

**For information
on 11 January 2016**

Legislative Council Panel on Welfare Services

**Salary Adjustment Arrangement for Staff
in Non-governmental Organisations
Receiving Lump Sum Grant Subvention
and the Progress of the Implementation of the Best Practice Manual**

Purpose

This paper briefs Members on the 2015-16 salary adjustment arrangement for staff in non-governmental organisations (NGOs) receiving Lump Sum Grant (LSG) subvention and the progress of the implementation of the Best Practice Manual (BPM).

Background on BPM

2. At its meeting held on 8 April 2014, the Lump Sum Grant Steering Committee (LSGSC) endorsed kick-starting the implementation of the 14 consensus items out of the 18 items¹ under the BPM from 1 July 2014. The 164² NGOs receiving subvention under the LSG Subvention System are allowed to review their existing policies and procedures, and adapt them to meet the requirements in three years (i.e. by 30 June 2017). Moreover, NGOs should submit reports, including one set for the seven Level One items (i.e. those NGOs should comply with unless there are exceptional and justifiable reasons) and one set for Level Two items (i.e. those NGOs are encouraged to adopt), in a checklist format to inform the Social Welfare Department (SWD) of the progress by end of October in 2015, 2016 and 2017 respectively³. Before the implementation of BPM, SWD also organised a briefing session for NGOs on 17 June 2014 to introduce the requirements, workflow and implementation plan of BPM. We reported the details of the implementation of BPM at the meeting of the Panel on Welfare Services of the Legislative Council held on 12

¹ The welfare sector agreed to start implementing 14 out of the 18 items. The 14 consensus items include five items on financial management, one item on human resource management (HRM) and eight items on corporate governance and public accountability. The four outstanding items are on the HRM side covering salary structures and management of employment contracts.

² The number of such NGOs increased to 165 in December 2015.

³ The first report should be returned on or before 31 October 2015 to report the position as at 31 March 2015; the second report on or before 31 October 2016; and the third report on or before 31 October 2017.

May 2014 (LC Paper No. CB(2)1430/13-14(04)).

Progress of the Implementation of BPM

Visits to NGOs

3. SWD visited all the 164 NGOs receiving subvention under the LSG Subvention System from September 2014 to May 2015. It was observed that all NGOs had started to review their existing policies and procedures so as to meet the requirements of BPM. Some small and medium sized NGOs have also joined together to develop core templates for common use. Generally, NGOs were positive about BPM and expressed that it was appropriate to allow a three-year period for them to have adequate time to conduct organisational review, solicit support from the Board of Directors and staff, and practise the revised policies and procedures for enhancement, where necessary. They also considered that it would be useful to have platforms to share experience and practices.

Envisioning Programme on BPM

4. In response to the feedback of NGOs, SWD has organised the Envisioning Programme on BPM for the senior management and the Boards of Directors of NGOs to support their implementation of BPM, and provide opportunities for them to share experience and to be inspired by good practices. The Symposium on BPM was held on 15 September 2015, with over 680 participants from 159 NGOs. In addition, the seminar cum concurrent workshops on financial management was held on 18 November 2015, the seminar on corporate governance was held on 7 December 2015, and the seminar on human resource management was held on 4 January 2016. The remaining seminar on communication in the new era and social media handling will be held on 24 February 2016.

Returns on Self-assessment Checklist

5. All the 164 NGOs have returned their self-assessment checklists, including 164 Level One checklists and 146 Level Two checklists. The checklists reported the progress of implementation of BPM as at 31 March 2015 (i.e. the first nine months of implementation) (please refer to **Annex** for details).
----- Our major observations are as follows -

Level One Items

- About 35% of NGOs had already implemented all items within the first nine months of implementation while the rest of NGOs had all started to implement some items.
- NGOs performed the best in the implementation of the requirement on salary adjustment. As at 29 December 2015, all NGOs had implemented the item. As regards the implementation of the usage of Provident Fund reserve, only 41% of NGOs had implemented the item and 57% were in progress.

Level Two Items

- About 14% of NGOs had implemented all items while 76% of NGOs had implemented some items.
- NGOs performed the best in the implementation of the delineation of roles and responsibilities of the governing board. As at 31 March 2015, about 61% of NGOs had implemented the item and 29% were in progress. As regards the implementation of the optimal level of LSG reserve, 27% of NGOs had implemented the item and 55% were in progress.

6. In the self-assessment checklists received, some NGOs considered that the BPM provided them a framework to enhance the assessment and monitoring of their financial management, human resource management and corporate governance, as well as enabling them to formulate a more comprehensive policy. Some NGOs were of the view that they had the responsibility to be more transparent and accountable to the public by adopting BPM in order to meet the expectations of the changing social environment. In addition, some NGOs considered the three-year period a reasonable arrangement for them to evaluate their policies and implement BPM with gradual enhancements.

