

PAPER NO.	HA	27/2018
	BC	42/2018
	CPC	23/2018
	FC	34/2018
	SPC	27/2018
	SHC	50/2018
	TC	81/2018
	ASC	19/2018
	FMSC	11/2018

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

Reports from Chairmen of Committees

----- Please find enclosed the reports from Chairmen of the following
Committees for Members' information –

- (a) Building Committee;
- (b) Commercial Properties Committee;
- (c) Finance Committee;
- (d) Subsidised Housing Committee; and
- (e) Tender Committee.

Polly KWOK
Secretary, Housing Authority
Tel. No.: 2761 5003
Fax No.: 2762 1110

File Ref. : HD 1-7/COMM1/HA-7
(Corporate Services Division)
Date of Issue : 22 August 2018

Report by the Chairman of the Building Committee for 2017/18

INTRODUCTION

In 2017/18, the Building Committee (BC) made a commendable effort in advancing the planning, design and construction of public housing. Members held nine regular meetings, conducted three visits covering five new works sites^{Note 1} and completed estates. Altogether, BC processed 41 discussion papers, four presumption papers and 50 information papers, inclusive of joint BC/Tender Committee papers.

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.

PUBLIC HOUSING PRODUCTION

Production in 2017/18

3. We completed about 13 700 flats, including around 13 400 public rental housing (PRH) units and around 200 subsidised sale flats (SSFs) in eight projects^{Note 2} in 2017/18. We also completed about 7 900 m² gross floor area

Note 1 So Uk Estate Phase 1, So Uk Estate Phase 2, Shui Chuen O Estate, Tung Chung Area 56 and Anderson Road Site B.

Note 2 The eight projects include seven PRH projects (Anderson Road Sites A and B - Blocks 3 to 5 of Site B and C1 Blocks 10 and 11 (On Tai Estate), Tuen Mun Area 54 Site 2 Phase 1 Blocks 1 to 3 and Phase 2 Blocks 4 and 5 (Yan Tin Estate), Tung Chung Area 56 Blocks 1 to 4 (Ying Tung Estate), Ex-Kwai Chung Police Married Quarters Blocks 1 and 2 (Kwai Tsui Estate), Lin Shing Road (Lin Tsui Estate)) and one SSFs project (Hin Tin Street in Shatin Area 31 (Ka Shun Court)). Flat numbers are rounded to the nearest hundred and thus may not add up to the total due to rounding.

of retail facilities ^{Note 3} and about 540 parking spaces ^{Note 4}. The completion of three PRH projects ^{Note 5} had slipped to 2018/19 mainly due to slow progress of contractors and partly due to delay in utility undertakers works in individual case, etc. We had foreseen the risks to which our high construction volume is exposed in the current operating environment and continued 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 No. **BC 100/2016** refers).

4. Members visited some of the construction sites and projects completed during the year. In the visit to So Uk Phase 2 on 11 September 2017 in which the Chairman of the Housing Authority also attended, Members were briefed on the quality assurance measures including site demonstration of how the Performance Assessment Scoring System inspections were conducted.

Commitment of Capital Works

5. Last year saw the commitment of capital expenditure of about \$16.609 billions through our endorsement of the Scheme Design and Project Budget of seven projects producing about 11 700 PRH units and SSFs ^{Note 6}. These projects are scheduled to be completed between the financial years of 2021/22 and 2024/25, and will contribute to maintain the production target of 200 000 PRH units and 80 000 SSFs for the 10-year period from 2018/19 to 2027/28 stated in the Long Term Housing Strategy Annual Progress Report 2017.

Note 3 In Tuen Mun Area 54 Site 2 Phase 1 and Phase 2, Anderson Road Sites A and B (Blocks 6 to 9 of Site B), Ex-Kwai Chung Police Married Quarters and Tung Chung Area 56. Figure is rounded to the nearest hundred.

Note 4 In Tuen Mun Area 54 Site 2 Phase 1 and Phase 2, Lin Shing Road, Anderson Road Sites A and B (Blocks 3 to 5 of Site B), Anderson Road Site C1, Hin Tin Street in Shatin Area 31, Ex-Kwai Chung Police Married Quarters and Tung Chung Area 56. Figure is rounded to the nearest ten.

Note 5 So Uk Phase 1 (Block 14), So Uk Phase 2 (Blocks 9, 11 to 13) and Anderson Road Sites A and B (Blocks 6 to 9 of Site B).

Note 6 Tung Chung Area 54 (Paper No. **BC 28/2017**), On Muk Street Phase 1 (Paper No. **BC 35/2017**), Chai Wan Road (Paper No. **BC 45/2017**), North West Kowloon Reclamation Site 1 (East) (Paper No. **BC 65/2017**), Hiu Ming Street (Paper No. **BC 79/2017**), Wang Chiu Road Phase 1 (Paper No. **BC 80/2017**) and Fanling Area 36 Phase 4 (Paper No. **BC 89/2017**).

PROGRAMME OF ACTIVITIES 2018/19

6. Following the brainstorming session and discussion session on 2 November 2017 and 23 November 2017 respectively, Members endorsed the 2018/19 Programme of Activities for Development and Construction (Paper No. **BC 104/2017** refers) and 2018/19 Programme of Activities for Building Control (Paper No. **BC 102/2017** refers), with an estimated construction expenditure of about \$22,694M 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 2018/19 are primarily the continuation of current efforts in meeting the long term planned goals.

7. For the year 2017/18, 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 details at BC.

PROVIDING QUALITY HOMES

Quality Assurance of Fresh Water Inside Service

8. We continued to implement the enhanced quality assurance measures for fresh water inside service (Paper No. **BC 37/2017** refers). Meanwhile, we fully support the legislative amendments for the Waterworks Ordinance and the Waterworks Regulations, and the enhanced control measures promulgated vide Water Supplies Department Circular Letters to enhance the drinking water safety in Hong Kong that have been put in place by the Water Authority since the "excess-lead-in-water" incident in 2015 (Paper No. **BC 98/2017** refers).

9. We continued to carry out the plumbing rectification works in the 11 estates which have been affected by the "excess-lead-in-water" incident. We have completed all of the plumbing rectification works in the common areas of all the 11 affected estates in the second quarter of 2017. Overall speaking, as at end March 2018, plumbing rectification works inside flats have been completed in over 70% of the flats in the 11 affected estates.

Risk Assessment and Treatment of Building Materials

10. In response to the Commission of Inquiry into Excess Lead Found in Drinking Water's Report published on 31 May 2016, recommending a review of all plumbing materials in identifying potential hazards and contamination in drinking water, we have taken further steps and completed in December 2016 a risk assessment exercise of about 2 300 building materials. We then evaluated the risk assessment results and developed corresponding risk treatment measures. Subsequent to the first batch of risk treatment measures rolled out in January 2017, we have implemented all enhancement measures to the quality control system by end 2017.

Expediting the Development of Housing Units

11. Despite the increasing challenges and difficulties ahead (Paper No. **BC 95/2017** refers), we continued to take forward public housing developments. 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. We sought to advance the availability of suitable sites for development, optimise the development potential, increase the plot ratios and relax the building height of suitable sites (Paper No. **BC 104/2017** refers).

Promoting Green and Healthy Living

12. We promote passive design with energy-saving practices, use of renewable energy, water conservation and other resource saving measures for a sustainable living environment (Paper Nos. **BC 95/2016** and **QH 5/2016** refer). In 2017/18, 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 BEAM Plus certification for New Buildings obtained during the year are shown at **Annex A**.

13. We regularly review and refine the Model Client Brief (MCB) and Modular Flat Design (MFD) in response to tenants' changing needs. At the meeting on 29 March 2018, we endorsed the MCB 2018 Edition which includes the provisions for the Green Form Subsidised Home Ownership Scheme (GSH), and MFD 2018 Version with two new series of modular flats with Acoustic Window and Acoustic Balcony for sites subject to severe noise impact (Paper No. **BC 14/2018** refers). With universal design concept thoroughly applied, all domestic flats are self-contained with only basic

provisions like flat entrance gateset (for PRH and GSH only), window grilles, sink and cooking bench in kitchen, wash basin and sunken shower in bathroom, laundry facility and air-conditioning platform. Modular Flat Design is the 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 (Paper No. **BC 104/2017** refers).

Integrated Procurement Approach

14. Our second project adopting the Integrated Procurement Approach (IPA) is Anderson Road Site A (which has been completed in March 2017), Site B Phase 1 (Blocks 3 to 5 which have been completed in February 2018) and Site B Phase 2 (Blocks 6 to 9 which are to be completed in April 2018). 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 103/2017** refers).

Quality Management System

15. 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. The Department is conducting reviews for transition to the 2015 edition of ISO 9001 and ISO 14001, and it is scheduled to complete the transition by mid of 2018. Standards to which the Department is ----- certified are listed in **Annex B**.

