

立法會
Legislative Council

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seen by the Administration)

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Finance Committee of the Legislative Council

Minutes of the 2nd meeting
held at Conference Room 1 of the Legislative Council Complex
on Friday, 16 December 2016, at 3:15 pm

Members present:

Hon CHAN Kin-por, BBS, JP (Chairman)
Hon Michael TIEN Puk-sun, BBS, JP (Deputy Chairman)
Hon James TO Kun-sun
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, GBS, JP
Hon Tommy CHEUNG Yu-yan, GBS, JP
Prof Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon CHAN Hak-kan, BBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yee, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon Claudia MO
Hon Steven HO Chun-yin, BBS
Hon Frankie YICK Chi-ming, JP
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon MA Fung-kwok, SBS, JP
Hon Charles Peter MOK, JP
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Hon Kenneth LEUNG

Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Hon Dennis KWOK Wing-hang
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon Helena WONG Pik-wan
Hon IP Kin-yuen
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Ir Dr Hon LO Wai-kiwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon Eddie CHU Hoi-dick
Hon Jimmy NG Wing-ka, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon LAM Cheuk-ting
Hon Holden CHOW Ho-ding
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon Wilson OR Chong-shing, MH
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN
Hon Tanya CHAN
Hon CHEUNG Kwok-kwan, JP
Hon LUK Chung-hung
Hon LAU Kwok-fan, MH
Hon Kenneth LAU Ip-keung, MH, JP
Dr Hon CHENG Chung-tai
Hon KWONG Chun-yu
Hon Jeremy TAM Man-ho
Hon Nathan LAW Kwun-chung
Dr Hon YIU Chung-yim
Dr Hon LAU Siu-lai

Members absent:

Dr Hon Priscilla LEUNG Mei-fun, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon Elizabeth QUAT, JP
Hon Martin LIAO Cheung-kong, SBS, JP

Hon CHAN Chun-ying
Hon HUI Chi-fung

Public officers attending:

Ms Elizabeth TSE Man-yee, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Carol YUEN, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Mr Alfred ZHI Jian-hong	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Donald CHEN Yee, JP	Deputy Secretary for Labour and Welfare (Welfare) 2
Mr Gordon CHONG Kwok-wing	Principal Assistant Secretary for Labour and Welfare (Welfare) 4
Miss Cecilla LI	Deputy Director of Social Welfare (Administration)
Miss Rita LAU Choi-ha	Chief Social Security Officer (Social Security) 1, Social Welfare Department
Ms Cecilia CHAN Mei-ping	Senior Statistician (Social Welfare), Social Welfare Department
Mr Eddie NG, SBS, JP	Secretary for Education
Mrs Michelle WONG, JP	Deputy Secretary for Education (3)
Mr WOO Chun-sing	Principal Assistant Secretary for Education (Kindergarten Education)

Clerk in attendance:

Ms Anita SIT	Assistant Secretary General 1
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Staff in attendance:

Mr Derek LO	Chief Council Secretary (1)5
Ms Ada LAU	Senior Council Secretary(1)7
Mr Raymond SZETO	Council Secretary (1)5
Mr Frankie WOO	Senior Legislative Assistant (1)3
Miss Yannes HO	Legislative Assistant (1)6

Action

The Chairman reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interests relating to the agenda item under discussion before they spoke on it. He also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

Item No. 1—FCR(2016-17)78

HEAD 170—SOCIAL WELFARE DEPARTMENT

Subhead 179—Comprehensive social security assistance scheme

Subhead 180—Social security allowance scheme

2. The Chairman said that this item invited members to approve a 2.8% increase in standard payment rates under the Comprehensive Social Security Assistance ("CSSA") Scheme and the rates of allowances under the Social Security Allowance ("SSA") Scheme with effect from 1 February 2017; and note the financial implications of an extra \$1,031 million each year arising from such increase. At the meeting of the Panel on Welfare Services ("WS Panel") on 14 November 2016, the WS Panel supported the Administration in submitting this funding proposal to the Finance Committee ("FC"). At the invitation of the Chairman, Mr SHIU Ka-chun, Chairman of the WS Panel, reported the key points of the WS Panel's discussion. Mr SHIU Ka-chun said that the WS Panel supported this proposal but some members requested the Administration to increase the rent allowance for CSSA households living in rented private housing. These members also asked the Administration to cancel the arrangement under which children of elderly persons applying for CSSA on their own were required to declare whether they provided financial support to their parents (commonly known as the "bad son statement"). Moreover, these members urged the Administration to review the CSSA Scheme.

