

WELFARE SECTOR SUBVENTION REFORMS

PURPOSE

This paper reports on the outcome of the consultation exercise conducted recently on the proposed package of reforms and announces details of a revised package.

BACKGROUND

2. In the current financial year, \$6.4 billion has been earmarked for subvention to NGOs for the provision of direct welfare services.

3. The existing subvention system has long been criticized as inflexible, complex and bureaucratic. Under this system, Government exercises tight ‘input’ control over NGOs by imposing standard staffing structures, levels of pay and staff qualifications but has little control over their ‘output’. The cumbersome and rigid rules and procedures have generated substantial workload both on the part of SWD and NGOs in dealing with such matters as vetting of staff qualifications and reimbursement of expenses for procurement of recognized items. Once subvention is provided to an NGO to run a particular service, it is seldom revised even when service needs have changed or the modes of operation

require revamping. This does not encourage innovation and service re-engineering to meet changing community needs. Nor is there any incentive in the existing system to encourage more effective use of resources to achieve lower costs, better value for money and improved services to clients. This system has resulted in a situation whereby resources are locked into certain welfare services and cannot be readily released to meet new needs in the community. The situation is also not helped by the current rigid planning mechanism.

4. As early as 1994, Government appointed Consultants to review the subvention system with the aim of changing from input to output control, and devising new monitoring mechanisms to enhance public accountability and cost-effectiveness in the delivery of welfare services. The review, which included extensive discussions with the Sector, was concluded in 1998. The recommendation to introduce a Service Performance Monitoring System received general support from the Welfare Sector and since April 1999, has started to be implemented in phases. All Funding and Service Agreements will be introduced by October 2000 and all 19 Service Quality Standards by 2001/2002. However, the proposal on new subvention (fixed funding) arrangements was rejected by the Sector.

5. In October 1999, the Administration presented to the Social Welfare Advisory Committee, initial proposals to change the existing subvention system to a lump sum grant arrangement and to enhance the

Service Performance Monitoring System with the following objectives :-

- (a) streamlining procedures to achieve greater efficiency and effectiveness;
- (b) improving service quality and performance;
- (c) encouraging innovation in service delivery;
- (d) enhancing accountability; and
- (e) providing flexibility in the deployment of resources to meet evolving priorities and changing community needs.

INITIAL PROPOSED PACKAGE AND CONSULTATION

6. The Sector was consulted on the initial principled proposals. Taking into consideration comments received, the Administration drew up a proposed detailed reform package which comprises the lump sum grant arrangement, an enhanced Service Performance Monitoring System and a revised planning mechanism. A flexible approach has been adopted in designing the lump sum grant arrangement, incorporating features to address NGOs' concerns as regards the different stages of maturity of agencies and their commitments to serving staff. In the process, the Administration has analyzed the current level of subvention on an agency specific basis and compared it to the 'entitlement' under the present subvention mode, in terms of establishment, current pay scale, provident fund contribution etc. Whilst rents and rates would continue to be subvented on an actual re-imbursement basis, Other Charges together with Salaries and Personal Emolument related Allowances in respect of all

service units under the same agency, would be provided in a lump sum. By adopting this ‘totality’ approach in providing subvention, and removing the cumbersome and bureaucratic rules and procedures of the existing system, NGOs would have greater flexibility for resource deployment and more room to manoeuvre in terms of process and structure redesigning. This would enable them to achieve greater efficiency and cost-effectiveness in their service delivery. Details of the proposed package were set out in the Director of Social Welfare’s letter, a copy of which is at Annex A. This consultation document was issued to all 186 subvented NGOs and other interested parties on 10 February 2000.

CONSULTATION EXERCISE

7. The Sector was invited to express their views on the proposed package over a two-month period, ending on 9 April 2000. However, in the light of the Sector’s request, the Administration continued to accept responses and to exchange views with concerned groups after this date. For the purpose of this report, the Administration has taken into account all views received up to 31 May 2000.

8. During the consultation period, the Administration:-

- (a) organized a series of briefings for NGOs and attended meetings with various public organizations and advisory committees including the LegCo Welfare Panel, Social

Welfare Advisory Committee, Subventions and Lotteries Fund Advisory Committee, Elderly Commission, Rehabilitation Advisory Committee, staff associations, individual LegCo Members, and numerous concern groups (a list of key activities is attached at Annex B);

- (b) met with representatives of 87 NGOs to explain the proposed package in detail and to exchange views (list of NGOs visited is at Annex C);

- (c) attended numerous radio and television programmes and conducted print-media interviews to explain the proposed package and to respond to public enquiries and comments;
- (d) discussed the proposed package and Sector feedback received at bi-weekly meetings of the Working Group on Implementation of the 1999 Subvention Review Exercise Proposals. (Membership of the Working Group is at Annex D);

- (e) exchanged views with staff associations including the Hong Kong Social Workers Association, the Fighting for Social Welfare Alliance and other groups; and
- (f) exchanged views with representatives of service users (list of consumer groups is at Annex E).

9. In addition, 55 NGOs submitted written comments, along with the Hong Kong Council for Social Service, the Fighting for Social Welfare Alliance, the Hong Kong Social Workers Association, 7 staff associations in individual NGOs, 10 groups of frontline staff, 3 professional groups, 15 consumer groups, parents' associations, and a student group. Submissions were also received from Legislative Councillors, District Council Members and members of the general public.

ANALYSIS OF FEEDBACK RECEIVED

10. Most members of the main welfare advisory bodies including the Social Welfare Advisory Committee, Subventions and Lotteries Fund Advisory Committee, Elderly Commission and Rehabilitation Advisory Committee, endorsed the proposed package in principle, whilst suggesting improvements on the financial package particularly, on the adequacy of funds to be provided. The LegCo Welfare Panel expressed reservations about the package and emphasized that sufficient funds should be provided to NGOs to ensure that contractual commitments to existing staff could be honoured. As regards NGOs, many Board members and Managers agreed with the general direction of the proposed changes, and some indicated interest to join the new subvention system as soon as practicable. Some, however, expressed similar concerns to LegCo Welfare Panel Members about the inadequacy of the proposed detailed financial arrangements. Staff associations expressed reservations about the

proposed reform package particularly as regards, the lump-sum grant arrangement. On the one hand, they requested suspension of its implementation given concerns about possible abuse of subvention monies by NGO Management, deterioration in service quality, and reduction in staff benefits. On the other hand, they put forward a number of useful and practical suggestions to improve the reform package. Views expressed by consumer groups were very similar to those of the staff associations.

11. As regards the media, the majority of newspaper editorials were broadly supportive of the changes since they were generally considered to be conducive to the development of a sustainable and effective welfare service. Some articles, however, expressed concern about a possible adverse impact of the reforms on NGO staff's benefits and a lowering in service quality to clients.

SUMMARY OF THE VIEWS EXPRESSED AND THE ADMINISTRATION'S RESPONSE

12. In the paragraphs below, the views and concerns expressed during the consultation exercise are summarized. The Administration's response to these is also given.

General Points on the Lump Sum Grant funding arrangement

13. Before addressing individual aspects of the funding arrangement, it

would perhaps be useful to set the detail in context -

- (a) while the funding level of agencies is assessed on the basis of service units and the various components in delivering a service, namely Salaries, Provident Fund contributions, Other Charges etc., the end-product subvention based on those calculations will be disbursed in the form of a lump sum grant which agencies may freely deploy as long as the required outputs and standards are met;
- (b) the Administration is faced with the reality that the same type of service unit is provided by different NGOs receiving varying levels of funding to meet their prevailing requirements (because of their different maturities). However, we must aim to standardize the funding level, hence the Benchmark approach.
- (c) in determining that Benchmark for standardising the funding level, we need to have certain working parameters that will meet the dual objectives of providing NGOs with sufficient funds while securing value for money for the Government and community. Taking account of the Personal Emolument cost for the Sector, we believe that the formula of determining the lump sum funding for individual NGOs on the basis of mid-point salaries (and we have proposed not to adopt the new

lower civil service pay scale effective from April 2000 for the purpose of the calculations) of all posts recognized for subvention in the current system (i.e. full establishment) and a 6.8% of mid-point salaries for employers' provident fund contribution to be reasonable; and

- (d) we are aware that we cannot ignore the reality that over the years, NGOs have built up their individual cost profiles which essentially reflect the experience of their staff. We have therefore built in a period for NGOs, whose funding needs are higher than the Benchmark, to make adjustments and will provide additional tide-over financial assistance. For those whose current funding needs are below the Benchmark and for newly allocated units, we will provide them with the Benchmark funding as soon as they join the new Scheme so that they may build up their financial capabilities for the future.

