

**For information
on 29 October 2007**

LEGCO PANEL ON WELFARE SERVICES

**Subcommittee on Review of the
Comprehensive Social Security Assistance Scheme**

**Annual adjustment of Standard Payment Rates
under Comprehensive Social Security Assistance Scheme**

PURPOSE

This paper briefs Members on the annual adjustment mechanism of the standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme.

ANNUAL ADJUSTMENT CYCLE FOR CSSA STANDARD PAYMENT RATE

2. The Administration sought the views of the Subcommittee on Review of the CSSA Scheme (the Subcommittee) under the Panel on Welfare Services in July and November 2005 on an annual adjustment cycle of the CSSA standard payment rates. The annual cycle takes into account the movement of the Social Security Assistance Index of Prices (SSAIP) for the past 12 months ending in October each year. A submission will then be made to the Finance Committee (FC) for approval in December, with the new rates to be effected in February of the following year. The Subcommittee had no objection to this annual adjustment mechanism.

3. We further advised the Subcommittee that if movements in the SSAIP and other economic indicators pointed to persistent high inflation, consideration could be given to seeking approval for additional inflationary adjustments to the standard payment rates ahead of the new annual adjustment cycle.

4. Up to August 2007, the 12-month moving average SSAIP registered a cumulative increase of 1.9% when compared with the period of November 2005 – October 2006. The figure for October 2007 (which will form the basis for our submission to the FC) will only be available by end -November.

5. As the latest SSAIP figure for the past 12 months ending 31 October 2007 will not be available until end-November, the exact financial implications and effect on CSSA standard payment rates will only be known in early December.

BACKGROUND

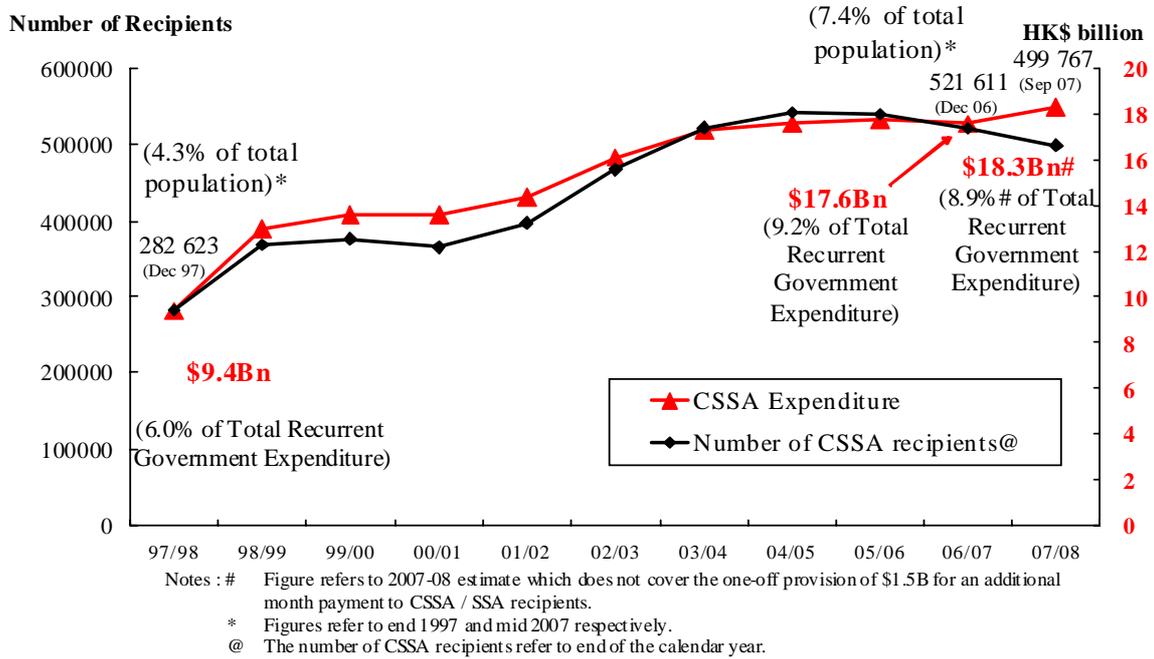
6. In accordance with the annual adjustment cycle, we increased the standard payment rates of CSSA by 0.4% in February 2006 and 1.2% in February 2007 respectively. The current average monthly CSSA payments for different household sizes are given in the table below:

Number of eligible member	Estimates on average monthly CSSA payments * (with an increase of 1.2% in standard payment rate with effect from 1.2.2007)
1	\$3,539
2	\$5,897
3	\$7,914
4	\$9,344
5	\$11,092

Note: * Refer to the situation when CSSA cases do not have income other than CSSA payment. The estimate is compiled based on CSSA cases during November 2005 - October 2006 and adjusted in accordance with CSSA rates implemented as from 1.2.2007.

7. Overall, government expenditure on CSSA rose from \$9.4 billion in 1997-98 to \$17.6 billion in 2006-07. The estimated expenditure on CSSA in 2007-08 is \$18.3 billion. CSSA expenditure as a percentage of total recurrent government expenditure increased from 6.0% to 9.2% over the period between 1997-98 and 2006-07 and that of 2007-08 is 8.9% (estimate).

Overall CSSA Expenditure and Recipients in the Past Decade



THE WAY FORWARD

8. To tie in with the annual adjustment cycle as stated above, we will present the latest available SSAIP figure to FC in December 2007 and seek the necessary approval for new rates with effect from 1 February 2008.

9. Members are invited to note the content of this paper.

**Labour and Welfare Bureau
 October 2007**