

For Information on
4 February 2002

Legislative Council Panel On Welfare Services

Implementation of Lump Sum Grant – An Update

Purpose

This paper reports progress on the implementation of the Lump Sum Grant (LSG) subvention system since its introduction on 1 January 2001.

Background

2. At the Panel meeting held on 13 November 2000, the Director of Social Welfare (DSW) informed Members about the measures designed to address the outstanding issues surrounding the LSG implementation, particularly, in relation to arrangements for existing staff. The Department also pledged to put in place a Lump Sum Grant Steering Committee to monitor the progress of LSG implementation, set up a help centre to provide advice, support and assistance to all NGOs in their transition to the new funding environment, and enhance the current Service Performance Monitoring System to achieve a more robust outcome focus mechanism.

Latest Development

3. After considering the improved package as detailed in the revised LSG Manual, 95 NGOs decided to join LSG in 2000-01. With the Legislative Council Finance Committee's approval, the LSG was formally put in place as from 1 January 2001. Another 32 NGOs subsequently joined the LSG with effect from 1 April 2001 (i.e. 127 NGOs operated under LSG in the financial year 2001-02). The subvention received by these 127 NGOs represents about 90% of the total subvention allocated to NGOs. Another 23 NGOs will join LSG in 2002-03, and by that time, there will be 150 NGOs on LSG,

representing 96% of total subvention payments. Although LSG is now the mainstream subvention mode in the welfare sector, the Department has no intention or plan to require the remaining NGOs to join LSG within a specific timeframe. An analysis of the 34 NGOs that will continue, for the time being, to operate under various conventional modes shows that -

- seven NGOs are only operating an aided child care centre service on a 5% subsidy basis which, in any case, is not intended to be replaced by LSG;
- four NGOs are operating on a unit subsidy rate which, likewise, is not intended to be replaced by LSG;
- the remaining 23 NGOs are mainly smaller size agencies operating only a few service units.

The Department will continue to address issues of concern of the smaller size agencies to ensure that they can continue to participate in an active manner in the betterment of welfare services and to help them assess their readiness to join LSG.

Lump Sum Grant Steering Committee

4. The Lump Sum Grant Steering Committee (LSGSC), chaired by DSW, was set up in February 2001. The LSGSC comprises members from various stakeholders in the subvention reform exercise : chief executives from NGOs of different sizes, representatives from professional groups, staff unions and also service user groups. The operation of the LSGSC is highly transparent : meeting minutes and agendas are posted on the SWD's Homepage.

5. Since its inception, the LSGSC has held six meetings and discussed a wide range of issues relating to the implementation of LSG, including –

- the setting up of a Help Centre to provide support and assistance to NGOs on LSG,
- the adjustment of LSG amounts after taking the adjustment factors into consideration,
- the introduction of a Liaison Officer system to provide a one-stop enquiry service to NGOs,
- the strategy to assist the Boards of NGOs to enhance their ability in

terms of corporate governance,

- the issue of guidelines for the preparation of Annual Financial Reports by NGOs on LSG,
- a framework for funding support to assist NGOs to carry out business improvement projects, and
- the design of a training course for chief executive officers and senior managers.

In addition, LSGSC Members are placed on a roster to handle complaints from NGOs and staff relating to the implementation of LSG. Since its inception in May 2001, only one hearing has been held to handle a case referred by the Fight for Social Welfare Alliance. This case was also brought to Legislative Council Members who subsequently referred the case to SWD for resolution. We have furnished a copy of the investigation report to LegCo.

Help Centre

6. With the advice and steer of the LSGSC, a Help Centre was set up in March 2001. Comprising a small team of SWD staff, the Help Centre provides support and assistance to NGOs to facilitate the latter's transition into the LSG environment. Since its commencement, the Help Centre has conducted work on the following—

- (a) Enhancing Corporate Governance
- (b) Information and advice
- (c) Special Projects
- (d) Business Improvement Projects
- (e) Training
- (f) Liaison and enquiry service

Details of the activities under each category are set out in the Annex.

Service Performance Monitoring System

7. The Service Performance Monitoring System (SPMS) has been implemented by three phases between 1999-2000 and 2001-02. To underpin this monitoring system, there are at present 145 service-specific Funding & Service Agreements (FSAs) and a range of Service Quality Standards (SQSs). The original set of 19 SQSs have been streamlined into 16 SQSs.

8. To match the flexibility in resource deployment provided to the agency under LSG, there is room to improve the existing FSAs. As such, the Department is planning to develop an agency-based FSA and a pilot project on this, will be conducted in 2002-2003.

