

Lump Sum Grant Subvention System

Best Practice Manual

for Non-governmental Organisations

Social Welfare Department

May 2014

[effective from 1 July 2014]

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Chapter One

Background

1. The Lump Sum Grant Subvention System was introduced in 2001. The Government appointed the Lump Sum Grant Independent Review Committee (LSGIRC) in January 2008 to assess the overall effectiveness of the Lump Sum Grant Subvention System (LSGSS) and to identify areas and scope for improvement. In the Review Report on the LSGSS (the Review Report) submitted to the Administration in December 2008, the LSGIRC considered that the principles of the LSGSS are sound and therefore the system is worth retaining.

2. The LSGIRC put forward 36 recommendations in the Review Report. One of the recommendations is that the welfare sector should develop a Best Practice Manual (BPM) for NGOs on various management issues, including human resource management, financial management, as well as corporate governance and accountability. The welfare sector may consider setting out in its BPM two levels of guidelines. Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so; Level Two guidelines are those that NGOs are encouraged to adopt.

3. To this end, the Social Welfare Department (SWD) appointed the Hong Kong Polytechnic University (the consultant) to conduct a consultancy study on the production of the BPM, and a Project Steering Committee (PSC) was also set up under the Lump Sum Grant Steering Committee (LSGSC) to oversee the study and to monitor its progress. Chaired by the Assistant Director (Subventions) of SWD, the PSC comprises non-official LSGSC members who are representatives from four different groups, namely the NGO management, staff union representatives, service users and independent members, in addition to SWD representatives.

4. SWD attaches great importance to the sector's views on the production of the BPM. Therefore, at the initial stage of the consultancy study, the sector was invited to a briefing on the consultancy study on the production of the BPM, following which meetings were held with the NGO management and staff union representatives separately to listen to their views on the production of the BPM. During the study, the consultant collected views through various channels, including 249 questionnaires,

documentary research, in-depth interviews and focus group interviews.

5. In August 2012, the consultant submitted a draft research report to SWD and PSC for consideration. SWD held a number of meetings on the consultant's preliminary recommendations with the NGO management and staff union representatives to listen to their views. At the LSGSC meeting held on 6 November 2012, the consultant's draft research report was noted and the PSC's views considered. It was agreed that SWD and the consultant should gauge the sector's views on the preliminary framework of the BPM.

6. A total of six consultation sessions were held by SWD and the consultant from December 2012 to April 2013 to collect views from stakeholders on the preliminary framework of the BPM. Afterwards, SWD had meetings with the representatives from NGO management and staff unions from May to August 2013 to listen to their views on the BPM. Thereafter SWD further received written views from the NGOs, the Hong Kong Council of Social Service (HKCSS) (representing 108 NGOs) and the Fight for Social Welfare Alliance. After consolidating the views from the sector, the preliminary framework of the BPM was modified, and was submitted to the PSC in August 2013 and subsequently to the LSGSC in November 2013 for discussion. The LSGSC agreed in-principle on 14 out of the 18 BPM strategies and endorsed the formation of a working group to deliberate the implementation details of the BPM. The Working Group comprised representatives from NGO management, the staff side, service users and independent members, in addition to SWD representatives. For those items without consensus, SWD will continue to discuss with the sector to explore whether consensus could be reached. For details on the above consultations and meetings, please refer to **Appendix 1**.

7. The Working Group has fleshed out the implementation details of the 14 BPM strategies as well as the principles, criteria and procedures of each strategy in early 2014. The LSGSC endorsed this BPM at its meeting held on 8 April 2014. For the implementation details and workflow, please refer to Chapter Two. For details on the 14 BPM strategies, please refer to Chapter 3.

Chapter Two

The Implementation Details and Workflow of the Best Practice Manual

Implementation Details of the Best Practice Manual

1. The production of the BPM is to encourage NGOs under LSGSS to enhance its governance through financial management, human resource management, as well as corporate governance and accountability.
2. The BPM comprises guidelines at two levels. Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so; Level Two guidelines are those that NGOs are encouraged to adopt. For the principles, criteria and procedures of the Level One guideline and Level Two guidelines, please refer to Chapter Three.
3. NGO management and governing boards, through review of the existing policies and procedures on their own, could ensure that they comply with the Level One requirements. In addition, based on the principles of good corporate governance, NGO management and governing boards may adopt the Level Two guidelines as far as possible.
4. The Working Group considered that SWD has to know about the progress of implementing the BPM. To avoid excessive monitoring leading to unnecessary administrative burden on NGOs, the Working Group agreed that NGOs should only be required to submit self-assessment checklists to SWD on their progress of implementing the BPM. In addition, NGOs may also give comments/suggestions on the BPM for its continual improvement. For this purpose, the Working Group suggested that NGOs be required to review at the end of October each year whether they have complied with the Level One requirements and adopted the Level Two guidelines in the past financial year according to the self-assessment checklists (**Appendix 2**), and to give comments/suggestions about the BPM. This will facilitate SWD to report to LSGSC about the progress of implementing the BPM among the NGOs.

5. To enhance corporate governance and accountability, NGOs may through effective communication channels (e.g. annual report, website, newsletter) make known to their staff and service users the progress of their implementation of the BPM.

6. Constructive communication with stakeholders is critical to the enhancement of corporate governance of NGOs. The initial three years of the implementation of the BPM is regarded as a beginning stage, to allow sufficient time for NGOs, having regard to the requirements under the BPM, to review their existing policies and procedures, so as to make necessary amendments and proper arrangements.

