

**Minutes of the 15<sup>th</sup> Meeting of  
Lump Sum Grant Steering Committee  
Held on 1 April 2004**

**Present**

Mr. Paul TANG (Chairman)  
Director of Social Welfare

Mr. NG Shui-lai  
Chief Executive, Hong Kong Christian Service

Mrs. Grace Chan  
Chief Executive, Hong Kong Society for the Blind

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

Mr. Kwan Kin-shing, Peter  
Director, HK Student Aid Society

Dr. Timothy Chan  
Director, Richmond Fellowship of Hong Kong

Mrs. Justina Leung  
Representative, Hong Kong Social Workers Association

Ms. Christine Fang  
Chief Executive, Hong Kong Council of Social Service

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

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

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

Miss Ann Hon  
Assistant Director (Subventions and Performance Monitoring)  
Social Welfare Department

Mr. Fu Tsun-hung  
Chief Social Work Officer (Subventions Liaison)  
Social Welfare Department (Secretary)

Mrs. Eva Suen  
Social Work Officer (Subventions Liaison)<sup>4</sup>  
Social Welfare Department (Recorder)

**Absent with apologies**

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

**Confirmation of Minutes of Last Meeting**

The minutes of the last meeting were confirmed with no amendment.

**Matters Arising**

Training Programme for Chief Executive Officers and Senior Managers

2. The Chairman informed the meeting that the closing ceremony of the training programme was held on 27 March 2004 when 39 out of 40 participants were awarded the Certificates issued by the Poon Kam Kai Institute of Management (PKKI). Mr. Peter Kwan reported that PKKI had made adjustments to the course after taking into account feedback from participants, and the majority of participants found the enhanced training programme highly satisfactory.

### Measures to tackle Efficiency Savings for NGOs

3. The Chairman informed the meeting that he would be having his second round of meetings with CEOs of NGOs from mid-April, and issues related to Efficiency Savings (ES) for 2005-06 would be among the topics he would consult the sector. Mr. Ng Man-sui recalled that in his meeting with the Financial Secretary and Secretary for Health, Welfare & Food on ES, it was mentioned that consultations on working out the 2005-06 ES measures would be held on a wider front involving staff and users, and should commence as early as possible. The Chairman said that these were his regular meetings with CEOs and not confined to discussion on ES. He thought that it would be more appropriate for the Department to consult the management of NGOs as they would be responsible for managing the impact of any ES. NGOs should be responsible for consulting their staff on actual saving measures, as well as other re-engineering and service rationalisation proposals.

4. Ms. Christine Fang said that the 2.5% ES cut was announced last December and NGOs had little time to get prepared and budget for 2004-05. She agreed with Mr. Ng Man-sui that the consultations and ES measures for 2005-06 should be firmed up within the first half of 2004-05.

5. The Chairman pledged that consultation on ES measures for 2005-06 would start as early as possible. But whether the whole exercise could be wrapped up within the first half of 2004-05 would depend very much on when the expenditure envelope for the coming fiscal year would be available. The Chairman undertook to reflect the sector's views to FSTB.

### Lump Sum Grant (LSG) Reserve and Annual Financial Report (AFR)

6. Mr. Fu Tsun-hung reported that the Department's Senior Treasury Accountant (Subvention Finance) had exchanged views with HKCSS's Hon. Treasurer who would channel the Department's stance on the subject to their professional association for consideration. No further follow-up was necessary.

### Arrangement of Tide-Over Grant (TOG) for 2004-05

7. The Chairman reported that the Lotteries Fund Advisory Committee had approved a grant of \$385,111,600 for disbursement of TOG to 119 NGOs on LSG for meeting the TOG requirement in 2004-05. These NGOs would be informed of their allocations together with the subvention allocations for 2004-05 by mid-April.

#### Lai King Headland Project

8. The Chairman reiterated that the funding level of the project, which was discussed and agreed between the Department and NGO concerned, was not directly related to LSG. Mr. Yu Chi-ming expressed his concern over the pooling of resources from existing LSG funded service units to the new project which was awarded to the NGO at a lower unit cost as indicated in the bidding process. The Chairman explained that the project offered integrated services at an integrated cost level different from the existing conventional service units. Mr. Ng Shui-lai opined that this Committee was concerned about the use of LSG, and in this case whether the redeployment of LSG would affect the quality, output and outcome of service offered. The Chairman agreed that it would be important for the NGO to achieve the service standards, quality and output stipulated in the Funding and Service Agreement (FSA). He added that while the way forward in social welfare service would be service integration, the Department would ensure that the quality of services would not be compromised. Miss Ann Hon said that the Department would monitor the performance of subvented NGOs, and any sustained below-the-FSA-level output might trigger off corresponding cuts in subvention.

