

# LCQ13: Budget for housing production of Hong Kong Housing Authority

Following is a question by the Hon Andrew Lam and a written reply by the Secretary for Housing, Ms Winnie Ho, in the Legislative Council today (November 8):

Question:

According to the budgets and financial forecasts released by the Hong Kong Housing Authority (HA) in January this year, the HA's cash and investment balance will decrease from around \$58.9 billion at the beginning of April 2022 to around \$49.7 billion by the end of March 2027, while construction and operating expenditures will continue to increase over the period. In this connection, will the Government inform this Council:

(1) of the average (i) maintenance and improvement works costs, (ii) management costs and (iii) construction costs per public rental housing (PRH) flat in each of the past five years;

(2) whether it has estimated the rates of increase in the average construction and operating expenditures per PRH flat in each of the next three years; and

(3) of the HA's specific policies or plans to generate revenue and manage costs?

Reply:

President,

Regarding the question raised by the Hon Andrew Lam on the budget of public housing expenditure for the Hong Kong Housing Authority (HA), my reply is as follows:

(1) Information on the average (i) maintenance cost, (ii) management cost, and (iii) construction cost per public rental housing (PRH) unit of the HA from 2018/19 to 2022/23 is set out in the tables below:

(i) Annual average maintenance cost per PRH unit (comprises costs of relevant maintenance works incurred at estate level)

Financial Year	(\$)
2018/19	4,496
2019/20	4,751
2020/21	4,980
2021/22	5,120

2022/23	5,380
---------	-------

(ii) Annual average direct management cost per PRH unit (comprises recurrent expenditure for property management incurred at estate level)

Financial Year	(\$)
2018/19	5,880
2019/20	6,108
2020/21	6,480
2021/22	6,770
2022/23	6,980

(iii) Average construction cost per PRH flat

From 2017/18 to 2021/22, the average construction cost per flat (Note) of PRH/Green Form Subsidised Home Ownership Scheme (GSH) based on the costs of building tenders approved by the HA is set out below:

Financial Year	(\$'000)
2017/18	800
2018/19	660
2019/20	610
2020/21	650
2021/22	760

(2) There is no data under the HA for projecting average construction and operating expenditure per PRH unit for the next three years. However, based on the budget and financial forecast released by the HA in January this year, it is assumed that in the next three years (i.e. 2023/24 to 2025/26), the construction expenditure and PRH operating expenditure during the period will increase annually by approximately 7 per cent and 4 per cent respectively.

(3) To meet the public housing supply target, the HA envisages that construction expenditure will likely continue to increase. As such, the HA will remain vigilant in exercising prudent financial control, and will conduct annual rolling of the five-year budgeting exercise, and assess and review the relevant expenditure budget.

For estate management, the HA has all along been adopting the principle of prudent financial management and cost control during the preparation of financial budget. The HA also conducts review on the repair and maintenance contracts and management services contracts of estates from time to time, with a view to keeping the expenditures within the financial budget. In addition, the HA has been implementing a series of measures in public housing

estates to savecost, such as installing energy-saving lighting fixtures in the corridors of residential buildings, implementing lift modernisation scheme for aging lifts, etc. The HA will also adopt innovative technologies such as the Internet of Things sensors, artificial intelligence and mobile devices to help daily estate management.

The HA has all along been adhering to the design principle of "functional and cost effective" and adopting Modular Flat Design to maximise the development potential of the land and achieve economic efficiency. The HA will continue to closely monitor the tender price movements, and follow the established mechanism in approving project budgets for implementing public housing development programmes. In addition, the HA will continue to apply innovative construction technologies, including the adoption of Modular Integrated Construction (MiC) approach, Design for Manufacture and Assembly (DfMA), MultiTrade Integrated Mechanical, Electrical and Plumbing (MiMEP), etc, to enhance productivity and shorten construction time. With such technologies becoming more popular and mature, it will help decrease the construction cost in the long run.

Note: The average construction cost per PRH/GSH flat is calculated based on the costs of building tenders of projects approved by the HA in the preceding financial year. As the number of building tenders approved by the HA and other factors such as scale and design of the projects, as well as market conditions are not the same in each financial year, the average construction cost for each financial year varies.