

**Consultative Committee on the
Core Arts and Cultural Facilities of the
West Kowloon Cultural District**

**Financial Matters Advisory Group
Progress Report**

Introduction

This paper gives a progress report on the work of the Financial Matters Advisory Group (FMAG) since the FMAG was established on 6 April 2006 under the Consultative Committee on the Core Arts and Cultural Facilities of the West Kowloon Cultural District (CC). It also reports on the progress of the engagement of a Financial Advisor by the Government to advise on the WKCD development.

Progress

2. The FMAG held its first meeting on 28 April 2006. Having noted its Terms of Reference, the FMAG considered and adopted the work plan (which was noted by the CC at its first meeting held on 21 April 2006) up to September 2006 when the FMAG is expected to submit an interim report to the CC. The FMAG aims to submit a final report to the CC in Q4 2006. The FMAG also

noted the sequential nature of the work of the three Advisory Groups under the CC, and that FMAG's work has to dovetail with that of the other two Advisory Groups.

3. To familiarize FMAG members with the WKCD project, the FMAG Secretariat has provided the FMAG with background papers on Hong Kong's cultural policy, details of the Core Arts and Cultural Facilities (CACF) as defined in the Invitation for Proposals (IFP), basic concepts of public private partnership (PPP) and public sector comparator (PSC). The Home Affairs Bureau gave a briefing to FMAG members on Hong Kong's cultural policy while the Civil Engineering and Development Department and Leisure and Cultural Services Department gave a presentation on Government's rough estimates of capital and operating costs and operating revenue of the CACF as defined in the IFP.

Financial Consultancy

4. The Government is in the process of selecting a financial advisor (FA) to advise on the WKCD development. At its first meeting, the FMAG considered and commented on the scope of studies to be conducted by the FA that are relevant to the work of the FMAG, as well as the expertise required for undertaking the consultancy. The Government has shortlisted several financial consultancy firms and is in the process of selecting a suitable one to undertake the consultancy. The Government expects to engage a FA in July 2006. At the initial stage of the consultancy

study, the FA will conduct a qualitative analysis on PPP arrangements in Hong Kong and overseas that may be suitable for the WKCD development. It will also start to construct a PSC on the CACF and other communal facilities in the WKCD, which is the cost of the Government itself delivering the project output. The PSC will enable the Government to conduct a value for money analysis in considering the development approach for the WKCD.

5. After the CC has endorsed the recommendations of the Performing Arts and Tourism Advisory Group (PATAG) and Museums Advisory Group (MAG) on the CACF, which are expected to be completed in August 2006 by batches, the FA will estimate the financial implications, including the financial viability, for development and sustainable operation of the recommended CACF and other communal facilities. The FA will also analyse different possible funding arrangements for the proposed statutory body for developing the WKCD.

6. The FMAG will hold further meetings in August and September 2006 to consider the findings of the FA and to deliberate on the financial implications of the CACF as recommended by the PATAG and the MAG.

Consultative Forums

7. The FMAG Secretariat and a number of FMAG members have attended the four open consultative forums organized by PATAG and MAG in late May/early June 2006.

Deputy Convenor

8. Mr Moses Cheng has agreed to be the Deputy Convenor of the FMAG and will chair FMAG meetings when the Convenor is out of town.

Secretariat, Financial Matters Advisory Group

June 2006