

Legislative Council Finance Committee

Meeting on 21 May 2021

Proposed \$1.1 billion injection into the Lotteries Fund

At the meeting of the Legislative Council Finance Committee (FC) on 21 May 2021, Members requested the Government to provide further information on the proposed injection into the Lotteries Fund (LF). Our response is as follows.

Items and amounts covered by the outstanding commitment as at end of 2020-21

2. LF's outstanding commitment as at end of 2020-21 was around \$12.4 billion. This is the amount already approved for settling outstanding payments for various items pertaining to awarded contracts and works or services which have commenced. Such unsettled expenditures can be broadly categorised as follows –

- (1) Such already approved amount includes around \$7.8 billion (63%), being non-recurrent expenditures for more than 70 new welfare projects undertaken by the Social Welfare Department (SWD), including projects with SWD as works agent, as well as projects entrusted to other agents (e.g. the Hong Kong Housing Authority/Hong Kong Housing Society, Urban Renewal Authority, Architectural Services Department and private developers) for development of new welfare facilities in public housing projects, urban renewal projects, joint-user government buildings, private land sale sites/development projects, etc. The welfare facilities involved include residential care homes for the

elderly, residential care homes for persons with disabilities, neighbourhood elderly centres and integrated family service centres, etc. Such previously approved and committed expenditure items include construction costs, as well as costs for purchasing and installing the equipment needed for the operation of various types of new welfare facilities.

- (2) Around \$2.7 billion (22%), primarily for funding experimental projects on welfare services. Examples include the “Pilot Scheme on Community Care Service Voucher for the Elderly” which allows eligible elderly persons to choose community care services that suit their individual needs under the “money-following-the-user” mode; and the “Pilot Scheme on Social Work Service for Pre-primary Institutions” which is for early identification and provision of assistance to pre-primary children and their families with welfare needs, etc.

The remaining amount already approved and committed is primarily for settling outstanding payments for the renovation, repair and maintenance, as well as procurement/replacement of equipment of welfare premises. Around 1 100 items are involved.

Items and duration to be covered by the uncommitted fund balance as at end of 2020-21

3. We envisage depletion of all the uncommitted balance of LF as at end of 2020-21 (i.e. around \$8.726 billion), together with the optimistically estimated revenue of around \$4.9 billion in 2021-22 and 2022-23 (totaling around \$13.6 billion) by 2022-23, when the amount needs to be approved for covering the following expenditure items –

(1) Construction costs of new welfare projects (around \$9 billion)

The amount will be used for financing the construction costs of various welfare projects at mature stage (including elderly, rehabilitation and child care services, etc.). Subject to the actual progress, such projects are expected to commence within the coming two years. They include mainly welfare projects undertaken by SWD, as well as those undertaken by non-governmental organisations (NGOs) according to SWD's conditions under the Special Scheme on Privately Owned Sites for Welfare Uses. Examples include the development of a residential care home for the elderly on a site at Fuk Hang Tsuen Road, Lam Tei by Pok Oi Hospital (around 1 500 additional elderly and child care service places); the conversion of ex-Kei Leung Primary School in Tuen Mun into an integrated welfare service complex (around 300 additional elderly and rehabilitation service places); and expansion of Hong Kong Sheng Kung Hui Nursing Home in Wong Tai Sin by Hong Kong Sheng Kung Hui Welfare Council Limited (around 180 additional elderly services places), etc.

(2) Purchase and installation of equipment for newly constructed welfare facilities (around \$2.5 billion)

The amount will be used for the purchase and installation of the necessary equipment, etc. upon completion of construction works, so that the new welfare facilities can provide services as soon as possible. Likewise, FC has approved earlier the "purchase of premises for provision of welfare facilities" scheme¹ with considerable progress made. SWD has to conduct modification works for such premises to be purchased progressively, so as to comply with

¹ The Government has obtained the funding approval from FC on 30 June 2020 to purchase premises for the provision of welfare facilities over some three years, so as to help address the shortage of welfare premises.

requirements on ventilation and fire safety, etc.; and to subsequently purchase and install the necessary equipment, with a view to providing the new welfare facilities specified under the scheme as soon as possible. Without the support of LF, such welfare premises may remain a bare shell and would not be ready for commissioning of services.

