ITEM FOR FINANCE COMMITTEE

CAPITAL WORKS RESERVE FUND
HEAD 710 – COMPUTERISATION
Government Secretariat : Labour and Welfare Bureau
Student Financial Assistance Agency (to be renamed as Working Family and
Student Financial Assistance Agency)
New Subhead "Information Technology System and Office Automation
Facilities for the Working Family Allowance Office"

> Members are invited to approve a new commitment of $40,037,000 under Head 710 of the Capital Works Reserve Fund for the development of an Information Technology system and setting up of office automation facilities for implementing the Low-income Working Family Allowance Scheme.

PROBLEM

We need to develop an Information Technology (IT) system and set up office automation (OA) facilities in the Working Family Allowance Office (WFAO) of the Labour and Welfare Bureau for implementing the Low-income Working Family Allowance (LIFA) Scheme.

PROPOSAL

2.   The Secretary for Labour and Welfare, with the support of the Government Chief Information Officer, proposes to create a new commitment of $40,037,000 under Head 710 of the Capital Works Reserve Fund (CWRF) for developing an IT system for administering the LIFA Scheme and setting up OA facilities in the WFAO.

/JUSTIFICATION …..

JUSTIFICATION

LIFA Scheme

3.   The Chief Executive announced in the 2014 Policy Address the introduction of LIFA to provide suitable assistance to grassroots workers and encouraging them to remain employed, with special attention to the children and youths of these families in order to promote upward mobility and break the vicious cycle of inter-generational poverty. Details of the eligibility criteria of the LIFA Scheme, its interface with other government assistance schemes, as well as the implementation framework and timeframe have been set out in another Finance Committee Agenda item (FCR(2014-15)39) issued for the same meeting.

The proposed project

4.   To implement the LIFA Scheme, we need to –

(a)   develop an IT system for administering the Scheme; and

(b)   set up OA facilities in WFAO for establishing an electronically enabled environment for internal business and communication within the Government network and with the public.

5.   The IT system is indispensable for case processing, effecting payment, statistical reporting and analysis, internal checking, case review and application status enquiry of the LIFA Scheme.   The major functions and component parts of the IT system are as follows –

(a)   providing interface for data input and automated validation to ensure data integrity and consistency;

(b)   facilitating the processing of applications under the LIFA Scheme and identification of overlapping/problematic applications via data analytics software;

(c)   enabling inter-departmental data matching for processing of applications;

(d)   authenticating eligibility and computing the amount of allowance to be granted;

(e)   providing an integrated database to store all the information related to the applications, payments made, cases approved/refused, investigation, etc.;

/(f) …..

(f) generating operational and statistical reports;

(g) monitoring the progress of case processing and application status; and

(h) allowing retrieval of application results for review, appeal and addressing enquiry.

6.   As for the OA facilities, the major functions and components are as follows –

(a) providing personal computers with typical OA software installed to the officers of the WFAO to facilitate their day-to-day operation;

(b) establishing network connections to the departmental network and Government network to access the Government information and e-government applications;

(c) providing individual e-mail account to officers of the WFAO to facilitate electronic communication within the Government network and with the public;

(d) providing Internet access to facilitate access to information outside the Government network; and

(e) providing a central repository for document sharing among officers of the WFAO.

FINANCIAL IMPLICATIONS

Non-recurrent expenditure

7.   The development of IT system and provision of OA facilities will involve non-recurrent expenditure of $40,037,000. The commitment will first be created under the Labour and Welfare Bureau prior to the setting up of WFAO, and will subsequently be transferred to the "Working Family and Student Financial Assistance Agency" (WFSFAA) which is to be renamed from the existing Head 173 Student Financial Assistance Agency (SFAA) as proposed in (FCR(2014-15)39). The breakdown and estimated cash flow are as follows –

Expenditure Item	2014-15 $'000	2015-16 $'000	Total $'000
(a) Hardware, Software and Communication Network			
(i) IT System for LIFA	2,964	3,022	5,986
(ii) OA facilities	10,666	8,555	19,221
(b) Implementation Services and Contract Staff	4,344	4,346	8,690
(c) Site Preparation, Training and Consumables	2,100	400	2,500
(d) Contingency (10%)	-	3,640	3,640
Total	**20,074**	**19,963**	**40,037**

8.   The expenditures in paragraph 7(a) above are for the acquisition of computer hardware, software and the communication network. The hardware will include computer servers and storage systems which ride on the cloud technology to provide for scalability, computer workstations for some 500 staff, peripherals, network equipment and data communication facilities. The software will include operating systems, database management systems and application development tools, etc.

9.   The expenditure in paragraph 7(b) above is for hiring services for system design and development, equipment installation and configuration, security auditing, etc.

