

For discussion on  
12 June 2015

## **Legislative Council Panel on Home Affairs**

### **Art Development Matching Grants Pilot Scheme**

#### **PURPOSE**

This paper seeks Members' support for the Government to submit a funding proposal of \$300 million to the Finance Committee of the Legislative Council to implement a new Art Development Matching Grants Pilot Scheme (the Pilot Scheme).

#### **BACKGROUND**

2. Over the past few years, the Government has been gradually increasing its resources allocated for arts and cultural development. Apart from strengthening the support to the major performing arts groups<sup>1</sup> (MPAGs), we have also increased resources to support the development of small and medium-sized arts groups and nurture budding artists. Since 2011, the Home Affairs Bureau (HAB) has implemented the Arts Capacity Development Funding Scheme (ACDFS) with the annual investment return from the Arts and Sport Development Fund (ASDF) (arts portion). Under the ACDFS, an annual provision of about \$30 million is allocated to fund large scale and cross-year arts and cultural schemes/activities, thereby enhancing the capacity of arts groups and arts practitioners with development potential. Furthermore, from 2014-15 onwards, we have allocated additional annual funding of about \$30 million to the Hong Kong Arts Development Council (HKADC) solely for supporting small and medium-sized arts groups and artists. In 2014-15, the total funding provided to small and medium-sized arts groups and arts practitioners through various funding schemes of the

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<sup>1</sup> The nine MPAGs include the Hong Kong Philharmonic Orchestra, the Hong Kong Chinese Orchestra, the Hong Kong Repertory Theatre, the Hong Kong Dance Company, the Hong Kong Sinfonietta, the Hong Kong Ballet, the City Contemporary Dance Company, the Chung Ying Theatre Company and the Zuni Icosahedron.

HKADC was about \$79 million, representing an increase of 37% over that in 2013-14.

3. With reference to the situation of arts development in other places, providing assistance to arts groups for securing donations and sponsorships from other sectors of the community to expand their sources of funding is conducive to the sustainable growth and healthy development of the arts groups. Private donations or sponsorships can also help promote the co-operation between the arts sector and other sectors, thereby involving the whole community in the development of arts and culture. Although the business sector and the community in Hong Kong are generous in making donations for charitable causes, the culture of making private donations and providing sponsorships to promote arts and culture is still relatively weak as compared to many other places. Most local arts groups still rely on the Government's funding as their main source of income.

4. With a view to creating a supportive atmosphere for the arts and culture in the community and fostering a tripartite partnership among the Government, arts groups and other community sectors, the HAB launched the ACDFS in 2011. The ACDFS includes the Springboard Grants which comprises a matching element, allowing arts groups to receive matching grants for their income (including private donations and sponsorships, box office revenue and other sources of income). The Springboard Grants is highly successful. As at the end of May 2015, a total of 13 arts groups have been granted the Springboard Grants, with around \$71.2 million as the aggregate funding ceiling. These arts groups all endeavoured to explore various financial sources, and have secured or pledged to secure private donations and sponsorships of around \$48.7 million in total as the income (excluding box office revenue and other sources of income) for the purpose of matching under the Springboard Grants. The experience gained from the Springboard Grants suggests that providing Government subsidy to arts groups on a matching basis will help enhance the ability of these groups in raising private donations and sponsorships, thereby increasing funding and expanding their financial sources.

5. We believe that there is room for further promoting the community's financial support for the arts and culture, especially from the business sector. To further promote the culture of donation in the arts community, the Financial Secretary announced in his 2015 Budget Speech that a non-recurrent financial provision of \$300 million would be earmarked to launch a new Art Development Matching Grants Pilot Scheme (the Pilot Scheme). The Pilot Scheme seeks to help the more established arts groups/organisations enhance their ability in raising private donations and sponsorships through matching grants provided by the Government, hence widening the sources of funding of the relevant arts groups/arts organisations as well as promoting a culture of donation.

6. In the past few months, the HAB has formulated the overall arrangement for the Pilot Scheme, consulted and obtained the support from the Advisory Committee on Arts Development (ACAD). Details of the Pilot Scheme are set out in the ensuing paragraphs.

## **OVERALL ARRANGEMENTS FOR THE PILOT SCHEME**

### **A. Eligible applicants**

#### ***(1) Arts Groups completed two rounds of Springboard Grants under the ACDFS***

7. To enable more emerging small and medium-sized arts groups with meritorious performance to benefit from the Springboard Grants under the ACDFS, each arts group/organisation can only apply for a maximum of two rounds of the Springboard Grants (i.e. a total of 5 years) at present. Arts groups which have successfully completed two rounds of the Springboard Grants have achieved remarkable results in terms of capacity development, programme/contents development, audience building and arts education, etc. They have also accumulated valuable experience in raising private donations and sponsorships. As at the end of May 2015, eight small and medium-sized arts groups are awarded two rounds of the Springboard Grants. One of them has completed the approved projects.