In the light of responses received and to address particular areas of concern to staff, we are proposing some additional improvements to the package, as outlined below.

(A) Provident Fund (PF) Contribution Rate

Sector's Views

14. A number of NGOs and all staff associations have raised strong objection to the proposed arrangement of calculating the provision for PF payment by adopting the existing Sector wide average of 6.8%. Their views are:-

- (a) the proposed 6.8% PF rate for existing service units is inadequate to meet the projected PF requirements of most NGOs;
- (b) the proposed 5% PF rate for new allocated projects is too low and violates the principle of equal pay for equal work;
- (c) consideration should be given to raising the PF rate for existing service units to 8.5%;
- (d) to ensure that contractual commitments to existing staff are honoured, Government should pay actual PF for staff who occupied recognized subvented posts in NGOs on 1 April 2000; and
- (e) NGOs should be required to keep a separate account for PF payments. Savings under this account cannot be vired to meet other expenses.

Administration's Response

15. Taking into account the Sector's views and concerns, the Administration has decided to introduce the following modifications to the original package:-

(a) **Vetted Units**

to ensure that NGOs have sufficient funds to meet their contractual PF contribution obligations to Existing Staff^{Note 1}, PF for Existing Staff will be paid on an actual basis. Detailed arrangements are set out below:-

- i) NGOs will file records of their staff occupying recognised subvented posts on 1 April 2000 with SWD;
- ii) based on the data provided by NGOs in the context of the Snapshot^{Note 2} calculation, the PF provision for the financial year 2000/01 will be calculated. NGOs will be given the projected PF requirement based on the snapshot at 1.4.2000. The PF provision will be paid as part of the lump sum grant payment.
- iii) starting from 2000/01, NGOs will be required to inform

^{Note 1} – Existing Staff is defined as staff occupying recognized subvented posts in Model System Units and Vetted Modified Standard Cost System Units on 1 April 2000 and being employed by the same NGO when it applies for Tide Over Grant/Provident Fund payment for the following year.

^{Note 2} - Staff strength of each NGO as at 1.4.2000 and its projected salary subvention for 2000/01 under the existing subvention mode.

SWD of the projected PF requirements for Existing Staff and details of known staff departures for the following financial year, at least 6 months before the start of the financial year for which the PF provision is required;

iv) based on the information provided by NGOs, the amount of PF requirement to meet the PF commitment for Existing Staff and their replacement will be calculated, based on the following formula:-

Projected PF payment for Existing Staff = A
still in the employment of the NGO as at beginning of the financial year

Plus Annual notional PF (mid-point salaries x PF @ 6.8%) for posts vacated by Existing Staff who have left = B

Less Adjustment of PF payment for staff leaving the service = C

Less Underspent PF Provision for Existing Staff from the previous year, if any = D

PF Provision = A+B-C-D

An illustrative calculation is at Annex F

- v) the transitional arrangement of paying PF actual is only applicable to Existing Staff as defined in (a) above. It will cease once these staff leave their current employer.

(b) Unvetted Modified Standard Cost System Units

We will raise the subvention cap for service units operating under the unvetted Modified Standard Cost System, from the existing 104.5% of mid-point salary to 106.8%. In other words, for all unvetted units, the LSG snapshot will be calculated at 106.8% of the mid-point salary of the recognized establishment. LSG payment will be split into salary and PF in the ratio of 100:6.8. NGOs with unvetted units will have the option until end of September 2000 to have their units vetted basing on the snapshot position as at 1.4.2000. Subject to satisfactory completion of the vetting process, these units will have their LSG recalculated in accordance with the formula for vetted Modified Standard Cost System Units and the staff therein will be regarded as Existing Staff for the purpose of the PF (and TOG) arrangement.

(c) Regarding the PF contribution provision for staff in the 32 allocated new service units which has started operation since 1

January 2000, we have decided to increase this from 5% to 6.8% of the mid-point salary.

(d) PF provision will be sterilized and any underspending cannot be viwed to meet expenses for other items. NGOs will be required to fully account for the spending of the PF provision received. For monitoring purposes, NGOs will be required in their audited annual financial report to show the amount of provision and expenditure in respect of PF.

16. As explained in paragraph 13, adopting 6.8% of mid-point salaries as the basis for calculating the PF portion in the Benchmark funding to be disbursed as a lump sum is justified on value for money and equity grounds. To enable NGOs to meet their contractual obligations to existing staff occupying recognised subvented posts, Government will provide additional funding to meet any shortfall arising from the need to meet their PF commitments to Existing Staff.

(B) Tide Over Grant (TOG)

Sector's Views

17. Whilst accepting that the proposed TOG scheme would facilitate NGOs to adjust to the new funding arrangement, many NGOs consider the length of the TOG period to be too short. Staff associations have also expressed similar views. The Sector's concerns and suggestions in this

regard are summarized below:-

- (a) to assist NGOs to meet their contractual obligations to Existing Staff, the TOG should be provided for 5 years initially. Thereafter, a review should be conducted;
- (b) objective eligibility criteria should be set and the application procedures should be simple and straightforward;
- (c) details of the TOG arrangement should be made known as early as practicable; and
- (d) to provide incentives for NGOs to re-engineer, NGOs should not be required to exhaust their reserves before applying for the TOG.

Administration's Response

18. Having regard to the views and concerns expressed by the Sector, the Administration has decided to introduce the following modifications to the proposed package:-

- (a) accepting the need to allow more time for NGOs to adjust to the changes arising from these subvention reforms, the TOG period will be extended from 3 to 5 years;
- (b) the TOG arrangement will be reviewed in 2004-05; and

(c) as any shortfall in PF payments for Existing Staff will be covered by the separate arrangement outlined above, the PF element will no longer need to be catered for, through the TOG.

19. Regarding eligibility criteria, the Administration intends to keep the application and payment procedures as simple as possible. Details are as follows:-

(a) **Eligibility Criteria** – To be eligible to receive the TOG, NGOs will need to demonstrate that the provision they receive under the lump-sum grant is inadequate to cover their projected salary payment having regard to the contractual obligations which apply under the current subvention rules to Existing Staff^{Note 3} for salary incremental creep. The projection for salary payment will need to take into account known staff departures in the coming financial year.

(b) **Application Procedures** – Provision under the lump-sum grant in 2000/01 will be adequate to cover the actual salary requirements for Existing Staff. The need for the TOG will only arise in subsequent year(s). NGOs wishing to receive

^{Note 3} Existing Staff is defined as staff occupying recognized subvented posts in Model System Units and Vetted Modified Standard System Cost Units as at 1 April 2000 and being employed by the same NGO when it applies for TOG/PF for the following year.

the TOG should apply at least 6 months prior to the start of the financial year for which the TOG is required. An application supported by a full staff list for which the TOG is required, should be forwarded by the Director/Chief Executive of the NGO concerned to SWD for processing.

- (c) **Formula for Calculating TOG** – Upon receipt of the application, SWD will check the application against the records kept by the Department in respect of staff in post in that NGO on 1 April 2000 and verify the calculation in accordance with the following formula -

Projected salary payment for Existing Staff = A
still in the employment of the NGO as at the beginning of the financial year

Less Provision for salaries included in Lump-sum = B
Grant for these staff

Adjustment of salaries for known staff = C
departures

Underspent TOG from the previous year, if = D
any

TOG = A-B-C-D

An illustrative calculation is at Annex G

- (d) **Vetting Committee** – A Vetting Committee comprising Government and Non-official Members will be set up to approve applications.
- (e) **Payment Arrangement** - TOG will be paid in full at the beginning of each financial year.

