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 latest implementation progress of the recommendations made by the Lump Sum Grant Independent Review Committee (LSGIRC) on the Lump Sum Grant Subvention System (LSGSS).

Background

- 2. The LSGIRC was appointed by the Secretary for Labour and Welfare in January 2008 to assess the overall effectiveness of LSGSS and identify areas for improvement. According to its review report submitted to the Administration in December 2008, while LSGIRC considered that the principles of LSGSS are sound and therefore the funding system is worth retaining, it has proposed 36 recommendations to improve LSGSS and address the stakeholders' concerns.
- 3. Subsequent to the discussion by the Panel on Welfare Services (the Panel) in December 2008 and January 2009, the Administration indicated at the Panel meeting on 9 February 2009 its in-principle acceptance of all 36 recommendations and that it would take them forward in concert with the welfare sector. The recommendations have been implemented as scheduled. We first reported the progress to the Panel on 14 May 2010.

Latest Implementation Progress

4. The latest implementation progress of the recommendations is set out in **Annex**. Among others, two recommendations, the production of a Best Practice Manual (BPM) (Recommendation 1) and provision of actuarial service (*Recommendation 2*), require a longer time to accomplish. A detailed account of their latest development is provided in paragraphs 5 The opportunity is also taken to provide Members with to 10 below. Welfare highlights of the Social Development Fund (SWDF) (Recommendation 6) since its establishment in 2009.

Production of BPM

- 5. As recommended by LSGIRC, a BPM for NGOs covering various management issues, including human resources policies, financial accountability and corporate governance etc., should be developed by the welfare sector with professional input from management experts as necessary. The Lump Sum Grant Steering Committee (LSGSC) should also work with the sector in drawing up this manual. To this end, the Social Welfare Department (SWD) commissioned the PolyU Technology and Consultancy Company Limited in late 2010 to conduct a consultancy study for the production of BPM. A Project Steering Committee (PSC) was also set up under LSGSC to provide steer on the study and monitor its progress.
- 6. To duly address the stakeholders' concerns and reflect their views on BPM, we have been engaging the sector since the early stage of the consultancy study. For example, a briefing session on the consultancy study was held in April 2011 with the attendance of 150 representatives from 107 NGOs. Further to PSC's endorsement of the inception report and study documents, questionnaire surveys and case studies (including in-depth interviews and documentary research) were conducted by the consultant in June 2011 to collect NGOs' views. Also, subsequent to SWD's meetings with various NGOs' management and staff in September and October 2011 respectively, the consultant has enhanced its study methodology by broadening the consultation channels, which include

advancing the organisation and increasing the number of focus groups with different stakeholders to collect their views and examples of good management practices among NGOs, inviting stakeholders to send in written suggestions on best practices, as well as increasing the number of open consultation sessions.

7. The consultant has completed all the required data collection recently and is now preparing the draft research report. Upon the endorsement of PSC and LSGSC, recommendations for BPM will be worked out for further consultation with the sector. We expect that the consultancy study will be completed by the end of 2012.

Provision of Actuarial Service

- 8. LSGIRC recommended that the Administration should make available an actuarial service for NGOs to assess their ability to meet Snapshot Staff¹ commitments on a voluntary basis. Therefore, SWD extended an invitation to all NGOs under the lump sum grant (LSG) subvention mode in December 2009 to join the first round of the pilot actuarial study. One NGO indicated interest and the study was launched in May 2010. After its completion in August 2011, a report which summarises the pilot experience and explains the actuarial model and methodology used for the sector's reference was published. The NGO which participated in the actuarial exercise has also obtained a separate report which provides actuarial opinions and recommendations on its financial viability.
- 9. The participating NGO considered the actuarial study positive and its findings useful. To facilitate the welfare sector's better understanding of the actuarial service, a sharing session was convened in September 2011 in which SWD, together with the participating NGO and consultant, promoted the use of actuarial service as a useful tool for NGOs' financial planning and evaluation of long-term affordability. The report and other materials were also uploaded onto SWD's website for NGOs'

¹ Snapshot Staff refers to staff on the recognised establishment of NGOs' subvented service units as at 1 April 2000.