16. 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 sixth consecutive year and fourth 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

17. 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, we implemented various energy saving measures (Paper No. **BC 100/2016** refers). To further reduce energy consumption, the Department also implemented wider extension of the use of regenerative power feature for lift motors in new development projects during the year.

18. In our existing PRH estates, we continue to implement ISO 50001 Energy Management System in communal area of all domestic blocks and to adopt energy efficient equipment for our building services installations, such as –

- (a) Adopting the variable speed drive controlled booster pump in refurbishment works for replacement of booster pump which is approaching the end of service life; and
- (b) The Implementation of 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.

Carbon Emission Estimation for Projects under Design

19. The assessment of projects under design using “Carbon Emission Estimation” (CEE) was an on-going initiative (Paper No. **BC 104/2017** refers). CEE was conducted for two new development projects at detailed design stage during the year. Since the roll-out of CEE, we have achieved an average of about 15% 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

20. The Department has been conducting Carbon Audits in existing estates since April 2011. We continue the carbon emission monitoring through the Carbon Audit exercise in 14 selected 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 22/2016** refers).

Site Safety

21. 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 46/2017** refers). We set goals at an accident rate of no more than nine accidents per 1 000 workers and zero fatal accidents, and achieved accident rates in 2017 of 6.9 per 1 000 for New Works contracts and 4.2 per 1 000 for Maintenance Works contracts, which are lower than the average industry accident rate of 32.9 per 1 000 workers. Two fatal accidents occurred in two New Works building contracts whereas no fatal accidents were recorded in Maintenance Works contracts in 2017. Continuous emphasis on site safety will be placed by the Department to drive contractors for better site safety standard.

22. During the year, the Department has taken steps to strengthen the safety management systems to further improve safety performance of both New Works and Maintenance and Improvement (M&I) Works sites, including –

- (a) A Site Safety Forum and other safety seminars were held;
- (b) Contractual requirements in new works were being revised by introducing new initiatives for consultation with contractors. Proposed or revised specification included safety innovations with information technology applications, good safety measures, implementation of site safety climate index survey and work safe behaviour programme, enhancement of tower crane operation, incorporating relevant clauses of Reference Materials on Site Welfare, Health and Safety Measures issued by Construction Industry Council into the specification, and requirement of accreditation of construction safety supervisor under the Hong Kong Safety and Health Accreditation Scheme managed by Occupational Safety and Health Council;
- (c) The Integrated Pay for Safety, Environment and Hygiene Scheme was being revised by introducing new initiatives for consultation with contractors. Proposed or revised payment incentive items included lunchtime safety talk, timely reporting of accident/incident, submission of drawing and specification for safety innovative measures as pre-requisite requirement of pay for safety, higher threshold for full payment under critical pass items of safety

audit, and raised threshold for full payment under key performance indicators of environment and hygiene;

- (d) A 5-minute video for promotion of good practice of safety and health of HA new works construction was being produced;
- (e) The Site Safety Handbook and Pictorial Guide to Planning and Design for Safety were updated for promotion of safety awareness; and
- (f) The Occupational Injury and Disease Surveillance System was being enhanced through the development of safety alert module under Development and Construction Site Mobile System Phase 2 for reporting and monitoring accidents and incidents on sites using mobile devices, enabling online attachment of supporting documents such as accident investigation report and obviating the need to sign on hard copy.

OPTIMISING AND RATIONALISING THE USE OF PUBLIC RESOURCES

Prolonging the Useful Life of Aged Estates

23. The Department continues 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. Inspection to 60 PRH estates under the Fire Safety (Buildings) Ordinance has been completed and submission of 13 fire safety improvement proposals to enforcement authorities has also been completed.

Cost Yardsticks and Project Budgets

24. 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 2017 cost yardsticks of average \$10,260/m² and \$11,480/m² Construction Floor Area for the superstructure construction cost of HA's rental domestic buildings and SSFs domestic buildings (Paper No. **BC 44/2017** refers) both showed a rise of +3.8% and +3.6% over the June 2016 yardsticks mainly due to the generally mild increase in the cost of labour since

June 2016. The half-yearly review conducted in December 2017 (Paper No. **BC 16/2018** refers) indicated there were mild decrease in tender price level of -0.7% to the superstructure construction cost of both rental and SSFs domestic buildings as compared with those of the June 2017 CCY. The mild decrease is mainly attributed to the competitive tendering climate.

25. We have closely monitored the adequacy of project budgets. During the year, Members have approved the revision of project budgets for three projects due to design development and refinements and increase in flat production, etc. (Paper Nos. **BC 27/2017**, **BC 91/2017** and **BC 100/2017** refer). 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

26. The average construction cost of the superstructure of HA's rental domestic buildings is about 44% ^{Note 7} lower than that of high rise residential buildings of "average standard" in the private sector (Paper No. **BC 103/2017** refers). 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.

Building Control

27. Since the Independent Checking Unit (ICU) was detached from the Department and placed under the office of the Permanent Secretary for Transport and Housing (Housing) in 2015, there is evident increase in public awareness of its independent and enforcement role. In this year, ICU continues to exercise dual building control functions on new housing development and existing buildings developed by HA, including –

- (a) Administrative building control to new PRH development projects, and existing buildings in PRH estates without any part sold or divested, which are not subject to the Buildings Ordinance, applying parallel standard and practice to that of BD. A Memorandum of Understanding had been formalised between HA/Housing Department and BD stressing the alignment of practices between ICU and BD. Administrative building control is funded by HA; and

Note 7 The comparison is based on the construction cost data published by our consultant for 1st and 2nd Quarters 2017 for high rise residential buildings of "average standard" in private housing estates.

- (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, and Estates under Tenant Purchase Scheme. Statutory building control is funded by the Government.

28. Besides, the Lift Inspection Focus Team continues to monitor 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).

29. In December 2017, ICU obtained upgraded certification of Quality and Environmental Management System to ISO 9001:2015 and ISO 14001:2015 with extended scope for inclusion of the Mandatory Building Inspection Scheme Team and the Minor Works Team. ICU also keeps on extending the use of information technology systems in its work, such as developing Site Mobile System for conducting site inspections, exploring the application of BIM through ICU's Housing Electronic Plan Submission System (HePlan) and implementing enhancement of the HePlan and Housing Electronic Building Records Online System (HeBROS) to provide better services to the users.

AWARDS RECEIVED

30. In 2017/18, HA was honoured to have received a number of awards and corporate environmental, safety awards and labels. The details are shown in **Annex C**.

FINANCIAL PERFORMANCE

Construction Expenditure

31. The provisional construction expenditure for the year ended 31 March 2018 was \$20,366M, which was \$1,128M or 5.2% lower than the Revised Budget of \$21,494M. The variance was mainly due to construction programme adjustment for some projects.

Building Control (by Independent Checking Unit)

32. The provisional Building Control expenditure for the year ended 31 March 2018 was \$180M, which was \$9M or 4.8% lower than the Revised Budget of \$189M. The lower spending was mainly due to lower personal emoluments.

THE WAY FORWARD

33. We will continue to review and improve our quality assurance systems, and to develop sustainable and innovative solutions in the delivery of quality housing, management and maintenance services to our tenants.

34. Addressing the demand for PRH, more land must be in place for the construction of PRH units or the average waiting time currently exceeding five years could not be shortened. To meet the production target of 200 000 PRH units and 80 000 SSFs for the 10-year period from 2018/19 to 2027/28 stated in the Long Term Housing Strategy Annual Progress Report 2017, 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.

35. 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.

CONCLUSION

36. As demonstrated by the awards and labels 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 enhance 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.

37. 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.

Dennis KWOK Wing-hang
Chairman, Building Committee

Achievement in BEAM Plus Certification for New Buildings in 2017/18

Rating	Scheme	Project
Gold rating in the Provisional Assessment	BEAM Plus Version 1.2 for New Buildings	Subsidised Sale Flats Development at Au Pui Wan Street, Fo Tan
		Public Rental Housing Development at Choi Fook Estate Phase 3 and Sports Centre
		Subsidised Sale Flats Development at Tseung Kwan O Area 65C2 Phases 1 & 2
		Subsidised Sale Flats Development at Hang Kin Street, Ma On Shan Area 90B
		Subsidised Sale Flats Development at Tung Chung Area 27

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			
ISO 26000 : Social Responsibility	Planning, design, project management and contract administration for the construction of public housing.	2010	Integrated with other management systems of DCD. A non-certifiable standard, but measured through HKQAA CSR Advocate Index. For the sixth 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			
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	Integrated with other management systems of EMD. 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	Integrated with other management systems of EMD. A non-certifiable standard, but measured through HKQAA CSR Advocate Index. For the fourth 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	Integrated with other management systems of EMD. A non-certifiable standard, but verified through HKQAA with Verification Statement obtained in 2013.

