

**Memorandum for the Building Committee,
Strategic Planning Committee and
Subsidized Housing Committee of
the Hong Kong Housing Authority**

**Audit Report on
Planning, Construction and Redevelopment of
Public Rental Housing Flats**

PURPOSE

This paper informs Members of the key findings and recommendations of the Value for Money (VFM) Audit Report conducted by the Audit Commission (AC) on the Hong Kong Housing Authority (HA): Planning, Construction and Redevelopment of Public Rental Housing (PRH) Flats, and the management responses.

BACKGROUND

2. The Director of Audit carries out VFM audits to examine the economy, efficiency and effectiveness with which any department has discharged its functions, and reports his findings in the Legislative Council (LegCo) twice each year. The AC commenced a VFM study in April 2013 to examine the allocation and utilization of Public Rental Housing Flats and the findings have been discussed at the Public Accounts Committee (PAC) of the LegCo in November 2013. Subsequently, the AC commenced a VFM study in December 2013 to examine the planning, construction and redevelopment of PRH flats. The result of this study is contained in Chapter 2 of Report No. 62 of the Director of Audit published on 16 April 2014, which is available on website at <http://www.aud.gov.hk>. An executive summary of the study is at ----- **Annex**. If the study is selected by the PAC for investigation, hearings will be conducted from early to mid-May 2014.

KEY FINDINGS AND MANAGEMENT RESPONSES

3. We welcome the study and generally agree with the comments made by the AC. Most of AC's recommendations have either been implemented or will be taken on board. Where policy clearance is required, we will seek approval from Members and the HA. Regarding AC's key findings and recommendations, the management has the following responses –

A. Planning for the provision of PRH flats

Assessment of public housing supply and demand

4. The Government and the HA's objective is to provide PRH to low-income families who cannot afford private rental accommodation, and the target is to maintain the average waiting time (AWT)^{Note 1} at around three years for general applicants on the Waiting List (WL). In his 2014 Policy address, the Chief Executive has already adopted the new housing supply target of a total of 470 000 units in the coming ten years, with public housing accounting for 60%. To meet this target, the Government aims to provide an average of about 20 000 PRH units and about 8 000 Home Ownership Scheme (HOS) units per year.

5. We will continue to closely monitor the number of applications on the WL and strive to maintain the AWT for general applicants on the WL at around three years. The development plans for PRH can be adjusted wherever feasible to maintain the target.

6. The AC recommends that the HD should continue to perform the assessment of long-term PRH demand and report the results for endorsement by the Committee on Housing Development (CHD) and updating of the total housing demands of the Long Term Housing Strategy (LTHS). On this, the LTHS Steering Committee has reviewed the projection of long term housing demand, and recommended the housing supply target of 470 000 new units in the coming ten years, with public housing accounting for at least 60%, to provide adequate accommodation to each and every household in Hong Kong.

Note 1 Waiting time refers to the time taken between registration on the Waiting List and first flat offer, excluding any frozen period during the application period (e.g. when the applicant has not yet fulfilled the residence requirement; the applicant has requested to put his/her application on hold pending arrival of family members for family reunion; the applicant is imprisoned, etc). The AWT for general applicants refers to the average of the waiting time of general applicants housed to PRH in the past 12 months.

PRH demand has already been fully accounted for in the new assessment methodology adopted by the LTHS Steering Committee. In considering the Government Long Term Housing Strategy, the Government takes into account the Steering Committee's recommendations.

Meeting the pledged production targets

7. Between 2003-04 and 2012-13, the previous production target of 150 000 had generally been met. However, in analysing HD's PHCP/PHDF (i.e. the production forecast from 2013-14 to 2017-18 and 2018-19 to 2022-23), the AC considers that there will be a projected shortfall in PRH supply and therefore it is imperative to secure timely suitable sites, staff resources, and adequate production capacity in the construction industry to ensure the delivery of production.

8. The AC recommends that HD should continue to closely monitor the projected shortfalls in the PRH production against the pledged 10-year production targets and step up efforts to increase PRH production with a view to meeting the pledged 10-year production targets, taking into account the need to maintain the AWT at about three years for general applicants.

9. On this, the Government's targets now are to provide an average of about 20 000 PRH units and about 8 000 HOS units per year in the coming ten years. We will keep in view the number of applications on the WL and, where possible, adjust the development programmes of PRH and HOS to uphold the target of maintaining the AWT for general applicants at around three years.

