

Minutes of the 48th Meeting of the Lump Sum Grant Steering Committee

Date : 17 February 2022 (Thursday)

Time : 9:30 a.m.

Format : Online video conference

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 Jasmine CHAN Hoi-yan

Miss Vena CHENG Wei-yan

Ms CHEUNG Kwok-chun

Mr Cliff CHOI Kim-wah

Ms CHUNG Wai-ling

Ms Cynthia LAM Ming-wai

Ms Alice LAU Oi-sze, MH

Mr Kirin LAW Tsz-yeung

Mr Armstrong LEE Hon-cheung

Miss Yanmi LEUNG Ho-yan

Miss Irene LEUNG Pui-yiu, JP

Dr Pamela LEUNG Pui-yu

Ms Rachel LEUNG Wai-ling

Mr Webster NG Kam-wah

Mr SY Ching-tam

Mr Roland WONG Ka-yeung

Ms WONG May-kwan

Mr Addy WONG Wai-hung, MH, JP

Mr TSE Wah-wan

Secretary

Ms CHIU Pui-fung

Chief Social Work Officer
(Subventions)1, SWD

In Attendance

Ms WONG Yin-yee	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-yee	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

Opening Remarks

1. The Chairman welcomed members to the meeting and informed that Mr LUN Chi-wai was no longer a member of the Lump Sum Grant Steering Committee (LSGSC) with effect from 8 October 2021. The Secretariat would follow up on the appointment of a new member.

Declaration of Interests

2. The Secretariat reminded members of the need to make a full disclosure of their interests in the event of any potential conflict of interest in matters placed before the LSGSC. Members could make a declaration before the meeting or when a conflict of interest was involved in a particular item to be discussed. The Secretariat indicated that members, despite being board or staff members of relevant non-governmental organisations (NGOs), could still speak on the issues insofar as sector-wide policies were concerned.

Agenda Item 1 – Confirmation of Minutes of Last Meeting

3. The Secretariat circulated the draft minutes of the 47th meeting to members on 12 November 2021 and no proposed amendments were received before the deadline for reply. The minutes of the 47th meeting were confirmed.

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

Agenda Item 2 – Matters Arising

Paragraph 7 of Minutes of Last Meeting – Progress of Implementation of the Second Generation Service Performance Management Information System

4. SWD reported on the progress of development of the Second Generation Service Performance Management Information System (SPMIS-II), including the following:
 - (i) Development and testing of the main functions of the system, such as data input to the electronic statistical forms and the electronic submission platform, were completed.
 - (ii) Arrangements were made in the fourth quarter of 2021 for frontline, administrative and management staff of 33 NGOs (including large, medium and small-scale NGOs) to try out the relevant functions of the system.
 - (iii) A letter was issued to NGOs on 26 January 2022 to brief the arrangements for the implementation of the new system. A briefing session would be organised on 21 February 2022 for NGOs to introduce the detailed arrangements for the implementation of the new system and brief the relevant functions. Training would be provided to system management staff of NGOs from February to March 2022. Online and video training information would be provided to frontline staff from April to May 2022, during which arrangements would also be made for them to try using the system.
 - (iv) A user manual would be provided to system users, and a support hotline would also be set up for information technology (IT) staff to provide timely support to NGOs and handle problems.
 - (v) The system would be formally put into use starting from April 2022 (that is, for the service performance statistical reports for 2022-23), and by then NGOs would submit electronic statistical forms and service performance returns to SWD through the system to enhance work efficiency.

Paragraph 15 of Minutes of Last Meeting – Progress of Implementation of the Best Practical Manual

5. According to the Self- Assessment Checklist submitted to SWD by 164 NGOs for 2020-21, they had implemented nine items under Level One, out of which 161 NGOs (representing 98.2%) also returned the Checklist of eight items under Level Two to report progress of implementing the Best Practical Manual (BPM) as at 31 March 2021. There were 146 and 113 NGOs implemented the items of “Delineation of Roles and Responsibilities of the Governing Board” and “Disclosure of Remuneration Policy” respectively under Level Two.

