

NOTE FOR FINANCE COMMITTEE

Approval for Lotteries Fund Projects

PURPOSE

This note informs Members that procedures for processing funding proposals under the Lotteries Fund (LF) will be streamlined to expedite delivery of welfare projects.

STREAMLINING

2. In line with the statutory provisions under the Government Lotteries Ordinance (Cap. 334) (the Ordinance), the Financial Secretary (FS) may approve monies from LF to finance welfare projects. The administrative practice of inviting the Finance Committee (FC) of the Legislative Council (LegCo) to help approve LF projects where the recurrent consequences exceed \$10 million per annum has outlived its usefulness.

3. To expedite delivery of welfare projects funded by LF, Government has decided to cease the aforesaid administrative practice. Approvals for the affected projects will be given strictly in accordance with the statutory provisions under the Ordinance, and in line with the existing approval mechanism for the vast majority of all other LF projects. Government will continue to consult the LegCo Panel on Welfare Services (the Panel), though the approval of FC will no longer be necessary. The streamlined arrangements will take immediate effect.

/CONSIDERATIONS

CONSIDERATIONS

Statutory Provisions

4. According to section 6(4) of the Ordinance, FS¹, after making due allowance for any payments which may be outstanding under subsections (2) and (3), may appropriate from the LF monies for the purpose of financing, by way of grant, loan or advance, the support and development of such social welfare services in Hong Kong as the Chief Executive, after consultation with the Social Welfare Advisory Committee (SWAC), may approve.

5. SWAC is a high-level body appointed by the Chief Executive to advise the Government on all matters of social welfare policy and keep social welfare services under continuous review. Its membership covers a wide spectrum, including social welfare, academia, business and professional fields. The membership and terms of reference of SWAC are at Enclosure 1.

Encl. 1

Vetting Procedure

6. Before FS or his officers with delegated authority appropriate LF monies under section 6(4) of the Ordinance, all funding applications under LF have to go through the following established vetting procedures –

- (a) Director of Social Welfare (DSW), as Controlling Officer for LF, will ensure that the applications fall within the approved ambit of LF. If a new type of social welfare services outside the approved scope is involved, DSW will need to consult SWAC;
- (b) Social Welfare Department (SWD) will vet and examine the applications in detail in consultation with relevant bureaux/departments through conducting site inspections (if necessary), assessing policy implications and vetting cost estimates to ensure prudent and cost-effective use of public resources. Where the proposed allocation involves a major new policy or policy change, the proposal will be submitted for discussion at the relevant LegCo Panels or Committees² where appropriate; and

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¹ S has administratively delegated his authority to approve LF allocations to the Director of Social Welfare and officers of the Financial Services and the Treasury Bureau, acting on the advice of the Lotteries Fund Advisory Committee.

² Examples include the Pilot Scheme on Community Care Service Voucher for the Elderly launched in 2013 and the Social Innovation and Entrepreneurship Development Fund introduced in 2014.

- (c) each of the funding proposals supported by SWD has to be endorsed by the Lotteries Fund Advisory Committee (LFAC). The committee is appointed by the Secretary for Labour and Welfare with membership drawn widely from the social welfare, education and business sectors to advise DSW as Chairman on applications from welfare organisations for allocations from LF, among others. The membership and terms of reference of LFAC are at Enclosure 2.

Encl. 2

Administrative practice of submitting proposed LF allocations to FC for consideration

7. Whilst the statutory power of appropriating LF monies rests with FS under section 6(4) of the Ordinance, as an administrative practice, FS has since 1973 invited FC to approve those LF allocations with recurrent consequences exceeding a pre-defined threshold, at \$10 million a year. The Labour and Welfare Bureau (LWB)/SWD has been briefing the Panel on each of these proposed projects before putting them to FC.

8. We have completed a review on the effectiveness of this administrative practice. As shown in Table 1 below, the number of LF items subject to FC approval under the administrative practice has remained small, ranging from two to five for the 2012-13 to 2015-16 period. The total pool of projects funded under LF during the period was on average 630 a year.

