

## **The Hong Kong Council of Social Service**

Comments on Social Welfare Services Lump Sum Grant Manual Edition 2.0

**November 2, 2000**

### **Introduction**

The Council appreciates the Social Welfare Department's efforts in making significant amendments to the 2<sup>nd</sup> Edition of the LSG Manual, addressing the many issues raised by the Council in its papers dated July 26, 2000 and September 5, 2000 in relation to the 1<sup>st</sup> Edition. Taking into consideration the deliberations of the Agency Meeting held on October 31, 2000, including DSW's briefing and discussion with participants on the 2<sup>nd</sup> Edition and other issues related to the implementation of LSG, the Committee on Agency Finance & Administration would like to present the following points for Government's consideration of further improvements to the LSG Manual Edition 2.0.

### **1. One Employer Policy**

Further to our previous justifications on continuing this policy for Existing Staff, we wish to elaborate on the following :

- a) Government's financial provisions through this policy will provide more support to NGOs in attracting quality and experienced staff as well as enhancing healthy job movement and enrichment for staff within the sector.
- b) Only with the agreement between the agency and the concerned staff will this policy be implemented and government's financial commitments called for. By so doing, agency's autonomy and staff's choice are respected.
- c) There are two components to this transferability provision :
  - i. recognized provident fund contributory years of service
  - ii. recognized years of working experience for the purpose of determining salary pointsBoth components are important to agencies and staff.
- d) In implementing the new subvention system, SWD should honour the

“no worse-off principle” for Existing Staff, hence the retention of the transferability of the above-mentioned two components, under the mutual consent of employer and employee.

## **2. Central Administration**

Central Administration (CA) support cannot be replaced by the "help centre" to be set up to facilitate the implementation of LSG; they serve different functions although they may be complementary. The success of the subvention reform rely critically on how well the agencies can manage their flexibility provided by the LSG in the areas of human resources management, financial management and organization management. Having adequate CA staff is therefore a vital factor. Furthermore, the long-overdue provision for supervisory staff in the Rehabilitation & Elderly services should also be tackled because mid-level support will further strengthen the management functions of the agency. Therefore a joint forum should be convened where SWD and NGOs together can pursue these important outstanding issues.

## **3. Reserves for Provident Fund**

As Provident Fund (PF) is meant to be a retirement protection for staff, the PF reserves should be retained by the agency for the sole purpose of PF usage. There should not be any cap on the amount of the reserve and neither should there be a time limit set for its usage .

## **4. Relief Worker Provisions**

4.1 Using the "actual expenditure on Relief Worker Allowance as reported in a NGO's Accompanying Financial Statements of 1999-2000 as the basis for calculation " is not an appropriate calculation basis. One year's figure is too arbitrary for projection of long-term needs.

4.2 To recapitulate, SWD has, in its circular letter on "Employment of Relief Staff for Subvention Welfare Services" dated July 18, 1990, approved that "with effect from 1 August 1990, agencies may make use of the provision for personal emoluments to employ relief staff according to functional needs." Annual, sick and maternity leaves are recognized for subvention purposes. These provisions should continue.

4.3 NGOs would like to further discuss with SWD to work out a more reasonable and acceptable basis for calculation of a lump sum to meet the needs of Relief Worker provisions. This financial support is important to affected agencies in enabling them to provide adequate services to their clients.

## **5. Training Allowance Provisions**

The existing provisions for training allowance, including special allowance of SCCWs, should continue to be provided because it is a service requirement for the untrained workers to receive designated training. Therefore the current provisions should continue under the LSG for staff before and after April 2000 :

- existing staff already received training as of April 1, 2000
- existing staff not yet received training on April 1, 2000
- new post holders and new posts established after April 1,2000

## **6. Fee Charging and Treatment of Fee Income**

What constitute user fees and charges should be more clearly spelled out in the Manual.

## **7. New Service Units**

LSG for new service units should be calculated basing on the agreed staffing standards and not to be arbitrarily determined by SWD. We know of individual cases where the agreed standards are not adhered to.