Paragraphs 20 to 22 of Minutes of Last Meeting – Progress of Implementation of the Monitoring Measures for Late Submission of Annual Financial Reports/Accompanying Financial Statements

6. SWD reported that, of the four NGOs with late submission of annual financial reports (AFRs)/accompanying financial statements (AccFSs) for three consecutive years (2017-18, 2018-19 and 2019-20) mentioned in the last meeting, three NGOs had made improvements and submitted the AFRs/AccFSs for 2020-21 on time, but the remaining one (Hong Kong Lutheran Social Service, the Lutheran Church – Hong Kong Synod Limited (HKLSS)) continued to submit its AFR/AccFS late for 2020-21. According to the existing mechanism, the NGO's record of late submission of AFRs/AccFSs for three consecutive years would continue to be displayed on the SWD's website until the next specified deadline for submission of its AFR/AccFS (i.e. 31 October 2022).
7. Furthermore, there were a total of 12 NGOs with late submission of AFRs/AccFSs for 2020-21, and two of them had submitted the AFRs/AccFSs late for two consecutive years (2019-20 and 2020-21). SWD would issue a letter to remind the board chairpersons and heads of the NGOs concerned to take necessary actions to adhere to the specified deadline of submission of AFRs/AccFSs.
8. The enhanced monitoring measures suggested by SWD included: (i) to issue a warning letter to HKLSS, indicating that it had seriously breached the relevant requirements of the lump sum grant (LSG) subvention by continuing to submit AFRs/AccFSs late after three consecutive years of late submission; and (ii) to consider prohibiting NGOs which had been late in their submission of AFRs/AccFSs for consecutive years from participating in any tender exercises or invitations for proposals for providing new services (including applications submitted) until they submit their AFRs/AccFSs for the next financial year on time.
9. Members' responses to the aforesaid situations and suggestions are as follows:
 - (a) Some members indicated that the late submission of AFRs/AccFSs of some NGOs for consecutive years resulted in unfairness to other NGOs which had submitted their AFRs/AccFSs on time. These NGOs also failed to explain their financial situations to stakeholders in a timely manner. It was suggested that SWD should seriously deal with the NGOs having submitted their AFRs/AccFSs late for multiple times and consider imposing effective penalties.
 - (b) Some members held the view that whether or not to impose penalties on NGOs having submitted their AFRs/AccFSs late for consecutive years

should depend on the duration of late submission or the reasons behind so as to determine the seriousness of the cases.

- (c) Some other members agreed that the reasons for the late submission of AFRs/AccFSs of the aforesaid 12 NGOs should be considered first before further discussion of the establishment of a penalty mechanism.
10. SWD replied that it had been closely following up on the NGOs' late submission of AFRs/AccFSs and had asked them about the reasons for their late submission, which included work-from-home arrangements for the staff concerned due to the epidemic and the turnover of staff responsible for financial matters. Furthermore, NGOs having submitted their AFRs/AccFSs late did so one to two months after the deadline on average.
11. SWD remarked that the number of NGOs having submitted their AFRs/AccFSs late had dropped significantly since the implementation of the monitoring measures in 2021, with the figures for the past four years (2017-18, 2018-19, 2019-20 and 2020-21) having dropped from 30 in 2017-18 to 24, 19 and 12 respectively. Nevertheless, SWD was of the view that the existing monitoring measures should be strengthened so as to enhance the performance of NGOs in financial management. SWD would further consider enhancing the monitoring measures for late submission of AFRs/AccFSs for consecutive years and raising the penalties, without ruling out the possibilities of ceasing allocations to some services and prohibiting the NGOs having submitted their AFRs/AccFSs late from participating in any tender exercises or invitations for proposals for new services.

