

**For discussion on
28 May 2018**

Legislative Council Panel on Home Affairs

**Proposed Injections into the
Arts and Sport Development Fund (Sports Portion) and the
Elite Athletes Development Fund**

Purpose

This paper seeks Members' views on the proposed injections of \$1 billion into the Arts and Sport Development Fund (ASDF) (Sports Portion) and a total of \$6 billion into the Elite Athletes Development Fund (EADF).

The ASDF (Sports Portion)

Background

2. Set up in January 1997¹, the ASDF has since been one of the major funding sources for the development of art, culture and sports in Hong Kong. The Finance Committee (FC) of the Legislative Council (LegCo) approved in 2010 the injections of \$1.5 billion each into the arts and sports portions respectively. The total seed money was \$3 billion, the investment income of which would be used to support the long-term development of art, culture and sports.

3. The Government announced in this year's Budget an injection of \$1 billion into the ASDF (Sports Portion) to strengthen the funding support for sports organisations to train athletes and host events. The

¹ With the approval of the Finance Committee (FC) of the Legislative Council (LegCo) in January 1997, the ASDF was set up as a sub-fund under the Sir David Trench Fund for Recreation (SDTFR) to support worthwhile projects (especially the key initiatives of the Hong Kong Arts Development Council and the then Hong Kong Sports Development Board) to promote the development of art and sport in Hong Kong. The amounts allocated to the arts and sports portions of the ASDF were \$160 million and \$140 million respectively. In 2007 and 2009, the FC approved further injections into the ASDF, and the amounts were \$80 million (\$40 million each for the arts and sports portions) and \$150 million (\$60 million for the arts portion and \$90 million for the sports portion) respectively.

sports community generally welcomes the proposed injection and supports the Government to continue promoting sports in the community, supporting elite sports and developing Hong Kong into a centre for major international sports events.

Considerations

Funding under the ASDF (Sports Portion)

4. Since the injection of \$1.5 billion in 2010, a total of 815 sports projects have been funded under the ASDF (Sports Portion), with a total approved amount of about \$718 million. The relevant categories of projects supported are as follows:

- (a) supporting athletes to prepare for and participate in major international games, including the 2012 London and 2016 Rio Olympic Games, the 2010 Guangzhou, 2014 Incheon and 2018 Jakarta Asian Games and Asian Para Games, the 2017 Summer Universiade, as well as the National Games and competitions of different sports at World and Asian levels;
- (b) hosting international sports events locally by “national sports associations” (NSAs) and other sports organisations, including “M” Mark events and major international sports events, such as the Volvo Ocean Race – Hong Kong Stopover, the Hong Kong Open Badminton Championships and the Hong Kong Squash Open;
- (c) upgrading school and district-level programmes to boost community participation in sports, including the implementation of the Student Athlete Support Scheme and the School Sports Programme Coordinator Scheme;
- (d) supporting the development of local football in accordance with the recommendations of the Football Task Force, including Project Phoenix and the Hong Kong Football Association’s five-year strategic plan; and
- (e) launching in January 2018 the Five-Year Development Programme for Team Sports covering eight team sports featured in the Asian Games, namely baseball, basketball, handball, hockey, ice hockey, softball, volleyball and water polo, with the aim of enhancing the performance of team sports

progressively and increasing their chances of attaining elite sports status in future.

5. Since the injection in 2010, the amount of funding approved under the ASDF (Sports Portion) per year has increased considerably. The approved amount has increased from about \$83 million in 2011-12 to about \$115 million in 2017-18, representing an increase of over 38%. As at the end of 2017-18, the total balance of the ASDF (Sports Portion) was around \$1.507 billion. Based on the assumption of an average annual investment return rate of 4% in the long run, the ASDF (Sports Portion) may only generate around \$60 million of annual investment proceeds. In view of the keen demand for funding for sports projects, the further injection of \$1 billion would substantially increase the balance and provide a more stable funding source for sports projects.

6. A summary of funded sports projects and their respective amounts of funding in the past five financial years is at **Annex A**.

7. Applications for funding under the ASDF (Sports Portion) would be assessed by the Leisure and Cultural Services Department (LCSD) prior to submission to the Secretary for Home Affairs (SHA) for approval. Upon receipt of funding, successful applicants are required to comply with a number of requirements, including the submission of evaluation reports and statements of accounts of the projects. Any unspent balance must be returned to the ASDF.

