

**LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES**

**Annual adjustment of social security payment rates under the Social Security Allowance and the Comprehensive Social Security Assistance (CSSA) Schemes and issues relating to rent allowance under the CSSA Scheme**

**Purpose**

This paper briefs Members on –

- (a) the latest position of the Social Security Assistance Index of Prices (SSAIP)<sup>1</sup> and the estimated corresponding adjustment to rates of allowances under the Social Security Allowance (SSA) Scheme and standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme<sup>2</sup> as from 1 February 2014; and
- (b) the latest position of the Consumer Price Index (CPI) (A) rent index for private housing (rent index)<sup>3</sup> and the estimated corresponding adjustment to maximum rates of the rent allowance (MRA) under the CSSA Scheme as from 1 February 2014, as well as relevant information on MRA.

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

<sup>3</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.

## **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 payment 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
- (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 14 December 2012, FC approved the proposal to increase standard payment rates under the CSSA Scheme and rates of Old Age Allowance (OAA) and Disability Allowance (DA) under the SSA Scheme by 4%. SWD implemented the new rates on 1 February 2013.

4. Separately, FC approved on 7 December 2012 the proposal of introducing the Old Age Living Allowance (OALA) under the SSA Scheme. In addition, FC approved that –

- (a) the payment rate should be adjusted annually together with the other allowances under the SSA Scheme (namely OAA and DA) and the CSSA standard payment rates according to the SSAIP but the initial rate of OALA would not be adjusted in February 2013 when the above rates were adjusted;

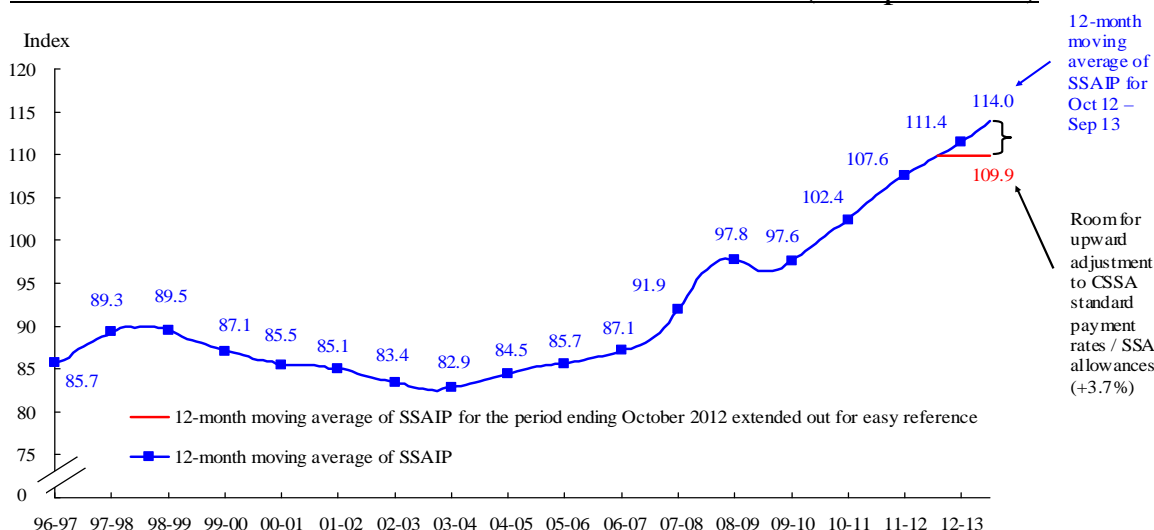
- (b) when the OALA rate was adjusted for the first time in February 2014, the adjustment would capture price changes since the effective date on 1 December 2012; and
- (c) the adjustment cycles of OAA, OALA, DA and CSSA standard payment rates would all be synchronised thereafter.

5. The current average monthly CSSA payments for households of different sizes, and the rates of OAA, OALA and DA under the SSA Scheme, are set out at **Annex 1**.

### **Movement of the SSAIP in 2012-13 and recommendation on the adjustment of payment rates**

6. There is room for an upward adjustment for the CSSA standard payment rates, OAA and DA. As shown in the chart below, the 12-month moving average of the SSAIP for the period ending September 2013 registered a cumulative increase of 3.7% when compared with the average figure ending October 2012.

**Room for upward adjustment of CSSA standard payment rates and rates of allowances under the SSA Scheme (except OALA)**



7. As regards OALA, it will be adjusted according to the arrangement set out in paragraph 4 above. In this connection, the 12-month moving average of the SSAIP for the period ending September 2013 registered a cumulative increase of 3.4% when compared with the average figure ending November 2012. The figure is not the same as the

one for CSSA standard payment rates, OAA and DA in paragraph 6 above owing to the difference in reference periods as set out in paragraphs 2(b) and 4(b) above. The reference periods will be synchronised in the next adjustment cycle in accordance with the FC's approval stated in paragraph 4(c) above.