Agenda Item 3 – Implementation Plan of Recommendations 3, 8, 12, 20 and 22 in the Review Report on Enhancement of Lump Sum Grant Subvention System (LSGSC Paper No. 1/2022)

12. SWD introduced the implementation plan of recommendations 3, 8, 12, 20 and 22 in the Review Report as set out in LSGSC Paper No. 1/2022. Highlights are as follows:

Recommendation 3: Provide additional supervisory support for paramedical grades to facilitate relevant professional development and handle complex cases

It was recommended in the Review Report that additional supervisory support should be provided for the positions of occupational therapist and physiotherapist in paramedical grades in order to facilitate relevant professional development and handle complex cases. In this connection, SWD increased the recurrent provision to NGOs by \$104 million in

December 2019 for the creation of about 94 positions equivalent to the ranks of senior occupational therapists and senior physiologists to provide frontline therapists with professional supervision and support. Starting from 2022-23, SWD would also, having regard to priorities, examine whether other positions require additional supervisory support when conducting service reviews. As for whether there were other positions requiring additional supervisory support, service branches of SWD were recommended to, having regard to priorities, look into the matter when conducting service reviews.

Recommendation 8: Maintain the subvention benchmark at mid-point salaries to allow NGOs to continue to exercise the flexibility to employ staff, respond to service needs swiftly and provide welfare services efficiently

Under the Lump Sum Grant Subvention System (LSGSS), SWD took into account the NGO's salary costs, salary-related allowances, provident funds for its staff, and recognised fee income in calculating the LSG, with a view to ensuring that NGOs receive sufficient subvention to cover the required expenditure for providing services, and at the same time have the flexibility to deploy resources among different items of expenditure. Most NGOs have exercised the flexibility provided by the LSGSS to employ staff, such as hiring new recruits at entry point salaries and senior staff at above mid-point salaries respectively, so as to respond to service needs swiftly and provide welfare services efficiently. Therefore, it was recommended that the LSGSS should be retained and the subvention benchmark at mid-point salaries should be maintained. Regarding the review of subvention benchmark at mid-point salaries, the Task Force was aware of the continuously growing cumulative balance of LSG reserve for some NGOs. It was recommended that NGOs should optimise the use of LSG/LSG reserve and draw up long-term plans to enhance the staff pay structure. In this regard, SWD would issue a letter to NGOs in the first quarter of 2022, encouraging them to optimise the use of LSG by deploying resources flexibly to be in line with their human resource management and service development strategies, with a view to supporting their staff and continuous development of services while maintaining financial stability.

Recommendation 12: Optimise the use of Provident Fund reserve to enhance staff morale and their sense of belonging to NGOs

According to data of SWD, the utilisation rate of the total Provident Fund (PF) provision was maintained at 84% to 88% during the past six-year period (2015-16 to 2020-21) while the PF reserve for non-snapshot staff rose by 51% from \$1.12 billion to \$1.69 billion in the same period, reflecting that there was still room for NGOs to deploy PF provision for non-snapshot staff on enhancing the retirement benefit of the existing staff. It was recommended in the Review Report that NGOs should optimise the use of

the reserve to enhance staff morale and their sense of belonging to the NGOs according to the guidelines of “Use of PF Reserve for Non-Snapshot Staff (Level One)” in the BPM. Based on the recommendation of the Task Force, SWD would issue a letter to NGOs in the first quarter of 2022, reminding them to actively and optimally use the PF provision and reserve for non-snapshot staff to enhance staff morale and their sense of belonging to NGOs.

Recommendation 20: NGOs should disclose their AFRs for public scrutiny

At present, under the requirements of the LSG Manual, NGOs are required to disclose their AFRs to the public through at least one of the following channels, including posting up the AFRs on the notice boards at the Central Administration Unit/Head Office, uploading the AFRs to their website, or disclosing the AFRs through special circulars, newsletters or other means. Since 2017, SWD has required NGOs to submit their AFRs or links to their AFRs, so as to upload the information onto the SWD’s website for public scrutiny. For 2020-21, of the 164 NGOs receiving LSG, 122 provided links to their AFRs for the SWD’s website and 42 submitted their AFRs to SWD which were uploaded onto the department’s website. It was recommended in the Review Report that NGOs should disclose their AFRs through the channels currently specified in the LSG Manual, and submit to SWD their reports or relevant links for uploading onto the SWD’s website for public scrutiny. SWD would issue a letter to NGOs in the first quarter of 2022, reminding that they must comply with the requirements.

