

**For discussion
on 12 November 2018**

LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES

**Annual Adjustment of Social Security Payment Rates under the
Comprehensive Social Security Assistance (CSSA) Scheme and the
Social Security Allowance (SSA) Scheme,
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 standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme² and rates of allowances under the Social Security Allowance (SSA) Scheme starting from 1 February 2019; 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 starting from 1 February 2019 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 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. The prevailing practice is for the Government to adjust the standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme (namely the Old Age Allowance (OAA)⁴, Old Age Living Allowance (OALA)⁵ and Disability Allowance (DA)) in accordance with the inflation or deflation as reflected by the SSAIP for the past 12 months (i.e. from 1 November of a year to 31 October of the following year) on an annual basis.

3. After the Government has presented the relevant information to this Panel, a submission will be made to the Finance Committee (FC) of the Legislative Council (LegCo) in December every year before 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 disbursing the latest payments to the CSSA and SSA recipients.

4. The current average monthly CSSA payments by the number of eligible members in a household, and the rates of OAA, OALA and DA under the SSA Scheme, are set out at **Annex 1**.

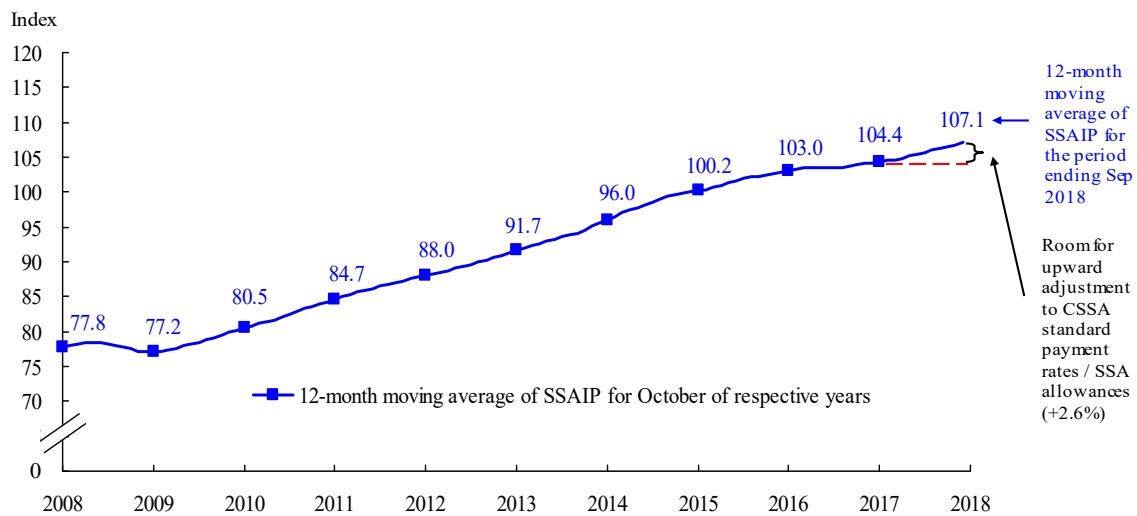
Movement of the SSAIP in 2017-18 and recommendation on the adjustment of payment rates

5. There is room for an upward adjustment to 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 2018 registered a cumulative increase of 2.6% when compared with the average figure ending October 2017.

⁴ In this paper, OAA includes the Guangdong Scheme and Fujian Scheme. At present, the relevant Schemes provide OAA, on a monthly basis, for eligible Hong Kong elderly people who choose to reside in Guangdong or Fujian, to meet their special needs arising from old age.

⁵ In this paper, OALA includes Normal OALA and Higher OALA.

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



6. The data for October 2018 will be ready by the end of November 2018 for calculating the movement of the SSAIP up to the end of October 2018. We plan to use the SSAIP up to the end of October 2018 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. The prevailing MRA is provided at Annex 2.

8. The 12-month moving average of the rent index for the period ending September 2018 has indicated that there is room for increasing the MRA by 2.5%. We will use the rent index up to the end of October 2018 to adjust the MRA in accordance with the established mechanism.

