

## ITEM FOR FINANCE COMMITTEE

### HEAD 184 – TRANSFERS TO FUNDS

#### New subhead “Payment to the Lotteries Fund”

Members are invited to approve the creation of a new subhead “Payment to the Lotteries Fund” under Head 184 Transfers to Funds and a supplementary provision of \$10 billion under the new subhead to enable an injection to be made to the Lotteries Fund.

### PROBLEM

There is a need to ensure that the Lotteries Fund (LF) has sufficient resources to implement feasible projects under the Special Scheme for Privately Owned Sites for Welfare Uses (the Special Scheme).

### PROPOSAL

2. The Secretary for Labour and Welfare proposes that a new subhead “Payment to the Lotteries Fund” be created under Head 184 Transfers to Funds and that a supplementary provision of \$10 billion under the new subhead be approved to enable the transfer of additional funds from the General Revenue to LF.

### JUSTIFICATION

#### *Implementation of the Special Scheme*

3. The Chief Executive announced in his 2013 Policy Address that the Government would seek to use LF more flexibly and make better use of the land owned by non-governmental organisations (NGOs) through redevelopment or expansion to provide diversified subvented and self-financing facilities. The Government will also provide targeted assistance for land owners during the

planning or development process. The Labour and Welfare Bureau (LWB) had since been actively following this up with the social welfare sector and launched the Special Scheme in September 2013. The Special Scheme seeks to encourage welfare NGOs to provide the necessary welfare facilities, in particular elderly and rehabilitation facilities, through in-situ expansion or redevelopment. LF will support the capital costs for feasible projects under the Special Scheme.

4. In September 2013, the Government invited applications from welfare NGOs for participating in the Special Scheme. An applicant organisation has to make available on a site under its ownership, through expansion or redevelopment, a net increase in the provision of one or more than one type of services as specified by the Government. The list of eligible services specified by the Government and other major features of the Special Scheme are set out in Enclosure 1.

Encl. 1

5. The closing date of application for the Special Scheme was 18 November 2013. The response of welfare NGOs to the Special Scheme was overwhelming. Preliminary proposals were received from about 40 welfare NGOs, which involved more than 60 in-situ expansion, redevelopment or development projects. Among the applications, more than 50 involved new development or redevelopment while the rest involved in-situ expansion or addition.

6. The Policy and Project Co-ordination Unit under the Chief Secretary for Administration's Office is assisting LWB in coordinating the efforts of Government Departments concerned in facilitating the implementation of the Special Scheme, including the Social Welfare Department (SWD), Lands Department (LandsD), Planning Department (PlanD) and Buildings Department (BD). According to the applicant organisations, the building height or floor area of the relevant facilities will be increased after new development, redevelopment or expansion. This would not only enable optimisation of sites but would also provide more welfare services which are in great demand. If the development projects require amendment to the outline zoning plan or planning permission from the Town Planning Board, we will assist the organisations concerned to further liaise and follow up with PlanD. If the welfare facilities proposed to be provided are not permitted under the respective land leases, or the new development, redevelopment or expansion projects exceed the development parameters (e.g. restrictions on site coverage, building height or number of floors, maximum gross floor area and non-building area) stipulated in the respective land leases, the lot owners concerned will have to apply to LandsD for modification of lease conditions so as to carry out the proposed works. The applicant organisation must also submit building plans application to BD in accordance with the Buildings Ordinance.

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7. The projects proposed by the applicant organisations are at different planning stages. The feasibility of and timetable for implementing the projects as proposed by the applicant organisations will depend on various factors, including the site's location and its surrounding environment, the availability of communal facilities and transport facilities, requirements prescribed in the land lease conditions and restrictions stipulated in the outline zoning plan on use and development intensity, feedback received from local consultations, distribution of existing services as well as the demand and supply of the proposed services.

8. Depending on the time taken to complete the necessary development and planning procedures (e.g. outline zoning plan amendment, planning permission or lease modification), it may take several years or even longer to implement these projects. Based on the rough estimation of the applicant organisations, if all the proposals received under the Special Scheme could be implemented smoothly, about 17 000 additional service places would be provided for the elderly and persons with disabilities, including around 9 000 places for elderly services and 8 000 places for rehabilitation services (with further details set out in Enclosure 2). This would considerably relieve the pressure on service demand and shorten the waiting time. The Special Scheme would also provide a concrete basis for planning on welfare services and manpower in the medium to long term.

