



**Operational Guidelines on Funding and
Service Agreement-related Activities and
Cost Apportionment
for Non-governmental Organisations**

April 2023

**Social Welfare Department
The Government of the Hong Kong Special Administrative Region**

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CHAPTER 1

FUNDING AND SERVICE AGREEMENT

1.1 Introduction

The Funding and Service Agreement (FSA), which is a binding document between the Social Welfare Department (SWD) as a funder and a non-governmental organisation (NGO) as a service operator, forms the basis of subvention for providing social welfare services under the Lump Sum Grant Subvention System (LSGSS). The FSA includes generic sections setting out the general obligations of SWD and the responsibilities of service operators; and service-specific sections which define the purpose and objectives, nature of service, target group, essential service requirements and performance standards on a specific type of service subvented by SWD.

1.2 Contents of the FSA

1.2.1 Purpose and Objectives

The FSA sets out the purpose and objectives of a specific service, stating the reasons why the service is to be provided and the ultimate goals to be achieved, for example –

Integrated Family Service Centre (IFSC)

- “to support and strengthen the family as a unit through enhancing family functioning”;

Integrated Children and Youth Services Centre (ICYSC)

- “to facilitate the personal development of children and youth by developing their life skills, potentials and problem-solving ability”;

District Elderly Community Centre (DECC)

- “to enable elderly persons to continue to stay in the community” and “to provide social networking and outreaching services to vulnerable elderly persons”; and

Integrated Community Centre for Mental Wellness (ICCMW)

- “to provide one-stop, district-based and outreaching support services for persons with mental health problems or suspected mental health problems in the service area to improve their social adjustment capabilities, to prepare them to re-adjust to

community living, and to help them develop their social and vocational skills to the fullest extent”.

1.2.2 Nature of Service

The FSA defines the service nature and contents for meeting the purpose and objectives through the provision of direct services, which may be preventive, supportive or remedial in nature, such as counselling and support services, therapeutic groups, developmental and socialisation programmes, accommodation and meals, personal care services, etc.; or through collaboration and co-operation with other service providers in the community.

1.2.3 Target Service Users

The FSA specifies the target group that is to be served, such as children and youth aged between 6 and 24, elderly persons aged 60 or above residing in the district as determined by SWD. There may be specific eligibility criteria for access to some services which are provided for people with a certain type of disability or level of impairment or for persons with specified social conditions/needs/disadvantaged circumstances.

1.2.4 Essential Service Requirements (ESRs)

The ESRs specify the necessary features of the infrastructure for a specific service such as the operating hours (e.g. 8:00 a.m. to 6:00 p.m. on Mondays to Fridays, 24-hour operation), essential staffing (e.g. nurses) and the requirement to comply with the relevant ordinances and/or regulations.

1.2.5 Performance Standards

(a) Output Standards (OSs)

OSs are used to measure the service volume. An operator is required to meet the agreed level of service outputs such as the number of cases served, number of groups and programmes, enrolment or occupancy rates.

(b) Outcome Standards (OCs)

OCs are used to evaluate the effectiveness of services. An operator is required to meet the agreed level of service outcomes such as the rate of satisfaction by service users and/or their family members.

1.2.6 Service Quality

Service operators shall meet the requirements of the 16 Service Quality Standards (SQSs) which define the level of which, in terms of management and service provision, service units are expected to attain.

1.2.7 Validity Period

An FSA may be time-defined or non-time-defined subject to review by SWD. Non-time-defined FSAs are usually converted to time-defined FSAs upon service review for meeting changing service needs and the relevant requirements.

1.3 Agreement Service Unit (ASU)

An ASU refers to a unit operating welfare services governed by the concerned FSA with subventions provided by SWD, which may or may not be premises-tied. An NGO may operate more than one ASU on the same premises.

1.4 FSA Services

1.4.1 FSA services refer to the services or activities carried out by an operator as defined by the respective FSA with subvention provided by SWD. Services meeting the (i) purpose and objectives; (ii) service nature; (iii) service contents; and (iv) service targets of an FSA are regarded as FSA services.

1.4.2 In the course of service delivery, NGOs may carry out activities that are incidental to the operation of services which may not be specified in the FSA. These activities may be regarded as FSA services if they meet the criteria in paragraph 1.4.1 above. In case of doubt, NGOs may consult the concerned service branch of SWD for advice as to whether certain activities may be regarded as FSA services.

1.4.3 If an NGO receives other funds¹ for operating activities that are regarded as FSA services as mentioned in paragraph 1.4.2 above, the NGO may include all the income (i.e. other funds) and expenditure of these activities in the Annual Financial Report

¹ Examples of other funds are Community Investment and Inclusion Fund, Child Development Fund, Beat Drugs Fund, Community Care Fund, The Community Chest, The Hong Kong Jockey Club Charities Trust, and private donations, etc. Other funds generally refer to non-SWD subsidies which are not limited to subsidies from other Government bureaux/departments or public organisations.

(AFR) and complete **Annex 1** as an attachment to the AFR, with no need to apportion the costs between the activities financed by LSG subvention and other funds. However, the unspent balance (if any) out of these activities will form part of the LSG Reserve which is subject to recovery by the Government as mentioned in paragraph 1.5.11 (c). If there is any unspent balance out of these activities that must be returned to the funder, such payment shall be borne by the NGO's own resources.

1.4.4 On the contrary, if an NGO receives other funds for operating activities that may be regarded as FSA services as mentioned in paragraph 1.4.2 above, but the income and expenditure of these activities are not included in the AFR, it would be necessary for the NGO to apportion the costs of operating subvented and non-subvented services so as to avoid cross-subsidisation. Please refer to Chapter 2 for the principles and methodology of cost apportionment.

1.5 FSA-related Activities

FSA-related activities are services that are not specified in the FSAs but they are carried out by service operators meeting the following criteria –

- (i) they have the **same** purpose and objectives as the FSA;
- (ii) they have the **same** service nature as 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.

NGOs may operate FSA-related activities on the following conditions –

1.5.1 For FSA-related activities using 10% or less of an ASU's LSG subvention as allocated by an NGO, the NGO concerned must ensure that the activities meet the above-mentioned four criteria.

1.5.2 For planned FSA-related activities using more than 10% of an ASU's LSG subventions as allocated by an NGO, the NGO concerned, in addition to ensuring that the activities meet the above-mentioned criteria, must also take the following actions –

- (a) 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;

- (b) frontline staff and service users must be consulted according to established mechanisms; and
- (c) prior consent must be sought from relevant service branch of SWD before the activities are conducted.

1.5.3 For FSA-related activities using more than 20% of an ASU's LSG subventions as allocated by an NGO, the NGO concerned shall be responsible for the exceeded amount with its own resources. SWD will not recognise any excessive expenditure to be charged to LSG subvention or provide any additional subvention for this purpose.

1.5.4 The basis of calculating the use of LSG resources on FSA-related activities of an ASU is set out below –

$$\frac{\begin{array}{l} \textit{Annual expenditure of FSA-related activities} \\ \textit{charged to LSG} \\ \text{[including staff salary, provident fund, other} \\ \text{operating costs, but excluding central items and} \\ \text{rent and rates]} \end{array}}{\begin{array}{l} \textit{Amount of annual LSG subvention} \\ \textit{allocated by the NGO to the ASU concerned} \\ \text{[including staff salary, provident fund, other} \\ \text{charges, but excluding central items and rent} \\ \text{and rates]} \end{array}} \times 100\%$$

1.5.5 NGOs operating FSA-related activities are required to submit to SWD an Annual Statement (**Annex 2**) by 31 October, following the end of a financial year, to report the following –

- (a) whether the FSA-related activities meet the above-mentioned four criteria;
- (b) the proportion of the use of LSG resources on the FSA-related activities against LSG subventions allocated by the NGO to the ASU concerned; and
- (c) whether the NGO suggests incorporating the FSA-related activities into FSA services (the NGO should provide details including output and outcome of the FSA-related activities to be incorporated into FSA services for SWD's consideration).

- 1.5.6 Regardless of the proportion of the use of LSG resources for planned FSA-related activities against an ASU's LSG subventions allocated by the NGO, the NGO must obtain the consent of relevant service branches of SWD prior to conducting the FSA-related activities if such activities are not in line with the terms as stipulated in the FSA, such as –
- (a) the planned FSA-related activities fall outside the scope of service targets specified in the FSA, for example, beyond the upper or lower age limits of service targets;
 - (b) the planned FSA-related activities fall outside/beyond the scope of service districts specified in the FSA.
- 1.5.7 For the avoidance of doubt, FSA-related activities do not include self-financing services² or social enterprises³ which are regarded as non-subvented/non-subsidised services for the purposes of this Operational Guidelines.
- 1.5.8 To facilitate NGOs in assessing whether the proposed activities or service programmes should be regarded as FSA services, FSA-related activities or non-FSA services, an assessment template is provided at **Annex 3** for reference and deployment.
- 1.5.9 When operating FSA-related activities, NGOs should observe the following conditions –
- (a) the normal operation of FSA services are not adversely affected;
 - (b) the FSA-related activities must be operated in compliance with the requirements of the FSA concerned including the 16 SQSs;
 - (c) the FSA-related activities do not contravene any statutory requirements, land lease or tenancy conditions; and
 - (d) a regular review of the FSA-related activities should be conducted by the NGO to ensure that the ASU concerned is operated to the satisfaction of SWD.

