

# ALLOCATION AND UTILISATION OF PUBLIC RENTAL HOUSING FLATS

## Executive Summary

1. In Hong Kong, public housing resources are valuable and heavily subsidised. The Hong Kong Housing Authority (HA) is a statutory body established under the Housing Ordinance (Cap. 283) to develop and implement a public housing programme which seeks to achieve the Government's policy objective of meeting the housing needs of people who cannot afford private rental accommodation. The Housing Department (HD) is the executive arm of the HA. As at 31 March 2013, the HA had a stock of about 728,000 public rental housing (PRH) flats, accommodating some 2 million people (710,000 households). The primary role of the HA is to provide subsidised PRH to low-income families. The HA maintains a Waiting List (WL) of PRH applicants. As at 31 March 2013, there were 116,000 general applicants and 112,000 applicants under the Quota and Points System (QPS) on the WL. The Audit Commission (Audit) has recently conducted a review to examine the allocation and utilisation of PRH flats (paras. 1.2, 1.3, 1.4, 1.8, 1.9, 1.12 and 2.2).

### **Allocation of flats to people in need of public rental housing**

2. **WL management.** The Housing Department (HD) manages the allocation of PRH flats through a waiting-list system operating mainly on a first-come-first-served basis. The HA's current target is to maintain the average waiting time (AWT) at around three years for general applicants (including both family applicants and single elderly applicants) and around two years for single elderly applicants. The definition of AWT and the basis of its calculation are not disclosed through common channels accessible to the general public. Audit found that 29% of the general applicants on the WL as at 31 March 2013 had waited for 3 years or more. In particular, 7% had waited for 5 years or more (paras. 1.8, 2.2, 2.15 and 2.24).

## Executive Summary

---

3. **QPS.** The QPS was introduced in September 2005 for the allocation of PRH to non-elderly one-person applicants. Audit found that, as at 31 March 2013, about 30% of the QPS applicants had waited for more than three years. Besides, 57% of the QPS applicants were aged 30 or below. Audit also noted that the feature under the current QPS system of awarding four times as many points to each year of waiting on the WL as compared to each year of age increase at the time of application would encourage more young applicants to apply for PRH early. The QPS has been operating in the current mode for some eight years since its inception. It is an opportune time for the HA to conduct a comprehensive review of the QPS (paras. 2.33, 2.37, 2.38, 2.40 and 2.43).

4. **Processing of applications.** To deter false declarations by applicants, annual random checks on income and assets for 300 applications would be conducted by the Public Housing Resources Management Sub-section (PHRM) of the Estate Management Division of the HD. The agreed timeframe for PHRM's investigation was around three months. Audit noted that, in 2012-13, the average case investigation time was more than five months. Unduly long time taken by PHRM for checking would delay the PRH application and flat allocation process for those affected (paras. 2.73 to 2.75 and 2.78).

### **Maximising the rational utilisation of public rental housing flats**

5. **Unoccupied flats.** Vacant stock of PRH flats is an important source of supply for allocation to eligible applicants. As at 31 March 2013, there were 12,471 unoccupied flats, representing about 1.7% of the total stock of PRH flats. Among these unoccupied flats, 4,370 were "unlettable", 4,137 were "lettable vacant", and 3,964 were "under offer". 21% of the "lettable vacant" flats had been vacant for one year or more, and 2% for five years or more. Audit also found during site visits to housing estates in mid-2013 that many "under offer" flats had been vacant for more than three months. The refurbishment period (with a target turnaround time of 44 days) for some unoccupied flats was quite long (ranging from 5 months to more than 3 years) (paras. 3.2, 3.4, 3.7, 3.10, 3.12 and 3.13).

## Executive Summary

---

6. ***Well-off Tenants Policies.*** To ensure the rational allocation of limited public housing resources, the HA encourages PRH households who have benefited from a steady improvement in their income and assets to return their PRH flats to the HA for reallocation to families that are more in need of the PRH flats. In 1987 and 1996, the HA implemented respectively the Housing Subsidy Policy (HSP) and the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA), which are collectively referred to as “Well-off Tenants Policies”. The HSP requires tenants who have been living in PRH for 10 years or more to declare their household income biennially. Tenants with a total household income exceeding the prescribed subsidy income limits are required to pay additional rent, and declare assets biennially under the SRA to assess their continuing eligibility for PRH. The Well-off Tenants Policies have been implemented for many years. With reference to the Hong Kong 2011 Population Census Report, many PRH households should have already benefited from considerable improvement in their income over the years. However, as at 31 March 2013, only 3% of PRH households were paying additional rent under the HSP. In view of the long WL and the increasing AWT for PRH in recent years, the HA needs to critically review the Policies for further improvements (paras. 3.26 to 3.28, 3.36, 3.37 and 3.39).

