



Mr SY Ching-tam  
Mr Kirin LAW Tsz-yeung  
Mr Addy WONG Wai-hung, MH, JP  
Mr IP Chi-wai

Secretary

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

**In Attendance**

Ms WONG Yin-ye	Deputy Director of Social Welfare (Administration)
Ms LUI Ka-wing	Chief Social Work Officer (Subventions)2, SWD
Ms Elaine CHOY Yuk-ling	Senior Social Work Officer (Subventions)1, SWD
Ms CHAN Sau-fun, Mona	Acting 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**

Mr Webster NG Kam-wah  
Mr Roland WONG Ka-yeung  
Miss Jasmine CHAN Hoi-yan  
Ms WONG May-kwan  
Ms Rachel LEUNG Wai-ling  
Mr TSE Wah-wan

## **Opening Remarks**

1. The Chairman welcomed 16 members to the meeting, including Mr Raymond LAI Kwan-ho, a first-time member representing the management of non-governmental organisations (NGOs).
2. The Chairman thanked Mr Cliff CHOI Kim-wah for his past participation in the work of the Lump Sum Grant Steering Committee (LSGSC). Mr CHOI's tenure with LSGSC expired upon his retirement in late October 2022.
3. Separately, six members, including Mr Webster NG Kam-wah, Mr Roland WONG Ka-yeung, Miss Jasmine CHAN Hoi-yan, Ms WONG May-kwan, Ms Rachel LEUNG Wai-ling and Mr TSE Wah-wan, were unable to attend the meeting today due to other commitments.

## **Declaration of Interests**

4. 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 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 advised that members, despite being board or staff members of relevant NGOs, could still speak on the issues insofar as sector-wide policies were concerned.

## **Agenda Item 1 – Confirmation of Minutes of Last Meeting**

5. The Secretariat circulated the draft minutes of the 49th meeting to members on 26 August 2022, and received a proposal from Mr Cliff CHOI Kim-wah on 8 September 2022 to add paragraph 10(d) to the minutes, which reads as follows:

10(d) SWD remarked that it encouraged NGOs receiving Lump Sum Grant (LSG) subvention to seek community resources for providing services in different ways. In this regard, some members were of the view that SWD, while requiring NGOs to conduct cost apportionment for non-subvented activities, should not hinder or interfere with their efforts to seek additional funding support.

6. Members had no comments on the proposed amendment. The minutes of the 49th meeting were confirmed.

[Post meeting note: The minutes of the meeting were uploaded to SWD's website on 17 November 2022.]

## **Agenda Item 2 – Matters Arising**

### **Paragraph 5 of Minutes of Last Meeting – Progress of Implementation of the Second Generation Service Performance Management Information System**

7. SWD reported on the progress of implementation of the Service Performance Management Information System (SPMIS). Highlights are as follows:

- (a) A six-week trial run of the SPMIS (e-Submission System) features was completed on 29 July 2022 (with about 7 000 participants);
- (b) SPMIS rolled out relevant electronic forms and performance returns for NGOs and their service units to submit reports through the system on 20 September 2022. Under the special arrangement of SWD, NGOs submitted their statistical returns for the first quarter of 2022-23 together with those for the second quarter, as well as other required electronic forms through the system in October 2022;

- (c) SWD provided users with a user manual, a list of frequently asked questions and information on training videos, and answered enquiries about system usage through a technical support hotline and email; and
- (d) Based on the comments received during the trial run, the system upgraded a number of features, including extending its operating hours from Mondays to Fridays (from 8:45 a.m. to 11 p.m.) and Saturdays (from 8:45 a.m. to 6 p.m.)(including public holidays), and granting designated NGO staff full access to account administration rights.

Paragraph 12 of Minutes of Last Meeting – The Plan of the Hong Kong Institute of Certified Public Accountants to Issue a Revised Practice Note 851 – “Reporting on the Annual Financial Reports of Non-governmental Organisations”

- 8. SWD reported that the Hong Kong Institute of Certified Public Accountants (HKICPA) consulted practitioners on the proposed amendments to Practice Note (PN) 851 – “Reporting on the Annual Financial Reports of Non-governmental organisations” in August 2022, and invited them to submit their comments by 11 September 2022. HKICPA issued the revised PN 851 on 29 September 2022, which is applicable to the Annual Financial Reports (AFRs) of NGOs for the financial year ending 31 March 2023 and onwards. SWD issued an email to all subvented NGOs on 30 September 2022 to draw their attention to the revised PN.