Encl. 2

9. Assuming that all the preliminary proposals received from the applicant organisations are technically feasible, the amount of LF allocation required for implementing them is estimated to be in the order of \$20 billion. As the preliminary proposals are at different planning stages and are expected to proceed at different paces, there will be a certain degree of flexibility in the cash flow of projects under the Special Scheme.

### ***Current position of LF***

10. The actual closing balance of LF for 2012-13 was \$10.228 billion, while the closing balance in the original estimate for 2013-14 is \$10.409 billion. In the past five years (2008-09 to 2012-13), the average revenue and average expenditure of LF amounted to about \$1.6 billion and \$800 million per year respectively. The income and expenditure position of LF in the future years will depend on its actual revenue (as referred to in paragraph 15 below) and the progress of projects that are under way or in the pipeline.

11. The current balance of LF is not enough to support the expenditure of the Special Scheme. To ensure that the projects under the Special Scheme will be planned with a higher degree of resource certainty and to avoid affecting other LF projects, we propose to transfer of \$10 billion to LF to ensure sufficient resources for implementing feasible projects under the Special Scheme. After the proposed transfer of funds, we will continue to closely monitor the operation of LF and the implementation of the projects under the Special Scheme. If necessary, we will also flexibly deploy the transferred funds as appropriate to support other projects within the remit of LF.

### *Implementation and Monitoring*

12. LWB is co-ordinating the examination and implementation of the preliminary proposals received under the Special Scheme (as referred to in paragraph 6 above) and will continue to work closely with the government departments concerned. Currently, any proposal of LF grants that is estimated to incur additional recurrent financial implications exceeding \$10 million per annum is submitted to the Finance Committee (FC) for approval. Subject to the FC's approval of this funding transfer, we will submit individual projects under the Special Scheme for FC's approval according to the established practice.

### **FINANCIAL IMPLICATIONS**

13. Subject to the approval of FC of our proposal as stated in paragraph 2 above, a supplementary provision of \$10 billion will be included under Head 184 Transfers to Funds in 2013-14 to enable an injection of \$10 billion to be made to LF.

### **PUBLIC CONSULTATION**

14. We consulted the Legislative Council Panel on Welfare Services on the proposal on 10 February 2014. Members supported the submission of the proposal to FC.

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**BACKGROUND**

15. In 1965, the then Legislative Council passed a resolution to set up LF to finance social welfare services. At present, the proceeds from the Mark Six Lottery are the main source of revenue of LF (approximately 70%). Other sources of income include net proceeds from auctions of vehicle registration marks, investment income and donation. NGOs may apply for grants from LF to meet the capital costs of works projects in connection with the welfare services provided by them, including non-recurrent expenditure for constructions, fitting-out, renovations, repair and maintenance as well as purchase of furniture and equipment. LF also provides funding to finance time-limited experimental projects on welfare services.

16. As stipulated in the Government Lotteries Ordinance (Cap. 334), the Financial Secretary may appropriate from LF moneys for the purpose of financing the support and development of social welfare services in Hong Kong. Authority to approve grants for social welfare projects of \$4 million or below has been delegated to the Director of Social Welfare acting on the advice of the Lotteries Fund Advisory Committee (LFAC), which advises the Director of Social Welfare on applications from welfare organisations for allocations from LF. The membership list and terms of reference of LFAC are at Enclosure 3. Where any proposed LF allocation is estimated to incur additional recurrent financial implications exceeding a certain threshold (currently set at \$10 million per annum), the proposed allocation will be submitted to FC for approval in accordance with the established practice.