(C) Mid-Point Salary Benchmark

Sector's Views

20. Whilst some NGOs endorsed the mid-point salary Benchmark concept, others expressed concern about the arrangement. Their views are:–

- (a) to set the Benchmark at the mid-point salary level is too low as the Snapshot taken on 1 April 2000 indicates that some NGOs are already above the mid-point Benchmark;
- (b) the introduction of a lump-sum grant arrangement coupled with the Enhanced Productivity Programme is tantamount to a ‘mid-point Benchmark less 5% provision’;
- (c) NGOs will not have sufficient funds to meet their contractual commitments to Existing Staff as the lump-sum grant is based on a mid-point salary Benchmark;

- (d) to set the Benchmark at mid-point salary level is to set the maximum salaries of NGO staff at the mid-point of their individual salary scales;
- (e) consideration should be given to upward adjustment of the Benchmark to 70 – 80% of the salary scale; and
- (f) the Benchmark should be worked out based on a 5-year projection of the salary requirement for NGO staff.

Administration's Response

21. The Administration understands the Sector's concerns which have been exacerbated by low staff turnover rates over the past 12 months. However, it should be noted that as at 1 April 2000, of the 181^{Note 4} subvented NGOs, 111 NGOs were below the Benchmark and an estimated additional \$110 million would be required to bring these NGOs up to the Benchmark, if all join the new lump-sum grant arrangement in 2000/01.

22. The Administration does not consider it necessary to make any change to the mid-point salary Benchmark concept on the following grounds:-

- (a) an analysis of the actual salary payments made vis-à-vis mid-

^{Note 4} - Total number of NGOs has been reduced from 186 to 181 as 6 of them have been transferred to the Home Affairs Bureau's subvention system and 1 new NGO has become subvented since 1 April 2000.

point salary scale indicates that in the past 40 years, the Welfare Sector's actual salary bill has never reached the mid-point; and

- (b) as explained in para. 6, we have taken a 'totality' approach in developing the LSG formula. We believe that taking into account normal wastage and the flexibility allowed for resource deployment, LSG will provide adequate funding to NGOs to meet their staff costs in the long run.

(D) Inclusion of vacant posts in calculation of the Snapshot

Sector's Views

23. A number of NGOs have suggested including vacant posts in calculating the Snapshot amount. They argue that as NGOs need to fill their vacant posts, the Snapshot should take account of these.

Administration's Response

24. The Administration does not accept this argument because:-

- (a) provision for all vacant posts has already been included in calculating the Benchmark provision, which means that NGOs (111 out of 181) whose Snapshot is below the Benchmark will receive this benefit; and

(b) the latest analysis shows that the vacancy rate amongst NGOs, who are above the Benchmark, is only 0.5%. The effect of including these vacant posts for the purpose of calculating the Snapshot would be insignificant. Whilst these NGOs would receive a small short-term benefit, it would mean that the amount by which they have to reduce their expenditure in order to come down to the Benchmark, would be greater in the long-run.

(E) Moving Down to the Benchmark

Sector's Views

25. A number of NGOs have expressed concern about anticipated difficulties in moving down to the Benchmark starting in 2003/04, following full implementation of the Enhanced Productivity Programme.

Their views are:-

- (a) some NGOs whose Snapshots are above the Benchmark will have great difficulties in moving down to the Benchmark, taking into account the Enhanced Productivity Programme factor and the need to meet contractual commitments to their Existing Staff;
- (b) NGOs should be given some breathing space after the Enhanced Productivity Programme exercise before they are

required to start moving down to the Benchmark; and

- (c) the pace of moving down to the Benchmark should be slower by reducing the incremental steps from 2% to 1% per annum.

Administration's Response

26. Having regard to the revised arrangement to pay the actual Provident Fund payment for all Existing Staff occupying recognized posts, the Benchmark for NGOs to achieve (whilst their Existing Staff remain in their employment) will comprise the mid-point salary component only. However, eventually when all their Existing Staff have ceased to be employed by them, NGOs will need to move to a Benchmark comprising both the mid-point salary and the 6.8% P.F. components.

27. Taking into account the Sector's views and having regard to the decision to extend the duration of the TOG period, the Administration has decided that NGOs should only be required to start to come down to the Benchmark at the end of the TOG period. In other words, the coming down will start in 2005/06 rather than 2003/04, as originally proposed. Such an arrangement will provide sufficient time for NGOs to make the necessary changes in their organizations to achieve the Benchmark. In the light of this relaxation, we do not consider it necessary to adjust the pace by which NGOs should achieve the Benchmark. The rate will therefore remain at 2% per annum.

(F) Maintaining the link between NGO pay and the Civil Service Master Pay Scale (MPS)

Staff Associations' Views

28. Staff Associations object to the arrangement of allowing NGOs flexibility to determine the pay scale for their staff. They argue that to adhere to the principle of equal pay for equal work, NGO staff's pay should be linked with the Civil Service's pay scale. The continuing linkage would be conducive to a stable workforce and would therefore help to maintain a high level of service quality.

Administration's Response

29. One of the key objectives of the reforms is to provide flexibility to NGOs in terms of resource deployment and management of their agencies. Under the lump sum grant arrangement, how staff are to be remunerated and how to ensure a stable and productive workforce are issues to be dealt with by individual agency's human resource management system. As such, we do not consider it logical to maintain the link between NGO pay and the Civil Service as to do so, would defeat one of the main objectives of the exercise.

(G) Central Administrative Support

Sector's Views

30. A number of NGOs have suggested that Government should bring the level of central administrative support provided to NGOs up to the level outlined in the paper at Annex H. They argue that implementation of the various initiatives under the subvention reforms, including the Service Performance Monitoring System, will increase their administrative and managerial work.

Administration's Response

31. Whilst noting the concerns of NGOs, the level of central administrative support that can be provided to NGOs has always been subject to the availability of resources. To tie in with the implementation of the Service Performance Monitoring System, an additional \$27M was provided to NGOs in 1999/2000. In 2000/01, \$219M will be provided to NGOs for existing central administrative and accounting support. The Administration believes this to be adequate especially in the light of the added flexibility to be given under LSG. However, practical assistance and training will be provided to NGO management to help them effect the changes smoothly. In this connection, the Administration has already commissioned consultants to examine ways and means to assist NGOs to manage the changes. To begin with, a 2-3 year project is planned to provide practical assistance to NGOs in the following areas:-

- (a) provide training/seminars on change management for NGOs;

- (b) develop self-help kits and templates for use by NGOs in financial and human resource management as well as in re-engineering and reorganization projects;
- (c) develop a mentoring system whereby NGOs who have proven to be successful in instituting the changes, share their experiences in a practical sense with other NGOs; and
- (d) set up a help centre to provide advisory services on management issues to NGOs; and in particular practical support services to smaller NGOs.

In addition, SWD will work closely with individual NGOs to ensure a smooth transition from the existing to the new subvention system.

(H) Rehabilitation Agencies:

Sub-standard Supervisory Staffing Levels

Sector's Views

32. Some Rehabilitation agencies, consumers' groups and staff associations have suggested that the supervisory support levels and 'other charges' in some sub-standard units should be raised. They argue that the provisions for these 20 sub-standard units were not brought in line with the improved staffing standards endorsed by the former Rehabilitation Development Co-ordinating Committee in 1989 because of financial constraints. This would place them in a difficult position in the new

funding environment.

Administration's Response

33. Most of the sub-standard provision arose when an improved staffing standard was partially introduced. Full implementation to all existing units was not possible due to resource constraints. The Administration will give positive consideration to resolving this issue, subject to the availability of funds. Our intention is to seek to introduce improvement in phases and to link additional funding to improved services to clients.

(I) Maintaining Existing Manning Scales

Staff Associations' and Consumers' Groups' Views

34. Both groups have requested that the existing recognized rigid manning scales used in subvented welfare service units should be maintained. They are concerned that if NGOs are given flexibility to determine their own pay scales and staffing structure, the established manning scales will likely be abolished. As a result, service quality will deteriorate and staff will be laid off.

