



In Compliance with the “Lump Sum Grant Subvention 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. The Hong Kong Society for Rehabilitation is operating two types of services under the LSGSS, including the Community Rehabilitation Network and Supported Employment and Training for Persons with Disabilities.

Definition of “LSG Reserve”

“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). The Society specified the principles and drafted policies on the use of “LSG Reserve” applicable to service units under the LSG Subvention of SWD.

Principles for the use of “LSG Reserve”

1. **Service Enhancement:** Continuously optimize services for persons with chronic illnesses, persons with disabilities, and their families to enhance their quality of life;
2. **Team Building:** Build a professional and efficient team to continuously drive service development;
3. **Facility Upgrading:** Improve and upgrade facilities and equipment required for service development; and
4. **Financial Sustainability:** Ensure the long-term feasibility and sustainability of reserve deployment.

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 drive strategic development 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 the service enhancement and strategic plan;
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.

The Executive Committee of the Society review annually the management and utilization of the “LSG Reserve” and the “PF Reserve” to align with service development. Financial reports and budgets would be prepared. The policies and procedures on monitoring the use of “LSG Reserve” are documented in the internal guideline of the Hong Kong Society for Rehabilitation.

The details of the Society’s “LSG Reserve” and “Provident Fund (PF) Reserve” as at end of March 2026 are as follow:

1. “LSG Reserve” recorded a surplus of HK\$11,548,300
2. “PF Reserve” for snapshot staff recorded a surplus of HK\$218,400
3. “PF Reserve” for non-snapshot staff recorded a surplus of HK\$3,964,400

The Society has established a Policy on the “Utilization of the PF Reserve,” aimed to optimize the remuneration package and retain staff, and making provisions for additional expenditures arising from changes in employee-related legislation. This includes, for example, the abolition of the MPF offsetting arrangement effective on May 1, 2025, and the increased employer expenses related to severance payments and long service payments under the new arrangement. The policy was developed following staff consultation and was approved in meetings of the Executive Committee.

In accordance with the above policy, the Society will make a one-time additional contribution to eligible employees based on their years of service. The most recent contribution would be disbursed to eligible employees in Oct 2026. The Society will regularly review this policy to ensure the financial stability.

Remarks:

- 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.