Relevant information on MRA

9. As at the end of September 2018, there were 201 038 CSSA cases receiving rent allowance. Of these, 122 989 cases (61%) were living in public rental housing (PRH) and 27 527 (14%) in private housing whilst the remaining 50 522 (25%) in residential institutions. According to SWD's record, the MRA could cover the actual rent paid by the majority of CSSA households living in PRH (97%) and 40% 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 elderly residential care places to cover their actual rent paid.

10. In order to relieve the financial burden of CSSA households living in rented private housing in face of rent increase, the Community Care Fund (CCF) implemented the programme named "Subsidy for CSSA Recipients Living in Rented Private Housing" in 2011 and 2013 to 2016 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. In 2017, the CCF relaunched and enhanced this programme⁶ to take into account the actual rent paid by eligible CSSA households in setting the amount of subsidy. Under the enhanced arrangements, the maximum level of subsidy available to eligible CSSA households is higher (the subsidy for one-person households will increase from a one-off of \$2,000 to a maximum of \$3,300 per year; whereas that for two-or-more-person households will increase from a one-off of \$4,000 to a maximum of around \$6,600 to \$11,400 per year depending on the number of household members), thereby reducing the gap between the actual rent paid by CSSA households and Government subsidy. The programme will last for two years. We will keep in view its implementation as the basis of a possible model for regularising the programme in future.

⁶ A total of 15 081 CSSA households benefitted from the programme in 2017.

Financial Implications

11. After receiving the data up to the end of October 2018, we will calculate the annual movement of the SSAIP and rent index by the end of November, and then confirm the financial implications of the adjustment which would take effect from 1 February next year.

12. Separately, the approved provisions for the CSSA Scheme and SSA Scheme for 2018-19 are \$19,700 million and \$32,400 million respectively. As at end-September 2018 (i.e. the first six months of the financial year), the cumulative expenditure has reached \$10,300 million and \$18,200 million respectively, representing 52% and 56% of the approved provision.

13. The CSSA Scheme and SSA Scheme are non-cash-limited schemes and payment should not be delayed to or withheld from the needy recipients. We will closely monitor the expenditure on these two schemes, in particular the continuously increasing trend of OALA cases under the SSA Scheme. If necessary, we will seek the approval of FC for the supplementary provision required so as to ensure that adequate funds will be available for SWD to make payments.

Implementation

14. 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 2018, in accordance with the SSAIP up to the end of October 2018. Subject to FC's approval, the new rates will take effect from 1 February 2019. We will also consider whether there is a need to seek approval for supplementary provision at the same FC meeting having regard to the latest estimates.

15. 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 2019 if approved by the SFST.

**Labour and Welfare Bureau
Social Welfare Department
November 2018**

Average Monthly CSSA Payments by the Number of Eligible Members in a Household

(This refers to the situation when CSSA households do not have income other than CSSA payments (including standard rates, supplements and special grants). The estimate is based on CSSA cases for the period of November 2016 to October 2017 and the CSSA rates effected since 1 February 2018.)

| Number of eligible members in a household | Average monthly CSSA payment |
|---|------------------------------|
| 1 | \$6,201 |
| 2 | \$9,610 |
| 3 | \$12,730 |
| 4 | \$15,182 |
| 5 | \$17,462 |
| 6 or above | \$21,365 |

Monthly rate of OAA since 1 February 2018

| Monthly rate |
|--------------|
| \$1,345 |

Monthly rate of OALA since 1 February 2018

| Type | Monthly rate |
|-------------|--------------|
| Normal OALA | \$2,600 |
| Higher OALA | \$3,485 |

Monthly rates of DA since 1 February 2018

| Type | Monthly rate |
|-----------|--------------|
| Normal DA | \$1,720 |
| Higher DA | \$3,440 |

Annex 2

MRA under the CSSA Scheme since 1 February 2018

| Number of eligible members in a household | Monthly MRA |
|--|-------------|
| 1 | \$1,835 |
| 2 | \$3,695 |
| 3 | \$4,825 |
| 4 | \$5,135 |
| 5 | \$5,150 |
| 6 or above | \$6,435 |