

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT Subhead 411 Social welfare services (grants)

Members are invited to approve supplementary provision of \$101 million under Subhead 411 Social welfare services (grants).

PROBLEM

There is insufficient provision under Head 170 Social Welfare Department Subhead 411 Social welfare services (grants) to meet the recurrent subvention required to enable 95 Non-Governmental Organisations (NGOs) to implement the new Lump Sum Grant (LSG) mode of subvention and to introduce a new initiative on enhanced home and community care services for the elders in the current financial year.

PROPOSAL

2. The Director of Social Welfare, with the support of the Secretary for Health and Welfare, proposes supplementary provision of \$101 million under this subhead.

JUSTIFICATION

LSG

3. Under the current system, NGOs are funded according to the Modified Standard Cost and Model Cost which are based on rigid staffing levels on an actual basis. As a result, NGOs delivering the same type and level of service could be receiving different levels of funding reflecting their staffing position at the time and the particulars of their staff complement. This arrangement does not encourage service providers to respond quickly and flexibly to the changing service

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needs of the community. It is also not conducive to enhancing the cost-effective use of public resources through change, reform and innovation. The LSG, when implemented, will reduce the rigidities embodied in the current subvention system and give NGOs greater responsibility for, and flexibility in, how they manage and deliver welfare services subvented by the Social Welfare Department.

4. To help NGOs adapt to the new funding mode, we will provide NGOs with their actual level of funding for salaries in 2000-01 or the salary Benchmark level¹, whichever is the higher, upon their switching to LSG. In other words, NGOs with their 2000-01 salary funding (the Snapshot) below the Benchmark will receive the Benchmark whereas NGOs with the Snapshot above the Benchmark will receive the Snapshot. For the latter, their Snapshot funding will be gradually reduced to the Benchmark in steps of 2% per annum, starting from 2006-07. For five years from 2001-02, we will meet the NGOs' shortfall in salary funding owing to contractual obligations to pay salary increments to existing staff through tide-over grants from the Lotteries Fund.

5. Under LSG, provision for Provident Fund will be calculated on the basis of 6.8% of the mid-point salaries of the recognised staff establishment. However, to allay staff concerns over Provident Fund arrangements, we will meet the actual requirements of *existing* staff in subvented services in NGOs affected by LSG based on the established scale of provision (i.e. employer's contribution at 5%/10%/15% according to the length of service). Moreover, all Government subvention for Provident Fund provision for both existing and new staff will be kept in a separate designated account solely for staff Provident Fund purposes. To address uncertainty about protection of existing staff working in "unvetted units"² under the current subvention system, we have also put in place a set of prescribed conditions for regularisation of these units. Under these conditions, we will recognise existing staff for the purpose of meeting their Provident Fund requirements on an actual basis and salary increments through the tide-over grants. Through these arrangements, we will ensure that NGOs switching to LSG will continue to fulfil their contractual obligations to existing staff.

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¹ The Benchmark level of funding takes account of the need to standardise funding for the same type and level of service delivered by different NGOs. A Benchmark is established for each NGO, based on the mid-point salaries of the pay scales as at 31 March 2000 of the recognised establishment of the various service units as at 1 April 2000.

² Unvetted unit is a form of recognised system under the Modified Standard Cost system in social welfare subventions accepted over the years. Under such system, NGOs have the flexibility in the employment of staff, in terms of both numbers and grade/rank, within the standard funding provision calculated at mid-point salary of the notional establishment and a 4.5% Provident Fund. As part of the rigid subvention system, NGOs with unvetted units may seek regularisation as they see fit but upon regularisation, full matching of staff numbers and grade/rank will be required and full compliance with staff qualifications has to be assured. Because of various factors, over 800 units involving some 7 700 posts have remained to date unvetted.

6. A total of 95 NGOs have opted to join LSG in 2000-01. They represent 55% of all NGOs invited to consider operating on the LSG mode and account for some 75% of the total recurrent subvention. We estimate that this encouraging response from the sector will give rise to additional financial implications of some \$109 million in 2000-01, made up of \$17 million under Subhead 410 Rehabilitation services (grants) and \$92 million under Subhead 411 Social welfare services (grants). This is mainly due to -

- (a) bringing those NGOs whose Snapshot funding is below the Benchmark to the Benchmark. Fifty-six of the 95 NGOs opting for LSG in 2000-01 are below the Benchmark;
- (b) the regularisation arrangements for “unvetted units” as described above which will give rise to a higher level of funding; and
- (c) provision on a standard basis for certain expenditure items which are hitherto funded on an actual reimbursement basis, that is, as and when applied for by NGOs, such as relief worker allowance and training allowance.

