

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Subhead 180 Social security allowance scheme

Members are invited to –

- (a) approve a 2.8% increase in standard payment rates under the Comprehensive Social Security Assistance Scheme¹ and the rates of allowances under the Social Security Allowance Scheme with effect from 1 February 2019;
- (b) note the financial implications of an extra \$1,253 million each year arising from item (a) above; and
- (c) approve under Head 170 Social Welfare Department Subhead 179 Comprehensive Social Security Assistance Scheme and Subhead 180 Social Security Allowance Scheme supplementary provision of \$409 million and \$2,154 million respectively.

PROBLEM

The standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates of allowances under the Social Security Allowance (SSA) Scheme are due for adjustment according to the existing mechanism. We also need to seek supplementary provision for these two schemes to meet the estimated expenditure in the remaining months of the 2018-19 financial year.

/PROPOSAL

¹ CSSA standard payment rates include standard rates, supplements and the monthly meal allowance under the special grants category.

PROPOSAL

Encl. 1 2. We propose that, with effect from 1 February 2019, the standard payment rates under the CSSA Scheme as well as the rates of the Old Age Allowance (OAA)², Old Age Living Allowance (OALA) and Disability Allowance (DA) under the SSA Scheme should be increased by 2.8%. The CSSA and SSA rates after the proposed increase are set out at Enclosure 1. In addition, we also propose to provide a supplementary provision of \$409 million and \$2,154 million under Head 170 Social Welfare Department Subhead 179 Comprehensive Social Security Assistance Scheme and Subhead 180 Social Security Allowance Scheme respectively in 2018-19.

JUSTIFICATION

Adjustment to the standard payment rates under the CSSA Scheme and the rates of allowance under the SSA Scheme

3. In accordance with the established adjustment mechanism, the Government will take into account the inflation or deflation as reflected by the Social Security Assistance Index of Prices (SSAIP)³ for the past 12 months (i.e. from 1 November of a year to 31 October of the following year) and adjust standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme (namely OAA, OALA and DA) on an annual basis.

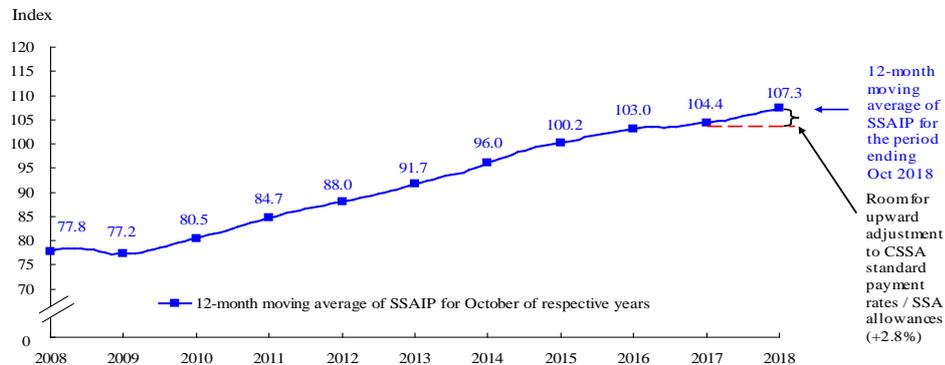
4. As shown in the chart below, the 12-month moving average of the SSAIP for the period ending October 2018 registered a cumulative increase of 2.8% when compared with the average figure ending October 2017. We therefore propose to increase the standard payment rates under the CSSA Scheme and the rates of OAA, OALA and DA under the SSA Scheme by 2.8% with effect from 1 February 2019. Subject to the approval of the Finance Committee (FC), the Social Welfare Department (SWD) will adjust its computer system for implementation of the new rates in February 2019.

/Room

² In this paper, OAA includes the Guangdong (GD) Scheme and Fujian (FJ) Scheme which provide OAA, on a monthly basis, for eligible Hong Kong elderly people who choose to reside in GD or FJ, to meet their special needs arising from old age. The Chief Executive's 2018 Policy Address announced that the OALA will be extended to the two provinces.

