

**For Discussion on  
12 May 2025**

**Legislative Council Panel on Welfare Services  
Funding Arrangement for the Construction of Welfare Facility Projects**

**Purpose**

This paper briefs Members on the Government's latest funding arrangement for welfare facility projects.

**Background**

2. The Government has all along adopted a multi-pronged approach to identify suitable sites or premises, with a view to addressing the pressing demand for welfare facilities within the community for providing welfare services to the elderly, persons with disabilities, as well as children and youth.

3. The Government has incorporated the population-based planning ratios in the Hong Kong Planning Standards and Guidelines in respect of subvented elderly service facilities, child care facilities and rehabilitation facilities, with a view to reserving necessary sites and space for these facilities early in the planning process of new and redeveloped areas.

4. In the 2020 Policy Address, the Chief Executive announced that the Hong Kong Housing Authority and the Hong Kong Housing Society will set aside about 5% of the total gross floor area of suitable public housing development projects for the provision of social welfare facilities, on the premise that the public housing supply and other ancillary facilities will not be affected. The Social Welfare Department (SWD) has maintained close liaison with relevant government departments and organisations to identify suitable sites within public housing development or redevelopment projects, as well as development projects of the Urban Renewal Authority, for the provision of welfare facilities. SWD has also strived to secure resources for implementation in accordance with established mechanisms. The Government will also include clauses in suitable land sale programmes, lease modifications, land exchanges, etc. requiring private developers to construct welfare facilities specified by the Government.

5. In addition, the Government launched the Special Scheme on Privately Owned Sites for Welfare Uses (Special Sites Scheme) in two phases, in September 2013 and April 2019 respectively, to encourage non-governmental organisations (NGOs) to provide or increase welfare facilities in acute demand through expansion, redevelopment, or new development. SWD has continuously supported participating NGOs in implementing their projects under the Special Sites Scheme, in order to optimise the use of their sites to provide diversified welfare facilities. Of the 88 project proposals received under the Special Sites Scheme, 24 projects which could not proceed further due to various reasons were withdrawn by the applicant organisations or removed from the Scheme. As at 31 March 2025, six projects have been completed and commenced service, three projects have entered the construction stage, 11 projects were at the detailed design stage, and 24 projects were at the technical feasibility study (TFS) stage. Another 20 projects remain at the project formulation and preliminary planning stage.

6. Furthermore, with the assistance of the Government Property Agency, SWD has implemented the “Purchase of Premises for Provision of Welfare Services” Scheme with the aim of purchasing premises from the private property market for the provision of welfare facilities.

## **Funding Arrangement for the Construction of Welfare Facility Projects**

### Existing Arrangement

7. The Lotteries Fund (LF) primarily allocates funding for the following three areas:

- (1) the costs of works projects related to the provision of welfare facilities, including government-led projects, NGOs’ projects under the Special Sites Scheme, urban renewal projects, and private development projects. These costs cover non-recurrent expenditures such as TFS, detailed design, construction, fitting-out, and the purchase of furniture and equipment (F&E), etc.;
- (2) non-recurrent expenses for the renovation/routine repairs and maintenance of existing welfare facilities, the replenishment of

F&E, and block grants for NGOs operating SWD-subvented services, etc.; and

(3) one-off grants for experimental projects of limited duration.

8. The revenue of LF for 2024-25 was about \$2.3 billion, with around \$1.4 billion from Mark Six Lottery proceeds, and about \$900 million from investment income. During the year, SWD received about \$3.5 billion in allocations from LF to incorporate 29 residential and 35 day welfare service facilities into public housing projects. Moreover, as at 31 March 2025, LF has allocated about \$2.4 billion for 46 NGOs' projects under the Special Sites Scheme, covering costs for construction, detailed design, and TFS, etc.

9. As at 31 March 2025, LF's balance stood at about \$23.7 billion, of which about \$19.3 billion had already been committed to various approved projects that were not yet completed.

### Proposed Changes

10. The available balance of LF is insufficient to cover the costs of providing welfare facilities in the public housing projects planned for the coming years, as well as the costs of NGOs' works projects under the Special Sites Scheme, let alone the need for LF to continue to fund the non-recurrent expenditures of social welfare organisations, including the renovation/routine repairs and maintenance of existing welfare facilities, as well as the replenishment of F&E. These expenditures on average require over \$800 million annually. In the light of the current state of public finance, injection into LF by the Government is not feasible.

11. Therefore, the Government considers it necessary to adjust the funding arrangement. Starting from 2025-26, the costs of implementing government-led welfare facility projects and NGOs' projects under the Special Sites Scheme (hereinafter collectively referred to as welfare facility works projects), including funding for pre-construction activities (such as the engagement of consultants for detailed design and related studies/engineering), construction, fitting-out, and the purchase of F&E will be financed by the Capital Works Reserve Fund. Under the new funding arrangement, the recurrent income of LF will be sufficient to cover non-recurrent expenditures, including the renovation/routine repairs and maintenance of existing welfare facilities, the replenishment of F&E, and block

grants, as well as supporting experimental projects that are beneficial to the development of social welfare. In other words, LF will be able to rely on Mark Six Lottery proceeds and investment income to ensure its financial sustainability.

12. The Government will seek funding for welfare facility works projects from the Legislative Council (LegCo) through established mechanisms, including presenting the details of these projects to the Public Works Subcommittee of the Finance Committee after consulting the LegCo Panel on Welfare Services, and applying to the Finance Committee for the upgrading of the relevant projects to Category A status. For projects under the Special Sites Scheme that are still in the project formulation and preliminary planning stage, the relevant NGOs may continue to apply for funding from LF to conduct TFS. SWD is meeting with the relevant NGOs to review the latest progress of their projects and to explain the new funding arrangement. The relevant NGOs have expressed their understanding of the importance of the new funding arrangement in maintaining the sustainability of LF and implementing welfare facility projects and will cooperate with it. SWD will continue to provide appropriate coordination and assistance for projects under the Special Sites Scheme.

13. Furthermore, SWD launched a \$500 million dedicated fund in late May 2024 to support NGOs operating subvented welfare services in meeting their development needs, including staff training and system enhancement, strengthening professional knowledge, enhancing cross-disciplinary collaboration, and encouraging and promoting the application of information technology, etc. This arrangement helps alleviate the financial pressure on LF in areas such as subsidising staff training and system upgrades for NGOs.

## **Way Forward**

14. SWD will closely monitor the progress of government-led welfare facility projects and NGOs' projects under the Special Sites Scheme. For projects that are ready, SWD will apply for internal resources in a timely manner, seek funding in accordance with LegCo's appropriation process, and maintain close communication with relevant government departments and organisations to ensure the smooth implementation of these projects.

## **Advice Sought**

15. Members are invited to note and comment on the above arrangement.

**Labour and Welfare Bureau**  
**Social Welfare Department**  
**May 2025**