

For discussion on
9 January 2009

Legislative Council Panel on Home Affairs

Proposed Injection of Funds into the Arts and Sport Development Fund

Purpose

This paper seeks Members' views on our proposal to inject \$150 million (\$60 million for the arts portion and \$90 million for the sports portion) into the Arts and Sport Development Fund (ASDF).

Proposal

2. We propose to inject a sum of \$150 million into the ASDF to continue to support worthwhile initiatives for the arts and sports.

Justification

Background

3. With the approval of the Finance Committee (FC) of the Legislative Council in January 1997, the ASDF was set up as a sub-fund under the Sir David Trench Fund for Recreation¹ to provide funding for key initiatives of the Hong Kong Arts Development Council (HKADC) and the then Hong Kong Sports Development Board in their respective five-year strategic plans. A sum of \$300 million was approved as a one-off injection to support the proposed activities. The allocation between the arts and sports portions of ASDF was \$160 million and \$140 million respectively. On 26 January 2007, FC approved an injection of \$80 million into the ASDF (\$40 million each for the arts and sports portions) to continue support for the development of the arts and sports in Hong Kong.

¹ Sir David Trench Fund for Recreation is a statutory fund established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) for the purpose of providing facilities for recreational, sporting, cultural and social activities and other objects ancillary or incidental to this purpose. It is held in trust by the Incorporation of the Director of Accounting Services and administered by the Secretary for Home Affairs.

- **Arts Portion of the ASDF**

Operation of the Arts Portion of the ASDF

4. Established in June 1995, the HKADC is a statutory body set up under the Hong Kong Arts Development Council Ordinance (Cap.472) to promote and develop culture and the arts in Hong Kong. In 2008-09, it receives a recurrent subvention of around \$84 million from the Government for meeting its staff, administrative and programme expenses. The HKADC has been supporting the development of local artists and arts groups mainly through its One-Year Grant, Project Grant and Devolved Grant schemes. Since 1 April 2007, the HKADC has transferred its funding responsibility over the ex-HKADC six 3-year grantees, namely, the Hong Kong Sinfonietta, the Hong Kong Ballet, the City Contemporary Dance Company, the Chung Ying Theatre Company, Zuni Icosahedron and the then Theatre Ensemble to the Home Affairs Bureau (HAB) and has since consolidated its work focus on the development of the small and medium-sized arts groups and on nurturing budding artists. Apart from the annual recurrent subvention, the arts portion of the ASDF is the only other source of funding available to the HKADC to support other significant projects that contribute to the further development of the arts in the community outside its recurrent grant schemes.

Eligibility Criteria for the Arts Portion of the ASDF

5. The eligibility criteria adopted for assessing applications to the arts portion of the ASDF are as follows –

- (a) grants to be disbursed should only cover projects that enhance Hong Kong's position as an international cultural centre and/or contribute to the strategic development of the local arts scene;
- (b) for individual projects, they should be projects with a budget of \$400,000 or more (with the exception of projects initiated by the HKADC itself); and
- (c) for individual projects, the subsidy level sought must not exceed 75% of the project estimate, up to a ceiling of \$2 million (with the exception of projects initiated by the HKADC itself).

6. When the last funding injection was approved in January 2007, in order to tie in with the re-focused mission of the HKADC to nurture the small and medium-sized groups as well as to nurture the budding artists, the HAB and the HKADC had undertaken to use the new injection to support the following new schemes or initiatives -

- (a) Budding Grant Scheme
 - schemes/projects that target supporting the debut of budding

artists;

- (b) Enhanced Support Scheme for Budding Artists
 - schemes/projects that target supporting budding artists with recognised potential;
- (c) Support for Small and Medium-sized Performing Arts Groups
 - schemes/projects that target supporting small and medium-sized performing arts groups to help them attain a higher level of excellence; and
- (d) Arts Education, Arts Promotion and Community Participation
 - schemes/projects that target enhancing student and community appreciation of and participation in culture and the arts.

Financial Position of the Arts Portion of the ASDF

7. Since the inception of the ASDF in 1997 and up to 30 November 2008, \$256.8 million for 1 165 projects have been approved from the arts portion of the ASDF. As at 30 November 2008, the uncommitted balance of the arts portion of the ASDF is \$12.1 million. A summary table on the approved applications by nature between January 2007 (last injection date) and 30 November 2008 is set out below –

Nature of Projects	Number of Projects	Amount Approved (\$)
Budding Grant Scheme	5	7,050,000
Enhanced Support Scheme for Budding Artists	2	5,000,000
Support for Small and Medium-sized Performing Arts Groups	1 Scheme covering 37 projects	4,427,500
Arts Education, Arts Promotion and Community Participation	10	13,115,000
Total	18	29,592,500

8. Prior to the injection in January 2007, there was no targeted support for budding artists and small and medium sized arts groups from ASDF. A breakdown of the projects by nature approved between 1997 and the last injection in January 2007 is appended below –

Nature of Projects	Number of Projects	Amount Approved (\$)
Research	95	32,393,896
Arts Education	164	25,412,354
Arts Promotion	826	133,046,588
Cultural Exchange	62	36,315,672
Total	1 147	227,168,510

Proposed Injection of \$60 million into the Arts Portion of the ASDF

9. In the HKADC budget of \$84 million for 2008-09, about \$20 million has been earmarked for administrative expenses, \$49 million for support to the different grant schemes and \$15 million for support to the HKADC proactive projects of a recurrent nature. It will need the additional funding from the ASDF to carry out special projects with significant contribution to culture and the arts, including new pilot funding schemes.

