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Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 8 January 2018**

Special Scheme on Privately Owned Sites for Welfare Uses

Purpose

This paper gives a brief account of past discussions of the Council and its committees on the Special Scheme on Privately Owned Sites for Welfare Uses ("Special Scheme").

Background

2. In his 2013 Policy Address, the Chief Executive announced that the Government would adopt a multi-pronged approach to identify suitable sites to meet the current and future needs of welfare services. The Administration would explore the possibility of reserving land or premises in new development projects or redevelopment projects, where appropriate, for welfare facilities. It would seek to use the Lotteries Fund ("LF") more flexibly, and make better use of the land owned by non-governmental organizations ("NGOs") through redevelopment or expansion to provide diversified subvented and self-financing facilities. To follow this up, the Labour and Welfare Bureau ("LWB") launched the Special Scheme in September 2013.

3. According to the Administration, the Special Scheme encourages social welfare organizations to provide the necessary welfare facilities, in particular elderly and rehabilitation facilities, through in-situ expansion or redevelopment. An organization applying for the Special Scheme will have to provide on a site under its ownership a net increase in the provision of one or more than one service on the list of facilities set out by the Administration through expansion or redevelopment. The list includes facilities for three types of elderly services

and eight types of services for persons with disabilities that are in great demand now or in the foreseeable future. For the projects under the Special Scheme, LF will provide more flexible funding arrangements, including those for welfare-related ancillary facilities, technical feasibility studies ("TFSs"), decanting costs related to the projects, as well as the capital costs of self-financing projects. The Administration will also provide appropriate assistance to the social welfare organizations during the planning or development process. The major features of the Special Scheme are in **Appendix I**.

4. At its meeting on 10 February 2014, the Panel on Welfare Services ("the Panel") supported in principle the submission to the Finance Committee ("FC") of the Administration's proposal to transfer \$10 billion to LF to ensure the availability of sufficient resources to implement the feasible projects under the Special Scheme. The proposal was approved by FC on 21 February 2014.

Deliberations by Members

Services to be provided under the Special Scheme

5. Some Members took the view that as residential care service was in the greatest demand among the social welfare services, applicant organizations should not be at liberty to decide on the types of services to be provided under the Special Scheme. The Administration should give steer to applicant organizations on service development including the types of services and the provision timeframe.

6. The Administration advised that the Special Scheme would provide a basis for planning for welfare services in the medium to long term. LWB received 63 preliminary proposals for inclusion into the Special Scheme from 43 social welfare organizations. Among them, more than 50 applications involved new development projects or redevelopment projects while the rest involved in-situ expansion or addition. Applicant organizations were required to provide the services prescribed by the Administration. The Administration was aware that the additional service places provided under the Special Scheme might not be adequate to meet the demand fully and would endeavour to secure more Government sites to meet the service needs.

7. Taking into account the substantial financial resources injected into the Special Scheme, some Members were of the view that applicant organizations should provide a longer or even permanent service period to ensure the continuous provision of the agreed services. The Administration should put in

place a mechanism to ensure that applicant organizations would comply with the agreement they reached with the Administration, including the types, scale and duration of the services. Some other Members opined that as the needs for welfare services might change with time, the Administration should allow flexibility on the types of services to be provided and consider granting approval to other types of services having regard to the needs.

8. According to the Administration, applicant organizations must comply with the agreement they would reach with the Social Welfare Department ("SWD") under the Special Scheme as far as service period was concerned. They were required to provide the types of services as stated in their proposals and any changes to the types of services were subject to SWD's approval. For projects requiring planning permission, the Planning Department ("PlanD") would provide applicant organizations with assistance in seeking the requisite permissions if deemed appropriate. If the services to be provided at a site were governed by the land lease concerned, an applicant organization might need to apply to the Lands Department ("LandsD") for land lease modification if it intended to provide a type of service which was not prescribed in the land lease. SWD would coordinate with PlanD and LandsD in this regard.

