

**For information
on 14 May 2010**

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Legislative Council Panel on Welfare Services

Report on the Progress of the Implementation of Recommendations of the Lump Sum Grant Independent Review Committee

Purpose

This Paper briefs Members on the progress of the implementation of the recommendations made by the Lump Sum Grant Independent Review Committee (LSGIRC) in its Review Report on the Lump Sum Grant Subvention System (LSGSS).

Background

2. The LSGIRC, appointed by the Secretary for Labour and Welfare to assess the overall effectiveness of the LSGSS and identify areas for improvement, completed its task and submitted a report on its findings and recommendations to the Government in December 2008. The LSGIRC considered that the principles of the LSGSS are sound and therefore the system is worth retaining and every effort should be made to improve it. To address the stakeholders' concerns and improve the LSGSS, the LSGIRC made 36 recommendations in the Review Report.

3. At the special meeting of the Panel on Welfare Services (the Panel) of the Legislative Council held on 19 December 2008, Members were briefed on the Review Report prepared by the LSGIRC. A further special meeting of the Panel was held on 17 January 2009 to receive views from deputations. The Administration provided responses to the recommendations of the Review Report and the concerns raised by Members and deputations at the Panel meeting on 9 February 2009. The Administration also indicated that it accepted in principle all the 36 recommendations and would take them forward in concert with the welfare sector and seek funding approval as necessary, with a view to introducing

most of the new initiatives by the end of 2009.

Implementation Progress

Overview

4. The implementation of the LSGIRC recommendations followed the planned schedule: among the 36 recommendations, 33 were introduced by the end of 2009, and the remaining three in January 2010.

5. As recommended by the LSGIRC, the Lump Sum Grant Steering Committee (LSGSC) was reconstituted in April 2009 to steer and monitor the implementation of the LSGIRC recommendations. Apart from members from management, staff unions/associations and service users of subvented non-governmental organisations (NGOs), new independent members from various professions, including academics, accountant, solicitor and business managers were appointed as members to contribute expert views in regard to various recommendations relating to human resources and financial concerns. The LSGSC held four meetings from May 2009 to January 2010 to deliberate, advise, refine and endorse the implementation proposals drawn up by the Administration.

6. Out of the 36 recommendations, eight require extra resources for implementation. The Administration has reserved or deployed resources for carrying out four recommendations, namely –

- (a) drawing up the Best Practice Manual (*Recommendation 1*);
- (b) conducting the First Round Pilot of Actuarial Service (*Recommendation 2*);
- (c) setting up a Help Desk for Small NGOs (*Recommendation 21*);
and
- (d) setting up the Secretariat for the Independent Complaints Handling Committee (*Recommendation 33*).

As for the other four recommendations, Lotteries Fund (LF) grants have been earmarked in 2010-11 for –

- (a) launching the first three-year phase (i.e. from 2010-11 to 2012-13) of the Social Welfare Development Fund (SWDF) (*Recommendation 6*);
- (b) providing additional resources for Small NGOs (*Recommendation 21*);
- (c) increasing the Block Grant from 1% to 1.5% of the respective NGO's recurrent subvention allocation for the year (*Recommendation 35*); and
- (d) providing additional resources for NGOs which need to employ para-medical staff or hire their services (*Recommendation 36*).

Progress of Implementation of the Recommendations

7. The Social Welfare Department (SWD) has implemented the recommendations of the LSGIRC as appropriate with a progress summary at **Annex**.

Way Forward

8. While all the 36 recommendations have been implemented or introduced by January 2010, some of recommendations, including the Best Practice Manual (*Recommendation 1*), Actuarial Service (*Recommendation 2*), SWDF (*Recommendation 6*), require a longer time span to accomplish. The Administration will continue to work closely with the reconstituted LSGSC to ensure that they are implemented in accordance with the respective objectives designated by the LSGIRC.

Advice Sought

9. Members are invited to note the progress of the 36 LSGIRC

recommendations.

Labour and Welfare Bureau
Social Welfare Department
May 2010

Summary of Progress of Implementation of LSGIRC Recommendations

Recommendation No.	Recommendation	Progress
Recommendations in relation to Staffing Arrangements		
1	A Best Practice Manual for NGOs on various management issues such as human resource policies should be developed by the welfare sector, with professional input from management experts if necessary.	The scope of the Manual, which will cover human resource management, financial management, corporate governance and accountability, has been endorsed by the LSGSC. Our plan is to award the contract to a management consultancy in mid-2010. A draft Manual is expected to become available in around mid-2011.
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.	With the endorsement of the LSGSC, a pilot actuarial study on one NGO by a management consultancy will commence in May 2010. After the 6-month pilot study, the NGO will share its experience of participating in the pilot study with other NGOs subvented under the LSGSS before the launch of the Second Round Actuarial Study, tentatively scheduled for 2011-12.