10. It is the HKADC's plan that the proposed \$60 million injection will continue to be earmarked to support initiatives under the same four broad categories supported under the last funding injection. In line with our forecast in 2007, over the past two years, an average of about \$20 million was granted each year. It is estimated that with the proposed injection, an average of \$20 million will continue to be committed each year until 2011-12. In the light of the development of the West Kowloon Cultural District (WKCD), there is a need to provide funding to the arts sector under the arts portion of the ASDF to support the nurturing of budding artists and the development of the small and medium-sized performing arts groups, complementing the funding support for the major performing arts groups provided by the HAB direct and the various other forms of support from the HKADC and the Leisure and Cultural Services Department. Finally, it is also essential to enhance community interest and participation in culture and the arts to carry the vision of WKCD.

Management of the Arts Portion of the ASDF

Approval and Disbursement of Funds for Applications

11. The Secretary for Home Affairs (SHA) considers and approves applications for the arts portion of the ASDF recommended or initiated by the HKADC. Funding for those projects lasting for more than one year will be disbursed in two or more installments.

Monitoring of Approved Projects

12. The HKADC is required to set out targets/deliverables in putting forward the funding applications. After funding is approved, the HKADC is required to submit interim progress reports for review if the projects last for more than one year. Reports showing satisfactory progress of projects are necessary before the next installments are disbursed. A project report must be submitted by the HKADC to the HAB within eight months upon completion of the project. In the case of substantial changes to the scope of the project or to the project estimate, the SHA must be consulted in advance. SHA has the authority to withdraw the grants due to project changes.

Statement of accounts

13. For projects with a budget over \$100,000, audited statements of accounts together with a project report have to be submitted by the HKADC to the HAB. To strengthen budgetary control over the projects and to ensure proper use of public funds, the auditors are required to confirm in the statements of accounts if the conditions of the grants have been met.

14. For projects with a budget of \$100,000 or less, a complete statement of accounts, together with the invoices and receipts must be submitted by the HKADC to the HAB for checking.

• **Sports Portion of the ASDF**

Operation of the Sports Portion of the ASDF

15. The sports portion of the ASDF is used mainly to support our athletes' preparation for and participation in major games and the hosting of major international sports events in Hong Kong. It may also be used to support other "one-off" initiatives that are of significant importance to the development and promotion of sports in Hong Kong. Both the capital and income generated from the sports portion of the ASDF can be used to fund eligible activities.

Applications for the Sports Portion of the ASDF

16. The sports portion of the ASDF is used to support projects in the following categories-

(a) Preparation of Athletes for Major Games

The sports portion of the ASDF provides support for elite athletes to prepare for major international and national games, such as the Olympic Games, the Paralympic Games, the Asian

Games and the National Games. Funding can be used to cover expenses relating to the additional local and overseas training, purchase of additional equipment, provision of on-field support and hire of additional coaches required to prepare athletes properly for major games.

(b) Participation in Major Games

Allocations may also be made from the sports portion of the ASDF to support the participation of Hong Kong delegations in major games. Funds granted may be used to cover expenses for the delegation's accommodation and meals, local transportation, uniforms and related expenses such as medical tests.

(c) Hosting of Major International Events

In line with our objective to make Hong Kong a leading location for international sports events, the sports portion of the ASDF also supports National Sports Associations (NSAs) and other sports organisations in the hosting of major international events in Hong Kong. In particular, funding from the ASDF has been earmarked to support the "M" Mark System², which was launched in November 2004. Funds granted are used to cover venue set-up, the costs of accommodation and meals of participants, allowances for officials and miscellaneous items such as prizes and trophies. For the "M" Mark System, funding can take the form of an interest-free loan, matching funds or a direct grant.

(d) Other "One-off" Initiatives

The sports portion of the ASDF may also be used to support other "one-off" activities that are of importance to the development and promotion of sports in Hong Kong.

Approval and Disbursement of Funds for Applications

17. Applications for grants from the sports portion of the ASDF are considered and approved by the SHA. The Director of Accounting Services, as the trustee of the ASDF, is responsible for the disbursement of grants.

² So far, we have earmarked a total of \$36 million and disbursed \$18.6 million from the sports portion of the ASDF to support "M" Mark events. During the first and second year of an event, matching funds of up to \$3 million and \$2 million would be provided respectively. For the third, fourth, fifth and sixth year, matching funds of up to \$1 million would be provided in each year.

