

COMMUNITY SPORTS COMMITTEE
Streamlining of Sports Funding Mechanism
and Additional Subvention for National Sports Associations

Purpose

This paper informs Members of the streamlined funding mechanism for the Sports Subvention Scheme which has been implemented in the financial year 2007/08 and the allocation of additional cash subvention of \$30 million for National Sports Associations (NSAs) for promotion of community participation in sports and enhancement of the School Sports Programme (SSP).

Policy Objectives

2. The Chief Executive announced in his 2007 Policy Address that the Government commits to promote the overall sports development to establish a strong sporting culture in the community by promoting sports for all, develop elite athletes, and organise large-scale sports events. The initiatives include enhancing training of elite athletes, staging more major sporting events, funding the development of district leisure and recreational facilities, organising the biennial territory-wide Hong Kong Games jointly with the District Councils starting from 2007, staging major sporting events for the community in celebration of the 10th Anniversary of the establishment of the Hong Kong Special Administrative Region, as well as providing an additional annual cash subvention of \$30 million to NSAs starting from the financial year 2007/08 to help them promote community participation in sports and to enhance the SSP. In addition, the Government will review and streamline the existing funding mechanism for higher efficiency and effectiveness.

Streamlined Funding Mechanism

3. The Leisure and Cultural Services Department (LCSD) has taken over the administration of subvention to NSAs from the ex-Hong Kong Sports Development Board since April 2004 by providing one-stop funding service for NSAs/sports organisations. The LCSD has continuously refined the funding mechanism over the past years and in late 2006 had it thoroughly reviewed in accordance with the initiatives announced in the Chief Executive's Policy Address. Upon the review, the sports funding mechanism has been streamlined and improved as follows –

(i) *Setting Clear Indicators for Performance Assessment*

4. The improved funding mechanism emphasises on the effectiveness of the programmes organised by NSAs. NSAs are required to submit an annual programme plan as well as a two-to-four year strategic plan for the development of specific sports with mandatory indicators and reference indicators. Mandatory indicators are quantitative assessment of the number of programmes organised, the number of participants and the percentage increase in the number of participants in general or in target age groups. Reference indicators provide supplementary reference by providing information on the achievements of the respective NSAs in international competitions, the regional/international rankings of the respective athletes, and the involvement or appointment of key office-bearers, members and coaches of the respective NSAs in international sports federations. Setting clear indicators will facilitate the assessment of the performance of respective NSAs more effectively and objectively.

(ii) *Flexible Use of Subvention*

5. Within the framework of macro-management adopted by the LCSD, NSAs are given greater flexibility for more effective use of government subvention. By removing the requirement of obtaining prior approval from the LCSD, NSAs can decide on the appointment of staff to subvented posts in accordance with the standard entry requirements and stipulated ranges of salary for the posts. Office expenses are provided in a block grant basis for free deployment by NSAs to meet their actual operational needs instead of the previous itemised subsidies on administration fee, rent and rates, audit fee and policy premium for public liability insurance. The number of categories of programmes has been cut from eight to four, namely international competitions, squad training, development programmes and staff training. In parallel, tedious programme expenditure items are consolidated into four major groups, namely board and lodging, staff remuneration, printing and publicity expenses, and event-related expenses. NSAs can freely deploy the funding within the same programme category or the same expenditure group, or cross-expenditure group provided that the virement of funding is less than 25% of the funding for that group. For cross-category virement of funding and cross-expenditure virement of funding exceeding 25%, prior approval from the LCSD are required.

(iii) *Expanded Use of Reserve Fund*

6. Savings from economical use of subvention or benefits from additional source of income should be deposited into the Reserve Fund. The Reserve Fund was previously confined to purposes other than personnel and capital works. Starting from the financial year 2007/08, the reserve fund can be used to meet salary remuneration for the subvented posts in the Approved Establishment or for additional manpower. The LCSD will consider each personnel-related application on its merits and in view of the sustainability of the available Reserve Fund.

