

6. MAIN OPERATIONS OF THE HOUSING AUTHORITY

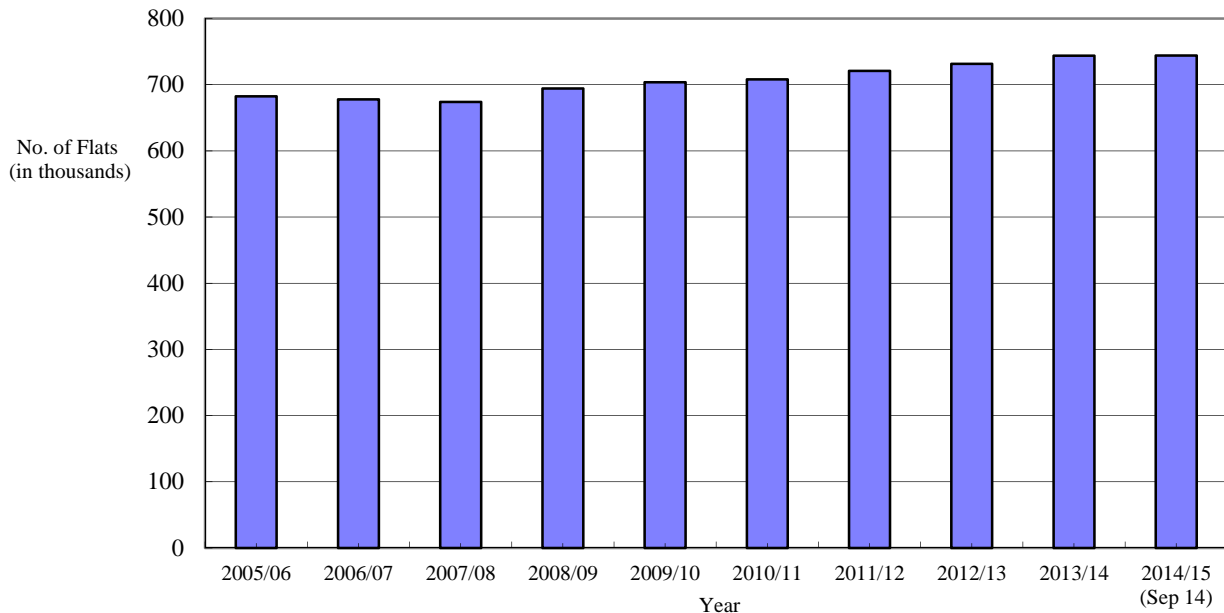
- 6.1 The operations and activities of the HA lie in five main areas, namely construction and building control, procurement, subsidised housing, commercial properties and corporate services. In the forthcoming year, different operations of the HA will gear their efforts and activities towards the four main themes for 2015/16.

DEVELOPMENT AND CONSTRUCTION, AND BUILDING CONTROL

- 6.2 The main functions of the development and construction operation are to plan, design and construct the HA's PRH and subsidised home ownership developments as well as associated facilities. The Independent Checking Unit is responsible for implementing building control measures with reference to the practices of the Buildings Department on the HA's new construction projects and existing properties, as well as enforcing the Buildings Ordinance (Cap. 123) under delegated power from the Building Authority to properties in HOS courts, Tenants Purchase Scheme estates and PRH estates with retail facilities and car parks divested to The Link and its successors. The Independent Checking Unit processes submissions for New Building Works, Alteration and Addition Works and Minor Works, arranges advices to the Licensing Authorities within the statutory or pledge periods and implements the Mandatory Building Inspection Scheme and Mandatory Window Inspection Scheme. The Lift Inspection Focus Team is responsible for monitoring the use and operation of the HA's lifts and escalators for risk management and facilitating compliance with the Lifts and Escalators Ordinance (Cap. 618) which has come into effect on 17 December 2012.

6.3 The following chart shows the changes in PRH stock from 2005/06 to 2014/15 –

Stock of Public Rental Housing Flats^[29]



Budget

6.4 The construction expenditure for 2015/16 is budgeted at \$16,599 million, which is \$3,989 million higher than the 2014/15 Revised Budget expenditure of \$12,610 million. The higher construction expenditure is mainly due to more PRH and HOS flats under construction.

PROCUREMENT

6.5 The main operations of procurement are to secure competent and reliable business partners through equitable procurement principles^[30], achieving efficiency, effectiveness and value for money at all times.

Note [29]: The chart shows the PRH flat stocks from 2005/06 to 2014/15. The position from 2005/06 to 2013/14 is as at end-March of the respective years, while that for 2014/15 is as at end-September 2014.