8. The new Pilot Scheme to be launched will enable arts groups which have completed two rounds of the Springboard Grants to continue to take forward their work with the Government matching grants. It will also encourage these arts groups/arts organisations to keep raising funds from various sectors of the community to support their continuous growth and development. In view of the above, we suggest that the target groups of the Pilot Scheme should include arts groups/organisations which are awarded the Springboard Grants for two rounds and have completed the approved projects to the satisfaction of the ACAD and the HAB (the “graduated Springboard Grantees”).

### ***(2) MPAGs and the Hong Kong Arts Festival (HKAF)***

9. We suggest that the well-established arts groups receiving recurrent subvention from the Government, namely **the nine MPAGs and the HKAF**, should also be included as eligible applicants for the Pilot Scheme so as to motivate them to raise more private donations and further inculcate a donation culture in the private sector. Currently, private donations account for about 30% of the annual budget of the HKAF, and 2% to 28% of the budgets of the MPAGs. We hope that the Pilot Scheme will provide these major groups with more incentives to raise private donations and sponsorships more actively.

10. As this category of arts groups/arts organisations are already receiving different levels of recurrent subvention from the Government, we consider that they should meet a higher threshold than small and medium-sized arts groups do in order to receive matching grants under the Pilot Scheme (the relevant requirements are set out in paragraph 15 below).

### ***(3) HKADC***

11. As mentioned in paragraph 5 above, the primary purpose of introducing the Pilot Scheme is to provide support for the more established arts groups/arts organisations through matching grants. Notwithstanding this, we also hope that the Pilot Scheme can benefit more small and medium-sized local arts groups/artists. The HKADC is a

statutory body tasked to provide funding for small and medium-sized arts groups and artists. It has extensive experience in running relevant grant and support schemes. Having consulted the ACAD, we recommend including the HKADC as an eligible applicant of the Pilot Scheme, enabling it to receive matching grants by raising private donations and sponsorships through its own arts projects and programmes. The matching grants received by the HKADC should be fully deployed to support local small and medium-sized arts groups/artists. The HKADC will work out the detailed mechanism on the use and allocation of matching grants later on, and seek advice from the ACAD accordingly.

12. Including the above three categories of arts organisations in the scope of the Pilot Scheme seeks to enable arts groups and arts organisations of different sizes and at different development stages to have the opportunity to benefit from the Pilot Scheme (either through direct provision of matching grants by the Government or through the allocation mechanism of the HKADC).

**B. Criteria on the types of private donations/sponsorships eligible for matching grants**

13. We recommend that only private donations/sponsorships meeting the following criteria will be eligible for matching under the Pilot Scheme:

- (i) cash donations / sponsorships;
- (ii) cash donations/sponsorships should not be provided by any government departments directly or indirectly (e.g. the HKADC grants and district council funding should not be counted);
- (iii) funds raised from auctioning of objects donated by private individuals/corporations can be accepted for matching;
- (iv) only private donations/sponsorships received by the applicant within the period in which the Pilot Scheme is in force will be accepted for matching;

- (v) only donations made by bona fide donors will be accepted. If the applicant has to pay cash or provide other rewards to the donor, directly or indirectly, in return for the donation, the relevant donation will not be eligible for matching; and
- (vi) where there is a pecuniary interest between the donor and the designated purpose of the donation, such donations will not be eligible.

14. If an applicant incurred additional expenses in obtaining a donation or sponsorship, the “identifiable costs” or direct costs incurred for this purpose should be netted off from the gross private cash donation/sponsorship amount before the donation/sponsorship can be matched.

**C. Rules for calculating the amount of private donations/sponsorships eligible for matching**

15. The Pilot Scheme seeks to encourage arts organisations to raise more private donations and sponsorships. The three categories of “eligible arts organisations” proposed in paragraphs 7 to 12 above are at different stages of development and they vary in their situations in receiving recurrent subvention from public funds. In view of the above, it is recommended that the following rules should apply to each category of “eligible arts organisations”:

(i) “Graduated Springboard Grantees”

This category of applicants, upon completion of two rounds of the Springboard Grants, can no longer apply for the same grants. Therefore, we suggest that **all private donations/sponsorships fulfilling the criteria proposed in paragraphs 13 and 14 above** will be eligible for matching in order to motivate them to raise private donations and sponsorships.

(ii) MPAGs and the HKAF

These arts groups are already receiving recurrent subvention from the Government and are generally in a better position to raise private donations. In view of the above, it is recommended that only the amount of private donations received by this category of applicants in a particular period of time **in excess of** either,

- (a) the amount of recurrent subvention from the Government in a particular year (e.g. 2014-15); or
- (b) the average amount of private donations/sponsorships received in the past three years (e.g. 2012-13 to 2014-15) (the “base amount”),

*whichever is higher*, will be eligible for matching under the Pilot Scheme. We also recommend to review the need to adjust/update the calculation of the “base amount” in Rule (b) above before the commencement of the second and subsequent rounds of funding under the Pilot Scheme.

