

**Minutes of the
Social Welfare Advisory Committee (SWAC) Meeting**

**7 December 2020 (Monday) at 10:00 a.m.
Conference Room 4, G/F, Central Government Offices**

Present

Mr Lester Garson HUANG (Chairman)
Dr BAI Xue *
Ms Sylvia CHAN May-kuen *
Dr Gary CHENG Faat-ting
Mr CHUGH, Manohar Thakurdas *
Mr Andy HO Wing-cheong
Mr Anthony KWAN Wai-ming
Mr Frederick LAI Wing-hoi *
Dr LAM James Joseph *
Mr Armstrong LEE Hon-Cheung
Ms Anthea LO Wing-sze
Dr Gary NG Ka-wing *
Prof Petrus NG Yat-nam *
Dr PAN Pey-chyou
Ms Cindy PUN Siu-fung
Dr Ricky SZETO Wing-fu
Dr Janice TSANG Wing-hang
Ms Eva WONG Ching-hung *
Mr Anthony WONG Kin-wai
Ms Amarantha YIP Yun-wan
* Members with asterisks attended the meeting via video-conferencing.

In Attendance

Labour and Welfare Bureau (LWB)

Ms CHANG King-yiu	Permanent Secretary for Labour and Welfare
Mr David LEUNG	Deputy Secretary for Labour and Welfare (Welfare) 1
Mr Johann WONG (For discussion item 2 only)	Deputy Secretary for Labour and Welfare (Welfare) 2

Ms Manda CHAN (For discussion item 2 only)	Commissioner for Rehabilitation
Mr Andrew TSANG	Principal Assistant Secretary for Labour and Welfare (Welfare) 1
Miss Karen SHING (For discussion item 1 only)	Assistant Secretary for Labour and Welfare (Welfare) 1A
Mr Michael LI	Assistant Secretary for Labour and Welfare (Welfare)1C (Secretary to SWAC)
Mr Adams WONG	Executive Officer (Welfare) 1A
Ms Jessica LI	Executive Officer (Welfare) 1B

Social Welfare Department (SWD)

Mr Gordon LEUNG	Director of Social Welfare
Mr KOK Che-leung (For discussion item 1 only)	Deputy Director of Social Welfare (Admin)
Ms LAM Bun-gee (For discussion item 1 only)	Assistant Director (Subventions) (Acting)

Absent with apologies

Miss CHEUNG Sze-wing
Prof Frances WONG Kam-yuet

Discussion Item 1: Review on Enhancement of Lump Sum Grant Subvention System (LSGSS)

Members noted that LSGSS was introduced in 2001 as a new funding arrangement with subvented non-governmental organisations (NGOs). Under LSGSS, NGOs had the flexibility to deploy the “lump sum grant” among the different cost components on the condition of meeting the requirements of the relevant Funding and Service Agreements (FSAs) signed between SWD and the NGOs concerned for the relevant

services.

2. Members welcomed the Government's briefing of the Committee on the method and progress of the Review on Enhancement of LSGSS at this juncture. Members in general considered that LSGSS provided NGOs with greater autonomy and flexibility to deploy resources to meet changing service needs, while noting that some built-in cost controls to ensure proper use of public fund were necessary.

3. Members made the following comments and suggestions for the Government's consideration in the remaining time of the on-going review

Sufficiency of salary provision at mid-point

- (a) The provision of staff salary at the mid-point benchmark was not sufficient, and the benchmark might de facto cap staff salaries at mid-point of the corresponding civil service pay scales; hence, the provision under LSGSS should be increased to enable NGOs to recruit and retain staff.
- (b) Even if the salary provision were increased beyond the mid-point benchmark, some NGOs might still cap staff salaries at the mid-point plus the additional point, if the conservative mindset of financial management of these NGOs remained unchanged; hence, the Government should consider providing more guidelines/training on financial planning and management for NGOs, and making available actuarial service for NGOs to assess their ability to meet staff pay commitments under the LSGSS.