Scheme/Standard	Scope	Adopted Since	Remarks
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

Organiser/Award Title	Project/Research Topic	Category and Level Attained
Joint Structural Division of The Hong Kong Institution of Engineers and The Institution of Structural Engineers, Structural Excellence Award 2017	Revitalization of Grade II Historic Chai Wan Factory Estate to Public Rental Building (Urban Oasis in Industrial Setting)	Heritage – Grand Award
The Hong Kong Institute of Architects – Cross-Strait Architectural Design Awards 2017	Urban Oasis in Industrial Setting (Conversion of Chai Wan Factory Estate to Public Rental Housing)	Residential – Silver Award
Autodesk Far East Limited – Autodesk Hong Kong BIM Awards 2017	(1) BIM-enabled Semi-automated Foundation Design (BIM-SAFD) and (2) BIM-enabled Residential Thermal Transfer Value Calculation (BIM-RTTV)	Professional – Award Winner
Asia Pacific Federation of Project Management, Asia Pacific Project Management Awards 2017	Public Rental Housing Development in Hung Shui Kiu Area 13, Yuen Long, Hung Fuk Estate	Community Service and/or Regional Development – High Commendation
buildingSMART HK, The Third International BIM Awards	Housing Authority's Odyssey in Capitalizing BIM – Scaling a New Height in Integrating Designs with REVIT Models	Entrepreneur Awards – The Best BIM Governmental Award
	Modelling Through Collaboration – Housing Authority Experience	Professional – Best Information Management in BIM application
Hong Kong Institute of Planners, Hong Kong Institute of Planners Award 2017	From Factories to Homes: Creating an Urban Oasis amidst the Factories – Revitalisation of the Last H-shaped Factory Estate into Wah Ha Estate	Heritage Conservation – Certificate of Merit

Corporate Environmental, Safety Awards and Labels

Organiser/Award Title	Category and Level Attained
Green Council, Hong Kong Green Awards 2017	Corporate Green Governance Award (Corporate) – Corporate Leadership and Stakeholder Engagement Award
	Green Management Award (Large Corporation) – Platinum Award
	Green Purchasewi\$e Award (Large Corporation) – Platinum Award
	Outstanding Sustained Performance (8 years+)
Environmental Campaign Committee, Hong Kong Green Organisation Certification	Wastewi\$e Certificate – Excellence Level
Hong Kong Quality Assurance Agency, HKQAA Corporate Social Responsibility (CSR) Index – Advocate Marks	ISO – HKQAA CSR Advocate Marks

Report by the Chairman of the Commercial Properties Committee for 2017/2018

INTRODUCTION

The Commercial Properties Committee (CPC) held three meetings including one joint meeting with the Subsidised Housing Committee during the year. Members also paid a visit to Housing Authority (HA)'s shopping centres in May 2017. Under the five-year rolling programme for asset enhancement, continued efforts were made to prioritise, study and carry out enhancement works according to results of the strengths, weaknesses, opportunities and threats (SWOT) analysis. Various measures were also taken to optimise the use of HA's commercial facilities.

ISSUES CONSIDERED

New Developments

2. With the occupation of new retail facilities in King Tai Court, the total retail stock stood at around 230 000 m² Internal Floor Area at the end of March 2018. HA's retail stock will continue to increase with the impending intake of newly completed retail facilities in Yan Tin Estate, Ying Tung Estate and Kwai Tsui Estate.

Existing Retail Facilities

Asset Enhancement Works

3. To meet residents' needs and optimise the use of resources, the Department has formulated a five-year rolling programme for prioritising asset enhancement of its commercial properties since 2011. In accordance with the results of the SWOT analysis for HA's commercial portfolio, a number of suitable retail and carpark projects have been identified for detailed studies and asset enhancement through major improvement works, re-designation of trade mix and conversion of usage according to their relative priorities. During the year, the improvement and conversion works in Pok Hong and Kwai Chung Shopping Centres have been completed while the works in Hoi Lai and Shek Pai Wan Shopping Centres were in good progress. Meanwhile, retail facilities in Lei Muk Shue Estate as well as the market facilities in Shek Kip Mei and Pok Hong Estates were earmarked for asset enhancement under the rolling programme.

4. The Housing Department (HD) has continued to identify new enhancement opportunities and carry out improvement works to fulfill the objective of enhancing the potential of HA's commercial properties and improving business environment.

Marketing Initiatives

5. During the year, we continued to look for new avenues in providing more shopping choices and variety of services to our residents. We adopted a flexible letting strategy to optimise the trade mix for new shopping centres such as Yan Tin Shopping Centre and Ying Tung Shopping Centre. We planned the letting arrangement well in advance such that essential retail facilities would be in place before intake of residents to meet their basic needs, and gradually extended the trade mix to offer a wide range of shopping choices and convenience to them. At the end of last year, we celebrated the 5th anniversary of Domain, HA's regional mega shopping centre. We took the opportunity of the tenancy renewal exercise of Domain in the year to enhance its trade mix and tenant mix, with a view to strengthening its market position and attractiveness, and had successfully introduced new trades including Vietnamese restaurant and furniture shop, etc.

6. We also continued to expand the variety of trades and services for our residents. Following the successful launch of new mobile banking service offered by the banking industry, we continued to extend the services. At present, mobile banking services provided by three major banks have covered 23 HA's public rental housing estates. In addition, in view of the popularity of online shopping and home delivery purchase, we have continued to let out various spaces in our shopping centres to set up parcel lockers. These new initiatives enriched the variety of services for local residents and brought in additional footfall to our shopping centres.

7. In addition to the six Single Operator Markets (SOM) currently under HA, we have continued to adopt the single-operator letting arrangement for the letting of new markets in Yan Tin and Ying Tung Shopping Centres. HD has implemented the measures as approved by us to enhance protection of stall operators and monitoring of the SOM tenants in the two new markets and will keep in view the effectiveness to ensure effective operation of the markets and the quality of services to our residents.

Vacancy

8. In adopting a flexible leasing strategy, we were able to keep the overall vacancy rate for retail premises at a low rate of 1.7% as at end March 2018.

Rent Arrears

9. The year-end performance for the rent arrears rate as at 31 March 2018 was about 1.8%, which was within the performance target at less than 2.5%.

Carparks

Management Services of Carparks

10. We had a portfolio of 152 carparks providing about 30 100 parking spaces at the end of March 2018. Six management contracts have been procured for the management of 93 carparks by three carpark operators, and the rest are under the management of Housing Department's staff and other property management agents. Carpark automation and electronic payment system by Octopus have been in place in most of the carparks to enhance cost effectiveness and users' convenience.

Maximising the Usage of Carparks

11. To ensure the best use of resources, HD has been keeping in view closely the usage and occupancy position of HA's car parking facilities and various measures have been taken from time to time to maximise the usage and meet the needs of residents and the local communities.

12. With the implementation of various measures, the letting position of HA's carparks has continued to improve with the overall occupancy rate reaching a record high of around 95% as at end March 2018. We will continue to maximise the usage of HA's car parking facilities through various measures including the letting of surplus parking spaces to non-residents, re-designation of parking spaces for other types of vehicles, flexible adjustment in the letting of parking spaces, etc. We will also explore the feasibility of creating additional parking spaces in existing carparks and other measures to meet the increasing demand for parking spaces from residents and visitors.

Provision of Electric Vehicle Charging Facilities

13. 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 to EV drivers during charging in HA's car parks.

14. Apart from the quick and semi-quick EV charging facilities installed by the two power companies in six HA's car parks, we have also provided EV standard charging facilities in the car parks of 14 new public rental housing estates involving around 520 parking spaces. In addition, a small number of standard EV charging facilities were also provided at parking spaces let on monthly basis in other existing car parks upon demand and when technically feasible.

Factory Estates

15. There are six factory estates under HA, namely Wang Cheong, Yip On, Hoi Tai, Sui Fai, Chun Shing and Kwai On, providing units of suitable sizes for manufacturers of light industries. Due to persistent and strong market demand for such units, the occupancy rate has been maintained at a high level. We will continue to maintain the factory estates and keep in view the changing market conditions.

Telecommunication Installations

16. The total number of telecommunication installations erected in HA's premises has recorded a slight increase of 2.35% since last year. The monthly charges for these installations are reviewed annually and take effect from 1 April of the year. In line with previous reviews, the licence fees were set at market level by making reference to the latest market evidence for leasing of various telecommunications sites at private sector properties gathered from the operators and the Rating and Valuation Department. We approved to increase the existing charges ranging from 5.1% to 7.5% for different types of telecommunications installations at HA properties with effect from 1 April 2018, bringing an anticipated rise of income of around \$183.6 million in the coming year.

Rates Concession Exercise for Non-domestic Premises

17. To align with the Government's mitigation measures to waive rates for the financial year of 2018/19, subject to a ceiling of \$2,500 per quarter for each rateable property, we approved to pass on the rates concession to eligible non-domestic tenants/licensees on a "no-loss-no-gain" basis by offsetting an equivalent amount of monthly rent/licence fees payable by them.

