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20 June 2016

Mr Anthony CHU  
Clerk to Legislative Council Public Accounts Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong  
(Fax no.: 2543 9197)

Dear Mr Chu,

**Public Accounts Committee**  
**Consideration of Chapter 5 of the Director of Audit's Report No. 66**  
**Hong Kong Academy for Performing Arts**

Thank you for your letter of 13 May 2016 on the above subject.

We provide at Annex a coordinated response to your questions raised for the Public Accounts Committee on issues related to the Home Affairs Bureau (HAB) and the Hong Kong Academy for Performing Arts (the HKAPA).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Elaine Mak'.

( Ms Elaine Mak )  
for Secretary for Home Affairs

c.c. Director of Audit  
Secretary for Financial Services and the Treasury  
Secretary for Education  
Secretary General, University Grants Committee  
Director, The Hong Kong Academy for Performing Arts

**Coordinated Responses to PAC's Questions on  
Consideration of Chapter 5 of the Director of Audit's Report No. 66  
Hong Kong Academy for Performing Arts**

<b>Part 1</b>	<b>Introduction</b>
Question 1 (HKAPA)	<p>(Paragraphs 1.7-1.10 refer) As at 31 October 2015, there were 643 students enrolling for undergraduate degree programmes, 142 for sub-degree programmes, 690 for junior programmes and 133 for Master's degree programmes at the Hong Kong Academy for Performing Arts (HKAPA), equivalent to 1 197 full-time students (two part-time students counted as a full-time one) in total. As at 30 September 2015, there were 116 full-time academic posts and 403 part-time teaching staff in the HKAPA's establishment, equivalent to around 318 full-time teaching staff (two part-time teaching staff counted as a full-time one). A rough calculation has shown that the staff-student ratio in the HKAPA is about 1:3.8, while those for the eight tertiary institutions surveyed range from 1:8 to 1:16 according to statistics of the University Grants Committee (UGC). Although the HKAPA stated that the university-based arts programmes offered by UGC-funded institutions were totally different from the small-class performing arts programmes offered by the HKAPA, mainly in terms of the specialised teaching methodologies of the latter which required a higher faculty staff ratio than that of a university, how does the Government define the current staff-student ratio in the HKAPA as reasonable? What are the staff-student ratios for similar institutions in other major cities around the world (e.g. New York, London and Singapore)? If the staff-student ratio in the HKAPA is different from those in similar institutions in other cities, please elaborate on the reasons for the difference?</p>
Response 1	<p>1.1 The Hong Kong Academy for the Performing Arts (HKAPA)'s staffing structure has taken into account the special nature of performing arts education and the specific teaching requirements for a particular discipline. For example, some classes at the HKAPA employ one-to-one teaching approach (e.g. in Western and Chinese musical instruments classes). Like many international Music conservatoires, HKAPA's School of Music maintains a relatively small core of full-time teachers, and they are complemented by part-time faculty who are specialists in a range of instruments to meet the wide-range of performance</p>

specialisms. The Music School employs considerably more part-time teachers than the other Schools in terms of headcount, but these teachers may only teach a few hours per week.

1.2 Based on the actual number of hours of teaching duties performed by the part-time teaching staff, the 403 part-time teaching staff engaged by the HKAPA is equivalent to **25** full-time teaching staff as at 30 September 2015 ( $4\,395/176 =$  total monthly teaching hours of all part-time teaching staff/standard monthly working hours of each full-time teaching staff), making a total of 141 full-time equivalent (FTE) teaching staff. The overall ratio of student to FTE teaching staff for HKAPA is thus **1:8.5** ( $1\,197/141 =$  total number of FTE students as at October 2015/total number of FTE teaching staff as at 30 September 2015).

1.3 The HKAPA's student-teaching staff ratio is broadly comparable with those of performing arts institutions in other places. Reference can be made to the Trinity-Laban College UK (1:10.1), Royal Conservatory of Scotland (1:10.8), Royal Academy of Music (1:9), Royal Welsh College of Music and Drama (1:8.4), Guildhall School of Music and Drama (1:7.4) and the California Institute of the Arts (1:7).

**Part 2 Provision of Academic Programmes**

Question 1 (HAB)	Enrolment Shortfall and Lack of a Policy on Admission of Non-local Students in the HKAPA (paragraphs 1.12, 2.8, 2.20, 2.23, 2.27 and 2.28 refer)
Question 2 (HKAPA)	According to Government's policy, starting from 2016/17, all non-local new recruits for UGC-funded education institutions should be admitted through over-enrolment outside the approved student number targets. Subvented by the Government through the Home Affairs Bureau (HAB), the HKAPA does not differentiate local students from non-local students in its student number target. UGC-funded institutions are required to charge non-local students tuition fee at a level sufficient to recover at least all additional direct costs. In 2015/16, their fees ranged from \$110,000 to \$146,000. However, the HKAPA charged its non-local students the same tuition fee as that for local students. In 2015/16, the tuition fee is \$42,000. The HKAPA failed to meet the enrolment target for four consecutive years. The enrolment shortfalls have increased from 14 places (2%) in 2012/13 to 40 places (5%) in 2015/16. In 2015/16, there were 698 local students admitted, filling only 85% of the enrolment target of 825. The shortfall

