In Compliance with the "Best Practice Manual" of Social Welfare Department
The Use of Lump Sum Grant Reserve and Provident Fund Reserve

Background

Social Welfare Department (SWD) introduced the Lump Sum Grant Subvention System (LSGSS) in 2000-2001. In accordance with the recommendations of the Lump Sum Grant Independent Review Committee (LSGIRC), all subvented non-governmental organizations shall develop a Best Practice Manual on financial management, human resource management, as well as corporate governance and accountability, and detail the criteria and procedures to ensure compliance with the requirements of the "Best Practice Manual (BPM)". The BPM was endorsed by the Lump Sum Grant Steering Committee (LSGSC) in April 2014 and came into effect on 1 July 2014.

"LSG Reserve" is the surplus of recurrent subventions from SWD after deduction of operating expenditure (excluding Provident Fund (PF) expenditure) in relation to the Funding and Service Agreement (FSA) or FSA related activities. The Society specified the principles and drafted policies on the use of "LSG Reserve" applicable to service units under the LSG Subvention of SWD. It includes the Community Rehabilitation Network and Supported Employment Services.

Principles for the use of "LSG Reserve"

1. For the continuous service improvement to enhance the quality of life for persons with chronic illnesses or disabilities and their families;
2. For building up a competent staff team for continuous service development;
3. To enhance the equipment for service provision and development; and
4. To ensure the long term financial sustainability and viability of "LSG Reserve".

Utilization of "LSG Reserve"

1. To fulfill the contractual agreement to all staff under subvention (both snapshot and non-snapshot) so that every staff can enjoy the entitled annual salary increment;
2. To develop innovative service to fulfill the unmet needs;
3. To train and develop staff capability to meet the changing service needs;
4. To purchase service equipment and system enhancement in response to its service strategic plan; and
5. In principle, the "LSG Reserve" (including interest, but excluding PF reserve and LSG Reserve kept in the holding account) will be kept at the amount of not more than 25% of the operating expenditure (excluding PF expenditure) for that year.

(September 26, 2023)

The Committee on Rehabilitation of the Society is responsible for reviewing the management and use of the “LSG Reserve” and the “Provident Fund Reserve (PF Reserve)” in respect of the service development of the Society. Financial reports and budgets would be prepared. The policies and procedures on monitoring the use of “LSG Reserve” are documented in “The Hong Kong Society for Rehabilitation Best Practice Manual”.

The details of the Society’s “LSG Reserve” and “Provident Fund (PF) Reserve” as at end of March 2023 are as follow:

1. “LSG Reserve” recorded a surplus of HK$11,108,000
2. “PF Reserve” for snapshot staff recorded a surplus of HK$610,000
3. “PF Reserve” for non-snapshot staff recorded a surplus of HK$2,823,000

The Society has prepared the Policy on the use of PF Reserve with the aim to optimize the remuneration package and retain staff. Staff consultation has been held and the Policy has been endorsed by the Committee on Rehabilitation. The latest additional PF contribution has been released to entitled staff accordingly in April 2023 by the Society on a one-off basis. The Policy will be reviewed periodically to ensure the financial stability of the Society.

Notes :

- Snapshot staff refers to staff employed by the Society before the implementation of LSGSS in 2000.
- Non-snapshot staff refers to those staff employed by the Society after the implementation of LSGSS in 2000.

(September 26, 2023)