18. In view of the small amount of rates concession to individual carpark users but the 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, upgrading of security system, etc.

Promotion Activities

19. To sustain Domain as HA's regional mega shopping centre located in Kowloon East District, a series of tailor-made promotion activities with special events in partnership with shop tenants, mass media and non-government organisations (NGOs) were arranged to enhance Domain's popularity in the year. The thematic seasonal decorations and festive promotion activities were well received by our shoppers, shop tenants and residents and had brought a pleasurable shopping experience to them. Last year, 43 promotional events, publicity activities and community functions with a total of around 840 hours were held in Domain. In addition, the Domain Club has promoted customer loyalty with the number of members reaching around 20 900 by March 2018, representing an increase of about 7% for the year.

20. In our neighbourhood shopping centres, centrally planned special themed events and tailor-made promotion activities were launched continuously, bringing integrated entertainment and shopping experience to shoppers, strengthening customers' loyalty and encouraging repeated visits. In addition, a celebration ceremony was held to mark the opening of the On Kay Commercial Centre upon completion of the asset enhancement works and enhance its publicity as well as shopping ambience. During the year, a total of around 980 hours of promotion activities were held in 14 major shopping centres, whilst decoration packages for 26 shopping centres and estates were provided during major festivals in 2017/2018.

Community Services

21. To support community building and civic education, we continued to sponsor venues in HA's shopping centres for NGOs and Government departments to hold events and exhibitions. In 2017/18, a total of around 1 170 hours of community functions were held in collaboration with 43 NGOs/Government departments in our shopping centres for promotion of community building, social services, health care, environmental protection, etc.

Renewal of Arrangements for the Supply of Centralised Liquefied Petroleum Gas to Public Rental Housing Estates

22. It is HA's past practice to renew the contracts with the existing centralised liquefied petroleum gas (LPG) supplier for the supply of LPG to public rental housing (PRH) estates upon expiry of the current contracts. Following a comprehensive review conducted by HD, we have approved the new tender arrangements for awarding new contracts for the supply of LPG to PRH estates upon expiry of the existing contracts and the bundled tendering of the contracts for supply of LPG to Wah Fu (II) Estate and Nga Ning Court as a trial.

WAY FORWARD

23. CPC has endorsed the 2018/19 programme of activities for commercial properties with the theme of enhancing their attractiveness. We will continue to improve the business potential of our commercial properties through the proactive measures in the marketing and letting of retail facilities in accordance with the market trend. To increase shopping ambience and sustain competitiveness of neighbourhood shopping centres and major retail facilities in HA's estates, we will maintain the central planning and arrangement of promotion activities and seasonal decorations during major festivals/special days to attract shoppers and increase footfalls. We will continue to review the five-year rolling programme for asset enhancement annually, with a view to meeting residents' needs and optimising the use of resources. Given the declining stock available for large scale improvement, future implementation would focus on smaller scale works or enhancement of trade mix to meet the needs of the residents.

24. To sustain Domain's popularity and attractiveness as a regional shopping centre and provide visitors and customers with delightful shopping and lifestyle experience, we will adopt strategic planning in conducting the tenancy renewal exercise with tenants of large premises, encouraging them to carry out renovation works, with a view to attaining a refreshing look of the shopping centre. Besides, we will continue to diversify the trade mix and set up pop-up stores, mobile kiosks, road shows and trade fairs, etc. so as to widen the choice of products and services for customers and visitors, strengthen customer loyalty and encourage repeated visits. We and the staff of HD will continue to support community building through sponsoring suitable venues in Domain and other shopping centres for communal services.

25. We fully support green living and environmental protection for a sustainable living environment. We will jointly participate with tenants of restaurants, supermarkets and market stalls in source separation and programmes for the recycling/reduction of food waste and actively collaborate with NGOs and institutions to launch recycling and educational programmes. As for HA's carparking facilities, we will continue the provision of electric vehicle charging facilities in new and selected existing carparks.

CONCLUSION

26. In the last year, we had worked earnestly to optimise the potential of our commercial properties with a continuing low vacancy position for HA's retail and carparking facilities. In particular, I am delighted in seeing the successful completion of the improvement project of substantive scale at On Kay Commercial Centre, and newly completed shopping centres, such as On Tat Shopping Centre, coming into full operation. For the coming year, we shall continue our efforts in upkeeping the business growth of our commercial portfolio and well serving our residents and the community as a whole.

27. As the Chairman of CPC, I would take this opportunity to express my heartfelt thanks to the outgoing Members for their valuable contribution and a warm welcome to the new Committee Members. I count on all Members for their continual support and advice in the years ahead. I would also like to thank the staff of HD for the unfailing support to the work of CPC.

Tennesy HUI Mei-sheung
Chairman, Commercial Properties Committee

Report by the Chairman of the Finance Committee for 2017/18

INTRODUCTION

The main responsibilities of the Finance Committee (FC) include examination and review of the Housing Authority (HA)'s financial performance and budgets and forecasts, provision of advice on the 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 2017/18.

SUMMARY

Finance and Funds Management

Financial Planning and Management

3. In 2017/18, the Housing Department (HD) reviewed the Financial Planning and Budgeting Process, and issued an updated Financial Instruction promulgating the main budgetary process and promoting cost consciousness. In January 2018, the FC reviewed and endorsed the HA Budgets and Forecasts for 2017/18 to 2021/22, before submission to the HA and the Chief Executive for consideration and approval.

4. To align with changes in the HA's services/activities and to take into account the latest financial reporting standards, HD reviewed and updated the HA's financial and accounting regulations/policies during the year.

Budgets and Forecasts

5. With Home Ownership Scheme receipts coming on stream, the HA Budgets and Forecasts for 2017/18 to 2021/22 projected that the cash and investment balance of the HA would decrease from about \$49 billion at the beginning of April 2017 to about \$36 billion by the end of March 2022, mainly due to the projected increase in construction and operating expenditure. It is also projected that the 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 forecast period.

6. To achieve the public housing supply target, the HA's cash and investment balance will continue to decrease. Up to now, the Government has set aside about \$78.8 billion for the Housing Reserve, which fully demonstrates the Government's commitment to financially support the HA to meet the public housing supply target. The HA will continue to conduct its annual rolling five-year budget and forecast exercise in accordance with the established mechanism to prudently assess its financial position and future funding requirements. The HA will also keep in close contact and discuss, where necessary, with the Government 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.

Investment Strategy

7. The aim of the HA's investment strategy is to ensure that there is sufficient liquidity to meet the operational need of the 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.

8. 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 annual health check was conducted in 2017/18 taking into account the latest financial markets situation and risks. Having considered the recommendations made by the HA's independent investment consultant, the FC revised the SAA mainly to reflect changes in the percentage allocation to principal protection placement with the Exchange Fund as a result of the maturity of a placement in November 2017. The revised SAA is to allocate around 80% of the HA's funds to principal protection placement with the Exchange Fund, 8% to equities and 12% to HKD/USD deposits & bonds to cater for the liquidity requirements in meeting the HA's operational need. The portfolio mainly comprises investments with relatively stable return.

Human Resources

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

9. We continued to closely monitor the manpower requirement of the Department and seek additional staffing resources for delivering the new housing initiatives. In 2017/18, a total of 83 new civil service (CS) posts were secured 74 posts of which were funded by the HA, including 37 posts for

meeting the public housing supply target under the Long Term Housing Strategy; four posts for processing increasing number of public rental housing (PRH) applications; 11 posts for providing tenancy/property management and maintenance services for new domestic and non-domestic properties, and tackling tenancy abuses of PRH resources; and 22 posts for implementing the regularised Green Form Subsidised Home Ownership Scheme. The remaining nine posts were funded by the Government, including three posts for handling housing-related infrastructure projects under Capital Works Reserve Fund and six posts for exercising building control on buildings which are subject to the Buildings Ordinance.

Recruitment and Promotion Exercises

10. We continued to conduct recruitment and promotion exercises to fill new posts and vacancies arising from natural wastage. In 2017/18, 34 recruitment exercises and 47 promotion exercises were carried out. Altogether, around 700 new colleagues joined the Department and around 560 serving staff were recommended for promotion/acting in higher ranks.

Implementation of the Long Term Manpower Strategy

11. We continued to implement the long-term manpower strategy as endorsed by the FC in October 2008. In 2017/18, 11 HA contract posts in grades to be staffed by civil servants in the long run were converted into CS posts. Together with the 544 HA contract posts converted before since 2009/10, the total establishment of CS posts had increased by 7.3% since 1 April 2009 due to the conversion.

