

Executive Summary

Direct Investigation into the arrangement between Housing Department and Water Supplies Department regarding payment of water charges for common areas and vacant units in public housing estates

Background

Public housing tenants are responsible for paying the water charges incurred during the occupancy of their units. When a tenant moves out, the Housing Department (“HD”) will make repairs and renovate the housing unit before allocating it to the next tenant. Water charges may be incurred during the renovation period. Under an agreement reached between HD and the Water Supplies Department (“WSD”) in 1976 (“the 1976 Agreement”), HD shall pay the water charges for vacant residential units in public housing estates. Moreover, as the department managing public housing, HD shall also be responsible for the water charges for the common areas in public housing estates.

2. Nevertheless, in handling a complaint case, the Office found that HD’s property services agent had actually sent the water bill of a housing unit payable by HD to the tenant for payment, thinking that the charges should be paid by the tenant. We also notice that the Housing Manager Account of the housing estate concerned had remained in arrears for a long period. According to our initial findings, the Housing Manager Accounts of 95 public housing estates have defaulted on water bill payments. In view of such administrative confusion, we initiated this direct investigation to identify the root cause of the problem and any areas of improvement.

Our Findings

3. Our investigation has revealed the following inadequacies due to the slipshod approach of HD and WSD in settling the payments of water charges for public housing estates:

(I) Innocent Tenants Affected Because of HD’s Ineffective Control of Estate Management Offices and Property Services Agents

Situation and Procedures before Our Intervention

4. HD’s internal guidelines provide that upon receipt of water bills, estate management offices or their property services agents will verify the details and water utilisation of the units concerned. Where the water charges are for the common areas or HD facilities in the public housing estates, the water bills will be checked and then submitted to HD’s Finance Unit for settlement. The bills for water charges incurred

during renovation of vacant units by works contractors will be sent directly to the contractors concerned for settlement.

5. Our investigation, however, found that as at the end of January 2016, the Housing Manager Accounts of 95 public housing estates had defaulted on water bill payments, involving 291 residential units and 94 non-residential units and over \$100,000 of outstanding charges. Among those cases, the most serious default case had lasted more than 10 years. In one case, WSD had issued 61 reminder and disconnection notices (“reminder”) to HD due to non-payment of water charges in the Housing Manager Account of a housing estate between 2005 and 2016. Yet, HD had neither responded to this nor settled the outstanding charges. The estate management office/property services agent concerned had not reported the outstanding water bills to the HD headquarters and so the latter was not aware of the problem. Furthermore, in the complaint case handled by this Office, the property services agent had wrongly sent the water bill to the unit concerned, causing the tenant to pay the water charges that should have been settled by HD.

6. Although HD has established guidelines and procedures for water bill payments and stipulated in its contracts with property services agents that water charges should be settled on time, some of the estate management offices/property services agents have obviously failed to follow the guidelines properly. For all these years, HD has not set up a centralised record system for general monitoring of payment of water charges in public housing estates. As a result, HD’s management was not aware of the problem of non-payment of water bills in Housing Manager Accounts. We consider it necessary for HD to step up immediately its monitoring of housing estate management and the performance of property services agents.

Improvement Measures Still to be Enhanced

7. After our intervention, both HD and WSD have agreed that WSD should provide HD headquarters with monthly reports on default payments in Housing Manager Accounts in order to facilitate HD’s monitoring and directing estate management offices/property services agents to handle and settle all the water bills as soon as possible. In addition to that, we urge HD to further step up monitoring by establishing a clear reporting mechanism and drawing up relevant guidelines on handling public housing water bills, thereby enabling staff of estate management offices/property services agents to promptly follow up and report in a timely manner any cases of outstanding water charges.

(II) Failure of WSD to Properly Address Problem of Outstanding Water Charges under Public Housing Manager Accounts, Thereby Condoning Non-payment

Past Situation and Procedures

8. WSD indicated that Housing Manager Account is basically a multi-service

points account, such that a number of water consumption service points¹ are grouped under a single account for HD's easy management of water bills of different units in the same public housing estate. Where a Housing Manager Account has any outstanding water charges, WSD will issue a reminder to HD. According to the 1976 Agreement between the two departments, WSD would not disconnect the water supply of a public housing unit even where HD has not paid the water bill for the vacancy period. However, what WSD stated was different. WSD noted that under existing procedures it would still disconnect the water supply in case of default payments by HD. Yet, if a new tenant has already taken up the consumership of the vacant housing unit, WSD would not disconnect the water supply in order not to affect the consumership of the new tenant.

9. Regarding why those default cases were not referred to the Debt Recovery Section for follow-up action, WSD explained that its computer system would only activate the relevant process to recover any overdue payments upon closure of all service points under a Housing Manager Account. Since a Housing Manager Account is frequently updated as tenants vacate or move into their units, it rarely happens that all the service points in an account are closed, with the case referred to the Debt Recovery Section. In short, even though a Housing Manager Account has long-standing non-payment of water charges, it is very unlikely that the water supply of the relevant unit would be disconnected or the account closed and referred to the Debt Recovery Section for follow-up action because the account details are frequently updated. WSD has mainly relied on issuing reminders to HD and imposing overdue surcharges for debt recovery. It has not set up any other mechanism for dealing with long-standing cases of overdue payments in Housing Manager Accounts.