Encl. 3

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Labour and Welfare Bureau  
February 2014

**Major Features of  
the Special Scheme on Privately Owned Sites for Welfare Uses  
(Special Scheme)**

The major features of the Special Scheme are as follows <sup>Note</sup> –

**(a) Types of social welfare services**

*Elderly services*

1. Care and attention home providing continuum of care
2. Nursing home
3. Day care centre for the elderly

*Rehabilitation services*

4. Care and attention home for severely disabled persons
5. Hostel for moderately mentally handicapped persons
6. Hostel for severely mentally handicapped persons
7. Long stay care home
8. Integrated vocational rehabilitation services centre
9. Day activity centre
10. Special child care centre
11. Early education and training centre

Non-governmental organisations (NGOs) participating in the Special Scheme will have to make available a net increase in the provision of one or more than one of the above 11 types of service on a site under its ownership. To give NGOs greater flexibility to meet their other requirements, they may co-locate welfare facilities other than the 11 types of services mentioned above and/or non-welfare facilities on the same site provided that such uses and arrangements are permitted under the applicable regulations and procedures, and in compliance with the land lease governing the lot concerned. NGOs are also allowed to use some of the gross floor area (up to 10%) for welfare-related ancillary facilities with the capital costs thereof borne by LF. As compared to the current practice of LF, SWD will handle such applications covering ancillary facilities in a more flexible and relaxed manner.

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<sup>Note</sup> Such features do not apply to other welfare projects already processed or to be processed by the Social Welfare Department (SWD) outside the Special Scheme.

**(b) Form of development**

The form of development may include expansion, redevelopment, new development and a combination of one or more of the above categories. Unless there is discretionary approval by the Government, existing buildings should not be demolished if they are less than 25 years old.

**(c) Track record of NGOs**

NGOs should satisfy SWD that they are bona-fide non-profit making organisations which have direct experience in running related welfare services with a good record of corporate governance, and should demonstrate capability and/or experience in taking charge of similar development/redevelopment projects.

**(d) Waiving of the open bidding requirement**

At present, SWD requires an NGO (even if it owns the piece of land) to compete with other NGOs for securing the right to operate any new type of subvented service on its own land. Take for example an NGO which has redeveloped its building from one providing 100 subvented residential care places for the elderly into a building providing 300 subvented residential care places for the elderly plus 100 subvented residential care places for persons with disabilities. The 100 subvented places for persons with disabilities will need to be subject to open bidding with other NGOs because it is considered a new type of subvented service on the site. On the other hand, the 300 residential care places for the elderly, despite the increase in provision, will continue to be run by the NGO concerned without the need for open bidding as the additional places belong to the original type of service. For a new type of subvented welfare service to be provided under the Special Scheme, SWD may exercise its discretion to waive the open bidding requirement on the condition that the NGO participating in the Special Scheme will generally be required to abstain once from bidding elsewhere for the same type of subvented service.

**(e) Technical feasibility study**

According to the existing practice, LF will only support the cost of the technical feasibility study for the project in proportion to the net operating floor area (NOFA) proposed for the welfare portion in the entire project. Under the Special Scheme, SWD may consider exercising its discretion to fund the full costs of the technical feasibility study for the project by LF if the welfare portion constitutes no less than 50% of the NOFA of the project.

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**(f) Decanting cost**

An NGO participating in the Special Scheme may need to relocate the existing welfare services to other premises pending the development or redevelopment of the site. SWD may consider exercising its discretion to approve the use of LF to pay for the decanting costs involved.

**(g) Self-financing services**

Under the prevailing practice of handling applications for LF to support the capital costs of self-financing facilities, the following rules are normally followed –

- (i) the NGO must have at least three years of good track record in welfare services and is required to undertake to operate the project for at least five years; and
- (ii) regarding self-financing facilities, the NGO should commit not less than 10% of the total capital cost recognised by LF on the self-financing portion as contribution to LF, or top up an amount of not less than 10% of the total capital cost recognised by LF on the self-financing portion for the above-standard facilities of the project.

For projects under the Special Scheme, SWD may consider exercising its discretion to waive –

- (i) the three-year track record required of an NGO provided that –
  - the NGO concerned must demonstrate to the satisfaction of SWD its ability to run and sustain the proposed welfare facility, such as financial capability and engagement of a service delivery team with relevant experience in operating the proposed welfare facility; and
  - the NGO concerned must undertake to operate the proposed welfare facility for at least eight years; and
- (ii) the 10% contribution from an NGO if the self-financing portion is for providing a welfare facility that meets prevailing needs as supported by SWD, such as a self-financing Residential Care Home for the Elderly. However, as regards any non-welfare portion of a project under the Special Scheme, an NGO will still need to pay for the capital cost (and full land premium, if required) of that portion. If the setting up of any such non-welfare facilities (such as churches and hospital facilities) are supported by the relevant bureaux, the NGO will need to make its own resource arrangements for meeting the costs involved, including payment for land premium, if appropriate.

