

**For discussion
on 10 November 2014**

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)¹ 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) Scheme² as from 1 February 2015; and
- (b) the latest position of the Consumer Price Index (CPI) (A) rent index for private housing (rent index)³ and the estimated corresponding adjustment to maximum rates of the rent allowance (MRA) under the CSSA Scheme as from 1 February 2015, as well as relevant information on MRA.

¹ 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.

² CSSA standard payment rates include standard rates, supplements and the monthly meal allowance under the special grants.

³ The rent index is compiled by C&SD on a monthly basis. It reflects the movement of private housing rent borne by households in the lower expenditure group.

Payment rates under the CSSA Scheme and SSA Scheme

Annual adjustment mechanism

2. At the meeting of this Panel on 14 November 2005, Members noted that the Government would take account of 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 every year 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 to allow sufficient time for the Social Welfare Department (SWD) to adjust its computer system for making the latest payments to the CSSA and SSA recipients.

3. At its meeting on 20 December 2013, FC approved the proposals to increase the standard payment rates under the CSSA Scheme, and the rates of the Old Age Allowance (OAA)⁴ and Disability Allowance (DA) under the SSA Scheme by 4.1%, as well as the rate of the Old Age Living Allowance (OALA) under the SSA Scheme by 3.8%⁵.

⁴ In this paper, OAA includes the Guangdong Scheme.

⁵ The FC approved on 7 December 2012 the proposal of introducing OALA under the SSA Scheme. It was also mentioned in the submission 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 of 1 December 2012; and
- (c) the adjustment cycles of the CSSA standard payment rates, OAA, OALA and DA would all be synchronised thereafter.

According to the arrangement set out in (b) above, FC approved the proposal to increase the rate of OALA by 3.8% with effect from 1 February 2014 at its meeting on 20 December 2013. The adjustment arrangement starting from 1 February 2015 should follow the arrangement set out in (c) above, i.e. adjusting the CSSA standard payment rates, OAA, OALA and DA according to the same adjustment cycle.

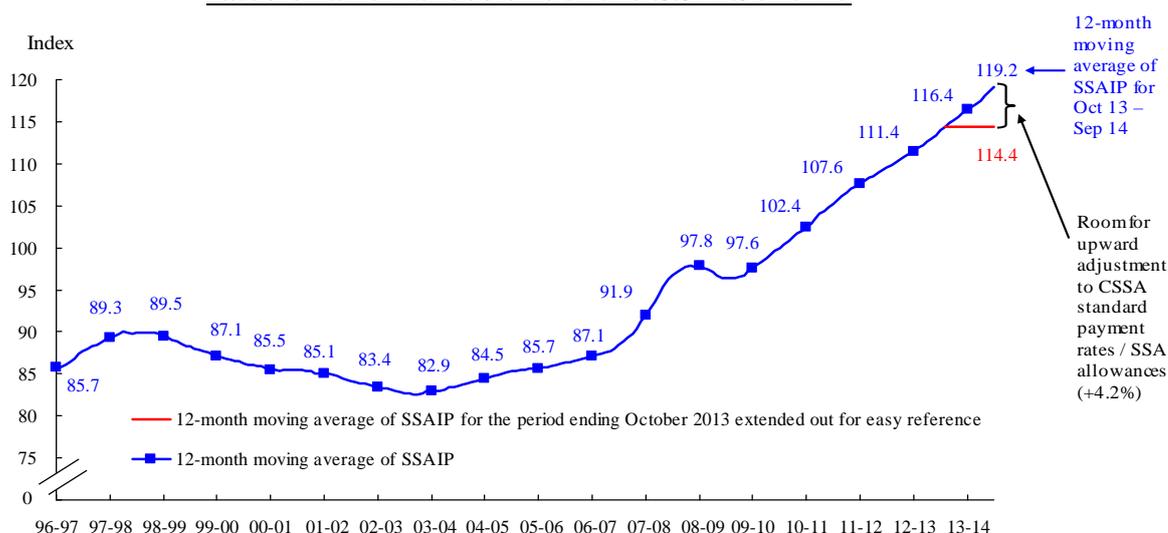
The SWD implemented the new rates on 1 February 2014.