³ The SSAIP is compiled by the Census and Statistics Department (C&SD) on a monthly basis to reflect the impact of price changes on CSSA recipients. It consists of all items covered in Consumer Price Indices compiled by C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government.

Room for upward adjustment to CSSA standard payment rates and the rates of allowances under the SSA Scheme



Supplementary Provision Required

5. The approved CSSA provision for 2018-19 is \$19,723 million. As at end-October 2018, the cumulative expenditure for the first seven months of this financial year has reached \$11,509 million, representing 58% of the approved provision. The number of CSSA cases has shown a continuous decreasing trend but the decline has been narrowing over the years, from 3.0% in 2016-17 to 2.2% in 2017-18, and further to 2.0% for the first seven months of this financial year. Having regard to the present trend, SWD estimates that the balance of \$8,214 million will likely be insufficient for meeting the CSSA expenditure in the remaining months of 2018-19.

6. The approved SSA provision for 2018-19 is \$32,442 million. As at end-October 2018, the cumulative expenditure for the first seven months of this financial year was \$20,683 million, representing 64% of the approved estimate. With the introduction of the Higher OALA in June 2018, the number of OALA cases increased notably. The proportion of Higher OALA constitutes around 90% of the total number of OALA cases. Having regard to the actual and anticipated caseload, SWD estimates that the balance of \$11,759 million will also likely be insufficient for meeting the SSA expenditure in the remaining months of 2018-19.

7. The Government therefore needs to seek supplementary provision of \$409 million and \$2,154 million for the CSSA Scheme and the SSA Scheme respectively to meet the estimated expenditure in 2018-19.

/FINANCIAL

FINANCIAL IMPLICATIONS**Adjustment to the standard payment rates under the CSSA Scheme and the rates of allowance under the SSA Scheme**

8. Based on the latest caseload, we estimate that the total increase in recurrent expenditure arising from the proposal will be about \$1,253 million per year, with breakdown as follows –

	\$ million
(a) 2.8% increase in CSSA standard payment rates	424
(b) 2.8% increase in OAA rate	132
(c) 2.8% increase in OALA rates	581
(d) 2.8% increase in DA rates	116
Total	1,253

Supplementary provision

9. As mentioned in paragraph 7 above, we need to provide supplementary provision for the CSSA Scheme and the SSA Scheme to meet the estimated expenditure for the remaining months of 2018-19. Details are as follows –

	CSSA Scheme \$ million	SSA Scheme \$ million
Approved provision	19,723	32,442
<i>Less:</i>		
Actual expenditure from 1 April to 31 October 2018	(11,509)	(20,683)
Estimated expenditure from 1 November 2018 to 31 March 2019	(8,623)	(13,913)
Estimated shortfall (i.e. supplementary provision required)	409	2,154

/PUBLIC

PUBLIC CONSULTATION

10. On 12 November 2018, we briefed the Panel on Welfare Services of the Legislative Council on the proposals in this paper. The Panel supported in principle the submission of the relevant proposals to FC.

BACKGROUND

Encl. 2 11. An explanatory note on the CSSA Scheme and the SSA Scheme is attached at Enclosure 2 for Members' reference. The Government adjusts the standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme each year taking into account the movements of the SSAIP. The SSAIP has a weighting system which reflects CSSA recipients' expenditures on individual categories of goods and services as a proportion of their total expenditures. It is compiled using data obtained from the Household Expenditure Survey on CSSA Households. By applying these weights in the calculation of the SSAIP, it can illustrate more accurately the impact of price changes on CSSA recipients. The weighting system is updated every five years to capture the latest expenditure pattern of CSSA recipients. In the latest updating exercise, 2014/15 was adopted as the new base year.

12. The special grants and financial limits under the CSSA Scheme and the SSA Scheme (including the maximum rates of the rent allowance under the CSSA Scheme) are adjusted annually under delegated authority in accordance with changes to the relevant price indices.