² Self-financing services refer to non-SWD-subvented programmes operated by NGOs with its own resources, such as the self-financing section of a subvented residential care home for the elderly. No cross-subsidisation of self-financing services is allowed.

³ Social enterprises are operated as self-sustaining businesses without receiving recurrent subsidies from the Government, that are targeted to achieve specific social objectives through entrepreneurial strategies.

1.5.10 If an NGO receives other funds for operating activities that are regarded as FSA-related as mentioned above, the NGO may consider whether these activities should be reported in the AFR with the following arrangements –

- (a) the NGO may include all the income (i.e. other funds) and expenditure of these activities in the AFR and complete **Annex 1** as an attachment to the AFR, with no need to apportion the costs between the activities financed by LSG subvention and other funds. However, the unspent balance (if any) out of these activities will form part of the LSG Reserve which is subject to recovery by the Government as mentioned in paragraph 1.5.11 (c). If there is any unspent balance out of these activities that must be returned to the funder, such payment shall be borne by the NGO's own resources. FSA-related activities reported in the AFR should also be reported in both Part A (applicable to FSA-related activities within 20% of an ASU's LSG subvention) and Part B (applicable to FSA-related activities that are recommended by the NGO to be incorporated into FSA services) of the Annual Statement at **Annex 2** as mentioned in paragraph 1.5.5 above; or
- (b) If non-SWD-subvented FSA-related activities are not reported in the AFR, but subvented resources have been used for these activities, apportionment of costs should be arranged in accordance with the principles and procedures set out in Chapter 2 of this Operational Guidelines. These activities would not be counted toward the proportion of the use of LSG on FSA-related activities of an ASU, but they may be reported in Part B of the Annual Statement at **Annex 2** (if the activities are recommended by the NGO to be incorporated into FSA services) for reference.

1.5.11 NGOs are advised to take into consideration the following concerns when planning and conducting FSA-related activities –

- (a) to assess the implications on staff and service users arising from the FSA-related activities, and solicit support from them for carrying the FSA-related activities;
- (b) to inform the funding bodies, if any, that the programmes concerned are regarded as FSA-related activities of ASUs under the subvention of SWD, which must comply with the relevant requirements; and

- (c) to monitor the spending position of the budget, as the AFR is prepared on a cash-accounting basis, having regard to the requirement under the LSGSS that the cumulative reserve (including interest, but excluding Provident Fund (PF) Reserve and Holding Account balance) exceeding 25% of the NGO's operating expenditure (excluding PF expenditure) for operating the subvented services for that year shall be returned to the Government.

1.6 FSA or Subvented/Subsidised Services across NGOs and/or ASUs

1.6.1 For contract services and time-defined projects that are subvented or subsidised by SWD with designated purposes⁴, NGOs are required to submit financial reports separately for which recovery of surpluses (if any) is necessary. As far as they are subsidised by SWD (including programmes initiated or co-ordinated by SWD), there is no need to apportion the costs of these services regardless of whether LSG resources are deployed.

1.6.2 To promote synergy and efficiency on the use of resources, LSG subventions and subvented premises may be deployed across NGOs and/or ASUs **to carry out FSA services (and FSA-related activities)** which are subvented or subsidised by SWD in the following ways –

- (a) NGOs may operate different ASUs by the same team of staff and/or on the same premises.
- (b) NGOs may operate activities subsidised by SWD at the subvented premises of an ASU, such as running the After School Care Programme⁵ at an ICYSC, or providing services at a subvented Residential Care Home for the Elderly (RCHE) cum Day Care Unit under the Pilot Scheme on Community Care Service Voucher for the Elderly (CCSV) Scheme⁶.
- (c) NGOs may co-operate with one another (including service units of SWD) to carry out FSA services (and FSA-related

⁴ Examples are Contract Homes, Residential Care Service Voucher Scheme for the Elderly, Pilot Scheme on Community Care Service Voucher for the Elderly, Employment Support Services under the Support for Self-reliance Scheme, Portable Comprehensive Social Security Assistance Scheme, projects funded by the Partnership Fund for the Disadvantaged and other central items.

⁵ Some NGOs are provided with subsidies by SWD to operate the After School Care Programme with a specified number of fee-waiving quotas allocated on a half-yearly basis.

⁶ For example, a service user of the CCSV may receive residential respite service at a subvented RCHE cum Day Care Unit operated by the same NGO.

activities) such as organising joint programmes or using the subvented premises of another ASU for the benefit of services users⁷.

1.6.3 LSG subventions and subvented facilities may be deployed across NGOs and/or ASUs to carry out FSA services (and FSA-related activities) subject to the following considerations –

- (a) the requirements of the concerned FSAs and/or relevant service agreements are met;
- (b) the terms and conditions on the use of premises are observed⁸;
- (c) the normal operation of FSA services (and FSA-related activities) or ASUs concerned are not adversely affected; and
- (d) the related arrangements are mutually agreed between the concerned NGOs and/or ASUs taking into consideration management issues such as coverage of insurance and any liability arising from the use of premises.

1.7 Donations

Donations refer to contributions in cash or in kind to which the concerned NGO or ASU is not bound by the funding bodies to deliver specific services as defined by a service agreement. An NGO receiving donations to an ASU should observe the following conditions –

- 1.7.1 some donated items (e.g. computers, vehicles, washing machines, etc.) may incur related operating expenses which may be charged to LSG, on condition that they are solely used for FSA services and/or FSA-related activities;
- 1.7.2 the NGO must ensure that the donated items will not bring any adverse effects to the operation of the ASU concerned or financial difficulty of the NGO concerned;
- 1.7.3 donations in cash or any income generated from the donated items (e.g. fees collected from the provision of transportation service with a sponsored vehicle) shall be treated as Other Income of the

⁷ For example, the staff of a DECC may carry out FSA services or FSA-related activities at an ICYSC of another NGO which are located in the vicinity, or vice versa.

⁸ Including but not limited to the “user” and “non-assignment/restriction on alienation” clauses on the land lease or tenancy agreement as appropriate.

ASU concerned and included in the AFR;

- 1.7.4 SWD will not be responsible for the replacement or replenishment of the donated items; and
- 1.7.5 SWD will not provide any additional subvention for meeting the recurrent expenses incurred by the donated items.

Schedule for FSA services / FSA-related activities supported by other funds / donations
Analysis of Income and Expenditure for the Period from 1 April 20XX to 31 March 20XX

Name of NGO: _____ (Code)

No.	Activity Name	Source of funding	Income Received		Actual Expenditure (Note 3) (c) \$	Surplus / Deficit (Note 4) (d) = (a) + (b) – (c) \$
			Other funds / donation (Note 1) (a) \$	Programme income (Note 2) (b) \$		
I. FSA services						
1						
2						
3						
		Sub-total (i)				
II. FSA-related activities						
1						
2						
3						
		Sub-total (ii)				
TOTAL (i) + (ii)			W (as reflected in AFR)			

Notes:

- Funding received from sources other than the Social Welfare Department (SWD) for FSA services / FSA-related activities, including donation for general purpose, should be properly recorded under Note 5(c) "Other Funds / Donation" to the AFR. All relevant supporting documents must be available for inspection by authorised staff of SWD and audit by the Audit Commission.
- The relevant amount should be properly supported and included under Note 5(a) "Programme Income" to the AFR.
- NGOs should be responsible for the utilisation of the designated funding received for FSA services / FSA-related activities. Apportionment of the amount from LSG is not required.
- If there is any unspent balance out of the non-SWD funded FSA services / FSA-related activities that must be returned to the funder, such payment shall be borne by the NGO's own resources.

Confirmed by :
 Signature: _____
 Chairman: _____
 Date: _____

Signature: _____
 NGO Head / Head of Social Welfare Services: _____
 Date: _____

**Funding and Service Agreement (FSA)-related Activities
Annual Statement 20XX-XX**

To (1): _____ (service branch of SWD)
 To (2): _____ Subventions Section of SWD
 Name of NGO: _____ (NGO code: _____)
 Name of ASU¹: _____
 Allocated amount: _____

This statement shall be submitted by an NGO to the Social Welfare Department (SWD) via the Service Performance Management Information System by **31 October** after the end of a financial year.

