

For discussion on
19 April 2021

Legislative Council Panel on Welfare Services

Injection into the Lotteries Fund

Purpose

This paper seeks Members' support for the Government's proposal to inject \$1.1 billion into the Lotteries Fund (LF), so as to facilitate the Finance Committee's consideration of the funding proposal.

The Proposal

2. As announced in the 2021-22 Budget, we propose to make an injection of \$1.1 billion into LF to ensure that development projects in respect of much-needed social welfare services premises, particularly the technical feasibility studies (TFS) and detailed designs of major facilities for elderly and rehabilitation services, etc., can be taken forward as scheduled.

Justification

3. LF is primarily used to meet the capital costs of works projects in connection with the welfare services provided by non-governmental organisations (NGOs) and the Government, including costs for construction, fitting-out, renovation, repair and maintenance as well as purchase / replacement of furniture and equipment (F&E). Among others, LF supports welfare projects which provide new premises for providing much-needed welfare services for the elderly and persons with disabilities. LF also provides funding to finance time-limited experimental projects on welfare services.

4. The proceeds from the Mark Six Lottery are the main source of recurrent revenue of LF, amounting to an annual average of around \$1.2 billion in the past four years (from 2016-17 to 2019-20), which accounts for more than 50% of LF's recurrent

revenue¹. However, due to the outbreak of Coronavirus Disease 2019, the revenue from Mark Six Lottery in 2020-21 has substantially dropped 76% to \$288 million². As a result, while LF's revenue was \$2.1 billion a year on average in the four years before the pandemic (i.e. from 2016-17 to 2019-20), the revenue for 2020-21 is expected to be halved (i.e. \$1.1 billion).

5. While the revised estimate for the closing balance of LF for 2020-21 was \$21.102 billion, it has yet to take into account the outstanding commitment of LF (estimated to be around \$13 billion as at February 2021), which includes the expenditures pertaining to existing premises operated by NGOs (e.g. renovation works, purchase of F&E, as well as one-off block grants for routine repairs and maintenance works and replenishment of F&E), and non-recurrent resources for construction and pre-construction consultancy services (including TFS and detailed design) of welfare projects, including the planned projects spearheaded by the Social Welfare Department³ and those undertaken by NGOs under the Special Scheme on Privately Owned Sites for Welfare Uses (the Special Sites Scheme)⁴, etc.

6. To ensure that the planning of the much-needed welfare services premises will not be affected by the temporary drop in the LF's revenue, we propose to inject \$1.1 billion into LF in 2021-22 to fund the pre-construction consultancy services (i.e. feasibility studies and detailed design work) for such projects in the pipeline, so that these projects can proceed as scheduled. Examples of development projects of more notable social welfare services premises include the re-development of Wong Chuk Hang Complex Site (around 2 500 additional service places), re-development of the Hong Kong Society for Rehabilitation's Lam Tin Complex (around 1 000 additional service places), re-development of Tung Wah Group of Hospitals' Jockey Club Care and Attention Home for the Elderly at Sandy Bay Road (around 1 000 additional service places), etc. If necessary, we will also flexibly deploy the injected fund as appropriate to support other welfare projects within the ambit of LF.

¹ Other sources of revenue include net proceeds from auctions of vehicle registration marks, investment income and donation.

² Based on the revised estimate.

³ These welfare projects include projects with the Social Welfare Department as the works agent on government sites; and 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 welfare facilities in public housing projects, urban renewal projects, joint-user government buildings, private land sale sites / development projects, etc.

⁴ The Special Sites Scheme was an initiative announced in the 2013 Policy Address. Under the Scheme, NGO applicants for LF have to provide or increase on their own sites, through expansion, re-development or new development, those welfare facilities in acute demand (i.e. elderly, rehabilitation and child care services).

7. We shall closely monitor LF's financial position, having due regard to the revenue and expenditure of LF, particularly the financial commitments required of LF depending on the readiness of social welfare services projects in proceeding to the construction stage. The last injection of \$10 billion was made from the General Revenue into LF in 2013-14 when the Government launched the Special Sites Scheme.

Next Step

8. Subject to Members' views, we plan to seek the funding approval of the Finance Committee in May 2021 on the proposed injection of \$1.1 billion into LF.

Advice sought

9. Members are invited to support the proposal for the proposed injection into LF.

**Labour and Welfare Bureau
Social Welfare Department
April 2021**