

**Minutes of the Second Meeting of the
Lump Sum Grant Steering Committee
held on 27 March 2001 at 10:00 a.m.**

Present

Mrs Carrie Lam
Director of Social Welfare (Chairperson)

Dr Lam Ching-choi
Medical Director, Haven of Hope Christian Service

Mr Kwan Kin-shing
Director, HK Student Aid Society

Mr Timothy Chan
Director, Richmond Fellowship of Hong Kong

Mrs Grace Chan
Director, Hong Kong Society for the Blind

Mr Y.F. Hui
Director, Hong Kong Council of Social Service

Mrs Julie Lee
Chairperson, Parents' Association of Pre-school Handicapped Children

Mr Yu Chi-ming
Representative, Fight for Social Welfare Alliance

Mr Ng Man-sui
Representative, Fight for Social Welfare Alliance

Mr Ng Yut-ming
Representative, Fight for Social Welfare Alliance

Mr Lee Wing-wai
Assistant Director (Subventions), Social Welfare Department

Mr Fu Tsun-hung
Senior Social Work Officer, Social Welfare Department (Secretary)

Absent with apology

Mr Ng Shui-lai
Director, Hong Kong Christian Service

Mrs Justina Leung
Representative, Hong Kong Social Workers Association

Confirmation of Minutes of Last Meeting

The minutes, which had incorporated comments from Members prior to the meeting, were confirmed without further amendment.

Matters Arising

Terms of Reference

2. With the understanding that the Lump Sum Grant (LSG) Steering Committee's focus would be on the implementation of LSG, Mr Ng Man-sui enquired about whether there was any forum to follow up on the discussion over competitive bidding now that the Working Group on Implementation of the 1999 Subvention Reform Proposals chaired by DSHW had been dissolved. He commented that discussions on the subject at the present moment involved mainly the Department as the funder and the NGOs as the service provider. Unlike the previous Working Group, there was no room for participation by the staff side. Moreover, he felt that the public should be consulted.

3. The Chairperson informed Members that competitive bidding based on quality and cost-effectiveness would only involve new units in elderly services. These proposals had been presented to the Working Group on the Implementation of the 1999 Subvention Reform Proposals, the Social Welfare Advisory Committee, the Elderly Commission, the Rehabilitation Advisory Committee and the Legislative Council Panel on Welfare Services. There had also been active discussion with stakeholders, including HKCSS, concern groups and NGOs involving in elderly service. She emphasized that the Department had no intention of allowing service quality to be compromised as a result of the introduction

of a competitive allocation system. Instead, the focus would be on quality enhancement and service monitoring. Moreover, the Department welcomed ideas and suggestions from the sector to improve the allocation process. The Department would hold a briefing session at a later stage after the tender specification for the first residential elderly home to be opened for competitive bidding was available. In response to Mr Ng's enquiry, the Chairperson said that the Department would be pleased to meet with interested groups to listen to their views but she did not see the need for setting up another standing forum or committee for the purpose. In particular, the LSG Steering Committee should concentrate its attention on issues relating to LSG implementation.

4. Mr Timothy Chan enquired about the possibility of extending the competitive bidding approach to services other than elderly service as a government policy. He expressed that all NGOs would have grave concern if private sector was introduced into the provision of all welfare services in future. The Chairperson explained that in deciding the mode of allocation for new services units, the government had taken into consideration factors such as whether there was already a private market, the nature and scale of the service, the requirement for professional intervention and so forth. For service units outside of the elderly portfolio, there were no plans for competitive bidding. Instead, new service units would be subject to a quality-based allocation system, at a price to be fixed by the Department involving competition amongst NGOs and with emphasis placed on innovation and quality. Mr Timothy Chan pointed out that though he agreed to the approach of quality based bidding, he would like the procedures to be improved especially in the aspects such as transparency and fairness for both small and large NGOs. The Chairperson assured that the allocation process would pay special emphasis on aspects of fairness, openness, transparency, service quality and value for money. To achieve this end, she shared with Members preliminary ideas of inviting non-SWD members and representatives of service users to sit on vetting committees to help assess applications basing on an objective marking scheme.

5. Mrs Grace Chan opined that as competitive bidding was a new approach to the sector, the Department should issue clear guidelines, including the marking scheme, the selection criteria, and the procedures so that the NGOs would know the rules of the game. She further added that the guidelines should include aspects of staffing and salary

requirements, which were the major concern on the staff side. Mr Timothy Chan voiced out his worry that competitive bidding might put small NGOs in a very disadvantageous position if the weighting of the marking scheme did not provide a level playing field for both large and small NGOs. From the stance of service users, Mrs Julie Lee expected the Department to consult service users in defining quality of the service, and to safeguard service users against excessive fee charging as a result of competitive bidding. She further requested the Department not to delay the implementation plan of the new projects because of the policy change in view of the shortage of facilities.