(3) Experimental projects (around \$1 billion)

The amount will be used for funding or enhancing experimental projects on social welfare services, including projects which are in acute demand in the community but cannot yet be regularised by the Government, in order to respond to the needs of different types of service users.

The above priority items would require urgent allocations from LF. In addition, if resource permits, LF will also consider funding NGOs, subject to the conditions stipulated by SWD and LF, for the basic renovation of dilapidated existing premises or purchase of new equipment, with a view to complying with relevant legislation and to meeting the rising service needs.

Details of projects expected to benefit from the \$1.1 billion injection

4. We need to seek the approval of FC for injecting \$1.1 billion into LF now, so as to ensure that the technical feasibility studies (TFS) and detailed designs for the 43 projects set out in enclosure 3 to the paper FCR(2021-22)20 can be taken forward as scheduled. Details of the projects concerned (including the estimated expenditures for their pre-construction consultancy services) are at **Annex 1**.

5. Upon FC's approval, project proponents (i.e. SWD and the NGOs concerned) may kick-start consultation and relevant

preparatory work (e.g. engagement of authorised persons and notifying the affected stakeholders) immediately, with a view to conducting the pre-construction consultancy work (i.e. TFS and detailed design) in the coming two years. If the proposed \$1.1 billion injection is not approved by FC, the TFS and detailed designs of the aforementioned projects will be deferred until the next injection into LF.

LF's financial position in the coming years

6. The actual revenue and expenditure figures of LF from 2016-17 to 2020-21, as well as the estimated figures for 2021-22 and 2022-23, are at **Annex 2**. Subject to the progress of works and actual amounts of revenue and expenditure, we expect that even if the revenue from the Mark Six Lottery returned to past levels², LF would be left with no resources to approve new items in 2022-23. Besides, as the balance of LF gradually diminishes, LF's revenue from investment returns will drop correspondingly.

Background and operating principles of LF

7. LF was established for the purpose of financing the non-recurrent resources for the construction and provision of social welfare facilities and services, so as to expedite the provision of such facilities and services. Among others, the largest substantial expenditure items of LF are for the construction of the much needed residential care homes for the elderly and persons with disabilities, which shorten the waiting time of relevant subsidised services³.

² Based on the average revenue for the three years from 2016-17 to 2018-19, LF's revenue from the Mark Six Lottery amounts to around \$1.2 billion a year.

³ For elderly services, the current average waiting time of care and attention places and nursing home places is around 19 and 23 months respectively. For rehabilitation services, the average waiting time of places in hostel for severely mentally handicapped persons and hostel for moderately mentally handicapped persons is around 156 and 128 months respectively.

8. As a fund dedicated to financing the development of social welfare facilities and services, projects supported by LF would not overlap with public works projects under the Capital Works Reserve Fund.

9. In accordance with the established practice in managing public money in a prudent way, LF should only approve new capital projects if there are sufficient financial resources to commence and complete new welfare projects. It should be noted that we have succeeded in including the much needed welfare facilities in the annual Land Sale Programme. The Government has also announced in the 2020 Policy Address the reservation of about 5% of the gross floor area in future public housing developments for the provision of social welfare facilities. Therefore, we have to ensure sufficient balance in LF to fund the design, construction as well as purchase and installation of equipment, etc. in respect of these newly arisen projects, so as to ensure their timely commissioning. For example, if, as in the case of past years, it is announced in the Land Sale Programme in early 2022 the reservation of space for provision of welfare facilities, then in case LF does not have sufficient available reserves for timely approval of commitment for the projects concerned, we may permanently lose the precious land allocation for the development of welfare facilities.

