

**Minutes of the 47th Meeting of the
Lump Sum Grant Steering Committee**

Date : 7 October 2021 (Thursday)
Time : 9:30 a.m. – 11:00 a.m.
Venue : Conference Room 918, 9/F, Wu Chung House,
213 Queen's Road East, Wan Chai, Hong Kong

Present

Chairman

Mr Gordon LEUNG Chung-tai, JP Director of Social Welfare
Social Welfare Department (SWD)

Ex-officio Members

Mr Andrew TSANG Yue-tung Principal Assistant Secretary (Welfare)1,
Labour and Welfare Bureau
Ms Maggie LEUNG Yee-lee Assistant Director of Social Welfare
(Subventions), SWD

Non-official Members

Miss Vena CHENG Wei-yan
Mr Armstrong LEE Hon-cheung
Mr Webster NG Kam-wah
Mr Roland WONG Ka-yeung
Mr Addy WONG Wai-hung, MH, JP
Mr Cliff CHOI Kim-wah
Ms Alice LAU Oi-sze, MH
Dr Pamela LEUNG Pui-yu
Ms Rachel LEUNG Wai-ling
Ms WONG May-kwan
Ms CHUNG Wai-ling
Ms Cynthia LAM Ming-wai
Mr Kirin LAW Tsz-yeung
Miss Irene LEUNG Pui-yiu, JP
Ms CHEUNG Kwok-chun
Miss Yanmi LEUNG Ho-yan
Mr SY Ching-tam
Mr TSE Wah-wan

Secretary

Ms CHIU Pui-fung Chief Social Work Officer
(Subventions)1, SWD

In Attendance

Ms WONG Yin-ye	Deputy Director of Social Welfare (Administration), SWD
Ms LUI Ka-wing	Chief Social Work Officer (Subventions)2, SWD
Ms Cherry TSUI Wai-yi	Senior Social Work Officer (Subventions)1, SWD
Ms LAW Miu-sheung	Senior Social Work Officer (Subventions)2, SWD
Miss CHOW Mei-ye	Senior Social Work Officer (Subventions)3, SWD
Ms LAU Yee-shan	Social Work Officer (Subventions)4, SWD
Mr Sam LAM Chun-ho	Executive Officer (Subventions), SWD

Absent with Apologies

Miss Jasmine CHAN Hoi-yan
Mr LUN Chi-wai

Opening Remarks

1. The Chairman welcomed the following persons who attended the meeting for the first time:
 - (a) 11 new members, namely Mr Addy WONG Wai-hung, Miss Vena CHENG Wei-yan, Mr Roland WONG Ka-yeung, Dr Pamela LEUNG Pui-yu, Ms Rachel LEUNG Wai-ling, Ms WONG May-kwan, Mr Kirin LAW Tsz-yeung, Ms CHEUNG Kwok-chun, Miss Yanmi LEUNG Ho-yan, Mr SY Ching-tam and Mr TSE Wah-wan; and
 - (b) Ms WONG Yin-ye, Ms Maggie LEUNG Yee-lee, Ms CHIU Pui-fung, Ms LUI Ka-wing and Mr Sam LAM Chun-ho who took up the relevant posts in SWD.
2. The Chairman thanked the former members, Ms Tammy CHAN Yee-ching, Mr Francis CHAU Yin-ming, Mr Stephen HUNG Wan-shun, Dr Jane LEE Ching-ye, Ms Teresa LEE Siu-hong, Ms Rebecca NG Pui-ling, Mr SIN Kin-ming and Dr Ricky SZETO Wing-fu for their contribution to the Lump Sum Grant Steering Committee (LSGSC). Their term of office ended on 21 April 2021.
3. The Chairman briefly introduced the objectives of setting up the LSGSC and its main functions. He also pointed out that members of the LSGSC included professionals, and the staff management and service users of subvented non-governmental organisations (NGOs) so as to facilitate communication and

exchange of views on the implementation of the Lump Sum Grant Subvention System (LSGSS) among members from different sectors of the community.

Declaration of Interests

4. The Secretariat reminded members of the need to make a full disclosure of their interests if they might have any potential conflicts of interests in a matter placed before the LSGSC. Members could make a declaration before the meeting or when conflicts of interests were involved in a particular item to be discussed.
5. Miss Vena CHENG Wei-yan declared that she was the Executive Committee Member of St. James' Settlement. The Chairman indicated that the member being a board or staff member of the NGO could still speak on the issues insofar as sector-wide policies were concerned.