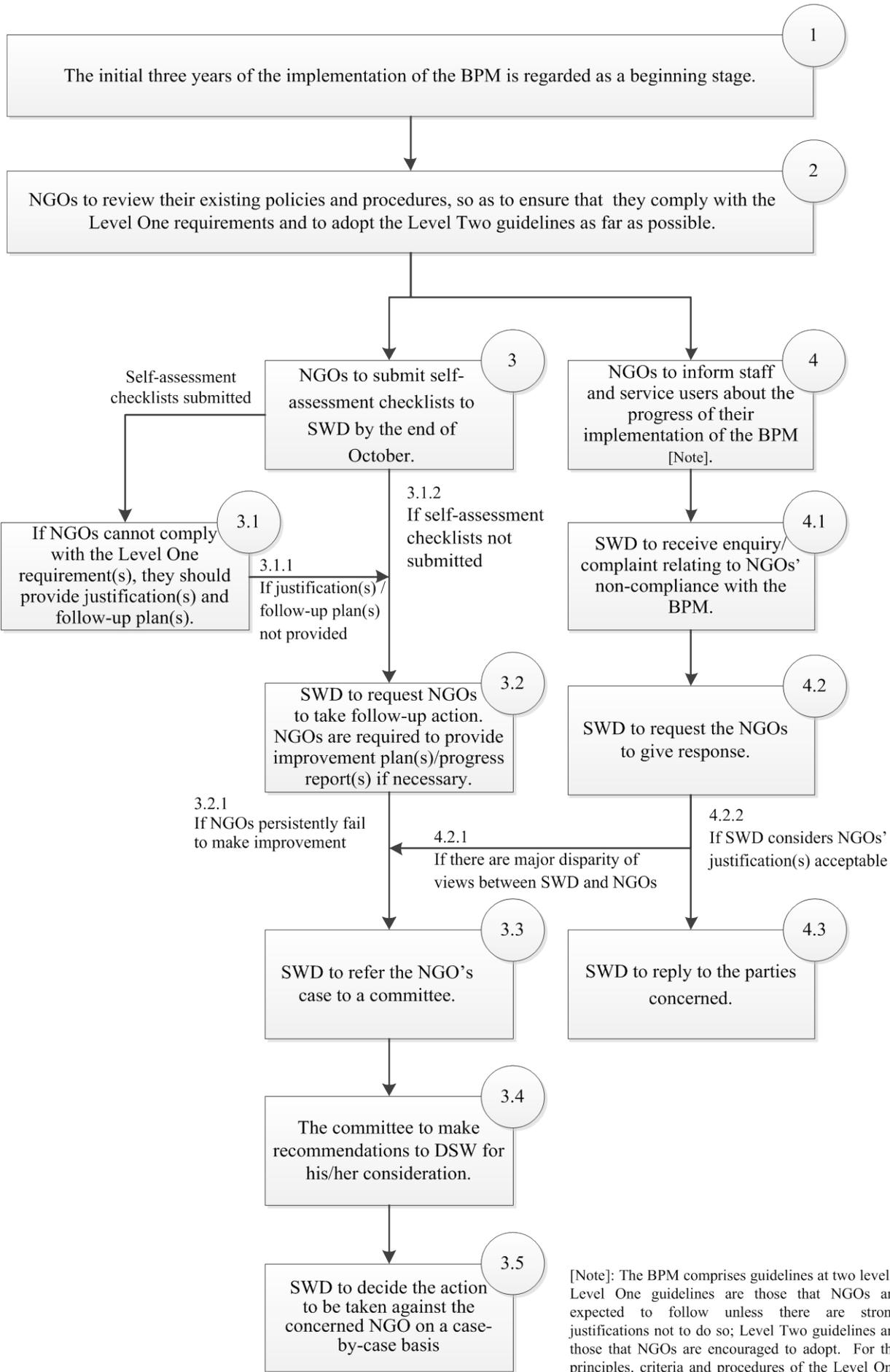
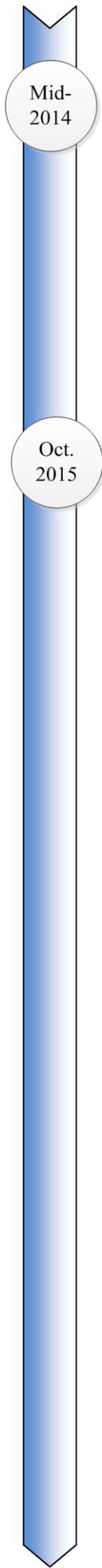
7. During the process, SWD will meet with representatives from the sector to know about the progress of their implementation of the BPM and to regularly report the progress and views collected to the LSGSC and relevant committees with a view to bringing further improvement to the BPM.

Workflow of the Best Practice Manual

8. As mentioned above, NGO management and governing boards, through review of the existing policies and procedures on their own, could ensure that they comply with the Level One requirements. In addition, based on the principles of good corporate governance, NGO management and governing boards may adopt the Level Two guidelines as far as possible.

9. The workflow of the BPM is shown in the flowchart below:

Workflow of the Best Practice Manual



[Note]: The BPM comprises guidelines at two levels. Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so; Level Two guidelines are those that NGOs are encouraged to adopt. For the principles, criteria and procedures of the Level One guideline and Level Two guidelines, please refer to Chapter Three.

【Flowchart item 1】

10. The initial three years of the implementation of the BPM is regarded as a beginning stage.

【Flowchart item 2】

11. NGOs, through review of the existing policies and procedures on their own, could ensure that they comply with the Level One requirements and may adopt the Level Two guidelines as far as possible. In addition, NGOs could introduce the content of the BPM and the implementation schedule to stakeholders.