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reference.

10. In view of the positive experience of the first-round study and with the endorsement by LSGSC, SWD invited the remaining NGOs to participate in the second round pilot actuarial study in October 2011. SWD is now in the process of inviting quotations with a view to commissioning a suitable consultant to commence the study on a large NGO by the end of 2012. Once this second-round study is completed, SWD will, in consultation with LSGSC, consider the way forward on actuarial service for NGOs having regard to the experience gained.

Social Welfare Development Fund

- 11. In pursuance of LSGIRC's recommendation, SWD established the \$1billion SWDF with funding support from the Lotteries Fund (LF) in 2009. SWDF will be implemented by three phases, i.e. Phase 1 from 2010-11 to 2012-13, Phase 2 from 2013-14 to 2015-16 and Phase 3 from 2016-17 to 2018-19. Each subvented NGO may apply for grants up to a total of 9% of its annual subventions from SWD in 2009-10 or \$2 million, whichever is the higher. The scope of funding under SWDF is -
 - (a) training and professional development for NGO board members, management and staff (not limited to social workers), as well as the cost of workers to relieve staff who go on training;
 - (b) system upgrading for NGOs, e.g. information technology (IT) infrastructure, system design and initiatives to enhance NGOs' management capacity or facilitate their re-engineering; and
 - (c) studies aimed at enhancing NGOs' service delivery.
- 12. Processing of applications under Phase 1 of SWDF has already been completed. The Lotteries Fund Advisory Committee (LFAC) approved a total grant of \$262.9 million to 150 NGOs. Details of the approved projects are as follows -

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Funding Scope (amount of grants approved, % of the overall grants approved)	Details of the Approved Projects
(a) Training and Professional Development (T&D)	• \$100.08M was granted to 144 NGOs to implement local T&D programmes.
Programmes (\$143.7M, 54.7%)	• \$17.58M was granted to 80 NGOs to sponsor training held overseas or in the Mainland.
	• \$26.04M was granted to 63 NGOs to employ workers to relieve staff on training.
	• Among the beneficiaries of the sponsored T&D programmes (both local and non-local), social work staff and non-social work staff accounted for 33% (3654) and 66% (7312) respectively as at 31 March 2011, whereas the remaining 1% (77) are NGOs' board members.
(b) System Upgrading Projects (\$90.8M, 34.5%)	 \$79.5M was granted to 113 NGOs to implement 233 IT projects. \$11.3M was granted to 31 NGOs to implement 46 non-IT projects.
(c) Studies (\$28.4M, 10.8%)	\$28.4M was granted to 53 NGOs to conduct 122 studies involving delivery of elderly, rehabilitation, youth and family services, etc. such as evaluating

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Funding Scope (amount of grants approved, % of the overall grants approved)	Details of the Approved Projects
	the effectiveness of existing services in meeting the needs of hidden elders in neighbourhood elderly centres, reviewing systematically the existing social communication programme for pre-school children with autism spectrum disorder, evaluating the life and death education for people with intellectual disability in day activity centres cum hostels.

- NGOs' feedbacks on SWDF have been generally positive. NGO staff considered that SWDF has provided them with more training opportunities, in particular long-term professional courses (e.g. Bachelor degree in social work, Master degree in management) and overseas / Mainland training programmes. According to the annual reports received from NGOs thus far, a total of about 11,000 persons have benefitted as at 31 March 2011. On the other hand, NGO management considered that the system upgrading projects have enhanced their management capacity and improved their overall service delivery. Some examples of approved IT and non-IT projects include -
 - (a) IT projects: upgrading or development of training information management system, rehabilitation service management system, activity recording system for home care services, and document sharing system.
 - (b) Non-IT projects: setting up pharmacy medication management system to enhance safety in the administration of medication, standardisation of mass programme protocol, integration of

members database to enhance internal workflow, streamlining of organisational structure and refinement of human resources management policies.