Monitoring of Approved Projects

18. Grant recipients are required to comply with conditions including the submission of evaluation reports and statements of accounts upon completion of the projects. Any unspent balance must be returned within three months of the completion of a project.

Financial Position of the Sports Portion of the ASDF

19. Up to 30 November 2008, SHA had approved the award of grants for 148 projects from the sports portion of the ASDF. The total amount of grants awarded was approximately \$249 million. A breakdown by project type is as follows -

Nature of Project	Number of Projects			Amount Approved		
	By end 2006	1 January 2007 to 30 November 2008	Total	By end 2006	1 January 2007 to 30 November 2008	Total
Preparation for Major Games	26	5	31	\$76,910,809	\$17,236,540	\$94,147,349
Participation in Major Games	26	9	35	\$41,762,431	\$13,994,597	\$55,757,028
Hosting of Major International Events	30	24	54	\$24,236,312	\$22,815,705	\$47,052,017
Other "one-off" Initiatives	26	2	28	\$50,300,655	\$1,770,000	\$52,070,655
Total	108	40	148	\$193,210,207	\$55,816,842	\$249,027,049

As at 30 November 2008, the uncommitted balance of the sports portion of the ASDF was \$48.1 million.

Proposed Injection of \$90 million into the Sports Portion of the ASDF

20. The sports portion of the ASDF is an important source of funding for the development and promotion of sports in Hong Kong. In January 2007, FC approved an injection of \$40 million into the sports portion of the ASDF, increasing the then balance of the fund to some \$90 million. In the FC paper inviting Members' approval of that injection of funding [FCR(2006-07)35], we advised that an average of over \$30 million per annum would be required over the next three to four years after the injection (i.e., from 2007 to 2010) to support Hong Kong athletes' preparation for and participation in major games and the hosting of major international events. In line with our forecast, in the

two years since the injection in early 2007, an average of about \$30 million has been granted from the ASDF each year to support sports development. We therefore anticipate that the balance of the sports portion of the ASDF (\$48.1 million as at 30 November 2008) will be exhausted by late 2009 or early 2010.

21. Part of our overall policy for sports development is to reinforce support for our elite athletes, in particular to enhance their medal-winning chances in major games. In this context, it is important that our top athletes have regular international training exposure and competition experience in the lead-up to major games. Since the establishment of the ASDF, the sports portion of the fund has been the major source of such support. We consider that continued funding for intensive preparation for and properly supported participation in events is essential if our athletes are to be able to compete at a high level in the increasingly competitive international sports field. We have requested the Sports Federation & Olympic Committee of Hong Kong, China, the Hong Kong Sports Institute and relevant NSAs to begin the necessary preparation for the upcoming major games, particularly the Guangzhou 2010 Asian Games and the London 2012 Olympic and Paralympic Games, as soon as possible. Unless the sports portion of the ASDF is replenished in good time, there will be insufficient funding available from other sources to ensure the effective preparation of our athletes. This in turn will have an impact on their performance at the highest level.

22. Members may also wish to note that many international sports federations are introducing new events. In 2010, the International Olympic Committee will stage the first ever Youth Olympic Games in Singapore, to be followed by a Winter Youth Olympic Games in Innsbruck in 2012. In Asia, the Olympic Council of Asia started staging a biennial Asian Beach Games in late 2008. To promote sports and youth development, it is important for Hong Kong to take part in these games, which also require funding support from the sports portion of the ASDF. Details of the key major games scheduled for the four years from 2009 to 2012 are listed at the Annex.

Advice Sought

23. Members are invited to comment on the proposed injection of funds into the ASDF. Subject to Members' views, we shall seek FC's approval in February 2009 for the proposed injection of \$150 million into the ASDF in 2008-09.

*Home Affairs Bureau
January 2009*

Annex

The key major games scheduled for the four years from 2009 to 2012 include:

- *Asian Youth Games (to be held in Singapore in 2009);
- National Games (to be held in Jinan in 2009);
- East Asia Games (to be held in Hong Kong in 2009);
- Asian Indoor Games (to be held in Hanoi in 2009);
- World University Games (to be held in Belgrade in 2009);
- Olympic Winter Games (to be held in Vancouver in 2010);
- *Youth Olympic Games (to be held in Singapore in 2010);
- Asian Games (to be held in Guangzhou in 2010);
- Asian Paralympic Games (to be held in Guangzhou in 2010);
- Asian Beach Games (to be held in Muscat in 2010);
- National City Games (to be held in Nanchang in 2011);
- Asian Indoor Games (to be held in Doha in 2011);
- Asian Winter Games (to be held in Almaty in 2011);
- World University Games (to be held in Shenzhen in 2011);
- Olympic Games (to be held in London in 2012);
- Paralympic Games (to be held in London in 2012);
- Asian Beach Games (to be held in Haiyang in 2012); and
- *Winter Youth Olympic Games (to be held in Innsbruck in 2012).

* New Games