

LCQ6: Non-governmental organisations receiving lump sum grant subvention

Following is a question by Dr the Hon Tik Chi-yuen and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (January 19):

Question:

Last month, the Government indicated that the overall recurrent expenditure for the coming financial year would have to be cut by 1 per cent, taking the current financial year as the basis. It is estimated that the 164 non-governmental organisations receiving lump sum grant subvention (NGOs) will each, on average, be subjected to a cut of subvention by about \$1.22 million. Calculated on the basis of the current mid-point salary of Point 26 of an Assistant Social Work Officer, this means that each of these NGOs will need to cut two such posts. The social welfare sector is worried that as the existing resources and manpower of these NGOs have already been in acute shortage, the failure to implement appropriate policies will render the underprivileged groups always unable to receive appropriate services. In this connection, will the Government inform this Council:

(1) of the respective actual staffing establishments and numbers of subvented staff members of subvented residential care homes for persons with disabilities, residential care homes for the elderly, care and attention homes for the elderly and day care centres for the elderly, in each of the past three years;

(2) whether it has assessed the respective numbers of headcounts and service recipients that have to be cut by the NGOs due to the cut in funding by the Government; and

(3) whether the Labour and Welfare Bureau has considered deploying the various funds of the Government or social resources to make up for the cut in funding for the NGOs?

Reply:

Acting President,

Hong Kong's economy has been battered by the COVID-19 epidemic, and all sectors of the community have been generally affected to varying degrees. Faced with an economic downturn, and given the significant increase in recurrent government expenditure in the areas of education, social welfare and healthcare by around 32 per cent from 2017-18 to 2020-21, the Government must exercise extra prudence in managing public finance. As such, the Financial Secretary proposed in last year's Budget that the Government would implement an expenditure reduction programme to strengthen fiscal discipline. With an objective to trim the recurrent government expenditure by 1 per cent

in 2022-23, the programme is applicable to all policy bureaux and departments. Nonetheless, the Government has decided that the cash assistance provided under the social security system, including those under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme, would not be reduced under the programme. Moreover, the Labour and Welfare Bureau and the Social Welfare Department (SWD) will give subvented and subsidised service units exemption on certain expenditure items on condition that such exemption will not affect the implementation of the expenditure reduction programme, and the SWD has written to the social welfare organisations earlier to explain the Government's reasons for implementing the expenditure reduction programme and inform them of the specific exemption arrangements.

My reply to the Member's question is as follows:

(1) In 2001, the Government introduced the Lump Sum Grant Subvention System (LSGSS), which has largely replaced the conventional social welfare subvention system that was considered to be inflexible, complex and involving too many administrative procedures. The LSGSS seeks to focus on the effectiveness of service delivery and hence allows non-governmental organisations (NGOs) greater flexibility and efficiency in utilising public funds and providing quality services. It also helps simplify administrative work and enhance the quality of service substantively. Subject to their compliance with the requirements of the Funding and Service Agreement and the relevant statutory staffing requirements, the NGOs may determine their staffing establishment in accordance with their human resources policies, and flexibly deploy resources and employ staff to achieve the service output and effectiveness required. The Government does not have the figures on the staffing establishment of the NGOs.

(2) and (3) The Government is committed to building a caring community and looking after the underprivileged. The recurrent expenditure on social welfare has increased from \$65.3 billion in 2017-18 by 62 per cent to \$105.7 billion in 2021-22. It makes up the biggest share of public expenditure amongst different policy areas, accounting for about 20 per cent of the overall recurrent public expenditure. After such a sustained period of strong growth, social welfare expenditure should enter a consolidation period with focus on implementing various improvement measures to ensure appropriate use of resources.

Experience has shown that subvented organisations would adopt different measures to achieve expenditure reduction, including streamlining workflows and reducing various expenses. Facing the heavy blow dealt by the epidemic and the severe challenges posed to our public finance, the Government must strengthen fiscal discipline and introduce expenditure reduction measures with a view to ensuring the sustainability of Hong Kong's public finance and meeting the long-term development needs of different sectors of the community. The Government hopes that the publicly-funded social welfare organisations will also make optimal use of public resources and formulate expenditure reduction proposals to achieve the objective of the expenditure reduction programme. The Government will not provide additional resources for subvented organisations under the expenditure reduction measures.