【Flowchart item 3】

12. NGO management and governing boards should conduct a review on whether the NGOs have complied with the Level One requirements and whether they have adopted the Level Two guidelines in the past financial year by way of the self-assessment checklists (**Appendix 2**) and return the completed self-assessment checklists to SWD before the end of October each year. The first self-assessment checklists, to be submitted to SWD by the end of October 2015, cover the period from mid-2014 (i.e. the date of commencement of the implementation of the BPM) to March 2015.

【Flowchart item 3.1】

13. If an NGO indicates any non-compliance with the Level One requirements, justification(s) and follow-up plan(s) should be provided.

【Flowchart item 3.2】

14. If an NGO does not submit the self-assessment checklists or provide justification(s) and follow-up plan(s) for non-compliance with the Level One requirements, SWD will contact or issue a letter to the NGO management in order to look into the circumstances. If necessary, SWD will require an NGO to provide an improvement plan/progress report within a reasonable time period.

【Flowchart items 3.3 and 3.4】

15. If an NGO does not comply with the requirements of the BPM and persistently fails to make any improvement, SWD will consider putting up the case to the LSGSC for a review. LSGSC will make recommendations and propose follow-up plans on the case to the Director of Social Welfare for consideration [Note: LSGSC may consider setting up a subcommittee to handle the case].

16. If an NGO has different views towards the follow-up plans and/or the recommendations made, it may make representations in writing to the committee concerned.

【Flowchart item 3.5】

17. The Director of Social Welfare will make a decision on the follow-up actions on a case-by-case basis.

【Flowchart item 4】

18. NGOs should through effective communication channels (e.g. annual report, website, newsletter) make known to their staff and service users the progress of their implementation of the BPM.

【Flowchart items 4.1 to 4.3】

19. At the beginning stage, if SWD receives any enquiry or complaint regarding an NGO's non-compliance with the BPM, SWD will first refer the case to the NGO, allowing it an opportunity to provide information and a response. If necessary, SWD will require the NGO to provide an improvement plan/measure to facilitate SWD's reply to the parties concerned.

20. If SWD has different views on the NGO's improvement plan/measure, the case will be handled according to the procedures as listed in the flowchart items 3.3 to 3.5 above.

21. On the other hand, if the enquiry or complaint falls into the ambit of any existing mechanism (e.g. Service Performance and Monitoring System or the Lump Sum Grant Independent Complaints Handling Committee), the enquiry or complaint

will be handled according to the existing mechanism.

Level Two Guidelines of the Best Practice Manual

22. The BPM comprises guidelines at two levels. Level Two guidelines are guidelines that NGOs are encouraged to adopt with a view to continuously enhancing their corporate governance. NGOs are encouraged to give views or share experience in the self-assessment checklists, including any concrete plans to implement the Level Two guidelines and the factors being taken into consideration. After receiving NGOs' views, SWD will contact individual NGOs for further information about their implementation of the Level Two guidelines, with a view to continuously improving the guidelines.

23. In fact, quite a number of NGOs may have already met the requirements of certain items under the Level Two guidelines of the BPM. For example, quite a number of NGOs have already established effective communication channels between the management and staff members/service users. In the long run, the sector may consider sharing their experience in implementing the Level Two guidelines, and explore whether it is appropriate and the right time to raise some of the Level Two guidelines to Level One.

Chapter Three

Strategies of the Best Practice Manual

Principles, Criteria and Procedures

Financial Management

Management of Lump Sum Grant (LSG) Reserve

1. Maximised Use of Reserve (Level One)¹

A. Principles

- (i) NGOs are required to ensure that the reserve is fairly, reasonably, properly and effectively used for the intended purposes as stipulated by SWD.
- (ii) NGOs should maximise the use of the reserve in order to maintain or strengthen service delivery and implement strategic development plans, including building up a staff team with high quality.

B. Criteria and Procedures

Use of LSG Reserve

- (i) NGOs are required to, based on the actual circumstances and their development strategies, decide on their own how the LSG reserve be utilised in different areas, such as fulfilling the contractual commitment to staff, maintaining or strengthening service delivery and implementing strategic development plans, including building up a staff team with high quality through enhancement of the employment terms of existing staff, supporting the professional development of staff, etc.

Management and Monitoring

- (ii) NGOs' governing boards/management committees are required to discuss in their meeting(s), at least once a year, how to manage and utilise the reserve, and to consider during the discussion how to maximise the use of the reserve for the NGOs' development. The discussion has to be put on record.

¹ As recommended by the Lump Sum Grant Independent Review Committee, the welfare sector may consider setting out in its Best Practice Manual two levels of guidelines. Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so; Level Two guidelines are those that NGOs are encouraged to adopt.

- (iii) In managing the LSG reserve, NGOs are required to observe the intended purposes as stipulated in the LSG Manual, LSG Circulars, relevant letters/notifications, and to have documents such as financial reports, financial plans, etc.
- (iv) NGOs are required to have documents setting out the policies and procedures on managing and monitoring their LSG reserve, and to make known to staff such procedures.

2. Optimal Level of Reserve (Level Two)

A. Principles

- (i) NGOs should, having regard to their sizes and actual needs, develop planning and evaluation mechanisms on their own to determine the appropriate level of reserve, and monitor it effectively through appropriate years of projection.
- (ii) NGOs should be cautious but not be too conservative or aggressive when estimating the required amount of accumulated LSG reserve.