Agenda Item 1 - Confirmation of Minutes of Last Meeting

6. The Secretariat circulated the draft minutes of the 46th meeting to members on 16 August 2021 and no proposed amendments were received before the deadline for reply. The minutes of the 46th meeting were confirmed.

[Post-meeting note: The minutes of the meeting were uploaded to the SWD's website on 8 October 2021.]

Agenda Item 2 - Matters Arising

Paragraphs 6-11 of Minutes of Last Meeting - Redevelopment of the Service Performance Management Information System (SPMIS) of SWD (i.e. SPMIS-II)

7. SWD reported that the design and development of the above main system was completed. Internal testing for the main functions of the system, such as the electronic submission platform, was being conducted while electronic returns on statistics and service performance were being developed. SWD had invited about 30 NGOs of various scales to participate in the functional tests for the system in the fourth quarter of 2021, and planned to organise briefing sessions for NGOs and provide them with training on the application of the system in the first quarter of 2022. Based on the current progress of the project, it was expected that the system would be put into use starting from 2022-23. SWD indicated that comparing with paper submission by NGOs for their service performance returns or relevant information to SWD in the past, the new system would facilitate the handling of information submission and data analysis in a more effective manner.

Paragraphs 12-14 of Minutes of Last Meeting - Progress of Implementation of the Updated Government Guidelines for the Control and Monitoring of Remuneration Practices in respect of Senior Staff in Subvented Organisations

8. SWD reported that, for 2019-20, there were 79 NGOs receiving annual recurrent subventions of \$10 million or above from SWD and with such amount accounted for more than 50% of their operating income pertaining to services/ programmes within the welfare purview, which were required to submit review reports on the monitoring of the remunerations of their senior executives. The review reports of the relevant NGOs were uploaded to the SWD's website in the first quarter of 2021 for public disclosure. For 2020-21, all NGOs were required to submit a self-assessment report to SWD by 31 October 2021.

Paragraphs 21-25 of Minutes of Last Meeting - Progress of Implementation of the Social Welfare Development Fund (SWDF)

9. SWD reported that applications were received from a total of 134 NGOs in phase 3 (third round) of the SWDF and funding proposals of the last batch were approved in January 2021. SWD had allocated a total of over \$997 million to 161 NGOs for organising over 4 190 projects in the three phases. It was expected that most of the projects would be completed in 2022-23.

Agenda Item 3 - Terms of Reference and Membership List of the LSGSC
(LSGSC Paper No. 1/2021)

10. The Secretariat introduced the LSGSC Paper No. 1/2021 regarding the updated terms of reference and membership list of the LSGSC.

(a) Terms of Reference

The Task Force for Review on Enhancement of LSGSS completed the review and released the report in July 2021, putting forward a total of 30 recommendations for enhancement of LSGSS. With a view to enhancing corporate governance and matters relating to management of LSG, there was a need to revise the terms of reference of the LSGSC correspondingly to ensure that the LSGSC could effectively perform its functions, including giving steer on the implementation of recommendations set out in the Review Report and the progress of the implementation of the Best Practice Manual.

(b) Membership List

The Chairman indicated that in order to allow service users of different service areas to express their views and give suggestions for matters of their concern, the Government had invited four service users from areas of

family and child welfare services, youth services, elderly and rehabilitation services to join the LSGSC. There were a total of 20 ex-officio members on the updated membership list.

[Post-meeting note: The updated membership list and terms of reference of the LSGSC were uploaded to the SWD's website on 8 October and 18 October 2021 respectively.]