7. ***Under-occupation (UO) of PRH flats.*** The HA has put in place a policy requiring a household with living space exceeding the UO standards to move to another PRH flat of appropriate size. Audit found that, as at 31 March 2013, there were 54,555 UO households, representing about 7.7% of the total number of PRH households. Among these UO households, 42,164 (77%) cases had remained unresolved for two years or more. In particular, 9,224 (17%) cases had remained unresolved for 10 years or more. There were also 2,405 UO households each occupying two or more flats. Among them, there were 9 one-person households each occupying two flats, and 224 two-person households each occupying two flats (paras. 3.43, 3.46, 3.50 and 3.57).

### **Tackling abuse of public rental housing**

8. ***Checking of eligibility.*** In applying for PRH, the applicant must submit the completed application form together with the required supporting documents for preliminary vetting of his eligibility for registration. Audit notes that, while supporting documents relating to the declared income and assets are generally required to be submitted, supporting documents relating to investments and deposits are exempted. Besides, the HD only selects a sample of 300 applications a year for in-depth checking, representing a small percentage of applications on the WL (paras. 4.2, 4.4 and 4.11).

## Executive Summary

---

9. ***Processing of income/asset declarations.*** Under the HSP (see para. 6 above), tenants are required to declare the household income in an income declaration form. The majority of these HSP cases (over 98%) are processed by the estate offices. Under the SRA, tenants are required to declare the household assets in an asset declaration form. PHRM is responsible for reviewing all SRA cases and investigating doubtful HSP cases referred by the estate offices, as well as the randomly selected HSP cases. In the past five years, on average, PHRM checked some 3,700 SRA/HSP cases a year, and some 650 cases (18%) were found with false declarations. The false declaration rate appeared to be high (paras. 4.20, 4.21, 4.23, 4.26 and 4.27).

10. ***Enforcement actions.*** Applicants for PRH and existing PRH tenants are required to declare their household income and/or assets and family particulars in order to assess their eligibility or continuing eligibility under various housing management policies. Prosecution action might be taken against false declaration cases. Audit noted that the prosecution rate was low in the past two years, mainly due to lack of sufficient evidence. There is a need to enhance legal training to equip HD staff with the general knowledge of gathering sufficient evidence and handling false declaration cases (paras. 4.53, 4.63 and 4.67).

### Way forward

11. In September 2012, the Government set up a Steering Committee, chaired by the Secretary for Transport and Housing, to conduct the Long Term Housing Strategy (LTHS) Review. In September 2013, the Committee produced a consultation document on the LTHS with proposed recommendations for three months' public consultation. Audit considers that the Administration needs to take into account Audit's observations and recommendations when examining the way forward for the LTHS Review (paras. 1.10, 5.5 and 5.7).

### Audit recommendations

12. **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:**

## Executive Summary

---

### *Allocation of flats to people in need of PRH*

- (a) **enhance the transparency and accountability of the HD's management of the WL for PRH by, for example, publicising the definition of AWT and the basis of its calculation (para. 2.31(a)(i));**
- (b) **conduct investigations periodically to identify long-outstanding cases in which general applicants have waited on the WL for over 3 years (para. 2.31(b));**
- (c) **conduct a comprehensive review of the QPS (para. 2.50(a));**
- (d) **consider screening out ineligible QPS applicants from the WL on a periodic basis (para. 2.50(b));**
- (e) **take measures to expedite PHRM's efforts to conduct the random checking of income and assets (para. 2.79(g));**

### *Maximising the rational utilisation of PRH flats*

- (f) **step up the monitoring of unoccupied flats classified as "under offer" or unlettable (para. 3.24(a));**
- (g) **critically review the Well-off Tenants Policies to see whether the various parameters of the HSP and the SRA can be fine-tuned for further improvements (para. 3.40(b));**
- (h) **step up the HD's efforts in tackling the UO issue, paying particular attention to long-outstanding UO households and households each occupying two or more flats (para. 3.62(a) and (d));**

### *Tackling abuse of PRH*

- (i) **consider requiring applicants to submit supporting documents for major types of declarable assets at the date of application for preliminary vetting (para. 4.17(a));**

## Executive Summary

---

- (j) keep under review the rates of detected false declarations under the HSP and the SRA, and strengthen strategy to deter false declarations (para. 4.35(b)); and
  - (k) analyse periodically the reasons for the low prosecution rates for false declaration cases and take corrective actions as needed (para. 4.68(c) and (d)).
13. Audit has also *recommended* that the Secretary for Transport and Housing should take on board the audit observations and recommendations in this Audit Report in taking forward the LTHS Review (para. 5.8).

### Response from the Administration

14. The Secretary for Transport and Housing, and the Director of Housing agree with the audit recommendations.