(A) Assessment Criteria and the Proportion on the Use of Lump Sum Grant (LSG) Subvention for FSA-related Activities

Name of the FSA-related Activities	Assessment criteria and principles for delineating FSA-related activities	LSG used on FSA-related activities as a percentage to the total LSG allocated by NGO to the ASU* (%)
	(i) Same purpose and objectives as the FSA; (ii) Same service nature as covered by the FSA; (iii) Service contents are in line with the FSA; (iv) Service targets are in line with those covered by the FSA; (v) The activities has been discussed by the governing board/ management committee for assessment of the implications on the NGO’s services, staff and service users, and supported by the board/ committee; (vi) Frontline staff and service users are consulted according to established mechanisms; (vii) Consent has been obtained from SWD before the activities are held; and (viii) 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. Please use (✓) or (✗) or Not Applicable (N.A.) to indicate whether the following criteria and principles for assessment of FSA-related activities are met or not:	

¹ An ASU is a unit operating welfare services governed by the concerned FSA with subventions provided by SWD, which may or may not be premises-tied. An NGO may operate more than one ASU on the same premises.

	(I):Activities that cumulatively utilise 10% or less of LSG allocated by NGO to the ASU								Example
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	
1.[Name of the FSA-related Activity]					N.A.	N.A.	N.A.		2%
2.[Name of the FSA-related Activity]					N.A.	N.A.	N.A.		3%
3.[Name of the FSA-related Activity]					N.A.	N.A.	N.A.		4%
	Sub-total (I)								9%
	(II):Combined with (I) above, activities that cumulatively utilise more than 10% of LSG allocated by NGO to the ASU								
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	
4.[Name of the FSA-related Activity]									4%
5.[Name of the FSA-related Activity]									3%
6.[Name of the FSA-related Activity]									2%
	Sub-total (II)								9%
Total LSG used on FSA-related activities as a percentage to the total LSG allocated by the NGO to the ASU** = (I)+(II) :									18%

*1. The relevant supporting documents for calculating the % of LSG used on FSA-related activities of an ASU should be kept by the NGO and produced for SWD's inspection upon request.

2. If cost apportionment has been made, these activities would not be counted toward the proportion of the use of LSG on FSA-activities of the ASU, but they may be reported in Part B (applicable to those FSA-related activities recommended by the NGO to be incorporated in FSA services) of this statement.

** 1. If the total LSG used on FSA-related activities accounts for less than 10% of the LSG allocated by the NGO to the ASU, the NGO must ensure that these activities meet the (i)-(iv) four criteria for assessment of FSA-related activities as stipulated in paragraph 1.5 of this Operational Guidelines.

2. If the total LSG used on FSA-related activities accounts for more than 10% of the LSG allocated by the NGO to the ASU, the NGO must ensure that these activities comply with the seven criteria (i)-(vii) for assessment of FSA-related activities as stipulated in paragraph 1.5 of this Operational Guidelines.

3. If the total LSG used on FSA-related activities accounts for more than 20% of the LSG allocated by the NGO to the ASU, the expenditure exceeding 20% cannot be charged to LSG.

(B) Assessment on the cost-effectiveness of the FSA-related Activities
(For FSA-related Activities recommended by the NGO to be incorporated into FSA Services)

Name of FSA-related Activities to be recommended by the NGO to incorporate into FSA services	Content of the FSA-related activities (e.g. purpose and objectives, content, service target, duration, time, format, total expenses of the FSA-related activities, etc.)	Service Output (e.g. no. of beneficiaries, no. of programmes, etc.)	Service Outcome (e.g. satisfaction rate of the beneficiaries, extent of situation improved)	Remarks (e.g. cost apportionment was made for this FSA-related activity which is not counted in Part (A) of this statement)
1.				
2.				
3.				
4.				
5.				

This statement is prepared in accordance with the requirements set out in the “Operational Guidelines on FSA-related Activities and Cost Apportionment for Non-governmental Organisations”.

Signature: _____
 Name of the Responsible Person of the NGO: _____
 Post of the Responsible Person of the NGO: _____
 Telephone no.: _____
 Date: _____

**Assessment of Funding and Service Agreement (FSA) services/FSA-related activities/Non-FSA services
(Template)**

FSA concerned: _____

Service Programme/Project: _____

Funding source of the Service Programme/Project# : _____

Assessment Service Programme/Project (to be completed by NGO)	Same as FSA/ Relevant to FSA/ Different from FSA (Assessed by NGO)^{Note1}	Remarks, if any (to be completed by NGO)	Same as FSA/ Relevant to FSA/ Different from FSA (Assessed by SWD, if applicable)^{Note1}	Remarks, if any (to be completed by SWD)
(a) Purpose and Objectives	<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA		<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA	
(b) Service Nature	<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA		<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA	
(c) Service Contents	<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA		<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA	
(d) Service Targets	<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA		<input type="checkbox"/> Same as FSA <input type="checkbox"/> Relevant to FSA <input type="checkbox"/> Different from FSA	

Assessment ^{Note2}	<input type="checkbox"/> Same as FSA (Regarded as FSA services) <input type="checkbox"/> Relevant to FSA (Regarded as FSA-related activities) <input type="checkbox"/> Different from FSA (Regarded as non-FSA services)		<input type="checkbox"/> Same as FSA (Regarded as FSA services) <input type="checkbox"/> Relevant to FSA (Regarded as FSA-related activities) <input type="checkbox"/> Different from FSA (Regarded as non-FSA services)	
Use of Premises (if applicable)	<input type="checkbox"/> the service programme/project is proposed to be operated on the premises of a subvented service unit, which is allowed under the prevailing terms and conditions of the land lease/tenancy agreement		<input type="checkbox"/> there is no objection to the use of premises for operating the service programme/project as proposed <input type="checkbox"/> it is not acceptable for the service programme/project to be operated on the premises of the subvented service as proposed	

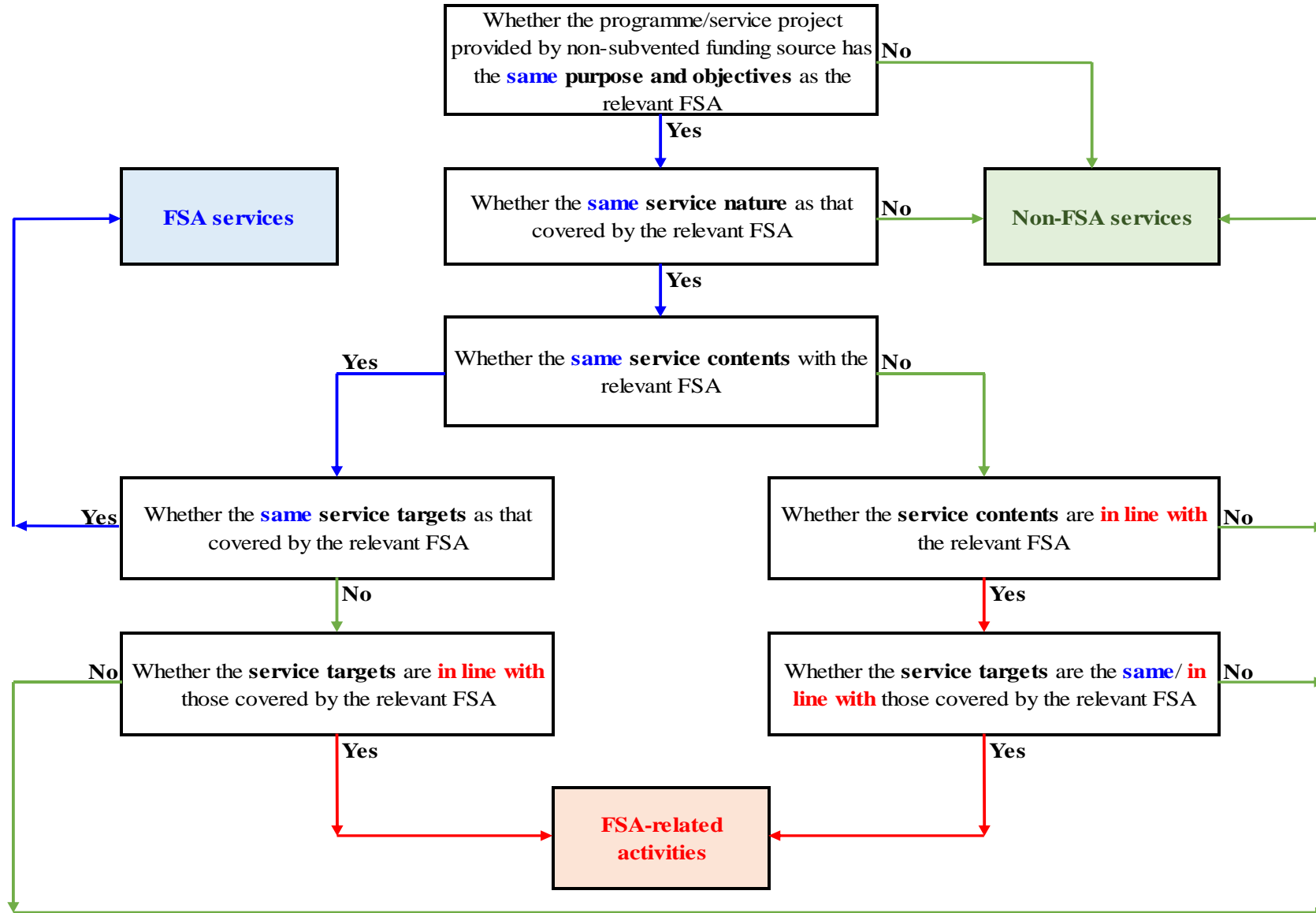
Please tick as appropriate

Please attach supplementary information of the Service Programme/Project, if applicable