Staff Engagement Initiatives

12. We continued to provide comprehensive training for different levels of staff to enhance their competencies in discharging duties and facing challenges ahead. In 2017/18, various activities including the Extra Mile Card Plan, Care@Work Workshops, publication of success stories of exemplary work teams and Empowering Words Competition were organised to promote the HA core values and enhance staff's sense of belonging to the Department. Besides, a new series of Employee Wellness Seminars was organised and the Health Portal was updated regularly to promote healthy living.

Information Technology

13. The HA has been continuously making use of IT and implementing IT initiatives to meet its business needs and improve its operational efficiency

and service quality. The Housing Department Information Technology Steering Committee, chaired by the Director of Housing, provides steer on the strategic IT direction and monitors the progress of IT implementation regularly.

14. On infrastructure side, the HA is implementing the Housing Authority Cloud Computing Infrastructure (HA-Cloud) to better meet the HA's evolving business needs and pave way for the development of more IT-enabled applications, such as mobile applications, to better support frontline operations and streamline business processes of the HA. The implementation of HA-Cloud is in good progress and is targeted to be in place by Q1 2019.

15. The HA had implemented a number of IT initiatives to make the best use of mobile technology in improving its services to the public and daily operations. In December 2017, HA launched the "iHousing" mobile app to provide a wide range of services to public rental housing tenants, covering rent enquiry, rent payment reminders, rent payment services, etc. As at 31 March 2018, more than 25 000 downloads and 400 000 usage transactions were recorded for the mobile app. The HA will continue to enhance the mobile app with new functionalities, with a view to providing better services to public rental housing tenants.

16. Riding on the success of the Development and Construction Site Mobile System (DCSMS) in making use of mobile technology for building works inspection, building services inspection and safety alert reporting operations, the DCSMS was enhanced in July 2017 with more functions to improve the communication between building contractors and the HA for streamlining the inspection workflow. Further enhancements on DCSMS had commenced in October 2017 to add in more functions to facilitate better housing project progress monitoring and ensure quality of construction works.

17. To support the processing of PRH applications, the HA is implementing the Public Rental Housing Application System (PRHAS). Through the use of business rule based engine, the PRHAS enhanced the efficiency and effectiveness of the PRH application processing. Functions for preliminary vetting of the PRH applications were rolled out in July 2017 and functions for updating of particulars and detailed vetting were being progressively rolled out from February to May 2018.

18. The new Budgeting and Forecasting Information System was put into production in May 2017 for improving the HA's budget and forecast operations.

19. The effort of HA in continuously up-keeping its information security management was well recognised internationally. In January 2017, the IT Sub-division of HA had successfully renewed its ISO/IEC 27001 certification on information security management.

FINANCIAL PERFORMANCE

20. The key figures for HA's 2017/18 financial performance are summarised below –

	2017/18 Provisional Result ^{Note 1}	2017/18 Revised Budget	Variance
	(A)	(B)	(A) – (B)
	\$M	\$M	\$M
Operating Surplus/(Deficit)			
Rental Housing	379	(44)	423
Commercial	1,371	1,210	161
Home Ownership Assistance	4,739	4,265	474
Net Non-operating Income ^{Note 2}	7	23	(16)
Operating Surplus	6,496	5,454	1,042
Funds Management Account Surplus	2,128	1,921	207
Agency Account Surplus	74	23	51
Total Surplus before appropriation	8,698	7,398	1,300
Appropriation to the Government	(686)	(605)	(81)
Net surplus after appropriation	8,012	6,793	1,219
Capital Expenditure	21,161	22,353	(1,192)
Cash and Investment Balance at year-end	45,491	43,723	1,768

21. The provisional operating surplus for the rental housing operations in 2017/18 was higher than the Revised Budget deficit by \$423 million, mainly due to the lower than budgeted spending on other recurrent expenditure and personal emoluments. The provisional operating surplus for the commercial operations was higher than the Revised Budget by \$161 million, mainly due to

Note 1 These are provisional figures which may be subject to year-end and audit adjustments upon finalisation of the 2017/18 annual accounts.

Note 2 Net non-operating income includes mainly income from Urban Renewal Authority for the rental flats allocated to affected tenants, offset partly by adjustment on divestment expenditure of retail and carparking facilities.

the higher than budgeted rental income and lower than budgeted spending on other recurrent expenditure. The provisional operating surplus for the home ownership assistance operations was higher than the Revised Budget by \$474 million, mainly due to the higher than budgeted income from sale of more Tenants Purchase Scheme flats in the year.

22. The Funds Management Account had a provisional surplus of \$2,128 million in 2017/18, which was higher than the Revised Budget surplus of \$1,921 million by \$207 million, mainly due to the higher than budgeted return on investment. The overall gross return for the HA's funds in 2017/18 was 4.4%, as compared to the Revised Budget return of 4.0%.

23. Taking into account the Agency Account result and the appropriation to the Government, the provisional net surplus in 2017/18 was \$8,012 million, as compared to the projected net surplus of \$6,793 million in the Revised Budget.

24. The provisional capital expenditure in 2017/18 was \$21,161 million, which was lower than the Revised Budget of \$22,353 million by \$1,192 million, mainly due to construction programme adjustments for some construction projects.

25. As at 31 March 2018, the HA had a provisional cash and investment balance of \$45.5 billion, which was \$1.8 billion higher than the Revised Budget of \$43.7 billion, mainly due to the lower than budgeted construction payments and the higher than budgeted income from sale of more Tenants Purchase Scheme flats in the year.

THE WAY FORWARD

26. In 2018/19, the FC will continue to examine and monitor the HA's financial performance, and budgets and forecasts. The 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, and the HA's liquidity requirements.

27. In addition, the FC will continue to provide policy steer to enable the Department to maintain and enhance human resources management services.

28. The HA will continue to review the IT systems profile regularly with a view to implementing new IT initiatives and upgrading various systems to facilitate the latest business development and improve operation.

CONCLUSION

29. Finally, I would like to express my gratitude to all Members of the FC and the 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 the FC will continue to contribute positively and effectively to the mission and goals of the HA.

CHAN Ka-lok
Chairman, Finance Committee

Report by the Chairman of the Subsidised Housing Committee for 2017/18

INTRODUCTION

Insofar as the Subsidised Housing operation is concerned, our work and efforts will concentrate mainly on the themes of “Providing Quality Home”, “Promoting Sustainable Living” and “Optimising and Rationalising the Use of Public Resources”. The Subsidised Housing operation continues to focus on the allocation, management and maintenance of the public rental housing (PRH) stock of the Housing Authority (HA) to address the public needs. We also strive to enhance community bonding and family cohesion and put much effort in safeguarding the rational and efficient use of public resources.

2. In 2017/18, the Subsidised Housing Committee (SHC) held eight meetings, four separate meetings with concern groups and issued 73 papers.

OPTIMISING AND RATIONALISING THE USE OF PUBLIC RESOURCES

Implementation of the Revised “Well-off Tenants Policies”

3. SHC endorsed revisions to the “Well-off Tenants Policies” in late 2016/early 2017 with a view to allocating PRH resources to those with more pressing housing needs. The revised Policies have been implemented from the declaration cycle in October 2017. At its meeting on 14 February 2018, SHC noted that the implementation of the revised Policies has largely been in order and endorsed the following further enhancement measures –

- (a) prior to the implementation of the enhancement measure, households whose members are all (i) aged 60 or above; or (ii) receiving Comprehensive Social Security Assistance; or (iii) receiving Social Welfare Department’s Disability Allowance were exempted from the Policies. SHC endorsed extending the exemption to households with all members in different combinations of (i), (ii) and (iii) above; and

- (b) to allow households to deduct lump-sum non-statutory compensations and special financial assistance received due to death of family members in the tenancy in calculating total asset value.

4. HA will continue to closely monitor the implementation of the revised “Well-off Tenants Policies” to ensure rational allocation of PRH resources.

Clearance of Pak Tin Estate and Mei Tung Estate

5. The Commercial Properties Committee and the SHC endorsed at the joint meeting held on 30 August 2017, the clearance of two older blocks at Mei Tung Estate and four blocks at Pak Tin Estate. The respective target clearance dates are November 2020 for Mei Tung House and Mei Po House at Mei Tung Estate, April 2020 for Blocks 9, 10 and 11 at Pak Tin Estate and January 2021 for Block 13 at Pak Tin Estate.

6. Subsequent to the announcement of the clearance of Mei Tung Estate and Pak Tin Estate for redevelopment, given the persistently strong demand for public housing, an exceptional arrangement to refurbish 84 less dilapidated vacant flats (15 from Mei Po House and Mei Tung House of Mei Tung Estate and 69 from Block 13 of Pak Tin Estate) where the blocks are being involved in estate clearance for letting to PRH applicants to address their imminent housing through special letting arrangement.

7. If the arrangement works well without causing major delay to the clearance programme and the decanting arrangement is feasible, we may consider adopting similar arrangements for vacant flats in redevelopment estates in future.