Administration's Response

35. With the introduction of lump-sum funding arrangements, an enhanced service performance monitoring system will be put in place. NGOs will be required to meet the standards spelt out in their Funding and

Service Agreements including specific output/outcome indicators. As such, we do not consider it necessary nor desirable to require NGOs to necessarily maintain their existing manning scales. However, we will examine the suggestion of stipulating in the Funding and Service Agreements, qualification requirements for certain core staff in some service units.

(J) Impact on Service Quality

Staff Associations' and Consumers Groups' Views

36. Both groups have expressed concern that in order to contain expenditure, NGOs might be compelled to take various measures including replacing experienced staff with less expensive new recruits, reducing their manning scales, cutting staff remuneration and benefits etc. Such measures would have a direct and negative impact on service quality. To ensure service quality, the detailed staff requirement for each type of service should be spelt out in the Funding and Service Agreements.

Administration's Response

37. Under the lump-sum grant arrangement, NGOs will be given sufficient resources to meet their contractual commitments to Existing Staff. There is therefore no need for NGOs to make drastic changes to their current staffing structure and staff remuneration arrangements. We envisage that changes in staff structure, if any, would take place in a gradual and evolutionary manner through natural wastage and service re-

engineering. As such, we consider these worries to be unfounded. Moreover, as an integral part of the reform package, we will introduce an enhanced system to monitor the performance of NGOs receiving subvention. This will include human resource management, accountability, one aspect of which, will be to encourage NGOs to remunerate staff according to the results achieved. Our intention is to involve service users in the monitoring process. As the Administration's focus will shift from input to output control, we believe that service quality should improve.

(K) Abuse of Subvention Money

Staff Associations' and Consumers' Groups' Views

38. Both front-line staff representatives and service users have expressed concern that some NGOs might abuse the flexibility given to them under the new system by channeling subvention money to other activities. As a result, service users will suffer.

Administration's Response

39. Whilst the reforms provide flexibility to NGOs in the deployment of resources, NGOs will be required to comply with certain accounting, financial reporting and auditing requirements. These requirements include the following:-

- (a) NGOs will be required to ensure that proper books of account

and other accounting records are kept for all transactions, separately identified into Funding and Service Agreement and non-Funding and Service Agreement activities. They must also ensure that annual financial statements are prepared in the format required;

- (b) NGOs will be required to submit audited annual financial reports in respect of their Funding and Service Agreement activities, showing the receipt of Lump-Sum Grant/Tide-Over Grant, the expenditure on Funding and Service Agreement and related support activities, and utilization of their reserve funds; and
- (c) NGOs will be required to have their FSA activities and supporting services audited annually by external auditors. They will also be encouraged to develop an internal auditing system. In addition, to strengthen the accountability of NGO Boards and management, NGOs will be encouraged to form their own Audit Committees. These Committees will deal with the risk and control of both financial as well as non-financial issues, and examine both external and internal audit matters.

Apart from the above measures, SWD will enhance the existing complaint system to facilitate the investigation of any alleged mis-use of subvention

funds. Such measures should be sufficient to reduce the possibility of abuse.

(L) Fee Charging

Staff Associations' and Consumers' Groups' Views

40. Staff associations and consumer groups have suggested that in order to balance their books, NGOs may levy additional fees and charges for their services. Inevitably, only those who can afford the fees and charges would receive services. 'Poorer' service users would therefore be deprived.

Administration's Response

41. To avoid needy users being deprived of any services, it is important that NGOs continue to take into account the affordability of their clients in setting fees and act in accordance with the following guidelines:-

- (a) for those FSA units with CSSA related fees, NGOs will be required to follow strictly the fee charging scales set by SWD. Apart from those specific services required under a Funding and Service Agreement and those normally expected to be available, NGOs may collect charges for extra services. But they need to observe the principle outlined above;
- (b) for those FSA units charging non-CSSA related fees and fees for programmes/activities, NGOs should continue to manage these fees in accordance with the existing arrangement and

practice;

- (c) if a NGO wishes to introduce new fees and charges in respect of FSA activities, it must ensure that such fees and charges:-
 - (i) do not affect their FSA activities; and
 - (ii) are not detrimental to the interests of users. In this respect, NGOs should pay particular attention to the affordability and needs of users;
- (d) for proposals to introduce fees related to FSA activities, NGOs will need to notify the Social Welfare Department through their Annual Plans and explain why this is necessary; and
- (e) NGOs will be required to display a full list of fees and charges for their services/activities at locations in areas accessible to service users, within their premises.

A summary of social welfare activities grouped under CSSA related and non-CSSA related fees is at Annex I.

(M)Enhanced Service Performance Monitoring System and Revised Planning Mechanism

Staff Associations' and Consumers' Groups' Views

42. Both staff unions and representatives of service recipients have suggested that the Government should set up an appropriate service

planning mechanism and ensure that both the general public and service users participate in the process.

Administration's Response

43. With the introduction of the Lump-Sum Grant, the enhanced Service Performance Monitoring System with its Funding and Service Agreements will become an integral component of the funding systems. The aim is to ensure that resources are targeted at meeting the changing needs of the community in the most cost-effective manner. To achieve this, a service planning mechanism will be built into the Funding and Service Agreements. It is intended that in consultation with the Sector, medium term plans of 3-5 years duration will be developed for each programme area. These will review and redefine the objectives, scope and priority of the services required to meet changing community needs. The revised service objectives, scope and priorities will be incorporated into Funding and Service Agreements which all subvented service units are required to sign. The basis of subvention to each unit, to deliver the agreed services and service outputs and outcomes and quality standards of the medium plan, would also be included. In each year of the medium term plan cycle, NGOs will be required to draw up annual plans under different programme areas, with reference to the Funding and Service Agreements corresponding to each programme area. The plans would provide details of the initiatives planned (taking into account in particular, local and demographic characteristics), which would enable the subvented

service units to achieve the objectives and outcomes set out in the Funding and Service Agreements. The 3-5 year medium term planning cycle will provide an opportunity to review on a regular basis, the objectives and priorities of each programme area, to ensure that any changes in community needs are met. The Welfare Sector will be actively involved in this process and in particular, representatives of service users will be invited to participate.

(N) Implementation

Sector's Views

44. Some NGOs have suggested that implementation of the reform package should be deferred until such time as all the details have been worked out and agreed with all parties concerned. In addition, staff associations have argued that to prevent NGOs taking pre-emptive action, the arrangement of allowing NGOs to opt for the new subvention system and to back-date implementation to 1 April 2000 should be cancelled.

Administration's Response

45. We consider that the proposed gradual approach in introducing the reforms, will provide valuable opportunities for both the Government and the Sector to work together to fine-tune and improve the subvention and planning systems. The backdating arrangement is necessary, since a number of NGOs have indicated their intention to join as early as possible in the current financial year.

WAY FORWARD

46. Following the announcement of the revised package on 20 June 2000, the Administration will explain the details to the Welfare Sector. Whilst the financial details of the package are fixed, views on the other aspects particularly on the operation of the LSG, TOG and PF guarantee will be welcomed.
47. In due course, SWD will invite NGOs to indicate their interest to joining the new subvention system. It is expected that these NGOs will already have financial and human resource management systems in place.
48. Other NGOs will be encouraged to join the new subvention mode since it remains the firm policy intent of the Administration to fund welfare services on this basis in future. However, we accept the enormity of the proposed changes and intend to work closely with all NGOs, taking account of their individual and practical difficulties, to implement the changes.
49. A first edition of the new Lump Sum Grant Manual will be issued shortly. Given the complexities associated with changing from the current subvention system, it is inevitable that many will require refinement with the passage of time and in the light of views expressed by the Sector. As such, the Administration proposes to work closely with the Sector on this

document and welcomes written comments.

50. These reforms are but a tool to be used to achieve our prime goal of ensuring that the current welfare needs of our community are met. Greater flexibility must be introduced into the Sector over time and NGOs must be given the responsibility of managing and developing the services required by the community.