Note [30]: The basis of HA's procurement principles are as follows -

- (a) Obtain Value for Money;
- (b) Incorporate Risk Management in a holistic manner;
- (c) Maintain a focus on continuous improvement at all levels;
- (d) Provide effective governance which is accountable and transparent;
- (e) Provide for open and fair competition in the market place; and
- (f) Procure in a fair, reasonable and ethical manner with due regard to probity.

Budget

- 6.6 The 2015/16 proposed expenditure budget of \$103 million for procurement is slightly higher than the 2014/15 Revised Budget of \$99 million by \$4 million. The increase is mainly due to the assumed pay adjustment and higher advertising expenditure, partly offset by a one-off expenditure for the store's renovation completed in 2014/15.

SUBSIDISED HOUSING

- 6.7 The main functions of the subsidised housing operation are to allocate, manage and maintain the HA's domestic rental properties. The subsidised housing operation is also responsible for handling the existing and future HOS stock.

Budget

Rental Housing Operating Account

- 6.8 The income and expenditure of the Rental Housing Operating Account for 2015/16 are budgeted at \$15,476 million and \$16,473 million respectively. An operating deficit of \$997 million in 2015/16 is projected, as compared to the operating deficit of \$662 million in the 2014/15 Revised Budget. The higher operating deficit in 2015/16 is mainly due to (i) the assumed pay adjustment and (ii) the higher depreciation and other recurrent expenditure as a result of increase in housing stock and assumed price level adjustments, and (iii) partly offset by the full-year effect of the upward rent adjustment by 10% from September 2014.

Home Ownership Assistance Operating Account

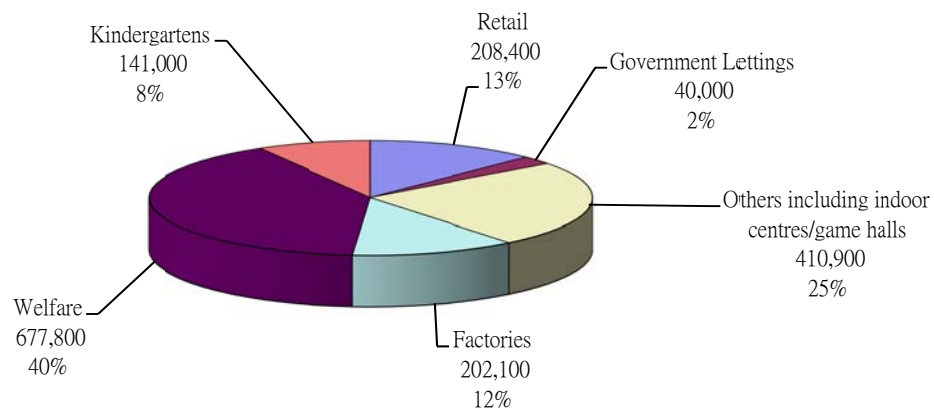
- 6.9 The income and expenditure of the Home Ownership Assistance Operating Account for 2015/16 are budgeted at \$2,597 million and \$733 million respectively. An operating surplus of \$1,864 million in 2015/16 is projected, as compared to the operating surplus of \$1,756 million in the 2014/15 Revised Budget. The higher operating surplus in 2015/16 is mainly due to the projected higher average selling price for Tenants Purchase Scheme flats to be sold.

COMMERCIAL PROPERTIES

6.10 The main function of the commercial properties operation is to manage the HA's commercial and non-domestic properties (including retail, Government lettings, welfare, kindergarten and flatted factories) as well as car parks.

6.11 As at 30 September 2014, the HA ran approximately 1 680 200 m² internal floor area of commercial and other non-domestic properties (excluding schools) and 28 200 car parking spaces. Breakdown of the commercial and non-domestic properties portfolio by space is as follows

**Commercial and Non-domestic Properties Portfolio by Space (internal floor area m²)
As at 30 September 2014
(Total Space 1,680,200 m²)**



Budget

6.12 The income and expenditure of the Commercial Operating Account for 2015/16 are budgeted at \$2,468 million and \$1,502 million respectively. An operating surplus (before exceptional items) of \$966 million in 2015/16 is projected, as compared to that of \$924 million in the 2014/15 Revised Budget. The increase in operating surplus in 2015/16 is mainly due to the planned addition of some newly completed premises and projected income growth of the premises.

CORPORATE SERVICES

6.13 Corporate services operation comprises a wide range of supporting services that facilitate the efficient operation of the HA. These include general administration, human resources management, legal services, financial management services, corporate and community relations, management consultancy / advisory services and IT services.

Budget

6.14 The expenditure for 2015/16 Proposed Budget of \$851 million is higher than the 2014/15 Revised Budget of \$813 million by \$38 million. The increase of expenditure in 2015/16 is mainly due to the assumed pay adjustment and filling up of some vacant posts, and the assumed price level adjustments for other recurrent expenditure.