10. We will actively explore all feasible ways to increase the land for public housing development including –

- (a) liaising closely with the concerned bureaux, government departments, district councils and local communities to identify suitable sites for public housing development in different parts of the territory;
- (b) optimising the development potentials of public housing sites having regard to the principles of cost effectiveness and sustainability. We will strive to achieve relaxation in plot ratios and height restrictions where planning and infrastructure capacity permit as well as without compromising the environmental quality; and

- (c) examining the build-back potential of aged estates so as to increase the supply of PRH.

Supply of land for public housing

11. Action is already underway by the Government to identify additional land required to achieve the new supply target. The Government will adopt a multi-pronged approach to increase land supply through optimizing the use of the developed land, actively developing new land and allocating land suitable for residential use.

12. There is an internal coordination mechanism in the Government which operates through the Steering Committee on Land Supply, the Committee on Planning and Land Development, the Committee on Housing Development, and the Planning Department-Housing Department Liaison Meeting to monitor land supply for public housing. The Government will ensure adequate and steady supply of land for PRH development so as to meet the new production target.

13. We will continue to liaise closely with the DevB/PlanD to secure sufficient suitable sites for public housing development in different areas of the territory and to make the best uses of the identified sites. Where planning and infrastructure permit as well as without compromising environmental quality, we will seek to optimize the development potential of each site and increase public housing flat production through relaxing the plot ratios and building height restrictions of public housing sites.

Public housing sites returned to the Government

14. Regarding the development cost written off and delay in PRH supply caused by returning PRH sites to the Government in exchange of sites for public housing development, the AC recommends that the HD should take into due consideration the projected long-term PRH demand and the production targets under LTHS in its discussions with the relevant B/Ds about the return of PRH sites to the Government for other uses and take measures to ensure the timely completion of PRH development on the replacement sites provided by the Government. We agree to the recommendations.

15. At present, we have no plan to return other PRH sites to the Government. Cleared public housing sites will be retained for PRH development as far as possible (e.g. Un Chau Estate, Sau Mau Ping Estate, Lam

Tin Estate, Upper Ngau Tau Kok Estate, Lower Ngau Tau Kok Estate, Chai Wan Estate, Shatin Pass Estate, Hung Hom Estate, Shek Kip Mei Estate, So Uk Estate, etc). The Government will ensure adequate and steady supply of land for PRH development so as to meet the production target through an internal coordination mechanism.

B. Management of PRH construction projects

Monitoring progress of construction projects

16. During the process of the development of PRH projects, it is not unusual to encounter problems such as objection by the public or local concerned groups and other stakeholders. The project officers have been very proactive and active in liaising with all stakeholders, such as local pressure group and district councillors to address their concerns.

17. For projects with delay as highlighted by the AC, there were genuine reasons for the delay which were beyond the control of the contractors or the HA, such as inclement weather, late possession of site and delay by other parties such as the utility companies. The project officers will closely monitor the situation to avoid or minimize programme slippage. We regularly report the progress on project programmes to the HA's Building Committee (BC), and inform the BC members of any delay and the effect on the annual flat production. We will also take positive actions to prevent similar delays in future, such as conducting underground utilities survey ahead of construction contracts.

18. We generally agree to the AC's recommendation to conduct early consultation work to deal with any possible objections from the local communities or other stakeholders in order to ensure that the PRH production is delivered in a timely manner, and closely monitor the PRH construction projects and take early remedial actions on project delays, in order to ensure their timely completion in accordance with the PHCP.

Monitoring costs of construction projects

19. For monitoring costs of construction projects, we already have a proper budget preparation and approval process, and an effective budgetary control and monitoring system in place. Project teams are required to follow the established mechanism in preparing the original budgets in accordance with the latest designs and prevailing construction cost yardsticks which have taken into account the prevailing market conditions.

20. The original project budgets are scrutinised by the senior management and approved by the Building Committee of the HA. Project teams keep close monitoring of the project budgets and seek relevant approvals to update project budgets promptly as appropriate.

21. The major variances from the original budgets for the three highlighted completed projects were mainly due to the change in market conditions in 2009. The original budgets of these three projects with major variances were prepared in 2008. Due to the financial tsunami in late 2008, the HA made downward adjustments to the project budgets of the three projects in 2009 to reflect the dramatic market downturn to strengthen cost control. As a result, the variances between the estimated final costs and revised budgets of these three projects were substantially reduced.