9. Mrs. Justina Leung opined that this Committee should concern itself with matters relevant to the Committee's Terms of Reference. She felt that Members did not have adequate information or data on the project to offer a fruitful exchange of views. Mr. Ng Man-sui considered that while Members had little details on the project, it was clear that the agreed contract price for the project was lower than the ceiling price listed in the tender document. Mr. Fu Tsun-hung elaborated that the project was an integrated service which entailed a rationalisation of resources and a contract variation to reach a mutually acceptable price.

10. The Chairman supplemented that the integrated service was built on the two existing service units in order to meet the shift of service demand from an aging Yaumatei district with decreasing demand to Kwai Tsing district with increasing demand as well as to ease the crowdedness of the existing units. This necessitated a pooling of resources from existing units for a more practical and favourable level of service. More detailed information could be made available to Members at the next meeting.

### **Report on the Hearing over a Complaint Case**

11. The Chairman asked the Secretary to report on the hearing which was held on 15 March 2004 presided by two Members on the hearing roster, Ms Christine Fang and Mr. Yu Chi-ming. Mr. Fu and a colleague acting as recorder were also present. A full report on the hearing was compiled, agreed by the two Members on duty and dispatched to all Members.

12. Ms Christine Fang highlighted that the reason for the termination of the complainant's employment contract was to meet the 2.5% ES on subvention in 2004-05 and not because of unsatisfactory performance or re-engineering of the agency. The agency had over \$4 million LSG Reserve and did not indicate to SWD of any financial concerns arising from the 2.5% cut. The contract termination itself was within the legal provision of the Labour Ordinance. In the LSG Manual (Edition 2) – paragraphs 2.17 to 2.19, the Provident Fund and salary increment of snapshot staff were protected but there was no mention of 'continuous employment'. Ms Fang asked Members to consider if this case was in violation of the spirit of LSG, and asked the Department for views on the protection of snapshot staff. Mr. Fu Tsun-hung replied that paragraph 2.18 clearly stated the Government's financial commitment to NGOs under LSG, whereas Chapter 5 of the Manual was a general guideline on Best Practices for NGOs' reference.

13. Mr. Ng Shui-lai regarded the LSG Manual was correct in putting Chapter 5 as a guideline for NGOs under LSG because each NGO was vested with the authority and final decision in the governance and management of the agency. He had reservation to concur that the case violated LSG spirit. He strongly felt that the 2.5% cut presented a new situation to NGOs, and hence the agency involved was not at fault in terminating the staff contract or did not

violate any of the LSG provisions.

14. Dr. Timothy Chan asked if the post occupied by the complainant was a notional post, deletion of which would mean permanent savings for the NGO. Dr. Lam Ching-choi followed up by asking if the layoff was a redundancy. Mr. Fu Tsun-hung replied that the fractional (0.33) post was a notional post under the conventional mode of subvention. Under LSG, it could be re-deployed or disbanded if the post became redundant in the course of structural re-engineering. Ms Christine Fang supplemented that the NGO concerned had undergone organisational re-engineering, and there were 155 snapshot staff among its workforce of 190.

15. Mr. Ng Man-sui stated that from the staff association's standpoint, it would be acceptable only if the laying off snapshot staff was due to poor performance or redundancy as a result of re-engineering; and staff should be consulted and well informed of the circumstances. Mr. Ng Yut-ming further quoted an 'extreme' example when an NGO laid off all snapshot staff and re-employed them as contract staff in order to meet the Efficiency Savings cuts.

16. Mr. Ng Shui-lai considered that NGOs were now facing a new situation and this Committee should appreciate the actions taken by NGOs in order to survive. He also cautioned that it would be very risky for this Committee to take this case and set a general rule for handling similar complaints in future.