Recommendation 22: NGOs should disclose the remuneration of their senior executives in the top three tiers in order to enhance their public accountability and promote public understanding of their financial position

Unless exempted by SWD, NGOs shall disclose the number, ranking and remuneration packages of their senior executives in the top three tiers under the existing LSG Manual if the NGO (i) is receiving subvention of \$10 million or more from SWD every year; and (ii) has received from SWD operating income which accounts for over 50% of its total operating income under welfare purview. Regarding the current practice of exemption of some NGOs, the Task Force considered that NGOs being exempted should be encouraged to make public the remuneration information of their senior executives in the top three tiers as far as possible to enhance their public accountability and promote the public’s understanding of their financial position. For 2020-21, 83 out of the 164 NGOs receiving LSG were required to submit and make public their review reports. Moreover, 2 NGOs being exempted had submitted their review reports to SWD. One of them had uploaded the report onto its website while the other had published the report in its annual report. SWD would issue a letter to NGOs in the

first quarter of 2022, reminding that they should disclose the remuneration of their senior executives in the top three tiers under the requirements of the LSG Manual and NGOs exempted from completing and disclosing their Review Report on Remuneration Packages for Staff in the Top Three Tiers are encouraged to make public the remuneration information of such staff.

13. Members' views on the above recommendations are summarised as follows:
- (a) Regarding Recommendation 3, some member(s) enquired whether a review would be conducted on supervisory support for other professional grades when providing new services. SWD responded that service branches would review the needs of professional grades in a timely manner during service reviews and give due consideration to the needs of new services when allocating resources.
 - (b) Regarding Recommendation 8, some member(s) opined that consideration should be given to increasing the flexibility of NGOs in using reserves, rather than a mere adjustment of pay structure. An enquiry was also made as to whether NGOs were allowed to use their reserves only when there were deficits or in other emergency situations. SWD responded that NGOs could use LSG reserves to improve staff remuneration packages so as to enhance the sense of belonging.
 - (c) Regarding Recommendation 22, some member(s) considered that in giving information on the ratio of the remuneration of senior executives in the top three tiers to the subvention amount, it could be misleading if the subvention amount provided by SWD only accounted for a small portion of the NGO's income. Some member(s) reflected that the third-tier executives in small NGOs were actually frontline staff and disclosure of their remunerations might arouse privacy concerns, for which the SWD should simplify the remuneration report in the top three tiers. SWD responded that the disclosure of the remuneration of staff in the top three tiers was made under the requirements of the LSG Manual and the Administration Wing. NGOs receiving subventions from the Government should be accountable to the public and facilitate the public to understand their financial positions.

Agenda Item 4 - Implementation Plan of Recommendations 5 and 6 Relating to Funding and Service Agreements and Service Reviews in the Review Report on Enhancement of Lump Sum Grant Subvention System

(LSGSC Paper No. 2/2022)

14. SWD introduced the implementation plans of Recommendations 5 and 6 relating to Funding and Service Agreements (FSAs) and service reviews in the Review Report as set out in LSGSC Paper No. 2/2022. Highlights are as follows:

Recommendation 5: Standardise the cycle of reviewing the output standards and outcome standards of a time-defined FSA at five years; and review the output standards and outcome standards of a non-time-defined FSA if there are new resources

- (a) Under the LSGSS, all subvented service units shall provide services according to the FSAs, including the essential service requirements, service quality standards and output/outcome standards. As at end-2021, a total of 503 FSAs had been signed between SWD and 170 NGOs (including five NGOs operating in non-LSG subvention mode), covering 3 126 agreement service units (ASUs), out of which 340 were time-defined FSAs and 235 had their validity periods fixed at three years.
- (b) Starting from April 2022, SWD would standardise the validity period of all new time-limited FSAs at five years. As for the existing three-year time-defined FSAs, SWD would change the validity period of those FSAs that would expire or require to be updated to five years in an orderly manner, which was expected to be completed in 2024-25. Moreover, SWD would review the output standards and outcome standards of non-time-defined FSAs in a timely manner.