Principles for adjusting the rates of allowances under the two Schemes

3. All of the members speaking on this agenda item expressed their support for increasing the standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme. However, they generally considered the rate of increase as too low. Mr Wilson OR and Ms Claudia MO were particularly concerned about the increase in the Normal and Higher Disability Allowances ("DA") under the SSA Scheme as it was of little help for persons with disabilities ("PwDs") to improve their livelihood. Ms Claudia MO, Dr CHENG Chung-tai, Mr James TO, Mr Jeremy TAM, Mr KWONG Chun-yu and Mr CHU Hoi-dick enquired

about the rationale for adjusting the allowances under the two Schemes by the same rate. Dr CHENG Chung-tai and Mr James TO pointed out that the recipients of CSSA and those of the Old Age Living Allowance ("OALA") and the Old Age Allowance ("OAA") (commonly known as "fruit grant") under the SSA Scheme had different financial needs, and it was therefore unreasonable to adjust all these allowances by the same rate. Mr TO held that the standard payment rates under the CSSA Scheme should be increased by a higher percentage than the rates of OALA and fruit grant.

4. Individual members spoke on the policy issues of this agenda item from time to time. The Chairman reminded members that they might discuss policy issues with the Administration at Panel meetings or on other occasions but not at FC meetings.

5. Deputy Secretary for Labour and Welfare (Welfare) 2 ("DSLW(W)2") advised that the Administration took account of the price changes reflected by the Social Security Assistance Index of Prices ("SSAIP") for the past 12 months in its adjustment of CSSA and SSA allowances, and there had been a cumulative increase in such allowances by about 30% since 2011. While the Administration was aware that recipients of various allowances might have different needs, it must have a mechanism in place for reviewing those allowances. Regarding the existing mechanism, it had all along been effective and was familiar to its stakeholders and recipients. The Administration noted that, according to the figures in recent years, SSAIP showed a greater increase in prices than some other price indices (such as the Consumer Price Index (A) ("CPI(A)") (excluding housing costs)) did. As the expenditure pattern of OALA recipients was similar to that of the lower income groups, it was appropriate to adjust this allowance by referring to the SSAIP movement. He added that CSSA and DA recipients who were 100% disabled could enjoy the \$2 transport fare concession while those who were eligible would also be granted transport supplement on a monthly basis. Deputy Director of Social Welfare (Administration) ("DDSW(A)") responded that DA was a subsidy by nature and was not granted to PwDs to make ends meet.

The CSSA Scheme and the size of poor population

6. Mr SHIU Ka-chun and Dr Fernando CHEUNG asked how many people would be lifted out of poverty after the adjustment of CSSA allowances. Dr Fernando CHEUNG requested the Administration to inform LegCo of the size of poor population in a timely manner.

7. DSLW(W)2 explained that the poverty line was pegged at 50% of the median monthly household income before Government policy intervention (i.e. before tax and social transfers). Its statistical basis had no direct relation to the eligibility for CSSA or the rates of CSSA allowances. Therefore, there should not be a comparison between them. At present, it was difficult for the Administration to forecast the size of poor population in next year. Also, the effectiveness of CSSA in poverty alleviation, as well as other relevant data, could only be measured or derived after the current allowance adjustment took effect and the Administration had in hand the number of CSSA recipients in the coming year. He said that, in 2015, some 110 000 households were lifted out of poverty with the assistance of CSSA. Meanwhile, 60 000-plus CSSA households were still living below the poverty line.

8. Dr Junius HO enquired about the Administration's estimation of its annual expenditure and corresponding tax increase if the Administration was to assist all CSSA households in Hong Kong to get rid of poverty.

[Post-meeting note: The supplementary information provided by the Administration was issued vide LC Paper No. FC34/16-17(01) on 3 February 2017.]

