

For discussion on
13 July 2020

Legislative Council Panel on Home Affairs
Review of the Sports Subvention Scheme
and the Governance of “national sports associations”

Purpose

This paper reports to Members on the findings and recommendations of the Review of the Sports Subvention Scheme (SSS) and measures to enhance the governance of “national sports associations” (NSAs).

Background

2. Sport plays an important role in our daily lives with multiple social, health and economic benefits. In recognition of the importance and benefits of sports to the whole society, the Government has substantially increased its investment in sports in recent years. The Government has been supporting the development of sports in Hong Kong and committed to promoting sports in the community, supporting elite sports and developing Hong Kong into a centre for major international sports events.

3. To promote sports development, the Government has since 2017 committed \$60 billion of new resources, including \$31.9 billion for the development of the Kai Tak Sports Park project which is expected to be completed in 2023, around \$20 billion for the development of new or enhanced recreational and sports facilities in the 18 districts and around \$8 billion for the sustainable development of elite and community sports and the launch of new programmes to support major sports events, team sports and disability sports. With the support of the new and world standard sports facilities, the sports sector can provide more promotional programmes for mass participation and organise more high-level international sports events to attract more spectators from local and overseas to enjoy the events.

4. To meet the changing demand and expectation of the sporting community, the Leisure and Cultural Services Department (LCSD) launched the Comprehensive Review of SSS (the Review) in 2018-19. Views of NSAs, sports organisations (SOs) and major stakeholders were gauged in the process of the Review. Making reference to the findings of the Review, the Government is prepared to provide additional resources for NSAs to enhance their services as well

as their corporate governance and professionalism in sports administration in order to lay a more solid foundation for sports development.

Sports Subvention Scheme

5. Being the local governing bodies of individual sports, NSAs are responsible for the promotion and development of their respective sports in Hong Kong. They are affiliated to their respective international federation and also members of the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC), and represent Hong Kong in international events of the respective sports. At present, 79 NSAs and SOs are members of SF&OC. NSAs are required to comply with the Olympic Charter, Code of Ethics of the International Olympic Committee (IOC) and the Articles of Association (AoA) of SF&OC.

6. The Government has all along been providing subvention to NSAs and SOs through SSS to support their promotion and development of sports in the community. Since 2004, LCSD assumed the role of administering SSS and providing subvention to NSAs on a block grant basis and SOs on a project basis. The block grant provided to NSAs is mainly to cover their personnel, office and programme expenses as elaborated below –

- (a) **personnel expenses:** are mainly to cover staff salaries, contributions to retirement benefit scheme, medical insurance scheme, employee compensation insurance and staff training;
- (b) **office expenses:** include rent and rates, insurance fee, audit fee and administrative expenses for the purchase and maintenance of office equipment and furniture, renovation of office, photocopying and printing, revamp or update of NSA's webpage and development of computerised system, etc.; and
- (c) **programme expenses:** are mainly to cover the expenditures on “national”, youth and regional squad training, training programmes in the community, local competitions, school sports programmes, community sports clubs projects, participation in international events, training of officials and attendance at overseas meetings.

7. For 2019-20, the amount of subvention provided to 60 NSAs and 24 SOs under SSS is about \$282 million¹. Of which, personnel expenses account for \$93.6 million (or 33%) of the total subvention, covering a total of 292 full-time staff

¹ Excluding notional venue charges and additional allocation for implementing the initial enhancement measures of Phase I of the Review as elaborated in paragraph 9 below.

and 28 part-time posts of 60 NSAs, whereas programme and office expenses account for \$179 million and \$9.4 million (or 64% and 3%) respectively of the total subvention. About 10 750 subvented programmes were organised by NSAs and SOs for about 750 000 participants.

Review of the Sports Subvention Scheme

8. In the 2018-19 Budget Speech, the Government announced that a comprehensive review of SSS would be conducted. LCSD launched the Review in mid-2018 with a view to enhancing the operation of SSS and corporate governance of NSAs in order to lay a more solid foundation for sports development. The Review was conducted in two phases. Phase I aims to identify the areas of concern of NSAs in the current mode of subvention with recommendations on measures to address the imminent needs of NSAs. Phase II of the Review aims to study local and overseas practices in sports subvention and, making reference to the findings of the Review and views collected, devise measures with a view to optimising the overall funding mechanism of SSS, enhancing the corporate governance and professionalism in sports administration of NSAs as well as retaining and attracting more talents to serve in the sports sector.

Phase I of the Review

9. Phase I aims to identify the areas of concern of NSAs in the current mode of subvention with recommendations on measures to address the imminent needs of NSAs and bring immediate benefits to them as well as members of the public. After completion of Phase I of the Review, the Government announced in the 2019-20 Budget Speech that an additional recurrent provision of \$25 million and an extra two-year subsidy totalling \$35 million would be allocated to enhance the funding support for 60 subvented NSAs. The funds are to be used to support their participation in overseas competitions, offer more squad training programmes and support under-privileged athletes as well as other operating costs. In addition, the Government would provide a one-off grant up to \$15 million to 60 NSAs for staff training, further studies, procurement of equipment, improvement of office facilities, etc. In sum, the Government provided an additional allocation of \$57 million to 60 NSAs in 2019-20.

Phase II of the Review

10. Phase II of the Review aims to study local and overseas practices in sports subvention. The key areas to be reviewed include the eligibility for NSAs to apply for public funding and the guiding principles as well as the mode of delivery

of funding; allocation of subvention and the subsidy level; incentives to retain and attract talented and experienced sports administrators and volunteers to stay and continue to contribute to the sporting sector; and good corporate governance as well as best practices required for publicly funded SOs. In gist, the Review focuses on four scopes -

Scope A: Funding Principles, Cycle and Mechanism

Scope B: Allocation of Subvention and Subsidy Level

Scope C: Incentives to Attract and Retain Talents

Scope D: Corporate Governance and Monitoring System

11. Phase II of the Review comprises two parts, i.e. a local study on all subvented NSAs, SOs, major stakeholders and relevant parties as well as an overseas study on the current practices in eight overseas countries.

Local Study

12. The local study was conducted by LCSD from October 2018 to April 2019 through a questionnaire survey for all subvented NSAs and SOs, followed by a series of consultations, including face-to-face interviews, open forums, small group discussions, etc., for subvented NSAs, major stakeholders and members of the public. The constructive feedback collected from relevant parties was valuable for LCSD to devise appropriate enhancement measures.

