

ITEM FOR FINANCE COMMITTEE

HEAD 53 – GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU

Subhead 700 General non-recurrent New Item “Injection into the Elite Athletes Development Fund”

Members are invited to approve a new commitment of \$7 billion for establishing the Elite Athletes Development Fund.

PROBLEM

We need to ensure that the Hong Kong Sports Institute (HKSI) can continue to provide the elite athlete training programme on a sustainable and long-term basis.

PROPOSAL

2. The Secretary for Home Affairs (SHA) proposes to create a new commitment of \$7 billion to establish the Elite Athletes Development Fund (EADF) in 2011-12. The investment return from EADF will replace the annual subvention currently provided to HKSI.

JUSTIFICATION

Present position and recent developments

3. HKSI is responsible for delivering professional services dedicated to supporting the development of Hong Kong’s top athletes. It provides direct support to more than 1 000 athletes, including about 540 elite athletes (of whom about 170 are full-time athletes) and 490 potential athletes. The programmes and services provided by HKSI to support elite and potential athletes are at Enclosure 1.

Encls.
2 & 3

4. Established on 1 October 2004, HKSI Limited is tasked to operate and manage HKSI. The objectives of HKSI Limited and the composition of its Board are at Enclosures 2 and 3 respectively.

5. HKSI's major source of funding comes from government subvention received through the Home Affairs Bureau (HAB). Its other sources of income include funding support from the Hong Kong Jockey Club Elite Athletes Fund¹, sponsorship, donations and commercial income generated by providing training courses for members of the public and renting facilities to outside parties. In 2010-11, the HKSI's annual budget was about \$240 million, of which \$217 million came from government subvention.

6. In order to improve HKSI's capacity to support the development of high-performance athletes, the Finance Committee (FC) approved funding in 2007 and 2008 for the redevelopment of HKSI at a total estimated cost of about \$1,760 million². Upon scheduled completion of the redevelopment project by the end of 2013, HKSI will have new facilities including a nine-storey multi-purpose building, a multi-purpose sports hall, a two-storey rowing boathouse, and a 52-metre indoor swimming pool, as well as improved support services such as athlete accommodation, strength and conditioning, sports science and sports medicine. With the new and upgraded facilities and services, we expect that the cost of operating HKSI will rise by no less than \$23.5 million per annum.

Encl. 4

7. To tie in with the redevelopment, HKSI has worked out a five-point strategy for improving its ability to deliver high-level athlete training and support, details of which are at Enclosure 4. In implementing this strategy, HKSI aims to provide direct support to 1 300 athletes by 2016, including about 810 elite athletes (of whom up to 270 will be full-time athletes) and 490 potential athletes. It is crucial that adequate financial resources are made available to allow HKSI to achieve its strategic goals and to support more athletes to maximise the use of its upgraded facilities.

/Funding

¹ The Hong Kong Jockey Club Elite Athletes Fund was established in 1992 with an endowment of \$200 million granted by the Hong Kong Jockey Club Charities Trust. The investment return of the endowment provides funding support to elite athletes of HKSI.

² On 22 June 2007, FC approved preparatory works of the HKSI redevelopment project at an estimated cost of \$52.9 million in the money-of-the-day (MOD) prices. On 13 June 2008, FC approved the main works of the HKSI redevelopment project at an estimated cost of \$1,707.5 million in the MOD prices.

Funding requirements of HKSI

8. Taking into account its current funding requirements, the additional resources required to operate HKSI upon completion of the redevelopment project and the potential cost of implementing its strategic goals, HKSI estimates that its total expenditure will increase from about \$290 million in 2011-12 to \$370 million in 2016-17. A table showing the estimated income and expenditure of HKSI from 2011-12 to 2016-17 is at Enclosure 5. The main reasons for the projected funding increases are as follows –

Encl. 5

- (a) *Increased number of elite athletes:* With the expected increase in the number of elite athletes in the coming years, HKSI will need additional funding to provide athlete support, such as direct financial assistance, dedicated training programmes, preparation for and participation in major competitions, sports science and sports medicine services, and meals and accommodation.
- (b) *Enhanced support for athletes:* In order for Hong Kong athletes to be able to keep pace with the progress of their counterparts from other countries and regions, HKSI will need to improve the quality of services provided to athletes in areas such as sports science and medicine, use of information technology in athlete training and support services at major competitions.
- (c) *Redevelopment of HKSI:* The cost of operating HKSI's facilities will increase after completion of the redevelopment project.

We consider that there is scope for an increase in commercial and other revenue of up to \$29 million annually after the completion of the redevelopment project. This will offset in part the projected increase in HKSI's funding requirements.