Health and Welfare Bureau

June 2000

Our ref. : SWD 1/128/73C V

10 February 2000

Chairpersons/Agency Heads of
All Subvented Non-governmental Organizations

Dear Sir/Madam,

Social Welfare Subvention Reform

The purpose of this letter is to inform you of the package of measures proposed by the Administration to improve the existing social welfare subvention system and related monitoring mechanisms.

BACKGROUND

The existing subvention system with its emphasis on input control has been criticised for creating inflexibility for NGOs to deploy resources, entrenching disincentives for efficiency, stifling innovation and being administratively cumbersome to operate. As early as 1994, the Department appointed Consultants to review the subvention system with a view to shifting the emphasis from input to output control, as well as devising monitoring mechanisms to enhance public accountability and cost-effectiveness in the delivery of welfare services.

The review was concluded in 1998. The recommendation of introducing a Service Performance Monitoring System received general support from the sector and starting in April 1999, is now being implemented by phases. However, the proposal on fixed funding arrangements was not accepted by the Sector. As a result, the

Administration continued to explore new options to improve the existing subvention system.

In October 1999, the Administration presented to the Social Welfare Advisory Committee (SWAC) initial proposals to change the existing subvention mode to a lump sum grant and enhance the Service Performance Monitoring System, with a view to –

- (a) streamlining procedures to achieve greater efficiency and effectiveness;
- (b) improving service quality and performance;
- (c) encouraging innovation in service delivery;
- (d) enhancing accountability; and
- (e) providing flexibility in the deployment of resources to meet evolving priorities and changing community needs.

Following internal deliberations by the Administration, we are now able to share with you details of the proposed package of improvement measures.

PROPOSED PACKAGE

We have taken a flexible approach in designing the lump sum subvention package, incorporating features to address NGO's concerns as regards different stages of maturity of agencies and their commitments to serving staff. As part of the package which is to be implemented as a whole, there are improved monitoring mechanisms to ensure quality of service and accountability of public funds.

(I) LUMP SUM GRANT (LSG)

Existing Service Units

For service units on standard and model cost subvention

Personal Emoluments (PE)

- (a) first of all, we will determine the benchmark lump-sum grant (Benchmark) of each NGO on the basis of the **mid-point salaries of the existing pay scales** (that is, the grant will be immune from the lower starting pay) of its **recognized establishment as at 1.4.2000** (that is, all approved posts are fully funded) plus the present sector-wide average PF employer's contribution of 6.8%;
- (b) we will take a snapshot of staff strength of each NGO as at 1.4.2000 and project its PE subvention for 2000-01 under the existing subvention mode;
- (c) we will then compare this projected PE subvention with the benchmark
 - for agencies with Snapshot above the Benchmark, they will receive the Snapshot as the LSG. There will be no top-up and no claw-back in the course of the financial year except for adjustment in line with the annual civil service pay award. Their lump-sum grant will be reduced annually to reach the Benchmark **in steps of 2% per annum** starting from 2003/04, i.e. **after the EPP period**;
 - for agencies with Snapshot below the Benchmark, they will receive the Benchmark as LSG **in one step** (that is, on Day One) provided that their service is already fully commissioned (otherwise in line with the agreed phased

commissioning of the facility/service). Likewise, there will be no top-up and no claw-back in the course of the financial year except for adjustment in line with the annual civil service pay award.

Other Charges (OC)

- (a) In the context of relaxing subvention rules to facilitate achieving EPP, it has already been agreed that OC subvention will be released in lump sum for all service units w.e.f. from 1.4.2000.
- (b) Rent and rates (including management fees and Government Rent) will be on an actual reimbursement basis.

For existing service units on lump sum mode, unit grant or 5% subsidy

The current subvention mode for these units will remain unchanged and the subvention amount will be incorporated into the respective agency's overall LSG.

For Allocated New Service Units

PE

For all new service units already allocated to NGOs and which are scheduled to start operation after 1 January 2000, we will provide a LSG calculated on the basis of the **new mid-point salary** (taking account of lower entry pay) of recognized establishment plus 5% Provident Fund (PF) contribution (in line with the new Mandatory Provident Fund Scheme).

OC

- (a) Subvention for OC is based on the lump sum allocation.
- (b) Rent and rates will be on an actual reimbursement basis.

The LSG will be **released in full on Day One** (despite the fact that agencies are likely to recruit new staff at entry pay) in line with the agreed phased commissioning schedule.

Flexibility of the LSG

The PE grant will be adjusted in line with the annual civil service pay award while the OC grant will be adjusted for inflation either on the basis of the Government-wide price adjustment factor or Composite Consumer Price Index (CPI). In addition, agencies under LSG will enjoy the following flexibility –

- (a) to retain unspent funds in their reserves to meet future liabilities. The level of cumulative reserves will be capped at **25%** of operating expenditure of subvented services for that year. Any sum above this cap may only be retained with DSW's approval;
- (b) to retain all donations and income other than subvented service fees (which will have already offset Government subvention). This means that agencies may generate and fully retain income from other miscellaneous services incidental to the operation of the subvented service, e.g. running a gift shop, providing photocopying services, etc. in a separate account; and
- (c) to determine their own staffing structure and remuneration, if necessary, provided that specified quality and professional standards are met and the "No better than the Civil Service" subvention principle is not breached.

— According to the above parameters, the indicative amount of LSG, basing on the staffing position of your Agency as at 1.9.1999 is given at Annex. We shall write to you separately on the logistics of updating the position, to arrive at a snapshot figure as at 1.4.2000.

“TIDE-OVER” GRANT SCHEME

To address the Sector's concern that the lump sum grant might not provide sufficient funds to meet their commitments to existing staff, we propose to introduce a “Tide-Over” Grant Scheme for NGOs to address any possible problems in the first three years i.e. between 2000/2001 and 2002/2003 arising from meeting contractual obligations to serving staff for salary creep and Provident Fund contributions. The intention is to allow NGOs to have sufficient time to adjust to the changes. Under this scheme, NGOs who can demonstrate that they have insufficient funds to meet their salary creep/provident fund contributions for serving staff who are on their payroll as at 1 April 2000, may apply to SWD for a one-off grant to meet any proven needs in the period between 1 April 2000 and 31 March 2003. A set of criteria for applying for the grant would be worked out for NGOs to follow. A vetting committee will be set up to consider the applications.

(II) ENHANCED SERVICE PERFORMANCE MONITORING SYSTEM (SPMS)

With the introduction of the LSG, the SPMS with its Funding and Service Agreement (FSA) will become an integral component of the funding system to ensure that resources are targetted at meeting the changing needs of the community in the most cost-effective manner. To achieve this end, a service planning mechanism will be built into the FSA.

It is intended that in consultation with the Sector, medium term plans of 3 – 5 years duration will be developed for each programme area. These will review and redefine the objectives, scope and priority of the services required to meet changing community needs. The revised service objectives, scope and priorities will be incorporated into the Funding and Service Agreements which all subvented service units are required to sign. The basis of subvention to each unit, to deliver the agreed services and service outputs and outcomes and quality standards of the medium plan, would also be included.

It is also proposed that in each year of the medium plan cycle, an annual plan would be drawn up by each service unit, providing greater detail of the initiatives planned, taking into account in particular, local and demographic characteristics, which would enable the unit to achieve the objectives and outcomes set out in the Funding and Service Agreements. The annual subvention allocation would confirm the funding for each year based on the subvention parameters in the Funding and Service Agreements and taking into account any adjustments which may be required for the year.

The 3 – 5 year medium term planning cycle would provide an opportunity to review on a regular basis, the objectives and priorities of each programme area, to ensure that any changes in community needs are met. At the end of each review cycle, if no changes are required, the Funding and Service Agreements will be renewed. However, if changes are required such as the need to reconfigure or reprioritize services, the Funding and Service Agreement will, accordingly, need to be revised and renegotiated. And, as is the case at present, continuing subvention will be subject to the ongoing need for the service and satisfactory performance of the service unit. Assessment will continue to take the form of an annual self-assessment by the unit and an external assessment conducted by SWD every three years.

The above improvement measures i.e. LSG and enhanced SPMS will be introduced as an integrated package. The proposed package aims at enhancing accountability, efficiency and cost-effectiveness in public spending and ensuring that resources can be re-deployed to meet evolving service demands.