Paragraphs 6 to 10 of Minutes of Last Meeting – Follow-up on the Implementation Plans for Recommendations 7, 17, 25 and 26 in the Review Report on Enhancement of Lump Sum Grant Subvention System

- 9. The follow-up items on the above recommendations would be reported under agenda item 4.

**Agenda Item 3 – Implementation Plans for Recommendations 15, 16, 18 and 19 regarding Funding and Service Agreement-related Activities in the Review Report on Enhancement of Lump Sum Grant Subvention System**

(LSGSC Paper No. 8/2022)

10. SWD introduced the plans set out in LSGSC Paper No. 8/2022 for implementing recommendations 15, 16, 18 and 19 in the Review Report on Enhancement of Lump Sum Grant Subvention System (Review Report). Highlights are as follows:

**Recommendation 15 – Draw up criteria for delineating Funding and Service Agreement (FSA)-related activities and the maximum proportion of LSG used for FSA-related activities**

- (a) The Review Report recommended that SWD draw up criteria for delineating FSA-related activities and the maximum proportion of LSG used for FSA-related activities. For FSA-related activities with expenditure accounting for 10% or less of the LSG of an agreement service unit (ASU), the NGO must ensure that the activities meet criteria (i) to (iv) below:
  - (i) they have the same purpose and objectives as the FSA;
  - (ii) they have the same service nature as that covered by the FSA;
  - (iii) the service contents are in line with the FSA; and
  - (iv) the service targets are in line with those covered by the FSA.
  
- (b) For planned FSA-related activities with expenditure accounting for 10% to 20% of an ASU's LSG, the NGO, in addition to ensuring that the activities meet criteria (i) to (iv) above, must adopt the more prudent principles as follows:

- (v) the activities must first be put forward to the governing board/management committee for discussion and assessment of their implications on the NGO's services, staff and service users, and supported by the board/committee;
  - (vi) frontline staff and service users must be consulted according to established mechanisms; and
  - (vii) consent of SWD must be obtained before the activities are held.
- (c) Regardless of the proportion of the expenditure for planned FSA-related activities against LSG of an ASU, the NGO must obtain the consent of relevant service branches of SWD before the FSA-related activities are held if such activities do not comply with the terms stipulated in the FSA (including but not limited to the following examples):
- if the planned FSA-related activities fall outside the scope of service targets specified in the FSA, e.g. altering the upper and lower age limits of service targets;
  - if the planned FSA-related activities fall outside/alter the scope of service districts specified in the FSA.

**Recommendation 16: Formulate operational guidelines for FSA-related activities**

- (a) As per the recommendations of the Review Report, SWD would formulate operational guidelines for FSA-related activities to set out the criteria and examples for defining FSA-related activities, and stipulate that NGOs should account for any income and expenditure generated from FSA-related activities in their LSG accounts. In addition, NGOs should use a separate account for handling income and expenditure arising from the provision of non-FSA services. If LSG resources were used to provide non-FSA services, NGOs should make cost apportionment for the corresponding cost

items with additional income/funding (e.g. funding for manpower, activity or venue expenses).

**Recommendation 18: NGOs should submit to SWD an annual statement on FSA-related activities held, so as to report the proportion of the expenditure for such activities against LSG for an ASU**

- (a) Given the varying nature of FSA-related activities, it was considered inappropriate to include FSA-related activities in the quarterly reports of the statistical information system. However, in order to evaluate the cost-effectiveness of FSA-related activities and their effectiveness in addressing societal needs while enabling SWD to give future consideration to incorporate FSA-related activities into FSA services, the Review Report recommended that SWD create a template for an annual statement for NGOs to report whether their FSA-related activities meet the relevant criteria, and the proportion of LSG used for such activities by an ASU. In addition, NGOs could use the template to suggest whether or not to incorporate the FSA-related activities into FSA services, and provide related service details, output and outcome for SWD's consideration.

