

**Executive Summary of the Investigation Report  
on Funding of Sports Programmes  
by Hong Kong Sports Development Board**

## **BACKGROUND**

1. Grants are made annually by Hong Kong Sports Development Board (SDB)<sup>1</sup> to National Sports Associations (NSAs)<sup>2</sup> to fund their programmes. SDB derives its income mainly from Government subvention. In 2001-02, grants totaling \$75 244 710 were disbursed to 55 NSAs. There has been concern over whether the grants from public funds are allocated and monitored fairly and efficiently. The Ombudsman announced a direct investigation into the matter on 28 September 2001.

## **FINDINGS**

### **Funding Principles**

2. Grants are allocated according a set of principles, including the following:
- (a) Each grant comprises personnel expenses, office expenses and programme expenses.
  - (b) Subventions for personnel and office expenses are calculated according to factors such as NSA's type of sport (e.g. "Focus" sport<sup>3</sup>), the quality and quantity of its programmes and size of its membership.
  - (c) Programme expenses are vetted according to guidelines on such items as airfares, accommodation and meal and uniform subsidy.
  - (d) Personnel and office expenses approved by SDB are subvented in full, while programmes of different nature are subvented to different levels according to the "percentage rule"<sup>4</sup>.

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<sup>1</sup> SDB is a statutory body established in 1990 under the Hong Kong Sports Development Board Ordinance (Cap. 1149) for the purpose of promoting and developing sports and physical recreation in Hong Kong.

<sup>2</sup> NSAs are sports associations recognized by international sports federations as the representative national body of their respective sports.

<sup>3</sup> Inclusion into the "Focus" sports category is decided on the basis of results in international competitions. Currently 13 sports are covered, namely: athletics, badminton, cycling, fencing, rowing, squash, swimming, tennis, tenpin bowling, triathlon, table tennis, windsurfing and wushu.

<sup>4</sup> The "Percentage Rule" provides, for instance, for NSAs to be granted up to 70% of the approved expenses for participating in international events held overseas, and up to 50% of the approved expenses for holding non-major

- (e) The number of events and athletes eligible for financial support is decided according to the NSA's past performance in the same or similar events.

### **Funding Allocation Process**

3. The procedures for allocating grants to NSAs have the following characteristics:
  - (a) "Yearly Plans", with details of estimated expenses, have to be submitted by NSAs to SDB six months before the beginning of a financial year.
  - (b) Every expenditure item is checked by Sports Development Managers (SD Managers) for need, accuracy and economy according to SDB guidelines, and then adjusted according to the "percentage rule" to arrive at a preliminary figure for each NSA.
  - (c) The preliminary figures are considered at internal funding allocation meetings attended by all SD Managers responsible for NSA affairs, and are further adjusted until the total allocations match SDB's projected provision for that purpose.
  - (d) The recommended allocations are cleared by the SDB Executive Director, the Sports Development Committee, Hong Kong Sports Institute Management Committee and Corporate Management Committee before final approval by the SDB governing body.

### **Monitoring and Control**

#### *Plans and Reports*

4. To account for expenditure from the SDB subventions, every NSAs is required to submit every year an updated Four-year Plan, a Yearly Plan, a Programme Plan and an Annual Financial Report. For every subvented programme, it has to furnish an Application for Grants, a Statement of Accounts and an Evaluation Report.

#### *Meetings and Visits*

5. Every NSA is visited no fewer than 15 times every year. Besides sports events, SD Managers attend executive committee meetings and annual general meetings. They also hold regular meetings with NSA officials on the overall development of the associations.

#### *Monitoring Subvented Staff*

6. SD Managers attend recruitment interviews for NSA staff paid by SDB subvention, take part in their training, scrutinize their appraisal reports and meet them regularly for their views.

## **COMMENTS AND OPINIONS**

### **Funding Policy**

7. There have been different views on the policy and principles adopted by SDB for allocating grants to NSAs. These are policy issues hinging on public perception of the importance of sports development and its expectations of the parties concerned. In our view, it is important to have a realistic and rational, comprehensive and comprehensible policy. It must be clear to all parties concerned so as to energise concerted efforts towards a common goal.