Agenda Item 4 - Implementation Plan on the Recommendations of the Review Report on Enhancement of Lump Sum Grant Subvention System

(LSGSC Paper No. 2/2021)

11. SWD introduced LSGSC Paper No. 2/2021 concerning the implementation plan on the recommendations made in the Review Report on Enhancement of Lump Sum Grant Subvention System (the Review Report) and stated that the Chief Executive announced in her policy agenda published in October 2017 that the Government would discuss with the social welfare sector on the enhancement of the LSGSS. The Secretary for Labour and Welfare delegated the Director of Social Welfare (DSW) in 2017 to set up a task force to conduct review and make recommendations on the enhancement of the LSGSS. The Task Force, chaired by the DSW, comprises members including Legislative Council (LegCo) Members; representatives from the Hong Kong Council of Social Service, NGOs' management, staff and service users; independents from the community and representatives of the Labour and Welfare Bureau. In addition, SWD engaged a consultancy firm to collect the necessary information and research data from NGOs and relevant stakeholders through questionnaires, focus group meetings and interviews, etc. During the review, the Task Force organised a total of 14 meetings and seven rounds of sector consultation sessions/focus group meetings. The Review Report adopted comments and suggestions of different stakeholders where appropriate. It was published in July 2021 and was reported at LegCo Panel on Welfare Services.
12. SWD introduced the recommendations of the Review Report and sought members' views on the implementation plan on the recommendations. 30 recommendations were made under five domains in the Review Report, namely (i) quality of welfare services (7 recommendations); (ii) staffing establishment, subvention benchmark and human resource management matters (3 recommendations); (iii) financial planning matters (4 recommendations); (iv) relevance of utilising LSG subvention (5 recommendations); and (v) accountability and corporate governance of NGOs (11 recommendations). LSGSC would steer the implementation of these recommendations.
13. Members' views on the implementation plan on the recommendations of the Review Report were summarised as follows:

- (a) Members understood that the 30 recommendations had to be implemented in an orderly manner and recommended that the needs of NGOs of different sizes and service areas should be taken into account when implementing each recommendation. In addition, a member proposed that the Government should regularly review the LSGSS in response to the needs of society;
- (b) With the development of social services and the changes of service needs, members considered that different types of services should be reviewed and the staff of NGOs also expected reviews relating to staff establishment. Members also suggested that SWD should draw up a concrete timetable with priorities for the review of various types of services, and consider reviewing relevant Funding and Service Agreements (FSAs) based on the service types. SWD responded that relevant service reviews would be conducted in phases starting from 2022-23 and that it would conduct reviews on various aspects, including staff establishment, service targets and service nature, etc. with reference to LSGSC's comments;
- (c) Regarding the delineation of FSA-related activities, members indicated that some NGOs worried that the requirements on the proportion of LSG used for FSA-related activities mentioned in the recommendations might set restrictions on NGOs' application for other resources and their service development. SWD responded that it always respected and supported NGOs in applying for resources from external parties (including the commercial sector) to respond to service needs and concurred that FSA-related activities exerted a certain degree of importance on the development of welfare services. On the other hand, the public and some staff of NGOs expressed concern over the use of LSG for supporting non-FSA activities, which would cut down on the resources allocated to the prescribed services of the FSA or even cross-subsidise non-FSA activities. The Chairman emphasised that the Task Force's recommendation on drawing up criteria for delineating FSA-related activities and the maximum proportion of LSG used for FSA-related activities had sought to strike a balance among the proper use of the LSG, the safeguard of public's availability of FSA activities and the maintenance of an appropriate degree of service flexibility, and should not deter NGOs from exercising the flexibility provided by LSGSS in response to the needs of society;
- (d) Regarding the NGOs' reserve, members suggested that SWD provide data on the level of NGOs' reserve and the clawback amount returned to the Government, so as to discuss the ways of using the resources in a more effective and accountable manner;
- (e) Regarding subventions for central administration, members considered that SWD could obtain information on NGOs' central administrative expenses regularly to determine the level of central administrative expenses and

related principles. Members also suggested that SWD could encourage the commercial sector or other government departments to increase funding support on central administration when subsidising non-SWD funded projects. In this regard, members responded that, when applying for support for non-SWD funded projects from the commercial sector or other government departments, NGOs should provide a detailed explanation on their need for central administrative expenses and related details for funding bodies to consider the necessity of such expenses. SWD responded that the administrative cost varies among different NGOs, and that the criteria adopted by the commercial sector or other government departments in assessing funding applications could not be generalised. It was suggested that NGOs maintain close communication with funding bodies and provide sufficient information to support their applications for funding for central administrative expenses; and

- (f) Some members expected the Government to provide resources to enhance the professional training for frontline staff of District Elderly Community Centres and provide services to highly educated retirees and other persons in need as necessary.
14. As some of the recommendations of the Review Report involve the formulation of operating guidelines, SWD would seek members' comments in future LSGSC meetings and consider arranging focus group meetings to discuss individual recommendations if needed.