(iii) HKADC

It is proposed that **all private donations/sponsorships received** by the HKADC **fulfilling the criteria proposed in paragraphs 13 and 14 above** will be eligible for matching. The main purpose of including the HKADC as an eligible applicant is to enable it to receive matching grants through raising private donations so that the small and medium-sized arts groups and artists can benefit. Furthermore, the matching grants received by the HKADC must be fully deployed for funding small and medium-sized arts groups/artists. We therefore consider the situation of the HKADC different from that of other eligible arts

groups, and recommend providing greater flexibility for HKADC such that the matching grants can benefit more small arts groups and artists.

**D. “One to One” matching**

16. A “one to one” matching ratio for private donations/sponsorships to the funding amount is recommended to be adopted for the Pilot Scheme’s initial implementation phase.

**E. The “Floor” and “Ceiling” of matching grants**

17. All applications under the Pilot Scheme should be accepted on an annual basis, and each “round” should cover a 12-month period. Considering that the arts groups receiving grants in the second round of the “Springboard Grants” have to secure private donations/sponsorships of about \$200,000 each year, we recommend that all applicants under the Pilot Scheme will have to raise at least \$200,000 of eligible private donations/sponsorships in each round of funding in order to receive matching grants. The above arrangement can provide applicant arts groups with more incentives to step up their efforts in raising private donations, thus expanding their sources of funding. In other words, for MPAGs and the HKAF to receive matching grants under the Pilot Scheme in a particular year, they should raise at least \$200,000 of private donations/sponsorships **in excess of** either their recurrent subvention or the applicable “base amount” (whichever is higher) for the year (please see paragraph 15 (ii) above).

18. We also recommend that an annual funding ceiling should be set, i.e. the maximum amount of matching grants each applicant may receive in each round of funding (in a 12-month period) under the Pilot Scheme. The annual funding ceiling for each of the “graduated Springboard Grantee” is set at \$3 million, while the annual funding ceiling for the HKAF, MPAGs and the HKADC is 20% of their total annual income as reflected in their last audited account. The proposed ceiling will provide eligible applicants with sufficient flexibility and incentives to raise more private donations.



**F. Uses of matching grants and the time limit for using matching grants**

19. To ensure a gainful use of the matching grants received by arts groups/organisations, and that they will benefit the development of the arts and cultural sector in the long term, it is suggested that the permissible uses of matching grants will include those which:

- (a) enhance the applicant's organisational capacity;
- (b) support the development of all arts forms;
- (c) support the development of the arts sector;
- (d) support the grooming of artistic talent and arts administrators;
- (e) promote audience building for the arts and culture;
- (f) promote arts education; or
- (g) support and promote cultural exchanges.

20. As an established mechanism is in place for monitoring the income and expenditure of organisations receiving recurrent subvention from the Government, it is suggested that **no time limit would be set** for the nine **MPAGs, the HKAF and the HKADC** in using the matching grants. For the **“graduated Springboard Grantees”**, as they are still at a developing stage, we suggest that **a three-year time limit** should be set for their use of the matching grants received, such that the Government can effectively monitor their use of matching grants.

**G. Monitoring and Review**

21. The ACAD will assess and consider all applications for and disbursement of matching grants under the Pilot Scheme, and put forward recommendations to the Secretary for Home Affairs (SHA). To facilitate

the monitoring of the use of matching grants by successful applicants, each grantee should open a designated bank account for depositing the matching grants received from the Government. Grantees will also be required to submit reports on the use of matching grants, together with the relevant audited accounts, to the ACAD.

22. Our target is to implement the Pilot Scheme from the year 2016-17. The ACAD plans to assess the overall effectiveness of the Pilot Scheme and the need for fine-tuning the arrangement of the Pilot Scheme upon the completion of the third round of funding (i.e. 2018-19), and to make a recommendation to the SHA on the way forward.

## **FINANCIAL IMPLICATIONS**

23. We estimate that a non-recurrent funding of \$300 million will be required for implementing the proposed Pilot Scheme. We plan to submit a funding proposal to the Finance Committee of the Legislative Council during the second half of 2015 to implement the Pilot Scheme. The additional workload arising from the implementation of the Pilot Scheme will be absorbed by the existing resources of the HAB and the Leisure and Cultural Services Department, therefore no additional recurrent expenditure will be incurred.

## **ADVICE SOUGHT**

24. Members are invited to comment on the funding proposal of \$300 million for launching the Pilot Scheme.

Home Affairs Bureau  
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