

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 4th meeting
held at the Legislative Council Chamber
on Friday, 17 December 2010, at 3:00 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP

Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun
Dr Hon LEUNG Ka-lau
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon Albert CHAN Wai-yip

Members absent:

Dr Hon David LI Kwok-po, GBM, GBS, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon IP Wai-ming, MH
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon WONG Yuk-man

Public officers attending:

Ms Julia LEUNG fung-ye, JP	Acting Secretary for Financial Services and the Treasury
Ms Alice LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury)1
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Paul TANG, JP	Permanent Secretary for Labour and Welfare
Ms Irene YOUNG, JP	Deputy Secretary for Labour and Welfare (Welfare) 2
Mr FUNG Pak-yan, JP	Deputy Director of Social Welfare (Administration)
Mr CHAN Wing-hoi	Chief Social Security Officer (Social Security) 2, Social Welfare Department
Mr SO Shui-sing	Acting Senior Statistician (Social Welfare), Social Welfare Department

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Mr Daniel SIN	Senior Council Secretary (1)7
Mr Frankie WOO	Senior Legislative Assistant (1)3
Ms Christy YAU	Legislative Assistant (1)1

**Item No. 1 - FCR(2010-11)47
RECOMMENDATIONS OF THE PUBLIC WORKS
SUBCOMMITTEE MADE ON 24 NOVEMBER 2010**

The Chairman said that the Committee was invited to approve the proposals considered and endorsed by the Public Works Subcommittee at its meeting on 24 November 2010.

2 The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 2 - FCR(2010-11)48

**HEAD 170 – SOCIAL WELFARE DEPARTMENT
Subhead 179 Comprehensive social security assistance scheme
Subhead 180 Social security allowance scheme**

3 The Chairman said that the Committee was invited to approve an 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 2011 at a financial implication of \$797 million in annual recurrent expenditure, and an increase in the flat-rate grant for selected items of school-related expenses payable to full-time primary and secondary students under CSSA with effect from the 2011/12 school year at a financial implication of \$71 million in annual recurrent expenditure.

4 Mr CHEUNG Kwok-che, Chairman of the Panel on Welfare Services, reported that the Panel had discussed the proposal on 8 November 2010. Whilst supporting the Administration's initiative, members expressed concern that the escalating inflation would quickly erode away the proposed increase. Panel members also queried whether the Social Security Assistance Index of Prices (SSAIP) covered the whole range of items and services needed and used by CSSA recipients, and whether the level of rental allowance could keep up with the rise in the private rental market.

Social Security Assistance Index of Prices

5 Mr WONG Kwok-hing said that many organizations and CSSA recipients had criticized that SSAIP did not reflect the actual situation, as the statistics lagged behind the prevailing economic conditions by several months. He asked whether the Administration would institute better mechanism to

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gather more up-to-date data. Ms Cyd HO commented that SSAIP did not reflect accurately the changes in socio-economic conditions such as the inflationary increase in rental and textbook prices, and that adjustment to CSSA solely by reference to SSAIP could not provide sufficient safeguard to the well-being of CSSA recipients.

6 Permanent Secretary for Labour and Welfare (PSLW) said that SSAIP was regularly updated by reference to statistics compiled by the Census and Statistics Department (C&SD) on a monthly basis, and SSAIP should have captured the latest price trends. The levels of CSSA were adjusted under established mechanism according to the movement in SSAIP. Acting Senior Statistician (Social Welfare) (Ag SS(SW)) supplemented that SSAIP consisted of all items covered by the Consumer Price Indices, except those which were already covered by special grants under the CSSA Scheme or free services provided by the Government. PSLW explained that comprehensive surveys on household expenditure were conducted regularly to ascertain CSSA recipients' spending patterns, in order to update the relative weights of individual components of SSAIP for use in the annual adjustment of CSSA standard rates. The findings of the next survey was expected to be available towards the end of 2011.

7 Mr LEUNG Yiu-chung suggested giving more weighting to changes in certain socio-economic conditions in determining the rate of adjustment. PSLW advised that it would be difficult to give different weightings to various factors, as these involved subjective policy considerations rather than adherence to objective statistical analyses.

