

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Subhead 180 Social security allowance scheme

HEAD 62 – HOUSING DEPARTMENT

Subhead 700 General non-recurrent

Item 883 Rent payment for public housing tenants

HEAD 147 – GOVERNMENT SECRETARIAT:

**FINANCIAL SERVICES AND THE TREASURY BUREAU
(THE TREASURY BRANCH)**

Subhead 700 General non-recurrent

Item 881 Electricity charges subsidy for eligible residential accounts

HEAD 173 – STUDENT FINANCIAL ASSISTANCE AGENCY

Subhead 700 General non-recurrent

New item “One-off support grant for needy students”

Members are invited to approve –

- (a) the provision of one additional month of the standard rate of Comprehensive Social Security Assistance payment for Comprehensive Social Security Assistance recipients, one additional month of allowance for Disability Allowance recipients and two additional months of allowance for Old Age Allowance recipients;
- (b) an increase in commitment from \$840 million by \$1,680 million to \$2,520 million under Head 62 Housing Department Subhead 700 General non-recurrent Item 883 for the provision of two months’ rent for the lower income families living in the rental units of the Hong Kong Housing Authority and the Hong Kong Housing Society;

- (c) an increase in commitment from \$4,400 million by \$4,400 million to \$8,800 million under Head 147 Government Secretariat : Financial Services and the Treasury Bureau (The Treasury Branch) Subhead 700 General non-recurrent Item 881 for the provision of electricity charges subsidy for eligible residential households;
- (d) a new non-recurrent commitment of \$550 million under Head 173 Student Financial Assistance Agency Subhead 700 General non-recurrent for the provision of a one-off support grant for needy students; and
- (e) supplementary provisions of \$1,030 million and \$840 million under Head 170 Social Welfare Department Subhead 179 Comprehensive social security assistance scheme and Subhead 180 Social security allowance scheme respectively.

PROBLEM

The Government is deeply concerned about the impact of rising prices on the livelihood of citizens. In addition to the relief measures announced in the 2008-09 Budget, we need to implement further short-term measures to reduce the burden on domestic households, particularly those with a disadvantaged background, under the increasing inflationary pressures.

PROPOSAL

2. We propose to provide the following –
 - (a) one additional month of the standard rate of Comprehensive Social Security Assistance (CSSA) payment for CSSA recipients, one additional month of allowance for Disability Allowance (DA) recipients and two additional months of allowance for Old Age Allowance (OAA) recipients;

- (b) necessary funding to the Hong Kong Housing Authority (HA) and the Hong Kong Housing Society (HS) so that eligible tenants/licencees living in their rental units and Elderly Persons' Flats located in HS Group B estates will not be required to pay two months' rent/licence fees;
- (c) a subsidy of \$1,800 to each residential electricity account to cover the billed electricity charges of eligible households; and
- (d) a one-off grant of \$1,000 each for needy students (from kindergarten to post-secondary education) who are eligible to receive means-tested subsidies in the 2008/09 school year under the various student finance schemes administered by the Student Financial Assistance Agency (SFAA)¹, or students (from kindergarten to secondary education) who are eligible in the same school year for the flat-rate grant for school-related expenses under the CSSA Scheme.

JUSTIFICATION

3. Since the announcement of the Budget measures, the Government has been closely monitoring the price movements. Consumer price inflation has edged up further in recent months. The Government sees a need to provide further financial support to help citizens, particularly those with a disadvantaged background, cope with growing inflation and alleviate their burden in meeting family expenses. At the Chief Executive's Question and Answer Session held on 16 July 2008, the Chief Executive (CE) announced a package of relief measures. Details of four measures requiring the funding approval of the Finance Committee (FC) before implementation are set out in the following paragraphs.

Additional One-off Assistance for Social Security Recipients

4. To ease inflationary pressure on social security recipients, CE has proposed to provide additional one-off welfare assistance for social security recipients. This includes providing one additional month of the standard rate of CSSA payment for CSSA recipients, one additional month of allowance for DA recipients and two additional months of allowance for OAA recipients. The additional payment of CSSA standard rate will be based on the enhanced rates with the 4.4% increase to be effected on 1 August 2008.