B. Criteria and Procedures

- (i) NGOs should have documents briefly setting out their mechanisms in planning, evaluating and determining the level of LSG reserve including -
 - (a) Planning and evaluation of the reserve level, which should be conducted regularly;
 - (b) Reference material and tools for planning and evaluation of the reserve level, including such factors as the salary structure, staff turnover rate, staff age distribution, NGOs' projection of the increase/decrease in income and expenditure, NGOs' contractual commitment to subvented staff, and long-term financial viability, etc., with a view to facilitating NGOs' development plan and projection of the reserve level. The above planning and projection should be discussed by NGOs' governing boards, and the discussion be put on record.
- (ii) NGOs' chief executives should regularly report the status of the reserve to their governing boards.

3. Status of Reserve (Level One)

A. Principles

- (i) NGOs are required to, through convenient, effective and timely channels,

disseminate information about the LSG reserve in a reader-friendly format to staff members and the public. Such information should include briefly a plan on how the reserve will be used in the future.

B. Criteria and Procedures

- (i) NGOs are required to, through appropriate channels, disseminate information about the utilisation of the LSG reserve in the past year to the public. Such information should include briefly a plan on how the reserve will be used in the future.

Use of Provident Fund (PF) Reserve for Non-Snapshot Staff

4. Use of Reserve (Level One)

A. Principles

- (i) NGOs are required to maximise the use of PF reserve for non-snapshot staff for the designated purpose so as to enhance staff morale and their sense of belonging to the organisations.

B. Criteria and Procedures

Use of PF Reserve for Non-Snapshot Staff

- (i) NGOs are required to, based on the actual circumstances of their PF reserve, determine on their own the use of PF reserve in such ways as adjusting the PF contribution rates or giving a one-off additional contribution to staff.

Management and Monitoring

- (ii) NGOs' governing boards/management committees are required to discuss in their meeting(s), at least once a year, how the PF reserve should be managed and utilised. The discussion has to take the above principles into consideration and be put on record.
- (iii) NGOs are required to observe the relevant legislation and the purposes as stipulated in the LSG Manual, LSG Circulars, relevant letters/notifications in utilising the PF reserve for non-snapshot staff, and to have documents such as financial reports, financial plans, etc.
- (iv) NGOs are required to have documents spelling out the mechanisms, policies and procedures regarding the management and monitoring of the PF reserve for non-snapshot staff.

- (v) NGOs are required to report on the utilisation of the PF reserve for non-snapshot staff in the past year and to provide a brief plan on how the reserve is going to be used in the future at their annual general meetings/in their annual reports.

5. Status of Reserve (Level One)

A. Principles

- (i) NGOs are required to use convenient, effective and timely channels to disseminate information about the PF reserve to staff members, including a brief plan on how the PF reserve will be used in the future.

B. Criteria and Procedures

- (ii) NGOs are required to, through appropriate channels, disseminate information about utilisation of the PF reserve in the past year to staff members, and to provide a brief plan on how the reserve will be used in the future.

Human Resource Management

Salary Package Policy and Administration

6. Salary Adjustment (Level One)

A. Principles

- (i) NGOs are required to spend the subvention for salary adjustment for the designated purpose by making timely adjustment to the salary for all staff members subvented by LSG.

B. Criteria and Procedures

Designated purpose

- (i) In spending the allocation for salary adjustment, NGOs are required to observe the relevant orders as imposed by the Finance Committee of the Legislative Council when granting the allocation, the latest LSG Manual, LSG Circulars, relevant letters/notifications of SWD regarding the designated purpose of the allocation.
- (ii) Meanwhile, when NGOs spend the allocation on salary adjustment, they are required to either -
 - (a) Adjust the staff salary by the same percentage of the Civil Service Pay Adjustment (CSPA); or

- (b) Spend the full amount of the additional allocation for salary adjustment on salary adjustment for staff.

Keeping staff informed

- (iii) NGOs are required to, through letters or emails, inform all staff members subvented by LSG about the salary adjustment arrangement for the financial year, including the following -
 - (a) The amount of subvention allocated by SWD as additional resources to the NGO for salary adjustment for the financial year;
 - (b) The NGO's salary adjustment arrangement for the financial year, briefly explaining why the staff salary will be adjusted by the same percentage of CSPA, or why the additional allocation for salary adjustment will be fully spent on salary adjustment for staff.

Corporate Governance and Accountability

Management Strategies

7. Communication (Level Two)

A. Principles

- (i) NGOs should establish effective channels of communication between the governing board, the management, staff and service users, to ensure that feedback from staff and service users on LSG-related matters can be received.

B. Criteria and Procedures

Channels of Communication

- (i) NGOs should establish effective channels of communication, such as meetings, visits to service units, emails, questionnaires and suggestion boxes, etc. to collect feedback from staff and service users.

Accessibility of the Channels of Communication

- (ii) NGOs should have documents spelling out the regular communication channels for the governing board and the management to collect feedback from staff and service users. NGOs should provide appropriate channels for staff and service users to access such information.

8. Term of Office of the Governing Board (Level Two)

A. Principles

- (i) NGOs should establish a succession mechanism for their governing board members, where there are no such restrictions in relevant legislation or constitution, to ensure the sustainable development of the board.

B. Criteria and Procedures

Succession mechanism

- (i) NGOs should establish a succession mechanism for their governing board members, especially for the chairman and key posts (such as secretary, treasurer, etc.), where there are no such restrictions in relevant legislation or constitution. NGOs should also have documents spelling out the succession mechanism, including the term of office, number of consecutive terms, etc., which should be made public.

