

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 170 – SOCIAL WELFARE DEPARTMENT**

#### **Subhead 700 General non-recurrent**

#### **Item 811 Short-term food assistance**

Members are invited to approve an increase in commitment by \$200 million to \$400 million for the continuation and enhancement of the short-term food assistance service.

### **PROBLEM**

Unless the relevant funding commitment is extended, the short-term food assistance service (the service) commissioned by the Social Welfare Department (SWD) would only last until end 2013.

### **PROPOSAL**

2. The Director of Social Welfare, with the support of the Secretary for Labour and Welfare, proposes to increase the commitment by \$200 million for the continuation and enhancement of the service.

### **JUSTIFICATION**

3. Since February 2009, SWD has commissioned five non-governmental organisations (NGOs) to operate five short-term food assistance service projects (the projects) to help individuals/families having temporary difficulty in coping with basic food expenditure. To better meet the needs of service users, SWD enhanced the service in October 2011 by adding

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the provision of food and hot meal coupons which can be redeemed at designated food stalls, supermarkets and restaurants. This was in addition to the usual provision of dry rations normally offered for people to tide over urgent and short-term needs.

Encl. 1 4. The five service operators and their local partners have set up 482 service points all over the territory, of which 110 are also venues for food distribution. Up to the end of March 2013, they had served over 115 400 needy persons. Details of the usage statistics are set out at Enclosure 1.

5. As at the end of March 2013, the total expenditure of the service was around \$148.4 million. The remaining balance of about \$51.6 million is estimated to be able to sustain the service until December 2013. An increase in the approved commitment by \$200 million will enable the service to be further enhanced and continue up to around end-2015.

### **Service Enhancements**

Encl. 2 6. The Labour and Welfare Bureau and SWD recently met representatives of the existing five operators, the other NGOs running different types of food assistance services on a self-financing basis or using other sources of public funding (e.g. the Partnership Fund for the Disadvantaged), and the Hong Kong Council of Social Service (HKCSS) to exchange views on the service and to explore possible service enhancements. Having taken into account their views (as summarised at Enclosure 2), we propose the following service enhancements.

#### *(a) Service duration*

7. Since the service is to help people tide over urgent and short-term needs, service users will receive food assistance for a short period of time. The operator will assess the individual circumstances and food assistance needs of the service user and determine the appropriate service period for the particular user. Currently, the general guideline is to provide food assistance for up to six weeks. Provision of further assistance may be considered by the operators subject to the merits of individual cases. Among the 115 400 service users as at end-March 2013, 21.3% received assistance under the service for up to four weeks; 68.0% four to six weeks; while 7.8% over six weeks. Another 2.9% were still receiving assistance under the service as at end-March 2013.

8. We propose to extend the service period from a maximum of six weeks to a maximum of eight weeks with effect from October 2013. Based on the past experience of the operators, the extended service period by two weeks can already cover the vast majority of the needy cases<sup>1</sup>. Service operators will continue to be able to exercise discretion to provide support to deserving users beyond the eight-week period on a case-by-case basis.

*(b) Food cost and variety*

9. At present, the service operators will assess the needs of each case in determining the appropriate kinds and mixture of food to be provided. For example, families with infants will be given baby formula and baby food. Families living in flats with little cooking facilities may be given more meal coupons. Those with special dietary needs (e.g. ethnic minorities) will also be catered for.

10. Taking into account inflation and in particular the increase in food price<sup>2</sup>, we propose that the allocation per meal-day for the operators be adjusted upwards by 10% with effect from October 2013. The proposed increase will also allow more flexibility for the operators in offering different kinds and mixture of food items to the service users based on their needs. SWD will also encourage service operators to strengthen collaboration with the existing hot-meal canteens (for instance, buying service from these hot-meal canteens) with a view to providing more food assistance options for the needy families.

*(c) Administrative fee*

11. The administrative fee currently accounts for 15% of the operational expenses allocated to the service operators (the remaining 85% to meet the costs for purchasing food). The need to provide brief counselling to the service users is already reflected in the current administrative fee level; whereas cases in need of more in-depth social work intervention should be referred to the mainstream services such as integrated family service centres. With the upward adjustment of the allocation per meal-day as referred to in paragraph 10 above, a higher amount of administrative fee will be given to the service operators without changing the 15% proportion. This will ensure that the bulk of the allocation will benefit the service users direct, while keeping the administrative cost at a reasonable level.