14. SWD is now conducting a review on Phase 1 with a view to improving the implementation framework. LSGSC and LFAC will then be consulted on the proposed enhancement measures. It is planned that Phase 2 of SWDF will be launched by the end of 2012.

Way Forward

15. The Administration will continue to work closely with LSGSC to monitor the implementation of LSGIRC's recommendations, particularly on the production of BPM and provision of the actuarial service.

Advice Sought

16. Members are invited to note the latest implementation progress of the 36 recommendations as set out in paragraphs 5 to 14 above and at **Annex**.

Labour and Welfare Bureau Social Welfare Department June 2012

Annex

Summary of Implementation Progress of LSGIRC's Recommendations

No.	Recommendation	Implementation Progress
Reco	Recommendations relating to Staffing Arrangements	
1	A Best Practice Manual for NGOs on various management issues such as human resource policies, the level of reserves and their gainful deployment, corporate governance and accountability, etc., should be developed by the welfare sector, with professional input from management experts if necessary. LSGSC should work with the sector in drawing up this manual.	
2	The Government should make available an actuarial service for NGOs to assess their ability to meet Snapshot Staff commitments. Application for this	Please refer to paragraphs 8 to 10 of the paper.

	service should be on a voluntary basis.	
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 LSGSC, this recommendation will be addressed in the Best Practice Manual (i.e. Recommendation 1). SWD also issued letters to subvented NGOs requesting their attention to this recommendation when additional funding was provided in line with civil service pay adjustments.
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 is an on-going improvement measure. SWD issued a letter to subvented NGOs in May 2009 requesting their attention and follow-up on this recommendation 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 Advisory Committee on Social Work Training and Manpower Planning (ACSWTMP) to monitor closely the	welfare sector through the Social Work Manpower Requirements System. Based on the data collected from the tertiary institutions and local organisations employing social workers, annual reports on social work manpower supply and demand are published for reference by ACSWTMP, the Social Welfare Advisory Committee (SWAC), Labour and Welfare

	manpower supply in the welfare sector, so as to ensure a stable supply of professional staff.	the information through their representatives on ACSWTMP. In addition, ACSWTMP set up a Working Group to study the issue of turnover and wastage of social workers and conducted a survey to obtain the views of the social work personnel who left their jobs during the reference period from May to October 2009. The report was published in November 2010 with recommendations for the sector's reference with a view to retaining social work personnel in the field.
6	The Government should set up a \$1 billion SWDF to support training, capacity enhancement initiatives and service delivery enhancement studies. Grants should be allocated to NGOs on LSG based on the merit of their applications.	Please refer to paragraphs 11 to 14 of the paper.
Recor	nmendations relating to Financial Issues a	nd Interactions between the Government and NGOs
7	In view of the changing service needs, the Government should institute a review mechanism whereby appropriate advisory bodies such as SWAC, the Elderly	EC, RAC and SWAC have all along closely monitored the rapidly changing social and economic environment and increasing complexity of social problems. In particular, as recommended by SWAC in its report entitled "Long-term Social Welfare Planning in Hong Kong", an enhanced

	Commission (EC), the Rehabilitation Advisory Committee (RAC), etc. may oversee the systematic review of welfare services and ensure that stakeholders' views are taken into account in the review process.	mechanism has been put in place to allow for full and interactive participation of the welfare sector and other stakeholders in in-depth discussion of social welfare issues. The enhanced mechanism enables the Administration to consult and plan for the future focus and priorities of welfare services in response to the latest social circumstances on an ongoing and regular basis. We will keep the enhanced mechanism under review and make improvements where appropriate in the light of experience.
8	In exceptional and justifiable cases, SWD should allow NGOs to advance the subventions for other charges.	This is an on-going improvement measure. SWD issued a letter to 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.	
10		This is an on-going improvement measure. SWD issued a letter to subvented NGOs in May 2009 announcing that the measure was

