

## **LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES**

### **LUMP SUM GRANT SUBVENTION SYSTEM**

#### **PURPOSE**

The Administration last briefed Members on the implementation of the Lump Sum Grant (LSG) subvention system in the welfare sector vide Paper No. CB(2)146/07-08(01) on 29 October 2007. This paper updates Members on developments since then, in particular the new initiatives implemented by the Administration to enhance the system.

#### **IMPLEMENTATION OF THE LSG SUBVENTION SYSTEM**

2. As at 2008-09, 162 out of 173 non-governmental organisations (NGOs) receiving subventions from the Social Welfare Department (SWD) have joined the LSG subvention mode on a voluntary basis. The total subvention allocated to these 162 NGOs under LSG in 2008-09 accounts for about 99% of the total baseline recurrent subvention provided by the SWD in the year. Total subvention from SWD to NGOs in 2008-09 amounts to \$8.04 billion, representing a 16% increase over the 2007-08 allocation.

#### **NEW INITIATIVES TO ENHANCE LSG SUBVENTION SYSTEM**

3. To further enhance the LSG subvention system and assist NGOs in its implementation, the Director of Social Welfare (DSW) re-convened the Lump Sum Grant Steering Committee (LSGSC) in August 2007. At the meeting on 25 September 2007, the NGO and union representatives of the LSGSC put forward the following proposals -

- (a) conduct a comprehensive review of the LSG subvention system;
- (b) implement interim facilitating measures to ease the problems faced by NGOs; and
- (c) increase the subventions baseline.

The Administration has since responded positively to these requests by launching a series of new initiatives.

#### **Four Facilitating Measures Assisting NGOs Facing Challenges**

4. DSW announced the following four interim facilitating measures on 31 December 2007 to enhance the quality of welfare services -

- (a) starting from 1 January 2008, all new services to be implemented by subvented NGOs are no longer subject to the effect of the Enhanced Productivity Programme and Efficiency Savings;
- (b) new services implemented since April 2000 with personal emolument of some grades set below the mid-point are adjusted upwards to the mid-point salary starting from 1 April 2008;
- (c) a One-off Subsidy of \$200 million from the Lotteries Fund to help NGOs cope with the challenges facing them in recent years, including the need for organisational restructuring and service re-engineering to better meet service needs. The Lotteries Fund Advisory Committee approved the One-off Subsidy in March 2008. Among the 162 eligible NGOs, 154 have applied for the subsidy to carry out a variety of human resources management and financial management enhancement initiatives; and
- (d) starting from 2008-09, NGOs have to reduce the Snapshot Salary by 2% each year until it comes down to the Benchmark Salary<sup>1</sup>. SWD has allowed 26 subvented NGOs which have genuine difficulties in implementing the “coming down” requirement in 2008-09 to defer it for one year, i.e. to 2009-10.

#### **Additional Recurrent Subventions**

5. The Administration appreciates that service needs are undergoing changes following the implementation of the LSG, and that NGOs have to cope with unforeseen workload arising from organisational restructuring and service re-engineering for more effective use of resources to meet such changing needs. As a special measure, the Administration therefore decided to provide an additional \$200 million recurrent funding to NGOs under the LSG subvention

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<sup>1</sup> Under the LSG, the level of subventions to individual NGOs is determined with reference to the mid-point salaries of their notional staff establishment (the Benchmark Salary). For NGOs whose actual salaries payment for staff occupying recognised posts as at 1 April 2000 (Snapshot staff) have exceeded this Benchmark Salary, the initial LSG will cater for the former, but starting from 2008-09, NGOs will have to reduce the salary portion of the LSG by 2% each year until it comes down to the Benchmark Salary.

system from 2008-09 onwards to help them strengthen their administrative capacity.

6. Given the facilitating measures and additional recurrent funding mentioned above, and together with the HK\$330 million additional recurrent resources SWD has provided to NGOs since 2007-08 in line with the 2007-08 Civil Service Pay Adjustment and 2007 Starting Salaries Adjustments, subvented NGOs are in a better position to further enhance their welfare services, strengthen their corporate governance and administration, as well as retain and employ suitable staff.

### **Comprehensive Review of the LSG Subvention System**

7. While the LSG subvention system has its merits, the Administration has agreed to review its effectiveness and identify room for improvement. To this end, the Administration announced on 18 January 2008 the establishment of the Lump Sum Grant Independent Review Committee (LSGIRC) to review the implementation of the LSG subvention system objectively, comprehensively and independently. The Committee comprises five non-official members from different professional background. They all have rich experience in public service and are appointed on a personal basis. The Terms of Reference and Membership of the Committee are at **Annex**.

8. The LSGIRC is adopting an open, transparent and comprehensive approach in undertaking the review. It has openly invited stakeholders and members of the public to express their views, and has made available a variety of communication channels. Interested parties are welcome to write to the Committee or request a meeting, and the LSGIRC's work is reported at its website ([www.lsgir.hk](http://www.lsgir.hk)). Up to the end of April 2008, the LSGIRC has met 57 NGOs and groups to collect their views and attended seminars and hearings organised by stakeholders on the subject. Its own seminar on 29 April 2008 attracted over 250 stakeholders and participants were able to engage in a frank and open dialogue.

9. In the coming months, the LSGIRC will continue with its consultation and study of the subject. Depending on the actual progress, the Committee is expected to complete the review by the end of the third quarter of 2008. It will report its findings and make recommendations to the Secretary for Labour and Welfare.

### **WAY FORWARD**

10. The Administration is fully committed to improving the LSG subvention system. We are confident that the LSGIRC will undertake its task

thoroughly, taking into account the views of the stakeholders and make impartial and useful recommendations. We shall carefully consider its report.

**ADVICE SOUGHT**

11. Members are invited to note the content of this paper.

**Labour and Welfare Bureau  
Social Welfare Department  
May 2008**

**Annex****Lump Sum Grant Independent Review Committee**Terms of Reference

1. To review the Lump Sum Grant Subvention System (“LSG”) with a view to assessing its overall effectiveness and identifying areas and scope for improvement covering but not limited to -
  - (a) overall implementation;
  - (b) flexibility, efficiency and cost-effectiveness in the use of public funds and in service delivery by subvented non-governmental organisations (“NGOs”);
  - (d) the accountability and corporate governance of subvented NGOs;
  - (c) the impact of the LSG on the quality of welfare service; and
  - (e) the handling of complaints related to implementation.
2. To report findings and make recommendations to the Secretary for Labour and Welfare.

MembershipChairman

Mr Wilfred Wong Ying-wai, SBS, JP

Members

Ms Anna May Chan Mei-lan, MH  
Dr Dorothy Chan Yuen Tak-fai, BBS, JP  
Dr Lawrence Li Kwok-chang, JP  
Ms Ayesha Macpherson