9. Some Members took the view that to enable elderly persons to age in place, the Administration should not focus on the provision of residential care places but overlook the demand of elderly persons for day care services ("DCS") and community care services ("CCS"). Noting that only around 2 000 additional DCS places for elderly persons would be provided under the Special Scheme, they called on the Administration to increase the provision of DCS and CCS for elderly persons under the Special Scheme. According to the Administration, the recommendations of the Elderly Services Programme Plan ("ESPP") included, inter alia, the strengthening of CCS. The provision of DCS would also be planned and provided under projects outside the Special Scheme to facilitate elderly persons to age in place.

10. Some Members expressed concern that no additional service places would be provided for elderly persons and/or persons with disabilities in some districts (e.g. Central and Western) and only a small number of such service places would be provided in Sha Tin which had a large elderly population. The Administration should promote provision of these services by the business sector and specify in the land sale conditions that developers should allocate not less than 10% of the construction area of residential development projects and development projects along the Mass Transit Railway stations for provision of long-term care services and welfare facilities. They also urged the Administration to review its plan and construct residential care homes ("RCHs") to make up for the shortfall in new service places provided by NGOs, so that

elderly persons and persons with disabilities could have more choices and receive the relevant services in their familiar communities.

11. The Administration advised that it had all along been encouraging the business sector to use its sites owned for welfare uses. In drawing up development plans, the relevant government departments would seek SWD's views on the requirements for welfare facilities. LandsD would, by modifying lease conditions or land sale conditions if necessary, require developers to provide the welfare facilities in need.

Implementation progress of the Special Scheme

12. When the Panel was briefed on the implementation progress of the Special Scheme at its meeting on 12 December 2016, the Administration advised that based on the applicant organizations' rough estimation, if all the 63 preliminary 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. The proposals, if implemented, would considerably relieve the pressure on service demand and shorten the waiting time for the much-needed welfare services for the elderly and persons with disabilities. As at end-November 2016, one project under the Special Scheme had been completed and would commence service in end-2016. Five other projects had entered the construction stage, four of which were expected to be completed in or before 2017-2018, and the other one in 2018-2019. These projects would provide about 240 additional elderly service places and 1 030 additional rehabilitation service places. The remaining projects were at different planning stages and were expected to be completed in phases after 2018-2019, subject to their technical feasibility.

13. Given that only a few projects had entered the construction stage since the launch of the Special Scheme in 2013, some Members expressed concern about the slow progress of the Special Scheme. They also opined that the time required for completing the projects which had entered the construction stage was too long. They called on the Administration to conduct a review of the implementation progress and suggested that a committee should be set up to coordinate assistance provided by different government departments for applicant NGOs so as to speed up the application process. According to the Administration, the time taken for completing expansion, redevelopment or new development projects in the welfare sector could be rather long because of their complexity. Some procedures, such as submission of building plans to the Buildings Department ("BD") and lease modifications, were necessary for some projects and these procedures required considerable time to complete. Besides,

many NGOs were not familiar with the funding procedures of LF as well as the land-related and planning-related procedures. Special arrangements had been made to speed up the completion of the projects under the Special Scheme such as allowing applicant NGOs to apply for LF for engaging professionals to assist with the submission of the required information and applications in respect of TSFs. The Administration had also been facilitating applicant NGOs to submit the necessary applications to PlanD and LandsD in parallel. The Policy and Project Coordination Unit ("PPCU") under the Chief Secretary for Administration's Office had been providing consultation and coordination services for applicant NGOs. PPCU would also provide targeted assistance for individual applicant NGOs if necessary. LWB and SWD had conducted information exchange sessions with applicant NGOs. Having regard to their feedback on the implementation of the Special Scheme, LWB and SWD had made further clarifications on and refinements to the various arrangements under the Special Scheme.