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<sup>1</sup> Indeed, of the five existing service operators, four of them suggested raising the assistance period to a maximum of eight weeks to ensure timely review of the need of each case whereas only one suggested extending it to 12 weeks.

<sup>2</sup> The Consumer Price Index (A) (Food) has increased by 6.4% between December 2011 and March 2013. The inflation rate during the same period is about 4.8% (based on the change on the Composite Consumer Price Index).

*(d) Administrative arrangements*

12. After four years of service delivery, we consider it is now an opportune time to bring in new players and new ideas. In this regard, SWD plans to conduct a new round of invitation of proposals for operating the service. Given that many NGOs in Hong Kong have already had the experience of operating different forms of food assistance services over the years, we envisage that the new round of invitation of proposals could help further enhance the service provision. SWD will split two projects with higher demand into four, making a total of seven projects, to facilitate more effective management and delivery of the service. The areas served/to be served by the existing and new projects are set out at Enclosure 3. There will also be measures to ensure a smooth transition from the existing projects to the new ones to minimise disruption to service users. Please refer to the other operational arrangements at Enclosure 4.

Encl. 3

Encl. 4

13. The proposed allocation of an additional \$200 million will provide financial certainty so that we can allow a decent service period for the operators. This is particularly important for the potential new service operators as the longer time span would be conducive to achieving economies of scale in bulk purchase of food, establishing efficient partnership and network for identification of those in need and prompt distribution of in-kind assistance, and keeping administrative cost to a minimum, yet reasonable, level. We expect that services under the new contracts will commence in March 2014 and run for around 22 months until end-2015, subject to the actual demand of service.

**FINANCIAL IMPLICATIONS**

14. We propose to increase the approved commitment for the service by \$200 million, which comprises -

- (a) \$16 million for meeting the operational expenses for continuing the existing five projects with enhancement measures up to end-February 2014;
- (b) \$136.5 million for meeting the operational expenses for the seven new projects which will commence operation in March 2014;
- (c) \$17.5 million as a ceiling for meeting the necessary set-up cost for the seven new projects, as detailed at Enclosure 4; and
- (d) \$30 million, being contingency for meeting service demand in excess of the provisions allocated to the new projects.

15. The actual amount required for item (a) and item (b) above will depend on the actual service demand. The actual expenditure on item (c) will depend on whether the claims for set-up cost from the operators of the seven new projects are justified. Item (d) as well as the unspent balance of items (a) to (c) above will be used to meet the operational expenses for the seven new projects in case there is excess service demand within or beyond the service period of up to end-2015.

16. The estimated cash flow, based on the current level of service consumption, is as follows -

<b>Financial Year</b>	<b>\$ million</b>
2013-14	22
2014-15	92
2015-16	86
<b>Total</b>	<b>200</b>

17. The actual cash flow will depend on service demand. Supplementary provision will be provided for continuing the service in 2013-14 under delegated authority. Sufficient funds will also be included in the Estimates of subsequent financial years for meeting the expected cash flow requirements.

18. The workload arising from the implementation of the service will continue to be met by SWD through internal redeployment.

## **PUBLIC CONSULTATION**

19. As detailed in paragraph 6 above, the Administration has consulted NGOs and HKCSS on the possible service enhancements. We have taken into account their views in drawing up the above proposal.

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20. We consulted the Legislative Council Panel on Welfare Services on 21 May 2013. Members generally supported the proposal to allocate an additional \$200 million to continue and enhance the service. Some Members made comments on certain implementation details, including the categories of beneficiaries and their needs, service duration, as well as the reasons for and details of conducting a new round of invitation of proposals. Our response is reflected in paragraphs 7 to 8, and 12 to 13, and Enclosures 1, 3 and 4.

