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Subcommittee on Poverty

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 23 June 2014**

Community Care Fund

Purpose

This paper summarizes past discussions at meetings of the Council and its committees on Community Care Fund ("CCF").

Background

2. CCF is a trust fund established in early 2011 under the Secretary for Home Affairs Incorporation Ordinance (Cap. 1044) with the Secretary for Home Affairs Incorporated as its trustee. CCF aims at providing assistance to people facing financial difficulties, particularly those who fall outside the safety net, i.e. the Comprehensive Social Security Assistance ("CSSA") Scheme, or those within but are not covered by the safety net because of special circumstances. CCF may also implement measures on a pilot basis to help the Administration identify people who can be considered for incorporation into the Government's regular assistance and service programmes.

3. In November 2010, the Chief Executive appointed the Steering Committee on CCF ("the Steering Committee") which was chaired by the Chief Secretary for Administration to oversee and co-ordinate, among others, the work of CCF. An Executive Committee and four Subcommittees (Education, Home Affairs, Medical and Welfare) were set up under the Steering Committee to support the CCF's operation. Following the re-establishment of the Commission on Poverty ("CoP") by the Government in December 2012, CCF has been integrated into the work of CoP since 2013. The CCF Task Force, set up under CoP, will

continue to make use of the CCF resources to implement the existing programmes and draw up new projects to provide assistance to the underprivileged and low-income families.

4. The Finance Committee ("FC") approved the injection of \$5 billion into CCF in May 2011 and an additional injection of \$1.5 billion into CCF in July 2011 to implement the programme to provide a one-off allowance of \$6,000 to new arrivals. FC approved in June 2013 another injection of \$15 billion into CCF to strengthen the poverty alleviation efforts.

5. Since its establishment in early 2011, CCF has launched a total of 27 assistance programmes for target beneficiary groups including children, the elderly, persons with disabilities, patients, new arrivals and ethnic minorities, etc. According to the Administration, people outside the existing safety net or the coverage of the Government's short-term relief measures have been successfully identified and provided with immediate assistance. In addition, CCF has also implemented measures on a pilot basis to help the Government identify those measures that have been proven effective for incorporation into the regular assistance programmes. As at November 2013, more than 550 000 person-times¹ have benefited under these programmes.

Members' deliberations

6. The House Committee, the Panel on Home Affairs and the Subcommittee on Poverty ("the Subcommittee") had discussed CCF-related issues. Members' major concerns are summarized in the ensuing paragraphs.

Source of funding

7. Given that the operation of CCF would mainly be funded by investment returns on the seed capital and the overall investment returns in the market was currently low, Members worried that the investment returns might not be sufficient for carrying out some of the assistance programmes. They expressed concern about how CCF would ensure reasonable investment returns so that more assistance programmes could be launched. They also enquired about the circumstances under which the seed capital could be used for running the assistance programmes.

¹ Nearly 200 000 people had benefited under the programme to provide a one-off allowance of \$6,000 to new arrivals.

8. According to the Administration, a deposit of \$15 billion in total had been placed with the Hong Kong Monetary Authority to earn a high investment return that was linked to the performance of the Hong Kong Exchange Fund. The remaining amount of the CCF funding had been deposited with banks for Hong Kong dollar and Renminbi time deposit, so as to earn interest income and meet the cash flow requirements for financing the assistance programmes and other liquidity needs. Assuming the rate of investment return in future was 2% to 5% per annum, the CCF funding available from 2013-2014 to 2016-2017 would be around \$1.7 billion to \$2 billion per year. The investment returns so generated should be able to sustain the operations of the assistance programmes for a considerable period of time and the deployment of the capital should not be required in the near future. Nevertheless, the capital could be used to fund CCF programmes when necessary.

9. Some Members were concerned about whether CCF would receive the pledged donation and asked whether CCF had any plan to appeal for new donations from the business sector. The Administration explained that CCF was not set up on a matching basis and it had no plan to appeal for new donations for CCF from the business or other sectors at this stage. The amount of donations pledged was about \$1.8 billion and some donations were made by yearly instalments over three years. As at end November 2013, the actual amount of donations received was around \$1.418 billion. The Administration was confident that CCF would receive all the pledged donations by the end of the 2013-2014 financial year.

Operation and monitoring

10. Some Members expressed concern that the application procedures for CCF programmes might be cumbersome and costly, and suggested that a cap be set on CCF's administrative expenses. They also urged the Administration to keep the operation of CCF transparent and accountable. They considered that as the Council was the gatekeeper for the Government injection into CCF, it was incumbent upon the Administration to report to the Council on its progress of work at regular intervals, say, in every three to six months, and its recommendations on how to improve the policies which impacted on people's livelihood annually.

11. The Administration advised that CCF programmes would provide swift and direct assistance to target beneficiaries through the Government's existing service network where possible to minimize administrative costs. The target was to limit the average administrative

expenses of CCF to within 5% of its total disbursements on a long-term basis. The Administration assured Members that CCF's operation, including its income and expenditure, would be highly transparent. The statement of accounts of CCF would be audited by the Director of Audit and tabled at the Council annually.

12. Some Members considered that CCF should be incorporated into Schedule 1 of the Prevention of Bribery Ordinance (Cap. 201) for better monitoring. The Administration advised that as some government departments were entrusted to implement CCF programmes and the persons who handled the fund were public officers, they would abide by regulatory regimes applicable to public officers. As to whether CCF should be incorporated into Schedule 1 of Cap 201, the advice of the Department of Justice had to be sought.