EADF

9. We propose to make a one-off injection of \$7 billion to establish EADF as a trust fund under the Secretary for Home Affairs Incorporation Ordinance (the Ordinance) (Cap. 1044), with the Secretary for Home Affairs Incorporated (SHAI) as its trustee. The injection will serve as seed money for EADF to generate investment return to support the operation of HKSI on a long-term basis and meet its increased funding requirements discussed above. The Fund will replace the annual subvention currently provided to HKSI. The proposed new funding mode will provide HKSI with greater flexibility in deploying resources to implement initiatives in support of its objectives and in meeting cash flow requirements. It also shields HKSI from fluctuations in the Government's overall fiscal position. EADF may also receive donations and sponsorship.

Operation and monitoring of EADF

Encl. 6

10. HAB will oversee the administration and the investment strategy of EADF having regard to the advice of the Sports Commission (SC), the highest-level advisory committee on sports policy. SC's membership and terms of reference are at Enclosure 6. We will also seek SC's advice on the HKSI's annual budget and operating plans approved by the Board of Directors of HKSI Limited. We propose that SHA should be vested with the authority to approve annual allocations to HKSI, taking into account the advice of SC, the investment return of EADF and the HKSI's budget.

11. To ensure the HKSI's effective use of the EADF allocation in achieving its objectives of promoting the development of elite sport in Hong Kong and helping our elite athletes to achieve high levels of performance in major international competitions, HAB will continue to enter into a service agreement with HKSI Limited annually. The performance standards and requirements of HKSI will be specified in the service agreement.

12. In line with the practices for other trust funds under the Ordinance, the statement of account of EADF will be audited by the Director of Audit and incorporated into the financial report of SHAI for tabling at the Legislative Council annually.

Financial arrangements

13. The proposed \$7 billion will constitute the seed capital of EADF, and the allocation from EADF to HKSI will be drawn from the annual investment return on the capital. As the allocation from investment return on EADF will replace the existing annual subvention for HKSI, a mechanism must be put in place to allow the Government to deploy resources to ensure sustained and uninterrupted operation of HKSI. For example, during the initial period after the establishment of EADF there will be no significant investment return from the fund available for allocation. In times of high market volatility, it is also possible that the investment return may not be sufficient to provide the amount required to support the operation of HKSI. We propose that in such cases, SHA may, having regard to the advice of SC, authorise the use of part of the EADF seed capital to meet the immediate needs of HKSI.

/14.

14. Of the \$7 billion injection, we propose to deposit \$6 billion with the Hong Kong Monetary Authority (HKMA) to earn an investment return linked to the performance of the Hong Kong Exchange Fund (HKEF). The rate of return on the investments placed with HKMA, calculated on the basis of the average annual investment return of the HKEF's investment portfolio for the past six years, is 6% for 2011. Applied to the \$6 billion EADF deposit, EADF will receive a return of \$360 million per annum. The remaining EADF seed capital of \$1 billion will be deposited with banks to provide a readily available source of funding, and to provide a buffer in the event of significant fluctuations in investment returns from the deposit placed with HKMA. HAB will decide on an appropriate mix of investment options to maximise return while having regard to the potential cash flow requirements of HKSI.

Other enhancements in support for athletes

15. HKSI will continue to render support to elite athletes in enhancing their career prospects following retirement from full-time training and competition. The Enhanced Athletes Educational and Vocational Development Programme launched by HKSI since 2008 provides educational and career development support to athletes. Athletes may also apply for scholarships and subsistence allowances from the Hong Kong Athletes Fund to support their enrolment in certificate, diploma, higher diploma and bachelor's degree courses run by local or oversea educational institutions. Additional funding that would be available following the establishment of EADF will also enable HKSI to further enhance educational support to elite athletes.

16. After the establishment of EADF, HAB will redeploy resources from the sports portion of the Arts and Sport Development Fund currently used to support elite athlete preparation for major games to strengthen support for other sports which are not under the elite programme, particularly team sport.

FINANCIAL IMPLICATIONS

17. We propose a one-off injection of \$7 billion to set up EADF in 2011-12. Upon the establishment of EADF, we will discontinue the recurrent annual subvention to HKSI.

18. As regards capital works or capital non-works projects of HKSI in future, we will consider the funding arrangements having regard to the prevailing financial position of EADF and HKSI. If necessary, additional resources for these projects will be sought according to the established mechanism.

19. HAB will initially deploy existing resources to meet the administrative cost and additional workload arising from the establishment of EADF and related monitoring responsibility. We shall review the need for additional staff in the light of actual workload and seek additional resources according to the established mechanism when necessary.

PUBLIC CONSULTATION

20. We have consulted members of the sports community through SC and its Elite Sports Committee. Members supported the proposal to establish EADF in order to allow HKSI to improve its support to elite athletes, with a view to helping them achieve higher levels of performance and develop viable career paths upon retirement from top-level competition. Members also advised that the arrangements for making allocations from EADF should be kept simple and efficient, and there should be a mechanism for dipping into the seed capital of EADF if the investment return could not meet the HKSI's requirements.