Overseas Study

13. In parallel, LCSD has appointed the Hong Kong Baptist University as the consultant to conduct a research study on the mode of subvention to NSAs and SOs in overseas countries from October 2018 to April 2019. As the objective/policy in sports development varies in different countries, eight overseas countries were studied with a view to identifying the service gaps and areas for improvement. The eight countries studied include Japan, Singapore, South Korea, Belgium, the United Kingdom, Canada, the United States and Australia, which were selected from Asia, Europe, North America and Oceania where sports development is more mature and well developed. The major findings of the study are summarised in **Annex I** which sets out the sports subvention system in Hong Kong and the eight overseas countries under study.

14. Phase II of the Review was completed at the end of 2019. By making reference to the subvention practices and experience in overseas countries, and the

views and comments collected from the local study, LCSD has devised a number of recommendations and enhancement measures. In March 2020, LCSD submitted the review report to the Sports Commission for comments which gave support to the implementation of the recommendations and enhancement measures of the Review. The full text of the review report is available for public viewing on the website of LCSD at www.lcsd.gov.hk/en/programmes/programmeslist/sss/review.html, whereas an executive summary of the review report is at **Annex II**.

Findings and Recommendations of the Review

15. Based on the findings of overseas study and local study, the major concerns of NSAs and their views for improvement are duly noted and have been taken into account by LCSD when formulating the recommendations and enhancement measures. As reflected by most NSAs, their key concerns are about the allocation of subvention and subsidy level and the incentives to attract and retain talents. Many of them have also reflected the imminent need to increase the subsidy on programme cost for overseas events, review the coverage, ceiling subsidy and subvention level of the eligible items, strengthen the manpower support as well as improve the salary package for subvented staff, coaches and referees, etc.

16. To address the issues of concern, LCSD has made 15 recommendations and 30 enhancement measures with the tentative implementation schedule set out in **Annex III**. Findings and recommendations of the Review are summarised in the ensuing paragraphs.

Scope A: Funding Principles, Cycle and Mechanism

Eligibility Criteria for Subvention

17. To be eligible for applying for sports subvention, all countries under study have their own set of eligibility criteria. In Hong Kong, SOs which wish to apply for subvention under SSS must fulfill all the following eligibility criteria -

- (a) it is a member of SF&OC;
- (b) it is affiliated to the international federation of the respective sport;
- (c) it is registered under the Companies Ordinance and has AoA;
- (d) it is a non-profit-making SO;
- (e) it has been in operation and has organised sports programmes for at least three years; and
- (f) the sport is one of the sports/potential sports of the major Games at Asian, World and Olympic Games level.

18. The current eligibility criteria adopted in Hong Kong is in line with overseas practices. The local study also revealed that stakeholders are generally satisfied with the current funding principles. That said, we are mindful of the importance to strengthen the monitoring mechanism to ensure that the NSAs receiving public funding under SSS should fulfill the eligibility requirements on a continued basis. In addition, it is important to give due consideration to other desirable attributes of the SO, such as its ability in developing and promoting the respective sport, sustainability, experience, track record and governance in assessing whether and how subvention is to be provided.

Recommendation 1

To devise a mechanism to ensure continued fulfilment of the eligibility requirements for receiving government subvention, and to consider strengthening the assessment criteria in light of the changing needs of the sporting community and proper use of public funding.

New and Trendy Sports

19. Apart from the developed sports, there is an increasing demand from the community for development of new and trendy sports, e.g. sports which are currently not under IOC or SF&OC. Given the state of their development, these sports and their organisers are usually not eligible for subvention under SSS. However, as revealed in the overseas study, some countries provide government funding for new sports so that more opportunities and choices could be provided for members of the public to take part in sports. It is suggested that a new pilot scheme be introduced to accommodate these new and trendy sports.

Recommendation 2

To introduce a pilot scheme to test out how best to support the promotion and development of new and trendy sports.

Funding Cycle

20. Sporting success takes years to build and requires long-term planning. It is particularly true for NSAs to prepare for high-level international championships and to take part in major Games. The study on overseas practices revealed that many countries including Australia, Belgium, Canada, Singapore and the United Kingdom have changed or prepared to change their funding cycle in recent years. Eligible and capable NSAs could apply for multi-year grants, ranging from two to four years. However, there are conflicting views on multi-year funding cycle in the local sports community. It is suggested that consideration be given to the introduction of a pilot scheme for some mature and more capable NSAs which

support the idea to test its effectiveness.

Recommendation 3

To introduce a pilot scheme to provide multi-year funding for NSAs to enhance smooth delivery of multi-year programmes for further development of NSAs in the long run.

Mechanism for Effective Use of Public Funding

21. Performance of subvented SOs in overseas countries is usually assessed according to a set of pre-agreed Key Performance Areas (KPA) or Key Performance Indicators (KPI). Under this approach, NSAs are expected to draw up detailed plans based on short to medium term goals. The funding bodies and NSAs would discuss and agree on KPAs/KPIs and include them in funding agreements as yardsticks to assess NSAs' performance and ensure accountability. Apart from performance in elite and community sports, KPAs/KPIs also apply to governance, finance and compliance. To ensure the agreed KPAs/KPIs are met, all countries have a clear monitoring mechanism in place. Funding will be cut or suspended if the set targets or criteria are not met according to agreement. LCSD will strengthen the monitoring mechanism by adopting a carrot and stick approach, viz. to reward those NSAs with remarkable performance and to enforce the terms and conditions stipulated in the signed agreement upon those NSAs found to be non-compliant.

Recommendation 4

To enhance the funding mechanism by clearly stipulating procedures and requirements for compliance by NSAs and consequences of non-compliance.

Scope B: Allocation of Subvention and Subsidy Level

Subvention Level

22. NSAs reflected on many occasions that the subsidies of eligible items under SSS were insufficient especially with the increased complexity and scale of the events. The findings of the Review also revealed that NSAs have difficulties in their operation as administration and programme expenses have increased over the years, especially office rental expenses. In order to alleviate NSAs' financial burden, a one-off two-year subsidy totalling \$50 million² was approved for 2019-20

² Including (i) a one-off grant of \$15 million in 2019-20; and (ii) an extra subsidy of \$17 million and \$18 million for 2019-20 and 2020-21 respectively.

and 2020-21 to meet the imminent operational needs of NSAs. There is also a need to address the issue of longer term recurrent funding.

Recommendation 5

To provide additional resources to enhance the subvention of eligible items for NSAs and thereby continue the provision of new services introduced under Phase I of the Review.

Recommendation 6

To expand the sporting services to all walks of life by providing more opportunities for participation, ranging from training at grassroot level for fun to higher skill level for competition.

