
INFORMATION NOTE

Review Report on the Lump Sum Grant Subvention System

1.1 At the request of the Panel on Welfare Services at its meeting on 17 January 2009, this information note provides the following information to facilitate Members' discussion on the Review Report on the Lump Sum Grant Subvention System (Review Report) submitted by the Lump Sum Grant Independent Review Committee (IRC):

- (a) issues raised by the stakeholders and/or identified by IRC regarding the Lump Sum Grant Subvention System (LSGSS);
- (b) recommendations of IRC in response to the issues raised; and
- (c) responses of the Government and the stakeholders to the recommendations of the Review Report.

1.2 LSGSS was introduced in January 2001 as a new funding arrangement with subvented non-governmental organizations (NGOs). The objectives of LSGSS are to improve flexibility, cost-effectiveness and public accountability of NGOs in the deployment of public funds and to enhance the quality and innovation of service delivery. In response to the issues raised by the stakeholders regarding the implementation of LSGSS and their request for a comprehensive review of the subvention system, the Government announced on 18 January 2008 the establishment of IRC to review LSGSS with a view to assessing its overall effectiveness and identifying areas and scope for improvement. IRC comprised a non-official chairman and four members from various backgrounds with experience in corporate management and community services.

1.3 IRC submitted its report on the review of LSGSS to the Secretary for Labour and Welfare on 16 December 2008. IRC concludes that "the principles of LSGSS are sound" and that "the system is worth retaining, and every effort should be made to improve it"¹. It has also made 36 recommendations to address the issues raised by the stakeholders and to improve the system. The Government has responded that it accepts in principle the 36 recommendations of IRC and plans to implement most recommendations by the end of 2009².

¹ Lump Sum Grant Independent Review Committee (2008).

² Labour and Welfare Bureau and Social Welfare Department (2009).

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations

Issues raised by the stakeholders ³	Recommendations of the Lump Sum Grant Independent Review Committee ⁴	Responses of the Government ⁵	Responses of the stakeholders ⁶
(a) Staff issues			
(i) Remuneration policies of NGOs – Staff unions comment that the remuneration policies adopted by some NGOs are unreasonable, such as capping staff salaries at the mid-point of the corresponding civil service master pay scale (MPS); not remunerating staff according to their years of experience/service; and lacking stable and transparent salary scales. They perceive that these policies may affect staff morale, boost staff turnover and undermine the interest of social work students in joining the welfare sector. IRC observes that some NGOs have adopted conservative pay policies in order to honour their contractual commitments to Snapshot Staff ⁷ and to maintain a stable financial position.	Recommendation 1 – A Best Practice Manual for NGOs on various management issues, such as human resources policies, should be developed by the welfare sector with professional input from management experts if necessary.	Agreed. The reconstituted Lump Sum Grant Steering Committee (LSGSC) ⁸ as recommended by IRC (Recommendation 13) will work with the sector to draw up the Manual.	Some stakeholders are concerned about the implementation details of the recommendation such as when and how the Best Practice Manual will be developed; which stakeholders will be involved in the development process and the monitoring mechanism of compliance. Some staff unions and social work students doubt the effectiveness of the Best Practice Manual in promoting fair pay policies in the welfare sector, as the Manual may not have binding force and NGOs may not change their management policies accordingly. They propose that the Government should introduce disciplinary measures to ensure that NGOs comply with the Manual.
	Recommendation 2 – The Government should make available an actuarial service for NGOs to assess their ability to meet Snapshot Staff commitments. Application for this service should be on a voluntary basis.	Agreed. The Social Welfare Department (SWD) will arrange actuarial service for interested NGOs for this purpose.	Some staff unions express concern about the effectiveness of the recommendation in addressing the issue of unreasonable remuneration policies in the welfare sector, as adoption of the actuarial service is only on a voluntary basis and the actuarial standards are not clearly defined.

³ The summary of issues is based on information covered in: (a) relevant meeting papers of the Panel; (b) submissions to the Legislative Council from the stakeholders; (c) submissions to IRC from the stakeholders; (d) the Review Report of IRC; and (e) relevant press reports.

⁴ Lump Sum Grant Independent Review Committee (2008).

⁵ Labour and Welfare Bureau and Social Welfare Department (2009).

⁶ The summary of responses is based on information covered in: (a) relevant meeting papers of the Panel; (b) submissions to the Legislative Council from the stakeholders; and (c) relevant press reports.

⁷ Snapshot Staff refers to staff members who were on the recognized establishment of NGOs' subvented service units as at 1 April 2000. The terms and conditions of employment of Snapshot Staff will be guaranteed provided that they remain employed by the same NGO and have not been regraded or promoted to another rank.

⁸ The Government set up LSGSC in February 2001 to monitor the progress of and handle issues arising from the implementation of LSGSS. The membership of LSGSC comprises various stakeholders such as the NGO management, staff unions, professional groups, service user groups and SWD representatives, with the Director of Social Welfare being LSGSC's chairman.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(a) Staff issues (cont'd)			
(ii) Salary adjustment – Staff unions are concerned that some NGOs have not fully deployed the additional funding provided by the Government in accordance with the civil service salary adjustments on adjusting staff's salaries. Staff unions also comment that some NGOs do not offer back-pay to staff who have left the NGOs before the additional funding is granted.	Recommendation 3 – As a good management practice for NGOs, the additional funding provided in line with civil service salary adjustments should be spent solely on staff in subvented services.	The Government agrees that the issue should be considered as a good management practice and be addressed in the Best Practice Manual to be developed for the welfare sector. SWD has conveyed the message to NGOs to encourage them to spend the supplementary provision for salary adjustment on staff in subvented services. However, whether NGOs will spend the amount solely on staff will be a management decision according to their human resources policy.	Some staff unions suggest that the Government should put more efforts into providing guidelines and monitoring NGOs' allocation of the additional subventions on salary adjustment.
	Recommendation 4 – In budgeting for non-subvented services, NGOs need to factor in pay adjustments, so that they may be in a better position to meet staff expectations when subvented services receive additional funds for pay adjustments.	Agreed. As a matter of principle, public funds cannot be used to subsidize non-subvented activities. It is therefore important that NGOs factor in price adjustments and contingencies when budgeting for non-subvented services.	