Enforcement Actions against Tenancy Abuse

8. Public Housing Resources Management Sub-section (PHRM) had adopted three-pronged approach, i.e. prevention, investigation and education through publicity, to tackle suspected tenancy abuse by way of biennial flat inspections, checking on occupancy-related cases and income and assets declarations. In 2017/18, intensive checking on some 6 000 occupancy-related cases and some 5 600 income and assets declarations were completed. Besides, an additional sub-team in PHRM was set up to step up enforcement action against tenancy abuse. The time-limited Special Team was extended for further three years up to 2020/21 to work with regional management staff on checking additional occupancy-related cases.

Under-occupation Policy

9. In light of the increasing demand for PRH, we have to safeguard the rational use of public housing resources and need to better allocate PRH resources to those with more pressing housing needs. To rationalise the use of heavily subsidised public housing resources, it is the HA's long-standing policy to require those households with living space exceeding the prescribed Under-occupation (UO) standards to move to another PRH flat of appropriate size. The larger flats so recovered can be reallocated to households with more family members, such as applicants of PRH, overcrowding relief exercise, etc.

10. The phased approach to tackle UO households was implemented in 2007 and it was reviewed every 3 years. The last review was conducted in March 2017, with the prevailing UO policy and measures in tackling UO effected in October 2013 being unchanged. We will continue to focus on handling existing Prioritised Under-occupation (PUO) cases as well as those newly identified PUO households in the coming years.

PROVIDING QUALITY HOMES

Sale of Home Ownership Scheme Flats

11. All the 2 057 new Home Ownership Scheme (HOS) flats and 63 rescinded flats offered under the "Sale of HOS Flats 2017" were sold out by 26 October 2017 to 858 Green Form (GF) applicants and 1 262 White Form (WF) applicants. The new HOS flats sold were scheduled for completion in 2018 and 2019.

12. 4 431 new HOS flats in three developments, namely Hoi Lok Court in Cheung Sha Wan, Kai Long Court in Kai Tak and Yu Tai Court in Tung Chung, were included in the "Sale of HOS Flats 2018". They were expected to be completed from 2018 to 2020.

13. On 14 February 2018, SHC approved the income and asset limits for WF applicants for the "Sale of HOS Flats 2018". The income limit for family applicants was \$57,000 per month while that for one-person applicants was \$28,500 per month. The asset limit for family applicants was \$1,960,000 while that for one-person applicants was \$980,000. The average selling prices for flats in the three developments were originally priced at 30% discount from their assessed market values, with selling prices ranging from \$1.59 million to \$6.30 million. Pre-sale of the new HOS flats was launched on 29 March 2018 with about 150 000 applications received, of which about 87% are WF

applications. Balloting exercise to determine the priority for flat selection was originally planned to be held in June 2018 and flat selection by successful applicants was scheduled to commence in August 2018. Following the Chief Executive's announcement of the new pricing policy for subsidised sale flats, SHC agreed that the new pricing method should apply to the "Sale of HOS Flats 2018" at its special meeting on 29 June 2018. On 17 July 2018, SHC endorsed the revised selling prices and new alienation restrictions for the "Sale of HOS Flats 2018". Under the new pricing mechanism, the selling prices of flats were revised to 52% (instead of the original 70%) of the then assessed market values, ranging from \$1.18 million to \$4.68 million. The average selling prices were reduced by around 26%. SHC also endorsed the re-opening of the "Sale of HOS Flats 2018" in October 2018 to invite additional applications. They will be included in the same balloting exercise to be held in November together with the original applicants. Flat selection is tentatively scheduled to commence in February 2019.

White Form Secondary Market Scheme

14. HA launched two rounds of the Interim Scheme to Extend the HOS Secondary Market to WF Buyers (Interim Scheme) in 2013 and 2015 respectively, allowing WF applicants to purchase subsidised sale flats (SSFs) with premium unpaid in the HOS Secondary Market. Over 4 000 WF buyers achieved home ownership through the two rounds of the Interim Scheme.

15. At its meeting on 30 November 2017, SHC reviewed the Interim Scheme. SHC considers that the Interim Scheme has enriched the housing ladder by providing low to middle-income families with an additional avenue for home ownership. It has also facilitated the circulation of SSFs by adding potential buyers to the Secondary Market. Taking into account the continuing demand for SSFs from WF buyers, SHC endorsed regularising the Interim Scheme as the White Form Secondary Market Scheme (WSM). The WSM, with an annual quota of 2 500, was launched on 29 March 2018 together with the "Sale of HOS Flats 2018", adopting the same set of eligibility criteria. Over 60 000 applications were received during the application period. Balloting for WSM was held in July 2018, and HA will issue Approval Letters in October 2018 such that successful WSM applicants can apply for a Certificate of Eligibility to Purchase with a validity period of 12 months, from October 2018 to October 2019.

Green Form Subsidised Home Ownership Scheme

16. HA selected a PRH development (i.e. King Tai Court) in San Po Kong involving 857 flats as the site for Green Form Subsidised Home Ownership Scheme (GSH) pilot project. Pre-sale was launched in October 2016, with the average selling price at 40% discount from the assessed market value (as compared with the usual 30% discount for HOS flats). All the flats were sold by 20 February 2017. King Tai Court was completed in June 2017.

17. At its meeting on 30 January 2018, SHC reviewed the GSH pilot project. SHC considers that the GSH provides an alternative avenue for GF applicants to achieve home ownership and is conducive to enriching the housing ladder. Given the “one-for-one” arrangement under the GSH, while it will not increase the supply of PRH, it will not reduce the supply of PRH. The GSH serves the dual functions of meeting the home ownership aspirations of GF buyers and addressing the housing needs of PRH applicants.

18. Having regard to the outcome of the review of the GSH pilot project, SHC endorsed regularising the GSH and the major implementation details of the regularised GSH. Concerning the resale restrictions under the regularised GSH, SHC considers that more stringent resale restrictions should be imposed. On the other hand, SHC considered it prudent to implement GSH at a more modest pace to gather experience, reduce risk of unsold flats and minimise impact on the waiting time for PRH applicants. SHC Members exchanged their views on the suitability of converting individual PRH projects in the pipeline into GSH at a subsequent briefing session held in March 2018. Taking into account SHC’s views, at its meeting on 27 April 2018, the Strategic Planning Committee endorsed converting the PRH development at Lai Chi Kok Road-Tonkin Street Phase 1 involving around 2 500 flats into a GSH project for sale in 2018.

Maintenance for Sustainability (Sustainable Building Index)

19. To gauge the sustainability performance of PRH blocks for formulating an effective long-term maintenance and improvement (M&I) strategy, HA employed a cost-effective approach and continued processing the 10 selected PRH estates, which included the majority of the block types of our existing housing stock for enrolment in the Hong Kong Quality Assurance Agency’s (HKQAA) Sustainable Building Index. In May 2017, the above PRH blocks in the 10 estates were verified fully and obtained the HKQAA Verified Mark.

Fire Safety Improvement Works

20. HA continued to carry out various kinds of fire safety improvement works under planned maintenance programmes to enhance fire safety of PRH. For the implementation of Fire Safety (Buildings) Ordinance in PRH estates, we maintained close liaison with the enforcement authorities, i.e. the Buildings Department and the Fire Services Department, by conducting tripartite interdepartmental meetings to monitor the progress and to resolve problems arisen during implementation.

21. By end-March 2018, we have submitted fire safety proposals for 55 estates to the enforcement authorities, and joint site inspections for 28 estates were conducted. Upon acceptance of the proposals, we will proceed with the improvement works.

Replacement of Pole Holders with Laundry Racks

22. HA is proceeding with an initiative to replace traditional pole holders with new laundry racks, addressing safety issues and promoting sustainability. In 2017/18, the replacement programme was completed in 162 estates with tenants' agreed replacement of laundry pole holders by laundry racks.

23. To cater for tenants' genuine needs for laundry facilities and to reduce the potential risk of incautious use of laundry rods at high level, HA enhanced the programme by providing laundry rod as landlord's fixtures for seven types of specified blocks. We expect the enhanced programme will be completed in 2019.

Collapsible Gate Enhancement Programme

24. To enhance the living standard of tenants and bring the facility up to par, HA had launched the programme for replacement of old-type collapsible gate in 2014/15. To date, some 100 000 gates had been replaced in 103 estates. Tenants could receive new gates with enhanced security and operational features through the programme.

Responsive In-flat Maintenance Service

25. As an on-going service, the Responsive In-flat Maintenance Services is providing quality indoor minor maintenance services through prompt response to works requests, close liaison with tenants and proper control of works quality to the tenants of the HA.

Total Maintenance Scheme

26. HA launched in-flat inspection programme under Total Maintenance Scheme in 2006 to proactively inspect the public rental flats which aged ten years or above and to provide timely repair service to the tenants. The in-flat inspection programme was carried out in 35 estates in 2017/18 and around 48 000 flats have been inspected during the year.