Relaxation and Restructuring of Eligible Items

23. Currently, there is a detailed list of eligible items under SSS for different categories of subvented programmes with ceiling subsidies. NSAs are required to follow the list when preparing their annual budget and funding applications. There is room to restructure and re-categorise the detailed list of eligible items. Relaxation and restructuring of the eligible items could also provide flexibility for NSAs to meet their operational needs and respond in a more cost effective way to the fast changing world.

Recommendation 7

To review the current principles and practices of the list of eligible items so as to allow NSAs to have more flexibility to meet operational needs.

Reserve Fund

24. Reserve fund is a repository of subvention in a given subvention period with the support of an NSA's annual audited account. It aims at encouraging NSAs to better use their subvention by applying rigorous financial discipline in expenditure control and enhancing other sources of income through sponsorship, donation and gate receipt, etc. Allowing NSAs to retain reserve funds can provide them with greater flexibility to distribute and deploy resources to where it is most needed. We allow NSAs in Hong Kong to retain reserve fund up to 25% with a view to encouraging and facilitating them to better use public funding. Currently, NSAs have to apply in advance for use of reserve fund and it takes time and involves tedious administrative procedures to handle each application irrespective of the amount to be approved. To enhance cost effectiveness, we suggest reviewing and streamlining the procedures regarding the use of reserve fund.

Recommendation 8

To keep reserve fund and to streamline the application procedures of the fund.

Alternative Sources of Income

25. There is a great disparity in the income generation capacity of different sports in different areas. How well a sport can generate income depends on various factors, such as the appeal and entertainment value of the sport, and in many cases the extent of national and international participation as well as the cultural and social status of the specific sport in a country. The sports sectors in many countries under study are looking for alternative sources of revenue to support their development. In general, sports with high popularity and entertainment value are able to generate income from a variety of sources such as television broadcasting rights, commercial sponsorships and endorsements, spectator fees at events, selling of souvenirs and fund raising activities, etc. The more successful a sport generates income from commercial and private sector, the easier for it to move away from heavy reliance on government subvention and enjoy more flexibility and independence in developing the sport according to its own pace and plan.

Recommendation 9

To provide support for NSAs to explore more sources of income and solicit more sponsorship from private sector.

Scope C: Incentives to Attract and Retain Talents

More Autonomy for NSAs to Attract and Retain Quality Staff

26. Under the review of staffing and salary structure, we note a significant difference between Hong Kong and the eight overseas countries studied. The NSAs of most of the countries studied retain autonomy and independence over their own staff and salary structure while LCSD has a tight control over the entry requirements, the minimum salary of subvented posts as well as the number of staff in each NSA. There is not much room for NSAs to make their own manpower planning to achieve their own corporate vision and strategic development direction, nor to respond to the changing landscape and environment of the sporting arena. It is noted that the issue of manpower support, especially staffing and salary structure are the most focal and concerned areas in the local study according to the feedback from all NSAs and stakeholders. We consider it reasonable to respect the autonomy of NSAs and allow them to determine their staffing and salary structure.

27. Our local study indicated that the turnover rate of NSA staff was relatively high when compared with those of similar jobs in the market over the years. To alleviate the manpower problem and to upkeep the staff morale of NSAs in the long run, we recommend that additional support should be provided to NSAs for manpower reinforcement to alleviate the heavy workload generated in the past

years due to the introduction of enhancement measures and the requirements of new accounting procedures and procurement policy.

Recommendation 10

To allow NSAs to have more autonomy to map out their manpower and staffing arrangement with additional support so as to address their manpower problem.

Support to Multi-sport Associations

28. Multi-sport associations are NSAs providing or organising a large variety of sports activities to cater for the needs of a designated group of people in the community. There are four multi-sport associations affiliated to SF&OC which receive subvention under SSS, namely, the Hong Kong Schools Sports Federation, the Hong Kong Sports Association for Persons with Intellectual Disability, the Hong Kong Paralympic Committee & Sports Association for the Physically Disabled and the University Sports Federation of Hong Kong, China. They have established very strong connection with NSAs of the respective sports and oversee all aspects of multiple sports catering for the needs of the specific group of population. They have been expanding their services significantly in the past years but without the corresponding increase in manpower support.

Recommendation 11

To provide additional resources to the four multi-sport associations for enhancing manpower to cope with the heavy workload.

Incentives to Staff and Volunteers

29. While the remarkable results achieved by our elite athletes have won applauses from the community in recent years, NSAs' personnel who promote sports in the community and support athletes in local as well as overseas competitions are the unsung heroes and their contributions have been under-recognised. The importance of the contribution of subvented staff and volunteers is recognised world-wide. Overseas countries have adopted different means to attract, retain and develop talents in NSAs. Recognition scheme for staff and volunteers is a popular means to show appreciation to the contributions made by them. In addition, advice and guidance should be provided to the top management of NSAs for development of succession plan for subvented staff, volunteers and executive committee members.

Recommendation 12

To provide more training opportunities for the development of subvented staff, officials and volunteers and show recognition of their continuous and good performance.

Scope D: Corporate Governance and Monitoring System

Corporate Governance

30. Effective corporate governance is of vital importance to ensure the proper use of public funding. Different countries have various levels and forms of codes of governance. Some countries have formulated guidelines and checklists for governance setting out the levels of transparency, accountability, selection of athletes and financial integrity for publicly funded NSAs to comply with.

31. All along, the Government attaches great importance to the governance of NSAs and has been actively assisting NSAs in enhancing their corporate governance. All NSAs are required to enter into subvention agreement with LCSD and submit progress reports on their programmes and financial statements on a regular basis. Quality Assurance Section of LCSD will also carry out on-site audits on NSAs' operation. Over the years, LCSD has implemented a series of measures to help NSAs enhance their corporate governance, including requiring them to be a registered company under the Companies Ordinance with AoA and upload their AoA, audited financial statements of the subvention, mechanism of selection of athletes (including the appeal mechanism) to their website for public information with a view to enhancing their management level and transparency of operation. Under the enhanced auditing arrangement, the annual audited accounts submitted by subvented NSAs must comply with the requirements as laid down under the Hong Kong Standard on Assurance Engagements (Revised) 3000. This is to ensure that the relevant guidelines and requirements would be duly complied with so that the audited accounts can serve as a proof of NSAs' compliance. To enable NSAs and auditors to have a better understanding of the crux and key points of the requirements, LCSD has provided a template for the engagement letter and Auditor's Guide for the reference of NSAs and the appointed auditors. In addition, good corporate governance also depends on the joint efforts of board members, office bearers and management staff of NSAs. In this regard, LCSD has launched a series of educational programmes on corporate governance in recent years, including the organisation of workshops jointly with the Independent Commission Against Corruption (ICAC) and thematic seminars with professional institutions for directors and management staff of NSAs to help them gain better knowledge of their roles and responsibilities in the organisation, management and internal monitoring mechanism with a view to further enhancing the governance and management level of their NSAs. Relevant measures implemented by LCSD are summarised in **Annex IV**.