Standard payment rates under the CSSA Scheme

9. Dr Pierre CHAN was concerned about the generally small living spaces which made it difficult for PwDs to have proper care at home. He enquired whether the rates of CSSA standard payments, after adjustment, would be sufficient for recipients who were 100% disabled or required constant attendance to hire domestic helpers or move into residential care homes. Regarding the application for CSSA by PwDs, Dr CHAN expressed reservation as to whether the vetting procedure and the degrees of disabilities defined by the Administration were up to date.

10. DDSW(A) explained that under the CSSA Scheme, there was the Care and Attention Allowance, which reimbursed severely disabled recipients according to their actual expenses. The amount payable was sufficient for hiring a foreign domestic helper to take care of a recipient.

11. Mr LEUNG Yiu-chung and Dr KWOK Ka-ki worried that elderly CSSA recipients might only be able to afford staying in low-quality residential care homes for the elderly ("RCHEs"). DSLW(W)2 advised that the CSSA policy was aimed at providing cash assistance to the needy, and the improvement of RCHE services should be achieved by means of other policies. In the long run, the Administration would endeavour to promote ageing in place and improve retirement protection with a view to giving better protection to the elderly in their old age.

Adjustment of rent allowance

12. Dr YIU Chung-yim, Dr LAU Siu-lai, Mr LUK Chung-hung, Mr KWONG Chun-yu and Mr LEUNG Kwok-hung said that CSSA households living in rented private housing found it hard to afford their rental expenses but the Administration did not come up with any solution to this serious problem. Dr YIU Chung-yim and Dr LAU Siu-lai requested the Administration to tell whether it would increase the rent allowance for CSSA households living in rented private housing. Dr LAU Siu-lai and Mr WU Chi-wai asked the Administration to illustrate the mechanism for adjusting the rent allowance. Mr LUK Chung-hung noted that there had been a rent hike of more than 10% for sub-divided units and yet CSSA households had a smaller living space than before. He enquired if the Administration had set any benchmark for private housing residents in respect of average living area per capita.

13. DSLW(W)2 and DDSW(A) explained that the Administration conducted monthly sample surveys to collect rent data of private housing covered by CPI(A) for the compilation of the rent index. It would then adjust the maximum rent allowance ("MRA") under the CSSA Scheme on an annual basis by referring to the moving average of the rent index in the past 12 months. DSLW(W)2 remarked that FC had delegated its authority to approve this annual adjustment rate to the Secretary for Financial Services and the Treasury. MRA would, under the relevant mechanism, increase by 4.3% with effect from 1 February 2017.

14. DSLW(W)2 took note of members' concern over the problem of "over rent" (i.e. the amount of actual rent exceeding MRA) faced by CSSA households living in rented private housing. He said that under the adjustment mechanism where the rent allowance was adjusted with reference to the rent index movement, some CSSA households might not be able to fully cover their rental payment with the rent allowance. However, the Administration did not intend to increase the rent allowance or impose rent control. This was to avoid pushing up market rents

indirectly. Instead, in view of the rise in rent year by year, the Administration considered the provision of a one-off subsidy by the Community Care Fund ("CCF") to CSSA households living in rented private housing as a more effective measure to relieve their financial burden arising from the periodic increase of rent. The Administration had not set any benchmark for private housing residents in respect of average living area per capita.

15. Dr YIU Chung-yim and Mr Andrew WAN pointed out that CSSA households living in rented private housing were often unable to afford expenses associated with new tenancy agreements, such as the first month's rent, rent deposit and removal expenses. They urged the Administration to consider providing CSSA households with relevant grant payments in advance or giving them relevant assistance. Mr WAN remarked that such advance payments should not only be made to CSSA recipients who were old, seriously ill or disabled. He enquired about the costs to be incurred if the Administration was to make this financial commitment.

16. DDSW(A) said that the advance payment of grant for rent deposit was not only available to CSSA recipients who were disabled, old or medically certified to be in ill-health. The Administration would also consider exercising discretion on a case-by-case basis if other CSSA recipients made the same request. In response to Mr Andrew WAN's enquiry about financial commitment, the Administration said that it did not have such estimated figures in hand but there must be priorities in assisting CSSA recipients of different categories.

17. Mr KWONG Chun-yu asked how many percent of CSSA households, among those living in rented private housing, were able to pay all their rents by using their rent allowance. Mr CHU Hoi-dick enquired about the figures for the past five years regarding the proportion of CSSA households who lived in rented private housing and could fully meet their rental expenses with the rent allowance. Mr CHU said that if CSSA households living in public rental housing ("PRH") could have their rents fully covered by the rent allowance, those who lived in rented private housing would have a lower living standard by comparison.

