

Press Release

Government makes further injection to Housing Reserve for meeting public housing supply target

Friday, December 18, 2015

The Government has decided to make a further injection to the Housing Reserve established last year for supporting the 10-year public housing supply target.

"The Government remains committed to delivering the 10-year public housing supply target, the updated version for which would be announced today. We are obliged to ensure that the Housing Authority (HA) is adequately funded to meet the target," a government spokesman said today (December 18).

"The Housing Reserve set up in 2014 underlines the Government's commitment on the matter," he added. "It is a tool to allow the Government to start saving for the housing cause when we can afford it. It also has a stabilisation effect, by avoiding a big dip in the fiscal position when the Government's support and ultimately the Finance Committee's funding approval is sought.

"The HA would need substantial resources in the coming 10 to 30 years to fulfil its flat production target. According to the HA's projection for the five-year period ending 2018-19, the construction expenditure for delivering the public housing production targets in the Long Term Housing Strategy would be in the order of about \$20 billion per annum and the reserve position for the HA would deplete at around \$10 billion per annum. To secure the long-term and sustained delivery of the housing targets, the financial support that the Government might eventually need to consider extending to the HA could well be tens or hundreds of billions of dollars."

"The Government has therefore decided to make a further injection of about \$45 billion to the Housing Reserve. Given interest accrued, the initial sum of \$27.5 billion earmarked for the purpose last year now measures \$29 billion," the spokesman explained.

The Financial Secretary has instructed the Chief Executive of the Hong Kong Monetary Authority (HKMA) to set aside the investment return on the

Government's fiscal reserves for 2015 (about \$45 billion) for further injection to the Housing Reserve. The HKMA is responsible for the investment of the Housing Reserve. The Housing Reserve and the cumulative investment return will be used to support the public housing development programme and related infrastructure.

The Government and the HA will continue discussions on the long-term financial planning of the HA. The HA has to assess its medium- to long-term financial requirements based on its five-year rolling budgeting process and adopt every possible measure to ensure the cost-effectiveness of the public housing development programme. When the two sides have reached agreement on the quantum and timetable of funding injection from the Government, the Government will seek the approval of the Finance Committee of the Legislative Council for funding to be drawn from the Housing Reserve to support public housing development.

Ends