Operation of the ASDF

8. The ASDF is a sub-fund of the the Sir David Trench Fund for Recreation² (SDTFR) established under the Sir David Trench Fund for Recreation Ordinance. The Director of Accounting Services is currently the statutory trustee of the SDTFR and is responsible for managing the relevant investment and accounting work. As required by the above Ordinance, the Government has set up the SDTFR Investment Advisory Committee to formulate investment strategies for the SDTFR and its sub-funds and to advise on matters in relation to investment. The existing statutory framework will not be affected by the injection into the SDTFR or its sub-funds.

² SDTFR 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 supporting other measures that can achieve this purpose. It is now held in trust by the Director of Accounting Services and administered by SHA.

9. The ASDF has all along been adopting a prudent strategy in diversifying its investment to strike a balance between investment return and risks. When the funding injection was made into the ASDF in 2010, our intention was to maintain the capital base of the fund intact in the long run and to provide funding support to sports projects from the annual investment return. If the investment return and the accumulated surplus are inadequate to meet the funding needs in a particular year, then SHA could authorise the use of part of the capital base of the ASDF. This is to ensure that the efforts to promote art, culture and sports would not be disrupted by short-term fluctuations in the investment markets.

10. The average annual return rate of the ASDF from 2011-12 to 2017-18 was around 4%. The accumulated return of the sports portion was sufficient to meet only around 60% of the funding needs of sports projects during this period. Since end-2015, we need to delve into the \$1.5 billion seed money from time to time.

11. Based on the pattern of grant approval in the past, we conservatively estimate that about \$140 million on average annually would be required in the coming five years to support the aforementioned sports projects. However, the amount required may be higher due to new funding needs. Therefore, a funding injection into the ASDF (Sports Portion) is necessary to generate more investment return and sustain the support for the development of sports projects.

Financial Implications

12. We propose to inject \$1 billion into the ASDF (Sports Portion) to continue and strengthen the support for various sports projects. To increase the flexibility in the use of funds, we will propose to the FC that the future use of the ASDF should not be limited to its investment returns, and that the capital base could also be used so that we can provide funding support for worthwhile sports projects in a more responsive manner. Although there is currently no practical need to use the capital base of the ASDF (Arts Portion), in order to increase the flexibility of the respective fund to support art projects, we will take the opportunity to propose to the FC that the use of the ASDF (Arts Portion) should not be limited to its investment returns.

The EADF

Background

13. The Hong Kong Sports Institute (HKSI) is the delivery agent of Government's elite sports training system. Subsequent to the approval of the FC on 18 July 2011, the Government established the EADF with an injection of \$7 billion to provide a stable source of income for the HKSI. Every year, we consult the Sports Commission³ on the annual plan and budget approved by the Board of Directors of Hong Kong Sports Institute Limited. Subject to the advice of the Sports Commission, approval from SHA for funding allocation from the EADF to the HKSI will be sought.

14. The Government consulted and received support from Members on the proposed injection of \$1 billion into the EADF in May 2017. In this year's Budget, the Government announced the injection of another \$5 billion, bringing the total to \$6 billion, into the EADF to provide greater support for the development of elite sports. The proposed injection into the EADF is generally welcomed by the sports community who consider the injection the best approach to recognise the efforts of Hong Kong athletes and underline the continued commitment of the Government to support elite sports.

Considerations

Development of Elite Sports

15. The HKSI provides support on elite training at two levels:
- (a) *Elite athletes* – senior athletes who are ranked top two-third in international senior events recognised by the relevant NSAs of Tier A* / A sports and top-ranked junior athletes in local junior events recognised by the same would become elite athletes. They would receive financial support at levels dependent on their performance from the HKSI. These elite athletes also receive other support services from the HKSI such as sports science and medicine, strength and conditioning, hostel

³ The Sports Commission, chaired by SHA, was established on 1 January 2005. It advises the Government 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 sports organisations through partnership and collaboration.

accommodation and meals, education support, as well as dual career and personal development support. Athletes with potential recommended by the NSAs would receive local training support from the HKSI. As at March 2018, the total number of elite athletes at the HKSI was 1 327. The elite sports and the number of HKSI-supported athletes are set out in **Annex B**; and