21. On 13 May 2011, we consulted the Legislative Council Panel on Home Affairs on this proposal. Members supported the proposed establishment of EADF, whilst making the following comments –

- (a) In addition to supporting athletes from the sport currently under the elite training programme, HKSI should aim to provide more support to athletes in popular team sport such as football, basketball and volleyball.
- (b) Consideration should be given to replenishing any seed capital that might be used, in order to ensure that future allocations drawn from investment return would be sufficient to meet HKSI's needs.
- (c) More support should be provided to athletes in pursuing educational opportunities to allow them to take up new careers after retirement from the elite training programme.

We have addressed these comments and concerns in the relevant parts of this paper.

BACKGROUND

22. In his 2011-12 Budget, the Financial Secretary proposed to set up a \$7 billion EADF to replace the current mode of providing subvention to HKSI. This will help ensure that HKSI can operate as a world-class training centre, to provide comprehensive support to elite athletes, and to strengthen our efforts to identify and train young athletes with potential to perform at a high level.

Home Affairs Bureau
July 2011

**Hong Kong Sports Institute (HKSI)
Programmes and Services Provided to Athletes**

(A) Direct Financial Support

- Elite Training Grant
- Sports Aid Grant for Athletes with Disabilities
- Individual Athletes Support Scheme for athletes in “non-elite” sport
- Sports Aid Grant
- Special Incentive Fund for athletes who win medals in major competitions
- Incentive Awards for Major Games (i.e., Olympic Games, Asian Games, World University Games, National Games, East Asian Games, Paralympic Games and Asian Para Games)
- Outstanding Junior Athletes Awards for athletes aged below 19
- Hong Kong Athletes Fund – Education Grant for full-time and short-term courses, and subsistence allowance for eligible retired athletes
- Hong Kong Athletes Fund – Youth Scholarship Award Scheme for junior athletes who win medals at major youth games such as Youth Olympic Games

(B) Support for athlete training and competition

- Coaching support
- Local training programmes
- Oversea training and competitions
- Equipment
- Accident, travel, life and medical insurance
- Training facilities
- Sports science and sports medicine support
- Fitness training support

(C) Other services

- Support to athletes to pursue higher education
- Enhanced Athletes Educational and Vocational Development Programme
- Athlete hostel
- Athlete restaurant with provision of free meals
- Free parking space at HKSI
- Sports Information Centre

Hong Kong Sports Institute Limited

Objectives

1. To provide an environment in which talented Hong Kong sportsmen and sportswomen have the opportunity to achieve at the highest level in sport and advancement in sports education.
2. To be a delivery agent in the provision of high performance sport for talented sportsmen and sportswomen in Hong Kong, under the policy direction of the Secretary for Home Affairs, enabling them to achieve international success so as to enhance the reputation of Hong Kong and benefit the community of Hong Kong.
3. To formulate and prepare schemes for and establish and take all necessary steps for the promotion, maintenance, improvement and advancement of the interest of the public in Hong Kong and elsewhere in elite sport and various related forms.
4. To work closely with the Sports Federation and Olympic Committee of Hong Kong, China and national sports associations or other organisations of similar nature in the education, training and developing of Hong Kong talented sportsmen and sportswomen to achieve success in major games and international sporting events.
5. To work closely with the national sports associations and other bodies in the identification of talents for elite sports training.
6. To co-operate with different sectors of the community, education and sports training institutions, both local and in other places, in the delivery of elite sports training programmes.
7. To assist athletes under training in the Hong Kong Sports Institute in their education and vocational training and their longer term personal and career development.
8. To provide sports science and sports medicine services to elite athletes and coaches, catering for the needs of the athletes undergoing their sports training programmes.
9. To facilitate and sponsor elite sport-related research and studies; and to educate, disseminate knowledge and advice on these matters to the sports community for the enhancement of high performance sport.

10. To provide sports information service to meet the needs of athletes, coaches, national sports associations, physical education specialists and sports science and sports medicine professionals.
11. To provide coach education and development, coach accreditation and coach registration.
12. To promote the exchange of information, experience, international understanding and goodwill in elite sports education and training.

