

**For discussion on
10 February 2014**

LC Paper No. CB(2)799/13-14(03)

Legislative Council Panel on Welfare Services

Special Scheme on Privately Owned Sites for Welfare Uses

Purpose

This paper briefs Members on the progress of implementing the Special Scheme on Privately Owned Sites for Welfare Uses (Special Scheme), and seeks Members' support for the Government's proposal to transfer \$10 billion to the Lotteries Fund (LF) to ensure the availability of sufficient resources to implement the feasible projects under the Special Scheme.

Background

2. At present, non-governmental organisations (NGOs) may apply for grants from LF to meet the basic costs of works projects in connection with the welfare services provided by them, including non-recurrent commitments for constructions, fitting-out, renovations, repair and maintenance as well as purchase of furniture and equipment (F&E).

3. The actual closing balance of LF for 2012-13 was \$10.2283 billion, while the closing balance in the original estimate for 2013-14 is \$10.4094 billion. In the past five years (2008-09 to 2012-13), the average revenue¹ and average expenditure of LF amounted to about \$1.6 billion and \$800 million per year respectively. Its income and expenditure in the future will be subject to the progress of projects implemented/planned and the actual revenue.

¹ The proceeds from the Mark Six Lottery are the main source of revenue of the Lotteries Fund (approximately 70%). Other sources of income include net proceeds from auctions of vehicle registration marks, investment income and donation.

4. The Chief Executive announced in his 2013 Policy Address that the Government would seek to use LF more flexibly, and make better use of the land owned by NGOs through redevelopment or expansion to provide diversified subvented and self-financing facilities. The Government will also provide targeted assistance for land owners during the planning or development process. The Labour and Welfare Bureau (LWB) has been actively following this up with the social welfare sector, and launched the Special Scheme in September 2013. The Special Scheme encourages social welfare organisations to provide the necessary welfare facilities, in particular elderly and rehabilitation facilities, through in-situ expansion or redevelopment.

Implementation of the Special Scheme

5. The Government invited applications from social welfare organisations for inclusion into the Special Scheme in September 2013. An organisation applying for the Special Scheme will have to provide on a site under its ownership a net increase in the provision of one or more than one service on the list of facilities set out by the Government through expansion or redevelopment. The list includes facilities for three types of elderly services and eight types of services for persons with disabilities that are in great demand now or in the foreseeable future. For the projects under the Special Scheme, LF will provide more flexible funding arrangements, including those for welfare-related ancillary facilities, technical feasibility study, decanting costs related to the project, as well as the capital costs of self-financing projects. The Government will also provide appropriate assistance to the social welfare organisations during the planning or development process. The major features of the Special Scheme are at **Annex 1**.

6. The closing date of application for the Special Scheme was 18 November 2013. The response of social welfare organisations to the Special Scheme was overwhelming. LWB is coordinating among relevant Government Departments, including the Policy and Project Co-ordination Unit under the Chief Secretary for Administration's Office, the Social Welfare Department (SWD), the Lands Department (LandsD), the Planning Department (PlanD) and the Buildings Department (BD), to scrutinise the preliminary proposals submitted by about 40 social welfare organisations, which involve more than 60 in-situ expansion,

redevelopment or development projects. Among the some 60 applications, more than 50 applications involve new development or redevelopment, while the rest involve in-situ expansion or addition.

7. According to the proposals of applicant organisations, the building height or floor area will be increased after new development, redevelopment or expansion. This will not only enable optimisation of sites but also provide more welfare services which are in great demand. If the development projects require amendment to the outline zoning plan or planning permission from the Town Planning Board, we will assist the organisations concerned to further liaise and follow up with PlanD. If the welfare facilities proposed to be provided are not permitted under the respective land leases, or the new development, redevelopment or expansion projects exceed the development requirements (e.g., restrictions on site coverage, building height or number of floors, maximum gross floor area and non-building area, etc.) stipulated in the respective land leases, the lot owners concerned will have to apply to LandsD for modification of lease conditions so as to carry out the proposed works. The applicant organisation must also submit building plans application to BD in accordance with the Buildings Ordinance.

8. The preliminary proposals received are at different planning stages. The feasibility of implementing the projects as proposed by the applicant organisations will depend on various factors, including the site's location and its surrounding environment, communal facilities and transport facilities, requirements prescribed in the land lease conditions and restrictions stipulated in the outline zoning plan on use and development intensity, feedback received from local consultations, distribution of existing services as well as the demand and supply of the proposed services.