22. The estimated final costs of the six projects completed in 2012-13 were within the respective original budgets and approved revised budgets. The variance of each of the six projects completed in 2012-13 from the respective latest revised project budgets was less than 10%.

23. Based on the building contracts of major PRH projects let out in 2013, the average construction unit cost is about \$0.70 million per PRH flat.

24. We have been striving for cost effective design for PRH development. According to a cost report issued in 2013 by a consultant commissioned by the HA, the average superstructure construction cost of PRH blocks is about 50% lower than that of the residential buildings of "average standard" in the private sector. We will continue to enhance our monitoring of costs of construction projects.

C. Redevelopment of PRH estates

Comprehensive structural investigation programme

25. The AC considers that the existing resources for investigating three to four estates per year may not be sufficient to cope with the increasing number of blocks requiring inspection in future and recommends that HD should critically review the resource requirements for the comprehensive structural investigation (CSI) and plan ahead for the implementation of the next CSI.

26. We agree with the AC's recommendation. We will conduct an early review to assess the resource requirements for the CSI and prepare an implementation plan ahead of the next CSI Programme expected to start in 2018.

Refined policy on redevelopment

27. We generally agree with the AC's recommendations of avoiding possible wastage due to the launching of redevelopment plan after the completion of major improvement works in aged PRH estates. We have enhanced coordination within the department to better plan various maintenance programmes and improvement works having regard to the Redevelopment Programme to avoid possible wastage of resources.

28. To ensure an adequate and steady production of PRH, apart from liaising closely with government departments concerned to identify suitable new housing sites in different parts of the territory, we are actively examining the redevelopment potential of existing aged PRH estates with a view to optimizing plot ratio for better utilization of our valuable land resources and additional PRH production.

29. According to the HA's "Refined Policy on Redevelopment of Aged Public Rental Housing Estates" currently in force, in considering redevelopment of the existing estates, we will refer to the findings of the Comprehensive Structural Investigation Programme (CSIP) on structural safety and cost effectiveness in repair works, as well as build-back potential and availability of suitable and adequate rehousing resources.

30. We have completed a review on the redevelopment potential of the 22 aged PRH estates in late 2013 and found that the build-back potential is favourable in general. However, it is prudent to contain the scale and pace of redevelopment taking into account the availability of reception resources, demand from waiting list applicants and manpower and other resources constraints. We will critically review the resource requirements for the implementation of the works.

31. The feasibility and implementation programme for redevelopment of individual aged estates can only be established after a series of detailed studies including development intensity, local master planning, urban design and various technical assessments, etc. In addition, we will liaise with relevant bureaux and departments and consult the relevant District Councils and stakeholders regarding the redevelopment proposal. Therefore, the HA will

make announcement on redevelopment of individual aged estates on estate basis as appropriate.

Exploring future redevelopment potential

32. The AC highlights that Shek Kip Mei Estate Phases 3, 6 and 7 sites were cleared for some years but left undeveloped. We informed the AC that the sites of Phases 3 and 7 were subject to a stringent height limit of 30mPD under the Outline Zoning Plans and in 2006 it was earmarked for “cultural and heritage development”. The very low development potential of the sites would not be conducive for HA to proceed with development in those days. Moreover, the DC members objected to the redevelopment and tried to bundle the PRH development with the adjacent old existing Shek Kip Mei clinic building. With proactive liaisons with the government B/Ds and DC members, agreement was eventually reached with them for the redevelopment proposal in November 2013. The project is proceeding to detailed design targeting for project completion in 2017/18 for Phases 3 and 7, and in 2018/19 for Phase 6 respectively.

33. The AC considers that the HD need to explore the better use of its three existing Interim Housing (IH) and two transit Centres. The AC also considers that the current practice of local rehousing, wherever practicable, will severely hinder the HD in terms of housing allocation.

34. We will continue to closely monitor the demand and supply of IH units and explore the feasibility of putting them into other beneficial uses. Experience of the Comprehensive Redevelopment Programme and the recent experience gained in the latest redevelopment projects such as Pak Tin will be tapped as and when appropriate in terms of optimisation of land, manpower and financial resources.

D. Review of the Long Term Housing Strategy

35. The AC recommends the Secretary for Transport and Housing should take on board the audit observations and recommendations in his report when formulating and implementing the LTHS. The Secretary for Transport and Housing agrees, and will take into account AC’s observations and recommendations in formulating the LTHS.

