

**For discussion  
on 12 November 2012**

## **LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES**

### **Annual adjustment of social security payment rates**

#### **Purpose**

This paper briefs Members on the latest position of the Social Security Assistance Index of Prices<sup>1</sup> (SSAIP) and the Consumer Price Index (CPI) (A) rent index for private housing (rent index)<sup>2</sup>; and the estimated corresponding adjustment to standard payment rates<sup>3</sup> and maximum rates of the rent allowance (MRA) under the Comprehensive Social Security Assistance (CSSA) Scheme, and rates of allowances under the Social Security Allowance (SSA) Scheme, as from 1 February 2013.

#### **Payment rates under the CSSA Scheme and the SSA Scheme**

##### **The annual adjustment mechanism**

2. At the meeting of this Panel on 14 November 2005, Members noted that the Government would take into account inflation or deflation as reflected by the SSAIP and adjust standard rates under the CSSA Scheme and rates of allowances under the SSA Scheme on an annual basis. The steps to be taken are as follows –

- (a) presentation of relevant information to this Panel;
- (b) submission to the Finance Committee (FC) of the Legislative Council for approval in December, on the basis of the movement of the SSAIP for the past 12 months (i.e. from 1 November of a year to 31 October of the following year); and

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<sup>1</sup> The SSAIP is compiled by the Census and Statistics Department (C&SD) on a monthly basis to reflect the impact of price changes on recipients of Comprehensive Social Security Assistance (CSSA). It consists of all items covered in other Consumer Price Indices compiled by C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government.

<sup>2</sup> The rent index is compiled by C&SD on a monthly basis. It can reflect the movement of private housing rent borne by households in the lower expenditure group.

<sup>3</sup> CSSA standard payment rates include CSSA standard rates, supplements and the monthly meal allowance under the special grants category.

- (c) implementation of the new rates in February of the following year, so that the Social Welfare Department (SWD) can have sufficient time to adjust its computer system for making the correct payments to CSSA and SSA recipients.

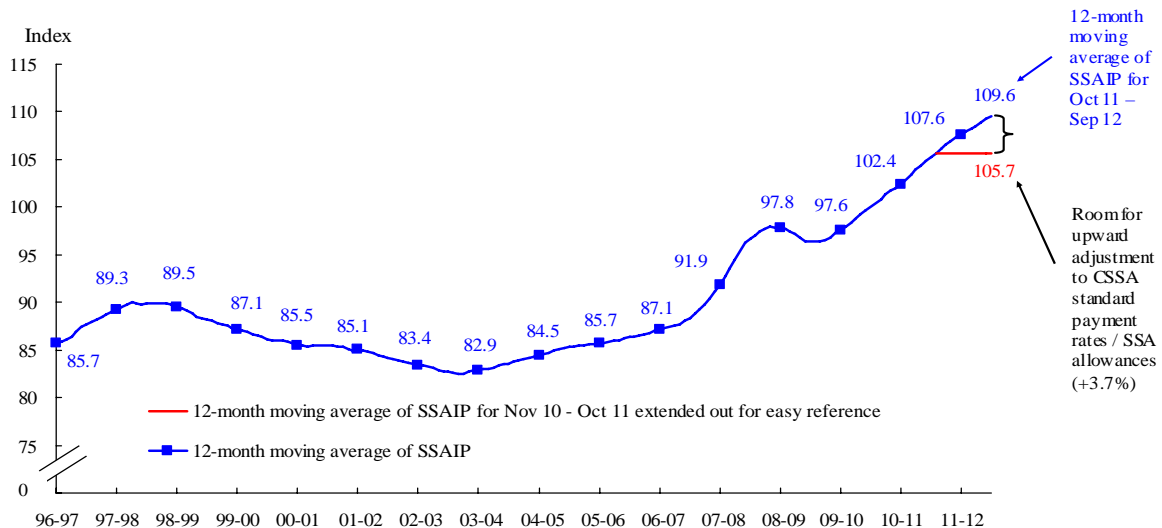
3. At its meeting on 16 December 2011, FC approved the proposal to increase standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme by 5.2%. SWD implemented the new rates on 1 February 2012.

4. The current average monthly CSSA payments for households of different sizes, and the rates of Old Age Allowance (OAA) and Disability Allowance (DA) under the SSA Scheme, are set out at **Annex A**.

**Movement of the SSAIP in 2011-12 and recommendation on the adjustment of payment rates**

5. As shown in the chart below, the 12-month moving average of the SSAIP from October 2011 to September 2012 registered a cumulative increase of 3.7%, when compared with that in the period from November 2010 to October 2011.

Room for upward adjustment of CSSA standard payment rates and rates of allowances under the SSA Scheme



6. The data for October 2012 will be ready by the end of November 2012 for calculating the movement of the SSAIP up to 31 October 2012. Following the present trend, we expect the growth to continue. We will use the SSAIP up to October 2012 in our final submission to FC.

## **MRA**

7. Rent allowance is payable to CSSA households for meeting accommodation expenses. The amount of the monthly allowance is equal to the actual rent paid by the household, or the MRA determined with reference to the number of members in the household who are eligible for CSSA, whichever is the less. FC authorised the Secretary for the Treasury (now the Secretary for Financial Services and the Treasury) to adjust the MRA annually in accordance with the movement of the rent index at its meeting on 3 April 1998.

8. SWD last increased the MRA by 5.7% in accordance with the above mechanism with effect from February 2012; the prevailing MRA is provided at Annex B. Up to September 2012, the 12-month moving average of the rent index indicated that there was room for increasing the MRA by 7.3%. Following the present trend, we also expect the growth to continue. We will use the rent index up to October 2012 to adjust the MRA in accordance with the established mechanism.

## **Financial implications**

9. As explained above, the data necessary for completing our calculation of the annual movement of the SSAIP and rent index can only be available, and therefore the financial implications of the annual adjustment exercise can only be confirmed, at a later stage.

## **Implementation**

10. We will seek the approval of FC for the proposals on standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme, having regard to the latest SSAIP. Subject to FC's approval, the new rates will take effect from 1 February 2013. Adjustments to the MRA will also take effect on the same date if approved by the Secretary for Financial Services and the Treasury.

11. As the CSSA and SSA Schemes are both non-cash-limited schemes, we will seek the approval of FC for supplementary provision for 2012-13 if necessary so as to ensure that adequate funds will be available to make payments on time.

**Labour and Welfare Bureau  
Social Welfare Department  
November 2012**

**Average monthly Comprehensive Social Security Assistance payments by the number of eligible members in a household**

*(Refer to the situation when Comprehensive Social Security Assistance (CSSA) households do not have incomes other than CSSA payments. The estimate is based on CSSA cases during the period from November 2010 to October 2011, using the CSSA rates effected since 1 February 2012. )*

Number of eligible members in a household	Average monthly CSSA payments
1	\$4,531
2	\$7,257
3	\$9,488
4	\$11,242
5	\$13,143

**Monthly rates of Old Age Allowance (OAA) implemented since 1 February 2012**

Type	Monthly rate
Normal OAA	\$1,090
Higher OAA	

**Monthly rates of Disability Allowance (DA) implemented since 1 February 2012**

Type	Monthly rate
Normal DA	\$1,395
Higher DA	\$2,790

**Maximum rates of the rent allowance (MRA)  
under the Comprehensive Social Security Assistance Scheme  
implemented since 1 February 2012**

<b>Number of eligible members in a household</b>	<b>Monthly MRA</b>
1	\$1,335
2	\$2,695
3	\$3,520
4	\$3,745
5	\$3,750
6 or above	\$4,690