

Our Ref.: SWD/S/102/2/1 Pt.9
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15 March 2018

Chairperson/Organisation Head
Non-governmental Organisation (NGO)
operating subvented welfare services

Dear Sir/Madam,

Adjustment in Fees for Subvented Welfare Services in 2018-19

I write to inform you that the adjustment in fees for subvented welfare services will be resumed in 2018-19. Details are set out in the ensuing paragraphs.

Background

Under the “users pay” principle, subvented NGOs have all along charged fees from service users for the provision of welfare services. The recognised fees used to be adjusted annually by taking into account the changes in the adjustment indices¹ in the preceding year. In view of the various economic setback and the need to ensure coherence in Government policy (such as initiatives on poverty alleviation), the fees for subvented welfare services, except a few², have since February 1998 been frozen at the level of 1997-98.

¹ The adjustment of the recognised fees is broadly classified into the following types –

- (a) Comprehensive Social Security Assistance (CSSA) Scheme related type (based on CSSA adjustment rate);
- (b) Residential care services related type (based on CSSA adjustment rate and the adjustment in the rent component reflected by Weighted Average Rent for 3-person flats in post-1973 Public Housing Estate per person provided by Housing Department);
- (c) Other Charges (OC) related type (based on OC adjustment rate); and
- (d) others (based on the agreed standard rates/formulae with NGOs).

Based on the latest adjustment factors in 2017-18, the CSSA and OC were both adjusted upward by 1.4%. The rent component, which is updated every two years, was last adjusted upward by \$37 in 2016.

² For example, the fees on residential care services for the elderly and persons with disabilities were increased by \$2 in 2000-01 due to an increase in the rent component of the fee formula.

Resumption of Adjustment in Fees

Under the existing practice for Government fees, the cumulative adjustment rate since the last fee revision should be recovered ultimately to ensure equitable use of public resources, while the recovery of the cumulative adjustment may spread over a period of time to avoid substantial increase in an adjustment and negative impact on people's livelihood. While fees for subvented welfare services are not classified as Government fees, they should be set in a manner that users who can afford should be made to contribute a fair share to the cost of service. Having regard to the fact that such fees and charges have been frozen for about two decades, the Social Welfare Department (SWD) considers it appropriate to re-activate the adjustment mechanism under the current economic condition, but should not recover the cumulative adjustment rate all at once. More specifically, the current fee increase proposal seeks to recover the adjustment factors for 2017-18 only.

The issue of fees and charges for subvented welfare services not being adjusted for a long period of time was also noted by the Audit Commission in its recent value for money audit on the SWD's administration of lump sum grants. In the Director of Audit's Report No. 69, the Audit Commission recommended that the Director of Social Welfare should follow up with the Labour and Welfare Bureau and the Financial Services and Treasury Bureau on the proposed fees adjustment in 2018-19, review such fees and charges regularly, and deliberate on the way forward of making cumulative fees adjustment for subvented welfare services.

Fee Adjustment in 2018-19

The cumulative fees adjustment rates for different types of subvented welfare services since the last adjustment in 1997-98 would be between about 35% and 49%. However, to ensure that fees adjustment is resumed in a way which is affordable to service users, the SWD will adopt the following approach: –

- (a) to adjust fees in 2018-19 based on the latest annual adjustment factors for a single year (i.e. 2017-18) only;
- (b) to adjust fees in 2018-19 in three groups (please refer to the following section of Implementation Schedule); and

- (c) to further review and consult NGOs in due course on when and how to handle the cumulative fees adjustment since the last revision in 1997-98.

Implementation Schedule

Currently, service users are charged fees for 74 service items. Based on the single year adjustment approach mentioned above, only the fees of 48 service items (about 65%) will be increased, while those of the other 26 items will remain the same.

In order to allow NGOs more time to prepare for and explain the changes in fees to different types of service users, the SWD plans to implement the fees adjustment in the following three groups: -

- (a) Group One
Adjustment in membership fees: **with effect from 1 April 2018;**
- (b) Group Two
Adjustment in service fees except those for residential care services or for services with paired-up residential care services: **with effect from 1 July 2018;** and
- (c) Group Three
Adjustment in fees for residential care services and for services with paired-up residential care services: **with effect from 1 October 2018.**

As the fees for 2018-19 are adjusted based on the adjustment factors for a single year only, which generally reflects the changes in the consumer price index in the previous year and/or the rent adjustment for public rental housing, the adjustment for most of the fee items will fall within 5%. We have consulted The Hong Kong Council of Social Service and member NGOs of its Standing Committee on Service Development and the Hong Kong Joint Council for People with Disabilities. The proposed approach and implementation schedule of fee adjustment are considered acceptable. A full list of the fees and their revised levels for 2018-19, is provided in **Annex**.

Adjustment in Subventions Allocation

In accordance with the current subvention policy, the amount of recognised fee income from subvented services will be used to offset the amount of subvention. In response to the adjustment of recognised fees of subvented services in 2018-19, adjustment in subvention allocation for 2018-19 will also be made accordingly. You will be informed of the details of the subventions adjustment in due course.

For enquiries relating to subventions, please contact Ms YU Sau-wai, Freda on 2116 4299 or the Social Work Officer designated for your organisation. For enquiries on service matters, please contact the subject officers concerned of the relevant Service Branches of SWD.

Yours faithfully,



(Ricky YU)
for Director of Social Welfare