9. The time taken for each of these small number of projects (less than 1% of total) to secure the additional FC approval has increased more than three times in recent years, from 39 to 133 days, as detailed below –

Table 1

	LF projects approved by FC, with value	Average processing time*	Total pool of LF projects, with value
2012-13	3/ \$117m	45 days	596/ \$1,793m
2013-14	2/ \$111m	39 days	648/ \$1,155m
2014-15	4/ \$242m	113 days	729/ \$1,079m
2015-16	5/ \$2,551m	133 days	557/ \$4,966m

*from consulting Panel to FC approval

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The time gap is disproportionate to the value to be added by the administrative practice.

10. The timely delivery of welfare projects is of paramount importance to the community, especially as Hong Kong needs to gear up for a fast ageing population. In the light of the review, Government has decided to streamline the procedures for appropriating the LF monies under section 6(4) of the Ordinance.

RECURRENT CONSEQUENCES OF LF PROJECTS

11. As recurrent subvention for welfare facilities is part of the operating expenses of SWD, the recurrent consequences of LF projects are included in the expenditure estimates of Head 170 Social Welfare Department³ of the relevant financial year for scrutiny and approval by LegCo in the context of the Appropriation Bill. Any supplementary provision exceeding \$10 million under Head 170 Social Welfare Department required after the passage of the Appropriation Bill for meeting recurrent consequences of any LF projects will continue to require approval by FC in line with established practice.

ENSURING ACCOUNTABILITY AND TRANSPARENCY FOR LF ALLOCATIONS

12. DSW, as Controlling Officer of the expenditure of LF, has the responsibility to ensure the proper use of LF in compliance with the Ordinance, having regard to the advice of SWAC, LFAC and relevant LegCo Panels or Committees as appropriate, as well as views of the social welfare sector and the community. The Government will continue to make available key information on the use of LF (including LF allocations involving recurrent cost exceeding \$10 million) through the following established channels to facilitate monitoring by the public –

- (a) annual Estimates of LF submitted to LegCo concurrently with the estimates of expenditure under the Appropriation Bill, showing the estimated provisions under each expenditure head and subhead, estimated receipts, and balance of individual commitment items of LF for the budget year;

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³ For greater transparency, SWD will set out in the Controlling Officer's Report of the annual estimates of expenditure of Head 170 under "Matters Requiring Special Attention" those LF projects with recurrent cost exceeding \$10 million which will commence operation in the budget year.

- (b) accounts tabled at LegCo at the end of each calendar year in accordance with the requirement in section 7(1) of the Ordinance, with a statement of the actual receipts and payments of the relevant financial year, assets and liabilities, as well as the financial position of all approved grants;
- (c) guidelines for application and usage of LF grants and breakdown of LF allocations by programme areas on SWD's website⁴; and
- (d) briefing for the Panel on those allocations with estimated recurrent cost exceeding the pre-defined threshold of \$10 million (subject to adjustment from time to time where appropriate).

BACKGROUND

13. LF was established on 30 June 1965 by Resolution of the LegCo for the purpose of financing social welfare services. The proceeds from the Mark Six Lottery are the main source of its income⁵. Other regular sources of income include investment income and auctions of vehicle registration marks. Since 1 April 2003, the assets of LF have been merged with those of the Exchange Fund for investment purpose.

14. Grants under LF are used to meet –

- (a) non-recurrent expenditure for constructions, fitting-out, renovations, purchase of furniture and equipment for premises providing social welfare services;
- (b) non-recurrent expenses incurred by organisations running services subvented by SWD on routine repairs and maintenance works as well as replenishment of furniture and equipment; and
- (c) expenditure on time-limited experimental projects, surveys or studies for enhancing the support to social welfare services.

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⁴ As an enhancement, SWD has since 2015 indicated newly approved LF allocations with recurrent cost exceeding \$10 million on the website.

