

\$71 million deficit looming for Urbco

By MATTHEW LEUNG

THE Urban Council budget for the next financial year will show a projected deficit of \$71 million compared with an estimated surplus of \$26 million this year.

At the same time, the council's capital works program envisages spending about \$1.5 billion over the next five years on community facilities such as multi-purpose market complexes, swimming pools, parks, playgrounds, indoor games halls and libraries.

The chairman of the Finance Select Committee, Mr Walter Sulke, said the projected deficit was mainly a result of lower than expected revenue, anticipated additional cost of increases in sal-

aries and a greater workload caused by new projects coming on stream in the next financial year.

He attributed the falling revenue to a drop in rate income which is \$20 million less than expected - while income from markets and abatements will be less than was originally anticipated.

Seconding the adoption of the audited accounts, Mr Sulke said the new financial arrangements with the Government on rates had painted a rosy picture on the council's short-term finance.

This was clearly illustrated in the \$26 million surplus this year, he said, (the council's yield from rates rising from \$1,249 million in



Mr Forsgate

1985/86 to \$1,644 million in 1986/87).

Under the new deal, the council now receives its rate

income based on rates actually collected rather than the previous arrangement of rates lawfully demanded.

"This new arrangement could make quite a lot of difference to our income, either up or down, depending on how fast new buildings are built and occupied, or vice versa," Mr Sulke said.

For instance, he said, the demolition of the Standard Chartered Bank building in Central would reduce the council's rates income by over \$1 million a year.

Obviously, he continued, when the new building is completed and occupied the council's income from rates would be better than before the old building was pulled down.

"This sort of thing will make our revenue forecasting a bit more difficult and I can't really say whether the new method of rates dispersal will be in our favour in the long term or not," he said.

Mr Sulke explained that the possibility of a deficit next year was to bring home to all councillors that in spite of the new financial arrangements agreed with the central Government "we are still living somewhat precariously and that it is important to budget within our income."

So as not to erode the

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Urbco heading for \$71 million deficit

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council's reserves any further, he said, it was important that the council continued its dialogue with the Government as any increase in its financial obligations under the Memorandum of Administrative Arrangements could have a very serious effect on its service.

This is because the largest part of the council's outgoings were personal emoluments, including a very large factor of on-cost the council pays to the Government, Mr Sulke said.

The council's reserves now stand at \$301 million.

He also asked for a critical review of all select committees on all spending proposals in the light of the present financial position.

On the council's five-year capital works program, council chairman Mr Gerry Forsgate said the well-designed and functional Lockhart Road complex would be completed next month followed by five other complexes later in the year.

Hongkong's largest and most modern squash complex, with its unique centre court costing some \$22 million, is now in operation and will be officially opened on November 1.

Construction of the Hong-

kong Cultural Centre in Tsim Sha Tsui is making good progress with arrangements now being made for its opening in 1989.

Mr Forsgate said planning was also well advanced for the final development of Kowloon Park and construction there was expected to start towards the end of this year.