**Recommendation 19: NGOs should consider the criteria for consulting/advising staff and service users on implementing FSA-related activities to enhance transparency**

- (a) The number and proportion of FSA-related activities implemented by service units of NGOs could potentially affect the quality of services originally covered under the FSA or increase the workload of staff. To enhance transparency and avoid unnecessary misunderstanding, NGOs might consider evaluating the impacts of FSA-related activities on their staff and service users, consulting/advising them and garnering their support before implementing the FSA-related activities. The Review Report

recommended that NGOs consider the following in deciding if it is necessary to consult/advise staff on the FSA-related activities:

- addressing possible concerns and worries of staff (e.g. the demand for additional manpower);
- actual impact on the original work of staff (e.g. the use of premises); and
- enhancing the transparency of FSA-related activities, etc. (e.g. non-LSG resources).

(b) Regardless of NGOs' decision on consulting/advising staff and service users, the relevant decisions and considerations should be documented.

(c) The Review Report also recommended that NGOs consider the following in deciding if it is necessary to consult/advise service users on FSA-related activities:

- confirming that the design of the activities meets the needs of service users;
- possible impact on the operation of service units and users; and
- enhancing the transparency of FSA-related activities, etc.

11. The LSGSC held a focus group meeting on 20 September 2022 to discuss how FSA-related activities should be defined. Based on relevant information and views of stakeholders, if the activities that an NGO proposed to implement have the same (i) purpose and objectives; (ii) service nature; (iii) service contents; and (iv) service targets as the FSA, these activities should be defined as FSA services. If the activities that an NGO proposed to implement have (i) the same purpose and objectives as the FSA; (ii) the same service nature as those covered by the FSA; (iii) service contents that are in line with the FSA; and (iv) service targets that are in line with those covered by the FSA, these activities should be defined as FSA-

related activities. For FSA-related activities using more than 20% of an ASU's LSG subventions, NGOs should bear the excess amount with their own resources.

12. Unlike self-financing services (e.g. self-financing places in subvented residential care homes for the elderly), NGOs might, while operating FSA services, receive other funding or donations to provide services that were not specified in the FSAs. For instances, Integrated Children and Youth Services Centres might apply for the Beat Drugs Fund to organise activities for the youths they served, and Neighbourhood Elderly Centres might organise orientation activities for residents of new public housing estates in their service districts with the support of the Community Investment and Inclusion Fund. These activities might be defined as FSA services or FSA-related activities, depending on whether their nature and contents meet the criteria set out in paragraph 11 above.
13. If donations in kind were received for use in FSA services or FSA-related activities (e.g. a vehicle donated to a subvented home for transporting residents, or an air purifier donated to a Day Care Centre for use by the elderly, etc.), NGOs could use LSG subventions to pay for the related recurrent expenses (e.g. electricity charges, petrol expenses, driver salaries, etc.). However, SWD would not provide additional funding or provide subvention for replacing these items or for these projects. Any income generated from other subsidised projects or donations in kind (e.g. fees charged to service users by a District Elderly Community Centre for using a donated vehicle for transportation) should be included as other income of the service units. Meanwhile, NGOs should ensure that the recurrent expenses incurred by these items/projects would not cause them any financial difficulties.
14. If an NGO chose to include the FSA-related activities supported by other funds or donations in its AFR, all the income and expenditure of these activities should be fully accounted for in the LSG account and listed separately at an Annex to be submitted together with the AFR. If there was unspent balance from these activities that had to be returned to the sponsoring organisation, the amount should

be paid from the NGOs' own funds. If an NGO chose not to include a particular FSA-related activity in its AFR, but LSG resources were used to implement the activity, cost apportionment should be conducted for the relevant cost items.

15. For NGOs operating self-financing services or social enterprises without any subvention from the Government or other funding sources, they should keep a separate set of accounts for these activities and ensure that there is no cross-subsidisation of self-financing activities by SWD-subsvented service projects in money or in kind. For the avoidance of doubt, self-financing services or social enterprises operated by NGOs should not be considered as FSA-related activities.
16. SWD would further study the views of the sector and stakeholders, and draw up a set of operational guidelines based on the above recommendations as part of the LSG Manual. Covering the criteria for defining FSA-related activities and related examples, calculation of the proportion of LSG used for FSA-related activities and related examples, funding arrangements for FSA-related activities, evaluation of cost-effectiveness of FSA-related activities and preparation of annual statements for FSA-related activities, the operational guidelines would enable NGOs to grasp the arrangements for implementing FSA-related activities.
17. Members' views on the above recommendations are summarised as follows:
  - (a) Some members concurred that NGOs should consult/advise staff and service users on the implementation of FSA-related activities, and suggested that internal mechanisms and guidelines be developed correspondingly. SWD indicated that it had always encouraged NGOs to maintain communication with their staff and service users, with a view to enhancing the transparency of corporate governance and service quality. Regarding the implementation of FSA-related activities, NGOs should develop internal mechanisms and guidelines, and consult their staff and service users in a timely manner.