6. The Chairperson reiterated that the bidding process would follow the requirements of the Government's Stores and Procurement Regulations which placed emphasis on transparency and fairness. Moreover, as the implementation of competitive bidding would be limited to allocation of new projects, the benefits of existing staff would not be affected. She also appreciated that the right of service users should be protected in the process. She promised that there would be ongoing evaluation of the new approach in allocating new service units.

7. For education of service users, the Chairperson undertook to include it in the work plan of the Help Centre and would provide the meeting with some initial areas for discussion at the next meeting.

8. Mr Kwan Kin-shing raised his support to Dr Lam's suggestion in the previous meeting in conducting an empirical research on LSG implementation. Dr Lam said that he would expect a longitudinal study on the impact of LSG implementation. Mrs Grace Chan also pointed out that such research would give Members more ideas about how the LSG implementation could be improved. The Chairperson reported to the meeting that the discussion on research work had not yet been initiated at the present stage because of other competing priorities but undertook to give this due attention.

Work Plan of the Steering Committee

9. The Chairperson reported that minutes of the last meeting, the provisional agenda for this meeting and summaries of investigation into complaint cases had been put on the Department's homepage. Members all agreed that transparency of the Steering Committee should be

maintained and Mr Yu Chi-ming confirmed that Fight for Social Welfare Alliance (the Alliance) welcomed the practice of putting the complaint summaries on the homepage. He however pointed out that there was still a NGO failing to release the Training Allowances to eligible staff as required. The Chairperson promised to look into the matter after the meeting.

(Post-meeting Note : Mr Lee Wing-wai clarified the case detail with Mr Yu Chi-ming and approached the NGO concerned after the meeting. The issue, arising from communication problem between the staff and the management, was settled satisfactorily.)

10. The Chairperson briefed Members that there were two complaint cases of significance in the past six weeks. As one was still under investigation involving the Police, she was not prepared to discuss it in the meeting. She however shared with Members the other case involving the employment of Programme Assistant (PA) and Care Assistant (CA). As PA and CA were additional resources for service improvement in the welfare sector and creation of low-end jobs announced in the CE's 2000 Policy Address, the Department would not allow NGOs to replace existing posts with PA and CA. Further guidelines would be issued to NGOs to remind them that the Department would take a very serious stance if such "displacement" effect was observed. At the present stage, the Department would act on complaint, and she invited the Alliance to refer cases to the Department for investigation and suggest measures to prevent malpractice that would adversely affect the right of existing staff. Mrs Grace Chan agreed that PA and CA should be used for improvement of service, but she expressed that the pay for PA was a bit too low to attract applicants. Mr Yu Chi-ming cited a case that two existing staff of an NGO voluntarily quitted their posts but was re-employed as CA, and finally left the job because of the low pay. He however pointed out that the staff concerned declined to come forward to launch a complaint.

Progress Report on the Implementation of LSG

11. Mr Lee Wing-wai reported to the meeting that the Department so far had not received requests from small NGOs for addition of staff in the Existing Staff list. Mr Timothy Chan agreed to convey again the message to small NGOs.

Assistance to NGOs

12. The Chairperson informed Members that the SLFAC had approved on 20 March 2001 \$26 million for NGOs to renew/upgrade IT equipment and also \$9 million for HKCSS to set up an executive body to assist NGOs to promote IT application in the welfare sector. Moreover, a Joint Committee on IT, under her Chairmanship, would be set up to discuss IT-related issues.

13. The Chairperson tabled a letter from HKCSS, issued by Mr Tik Chi-yuen, in which Mr Tik pointed out the need for a kick start fund for NGOs to carry out re-engineering process. In relation to this, she introduced to Members the work of the Creative Initiative Foundation (CIF) and undertook to provide Members a framework for applying to Lotteries Fund for funding support for NGOs to carry out business improvement projects. She stressed that participating NGOs should demonstrate high degree of involvement and readiness to share with the sector their successful experience.

14. Mr Timothy Chan pointed out that as learnt from his agency's involvement with CIF, the NGOs should better have their positions on the change movement of their agencies before approaching CIF for service. Moreover, the involvement of Board Members and frontline staff was essential in achieving change in the process. He shared his experience that the consultants, as an independent party, performed effectively as a catalyst in the team building process.

15. The Chairperson introduced to Members two Best Practice Modulus prepared by ICAC, one on Staff Administration and one on Procurement Procedures. She pointed out that ICAC would further assist us in providing guides on good practice from the angle of corruption prevention. Members were invited to suggest items to be included. At the same time, the Working Group on Best Practice would convene its first meeting in the coming week to discuss their work plan.

