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**Subcommittee on Poverty**

**Updated background brief prepared by the Legislative Council Secretariat  
for the meeting on 17 December 2013**

**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. 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. According to the Administration, about 200 000 new-arrivals have benefited from the programme.

4. 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.

#### Assistance programmes

5. Since its establishment in early 2011, CCF has launched a total of 19 assistance programmes for target beneficiary groups including children, the elderly, persons with disabilities ("PWDs"), 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. More than 100 000 people have benefited from these programmes. 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.

#### Proposed additional injection to CCF

6. As at end April 2013, the balance of CCF stood at around \$5.94 billion, mainly including the placement of \$5 billion and the investment return of \$455 million at the Hong Kong Monetary Authority ("HKMA"), as well as around \$480 million bank deposits<sup>1</sup>. Taking into account the investment returns from HKMA, the bank interest income and the pledged donations to be received in 2013-2014, and deducting the commitments for assistance programmes, the Administration expected that about \$820 million would be available for the CCF in 2013-2014 to support new programmes and extend the existing programmes. In the 2013-2014 Budget, the Financial Secretary has proposed to inject an additional \$15 billion into CCF to strengthen the poverty alleviation efforts. The injection mainly serves the following three purposes –

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<sup>1</sup> Excluding the balance of around \$300 million under the programme to provide a one-off allowance of \$6,000 to new arrivals. Unused funds (including interest), if any, will be returned to the Government after the completion of the programme.

- (a) to provide assistance to persons who cannot benefit from the Budget's relief measures, i.e. those colloquially known as "N have-nots" (generally refer to those who do not own any properties, live in public rental housing ("PRH") or receive CSSA);
- (b) to enhance CCF's capacity to fill the gaps in the existing system and launch more targeted assistance programmes and pilot schemes to help those who are facing economic difficulties; and
- (c) to continue the implementation of programmes which are proved to be effective but have yet to be incorporated into the Government's regular assistance programmes for the time being owing to the recurrent expenditure limit of a particular year or the time taken to study or rationalize related policies.

According to the Administration, the proposed additional injection, together with the original \$5 billion Government injection, is expected to generate an annual investment return of over \$1 billion. The proposal was approved by FC in June 2013.

### **Members' deliberations**

7. 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.

#### Impact on charities

8. Some Members expressed concern about the possible dilution of CCF on the business sector's donations to charities, such as the Community Chest of Hong Kong ("CCHK"), from which many non-governmental organizations had received support. They called on the Administration to keep in view whether CCHK had any fund-raising difficulties after the establishment of CCF and render assistance when necessary. Members were also worried that CCF and CCHK might have duplicate functions. They considered it necessary for the Administration to clearly delineate the respective scope of CCF and CCHK.

9. According to the Administration, CCF would not launch any public

fund-raising campaigns. The business sector had only been invited to make voluntary donations to CCF on top of its support for charities. The Administration assured Members that it would monitor CCF's impact on donations to charities. The fund-raising activities of CCHK had not been affected by CCF. CCF would not duplicate the programmes under CCHK, other charitable funds and the Government's existing social welfare service network.

#### Source of funding

10. 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 April 2013, the actual amount of donations received was around \$1.255 billion. The Administration was confident that CCF would receive all the pledged donations by the end of the 2013-2014 financial year.

11. Some Members were of the view 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. The Administration advised that it was the Government's objective to incorporate those measures which were proven effective into its regular assistance and service programmes. The schedule for regularizing these programmes would be determined after thorough and careful policy deliberations. These measures would continue prior to their regularization.

#### Operation and monitoring

12. Some Members expressed concern that the application procedures for CCF's 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.

13. The Administration advised that CCF's 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.

14. 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.

15. According to the Administration, the Government's previous injection of \$5 billion which was placed with HKMA had generated an investment return of around 5%. With the additional injection of \$15 billion, the capital of CCF would stand at \$20 billion. 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.

16. 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's 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.

17. To facilitate Members to monitor CCF's 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 the financial position of CCF and the implementation progress of its programmes every six months. The first half-yearly briefing would be conducted in December 2013.

### Elderly Dental Assistance Programme

18. Pointing out that the Elderly Dental Assistance Programme ("the EDA Programme") had not been effective as it covered only a small number of elders, some Members called on the Administration to relax the eligibility criteria of the Programme to benefit more elderly. Some other Members were of the view that the Administration should consider providing dental services to all elder persons and PWDs. The Administration advised that the EDA Programme, which was expected to be a two-year programme, was rolled out in September 2012 to subsidize needy elderly persons for dentures and other necessary dental services. Having regard to the view that the scope of the EDA programme was not wide and flexible enough, the CCF Task Force had set up a working group to consider whether and how to revise the scope of the programme taking into account the progress of implementation and the experience gained.

19. According to the Administration, there were two main reasons for the low usage of the EDA Programme. Firstly, only about 200 dentists had participated in the Programme. The other reason was the serious manpower shortage of non-governmental organization home service teams to provide escorting services for elderly persons to seek dental consultations. The CCF Task Force would collect views on extending the dental services to different groups of elderly persons but careful deliberations had to be made as the number of elderly persons who needed such service were many. CCF had to be prudent in using the fund and should not provide dental assistance to all elders regardless of their financial situation. Nevertheless, the direction was to expand the coverage of the EDA Programme progressively to benefit more elders with financial difficulties.

### Assistance for the "N have-nots"

20. Some Members were of the view that the Administration should review the residence requirement under the CSSA Scheme and CCF should regularize its assistance programmes for the "N have-nots" until the completion of the review. Some Members suggested that rent

allowance should be provided for people who had housing problems, for example those who were living in cubical apartments or "sub-divided units", and for those "N have-nots" people who were on the waiting list for PRH.

21. The Administration responded that through a CCF programme, some 20000 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.

22. 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.

### **Relevant papers**

23. 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)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Home Affairs	14 January 2011 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Finance Committee	6 May 2011	<a href="#">Minutes</a> <a href="#">FCR(2011-12)8</a>
Finance Committee	13 May 2011 (Item II)	<a href="#">Minutes</a> <a href="#">FCR(2011-12)8</a>
Panel on Home Affairs	8 July 2011 (Item II)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Finance Committee	18 July 2011 (Item II)	<a href="#">Minutes</a> <a href="#">FCR(2011-12)41</a>
Legislative Council	2 November 2011	<a href="#">Official Record of Proceedings</a> <a href="#">Pages 122 to 124</a>
Panel on Home Affairs	9 December 2011 (Item III)	<a href="#">Agenda</a> <a href="#">Minutes</a>
House Committee	22 March 2013	<a href="#">Agenda</a> <a href="#">Verbatim Record of Proceedings</a>
Finance Committee	21 June 2013 (Item III)	<a href="#">Minutes</a> <a href="#">FCR(2013-14)20</a>
Subcommittee on Poverty	24 May 2013 (Item II)	<a href="#">Agenda</a> <a href="#">Minutes</a>