32. The transparency and impartiality of the procedures for selection of athletes for participation in international sports competitions has been an area of concern. Selection of athletes for participation in multi-sport games and international sports competitions is the prerogative of SF&OC and the respective

NSAs. They are required to carry out the selection process in compliance with the Olympic Charter as well as the established selection mechanism. Under the Olympic Charter, SF&OC and NSAs should operate with full autonomy in accordance with their AoA and must resist all pressures of any kind, including political, religious or economic pressures. The Government recognises the autonomy and professionalism of SF&OC and NSAs to select athletes in international competitions and would not interfere with the operation of such mechanism. Nevertheless, NSAs are required to demonstrate that the procedures for selection of athletes are open, fair and transparent; and ensure that consistent selection principles have been adopted and such principles are made known to the athletes in advance and uploaded to their websites. In addition, SF&OC and NSAs have put in place an established mechanism for declaration of interests and handling conflicts of interest, including the procedures for selection of athletes.

33. As stated in paragraph 32 above, SF&OC and NSAs are required to abide by all provisions of the Olympic Charter, IOC's Code of Ethics and rules of the international federation to which they are affiliated to. Currently, LCSD has promulgated the Code of Practice and Code of Conduct for the compliance by all 60 subvented NSAs. With the increase in public funding to be provided to NSAs, it is crucial to strengthen their accountability and the monitoring of their use of public funding. Furthermore, media and members of the public have shown continual concerns over the governance, sporting integrity and transparency of operations of NSAs. There is high public expectation that good corporate governance should be a requisite for an NSA to receive public funds. Monitoring measures should therefore be stepped up to ensure that the resources allocated to NSAs are utilised in a proper, transparent and cost-effective manner. This is the appropriate time to develop a code of governance for compliance by all NSAs. Given SF&OC's leading role in the sports sector, we would strengthen SF&OC's capabilities in overseeing the corporate governance of NSAs. SF&OC is tasked to formulate the code of governance for compliance by NSAs with an aim to sustain the development of sports in Hong Kong.

34. The Home Affairs Bureau has been providing recurrent subvention to SF&OC to support its operation and implementation of various programmes. The subvention amount in 2019-20 is about \$20 million. From 2020-21 onwards, the Government will substantially increase the subvention to SF&OC by providing an additional allocation of about \$25 million per year for strengthening its capabilities and implementing various new initiatives, which includes a time-limited allocation of \$5 million per year for five years for setting up a dedicated team to examine the existing governance structure and operation of all NSAs and formulate a code of governance for compliance by all NSAs with a view to enhancing their corporate governance, monitoring mechanism and the transparency of their operation.

SF&OC will set up a dedicated team of full-time staff to carry out various relevant tasks of the review including-

- (a) to examine the operation of all NSAs including the conduct of an audit on their –
- AoA
 - composition of executive boards and election mechanism
 - selection mechanism of athletes for participation in international competitions and the appeal mechanism
 - membership application mechanism
 - financial reporting and auditing compliance
 - progress of implementing the best practices as set out in the “Best Practice Reference for Governance of NSAs — Towards Excellence in Sports Professional Development” by ICAC
 - status of compliance with the Olympic Charter, IOC’s Code of Ethics and SF&OC’s AoA
- (b) to prepare a comprehensive report on the review findings and recommendations for improvement;
- (c) to formulate a code of governance for compliance by all NSAs;
- (d) to arrange regular thematic seminars for serving and new office bearers and staff of NSAs;
- (e) to implement the recommendations for improvement and monitor the compliance by NSAs; and
- (f) to compile an annual report on the progress of the review and implementation of the recommendations.

35. To set a good example, SF&OC will also conduct a review on its own operation and internal monitoring mechanism and make improvements as appropriate.

36. In Chapters 1 and 2 of his recent Report No. 74, the Director of Audit has examined the operation and governance of certain NSAs and SF&OC and highlighted some areas which require improvement and also made some recommendations. The Legislative Council Public Accounts Committee has conducted public hearings on Chapters 1 and 2 of Report No. 74 and offered some valuable comments. SF&OC will duly take into account the comments of the Director of Audit and the Public Accounts Committee when devising the measures

for enhancing the governance of NSAs.

Recommendation 13

To enhance the role of SF&OC in overseeing the corporate governance of NSAs.

Continuing Professional Development Programmes

37. Among the eight countries under study, most of them highlighted the importance of providing adequate and systematic induction and refresher training for NSAs' board members, executives and volunteers to familiarise them with the respective code of conduct. NSAs in Hong Kong also expressed their concern in relation to the social expectation of better governance. It is a common practice for most countries to provide capacity building services for NSAs in meeting the growing demand for better governance and effective use of public funding so as to sustain the sports development. Systematic training should be provided to enhance the knowledge, experience and awareness of all those involved in the governance of NSAs.

Recommendation 14

To engage experts, professional institutes and relevant stakeholders to design a series of Continuing Professional Development Programmes and develop best practice guidelines for NSAs to enhance their efficiency in office management and expand their horizon in the scope of sports development.

LCSD Manpower required to carry out the Recommendations

38. At present, the core administration work of SSS is overseen by the Sports Funding Office and the Sports Development Section of LCSD. Staff in both Sections have already been fully stretched to their limit and there is no spare capacity for them to absorb the additional workload generated from the above recommendations and the new initiatives to be formulated. Additional manpower is inevitably required to implement the recommendations of the Review as well as to provide assistance and support to NSAs.

Recommendation 15

To set up a dedicated team in LCSD to plan, implement and monitor the recommendations and enhancement measures proposed in the Review.

Financial Implication

39. Further to the injection of resources in 2019-20 for implementation of enhancement measures under Phase I of the Review, the Government has set aside additional fund for implementing Phase II enhancement measures so as to strengthen the support to NSAs. In the 2020-21 Budget Speech, the Government announced that the total subvention for SF&OC and 60 NSAs would be substantially increased from about \$300 million in 2019-20 to more than \$500 million in 2023-24 progressively. The additional allocation for NSAs aims to enhance the promotion and development of sports in the community and implement the enhancement measures as recommended in the Review in particular for improving the manpower and staff remuneration of NSAs as well as for enhancing the corporate governance of NSAs. The additional allocation for SF&OC would include a time-limited funding of \$5 million per year for five years to support SF&OC to conduct the review on the corporate governance of NSAs including the formulation of a code of governance for compliance by all NSAs.