¹ These students include those eligible to receive the relevant means-tested financial subsidies under the Tertiary Student Finance Scheme – Publicly-funded Programmes, Financial Assistance Scheme for Post-secondary Students, Tuition Fee Reimbursement for Project Yi Jin, Tuition Fee Reimbursement for the Financial Assistance Scheme for Designated Evening Adult Education Courses, School Textbook Assistance Scheme, Student Travel Subsidy Scheme, Examination Fee Remission Scheme, and eligible kindergarten students under the Kindergarten and Child Care Centre Fee Remission Scheme.

5. If Members approve the proposal, we will work towards effecting payment in September this year so as to provide timely assistance to social security recipients.

Two Rent-free Months for Eligible HA and HS Tenants/Licencees

6. The CE has proposed to pay additional two months' rent/licence fees for eligible tenants/licencees² living in the rental units of the HA and HS. Eligibility criteria for this relief measure will be the same as those set out in FCR(2008-09)20, approved by Members in June 2008, on providing one month's rent for HA and HS tenants/licencees as a Budget initiative. As with the measure approved by Members in June, the proposed measure is aimed at easing the burden of lower income families, and will not apply to HA tenants paying additional rent³ (these tenants have income levels exceeding two times the HA's Waiting List income limits) and tenants of HS Group B⁴ estates (these estates are meant for families with a higher income level than HS Group A estates). Similarly, the proposed scheme will cover some 300 Elderly Persons' Flats located in HS Group B estates. As the applicable income limits in respect of these Elderly Persons' Flats are lower than those applicable to the rental flats of HS Group B estates, we consider that the rent payment proposal should cover this particular group of flats located in HS Group B estates.

7. If Members approve the proposal, the Government will make payment directly to the HA and the HS. Taking into account the rates reduction measure announced by the Financial Secretary (FS) in the 2008-09 Budget, the amount of payment to be made will be equivalent to the amount of reduced rent/licence fees (discounting the rates concessions) payable by all eligible HA and HS tenants/licencees for the two months concerned. As the proposal is administrative in nature, no legislative amendment is necessary. Taking into account the necessary preparatory work by the HA and the HS, for example, computer system adjustment, verification of tenancy records and adjustment of autopayment with banks, we expect that eligible HA tenants/licencees and HS tenants will not be required to pay rent/licence fees for the months of September and October 2008.

² These refer to the households living in HA interim housing under licences. HA interim housing is transit accommodation offered to people who are deprived of their living accommodation as a result of occurrence of natural disasters, Government's clearance operations or enforcement actions, and are not immediately eligible for public rental housing.

³ Under the HA's Housing Subsidy Policy and Policy of Safeguarding Rational Allocation of Public Housing Resources, HA tenants are required to pay additional rent if their household income exceeds two times the relevant Waiting List income limits at the time of income declaration.

⁴ HS Group B estates (namely Healthy Village Phase I (Redevelopment) in North Point, Prosperous Garden in Yau Ma Tei and Bo Shek Mansion in Tsuen Wan) are intended for families with relatively higher income. The income and asset limits for applicants for these estates are set at a higher level than those applicable to the other HS estates (i.e. Group A estates) and HA estates.

Additional Electricity Charges Subsidy

8. In addition to the \$1,800 subsidy provided in the 2008-09 Budget, CE has proposed to grant each residential electricity account an extra subsidy of \$1,800 based on the same eligibility criteria and operational parameters Members approved vide FCR(2008-09)18. In other words, we will credit \$300 to each residential account with CLP Hong Kong Ltd or Hong Kong Electric Co Ltd in existence on the first day of each month for six consecutive months, starting from 1 March 2009 (i.e. immediately after the completion of the injection for the first \$1,800 subsidy in February 2009). The credit can only be used for the purpose of offsetting the billed charges for electricity consumed under the same account and will reduce the amount demanded in the electricity bills issued by the electricity companies to residential customers.