Mandatory Window Inspection Scheme

27. The Mandatory Window Inspection Scheme (MWIS) is one of the Government's initiatives to improve building safety in Hong Kong. Under the scheme, buildings over 10 years old may be selected as target buildings to implement the MWIS. For HA properties selected to implement the MWIS, Qualified Persons registered with the Buildings Department will be engaged to carry out the prescribed inspection and supervision of the prescribed repair for windows under the MWIS. In 2017/18, there are 11 estates implementing the MWIS.

Comprehensive Structural Investigation Programme in Aged Public Rental Housing Estates

28. The Comprehensive Structural Investigation Programme (CSIP) continued its task of checking older estates to ascertain their state of structural safety and to assess the repair works needed for sustaining them for at least 15 years and the cost-effectiveness of such repair works. To date, we have completed the investigation of 36 out of 42 PRH estates and attained a satisfactory progress in the investigation of the remaining 6 estates, which will be completed in 2018.

29. To ensure the sustainability of estates retained after CSIP assessment, HA would continue the Estate Improvement Programme (EIP) to these estates in phases to update the recreational facilities as well as renovate the building exteriors and common areas so that the quality and living environment of the estates are enhanced.

Lift Modernisation Programme

30. Lift modernisation was continued in PRH estates. The condition of all lifts over 25 years of age would be evaluated and prioritised in the rolling programme, based on the lift condition and the availability of resources. During the year, 55 lifts were modernised and five tenders for modernisation of 75 lifts in five estates were issued under this programme.

OHSAS 18001 - Occupational Health and Safety Management Systems

31. To enhance the HA's occupational health and safety performance and to demonstrate our commitment to caring for our staff and stakeholders, we continued to implement the OHSAS 18001:2007 Occupational Health and Safety Management System (OHSMS) for maintenance and improvement works for public housing. The OHSMS enables us to assess occupational health and safety risks in our M&I works more systematically and efficiently, and allocate 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. We have developed an Occupational Safety and Health web-based courseware to promote safety awareness and strengthen the safety knowledge of our staff. The courseware has been launched since November 2014 and a public version of the courseware has been launched at our web-site since June 2016.

Implementation of ISO 50001 Energy Management System

32. HA continued to implement the Energy Management System to ISO 50001 for planning, design, operation, project management and contract administration for facility management and improvement works of the communal areas of PRH domestic blocks.

Energy Conservation

33. HA is constantly looking for new initiatives of energy saving across PRH estates. Energy efficient equipment will be adopted in refurbishment works such as the use of variable speed drive booster fresh water pump system for replacement of the booster pump system which is approaching their end of services and the use of energy-efficient lift drive control system in lift modernisation works, etc.

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

ISO 14001 Environmental Management System Certification

35. To maintain the ISO 14001 certificate status, the recertification audit to our Environmental Management System on planned M&I works as well as property management services was successfully accomplished in April 2017.

PROMOTING SUSTAINABLE LIVING

Review of Income and Asset Limits for Public Rental Housing for 2018/19

36. SHC endorsed the income and asset limits for PRH for 2018/19 on 19 March 2018. Review of the income and asset limits for PRH is conducted annually based on the established mechanism. Under the mechanism, the income limits for PRH are derived using a household expenditure approach, which consist 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 2018/19 increased by an average of 2.6% ^{Note} and 1.6% respectively when compared with the limits for 2017/18. The revised income and asset limits came into effect on 1 April 2018.

Implementing the Government's Initiative to Assist Lower Income Families

37. To help ease the community burden, the Government announced to waive the rates for four quarters of 2017/18. On a no-loss-no-gain principle, the 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.

Rent Assistance Scheme

38. HA operates Rent Assistance Scheme (RAS) to assist PRH tenants with temporary financial difficulties pay their rent. Under RAS, eligible applicants will be granted a rent reduction of either 25% or 50%. As at end-March 2018, around 17 334 families were receiving assistance of rent reduction under the scheme.

Marking Scheme for Estate Management Enforcement

39. The Marking Scheme (MS) for Estate Management Enforcement in Public Housing Estates applies to 28 misdeeds covering reckless conducts and breaches of the tenancy agreement which affect environmental hygiene. It has received wide recognition and support from our tenants since its implementation in 2003 for strengthening control against hygienic-related misconduct in

Note If calculated based on the established methodology, the 2018/19 PRH income limit for 3-person households should have been \$22,020, which was lower than the 2017/18 level of \$22,390. The relevant income limit should therefore be adjusted downwards. Nevertheless, with reference to the practice in the 2017/18 review, past experience in reviewing PRH income limits and the overall situation of the income limit adjustments, SHC agreed to freeze the income limit for 3-person households at the existing level.

PRH Estates. It is widely held that the overall cleanliness and hygiene condition of estate common areas has been improved. As revealed in the Public Recurrent Survey in 2017, about 95% of our tenants were aware of MS. Up to December 2017, there were accumulatively some 32 000 point-allotment cases recorded and 66 tenants had their tenancies terminated upon the allotment of 16 valid points.

40. HA will continue to implement the proactive measures to deter the MS misdeeds through intensified patrols and enforcement actions by staff at estate level and the Special Operation Teams at regional level, especially on those misdeeds attracting grave concern of the public like throwing objects from height, littering and smoking in estate common area. We will also enlist assistance from other public officers, e.g. police, to tackle the misdeeds of gambling in public place and illegal use of premises. To promote civic responsibility of the tenants, we will continue to enhance the publicity through Housing Channel, radio broadcast, estate newsletters, posters and leaflets in order to maintain a decent living environment in the PRH estates.

Partnering for Better Estate Management

41. We endeavour to enhance community bonding and attend to tenants' needs. The Estate Management Advisory Committees (EMACs) partnered with non-government organisations (NGOs) to hold functions to foster community building and deliver caring and outreaching services for elderly tenants. To specially attend the need of the elderly, all EMACs currently conducted at least one partnering function each year to facilitate the NGOs to deliver outreaching services for elderly tenants. In 2017/18, about 440 partnering functions were held in the form of seminars, workshops, shows and carnivals to promote care for the elderly, family relationship, health, environmental protection and green lifestyle, so as to strengthen neighbourliness and develop support networks in PRH estates.

Harmonious Families Policies

42. In order to enhance family cohesion and establish a family-based support network for fostering harmonious families, HA has all along been implementing a number of schemes, namely the Harmonious Families Priority Scheme, Harmonious Families Transfer Scheme, Harmonious Families Amalgamation Scheme and Harmonious Families Addition Scheme to encourage the younger generation to take care of and live together with their elderly parents and further establish the concept of "Ageing in Place". These schemes are well received by the tenants. HA will continue to run these schemes for fostering harmonious families.

Tree Management

43. Apart from updating the tree data to a centralised electronic tree database operated on Geographic Information System, a computerised Enterprise Tree Management System using web based platform and mobile device application to assist in keeping tree inventory and conducting tree risk assessment, has been implemented since early 2016. HA continued conducting tree inspections and carried out required remedial works. As at March 2018, we had enrolled some 710 Estate Tree Ambassadors from tenants to help us maintain proper surveillance on trees and had organised tree planting days in 10 PRH estates in the year.

Horticultural Greening

44. In addition, we enriched the existing greenery at 20 PRH estates by introducing new varieties of plants to match the local landscape and conditions. In collaboration with the EMACs, we also organised greening activities for residents at 20 estates to promote community participation in greening of PRH estates.

Waste Reduction

45. Underpinned by the implementation of the Source Separation of Domestic Waste Scheme, we carried out a variety of promotional activities and carnivals in PRH estates to promote the message of waste reduction and clean recycling. HA had held Mascot Tour for Waste Reduction to 20 estates from November 2017 to March 2018 as a continuation of the Waste Reduction Campaign in 2014. Through a pilot scheme in collaboration with the Environmental Protection Department (EPD) implemented in 2017, a total of 90.6 tonnes of source separated food waste was collected from four shopping centres/markets from April to October 2017.

46. Besides, some 750 tonnes of glass bottles have been collected in PRH estates through the on-going trial spearheaded by EPD. About 56 800 moon cakes boxes at about 17 tonnes were collected for recycling and about 7 000 potted citrus plants have been recovered for recycling after Mid-Autumn Festival and Lunar New Year in 2017/18.

THE WAY FORWARD

47. 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-2018. Outcome of the review will be submitted to SHC for endorsement.

48. In 2018/19, promotion activities on the Municipal Solid Waste Charging will be carried out to arouse PRH tenants' awareness on the issue.

CONCLUSIONS

49. We are committed to improve the quality of the homes for our public housing tenants and continue to collaborate with stakeholders at all levels in delivery of housing management and related services in a proactive and caring manner. In this endeavor, we strive for innovations and making effective use of resources in an environment-friendly manner to promote sustainable living, as well as ensure optimising and rationalising the use of public resources.

