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**Legislative Council**

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From : Clerk to the Legislative Council

To : All Members of the Legislative Council

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**Council meeting of 29 April 2015**

**Amendments to motion on  
“Abolishing the Lump Sum Grant Subvention System and  
the competitive bidding system implemented in the social welfare sector”**

Further to LC Paper No. CB(3) 595/14-15 issued on 17 April 2015, Hon IP Kin-yuen and Hon LEUNG Che-cheung have respectively given notice of their intention to move separate amendments to Hon CHEUNG Kwok-che’s motion on “Abolishing the Lump Sum Grant Subvention System and the competitive bidding system implemented in the social welfare sector” scheduled for the Council meeting of 29 April 2015. As directed by the President, Hon IP Kin-yuen’s and Hon LEUNG Che-cheung’s amendments will be printed in the terms in which they were handed in on the Agenda of the Council.

2. The President will order a joint debate on the above motion and the two amendments. To assist Members in debating the motion and the amendments, I set out below the procedure to be followed during the debate:

- (a) the President calls upon Hon CHEUNG Kwok-che to speak and move his motion;
- (b) the President proposes the question on Hon CHEUNG Kwok-che’s motion;
- (c) the President calls upon the two Members who wish to move amendments to speak in the following order, but no amendment is to be moved at this stage:
  - (i) Hon IP Kin-yuen; and
  - (ii) Hon LEUNG Che-cheung;

- (d) the President calls upon the public officer(s) to speak;
- (e) the President invites other Members to speak;
- (f) the President gives leave to Hon CHEUNG Kwok-che to speak for the second time on the two amendments;
- (g) the President calls upon the public officer(s) to speak again;
- (h) in accordance with Rule 34(5) of the Rules of Procedure, the President has decided that he will call upon the two Members to move their respective amendments in the order set out in paragraph (c) above. The President invites Hon IP Kin-yuen to move his amendment to the motion, and forthwith proposes and puts to vote the question on Hon IP Kin-yuen's amendment;
- (i) after Hon IP Kin-yuen's amendment has been voted upon, the President deals with Hon LEUNG Che-cheung's amendment to the motion; and
- (j) after Hon LEUNG Che-cheung's amendment has been dealt with, the President calls upon Hon CHEUNG Kwok-che to reply. Thereafter, the President puts to vote the question on Hon CHEUNG Kwok-che's motion, or his motion as amended, as the case may be.

3. For Members' reference, the terms of the original motion and of the motion, if amended, are set out in the **Appendix**.

(Odelia LEUNG)  
for Clerk to the Legislative Council

Encl.

(Translation)

**Motion debate on  
“Abolishing the Lump Sum Grant Subvention System and  
the competitive bidding system implemented in the social welfare sector”  
to be held at the Council meeting of 29 April 2015**

**1. Hon CHEUNG Kwok-che’s original motion**

That, on 1 January 2001, the Government abolished the previous reimbursement-based subvention system on the grounds that the system was ‘inflexible, complex and bureaucratic’, and introduced the Lump Sum Grant Subvention System and subsequently a competitive bidding system to commission services through a bidding process open to non-governmental organizations (‘NGOs’); however, so far there has been no objective study confirming that the Lump Sum Grant Subvention System may enhance NGOs’ flexibility in deploying resources to address social needs; on the contrary, for increasing cumulative reserves, some NGOs have resorted to layoffs and pay cuts and some NGOs even have to return to the Government their excess amounts of reserves exceeding the cumulative limit, whereas the Best Practice Manual formulated by the Administration for NGOs has no binding effect; in fact, the Lump Sum Grant Subvention System and the competitive bidding system have seriously affected the ecology of the social welfare sector, including affecting the normal movements of ‘Snapshot Staff’, causing a high turnover rate of newly recruited contract staff, and giving rise to unequal pay for equal work between NGOs and the Social Welfare Department as well as among NGOs, thus resulting in the delink of staff salaries from the salary structures and pay scales of the civil service, the absence of protection from inflation-based annual adjustments to pay rates and performance-based pay increases for staff, the maximum salaries for most positions being forced to be set below the mid-point of the salary scale of common posts in the NGOs, with the salaries of some staff members even below the entry pay point on that pay scale, giving rise to phenomena such as succession gap in the profession, short-term contract employment and excessive workloads, etc.; in respect of the provision of services, the two systems have also caused NGOs to treat each other as bidding competitors, thereby impeding the possibility of experience sharing and joint exploration of promoting service development among themselves; some NGOs have even increased fees and charging items and employed less staff to increase financial revenue, while the Government also allows NGOs to set aside large amounts of subventions as reserves without using them for providing social services, thus affecting the quality of social services and long-term social welfare planning; given that most of these NGOs

are important service providers for the grassroots and the underprivileged, the cap on expenditure and the absence of staff establishment have directly hindered the provision and development of social services, eventually affecting members of the public in need; in this connection, this Council urges the Government to immediately abolish the Lump Sum Grant Subvention System and the competitive bidding system, and reinstate the reimbursement-based subvention system, so as to restore the healthy ecology of the social welfare sector, improve social welfare services and promote long-term social welfare planning.