17. Mrs. Justina Leung felt that, from the report on the hearing, the NGO concerned had given false expectation to its staff. Communication between the management and the complainant was confusing which indicated unsatisfactory staff management. Mrs. Leung shared the concerns expressed by Mr. Ng Man-sui. At the same time, she remarked that LSG guidelines were very clear regarding the objectives of NGO re-engineering.

18. Mrs. Grace Chan considered that the NGO concerned had made verbal pledges on not laying off staff which misled staff. She felt that the 2.5% ES and the short implementation notice had exerted pressure on NGO management. Most NGOs had taken active steps to rationalize, re-engineer, and reduce staff cost, etc., and there were few viable options left to get around the ES.

19. Dr. Lam Ching-choi appreciated that the two Members on duty restricted their consideration of the complaint within the scope and ambit of this Committee. He considered that this Committee had no right to comment on the integrity and staff management of the NGO concerned. Based on the guidelines in the LSG Manual, it would be very difficult for this Committee to decide or conclude the case, i.e. whether it was acceptable to layoff staff to meet the budget cut without affecting service and FSA.

20. Mr. Kwan Kin-shing opined that it was crucial for this Committee and the Department to consider handling this case as a precedent for both NGOs and their staff, and whether the LSG spirit had been violated.

21. Ms Christine Fang said that Tide-over Grant was already made available to NGOs to protect the employment terms and conditions of their snapshot staff. She referred Members to the LSGSC Paper 5/2003 discussed on 4 March 2003 on “Concerns over staff and Other Related Issues Under LSG in the Context of Efficiency Savings” and suggested this Committee to follow the existing LSG rules and regulations before new rules were set out to take into account new impact as presented in this complaint case.

*< Mr. Ng Yut-ming left the meeting at 10:10 a.m. >*

22. The Chairman reiterated that there was no change in the Government’s financial commitment to snapshot staff. Employment of snapshot staff however was not guaranteed and NGOs were given the autonomy, flexibility and responsibility in the employment of their staff within the legal and contractual requirements. NGOs had full rights in managing their staff and agency operation. In case of difficulties, NGOs could actively seek advice or assistance from the Department. Based on the provisions in the LSG Manual, he did not consider that the LSG spirit was violated in this case. He opined that the case was an isolated example and should not be seen as having a sector-wide impact. He further explained that the short notice of the 2.5% ES for 2004-05 was mainly due to unforeseen factors and be expected that the situation would be better for 2005-06.

23. Ms Christine Fang asked whether there was a need to clarify if new principles on LSG should be formulated or the current ones be amended in the

light of new situations brought about by budget cuts. Mr. Ng Shui-lai commented that all Members should have the same interpretations of current principles before considering having new ones. Mrs. Justina Leung found the impact of 2.5% ES on NGOs generated complications and new situations beyond the ambit of this Committee. She recalled in the last meeting with the Secretary for Health, Welfare and Food, the latter had stressed that the budget cut should not cause staff layoff. But the complaint case was an example of staff layoff brought about by budget cut.

24. Ms Christine Fang asked if this Committee would deal with other complaints such as snapshot staff salary being reduced due to budget cut, and if so, on what principles. Mr. NG Shui-lai stressed that it would be very risky for this Committee to make a decision with policy implications now based on this complaint case.

25. Mrs. Grace Chan commented that the complainant was redeployed to a non-subvented post in a non-subvented service of the NGO after re-engineering and should no longer be considered a snapshot staff. Hence, the case would not be within the ambit of LSGSC. She suggested that the Department could clarify this with the NGO.

26. The Chairman suggested a written reply to the NGO concerned in this case stating this Committee's view on whether laying off staff was the only option available to the agency in managing the 2.5% ES, and reconsideration of other options.

27. Mr. Ng Man-sui commented that this Committee reached no decision on how to conclude this complaint case and relied on the Department to further negotiate with the NGO concerned. Mrs. Justina Leung supported the Chairman's suggestion and Mr. Ng Man-sui's views. She further suggested this Committee to reconsider the mechanism and platform for handling similar cases in future.