- (b) Some members suggested that SWD consider sharing with NGOs the criteria for certain activities having been assessed as FSA-related activities. SWD responded that it would collect annual statements from NGOs upon the implementation of the operational guidelines, and consider consolidating examples of FSA-related activities for reference of members and NGOs.
- (c) Regarding the proportion of LSG used for FSA-related activities, some members enquired about the base for calculating the LSG subventions, as well as the rank of staff responsible for approving FSA-related activities that used less than 10% of the LSG. SWD responded that the calculation method was based on the amount of LSG subvention allocated to an ASU by an NGO. As for the criteria for certain activities to be assessed as FSA-related activities, NGOs should define the duties of relevant staff and their governance responsibility according to their human resource policies.
- (d) Regarding the financial arrangements of FSA-related activities, some members hoped that SWD could provide further clarifications. SWD responded that if NGOs chose not to include FSA-related activities supported by other funding or donations in the AFR, but LSG resources were used to implement these activities, they should conduct cost apportionment for relevant cost items. SWD would provide clear explanations in the forthcoming operational guidelines.
- (e) Regarding the submission of applications for assessing FSA-related activities, some members suggested that SWD formulate a simplified application mechanism, while others enquired about the time required for SWD to respond to NGOs' applications. SWD remarked that it would continue to maintain effective communication with NGOs and respond to their applications in a timely manner.

- (f) With regard to the operational guidelines, some members enquired about the yardsticks for imposing penalties on non-compliant NGOs. In addition, some members recommended that SWD establish a transitional period following the introduction of the operational guidelines, and review the guidelines on a regular basis. SWD responded that NGOs must abide by the requirements stipulated in the FSAs and the LSG Manual when delivering subvented services, and that it would enforce the requirements in accordance with relevant terms and conditions. In addition, SWD remarked that it was currently drafting the operational guidelines, which would be submitted to the LSGSC for review prior to the next meeting. The purpose of formulating the guidelines was to enable NGOs to grasp the arrangements for implementing FSA-related activities and apportioning costs. SWD was aware that NGOs needed time to adapt during the initial implementation of the guidelines and would continue to maintain communication with them.

**Agenda Item 4 – Implementation of the Recommendations in the Review Report on Enhancement of Lump Sum Grant Subvention System and the Related Work**

**Progress**

(LSGSC Paper No. 9/2022)

18. SWD briefed members on the implementation of the recommendations in the Review Report on Enhancement of Lump Sum Grant Subvention System as set out in LSGSC Paper No. 9/2022 and the related work progress. Highlights are as follows:
- (a) The Review Report set out 30 recommendations under five domains, namely (1) quality of welfare services; (2) staffing establishment, subvention benchmark and human resource management matters; (3) financial planning matters; (4) relevance of utilising LSG subvention; and (5) accountability

and corporate governance of NGOs. SWD has been progressively implementing the recommendations in the Review Report since 2022-23.

(b) SWD implemented the following 14 recommendations in the first half of 2022-23:

- Recommendation 3: Provide additional supervisory support for paramedical grades;
- Recommendation 5: Standardise the cycle of reviewing a time-defined FSA at five years since April 2022;
- Recommendation 6: Conduct reviews on notional staffing establishments, service targets, service nature and service performance standards;
- Recommendation 7: Specify the frequency and means of internal service inspections conducted by NGOs;
- Recommendation 8: Maintain the subvention benchmark at mid-point salaries;
- Recommendation 10: NGOs should improve human resource management continuously;
- Recommendation 11: NGOs should improve the management of Holding Account, and formulate utilisation plans and financial projections to optimise the use of the reserve;
- Recommendation 12: NGOs should optimise the use of Provident Fund reserve to enhance staff morale and their sense of belonging to NGOs;
- Recommendation 13: NGOs should conduct annual financial projections;
- Recommendation 14: Regularise the scheme to subsidise NGOs to use actuarial service for financial projections;