Recommendation 6: Conduct systematic reviews on notional staffing establishments, service targets, service nature and service performance standards to keep pace with the changing needs of users of various types of social services

- (a) It was recommended in the Review Report that the criteria for setting priority of service review should be drawn up, including according priority to services that have not been reviewed for a long time, involve a larger number of units or have a greater development need. Each service type/service type group should aim at completing the review within a year.
- (b) Currently, there are more than 160 service types under the LSGSS. SWD planned to conduct a review on the following service types in 2022-23, covering a total of 107 FSAs and 376 ASUs:
 - i. residential child care services [Priority would be accorded to reviewing residential child care centres (also known as residential crèches and residential nurseries), and residential special child care centres. Other related services would then be reviewed, including children's homes and children's reception centre, boys'/girls' homes and boys'/girls' hostels, as well as small group homes and foster care service, etc.];

- ii. sheltered workshops and integrated vocational rehabilitation services centres; and
 - iii. integrated home care services (ordinary cases).
 - (c) When conducting service reviews, relevant service branches of SWD would collect the views of stakeholders through various means.
15. Members' views on the above recommendations are summarised as follows:
- (a) Regarding Recommendation 5, some member(s) enquired when the next review would be conducted after SWD had standardised the validity period of FSAs at five years. SWD responded that reviews on FSAs would be conducted where necessary and would not be affected by the standardisation of the validity periods of FSAs;
 - (b) Regarding Recommendation 6, some member(s) considered that service reviews might take time and suggested that the outcome of the review on the first three service types should be used as the basis and reference so as to expedite the progress. SWD responded that it would consider reviewing services of similar nature at the same time or using previous reviews as the basis for other service reviews so as to expedite the review progress. SWD added that the service review to be conducted in 2022-23 would cover 107 FSAs and 376 ASUs, which had widely covered the existing FSAs.
 - (c) Some member(s) indicated that the frontline staff of residential services might lack the professional knowledge of handling juvenile problems and hoped to review their allocation of manpower. Some other member(s) suggested upgrading the posts of Social Work Assistants in various services to Assistant Social Work Officers so as to meet the increasingly complicated needs of the society. SWD responded that the details of FSAs, such as mode of service delivery and staffing establishment, would be included in the review;
 - (d) Some member(s) enquired whether SWD had set a timetable for future service reviews. SWD responded that the next service review would be planned concurrently during the first phase of service review and relevant stakeholders would be consulted; and
 - (e) Some member(s) enquired about the composition of the personnel for conducting service reviews. SWD responded that service branches would, having regard to different service types, invite relevant professionals and stakeholders to participate in service reviews.

Agenda Item 5 - Implementation Plan of Recommendations 10, 11 and 13 in the Review Report on Human Resource Management and Financial Planning
(LSGSC Paper No. 3/2022)

16. SWD introduced the implementation plan of recommendations 10, 11 and 13 in the Review Report on human resource management and financial planning as set out in LSGSC Paper No. 3/2022. Highlights are as follows:

Recommendation 10: NGOs should improve human resource management continuously, including the establishment of a manpower structure for staff career development, optimal use of the Holding Account and/or Provident Fund (PF) reserves, and formulation of appropriate staff-friendly and staff wastage reduction initiatives

- (a) It was recommended in the Review Report that NGOs should establish a mechanism for assessing staff's experience in professional services when devising the staff pay structure, and the pay levels should be commensurate with the experience and responsibilities required for the posts concerned. In addition, NGOs should maintain or enhance human resource measures by optimising the use of the Holding Account and/or PF reserves, e.g. providing staff with longer length of service with PF contribution above the minimum statutory requirement, so as to retain experienced staff.
- (b) It was also recommended in the Review Report that NGOs should establish a manpower structure for staff career development, including specifying a reasonable time and conditions under which non-time-defined employment contracts will be provided to outstanding staff who have served in the NGOs for a certain period of time, in order to enhance their sense of belonging to the organisations and ensure the provision of stable service to users. NGOs should also continuously improve human resource management, e.g. arranging meetings with resigned staff, making regular reports on information on staff turnover rate, etc. to their governing boards, in order to facilitate the formulation of appropriate staff-friendly and staff wastage reduction initiatives.
- (c) SWD would issue a letter to NGOs in the first quarter of 2022 to encourage them to adopt measures for enhancement of human resource management, including establishing a manpower and pay structure for staff career development to enhance their sense of belonging to the organisations, optimising the use of the Holding Account and/or PF reserves to retain experienced staff and formulating appropriate staff-friendly and staff wastage reduction initiatives.