	<p>was partially made up by 87 non-local students.</p> <p>(a) Why are the HKAPA’s practices of enrolling non-local students and charging tuition fee different from those adopted by other UGC-funded institutions? Will the HAB and the HKAPA rationalise the latter’s policy on enrolment and tuition fee for non-local students?</p> <p>(b) In the face of competition from other tertiary institutions and the reduction of enrolment numbers, what initiatives will the HKAPA adopt to respond to the enrolment challenges?</p>
<p>Response 2</p>	<p>2.1 As stated in the Audit report, apart from being a higher education institution, the HKAPA plays a pivotal role in grooming artistic talents for Hong Kong’s arts development. The nature and functions of a performing arts education provider is distinct from that of other tertiary education institutions, and the HKAPA and University Grants Committee (UGC)-funded institutions operate with different funding mechanisms which are driven by different policy objectives. Against this background, HKAPA’s policies on enrolment and tuition fee for non-local students has hitherto not been the same as those adopted by UGC-funded institutions.</p> <p>2.2 In the light of the different roles of HKAPA and UGC-funded institutions, in HAB’s letter to HKAPA of February 2015 (as referred in paragraph 2.24 of the Audit report), the Government has not required the HKAPA to allocate its publicly funded places entirely to local students nor adopt the refined tuition fee charging policy applicable to UGC-funded institutions per se. Instead, we requested the HKAPA to review its enrolment and tuition fee charging policy for non-local students, having regard to the academic needs of the HKAPA for a satisfactory international mix of student population, the overall quality of the learning environment and experience for Academy students, the cost-effectiveness of the use of public funds as well as the rationale behind the new policy promulgated for UGC-funded institutions. In response, the HKAPA commenced a review of the tuition fees for non-local students in 2015. HAB will continue to follow up with the HKAPA with a view to working out a set of clear enrolment and tuition fee policy for non-local students having regard to the above considerations.</p> <p>2.3 The HKAPA is taking steps to address the key issues relating to enrolment numbers, including reviewing the relevant entry and articulation pathways. It</p>

	<p>will continue to review how best it could further target the specific pool of candidates with the required skills and aspirations to pursue an artistic career to join the institution. In order to reach out to a wider pool of suitably qualified candidates and facilitating their applications, HKAPA plans to develop an online web-based platform for local and international students to submit their applications, and to refine its application procedures.</p>
<p>Question 2 (HAB)</p> <p>Question 4 (HKAPA)</p>	<p>(Paragraphs 2.35-2.37 refer) According to the information provided by the UGC, from 2009/2010 to 2014/15, the average student unit cost for undergraduate programmes in arts, design and performing arts category decreased by 5% from \$213,000 to \$203,000. Over the same period, the number of students under that category increased by 1 115 people or 67%. The student unit cost of the HKAPA increased by 47% in the same period, while the number of students decreased by 8 persons or 1%. In addition, there was an upward trend of the student unit cost of the HKAPA, showing an increase of 80% from \$171,000 in 2005/06 to \$308,000 in 2014/15. However, the Consumer Price Index over the same period increased by only 34% (in calculating the student unit cost, the government recurrent funding was taken as the cost and divided by the number of full-time equivalent students in all subvented programmes). This was even 52% higher than the unit cost of relevant programmes in institutions under the UGC. Based on the above comparison and analysis, the number of students dropped rather than rose, representing one of the major reasons for the relatively higher average student unit cost of the HKAPA. Are there any other reasons leading to the increase in student unit cost? Furthermore, did the HKAPA look into the actual reasons for the cost increase that far exceeded the inflation rate in the past few years? Was there any waste of resources? What are the improvement strategies and initiatives taken by the HKAPA to enhance the cost effectiveness of its funded programmes?</p>
<p>Response 3</p>	<p>3.1 As stated in HAB's response in the Audit report, the student unit cost of the HKAPA has increased by around 5% to 6% per year on average since 2005/06, except for 2012/13. The more substantial increase (about 17%) in 2012/13 was primarily due to the provision of additional recurrent funding to the HKAPA for implementing the four-year undergraduate programme. As the additional funding was provided to fund the expansion and implementation of new study areas, enhancement of teaching and learning through enriching teaching resources and expanding learning supporting services, etc., these costs are mainly fixed costs for the investment required for the migration to four-year programme,</p>