- Recommendation 20: NGOs should disclose their Annual Financial Reports;
- Recommendation 22: NGOs should disclose the remuneration of their senior executives in the top three tiers;
- Recommendation 25: NGOs should enhance the transparency of the establishment of their regular posts under LSG subvention; and
- Recommendation 26: NGOs should enhance the transparency on special incidents and significant incidents which occurred in the NGOs concerned or their service units.

(c) SWD discussed the four recommendations (i.e. Recommendations 15, 16, 18 and 19) in relation to the relevance of utilising LSG subventions in the third quarter of 2022-23, and planned to discuss the seven recommendations (i.e. Recommendations 21, 23, 24, and 27 to 30) under the domain of accountability and corporate governance in the fourth quarter. As for the recommendations involving additional financial resources (i.e. Recommendations 1, 2, 4 and 9), SWD would seek additional funds pursuant to the established procedures. SWD would continue to update members on the progress of implementing the Review Report's recommendations.

19. Some members enquired about the implementation schedule for the recommendations that involved additional financial resources (i.e. Recommendations 1, 2, 4 and 9), and the progress of the three service reviews implemented in respect of Recommendation 6 this year, as well as the formulation of a mechanism for conducting annual review of other services items. To implement recommendations concerning additional financial resources, SWD would seek funding in accordance with the established mechanism if government finances permit. As for the service reviews proposed under Recommendation 6, SWD had launched the second phase review of residential child care services upon

completion of the first phase review. In addition, the review of sheltered workshops and Integrated Vocational Rehabilitation Services Centres had been initiated in May 2022. The Elderly Branch briefed the sector on the review of Integrated Home Care Services (Ordinary Cases) at a meeting of the Specialized Committee on Elderly Service of The Hong Kong Council of Social Service in March 2022. SWD would continue to monitor the progress on service reviews and report to members at appropriate time.

### **Agenda Item 5 - Any Other Business**

#### **Revision of the clauses of FSAs and the Manual**

20. SWD stated that it had written to all NGOs operating subvented welfare services on 11 October 2022, explaining that the FSAs of all services had incorporated the following clauses to align with the Hong Kong Special Administrative Region Government's amendments to the Stores and Procurement Regulations in August 2022: "The SWD may immediately terminate the FSA upon the occurrence of any of the following events – (a) the Service Operator has engaged or is engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be contrary to the interest of national security; (b) the continued engagement of the Service Operator or the continued performance of the FSA is contrary to the interest of national security; or (c) the SWD reasonably believes that any of the events mentioned above is about to occur." In addition, SWD reminded NGOs that, in making use of LSG for procurement, NGOs should take into account their duty to safeguard national security and not to engage in any acts or activities which endanger national security.
21. SWD had updated the relevant provisions of the Manual (i.e. Chapter 3 and Annex 9 to Chapter 4) to incorporate the above clauses. The updated Manual had been uploaded to SWD's website.

22. The Chairman remarked that a focus group would be formed after the meeting to discuss the seven recommendations (i.e. Recommendations 21, 23, 24 and 27 to 30) related to enhancing NGOs' accountability and corporate governance. All members were welcome to join the focus group to provide their opinions. Members interested in joining the focus group might contact the Secretariat.
23. Some members enquired about SWD's progress in implementing information technology systems, including replacing paper forms with electronic ones, and whether the operating hours of SPMIS-II would be extended to 24 hours a day. SWD responded that SPMIS-II was in operation, and paper forms were replaced by electronic ones. As the system had to perform back-ups and data file exchanges during non-operating hours, it could not be made accessible to users 24 hours a day. Members generally agreed that the existing operating hours of SPMIS-II (i.e. from 8:45a.m. to 11:00p.m. from Mondays to Fridays and from 8:45a.m. to 6:00p.m. on Saturdays) should be sufficient to meet the NGOs' daily operational needs.

### **Date of Next Meeting**

24. The meeting was adjourned at 4:45 p.m. Members will be notified of the date of the next meeting in due course.

Social Welfare Department

December 2022