9. Roles of Governing Board (Level Two)

A. Principles

- (i) Regarding LSG-related matters, NGOs should enhance the knowledge of their board members on the NGOs and their SWD-subvented services through various effective and appropriate arrangements so as to strengthen their leading roles.

B. Criteria and Procedures

Appropriate arrangements

- (i) NGOs should, at least once a year, provide the governing board and the relevant committees with updated service information, including the objectives of their SWD-subvented services, the number of subvented staff and service users of each service unit, etc.;
- (ii) NGOs should arrange for members of the governing board and the relevant committees to meet with the subvented staff and service users so that they can be familiar with the operation of their SWD-subvented services.

Responsibilities of the Governing Board and NGOs' Decision Making on Important Management Issues of SWD-subvented Services under LSGSS

10. Delineation of Roles and Responsibilities of the Governing Board (Level Two)

A. Principles

- (i) The roles, responsibilities and membership of the governing board and the relevant committees should be clearly defined and put on record.
- (ii) NGOs should properly delineate the terms of reference between governing board members and senior management.

B. Criteria and Procedures

- (i) NGOs should have documents and the organisation chart to illustrate the structure and membership of the governing board, the relevant committees and senior management, their roles and responsibilities, and delineate the roles and responsibilities between governing board members and senior management;
- (ii) NGOs should provide appropriate channels for the staff and service users to access such information.

11. NGOs' Decision Making on Important Management Issues of SWD-subvented Services (Level Two)

A. Principles

- (i) NGOs should consult their staff and service users on important issues that affect them.
- (ii) According to paragraph 5.6 of the LSG Manual, generally speaking, the NGO's governing board should consult the staff first before there are any changes that may affect them, including -
 - (a) changing the existing establishment structure;
 - (b) changing the remuneration package or the working conditions; and
 - (c) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary.
- (iii) According to paragraph 5.8 of the LSG Manual, NGOs should consider involving service users as far as practicable in service re-engineering, changing the existing service delivery mode, and monitoring compliance with service performance standards. Service users' feedback may be obtained through a variety of means such as service user liaison groups,

discussions or opinion surveys.

B. Criteria and Procedures

Collect and respond to feedback

- (i) NGOs should prepare documents and policies on their own, explaining how feedback from staff and/or service users will be collected and responded to when making important decisions related to LSGSS, such as through meetings, visits to service units, emails, questionnaires, newsletters, notice boards, suggestion boxes, etc.

Examples of important decisions mentioned above -

- (a) changing the existing establishment structure and staff ratios, etc.;
- (b) changing the remuneration package or the working conditions;
- (c) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary;
- (d) service re-engineering;
- (e) changing the existing service delivery mode; and
- (f) monitoring compliance with service performance standards.

12. NGO's Decisions Made on Important Management Issues of SWD-subvented Services (Level Two)

A. Principles

- (i) NGOs should disseminate to their staff and services users in a timely manner the decisions made on important management issues related to LSGSS.

B. Criteria and Procedures

Provision of Information

- (i) NGOs should prepare documents and policies on their own, spelling out how information about important decisions related to LSGSS will be disseminated to their staff and/or service users, such as through meetings, visits to service units, emails, newsletters, notice boards, etc.

Examples of important decisions made by NGO -

- (a) changing the existing establishment structure and staff ratios, etc.;

- (b) changing the remuneration package or the working conditions;
- (c) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary;
- (d) service re-engineering;
- (e) changing the existing service delivery mode; and
- (f) monitoring compliance with service performance standards.

Roles and Duties of NGOs in Complaints Handling

13. Composition, Duties and Responsibilities on Handling Complaints at Different Levels (Level One)

A. Principles

- (i) For LSG-related complaints, NGOs are required to develop a sound mechanism and policy to clearly spell out the personnel in handling complaints at different levels and their respective responsibilities and duties at each level.
- (ii) NGOs are required to ensure that all levels of staff involved in complaints handling are free from any conflict of interest.
- (iii) NGOs are required to ensure that both the complainant and the parties being complained against are aware that the complaint concerned is being handled in accordance with the procedures set out by the NGOs/the LSG Independent Complaints Handling Committee (ICHC).

B. Criteria and Procedures

Policies and mechanism on complaints handling

- (i) LSG-related complaints against NGOs or their service units lodged by service users/staff should first be handled by the NGO concerned in accordance with its established policies.
- (ii) NGOs are required to have policy documents spelling out the policies and mechanism in relation to complaints handling (including complaints involving staff, the senior management and board members). If NGOs' existing complaints handling policies and mechanism (SQS 15) have already covered the complaints mentioned above, the NGOs just need to follow the existing mechanism.

Ensuring that complainants know of the procedures

- (iii) NGOs are required to let both the complainant and the parties being complained against know that the complaint concerned is being handled

in accordance with the procedures set out by the NGOs/the ICHC.

14. NGOs' Policies and Procedures on Complaints Handling (Level One)

A. Principles

- (i) For LSG-related complaints, NGOs are required to strictly follow established policies and procedures, as well as the personnel composition to handle the complaints in a fair manner, with appropriate monitoring and appeal/review mechanisms.
- (ii) NGOs are required to comply with the ICHC's complaints handling procedures and requirements in handling the complaints concerned.