Labour and Welfare Bureau
December 2018

**Standard payment rates under
the Comprehensive Social Security Assistance Scheme
and the rates of allowances
under the Social Security Allowance Scheme after adjustment**

The Comprehensive Social Security Assistance (CSSA) Scheme

A. Standard Rates

1. *Elderly persons and non-able-bodied recipients*

	Existing (per month) (\$)		Proposed (per month) (\$)	
	Single person	Family member	Single person	Family member
(a) Elderly person				
Able-bodied/50% disabled	3,485	3,285	3,585	3,375
100% disabled	4,215	3,725	4,335	3,830
Requiring constant attendance	5,930	5,440	6,095	5,590
(b) Ill-health/Disabled adult				
Ill-health/50% disabled	3,485	3,285	3,585	3,375
100% disabled	4,215	3,725	4,335	3,830
Requiring constant attendance	5,930	5,440	6,095	5,590
(c) Disabled child				
50% disabled	3,920	3,415	4,030	3,510
100% disabled	4,650	4,155	4,780	4,270
Requiring constant attendance	6,355	5,870	6,535	6,035

2. *Able-bodied recipients*

	Existing (per month) (\$)	Proposed (per month) (\$)
(a) Adult		
<i>Single parent/Family carer</i>		
– in a family comprising not more than two able-bodied adults/children	2,665	2,740
– in a family comprising three able-bodied adults/children	2,410	2,475
– in a family comprising four or more able-bodied adults/children	2,135	2,195
<i>Others</i>		
Single person	2,455	2,525
Family member		
– in a family comprising not more than two able-bodied adults/children	2,190	2,250
– in a family comprising three able-bodied adults/children	1,975	2,030
– in a family comprising four or more able-bodied adults/children	1,760	1,810
(b) Child		
Single person	2,950	3,035
Family member		
– in a family comprising not more than two able-bodied adults/children	2,445	2,515
– in a family comprising three able-bodied adults/children	2,195	2,255
– in a family comprising four or more able-bodied adults/children	1,960	2,015

/B.

B. Supplements

	Existing (\$)	Proposed (\$)
1. Annual long-term supplement (for those who are old, disabled or medically certified to be in ill-health, and who have received CSSA for 12 months or more)		
Family with one such eligible member	2,180	2,240
Family comprising two or more eligible members	4,360	4,480
2. Monthly single parent supplement	345	355
3. Monthly community living supplement (for recipients who are old, disabled or medically certified to be in ill-health and who are not living in institutions)	330	340
4. Monthly residential care supplement (for recipients who are old, disabled or medically certified to be in ill-health and who are living in non-subsidised residential care places)	330	340
5. Monthly transport supplement (for severely disabled persons aged between 12 and 64 who are medically certified to be 100% disabled, or in need of constant attendance)	275	285

/C.

C. Special Grants

	Existing (per month) (\$)	Proposed (per month) (\$)
Meal allowance (for students attending full-day school and taking lunch away from home)	290	300

The Social Security Allowance (SSA) Scheme

A. Old Age Allowance (OAA) ¹	1,345	1,385
B. Old Age Living Allowance (OALA)		
1. Normal OALA	2,600	2,675
2. Higher OALA	3,485	3,585
C. Disability Allowance (DA)		
1. Normal DA	1,720	1,770
2. Higher DA ²	3,440	3,540
3. Transport supplement (for those aged between 12 and 64)	275	285

¹ Same monthly rate is provided under the existing Guangdong (GD) Scheme and the Fujian (FJ) Scheme which provide OAA, on a monthly basis, for eligible Hong Kong elderly people who choose to reside in GD or FJ. Applicants aged between 65 and 69 have to meet the prescribed income and asset limits.

² The rate of Higher DA is set at twice the amount of that of Normal DA and will be \$3,540 per month after the adjustment (i.e. \$1,770 x 2).