The Way Forward

40. LCSD will conduct briefing for all subvented NSAs to introduce the recommendations and enhancement measures of the Review and the implementation arrangement. LCSD will also consult NSAs and major stakeholders on the implementation details of some recommendations such as the eligibility criteria for receiving government subvention, new pilot schemes for new and trendy sports and the multi-year funding cycle, monitoring mechanism for effective use of public funding and the relaxation and restructuring of eligible items, etc. Besides, LCSD will meet all subvented NSAs to assist them to work out their strategic plan for taking forward the enhancement measures in accordance with the tentative implementation schedule and set relevant targets.

41. According to the tentative implementation schedule at **Annex III**, some enhancement measures would be launched in 2020-21 such as the provision of additional support for NSAs to adopt the revised accounting procedures and procurement guidelines; additional resources for the four multi-sport associations to improve their manpower; provision of training and support for NSAs' board members, subvented staff and volunteers; and measures to enhance the corporate governance and capability of NSAs, etc. With the increase in subvention in the coming few years, all enhancement measurements will be rolled out progressively.

42. To promote the further development of sports in Hong Kong, we will continue to work closely with NSAs and SF&OC for taking forward the recommendations and enhancement measures of the Review. Besides, we will

closely monitor the review to be carried out by SF&OC on NSAs' operation and internal monitoring mechanism. We will report on the findings of SF&OC's review and progress of the implementation of the enhancement measures in due course.

Advice Sought

43. Members are invited to note the content of this paper and comment on the findings and recommendations of the Review and measures to enhance the governance of NSAs.

Home Affairs Bureau
July 2020

Summary of the Sports Subvention System of Hong Kong and Eight Countries under Study

Countries/Cities	Hong Kong	Japan	Singapore	South Korea	Belgium	U.K.	Canada	U.S.A.	Australia
Scope A: Funding Principles, Cycle and Mechanism									
Autonomy & Independence	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lump-sum Subvention	✓	✓	✓	✓	✓	✓	✓	✓	✓
Multi-year Funding	✗	✗	✓	✗	✓	✓	✓	✗	✓
New & Trendy Sports	✗	✗	✓	✗	✓	✗	✗	✗	✗
Penalty Mechanism	✓	✓	✓	✓	✓	✓	✓	✓	✓
Scope B: Allocation of Subvention and Subsidy Level									
Guidelines on Eligible Items	✓	✓	✓	✓	✗	✗	✓	✗	✗
Virement of Fund is Allowed	✓	✗	◆	✓	✗	✗	✗	✗	◆
Return of Unused Fund	✓*	✓	✓	✓	✓	✓	✓	✓	✓
Reserve Fund (Retention of fund if Performance Targets are met)	✓	✗	✗	✗	✗	✗	✗	✗	◆
Alternate Sources of Income & Sponsorship	✓	✓	✓	✓	✓	✓	✓	✓	✓

Remark 1: (✓*) for Targets-not-met Events only

Countries/Cities	Hong Kong	Japan	Singapore	South Korea	Belgium	U.K.	Canada	U.S.A.	Australia
Scope C: Incentives to Attract and Retain Talents									
Independent Salary Structure	✗	✓	✓	✓	✓	✓	✓	✓	✓
Independent Staff Establishment	✗	✓	✓	✓	✓	✓	✗	✓	✓
Training Fund for Officials and Subvented Staff	✓	✗	✓	✓	✓	✗	✗	✓	✓
Recognition for Outstanding Service of Subvented Staff	✗	✗	✓	✓	✗	✗	✗	✗	✗
Fringe Benefits	✓	✗	✓	✓	○	○	✗	✓	✓
Scope D: Corporate Governance and Monitoring System									
Code of Sports Governance	✓ [#]	✓	✓	✓	✓	✓	✓	✓	✓
Training for Senior Management	✓	✓	✓	✓	✓	✓	✓	✓	✓
Membership System & Admission Criteria	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sports Law	✗	✓	✗	✓	✓	✗	✓	✓	✓

Remark 2: (✓[#]) All subvented “national sports associations” (NSAs) are required to comply with the Code of Practice and Code of Conduct as stipulated in the subvention agreement signed with LCSD.

Keys:

✓	Indicates the statement applies	◆	Indicates the statement applies to certain extent
✗	Indicates the statement does not apply	○	Indicates the statement applies at the discretion of NSAs

**Executive Summary of the Report on
Comprehensive Review of Sports Subvention Scheme**

Background

1. The Government of the Hong Kong Special Administrative Region has set the following three policy objectives on sports development-
 - (a) Promoting Sport-for-All
 - a sustainable and community-wide sporting culture whereby people of all age groups participate actively in sports in quest of sound physical and psychological health, as well as positive community spirit;
 - (b) Supporting Elite Sports
 - a cadre of high performance athletes who can compete in major international and overseas sports events competitively, and become role models for the youth; and
 - (c) Promoting Hong Kong as a Centre for Major International Sports Events
 - Hong Kong to be an attractive venue for hosting international sports events of different nature and scale, thereby fostering a sporting culture and bringing economic benefits such as tourism.

National Sports Associations

2. In Hong Kong, “national sports associations” (NSAs) are one of the major partners of the Government to achieve the above policy objectives. The Government provides funding support to NSAs. NSAs are local governing sports organisations in the respective sports disciplines established with the objectives to promote and develop their respective sports, and to participate in international sports activities. They are normally affiliated to the International Federation concerned and are recognised by the Sports Federation & Olympic Committee of Hong Kong, China (SF&OC) as the sole official representatives representing Hong Kong for their respective sports in major games and international events. At present, there are 79 NSAs and sports organisations being members of SF&OC.

Funding Support Provided to NSAs

3. NSAs are non-profit-making organisations. Currently, 60 NSAs receive recurrent subvention from the Government under the Sports Subvention Scheme (SSS) administered by the Leisure and Cultural Services Department (LCSD). They may also generate income through donation, commercial sponsorship, membership fee and members’ contribution. Before 2004-05, the former Hong Kong Sports Development Board (HKSDB) was responsible for granting the Government subvention to NSAs. With the dissolution of the HKSDB in April 2004, LCSD has since then taken over the funding responsibility to provide subvention to NSAs to promote and develop their respective sports.

Comprehensive Review of the Sports Subvention Scheme

4. SSS was last reviewed in 2010-11 with enhanced control mechanism and subvention level to NSAs implemented since 2011-12. In the 2018-19 Budget Speech, it was announced that LCSD would conduct a comprehensive review of SSS and the Government would make reference to the review findings and provide necessary resources for SSS. The Comprehensive Review of the Sports Subvention Scheme (the Review) was conducted in two phases and overseen by a Steering Committee (SC) chaired by the Director of Leisure and Cultural Services and supported by two Working Groups.