## **8. Service Standards and Improvements**

The LSG should not be a means to cap the financial basis for continuous improvement of services. Future development of service standards and improvements should be jointly worked out by government and NGOs under an established mechanism.

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# THE HONG KONG COUNCIL OF SOCIAL SERVICE

## Committee on Agency Finance & Administration

### *Further Comments on the LSG Manual*

**September 5, 2000**

#### **Introduction**

- It is acknowledged that the social welfare subvention reform will be introducing major changes to the sector. To develop ownership of such a reform, Government must work in close partnership with major stakeholders. We wish to re-emphasize this partnership approach in the context of the development and refinement of the LSG Manual.
- In the Council's paper "Comments on the Revised LSG Package and its Manual" dated July 26, 2000 (July Paper), quite a number of issues were raised. To further substantiate the July paper, more detailed comments are presented in the following paragraphs to facilitate Government's consideration.

#### **1. Up-dated version of the Manual**

In the past months, a lot of comments have been expressed on the LSG Manual. While acknowledging that it is a living document, NGOs need an up-dated version of the Manual which can capture the amendments made to the Edition 1.0, can see a better picture of what the LSG will be in practical terms and make intelligent decisions. An up-dated version should be made available to NGOs on or before September 15, 2000, either in the form of a revised edition or a supplementary information paper containing the necessary up-dated details.

#### **2. Central Administration (CA)**

NGOs have strong reasons to urge Government to provide CA support up to the year 2000 level. The many heavy demands on the management of the NGOs have been well accepted and endorsed by policy, embodied in the Government's CA formula which has been honoured up to the 1994 level. This is also a core area

for capacity building of NGOs- Coupled with the strain on agency management resulting from the various aspects of the welfare reform and reviews, high priority should be accorded to providing resources for CA.

### **3. Annual Plan**

3.1 We have suggested in para 13 of our July Paper that the whole Chapter 3 on Welfare Planning Process should be removed from the Manual proper. The Council's proposed planning protocol of social welfare policy has already been submitted to the Secretary for Health and Welfare for consideration. The broader framework on planning is yet to be developed in a separate forum in which there should be joint participation of Government and NGOs.

3.2 As far as the Annual Plan (AP) is concerned, it should be a document serving to inform SWD about the agency's plans related to FSA and support services for the coming year. The exact format of the AP, whether it is by programme area, by service type, or in an integrated form etc, should be decided by each agency, tailoring to individual needs and differences.

### **4. Vetting of Units**

4.1 In connection with the Tide Over Grant , the need for vetting of units was only introduced when the LSG Manual was released and many NGOs have raised a lot of concerns.

4.2 Under the Modified Standard Cost System, NGOs are allowed to flexibly deploy their PE provisions so long as they do not request supplementary subventions to top up beyond their mid-point salaries provision. Some of these staff would likely have been included as Snapshot staff and they have all along been doing subvented work.

4.3 Because it is only after vetting that Existing Staff can be confirmed and NOT just basing on the Snapshot staff list, any Snapshot staff excluded from the Existing Staff group would be worse off than under the existing subvention system. This is against the principle that existing staff should not be put in a worse off position when a new system was to be introduced.

4.4 From the data supplied by 72 agencies in the Council's Survey on Unvetted

Modified Standard Cost System Units, it was revealed that while the total financial implication is likely to be quite small, the number of people affected would be more than 600. (For details please refer to the attached Report)

- 4.5 Since the Government has distinctly stressed the importance of meeting contractual obligations of Existing Staff under the LSG Package, a special case should be made to phase in the new Snapshot staff to the LSG subvention mode. Therefore it is recommended that Government should adopt a broadbrush approach and make special provisions to "grandfather" all Snapshot staff even if they are found to have deviated from the notional establishment.