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(a) Staff issues (cont'd)			
(iii) Snapshot Staff – Some NGOs indicate that they face financial pressure in fulfilling their contractual commitments to Snapshot Staff with the cessation of the Tide-over Grant and the Special One-off Grant ⁹ . Consequently, they have to restructure their staffing and salary structures, and accumulate reserves to cope with the challenge. However, staff unions claim that some NGOs have adopted various tactics to reduce the number of Snapshot Staff on their payroll in order to lower their contractual obligations.	As per Recommendation 2, the Government should make available an actuarial service for NGOs to assess their ability to meet Snapshot Staff commitments.	The Government agrees with Recommendation 2. SWD will arrange actuarial service for interested NGOs for this purpose.	As aforementioned, some staff unions doubt the effectiveness of the recommendation.
(iv) Time-limited employment contracts – Staff unions and social work students worry that the trend for NGOs to employ staff on time-limited contracts may affect their job security and career prospect. It may also be detrimental to staff morale and stability of the welfare sector, which in turn may affect the quality of services delivered.	As per Recommendation 1, the administration of employment contract should be addressed in the Best Practice Manual for NGOs to be developed by the sector.	The Government agrees with Recommendation 1. The reconstituted LSGSC as recommended by IRC will work with the sector to draw up the Manual.	As aforementioned, some staff unions and social work students doubt the effectiveness of the Best Practice Manual in addressing the issue of unreasonable remuneration policies in the sector, as it may not have binding force and NGOs may not change their human resources policies according to the Manual.

⁹ The Government provided the Tide-over Grant for five years from 2001-2002 to 2005-2006 and a Special One-off Grant in 2006-2007 to ensure NGOs had adequate funds to meet their contractual commitments to Snapshot Staff and sufficient time to adapt to the new funding system through organization restructuring and service reengineering.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(a) Staff issues (cont'd)			
(v) Equal pay for equal work – Staff unions are concerned about staff members being subject to a lower salary pay scale when compared to their counterparts working in SWD. They claim that unfair pay policies of NGOs may affect staff morale, staff turnover and the quality of services delivered.	As per Recommendation 1, the need to formulate fair pay policies should be addressed in the Best Practice Manual for NGOs to be developed by the sector.	The Government agrees with Recommendation 1. The reconstituted LSGSC as recommended by IRC will work with the sector to draw up the Manual.	Staff unions and social work students perceive that the "equal pay for equal work" issue has not been acknowledged by IRC and the recommendation of developing a Best Practice Manual may not be effective in addressing the issue, as the Manual may not have binding force and NGOs may not change their human resources policies according to the Manual.
(vi) Staff wastage and turnover – Staff unions express concern about the high staff wastage ¹⁰ and turnover rates ¹¹ in NGOs as a result of unfavourable employment conditions and uncertain career prospect. Such a trend may affect the transfer of experience among the practitioners, the continuity and quality of welfare services provided, and the development of the welfare sector in the long run.	Recommendation 5 – SWD should collect data on staff turnover and wastage rates for the purpose of monitoring the sector's overall manpower position. The Government should invite the Advisory Committee on Social Work Training and Manpower Planning (Advisory Committee) to monitor closely the manpower supply in the welfare sector, so as to ensure a stable supply of professional staff.	Agreed. The Advisory Committee has been closely monitoring the manpower situation in the welfare sector. In view of concerns about the turnover and wastage rates of social workers, the Advisory Committee has set up a Working Group to look into the matter.	Staff unions agree that the staff wastage and turnover rates have to be monitored. In addition, some of them suggest that the impacts of staff wastage and turnover on service quality and the professional development of the sector should be recognized and addressed.

¹⁰ Wastage rate refers to the rate of staff leaving the welfare sector.