7. The four outstanding items pertaining to salary structures and contract management were discussed at the Working Group on Implementation Details of BPM at its meeting held on 26 November 2015. At the meeting, the findings collected from NGOs through visits were shared. Members of the Working Group agreed to review the contents of the outstanding items for the purpose of setting out guidelines commensurate with the needs and current situations of NGOs. The progress was also reported to the LSGSC at its 40th meeting held on 15 December 2015.

Salary Adjustment Arrangement of NGOs in 2015-16

8. The salary adjustment arrangement for staff in NGOs receiving LSG subvention was last discussed at the meeting of the Panel on Welfare Services of the Legislative Council held on 11 May 2015 (LC Paper No. CB(2)1390/14-15(05)). As set out in the Item for Finance Committee on 2015-16 Civil Service Pay Adjustment (Paper No. FCR(2015-16)24) considered by the Finance Committee of the Legislative Council on 17 July 2015, the Government, as a general rule, “is not involved in the determination of pay or pay adjustment of staff working in subvented bodies (e.g. social welfare NGOs). These are matters between the concerned bodies as employers and their employees. Therefore, the Government will not directly impose any pay adjustment applicable to the civil service to employees in the subvented sector. It would be up to individual subvented bodies, as employers, to decide whether to increase the salaries of their own employees and, if so, the rate of increase.”

9. Based on the increase of 3.96% for civil servants in the directorate and upper salary band and 4.62% for those in the middle and lower salary bands from 1 April 2015, the Government has followed the mechanism stipulated in the LSG Manual to adjust the subventions of the 164 subvented NGOs in accordance with the 2015-16 Civil Service Pay Adjustment (CSPA), involving a total extra funding allocation of \$479.8 million. Under LSG Subvention System, NGOs have the flexibility to utilise the additional funding for pay adjustment in view of their financial management and human resource management positions. However, in the letter issued to NGOs on 22 July 2015 in respect of the arrangements of the 2015-16 salary adjustment, SWD encouraged NGOs to take into account their staff’s views and concerns in deciding on their pay adjustment policy and arrangement. As reported in paragraph 5 above, all the 164 NGOs under LSG Subvention System have complied with the requirements of BPM on salary adjustment by either adjusting the staff salary by the same percentage of CSPA or spending the full amount of the additional allocation on salary adjustment for staff.

10. Upon implementation of BPM, NGOs are required, among others, to review the use of their LSG and LSG reserve and enhance the transparency to disclose such information to staff. SWD notes that many NGOs have been making efforts to comply with these requirements, reviewing the use of LSG reserve and exploring options to enhance remuneration packages for staff, as well as strengthening staff training and development.

Conclusion

11. SWD will continue to follow up on the relevant developments, and assist NGOs in implementing BPM to the fullest extent.

**Labour and Welfare Bureau
Social Welfare Department
January 2016**

**Summary of Returns of the Self-assessment Checklists of
the Best Practice Manual**

(Position as at 31 March 2015)

Overall Result

Implementation	No. of NGOs	
	Level One items	Level Two items
Implemented all items	58	20
Implemented some items	106	111
Not yet implemented any item	0	15
Total	164	146

Level One Items

Implementation (Total: 164 NGOs)	No. of NGOs		
	Implemented	In progress	Not yet implemented
Financial Management			
1. Maximised use of LSG reserve	87	76	1
2. Status of LSG reserve	93	70	1
3. Usage of PF reserve	68	93	3
4. Status of PF reserve	97	65	2
Human Resource Management			
5. Salary adjustment ⁴	142	22	0
Corporate Governance and Accountability			
6. Composition, duties and responsibilities on handling complaints at different levels	124	39	1
7. NGOs' policies and procedures	137	27	0

⁴ As at 29 December 2015, all NGOs implemented this item.

Implementation (Total: 164 NGOs)	No. of NGOs		
	Implemented	In progress	Not yet implemented
on complaints handling			

Level Two Items

Implementation (Total: 146 NGOs)	No. of NGOs		
	Implemented	In progress	Not yet implemented
Financial Management			
1. Optimal level of LSG reserve	40	80	26
Corporate Governance and Accountability			
2. Communication	82	53	11
3. Term of office of the governing board	80	44	22
4. Roles of governing board	72	62	12
5. Delineation of roles and responsibilities of governing board	89	43	14
6. NGOs' decision making [^] on important management issues of SWD-subvented services	52	70	24
7. NGOs' decision made* on important management issues of SWD-subvented services	49	72	25

[^] NGOs should consult their staff and service users on important issues that affect them.

* NGOs should disseminate to their staff and service users in a timely manner the decisions made on important management issues related to the Lump Sum Grant Subvention System.