Hong Kong Sports Institute Limited

Board of Directors
(1 April 2011 – 31 March 2013)

- Chairman : Dr Eric LI Ka-cheung
(Period of appointment: 1 April 2011 – 31 March 2012)
- Vice-Chairmen : Mr TANG Kwai-nang
Mr Carlson TONG Ka-shing
- Directors : Dr Julian CHANG Wai
Dr Kenneth CHU Ting-kin
Mr Adam KOO
Mr Karl KWOK Chi-leung
Mr LAM Cheuk-yum
Dr James LAM
Dr Hon LAM Tai-fai
Ms Vivien LAU Chiang-chu
Mr Michael LEE Tze-hau
Mr Matthias LI Sing-chung
Ms Winnie NG
Ms Malina NGAI Man-lin
Mr Thomas J WU
Ms Lisa YIP Sau-wah
Mr Jonathan MCKINLEY
Mr Benjamin MOK Kwan-yu
(as alternate director to Mr Jonathan MCKINLEY)
Mr Bobby CHENG Kam-wing
Ms Olivia CHAN Yeuk-oi
(as alternate director to Mr Bobby CHENG Kam-wing)
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Strategic Directions of the Hong Kong Sports Institute (HKSI)

- (A) **Elite Training System Development:** To enhance the connectivity of HKSI with international counterparts to ensure its training system is benchmarked against state-of-the-art systems and its resources are streamlined; and to enhance talent identification and talent screening to improve performance.
 - (B) **Elite Athletes Lifestyle System Development:** To attract and retain more full-time athletes in HKSI through integrated education and accreditation programmes.
 - (C) **Electronic and Technological Development:** To enhance the use of high performance training technology to improve training outcomes; and to improve the use of information technology to strengthen communication systems and to refine the core administration system of HKSI.
 - (D) **HKSI Brand Development:** To enhance the visibility of HKSI as a centre of elite training in order to attract and retain talented athletes; and to increase community connectivity and engagement through high performance lifestyle education and information.
 - (E) **Human Resources Capacity Building:** To develop the human resources capabilities of HKSI by reengineering and development programmes.
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Enclosure 5 to FCR(2011-12)42

Hong Kong Sports Institute Limited

Financial Projection for 2011-12 to 2016-17

	Estimated amount \$ Million					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
INCOME						
Allocations from the Government / Elite Athletes Development Fund	265.70	269.76	280.12	292.81	305.10	317.40
Income from Hong Kong Jockey Club Elite Athletes Fund	9.13	9.20	12.73	15.80	9.13	9.20
Income from commercial operations, sponsorship, donations and other sources	10.62	15.48	33.43	40.16	39.80	40.00
TOTAL INCOME	285.45	294.44	326.28	348.77	354.03	366.60
EXPENDITURE						
Direct financial support to athletes	59.27	63.21	67.47	72.08	77.09	82.53
Athlete training and other related expenditure	98.53	82.42	90.52	101.88	97.69	103.26
Staff cost (including coaching and other athlete support staff)	100.75	111.69	116.97	120.09	121.58	122.70
Other operating expenditure	26.90	37.12	51.32	54.72	57.67	58.11
TOTAL EXPENDITURE	285.45	294.44	326.28	348.77	354.03	366.60

Sports Commission (SC)

**Membership
(1 January 2011 onwards)**

- Chairman (Ex-Officio) : Mr TSANG Tak-sing
Secretary for Home Affairs
- Vice-Chairman (Ex-Officio) : The Hon. Timothy FOK Tsun-ting
President, Sports Federation and Olympic
Committee of Hong Kong, China
- Members (Ex-Officio) : Mr TONG Wai-lun
Chairman, Community Sports Committee
- Professor Frank FU Hoo-kin
Chairman, Elite Sports Committee
- Mr William KO Wai-lam
Chairman, Major Sports Events Committee
- Mr David YIP Wing-shing
Vice-Chairman, Community Sports Committee
- Mr HUNG Chung-yam
Vice-Chairman, Elite Sports Committee
- Mr Terry SMITH
Vice-Chairman, Major Sports Events Committee
- Dr Eric LI Ka-cheung
Chairman, Hong Kong Sports Institute Limited
- Mrs Betty FUNG CHING Suk-yee
Director of Leisure and Cultural Services

/Members

Members : Mr CHAU How-chen
Mr Victor HUI Chun-fui
Mr Herman HU Shao-ming
Ms Ann CHIANG Lai-wan
Dr Roy CHUNG Chi-ping
Mrs Jenny FUNG
Miss Leonie KI Man-fung
Mr Tony YUE Kwok-leung
Mr Wilfred NG Sau Kei
Miss Amy CHAN Lim Chee

Terms of Reference

SC was established on 1 January 2005 and its terms of reference are to advise the Administration on –

- (a) the policies, strategies and implementation framework for sports development in Hong Kong; and
- (b) the provision of funding and resources in support of sports development in Hong Kong, taking into account the input from various stakeholders in sport through partnership and collaboration.

SC is underpinned by three Committees, namely the Community Sports Committee, the Elite Sports Committee and the Major Sports Events Committee, which help develop and promote community sport, elite sport and major sports events.