Note1: Please refer to the Checklist for Assessment of FSA services/FSA-related activities/Non-FSA services

Note2: Regarded as **FSA services** if criteria (a), (b), (c) and (d) are the same as FSA. Regarded as **FSA-related activities** if criteria (a) and (b) are the same as FSA; (c) and/or (d) is/are relevant to FSA. Regarded as **non-FSA services** if any of the criteria (a), (b), (c) or (d) is different from FSA

Flowchat on delineating Funding and Service Agreement (FSA) services/FSA-related activities/Non-FSA services



Checklist for Assessment of Funding and Service Agreement (FSA) services/FSA-related activities/Non-FSA services

Criteria ^{Note}	FSA services (Same as FSA)	FSA-related activities (Relevant to FSA)	Non-FSA services (Different from FSA)
(a) Purpose and Objectives	<ul style="list-style-type: none"> • Same purpose and objectives as the FSA 	<ul style="list-style-type: none"> • Same purpose and objectives as the FSA 	<ul style="list-style-type: none"> • Different purpose and objectives from the FSA.
(b) Service Nature	<ul style="list-style-type: none"> • Same scope of services in preventive, supportive or remedial nature; and/or • Same direct services such as counselling services, therapeutic groups, developmental and socialisation programmes, accommodation and meals, etc. 	<ul style="list-style-type: none"> • Same scope of services in preventive, supportive or remedial nature; and/or • Same direct services such as counselling services, therapeutic groups, developmental and socialisation programmes, accommodation and meals, etc. 	<ul style="list-style-type: none"> • Scope of services through direct and/or indirect services, is/are different from the FSA.
(c) Service Contents	<ul style="list-style-type: none"> • Same service contents components / categories / types of service; and/or • Allowance / in-kind assistance meeting the purpose and objectives. 	<ul style="list-style-type: none"> • Service contents are in line with FSA – components / categories / types of service; and/or • Allowance / in-kind assistance supporting the purpose and objectives. 	<ul style="list-style-type: none"> • Service contents are different from FSA – components / categories / types of service; and/or allowance/in-kind assistance not meeting the purpose and objectives of FSA.
(d) Service Targets	<p>Same service targets –</p> <ul style="list-style-type: none"> • specified age group; • carers / family members of service targets; • residents of a district or within a specified geographical boundary; • specified disabilities or level of impairment; • specified social conditions / special needs or disadvantaged circumstances. 	<p>Service targets in line with FSA –</p> <ul style="list-style-type: none"> • Relevant persons with family relationship with the service targets; and/or • Relevant persons / professionals providing support services to the service targets; and/or • Relevant persons residing in / relating to the specified service/geographical boundaries. 	<p>Different service targets –</p> <ul style="list-style-type: none"> • persons beyond the specified age group.

Criteria^{Note}	FSA services (Same as FSA)	FSA-related activities (Relevant to FSA)	Non-FSA services (Different from FSA)
Case examples	<ul style="list-style-type: none"> An Integrated Children and Youth Services Centre (ICYSC) running a service project to facilitate residents of a new housing estate to familiarise with community resources for enhancing social integration and functioning 	<ul style="list-style-type: none"> An On-site Pre-school Rehabilitation Services (OPRS) team produces a training package for parents with children with special needs for sale in the public (i.e. not the targeted service users under FSA) 	<ul style="list-style-type: none"> A Neighbourhood Elderly Centre running community pharmacy service for members of the public
(a) Purpose and Objectives of the FSA	<ul style="list-style-type: none"> to build a supportive, socially inclusive and responsive environment to address and respond to the needs and challenges of children and youth in collaboration with community stakeholders <i>(same)</i> 	<ul style="list-style-type: none"> to provide support for parents/carers on positive attitude and effective skills in raising their children with special needs <i>(same)</i> 	<ul style="list-style-type: none"> to enable elderly persons to continue to stay in the community, to lead a healthy, respectful and dignified life, to enhance their positive and contributory role and to involve the public to build up a caring community <i>(different)</i>
(b) Service Nature of the FSA	<ul style="list-style-type: none"> flexible application of social work intervention strategies in different platforms (i.e. centre, school, or community) <i>(same)</i> 	<ul style="list-style-type: none"> services provided by a multi-disciplinary team <i>(same)</i> 	<ul style="list-style-type: none"> provide a range of comprehensive services including dementia care services to elderly persons, carers and the community at large, as stipulated in the Specifications on Re-engineering Community Support Services for Elders <i>(different)</i>
(c) Service Contents of the FSA	<ul style="list-style-type: none"> developmental and socialisation programmes; and community engagement programmes <i>(same)</i> 	<ul style="list-style-type: none"> talks, workshops, seminars on knowledge and skills in raising children with special needs <i>(in line with FSA)</i> 	<ul style="list-style-type: none"> educational and developmental activities / mutual support groups and training activities, counselling cases <i>(different)</i>
(d) Service Targets of the FSA	<ul style="list-style-type: none"> children and youth between the ages of 6 and 24 <i>(same)</i> 	<ul style="list-style-type: none"> parents / carers of the children under the age of 6 with mild disabilities who are attending kindergartens (KGs)/KG-cum-Child Care Centres (CCCs) <i>(in line with FSA)</i> 	<ul style="list-style-type: none"> elderly persons aged 60 or above; carers/volunteers <i>(in line with FSA)</i>

Note: Regarded as **FSA services** if criteria (a), (b), (c) and (d) are the same as FSA.

Regarded as **FSA-related activities** if criteria (a) and (b) are the same as FSA; (c) and/or (d) is/are relevant to FSA.

Regarded as **non-FSA services** if any of the criteria (a), (b), (c) or (d) is different from FSA.

CHAPTER 2

NON-SUBVENTED SERVICES AND COST APPORTIONMENT

2.1 Non-subvented Services

NGOs receiving subventions may also operate self-financing services or implement projects that are not subsidised by SWD and outside the scope of FSAs (also known as non-FSA services or non-subvented services). As a ground rule, LSG subventions must not be deployed for operating non-FSA services. This chapter sets out the principles and methodology of apportioning the operating costs of NGOs between subvented and non-subvented services.

2.2 No Cross-subsidisation

To safeguard the use of public funds, NGOs must ensure that there is no cross-subsidisation of non-subvented activities by the subvented programmes in money or in kind. An appropriate basis should be adopted for apportioning the costs between FSA and non-FSA services, including the apportionment of the overheads of the central administration office (CAO) of an NGO between FSA services and non-FSA services.

2.3 Guiding Principles

To form the basis of cost apportionment, cost apportionment models should be developed based on the following guiding principles –

2.3.1 ***Transparency***

Costs that are attributed to relevant cost groups should be traceable to supporting documentation and reconcilable to the AFR of an NGO.

2.3.2 ***Consistency***

The cost apportionment model should be consistent with the definitions and approaches as set out in this Operational Guidelines. The model should be endorsed by the governing board of the NGO and applied consistently.

2.3.3 *Fairness and Reasonableness*

Each cost needs to be fair and reasonably stated based on relevant, available and reliable data. Any estimation made should be justified with supporting documents.

2.3.4 *Materiality*

A cost item is considered as material if the omission or misstatement of that cost item could affect the representativeness of the financial information reported in the AFR.

2.3.5 *Causality and Relevance*

The correlation between the basis of apportionment and the cost incurred should be considered. Where it is not possible to attribute costs on a causal basis, the attribution is on a reasonable basis with records of calculations and steps undertaken to support the decision.

The basis of cost apportionment should be reviewed periodically by a designated authority of the NGOs with proper documentation of the review results.

2.4 Cost Apportionment

2.4.1 Concept and Approach

When an NGO concurrently provides FSA services and non-FSA services, cost apportionment shall be applicable to ascertain the portion of expenditure for FSA services and their support services that should be charged to the LSG subvention in the AFR. Costs that benefit both FSA services and non-FSA services of different funding sources and ambits should be apportioned to each activity concerned on a reasonable and practicable basis.

2.4.2 Cost Items

- (a) A cost item refers to an expenditure recorded in the financial systems. Each cost item may represent a charge on a single transaction (e.g. salary of a Programme Assistant) or a combination of transactions (e.g. the monthly electricity bill for an accommodation, which may cover various premises and activity rooms).
- (b) For the purposes of this Operational Guidelines, cost items refer to categories of expenditure that are chargeable to LSG. [Note: The expenditure on purchasing major equipment or renovation works are normally not chargeable to LSG, and

therefore these cost items should not be apportioned to FSA services.]