18. DDSW(A) responded that after the current adjustment of allowances, plus the provision of a one-off subsidy to CSSA households by CCF, the Administration expected that some 60% of CSSA households living in rented private housing could make use of the rent allowance to meet all their rental expenses, while the majority of CSSA households living in PRH could fully cover their rental payments by the rent allowance received.

[*Post-meeting note:* The supplementary information provided by the Administration was issued vide LC Paper No. FC34/16-17(01) on 3 February 2017.]

19. Noting that the current increase in rent allowance was far below the increase in private housing rent, Mr WU Chi-wai asked whether the Administration would consider keeping up with the market in its calculation of relevant adjustments. Mr WU requested the Administration to provide information on the Rating and Valuation Department's assessment of the movement in rent of private domestic properties during the same period as covered by the Census and Statistics Department's CPI(A)-based assessment of the movement in such rents. Mr WU held that the Administration should review the mechanism for adjusting rent allowance.

[*Post-meeting note:* The supplementary information provided by the Administration was issued vide LC Paper No. FC34/16-17(01) on 3 February 2017.]

20. Mr Alvin YEUNG said that as some of the owners of sub-divided units had not registered their tenancy agreements with the Administration, government departments in charge of statistics might not be able to attain a full understanding of the market situation. Consequently, the proposed adjustment was unable to catch up with the actual needs. In view of this, he asked the Administration to pay regard to this issue. Mr LEUNG Yiu-chung was concerned about whether the Administration had conducted regular studies to keep abreast of the rent increase of sub-divided units.

21. DDSW(A) said that the housing units covered by CPI(A) included sub-divided units, and the rent index so compiled had taken account of the rents of sub-divided units. DSLW(W)2 added that the relevant statistics covered new and existing leases of private rental properties, and hence could reflect the situation of rental market.

22. Dr Fernando CHEUNG noted that, in the current adjustment of CSSA allowances, the Administration lifted the rate of meal allowance for students attending full-day school and taking lunch away from home so as to make up the difference between the cost of having lunch at school and the standard rate of meal allowance for each student under the CSSA Scheme. He considered the Administration as excessively mean because it counted cents and pennies in providing support to students in CSSA households. Yet, by the same rationale, Dr CHEUNG said that there would be no reason for the Administration to refuse subsidizing CSSA

households when their rental expenses exceeded their rent allowances. Mr LEUNG Kwok-hung expressed the same concern.

Difficulties for elderly persons to apply for CSSA on their own

23. Dr KWOK Ka-ki urged the Administration to remove the requirement for submitting the so-called "bad son statement". DSLW(W)2 explained that the "bad son statement" was a declaration required to be submitted to the Social Welfare Department ("SWD") by relatives of CSSA applicants (including elderly applicants) who made application on individual basis. They had to declare in this statement whether they provided financial support to the applicants concerned. Yet, the Administration might handle the applications of elderly persons who applied for CSSA on their own in a flexible manner based on the merits of individual cases.

Review of the mechanism for adjusting allowances

24. Mr Wilson OR enquired of the Administration about the review mechanism of SSAIP and its review progress. Ms Tanya CHAN enquired about the method of compilation of SSAIP, the goods and services covered by SSAIP and the weights of individual goods and services. In the view of Dr CHENG Chung-tai and Mr Jeremy TAM, if the allowances under the two Schemes were to be adjusted by the same rate with reference to SSAIP, the recipients could not have their financial needs met. The Administration should review the adjustment mechanism.

25. DSLW(W)2 responded that the Administration would make an annual adjustment to the rates of allowances under the two Schemes based on the price changes reflected by SSAIP and other relevant review mechanisms. Moreover, SWD would update, every five years, the weights of goods and services covered by SSAIP on the basis of data obtained from the Household Expenditure Survey ("HES") on CSSA Households to reflect the changes of recipients' expenditure patterns, making the Schemes more effective in meeting the financial needs of recipients. The Administration considered these mechanisms as effective. DDSW(A) added that the Administration had updated the weighting system by referring to the data of the year of 2014-2015.