### *5. One Employer Policy*

- 5.1 The existing arrangements of transferability of recognized provident fund (PF) contributory years of service and the recognition of years of working experience for staff changing jobs among subvented agencies have long been recognized by the Government and implemented for the provision of staff salaries and provident fund contributions. Such arrangements is termed as the "one-employer policy".
- 5.2 This policy has the advantage of allowing healthy and reasonable movement of social welfare personnel in the sector while ensuring staff of their salaries and provident fund, thus enhancing staff morale, good performance and the possibility of a fluid workforce for continuous improvement of service quality.
- 5.3 Here again, the "no worse-off principle" for existing staff should be upheld. It is recommended that Government should honour the one-employer policy through the provision of subventions. In practice, it will be up to the agreement made between the agency and the affected staff to decide on whether to make use of the provisions offered by Government.

### *6. "No better off principle"*

- 6.1 As stated in para 22 of our July Paper, the Council has proposed to Government to discard this principle because it will have no practical value as there are obvious ways to get around it.
- 6.2 However, in response to SWD's request to share our understanding of the principle, we would like to reiterate that the comparison should be based on the total remuneration package (salary + fringe benefits)of comparable ranks between the Governmental and NGO sector. It is unfair and thus unacceptable to use salary only for comparison.

## **7. Public Accountability**

7.1 In making use of public money allocated through the LSG, NGOs acknowledge the responsibility to work within a public accountability framework. To be constructive and facilitative, the Government is suggested to adopt a partnership approach in promoting good practices in NGOs.

7.2 Further to the items raised in the July Paper, we wish to bring up the following points :

- a) SWD is requested to provide more information on the role and responsibilities of the Director of Audit, the Audit Commission and the Public Accounts Committee in relation to the NGO's use and management of the LSG.
- b) In order to be clear about the extent of the power of DSW to "impose conditions on the granting of LSG", we suggest that a qualifying clause : "in accordance with approved policies" be added.
- c) The difficulty of applying "value-for-money" studies to human services such as social welfare services should be carefully examined together with the NGO sector.

## *8. Honouring Statutory Obligations*

In line with Government's pledge to honour contractual obligations to existing staff, it is recommended that SWD should make additional provisions to NGOs to meet statutory obligations not covered by subvention, e.g. severance pay.

## **9. SWD's re-structuring Plan**

SWD is requested to share with the NGOs on the Department's re-structuring plan, in particular those affecting SWD-NGO relationships under the LSG environment.

## **Conclusion**

Government is requested to promptly respond to the issues raised in this and the July

Paper. This will greatly help NGOs in making their informed choice in the very important decision regarding the LSG.



# **Hong Kong Council of Social Service**

## **Comments on the Revised Lump Sum Grant Package and its Manual**

### *Introduction*

#### **Consultation**

1. Government announced the revised Lump Sum Grant (LSG) Package on June 20, 2000 followed by the release of LSG manual on June 26, 2000.
2. Subsequently, the Council conducted the following sharing/consultation sessions which had a total attendance of 385 :
  - a. Agency Meeting for Board & Agency Heads held on June 22, 2000
  - b. An Open Forum for staff and users on June 25, 2000
  - c. Workshop on Lump Sum Grant Manual on July 11, 2000
3. The Committee on Agency Finance & Administration has studied the Government's documentations on LSG and the feedback collected through the above-mentioned sessions. Issues of concern as summarized in this paper were accepted by the Executive Committee at its July meeting.

#### **Conditions of a Desirable Funding Mode**

4. In the wider context of welfare reform, having an appropriate funding mode is very important. A desirable funding mode should facilitate continuous improvement and development of quality social welfare services. It should be able to :
  - (a) Maintain good standards of service
  - (b) Enable subvented agencies to honour their contractual commitments with existing staff

- (c) Shift from input to output control, thereby has the ability to :
- be simple and efficient, requiring low administrative input for Government and subvented NGOs.
  - provide flexibility to subvented NGOs in deploying resources to provide good quality service
- (d) Provide measures on accountability for the use of public funds.