Provision of enhanced home and community care services for the elderly

7. As part of the service-oriented strategy to help existing or potential recipients of the Comprehensive Social Security Assistance to be self-reliant, we informed Members of the plan to provide additional community care and support services for the elders to enable family carers who are able-bodied adults to obtain or resume full-time or part-time employment. In accepting the financial implications of the entire strategy at its meeting on 16 June 2000, Finance Committee noted that these additional home and community care services for the elders were estimated to cost \$64 million annually and we would seek Members' approval of any necessary supplementary provision for this purpose towards the latter part of the financial year.

8. We have now formulated detailed proposals for the enhanced home and community care services for the elders and are in the process of inviting NGOs to bid for these new service units. Taking account of the approach towards greater integration in the provision of elderly services, interested service operators in delivering this new service are encouraged to create synergy by making use as far as possible of related elderly services that they are running, such as social centres, multi-service centres, day care centres, and residential care homes. We will allocate service contracts on the basis of one for each of the 18 District Council districts and each contract at a value of about \$3.5 million per annum for

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providing service to a minimum of 70 elderly persons. As 50% of the annual contract sum will be released at the onset of the service to meet set-up costs, we estimate that \$32 million, half of the \$64 million annual provision previously accepted by Members, will be required in 2000-01 under Subhead 411 Social welfare services (grants) when we commission this service in February/March 2001.

FINANCIAL IMPLICATIONS

9. The two initiatives of LSG and enhanced home and community care for the elders will give rise to total additional funding requirement of \$141 million in 2000-01, made up of \$17 million under Subhead 410 Rehabilitation services (grants) and \$124 million under Subhead 411 Social welfare services (grants). Taking into account actual expenditure to date under these two subheads and commitments for the remainder of the financial year, we estimate that expenditure under Subhead 411 Social welfare services (grants) will exceed the approved provision by \$101 million, calculated as follows -

	\$ million
Actual expenditure and commitment up to end November 2000 (a)	3,048.887
Estimated expenditure for the remainder of the 2000-01 financial year taking account of \$92 million for LSG and \$32 million for enhanced home and community care for elders (b)	1,752.322
Estimated expenditure for 2000-01 [(c) = (a) + (b)]	4,801.209
Approved provision for 2000-01 (d)	4,700.201
Supplementary provision sought [(c) - (d)]	101.008
	say \$101 million

Subject to Members' approval, we will offset the supplementary provision of \$101 million required for 2000-01 by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

10. The approved provision under Subhead 410 Rehabilitation services (grants) will be adequate to meet the estimated \$17 million required in 2000-01 for the implementation of LSG. No supplementary provision is therefore required.

11. As at end November 2000, another 32 NGOs have opted to join LSG in 2001-02 and 2002-03. We will include the necessary provision required in future Estimates for expenditure from 2001-02 onwards. We will also include the full-year provision for the enhanced home and community care services for the elders in the 2001-02 Draft Estimates.

12. Furthermore, we estimate that tide-over grants totalling \$117 million will be required in 2001-02 to help NGOs meet their contractual obligations to existing staff in salary increments. The Director of Social Welfare will seek the agreement of the Subventions and Lotteries Fund Advisory Committee to make a capital grant for this purpose under the Lotteries Fund.

BACKGROUND INFORMATION

13. The existing social welfare subvention system has been criticised as inflexible, complex and bureaucratic. It no longer meets the needs of present day social welfare development which should place emphasis on the effective use of public resources, innovation, responsiveness and performance management. The Administration is committed to improving the social welfare subvention system through a package of measures for funding and monitoring of services provided by the subvented welfare sector. LSG funding is a key component of welfare subvention reform. Given the very positive response from the sector, we are optimistic that the great majority of NGOs will operate on LSG in two to three years' time.

14. Over the past year, we held extensive consultations with the management and staff groups of NGOs on the implementation of LSG. In the process, we have revised the financial aspects of the LSG package to ensure that sufficient funds will be provided to meet NGOs' concerns and that NGOs will honour contractual commitments to their existing staff. We have refined the operational aspects of LSG, clarified the flexibility under LSG and undertaken to continue to work closely with the sector.

15. It has always been Government's policy to encourage the elders to age in place. This is consistent with the wish of our frail elders who prefer to stay and be taken care of at home. Over the years, we have increased the provision of home care and community care services to facilitate more frail elders to continue to live at home. During the past year, we have re-engineered the traditional home help services into meal service and home care service. The new home care teams are

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equipped with better nursing and allied health support and are hence able to take care of elders requiring more intensive care services at home. The Financial Secretary announced in the 2000 Budget that amongst a package of measures to promote self-reliance, we would expand support services for the frail elders. We subsequently reported to Finance Committee that we were developing a form of enhanced home and community care services.

16. We briefed the Legislative Council Panel on Welfare Services of the latest development on LSG and the introduction of the enhanced home and community care services at its meeting on 13 November 2000.

Health and Welfare Bureau
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