	difficulties can alert SWD in advance, so that remedial measures can be taken as appropriate before the NGOs concerned exhaust their reserves.	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.	
12	enhancing efficiency and productivity under the Enhanced Productivity	This is an on-going improvement measure. All along, SWD has been reviewing specific services on a regular basis and in the light of changing circumstances, and such reviews will continue to be carried out in future. In conducting the reviews, SWD will have due regard to resource implications and the possibility of redeploying existing resources for service enhancement or service transformation.
13		The LSGSC was reconstituted in April 2009 to include a number of independent members with academic, accounting, legal and business

	it can lead the sector in the continuous development of LSGSS.	background. Together with members from NGOs' management, service users and staff unions, there are now 17 non-official members on LSGSC.
14		This is an on-going improvement measure. SWD issued a letter to subvented NGOs in May 2009 announcing that the measure was implemented with immediate effect.
15	SWD should revise the LSG Manual in consultation with stakeholders, update it regularly, and announce changes on SWD's website in the first instance. NGOs should also be notified instantaneously by email.	This is an on-going improvement measure. Upon LSGSC's endorsement of the approaches in updating the LSG Manual, SWD has uploaded the updated LSG Manual onto SWD's website and notified NGOs by email accordingly.
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	SWD has rationalised the Agency Officer System by setting up a new liaison system with NGOs with effect from October 2009. There is now a team of Social Work Officers in the Subventions Section of SWD providing one-stop advice on the implementation of LSG policies and related issues.

Recor	to step up existing work such as quality inspections or implement new initiatives. nmendations relating to Flexibility, Efficient	ncy and Cost-effectiveness
17	its audit procedures to ensure that they are effective in monitoring the use of public	SWD has conducted a thorough review of the financial management of 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	consult SWD in a timely manner as to	This is an on-going improvement measure. SWD issued a letter to subvented NGOs in May 2009 requesting their attention and follow-up on this recommendation with immediate effect.

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	SWD issued a letter to 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.
	FSA.	
	and	
20	SWD should review the deadline for	
	NGOs to submit their Annual Financial	
	Reports (AFRs), taking into account the	
	practicability of the requirement.	
21		
21	SWD should set up a help desk to provide	A Help Desk with three Social Work Officers was set up on a time-limited
	management advice to small NGOs and to	basis in the Subventions Section of SWD during the period from October
	facilitate their collaborative efforts. To	2009 to March 2012 to provide management advice to small NGOs and
	help small NGOs develop, SWD should	facilitate their collaborative efforts. A total of \$24 million from LF has
	also make available additional resources	also been allocated to small NGOs to help strengthen their administrative
	for them to strengthen their administrative	and professional support from 2009-10 to 2012-13.
	and professional support. Small NGOs	
	may apply for grants up to \$300,000 (or	While the Help Desk service was terminated at the end of March 2012,

	10% of its LSG, whichever is lower) each year for a total of four years.	the Subventions Section of SWD will continue to provide one-stop advice to small NGOs on the implementation of LSG policies and related issues.
22	The definition of "small NGOs" should be standardised so that the assistance to them can be more targetted 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 LSGIRC has been adopted since 2009-10.
23		accountable for all funding and service matters specified therein.

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.	As endorsed by LSGSC in January 2010, SWD will provide various assessment areas and their relative weightings 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. SWD issued a letter to subvented NGOs in June 2010 informing them that the said new measures would take effect from 1 July 2010.
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.	
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.	As endorsed by LSGSC in January 2010, SWD will consider adopting a "two-stage invitation approach" for allocation of welfare service projects of new operational mode which SWD does not have good knowledge on which NGOs can meet all the eligibility criteria, or projects for which SWD requires the sector's views to help draw up the detailed service specifications.