9. We also propose that any unused credit in a month for this additional \$1,800 subsidy can be carried forward to cover billed electricity charges under the same account for two and a half years after the last credit month or until the close of account, whichever is earlier. This will effectively provide for the use of the total \$3,600 subsidy over a maximum of six years.

One-off Grant for Needy Students

10. To alleviate the financial burden of needy parents, CE has proposed to disburse, outside existing financial assistance schemes and on a non-accountable basis, a one-off grant of \$1,000 each for students from kindergarten to post-secondary education who are eligible to receive means-tested financial subsidies in the 2008/09 school year under the various student finance schemes administered by SFAA as referred to in paragraph 2(d), or students from kindergarten to secondary education who are eligible in the same school year for the flat-rate grant for school-related expenses under the CSSA Scheme. We expect parents/students in receipt of the grant to make use of it flexibly to meet their education-related expenses in ways best suited to their needs.

11. Subject to Members' approval, starting from October 2008, SFAA will effect payment of the one-off grant to applicants who have passed the means test for financial assistance under SFAA schemes in the 2008/09 school year. Applicants who pass the means test after October 2008 would be given the one-off grant together with their normal financial assistance under the relevant schemes within the 2008/09 school year. The Social Welfare Department will also make available the one-off grant to eligible students on CSSA as soon as its current system allows, tentatively in October 2008.

FINANCIAL IMPLICATIONS

12. We set out below the estimated one-off expenditure and number of beneficiaries for each of the above measures –

	Measures	Estimated one-off expenditure (\$million)	Number of beneficiaries
(a)	Additional one-off assistance for social security recipients	1,870	490 000 CSSA recipients 120 000 DA recipients 470 000 OAA recipients
(b)	Two rent-free months for eligible HA and HS tenants/licencees	1,680	620 000 HA tenants/licencees 32 000 HS tenants
(c)	Additional electricity charges subsidy	4,400	2 440 000 domestic households
(d)	One-off grant for needy students	550	550 000 needy students
	Total	8,500	

13. The expenditure for items (a), (b) and (d) above will be incurred fully in 2008-09. Of the estimated total expenditure of \$4,400 million for item (c), we expect that about \$700 million will be spent in 2008-09, with the rest in 2009-10 and beyond.

14. We have not included the provisions for the above one-off measures in the respective heads of expenditure in the 2008-09 Estimates. While the Administration can approve supplementary provision for items (b), (c) and (d) under delegated authority after the increase in commitment or creation of a new commitment is approved by Members, FC's approval is required for the supplementary provision for item (a). For item (a), we need to seek supplementary provision of \$1,030 million and \$840 million under Head 170 Social Welfare Department Subhead 179 Comprehensive social security assistance scheme and Subhead 180 Social security allowance scheme respectively. We will include sufficient provisions in the Estimates for subsequent financial years for meeting the cash flow of item (c).

PUBLIC CONSULTATION

15. To ease inflationary pressure and reduce the burden on citizens, CE announced a package of short-term relief measures, including the four measures covered in this submission, at the Chief Executive's Question and Answer Session held on 16 July 2008. Members generally welcomed the measures.

BACKGROUND

16. In the 2008-09 Budget, FS announced a number of measures to ease the impact of rising prices on citizens, especially the disadvantaged, so that all can share the fruits of our economic growth. With the approval of FC, we have taken prompt action to implement these measures so as to provide timely relief to citizens. In June 2008, for example, we provided one additional month of the standard rate of CSSA payment for CSSA recipients and one additional month of allowance for DA recipients. The OAA recipients also received a one-off grant of \$3,000 in the same month. Eligible HA and HS tenants/licencees will not be required to pay rent/licence fees for the month of August 2008. Starting from September 2008, we will inject a subsidy of \$1,800 into each eligible residential electricity account in six phases.

URGENCY

17. We have included this item as a late submission on the agenda for 18 July 2008, which is the last FC meeting before the close of the current legislative session. This is to ensure that, subject to Members' approval, the relief measures announced by CE on 16 July 2008 could be implemented the soonest possible.

Education Bureau
Financial Services and the Treasury Bureau
Labour and Welfare Bureau
Transport and Housing Bureau
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