Labour and Welfare Bureau
Social Welfare Department
May 2021

**Development projects of social welfare services premises
expected to benefit from the \$1.1 billion injection into the Lotteries Fund (LF)**

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
Projects with Social Welfare Department as service agent						
1.	Re-development of the Wong Chuk Hang Complex Site	<p>The project is expected to provide around 2 500 additional service places, including –</p> <ul style="list-style-type: none"> • Day care centre for the elderly (60 places) • Two hostels for severely mentally handicapped persons (with 50 places each) • Two day activity centres (with 50 places each) • Hostel for severely physically handicapped persons (50 places) 		278		

¹ We estimate that about 40 welfare projects will seek funding from the LF for pre-construction consultancy services (i.e. technical feasibility study and detailed design) in the coming two years.

² As the projects are still at different planning stages, the actual type of welfare services and number of places to be provided under the projects can only be confirmed upon completion of detailed designs.

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
		<ul style="list-style-type: none"> • Hostel for moderately mentally handicapped persons (100 places) • Two care and attention homes for severely disabled persons (with 50 places each) • Long stay care home (170 places) • Three Nursing homes (with 250 places each) • Integrated community centre for mental wellness • Integrated support service for persons with severe physical disabilities <p>Details of other welfare facilities are to be confirmed.</p>				
2.	Integrated welfare service complex project (Kowloon)	<ul style="list-style-type: none"> • Facilities for elderly, rehabilitation and other services, details of which are under planning. 	4			

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
3.	Integrated welfare service complex project (New Territories)	<ul style="list-style-type: none"> Facilities for elderly, rehabilitation and other services, details of which are under planning. 			4	
4.	Integrated welfare service complex project (New Territories)	<ul style="list-style-type: none"> Facilities for elderly, rehabilitation and other services, details of which are under planning. 			4	
Projects under the Special Scheme on Privately Owned Sites for Welfare Uses (the Special Sites Scheme)						
5.	Re-development of Factory for the Blind at 19 Mok Cheong Street, To Kwa Wan by Hong Kong Society for the Blind	<ul style="list-style-type: none"> Hostel for severely mentally handicapped persons (150 places) Day activity centre (150 places) Hostel for moderately mentally handicapped persons (50 places) Integrated vocational rehabilitation services centre (100 places) Sheltered workshop (30 places) 		56		

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
		<ul style="list-style-type: none"> Care and attention home for the aged blind (48 places) Vocational rehabilitation services centre for the visually impaired 				
6.	Proposed development on a site at Lei Yue Mun Path, Yau Tong by the Hong Kong Student Aid Society	<ul style="list-style-type: none"> Hostel for severely mentally handicapped persons (50 places) Day activity centre (100 places) Small group home (60 places) Transitional home for vulnerable youngsters and career development service 		30		
7.	New development on a site at the junction of Castle Peak Road - Yuen Long and Yau Tin East Road by Hong Kong Sheng Kung Hui Welfare Council Limited	<ul style="list-style-type: none"> Care and attention home for the elderly providing continuum of care (120 places) Day care centre for the elderly (60 places) Special child care centre (60 places) 		35		
8.	Re-development of Buddhist Po Ching Care	<ul style="list-style-type: none"> Care and attention home for the elderly providing continuum of 		28		

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
	and Attention Home for the Aged Women at 10 Chi Fuk Circuit, Fanling by Heung Hoi Ching Kok Lin Association	care (122 places) cum day care unit for the elderly (20 places)				
9.	Re-development of the Hong Kong Society for Rehabilitation Lam Tin Complex at 7 Rahab Path, Lam Tin by the Hong Kong Society for Rehabilitation	<ul style="list-style-type: none"> • Care and attention home for the elderly providing continuum of care (400 places) • Day care centre for the elderly (120 places) • Hostel for severely mentally handicapped persons (100 places) • Hostel for moderately mentally handicapped persons (100 places) • Integrated vocational rehabilitation services centre (120 places) • Day activity centre (100 places) 		101		

