Phase 2 of Social Welfare Development Fund
Guidance Notes for Application

Objective

The purpose of the Guidance Notes for Application (Guidance Notes) is to facilitate non-governmental organisations (NGOs) in preparing their applications for the Phase 2 of Social Welfare Development Fund (SWDF). NGOs are advised to follow the Guidance Notes to ensure a clear understanding on the use of SWDF and its requirements, the smooth processing of the applications and proper implementation of the approved projects.

Background

2. In the Review Report on the Lump Sum Grant Subvention System, the Lump Sum Grant Independent Review Committee recommended that a $1 billion SWDF be set up to support training, capacity enhancement initiatives and service delivery enhancement studies. With support obtained from the Lump Sum Grant Steering Committee (LSGSC) and approval-in-principle granted by the Lotteries Fund Advisory Committee (LFAC), the Social Welfare Department (SWD) has set up the SWDF to be implemented in three consecutive three-year phases from 2010-11 to 2018-19.

Scope of SWDF

3. The SWDF supports the following scopes -

(a) **Scope A**: training and professional development (T&D) programmes for NGO board members, subvented staff (not limited to social workers), covering also the cost of workers to relieve staff who go on training;

(b) **Scope B**: business system upgrading for subvented services of NGOs (both information technology (IT) and non-IT projects), e.g. IT infrastructure, system design and initiatives to enhance NGOs’ management capacity or to facilitate their re-engineering etc.; and

(c) **Scope C**: studies that seek to enhance subvented NGOs’ service delivery.
4. Please refer to Appendix 1 for illustrations of:

- projects/items which are considered to be under the supported scopes of SWDF; and

- projects/items which are outside the ambit of SWDF.

Eligibility

5. All SWD-subvented welfare NGOs, irrespective of whether they are on LSG subvention or conventional subvention mode, may apply for SWDF.

Phased Implementation of SWDF

6. The SWDF will operate in the following three phases:

- Phase 1: 2010-11 to 2012-13
- Phase 2: 2013-14 to 2015-16
- Phase 3: 2016-17 to 2018-19

Funding Cap for NGOs

7. The total funding cap for each NGO is set at 9% of the NGO’s annual SWD subventions in 2009-10, or $2 million, whichever is the higher. The funds to be approved for each NGO will be subject to the amount being sought vide the NGO’s application, SWD’s assessment and LFAC’s endorsement.

8. Unless with SWD’s prior approval to vary the percentage of the total funding cap for the relevant phases, the maximum amount for which an NGO can apply in each phase is set out as follows:

<table>
<thead>
<tr>
<th>Phase</th>
<th>Maximum amount of funds for which an NGO may apply (in terms of % of the NGO’s total funding cap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1</td>
<td>33%</td>
</tr>
</tbody>
</table>

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1 The annual subvention allocation to NGOs was specified in the letter from SWD dated 18 March 2009 under the subject of “Social Welfare Subventions for 2009-10”.
<table>
<thead>
<tr>
<th>Phase</th>
<th>Maximum amount of funds for which an NGO may apply (in terms of % of the NGO’s total funding cap)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 2</td>
<td>33%</td>
</tr>
<tr>
<td>Phase 3</td>
<td>remaining balance of its overall funding cap</td>
</tr>
</tbody>
</table>

**Application Schedule**

9. The schedule of application for Phase 2 of SWDF is as follows -

<table>
<thead>
<tr>
<th>No. of rounds</th>
<th>Tentative duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>The first round</td>
<td>➢ From January 2013 to 30 June 2013  &lt;br&gt;➢ For all SWD-subvented NGOs</td>
</tr>
<tr>
<td>The second round, if any</td>
<td>➢ Subject to NGOs’ response in the first round of application  &lt;br&gt;➢ If necessary, details will be provided in due course</td>
</tr>
</tbody>
</table>

**Contribution from NGOs**

10. NGOs are required to make contributions as specified below -

(a) 15% of the cost of business system upgrading projects of both IT and non-IT nature (refer to Scope B in paragraph 3(b) above); and

(b) 50% of programme expenses for training and development programmes outside Hong Kong for Board members (refer to Scope A in paragraph 3(a) above).

11. In principle, an NGO’s contribution should be wholly absorbed by its own resources and should not be charged to LSG or LSG Reserve unless with SWD’s prior approval.