### **Funding Allocation Practices and Procedures**

8. There are signs that, in practice, SDB may have applied the funding policy too rigidly. Its refusal to fund events which has not been supported in the past, for instance, may discourage NSAs from attempting new or creative projects.

9. On the funding allocation process, we have the following observations:

- (a) NSAs tend to include in their applications more events and participants than are allowable according to SDB guidelines, with the result that SD Managers have to spend much time and efforts to vet the estimates. The problem can be resolved, for instance, by holding briefing sessions for NSA officials before the preparation of Yearly Plans.
- (b) There are considerable differences between what NSAs request and what SDB finally grants them. A reason is that NSAs are not advised before the compilation of Yearly Plans of the amounts they are likely to get. It would help if NSAs are given indications of the funding ceiling as well as other criteria when they are invited to submit applications for grants.
- (c) The criteria used by SDB to cut NSAs' requests do not always appear to be reasonable. We note that several overseas events were disallowed on the ground that the schedule was too intensive - but that should be a matter for the NSA rather than SDB.

### **Monitoring System**

10. On the SDB's monitoring of NSAs, we have the following observations:

- (a) The system for submission of plans and reports is cumbersome. Some details are required repeatedly.
- (b) Some documents may not serve any useful purpose and add to NSAs' workload.

- (c) On occasions, forms prescribed by SDB do not match with its own stipulations.
- (d) When irregularities are observed, there is no effective means to ensure that remedial measures will be taken by NSAs concerned.
- (e) Some of the control measures are severe and may have undesirable effects, for example:
  - (i) The requirement for subvented NSA staff to acknowledge to SDB receipt of salaries. Coupled with the system of supervision by SD Managers, such requirement may undermine NSAs' authority over its own staff and cause difficulties in staff management.
  - (ii) The rule that grants will be suspended or forfeited if relevant documents are not submitted in time. Such rule appears to be disproportionately harsh and does not reflect well SDB's trust for NSAs.
- (f) Rigid adherence to strict rules may restrict a NSA's ability to make the best use of resources available. An example is the rule that programme plans cannot be varied without prior approval from SDB. A more reasonable and efficient device would be for certain key performance indicators to be set and to allow NSAs, subject to the indicators being met, discretion over the running of the events.

## CONCLUSIONS

11. On the basis of our findings, we have come to the view that SDB has endeavored to ensure that public funds granted to NSAs for development of sports are properly used and accounted for. However, in doing so, it may not have given sufficient consideration to administrative efficiency on its part and that of NSAs. The present system is cumbersome, rigid and occasionally unreasonable in implementation. It gives the impression of a lack of mutual trust and results in wasteful use of manpower.

12. We note that the HAB has recently published a report on the review of the sports policy for Hong Kong "Towards a More Sporting Future" for public consultation. It contains proposals to review and simplify procedures for funding NSAs. We support the proposals and hope our findings and recommendations help towards that review.

## RECOMMENDATIONS

13. The Ombudsman makes the following recommendations:

- (a) **In the long run**, a new system should be worked out for efficient management and monitoring as well as effective use of public resources.

- (b) **In the interim**, pending review, the following improvement should be made-

*Allocation of Grants*

- (i) The criteria for allocating grants should be reviewed with a view to meeting more effectively the aspirations of the community.
- (ii) Guidelines for funding allocation should be regularly updated to reflect the changes in relevant conditions.
- (iii) Steps should be taken to ensure that NSA officials responsible for applications for grants are apprised of the relevant policy, procedures, practices and guidelines.
- (iv) NSAs should be provided, before the preparation of Yearly Plans, with suitable information or advice so as to enable them to prepare the plans rationally and realistically.
- (v) Funding policy and guidelines should be interpreted liberally and flexibly with due regard to the expertise of NSAs in their specific fields.

*Monitoring*

- (vi) The present requirement for plans and reports should be streamlined to cut repetition and unnecessary information.
- (vii) Forms prescribed by SDB should be reviewed to ensure that they serve their intended purpose.
- (viii) A system should be devised to ensure that reasonable requests and suggestions by SDB are properly followed up by NSAs.
- (ix) Monitoring measures carrying unduly harsh sanctions should be amended.