¹¹ Turnover rate refers to the rate of staff leaving NGOs regardless of whether they will rejoin the welfare sector.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(a) Staff issues (cont'd)			
(vii) Professional development and capacity enhancement – Some NGOs point out that the Government has not provided sufficient funding to support in-service training of staff. They claim that it may affect the professional development of the welfare workforce and lead to deterioration of service quality in the long run.	Recommendation 6 – The Government should set up a HK\$1 billion Social Welfare Development Fund to support training and capacity enhancement initiatives. Grants should be allocated to NGOs on Lump Sum Grant (LSG) based on the merit of their applications.	Agreed in principle. The Government is exploring possible sources of funding having regard to the Government's overall funding priorities. SWD will draw up detailed application procedures and funding criteria in consultation with the sector in due course.	The stakeholders generally support this recommendation. In addition, some stakeholders suggest extending the coverage of the Fund to non-subservent services. Some also make suggestions on the implementation details of the Fund such as the application procedures and fund allocation mechanism.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(b) Financial issues			
<p>(i) Review of the notional staffing establishment and the benchmark¹² of subvention – Some NGOs question whether a historical "benchmark" that makes reference to a notional staffing establishment in 2000 can truly reflect their funding requirements now and in the future. Without a mechanism to review the staffing requirements of subvented welfare services, NGOs worry that funding may be insufficient to meet changing service needs. Besides, some NGOs, especially those with low staff turnover rate, claim that subvention at mid-point salaries of MPS may be inadequate to meet their salary costs and to attract and retain experienced staff. Some NGOs also point out that the subventions allocated for central administration and supervisory staff have been insufficient and that the subventions granted for some new services have been below the benchmark level. Staff unions are concerned about the increase in workload faced by frontline staff as a result of changes in service needs and the restructuring of staffing structures by NGOs to save costs.</p>	<p>Recommendation 7 – In view of the changing service needs, the Government should institute a review mechanism whereby appropriate advisory bodies such as the Social Welfare Advisory Committee (SWAC), the Elderly Commission (EC) and the Rehabilitation Advisory Committee (RAC) may oversee the systematic review of welfare services and ensure that the stakeholders' views are taken into account in the review process.</p>	<p>The Government agrees that reviews of service needs provide a rational basis for assessing funding requirements and that the stakeholders' views should be taken into account. This is being addressed by the macro study on long-term welfare planning by SWAC. Meanwhile, reviews have been/are being carried out in respect of specific services in the light of changing circumstances. Such reviews will continue to be conducted in the future. However, in conducting the reviews, the Government must have regard to resource constraints and the possibility of redeploying existing resources for service enhancement or service transformation.</p>	<p>NGOs and staff unions agree with the recommendation to set up a review mechanism with the involvement of different stakeholders for determining the welfare services and resources allocation strategies for the sector. In addition, some stakeholders suggest that the review may need to assess the staffing establishment and the subvention level required to cope with the development of current and new welfare services in order to address the issue about insufficient subventions to NGOs. Some also suggest conducting systematic research studies on the changing service needs of the society in the review process.</p>

¹² A "snapshot" was taken of each NGO's recognized staffing establishment as at 1 April 2000 (Snapshot Staff). The sum of the salaries of Snapshot Staff at mid-point on the civil service MPS as at 31 March 2000 was the "benchmark" for each NGO for determining the personal emolument provision of the subvention under LSGSS.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(b) Financial issues (cont'd)			
(ii) Adjustment of "other charges" ¹³ subvention – Some NGOs claim that they have difficulty in catching up with inflation and making ends meet as the adjustment factor of "other charges" subvention is determined based on past data and there is also delay in making the adjustment ¹⁴ . Some service users are concerned that NGOs may cut costs at the expense of service quality in view of financial constraints.	Recommendation 8 – In exceptional and justifiable cases, SWD should allow NGOs to advance "other charges" subvention.	Agreed. NGOs are expected to make use of their reserves to meet contingency and cash flow requirements in the first instance.	No specific comment on this recommendation.

¹³ "Other charges" include utilities, food, administrative expenses, stores and equipment, repair and maintenance, programme expenses, transportation and travelling, insurance and miscellaneous expenses.

¹⁴ "Other charges" subvention is adjusted annually according to a government-wide adjustment factor. The adjustment factor is determined by the Census and Statistics Department based on price movements of "other purchases of goods and services" procured by the Government in a 12-month period ending 30 September comparing with those in the previous 12-month period. Any adjustments in subvention will then take effect in the following April.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(b) Financial issues (cont'd)			
(iii) LSG reserves ¹⁵ – NGOs state that they may need to accumulate reserves to honour their contractual commitments to Snapshot Staff and to sustain their operation and long-term development. However, staff unions and frontline staff opine that NGOs' sizeable reserves may come from cutting staff costs.	Recommendation 9 – In managing their reserves, NGOs should take into account their Snapshot Staff commitments, as well as the need for service enhancement and staff development. As per Recommendation 2, they may make use of the government-funded actuarial service to assess their ability to meet Snapshot Staff commitments.	Agreed.	Some staff unions opine that the fundamental issue about the inadequacy of subventions at the mid-point salaries of MPS may have to be addressed to tackle the issue about LSG reserves.
	Recommendation 10 – SWD should establish a mechanism whereby NGOs anticipating financial difficulties can alert SWD in advance, so that remedial measures can be taken as appropriate before the NGOs concerned exhaust their reserves.	Agreed. NGOs have the primary responsibility for managing their resources and ensuring financial viability, but SWD stands ready to assist them so as to ensure that service provision will not be adversely affected.	Some stakeholders agree with the recommendation but some comment that the Review Report has not clearly stated what "remedial measures" will be taken by SWD in case NGOs face financial difficulties.
	As per Recommendation 1, the Best Practice Manual recommended for the welfare sector should also address issues in relation to the level of reserves and their gainful deployment.	The Government agrees with Recommendation 1. The reconstituted LSGSC as recommended by IRC will work with the sector to draw up the Manual.	As aforementioned, staff unions and social work students doubt the effectiveness of the Best Practice Manual, as it may not have binding force and NGOs may not change their management policies according to the Manual.