13. To facilitate Members to monitor CCF programmes (particularly large-scale pilot programmes), the Administration advised that the Subcommittee or relevant Panels would be consulted prior to launching brand-new programmes which were pilot in nature and the funding provision of which was expected to exceed \$100 million. In addition, the Administration would report regularly to the Subcommittee on the financial position of CCF and the implementation progress of its programmes every six months. Evaluation reports of the programmes would also be provided to the Subcommittee. The first half-yearly briefing was conducted in December 2013 jointly by the Administration and the CCF Task Force.

Regularization of CCF assistance programmes

14. Some Members considered that the CCF assistance programmes which had been run for three years or more should be incorporated into the Government's regular assistance and service programmes. Some other Members took the view that instead of launching assistance programmes under CCF, the Administration should implement policies, such as policies on dental care for the elderly and pre-school rehabilitation services, to address the needs of the underprivileged in the long run.

15. The CCF Task Force advised that the time required for implementing assistance programmes could be reduced if they were launched by CCF. CCF pilot schemes, if proven effective, would facilitate smooth implementation of future policies or system changes. Considerations on regularization would vary for different CCF programmes. Programmes that were proven effective would be

regularized and the schedule for regularizing these programmes would be determined after thorough and careful policy deliberations. The Administration would also consider whether the programmes could be articulated with the existing policy and operated smoothly. According to the CCF Task Force, three CCF programmes, namely "Subsidy to meet lunch expenses at whole-day primary schools for students from low-income families", "Subsidy for CSSA recipients who are owners of Tenants Purchase Scheme flats for five years or above", and "Training subsidy for children who are on the waiting list for subvented pre-school rehabilitation services", would be regularized.

Assistance for persons with disabilities

16. Some Members were of the view that persons with disabilities, regardless of age, had the same needs for many types of care services (e.g. dental care service and carer service) as elderly persons. The Administration's conventional approach, whereby the service recipients were segregated by age, had rendered many persons with disabilities unable to receive the required services. CCF should lead the Administration to make changes in this regard.

17. The CCF Task Force explained that given the diversified care needs of persons with disabilities, the establishment of a standardized care needs assessment mechanism for persons with disabilities could help formulate policies to better meet their needs and facilitate discussion by CCF.

Assistance for the "N have-nots"

18. Some Members suggested that rent allowance should be provided for people who had housing problems, e.g. those who were living in cubical apartments or "sub-divided units", and for those "N have-nots" who were on the waiting list for PRH.

19. The Administration responded that through a CCF programme, some 20 000 households (around 39 000 persons) were identified as "N have-nots". The number of "N have-nots" households were expected to increase to 70 000 households if the definition of "sub-divided units" was relaxed. Given the huge additional injection into CCF, the "N have-nots" would continue to receive the required support if the relevant programmes were proven effective, even though they were not incorporated into the Government's regular assistance programmes. The "subsidy for low-income persons who are inadequately housed" programme launched by CCF was effective in providing financial

assistance to the "N have-nots" as those who did not meet the eligibility criteria for applying PRH were also covered by the programme, provided that they were inadequately housed and were low-income earners. The Administration took the view that the housing needs of the "N have-nots" who were inadequately housed should ultimately be addressed through the provision of PRH.

20. According to the Administration, topping up the difference between the rental payable by CSSA households living in private housing by way of increasing the maximum rent allowance under the CSSA Scheme ("MRA") or providing rent allowance to those on the waiting list for PRH might trigger an increase in the rental level in private housing. As a result, the recipients of this rent allowance might not benefit from the assistance in the end. Furthermore, the eligibility of those on the waiting list for PRH would only be subject to assessment later. The Administration would conduct an in-depth study on MRA and submit proposals to CoP's Social Security and Retirement Protection Task Force for consideration.

21. Some Members were of the view that CCF should consider providing rent allowance under a new programme to assist the "N have-nots". According to the CCF Task Force, CCF programmes should not be in conflict with the Administration's policies. Since it was not the Administration's policy to provide rent allowance on a regular basis for the needy households living in private housing, CCF would not implement pilot programme in this regard unless there was a change in the relevant policy.

Relevant papers

22. A list of the relevant papers on the LegCo website is in the **Appendix**.

Appendix**Relevant papers on Community Care Fund**

Committee	Date of meeting	Paper
Legislative Council	13 October 2010 (Item II)	Agenda Minutes
Panel on Home Affairs	14 January 2011 (Item IV)	Agenda Minutes
Finance Committee	6 May 2011	Minutes FCR(2011-12)8
Finance Committee	13 May 2011 (Item II)	Minutes FCR(2011-12)8
Panel on Home Affairs	8 July 2011 (Item II)	Agenda Minutes
Finance Committee	18 July 2011 (Item II)	Minutes FCR(2011-12)41
Legislative Council	2 November 2011	Official Record of Proceedings Pages 122 to 124
Panel on Home Affairs	9 December 2011 (Item III)	Agenda Minutes
House Committee	22 March 2013	Agenda Verbatim Record of Proceedings
Finance Committee	21 June 2013 (Item III)	Minutes FCR(2013-14)20
Subcommittee on Poverty	24 May 2013 (Item II)	Agenda Minutes
Subcommittee on Poverty	17 December 2013 (Item I)	Agenda Minutes