9. Depending on the time taken to complete the necessary development and planning procedures (e.g. outline zoning plan amendment, planning permission, lease modification, etc.), it may take several years or even longer to implement these projects. Based on the rough estimation of the applicant organisations, if all the proposals received under the Special Scheme could be implemented smoothly, about 17 000 additional service places would be provided for the elderly and persons with disabilities, including around 9 000 places for elderly

services and 8 000 places for rehabilitation services (Please see Annex 2 for details). This will effectively relieve the pressure on service demand and shorten the waiting time. It is equally important that the Special Scheme will provide a concrete basis for planning for welfare services and manpower in the medium to long term.

Proposal

10. Assuming that all proposals under the Special Scheme are technically feasible, the amount of LF required will be at a rough estimate of \$20 billion. As the proposals are at different planning stages and are expected to proceed at different paces, the cashflow under the Special Scheme should provide a certain degree of flexibility. The current balance of LF is not enough to support the expenditure under the Special Scheme. To ensure that the projects under the Special Scheme will be planned with a higher degree of certainty of resource availability and to avoid affecting other LF projects, we propose to arrange for the transfer of funds of \$10 billion to LF to secure sufficient resources to implement the feasible projects under the Special Scheme and other projects within the remit of LF. After the proposed transfer of funds, we will continue to closely monitor the operation of LF and deploy the transferred funds in a flexible manner as appropriate to support projects under the Special Scheme and other qualified projects under LF.

Implementation and Monitoring

11. We will monitor the implementation of each project according to the established practice of LF. Currently, approval for the release of LF grants from the Finance Committee (FC) of the Legislative Council is sought for any proposal that has additional recurrent financial implications exceeding \$10 million. We will submit relevant projects under the Special Scheme for FC's approval according to the established administrative arrangement.

The Way Forward

12. After soliciting Members' views, we plan to seek the funding approval of FC in February 2014 on the proposed transfer of \$10 billion to LF.

13. Apart from substantially increasing the number of places for elderly and rehabilitation services through the Special Scheme, LWB and SWD will continue to maintain close liaison with relevant Bureaux and Departments in order to identify suitable sites for the provision of welfare services to meet the needs of the community.

Advice Sought

14. Members are invited to note the progress of the Special Scheme and support the proposal for the transfer of funds to LF.

Labour and Welfare Bureau
Social Welfare Department
February 2014

**Major Features of
the Special Scheme on Privately Owned Sites for Welfare Uses
(Special Scheme)**

The major features of the Special Scheme are as follows² –

(a) Types of social welfare services

Elderly services

1. Care and attention home providing continuum of care
2. Nursing home
3. Day care centre for the elderly

Rehabilitation services

4. Care and attention home for severely disabled persons
5. Hostel for moderately mentally handicapped persons
6. Hostel for severely mentally handicapped persons
7. Long stay care home
8. Integrated vocational rehabilitation services centre
9. Day activity centre
10. Special child care centre
11. Early education and training centre

² Such features do not apply to other welfare projects already processed or to be processed by the Social Welfare Department (SWD) outside the Special Scheme.

Non-governmental organisations (NGOs) participating in the Special Scheme will have to provide a net increase in the provision of one or more than one service on a site under its ownership. To give NGOs greater flexibility to meet their other requirements, they may co-locate welfare facilities other than the 11 types of services mentioned above and/or non-welfare facilities on the same site provided that such uses and arrangement are permitted under the applicable regulations and procedures, and in compliance with the land lease governing the lot concerned.

(b) Form of development

The form of development may include expansion, redevelopment, new development and a combination of one or more of the above categories. NGOs are also allowed to use up a small portion of the gross floor area (GFA) for welfare-related ancillary facilities and the cost will be borne by LF. Unless there would be discretionary approval by the Government, existing buildings should not be demolished if they are less than 25 years old.

(c) Track record of NGOs

NGOs should satisfy SWD that they are bona-fide non-profit making organisations which have direct experience in running related welfare services with a good record of corporate governance, and should demonstrate capability and/or experience in taking charge of similar development/redevelopment projects.