¹⁵ Under LSGSS, NGOs can retain unspent funds in their reserves to meet future liabilities. The level of cumulative reserves (including interest but excluding provident fund reserve) at the end of the financial year is capped at 25% of the operating expenditure of an NGO (excluding provident fund expenditure) for that year. However, SWD granted exemption from 2004-2005 to 2006-2007 allowing NGOs to accumulate reserves above the 25% cap. The reserves must be used on Funding and Service Agreement (FSA) activities and related support services.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(b) Financial issues (cont'd)			
(iv) Provident fund (PF) reserves ¹⁶ – Some staff representatives point out that NGOs may not have fully deployed the PF provisions on PF contributions to non-Snapshot Staff and have accumulated the surplus in the reserves instead.	Recommendation 11 – NGOs should fully deploy the PF provisions and reserves for non-Snapshot Staff on PF contributions, including possibly special contributions to award non-Snapshot Staff for their good performance.	Agreed.	Some stakeholders agree with this recommendation.
(v) Reduction in the baseline provision under the Enhanced Productivity Programme (EPP) and Efficiency Savings (ES) ¹⁷ – NGOs claim that the reduction of 9.3% subventions as a result of the implementation of EPP and ES may have incapacitated their financial position to meet their commitments and undertake new initiatives. Some NGOs suggest that the Government should fund them according to the "true benchmark" in order to ease their financial constraints.	Recommendation 12 – Recognizing NGOs' achievements in enhancing efficiency and productivity under EPP and ES, it is recommended that the need for additional funding should only be justified by a systematic review of service needs.	Agreed. As mentioned above, in conducting the reviews of welfare services, the Government must have regard to resource constraints and should also consider redeployment of existing resources.	The stakeholders comment that IRC has not acknowledged the issue about the reduction in baseline subventions and its impacts on service quality and the development of the sector.

¹⁶ Under LSGSS, the PF provision is calculated on an actual basis for Snapshot Staff and at 6.8% of the mid-point salaries of the recognized notional establishment of NGOs for non-Snapshot Staff. NGOs can save the surplus of the PF provisions for non-Snapshot Staff under a separate PF reserve account for future use.

¹⁷ The Government implemented EPP between 2000-2001 and 2002-2003 to reduce recurrent expenditures of the Government and subvented sectors. Cumulative savings of 4% was achieved by the subvented welfare sector in the period. In 2003-2004, the Government applied an across-the-board 1.8% ES reduction to NGO's subventions, followed by another 2.5% reduction in 2004-2005. A further 1% reduction was applied to NGOs in 2005-2006, with the exemption of NGOs with recurrent subventions below HK\$3 million.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(c) Interactions between the Government and NGOs			
(i) LSGSC – Some stakeholders are concerned about the representativeness of the membership of LSGSC and its effectiveness in handling issues related to LSGSS.	Recommendation 13 – LSGSC should be reconstituted to strengthen its role and composition, so that it can lead the sector in the continuous development of LSGSS.	Agreed. LSGSC will be reconstituted to include more independent members who are neither NGO management nor NGO staff. The implementation of this initiative will be considered in conjunction with the establishment of an Independent Complaints Handling Committee as proposed by IRC (Recommendation 33).	Some stakeholders agree with the recommendation but they are concerned about the membership, roles and accountability of the reconstituted LSGSC.
(ii) Transparency in LSG computation – Some NGOs comment that there is low transparency of the basis of calculating the personal emolument and other charges portions of LSG, especially for new services, and the basis for their adjustment. They claim that it may affect their service planning and resources allocation.	Recommendation 14 – For the sake of transparency, SWD should be prepared to explain, at the request of individual NGOs, the basis of their LSG calculations.	Agreed. As pointed out in the Review Report, NGOs under LSGSS have the primary responsibility for working out their own resource allocation plans, and need not rely on SWD's LSG calculations. Nevertheless, for the sake of transparency, SWD is ready to supply the breakdown of the LSG calculations to NGOs on a case-by-case basis if they make such requests.	The stakeholders generally agree with the recommendation. Some stakeholders suggest that SWD should disclose the basis of LSG calculations to all NGOs instead of at the request of individual NGOs.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(c) Interactions between the Government and NGOs (cont'd)			
(iii) Revisions and continuous updates of the LSG Manual ¹⁸ – IRC points out that the Manual has not been updated since the release of the second edition in October 2000 and information contained in the supplementary circulars issued since 2000 has not been incorporated in the Manual. It may cause confusion and inconvenience for stakeholders.	Recommendation 15 – SWD should revise the LSG Manual in consultation with the stakeholders, update it regularly, and announce such changes on SWD's website in the first instance. NGOs should also be notified instantaneously by email.	Agreed. This will be one of the tasks to be carried out by the reconstituted LSGSC.	Some stakeholders suggest that the revision process of the LSG Manual should be more transparent.
(iv) Co-ordination among different branches of SWD and their communications with NGOs – Some NGOs comment that they sometimes receive inconsistent advice from different branches of SWD regarding the implementation details of LSGSS. Some also reflect that the Agency Officer system ¹⁹ is not effective in promoting communications between SWD and NGOs.	Recommendation 16 – SWD should rationalize the Agency Officer system with a team of officers who are familiar with the rules and operations of the Subventions, Finance and Service Branches ²⁰ and can provide prompt advice to NGOs on all LSG-related issues. The resources thus released may be redeployed to step up existing work such as quality inspections or implement new initiatives.	Agreed. The Agency Officer system will be rationalized and the Agency Officers will be SWD's first contact point to provide prompt advice to NGOs on LSG-related issues.	Some stakeholders agree with the recommendation.

¹⁸ SWD developed the LSG Manual to provide NGOs with a self-contained reference about how LSGSS operates. The LSG Manual sets out the following information and requirements about the funding system: (a) structure of LSGSS; (b) arrangements for the Tide-over Grant and provident fund provision; (c) financial management under LSGSS; (d) roles and accountability of SWD and NGOs for the use of public funds; and (e) advice on best management practices and processes.