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**(h) One-stop assistance on development matters**

Projects under the Special Scheme will still be subject to the applicable statutory regimes for development, including the Town Planning Ordinance and the Buildings Ordinance, etc. as well as the land lease conditions governing the lots concerned. As NGOs may need advice on optimising the development potential of their sites and assistance in taking forward their applications for lease modification (where required), planning applications and submission of building plans etc., the Policy and Project Co-ordination Unit of the Chief Secretary for Administration's Office will provide consultation and coordination services for the NGOs under the Special Scheme.

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**Preliminary Proposals Received under the Special Scheme  
Distribution of Service Places by Districts**

<b>District</b>	<b>Places for residential care services for the elderly</b>	<b>Places for day care services for the elderly</b>	<b>Places for residential care services for persons with disabilities</b>	<b>Places for day care/ vocational rehabilitation services for persons with disabilities</b>
<b>Hong Kong</b>				
Central and Western	0	0	0	0
Eastern	150	140	266	750
Southern	1 073	274	150	224
Wan Chai	0	40	0	240
<b>Kowloon</b>				
Kowloon City	355	150	300	660
Kwun Tong	932	140	250	1 170
Sham Shui Po	100	40	129	227
Wong Tai Sin	200	140	0	0
Yau Tsim Mong	0	60	50	530
<b>New Territories</b>				
Islands	107	20	0	0
Kwai Tsing	200	160	100	770
North	429	210	200	270
Sai Kung	370	160	110	240
Sha Tin	0	0	200	0
Tai Po	0	0	184	324
Tsuen Wan	393	115	132	275
Tuen Mun	2 130	140	0	150
Yuen Long	519	220	86	440
<b>Total</b>	<b>6 958</b>	<b>2 009</b>	<b>2 157</b>	<b>6 270</b>
	<b>8 967</b>		<b>8 427</b>	
	<b>17 394</b>			

*Note: The above figures are rough estimation based on the preliminary proposals of the applicant organisations. The figures may be subject to change depending on the technical feasibility and discussion of details between the Government and the applicant organisations.*

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**Enclosure 3 to FCR(2013-14)65**

**Lotteries Fund Advisory Committee**

**Membership**

**(1 September 2013 – 31 August 2015)**

	<b><u>Name</u></b>	<b><u>Professional Background</u></b>
<b>Chairperson:</b>	Ms YIP Man-kuen, Carol	Director of Social Welfare
<b>Member:</b>	Mr CHAN Wai-ming, David	Tsuen Wan District Councillor
	Mr CHENG Wai-hung, Nelson	Director K L Partnership Limited
	Professor LAM Ching-man	Vice Chairperson Department of Social Work The Chinese University of Hong Kong
	Dr LEUNG Sai-man, Sigmund	President The Hong Kong Dental Association
	Ms LO Yee-hang, Loretta	Central and Western District Councillor
	Mr MA Kam-wah, Timothy	Committee Member, Senior Citizen Home Safety Association
	Mr MAN Hung-yee, Joseph	Deputy Director Hong Kong Sheng Kung Hui Welfare Council
	Professor MENG Mei-ling, Helen	Chairperson Department of Systems Engineering and Engineering Management
	Mr SUEN Lai-sang	The Chinese University of Hong Kong Director Hong Kong Christian Service
	Ms WONG Wai-ching, Connie,	Managing Director Wong Sun Hing Limited
<b>Official Representative:</b>	Secretary for Labour and Welfare or representative	
<b>Secretary:</b>	Senior Executive Officer (Lotteries Fund) Social Welfare Department	

**Terms of Reference**

The terms of reference of the Lotteries Fund Advisory Committee are as follow –

to advise the Director of Social Welfare on applications from welfare organisations for allocations from the Lotteries Fund and on charitable fund-raising issues including the allocation of flag days.

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