**Application Criteria**

12. Each NGO may submit ONE composite application within the application
period(s) of Phase 2. The composite application may cover more than one supported scope, but business system upgrading projects of IT-related nature should be prepared in a separate application form to facilitate separate vetting.

13. To allow sufficient time to implement the approved projects, NGOs may propose a maximum of three years as the implementation period for project(s), and if so endorsed by LFAC, the beginning date of the project(s) can be counted from the date of the endorsement by LFAC.

14. To maximize synergy and to promote a sharing culture among NGOs, NGOs may submit a joint application for an individual project. The participating NGOs should take into account their differences in financial capacity, size, organisational culture and infrastructures before committing themselves to submitting the joint application. The content as well as terms and conditions of the joint project should be mutually agreed among the participating NGOs. A lead NGO should be identified and be responsible for submitting the joint application, liaison work and settling all issues including an exit arrangement for the participating NGOs.

15. NGOs have to observe the following special conditions when applying for SWDF -

**Scope A – T&D Programmes**

**Targets of the T&D Programmes**

(a) the funds should only be used for NGO board members, subvented staff and subvented services. NGO staff working in welfare services funded by grants within the control of SWD and Labour and Welfare Bureau (LWB) (such as Lotteries Fund, Partnership Fund for the Disadvantaged, Community Investment and Inclusion Fund) will also be recognised;

(b) to enhance the personal capacity of younger social workers particularly those who joined the welfare sector after Year 2000 and to encourage their retention in the sector, NGOs should accord priority to younger social workers in the T&D plan with a reasonable percentage of the total training budget designated for their purpose;

(c) if a T&D programme such as a sharing session, talk or seminar planned for (a) above can accept more participants at no additional cost, NGOs
are given the flexibility to involve their non-subvented staff to participate in the programme without being required to apportion the cost. For control purpose, NGOs should keep documentary proof to show that the number of non-subvented staff attending the T&D programme at no additional cost should not exceed 20% of the total number of participants in the T&D programme;

Short-term and Long-term T&D Programmes

(d) NGOs may apply for funds to support short-term and/or long-term T&D programmes which are in line with the NGOs’ human resources management policy. In arranging staff to attend long-term training that lasts for more than one year, NGOs should have a selection mechanism in place to ensure proper and fair use of the resources. Normally a staff should not attend more than one long-term training course within the same phase. In addition, NGOs should have a policy on staff retention, e.g. requiring staff attending long-term training to undertake to serve in the same NGO for a certain minimum period, for example two years, after completion of the training;

Budget Cap for Board Members and Outside-HK T&D Programmes

(e) the budget of training and development expenses for Board members should not exceed 15% of the NGO’s total budget on training and professional development for the phase;

(f) the budget of training and development programmes outside Hong Kong should be planned in the most economical manner and be subject to not more than 30% of the NGO’s total budget on training and professional development for the phase;

Employment of Relief Workers

(g) the funds may cover the cost of employing relief workers to relieve the existing subvented staff during the period when the latter attend training. If the relief workers are deployed to perform duties other than the afore-mentioned purpose, the cost should be apportioned accordingly;
Scope B – Business System Upgrading Projects

Targets of Business System Upgrading Projects

(h) business system upgrading projects should only cover subvented welfare services. Welfare services funded by grants within the control of SWD or LWB will also be recognised;

Non-IT Projects

(i) to enhance NGOs' management capacity and corporate governance, NGOs may apply for non-IT system upgrading projects such as an organisational review of the staff remuneration structure, manpower establishment, financial and human resources management with a view to developing an effective strategy/policy, control system and operational manuals, etc. NGOs may source from outside institutions or employ temporary project staff to conduct the system upgrading projects. Proper measures such as the establishment of a project committee should be in place to monitor and oversee the projects;

IT Projects

(j) IT projects under the scope of business system upgrading should be in line with the prevailing IT Strategy for the Social Welfare Sector. NGOs should pay special attention to those IT project proposals which fall outside the scope of the supported areas as set out in Part B of Appendix 1;

Scope C – Studies

(k) the scope of studies should aim at the enhancement of service delivery by means of evaluating and improving NGOs’ existing practices or modes of intervention in delivering their subvented services; and

(l) NGOs may source from outside institutions including education institutions and private consultancies to conduct the studies. NGOs should note the concern about conflict of interest and to set up proper mechanisms (e.g. appointing a project steering committee) to monitor

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2 The existing IT Strategy for the Social Welfare Sector is now under review.
and oversee the operation of the study when employing staff to conduct
the studies.