- (b) *Elite sports* – the HKSI provides support to eligible elite sports under the Elite Vote Support System (EVSS). The criteria under the three-tier EVSS and the corresponding support services provided by the HKSI are as follows:

Tier	Criteria	Level of Support
A*	Tier A sports where athletes consistently perform at the highest level and have the potential to win medals at the Olympic Games.	In addition to the comprehensive support, the HKSI allocates additional resources to provide enhanced training programmes.
A	Current or recent competition sports in the Asian or Olympic Games with an EVSS score of 10 points or above according to the Generic Scoring Table (at Annex C).	The HKSI manages and funds elite training programmes as agreed by the individual NSA concerned, provides a dedicated coaching team led by a Head Coach and provides full support in sports science and sports medicine.
B	(1) Sports with an EVSS score between 7.5 and 10 points; or (2) Sports scoring over 7.5 points but not included as a competition sport in the Asian or Olympic Games.	The HKSI provides programme funding to the NSA concerned to manage elite training programmes as agreed by that NSA.

16. In recent years, the overall performance of Hong Kong athletes has improved greatly. There have been remarkable achievements in various sports. We have athletes with top ten world rankings in badminton, cycling, table tennis, windsurfing, billiard sports, fencing, karatedo, squash and swimming. Also, our junior athletes won medals at world championships in billiard sports, fencing, sailing, squash and

windsurfing. The majority of potential medal winners in major events are full-time athletes. It is only through long-term support that we could help our elite athletes continue to perform at high levels in major events.

Funding under the EADF

17. The EADF provides a stable financial source of income to the HKSI to meet the increasing demand for support services from various sports. In 2018-19, the Government will allocate, through the EADF, a funding of \$596 million to the HKSI, representing an increase of about 14.6% from the previous year, or an increase of more than 212% over the year of 2011-12. The funding allocation accounts for over 90% of the income of the HKSI, with the remaining income from the Hong Kong Jockey Club Elite Athletes Fund⁴, other sponsorships and donations.

18. Since the establishment of the EADF, the operational expenditure of the HKSI has been growing on average by over 10% annually due to the following reasons:

- (a) *significant increase in the number of full-time elite athletes* — the number of full-time elite athletes at the HKSI has increased from 195 in 2011-12 to 437 in 2017-18, representing an increase of about 124%. The EADF provides constant and stable financial support for the HKSI to strengthen its long-term support to elite athletes, including dual career and personal development support, so as to attract more potential athletes to engage in full-time elite sports training and at the same time enhance the performance of the relevant Hong Kong teams;
- (b) *increase in the number of elite sports* — the number of Tier A*/A sports has increased from 15 to 19, while the number of Tier B sports has increased from four to 13. Over half of the 60 NSAs receiving subvention from the LCSD have their elite athletes receiving additional support and/or funding from the HKSI for elite training purposes; and

⁴ The Hong Kong Jockey Club Elite Athletes Fund was established in 2004 mainly to provide cash awards through the Athlete Incentive Awards Scheme to Hong Kong athletes who have achieved outstanding performance at six Games, namely Olympic Games, Paralympic Games, Asian Games, Asian Para Games, National Games and World University Games. This fund also supports the Hong Kong Coach Education Programme which includes Coach Accreditation Programme, Continuing Coach Education Programme, School Coach Education Programme and Hong Kong Coaching Awards.

- (c) *increased expenditure on the maintenance and upkeep of facilities in the HKSI* – the construction floor area of the HKSI tripled from about 26 000 square metres to about 78 000 square metres upon completion of the HKSI Redevelopment Project in 2014-15. The HKSI is required to manage and maintain these state-of-the-art facilities properly to tie in with the professional elite sports training.