¹⁹ To facilitate communications between SWD and NGOs, the Subventions Branch of SWD has designated an Agency Officer for each NGO to provide one-stop service and advice about LSGSS.

²⁰ The Subventions Branch is responsible for formulating, executing and reviewing subvention policies, rules and procedures; and monitoring service performance. The Finance Branch is responsible for monitoring the financial arrangements of NGOs. The Service Branches are responsible for reviewing service needs and preparing specifications for new projects.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(d) Flexibility, efficiency and cost-effectiveness			
(i) SWD's audit procedures – Many NGOs consider that SWD's audit procedures are as stringent as those under the conventional subvention mode so that they are discouraged from deploying resources flexibly.	Recommendation 17 – SWD should conduct a thorough review of its audit procedures to ensure that they are effective in monitoring the use of public funds and do not compromise NGOs' flexibility under LSGSS.	Agreed. SWD has commissioned, through the Efficiency Unit, a consultancy study for this purpose. The consultant is expected to submit its recommendations in the first quarter of 2009.	Some stakeholders agree with the recommendation.
(ii) Definition of Funding and Service Agreement (FSA)-related activities ²¹ – Some NGOs opine that the definition of "FSA-related activities" is unclear, and different officers within SWD may offer different interpretations, which hinders NGOs' flexibility in deploying resources across different services and developing new services.	Recommendation 18 – To avoid misunderstanding, NGOs should consult SWD in a timely manner as to what constitute "FSA-related activities" before conducting such activities. As per Recommendation 16, SWD should set up a team to provide prompt advice on LSG-related issues.	Agreed.	Some stakeholders suggest that the Government may need to review the scope and objectives of FSAs with NGOs regularly and allow NGOs to design and implement the related activities accordingly.

²¹ Under LSGSS, each subvented service unit operated by NGOs will have an FSA with SWD defining the welfare services to be provided, the required performance standards in terms of output and outcome, and other essential service requirements such as staff qualifications and availability of appropriate equipment. According to the LSG Manual, NGOs may redeploy LSG resources across service units governed by FSAs and across cost items.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(d) Flexibility, efficiency and cost-effectiveness (cont'd)			
(iii) Financial reporting requirements – Some NGOs consider the requirement to break down their financial accounts by service units in accordance with FSAs in the Annual Financial Report (AFR) to be unnecessarily cumbersome.	Recommendation 19 – SWD should streamline its financial reporting requirements, including dropping the requirement for NGOs to provide analyses of incomes and expenditures by programme area and by FSA.	Agreed with Recommendations 19 and 20. The submission deadline of AFR will be postponed from July to October.	Some stakeholders suggest that AFRs of NGOs may have to cover their achievements in service improvements or innovations and their implementation progress of the Best Practice Manual.
(iv) Deadline for submission of AFR – NGOs have difficulty meeting the deadline to submit their AFRs by 31 July (four months after the end of the financial year).	Recommendation 20 – SWD should review the deadline for NGOs to submit their AFRs, taking into account the practicability of the requirement.		No specific comment on this recommendation.
(v) Preparation of AFR on a cash accounting basis – NGOs usually prepare their audited financial statements on an accrual basis which is the generally accepted accounting practice. However, as SWD requires NGOs to prepare AFR on a cash accounting basis, NGOs require additional resources to prepare two sets of accounts.	IRC agrees with SWD that cash accounting is necessary for reporting on public accounts and that the requirement for NGOs to prepare AFR on a cash basis has to be retained.	The Government has not responded to this issue.	No specific comment on this recommendation.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(d) Flexibility, efficiency and cost-effectiveness (cont'd)			
(vi) Flexibility of small NGOs – Small NGOs comment that they have limited scope to exercise flexibility in resources allocation due to their small scale of operation and the lack of central administration support.	Recommendation 21 – SWD should set up a help desk to provide management advice to small NGOs and to facilitate their collaborative efforts. To help small NGOs develop, SWD should also make available additional resources for them to strengthen their administrative and professional support. Small NGOs may apply for grants up to HK\$300,000 (or 10% of its LSG, whichever is lower) each year for a total of four years.	Agreed. SWD will set up a help desk to provide management advice to small NGOs and facilitate their collaborative efforts. SWD is also identifying resources for small NGOs to strengthen their administrative and professional support.	Small NGOs support the recommendation in general. However, they expect the application procedures to be simple.
	Recommendation 22 – The definition of "small NGOs" should be standardized so that the assistance to them can be more targeted and effective. For this purpose, small NGOs should more appropriately be defined as NGOs with an annual LSG of less than HK\$5 million and an annual expenditure below HK\$10 million.	Agreed. SWD has no objection to adopting the proposed definition of small NGOs for all purposes relating to LSGSS.	Some small NGOs suggest defining "small NGOs" as subvented NGOs without a full-time subvented post for service-coordinator at the rank of Social Work Officer when the snapshot was taken in 2000.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(d) Flexibility, efficiency and cost-effectiveness (cont'd)			
(vii) Bidding of new services ²² – Small NGOs comment that they face difficulties in competing with bigger NGOs in bidding for new services because they do not have sufficient resources, facilities and variety in services to add value to their service proposals.	Recommendation 23 – Small NGOs may consider submitting joint proposals to enhance their competitiveness in bidding for new services. While NGOs participating in such joint ventures have to identify a representative to sign FSA and liaise with SWD, they should also enter into an agreement among themselves to set out clearly their individual contributions and shared responsibilities.	The Government welcomes joint proposals from NGOs. SWD will liaise with NGOs' representative on FSA and defer to the NGOs concerned to consider entering into an agreement among themselves.	No specific comment on this recommendation.
	Recommendation 24 – In inviting bids for new services, SWD should make known to prospective bidders the relative weighting of the various aspects of a proposal in the marking scheme.	Agreed. The pilot measure to provide an abridged version of the marking scheme in inviting service proposals can become a standard practice.	Some stakeholders agree with the recommendation to increase the transparency of the marking scheme of the service proposals and suggest disclosing the ratings on the proposals to the respective bidders.