Administrative Support

16. NGOs may include the cost of administrative support under SWDF in Phase 2. The maximum amount of administrative support for individual NGOs in Phase 2 will be set at 5% of the NGO’s funding cap for the phase, or $500,000, whichever is the less. NGOs may apply for administrative support according to their needs via their SWDF applications.

17. The cost of administrative support should be designated for use on employing temporary staff and/or hiring of outside services for the administration and management of SWDF. The duties/services relating to administrative support may include organising sharing sessions/talks/seminars, coordinating staff to attend training, procuring, liaising with the contractor, etc. If the staff are deployed to perform duties other than the afore-mentioned purposes, the cost should be apportioned accordingly.

Vetting of Applications

18. All applications, except IT projects, will be vetted by the Subventions Section of SWD subject to the endorsement of LFAC. Please note -

(a) for non-IT projects: Part I and Part II of the application form should be submitted to the Subventions Section of SWD at 38/F., 248 Queen’s Road East, Wan Chai, Hong Kong;

(b) for non-IT joint projects: Part I, Part II and Part IV should be submitted to the Subventions Section;

(c) for IT projects: Part I should be submitted to the Subventions Section. In addition, Part III should be submitted separately to the Information Systems and Technology Branch (ISTB) of SWD at Room 118, Lady Trench Training Centre, Social Welfare Department, 44 Oi Kwan Road, Wan Chai, Hong Kong; and

(d) for IT joint projects: Part I should be submitted to the Subventions Section. In addition, Part III and Part IV should be submitted
separately to ISTB.

All IT projects will be vetted by ISTB in consultation with the Joint Committee on Information Technology for the Social Welfare Sector (JCIT) and be subject to the endorsement of LFAC.

19. In the event of a considerable number of applications, SWD may need to prioritise the applications according to the date of applications for vetting. For an application involving any project of a complicated nature or a significant budget, the NGO may be required to provide detailed justifications and/or supplementary information to facilitate vetting of the application.

20. If an application form is not properly completed or any required information is missing, the NGO will be required to amend the application and/or to provide any necessary information before the application can be further processed.

Funding Allocation

21. The approved funds will be allocated to each NGO on a yearly basis in accordance with the funding needs of the NGO and the time schedule of the projects approved on the condition that the total amount allocated will not exceed the funding cap in the phase.

22. NGOs should keep the unspent balance of allocation in an interest-bearing account with a bank licensed in Hong Kong. The interests form part of SWDF which should be shown in the reports stated in paragraph 28 below.

Procurement

23. NGOs should achieve the best value for money in service procurement to conduct the approved projects (including sharing sessions/seminars/talks, outside-Hong Kong training programmes, business system upgrading projects, studies, etc). To exercise good corporate governance, NGOs should comply with their own procurement guidelines, which should be devised in line with those set out in the Lotteries Fund Manual especially, among others, the number of returned quotations/tenders as stated in para. 6.2 of the Lotteries Fund Manual extracted in Appendix 2.

24. NGOs may refer to the Best Practice Checklist – Strengthening Integrity and
Accountability — Grantee’s Guidebook issued by the Hong Kong Independent Commission Against Corruption which provides advice and guidelines in respect of good management practices including the handling of procurement. The booklet is accessible via http://www.icac.org.hk/filemanager/en/Content_1031/grantee.pdf.

**Surplus, Deficit and Virement of Funds**

25. To facilitate the optimal use of resources and to meet the needs of NGOs, any surplus of funds can be carried forward to the next year until the end of the implementation period as endorsed by LFAC (three years maximum as counted from the date of the endorsement by LFAC).

26. Any deficits of funds arising from spending in excess of the overall approved funds for each phase will be borne by the NGOs concerned. Application for supplementary funds from SWDF will normally not be considered.

27. In Phase 2, virement of funds among the approved projects, irrespective of their IT or non-IT nature, is allowed. However, as a rule, virement of funds from one project to another project should not create any adverse impact on the first project. Specifically, for the purpose of virement of funds to IT projects, NGOs should seek the prior consent from ISTB to ensure that the IT solutions under the revised budget remain cost-effective and viable to serve the purposes as approved.