(Post meeting note : the Working Group on Best Practice held its first meeting on 9 April 2001)

Adjustment of LSG Amount (LSGSC Paper 3/2001)

16. The Chairperson briefed Members on the paper and pointed out the reasons why adjustment in some NGOs was needed. She stressed that under the relaxed funding arrangement, no NGOs would get less than they were originally allocated under the conventional system. Therefore, none of the 95 NGOs would run into financial deficit with the LSG amount that the Department issued on 1 March 2001. However, as the Government operated on a cash accounting basis, the appropriation for the Department, including the provision for subventions, lapsed upon the close of the financial year. The Department had no facility to carry forward any unspent provision of the current year to the subsequent year for payments to NGOs for any subsequent adjustments to the LSG amount for 2000-01. In other words, if the Department was to effect back payment in 2001-02 to NGOs for their under-assessed LSG for 2000-01, the back payment would need to come out of the 2001-02 approved provision. Since the current 2001-02 Estimates had not made any provision for this purpose, the Department could not at this stage commit the Government to pay back any shortfall in respect of 2000-01 in the light of the re-assessments. The Department would however consider on a case-by-case basis, and seek Finance Bureau's approval, if there were genuine hardship cases that would justify a one-off back payment.

17. Mr Ng Yut-ming enquired about whether it was absolutely right that no NGOs would suffer from financial hardship even without adjustment. The Chairperson answered that the picture would be cleared after all re-assessments were completed. Other Members, including Mr Y. F. Hui, Dr Lam and Mr Kwan Kin-shing expressed that as a matter of principle, adjustments either in the form of back payment or claw back should be made if the final figure as mutually agreed between SWD and NGO was different from the figure issued on 1 March 2001. Members thus requested SWD to seriously consider providing for further adjustments to be made to the LSG amount for 2000-01 despite the stated accounting problem. The Chairperson noted the concern of Members and would report to Members in end of June when the Department had a clearer picture of the likely financial implications of all the adjustments needed. The meeting agreed that the Department could proceed to notify NGOs of the arrangements for adjustments to the LSG

figure next week with the concern of Members being highlighted in the covering letter to NGOs.

**Liaison Officer System in SWD's Subventions Section
(LSGSC Paper 4/2001)**

18. The Chairperson informed Members of the Liaison Officer (LO) System which had been put in place with effect from 15 March 2001. The LOs would also render a one-stop service to all subvented NGOs.

19. Mrs Grace Chan pointed out her concern that as the LOs were at SWO level, she would expect senior staff to give them support on issues requiring high-level decision. Mr Lee Wing-wai assured her that all LOs are SWOs who were all along handling subvention matters, and they would get sufficient support from senior staff.

20. Both Mrs Grace Chan and Mr Y.F. Hui enquired about the purpose for LOs to have regular meetings with NGO Boards. Upon discussion, the meeting came to an agreement that such visits might be conducted on need basis with a view to enhancing the communication between the Board Members and the Department, and also to giving support to NGOs in ironing out misunderstanding over subvention issues.

21. In response to Mr Y.F. Hui's enquiry, Mr Lee Wing-wai clarified that the Agency Information System was for the purpose of updating the existing information of the NGOs and would not require NGOs to provide additional returns.

22. Members also showed concern over the way forward for the Help Centre to combine with the LOs to form the Client Management Unit. Mr Y.F. Hui commented it would be a violation of the LSG spirit and also a distortion of the relationship between the Department and NGOs for the new unit to be termed as Client Management Unit, which conveyed a message that NGOs needed to be managed by the Department. Other Members pointed out that the Help Centre should maintain its independent status in operation and they considered it inappropriate to combine the Help Centre with the LOs who were responsible for subvention issues. The Chairperson pointed out that the proposed way forward would only be finalised after taking into account the restructuring of the Department as a whole. She assured that the Department would

consider the views of Members and report to the Steering Committee the final decision at a later stage.

23. For NGOs already on LSG, Mrs Grace Chan pointed out the need for guidelines to wind up unsettled subvention issues under the conventional system, such as application for virement, claw back cases and inspection cases, etc. The Chairperson appreciated her concern and undertook to look into the issue.

Enhancement of Corporate Governance (Paper LSGSC 5/2001)

24. Mr T.H. Fu reported to Members that the Working Group on Corporate Governance had convened its first meeting on 6 March 2001. The Working Group Members discussed the activities to be organised with the goal to enhance corporate governance in the welfare sector. He then briefed Members on the paper on enhancement of corporate governance, which had incorporated the views of the Working Group Members.