The Comprehensive Social Security Assistance Scheme and Social Security Allowance Scheme

Introduction

The Comprehensive Social Security Assistance (CSSA) Scheme provides a safety net for those who cannot support themselves financially to help them meet their basic needs. The Social Security Allowance (SSA) Scheme provides monthly allowance to severely-disabled and elderly persons to help them meet special needs arising from severe disabilities or old age. Both Schemes are non-contributory. A person may apply for either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

Eligibility and Payment

The CSSA Scheme

2. The amount of assistance under the CSSA Scheme is determined by the monthly income and recognised needs of a household. The difference between the total assessable monthly income of a household and its total monthly needs as recognised under the CSSA Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a household's monthly income, earnings from employment and training/retraining allowance can be disregarded up to a prescribed level so as to provide an incentive to work and training/retraining.

3. CSSA payments can be broadly classified into three types –

- (a) standard rates;
- (b) supplements; and
- (c) special grants.

Under the CSSA Scheme, different standard rates are applicable to different categories of recipients. In addition, the Scheme provides various supplements to recipients with special needs, such as elderly persons, persons with disabilities or in ill health and single parents. A wide range of non-standard payments in the form of special grants are also payable to meet expenses such as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures, etc.

4. Elderly persons who have been in receipt of CSSA continuously for not less than 12 months may join the Portable CSSA Scheme, whereby they will continue to receive their monthly standard rates and annual long-term supplement should they choose to take up permanent residence in Guangdong (GD) or Fujian (FJ).

5. As at the end of October 2018, there were 325 347 recipients under the CSSA Scheme. The estimated expenditure of CSSA for 2018-19 is \$19.7 billion¹, representing 4.9% of the estimated total recurrent Government expenditure.

The SSA Scheme

6. Five allowances are payable on a monthly basis under the SSA Scheme as follows –

- (a) Old Age Allowance (OAA) (\$1,345): non-means-tested allowance for elderly persons aged 70 or above².
- (b) Normal Old Age Living Allowance (OALA) (\$2,600): means-tested allowance for elderly persons aged 65 or above who are in need of financial support.
- (c) Higher OALA (\$3,485): means-tested allowance for elderly persons aged 65 or above who have more financial need.
- (d) Normal Disability Allowance (DA) (\$1,720): non-means-tested allowance for severely-disabled persons.
- (e) Higher DA (\$3,440): non-means-tested allowance for severely-disabled persons who require constant attendance from others in their daily life, but are not receiving such care in residential institutions subsidised by the government (including subsidised places in subvented/contract homes and residential care homes under various bought place schemes) or all public hospitals and institutions under the Hospital Authority, or boarding in special schools under the Education Bureau.

/7.

¹ The figure for 2018-19 is the approved provision in the Budget for that year, and does not include the one-off supplementary provision approved by the Finance Committee (FC) on 10 May 2018 for two additional months of standard rate payment to CSSA recipients.

² Same monthly rate is provided under the GD Scheme and the FJ Scheme which provide OAA, on a monthly basis, for eligible Hong Kong elderly people who choose to reside in GD or FJ. Applicants aged between 65 and 69 have to meet the prescribed income and asset limits.

7. As at the end of October 2018, there were 935 827 recipients under the SSA Scheme. Of these recipients, 270 343 were OAA recipients, 518 693 were OALA recipients (including 66 334 Normal OALA recipients and 452 359 Higher OALA recipients) and 146 791 were DA recipients (including 128 568 Normal DA recipients and 18 223 Higher DA recipients). The estimated expenditures on OAA, OALA and DA for 2018-19³ are \$4.4 billion, \$24.1 billion and \$3.9 billion respectively, representing 1.1%, 5.9% and 1.0% of the estimated total recurrent Government expenditure.

³ The figures for 2018-19 are the approved provisions in the Budget for that year, and do not include the one-off supplementary provision approved by FC on 10 May 2018 for two additional months of allowance to SSA recipients.