IMPLEMENTATION

36. We have been working closely with the relevant parties to implement all the agreed recommendations. The management will conduct follow-up review to further examine the implementation progress.

PUBLIC REACTION

37. We expect LegCo members and the public will once again indicate concern on HA's ability to achieve the production target of 280 000 public housing flats in the coming ten years and our target of maintaining the average waiting time at around three years for general applicants on the WL. On the other hand, we expect that they will welcome our measures to improve the management of planning, construction and redevelopment of PRH flats.

INFORMATION

38. This paper is issued for Members' information.

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PLANNING, CONSTRUCTION AND REDEVELOPMENT OF PUBLIC RENTAL HOUSING FLATS

Executive Summary

1. The Hong Kong Housing Authority (HA) is a statutory body established under the Housing Ordinance (Cap. 283) to implement the majority of Hong Kong's public housing programme, including public rental housing (PRH) to assist low-income families who cannot afford private rental accommodation. The Housing Department (HD) is the executive arm of the HA. The HA maintains a Waiting List (WL) of PRH applicants. The HA's current target is to maintain the average waiting time (AWT) for PRH at around three years for general applicants. As at end of December 2013, there were 121,100 general applicants on the WL. The current-term Government has made housing a top priority. As stated in the Policy Address of January 2014, the Government has decided to accept the recommendation of the Long Term Housing Strategy (LTHS) Steering Committee (set up in September 2012) to provide 200,000 PRH units as the new public supply target for the coming 10 years, which is a much higher production target compared to that of 150,000 PRH units set prior to 2013. The Audit Commission (Audit) has recently conducted a review to examine the planning, construction and redevelopment of PRH flats.

Planning for the provision of public rental housing flats

2. *Assessment of public housing supply and demand.* The Government had until recently used a mechanism for assessing, on an annual basis, the long-term housing demand for both private and public housing over a 10-year period. In order to determine the quantum of PRH production required to meet the AWT target of about three years, the HD had used a statistical model for assessing the demand for new PRH. The results of the housing demand assessment were reported annually to the Committee on Housing Development (CHD) for endorsement. Audit noted that, in the four years from 2008-09 to 2011-12, despite the increasing 10-year PRH demand as projected by the HD and endorsed by the CHD (from 151,900 to 186,100), the 10-year PRH production targets had remained unchanged at 150,000,

resulting in projected shortfalls in PRH production. Such projected shortfalls had remained relatively low (1% to 8%) initially, but increased to 19% for the forecast period 2011-12 to 2020-21. However, Audit noted that the HD no longer followed the established mechanism for assessing the long-term PRH demand since 2012-13 because the LTHS Steering Committee had adopted a new methodology for assessing the long-term housing demand and had made a timely recommendation to increase production target to 200,000. However, given that the target of maintaining the AWT at about three years is widely known and has been accepted as the measurement for timeliness in satisfying the PRH demand, Audit considers that the HD needs to continue to conduct assessments of long-term PRH demand periodically, duly taking into account the target (paras. 2.6, 2.9, 2.10 and 2.16 to 2.19).

3. ***Shortfall in the supply of PRH in the 10-year projection.*** Audit examination of the HD's projections has revealed that the production forecast for the first five-year period from 2012-13 to 2016-17 is about 79,000 PRH flats. For the second five-year period from 2017-18 to 2021-22, the Government had identified sufficient sites to produce more than 100,000 PRH flats. Although this means that more than 179,000 flats would be produced for the 10-year period, Audit notes that there is still a projected shortfall of supply when compared to the new production target of 200,000 PRH flats (para. 2.27).

4. ***Increasing AWT expected.*** The increase in PRH demand and the shortage in PRH supply would have a negative impact on the Government's target of maintaining the AWT for general PRH applicants at around three years. Based on the HD's projections, the AWT for general applicants would reach 3 years by 2014-15 and further increase, in a few years' time, to a level well above 3 years. As the AWT is an important benchmark for assessing the timeliness in satisfying PRH demand, it is important for the HD to ascertain and monitor the quantum of PRH units required to maintain the AWT at or around three years and to closely monitor significant projected production shortfall and projected deterioration of AWT (paras. 2.29 and 2.30).