Subvented NGOs will have a two year period to join the Scheme starting from 1 April 2000 to 1 April 2002.

OTHER SUPPORTING MEASURES

We understand that the lump sum grant subvention will generate new demands on the administrative and managerial requirements of NGO

managers. As one of the measures to facilitate the sector in managing these changes, we intend to introduce a series of training workshops focusing on the considerations and skills required to operate effectively under the new funding arrangements. The possibility of setting up a support centre for smaller NGOs will also be considered.

CONSULTATION

The above represents our initial proposals and we envisage that many details remain to be worked out, in consultation with the Sector. To fully explain the proposed package, we are arranging briefing sessions for NGO representatives on the morning and afternoon of 17 February 2000. Details of these sessions will be the subject of a separate letter to be issued shortly. Should you wish to have our colleagues to explain the proposed package to your individual agency in greater detail, we would be pleased to do so. In parallel, the views of the Social Welfare Advisory Committee, Rehabilitation Advisory Committee, Elderly Commission and LegCo Welfare Panel will be sought. We will also meet with staff representatives to exchange views. Our target is to complete the consultation exercise in two months' time.

As it is important to reflect the views of front-line staff on the reform package, I would encourage you to consult your staff on the above proposals.

I have to apologise for this rather lengthy letter. However, I am sure you would agree with me that the importance of the subject matter warrants such detail.

Should you have any questions or wish us to visit your agency, please feel free to contact Mrs. June Sherry, Assistant Director (Subventions) at 2892 5101 or Mr. FU Tsun-hung, Senior Social Work Officer (Special Team) at 2119 9650 who would be pleased to explain any aspect of the proposed package. Meanwhile, comments on the proposals should be sent to the Secretary of the Working Group on Implementation of the 1999 Subvention Review Exercise Proposals whose address is given below :-

Mr. Stephen PANG, PAS(SD)
Health and Welfare Bureau
19/F, Murray Building
Garden Road
HONG KONG
Fax No.: 2905 1326
email address: passd@hwb.gcn.gov.hk

Your comments should reach him latest by 9 April 2000.

Yours sincerely,

(Andrew K. P. Leung)
Director of Social Welfare

Encl.

List of Key Consultation Activities

Date	Events
10 February 2000	Briefing Social Welfare Advisory Committee
15 February 2000	Briefing Subventions and Lotteries Fund Advisory Committee
17 February 2000	Two briefing sessions for all NGOs (attended by representatives of 160 NGOs)
2 March 2000	Briefing Elderly Commission
10 March 2000	Meeting with Hong Kong Social Workers' Association
11 March 2999	Briefing Chairmen of District Councils
13 March 2000	Briefing LegCo Welfare Panel
28 March 2000	Briefing Rehabilitation Advisory Committee
28 March 2000	Meeting with Hong Kong Council of Social Service representatives
6 April 2000	Meeting with the Hon Yeung Sum, C.K. Law, Michael Ho and Representatives of the Fighting for Social Welfare Alliance
7 April 2000	Meeting with the Hon Lau Chin Shek and Representative of the Fighting Social Welfare Alliance
15 April 2000	Meeting with 8 Consumers Groups co-ordinated by the Parents Association of Pre-School Handicapped Children
17 April 2000	Meeting with the Hon Chan Yuen Han and Representatives of small NGOs

Annex C

List of NGOs visited/met with (During the period 20.2.00 – 28.4.00)

1. Aberdeen Kai Fong Welfare Association Social Service Centre
2. Against Child Abuse Ltd
3. Alice Ho Miu Ling Nethersole Hospital
4. American Baptist Mission
5. Asbury Methodist Social Service
6. Asia Women's League Ltd
7. Asian Outreach HK Ltd
8. Assn. of Baptists for World Evangelism, Inc
9. Assn. of Evangelical Free Churches of HK(The)
10. Baptist Oi Kwan Social Service
11. Boys' Brigade, HK (The)
12. Boys' & Girls' Club Association
13. Caritas - HK
14. Chi Lin Nunnery
15. China Peniel Missionary Society Inc
16. Chinese Evangelical Zion Church Ltd
17. Ching Chung Toaist Association of HK Ltd
18. Christian & Missionary Alliance Church Union HK Ltd
19. Christian Family Service Centre
20. Chuk Lam Ming Tong Ltd
21. Church of United Brethren In Christ HK Ltd(The)
22. Diocesan Welfare Council
23. Endeavourers HK (The)
24. Free Methodist Church of HK(The)
25. Fung Kai Public School
26. Fung Ying Sin Koon
27. Hans Anderson Club
28. Harmony House
29. Haven of Hope Christian Service
30. Heep Hong Society
31. Heung Hoi Ching Kok Lin Association
32. HK Lutheran Social Service, the Lutheran Church - HK Synod Ltd
33. HK & Kowloon Kai Fong Women's Association
34. HK Buddhist Association (The)
35. HK Children & Youth Services
36. HK Evangelical Church Social Service Ltd

37. HK Federation of Youth Groups
38. HK Juvenile Care Centre
39. HK Macao Conference of 7-th Day Adventists
40. HK Mutual Encouragement Association Ltd
41. HK Society for Rehabilitation
42. HK Society for the Blind
43. HK Society for the Deaf
44. HK Society for the Protection of Children
45. HK Sport Association for the Mentally Handicapped
46. HK Student Aid Society
47. HK Women Foundation Ltd
48. HK Young Women's Christian Association
49. Hong Chi Association
50. Hong Kong Christian Service
51. Hong Kong Family Welfare Society
52. Hong Kong Society for the Aged
53. Hop Yat Church, the Church of Christ in China
54. Industrial Evangelistic Fellowship Ltd
55. International Buddhist Progress Society
56. International Social Service, HK Branch
57. Jordan Valley Kaifong Welfare Association
58. Kowloon City Baptist Church
59. Kowloon Women's Welfare Club(The)
60. Kwun Tong Methodist Social Service
61. Lam Tin Estate Kai Fong Welfare Association Ltd(The)
62. Light & Love Home
63. Mental Health Association of HK
64. Methodist Ap Lei Chau Youth Centre (The)
65. Methodist Centre (The)
66. Mission Covenant Church Ltd (The)
67. Neighbourhood Advice-Action Council(The)
68. Pok Oi Hospital
69. Precious Blood Children's Village
70. Richmond Fellowship of HK(The)
71. Society for the Aid & Rehabilitation of Drug Abusers (The)
72. Sik Sik Yuen
73. Sisters of the Good Shepherd
74. Society for the Rehabilitation of Offender, HK (The)
75. Society of Boy's Centre
76. Society of Homes for the Handicapped (The)

77. Spastics Association of HK (The)
78. Steward's Co. (HK) Ltd
79. Suen Mei Speech & Hearing Centre for the Deaf
80. Tsim Sha Tsui District Kai Fong Welfare Association
81. Tung Wah Group of Hospitals
82. United Christian Nethersole Community Health Service
83. Upper Wong Tai Sin & Fung Wong Sun Tsuen Centre for the Elderly
84. Women's Welfare Club, Western District
85. Yan Tin Baptist Church
86. Yuen Long Town Hall Management Committee Ltd
87. Zion Children & Youth Centre

**Membership of the Working Group on
Implementation of the 1999 Subvention Review Exercise Proposals**

Mr Robin C Gill, Deputy Secretary, HWB [Chairman]
Ms Virginia Chan, Assistant Director, HK Council of Social Service
Mr Darwin Chen, Executive Director, The Community Chest
Mr Ng Shui Lai, Director, HK Christian Service
Ms Dorothy Lau, Director, SKH Diocesan Welfare Council
Prof. Diana Mak, The HK Polytechnic University
Mrs Cheung Ang Siew-mei, Executive Director, Christian Action
Mr Ng Man Sui, Representative of the Fighting for Social Welfare Alliance
(joined on 10.2.2000)
Mrs Justina Leung, Representative of the Hong Kong Social Workers Association
(joined on 29.3.2000)
Mrs Marion Lai, Deputy Director (Admin), SWD
Mrs Patricia Chu, Deputy Director (Services), SWD
Mrs June Sherry, Assistant Director (Subvention), SWD
Mr Stephen Pang, Principal Assistant Secretary, HWB [Secretary]