28. Dr. Lam Ching-choi suggested two fundamental principles for handling similar cases in future, i.e. whether the case in question was a genuine redundancy case (due to re-engineering of the NGO) and the NGO was facing financial hardship. He admitted that the second principle would be based on the Board's decision. He expected that these two principles would steer the

Committee clear of any trespass on NGO's autonomy and authority. Mrs. Justina Leung felt that the two principles were complicated to interpret in the context of LSG and difficult to execute. Dr. Lam supplemented that the suggested principles could at least impose a deterrent effect on NGOs.

29. Mr. Fu Tsun-hung added a third principle for consideration, i.e. the re-engineering, redundancy and staff issues were handled with good management tactics. Mr. Ng Man-sui favoured using Dr. Lam's suggestion as reference in handling future complaints received by the Committee and suggested further in-depth consideration and discussion on the subject in the coming period.

30. The Chairman concluded that the Department would draft a letter to the NGO concerned and consult Members before sending out.

(Post meeting note: The letter to the NGO concerned was issued out on 20 April 2004 after clearance with Members.)

**Updated Report on Survey on Financial Assistance Required by NGOs on LSG after the TOG Period  
(LSGSC Paper 04/2004)**

30. The Chairman asked Mr. Fu Tsun-hung to present the paper. Mr. Fu drew Members' attention to the proposed framework of the Survey outlined in Paragraph 3. He reported that LFAC Members were informed of and agreed to the Survey replacing the Impact Study.

31. Mr. Ng Shui-lai commented that the purpose of the TOG provision was very clear, but the newly imposed budget cut had fundamentally rocked the LSG mode of subvention which the Survey had to take into account.

32. Mrs. Justina Leung found the timetable stretching to December 2004 a bit too long and asked if it could be shortened. Mrs. Leung suggested that the Survey should identify NGOs facing financial difficulties and possible options of assistance in the coming years. Miss Ann Hon replied that the timeline from preparation, invitation of quotations, launching, completion up to endorsement by the Committee was in fact quite packed. Miss Hon

considered that there would be unknown factors such as the further ES initiatives in coming years that might have different impact on different NGOs. The Chairman informed Members that the consultant would have to take into account the impact of ES and examine different scenarios.

33. Ms. Christine Fang regarded that the projected ES target of some 10% in the next 5 years would seriously affect the NGOs, much more so in financial terms than the cessation of TOG. She suggested that the Survey should examine clearly what NGOs would need in the longer run, such as the size of snapshot staff staying on, the further need for TOG, etc.

34. Dr. Timothy Chan referred to the previous experience in failing to select a suitable researcher for the Impact Study and hoped the scale of the Survey could be achievable within the timeframe.

35. The Chairman assured Members that the Survey was not just concerned with TOG or its cessation in 2006-07 but rather the financial situation of NGOs after the TOG period having regard to ES measures, the NGOs' need for financial assistance and recommendations/options on the way forward. The Department was considering restricted tendering to select a consultant interested in conducting the Survey. The timetable, other details covered by the Survey and guidance to the selected consultant would be steered by the Working Group responsible for launching and monitoring the Survey.

36. Members endorsed the proposed framework outlined in the paper.

## **Business Improvement Projects**

### **A. Application on Installation of Ozone Laundry System Submitted by Women's Welfare Club (Eastern District) Hong Kong (LSGSC Paper 05/2004)**

37. Mr. Fu Tsun-hung presented the paper and highlighted the favourable evaluation reports from two previous applicants on the energy savings and cost-effectiveness brought about by the Ozone Laundry System. Members considered this application a straightforward one and endorsed the Department's recommendation.

**B. Application Submitted by HK Federation of Youth Groups  
(LSGSC Paper 06/2004)**

38. Mr. Fu Tsun-hung presented the paper. Mr. Fu informed Members that the Department would uphold the principle of not supporting consultancy studies on strategic planning which should be the role of the NGO Management or Board. This application was a consultancy study to generate a concrete deliverable of an Internal Audit Control Mechanism to support the full implementation of the applicant's Management Information System developed and installed by the applicant on its own resources.

39. Mr. Fu highlighted the scope and the recommended cost of the project. The salary for one temporary staff overseeing the project was trimmed down in line with the market trend provided by the Labour Department. Members endorsed the Department's recommendation.

**Date of Next Meeting**

40. There being no other business, Members agreed that the next meeting be held on 15 July 2004 (Thursday) at 9:30 a.m.

Social Welfare Department  
April 2004