8 Mr WONG Kwok-hing said that the proposed increase aimed to compensate for the 3.4% inflation over the preceding 12 months. Given the rising trend of inflation, the new rate might soon fall below the price level. He asked whether and under what circumstances the Administration would introduce further adjustments to CSSA. Mr WONG Sing-chi criticized that the CSSA adjustment mechanism could not reflect the actual prices of goods and services consumed by the CSSA households. He said that the proposed rates of increase were much less than the actual increase of about 10% to 20% in price levels of food, commodities and public transport services. Mr LEUNG Yiu-chung asked if the Administration would propose a larger adjustment at this stage taking into account the projected inflation in the coming months, rather than based on historical inflation rates which could not reflect the prevailing situation. He urged for a review of the adjustment mechanism.

9 PSLW said that the Administration would consider making an adjustment in advance of the annual review cycle if the trend of high inflation

persisted in the coming months. It was difficult to predict accurately the inflation in future months, and it would not be effective use of public resources if there was over-payment as a result of over-estimating the inflation. It would be more prudent for the Administration to make adjustment in the light of actual price increase as reflected in the SSAIP.

Rental component in CSSA payment

10 Expressing support for the funding proposal, Mr LEE Wing-tat said that according to the Administration's reply to his question during the scrutiny of the 2010-11 Budget, there were 23 361 cases in which the rental subsidy component of the CSSA payment was insufficient to cover the actual expenses. In these cases, the CSSA recipients had to make up the rental shortfall by reducing their consumption of other items such as food. He pointed out that CSSA recipients faced sharp increase in rent when renewing their tenancies of private housing units. The soaring rental costs were, however, not reflected in the C&SD's statistics which were mainly based on tenancies contracted one or two years ago. Mr LEE suggested that more weights should be given to recently contracted tenancies in assessing the rental component of CSSA. Mr James TO suggested that reference be made to the statistics on smaller residential units compiled by the Rating and Valuation Department, in order to have a more realistic assessment of the rental fluctuation. Mr Albert HO considered that those rental tenancies drawn up one or two years ago should be excluded from the assessment of rental cost for CSSA adjustments.

11 Ag SS(SW) advised that the Consumer Price Index (CPI) (A) private housing rent index used for adjusting the rent allowance under the CSSA Scheme was updated monthly and that the data of existing, new and recently renewed tenancies were captured. Deputy Director of Social Welfare (Administration) (DDSW(A)) added that according to the information up to November 2010, the current maximum levels of rent allowance was sufficient to cover the actual rental payment of CSSA households in 86% of the cases.

12 Mr WONG Sing-chi commented that the information meant that 14% of CSSA recipients could not meet the increasing rental cost. He said CSSA recipients often had to cut down on other expenditure items, such as food, in order to meet the rental deficit. As about 10% to 20% of CSSA recipients would renew their tenancies in the coming months, it was likely that there would be substantial increase in their rental payment. He urged the Administration to take urgent measures to relieve the burden on those CSSA households, and provide extra allowance to help CSSA recipients meet the rental deficit. Mr James TO and Ms Cyd HO said that CSSA households had fewer choices recently in finding affordable accommodation with the

demolition and redevelopment of older buildings. Mr Albert HO considered that as the prices of food or meals were also increasing sharply, the food bank should provide more assistance to CSSA recipients.

13 DDSW(A) said that CSSA recipients who had difficulty meeting the cost of private accommodation could apply for public housing to solve their accommodation problem, and those who had special accommodation needs on social or medical ground could be considered for compassionate rehousing and would be referred to the Housing Department for follow up. PSLW said that rental costs varied widely over the territory, and it was not Government policy to use public money to pay the rents of any private accommodation of the CSSA recipients' choice. However, the Administration would keep close watch of the rental market and make adjustments where necessary in accordance with the established mechanism. As regards food relief, PSLW said that the food bank was meant to provide temporary relief and should not be regarded as a substitute for long-term welfare assistance.

14 In response to Mr James TO's enquiry about the private rental expenses, Deputy Secretary for Financial Services and the Treasury (Treasury)¹ advised that based on the price level of 2009, the CPI(A) related to households with average monthly household expenditure broadly ranged from \$4,300 to \$16,900. However, it was not appropriate to draw conclusion from these figures whether the current rent allowance for CSSA recipients was sufficient.

15 PSLW reiterated that CSSA recipients who experienced difficulties in meeting the cost of private accommodation should apply for public housing, and compassionate housing could be arranged on the recommendation of the Social Welfare Department (SWD). He pointed out that costs of individual accommodation could vary considerably, depending on the location, type of accommodation, etc. Adjustment to the maximum levels of rent allowance under the CSSA Scheme, on the other hand, made reference to the overall rental trend as reflected in the CPI(A) private housing rent index. DDSW(A) added that the index had taken into account the existing, recently renewed and new tenancies.