**Reporting Requirements**

28. NGOs are required to submit—

(a) the “Disclosure of SWDF in NGO’s Audited Financial Statement” to account for the income and expenditure. It should be submitted to the Finance Branch of SWD, with a copy to the Subventions Section by the end of October 2014, 2015 and 2016 (and 2017 if applicable);

(b) the “Annual Progress Report (APR) of SWDF” to provide an interim report on the utilisation of the approved funding and implementation progress of the approved projects. It should be submitted to the Subventions Section by the end October 2014 and 2015 (and 2016 if applicable);

(c) the “Evaluation Report” to report the overall usage of SWDF. It
should be submitted to the Subventions Section by the end October 2016 (or 2017 if applicable); and

(d) the “Interim Report for IT Project” for reporting the implementation progress of each IT project and the “Overall Evaluation Report” after completion of each IT project as requested by ISTB.

29. NGOs’ books of account and all other relevant records and information related to SWDF should be made available for inspection by authorised staff of SWD at all reasonable times. Visits to NGOs may also be arranged for the purpose of monitoring the approved projects.

30. All projects should be completed according to the implementation plans stated in the applications as endorsed by LFAC. If there are changes such as the need to extend the completion dates of the approved projects beyond the implementation period as endorsed by LFAC (three years maximum as counted from the date of the endorsement by LFAC), SWD’s prior approval should be sought with full justifications.

Claw Back Arrangement

31. Any surplus of funds after the implementation period as endorsed by LFAC (three years maximum as counted from the date of the endorsement by LFAC) will be clawed back unless prior approval has been obtained from SWD (e.g. approval for project extension). Any funds used outside the supported scopes without SWD’s prior approval, and any funds in respect of approved projects that receive double benefits (e.g. from other sources of financial support) will be subject to claw back.

Sharing of SWDF Information

32. To promote a sharing culture so as to inspire innovative ideas in project planning and management among NGOs, SWD and/or its approved agent may make use of the information provided by NGOs on their approved projects for sharing among NGOs in the form of sharing sessions and/or by way of an e-platform, etc. In due course NGOs may be invited to share their experience in project planning and management.

Social Welfare Department
January 2013
Appendix 1

Social Welfare Development Fund (Phase 2)
Illustration of Projects under Supported Scopes

Part A – Proposed Areas under the Supported Scopes of SWDF

Scope A

1. Job-related training/professional training for NGO board members and subvented staff (not limited to social workers), covering also the cost of workers to relieve staff who go on training. Examples are as follows -

   ➢ Long-term training such as Master degree, Bachelor degree, Associate degree etc.
   ➢ Short-term training such as 1-day workshop, 3-day language course, 1-month certificate course etc.
   ➢ Seminars/talks/sharing sessions.
   ➢ Overseas training/exchange programme covering course registration fee, transportation cost including air/land/sea passage (economy class only) as well as the related tax and surcharges, board and lodging.
   ➢ Staff retreat training.
   ➢ The cost for employment of relief workers on temporary basis to relieve the existing subvented staff during the period when the latter attend training.

2. Purchasing materials/tools/reference books for direct training purpose such as tools/materials for sand therapy/drawing therapy/music therapy, dummy for first aid course, dolls for child abuse training demonstration etc. Unless with strong justifications and with SWD’s approval, the maximum amount for the above purchasing items should be capped at $20,000 for each NGO for the phase regardless of the organisation size.

Scope B

3. Both non-IT and IT business system upgrading for subvented services of NGOs, e.g. system design and initiatives to enhance NGOs’ management capacity or to facilitate their re-engineering as well as to generate savings in expenditure, energy consumption and manpower in the long run. Examples of the relevant
non-IT and IT system upgrading projects may include -

- Comprehensive organisational review and enhancement, guidelines review and development, process analysis and improvement for optimizing utilization of common facilities/resources amongst service units.
- Human resources management including staff appraisal, duties rescheduling, rationalization of staff and salary structure, staff training record and volunteers' management.
- Accounting and financial management including budget and cost control, financial management practice, inventory record.
- Service management, delivery and monitoring such as programme planning and evaluation, marketing research on service users' feedback, membership development, drug management etc.
- Continuous quality improvement, environmental friendly devices such as illumination system and installation of ozone laundry system, solar power water heating system, automatic sensor for water faucets etc.