19. The HKSI must continue to enhance its support for elite athletes in the light of keen competition in the international sporting arena. We therefore anticipate that the operational expenditure of the HKSI will continue to increase in the coming few years mainly attributing to the following factors:

- (a) *establishing a critical mass of elite athletes* – a critical mass of elite athletes is crucial for the sustainable development of elite sports in Hong Kong. The HKSI expects that the number of full-time athletes will increase by around 10% annually to reach 500 in 2019-20;
- (b) *focusing on the development of junior elite athletes* – the EVSS updated in October 2017 takes into account the best results of the top three junior elite athletes, instead of two in the past, to encourage the NSAs to focus more on the training of junior athletes. This helps ensure the sustainable development of elite sports in Hong Kong. The number of full-time junior athletes at the HKSI has increased significantly by 43% from 81 in 2016-17 to 116 in 2017-18;
- (c) *enhancing support significantly in sports science and sports medicine* – the provision of professional training and support services is an important factor behind the outstanding achievements of Hong Kong athletes. As quite a number of Hong Kong athletes have successfully attained higher world rankings, the relevant sports science and sports medicine support have become even more important in enhancing the effectiveness of trainings, avoiding injuries and enabling speedy recoveries after competitions. In November 2017, the HKSI signed a Memorandum of Understanding with Team China of Chinese Olympic Committee of the General Administration of Sport of China for closer collaboration in sports science and sports medicine. The HKSI has also embarked on a sports science studies in collaboration with local universities. As for

elite sports training, the HKSI continues to enhance the support in sports science and is rolling out dedicated medical support for elite sports; and

- (d) *supporting the development of elite sports for the disabled* – the Government launched the Pilot Scheme for EVSS for Disability Sports in December 2017 to introduce a full-time athlete system for disability sports. So far, 52 athletes have participated in the Pilot Scheme, of which 29 are full-time athletes. We will review the Pilot Scheme drawing on the experience gained after the 2018 Asian Para Games and then consult the Sports Commission on the formulation of the EVSS for Disability Sports to provide comprehensive training programmes and support for elite athletes with disabilities.

Operation of the EADF

20. The \$7 billion EADF was set up in 2012, and \$6 billion out of the amount was deposited with the Hong Kong Monetary Authority (HKMA) to earn an investment return, which is linked to the performance of the Hong Kong Exchange Fund, as a funding source for the operation of the HKSI. The average annual return rate was around 4.3% in the past six years. As at the end of 2017-18, the total balance of the EADF was around \$6.19 billion, of which \$5.19 billion was deposited with the HKMA and the remaining \$1 billion was deposited with local banks. The administrative costs and the additional workload arising from the operation of the EADF are absorbed by the HAB through deployment of internal resources.

21. The operational expenditure of the HKSI has continued to increase. The investment returns from the EADF have not been able to meet the financial needs of the HKSI in bringing elite sports development of Hong Kong to a higher level. An injection into the EADF is therefore necessary to get greater returns. A summary of the income and expenditure of the EADF in the past few years is as follows:

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Income (\$M)	284.44	327.21	242.12	363.87	218.11	178.47	1,614.82
Expenditure (\$M)	279.64	325.00 (+16.2%)	376.10 (+15.7%)	409.70 (+8.9%)	450.90 (+10.1%)	520.40 (+15.4%)	2,428.27
Surplus/ (Deficit) (\$M)	4.80	2.21	(133.98)	(45.83)	(232.79)	(341.93)	(813.45)

22. We will update the HKMA of the balance deposited with it upon injection into the EADF.

Financial Implications

23. We propose a one-off injection of \$6 billion into the EADF to ensure the sustainability in the operation of the HKSI and the development of elite sports. We will continue to monitor the operation of the HKSI and the EADF.

Advice Sought

24. Members are invited to comment on the above proposed injections into the two Funds. Subject to Members' views, we will seek the FC's approval for the proposed injections.

**Home Affairs Bureau
May 2018**

Annex A

Breakdown of Approved Sports Projects by Type (from 1 April 2013 to 31 March 2018)

Type of Projects ⁵	Number of Projects	Amount Approved (\$ million)
(a) Supporting athletes to prepare for major international and national games	39	73.36
(b) Supporting athletes to participate in major international and national games	44	101.01
(c) Hosting international sports events locally (including “M” Mark events and major international sports events)	509 ⁶	157.63
(d) Upgrading school and district-level programmes	4	40.58
(e) Developing local football	12	129.57
(f) Five-Year Development Programme for Team Sports	1	3.53
(g) Other projects	3	10.91
Total	612	516.59

⁵ Part of the funding approved under project types (a) and (b) includes the support for team sports to prepare for and participate in international and inter-continental competitions.

⁶ Including 402 locally held international events, one major national championship, 67 major international events and 39 “M” Mark events.

