Department Tender Board ^{Note 1} as well as HA's list management regime, which is an integrated part of HA's procurement policy as follows –

- (a) Scrutinising tenders and awarding contracts;
- (b) Reviewing and enhancing tender guidelines;
- (c) Reviewing and drawing up procurement strategies and policies;
- (d) Endorsing policies relating to the management of HA's list of contractors, service providers and consultants, and considering appeals and/or objections against actions concerning the status of contractors, service providers and consultants on such lists; and
- (e) Endorsing Programmes of Activities and monitoring their performance.

Note 1 The Delegated Financial Authority covers all works and works related services contracts, IT and related purchases/services, property services contracts, goods and general services contracts over \$50 million and all Consultancy or Professional Advisory Services Contracts over \$25 million.

4. During the year, Members discussed and endorsed various topics which have substantial impact in the industry. In particular, the incident in which excess lead was found in fresh water of 11 public housing estates had attracted considerable and extensive concern from the media and the general public.

INCIDENT OF EXCESS LEAD IN FRESH WATER

5. Excess lead was found in fresh water of Kai Ching Estate in July 2015, and subsequently in 10 other public housing estates. The incident involved a total of six building contractors^{Note 2}, three domestic plumbing installation sub-contractors (DPSC)^{Note 3} and three Licensed Plumbers (LP)^{Note 4}.

6. Soldering material in pipe joints was suspected to be the source of lead^{Note 5}. The Task Force on Investigation of Excessive Lead Content in Drinking Water (the Task Force) announced in its preliminary findings on 25 September 2015 that leaded solder joints in inside service were indeed the cause of excess lead. Its final investigation report, submitted to the Secretary for Development on 31 October 2015, reconfirmed this finding. As non-compliance with specification had been found, it was necessary to consider regulatory action against the relevant contractors and other associated parties.

7. In view of the severity of the incident which may have caused widespread concern about adverse effect to public health, an enhanced two-tier system for imposition of regulatory actions and handling of appeals from contractors involved had been adopted (Paper Nos. **TC 78/2015** and **SPC 36/2015** refer) –

Note 2 The six building contractors include –

- (i) Four subject building contractors involved in the incident, namely China State Construction Engineering (Hong Kong) Limited (China State), Paul Y. General Contractors Limited (Paul Y. General), Shui On Building Contractors Ltd (Shui On) and Yau Lee Construction Company Limited (Yau Lee); and
- (ii) Two related companies to China State and Paul Y. General, namely China Overseas Building Construction Limited (China Overseas) and Paul Y. Construction Company, Limited (Paul Y. Construction) respectively.

Note 3 The three domestic plumbing installation sub-contractors are Ming Hop Co., Ltd, Golden Day Engineering Co. Ltd and Ho Biu Kee Construction Eng., Co. Ltd.

Note 4 The three LPs are Mr NG Hak-ming, Mr CHEUNG Tat-yam and Mr LAM Tak-sum.

Note 5 Both the Commission of Inquiry and the Water Supplies Department Task Force concluded that leaded solder is the direct cause of excess lead found in drinking water in all the 11 affected PRH estates.

- (a) The approving authority for imposition of regulatory action on contractors involved in the incident is to be escalated from Procurement Review and List management Board, and rests with the Tender Committee; and
- (b) The reviewing authority is to be escalated from Tender Committee, and rests with the Strategic Planning Committee (SPC).

8. Members deliberated on this matter in three regular monthly meetings, three special meetings and two informal meetings^{Note 6}. On 30 September 2015, Members decided not to consider the four building contractors and two related companies^{Note 2} for any new works tenders invited by HA from 1 March 2015 to 30 September 2015 (i.e. seven months), and to remove the three contractors^{Note 7} from the Premier League and not to approve their application for renewal upon expiry of this status with effect from 1 October 2015 (Paper Nos. **TC 82/2015** and **TC 126/2015** refer).

9. On 6 November 2015, Members decided to extend this period by one to five months together with deprivation of further tender opportunities for the concerned building contractors, corresponding to the severity and scale of affected public housing estates and flats^{Note 8}, with due consideration of their commitment in dealing with the incident (e.g. provision of performance bond) and the impact to HA (Paper Nos. **TC 107/2015** and **TC 8/2016** refer).