Subvented and self-financing social welfare services under the Special Scheme

14. Some Members were of the view that as the projects under the Special Scheme were funded by LF, they should aim to provide subsidized welfare services and a cap on the self-financing portion should be imposed to ensure that public money was spent in public interest. The Administration should provide applicant organizations with guidelines regarding the provision of subvented and self-financing services under the Special Scheme. These Members sought information on the rules and procedures for the provision of subvented and self-financing services and the proportion of such services to be provided under the Special Scheme.

15. The Administration advised that in considering the subvented and self-financing services proposed for the projects under the Special Scheme, it would adhere to the established rules and procedures for projects funded by LF. It would also take into account the need for different types of services in the community in the long run, the choices for service users as well as the maturity of the relevant services in the market. It would also liaise with applicant organizations regarding the proportion of subvented and self-financing services to be provided under their projects. In discussing the proportion of subvented and self-financing services with individual applicant organizations, reference would be made to the existing ratio, say, of 6:4 for contract RCHs. There were cases in which the relevant ratio had been increased to suit special circumstances. According to the established requirements for LF grants, the welfare facilities involved in LF applications under the Special Scheme, including the subsidized and self-financing welfare service portions, had to be

agreed by SWD. SWD might consider exercising its discretion to waive certain requirements in respect of self-financing services under the Special Scheme. At its meeting on 13 April 2015, the Panel passed a motion urging that the services provided under the Special Scheme should be dominated by publicly funded services and supplemented by self-financing services, with a ratio of 8:2 as the benchmark.

16. Some Members expressed concern that the ratio of 6:4 was still adopted for many of the projects under the Special Scheme. In their view, the Special Scheme should aim to meet the service needs of the needy groups rather than those who could afford to pay for self-financing services. The Administration should consider fully subsidizing needy users who were not provided with subvented services to use self-financing services or impose conditions to ensure that applicant NGOs would accord priority to the provision of subvented services.

Interface of the Special Scheme with other social welfare services

17. Some Members expressed concern about the impact of the Special Scheme on the implementation of other social welfare facilities development projects and the number of service places to be provided by the Administration. The Administration advised that the implementation of the Special Scheme would not affect the implementation of other projects on welfare facilities that were being or would be implemented by SWD. As at November 2016, SWD was implementing or planning to implement 25 development projects for the provision of new contract RCHs for the elderly and day care centres for the elderly. SWD would also implement 36 development projects to increase the provision for rehabilitation services for persons with disabilities outside the Special Scheme.

18. Some Members considered that the Administration should amalgamate its social welfare services with those provided under the Special Scheme and draw up a comprehensive plan on the supply of and demand for these services. A committee should be set up to follow up how applicant organizations and the Administration could complement each other in the provision of services. According to the Administration, in drawing up ESPP, the Elderly Commission took into account, among others, the service places to be provided under the Special Scheme and other service places being contemplated by the Administration to meet the service demand. The Administration would also consult the Rehabilitation Advisory Committee on the provision of rehabilitation services.

Manpower planning for services under the Special Scheme

19. Some Members expressed grave concern that there would not be adequate manpower supply to cater for the additional services to be provided under the Special Scheme. Given the lead time required for training up care workers, some Members considered that the Administration should plan ahead to ensure sufficient manpower supply for the additional services. Some other Members took the view that the Administration should consider importing labour on a short-term basis to alleviate manpower shortage in the welfare sector. The Administration explained that applicant NGOs were required to make provisions for manpower requirements for their projects and could consider providing staff training facilities at their sites if appropriate and feasible. Applicant NGOs might apply to SWD for providing staff training facilities in their projects provided that the gross floor area ("GFA") of these facilities did not exceed 10% of the total GFA of the project concerned. Apart from manpower planning for the projects under the Special Scheme, ESPP had studied, inter alia, the medium and long-term manpower supply and training of care staff for providing elderly care service.