²² All new welfare services have been commissioned to NGOs through "invitation of proposal", "competitive bidding" or "in-situ expansion" since 2001. In "invitation of proposal", SWD invites suitable NGOs to submit proposals for the operation of a particular service at a level of funding determined by SWD. "Competitive bidding" is the commissioning of service through a bidding process open to both NGOs and the private sector, but the cost of operation is fixed. "In-situ expansion" refers to the expansion of existing service units by the NGOs concerned.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(d) Flexibility, efficiency and cost-effectiveness (cont'd)			
<p>(vii) Bidding of new services (cont'd) – Some frontline staff express that they have to spend considerable time and efforts on preparing service proposals, leaving them less time to spend on service delivery. Moreover, some staff indicate that NGOs have pooled resources from existing services to add value to the proposed new services. Such arrangement has increased workload of existing staff and affected the quality of existing services.</p>	<p>Recommendation 25 – NGOs should carefully consider their resource implications before preparing service proposals. NGOs should also take into account the views of their staff and share with them the considerations in submitting service proposals.</p>	<p>Agreed.</p>	<p>Some stakeholders comment that the impacts of allocating new services through bidding on NGOs' resources management and service quality have not been recognized and addressed by IRC.</p>
	<p>Recommendation 26 – SWD should look into the possibility of simplifying the process for the allocation of new services, such as introducing a two-stage tendering process (i.e. only bidders who can meet the basic requirements in the first "qualification" stage may proceed to submit the full proposal in the second stage), so that resources can be saved both in the preparation of service proposals and in the vetting of proposals.</p>	<p>Agreed. SWD is already adopting various measures to save NGOs' time and efforts in preparing new service proposals. SWD will continue to explore other facilitating measures, including the two-stage tendering process proposed by IRC.</p>	

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(d) Flexibility, efficiency and cost-effectiveness (cont'd)			
(viii) Business Improvement Project (BIP) Scheme ²³ – Some NGOs indicate that they have difficulty meeting SWD's requirement for NGOs to contribute 20% of the project cost.	Recommendation 27 – As per Recommendation 6, a new Social Welfare Development Fund should be established and take over the function of the BIP Scheme. It is for SWD to consider whether NGOs should still be required to contribute at the present or a lower level to the projects supported by the new Fund.	As mentioned above, the Government agrees in principle to set up a new Social Welfare Development Fund, subject to funding approval. SWD will draw up detailed application procedures and funding criteria in consultation with the sector.	As aforementioned, the stakeholders support the set up of a Social Welfare Development Fund.
(e) Accountability and corporate governance of subvented NGOs			
(i) Flexibility under LSGSS – Staff unions and frontline staff are concerned about possible abuse of flexibility under LSGSS among NGOs, particularly for their human resources management practices. They also comment that some NGOs have low transparency in making management decisions and that the Government does not have adequate monitoring of their management practices.	As per Recommendation 1, a Best Practice Manual should be drawn up for the welfare sector. It should also address corporate governance and accountability issues.	The Government agrees with Recommendation 1. The reconstituted LSGSC as recommended by IRC will work with the sector to draw up the Manual.	Some staff unions opine that IRC has not fully explored the possible negative impacts of granting "flexibility" to NGOs under LSGSS on the sector such as low staff morale, instability of the work force and deterioration of service quality. Many staff unions also doubt the effectiveness of the Best Practice Manual in addressing the corporate governance and accountability issues of NGOs, as it may not have binding force and NGOs may not follow the guidelines in the Manual accordingly.

²³ SWD launched the BIP Scheme in 2001 to assist NGOs in carrying out projects to improve service quality, efficiency and responsiveness under the LSG environment.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(e) Accountability and corporate governance of subvented NGOs (cont'd)			
(ii) Roles of NGO's governing board and management – IRC points out that some NGOs do not have clear delineation of the roles and responsibilities of their governing board and management. Staff unions remark that staff and service users do not have representation in the governing boards of NGOs to express their views and participate in making management decisions.	As per Recommendation 1, a Best Practice Manual should be drawn up for NGOs. It should also address issues in relation to the roles of NGO boards and management under LSGSS, as well as how frontline staff and service users can be involved in the decision making process for important management issues.	The Government agrees with Recommendation 1. The reconstituted LSGSC as recommended by IRC will work with the sector to draw up the Manual.	Some stakeholders agree with the recommendation to enhance the involvement of frontline staff and service users in NGOs' decision making process for important management issues. Some also propose the establishment of regular communication channels between NGO management and staff and increased transparency of NGOs' management decisions.
(iii) Financial information disclosure – Staff unions are concerned about the lack of transparency of how NGOs allocate their subventions, especially for the remuneration of frontline staff and senior executives.	<p>Recommendation 28 – A formal public accountability framework should be in place for NGOs to disclose their AFRs submitted to SWD so that they will also be accountable to the public for the proper and prudent use of public funds.</p> <p>Recommendation 29 – SWD should fully consult NGOs with a view to implementing the Government's guidelines on the monitoring of remunerations of senior executives in subvented bodies²⁴.</p>	The Government agrees in principle with Recommendations 28 and 29. It will consult the sector through LSGSC on how best these recommendations may be taken forward.	The stakeholders agree with the recommendations to enhance the accountability and transparency of NGOs in their usage of public funds and the monitoring of remunerations of their senior executives. Some further suggest setting up a monitoring mechanism to ensure NGOs' compliance with the related guidelines.