Recommendation 11: Improve the management of Holding Account, and formulate utilisation plans and financial projections (including to honour the contractual commitments towards the Snapshot Staff and enhance human resource arrangements, etc.) to optimise the use of the reserve

- (a) Under the prevailing LSGSS, NGOs may retain a reserve not exceeding 25% of their operating expenditure to meet operational needs under special circumstances. Any amount above this cap needs to be refunded to the Government. Other than LSG reserve, there are to date 121 NGOs that have reserve in the Holding Account to honour the contractual commitment to Snapshot Staff. According to the data of SWD, although the overall number of NGOs' Snapshot Staff has reduced from 6 959 in September 2015 to 4 267 in September 2020, there was no corresponding decrease in the overall balance of Holding Account. During the same period of time, the total amount of Holding Account only reduced slightly from \$1.82 billion to \$1.8 billion (a decrease of 1.1%). Besides, a total of 21 NGOs without any Snapshot Staff still had Holding Account reserve as at March 2021.
- (b) It was recommended in the Review Report that NGOs which still had Holding Account reserve but without Snapshot Staff should merge the Holding Account reserve and LSG reserve, and formulate utilisation plans and financial projections to optimise the use of the reserves.
- (c) On the other hand, it was recommended in the Review Report that the NGOs concerned should formulate annual utilisation plans and financial projections on using the Holding Account to honour the contractual commitments towards the Snapshot Staff and enhance human resource arrangements according to the guidelines of "Maximised Use of Reserve (Level One)" in the BPM. Such plans and financial projections should be discussed, assessed and agreed by the governing boards/management committees and the discussion has to be put on record. The staff, including frontline ones, should be consulted according to established mechanisms. In addition, NGOs should reflect the overall utilisation situation with itemised breakdown and plans of the Holding Account reserve in the AFRs.
- (d) In the light of the above recommendations, SWD would make the following arrangements in relation to the utilisation of Holding Account starting from 2022-23:
 - i. NGOs which still have Holding Account reserve should formulate utilisation plans and financial projections on using the Holding Account through the following procedures:

- discussion, assessment and agreement by the governing boards/management committees, with the discussion being put on record; and
 - consultation with the staff, including frontline ones, according to established mechanisms.
- ii. NGOs which still have Snapshot Staff should reflect the overall utilisation situation with itemised breakdown and plans of the Holding Account reserve in relation to the honour of the contractual commitments towards the Snapshot Staff and the enhancement of human resource arrangements in the AFRs.
 - iii. According to the updated information on Snapshot Staff submitted by NGOs to SWD in September every year, NGOs without any Snapshot Staff in that year should merge the Holding Account reserve and LSG reserve for use in the next financial year. However, NGOs should still reflect the overall utilisation situation with itemised breakdown and plans of the Holding Account reserve in the AFRs. In the first three financial years following the merging of the reserves, the expenditure and balance of the Holding Account can be disregarded when calculating whether the LSG reserve has to be refunded to the Government. From the fourth financial year onwards, the Holding Account reserve and LSG reserve of NGOs would be merged and the amount of combined reserve exceeding 25% of NGOs' annual operating expenditure will be returned to the Government according to established mechanisms.
 - iv. In the first quarter of 2022, SWD would issue a letter to NGOs which still had Holding Account reserve in 2020-21 to notify them of the details of the implementation of the aforementioned measures. In December every year, SWD would also issue a letter to NGOs with less than 10 Snapshot Staff members in that year to remind them of optimising the use of the Holding Account reserve and the arrangements on using the Holding Account.