**Elite Sports and the Number of Athletes Supported by the
Hong Kong Sports Institute (HKSI) in 2017-18**

Sports		Number of HKSI-Supported Athletes
Tier A*		
1.	Badminton	79
2.	Cycling	65
3.	Table Tennis	46
4.	Windsurfing	40
	Subtotal:	229
Tier A		
1.	Athletics	113
2.	Billiard Sports	30
3.	Fencing	109
4.	Gymnastics	58
5.	Karatedo	56
6.	Rowing	50
7.	Rugby (Sevens)	83
8.	Sailing	49
9.	Skating	41
10.	Squash	29
11.	Swimming	101
12.	Tennis	33
13.	Tenpin Bowling	30
14.	Triathlon	25
15.	Wushu	76
	Subtotal:	883
Tier B		
1.	Dance Sports	0
2.	Dragon Boat	0
3.	Equestrian	7
4.	Golf	1
5.	Judo	6
6.	Karting	0
7.	Lawn Bowls	0
8.	Lifesaving	0
9.	Mountaineering	7
10.	Orienteering	0

Sports		Number of HKSI-Supported Athletes
11.	Roller Sports	1
12.	Shuttlecock	0
13.	Taekwondo	2
	Subtotal:	24
Other Sports		
1.	Archery	1
2.	Canoe	3
3.	Cricket	11
	Subtotal:	15
Disabled Sports		
1.	HKSAPID – Athletics	17
2.	HKSAPID – Swimming	17
3.	HKSAPID – Table Tennis	14
4.	HKPC&SAPD – Athletics	24
5.	HKPC&SAPD – Badminton	11
6.	HKPC&SAPD – Boccia	23
7.	HKPC&SAPD – Dance	2
8.	HKPC&SAPD – Fencing	30
9.	HKPC&SAPD – Lawn Bowls	7
10.	HKPC&SAPD – Table Tennis	19
11.	HKPC&SAPD – Tenpin Bowling	12
	Subtotal:	176
Total number of elite athletes at the HKSI:		1 327

Notes: HKSAPID – Hong Kong Sports Association for Persons with Intellectual Disability
HKPC&SAPD – Paralympic Committee & Sports Association for the Physically Disabled

Elite Vote Support System (EVSS) Generic Scoring Table

Item	Weighting	Criteria	Rating					
1	1.5	International- level performance record in previous 2 years – Senior athletes	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> International Invitation Tournament Regional Championships (e.g. Pacific Games, East Asian Championships) International Open Competitions	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> Asian Cup Series National Championships Asian Indoor and Martial Arts Games	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> Asian Championships National Games World University Games / Championships Asia Cup (Finals) World Cup Series	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> Asian Games World Cup (Finals)	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> Olympic Games World Championships	<u>Medal (Minus-one Rule)</u> Olympic Games
			Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Inter-port / Inter-City Competition	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> International Invitation Tournament Regional Championships (e.g. Pacific Games, East Asian Championships) International Open Competitions	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Asian Cup Series National Championships Asian Indoor and Martial Arts Games	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Asian Championships National Games World University Games / Championships Asia Cup (Finals) World Cup Series	<u>Medal (Minus-one Rule)</u> Asian Games Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> World Cup (Finals)	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> World Championships
2	1	International- level performance record in previous 2 years – Junior athletes	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> International Youth Invitation Tournament Regional Youth Championships International Youth Open Tournament	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> Asian Youth Cup Series Asian Age Group Championships National Youth Championships	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> Asian Youth Championships National Youth Games (formerly All City Games) Asia Youth Cup (Finals) World Youth Cup Series	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> World Youth Cup (Finals) Asian Youth Games	4-8 (> 24 entries) or <u>Top 1/3 (≤ 24 entries)</u> World Youth Championships Youth Olympic Games	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> World Youth Championships Youth Olympic Games
			Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Inter-port / Inter-City Youth Tournament	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> International Youth Invitation Tournament Regional Youth Championships International Youth Open Tournament	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Asian Youth Cup Series Asian Age Group Championships National Youth Championships	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Asian Youth Championships National Youth Games (formerly All City Games) Asia Youth Cup (Finals) World Youth Cup Series	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> Asian Youth Championships National Youth Games (formerly All City Games) Asia Youth Cup (Finals) World Youth Cup Series	Medal (> 9 entries) or <u>Top 1/3 (≤ 9 entries)</u> World Youth Cup (Finals) Asian Youth Games