4. 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 2013-14 and recommendation on the adjustment of payment rates

5. There is room for an upward adjustment for the CSSA standard payment rates, OAA, OALA and DA. As shown in the chart below, the 12-month moving average of the SSAIP for the period ending September 2014 registered a cumulative increase of 4.2% when compared with the average figure ending October 2013.

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



6. The data for October 2014 will be ready by the end of November 2014 for calculating the movement of the SSAIP up to 31 October 2014. We will use the SSAIP up to October 2014 in our submission to FC on the proposed increases in standard payment rates under the CSSA Scheme as well as OAA, OALA and DA under the SSA Scheme.

MRA

Estimated adjustment to 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. 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.

8. With effect from 1 February 2014, the MRA has increased by 6.5% 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 2014 has indicated that there is room for increasing the MRA by 6%. We will use the rent index up to October 2014 to adjust the MRA in accordance with the established mechanism.

Relevant information on MRA

9. As at the end of September 2014, there were 222 707 CSSA cases receiving rent allowance. Of these, 139 485 cases (62.6%) were living in public rental housing (PRH) and 31 386 (14.1%) in private housing whilst the remaining 23.3% in residential institutions. According to the SWD's record, the MRA could cover the actual rent paid by the majority of CSSA households living in PRH (97.1%) and 50.5% of those in private housing. The Director of Social Welfare may also exercise discretion to grant a rent allowance higher than the MRA to those CSSA households living in private housing but awaiting compassionate rehousing or subsidised residential elderly institutions to cover their actual rent paid.

10. Following its implementation in 2011 and 2013, the Community Care Fund decided to re-launch the programme entitled "Subsidy for CSSA Recipients Living in Rented Private Housing" in 2014, which aims to provide a one-off payment to CSSA households living in rented 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 14 000 CSSA households would benefit from this programme. The subsidy will be deposited directly into the eligible CSSA recipients' bank accounts from late November 2014 onwards.

Financial Implications

11. As explained in paragraph 6 above, we could only confirm the financial implications of the annual adjustment exercise after receipt of the necessary data for completing calculation of the annual movement of the SSAIP and rent index by the end of November this year.

Implementation

12. We plan to seek FC's approval for the proposals on adjustment of standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme in December 2014, having regard to the latest SSAIP. Subject to FC's approval, the new rates will take effect from 1 February 2015. Separately, the MRA will be adjusted as referred to in paragraphs 7 and 8 above, and the adjusted MRA will also take effect from 1 February 2015 if approved by the SFST.

13. As the CSSA and SSA Schemes are both non-cash-limited schemes, we will seek the approval of FC for supplementary provision for 2014-15 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 2014**

Average monthly 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 (including standard rates, supplements and special grants, etc.). The estimate is based on CSSA cases for the period from November 2012 to October 2013 and the CSSA rates effected since 1 February 2014.)

Number of eligible members in a household	Average monthly CSSA payment
1	\$5,045
2	\$7,984
3	\$10,450
4	\$12,438
5	\$14,453
6 or above	\$17,681

Monthly rate of OAA since 1 February 2014

Monthly rate
\$1,180

Monthly rate of OALA since 1 February 2014

Monthly rate
\$2,285

Monthly rates of DA since 1 February 2014

Type	Monthly rate
Normal DA	\$1,510
Higher DA	\$3,020

Annex 2

MRA under the CSSA Scheme since 1 February 2014

Number of eligible members in a household	Monthly MRA
1	\$1,535
2	\$3,095
3	\$4,040
4	\$4,295
5	\$4,310
6 or above	\$5,385