

LCQ 22: Financial position of the Hong Kong Housing Authority

Following is a question by Dr the Hon Wendy Hong and a written reply by the Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (February 28):

Question:

According to the paper on the budgets and financial forecasts issued by the Hong Kong Housing Authority (HA) in January this year (the paper), HA's rental housing operating account will record a deficit for four consecutive years from 2024-2025, with the deficit concerned increasing from \$1,167 million to \$4,284 million in 2027-2028. In this connection, will the Government inform this Council:

(1) of the total income (including rental and other income) and the total expenditure (including expenditure such as property management, maintenance and improvements, government rent and rates and personal emoluments) of HA's rental housing operating account in each of the past 10 years; whether HA has formulated the financial forecasts for 2028-2029 to 2032-2033;

(2) given that according to the paper, the expenditure on government rent and rates under HA's rental housing operating account will increase substantially from \$253 million in 2022-2023 to the forecasted \$2,869 million in 2027-2028, representing an increase of more than 11 times, of the reasons for that;

(3) given that as indicated by the paper, the item "other recurrent expenditure" is the largest expenditure item under HA's rental housing operating account, of the expenditure incurred by each of the sub-items of this item in 2022-2023;

(4) as HA envisages that the construction expenditure involved for meeting the 10-year public housing supply target beyond 2027-2028 will be at least double the current estimates, of the details of the public housing construction expenditure and the sources of funding envisaged by HA for each of the coming 10 years, together with a breakdown by public rental housing and subsidized sale housing; and

(5) given that according to the paper, the Government has earmarked \$82.4 billion in the fiscal reserves for the development of public housing and related infrastructure, of the conditions under which the Government will inject the funds reserved into HA; given the current consolidated fiscal deficit of the Government, whether the Government will undertake to avoid using the funds reserved as far as possible; if so, of the details; if not, the reasons for that?

Reply:

President,

Regarding the question from Dr the Hon Wendy Hong, our reply is as follows:

(1) The Hong Kong Housing Authority (HA)'s Rental Housing Operating Account for the past ten years (i.e. 2013-2014 to 2022-2023) are in Annex 1. It is established practice for the HA to formulate its Budget for the next financial year and financial forecasts for the subsequent three years at the beginning of each year. As such, the HA endorsed at its meeting on January 16, 2024, the paper which set out the five-year budgets and forecasts for the period from 2023-2024 to 2027-2028. At this stage, we are not able to project the expenditure and income more accurately for 2027-2028 beyond. We will review the income and expenditure projections for the next few years in the next round of financial forecasts update.

(2) In the past ten years, the actual annual expenditure on government rent and rates under the Rental Housing Operating Account ranges from \$176 million to \$1,120 million, including the rates concessions provided by the Government in various years (see Annex 2). In accordance with the established mechanism, the HA assumes no rates concession in preparing the financial forecasts for Rental Housing operation from 2024-2025 to 2027-2028.

(3) A breakdown for "Other recurrent expenses" of \$5,754 million under the Rental Housing Operating Account in 2022-2023 is as below:

	(in \$ million)
Cleaning and security services	2,587
Management fee for estate common area	780
Estate property management	748
Electricity	639
Management fee under Tenants Purchase Scheme estate	293
Administrative fees and other expenses	707
Total	5,754

(4) The latest estimated construction expenditure for the HA's public housing development programme from 2023-2024 to 2027-2028 is set out below:

	2023-24 (in \$ million)	2024-25 (in \$ million)	2025-26 (in \$ million)	2026-27 (in \$ million)	2027-28 (in \$ million)
Public rental housing	11,593	17,285	21,372	22,768	21,544
Subsidised sale flats	6,710	9,010	10,743	10,978	12,632
Others	3,601	5,330	5,832	6,142	6,650

Estimated total construction expenditure	21,904	31,625	37,947	39,888	40,826
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Under the latest budgets and financial forecasts, the HA will be able to meet the construction expenditure up to 2027-2028, covering the financial commitments of building around 110 000 public housing flats. It should however be pointed out that the current 10-year public housing supply plan is back loaded, with two-third of the production target to be completed in the second five-year period. It is expected that construction expenditure in 2028-2029 and the subsequent years will continue to increase.

Since most of the sites for the public housing development projects in 2028-2029 and beyond are still in the early study/land production stage, it is difficult to give more reliable expenditure forecasts at this stage.

(5) The HA is a financially autonomous public body and the public housing programmes are sustained through internally generated funds. Under the latest budgets and financial forecasts, it is projected that the HA can meet its expenditure up to 2027-2028 including construction expenditure.

The HA's major income comes from public rental housing, commercial premises rents and sales of Home Ownership Scheme and Green Form Subsidised Housing flats, whereas construction expenditure is the HA's largest expenditure item. Construction expenditure will continue to rise due to both increase in housing production and rising prices of construction works for some time in future.

The HA will exercise careful and serious budgetary control to ensure prudent and cost-effective use of resources, and explore various cost control/saving and revenue-boosting measures. The HA will review and update its income and expenditure projections in the next round of financial forecasts updating.