Note 6 Regular TC Meetings on 20 August 2015, 17 September 2015 and 23 October 2015. Special TC Meetings on 30 September 2015, 2 October 2015 and 6 November 2015. Informal meetings on 6 August 2015 and 23 September 2015.

Note 7 The three contractors are China State, Shui On and Yau Lee.

Note 8 For the four building contractors, a period of one month and at least one tender opportunity for Shui On; three months and at least four tender opportunities for China State; three months and at least four tender opportunities for Paul Y. General; and five months and at least five tender opportunities for Yau Lee. For the two related companies, i.e. China Overseas and Paul Y. Construction, the suspension period and uplifting of these two companies will follow their related companies.

10. Members also decided to take immediate action against the relevant DPSC and LP at contract level by debarring them from working on one to five HA new works contracts with effect from 1 October 2015, in addition to the seven contracts^{Note 9} in the seven-month period from 1 March 2015 to 30 September 2015^{Note 10}.

11. Subsequently, one building contractor and its related company, namely Paul Y. General and Paul Y. Construction, lodged appeal against TC's decision on regulatory actions taken against them. A Review Panel consisting of Members of SPC was set up to handle the appeal in accordance with the enhanced two-tier system for handling of appeals from contractors involved as mentioned in paragraph 7 above. TC Chairman and one TC Member^{Note 11} reported to the Review Panel regarding TC's deliberation on the regulatory actions taken against the concerned contractors on 23 December 2015. Having considered all the views and grounds, the Review Panel had decided to uphold the regulatory actions taken against Paul Y. General and Paul Y. Construction. Determination of the Review Panel was issued to the two contractors on 8 January 2016. Subsequently, Members were informed about the determination of the Review Panel (Papers Nos. **TC 17/2016** and **SPC 7/2016** refer).

Note 9 The seven contracts include –

- (i) Construction of Public Rental Housing Development at Shek Mun Estate Phase 2, Shatin (Contract No. 20150023);
- (ii) Construction of Home Ownership Scheme at Kiu Cheong Road and Ngan Kwong Wan Road East and West (Contract No. 20150042);
- (iii) Construction of Public Rental Housing Development at Tung Chung Area 39 (Contract No. 20140742);
- (iv) Construction of Public Rental Housing and Home Ownership Scheme Developments at Cheung Sha Wan Wholesale Food Market Site 3 and Site 5 Phases 1 & 2 (Contract No. 20150055);
- (v) Construction of Pak Tin Estate Redevelopment Phase 9 (Pak Tin Community Complex) (Contract No. 20140250);
- (vi) Construction of Public Rental Housing Development at Lai Chi Kok Road - Tonkin Street Phases 1 & 2 (Contract No. 20150259); and
- (vii) Construction of Public Rental Housing Development at Eastern Harbour Crossing Site Phase 7 and Demolition of Ex-Tung Wah Lung Kong Mrs Fung Yiu Hing Memorial Primary School, Chai Wan (Contract No. 20150279).

Note 10 Further one contract for Ho Biu Kee Construction Engineering Company Limited (DPSC) and Mr LAM Tak-sum (LP); four contracts for Golden Day Engineering Company Limited (DPSC) and Mr CHEUNG Tat-yam (LP); and five contracts for Ming Hop Company Limited (DPSC) and Mr NG Hak-ming (LP).

Note 11 TC Chairman, Mr CHEUNG Tat-tong, and TC Member, Mr Wallace HONG Wing-kwong, attended the meeting of the Review Panel on 23 December 2015.

12. Members approved the uplifting of regulatory actions taken against two involved building contractors, namely Shui On and China State, together with one related company to China State, namely China Overseas, in November 2015 and January 2016 respectively (Paper Nos. **TC 115/2015** and **TC 11/2016** refer). Uplifting of the remaining contractors would be subject to each contractor's satisfactory performance in carrying out the interim measures and permanent rectification works to the affected projects and enhanced measures to on-going projects (Paper No. **TC 82/2015** refers).