10. We consider WSD to have overlooked the fact that details of Housing Manager Accounts are frequently updated and also the limitation posed by the procedures applicable to multi-service points accounts. Its practice of relying solely on its computer system to issue repeatedly reminders to HD and not taking other appropriate action to recover the default payments is in effect condoning HD's delay in paying water bills. Moreover, WSD has not devised any counter-measures or procedures to follow up the long-standing problem of HD's non-payment of water charges, nor has it set up any internal reporting mechanism for officers to report such cases to the management. Apparently, WSD has failed to properly address the problem of non-payment of water charges by HD.

Improvement Measures Still to be Enhanced

11. In view of the limitation of the multi-service points accounts, WSD will now assign to HD a new Housing Manager Account for each service point when it is notified that the consumership of a vacant public housing unit is taken up by HD. This will facilitate separate follow-up actions on individual default cases. WSD has also reminded the officers responsible for handling Housing Manager Accounts to report in

¹ A service point means a service address for water supply.

a timely manner long-standing cases of non-payment of water charges to directorate officers. We consider that WSD should think about including the reporting mechanism in its departmental guidelines and stipulate the procedures so that responsible staff can follow and take proper action in similar circumstances. Furthermore, as WSD and HD jointly review the 1976 Agreement, they should discuss and clarify the recovery action for outstanding water charges in Housing Manager Accounts and include the results of their discussion in the new agreement to avoid any misunderstanding in the future.

(III) HD and WSD Failing to Make Proper Arrangement for Change of Consumership

Past Situation and Procedures

12. Under the 1976 Agreement between HD and WSD, HD is responsible for paying the water charges of public housing units for their vacancy periods. When a tenant returns his housing unit to the Department, HD staff would record the reading of the unit's water meter with the tenant together and pass the information to WSD, which would terminate the water account of the tenant upon receipt of such information. The consumership of the vacant unit would then be transferred to the Housing Manager Account of the housing estate concerned automatically ("Automatic Procedures") in WSD's computer system. The procedures, however, are not applicable to those residential flats that have already been sold under the Tenants Purchase Scheme ("sold TPS flats"), and non-residential units in public housing estates.

13. Yet, this direct investigation finds that the consumership of a number of residential and non-residential units for which HD had no management responsibility had been wrongly transferred to Housing Manager Accounts, and some of the accounts had defaulted on water charges. While WSD had recovered some of the outstanding charges with HD's assistance, water charges involving five sold TPS flats and ten non-residential units (nearly \$50,000) could not be recovered and all of them had to be eventually written off, resulting in loss of public revenue.

14. Despite its established procedures and guidelines regarding change of consumership of both residential and non-residential units in public housing estates, WSD admitted that some staff members had failed to follow the guidelines strictly such that the consumership of some units had been wrongly transferred to Housing Manager Accounts via the Automatic Procedures of its computer system. On the other hand, some estate management offices/property services agents of HD had long been unaware of the problem, and so they failed to notify WSD that the consumership of some units in their housing estates for which HD had no management responsibility had been wrongly transferred to Housing Manager Accounts. In sum, there are deficiencies on the part of both departments in their handling and monitoring of change of consumership concerning both residential and non-residential units in public housing estates.

Improvement Measures Still to be Enhanced

15. To address the problem of wrong change of consumership, HD and WSD have separately issued updated procedural guidelines to their staff members. WSD would compile reports regularly for identifying non-residential units in public housing estates whose consumership has been wrongly transferred to Housing Manager Accounts. To prevent the recurrence of similar problems more effectively, we consider that WSD should also think about adding instructions in its computer system for monitoring whether there are sold residential and non-residential units in public housing estates having been wrongly transferred to Housing Manager Accounts via the Automatic Procedures, and remind its staff members that when handling applications for change of consumership involving residential units in public housing estates and those non-residential units under Housing Manager Accounts, steps should be taken to ensure that the application details have been confirmed by HD.

Recommendations

16. In the light of the above, The Ombudsman makes the following improvement recommendations to **HD** and **WSD**:

- (1) **HD** should monitor closely all Housing Manager Accounts for any outstanding water charges, establish a clear reporting mechanism and relevant guidelines for handling water bills in public housing estates. This would help officers responsible to follow up and report promptly cases involving overdue water charges and enhance the effectiveness of monitoring.
- (2) **HD** must step up its monitoring of the performance of property services agents and urge them to provide adequate instructions or training to their staff members. If property services agents are found to have handled payment of water charges improperly, **HD** should take follow-up or punitive action in accordance with the provisions of their service contracts.
- (3) **WSD** should consider including in its departmental guidelines the reporting mechanism regarding long-standing cases of default on water charges by **HD**. To facilitate execution and follow-up action by the officers responsible, specific procedures under the reporting mechanism should be drawn up.
- (4) **WSD** should consider adding instructions in its computer system for monitoring whether there are sold residential and non-residential units in public housing estates having been wrongly transferred to Housing Manager Accounts via the Automatic Procedures, and remind its staff members that when handling applications for change of consumership

involving residential units in public housing estates and those non-residential units under Housing Manager Accounts, steps should be taken to ensure that the application details have been confirmed by HD.

- (5) **HD** and **WSD** should draw up as soon as possible a new agreement regarding payment of water charges.

Office of The Ombudsman
June 2017