## **2. Motion as amended by Hon IP Kin-yuen**

That, *non-governmental organizations ('NGOs') in the social welfare sector are very important social welfare service providers, and many social welfare organizations, apart from operating various front-line social services, also operate quite a number of kindergartens and child care centres to provide early childhood education*; on 1 January 2001, the Government abolished the previous reimbursement-based subvention system on the grounds that the system was 'inflexible, complex and bureaucratic', and introduced the Lump Sum Grant Subvention System and subsequently a competitive bidding system to commission services through a bidding process open to ~~non-governmental organizations~~ ('NGOs'); however, so far there has been no objective study confirming that the Lump Sum Grant Subvention System may enhance NGOs' flexibility in deploying resources to address social needs; on the contrary, for increasing cumulative reserves, some NGOs have resorted to layoffs and pay cuts and some NGOs even have to return to the Government their excess amounts of reserves exceeding the cumulative limit, whereas the Best Practice Manual formulated by the Administration for NGOs has no binding effect; in fact, the Lump Sum Grant Subvention System and the competitive bidding system have seriously affected the ecology of the social welfare sector, including affecting the normal movements of 'Snapshot Staff', causing a high turnover rate of newly recruited contract staff, and giving rise to unequal pay for equal work between NGOs and the Social Welfare Department as well as among NGOs, thus resulting in the delink of staff salaries from the salary structures and pay scales of the civil service, the absence of protection from inflation-based annual adjustments to pay rates and performance-based pay increases for staff, the maximum salaries for most positions being forced to be set below the mid-point of the salary scale of common posts in the NGOs, with the salaries of some staff members even below the entry pay point on that pay scale, giving rise to phenomena such as succession gap in the profession, short-term contract employment and excessive workloads, etc.; in respect of the provision of services, the two systems have also caused NGOs to treat each other as bidding competitors, thereby impeding the possibility of experience sharing and joint exploration of promoting service development among

themselves; some NGOs have even increased fees and charging items and employed less staff to increase financial revenue, while the Government also allows NGOs to set aside large amounts of subventions as reserves without using them for providing social services, thus affecting the quality of social services and long-term social welfare planning; given that most of these NGOs are important service providers for the grassroots and the underprivileged, the cap on expenditure and the absence of staff establishment have directly hindered the provision and development of social services, eventually affecting members of the public in need; *recently, it has even been reported that the Lump Sum Grant Subvention System will also be applied to the implementation of free kindergarten education, with the amount of subsidies calculated on the basis of the median salary of kindergarten teachers across the territory, letting the organizations operating kindergartens set their own salaries for kindergarten teachers*; in this connection, this Council urges the Government to immediately abolish the Lump Sum Grant Subvention System and the competitive bidding system, and reinstate the reimbursement-based subvention system, so as to restore the healthy ecology of the social welfare sector, improve social welfare services and promote long-term social welfare planning; *in addition, the Government should not further extend the Lump Sum Grant Subvention System to the operation of subsidized kindergartens by calculating the amount of their subsidies on the basis of the median salary of kindergarten teachers, and allowing the social welfare organizations or other agencies operating kindergartens to deploy at their own discretion the total subvention for operating costs and salaries of teaching staff, so as not to seriously affect the quality of services and subject kindergarten teachers to pay freezes and pay cuts.*

Note: Hon IP Kin-yuen's amendment is marked in *bold and italic type*.

### **3. Motion as amended by Hon LEUNG Che-cheung**

~~That, on 1 January 2001, the Government abolished the previous reimbursement-based subvention system on the grounds that the system was 'inflexible, complex and bureaucratic', and introduced the Lump Sum Grant Subvention System and subsequently a competitive bidding system to commission services through a bidding process open to non governmental organizations ('NGOs'); however, so far there has been no objective study confirming that the Lump Sum Grant Subvention System may enhance NGOs' flexibility in deploying resources to address social needs; on the contrary, for increasing cumulative reserves, some NGOs have resorted to layoffs and pay cuts and some NGOs even have to return to the Government their excess amounts of reserves exceeding the cumulative limit, whereas the Best Practice Manual formulated by the Administration for NGOs has no binding effect; in fact, the Lump Sum Grant Subvention System and the competitive bidding~~

~~system have seriously affected the ecology of the social welfare sector, including affecting the normal movements of ‘Snapshot Staff’, causing a high turnover rate of newly recruited contract staff, and giving rise to unequal pay for equal work between NGOs and the Social Welfare Department as well as among NGOs, thus resulting in the delink of staff salaries from the salary structures and pay scales of the civil service, the absence of protection from inflation-based annual adjustments to pay rates and performance-based pay increases for staff, the maximum salaries for most positions being forced to be set below the mid point of the salary scale of common posts in the NGOs, with the salaries of some staff members even below the entry pay point on that pay scale, giving rise to phenomena such as succession gap in the profession, short-term contract employment and excessive workloads, etc.; in respect of the provision of services, the two systems have also caused NGOs to treat each other as bidding competitors, thereby impeding the possibility of experience sharing and joint exploration of promoting service development among themselves; some NGOs have even increased fees and charging items and employed less staff to increase financial revenue, while the Government also allows NGOs to set aside large amounts of subventions as reserves without using them for providing social services, thus affecting the quality of social services and long-term social welfare planning; given that most of these NGOs are important service providers for the grassroots and the underprivileged, the cap on expenditure and the absence of staff establishment have directly hindered the provision and development of social services, eventually affecting members of the public in need *seven years have passed since the Government conducted its first review on the Lump Sum Grant Subvention System in 2008 and during that period, the economic and social environment of Hong Kong has changed tremendously*; in this connection, this Council urges the Government to immediately abolish the Lump Sum Grant Subvention System and the competitive bidding system, and reinstate the reimbursement-based subvention system, so as to restore the healthy ecology of the social welfare sector, *review afresh the Lump Sum Grant Subvention System, including the amounts of subventions of Lump Sum Grant as well as the benefits and remuneration packages for front-line staff and the competitive bidding system, and to examine the compliance with the Best Practice Manual by social welfare organizations, etc., so as to provide social welfare organizations with sufficient resources to improve social welfare services and retain talents, and at the same time to enhance the financial transparency of these organizations to ensure proper utilization of public resources to promote long-term social welfare planning.*~~

Note: Hon LEUNG Che-cheung’s amendment is marked in *bold and italic type* or with deletion line.