Annex E

List of Customer Groups met

1. Hong Kong Down Syndrome Association Parents Committee
2. Hong Kong Joint Council of Parents of the Mentally Handicapped
3. The Association of Parents of the Severely Mentally Handicapped
4. St. James' Settlement Rehabilitation Division Family Club
5. Intellectually Disabled Education and Advocacy League
6. Fu Hong Parents' Club
7. The Parents' Association of Pre-school Handicapped Children
8. The Society for the Welfare of the Autistic Persons

Illustrative Calculation for PF Grant

NGO with 4 staff (W, X, Y, Z)

		2000-01 (= LSG)	2001-02		
	Staff	<u>Salary</u>	<u>PF</u>	<u>Salary</u>	<u>PF</u>
Left in 1.7.00	W	\$ 100	\$ 9	\$ 102	\$ -
will leave on 1.8.01	X	105	7	108	7.5
	Y	<u>98</u>	5	101	5.5
	Z	123	8	124	8.5
Sub-total			<u>29</u>		<u>21.5</u>
PF for staff change	W#				6.8 [100*6.8%]
TOTAL			<u>29</u>		<u>28.3</u>
PF Grant for (01-02)					
Projected PF requirement					28.3
Adjustment for known staff departure (X)					
Less: \$7.5 * 8 months			(5.00)		
Add: \$105 * 6.8% * 8 months			<u>4.76</u>		
			(0.24)		(0.24)
Adjustment for underspent PF Grant for the previous year arising from Existing Staff leaving the NGO(W)					
Less: \$9 * 9 months			(6.75)		
Add: \$100 * 6.8% * 9 months			<u>5.10</u>		
			(1.65)		(1.65)
TOTAL PF GRANT PAYMENT					<u>26.41</u>

Explanatory Notes

1. The midpoint salary will be used for calculating provision for any posts vacated by Existing Staff.
2. The Additional PF Grant will only cover PF payment for existing staff at their respective rank/grade as at 1.4.00 up to the maximum point of the relevant pay scale.

Illustrative Calculation for TOG***NGO with 4 staff (W, X, Y, Z)***

		2000-01 (= LSG)	2001-02
	Staff	<u>Salary</u>	<u>Salary</u>
Left in 1.7.00	W	100	102
will leave on 1.8.01	X	105	108
	Y	98	101
	Z	123	124
	Total	<u>426</u>	<u>435</u>

Tide-over grant for Salary for (01-02)

Projected Salary payment for existing staff still under the employ of the NGO as at <u>1.4.2001</u>	(A)	333	[= 435 – 102]
Less: provision for Salary included in LSG for these staff	(B)	(326)	[= 426 - 100]
Less: estimated saving from Salary for known departure	(C)	(2)	[= (108-105)*8 months]
Less: underspent TOG for the previous year	(D)	(0)	[= No TOG for (00/01)]
Additional Salary payment for (01-02)		<u>5.0</u>	(A) – (B) – (C) – (D)

Explanatory Notes

1. The Snapshot or midpoint figure will be adopted as the provision included in the LSG. For NGOs which are below Benchmark salary and are paid the benchmark in the LSG, all posts are assumed to be provided at the respective midpoint salary for TOG purpose, regardless of the actual pay of individual staff. For NGOs above the Benchmark salary, they are paid at the Snapshot and all posts are provided at the actual pay of respective staff.
2. The TOG will only cover salaries payment for existing staff at their respective rank/grade as at 1.4.00 up to the maximum point of the relevant pay scale.

Annex H

(October 1994
version up-dated
in March 1999)

Subvention for Central Administration

Subvention for central administration covers both staff costs and other charges, the makeup of each is described in more detail in the paragraphs below :-

A. STAFF COSTS

Provision of staff costs is calculated at the mid point salaries of the recognized posts as set out below :-

1. Co-ordination and Planning of Services

Staff for the coordination and planning of services will be provided according to the following scale :-

<u>Service Unit(s)</u>	<u>Co-ordinator</u>
1.0 - 4.9	0
5.0 - 9.0	1
9.1 - 19.0	2
19.1 - 29.0	3
29.1 - 39.0	4
39.1 - 49.0	5
49.1 - 59.0	6
59.1 - 69.0 etc.	7 etc.

A ‘service unit’ is a functional unit for the delivery of service. In respect of services for which field supervisors are provided for a group of service centres or teams, each group is treated as one service unit (e.g. 8 home help teams under one supervisor are treated as one service unit).

For a NGO with 3 or more field supervisors, one coordinator will be provided even though it has a total number of service units below 5.

The first co-ordinator will be ranked at the same level as a field supervisor/officer-in-charge, subject to the SWO rank being the highest level. Where an agency is provided with more than one co-ordinator, the first appointed is deemed to be the agency head. Depending on the merit of individual case, the agency head may be ranked at one or more levels higher than the other co-ordinators.

2. General Administration

2.1 Agencies will be provided with general administration staff according to the following scale :-

Total staff establishment of subvented service units <u>(excluding head office)</u>		<u>Staffing Support</u>		
		<u>EO I</u>	<u>EO II</u>	<u>CO II</u>
1 - 50		-	-	1
51 - 100		-	1	-
101 - 250		-	1	1
251 - 400		-	2	2
401 - 550		1	1	2
551 - 700		1	1	3
701 - 900		1	2	2
901 - 1100		1	3	3

2.2 In addition, other supporting staff will be provided as follows :-

- (a) For agencies with agency head being ranked at the CSWO level, a deputy agency head will be provided by upgrading an existing co-ordinator to the SSWO level.
- (b) 1 Stenographer will be provided for each agency head ranked at CSWO or above.
- (c) 1 CO II will be provided for an agency with 2 or more co-ordinators at SWO level or above.
- (d) 1 OA will be provided for an agency with 10 or more staff for central administration.
- (e) 1 CO II will be provided for a small agency which operates 2 service units but is not eligible for subvention for central administration.
- (f) 1 CO II and 1 CA will be provided for a small agency which operates 3 or more service units but is not eligible for subvention for central administration.
- (g) Other staff such as artisan, telephone operator, driver, watchman, workman etc. will be considered on an individual basis.

3. Financial Control and Accounting

The level of staff support for accounting work will be at a level equivalent to about 1.8% of an agency's recognized expenditure (excluding head office). The subvention will be allocated in the form of a lump sum grant to agencies concerned

to employ accounting staff. Agencies will have flexibility in the employment of qualified accounting staff in terms of number and rank within the limit of the lump sum grant. Nonetheless, there will be no clawing back of surplus or topping up of deficit except for salary adjustment. Only supplementary subvention due to salary adjustment will be released to agencies concerned at the same time with other subvented services upon demonstration of needs. Where the sums involved are insufficient for a full-time accounting staff to be employed, fraction of a post or “contract-out” arrangement will be allowed to enable agency to engage the service of an accounting officer on part-time or piece-meal basis. Suggested ranking of accounting staff to be employed by agencies and the relevant post descriptions are available from the Department for reference.

4. Agency Heads

For the assessment of ranking of agency heads of subvented non-governmental organizations, the following ranking criteria (excluding head office) will apply :-

Rank of agency head (Note a)	No. of subvented staff	No. of independent service units (Note b)	No. of types of service provided (Note c)	Amount of Social welfare subvention (as at 1.3.99) (Note d)
CSWO	400 or more	50 or more	6 or more	\$87 million or more
SSWO	250-399	15-49	4 or more	\$56-86 million
SWO	60-249	8-14	4 or more	\$16-55 million
ASWO	less than 60	5-7	less than 4	less than \$16 million

- Note : (a) All the above four criteria have to be considered together. Nevertheless, if there are agencies not satisfying all the criteria (e.g. only three out of the four) but are worthy of support, special consideration may be given in the light of their merits.
- (b) In the context of the criteria for assessing agency head, ‘independent service unit’ refers to a functional social welfare unit which can stand on its own for the delivery of service. Hence, a Community Centre, a Small Group Home, a Sheltered Workshop can all be counted as ‘independent service units’. The word ‘independent’ is added to clarify that it is not just a service component existing within a unit. On this basis, a C&A Home is regarded as an ‘independent service unit’ because it is capable of functioning by itself. However, this is not so when the service is incorporated as a component within a Combined Home (i.e. Home-cum-C&A Unit). In this case the combined Home is an ‘independent service unit’ but not the C&A Unit integrated with it.
- (c) This refers to service types such as Family Life Education, Youth Centre, Care and Attention Home, Small Group Home, Sheltered

Workshop, etc. It does not refer to broad category of services like Family, Children, Youth, Elderly and Rehabilitation, etc.