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
		<ul style="list-style-type: none"> • Special child care centre (60 places) • Work-based child care centre (35 places) • Community rehabilitation network station • Self-help resource hub • House of aphasia • Training institute on holistic rehabilitation and wellness 				
10.	Re-development of Jockey Club Care and Attention Home for the Elderly at 9 Sandy Bay Road by Tung Wah Group of Hospitals	<ul style="list-style-type: none"> • Care and attention home for the elderly providing continuum of care (230 places) • Day care centre for the elderly (40 places) • Care and attention home for severely disabled persons (150 places) • Hostel for severely mentally handicapped persons (110 places) 				68

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
		<ul style="list-style-type: none"> • Hostel for moderately mentally handicapped persons (120 places) • Integrated vocational rehabilitation services centre (120 places) • Day activity centre (110 places) • Early education and training centre (60 places) • Work-based child care centre (60 places) 				
11.	Re-development of Wong Chuk Hang Service for the Elderly at 1 Wong Chuk Hang Path, Aberdeen by Po Leung Kuk	<ul style="list-style-type: none"> • Care and attention home for the elderly providing continuum of care (121 places) • Nursing home (300 places) • Day care centre for the elderly (36 places) 				53
12.	Re-development of Shaukeiwan Day Activity Centre at 456 Shaukeiwan	<ul style="list-style-type: none"> • Hostel for severely mentally handicapped persons (60 places) 				12

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
	Road by the Salvation Army	<ul style="list-style-type: none"> Day activity centre (65 places) Family and child development centre for children with special needs 				
13.	Re-development of Yuen Yuen Home for the Aged at 31 and 33 Lo Wai Road, Sam Dip Tam, Tsuen Wan by the Yuen Yuen Institute	<ul style="list-style-type: none"> Care and attention home providing continuum of care (387 places) cum day care unit (30 places) Early education and training centre (90 places) 				49
14.	New development on a vacant area of Cheung Muk Tau Integrated Service Complex in Sai Kung by Helping Hand	<ul style="list-style-type: none"> Care and attention home for the elderly providing continuum of care (200 places) 				24
15.	Expansion project under the Special Sites Scheme (Wong Tai Sin District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the non-governmental organisation (NGO) concerned) 	2.5			

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
16.	Re-development project under the Special Sites Scheme (Kowloon City District)	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned) 	2.5			
17.	Re-development project under the Special Sites Scheme (Tuen Mun District)	<ul style="list-style-type: none"> Elderly and rehabilitation services (details to be confirmed with the NGO concerned) 	2.5			
18.	Re-development project under the Special Sites Scheme (Sham Shui Po District)	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned) 	2.5			
19.	Re-development project under the Special Sites Scheme (North District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
20.	Re-development project under the Special Sites Scheme (Kwai Tsing District)	<ul style="list-style-type: none"> Elderly and child care services (details to be confirmed with the concerned NGO) 	2.5			

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
21.	Expansion project under the Special Sites Scheme (Southern District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
22.	Re-development project under the Special Sites Scheme (Southern District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
23.	Development project under the Special Sites Scheme (North District)	<ul style="list-style-type: none"> Elderly and rehabilitation services (details to be confirmed with the NGO concerned) 	2.5			
24.	Re-development project under the Special Sites Scheme (Tuen Mun District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
25.	Development project under the Special Sites Scheme (Kwun Tong District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
26.	Re-development project under the Special Sites	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be 	2.5			