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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.	As agreed by the LSGSC, the issue, being a human resource management concern, should be addressed in the Best Practice Manual (i.e. Recommendation 1).
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.	This recommendation was made by the LSGIRC to NGOs subvented under the LSGSS as an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 requesting their attention and follow up on the measure with immediate effect.
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	The ACSWTMP has been keeping track of the manpower situation in the welfare sector through the Social Work Manpower Requirements System. Based on the data collected from the tertiary institutions and organisations employing social workers, annual reports on social work manpower supply and demand are

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	<p>Advisory Committee on Social Work Training and Manpower Planning (ACSWTMP) to monitor closely the manpower supply in the welfare sector, so as to ensure a stable supply of professional staff.</p>	<p>published for information by the ACSWTMP, Social Welfare Advisory Committee (SWAC), Labour and Welfare Bureau and Education Bureau. Training institutions also have access to such information through their representatives on the ACSWTMP. The ACSWTMP has set up a Working Group to study the issue of turnover and wastage of social workers. The data collection process has just been completed and the Working Group will produce a report on the study later.</p>
<p>6</p>	<p>The Government should set up a \$1 billion SWDF to support training and capacity enhancement initiatives. Grants should be allocated to NGOs on lump sum grant based on the merit of their applications</p>	<p>The Lotteries Fund Advisory Committee (LFAC) had granted approval-in-principle in November 2009 for setting up the \$1 billion SWDF from LF to support the following:</p> <ul style="list-style-type: none"> (a) Training and professional development for NGO board members, management and staff (not limited to social workers), covering also the costs of workers to relieve staff who go on training; (b) Business system upgrading for NGOs (both information technology (IT) and non-IT projects); and

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		<p>(c) Studies aimed at enhancing NGOs' service delivery.</p> <p>The SWDF will be implemented in three 3-year phases, i.e. the first phase from 2010-11 to 2012-13, and the second and third phases from 2013-14 to 2015-16 and from 2016-17 to 2018-19 respectively. Each eligible NGO may apply up to the total of 9% of its annual SWD subventions in 2009-10, or \$2 million, whichever is the higher, from the SWDF.</p> <p>NGOs can submit their applications for SWDF in Phase 1 during the application period from 15 January 2010 to 30 June 2010.</p>
<p>Recommendations in relation to Financial Issues and Interactions between the Government and NGOs</p>		
7	<p>In view of the changing service needs, the Government should institute a review mechanism whereby appropriate advisory bodies such as the Social Welfare</p>	<p>The long-term social welfare planning study undertaken by SWAC will review the planning and provision of welfare services from a macro and holistic perspective. Meanwhile, SWD has been reviewing specific services in the light of changing circumstances and such reviews will continue to be carried out in future. In</p>

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	Advisory Committee, Elderly Commission, Rehabilitation Advisory Committee, etc. may oversee the systematic review of welfare services and ensure that stakeholders' views are taken into account in the review process.	conducting the reviews, due regard will be given to resource constraints and the possibility of redeploying existing resources for service enhancement or service transformation.
8	In exceptional and justifiable cases, SWD should allow NGOs to advance Other Charges subventions.	This is an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 announcing that the measure was implemented with immediate effect.
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.	This recommendation was made by the LSGIRC to NGOs subvented under the LSGSS as an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 requesting their attention and follow up on the measure with immediate effect.

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10	SWD should establish a mechanism whereby NGOs which anticipate financial difficulties can alert SWD in advance, so that remedial measures can be taken as appropriate before the NGOs concerned exhaust their reserves.	This is an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 announcing that the measure was implemented with immediate effect.
11	NGOs should fully deploy the Provident Fund (PF) provisions and reserves for non-Snapshot Staff on PF contributions, including possibly special contributions to award non-Snapshot Staff for their good performance.	This recommendation was made by the LSGIRC to NGOs subvented under the LSGSS as an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 requesting their attention and follow up on the measure with immediate effect.
12	Recognising NGOs' achievements in enhancing efficiency and productivity under the Enhanced	This is an on-going improvement measure.