B. Criteria and Procedures

Handling complaints carefully and fairly

- (i) NGOs are required to have documents spelling out their internal control measures in relation to handling LSG-related complaints.
- (ii) NGOs are required to keep written records of the complaints received and the actions taken to ensure that the complaints will be handled fairly in accordance with the established policies, procedures and personnel composition.

Complying with the ICHC's complaints handling procedures and requirements

- (iii) NGOs are required to comply with the ICHC's requirements to provide relevant information and written records of the complaints concerned in a timely manner to facilitate the ICHC's investigation into the complaints.
- (iv) NGOs are required to keep relevant written records to show that follow-up actions have been taken in accordance with the ICHC's recommendations.

Appendix 1

Consultations and Meetings in relation to the Production of the Best Practice Manual

2010-2014	<ul style="list-style-type: none"> ● Consulted the Lump Sum Grant Steering Committee(six meetings)
2010	<ul style="list-style-type: none"> ● Commissioned a consultant to conduct the study
2010-2014	<ul style="list-style-type: none"> ● The Project Steering Committee (PSC) held six meetings to discuss the preliminary framework of the BPM ● Meetings with the NGO management (12 meetings and eight visits to NGOs, with the attendance of about 100 representatives) ● Meetings with the Fight for Social Welfare Alliance and staff unions (eight meetings with the attendance of about 100 staff representatives)
December 2012 – August 2013	<ul style="list-style-type: none"> ● Six consultation sessions for the sector and service users (about 660 participants) ● Sharing session with NGOs’ Board of Directors (about 250 participants) ● Meanwhile, SWD received written views from individual NGOs, HKCSS (representing 108 NGOs) and the Fight for Social Welfare Alliance.
January 2014 – February 2014	<ul style="list-style-type: none"> ● Working Group on Implementation Details of the BPM (three meetings)

The Best Practice Manual Self-assessment Checklist

Name of NGO : _____

Level One² guidelines (NGO has to submit the checklist to SWD by the end of October every year)

Financial Management

Management of Lump Sum Grant (LSG) Reserve

1. Maximised Use of Reserve (Level One)

Principles

- i. NGOs are required to ensure that the reserve is fairly, reasonably, properly and effectively used for the intended purposes as stipulated by SWD.
- ii. NGOs should maximise the use of the reserve in order to maintain or strengthen service delivery and implement strategic development plans, including building up a staff team with high quality.

Criteria and Procedures (Level One)	√: Complied with ×: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. NGOs are required to, based on the actual circumstances and their development strategies, decide on their own how the LSG reserve be utilised in different areas, such as fulfilling the contractual commitment to staff, maintaining or strengthening service delivery and implementing strategic development plans, including building			

² As recommended by the Lump Sum Grant Independent Review Committee, the welfare sector may consider setting out in its Best Practice Manual two levels of guidelines. Level One guidelines are those that NGOs are expected to follow unless there are strong justifications not to do so; Level Two guidelines are those that NGOs are encouraged to adopt.

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
up a staff team with high quality through enhancement of the employment terms of existing staff, supporting the professional development of staff, etc.			
ii. NGOs' governing boards/management committees are required to discuss in their meeting(s), at least once a year, how to manage and utilise the reserve, and to consider during the discussion how to maximise the use of the reserve for the NGOs' development. The discussion has to be put on record.			
iii. In managing the LSG reserve, NGOs are required to observe the intended purposes as stipulated in the LSG Manual, LSG Circulars, relevant letters/notifications, and to have documents such as financial reports, financial plans, etc.			
iv. NGOs are required to have documents setting out the policies and			

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
procedures on managing and monitoring their LSG reserve, and to make known to staff such procedures.			

2. Status of Reserve (Level One)

Principles

- i. NGOs are required to, through convenient, effective and timely channels, disseminate information about the LSG reserve in a reader-friendly format to staff members and the public. Such information should include briefly a plan on how the reserve will be used in the future.

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. NGOs are required to, through appropriate channels, disseminate information about the utilisation of the LSG reserve in the past year to the public. Such information should include briefly a plan on how the reserve will be used in the future.			

Use of Provident Fund (PF) Reserve for Non-Snapshot Staff

3. Use of Reserve (Level One)

Principles

- i. NGOs are required to maximise the use of PF reserve for non-snapshot staff for the designated purpose so as to enhance staff morale and their sense of belonging to the organisations.

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. NGOs are required to, based on the actual circumstances of their PF reserve, determine on their own the use of PF reserve in such ways as adjusting the PF contribution rates or giving a one-off additional contribution to staff.			
ii. NGOs' governing boards/management committees are required to discuss in their meeting(s), at least once a year, how the PF reserve should be managed and utilised. The discussion has to take the above principles into consideration and be put on record.			
iii. NGOs are required to observe the relevant legislation and the purposes as stipulated in the LSG Manual, LSG Circulars, relevant letters/notifications in utilising the PF reserve for non-snapshot staff, and to have documents such as financial reports, financial plans, etc.			
iv. NGOs are required			

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
to have documents spelling out the mechanisms, policies and procedures regarding the management and monitoring of the PF reserve for non-snapshot staff.			
v. NGOs are required to report on the utilisation of the PF reserve for non-snapshot staff in the past year and to provide a brief plan on how the reserve is going to be used in the future at their annual general meetings/in their annual reports.			

4. Status of Reserve (Level One)

Principles

- i. NGOs are required to use convenient, effective and timely channels to disseminate information about the PF reserve to staff members, including a brief plan on how the PF reserve will be used in the future.