[*Post-meeting note:* The supplementary information provided by the Administration was issued vide LC Paper No. FC34/16-17(01) on 3 February 2017.]

26. Mr SHIU Ka-chun pointed out that since the Administration took the price changes reflected by SSAIP for the past 12 months as the basis for adjusting the allowance rates for the coming year, it failed to ease the inflation pressure faced by CSSA households in a timely manner. Mr SHIU held that because of the lagged adjustment, the CSSA Scheme had lost its function of social safety net. He urged the Administration to consider adopting the inflation forecast methodology again for allowance adjustment.

27. DSLW(W)2 replied that the Administration had once adjusted the allowances by referring to the projected rate of inflation. However, as the projected rate was often higher than the actual rate of inflation, the Administration had to lower the rates of allowances in the end. As this move was undesirable to both government spending and CSSA households, the Administration did not intend to resume this practice.

Review of the CSSA Scheme

28. Mr SHIU Ka-chun, Dr Fernando CHEUNG and Mr LEUNG Yiu-chung urged the Administration to comprehensively review the CSSA Scheme instead of routinely adjusting the rates of allowances year by year. In the view of Dr CHEUNG, the fact that more than 60 000 CSSA households were living below the poverty line had proved that the rates of CSSA allowances could no longer support CSSA households in meeting their basic needs and the social welfare sector therefore urged the Administration to examine and redefine "basic needs". Dr Fernando CHEUNG and Mr LEUNG Yiu-chung pointed out that the Administration had not reviewed the definition of "basic needs" since 1996. Mr Andrew WAN suggested that the Administration should provide an Internet access subsidy to non-student CSSA recipients so that they could have more access to job market information and stand a better chance of employment.

29. DSLW(W)2 advised that the Administration, apart from adjusting the rates of allowances, had also introduced targeted measures, including increasing the flat-rate grant given to recipients attending primary and secondary schools in the 2014/15 school year, to assist and encourage CSSA recipients to move upward in society. The Administration also encouraged recipients with disabilities to actively join the workforce so as to improve their livelihood. Generally speaking, if the average CSSA payment was to be compared with the average expenditure of the lowest 25% expenditure group of non-CSSA households in Hong Kong, the former was higher in most household categories. He said that the Administration also strove to ease the hardship of non-CSSA households

by, for example, introducing the Low-income Working Family Allowance ("LIFA") in addition to implementing the CSSA Scheme.

Review of the SSA Scheme

30. Mr CHAN Chi-chuen said that in the previous term of the Legislative Council, members belonging to different political parties or groupings urged the Administration to review and raise the asset limit for the application for OALA which, in the view of some members, should be non-means-tested. However, the review promised by the Administration at that time was still up in the air. Mr LEUNG Kwok-hung also made similar comments. Mr CHAN Chi-chuen enquired about the review progress and the Administration's commitment on OALA if the asset limit was to be raised or the means test was abolished. Mr CHAN opined that, before a retirement protection policy could be introduced for the community, the Administration might conduct an individual review on OALA so as to improve the relevant scheme as soon as possible.

31. DSLW(W)2 responded that the Administration had covered the review of OALA in the consultation on retirement protection conducted by the Commission on Poverty. The Administration was expected to give concrete response to that public consultation in early next year.

Other poverty alleviation policy

32. Dr KWOK Ka-ki said that the support from CCF was inadequate for students with special educational needs. DSLW(W)2 responded that the Administration had provided assistance to students from needy families through the CCSA Scheme, as well as other channels like the LIFA Scheme.

33. Members had no further questions. As Dr LAU Siu-lai was absent at that juncture, the Chairman directed that FC would not deal with the motion proposed by Dr LAU at the meeting earlier on.

34. The Chairman put FCR(2016-17)78 to vote. The Chairman said that he was of the view that the majority of the members present and voting were in favour of the proposal. The Chairman declared that the proposal was approved.