25. For the Seminar to be conducted on 11 May 2001, Mrs Grace Chan expressed her concern that without simultaneous interpretation, English-speaking Board Members might be discouraged to attend. After full deliberation, the Members suggested that the Secretary for Health and Welfare should be invited to deliver his speech at the luncheon in English to cater for the need of English-speaking Board Members.

26. For the training programme for Board Members, Mr Timothy Chan requested the Department to package the training as some sort of assistance instead of additional psychological burden. He pointed out that many Board Members who were volunteers already found themselves confused by the rapid changes in the past year. Dr Lam stressed the importance for the Department to have better understanding over the profile of the Board Members and their need for input from the Department. He pointed out that some Board Members were experienced executives and would not consider LSG implementation a challenge for them as long as they were well informed of the new requirement and expectation. Nevertheless, some Board Members who had little management experience would need hands-on assistance in the change process. He advised that the Department should differentiate the

needs between these two groups of Board Members when working out the programme contents. Mrs Julie Lee echoed that Board Members should be helped to understand what they were expected under the LSG environment through the training process, and be given a chance to reconsider their involvement in the Board. The Chairperson assured Members that training for Board Members was assistance for continuous improvement and Board Members should make the choice by their own.

Supplementary Guidelines for Preparation of Annual Financial Report (LSGSC Paper 6/2001)

27. The Chairperson briefed Members on the content of the discussion paper on the guidelines for preparation of the Annual Financial Report (AFR). She reiterated that the Department was always ready to make the financial reporting an easier task for NGOs. Mr Y.F. Hui pointed out that some NGOs might not be able to produce the Audited Accounts by 31 July 2001 and would have to submit it separately at a later stage as in current practice. Mrs Grace Chan expressed that the Department might consider offering assistance to NGOs who had difficulty in producing the AFR in the new format, and she opined that a template for financial reporting helpful. The Chairperson agreed that the Help Centre would discuss with the HKCSS who was conducting a survey on software application in financial accounting system of NGOs and sort out whether assistance could be offered. In response to Mr Ng Yut-ming's enquiry, the Chairperson confirmed that the AFR required an analysis of the staff salary in terms of number of senior staff employed at a remuneration package of specified values, and reporting of fee income as well as incidental fees. She also responded to Mrs Julie Lee's concern that the fee charging issue would be further deliberated in the Working Group on Good Practice.

AOB

28. Mr Ng Yut-ming presented to Members a paper on some enquires from the Hong Kong Social Workers' General Union (the Union). He cited three cases in which the employment benefits were said to be cut by the management. The Chairperson invited the Union to refer the cases to the Department for a full investigation and the complainants might be encouraged to present their case before the Committee Members as well.

29. In response to Mr Ng Yut-ming's enquiry, the Chairperson explained to Members that units under the conventional lump sum mode and unit rate subsidy had not been affected by the implementation of LSG. The complaints forwarded by staff in these units were not related to LSG and would be handled under the SQS procedures.

(Post-meeting Note : Mr T.H. Fu had clarified with Mr Ng Yut-ming that one of the cases quoted in para. 28 involved a unit subvented by unit rate subsidy.)

30. Mrs Grace Chan expressed that some NGOs under LSG environment might consider linking up the salary increment with staff performance, and she expected the Department to issue guidelines to NGOs. Mr Ng Yut-ming pointed out that as TOG had already provided sufficient financial resources for NGOs to honour the incremental creep in accordance with the contract terms, the management should not stop the increment for financial reasons. In principle, however, the Alliance would not object to the practice of linking up salary increment with satisfactory performance, but he also pointed out the difficulties in working out an objective staff appraisal system. Mr Timothy Chan stressed the importance for the management to work out a staff appraisal system with full communication with staff before initiating the changes. The Chairperson concluded that it would be the management's responsibility to work out a Human Resources Management (HRM) policy that best suit the need of the agency. She advised that when the management was about to introduce changes, they should be clear of the contractual terms which they had entered into with their staff, and it was a good practice for the management to have the HRM policy well communicated to and accepted by the staff.

31. The Chairperson also assured Members that there would be new resources for the welfare sector in the coming few years, especially for rehabilitation, elderly and youth services. The growth in welfare services should generally make the transition into LSG much easier. However, Mr Ng Yut-ming pointed out that there were still some NGOs having the misconception that the 2% across-the-board EPP cut would be applied in the coming financial year. The Chairperson appreciated the need for the Department to be more proactive in sharing information with the Sector.

Date of Next Meeting

32. The date of next meeting was scheduled to be on 16 May 2001 at 10:00 am.

Social Welfare Department
April 2001