		For new projects of existing operational mode which SWD has good knowledge in drawing up the service specifications, SWD will normally conduct a one-stage invitation. SWD issued a letter to subvented NGOs in June 2010 informing them that the said new measures would take effect from 1 July 2010.			
27	As per Recommendation (6), a new SWDF should be established and should take over the function of the Business Improvement Project (BIP) Scheme. It is for SWD to consider whether NGOs should still be required to contribute at the present or at a lower level to the projects supported by the new fund.	With LSGSC's endorsement, SWD notified NGOs of the cessation of BIP applications with effect from 2 November 2009, while the operation of approved projects and the vetting of BIP applications received by SWD before the effective date would not be affected. Under SWDF, NGOs' contribution to the cost of business system upgrading projects is lowered from 20% to 15%.			
Reco	Recommendations relating to Accountability and Corporate Governance of Subvented NGOs				
28	A formal public accountability framework should be in place for NGOs to disclose their AFRs as submitted to SWD, so that they will also be accountable to the public	subvented NGOs in May 2009 requesting their attention and follow-up on this recommendation with immediate effect. Subvented NGOs will			

	for the proper and prudent use of public funds.	 Posting the AFR on their notice boards at the Central Administration Unit / Head Office; Uploading the AFR onto their website; Placing the AFR in their Annual Reports; or Issuing special circulars, newsletters or by whatever means to provide the content of the AFR and releasing it to the 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.	As endorsed by LSGSC in January 2010, SWD implemented the Government guidelines on the monitoring of remunerations of top three-tier executives in subvented NGOs since 2010-11. NGOs are
Reco	mmendations relating to the Quality of Wel	Ifare Services
30	service performance inspections and	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 was collected systematically.

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.

The Government, having regard to Please refer to the progress of Recommendation 7.

Recommendations relating 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 should be addressed in the sector's Best Practice Manual.

and

The ICHC, comprising eight independent members, was set up in April 2009 and has held 13 meetings from May 2009 to April 2012. The ICHC receives and handles LSG-related complaints against NGOs which cannot be satisfactorily resolved at the NGO level. Its decisions and recommendations are forwarded to SWD for follow-up as appropriate.

In view of the increase in complaint cases, the manpower of ICHC's secretariat has also been strengthened since April 2012.

As agreed by LSGSC, the respective roles of the management and governing boards of the NGOs in complaint handling will be addressed in the Best Practice Manual (i.e. Recommendation 1).

33	An Independent Complaints 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 LSGSS. The Director of Social	
	Welfare should be informed of ICHC's	
	decisions and recommendations, and	
	should take follow-up actions as	
	appropriate.	
34	For anonymous complaints, where SWD	SWD will continue to make it clear to the NGOs concerned when
	does not require any feedback from, or	referring anonymous complaints to them.
	investigation by, the NGO, it should make	
	that clear to the NGO to avoid	
	unnecessary work.	
Recor	nmendations on Other Related Issues	
35	SWD should review the LF vetting	For recommendations (a) and (b), as endorsed by the LFAC in March
	procedures and funding rules, and	2009, the enhancement measures have been implemented since 2009-10.
	consider, inter alia, the following	

improvements, so as to make better use of LF -

- (a) increase the agency cap of the Block Grant to 1.5%;
- (b) for furniture and equipment items, lower the threshold for major grant applications to \$50,000;
- (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
- (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

As regards recommendation (c), SWD considers that the vetting procedures by the Architectural Services Department are essential for safeguarding public interests. They should be independent of, and should not be in conflict with, the APs' professional input.

For recommendation (d), the proposed enhancement measures, as endorsed by LFAC in September 2009, have been put in place.

	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.	
36	market situation, provide additional resources for three years to welfare NGOs which need to employ paramedical staff or	SWD sought an allocation of \$278 million from LF to provide additional resources to NGOs employing paramedical staff or hiring such services for three years from 2009-10 to 2011-12. In view of the sector's continued demand for paramedical personnel, an additional allocation of \$344 million has been sought from LF for the NGOs concerned from 2012-13 to 2014-15.