Item No. 2—FCR(2016-17)77

HEAD 156—GOVERNMENT SECRETARIAT: EDUCATION BUREAU

Subhead 700—General non-recurrent

New Item—"One-off start-up grant for kindergartens joining the Free Quality Kindergarten Education Scheme"

35. At 5:14 pm, the Chairman announced that the meeting would be extended for 15 minutes.

36. The Chairman advised that this item invited members to approve the creation of a new commitment of \$220 million for a one-off start-up grant for kindergartens ("KGs") joining the Free Quality Kindergarten Education Scheme ("the Scheme") in the 2017/18 school year. The proposal was discussed at the meeting of the Panel on Education ("ED Panel") held on 14 November 2016. At the invitation of the Chairman, Dr CHIANG Lai-wan, Chairman of the ED Panel, reported the key points of the ED Panel's discussion. Dr CHIANG said that members of the ED Panel generally supported the Administration in submitting this funding proposal to FC but some members worried that the start-up grant, which would be capped at \$300,000 per KG, might not be sufficient for KGs to employ additional staff or acquire facilities for the implementation of the Scheme. A number of members also requested some parts of the Scheme be improved, such as increasing the grants for whole-day ("WD") and long whole-day ("LWD") KGs, increasing the number of teaching staff, establishing a salary structure for teachers, developing a professional development ladder for teachers, formulating homework policies and strengthening the support for students with special educational needs and non-Chinese speaking students. Moreover, the ED Panel passed three motions to urge the Administration to adopt the improvement measures proposed by its members.

Amount and usage of the start-up grant

37. Dr Fernando CHEUNG was concerned that the amount of the one-off start-up grant might not be sufficient for participating KGs ("Scheme-KGs") to employ additional staff to take forward the preparatory tasks. He also enquired whether the Administration could extend the period for using the grant and increase the grant amount. Mr LEUNG Kwok-hung expressed concern about the mode and principles of grant payment.

38. The Secretary for Education ("SED") explained that the provision of the one-off start-up grant was aimed at supporting KGs in preparing for the implementation of the Scheme from the 2017/18 school year. For example, KGs might use the start-up grant to employ additional staff, purchase services such as computer system upgrade, purchase furniture and equipment for additional teachers, etc. The Administration considered the aforesaid preparatory tasks as necessary for KGs to migrate to the Scheme but they would not be carried out on a long-term basis. Therefore, the relevant expenditure was not recurrent in nature and the grant so provided was hence known as the "start-up grant". Scheme-KGs might have up to three years (i.e. from the 2016/17 school year to the 2018/19 school year) to make use of the start-up grant flexibly.

39. SED said that the Administration understood that KGs with more students would have more preparatory tasks and the tasks would be more complicated. Therefore, in addition to a grant of \$200,000 to each Scheme-KG, the Administration would also provide a grant of \$800 for each eligible student, with the total amount of grants capped at \$300,000 per Scheme-KG. He added that after the implementation of the Scheme, KGs would have much more recurrent government funding for them to cover certain staffing expenses and some other operating costs which were of recurrent nature. He added that the Administration had taken into account the operation scale of different KGs when it worked out the amount of the start-up grant, it therefore considered the proposed basis of calculation appropriate. Deputy Secretary for Education (3) advised that the Administration had also considered the views of the industry in devising the start-up grant currently proposed.

40. Mr Nathan LAW pointed out that pre-primary education would not be free of charge under the Scheme. Mr LAW was concerned that most of the estimated expenditures for the Scheme would be used to offset school fees which were originally paid by parents instead of supporting KGs to enhance their teaching quality. He requested the Administration to provide information on the percentage of expenditures for alleviating parents' school fee burden and the percentage of expenditures for enhancing the quality of KGs to meet the standards set by the Education Bureau against the estimated additional expenditures for pre-primary education in the 2017/18 school year.

41. SED responded that the Administration's commitment to pre-primary education would increase substantially from an estimated expenditure of about \$4 billion in 2016-2017 to about \$6.7 billion in the 2017/18 school year. Under the Scheme, there would be about 70% to 80% of half-day KG students granted with full remission of school fees,

compared with about 15% at present; and based on an initial estimation, the proportion of WD and LWD KGs charging parents a school fee of \$1,000 or below would increase from about 5% at present to about 50%. The increase in funding could cover additional staffing expenses and other operating costs incurred by KGs in the implementation of the Scheme. The Administration agreed to provide further information on the new commitment after the meeting.

[*Post-meeting note:* The supplementary information provided by the Administration was circulated to members vide LC Paper No. FC16/16-17 on 5 January 2017.]

42. The meeting ended at 5:31 pm.

Legislative Council Secretariat
24 February 2017