16 Mr Albert HO said that even though CSSA recipients might apply for public housing, they would still have to bear a high rental cost while waiting for housing allocation. DDSW(A) advised that CSSA recipients could receive rent allowance up to two times the Maximum Rent Allowance while awaiting compassionate housing.

Extra-curricular activities and school-related expenses

17 Mr WONG Kwok-hing said that many students from CSSA households could not afford to participate in extra-curricular activities as the CSSA payment could not cover such expenses. He asked if other forms of support were available. PSLW said that Education Bureau provided extra resources to schools to help students with financial needs to participate in extra-curricular activities. He would request the Education Bureau to provide the relevant information to Mr WONG.

18 Ms Starry LEE asked whether the grant of \$3,157 under the School Textbook Assistance Scheme (STAS) was a monthly payment or an annual grant, and whether students from CSSA households would be eligible for the assistance. She also asked how the levels of grants were determined and adjusted. Ms Audrey EU noted that the proposed rate of full grant for each F.1 – F.3 student in the 2011/12 school year would be \$4,847, whereas the proposed rate for a F.4 – F.7 student would be \$3,877. She asked about the reasons for a lower grant to higher form students. Ms Cyd HO considered the flat-rate grant insufficient to meet all the students' education needs, pointing out that after paying for the textbooks, not much were left for other items such as school uniform or extra-curricular activities.

19 DDSW(A) advised that grants under STAS were paid to students from non-CSSA low-income families, while students from CSSA households could be eligible for a flat-rate grant under CSSA. Both were paid on a yearly basis. While the CSSA flat-rate grant was adjusted annually based on the movements of CPI(A), the current proposal was to increase the rates payable to full-time primary and secondary school students by \$592, having regard to a similar increase under STAS. Eligible students were paid the flat-rate grant at the beginning of the school year without the need to provide proofs of expenditure. While the current rate of the grants should be able to meet the needs of the majority of students, additional payments could be provided on top of the flat-rate grant subject to proof of the need for such additional expenses.

20 Ms Starry LEE asked if many students had applied for additional grant. She was concerned that textbooks prices increased at a pace faster than CPI(A), and the flat-rate grant would not be sufficient to meet the needs of students. She suggested that additional provisions be made to include expenses for education-related activities and extra-curricular activities. Ms Audrey EU and Mr WONG Kwok-hing also expressed concern that students from low income families lacked the means to participate in activities under the liberal studies programme. Ms EU commented that it would be impractical for students to apply for additional grant every time they wished to enroll in an

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activity. She requested the Administration to review the mechanism for providing assistance to students to meet their education needs.

21 DDSW(A) responded that SWD had not received many applications for additional grant for education-related expenses under CSSA. PSLW advised that recurrent funding of \$175 million were provided under the Education policy area for schools and non-governmental organizations to organize after-school programmes for primary and secondary students from disadvantaged families. These students at present could participate in many of the extra-curricular activities free of charge.

22 Ms Cyd HO suggested that the assistance under the STAS or flat-rate grants under CSSA should be paid directly to schools rather than to the households. Such an arrangement could prevent abuse of funds by some CSSA households, especially those with elderly or sick members, who might use the grant for other purposes at the expense of the education needs of the children.

23 Ms Audrey EU asked about the chances for students from low income families or CSSA households to study in direct subsidy schools. She had heard about education officials persuading certain students from low income families currently studying in direct subsidy schools to transfer to other aided schools.

24 PSLW said that the Government was currently providing free or highly subsidized education services, while the social security system was designed to help people in disadvantaged position to meet their basic needs. If a family faced a sudden change in financial position and had to apply for CSSA, SWD might, depending on the circumstances, provide assistance to enable the children to continue with their education in a direct subsidy school in the short term. It would be advisable for these students to make arrangements to transfer to another aided or government school. They might also apply for other types of financial assistance to continue to study in direct subsidy schools.

25 Dr Priscilla LEUNG asked about the average expenses for textbooks and other education-related activities. PSLW responded that the Administration had not collected such information. Dr LEUNG said that parents with two school aged children might need to spend around \$6,000 on basic items at the beginning of a school year. Such level of expenses posed a heavy burden not only on low-income or CSSA households but also on many middle class families. She suggested the Administration gather more comprehensive data to assess whether additional financial assistance should be

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provided to needy households. PSLW undertook to relay Dr LEUNG's comments to the Education Bureau for consideration.