Way Forward

9. The Department is of the view that the LSG subvention system has now gained wide acceptance and support from the welfare sector. We are particularly encouraged by the sector's active participation in programmes targeted at promoting corporate governance and business improvement measures, which proves the sector's readiness to face the challenge and make optimal use of the opportunities brought about by the subvention reform. Though there were incidences of staff complaints which reflected misunderstanding towards the implementation details and lack of effective communication amongst the stakeholders, namely the management, frontline staff and service users, timely clarification and active mediation by SWD has proved to be effective in ironing out the differences and redressing any misunderstanding.

10. Learning from the experience of LSG implementation over the past year, we are convinced that a mechanism to maintain close communication amongst SWD, NGOs management, frontline staff as well as service users is essential to ensure smooth and successful transition in the change process. Apart from continuously enhancing the Service Performance Monitoring System to ensure effective and efficient outcomes, the Department will maintain the operation of the LSGSC and give further thought to enhancing the Help Centre's facilitating role, especially in assisting NGOs to carry out business improvement projects, develop social entrepreneurship and enhance board governance.

Social Welfare Department
January 2002

Help Centre
Activities conducted between April and December 2001

(a) *Enhancing Corporate Governance*

- SWD and The Hong Kong Institute of Directors jointly organised a seminar on corporate governance on 11 May 2001, with participation from the Chairpersons, Board Members and Agency Heads from over 100 NGOs.
- The HK Polytechnic University has been commissioned to conduct a “Survey on NGO Boards” in October 2001 with a view to drawing up a profile of the Board members, ascertaining their expectations and identifying areas of assistance to be provided. The response rate to the mailed questionnaire is satisfactory and the Survey report will be published in early 2002.
- A Guideline on Corporate Governance for NGO Boards is being developed to serve as a general reference for NGO Boards in managing their organisations. The draft was circulated to all subvented NGOs for comment/views in May 2001 and the Department received over 20 returns. We are finalising the draft in the light of comments received and where necessary, with the benefit of legal advice.

(b) *Information and advice*

- A section on LSG has been created under the SWD Homepage to update the sector and the public on the developments of LSG implementation. The minutes of the LSG Steering Committee are also uploaded to the Homepage.
- Practice notes in the form of LSG Circular to address different concerns are put on the Homepage. So far, we have issued four LSG circulars, namely, on preparation of Annual Financial Report, LSG adjustment mechanism, Help Centre activities, and training allowance arrangement.

- Summary of complaints and investigation results related to LSG implementation were put on the Homepage to serve as a guideline for good practices for the reference of NGOs management, staff and also service users.
- Two best practice modules (BPMs) for NGOs, i.e. on “Staff Administration” and “Procurement Procedures”, have been produced in joint effort with ICAC and sent to NGOs for reference.
- Production of another two BPMs on “Store Management” and “Selections of Works Contractors and Administration of Contracts” are underway.

(c) Special Projects

- A pilot project on energy saving was introduced in May 2001 with the support of Electrical & Mechanical Service Department (EMSD). Energy audits for six NGOs were completed by EMSD on 31.8.2001, and a sharing session will be organised in the first quarter of 2002 to advise NGOs on means to achieve long term-savings through cutting electricity bill.
- For the development of tools/templates, there was once an idea to produce templates for the NGOs to compile their financial report. After consultation with NGOs through walk-through sessions on financial report, we found that what most NGOs need is a system for financial management, which might be developed under the Business Improvement Project.
- In co-operation with the Department’s Information Service & Technology Branch (ISTB), volunteers from the IT professions have been matched with nine NGOs to start a pilot IT Volunteer Scheme. The scheme will be followed up by the ISTB and extended to other NGOs if found successful.

(d) Business Improvement Projects

- The “Business Improvement Project Scheme” has been introduced in late August 2001 to assist NGOs in achieving the objectives of improving quality, efficiency and responsiveness under the LSG environment.

- A Seminar on Business Improvement Project (BIP) has been organised on 30 October 2001 with over 420 participants from 115 NGOs and four tertiary institutions. Apart from talks on topics related to BIP, six NGOs had shared their experience on change management, financial management and human resource management. The feedback from participants confirms that sharing amongst NGOs over their experiences and success stories is a very effective means for mutual learning and cultural change.
- Subsequent to the invitation, the Department has received 33 applications, involving 43 NGOs, to seek funding support under the BIP Scheme.

(e) Training

- Training Programme for Chief Executive Officers and Senior Managers of NGOs will be organised in 2002-03 to provide a forum for participants to enhance their skill and knowledge to manage and lead their organisations in facing the challenges and opportunities arising from the subvention reform.
- It is in our plan that the training institute selected to take up the training course will assist in developing case studies basing on the outcomes of the Business Improvement Projects.

(f) Liaison and enquiry service

- We have provided information and advice to NGOs related to implementation details, such as regularization of unvetted units, clarification over LSG amount, financial reporting, appeal over LSG amount, Tide-Over Grant and Provident Fund arrangements. In the past six months, we have met with or visited the Chairpersons, Agency Heads or senior management staff of all those NGOs who need our advice or clarifications over LSG implementation.