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. NGOs are required to, through appropriate channels, disseminate information about utilisation of the PF reserve in the past year to staff members, and to			

provide a brief plan on how the reserve will be used in the future.			
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Salary Package Policy and Administration

5. Salary Adjustment (Level One)

Principles

- i. NGOs are required to spend the subvention for salary adjustment for the designated purpose by making timely adjustment to the salary for all staff members subvented by LSG.

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. In spending the allocation for salary adjustment, NGOs are required to observe the relevant orders as imposed by the Finance Committee of the Legislative Council when granting the allocation, the latest LSG Manual, LSG Circulars, relevant letters/notifications of SWD regarding the designated purpose of the allocation.			
ii. Meanwhile, when NGOs spend the allocation on salary adjustment, they are required to either - (a) Adjust the staff salary by the same percentage of the Civil Service Pay Adjustment (CSPA); or (b) Spend the full amount of the			

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
additional allocation for salary adjustment on salary adjustment for staff.			
<p>iii. NGOs are required to, through letters or emails, inform all staff members subvented by LSG about the salary adjustment arrangement for the financial year, including the following -</p> <p>(a) The amount of subvention allocated by SWD as additional resources to the NGO for salary adjustment for the financial year;</p> <p>(b) The NGO's salary adjustment arrangement for the financial year, briefly explaining why the staff salary will be adjusted by the same percentage of CSPA, or why the additional allocation for salary adjustment will</p>			

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
be fully spent on salary adjustment for staff.			

Corporate Governance and Accountability

Roles and Duties of NGOs in Complaints Handling

6. Composition, Duties and Responsibilities on Handling Complaints at Different Levels (Level One)

Principles

- i. For LSG-related complaints, NGOs are required to develop a sound mechanism and policy to clearly spell out the personnel in handling complaints at different levels and their respective responsibilities and duties at each level.
- ii. NGOs are required to ensure that all levels of staff involved in complaints handling are free from any conflict of interest.
- iii. NGOs are required to ensure that both the complainant and the parties being complained against are aware that the complaint concerned is being handled in accordance with the procedures set out by the NGOs/the LSG Independent Complaints Handling Committee (ICHC).

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. LSG-related complaints against NGOs or their service units lodged by service users/staff should first be handled by the NGO concerned in accordance with its established policies.			
ii. NGOs are required to have policy documents spelling out the policies and mechanism in relation to complaints handling (including complaints involving			

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
staff, the senior management and board members). If NGOs' existing complaints handling policies and mechanism (SQS 15) have already covered the complaints mentioned above, the NGOs just need to follow the existing mechanism.			
iii. NGOs are required to let both the complainant and the parties being complained against know that the complaint concerned is being handled in accordance with the procedures set out by the NGOs/the ICHC.			

7. NGOs' Policies and Procedures on Complaints Handling (Level One)

Principles

- i. For LSG-related complaints, NGOs are required to strictly follow established policies and procedures, as well as the personnel composition to handle the complaints in a fair manner, with appropriate monitoring and appeal/review mechanisms.
- ii. NGOs are required to comply with the ICHC's complaints handling procedures and requirements in handling the complaints concerned.

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
i. NGOs are required to have documents spelling out their internal control			

Criteria and Procedures (Level One)	√: Complied with x: Not yet complied with ○:In progress	Reasons for non-compliance	NGO's comments on implementing the guidelines
measures in relation to handling LSG-related complaints.			
ii. NGOs are required to keep written records of the complaints received and the actions taken to ensure that the complaints will be handled fairly in accordance with the established policies, procedures and personnel composition.			
iii. NGOs are required to comply with the ICHC's requirements to provide relevant information and written records of the complaints concerned in a timely manner to facilitate the ICHC's investigation into the complaints.			
iv. NGOs are required to keep relevant written records to show that follow-up actions have been taken in accordance with the ICHC's recommendations.			

NGO's Overall comments on implementing the Level One guidelines

[Empty box for comments]

[End of Checklist for Level One Guidelines]

The Best Practice Manual Self-assessment Checklist

Name of NGO : _____

Level Two guidelines (NGO has to submit the checklist to SWD by the end of October every year)

Financial Management

Management of Lump Sum Grant (LSG) Reserve

1. Optimal Level of Reserve (Level Two)

Principles

- i. NGOs should, having regard to their sizes and actual needs, develop planning and evaluation mechanisms on their own to determine the appropriate level of reserve, and monitor it effectively through appropriate years of projection.
- ii. NGOs should be cautious but not be too conservative or aggressive when estimating the required amount of accumulated LSG reserve.

Criteria and Procedures (Level Two)	√: Implemented x: Not yet implemented ○: In progress	NGO's comments on implementing the guidelines
<p>i. NGOs should have documents briefly setting out their mechanisms in planning, evaluating and determining the level of LSG reserve including -</p> <p>(a) Planning and evaluation of the reserve level, which should be conducted regularly;</p> <p>(b) Reference material and tools for planning and evaluation of the reserve level, including such factors as the salary structure, staff turnover rate, staff age distribution, NGOs' projection of the increase/decrease in income and expenditure, NGOs' contractual commitment to subvented staff, and long-term financial viability, etc., with a view to facilitating NGOs' development plan and</p>		

projection of the reserve level. The above planning and projection should be discussed by NGOs' governing boards, and the discussion be put on record.		
ii. NGOs' chief executives should regularly report the status of the reserve to their governing boards.		

Corporate Governance and Accountability

Management Strategies

2. Communication (Level Two)

Principles

- i. NGOs should establish effective channels of communication between the governing board, the management, staff and service users, to ensure that feedback from staff and service users on LSG-related matters can be received.