13. In formulating the implementation of a series of enhancement measures in list management for Plumbing Installation (PI) Works in HA's New Works Building Contracts, consultation had been conducted with the relevant stakeholders from August 2015 to February 2016. The proposed enhancement measures are as follows (Paper No. **TC 30/2016** refers) –

- (a) Adopting the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works, PI Category (i.e. PI List), as contract requirement for the main contractor to appoint its DPSC, and all the above-ground drainage works be taken up by DPSC;
- (b) Adopting two-tier restriction on sub-contracting of plumbing installation works;
- (c) Introducing workload capping limits for DPSC and LP; and
- (d) Provision of a competent personnel ^{Note 12} with relevant qualification in English to support the plumbing and associated works handled by LP, if necessary.

SCRUTINISING TENDERS AND AWARDING CONTRACTS

14. In 2015/16, Members awarded a total of 65 contracts comprising a total contract value of HK\$29.02 billion, including 11 building (New Works) contracts, five foundation contracts, 22 building services nominated sub-contracts, three term contracts for building services maintenance works, six building maintenance district term contracts, 14 property services / management agency contracts, one car park management contract, two security service contracts, and one contract for professional services consultancy.

Note 12 There is a requirement on the level of English proficiency from LP. In case LP cannot meet such requirement, the main contractor or DPSC will have to provide a competent personnel (e.g. registered engineer, relevant site personnel) with equivalent qualification to support the PI and associated works handled by LP.

Cancellation of a Foundation Tender

15. In May 2015, Members approved the cancellation of the Tender for Foundation for Public Rental Housing (PRH) Development at Tai Wo Hau Road Phases 1 & 2, Kwai Chung, and PRH Development at Fung Shing Street, Wong Tai Sin, and Miscellaneous Works (Paper No. **TC44/2015** refers). The reason for cancellation was the rezoning process of the Tai Wo Hau Road site not having been completed in time. In order for HA to take possession of the site to commence works, it was necessary to execute a short term tenancy with the Lands Department, the granting of which was subject to the successful completion of the rezoning process. The rezoning of the site was incorporated in the draft Kwai Chung Outline Zoning Plan No. S/KC/28. However, its submission to the Chief Executive in Council for approval was withheld pending the Court's decision on the judicial reviews (JRs) of the Town Planning Board's decision on a "Comprehensive Development Area" site first made in the draft Kwai Chung Outline Zoning Plan No. S/KC/26. The issues involved in JRs do not concern HA's site.

REVIEWING AND ENHANCING TENDER GUIDELINES, PROCUREMENT STRATEGIES AND POLICIES

16. While adhering to the Agreement on Government Procurement of the World Trade Organization, Government and HA's procurement policies and instructions, the Department has continued to review and enhance the procurement system to maintain a fair, open and equitable policy to ensure that we can procure products with best value for money.

Revision of Removal Criteria for Quality Maintenance Contractor (QMC) and Workload Capping Limits for Building Contractors on Maintenance Category (Groups M2 with QMC status)

17. To align with the practices for the Premier League Status (PLS) of Building Group New Works 2 confirmed in the HA List of Building Contractors, the requirements^{Note 13} for removal from QMC Status were changed to –

Note 13 The previous removal criteria for QMC is "If a contractor, after being admitted as a QMC, is subject to any regulatory action taken by HA, it will be removed from the QMC list."

“If a contractor, after being admitted as a QMC, is subject to regulatory actions imposed by HA in the form of suspension, downgrading and/or removal from the HA List of Building Contractors within the validity period, it will be removed from the QMC list immediately.”

18. To provide an incentive to active M2 Contractors to upkeep their good performance continuously, the maximum number of Building Maintenance District Term Contracts (DTCs) to be held concurrently for QMCs and the criteria for undertaking maximum number of DTCs was reviewed, keeping the maximum combination of various types of building maintenance contracts to be held concurrently unchanged. The Contractors in the Contractor Score Banding League (the League) with QMC status ^{Note 14} are allowed to hold concurrently a maximum number of three, four or five DTCs while the Contractors NOT in the League with QMC status are only allowed to hold concurrently a maximum number of two, three or four DTCs, according to the number of DTCs or non-HA Contracts they have satisfactorily completed, and the prescribed criteria they have met (Paper No. **TC 95/2015** refers).