26 The Chairman put the item to vote. The Committee approved the funding proposal.

Item No. 3 - FCR(2010-11)49

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 180 Social security allowance scheme

27 The Chairman said that the Committee's approval was sought for relaxation of the annual permissible limit of absence from Hong Kong from 240 to 305 days, and a corresponding relaxation of the minimum residence period for entitlement to the above period of absence from 90 to 60 days in a payment year, under the SSA Scheme with effect from 1 February 2011. The financial implications would be \$7 million in annual recurrent expenditure.

28 Mr CHEUNG Kwok-che reported that the Panel on Welfare Services had discussed the funding proposal on 8 November 2010. Panel members had no objection to the proposal, but requested the Administration to remove all restrictions on absence from Hong Kong for Old Age Allowance (OAA), both before application and after approval of application. Panel members suggested that the Administration should waive the requirement for OAA recipients to reside in Hong Kong for not less than 60 days in a payment year, as many elderly recipients no longer had a place of residence in Hong Kong.

29 In response to the Chairman, PSLW said that the proposed new arrangement could benefit all SSA recipients, in particular about 2 370 SSA recipients who used to reside in Hong Kong for less than 125 days but at least 60 days in a year. Mr WONG Kwok-hing commented that the proposed relaxation would bring only marginal improvement, as only 2 300 recipients would be able to benefit from the new arrangements. He considered that the Administration should remove the residence requirements for OAA payments, as many elderly recipients had already given up their accommodation in Hong Kong and moved to the Mainland for retirement. These recipients would have nowhere to stay when they came back to satisfy the 60 days residency requirements. Mr WONG and Dr PAN Pey-chyou asked whether the Administration would arrange temporary accommodation for these elderly recipients during their stay in Hong Kong. Mr WONG Sing-chi criticized the current policy for being too stringent. He said that many elderly persons chose

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to retire in the Mainland because they could not afford the standard of living in Hong Kong. The amount of OAA allowance could not even meet the temporary accommodation expenses when the elderly recipients returned to Hong Kong for meeting the 60 days residence requirement.

30 PSLW said that the current policy was that SSA recipients must regard Hong Kong as their place of permanent residence, hence certain residence requirements were set. The current proposal to relax the residence requirement had already taken into account the wish of some elders to spend more time outside Hong Kong without having to forfeit their SSA payment. Lifting the residence requirement would imply making SSA fully portable to all places outside Hong Kong, which involved fundamental policy change. The Administration was undertaking a feasibility study to examine the merits of introducing a maintenance allowances for elders who chose to retire in the Mainland. PSLW said that elderly people who could not support themselves financially could apply for CSSA.

31 Ms Cyd HO said that some elderly people might be able to sustain their living in the Mainland with their savings and OAA, but would have to resort to CSSA if they continued to reside in Hong Kong. She said that it might cost less to public revenue if elderly people were allowed to receive OAA while retiring in the Mainland. PSLW explained that the proposed relaxation of absence limit was not intended to save cost, but to provide greater flexibility to SSA recipients.

32 Ms Cyd HO asked if an OAA recipient occupying a public housing unit was required to surrender his accommodation if he spent most of the time in the Mainland. PSLW explained that if an elderly person left Hong Kong permanently, as in the case of elders joining the Portable CSSA Scheme, he would have to surrender his public housing unit. This would not be the situation of OAA recipients who basically resided in Hong Kong. In any case, the Housing Department had residence requirements for public rental housing units, and that applied not only to elders but also to other tenants. Ms HO criticized that it was a waste of housing resources to allow a tenant to stay in public housing unit for just 60 days simply for the purpose of retaining his entitlement for OAA.

33 Dr PAN Pey-chyou and Dr Priscilla LEUNG suggested that further relaxation of absence limit or residence requirement should be considered, or flexibility should be exercised in enforcing such restrictions. Dr Priscilla LEUNG commented that the Administration should also address the medical and other welfare needs of those elderly people retiring in the Mainland. She did not agree to the Administration's argument that this might give rise to

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similar demand for medical and welfare support from retirees in other places, as the latter were usually much better off than the OAA recipients.

34 The Chairman put the item to vote. The Committee approved the proposal.

35 The meeting was adjourned at 4:45 pm.

Legislative Council Secretariat
9 September 2011