- (c) Rent and Rates (R&R) for recognised premises / areas are paid by SWD on an actual reimbursement basis for delivering FSA services as agreed by SWD. Prior approval must be sought from SWD for operating non-FSA services on the recognised premises / areas. In the case of any approved long-term deployment of the recognised premises / areas for operating non-FSA services (e.g. self-financing section of a residential care home for the elderly), adjustment of the recognised area and reimbursable expenditure should be made appropriately. For approved temporary deployment of the recognised premises / areas for operating non-FSA services, NGOs should not claim the R&R expenditure for that portion. R&R expenditure of unrecognised premises / areas should not be charged to LSG.
- (d) All relevant cost items (excluding R&R of unrecognised premises / areas) should be examined and classified into one of the major cost groups as defined in paragraph 2.4.3 below. It should be noted that relevant cost items, after all necessary cost apportionment processes, should be fully apportioned to either FSA services or non-FSA services.

2.4.3 Cost Groups

In formulating a suitable apportionment basis for each relevant cost item, all relevant cost items have to be segmented into different major cost groups. These cost groups facilitate NGOs to identify cost items that are similar in nature and require similar apportionment treatment. The four major cost groups include –

(a) Direct Staff Costs

These are staff-related costs incurred (including salaries, provident fund contributions, housing benefits, other fringe benefits and allowances, etc.) on staff who is deployed for the direct delivery of activities of an ASU (the direct staff), on FSA services and non-FSA services as follows –

- ✧ FSA staff – who works full-time solely on FSA services
- ✧ Non-FSA staff – who works full-time solely on non-FSA services

- ✧ Shared staff – who works on both FSA services and non-FSA services on a shared basis

(b) Other Direct Operating Costs

These are the operating costs, other than direct staff costs, exclusively incurred for the direct delivery of activities of an ASU, including food expenses for service users, programme expenses (e.g. admission tickets, hire of venue, hire of transport service, etc.), R&R of venues for direct service delivery, stores and equipment used solely for a particular programme or activity.

(c) Administrative Costs of the ASU

These are all costs, other than (a) Direct Staff Costs and (b) Other Direct Operating Costs above, incurred by an ASU to provide administrative and management support for the delivery of activities, including –

- ✧ Personal emoluments (PE) of supporting staff of the management / general office of the ASU (e.g. salaries and allowances for supervisory staff, administrative and clerical staff);
- ✧ General expenses incurred for the management / general office (e.g. postage, telephone, advertisement, stores and equipment); and
- ✧ Accommodation-related costs, e.g. R&R (recognised by SWD), utilities, repair and maintenance, cleansing and insurance expenses in relation to general office of the ASU.

(d) Central Administrative Costs of an NGO

These are all costs incurred at the CAO of an NGO for providing administrative support to service units, including –

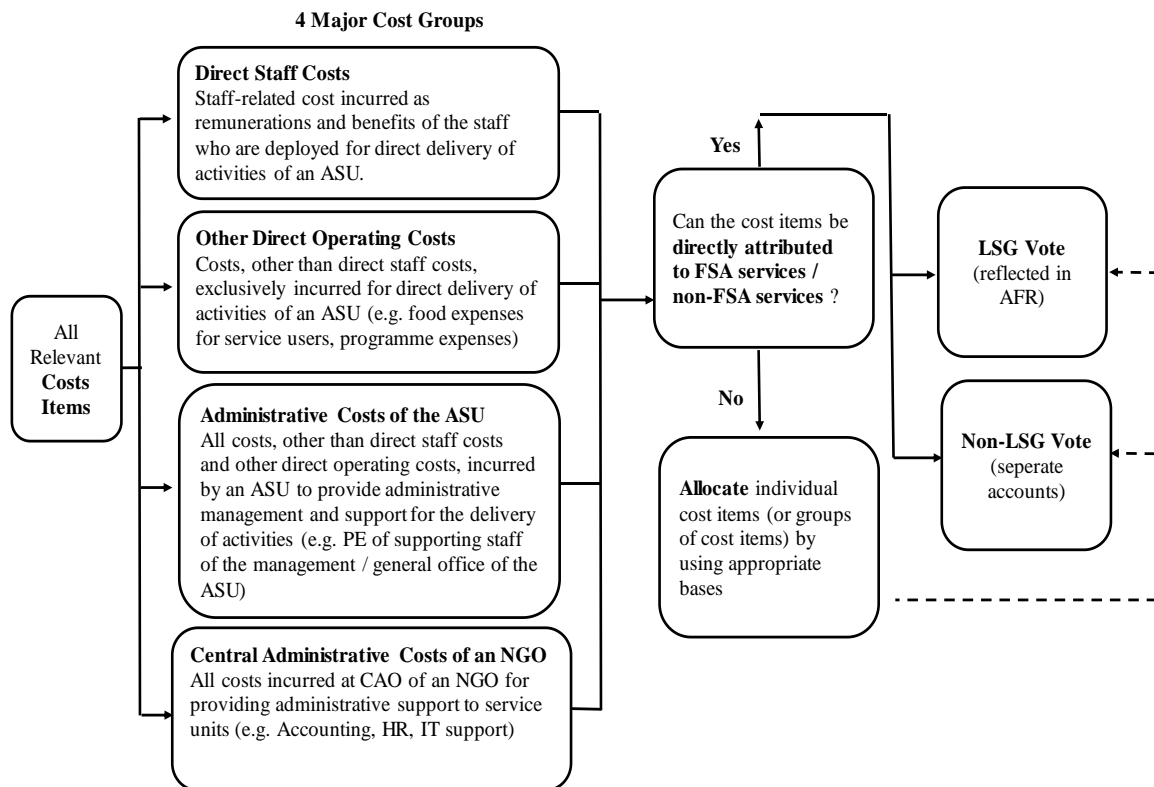
- ✧ PE for senior management staff, e.g. Chief Executive Officer, managers and other administrative staff;
- ✧ Cost of general support services provided by the CAO (e.g. accounting, human resources management, information technology, advertisement, etc.); and

- ✧ Accommodation-related costs incurred for the CAO, such as utilities and R&R as recognised by SWD, if any¹.

2.4.4 Methodology of Cost Apportionment

Apportionment of costs should be conducted for cost items that are attributable to both FSA services and non-FSA services. NGOs may adopt an appropriate method of cost apportionment taking into consideration the circumstances of different service operations. **Figure 1** below illustrates an overview of the cost apportionment mechanism, with some examples set out below –

Figure 1: Overview of a Cost Apportionment Mechanism



(a) Direct Staff Costs

- The apportionment basis for direct staff costs is the time spent on activities (i.e. FSA services and non-FSA services).
- Staff who is solely deployed to FSA services or non-FSA

¹ It refers to the CAO of NGOs with R&R subvention recognised by SWD.

services may be directly classified under FSA services or non-FSA costs respectively.

- The time-spent by staff on FSA services and non-FSA services should be supported by relevant records (e.g. attendance record, duty list, etc.) for the purpose of cost apportionment.
- **Figure 2** below illustrates the cost apportionment process of Direct Staff Costs; and **Figure 3** shows some commonly used cost apportionment bases for Direct Staff Costs.

Figure 2: Cost Apportionment Process of Direct Staff Costs

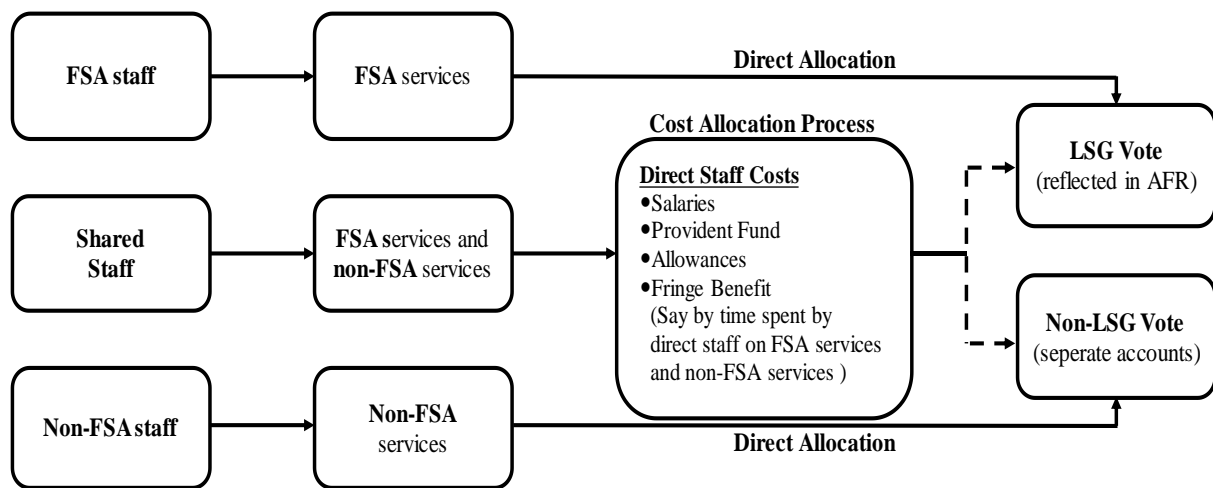


Figure 3: Commonly Used Cost Apportionment Bases for Direct Staff Costs

Cost Items / Types	Apportionment bases and methods
<ul style="list-style-type: none"> ✧ Salaries ✧ Provident Fund Contributions ✧ Allowances ✧ Fringe Benefits 	<ul style="list-style-type: none"> ✧ Time spent by direct staff on FSA services and non-FSA services, irrespective of whether they work during normal office hours

(b) Other Direct Operating Costs

- NGOs should consider the most relevant apportionment bases for the cost items of a particular programme or activity. For example, (i) the number of service users joining FSA services and non-FSA services, or (ii) the

time spent by staff on FSA services and non-FSA services should be most relevant.