**BACKGROUND**

21. The Finance Committee of the Legislative Council approved a new commitment of \$100 million on 5 December 2008 for providing the service and an increase in commitment by \$100 million on 16 December 2011 for continuing and enhancing the service. In the 2012-13 and 2013-14 Budgets, a total of \$200 million has been earmarked for continuing the service.

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Labour and Welfare Bureau  
Social Welfare Department  
June 2013

**Usage Statistics of the Existing  
Five Short-term Food Assistance Service Projects**

Up to the end of March 2013, the five projects had served over 115 400 needy persons. The majority of the service users were low-income earners and the unemployed. The breakdown of the service users is as follows –

<b>Category of service users</b>	<b>Percentage among the total number of service users*</b>
Low-income earners	47.5%
The unemployed	22.9%
The new arrivals	13.1%
Street sleepers	1.9%
Individuals or families encountering sudden changes and facing immediate financial hardship	17.8%
Others (including the “N have-nots”)	7.5%

\* *The percentages add up to more than 100% because some service users belong to more than one category.*

2. Many of the service users had short-term financial needs because they were casual workers or they needed to meet some sudden/short-term expenses for reasons like medical treatment. As a result, they needed to juggle with their food expenditure and hence sought assistance from the projects. Among the 115 400 users, 41 700 (or 36%) had used the service more than once during the 50-month period (i.e. February 2009 – March 2013). The profile of the repeated users was similar to the overall distribution above.

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**Operating Experience of the Non-governmental Organisations**

The Labour and Welfare Bureau and the Social Welfare Department on 9 May 2013 met representatives of the existing five operators, the other non-governmental organisations (NGOs) running different types of food assistance services on a self-financing basis or using other sources of public funding (e.g. the Partnership Fund for the Disadvantaged), and the Hong Kong Council of Social Service to exchange views on the service and to explore possible service enhancements.

2. The five existing service operators generally considered the existing provision sufficient to cover their food cost. They suggested that the provision for food cost could be adjusted in accordance with inflation. Some of them also suggested that more administrative fees should be provided, given that NGOs would need to provide counselling on some cases and refer users to other organisations or units for other services, e.g. child caring and financial assistance. They commented that a wide district network for food and coupons distribution was very important as service users would not have to commute long distance to receive food assistance. The current operation mode of the service already provided a wide district network where the service points were dispersed community-wide and in close proximity to recipients.

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**Service Areas of the Short-term Food Assistance Service Projects**

<b>Existing Service Boundary (5 Projects)</b>	<b>New Service Boundary (7 Projects)</b>
Tsuen Wan, Kwai Tsing, Hong Kong Island, Other Islands including Tung Chung	Tsuen Wan, Kwai Tsing, Hong Kong Island, Other Islands including Tung Chung
Kwun Tong, Wong Tai Sin and Sai Kung	Kwun Tong, Wong Tai Sin and Sai Kung
Sha Tin, Tai Po and North District	Sha Tin, Tai Po and North District
Sham Shui Po, Kowloon City and Yau Tsim Mong	Sham Shui Po
	Kowloon City and Yau Tsim Mong
Tuen Mun, Yuen Long and Tin Shui Wai	Tuen Mun
	Yuen Long and Tin Shui Wai

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**Operational Arrangements for the  
Seven New Short-term Food Assistance Service Projects**

To ensure a smooth transition from the existing projects to the new ones, the existing service operators will be required to refer the service users who are still receiving the service to the new operators for follow-up. New service operators will be given a two-month preparatory period to build up their service and procurement networks before service commencement. New service bidders are required to state in their proposals what measures they would carry out to avoid causing inconvenience to the service users, including the handing over of case details, publicity to existing/potential users, the number of service points and how they will build up the procurement network. Only proposals with clear, concrete and feasible plans will be considered.

2. If required and justified by individual service operators, a maximum of \$2.5 million for each project will be provided to cover the operators' one-off set up cost, such as fitting out of premises, purchase of food storage/processing equipment, minor furniture and equipment (F&E) items, and transportation arrangement for collection and delivery, etc. For better utilisation of the funding, existing operators, should they be awarded the new contract, will only be allowed to replenish or procure necessary F&E items. If an existing operator fails to get the new contract, they will be required to transfer the usable items to the new operator.

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