

**For discussion on
13 December 2004**

LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES

Funding for Welfare Services in 2005-06

PURPOSE

This Paper informs Members of the latest position regarding funding for welfare services in 2005-06. Detailed provisions for welfare services in 2005-06 will only be available when the Budget Speech for 2005-06 is released.

BACKGROUND

2. The Government all along maintains its commitment to provide essential welfare services for people in need. The recurrent expenditure of Social Welfare Department (SWD), including expenditure on Comprehensive Social Security Assistance (CSSA) and Social Security Allowance (SSA), has been increasing in the past 10 years, i.e. from \$12.67 billion in 1995-96 to \$33.13 billion in 2004-05, which represents an increase of over 160%. Within the SWD's recurrent expenditure in the same period, subventions to NGOs increased from \$3.33 billion to \$7.42 billion (including \$0.68 billion as contract payments for welfare services), i.e. an increase of 123%. In 2004-05, another \$0.20 billion was also earmarked for extension of temporary jobs under NGOs.

3. However, in line with the Administration's effort to gradually restore a balanced budget by 2008-09, efficiency savings on welfare services have to be made.

EFFICIENCY SAVINGS IN 2005-06

4. In 2005-06, the target of efficiency savings of welfare expenditure under SWD's purview excluding CSSA and SSA is expected to be 2.1%, or \$221.6 million. In recognition of concerns of NGOs over efficiency savings, we will only apply an across-the-board 1% savings for the subvented NGOs. Four items, i.e. provident fund payable on actual basis for NGO "snapshot" staff, rent and rate reimbursement, foster parent allowance and incentive payment for sheltered workers, will be exempted from efficiency savings in 2005-06. Moreover, we will exempt about 70 NGOs, with recurrent annual subventions less than \$3 million after deducting the four exempted items, from efficiency savings in the 2005-06 exercise. We will also accord special consideration to NGOs who have genuine financial difficulties.

5. The 1% NGOs' contribution, upon deducting the four exempted items and waiving small NGOs from the exercise, will be around \$62.3 million. For the balance, savings will come from trimming down the expenditure for SWD expenses and hire of services (\$50.7 million), implementing the phased reduction of self-care hostel and home for the aged places (\$80.0 million) (with corresponding conversion to long term care places for the elderly funded by new earmarked funding) and carrying out other service rationalisation and re-engineering measures (\$28.6 million).

NEW RESOURCES

6. At the same time, we are seeking additional resources in 2005-06 for welfare services covering further development of elderly service, additional support services for people with disabilities and to tackle domestic violence and family problems.

RESOURCES OTHER THAN RECURRENT SUBVENTIONS

7. NGOs can apply for Lotteries Fund (LF) for the delivery of pilot or experimental welfare projects for people in need. In 2003-04, a total of \$1,040 million had been allocated to NGOs for welfare services.

8. NGOs can also apply for funding to implement projects under the Community Investment and Inclusion Fund (CIIF). The CIIF was set up with an initial allocation of \$300 million following the Chief Executive's 2001 Policy Address. Seed funding is provided in support of community-initiated projects that will help encourage community participation and promote self-help and mutual help.

9. Separately, the Government has earmarked \$200 million on a one-off basis to promote the development of tripartite social partnership. SWD intends to set up a Matching Grant for welfare services with the earmarked funding to incentivise the welfare sector to seek and secure corporate participation in helping the disadvantaged.

ADVICE SOUGHT

10. Members are invited to note the Administration's arrangements on funding for welfare services in 2005-06.

Health, Welfare and Food Bureau / Social Welfare Department
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