5. ***Shortage of land supply.*** Land supply is the major factor affecting the PRH production. The major source of land supply for PRH comes from the Government. It is imperative for the HD to secure an adequate supply of land from the Government for PRH production. Audit examination however revealed that subject to resolving many technical issues, local objections and necessary rezoning,

there is still a shortfall of 38 hectares of land based on the LTHS production target of 200,000 PRH flats for the next 10 years (see para. 1 above). To increase land supply for PRH, the Government is exploring possible sources, such as reclamation, opening up new areas, and site redevelopment. However, the complicated process and lengthy time involved in planning and land development present many challenges (paras. 2.33, 2.46 and 2.47).

6. ***Public housing sites returned to the Government.*** During the period 2001 to 2013, the HA had returned 24 PRH redevelopment sites to the Government for other uses. In exchange for these sites, the Government provided replacement sites to the HA for PRH development. Audit however found that in some cases, it took the HA a long time to develop the sites. For example, for the 13-hectare site at Shatin Area 52 (Case 1), the housing estate was originally expected to be completed in 2005 when it was first included in the HD's production programme in 1999. Due to changes in the housing policy and various considerations through the years, the site was returned to the Government. It was not until 2009 that the site was again included in HD's production programme. Construction would only be completed in 2015. For a number of returned sites, the development costs incurred by the HA aggregating \$209 million had to be written off from its financial statements in 2011-12 and 2012-13 (paras. 2.60 to 2.62).

Management of public rental housing construction projects

7. ***Monitoring progress of construction projects.*** After a land site was ready for construction, it normally took the HD around 3.5 years to carry out the construction work. According to the 2012-13 public housing construction programme, six PRH projects would be completed in 2012-13 involving the production of 13,114 flats. Audit found that there had been some project delays, ranging from 2 to 7 months, in these six projects. According to the HD, the delays were mainly due to extra inclement weather and some legitimate or genuine grounds for extension of time that the contractors were entitled to. However, such project delays not only affect the timely delivery of PRH flats which were in great demand, but may also cause great inconvenience to the incoming tenants and lengthen their actual waiting time for PRH (paras. 3.9, 3.12 and 3.13).

8. **Monitoring costs of construction projects.** The HD has a system in place to monitor and control the costs of construction projects. Audit analysed the six projects completed in 2012-13. All of them involved budget revisions due to changes in construction cost yardsticks, award of contracts, or contract price fluctuations. Audit found that the actual/estimated costs of these six completed projects were within the approved budgets. However, in three of the six projects, there were large variances (27% to 37%) of the actual/estimated costs from the original budgets. There is room for improving the budgeting, monitoring and management of PRH project costs. According to the 2014-15 Budget Speech of 26 February 2014, the HA will have an estimated balance of \$68 billion at the end of 2013-14, which can meet the funding requirement of the development programme for the next four years; however, to achieve the new housing production target, the HA must keep enhancing cost-effectiveness and sustainability of modus operandi in the long run (paras. 3.16, 3.20 and 3.21).

Redevelopment of public rental housing estates

9. **Comprehensive Structural Investigation (CSI) Programme.** The CSI Programme, rolled out in 2005, includes a detailed investigation which aims to determine the material strength and rate of deterioration of the structural elements of a building. The findings would facilitate the consideration and planning of the necessary follow-up actions such as monitoring, repair or clearance. Demolition will be considered for structurally unsafe blocks and blocks beyond economic repair. For other blocks, appropriate works would be arranged to sustain the buildings for at least 15 years before another detailed CSI. Up to January 2014, 26 old estates built in 1980 or earlier had been assessed under the CSI Programme and found to be structurally safe. Only So Uk Estate and Tung Tau Estate Block 22 were recommended for redevelopment because the estimated structural repair costs were not economically viable. Audit found that, based on the experience of the redevelopment of Tung Tau Estate Block 22, the process of redevelopment could take many years and the build-back potential of the site required careful analysis and planning. In consideration of the resource demand and the anticipated amount of works involved, the HD currently conducts the CSI for only 3 to 4 estates per year. Audit notes that there are 42 estates included in the CSI Programme covering the period from 2005 to 2018. More estates would likely be included in the next CSI Programme beyond 2018. The existing resources for investigating 3 to 4 estates per year might not be sufficient to cope with the work load in future (paras. 4.5 to 4.11).