Agenda Item 5 - Progress of Implementation of the Best Practice Manual (BPM)
(LSGSC Paper No. 3/2021)

15. SWD introduced LSGSC Paper No. 3/2021 concerning NGOs' progress in implementing the BPM and sought members' views on future directions. Highlights were as follows:
- (a) In 2019-20, 164 NGOs reported to SWD through the Self-Assessment Checklist that they had implemented the items under Level One, while 160 NGOs (contributing to 97.6%) also submitted the Self-Assessment Checklist of Level Two items to report progress of the implementation of the BPM up to 31 March 2020. Regarding Level Two items, 87.5% of NGOs (i.e. 140) had implemented the "Delineation of Roles and Responsibilities of the Governing Board", 70% of NGOs (i.e. 112) had implemented the "Determination of the Optimal Level of LSG Reserve" and "NGO's Decisions Made on Important Management Issues of SWD-subvented Services".
 - (b) As for the three items implemented since 1 October 2018, all NGOs had submitted the Self-Assessment Checklist of the newly-added items under

Level One, of which 161 NGOs (contributing to 98.1%) had submitted the Self-Assessment Checklist of the newly-added items under Level Two to report progress of implementation up to 31 March 2020. In addition, 81.7% of NGOs (i.e. 134) and 74.4% of NGOs (i.e. 122) had already implemented the Level One items “Handling of Internal Transfer and Contract Termination” and “NGOs’ Decision Making on Employment Contracts”. Another 57.1% of NGOs (i.e. 92) had also implemented the Level Two item “Disclosure of Remuneration Policy”.

- (c) LSGSC established the Working Group on Implementation Details of BPM (Working Group) in 2014 to facilitate the implementation of the BPM in which many items were related to the recommendations of the Review Report on Enhancement of LSGSS. The relevant parts of the BPM had to be reviewed simultaneously when the LSGSC followed up on the recommendations of the Review Report, including the enhancement of Level One items and the upgrading of Level Two items to Level One, etc. To enhance the follow-up workflow and work efficiency, SWD recommended that LSGSC continued to review the current progress of implementation of the BPM and other relevant matters in one go. LSGSC agreed that it was no longer necessary to underpin the implementation of the BPM in the form of a Working Group.

Agenda Item 6 - Enhancement of Review Visits under the Service Performance Monitoring System

(LSGSC Paper No. 4/2021)

- 16. SWD briefed members on LSGSC Paper No. 4/2021 regarding the enhancement of review visits (RVs) under the Service Performance Monitoring System (SPMS). Under the SPMS, SWD assessors conduct service performance visits to agreement service units (ASUs), so as to ensure that the services were delivered in compliance with the requirements of the FSAs/Service Documents (SDs). Besides reviewing the relevant documents of FSAs/SDs and service quality standards (SQSs), SWD assessors also conducted interviews with ASU staff as well as service users and/or their family members. Meanwhile, assessors would ensure service units’ compliance with relevant service requirements through site visits. In case of any non-compliance, NGOs operating the visited ASUs would be required to submit improvement plans. SWD would monitor the progress of implementing the improvement plans to ensure that the relevant requirements could be met.
- 17. All ASUs were subject to random selection for service performance visits, including scheduled and surprise visits, conducted on the basis of a three-year monitoring cycle under a “one-in-ten” principle. Besides, on-site assessments would also be conducted to ASUs operating new services or ASUs with doubtful performance issues; and risk-based visits would be conducted to ASUs failing to

comply with essential service requirements or SQSs. Owing to the COVID-19 epidemic, SWD suspended visit arrangements in 2020 and the LSGSC had at its 46th meeting endorsed the extension of the monitoring cycle of 2018-21 by 12 months to 31 March 2022.