8. The data for October 2013 will be ready by the end of November 2013 for calculating the movement of the SSAIP up to 31 October 2013. In the light of the present trend, a further upward increase is most likely. We will use the SSAIP up to October 2013 in our submission to FC on the proposed increases in standard payment rates under the CSSA Scheme as well as OAA, DA and OALA under the SSA Scheme.

## **MRA**

### **Estimated adjustment to MRA**

9. 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. At its meeting on 3 April 1998, FC authorised the Secretary for the Treasury (now the Secretary for Financial Services and the Treasury (SFST)) to adjust the MRA annually in accordance with the movement of the rent index.

10. With effect from 1 February 2013, the MRA has increased by 7.8% in accordance with the above-mentioned mechanism. The prevailing MRA is provided at **Annex 2**. The 12-month moving average of the rent index up to September 2013 has indicated that there is room for increasing the MRA by 5.9%. In the light of the present trend, we also expect the increase to continue and we will use the rent index up to October 2013 to adjust the MRA in accordance with the established mechanism.

## **Relevant information on MRA**

11. As at the end of June 2013, there were 232 586 CSSA cases receiving rent allowance. Of these, 146 472 cases (63%) were living in public rental housing (PRH) and 34 598 (15%) in private housing whilst the remaining 22% in residential institutions. At present, the MRA could cover the actual rent paid by the majority of CSSA households living in PRH (98%) and 48% of those living in private housing. The Director of Social Welfare may exercise discretion to grant a rent allowance higher than the appropriate MRA to those CSSA households who are living in private housing but awaiting compassionate rehousing or subsidised residential elderly institutions to cover their actual rent paid.

12. Following its first launch in October 2011, the Community Care Fund decided in September 2013 to re-launch the assistance programme entitled “Subsidy for CSSA Recipients Living in Rented Private Housing” which aims to provide a one-off payment to CSSA households living in private housing and paying a rent exceeding the MRA under the CSSA Scheme so as to relieve their financial burden in face of periodic rent increase. Each eligible one-person and two-or-more-person CSSA household will be provided with a one-off subsidy of \$2,000 and \$4,000 respectively. It is estimated that about 17 000 CSSA households would benefit from this assistance programme. The subsidy will be deposited directly into the eligible CSSA recipients’ bank accounts for CSSA payment from late November 2013 onwards.

## **Financial implications**

13. As explained above, the data necessary for completing our calculation of the annual movement of the SSAIP and rent index can only be available by the end of November this year. Hence the financial implications of the annual adjustment exercise can only be confirmed at a later stage.

## **Implementation**

14. 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 in December 2013, having regard to the latest SSAIP as referred to in paragraph 8 above. Subject to FC’s approval, the new

rates will take effect from 1 February 2014. The MRA will be adjusted as referred to in paragraphs 9 and 10 above, and the adjusted MRA will also take effect from 1 February 2014 if approved by SFST.

15. As the CSSA and SSA Schemes are both non-cash-limited schemes, we will seek the approval of FC for supplementary provision for 2013-14 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 2013**

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

*(Refer to the situation when CSSA households do not have incomes other than CSSA payments. The estimate is based on CSSA cases during the period from November 2011 to October 2012, using the CSSA rates effected since 1 February 2013. )*

Number of eligible members in a household	Average monthly CSSA payment
1	\$4,848
2	\$7,645
3	\$9,975
4	\$11,817
5	\$13,772
6 or above	\$16,943

**Monthly rate of Old Age Living Allowance since 1 April 2013**

Monthly rate
\$2,200

**Monthly rate of Old Age Allowance (OAA) since 1 February 2013**

Monthly rate
\$1,135*

\* Same monthly rate is provided under the Guangdong (GD) Scheme. The GD Scheme was implemented on 1 October 2013 with a view to providing OAA for eligible Hong Kong elderly people who choose to reside in GD.

**Monthly rates of Disability Allowance (DA) since 1 February 2013**

Type	Monthly rate
Normal DA	\$1,450
Higher DA	\$2,900

**Annex 2**

**Maximum rates of the rent allowance (MRA)  
under the CSSA Scheme since 1 February 2013**

Number of eligible members in a household	Monthly MRA
1	\$1,440
2	\$2,905
3	\$3,795
4	\$4,035
5	\$4,045
6 or above	\$5,055