

LegCo Panel on Welfare Services

Meeting on 12 May 2000

**Implementation of the Enhanced Productivity Programme
in Subvented Welfare Agencies**

Purpose

This paper updates Members on progress on the implementation of the Enhanced Productivity Programme in subvented non-governmental welfare organisations (NGOs) with a view to achieving productivity gains amounting to 5% of operating expenditure by 2002-03.

Approach

2. The total amount of EPP savings in question is estimated to be around \$300M. The approach taken by SWD in implementing EPP in the NGO sector is to engage the sector fully in the process and to secure their commitment in achieving the requisite 5%. Regular meetings with representatives of the sector through the Hong Kong Council of Social Service and with individual NGOs have been conducted to map out the strategies and to deal with difficulties in implementing the programme.

Progress To-date

(a) 1% Across-the-board Cut

3. To achieve the target reduction of \$58M in 2000-01, a 1% across-the-board cut has been applied to the subvention allocation except for those items exempt from EPP.

(b) Areas of Exemption

4. In response to proposals from the sector, we have exempted the following items/services from EPP –

- Rent and Management Fees
- Rates
- Government Rent
- Foster Care Allowance
- Incentive Payment for Sheltered Workers
- Early Education and Training Centre
- Special Child Care Centre
- Autistic Children Programme in Special Child Care Centre
- Integrated Programme in Child Care Centre

As a result, an estimated \$696M of annual subvention expenditure in the welfare sector has been exempted from the EPP exercise.

(c) Lump Sum Other Charges

5. To give NGOs greater flexibility in the use of funds thereby helping them to achieve EPP savings, subvention for Other Charges has been allocated on a lump sum basis since 1 April 2000.

2000-03

Service Rationalisation

6. A number of rationalisation proposals have been proposed, in consultation with the NGOs concerned, with a view to achieving EPP savings between 2000-03. These proposals are in the following areas –

- (a) integration and re-engineering of service units; and
- (b) in-situ expansion in existing service units.

Savings amounting to \$37M are expected to be achieved in respect of proposals which are to be implemented on or before 1 June 2000. The savings will be credited to the respective NGOs' 5% EPP target.

The Way Forward

7. We are continuing to discuss with NGOs to identify further opportunities for rationalisation and re-engineering of service with a view to achieving the full EPP savings. NGOs have been encouraged to make proactive use of the Lotteries Fund to carry out re-engineering proposals that may require capital investment. The Lump Sum Grant subvention, once implemented, will also provide NGOs with more flexibility which in turn should help them to achieve their individual EPP targets. We will continue discussions with NGOs with a view to addressing their concerns and helping them resolve any difficulties in achieving the EPP target.

Health and Welfare Bureau/
Social Welfare Department
May 2000