- For accommodation-related costs, NGOs may consider bases such as (i) the ratio of floor area deployed for FSA services and non-FSA services, (ii) number of service users joining FSA services and non-FSA services, or (iii) duration of utilisation (based on available operating hours).
- **Figure 4** below illustrates the cost apportionment process of Other Direct Operating Costs while **Figure 5** shows some commonly used cost apportionment bases for Other Direct Operating Costs.

Figure 4: Cost Apportionment Process of Other Direct Operating Costs

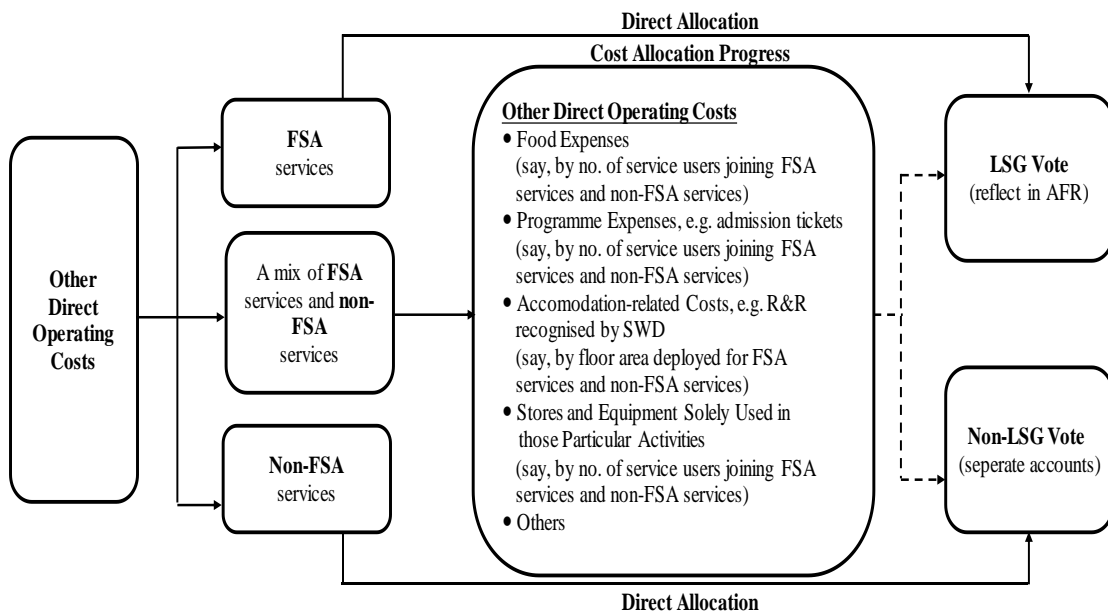


Figure 5: Commonly Used Cost Apportionment Bases for Other Direct Operating Costs

Cost Items/Types	Apportionment bases and methods
✧ Food, e.g. food for service users and food for staff	✧ Number of service users joining FSA services and non-FSA services
✧ Programme Expenses, e.g. admission fees, hire of venue, hire of transport service	✧ Time spent by direct staff on FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services
✧ Accommodation related costs, e.g. R&R (recognised by SWD), utilities, repair and maintenance, cleansing and insurance expenses	✧ Floor area deployed for FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services ✧ Duration of utilisation (based on available operating hours)

(c) Administrative Costs of the ASU

- The appropriate basis for each cost item under the administrative costs of an ASU should be considered on a case-by-case basis, balancing the total value or materiality of each against the effort required to allocate the cost items.
- For the PE of supporting staff of the management / general office, the time spent ratio by direct staff or the direct staff headcount would normally be the most relevant basis in apportioning these costs.
- For general expenses, NGOs may consider apportioning them to FSA services or non-FSA services based on (i) the time spent ratio by direct staff, (ii) the direct staff headcount, or (iii) the number of service users joining FSA services or non-FSA services.
- For accommodation related costs, NGOs may consider apportioning them to FSA services or non-FSA services based on (i) the ratio of floor area deployed for FSA services and non-FSA services, or (ii) number of service users joining FSA services and non-FSA services.

- **Figure 6** below illustrates the cost apportionment process of the Administrative Costs of the ASU; and **Figure 7** shows some commonly used cost apportionment bases for the Administrative Costs of the ASU.

Figure 6: Cost Apportionment Process of the Administrative Costs of an ASU

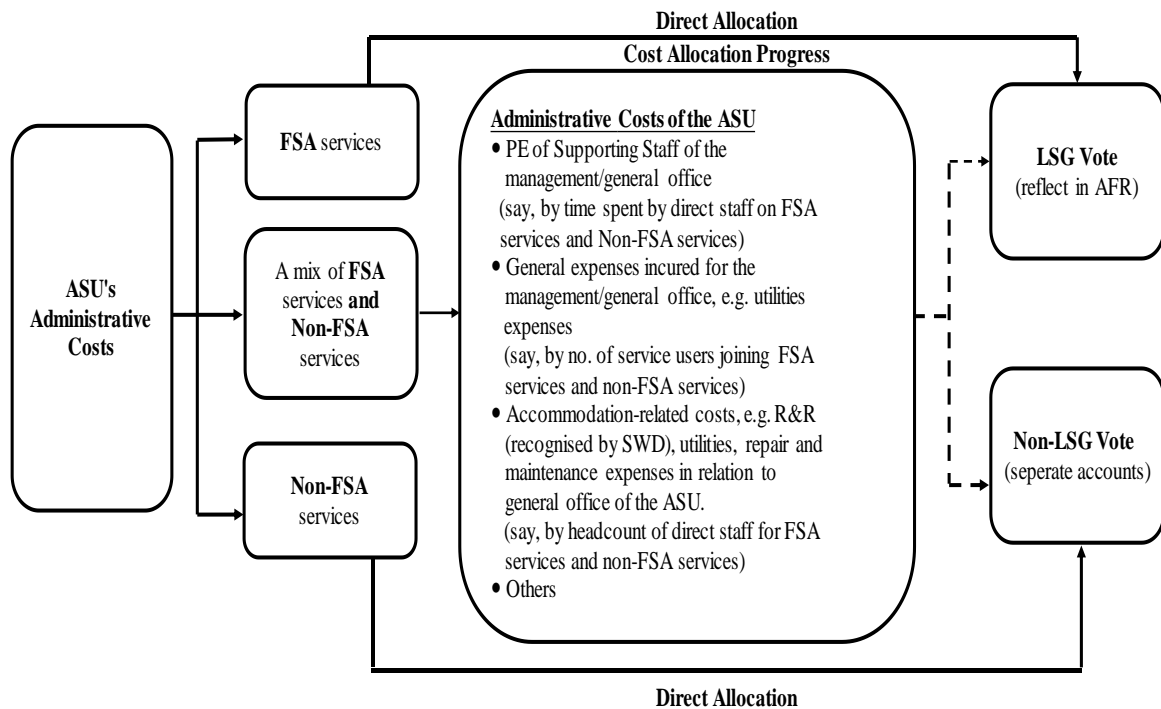


Figure 7: Commonly Used Cost Apportionment Bases for the Administrative Costs of an ASU

Cost Items/Types	Apportionment bases and methods
<ul style="list-style-type: none"> ✧ Salaries ✧ Provident Fund Contributions ✧ Allowances ✧ Fringe Benefits 	<ul style="list-style-type: none"> ✧ Total time spent by direct staff on FSA services and non-FSA services, irrespective of being in normal office hours or not ✧ Headcount of direct staff for FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Accommodation related costs, e.g. R&R (recognised by SWD), utilities such as electricity, gas and fuel, water 	<ul style="list-style-type: none"> ✧ Floor area deployed for FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services

Cost Items/Types	Apportionment bases and methods
<ul style="list-style-type: none"> ✧ Stores and Equipment, e.g. printing and stationery, newspapers and periodicals, consumables, computer hardware, software and network product. 	<ul style="list-style-type: none"> ✧ Time spent by direct staff on FSA services and non-FSA services ✧ Headcount of direct staff for FSA services and non-FSA services ✧ Number of service users joining FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Repair and Maintenance <ul style="list-style-type: none"> - for accommodation - for equipment 	<ul style="list-style-type: none"> ✧ For accommodation related expenses: Floor area deployed for FSA services and non-FSA services ✧ For equipment related expenses: Number of service users joining FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Transportation and Travelling (e.g. vehicle license, vehicle third party insurance, vehicle repair and maintenance, parking fees and fuel charges) 	<ul style="list-style-type: none"> ✧ Proportion of utilisation level of vehicles, in terms of mileage or time spent) deployed for FSA services and non-FSA services

(d) Central Administrative Costs of an NGO

- The CAO of an NGO provides support to the operation of ASUs but it may not be directly associated with any specific FSA services or non-FSA services. One of the methods for the apportionment of central administrative costs is represented by how the “costs incurred for service” are shared between FSA services or non-FSA services, i.e. the ratio of “costs incurred for service” (the sum of direct staff costs, other direct operating costs, administrative costs at the unit level of all services) between FSA services and non-FSA services.
- Under this cost apportionment mechanism, the apportionment for the direct staff costs, other direct operating costs and administrative costs at the unit level of all services should be performed **before** proceeding to apportion the Central Administrative Costs.
- For services or programmes that are subvented or subsidised by SWD, including pilot/time-defined

projects supported by the Lotteries Fund or Partnership Fund for the Disadvantaged, Contract Homes, Residential Care Service Voucher Scheme for the Elderly and Pilot Scheme on Community Care Service Voucher for the Elderly, other central items, etc., apportionment of costs is not required for the **Central Administrative Costs** of NGOs for providing central administrative support to these services or programmes, if they are wholly subvented or subsidised by SWD.