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	<p>Productivity Programme/ Efficiency Savings, it is recommended that the need for additional funding should only be justified by a systematic review of service needs.</p>	
13	<p>The LSGSC should be reconstituted to strengthen its role and composition, so that it can lead the sector in the continuous development of the LSGSS.</p>	<p>The LSGSC was reconstituted in April 2009 to include five independent members who are by profession academics, accountant, solicitor and business managers. Together with members from NGOs' management, service users and staff unions, there are now 17 non-official members on the LSGSC.</p>
14	<p>For the sake of transparency, SWD should be prepared to explain, at the request of individual NGOs, the basis of their LSG calculations.</p>	<p>This is an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 announcing that the measure was implemented with immediate effect.</p>
15	<p>SWD should revise the LSG Manual in consultation with</p>	<p>The LSGSC has endorsed the approaches in updating the LSG Manual. Upon endorsement of the proposed revisions by the</p>

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	stakeholders, update it regularly, and announce changes on SWD's website in the first instance. NGOs should also be notified instantaneously by email.	LSGSC, the updated LSG Manual is expected to be available in around October 2010.
16	SWD should rationalise the Agency Officer system with a team of officers who are familiar with the rules and operations of the Subventions, Finance and Service Branches 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.	SWD has rationalised the Agency Officer System and set up a new liaison system with NGOs, starting from October 2009. There is now a team of Social Work Officers in the Subventions Section of SWD providing one-stop advice on implementation and interpretation of the LSG policies and issues.

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Recommendations in relation to Flexibility, Efficiency and Cost-effectiveness		
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 the LSGSS.	SWD has conducted a thorough review of the financial management of the LSGSS. Subsequent to the review, the audit programme has been refined and financial reporting procedures streamlined. NGOs were informed of the improved measures in May 2009.
18	To avoid misunderstanding, NGOs should consult SWD in a timely manner as to what constitute "Funding and Service Agreement (FSA)-related" activities before conducting such activities.	This recommendation was made by LSGIRC to NGOs subvented under the LSGSS as an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 announcing that the measure was implemented with immediate effect.
19	SWD should streamline its financial reporting requirements, including dropping the requirement for NGOs to provide analyses of	SWD issued a letter to the heads of the subvented NGOs in May 2009 announcing that the financial reporting requirements had been relaxed and the deadline for submitting their AFRs was extended from July to October of each year.

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20	<p>incomes and expenditures by programme area and by FSA.</p> <p>and</p> <p>SWD should review the deadline for NGOs to submit their Annual Financial Reports (AFRs), taking into account the practicability of the requirement.</p>	
21	<p>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</p>	<p>A Help Desk with three Social Work Officers has been set up on a time-limited basis in the Subventions Section of SWD since October 2009 to provide management advice to small NGOs and facilitate their collaborative efforts. Moreover, \$24.4 million from LF has been approved for allocation to 37 small NGOs in four equal annual installments during 2009-10 to 2012-13.</p>

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	NGOs may apply for grants up to \$300,000 (or 10% of its LSG, whichever is lower) each year for a total of four years.	
22	The definition of “small NGOs” should be standardised 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 \$5 million and an annual expenditure below \$10 million.	The definition of small NGOs proposed by the LSGIRC has been adopted since 2009-10.
23	Small NGOs may consider submitting joint proposals to enhance their competitiveness in the bidding of new services. While NGOs participating in such	The LSGSC discussed and agreed at its meeting in January 2010 that two or more NGOs could submit joint applications in bidding new services with a key applicant organisation identified to liaise with SWD, signing the Funding and Service Agreement (FSA) and be accountable for all funding and service matters specified in the

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	<p>joint ventures have to identify a representative to sign the FSA and liaise with SWD, the NGOs should also enter into an agreement among themselves to set out clearly their individual contributions and shared responsibilities.</p>	<p>FSA.</p>
<p>24</p>	<p>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.</p>	<p>As endorsed by the LSGSC in January 2010, SWD will provide various assessment areas and their relative weighting in the marking scheme as well as the passing mark, where applicable, in the invitation document to facilitate the applicant organisations in preparing the proposals.</p>
<p>25</p>	<p>NGOs should carefully consider their resource implications before preparing service proposals. NGOs should also take into account the views of their staff and</p>	<p>This recommendation was made by the LSGIRC to NGOs subvented under the LSGSS as an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 requesting their attention and follow up on the measure with immediate effect.</p>

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	share with them the considerations in submitting service proposals.	
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, so that resources can be saved both in the preparation of service proposals and in the vetting of the proposals.	<p>As endorsed by the LSGSC in January 2010, SWD will consider adopting a “two-stage invitation approach” for allocation of (a) welfare service projects of new operational mode that SWD does not have good knowledge on which NGOs can meet all the eligibility criteria; or (b) projects that SWD requires the sector’s views to help drawing up the detailed service specifications.</p> <p>For new projects of existing operational mode that SWD has good knowledge on drawing up the service specifications, SWD will normally conduct a one-stage invitation.</p>
27	As per Recommendation (6), a new SWDF should be established and should take over the function of the BIP [Business Improvement Project] Scheme. It is for the SWD to consider whether NGOs	With endorsement of the LSGSC, SWD notified NGOs of the cessation of BIP application with effect from 2 November 2009, whereas the operation of the approved projects and the vetting of BIP applications received by SWD before the effective date would not be affected. Under the SWDF, NGOs’ contribution to the cost of business system upgrading projects is lowered from 20% to 15%.