Criteria and Procedures (Level Two)	√: Implemented x: Not yet implemented ○: In progress	NGO's comments on implementing the guidelines
i. NGOs should establish effective channels of communication, such as meetings, visits to service units, emails, questionnaires and suggestion boxes, etc. to collect feedback from staff and service users.		
ii. NGOs should have documents spelling out the regular communication channels for the governing board and the management to collect feedback from staff and service users. NGOs should provide appropriate channels for staff and service users to access such information.		

3. Term of Office of the Governing Board (Level Two)

Principles

- i. NGOs should establish a succession mechanism for their governing board members, where there are no such restrictions in relevant legislation or constitution, to ensure the sustainable development of the board.

Criteria and Procedures (Level Two)	√: Implemented x: Not yet implemented ○: In progress	NGO's comments on implementing the guidelines
i. NGOs should establish a succession mechanism for their governing board members, especially for the chairman and key posts (such as secretary, treasurer, etc.), where there are no such restrictions in relevant legislation or constitution. NGOs should also have documents spelling out the succession mechanism, including the term of office, number of consecutive terms, etc., which should be made public.		

4. Roles of Governing Board (Level Two)

Principles

- i. Regarding LSG-related matters, NGOs should enhance the knowledge of their board members on the NGOs and their SWD-subvented services through various effective and appropriate arrangements so as to strengthen their leading roles.

Criteria and Procedures (Level Two)	√: Implemented x: Not yet implemented ○: In progress	NGO's comments on implementing the guidelines
i. NGOs should, at least once a year, provide the governing board and the relevant committees with updated service information, including the objectives of their SWD-subvented services, the number of subvented staff and service users of each service unit, etc.		
ii. NGOs should arrange for members of the governing board and the relevant committees to		

Criteria and Procedures (Level Two)	√: Implemented x: Not yet implemented ○: In progress	NGO's comments on implementing the guidelines
meet with the subvented staff and service users so that they can be familiar with the operation of their SWD-subvented services.		

Responsibilities of the Governing Board and NGOs' Decision Making on Important Management Issues of SWD-subvented Services under LSGSS

5. Delineation of Roles and Responsibilities of the Governing Board (Level Two)

Principles

- i. The roles, responsibilities and membership of the governing board and the relevant committees should be clearly defined and put on record.
- ii. NGOs should properly delineate the terms of reference between governing board members and senior management.

Criteria and Procedures (Level Two)	√: Implemented x: Not yet implemented ○: In progress	NGO's comments on implementing the guidelines
i. NGOs should have documents and the organisation chart to illustrate the structure and membership of the governing board, the relevant committees and senior management, their roles and responsibilities, and delineate the roles and responsibilities between governing board members and senior management		
ii. NGOs should provide appropriate channels for the staff and service users to access such information.		

6. NGOs' Decision Making on Important Management Issues of SWD-subvented Services (Level Two)

Principles

- i. NGOs should consult their staff and service users on important issues that affect them.
- ii. According to paragraph 5.6 of the LSG Manual, generally speaking, the NGO's governing board should consult the staff first before there are any changes that may affect them, including -

- (a) changing the existing establishment structure;
 - (b) changing the remuneration package or the working conditions; and
 - (c) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary.
- iii. According to paragraph 5.8 of the LSG Manual, NGOs should consider involving service users as far as practicable in service re-engineering, changing the existing service delivery mode, and monitoring compliance with service performance standards. Service users' feedback may be obtained through a variety of means such as service user liaison groups, discussions or opinion surveys.

<p align="center">Criteria and Procedures (Level Two)</p>	<p>√: Implemented x: Not yet implemented ○: In progress</p>	<p align="center">NGO's comments on implementing the guidelines</p>
<p>i. NGOs should prepare documents and policies on their own, explaining how feedback from staff and/or service users will be collected and responded to when making important decisions related to LSGSS, such as through meetings, visits to service units, emails, questionnaires, newsletters, notice boards, suggestion boxes, etc.</p> <p>[Examples of important decisions mentioned above -</p> <ul style="list-style-type: none"> (a) changing the existing establishment structure and staff ratios, etc.; (b) changing the remuneration package or the working conditions; (c) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary; (d) service re-engineering; (e) changing the existing service delivery mode; and (f) monitoring compliance with service performance standards.] 		

7. NGO’s Decisions Made on Important Management Issues of SWD-subvented Services (Level Two)

Principles

- i. NGOs should disseminate to their staff and services users in a timely manner the decisions made on important management issues related to LSGSS.

<p align="center">Criteria and Procedures (Level Two)</p>	<p>√: Implemented x: Not yet implemented ○: In progress</p>	<p align="center">NGO’s comments on implementing the guidelines</p>
<p>i. NGOs should prepare documents and policies on their own, spelling out how information about important decisions related to LSGSS will be disseminated to their staff and/or service users, such as through meetings, visits to service units, emails, newsletters, notice boards, etc. [Examples of important decisions made by NGO -</p> <ul style="list-style-type: none"> (a) changing the existing establishment structure and staff ratios, etc.; (b) changing the remuneration package or the working conditions; (c) re-engineering and rationalising the service delivery modes, and the corresponding manpower redeployment that may become necessary; (d) service re-engineering; (e) changing the existing service delivery mode; and (f) monitoring compliance with service performance standards.] 		

NGO's Overall comments on implementing the Level Two guidelines

[End of Checklist for Level Two Guidelines]