5. Phase I of the Review aims to identify the areas of concern of NSAs in the current mode of subvention with recommendations on measures that address the imminent needs of NSAs and bring immediate benefits to them as well as members of the public. In the 2019-20 Budget Speech, it was announced that an additional recurrent provision of \$25 million and an extra two-year subsidy totalling \$35 million would be allocated to enhance the funding support for the 60 NSAs subvented. The funds aim to support their participation in overseas competitions, offer more squad training programmes and support under-privileged athletes as well as other operating costs. Moreover, a one-off grant of \$15 million would be provided to NSAs for staff training/further studies, procurement of equipment, improvement of office facilities, etc. in 2019-20.

6. Phase II of the Review aims to review local and overseas practices in sports subvention, administration of funding scheme, incentives to attract and retain experienced staff for NSAs, and recommend measures to enhance and streamline the administration of SSS in four aspects, namely Scope A: Funding Principles, Cycle and

Mechanism; Scope B: Allocation of Subvention and Subsidy Level; Scope C: Incentives to Attract and Retain Talents in NSAs; and Scope D: Corporate Governance and Monitoring System for NSAs and sports organisations. It was conducted by means of a research study with a holistic approach. The research covered an overseas study on eight overseas countries conducted by a consultant appointed by LCSD as well as a local study which included three parts: consultation with NSAs and major stakeholders, questionnaire survey and public consultations. With the result of the overseas study and findings of the local study, SC drew up recommendations to the Secretary for Home Affairs on practical measures to enhance the administration of SSS and governance of NSAs.

Major Concerns and Recommendations

7. Based on the findings of overseas study and local study collected from different channels between October 2018 and April 2019, the major concerns of NSAs are identified and their suggestions for improvement are well noted and have been taken into account in formulating the recommendations and enhancement measures. As reflected by many NSAs, their key concerns are the allocation of subvention, the subsidy level (Scope B) and the incentives to attract and retain talents in NSAs (Scope C). Many of them reflected the imminent needs to increase the subsidy on programme cost for overseas events, review the coverage, ceiling subsidy and the subvention level of eligible items and strengthen the manpower support as well as increase salary package for subvented staff, coaches and referees, etc.

8. To address the issues of concern identified under the four major scopes and take into account overseas practices and views collected from local study, the SC has made 15 recommendations as listed below-

SCOPE A: Funding Principles, Cycle and Mechanism

- ***Eligibility Criteria for Subvention***

Recommendation 1-

To devise a mechanism to ensure continued fulfilment of the eligibility requirements for receiving government subvention, and to consider strengthening the assessment criteria in light of the changing needs of the sporting community and proper use of public funding.

- ***New and Trendy Sports***

Recommendation 2-

To introduce a pilot scheme to test out how best to support the promotion and development of new and trendy sports.

- ***Funding Cycle***

Recommendation 3-

To introduce a pilot scheme to provide multi-year funding for NSAs to enhance smooth delivery of multi-year programmes for further development of NSAs in the long run.

- ***Mechanism for Effective Use of Public Funding***

Recommendation 4-

To enhance the funding mechanism by clearly stipulating procedures and requirements for compliance by NSAs and consequences of non-compliance.

SCOPE B: Allocation of Subvention and Subsidy Level

- ***Subvention Level***

- Recommendation 5-**

- To provide additional resources to enhance the subvention of eligible items for NSAs and thereby continue the provision of new services introduced under Phase I of the Review.

- Recommendation 6-**

- To expand the sporting services to all walks of life by providing more opportunities of participation, ranging from training at grassroot level for fun to higher skill level for competition.

- ***Relaxation and Restructuring of Eligible Items***

- Recommendation 7-**

- To review the current principles and practices of the list of eligible items so as to allow NSAs to have more flexibility to meet operational needs.

- ***Reserve Fund***

- Recommendation 8-**

- To keep reserve fund and to streamline the application procedures of the fund.

- ***Alternative Sources of Income***

- Recommendation 9-**

- To provide support for NSAs to explore more sources of income and solicit more sponsorship from private sector.

SCOPE C: Incentives to Attract and Retain Talents

- ***More Autonomy for NSAs to Attract and Retain Quality Staff***

Recommendation 10-

To allow NSAs to have more autonomy to map out their manpower and staffing arrangement with additional support so as to address their manpower problem.

- ***Support to Multi-sport Associations***

Recommendation 11-

To provide additional resources to the four multi-sport associations for enhancing manpower to cope with the heavy workload.

- ***Incentives to Staff and Volunteers***

Recommendation 12-

To provide more training opportunities for the development of subvented staff, officials and volunteers and show recognition of their continuous and good performance.

SCOPE D: Corporate Governance and Monitoring System

- ***Corporate Governance***

Recommendation 13-

To enhance the role of SF&OC in overseeing the corporate governance of NSAs.

- ***Continuing Professional Development Programmes***

Recommendation 14-

To engage experts, professional institutes and relevant stakeholders to plan a series of Continuing Professional Development

Programmes and develop best practice guidelines for NSAs to enhance their efficiency in office management and expand their horizon in the scope of sports development.

- ***LCSD Manpower required to carry out the Recommendations***

Recommendation 15-

To set up a dedicated team in LCSD to plan, implement and monitor the recommendations and enhancement measures proposed in the Review.

**Proposed Implementation Schedule of
Recommendations and Enhancement Measures**

Recommendations and Enhancement Measures		Implementation Schedule
Scope A: Funding Principles, Cycle and Mechanism		
Eligibility Criteria for Subvention		
<p><u>Recommendation 1</u> <i>To devise a mechanism to ensure continued fulfilment of the eligibility requirements for receiving government subvention, and to consider strengthening the assessment criteria in light of the changing needs of the sporting community and proper use of public funding.</i></p>	<p><u>Enhancement Measure 1</u> To formulate an In and Out mechanism and apply to those new applicants of SSS and existing NSAs which cannot meet the requirements.</p>	2020-21
	<p><u>Enhancement Measure 2</u> To include the following considerations in assessing the application for SSS-</p> <ul style="list-style-type: none"> a. strategic plan on sports development with sustainability angle; b. successful experience in organising sports development programmes from grassroots to competition levels; c. participation of members of the public at large and supporting or partnership organisations in the last three years; and d. proven record of financial health and good corporate governance practices. 	2021-22