- **Figures 8 and 9** below illustrate the cost apportionment process of Central Administrative Costs. Alternatively, NGOs may adopt the commonly used cost apportionment bases in **Figure 10** for apportionment of the Central Administrative Costs to FSA services and non-FSA services.

Figure 8: Cost Apportionment Process of Central Administrative Costs of an NGO

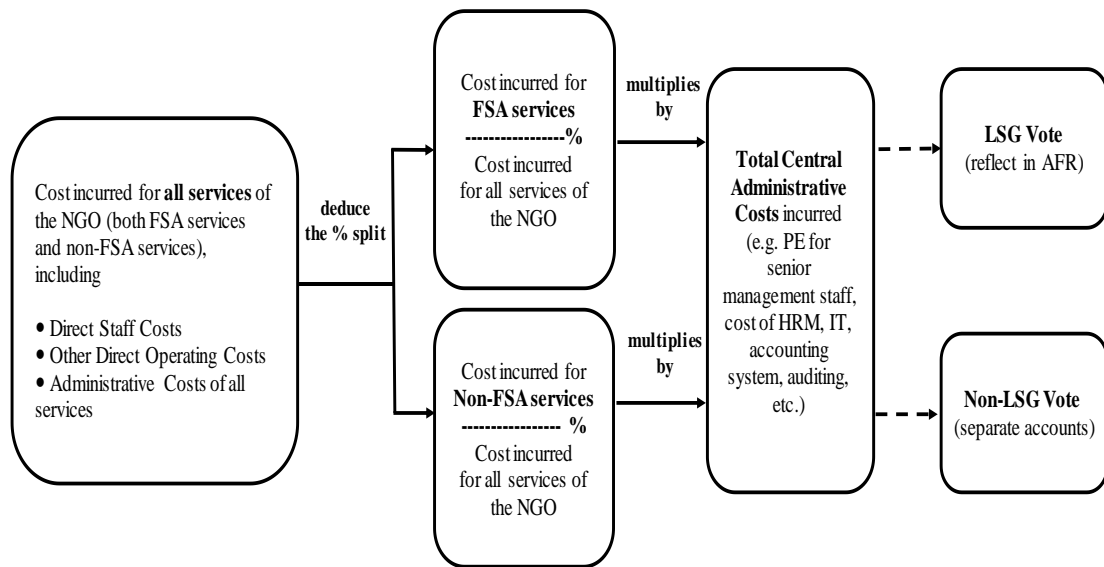


Figure 9: Cost Apportionment Process of Central Administrative Costs of an NGO in table

Cost incurred for all services [both FSA services and non-FSA services] of an NGO	FSA (HK\$'000)	Non-FSA (HK\$'000)
Direct staff costs	400	200
Other direct operating costs	100	100
Administrative costs of all services	100	100
Total	600	400
% split applied to central administrative costs	60%	40%
If central administrative costs incurred for the NGO = \$150	→ 90	60

Figure 10: Commonly Used Cost Apportionment Bases for Central Administrative Costs of an NGO

Cost Items/Types	Apportionment basis and methods
<ul style="list-style-type: none"> ✧ Salaries ✧ Provident Fund (PF) Contributions ✧ Allowances ✧ Fringe Benefits 	<ul style="list-style-type: none"> ✧ Man-hour of staff of CAO spent between FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Utilities ✧ Repairs and Maintenance ✧ Stores and equipment 	<ul style="list-style-type: none"> ✧ Floor area occupied by staff of CAO between FSA services and non-FSA services ✧ Percentage of man-hour of staff of CAO spent between FSA services and non-FSA services
<ul style="list-style-type: none"> ✧ Audit fee 	<ul style="list-style-type: none"> ✧ Total expenditure between FSA services and non-FSA services

2.5 Case Examples

Please refer to **Annex 4** for the case examples illustrating the application of above-mentioned cost apportionment models to apportion the costs between FSA services and non-FSA services.

CASE EXAMPLES ON COST APPORTIONMENT
(For reference only)

CASE (A) – Residential Care Home for the Elderly

- ✧ An NGO operates a residential care home for the elderly (RCHE) providing 150 (60%) subvented places (FSA services) and 100 (40%) self-financing places (Non-FSA services) on the same set of premises with two respective care teams. There is a central kitchen with 7 cooks to prepare meals for all residents of the RCHE. A Clerical Officer (CO) spent 15% of his/her time in supervising these 7 cooks. Cost allocation is required on cost items which attribute to both subvented and self-financing places.
- ✧ Cost Allocation Basis

(a) Direct Staff Costs :	Ratio of no. of subvented service users and non-subvented service users consuming meals
(b) Other Direct Operating Costs :	
(c) Administrative Costs of the ASU	Time spent by the CO on supervising the cooks (15 %) x Ratio of subvented service users (60%) and non-subvented service users (40%)

- ✧ The cost identification and cost allocation process required –

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	Non-FSA services
<i>(a) Direct Staff Costs</i> (7 cooks)			60%	40%
- PE ¹ (i.e. Salaries, PF, Allowance, etc.)	\$ 2,000	Ratio of subvented and non-subvented service users (60% vs 40%)	\$ 1,200	\$ 800
Sub-total:	\$ 2,000		\$ 1,200	\$ 800

¹ PF and R&R are separately accounted for in the AFR. The costs apportionment on PF contribution / R&R expenditure should be made under respective PF / R&R accounts.

<i>(b) Other Direct Operating Costs (kitchen)</i>			60%	40%
- Food cost, - Utilities (electricity, gas, etc.) - Stores and equipment of kitchen (cookware)	\$ 4,000	Ratio of subvented and non-subvented service users (60% vs 40%)	\$ 2,400	\$ 1,600
Sub-total:	\$ 4,000		\$ 2,400	\$ 1,600
<i>(c) Administrative Costs of the ASU</i>			60%	40%
- Supervisory cost (PE of the CO supervising the cooks)	\$200 x 15% = \$30	Time spent by the CO on supervising 7 cooks on their FSA and non- FSA services (60% vs 40%)	\$ 18	\$ 12
- Remaining PE ¹ portion of the CO	\$200x85% =\$170		\$170	-
Sub-total:	\$ 200		\$ 188	\$ 12
Total:	\$ 6,200		\$ 3,788	\$ 2,412

CASE (B) – Hostel for Moderately Mentally Handicapped Persons

- ✧ An NGO rents a building for operating a subvented hostel for persons with disabilities (FSA services) and running a café in the form of a social enterprise (non-FSA services), which occupy 95% and 5% of the rented area respectively, i.e. 95% of floor areas are recognised by SWD with its rental expenses being reimbursed on actual basis.
- ✧ The NGO should allocate staff cost of the artisan serving both hostel and café and the accommodation-related costs.
- ✧ Cost Allocation Basis

(a) Direct Staff Costs (Artisan):	Ratio of time spent between FSA services and non-FSA services (i.e. 90% vs 10% after checking the log book)
(b) Other Direct Operating Costs :	Proportion of floor area occupied by the hostel and café (i.e. 95% vs 5%)

- ✧ The cost identification and cost allocation process required –

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	Non-FSA services
<i>(a) Direct Staff Costs</i>			90%	10%
-PE ¹ of the Artisan	\$ 400	Time spent between FSA services and non-FSA services (i.e. 90% vs 10%)	\$ 360	\$ 40
Sub-total:	\$ 400		\$ 360	\$ 40
<i>(b) Other Direct Operating Costs</i>			95%	5%
-Utilities (water charges, gas, etc.) -Repair and maintenance	\$ 200	Proportion of actual floor area occupied by the hostel and café (i.e. 95% vs 5%)	\$190	\$10
-Electricity	Not Applicable (N.A.)	Separate electricity meters for the hostel and cafe	N.A.	N.A.
Sub-Total:	\$ 200		\$ 190	\$ 10

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	Non-FSA services
<i>(c) Administrative Costs of the ASU (N.A. in this case)</i>				
Total:	\$ 600		\$ 550	\$ 50