²⁴ A set of guidelines introduced by the Government in 2003 requires that subvented bodies receiving more than HK\$10 million a year from the Government, and where such amount accounts for more than 50% of their operating incomes, should review their senior staff's number, ranking and remuneration each year, unless otherwise exempted by virtue of their special circumstances.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(f) Impact of LSGSS on the quality of welfare services			
<p>(i) The Service Performance Monitoring System (SPMS)²⁵ – Some frontline staff and service users comment that SPMS focuses on measuring NGOs' performance in terms of quantitative outputs instead of the outcome of services and may not be able to truly reflect the quality of services delivered. IRC points out that SPMS relies primarily on NGOs' self assessment and their initiatives to improve²⁶ and questions whether it can provide sufficient checks and balances on NGOs.</p>	<p>Recommendation 30 – SWD should conduct more frequent service performance inspections and surprise visits, and systematically collect service users' feedback.</p>	<p>In the spirit of LSGSS, the current quality assurance mechanism encourages NGOs to manage their own performance and assure quality at source. SWD will step up service inspections and surprise visits if necessary.</p>	<p>Some stakeholders suggest that FSAs may have to be reviewed to better reflect the service needs of users and the quality of services delivered.</p>

²⁵ SPMS was introduced in 1999 for monitoring NGOs' service performance through the establishment of FSAs and Service Quality Standards (SQSs). NGOs are required to meet the required performance standards stated in FSAs and comply with a set of 16 SQSs which defines the quality of management and service provision that each service unit of the NGOs is expected to attain.

²⁶ Under SPMS, NGOs are assessed on their service performance through the following four methods: (a) annual self-assessment on each service unit on the compliance with SQSs and performance standards; (b) periodic statistical reporting on the performance of each service unit and achievement of planned targets; (c) review visits conducted by SWD to randomly selected service units of each NGO in a three-year cycle; and (d) on-site assessment of new service units and other units with identified or suspected service performance problems. If a service unit is assessed to be non-conforming with the performance standards, it will have to submit a service improvement plan to SWD within an agreed time frame. If a unit fails to improve after repeated requests, SWD may withdraw its subvention.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(f) Impact of LSGSS on the quality of welfare services (cont'd)			
(ii) Concerns about service quality – As aforementioned, staff unions worry that the human resources policies of NGOs may affect staff morale, staff turnover and the quality of services delivered. Some frontline staff also indicates that some NGOs stretch their human resources to the limit to reach the quantitative output targets of SWD, such as the number of cases handled. This arrangement increases the workload of staff and in turn affects service quality. Some service users also express concern about the impact of the staff turnover and heavy workload issues on service quality.	As per Recommendation 7, to address the concerns about staff turnover and workload and their impact on service quality, the Government should institute a mechanism whereby appropriate advisory bodies such as SWAC, EC and RAC may oversee the systematic review of welfare services and ensure that the stakeholders' views are taken into account in the review process.	The Government agrees that reviews of service needs provide a rational basis for assessing funding requirements and that the stakeholders' views should be taken into account. For the details, please refer to Government's response to Recommendation 7 on page 7.	Some stakeholders comment that IRC has not acknowledged the possible negative impacts of LSGSS on service quality. Some opine that the service quality issue may only be resolved by addressing the root issues of LSGSS such as insufficient subventions at the benchmark level, and inadequate monitoring of NGOs' human resources policies and service quality.
(iii) Social welfare planning – Many stakeholders comment that the Government does not have a formal service review and planning mechanism for developing the medium- and long-term welfare services and resources allocation strategies for the sector. It may affect NGOs' long-term service planning and their capability to meet changing service needs.	Recommendation 31 – The Government, having regard to SWAC's recommendations, should work more closely in partnership with the sector to establish a practicable and sustainable mechanism for implementing a visionary welfare plan for Hong Kong.	SWAC is undertaking a study on welfare planning and intends to fully consult the sector before making recommendations to the Government.	As aforementioned, the stakeholders agree with the recommendation to set up a service review and planning mechanism.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(f) Impact of LSGSS on the quality of welfare services (cont'd)			
(iv) Fee-charging services ²⁷ – Some service users point out that there has been an increase in fee-charging services in the welfare sector since the implementation of LSGSS.	IRC agrees with the arrangement for allowing NGOs to charge fees for their value-added services. However, to safeguard the interests of service users, IRC urges NGOs to fully comply with the requirements in the LSG Manual regarding fees and charges ²⁸ .	The Government has not responded to this issue.	No specific comment on this recommendation.

²⁷ According to SWD, the fee-charging policy for subvented NGOs governs three types of fees. Among them, membership fees (e.g. those of social centres and supportive services for the handicapped) and service fees (e.g. those of residential services for the elderly and handicapped) are set by SWD, and the recognized fee income is taken into account in determining LSG. The third type is set by NGOs according to their own fee-charging systems. These fees are for cost recovery and the income must be spent entirely on subvented activities.

