

Government releases Review Report on Enhancement of Lump Sum Grant Subvention System

The Labour and Welfare Bureau (LWB) today (July 5) announced that the Task Force appointed by the Secretary for Labour and Welfare had completed the review on the Lump Sum Grant Subvention System (LSGSS) and released its Review Report.

The Task Force pointed out in the Report that the LSGSS seeks to focus on the effectiveness of service delivery or output, and hence allows non-governmental organisations (NGOs) with better flexibility and efficiency in utilising public funds and providing quality services. The LSGSS helps simplify administrative work and enhance the quality of service substantively. Experience in past years has proved that the LSGSS allows NGOs to keep abreast of the times through effective deployment of resources to enhance their services for those in need. In this regard, while complying with the basic service requirements stipulated by the Social Welfare Department (SWD), many NGOs have made good progress to adjust or even upgrade their service standards/levels to meet the increasing user expectations and demands.

The Task Force considered that the LSGSS, including the prevailing calculation of subvention to NGOs, should be retained, and made 30 recommendations under five domains to enhance the system. Key recommendations include:

(1) On enhancing quality of services:

- Develop a standing mechanism to conduct reviews on notional staffing establishment, service targets, service nature and service performance standards to keep pace with the changing needs of users of various types of social services;
- Provide a learning platform on governance and management, so as to consolidate and enhance NGOs' knowledge and capacity in governance. NGOs should provide for staff training, business system upgrades and service studies; and
- Enhance the administrative and professional support to NGOs.

(2) On enhancing human resources management:

- Maintain the subvention benchmark at mid-point salaries to allow NGOs to continue to exercise the flexibility to employ staff, respond to service needs swiftly and provide welfare services efficiently;
- Formulate different base levels of subventions for central administration according to the scales of NGOs to strengthen their

capacity for central administration; and

- NGOs should improve human resources management continuously, including the establishment of a manpower structure for staff career development, optimal use of the reserves, and formulation of appropriate staff-friendly and staff wastage reduction initiatives.

(3) On improving financial planning:

- Improve the management of the Holding Account, and formulate utilisation plans and financial projections to optimise the use of the reserve;
- Optimise the use of the Provident Fund reserve to enhance staff morale and their sense of belonging to NGOs; and
- Regularise the scheme to subsidise NGOs to use actuarial service for financial projections to assist them in striking a balance between maintaining financial stability and protecting staff interests.

(4) On the proper use of subvention:

- NGOs should give a proper account of the expenditures to the Government and the public, and ensure that there is no cross-subsidisation of self-financing activities in money or in kind by the subvented programmes under the Funding and Service Agreements (FSAs) signed with the SWD;
- The SWD will formulate "guidelines on cost apportionment" to set out the cost apportionment arrangements, benchmarks and examples covering "central administration" and "services"; and
- NGOs should submit to the SWD an annual statement on FSA-related activities held, so as to report the proportion of the expenditure for such activities against the LSG for an Agreement Service Unit.

(5) On enhancing accountability and governance:

- NGOs should enhance the transparency of their staff remuneration policies, including the disclosure of their senior executives in the top three tiers, pay structures, establishment and starting points, etc of their regular posts under the LSG;
- NGOs should disseminate information about the use of the LSG and Provident Fund reserves to the public; and
- NGOs should disclose relevant information to the service users/family members/staff concerned regarding the special incidents and significant incidents which occurred in the NGOs concerned or their service units; and consult potentially affected staff and service users on important matters to maintain effective communication with stakeholders.

"The Government will brief the Legislative Council (LegCo) Panel on Welfare Services on the Report next Monday (July 12). Thereafter, the SWD will discuss with stakeholders the implementation details of the recommendations which are expected to be introduced gradually starting from 2022-23," a spokesman for the LWB said.

The Government introduced the LSGSS in 2001. Before that, the SWD allocated subvention to NGOs to pay the actual costs incurred in delivering recognised welfare services, and at the same time imposed stringent control on their inputs of resources and examined each expenditure item in great detail. The stipulation of staffing structures, levels of pay, qualifications for various grades and levels of staff, etc for NGOs necessitated complicated audit procedures. The Government and NGOs had to bear high administrative costs for such arrangements. Moreover, the funding criteria failed to effectively ensure the provision of quality social welfare services to service users by NGOs.

The Chief Executive announced in her 2017 Policy Agenda that the Government would discuss with the social welfare sector how to optimise the LSGSS. The Task Force, chaired by the Director of Social Welfare, comprises members including LegCo Members; representatives from the Hong Kong Council of Social Service, NGOs' management, staff and service users; the LSGSS-related committees, independents from the community and representatives of the Government. The Task Force held 14 meetings, four rounds of sector consultation sessions and three focus groups to garner views from different stakeholders. A consultancy firm was also engaged to conduct research and data collection.

The Review Report has been uploaded to the SWD's website (www.swd.gov.hk/en/index/site_ngo/page_taskforce).