

## **Improvements Brought About by the Implementation of Lump Sum Grant (LSG) to Welfare Services**

The conventional social welfare subventions system has been criticised as inflexible, complex and bureaucratic. It is no longer meeting in full the needs of present day social welfare development which should place emphasis on effective use of public resources, innovation, responsiveness and performance management to meet changing needs in a timely manner. With a view to improving the social welfare subvention system, the Social Welfare Department (SWD), upon conducting wide consultation to the sector and relevant stakeholders, including this Panel since early 1999, introduced the LSG subvention system in January 2001.

2. The LSG subventions system has been implemented for some five years. As at 31 October 2005, 164 NGOs out of 177 NGOs (93%) have chosen to be subvented on LSG on a voluntary basis which indicated its wide acceptance by NGOs. The remaining 13 NGOs which have not joined LSG are mainly small NGOs. Among them, 4 are not eligible for switching to LSG as none of their service units is on Model Cost / Modified Standard Cost Systems, 1 will opt for LSG in 2006-07 and 8 have not chosen to opt for LSG. In the past five years, we have shared and discussed with the welfare sector over issues on the implementation of LSG subventions system. We fully recognise that the welfare sector has been working very hard in facing the challenges brought about by the new subventions system and we have received encouraging feedbacks on the benefits of LSG. The following is a brief summary of the major improvements made available under the LSG provision –

### I. Enhancement of corporate governance in welfare sector

Under LSG, NGOs are given more flexibility to decide the usage of the subventions so as to make the best use of the finite public resources. The management boards of NGOs are given autonomy as well as responsibility to optimise their organisation structures and service delivery mechanism so as to ensure that the services delivered are meeting the community needs.

As proactive measures to strengthen their governance competencies, many of them have developed systems in management audit, output costing methodology and human

resource management systems. Moreover, some NGOs have reviewed their organisational structure and set up regional/ district supervisor and/or service coordinator to strengthen their planning, coordinating and monitoring capability. On many occasions, the reorganisation process has been further facilitated by the LSG flexibility in the deployment of resources to strengthen the Information Technology systems.

II. Allowing flexibility in deployment of subvention to meet the service need in an innovative and effective manner.

Under LSG, NGOs are given the flexibility in deployment of subvention in meeting the requirements of the Funding and Service Agreements. Many NGOs have actively re-examined the service delivery mode and manpower deployment to ensure that the specific needs of service users are met in an innovative and effective manner. Here are some examples-

- An NGO running pre-primary institutions has identified surplus from the Integrated Programme because of short-term vacancy of the child care worker. Making full use of the LSG flexibility, without which the surplus has to be returned to SWD, more staff were employed to strengthen the programmes of the Extended-hour Child Care Service, which is most appreciated by the working parents in the district.
- Similarly, an NGO running services for mentally handicapped persons has used its savings to organise more outings and community programmes for the service users. The NGO considers that their approach provides mentally handicapped persons more exposures to the community, and in turn promotes their integration into the community.
- A Residential Care Home for the Elderly, after streamlining the work procedures of the kitchen, identified savings to strengthen the medical care of the frail elderly residents. The NGO has employed pharmacist and dietitian to enhance the administration of medication and better ensure the nutrition of the elderly.

- Some NGOs, in the rehabilitation field, have made use of the LSG flexibility to employ marketing staff for their sheltered workshops. With their expert efforts, the NGOs have received more job orders for their service users and in turn promoted their self-reliance abilities.

III. Facilitate the implementation of service re-engineering in facing the fast-changing social and economic situations

The welfare sector has been facing rapid and fundamental changes in the past few years as a result of service reviews and also the economic downturn. The LSG subventions mode, with its flexibility, has provided an environment for NGOs to absorb the impact and challenges. With concerted effort from the sector, we have smoothly implemented a number of very significant service reviews, which includes the formation of Integrated Family Service Centres, Integrated Children and Youth Services Centres, District Elderly Community Centres and Neighbourhood Elderly Centres, etc.

3. The above are only some of the examples of improvements brought about by LSG since its implementation in 2001. NGOs are free to introduce other innovations and improvements within the LSG provision and according to the rules of the LSG Manual.