

**Memorandum for the Subsidised Housing Committee of
the Hong Kong Housing Authority**

**Annual Review of Management Fees
for Home Ownership Scheme Courts**

PURPOSE

This paper informs Members of the annual review of management fees for four Home Ownership Scheme (HOS) courts ^{Note 1} for 2016/17.

BACKGROUND

2. The Housing Authority (HA) is the Manager under the Deeds of Mutual Covenant (DMCs) to manage HOS courts where the owners have not yet taken over the management. HA appoints Property Services Agents (PSAs) to perform daily property management on its behalf. Management fees for these courts are reviewed annually having regard to the fluctuation in management and maintenance expenses and in accordance with the relevant provisions of the Building Management Ordinance (BMO) and DMCs. HA, as the Manager of the courts, has to inform owners of the management budgets before the next financial year commencing on 1 April 2016.

DRAFT BUDGET

3. The draft budgets for 2016/17 of the four courts are prepared after taking into consideration of related factors such as review of the statutory minimum wages, price indices, labour market, trends in contract rates for cleansing and security services, and the scope of maintenance and improvement works in the coming year. Based on full cost recovery basis, the projected supervision cost levied by HA for 2016/17 will be maintained at the present level of \$28 per flat per month.

Note 1 The four HOS courts are Ka Keng, Kwai Chun, Tin Chung and Tin Lee Courts.

PROPOSED MANAGEMENT FEES

4. After review for 2016/17, the average management fees of two courts ^{Note 2} would remain the same as 2015/16 while the other two ^{Note 3} would have an increase of \$30 and \$35 per flat per month, representing 4.08% and 5.07% respectively as shown at the **Annex**. The average new monthly management fee of the four courts will range from \$520 to \$2,065 per flat.

5. Of the two courts with management fee remaining unchanged, a deficit budget caused by fluctuations in the operating expenses would be envisaged. However, the shortfalls, as preferred by owners, would be absorbed by the Accumulated Funds of respective courts, thereby avoiding management fee increase. In particular, the owners of Tin Chung Court who have been enjoying a twelve-month management fee holiday since 1 August 2015, preferred the anticipated deficit to be absorbed by the Accumulated Fund taking into account that the Accumulated Fund of the Court has reached a sum equivalent to thirty months' total management fees as at end March 2015.

6. Of the two courts requiring management fee increase, the adjustment is mild which is mainly caused by increase of various operating expenses.

COMPARISON WITH PRIVATE SECTOR

7. While the average management fee per square meter of saleable area of a number of comparable estates in the private sector is around \$19.04, it is only \$10.90 for the four HOS courts.

COMMUNICATION WITH OWNERS

8. Pursuant to Schedule 7 of the BMO, comments from individual flat owners on the draft budgets have been invited. In line with the established practice, Owners' Corporations/Owners' Committees/Mutual Aid Committees have all been informed of the financial position of their courts and the rationale

Note 2 The two courts with management fee remaining unchanged are Tin Chung and Tin Lee Courts.

Note 3 The two courts requiring management fee increase are Ka Keng and Kwai Chun Courts.

behind the proposed budgets. Owners generally find the proposed management fee level acceptable.

9. At present, the Accumulated Funds of the four courts are in healthy surplus situation with a reserve of more than three months' total management fees.

FINANCIAL AND STAFF IMPLICATIONS

10. The financial implications to HA arising from the 2016/17 management fee review for the HOS courts in respect of its properties in these HOS courts are immaterial. The staff implications are minimal and the workload involved in the review exercise can be absorbed by existing staff resources.

PUBLICITY AND PUBLIC REACTION

11. The owners have been informed of the budget proposals and the proposed management fee level is generally acceptable to them. It is anticipated that there will be no adverse public reaction.

INFORMATION

12. This paper is issued for Members' information.

Ms Cindy CHAN
Secretary, Subsidised Housing Committee
Tel. No.: 2761 5033
Fax. No.: 2761 0019

File Ref. : HD3-8/SAU/H/5/5/3/34
(Estate Management Division)
Date of Issue : 2 February 2016

Summary of the Management Fee Review of the Four HOS Courts

HOS Court	No. of Blocks/ No. of Flats	Existing Average Monthly Management Fee per Flat for 2015/16 (\$)	Proposed Average Monthly Management Fee per Flat for 2016/17 (\$)	Amount Increased (\$)	+/- %
Tin Chung	15/6,080	520	520	0	0
Tin Lee	1/85	2,065	2,065	0	0
Ka Keng	2/640	736	766	30	+4.08%
Kwai Chun	3/1,050	690	725	35	+5.07%