Method of the survey on staff's average length of service

- (c) SWD should re-launch the staff survey by recasting the questionnaire to collect more data such as the mix of staff in NGOs and turnover situation of staff reaching mid-point level of salaries.
- (d) The questionnaire should not be revised in the middle if its content had already been agreed by relevant stakeholders; or else the survey would be unduly prolonged.

Utilisation of reserves by NGOs

- (e) It was noted that the concern about the adequacy of current provision for NGOs to recruit and/or retain experienced staff should be considered in conjunction with – (i) the reserve level of NGOs under LSGSS; and (ii) whether the reserve had been put into good use. It was also noted that some NGOs might have to use the reserve for specific purposes, which included meeting contractual commitment to the Snapshot Staff.

Central administration support and corporate governance

- (f) The Government should enhance the resources provided to NGOs for central administrative support in view of the increasing demand on their administrative and managerial work. The Government should also provide a higher level of administrative support to small NGOs which were not equipped with dedicated administrative personnel.
- (g) NGOs should be prepared to enhance their reporting work with respect to the utilisation of public money and performance management. The Government should consider the likely resource implications on NGOs in contemplating additional reporting requirements. The Government might also consider streamlining the reporting requirements for NGOs receiving funding, including LSG from multiple government agencies.

Service planning and review

- (h) The review underway should find ways to enhance LSGSS, with the aim of facilitating the long-term development of welfare services in Hong Kong. This should take into account the need for retaining a stable workforce, adapting to changing community needs, encouraging service innovation and evidence-based practice.
- (i) The Government might consider making use of big data analysis to drive service integration and allocate resources to the most needed service areas.
- (j) The notional staffing establishment of subvented services should be reviewed in view of the evolving service needs of the community over time. The service reviews should commence as

soon as possible.

- (k) The Government might consider providing recurrent resources to NGOs for meeting their rising expenses on information technology (IT) maintenance, especially given the increasing importance of IT for service delivery during the pandemic.

Cost apportionment arrangement between FSA and non-FSA activities

- (l) NGOs might have difficulty in differentiating between FSA and non-FSA activities. There was also a view that the cost apportionment arrangement was common in the business sector.

4. The Government gave the following response –

- (a) Regarding the review of benchmark for salary provision at mid-point salaries, NGOs, which were allowed to develop their own human resources policies, had developed a variety of job ranks or functions and remuneration structures based on job requirements, etc. over the past two decades, making it difficult to determine remuneration by taking reference from the length of services of staff at various NGOs. Therefore, SWD considered that using the length of service of staff at their current NGOs as the basis of the consultancy firm's research was a relatively objective method. A follow-on staff survey would be conducted, with the objective of raising the overall response rate of staff to 60%, so that the consultancy firm could acquire more data for analysis.
- (b) The questions deployed in the staff survey conducted earlier were formulated in consultation with the Task Force formed to conduct the review on the enhancement of LSGSS. The same questions would be used in the follow-on survey to maintain consistency.
- (c) NGOs might use part of their reserves to pay for, among others, their salary expenses for both Snapshot Staff and non-Snapshot Staff. In 2018-19, around 30 NGOs had to refund to the Government the amount of reserve exceeding 25% of their annual operating expenditure.
- (d) SWD had provided additional one-off and recurrent subventions for central administration at several junctures over the past two decades. For the review underway, SWD proposed adopting a

pragmatic approach, which sought to formulate different base levels of subventions for central administration according to the scales of NGOs; resources permitting, providing additional resources to NGOs that had fallen below the base levels to strengthen their central administrative capacity; and taking into account the limited resources of small NGOs, exploring setting a minimum for the base level of subvention for central administration. Besides, SWD proposed a provision of 5% of the recurrent subvention (based on direct services) as subvention for central administration for each new service unit.