⁵ To ensure that the projects under the Special Scheme on Privately Owned Sites for Welfare Uses would be planned with more certain resource availability and to avoid affecting other LF projects, the Government obtained the approval of the FC in February 2014 for the transfer of funds of \$10 billion from the General Revenue to LF to provide sufficient resources to implement the feasible projects under the scheme and other projects within the remit of LF.

15. During 2015-16, 557 allocations (including major grants, minor grants and block grants) amounting to \$4,966 million were made from LF, with rehabilitation (62%), elderly services (25%), and social welfare support (11%) taking up the majority share. During 2015-16, expenditure incurred against the approved allocations amounted to \$937 million and total receipts were \$1,331 million. The balance of LF as at 31 March 2016 was \$22,014 million.

Labour and Welfare Bureau
Financial Services and the Treasury Bureau
July 2016

Enclosure 1 to FCRI(2016-17)6

Social Welfare Advisory Committee

Terms of Reference

- To keep social welfare services under continuous review.
- To advise the Government, through the Secretary for Labour and Welfare, on all matters of social welfare policy.

Membership

(as at 15 July 2016)

	Name	Sector
Chairperson:	Mr LO Wing-sang, Vincent	Professional
Member:	Ms CHAN Mei-lan, Anna May	Professional
	Dr CHENG Lai-ling, Crystal	Welfare
	Dr CHUNG Chi-ping, Roy	Business
	Mr FONG Man-hung, David	Business
	Mr HO Hoi-ming, Laurence	Academic/Education
	Mr IP Wai-ming	Labour
	Ms Christina Maisenne LEE	Business
	Mr LEE Hong-kong, Hansen	Welfare
	Mr LEE Man-bun, Edmond	Business
	Mr LI Lu-jen, Laurence	Professional
	Ms LO Wing-sze, Anthea	Business
	Dr LUI Wai-ling, Annissa	Welfare
	Mr MAN Hung-yee, Joseph	Welfare
	Mr NG Win-kong, Daryl	Business
	Prof NGAI Sek-yum, Steven	Academic/Education

Name	Sector
Ms PUN Siu-fung, Cindy	Welfare
Ms TAO Chee-ying, Theresa	Academic/Education
Dr TSANG Wing-hang, Janice	Academic/Education
Dr YAM Yin-chun, Loretta	Professional
Mr YANG Chuen-liang, Charles	Professional
Ms YAU Sau-wai, Sania	Welfare

**In Permanent
Attendance:**

Secretary for Labour and Welfare or representative
Director of Social Welfare or representative

Secretary:

Assistant Secretary for Labour and Welfare (Welfare) 1C
Labour and Welfare Bureau

Lotteries Fund Advisory Committee

Terms of Reference

To advise the Director of Social Welfare on applications from welfare organisations for allocations from the Lotteries Fund and on charitable fund-raising issues including the allocation of flag days.

Membership

(as at 15 July 2016)

	Name	Professional Background
Chairperson:	Ms YIP Man-kuen, Carol	Director of Social Welfare
Member:	Mr CHAN Wai-ming, David	Community Leader with DC Affiliation
	Mr CHENG Wai-hung, Nelson	Project Manager MTR Corporation Limited
	Professor LAM Ching-man	Vice Chairperson Department of Social Work The Chinese University of Hong Kong
	Ms LAW Suk-kwan, Lilian	Executive Director The Boys' and Girls' Clubs Association of Hong Kong
	Ms LEE Pik-ye, Peggy	District Council Member Wanchai District Council
	Dr LEUNG Sai-man, Sigmund	President The Hong Kong Dental Association
	Mr MA Kam-wah, Timothy	Executive Director Project Flame
	Professor MENG Mei-ling, Helen	Chairman Department of Systems Engineering and Engineering Management The Chinese University of Hong Kong

Name	Professional Background
Mr SUEN Lai-sang	Director Hong Kong Christian Service
Ms WONG Wai-ching, Connie	Managing Director Wong Sun Hing Limited

Official Representative
:
Secretary: Secretary for Labour and Welfare or representative
Senior Executive Officer (Lotteries Fund)
Social Welfare Department