The LSG package and its Manual will be studied in the light of the above-mentioned features.

### *Comments on the Revised LSG Package*

5. The Government's revised LSG proposal had made a few important improvements. However, there are still a number of areas of concern which need to be addressed.
6. The Council has made 11 recommendations in the paper "Comments on the Government Lump Sum Grant Proposal" dated April 6, 2000. They are summarized at **Appendix I**. Of the 11 recommendations **FOUR** were accepted, namely Recommendations II on Provident Fund (PF), VI: on Tide Over Grant, IX: on Management Support Team, X: on enhanced service performance monitoring system, **THREE** were partially considered, namely, IV on sub-standard units, VIII: on PF for new service units and XI: on feedback from the sector, **ONE** was overtaken by event : VII on salary scales for new service units.
7. Recommendation I was not considered. Many agencies are still very concerned about the adoption of mid-point salaries for the calculation of benchmark. The government's adequate explanations and basis of forecasts to justify the use of mid-point salaries as the benchmark are still lacking.
8. Recommendation III was not considered. It was most disappointing that Central Administration (CA) provisions cannot be brought up from the 1994 level to the year 2000 level. Implementation of the subvention reform relies heavily on the quality and quantity of CA staff. The provision of consultancy service and training opportunities are good support measures but having adequate central administration

staff are vital in taking ideas / knowledge forward and in implementation.

9. Recommendation V on the inclusion of vacant posts in the staff establishment in the snapshot was rejected. This will create difficulties for agencies above the Benchmark. Furthermore, the sudden introduction of the measure of vetting staff included in the Snapshot will bound to create a lot of confusion. This will be discussed in more details in the context of LSG Manual.

## ***Comments on the LSG Manual***

### **Overall Comments**

10. The LSG Manual Edition:1.0 has quite a number of fundamental shortcomings which have to be addressed and rectified before putting it to use. A revised edition should be produced before implementing the LSG. The areas of concern are presented in the following paragraphs.

### **Purpose, Contents and Format**

11. In adopting the SPMS, both government and NGOs are committed to the provision of quality service and upholding the principle of public accountability. In doing so, both parties have agreed to adopt an output-oriented approach instead of the current input-control approach. However, stipulations laid down in the Manual are found to have over-emphasised on input control and administrative requirements for agency management. This will be counter-productive for the achievement of the objectives of the subvention reform.

12. Lump Sum Grant is a funding mode through which Government allocates public money to NGOs to provide necessary social welfare services to the people of Hong Kong. Therefore, it is recommended that the LSG Manual should only include those basic standards, requirements and operational procedures of the funding system which NGOs need to follow.

13. All other information on policy and planning, desirable ways of doing things, best practice approach etc should be removed from the Manual. They may be put

under a separate document if SWD thinks that they can serve as important guidance to NGOs.

- (a) The whole Chapter 3 on Welfare Planning Process, which is basically about policy planning and not on operational matters, hence should be removed from the Manual proper. In any case, the welfare planning framework, which is said to be still under development, should involve the sector in the working process, thereby increasing mutual ownership of such a framework.
- (b) Parts of Chapter 6 on Audit Developments, including internal audit and audit committees, which are suggestions, should be removed from the Manual.
- (c) Suggestions to improve financial and management practice and public accountability should also be removed.

14. It should be made more user-friendly. Contents of the Manual should be clear, spelling out the necessary elaboration of terms and requirements so that they are less open to interpretation.

### **Input Control**

15. Input control is still very strong. In some areas, input control is stronger than the current subvention system. In accordance with the Manual, SWD will be exercising substantial control and monitoring through the requirements e.g. Annual Plan (AP) and Financial / Audit requirements, most of which should be the responsibility of the management bodies. Under the SPMS, NGOs will have to fulfill requirements of the FSA and SQS as well as to undertake self and external assessments. By requiring the NGOs to submit APs in the form specified in the LSG Manual, SWD is attempting to micro-manage NGOs, thereby unnecessarily increasing input control. For example, the resource management statement covers details of input of resources, including the use of manpower and financial provisions as well as utilization of the reserve fund. The annual plan/annual evaluation format of the Integrated Teams of C & Y services should be a better reference in developing APs for the purpose of applying for LSG.