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	should still be required to contribute at the present or at a lower level to the projects supported by the new fund.	
Recommendations in relation to Accountability and Corporate Governance of Subvented NGOs		
28	A formal public accountability framework should be in place for NGOs to disclose their AFRs [Annual Financial Reports] as submitted to the SWD, so that they will also be accountable to the public for the proper and prudent use of public funds.	<p>This recommendation was made by the LSGIRC to NGOs subvented under the LSGSS as an on-going improvement measure. SWD issued a letter to the heads of the subvented NGOs in May 2009 announcing that the measure was implemented with immediate effect. NGOs subvented under the LSGSS would disclose their AFRs through one or more of the following channels :</p> <ul style="list-style-type: none"> • Posting AFR in their notice boards at the Central Administration Unit/ Head Office; • Uploading the AFR on website; • Placing the AFR in their Annual Reports; or

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		<ul style="list-style-type: none"> • Issuing special circulars, newsletters or whatever means to provide the content of AFR and releasing to public upon request.
29	SWD should fully consult the NGOs with a view to implementing the Government guidelines on the monitoring of remunerations of senior executives in subvented bodies.	Upon endorsement of LSGSC in January 2010, SWD is going to implement the Government guidelines on the monitoring of remunerations of top three-tier executives in subvented NGOs in 2010-11. NGOs should submit a self-assessment and review report to SWD on or before 31 October each year. Based on the review report, SWD will assess appropriateness of the number and ranking of senior positions of a subvented NGO.
Recommendations in relation to the Quality of Welfare Services		
30.	SWD should conduct more frequent service performance inspections and surprise visits, and systematically collect service users' feedback.	SWD has increased the number of review visits and introduced surprise visits in the three-year monitoring cycle of 2009-12. During these visits, service users' feedback will be collected systematically.

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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 long term social welfare planning and has released a consultation paper in April 2010 to seek views from the welfare sector and relevant stakeholders. Taking into account views received during the consultation, SWAC will formulate and submit its recommendations for the Government's consideration.
Recommendations in relation to the Handling of Complaints		
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	The ICHC, comprising eight independent members, were set up in April 2009 and has held four meetings from May 2009 to March 2010. The ICHC receives and handles LSG-related complaints against NGOs, which cannot be satisfactorily resolved at the NGO level. It will relay its decisions and recommendations to SWD so that follow-up actions may be taken, as appropriate, to enhance the LSGSS. The corporate governance relating to roles of the management and governing boards of the NGOs will be addressed in the Best

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33	<p>should be addressed in the sector’s Best Practice Manual.</p> <p>and</p> <p>An Independent Complaint Handling Committee (ICHC) should be set up to determine on LSG-related complaints that cannot be satisfactorily addressed at the NGO level and recommend improvements to the LSGSS. The Director of Social Welfare should be informed of the ICHC’s decisions and recommendations, and should take follow up actions as appropriate.</p>	Practice Manual (i.e. Recommendation 1)
34	For anonymous complaints, where SWD does not require any	The recommendation is already in practice. SWD will continue to make it clear to the NGOs concerned when referring anonymous

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	feedback from, or investigation by, the NGO, it should make that clear to the NGO to avoid unnecessary work.	complaints to them.
Recommendations on Related Issues		
35	<p>SWD should review the LF vetting procedures and funding rules, and consider, inter alia, the following improvements, so as to make better use of the LF –</p> <p>(a) increase the agency cap of the Block Grant to 1.5%;</p> <p>(b) for furniture and equipment items, lower the threshold for major grant applications to \$50,000;</p>	<p>As regards (a) and (b), the proposed enhancement measures, upon endorsement by the LFAC in March 2009, have been implemented since 2009-10.</p> <p>As regards (c), SWD considers that the vetting procedures by Architectural Services Department are essential for safeguarding public interests. They should be independent of, and should not conflict with, the AP’s professional input.</p> <p>For (d), the proposed enhancement measures, upon endorsement by the LFAC in September 2009, have been put in place.</p>

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	<p>(c) where a project is carried out under the supervision of Authorised Persons (APs) or consultants, 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, but 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</p>	

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	project.	
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.	SWD has sought an allocation of \$278 million from the LF to provide additional resources to NGOs employing paramedical staff or hiring such services for three years (i.e. 2009-10 to 2011-12), so that they may offer more competitive salaries to recruit and retain these staff. NGOs were notified of the allocation in June 2009.