50. At last, I would like to extend my heartfelt gratitude and sincere appreciation for all members and staff of the Department for their valuable contribution and unfailing support to the work of SHC. I am confident that members of SHC will continue to contribute positively and effectively to the mission, core values and strategic goals of HA.

Stanley WONG Yuen-fai
Chairman, Subsidised Housing Committee

Report by the Chairman of the Tender Committee for 2017/18

INTRODUCTION

I have pleasure in presenting this year's report of the Tender Committee (TC).

2. In 2017/18, TC held 12 regular meetings and two visits to two new works construction sites and one completed estate. Altogether, TC processed 70 discussion papers, 29 presumption papers and 34 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 tender reports being submitted 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, e.g. inviting Wildcard Contractors to participate in tendering for HA Minor Works (New Works) Contracts, revision of assessment methodology of Corporate Score on Wage Monitoring System of Wildcard Contractors, enhancement to measures against Collusive Tendering and revised List Management and Procurement Requirements for Housing Authority List of Soft Landscape Contractors. In particular, the incident in which suspected collusive tendering was found in one cleansing service contract of one public housing estate had attracted considerable and extensive concern from the media and the general public.

SCRUTINISING TENDER REPORTS BEING SUBMITTED AND AWARDING CONTRACTS

5. In 2017/18, Members awarded a total of 56 contracts comprising a total contract value of HK\$24.77 billion, including 13 building (New Works) contracts, four foundation contracts, eight building services nominated sub-contracts, one term contract for building services maintenance works, eight building maintenance district term contracts, two building maintenance lump sum contract, one civil engineering improvement works contract, six property services/management agency contracts, five security service contracts, five cleansing service contracts and three contracts for consultancy.

REVIEWING AND ENHANCING TENDER GUIDELINES, PROCUREMENT STRATEGIES AND POLICIES

6. While adhering to the Agreement on Government Procurement of the World Trade Organization (WTO GPA), 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.

Housing Authority enters into the Australia - Hong Kong, China Free Trade Agreement

7. Earlier this year, the Trade and Industry Department (TID) announced that the Government would pursue a Free Trade Agreement with Australia. A bilateral agreement with Australia would be instrumental in fostering closer economic relationship between the two economies.

8. In negotiating with Australia on the Australia – Hong Kong, China Free Trade Agreement (AHKCFTA), TID has made offer to HA with respect to the entities, goods and services that are equivalent to the Hong Kong, China’s commitment under the WTO GPA. Based on TID’s confirmation that the provisions would not entail obligations/requirements that go beyond HA’s commitments under the WTO GPA, HA would be covered in the Government Procurement Chapter of the AHKCFTA upon the agreement was formed (Paper No. TC 126/2017 refers).

Inviting Wildcard Contractors to Participate in Tendering for HA Minor Works (New Works) Contracts

9. HA has been engaging in minor works (New Works) contracts e.g. District Open Space, etc. which are of relatively smaller in scale, less complex and lower contract sums than that of the normal HA projects comprising construction of high-rise building blocks. With a view to enhancing competition in the tendering exercises, Members in January 2018 approved inviting those wildcard contractors^{Note 2} with non-HA minor works project experience^{Note 3} (comparable to the size and complexity of HA minor works contracts) in the past three years to participate in tendering for HA minor works (New Works) contracts, subject to meeting other prevailing requirements (Paper No. TC 1/2018 refers).

Revision of Assessment Methodology of Corporate Score on Wage Monitoring System of Wildcard Contractors for HA Capital Works New Works Contracts and Maintenance and Improvement Contracts

10. As an on-going exercise, feedback from stakeholders and various parties was gathered and the system was reviewed and enhanced where appropriate. Amongst which, there were concerns raised recently that the current mechanism in assigning Wage Monitoring System (WMS) scores to wildcard contractors may be too stringent and hinder them from awarding with a HA contract. In view that WMS has been introduced and implemented for 10 years, a review exercise for wildcard contractors was conducted. After review, in order to enhance the fair and effective allocation of WMS score for wildcard contractors, the assessed score attained by wildcard contractor would

Note 2 Wildcard contractors are those contractors on the HA List of Building Contractors - New Works Category and do not have valid Performance Assessment Scoring System (PASS) Scores.

Note 3 The non-HA minor works project shall be either a project completed in the past three years or an on-going project of minimum value \$137.5M. For an on-going project, the value of completed portion of works shall be not less than \$68.75M.

be directly adopted (i.e. removal of current mapping mechanism) as Corporate Score on WMS for the tenders to be issued from 1 December 2017. (Paper No. **TC 124/2017** refers).

Enhancements to Measures against Collusive Tendering

11. HA has put in place controlling mechanisms, which are regularly reviewed, to ensure that all procurement exercises are carried out in a transparent, fair, reasonable and ethical manner with due regard to probity. Modeling on the Competition Commission's guideline issued in December 2017, Members in February and March 2018 approved the enhancement on non-collusion clauses in HA contracts put out to tender on or after **1 April 2018** (Papers No. **TC 18/2018** and **21/2018** refer).

Revised List Management and Procurement Requirements for Housing Authority List of Soft Landscape Contractors

12. To promote the Quality Assurance practices and enable HA to employ soft landscape contractors with good performance track records and better potential, Members in March 2018 approved imposition of quality assurance accreditations of ISO 9001, ISO 14001 and OHSAS 18001/ISO 45001 as list admission to and retention requirements for the HA List of Soft Landscape Contractors with effect from **1 April 2018**; and implementation of Preferential Tender Award System ^{Note 4} for evaluation of tenders of soft landscape contracts let out **on or after 1 April 2018** (Paper No. **TC 29/2018** refers).

“Quarantine” System

13. 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;

Note 4 Preferential Tender Award System has been adopted by other major HA works contracts. Under the system, a Preferential Tender Score derived from a Price Score and a Non-price Score (at a ratio of 75:25 respectively) will be calculated for each tender submitted for soft landscape contracts. The tenderer with the highest Preferential Tender Score will be recommended for award the contract, subject to meeting other prevailing requirements.

- (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.

14. This provides Members with the opportunity to consider whether the contractors are fully capable of undertaking the contracts before making decisions for award. In 2017/18, we conducted six interviews for capital works contract with a total of four contractors with fatal accident or poor performance occurring in their site in Hong Kong, and one interview for works related services with one professional services provider with incident occurring in their non-HA site in Hong Kong. A total of 13 “quarantine” cases were reviewed. The results of these “quarantine” actions had led to one professional services tender (adopting two-envelope system for tender evaluation) not awarded to the highest scorer, and one building maintenance tender (lump sum redecoration contract) not awarded to the lowest price tender.

SUMMARY OF TENDER AWARD, SYSTEM ENHANCEMENT AND REGULATORY ACTION

15. A summary of number of tender award, system enhancement and regulation action taken for 2017/18 is shown in **Annex**.

ENDORSING PROGRAMME OF ACTIVITIES

16. The Programme of Activities 2017/18 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 2018/19, our work and efforts will mainly concentrate on the themes of providing quality homes, promoting sustainable living, optimising and rationalising the use of public resources and enhancing the attractiveness of commercial properties (Paper No. **TC 129/2017** refers).

WAY FORWARD

17. 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

18. 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

Summary of Contract Awarded, System Enhancement and Regulatory Action

(a) Contract Awarded

	Subject	No. of Contract Awarded
1.	Building (New Works)	13
2.	Foundation	4
3.	Building Services NSC	8
4.	Term Contract for Building Services Maintenance Works	1
5.	Building Maintenance District Term Contract	8
6.	Building Maintenance Lump Sum Contract	2
7.	Civil Engineering Improvement Work	1
8.	Property Services/Management Agency Contract	6
9.	Security Service Contract	5
10.	Cleansing Service Contract	5
11.	Consultancy Contract	3
	Total =	56

(b) System Enhancement

	Subject	Paper No.
1.	Proposed Revision of Assessment Methodology of Corporate Score on Wage Monitoring System of Wildcard Contractors for Evaluation of Tenders for Housing Authority Capital Works New Works Contracts and Maintenance and Improvement Contracts	TC 124/2017
2.	Housing Authority List of Building Contractors New Works Category (Group NW1 and NW2) - Comparable Projects for Wildcard Contractors for Minor Works of New Works Capital Contracts	TC 1/2018

	Subject	Paper No.
3.	Enhancement against Collusive Tendering	TC 18/2018
4.	Enhancement on Non-collusion Clauses	TC 21/2018
5.	Revised List Management and Procurement Requirements for Housing Authority List of Soft Landscape Contractors	TC 29/2018

(c) Regulatory Action

	Subject	Paper No.
1.	Consideration of Duration of List Removal imposed on a Security Service Company (Kingsway Security Limited)	TC 17/2018