10. ***Refined Policy on Redevelopment.*** To meet the high demand for public housing, the HA explores the scope for building more flats through redevelopment of existing PRH estates with a plot ratio lower than the maximum permissible. In November 2011, the HA implemented the Refined Policy on Redevelopment of aged PRH estates by considering the build-back potential and the availability of nearby rehousing resources. Under the Refined Policy on Redevelopment, the build-back potential is a key factor to be considered for the redevelopment of PRH estates. At the time of introduction of the Refined Policy, CSI had been completed for 26 old estates, but 22 had not been assessed for their build-back potential. Up to December 2013, Pak Tin Estate was the only estate identified for redevelopment after passing CSI. For Pak Tin Estate, in January 2012, the HA endorsed the plan for its redevelopment. However, Audit found that new lifts had been installed at a cost of about \$32 million shortly before the decision to launch the redevelopment of Pak Tin Estate and less than one year after the installation of the new lifts, 94% of the tenants had moved out (Case 7). The HD should have better coordination within the department so that resources would not be wasted due to the launching of redevelopment plan shortly after the completion of improvement works in an estate in future (paras. 4.17, 4.18, and 4.20 to 4.24).

11. ***Better utilisation of vacant sites and Interim Housing (IH) blocks.*** Audit found that some PRH redevelopment sites which had been cleared a number of years ago were still left undeveloped. An example is the Phases 3, 6 and 7 of Shek Kip Mei Estate (Case 8). The HD needs to explore the better use of its existing land resources and explore the feasibility and expedite the process of putting the vacant sites into beneficial uses. Furthermore, as at January 2014, the HA had three IH estates, namely Shek Lei (II) IH, Long Bin IH (targeted to be cleared in January 2016) and Po Tin IH, which provided a total of 4,914 units, but had a vacancy rate of 60%, 40% and 8% respectively. In view of the age, increasing maintenance cost and high vacancy rates, the HD needs to explore measures to make better use of these resources (paras. 4.27 and 4.29).

Way forward

12. There has been an increasing demand for PRH flats in recent years. As at end of December 2013, the AWT for PRH was 2.9 years. The Government has accepted the LTHS Steering Committee's recommendation to adopt a higher 10-year target of 470,000 units for new public and private housing supply (with public

housing accounting for 60% of this target). There are challenges facing the HA and the Administration in planning, construction and redevelopment of PRH estates for meeting the production target for public housing and the three-year AWT target (paras. 5.2 and 5.3).

Audit recommendations

13. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Director of Housing should:**

Planning for the provision of PRH flats

- (a) **continue to perform the assessment of long-term PRH demand annually and report the results for endorsement by the CHD and updating of the total housing demands of the LTHS (para. 2.22);**
- (b) **step up efforts to increase PRH production with a view to meeting the 10-year production targets, taking into account the need to maintain the AWT at about three years for general applicants (para. 2.31(b));**
- (c) **liaise closely with the Development Bureau and the Planning Department to secure sufficient number of suitable sites and discuss how best to make use of the identified sites to meet the new PRH production target (para. 2.56(a));**
- (d) **take into consideration the projected long-term PRH demand and the production targets under the LTHS in his discussions with the relevant bureaux and departments about the return of public housing sites to the Government for other uses (para. 2.69(a));**

Management of PRH construction projects

- (e) **closely monitor the PRH construction projects and take early remedial actions on project delays, in order to ensure their timely completion (para. 3.14(b));**

- (f) **continue enhancing its system of budgeting and monitoring of project costs with a view to further improving the accuracy of budgeting for PRH construction projects (para. 3.22);**

Redevelopment of PRH estates

- (g) **critically assess the resource requirements for the CSI and plan ahead for the implementation of the next CSI Programme (para. 4.12);**
- (h) **expedite the detailed assessment of the build-back potential for all aged PRH estates with CSI completed (para. 4.25(b));**
- (i) **closely monitor the demand and supply of IH flats and their vacancy rates and explore the feasibility for their redevelopment (para. 4.32(a));**
- (j) **explore the feasibility of putting the vacant HA sites into beneficial uses (para. 4.32(b)); and**
- (k) **duly take into account experiences from the previous PRH redevelopment projects in planning for future redevelopment, with a view to optimising land, manpower and financial resources (para. 4.32(c)).**

14. **Audit has also *recommended* that the Secretary for Transport and Housing should take on board the audit observations and recommendations in this Audit Report when formulating and implementing the LTHS (para. 5.7).**

Response from the Administration

15. The Director of Housing agrees with the audit recommendations. The Secretary for Transport and Housing has said that Audit's observations and recommendations would be taken into account in formulating the LTHS.