Recommendations and Enhancement Measures		Implementation Schedule
New and Trendy Sports		
<p><u>Recommendation 2</u> <i>To introduce a pilot scheme to test out how best to support the promotion and development of new and trendy sports.</i></p>	<p><u>Enhancement Measure 3</u> To introduce a pilot scheme with funding to support new and trendy sports and devise a new funding mechanism to better address the needs and state of development of new sports; and review its effectiveness in due course.</p>	2021-22
Funding Cycle		
<p><u>Recommendation 3</u> <i>To introduce a pilot scheme to provide multi-year funding for NSAs to enhance smooth delivery of multi-year programmes for further development of NSAs in the long run.</i></p>	<p><u>Enhancement Measure 4</u> To introduce a pilot scheme to apply multi-year subvention arrangement for those mature and more capable NSAs with a view to providing an opportunity for them to devise a long term development plan.</p>	2022-23
Mechanism for Effective Use of Public Funding		
<p><u>Recommendation 4</u> <i>To enhance the funding mechanism by clearly stipulating procedures and requirements for compliance by NSAs and consequences of non-compliance.</i></p>	<p><u>Enhancement Measure 5</u> To devise an effective mechanism with clear guidelines to monitor the use of public funding with the results of non-compliance, including but not limited to reduction, suspension and termination of subvention. Consultation with NSAs and advance notification of the new measures will be arranged.</p>	2020-21

Recommendations and Enhancement Measures		Implementation Schedule
Scope B: Allocation of Subvention and Subsidy Level		
Subvention Level		
<p><u>Recommendation 5</u> <i>To provide additional resources to enhance the subvention of eligible items for NSAs and thereby continue the provision of new services introduced under Phase I of the Review.</i></p>	<p><u>Enhancement Measure 6</u> To continue the allocation of additional funding to NSAs to sustain the enhancement measures implemented under Phase I of the Review, including-</p> <ul style="list-style-type: none"> a. providing full financial support to under-privileged young athletes to take part in international events; b. providing more high level squad training for up-and-coming young athletes; and c. meeting the recurrent cost for a wider range of eligible items such as sports equipment, rates and rental payment for NSAs, etc. 	2020-21
	<p><u>Enhancement Measure 7</u> To review the maximum subvention level of eligibility items for different programmes with a view to better addressing the operational needs of NSAs.</p>	2020-21
	<p><u>Enhancement Measure 8</u> To continue the allocation of additional funding to NSAs which meet the agreed targets according to the result of Mid-year Review.</p>	2020-21

Recommendations and Enhancement Measures		Implementation Schedule
<p><u>Recommendation 6</u> <i>To expand the sporting services to all walks of life by providing more opportunities for participation, ranging from training at grassroots level for fun to higher skill level for competition.</i></p>	<p><u>Enhancement Measure 9</u> To provide additional resources for NSAs to expand sporting services for all ages, ranging from School Sports Programmes for students to Community Sports Clubs Project for members of general public at all ages so as to meet the policy objective of mass participation and Sport-for-All.</p>	2021-22
	<p><u>Enhancement Measure 10</u> To provide additional resources for NSAs to build up and strengthen the sports development hierarchy ranging from grassroots level training to higher skill level for competition, for example, Primary Athletes Training Scheme, Young Athletes Training Scheme and Feeder System Scheme, etc.</p>	2021-22
	<p><u>Enhancement Measure 11</u> To provide additional resources for NSAs to organise more exchange programmes under Youth Sports Exchange Scheme to raise the sports skill level of the youth; to broaden their horizons; and to establish their network with other countries/cities.</p>	2021-22
<p>Relaxation and Restructuring of Eligible Items</p>		
<p><u>Recommendation 7</u> <i>To review the current principles and practices of the list of eligible items so as to allow NSAs to have</i></p>	<p><u>Enhancement Measure 12</u> To streamline and restructure the current list of eligible items and provide additional funding to raise the ceiling of subsidy level for</p>	2021-22

Recommendations and Enhancement Measures		Implementation Schedule
<i>more flexibility to meet operational needs.</i>	eligible items regarding administration and programme expenses.	
Reserve Fund		
<u>Recommendation 8</u> <i>To keep reserve fund and to streamline the application procedures of the fund.</i>	<u>Enhancement Measure 13</u> To streamline the application procedures for use of reserve fund and to assess the practicability and extent to allow NSAs to retain and use reserve fund with greater flexibility.	2021-22
	<u>Enhancement Measure 14</u> To include effective use of reserve fund as one of the yardsticks to assess the management performance of NSAs so as to strengthen their financial control.	2020-21
Alternative Sources of Income		
<u>Recommendation 9</u> <i>To provide support for NSAs to explore more sources of income and solicit more sponsorship from private sector.</i>	<u>Enhancement Measure 15</u> To provide trainings/workshops on strategic sports marketing or fund-raising, etc.	2021-22
	<u>Enhancement Measure 16</u> To explore the possibility of establishing a web information platform to share with NSAs the successful experience in sourcing sponsorship.	2021-22
	<u>Enhancement Measure 17</u> To formulate measures and provide incentives to encourage NSAs to seek non-government funding.	2021-22

Recommendations and Enhancement Measures		Implementation Schedule
Scope C: Incentives to Attract and Retain Talents		
More Autonomy for NSAs to Attract and Retain Quality Staff		
<p><u>Recommendation 10</u> <i>To allow NSAs to have more autonomy to map out their manpower and staffing arrangement with additional support so as to address their manpower problem.</i></p>	<p><u>Enhancement Measure 18</u> To provide stronger support to NSAs by increasing the subvention to the remuneration portion so as to raise the morale of subvented staff, motivate quality staff to stay in the service and provide support for further development of the sports.</p>	2021-22
	<p><u>Enhancement Measure 19</u> To allow flexibility for NSAs to map out their own staffing structure, pay scale and staff incentive scheme by adopting a lump sum grant approach for provision of personnel expenses for NSAs to hire staff to meet their own requirements and pursue opportunities ahead.</p>	2021-22
	<p><u>Enhancement Measure 20</u> To provide additional support for NSAs which require manpower to adopt revised accounting procedures and procurement guidelines arising from the implementation of measures recommended in the Audit Report No. 53 in 2009.</p>	2020-21
	<p><u>Enhancement Measure 21</u> To provide support to NSAs to acknowledge the service and contribution of existing subvented staff for their accumulated years of continuous service in the same NSA.</p>	2020-21