18. The Audit Commission issued the Audit Report No. 69 on 27 October 2017 and set out recommendations in respect of the administration of lump sum grants, including advising SWD to review its approach in conducting visits and assess its manpower requirement. To enhance the effectiveness of monitoring the performance of service units, SWD proposed to increase the random sampling ratio from “one-in-ten” to “one-in-five”, which would take effect starting from the monitoring cycle of 2022-25.
19. Members’ discussions on the enhancement of RVs were summarised as follows:
 - (a) Regarding members’ enquiry on how NGOs were informed of the results of RVs, SWD responded that a visit report would be issued by the assessor to the NGO after each visit. If necessary, the NGO would be required to submit an improvement plan. Besides, SWD was advised to consider publishing an overview of relevant review results in the next monitoring cycle, so as to encourage NGOs to improve service quality. The Chairman stated that NGOs had all along attached importance to service assessment with close follow-up on the visit reports’ recommendations and the submission of improvement plan. SWD would monitor the progress of implementation to ensure compliance with service performance requirements;
 - (b) Members enquired on how SWD would deploy its manpower to cope with the increased number of visits, and proposed hiring retired civil servants or members of the disciplined services for assistance. SWD replied that manpower had been increased correspondingly to cope with the relevant work; and
 - (c) Some members enquired whether the same assessment criteria for RVs were applied to different service units. SWD replied that assessors would conduct visits in accordance with the established scope and criteria, so as to ensure that RVs adhered to the same standards. It was also remarked that RVs were part of the SPMS under SWD, and service performance of an ASU would also be assessed against the service standards (including output standards, outcome standards and SQSs, etc.) according to the FSAs.

Agenda Item 7 - Monitoring Measures for Late Submission of Annual Financial Reports/Accompanying Financial Statements
(LSGSC Paper No. 5/2021)

20. SWD briefed members on LSGSC Paper No. 5/2021 regarding the progress of implementation of the monitoring of NGOs with late submission of annual financial reports (AFRs)/accompanying financial statements (AccFSs), and sought their views on handling requests from NGOs with late submission of AFRs/AccFSs for three consecutive years against the display/continued display of their late submission records on the SWD's website.
- (a) In order to review the financial position of NGOs in a timely manner and facilitate early detection of NGOs' financial irregularities (if any), SWD required that NGOs should submit AFRs/AccFSs within seven months after the end of each financial year on 31 March (i.e. on or before 31 October) for inspection. In this regard, the LSGSC endorsed at its meeting on 18 September 2019 the enhancement of the monitoring mechanism to address the issue and monitor NGOs with late submission of AFRs/AccFSs. For NGOs with late submission of AFRs/AccFSs for three consecutive years (i.e. from 2017-18 to 2019-20), SWD issued management letters to the chairpersons of the governing boards and heads of the four NGOs concerned on 28 January 2021, requiring them to submit improvement plans, and informing them that their records of late submission for three consecutive years would be displayed on the SWD's website starting from 29 January 2021, until the next deadline for submission of AFRs/AccFSs (i.e. 31 October 2021). SWD would also continue to monitor the implementation of NGOs' improvement plans.
- (b) As for two other NGOs with late submission of AFRs/AccFSs for two consecutive years (i.e 2018-19 and 2019-20), SWD issued letters to the chairpersons of the governing board and heads of the NGOs concerned on 31 March 2021, reminding them to take necessary actions to adhere to the specified deadline of submission of AFRs/AccFSs for 2020-21.
21. An NGO with late submission of AFRs/AccFSs for three consecutive years appealed to SWD in writing on 29 January 2021 against the display/continued display of its records of late submission of AFRs/AccFSs for three consecutive years on the SWD's website. Upon consultation with members for handling the appeal case, SWD issued a letter of reply on 5 July 2021 to inform the NGO that the majority of members did not accept the appeal and agreed with SWD to the continued display of records of its late submission of AFRs/AccFSs for three consecutive years.
22. In order to effectively monitor the financial position of NGOs and ensure strict adherence to the rules and requirements related to the submission of AFRs/AccFSs, appeals from NGOs with late submission of AFRs/AccFSs for

three consecutive years against the display/continued display of late submission records on the SWD's website would not be accepted in principle. If individual NGOs lodged similar appeals with exceptional reasons, SWD would assess the case and make a decision on individual merits. If necessary, SWD would bring up cases for deliberation in LSGSC meetings or seek their views by way of circulation. The Chairman added that the great majority of NGOs were able to adhere to the rules and requirements related to the submission of AFRs/AccFSs, with only a few NGOs failing to meet the requirements out of specific reasons. Members agreed on the arrangements.

Agenda Item 8 - Any Other Business

23. There was no other business.

Date of Next Meeting

24. The meeting was adjourned at 11:00 a.m. Members would be informed of the date of the next meeting in due course.

Social Welfare Department
November 2021