## **Flexibility**

16. Flexibility to deploy resources to meet changing needs within the agencies is restricted. When submitting annual plans, the agency is required to separately plan and account for FSA and non-FSA activities and submit plans on the use of reserve within the parameters and provisions of the LSG. This is contrary to the spirit of the LSG.

## **SWD's Role**

17. The whole Manual has little mention of departmental audit requirements. This should be clearly spelt out.

18. The authority of the Director of Social Welfare (DSW) to be “formally represented on the executive or management committees of the NGO” could only be exercised in the form of a non-voting observer. Otherwise, it would cause a conflict of interest because DSW, as a funder and a monitoring arm of the government, should not at the same time participate in the NGOs’ decision-making body such as the executive or management committee. The question of whether the agency's constitution allows for DSW's formal representation should also be addressed.

## **Internal Control**

19. The Manual should not create unnecessary administrative procedures which would drain away the precious manpower e.g. in relation to petty cash and payment procedure, further streamlining should be made. Further cases are attached at Appendix 2.

20. While setting up Audit Committees within the NGOs is a desirable suggestion, it is far from practical. It will be very demanding for the volunteers to take up the heavy responsibilities and work of the Audit Committee. Many of the NGOs do not even have an accountant as their honorary treasurer. Furthermore, the role differentiation between the ExCo and the Audit Committee need to be further studied.

## **Central Administration Support**

21. In view of the many demands of the welfare subvention reform, central administration support must be enhanced as a matter of urgency, especially for the

smaller agencies. While providing consultancy and training may assist NGOs in gaining knowledge/skills and pointing to certain direction, implementation of action plans needs staff support.

### **"No Better Off " Principle**

22. While this principle has no practical value, it can also lead to a lot of arguments between SWD and NGOs e.g. what items are included in the comparison : salaries and conditions of service as advocated by NGOs or just salary as insisted by SWD. Therefore this principle should be discarded.

### **One Employer Policy**

23. The one-employer policy allowing intrasector transfer has long been a practice recognized by Government for subventions and provident fund. Its advantage is to allow healthy and reasonable movement of social welfare personnel in the sector while ensuring staff of their salaries and provident fund, thus enhancing staff morale, good performance and the momentum for continuous improvement of service quality. This one-employer policy should continue for Existing Staff so that their "transferability" entitlements will not be retrieved.

### **Vetting of Units**

24. The measure to vet subvented units after the snapshot is only announced with the release of the LSG manual. This has shaken up staff confidence in Government's pledge to meet contractual obligations of existing subvented staff included in the snapshot. Agencies' management and staff have been misled to believe that those within the snapshot are recognized as Existing Staff. The possibility of deleting staff within the snapshot group after vetting will create a lot of difficulties for agencies and their affected staff. Furthermore, the vetting process and criteria were not made known to the sector hence it is totally done behind close doors. This cannot be accepted. If SWD wants to delete any reported staff from the Snapshot list, full explanation should be given and an appeal channel be provided for agencies.

### **Implementation Steering Committee**

25. An Implementation Steering Committee, with participation of key stakeholders,

should be formed to oversee the implementation of LSG which has introduced many systemic changes to both the NGOs and the SWD.

### ***Concluding Recommendation***

26. The Government should seriously address the areas of concern raised in this paper and resolve them, thereafter making further improvements to both the LSG Package and the Manual. Any changes made should be promptly conveyed to NGOs no later than the ***end of August 2000***. This is especially important because DSW has invited NGOs to indicate, before September 15, 2000, their intention to opt for LSG with retrospective effect from April 1, 2000. In the coming critical weeks, agencies need clear and full information to carefully consider their options.

July 26, 2000