Recommendation 13: Conduct annual financial projections, including examination of the accuracy and limitations of the projection for the last financial year

- (a) It was recommended in the Review Report that NGOs appoint professionals or assign designated staff/divisions to conduct annual financial projections for the coming three years. Apart from examining reserve status and assessing financial position, NGOs might also examine the accuracy and limitations of the projection for the last

financial year and make revisions for the coming year accordingly, and report the details to their governing boards. NGOs were also encouraged to provide channels for staff to note the results of financial projections.

- (b) Starting from 2022-23, SWD would require NGOs to appoint professionals or assign designated staff/divisions to conduct financial projections for the coming three years, to ensure the financial stability of the NGOs and more effective management and utilisation of the LSG. Such financial projections have to be reported to the governing boards and channels have to be provided as far as practicable for staff to note the results of financial projections. SWD would provide NGOs with a common template for financial projections for reference.
17. SWD supplemented that briefing sessions on the above recommendations would be organised for NGOs and training on financial management would be arranged in due course to assist NGOs in implementing the recommendations.
18. Members' views on the above recommendations are summarised as follows:
- (a) Regarding Recommendation 11, some member(s) recommended that NGOs consider adopting active investment strategies and plans, such as making reference to other financing solutions to increase their reserves. Nonetheless, other members considered that the relatively proactive recommendation might not suit welfare NGOs as they focused on stable investment in their financial management approach. SWD responded that under LSGSS, NGOs should ensure that prudent financial planning had been made prior to any investment using the LSG reserves. They should also opt for stable investment to better utilise public funds and safeguard the interests of service users.
 - (b) Some member(s) agreed with SWD in taking three years as the benchmark, so that NGOs have better preparation for their planning and enhanced management of the Holding Account reserve. In the meantime, an enquiry was made as to the total amount of NGOs' Holding Account reserves to date. SWD responded that the total amount of Holding Account reserve of 121 NGOs for 2020-21 was about \$1.8 billion. Another enquiry was made as to whether the utilisation plan for the Holding Account formulated by NGOs had to be approved by SWD. SWD responded that the formulation of the utilisation plan for the Holding Account by NGOs which still had Holding Account reserve should be discussed, assessed and agreed by the governing boards/management committees. Staff should also be consulted according to established mechanisms. NGOs should

conduct financial projections and reflect relevant information in the AFRs.

- (c) Some member(s) recommended that NGOs' Holding Account reserves could be used for promoting IT development and staff training. SWD responded that the Department had already formed relevant committees and service plans to promote IT development. Some members were of the view that SWD might consider extending the scope of use of the Holding Account reserves to achieve greater flexibility. SWD emphasised that NGOs should accord priority to improving staff remuneration and enhancing human resources measures with the Holding Account reserve. NGOs were also encouraged to consult their staff in a timely manner for the effective management of the Holding Account.
- (d) Regarding Recommendation 13, some member(s) enquired about the definition of appointing professionals. SWD explained that NGOs should appoint professionals or assign designated staff/divisions for the effective examination of reserve status and assessment of financial position. Another member thanked SWD for arranging relevant briefing sessions and training on Recommendations 11 and 13 to NGOs and they believed that NGOs could learn to manage their finance and utilise the LSG more effectively. Regarding Recommendation 13 that NGOs are required to conduct financial projections, members enquired whether SWD would provide relevant additional resources. SWD responded that NGOs might utilise LSG resources to conduct financial projections. As for the regularisation of the scheme to subsidise NGOs to use actuarial service for financial projections as in Recommendation 14 of the Review Report, SWD would apply for the resources required in a timely manner according to established procedures.

Agenda Item 6 - Any Other Business

- 19. The Chairman remarked that a focus group would be formed following the meeting to discuss the guidelines on cost apportionment, guidelines on FSA-related activities and recommendations related to BPM. All members were welcome to join the focus group and make recommendations. Interested members might contact the Secretariat.
- 20. Members enquired whether SWD would engage the sector in the subsequent implementation of the recommendations in the Review Report. SWD responded that apart from seeking members' views through focus groups, it would maintain communication with members and stakeholders and report to the LSGSC the implementation progress of the recommendations in the Review Report in the next meeting.

Date of Next Meeting

21. The meeting was adjourned at 12:00 p.m. Members will be informed of the date of the next meeting in due course.

Social Welfare Department
May 2022