- (d) With regard to the amount of social welfare subvention which is one of the ranking criteria, it will be adjusted annually by the Department, taking account of the PE (Personal Emolument) and OC (Other Charges) inflation factors.

B. OTHER CHARGES

After deduction of insurance premium for ‘Employee’s Compensation’ which has been covered by the Department’s Block Insurance Scheme since 1991/92, Other Charges for central administration will be provided at a flat rate of 4.6% of the subvention for staff cost. However, the provision will be increased by 2% (i.e. 6.6% of the recognized PE) for agencies with purpose built headquarters buildings to take account of the additional costs involved in their management and maintenance.

Social Welfare Department
March 1999

FEES and CHARGES

<u>PROGRAMME AREA / FSA</u>	CSSA <u>Related</u>	Nature of <u>Fees & Charges</u>	Fee Level <u>as at 1 April 2000</u> (monthly fees unless otherwise stated)
(1) Family and Child Welfare			
(a) Occasional Child Care Service	x	Service charge	\$64 per full day \$32 per half day \$16 per 2 hours \$6.4 per meal
(b) Extended (Hours) Child Care Service	x	Service charge	\$260 (5 hours a week) \$520 (10 hours a week)
(c) Boys' Homes / Girls' Homes			
- <i>Halfway Home for Boys</i>	x	Residential fee	\$610 Note 1
(d) Inter-country Adoption	x	Adoption fee	US \$1,580 per case
(e) Post-migration Service	x	Programme fee	\$29,760 per unit per annum Note 2
(f) Temporary Shelter / Hostel for Street Sleepers	√	Residential fee	\$1,420 Note 2
(2) Social Security			
		Nil	

<u>PROGRAMME AREA / FSA</u>	CSSA Related	Nature of Fees & Charges	Fee Level as at 1 April 2000 (monthly fees unless otherwise stated)
(3) Elderly Services			
(a) Hostel for the Elderly	√	Residential fee) \$502* for self-care place)
(b) Home for the Aged / Hostel for the Elderly (Meal)	√	Residential fee) \$1,429*/\$1,506** for) meal place
(c) Transit Shelter	√	Residential fee) \$1,605*/\$1,813** for) C&A place
(d) Home cum Care & Attention Unit	√	Residential fee))
(e) Combined Home	√	Residential fee))
(f) Care & Attention Home for the Elderly	√	Residential fee))
(g) Nursing Home	√	Residential fee	\$1,994
(h) Day Care Centre for the Elderly	x	Transportation fee	\$30
	√	Service charge	\$901*/\$998**
Day Care Centre for the Elderly (with Meal Service Contracted out)			(with provision of meal service) \$166*/\$253** (with contracted out meal service)
(i) Home Help	√	Service charge	\$6,890 per team Note 2
(j) Social Centre for the Elderly	x	Membership fee	\$21 per annum
(k) Multi-service Centre for the Elderly	x	Membership fee	\$21 per annum

<u>PROGRAMME AREA / FSA</u>	<u>CSSA Related</u>	<u>Nature of Fees & Charges</u>	<u>Fee Level as at 1 April 2000 (monthly fees unless otherwise stated)</u>
(l) Pool Bus Service for the Elderly	x	Service charge	\$850 per trip (with A/C) \$670 per trip (without A/C)
(m) Holiday Centre for the Elderly	x	Camp fee	\$158 for weekend overnight user \$131 for weekday overnight user \$56 for weekend day user \$45 for weekday day user

(4) Rehabilitation and Medical Social Services

(a) C & A Homes for the Aged Blind	√	Residential fee)
(b) Hostel for Moderately MH Persons	√	Residential fee) \$1,429*/\$1,506**
(c) Sheltered Workshop cum Hostel	√	Residential fee)
	x	Transportation fee	\$174
(d) Hostel for Severely MH Persons	√	Residential fee)
(e) Hostel for Severely Physically Handicapped	√	Residential fee)
(f) Hostel for Severely Physically Handicapped with MH	√	Residential fee) \$1,605*/\$1,813**
(g) C & A Home for Severely Disabled	√	Residential fee)

<u>PROGRAMME AREA / FSA</u>	<u>CSSA Related</u>	<u>Nature of Fees & Charges</u>	<u>Fee Level as at 1 April 2000 (monthly fees unless otherwise stated)</u>
(h) C & A Homes for the Aged Blind	√	Residential fee)
)
(i) Long Stay Care Home	√	Residential fee)
)
(j) Day Activity Centre cum Hostel	√	Residential fee)
	x	Transportation fee	\$174
(k) Halfway House Service for Discharged Mental Patients	√	Residential fee	\$1,171
(l) Supported Housing	√	Residential fee	\$502*/\$553**
(m) Supported Hostel	√	Residential fee	\$853*/\$932**
(n) Occasional Child Care Service for Disabled Children (SCCC/EETC)	x	Service charge	\$64 per full day \$32 per half day \$16 per 2 hours \$6.4 per meal
(o) Social & Recreational Centre for Disabled	x	Membership fee	\$21 per annum
(p) Training and Activity Centre for Ex- mentally Ill Persons	x	Membership fee	\$21 per annum
(q) Early Education and Training Centre	x	Membership fee	\$146 per annum
(r) Special Child Care Centre			
- day	x	Service charge	\$354
	x	Transportation fee	\$87

<u>PROGRAMME AREA / FSA</u>	<u>CSSA Related</u>	<u>Nature of Fees & Charges</u>	<u>Fee Level as at 1 April 2000 (monthly fees unless otherwise stated)</u>
- <i>residential</i>	x	Residential fee	\$402 (5 days a week) \$534 (7 days a week)
(s) Parents/Relatives Resource Centre for Disabled Persons, Parents / Relatives Resource Centre for Mentally Ill Persons	x	Membership fee	\$21 per annum
(t) Commercial-hired Transport Service for People with Disabilities	x	Transportation fee	\$174
(u) Domiciliary Occupational Therapy Service	x	Service charge	\$51 per visit
(v) Halfway House Service for Ex-drug Abusers	x	Residential fee	\$13 per day
(w) Caritas - Lok Heep Club	x	Membership fee	\$10 per annum for member \$50 per annum for associate member
(x) Non-medical Voluntary Drug Treatment & Rehabilitation	✓	Residential fee	\$1,429
			Note 2

(5) Services for Offenders

- (a) Services for Ex-offenders and Discharged Prisoners

- *Hostel for Ex-offenders* x Residential fee \$39 per day

<u>PROGRAMME AREA / FSA</u>	CSSA <u>Related</u>	Nature of <u>Fees & Charges</u>	Fee Level <u>as at 1 April 2000</u> (monthly fees unless otherwise stated)
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(6) Community Development

(a) Community Centre x Membership fee \$29 per annum

(7) Young People

(a) Children and Youth Centre x Membership fee \$29 per annum

(b) Integrated Team x Membership fee \$29 per annum

(8) Support

(a) Integrated Services	- <i>Integrated Centre</i>	x	Membership fee	\$29 per annum	Note 2
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Note

1. The fee level is in line with SWD's Kwun Tong Hostel.
 2. For subvention calculation purpose only. The actual fee level for service users may be different.
 3. Self-care place is charged at \$917 for a couple. Meal section of Hostel for the Elderly is charged at \$1,429 for a single person and \$2,306 for a couple.

* The rate is for 50% disabled adult or single elderly.

** The rate is for 100% disabled adult / Disability Allowance recipient.