- (e) In the review underway, “transparency and public accountability” of NGOs was one of the areas for examination. SWD had in the past arranged training to NGOs on financial management, human resource management and corporate governance and would continue to strengthen relevant training.
- (f) For expenses pertaining to IT maintenance, they could be covered by subvention if such expenses were related to FSA services. For replenishment of IT equipment pertaining to the support for LSG management and FSA activities, NGOs might use the annual Block Grant under the Lotteries Fund.
- (g) On cost apportionment, Audit recommended in the Audit Commission Report No. 69 that SWD should take measures to help NGOs adopt an appropriate basis for apportioning overheads between FSA-activities and non-FSA activities. SWD would prepare guidelines to facilitate NGOs’ understanding and application in this regard.
- (h) The flexibility provided under LSGSS allowed NGOs to re-engineer their services in a timely manner to meet changing needs, as evidenced by their swift responses to cope with the service needs posed by the COVID-19 pandemic. In view of the increasing expectation of the public about the transparency and accountability of NGOs, it was important for the management of NGOs to enhance corporate governance and accountability without compromising their flexibility in service delivery. Some of the proposals floated during the on-going review might run the risk of reverting back to the “input control” regime and hence going against the very objective and strengths of LSGSS which placed emphasis on “output measurement”. SWD would, in the remaining time of the review, focus stakeholders’ attention on how NGOs could better leverage the resources under LSGSS.

5. The Chairman concluded that –
- (a) The meeting had noted the Government’s original objective of introducing the LSGSS in 2001, which was to allow NGOs to exercise flexibility in resource deployment so that they could enhance efficiency through service re-engineering, re-prioritisation and innovation, and deliver quality services to end users in a more cost-effective manner.
 - (b) The old subvention system was considered inflexible, complex and bureaucratic, as reaffirmed by the last review on LSGSS by an Independent Review Committee in 2008.
 - (c) It was the consensus of the meeting that LSGSS had since its implementation been providing NGOs with the needed flexibility to deliver welfare services efficiently, and should be retained; and that the purpose of the review underway should be to identify practicable measures to overcome the difficulties faced by some NGOs, but not to revert back to the old subvention system; and hence any suggestions tantamount in effect to reinstatement of elaborate rules and procedures under the old system would appear to be not appropriate.
 - (d) Frontline staff would understandably find the practice of capping staff salaries at mid-point by some NGOs unacceptable. He said that the remaining work of the review should focus on pragmatic ways forward such as better utilisation of reserves and financial planning on the part of NGOs and systematic planning of review of FSAs between SWD and NGOs to keep pace with the changing needs of users of various types of social services.

Discussion Item 2: Welfare-related Initiatives in the Chief Executive’s 2020 Policy Address

6. Members were invited to give comments on the paper. Members raised the following comments –
- (a) For the purposes of social distancing and enhancement of efficiency, the use of IT in such welfare services as those for elderly persons, young persons and ex-mentally ill persons should be encouraged. The Government should provide resources for

both service providers and service users. The Government might also consider allocating more resources for using IT to alleviate the manpower shortage faced by caring sector.

- (b) The Government might consider making use of analysis of big data to facilitate planning of welfare services and allocation of welfare services to those most in need, and integrating the welfare measures rolled out in recent years so as to avoid duplication of resources.
- (c) The “Pilot Scheme on Social Work Service for Pre-primary Institutions” and “Student Mental Health Support Scheme” were meaningful initiatives which served young people in need. The Government should consider the manpower and resource requirements in charting the way forward for these initiatives.
- (d) The prevalence of “Work from home” was conducive to the employment of the elderly, middle-aged and disabled. The Government might consider offering incentives for employers to hire these persons. The Government could also provide incentives for employers to undertake minor works in their workplaces to facilitate access by persons with disabilities.
- (e) The Government might consider providing premises which met the legal requirements for operating a residential home for the elderly (RCHE), and operators might rent these premises to provide services for the elderly. The Government should also consider relaxing the restriction that RCHEs should not be situated at a height more than 24 m above the ground floor, with a view to increasing the supply of premises available for operating RCHEs.
- (f) Consideration might be given to enhancing the provision of mental health services as well as support to families and carers, especially during the COVID-19 pandemic.
- (g) The Government might consider setting up community development project teams to take care of the welfare needs of households living in sub-divided units.
- (h) The Government should ensure the location of the premises to be purchased for provision of welfare facilities should be commensurate with the types of welfare services to be provided.

SWAC Secretariat
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