

Guidelines for Use of Event Surplus / Reserve Fund under the “M” Mark System

1. Use of Event Surplus / Reserve Fund

General guidelines

- (a) To encourage the “national sports association” (NSA) to solicit more commercial sponsorship and use major events as a driver to develop their sport, we allow a more flexible approach on the use of event surplus. Subject to Home Affairs Bureau (HAB)’s approval under certain criteria, surplus reserve may be used for sports development.
- (b) When a “M” Mark event records surplus upon submission of an audited account, NSA may use up to 75% of the total approved cash grant¹ for the development of sport in consistent with the terms of Memorandum and Articles of Association / Articles of Association of the NSA, including expenses for the employment of staff, office administration, and programmes.
- (c) The rest (25%) of the approved cash grant shall deposit to an “M” Mark Reserve Fund Account for the primary purpose of funding future “M” Mark. A separate Reserve Fund Account is required to deposit the savings.
- (d) When the “M” Mark Reserve Fund reaches \$10 million, the respective NSA may not require to deposit the event surplus to the Reserve Fund Account, i.e. it may submit proposal for HAB’s approval on how to use the event surplus for sports development purpose.
- (e) When the Reserve Fund Account reaches \$15 million, the respective NSA must submit a proposal for HAB’s approval within 12 months on how to gainfully use part of the reserve fund for development of the respective sport. If such a proposal is not submitted or cannot obtain HAB’s approval within the said period, the respective NSA is required to return the amount in excess of \$15 million to the Government within four months.
- (f) The NSA should obtain prior and written approval from HAB by completing a prescribed proforma (*at Annex*), with full explanation before use of reserve fund.

¹“cash grant” includes direct grant and matching grant from the government, but excludes LCSD notional venue charges, marketing subvention and venue subvention.

- (g) Applications for use of event surplus / reserve fund should reach HAB at least three months in advance before use of reserve fund.
- (h) If an NSA does not organise another “M” Mark event in four consecutive years, it is required to return all monies including interests in the “M” Mark Reserve Fund Account to the Government within four months upon notice from HAB.
- (i) An NSA is required to submit an audited account on annual basis to HAB to report on the expenditure and balance of the Reserve Fund Account.

Illustration by an example

Using a “M” Mark event that secures \$6M total cash grant from the government as an example:

	M Mark cash funding support	Event surplus or deficit	Amount deposit to Reserve Fund Account	Funds deployed to sports development	Balance of Reserve Fund Account
Year 1	\$6M	\$18M	\$11M	\$7M	\$11M
Year 2	\$6M	-\$2M	\$0M	\$0	\$9M
Year 3	\$6M	\$8M	\$1.3M	\$6.7M	\$10.3M
Year 4	\$6M	\$2M	\$0	\$2.3M	\$10M

Year 1

- (a) The NSA may choose to deposit any amount between \$1.5M (i.e. 25% of the “M” Mark cash funding support) to full event surplus (but not more than \$15M which is the ceiling for Reserve Fund balance) to the Reserve Fund Account. For demonstration purpose, a deposit of \$11M was made.
- (b) The NSA may submit proposal on how to use the event surplus of \$7M (i.e.\$18M-\$11M) for sports development purpose.

Year 2

- (c) The NSA may use the Reserve Fund to cover the deficit of the “M” Mark event in the year. For demonstration purpose, the NSA did so by withdrawing \$2M from the Reserve Fund Account.

Year 3

- (d) The NSA may choose to deposit any amount between \$1M (note: no longer needs to deposit at least \$1.5M as the Reserve Fund Account balance is only \$1M below the \$10M requirement) to \$6M (so that the Reserve Fund

Account balance is not more than \$15M) to the Reserve Fund Account. For demonstration purpose, a deposit of \$1.3M was made.

- (e) The NSA may submit proposal on how to use the event surplus of \$6.7M (i.e. \$8M-\$1.3M) for sports development purpose.

Year 4

- (f) The NSA may choose to deposit any amount (including \$0) within the event surplus so long as the Reserve Fund Account balance is between \$10M to \$15M. For demonstration purpose, no deposit was made.
- (g) The NSA may submit proposal on how to use any amount in the current year's event surplus of \$2M and up to \$0.3M of the Reserve Fund (i.e. the part of the Reserve Fund which exceeds \$10M) for sports development purpose.

2. Scope of Use for Event Surplus / Reserve Fund

Event Surplus / Reserve Fund must be used for sports development purpose. Typically, funds may be used on:

- (a) Personnel Expenses, such as
 - To employ temporary staff / part-time staff to assist in sports development programmes.
 - To set up incentive pay plan for staff / athletes / coaches / referees, of which the plan must be known to all personnel concerned.
- (b) Office Expenses, such as
 - To purchase or upgrade office equipment or facilities of the NSA.
 - To repair sports facilities operated or managed by NSA.
 - To pay for office accommodation and storage space.
- (c) Programme Expenses, such as
 - To cover the expenses of the coming "M" Mark event, or events to be organised by the NSA, no retrospective use of money is allowed.
 - To organise sports development programmes, such as training courses, competitions, sports seminars, workshops etc. for public or officials.
 - To cover programmes related expenses, such as publicity, medals and souvenirs, insurance, medical services etc.
 - To enhance the training of Hong Kong team, including take part in overseas competition or training.