20. Some Members took the view that unleashing women workforce could help mitigate manpower shortage in the welfare sector. The Administration should consider requesting applicant organizations to provide child care facilities to facilitate the release of women labour force. The Administration advised that while it welcomed applicant organizations to incorporate child care facilities at the project sites to facilitate women employment, the number of elderly and/or rehabilitation service places to be provided under the Special Scheme should not be affected. The Administration would offer assistance to the applicant organizations which were interested in incorporating child care facilities on their sites under the Special Scheme as far as practicable.

Relocation of welfare services affected by the Special Scheme

21. Some Members expressed concern about the pressure on the residential care sector if there were a large number of residents of RCHs needed to be rehoused because of the in-situ expansion and redevelopment projects under the Special Scheme. The Administration advised that it would consider exercising its discretion to approve the use of LF to pay for the decanting costs involved if an applicant organization needed to relocate the existing welfare services to other premises pending the development or redevelopment of the site. The applicant organizations proposing more than one project under the Special Scheme would stagger the construction schedules and carry out the redevelopment projects by phases to maintain their services.

22. Some Members were of the view that the Administration should coordinate relevant parties' efforts in assisting applicant organizations to solve the problems arising from redevelopment including the decanting arrangements for the affected RCH residents. The Administration advised that a working group comprising representatives of relevant bureaux/departments had been formed to help co-ordinate actions on the Special Scheme. The Administration had also held several meetings with the Hong Kong Council of Social Service and the applicant organizations to discuss the relevant co-ordination work.

Relevant papers

23. A list of the relevant papers on the Legislative Council website is in **Appendix II**.

Council Business Division 2
Legislative Council Secretariat
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Major features of the Special Scheme

The major features of the Special Scheme are as follows⁷ –

(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

NGOs participating in the Special Scheme will have to provide a net increase in the provision of one or more than one 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 arrangement are permitted under the applicable regulations and procedures, and in compliance with the land lease governing the lot concerned.

(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. NGOs are also allowed to use up a small portion of the

⁷ Such features do not apply to other welfare projects already processed or to be processed by the SWD outside the Special Scheme.

GFA for welfare-related ancillary facilities and the cost will be borne by LF. Unless with 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 a piece of land) to compete with other NGOs for securing extra GFA for operating 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 would 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 are considered expansion of service. For a new 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, upon securing funding either from LF or other sources to support the capital cost of its project under 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 TFS in proportion to the net operating floor area (NOFA) proposed for the welfare portion. Under the Special Scheme, SWD

may consider exercising its discretion to fund the full costs of the TFS for the project by LF if the welfare portion constitutes no less than 50% of the NOFA of the project.

(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 using LF to support the capital costs of self-financing projects, the following rules are normally observed for capital construction projects –

- (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 services, 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 to provide for a welfare facility meeting prevailing needs as supported by SWD, such as a self-financing RCHE. However, for 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) is supported by the relevant bureaux, the NGO will need to make arrangements in terms of resources for handling the costs involved, including payment for land premium, if appropriate.
- (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 their applications for lease modification (where required), planning applications and submission of building plans etc., PPCU of the Chief Secretary for Administration's Office will provide consultation and coordination services for the NGOs under the Special Scheme.

Source: Extract from the Administration's paper for the meeting of the Panel on Welfare Services held on 12 December 2016 (Annex 1 to LC Paper No. CB(2)350/16-17(03)).

Appendix II

Relevant papers on Special Scheme on Privately Owned Sites for Welfare Uses

Committee	Date of meeting	Paper
Panel on Welfare Services	10 February 2014 (Item III)	Agenda Minutes
Legislative Council	13 February 2014	Official Record of Proceedings Pages 218 to 219
Finance Committee	21 February 2014	Agenda Minutes
Finance Committee	2 April 2015	Administration's replies to members' written question in examining the Estimates of Expenditure 2014-2015 Pages 647 – 650
Panel on Welfare Services	13 April 2015 (Item III)	Agenda Minutes
Panel on Welfare Services	13 June 2016 (Item III)	Agenda Minutes
Panel on Welfare Services	12 December 2016 (Item III)	Agenda Minutes