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
	Scheme (Kwun Tong District)	confirmed with the NGO concerned)				
27.	Re-development project under the Special Sites Scheme (Kowloon City District)	<ul style="list-style-type: none"> Elderly and rehabilitation services (details to be confirmed with the NGO concerned) 	2.5			
28.	Development project under the Special Sites Scheme (North District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
29.	Re-development project under the Special Sites Scheme (Southern District)	<ul style="list-style-type: none"> Child care services (details to be confirmed with the NGO concerned) 	2.5			
30.	Re-development project under the Special Sites Scheme (Wan Chai District)	<ul style="list-style-type: none"> Rehabilitation and child care services (details to be confirmed with the NGO concerned) 	2.5			
31.	Re-development project under the Special Sites Scheme (Sha Tin District)	<ul style="list-style-type: none"> Rehabilitation services (details to be confirmed with the NGO concerned) 	2.5			

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
32.	Re-development project under the Special Sites Scheme (Sham Shui Po District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
33.	Re-development project under the Special Sites Scheme (Tai Po District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 	2.5			
34.	Re-development project under the Special Sites Scheme (Eastern District)	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned) 			2.5	
35.	Re-development project under the Special Sites Scheme (Kwai Tsing District)	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned) 			2.5	
36.	Re-development project under the Special Sites Scheme (Kowloon City District)	<ul style="list-style-type: none"> Rehabilitation and child care services (details to be confirmed with the NGO concerned) 			2.5	

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
37.	Re-development project under the Special Sites Scheme (Yuen Long District)	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned) 			2.5	
38.	Development project under the Special Sites Scheme (Sai Kung District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 			2.5	
39.	Development project under the Special Sites Scheme (Islands District)	<ul style="list-style-type: none"> Elderly and rehabilitation services (details to be confirmed with the NGO concerned) 			2.5	
40.	Re-development project under the Special Sites Scheme (Sha Tin District)	<ul style="list-style-type: none"> Elderly services (details to be confirmed with the NGO concerned) 			2.5	
41.	Re-development project under the Special Sites Scheme (Yuen Long District)	<ul style="list-style-type: none"> Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned) 			2.5	

	Development projects ¹	Estimated additional welfare facilities ² (including subvented and self-financing places)	Estimated expenditure on pre-construction consultancy services (\$ million)			
			2021-22		2022-23	
			Technical feasibility study	Detailed design	Technical feasibility study	Detailed design
42.	Re-development project under the Special Sites Scheme (Sha Tin District)	• Elderly services (details to be confirmed with the NGO concerned)			2.5	
43.	Re-development project under the Special Sites Scheme (North District)	• Elderly, rehabilitation and child care services (details to be confirmed with the NGO concerned)			2.5	
Estimated expenditure			52	527	33	206
			579		239	
Estimated total expenditure			818*			

* The estimated expenditure for the pre-construction consultancy services of the 43 welfare projects above accounts for around 3/4 of the proposed \$1.1 billion injection. The remaining amount of the injection will be used for contingency and/or to support other welfare projects within the ambit of LF.

Revenue and expenditure figures of the Lotteries Fund

Year	Actual Figures (\$ million)					Estimated Figures (\$ million)	
	2016-17	2017-18	2018-19	2019-20	2020-21 ¹	2021-22	2022-23 ²
Opening balance (a)	22,014	22,782	23,243	23,862	23,340	21,102	19,398
Revenue (b)	2,098	1,920	2,346	1,910	1,124	2,870	2,059
Expenditure (c)	1,330	1,459	1,727	2,432	3,362	4,574	6,528
Surplus/(Deficit) (d) = (b) - (c)	768	461	619	(522)	(2,238)	(1,704)	(4,469)
Closing balance (e) = (a)+(d)	22,782	23,243	23,862	23,340	21,102	19,398	14,929
Outstanding commitment as at end of the year (f)	7,399	8,747	10,000	13,257	12,376	16,081	14,958
Uncommitted fund balance as at end of the year (g) = (e) - (f)	15,383	14,496	13,862	10,083	8,726	3,317	(29)

Remarks –

- (1) For figures of 2020-21, items (a) to (e) are revised estimates while items (f) and (g) are provisional figures.
- (2) The revenue of 2022-23 is estimated based on the average revenue of 2017-18, 2018-19 and 2019-20.