10.   The expenditure in paragraph 7(c) above is for site preparation in respect of cabling work for the server rooms and the WFAO office area, acquisition of start-up consumables for printers and data storage.

11.   As regards paragraph 7(d) above, the estimated expenditure represents a 10% contingency for the expenditure items set out in paragraphs 7(a) to (c).

Other non-recurrent expenditure

12.   The implementation of the proposed project will require a team of staff to oversee the overall management, covering the areas of project planning, monitoring and control, consolidating user requirements, co-ordination of project deliverables, user testing and training. The non-recurrent staff cost from 2014-15 to 2015-16, involving a total of 160.5 man-months of IT and executive grades staff, is estimated at $13,062,000 with cash flow as follows –

	2014-15 $'000	2015-16 $'000	Total $'000
Staff cost	8,009	5,053	13,062

13.   The manpower requirements will be met by creation of posts through established mechanism.   The proposed increase in establishment ceiling to accommodate these posts in 2014-15 was recommended by the Establishment Subcommittee (ESC) on 11 June 2014 for approval by the Finance Committee vide EC(2014-15)10 included in the agenda item on "Recommendations of the ESC made on 11 June 2014" for the Finance Committee meeting on 4 July 2014. The supplementary provisions required for 2014-15 is sought vide FCR(2014-15)39 issued for the meeting on 11 July 2014. For 2015-16, the necessary provisions will be included in the draft Estimates.

Recurrent expenditure

14.   We estimate that the recurrent expenditure of running and maintaining the IT system and the OA facilities will be $19,575,000 per annum as from 2018-19. We will include the necessary provisions in the draft Estimates of relevant years. The breakdown of the recurrent expenditure is as follows –

Expenditure Item	2015-16 $'000	2016-17 $'000	2017-18 $'000	2018-19 and onwards $'000
(a) Hardware, Software maintenance	2,486	4,817	5,314	5,809
(b) Communication network	644	644	644	644
(c) Contract staff	1,768	3,538	3,538	3,538
(d) Consumable	220	220	220	220
(e) Others	2,475	3,740	3,300	3,740
Sub-total	7,593	12,959	13,016	13,951

/(f) …..

Expenditure Item	2015-16 $'000	2016-17 $'000	2017-18 $'000	2018-19 and onwards $'000
(f) WFAO staff	4,423	8,847	5,624	5,624
Total	**12,016**	**21,806**	**18,640**	**19,575**

15. As regards paragraph 14(a), the estimated annual expenditure of $5,809,000 is for hardware and software maintenance, and for software license fees to support the IT system and OA facilities.

16. As regards paragraph 14(b), the estimated annual expenditure of $644,000 is for the maintenance of network infrastructure and rental of communication lines.

17. As regards paragraph 14(c), the estimated annual expenditure of $3,538,000 is for hiring contract staff to provide on-going support including system administration, operation support, application maintenance and contractor management of the IT system equipment and OA facilities.

18. As regards paragraph 14(d), the estimated annual expenditure of $220,000 is for acquisition of consumables such as backup storage media and toner cartridges.

19. As regards paragraph 14(e), the estimated annual expenditure of $3,740,000 is for the contract services for data preparation and digitisation of documents and, on a biennial basis, for security risk assessment and audit.

20. As regards paragraph 14(f), the estimated annual expenditure of $5,624,000 represents the staff cost provision for on-going support for the IT system and OA facilities. This comprises 75 man-months of IT and executive grades staff.

IMPLEMENTATION PLAN

21. Subject to the approval of the Finance Committee in July 2014, we plan to fast-track the production roll-out by implementing the project according to the following timetable, with a view to achieving system live-run in about 15 months' time –

/**Activity** …..

Activity	**Target Completion Date**
(a) System analysis and design	September 2014
(b) Procurement of network equipment, hardware and software, etc.	January 2015
(c) Program development of IT system	March 2015
(d) Cabling and installation of network infrastructure by phases	May 2015
(e) User test of IT system	June 2015
(f) Implementation and user test of OA applications and facilities	August 2015
(g) Privacy impact assessment and audit; security risk assessment and audit; load test, resilience test, disaster recovery test, etc.	August 2015
(h) User training	August 2015
(i) Trial run	September 2015
(j) System live run	October 2015

PUBLIC CONSULTATION

22.   We consulted the LegCo Subcommittee on Poverty on the LIFA Scheme on 27 May 2014[Note]. Members supported the Scheme and its early implementation. Members agreed that the relevant proposals, including the proposed project to develop an IT system and set up OA facilities in the WFAO for implementing the LIFA Scheme, be submitted to the Finance Committee.

Labour and Welfare Bureau
July 2014

[Note] Members of the LegCo Panel on Welfare Services and all other LegCo Members were invited to join the discussion.