²⁸ As stipulated in the LSG Manual, NGOs are required to observe the following requirements in administering fees and charges: (a) they must manage those fees and charges which produce recognized income for the purpose of offsetting subvention in accordance with the existing practices and procedures; (b) if NGOs wish to introduce new user fees and charges for value-added services in respect of the services governed by FSAs, they must ensure that the proposed new fees and charges do not affect their FSA activities; are not detrimental to the interests of users; and have obtained SWD's prior approval; and (c) all fees and charges must be clearly displayed in their service units so that users have unhindered access to the information.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(g) Handling of complaints			
(i) Effectiveness of the existing complaint handling mechanism ²⁹ – Some stakeholders express concern about LSGSC's ineffectiveness and lack of independence in handling LSG-related complaints as some LSGSC members are also members of NGO management or staff unions.	Recommendation 32 – Complaints made by service users and staff against subvented NGOs or their service units should be handled in the first instance by the NGOs concerned according to their established policy. How their management and governing boards should better perform their respective roles in this regard should be addressed in the sector's Best Practice Manual to be drawn up as per Recommendation 1.	Agreed.	The stakeholders agree with the recommendation to set up an Independent Complaints Handling Committee in general. In addition, there are suggestions that the new complaint handling mechanism should also handle disputes between SWD and NGOs regarding the implementation of LSGSS, and complaints about staff issues and service quality.
	Recommendation 33 – An Independent Complaints Handling Committee should be set up to determine LSG-related complaints that cannot be satisfactorily addressed at the NGO level and recommend improvements to LSGSS. The Director of Social Welfare should be informed of the decisions and recommendations of the Committee, and take follow-up actions as appropriate.	Agreed.	

²⁹ Pursuant to SPMS, NGOs are required to set up their own complaint handling mechanism to resolve complaints raised by staff members and service users. Besides, complaints against subvented NGOs may also be lodged with SWD for resolution. LSGSC may get involved in resolving LSGSS-related complaints addressed specifically to it.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(g) Handling of complaints (cont'd)			
(ii) Anonymous complaints – Some NGOs raise concern about the difficulty and wastage of resources involved in handling anonymous complaints which are referred by SWD for follow up action.	Recommendation 34 – For anonymous complaints, where SWD does not require any feedback from or investigation by the NGO concerned, it should make that clear to the NGO to avoid unnecessary work.	Agreed.	No specific comment on this recommendation.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(h) Related issues			
<p>(i) Support to NGOs from the Lotteries Fund (LF)³⁰ – Some NGOs reflect that the Block Grant (BG)³¹ allocation is insufficient to meet their maintenance needs, as an agency cap at 1% of the recurrent subvention of the respective NGO is imposed. This problem is aggravated by the high thresholds for items to be charged to the major grants³² which induce NGOs to charge many essential but costly items to BG. Some NGOs are also concerned about the long processing time for major grant applications.</p>	<p>Recommendation 35 – SWD should review the LF vetting procedures and funding rules, and consider, inter alia, the following improvements, so as to make better use of LF:</p> <p>(a) increasing the agency cap of BG to 1.5%;</p> <p>(b) for furniture and equipment items, lowering the threshold for major grant applications to HK\$50,000;</p> <p>(c) where a project is carried out under the supervision of Authorized Persons or consultants³³, the Government should consider placing more reliance on their professional certification to expedite the vetting process; and</p> <p>(d) where a project is proposed to be named after a donor, SWD may maintain the requirement that the donor makes a contribution of at least 20% of the project cost, of which only an amount equal to 10% of the project cost will be used to offset the LF grant, while the NGO concerned may use the remainder to upgrade the project.</p>	<p>The Government agrees with Recommendation 35(a), (b) and (d) in principle and will consult the LF Advisory Committee. As regards (c), the Government will consider how to get the most out of Authorized Persons' professional input without compromising the vetting procedures which are essential for safeguarding public interests.</p>	<p>Some stakeholders agree with the recommendation. Some others suggest that a comprehensive review of LF is required to cater for changes in the operation of NGOs.</p>

³⁰ LF was created in 1965 with the proceeds from the Mark Six Lottery as its main source of income. LF is primarily used to purchase furniture and equipment for the provision of welfare services by NGOs, finance the capital expenditures of welfare projects and provide one-off grants to experimental projects with a limited duration.

³¹ SWD invites applications from subvented NGOs for BG each year for the replenishment of furniture and equipment items costing no more than HK\$100,000 and minor works for existing premises costing no more than HK\$500,000. To ensure proportionality and equity amongst NGOs, an agency cap at 1% of the recurrent subvention of the respective NGO has been imposed on the BG provision since 2003-2004.

³² NGOs may apply for a major grant to purchase furniture and equipment items costing more than HK\$100,000 or carry out major renovation or maintenance works costing more than HK\$500,000.

³³ NGOs are required to engage Authorized Persons or consultants for major LF-funded works projects. The Authorized Persons or consultants will be responsible for designing the project, preparing tender documents and supervising the works.

Table – Issues raised by the stakeholders, recommendations of the Lump Sum Grant Independent Review Committee, and responses of the Government and the stakeholders to the recommendations (cont'd)

Issues raised by the stakeholders	Recommendations of the Lump Sum Grant Independent Review Committee	Responses of the Government	Responses of the stakeholders
(h) Related issues (cont'd)			
(ii) Supply of paramedical staff – NGOs express concern about the shortage of paramedical staff, especially nurses, and the need to offer better remuneration packages to attract and retain them, often at the expense of other staff members.	Recommendation 36 – SWD should, in response to the labour market situation, provide additional resources for three years to welfare NGOs which need to employ paramedical staff or hire their services, so that they may offer more competitive salaries to recruit and retain these staff.	Agreed. The Government will assess the amount required and seek necessary funding.	The stakeholders support the recommendation.

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