(iv) *Enhanced Performance Monitoring*

7. In tandem with greater flexibility given to NSAs through the streamlined mechanism, monitoring is enhanced to ensure proper use of public money. The LCSD will conduct random checking on the salary of the subvented staff, enhance audit examination (specifically on the deployment/virement of funding), evaluate NSAs' overall administrative and management capability in terms of staff turnover rate, internal administrative systems and procedures, and compliance with the associations' charters and terms of the subvention agreements. To facilitate timely rectification of misuse of subvention, the stipulated prior notice period before varying or suspending subvention payment to NSAs has been shortened from three months to one month.

Allocation of Subvention

8. Among the \$117.6 million of subvention granted to NSAs in the financial year 2006/07, \$32.4 million (about 28%) was earmarked for personnel expenses, \$3.5 million (about 3%) for office expenses and the remaining \$81.7 million (about 69%) for programme expenses. Taking into account the \$30 million of additional subvention granted to NSAs in the financial year 2007/08, the total subvention stands at \$147.5 million, with \$45.7 million (about 31%), \$7.7 million (about 5%) and \$94.1 million (about 64%) earmarked for personnel expenses, office expenses and programme expenses respectively.

9. A breakdown of the additional subvention of \$30 million in the financial year 2007/08 is as follows –

(i) *Programme Subsidy*

10. Of the \$30 million of additional subvention, \$12.8 million is for programme expenses for 1 700 additional programmes mainly for schools and local communities, among which about 1 000 programmes (59%) are to be jointly organised by NSAs, the District Councils, district sports organisations and schools to develop sports development programmes and sporting events with local characteristics, about 600 programmes (35%) are for squad training and the remaining 100 programmes (6%) are for staging international competitions, staff training and conferences. In addition to increasing the number of sports programmes, the additional subvention is also used to increase the subvention for local international events with a view to encouraging NSAs to stage more international events for the benefits of local athletes by providing them with more chances to take part in competitions and sharpen their skills.

(ii) *Manpower and Salary Subvention*

11. An additional subvention of \$13 million is provided for personnel expenses. To meet its programme needs, each NSA is allowed to create one additional full-time post in its Approved Establishment starting from the financial year

2007/08. Serving incumbents are assured of remuneration levels not less than those at 31 March 2007 and are given a 'Special Personnel Fund' according to their cumulative continuous years of service in the serving NSAs to recognise their loyal service. Moreover, all posts approved for slide-down appointment are provided with top-up salary to bridge the salary difference up to the minimum entry pay-points, in order to provide sufficient resources to NSAs for future appointment of staff.

(iii) Office and Administration Subsidy

12. An additional subvention of \$4.2 million is provided for office expenses. The office expenses subvention is a nominal subsidy. The previous fixed-rate subsidy was found insufficient to support the daily operations of NSAs. To raise the efficiency of their internal administration, subvention of office expenses is increased by 50% for administration expenses, 300% for annual audit fee, and 500% for public liability insurance premium. Furthermore, each NSA has received a one-off subsidy of \$20,000 for procurement of new or additional office equipment to enhance efficiency.

Current Position

13. Earlier on, the LCSD had communicated and exchanged views with the Sports Federation and Olympic Committee of Hong Kong, China and NSAs on the streamlined/improved funding mechanism and the allocation of additional subvention. A consensus on the detailed arrangements was reached in March 2007. Subsequently, NSAs submitted proposals for additional subvention in April. Having made reference to the track records of NSAs in programme organisation, development potentials of the respective sports, existing staffing position, as well as the practicability and effectiveness of development plans submitted, the LCSD signed a revised subvention agreement with the NSAs in July to fully implement the new funding mechanism and allocation of subvention.

Members' Information

14. Members are invited to note the streamlined funding mechanism and the principles for allocation of the additional subvention of \$30 million in the financial year 2007/08.