4. IT projects under scope of business system upgrading may include IT infrastructure enhancement, system planning and upgrading, customization of tools/software application etc. In helping NGOs make good use of web-based technologies to provide subvented welfare services, NGOs are allowed to use SWDF to develop or enhance their corporate websites subject to the vetting by the ISTB of SWD in consultation with JCIT.

5. To facilitate NGOs' implementation of their IT projects in a smooth manner, NGOs are allowed to use SWDF to cover the cost for IT staff to conduct and/or to oversee the IT projects. The staff cost incurred should be non-recurrent in nature and on a project-by-project basis.

6. IT projects that aim at improving the service delivery or enhancing e-services such as e-parenting, e-volunteerism etc while entailing consequential upgrading of the existing homepage and system security may be considered if they are assessed as not violating the prevailing IT strategy.

Scope C

7. Studies that aim at enhancing NGOs' service delivery include those that seek to evaluate and to improve NGOs' existing practices or modes of intervention in
delivering their subvented service(s).

The examples quoted in the above paragraphs are not meant to be exhaustive, and NGOs may put up proposals to SWD for consideration after taking into account their specific needs. All proposals are subject to vetting by SWD as well as endorsement by the relevant committees.

**Part B – Items that are outside the Ambit of SWDF**

1. Work projects, fitting-out or renovation works, purchase of furniture and equipment (F&E) items which are covered by the Lotteries Fund.

2. Salaries for staff on training leave.

3. Expenses on publicity, venue set-up, souvenirs for sharing sessions/seminars/talks.

4. Procurement of personal computers (PCs), related software and peripherals which are covered by the Block Grant. For details, please refer to para.4.2.3 of the Lotteries Fund Manual.

5. The following IT projects will not be considered under the prevailing IT Strategy for the Social Welfare Sector -

   - Intranet including setting up of Local Area Network
   - Client Information System
   - Proposals on consultancy service and IT strategic planning/strategic plan development, etc.

(Note: The existing IT Strategy for the Social Welfare Sector is now under review.)

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### Appendix 2

**Extract from Para. 6.2 of the Lotteries Fund Manual**

6.2 Quotation and Tender Ceilings

6.2.1 Except as provided in paragraphs 6.3.2 and 6.6.9 below, the quotation / tender ceilings are as follows -

<table>
<thead>
<tr>
<th>Value of Single Procurement / Contract</th>
<th>Quotation / tender requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Not exceeding $5,000</td>
<td>Quotations or tenders may be dispensed with.</td>
</tr>
<tr>
<td>(b) Exceeding $5,000 and not exceeding $20,000</td>
<td>NGOs should obtain quotations from at least two contractors or suppliers. All verbal quotations should be properly documented or confirmed in writing. Written quotations are however required for the appointment of APs or Consultants.</td>
</tr>
<tr>
<td>(c) Exceeding $20,000 and not exceeding $50,000</td>
<td>NGOs should obtain written quotations from at least two contractors or suppliers.</td>
</tr>
<tr>
<td>(d) (i) For works projects exceeding $50,000 and not exceeding $1,000,000</td>
<td>NGOs should obtain written quotations from at least five contractors or suppliers, although some form of tendering (open or restricted where justified) is generally preferred, especially for higher value contracts.</td>
</tr>
<tr>
<td>(ii) For services exceeding $50,000 and not exceeding $500,000</td>
<td></td>
</tr>
<tr>
<td>(iii) For stores exceeding $50,000 and not exceeding $200,000</td>
<td></td>
</tr>
<tr>
<td>Value of Single Procurement / Contract</td>
<td>Quotation / tender requirement</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>(e) (i) For works projects exceeding $1,000,000</td>
<td>NGOs must conduct tendering with tender documents containing all requirements and specifications. Where a marking scheme is adopted for assessment of tenders, this should be drawn up before inviting tenders.</td>
</tr>
<tr>
<td>(ii) For services exceeding $500,000</td>
<td></td>
</tr>
<tr>
<td>(iii) For stores exceeding $200,000</td>
<td></td>
</tr>
</tbody>
</table>