CASE (C) – Integrated Children and Youth Services Centre

- ✧ An NGO runs a 100-hour programme for children under six in a subvented Integrated Children and Youth Services Centre (ICYSC). As this age group is not the target service users (aged 6-24) or affiliated family members of ICYSC, the NGO is required to allocate the costs in respect of PE, utility charges, R&R, etc. for these non-FSA services.
- ✧ The non-FSA services were conducted by one Social Worker (SW) in a function room occupying 5% of the total floor area of the ICYSC. Time spent of a subvented Social Work Officer, the Supervisor of the ICYSC (the Supervisor) for supervising the SW is 10%.
- ✧ Cost Allocation Basis

(a) Direct Staff Costs (SW) :	Proportion of time spent on non-FSA services out of the total working hours of the SW in a year [i.e. 100 hours ÷ (44 hours x 52 weeks) = 4.4%]
(b) Other Direct Operating Costs :	Proportion of time occupied by non-FSA services out of the total opening hour of the ICYSC in a year (i.e. 2 288 hours = 44 hrs x 52 weeks) x Proportion of areas occupied by non-FSA services out of the total floor areas of the ICYSC [i.e. (100 hours ÷ 2 288 hours) x 5% = 0.2%]
(c) Administrative Costs of the ASU	Time spent by the Supervisor on supervising the SW x Proportion of time spent on non-FSA services by the SW [i.e. 10% x 4.4% = 0.44%]

- ✧ The cost identification and cost allocation process required –

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	Non-FSA services
(a) Direct Staff Costs (SW)			95.6%	4.4%
- PE ¹ of 1 SW	\$ 500	Annual PE ¹ of staff involved x Portion of time spent on non-FSA activities (i.e. \$ 500 x 4.4%)	\$ 478	\$ 22
Sub-total:	\$ 500		\$ 478	\$ 22

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	Non-FSA services
<i>(b) Other Direct Operating Costs</i>				0.2%
-Utilities (electricity, water) -R&R ¹	\$ 500	Annual costs x Proportion of time and areas occupied by non-FSA services (i.e. \$ 500 x 0.2%)	\$ 499	\$ 1
-Non-FSA programme expenses	\$ 10	The amount of expenses of non-FSA services (<i>direct cost allocation</i>).	N.A.	\$ 10
Sub-total:	\$ 510		\$ 499	\$ 11
<i>(c) Administrative Costs of the ASU</i>				0.44%
-Supervisory cost (PE ¹ of the Supervisor supervising the SW)	\$ 800	Annual PE ¹ of the Supervisor x Time spent by the Supervisor on supervising the SW (10%) x Proportion of time spent on non-FSA services by SW (4.4%) (i.e. \$ 800 x 10% x 4.4%)	\$ 796	\$ 4
Sub-total:	\$ 800		\$ 796	\$ 4
Total:	\$ 1,810		\$ 1,773	\$ 37

CASE (D) – Integrated Family Service Centre

- ✧ The normal opening hours of a subvented Integrated Family Service Centre (IFSC) of an NGO is 50 hours per week. An activity room of the IFSC is used to run health care activities (non-FSA services) during the non-opening sessions of the IFSC on every Sunday from 9am to 1pm. A subvented Workman is assigned to manage the venue when the activities are conducted. Time spent of the subvented Assistant Clerical Officer, the Supervisor of the Workman (the Supervisor) for supervising the Workman is 10%.
- ✧ The concerned activity room occupies 10% of the total floor area of the IFSC.
- ✧ Cost Allocation Basis

(a) Direct Staff Costs (Workman) :	Proportion of time spent on non-FSA services out of the total working time of the Workman in a year [i.e. (4 hours x 52 weeks) ÷ (45 hours x 52 weeks) = 8.9%]
(b) Other Direct Operating Costs :	Proportion of time occupied by non-FSA services out of the total opening hours of IFSC in a year x Proportion of areas occupied by non-FSA services out of the total floor area of the IFSC [i.e. (4 hours x 52 weeks) ÷ ((50+4) hours x 52 weeks) x 10% = 0.74%]
(c) Administrative Costs of the ASU	Time spent by the Supervisor on supervising the Workman (10%) x Proportion of time spent on non-FSA services by the Workman (8.9%) [i.e. 10% x 8.9% = 0.89%]

- ✧ The cost identification and cost allocation process required –

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	non-FSA services
(a) <i>Direct Staff Costs</i> (Workman)				8.9%
- PE ¹ of 1 Workman	\$ 200	Annual PE ¹ of the Workman x Portion of time spent on non-FSA activities (i.e. \$ 200 x 8.9%)	\$182	\$18

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	non-FSA services
Sub-total:	\$ 200		\$ 182	\$ 18
<i>(b) Other Direct Operating Costs</i>				<i>0.74%</i>
-Utilities (electricity, water) -R & R ¹	\$600	Annual costs x Proportion of time and areas occupied by non- FSA services in a year (i.e. \$ 600 x 7.4% x 10%)	\$ 596	\$ 4
Sub-total:	\$ 600		\$ 596	\$ 4
<i>(c) Administrative Costs of the ASU</i>				<i>0.89%</i>
- Supervisory cost (PE ¹ of the Supervisor supervising the Workman)	\$ 350	Annual PE ¹ of the Supervisor x Time spent by ACO on supervising the Workman (10%) x Proportion of time spent on non-FSA services by the Workman (8.9%) (i.e. \$ 350 x 10% x 8.9%)	\$347	\$3
Sub-total:	\$ 350		\$ 347	\$ 3
Total:	\$ 1,150		\$ 1,125	\$ 25

CASE (E) – Central Administration Office (i)

Central Administration Office (CAO)

- ✧ For an NGO operating FSA services, including three Integrated Home Care Services Teams, two Neighbourhood Elderly Centres and two District Support Centres, as well as non-FSA services, including one Family Support Centre and a social enterprise - Acupuncture Centre with one shared CAO, allocation of overheads of CAO between FSA services and non-FSA services is required.
- ✧ The cost identification and cost allocation process required –

Cost incurred for all services [<i>both FSA services and non-FSA services</i>] of the NGO	<u>FSA</u> (HK\$'000)	<u>Non-FSA</u> (HK\$'000)
Direct staff costs	\$ 35,000	\$ 10,000
Other direct operating costs	\$ 10,000	\$ 3,000
Administrative costs of all services	\$ 900	\$ 300
Total	\$ 45,900	\$ 13,300
% split applied to central administrative costs	78%	22%
If central administrative costs incurred for the NGO = \$ 7,000 →	\$ 5,460	\$ 1,540

CASE (E) – Central Administration Office (ii)

Central Administration Office (CAO)

- ✧ Under normal circumstances, for an NGO operating both FSA services and non-FSA services, appropriate bases for allocating overheads of CAO between FSA services and non-FSA services should be adopted.
- ✧ Cost Allocation Basis

(a) Direct Staff Costs of CAO	<p>Time spent on non-FSA services by CAO staff concerned</p> <p>e.g. CEO (10%) Head of Finance (HF) (20%) Head of HRM (HH) (25%) Clerical Assistant (CA) (30%)</p>
(b) Other Direct Operating Costs of CAO	<p>(i) Expenses of utilities, repairs and maintenance, stores and equipment, R&R¹, etc. (accommodation-related costs) spent on non-FSA services [i.e. Annual accommodation-related cost x Percentage of man-hour of staff of CAO spent on non-FSA services (10% + 20% + 25% + 30%) ÷ 4 = 21%]</p> <p>(ii) Expenses of insurance, audit fee, etc. spent on non-FSA services [i.e. Annual cost of insurance, audit fee, etc. x Total expenditure for non-FSA services (\$6 million) ÷ Total expenditure for both FSA and non-FSA services (\$ 20 million) = 30%]</p>

- ✧ The cost identification and cost allocation process required –

Cost Items with Annual Amount (in HK\$'000)	Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
		FSA services	non-FSA services
<i>(a) Direct Staff Costs of CAO</i>			

Cost Items with Annual Amount (in HK\$'000)		Cost Allocation Basis	Cost Apportionment (in HK\$'000)	
			FSA services	non-FSA services
- PE ¹ of the staff of the CAO				
• CEO	\$ 720	PE of CEO x 10%	\$ 648	\$ 72
• HF	\$ 500	PE of HF x 20%	\$ 400	\$ 100
• HH	\$ 300	PE of HH x 25%	\$ 225	\$ 75
• CA	\$ 200	PE of CA x 30%	\$ 140	\$ 60
Sub-total:	\$ 1,720		\$1,413	\$307
<i>(b) Other Direct Operating Costs of CAO</i>				
-Utilities, repairs and maintenance, stores and equipment, R&R ¹ of CAO	\$ 600	Annual cost of (i) x Percentage of man-hour of staff of CAO spent on non-FSA services (21%)	\$ 474	\$ 126
-Insurance, audit fee, etc.	\$100	Annual cost of (ii) x Proportion of total expenditure for non-FSA services (30%)	\$ 70	\$ 30
Sub-total:	\$ 700		\$ 544	\$ 156
Total:	\$ 2,420		\$ 1,957	\$ 463