“Quarantine” System

19. To ensure prudence in tender assessment, the Department established the “Quarantine System” as part of our Tender Evaluation Mechanism. Under the system, we put contractors under “quarantine” in accordance with the following criteria –

- (a) If serious incidents have occurred in any of the contractor’s sites in Hong Kong with construction works of similar nature to that in the tenders under consideration;
- (b) If the incidents have occurred within the six-month period preceding the tender closing date or within the tender assessment period preceding the tender award date; and
- (c) If the contractors are among the top three scorers.

20. This provides Members with the opportunity to consider whether the contractors are fully capable of undertaking the contracts before making decisions for award. In 2015/16, we conducted six interviews with a total of five contractors with fatal or serious accidents occurring in their sites in Hong Kong, and reviewed a total of eight “quarantine” cases. The results of these

Note 14 The Contractors without QMC status are only allowed to hold concurrently a maximum number of one DTC.

“quarantine” actions had led to two tenders (of complex building new works contracts adopting two-envelope system for tender evaluation) not awarded to the highest scorers.

Review on Procurement Arrangement for Property Management Agent Mode Property Services Contracts

21. Upon the implementation of the procurement arrangement (Paper No. **TC 18/2014** refers) concerning the Property Services Agency (PSA) mode and new Property Management Agent (PMA) mode Property Services contracts, the tender arrangements listed below came into effect in October 2014 and 19 contracts have been awarded since then until end March 2016. In 2016/17, the Department will conduct another review with a view to making further refinements –

- (a) For future Property Services contracts, generally adopt the new PMA mode for newly completed estates, while the existing PSA mode would still be adopted for existing estates;
- (b) Adopt the enhancement on the tender arrangement for new PMA mode contracts, including allocation of tendering opportunity and tender evaluation system to increase competitiveness and quality of service; and
- (c) Continue to adopt the “5 minus 2” contract period as in the trial PMA contracts with tightening of criteria for continuation of contracts.

Implication of the Contracts (Rights of Third Parties) Ordinance

22. The Contracts (Rights of Third Parties) Ordinance (Chapter 623) has come into operation since 1 January 2016, but to reflect the general concern that contracting parties should have the freedom to adhere to the privity rule, provisions have been made in the Ordinance allowing the parties to contract out of it. In response to this new Ordinance, the Department has adopted a similar approach as the Government and other public bodies, and will incorporate an exclusion clause in all HA contracts to the effect that the contracting parties do not confer on any third party any benefit or right to enforce any contract term (Paper No. **TC 124/2015** refers).

ENDORISING PROGRAMME OF ACTIVITIES

23. The Programme of Activities 2015/16 focused on the objectives of planning and designing new developments for a green and healthy environment, conserving resources, and promoting green procurement; enhancing building standards through research, management system and liaison with stakeholders; enhancing the service standard and the awareness of our business partners on their corporate social responsibility; enhancing community engagement throughout the delivery of development projects and promoting partnering with business partners; enhancing awareness on health, environment and safety, and promoting relevant practices in the HA's workplace; maintaining a healthy procurement environment and enhancing value for money through procurement practices; and making effective and wider application of Information Technology to support business initiatives and enhance efficiency. For 2016/17, our work and efforts will mainly concentrate on the themes of providing quality homes, promoting sustainable living and optimising and rationalising the use of public resources (Paper No. **TC 128/2015** refers).

WAY FORWARD

24. We will continue to uphold the highest standard of integrity, for all contractors, sub-contractors, suppliers and services providers for HA. We shall closely monitor their performance so that any necessary actions shall be undertaken in good time to ensure smooth delivery of our service and operation. With the concerted effort of Members and colleagues, we have met all targets and key performance indicators of the Programme of Activities. We shall keep up the momentum in the coming year.

CONCLUSION

25. Finally, I would like to express my sincere thanks to all Members of TC and staff of the Housing Department for their valuable contributions and uncompromising determination to accomplish the various tasks of TC during the year under review.

CHEUNG Tat-tong
Chairman, Tender Committee