Recommendations and Enhancement Measures		Implementation Schedule
Support to Multi-sport Associations		
<u>Recommendation 11</u> <i>To provide additional resources to the four multi-sport associations for enhancing manpower to cope with the heavy workload.</i>	<u>Enhancement Measure 22</u> To provide additional resources to the four multi-sport associations for manpower improvement so as to cope with the heavy workload due to the expansion of services over the years.	2020-21
Incentives to Staff and Volunteers		
<u>Recommendation 12</u> <i>To provide more training opportunities for the development of subvented staff, officials and volunteers and show recognition of their continuous and good performance.</i>	<u>Enhancement Measure 23</u> To encourage NSAs to devise a mechanism to build in incentive in their salary structure to encourage subvented staff to acquire and enhance their knowledge in corporate governance, sports administration, good practices for board of directors and personnel responsible for financial management, etc.	2021-22
	<u>Enhancement Measure 24</u> To provide additional funding for NSAs to strengthen the support in capacity building for office bearers, coaches, referees, umpires and volunteers, etc., in collaboration with professional parties and stakeholders.	2021-22
	<u>Enhancement Measure 25</u> To establish an award scheme to retain experienced and highly qualified staff and officials in NSAs.	2022-23

Recommendations and Enhancement Measures		Implementation Schedule
	<p><u>Enhancement Measure 26</u> To encourage NSAs to set up parents and fans clubs to support the development of events which appeal to spectators in the long run.</p>	2021-22
Scope D: Corporate Governance and Monitoring System		
Corporate Governance		
<p><u>Recommendation 13</u> <i>To enhance the role of SF&OC in overseeing the corporate governance of NSAs.</i></p>	<p><u>Enhancement Measure 27</u> To provide financial support to SF&OC to enhance their role in overseeing the corporate governance of NSAs by-</p> <ul style="list-style-type: none"> a. examining the existing governance structure and operation of all NSAs; and b. formulating a code of governance for compliance by all NSAs. 	2021-22
Continuing Professional Development Programmes		
<p><u>Recommendation 14</u> <i>To engage experts, professional institutes and relevant stakeholders to plan a series of Continuing Professional Development Programmes and develop best practice guidelines for NSAs to enhance their efficiency in office management and expand their horizon in the scope of sports development.</i></p>	<p><u>Enhancement Measure 28</u> To strengthen NSAs' administrative capability and provide additional fund for NSAs to hire professional services in the areas of-</p> <ul style="list-style-type: none"> a. accounting and/or audit services, and b. corporate governance and internal control of NSAs. 	2020-21

Recommendations and Enhancement Measures		Implementation Schedule
	<p><u>Enhancement Measure 29</u> To provide new tailor-made training programmes for office bearers and subvented staff to upgrade their knowledge in areas including corporate governance and sports administration, etc.</p>	2022-23
LCSD Manpower required to carry out the Recommendations		
<p><u>Recommendation 15</u> <i>To set up a dedicated team in LCSD to plan, implement and monitor the recommendations and enhancement measures proposed in the Review.</i></p>	<p><u>Enhancement Measure 30</u> To nourish and retain a team of experienced staff in sports sections of LCSD to provide professional and administrative support to subvented NSAs and to enhance the communication between LCSD and the NSAs.</p>	2020-21

**Measures Taken by
the Leisure and Cultural Services Department to Enhance
the Corporate Governance of Subvented “national sports associations”**

The Leisure and Cultural Services Department (LCSD) has taken the following major measures to enhance the corporate governance of subvented “national sports associations” (NSAs) in recent years -

1. Providing guidelines on internal control

- Promulgated guidelines for NSAs to ensure timely follow-up on the recommendations made by the Quality Assurance Section of LCSD; and
- Provided a set of “Best Practice Reference for Governance of NSAs – Towards Excellence in Sports Professional Development” which was drawn up by the Independent Commission Against Corruption (ICAC) in 2011 to help NSAs improve their governance and internal controls.

2. Organising briefings and workshops

- Co-organised with ICAC seven seminars for NSAs between 2011 and 2019 on topics including “Corporate Governance on NSAs”, “Selection of Athletes”, “Integrity Management and Internal Control”, “Integrity Management of NSAs”, “Management of Coaches and Umpires”, “Selection of Athletes & Administration of Membership” and “Integrity Management Briefing Session for NSAs - Selection of Athletes for Representing Hong Kong to Participate in International and National Competitions” to help NSAs improve their management and internal controls; and
- Invited the Competition Commission to conduct a briefing on the Competition Ordinance for NSAs in 2016.

3. Strengthening the requirements on corporate governance

- To improve the corporate governance and enhance the transparency of operation and management level of NSAs, and to protect the interest of NSAs and their members, all 60 subvented NSAs have completed their registration under the Companies Ordinance as required by LCSD;
- Since 2013-14, LCSD has included a clause in the Subvention Agreement requiring all subvented NSAs to enhance the transparency of their operation by uploading their Articles of Association, audited financial statements of the subvention as well as mechanism for selection of athletes (including the appeal mechanism) to their websites for public information; and

- Revised the provisions in the Subvention Agreement by requiring the NSAs to (a) submit their audited annual accounts as per the request of LCSD; and (b) operate strictly according to their Articles of Association.

4. Enhancing the monitoring of governance

- Since 2016-17, all subvented NSAs are required to devise new accounting procedures guidelines and procurement practices and guidelines in accordance with the requirements under the Sports Subvention Scheme;
- In 2017, LCSD conducted a series of five thematic seminars on “Corporate Governance in NSAs” including “New Companies Ordinance”, “Directors’ Duties & Fiduciary Duties”, “Board Practices”, “Finance for Directors of NGOs – NSAs”, etc. for members of the board and management of NSAs to help them have a better knowledge of their roles and responsibilities in the organisation, management and internal controls with a view to enhancing the governance of their NSAs; and
- In 2018-19, LCSD continued organising the above-mentioned four core seminars and one thematic seminar on “NSAs Crisis Management from Public Relations Perspective” to raise the awareness of the members of the board and management of NSAs of their roles and responsibilities to facilitate their strategic planning, effective board practices and risk management so as to promote the sustainable sports development in Hong Kong.
- In 2019-20, LCSD launched the “Outreaching Corporate Governance Training Programme” to provide more flexible course arrangements for NSAs such that the date, venue and relevant topics of the training course would be arranged having regard to NSAs’ operational needs and work schedule. For example, LCSD would send professionals to attend the annual general meeting of NSAs to brief the executive directors, management staff and members of NSAs on relevant topics.

5. Adopting “Output-based” approach for monitoring the use of subvention

- Adopted an “output-based” approach for monitoring the use of subvention. NSAs are allowed to use the subvention in a flexible manner to enhance cost-effectiveness as long as they meet the performance targets and comply with other broad funding principles. This approach can enhance the work efficiency of both NSAs and LCSD.