(d) Waiving of the open bidding requirement

At present, SWD requires an NGO (even if it owns a piece of land) to compete with other NGOs for securing extra GFA for operating any new type of subvented service on its own land. Take for example an NGO which has redeveloped its building from one providing 100 subvented residential care places for the elderly into a building providing 300 subvented residential care places for the elderly plus 100 subvented residential care places for persons with disabilities. The 100 subvented places for persons with disabilities would need to be subject to open bidding with other NGOs because

it is considered a new type of subvented service on the site. On the other hand, the 300 residential care places for the elderly, despite the increase in provision, will continue to be run by the NGO concerned without the need for open bidding as the additional places are considered expansion of service. For a new subvented welfare service to be provided under the Special Scheme, SWD may exercise its discretion to waive the open bidding requirement on the condition that the NGO participating in the Special Scheme, upon securing funding either from LF or other sources to support the capital cost of its project under the Special Scheme, will generally be required to abstain once from bidding elsewhere for the same type of subvented service.

(e) Technical feasibility study

According to the existing practice, LF will only support the cost of the technical feasibility study in proportion to the net operating floor area (NOFA) proposed for the welfare portion. Under the Special Scheme, SWD may consider exercising its discretion to fund the full costs of the technical feasibility study for the project by LF if the welfare portion constitutes no less than 50% of the NOFA of the project.

(f) Decanting cost

An NGO participating in the Special Scheme may need to relocate the existing welfare services to other premises pending the development or redevelopment of the site. SWD may consider exercising its discretion to approve the use of LF to pay for the decanting costs involved.

(g) Self-financing services

Under the prevailing practice of using LF to support the capital costs of self-financing projects, the following rules are normally observed for capital construction projects –

- (i) the NGO must have at least three years of good track record in welfare services and is required to undertake to operate the project for at least five years; and
- (ii) regarding self-financing services, the NGO should commit not less than 10% of the total capital cost recognised by LF on the self-financing portion as contribution to LF, or top up an amount of not less than 10% of the total capital cost recognised by LF on the self-financing portion for the above-standard facilities of the project.

For projects under the Special Scheme, SWD may consider exercising its discretion to waive –

- (i) the three-year track record required of an NGO provided that –
 - the NGO concerned must demonstrate to the satisfaction of SWD its ability to run and sustain the proposed welfare facility, such as financial capability and engagement of a service delivery team with relevant experience in operating the proposed welfare facility; and
 - the NGO concerned must undertake to operate the proposed welfare facility for at least eight years; and
- (ii) the 10% contribution from an NGO if the self-financing portion is to provide for a welfare facility meeting prevailing needs as supported by SWD, such as a self-financing Residential Care Home for the Elderly. However, for any non-welfare portion of a project under the Special Scheme, an NGO will still need to pay for the capital cost (and full land premium, if required) of that portion. If the setting up of any such non-welfare facilities (such as churches and hospital facilities) are supported by the relevant bureaux, the NGO will need to make arrangements in terms of resources for handling the costs involved, including payment for land premium, if appropriate.

(h) One-stop assistance on development matters

Projects under the Special Scheme will still be subject to the applicable statutory regimes for development, including the Town Planning Ordinance and the Buildings Ordinance, etc. as well as the land lease conditions governing the lots concerned. As NGOs may need advice on optimising the development potential of their sites and assistance in their applications for lease modification (where required), planning applications and submission of building plans etc., the Policy and Project Co-ordination Unit of the Chief Secretary for Administration's Office will provide consultation and coordination services for the NGOs under the Special Scheme.

Annex 2

Preliminary Proposals Received under the Special Scheme

Distribution of Service Places by Districts

District	Places for residential care services for the elderly	Places for day care services for the elderly	Places for residential care services for persons with disabilities	Places for day care/ vocational rehabilitation services for persons with disabilities
Hong Kong				
Central and Western	0	0	0	0
Eastern	150	140	266	750
Southern	1 073	274	150	224
Wan Chai	0	40	0	240
Kowloon				
Kowloon City	355	150	300	660
Kwun Tong	932	140	250	1 170
Sham Shui Po	100	40	129	227
Wong Tai Sin	200	140	0	0
Yau Tsim Mong	0	60	50	530
New Territories				
Islands	107	20	0	0
Kwai Tsing	200	160	100	770
North	429	210	200	270
Sai Kung	370	160	110	240
Sha Tin	0	0	200	0

District	Places for residential care services for the elderly	Places for day care services for the elderly	Places for residential care services for persons with disabilities	Places for day care/ vocational rehabilitation services for persons with disabilities
Tai Po	0	0	184	324
Tsuen Wan	393	115	132	275
Tuen Mun	2 130	140	0	150
Yuen Long	519	220	86	440
Total	6 958	2 009	2 157	6 270
	8 967		8 427	
	17 394			

Note: The above figures are rough estimation calculated based on the preliminary proposals of the applicant organisations. The figures may be subject to change after discussion of details between the Social Welfare Department and the applicant organisations.