	<p>causing increase in the student unit costs.</p> <p>3.2 As stated in the HKAPA’s response in the Audit report, the operating cost of the Conservatoire style performing arts programmes offered by the HKAPA is higher than the university-based arts programmes offered by UGC-funded institutions. The specialised delivery methodologies in the performing arts require a higher faculty staff ratio than that of a university. The incorporation of production and performance as a core and integral component of HKAPA’s curriculum also has the effect of driving up the cost of its programmes. Hence, comparing with the arts programme offered by UGC-funded institutions, the student unit cost of the HKAPA is higher.</p> <p>3.3 HAB and the HKAPA will continue to monitor the student unit cost and review the overall effectiveness of its programmes, and consider differentiating the student unit costs for different types of programmes to facilitate benchmarking with similar courses provided by its local and overseas counterparts.</p>
<p>Question 3 (HKAPA)</p>	<p>(Paragraphs 2.7-2.10 refer) The enrolment targets for undergraduate degree programmes have not been met for all four academic years from 2012/13 to 2015/16. Among all schools of the HKAPA, the School of Chinese Opera had the highest level of enrolment shortfall. The number of students of the School decreased from 57 in 2013/14 to 46 in 2015/16. In 2015/16, the number and percentage of enrolment shortfall were 16 and 26% respectively.</p> <p>(a) Has the Government made an in-depth review on the actual reasons for the enrolment shortfall? If so, what are the details? In the face of competition from other UGC-funded institutions, how will the HKAPA improve its enrolment rate?</p> <p>(b) In the light of the serious enrolment shortfall in individual schools, has the HKAPA explored the possibility of in-house consolidation or reorganisation of its various schools? For example, is it possible to expand the curriculum of the School of Chinese Opera from a more Cantonese Opera-oriented approach to a programme involving other mainstream opera forms worldwide and western opera, and bring its programmes or disciplines closer to those provided by overseas performing arts institutions, in order to increase the opportunities for its graduates to conduct overseas exchanges or to further studies?</p>

Response 4	<p>4.1 The HKAPA has always adhered to a quality-driven recruitment and enrolment agenda, which is imperative to ensuring the quality of performing artists trained under its programmes and the pursuit of artistic excellence for the long-term arts and cultural development in Hong Kong. As such, its recruitment process involves an audition process which is a crucial step in determining an applicant's potential to build a professional career in their chosen art form and suitability for admission to the programme. To ensure the quality of the programmes, only applicants who actually possess the necessary artistic quality, potentials and performance skills are admitted to the Academy. The migration to the four-year degree programme had an impact on student enrolment due to a change in entry level requirements in respect of the HKDSE results as some artistically gifted candidates might not be able to meet the HKDSE requirement.</p> <p>4.2 The HKAPA will continue to review how best it could further target the specific pool of candidates with the required skills and aspirations to pursue an artistic career to join the institution. The HKAPA is taking steps to address the key issues relating to enrolment numbers, including reviewing the relevant entry and articulation pathways. A Task Force has been set up for the purpose and will report progress to the Academic Board of HKAPA on a regular basis. It also plans to develop an online web-based platform for local and international students to submit their applications with a view to reaching out to a wider pool of suitably qualified candidates and facilitating their applications.</p> <p>4.3 As regards the enrolment situation of the School of Chinese Opera, the School is the youngest one among the six Schools of the HKAPA. It started to offer the first-ever degree programme in Cantonese Opera in Hong Kong from the 2013/14 academic year. Cantonese Opera is one of the important forms of Hong Kong's traditional arts and culture and provision of training on Chinese Opera complements the Government's policy to promote the preservation, study, promotion and continuing development of this important art form, which has been inscribed onto the Representative List of the Intangible Cultural Heritage of Humanity under the United Nations Educational, Scientific and Cultural Organization (UNESCO). However, Cantonese Opera training at a pre-tertiary level in Hong Kong has not been widely developed, neither within the private sector nor the school system. This has confined the number of local students with the requisite skill set to pursue studies at an advanced level. Against such circumstances, it will take time for the programme to gain greater recognition in</p>
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	<p>the wider community. Given that its first cohort is due to graduate in 2016/17, the impact and potential of this programme has yet to be fully demonstrated and assessed. That said, the HKAPA is taking steps to address key issues related to enrolment in the School of Chinese Opera, including:</p> <ul style="list-style-type: none"> <li>• Reviewing entry standards to create more flexible entry options and pathways;</li> <li>• Reviewing the breadth of the course beyond specialist performance areas to broaden the potential enrolment base;</li> <li>• Stimulating interest in Cantonese Opera through targeted outreach programmes, and building a reputation amongst the public of the true value of the School’s quality programme through regular high quality performances;</li> <li>• Reviewing recruitment strategy, as the School will require an approach different from that of the other established Schools at the Academy which are more well-known and accepted within the wider community and have access to more established markets of their discipline areas;</li> <li>• Deepening the collaboration with local Chinese Opera industry artists and association.</li> </ul>
<p>Question 5 (HKAPA)</p>	<p>(Paragraphs 2.49-2.50 refer) The response rates of graduate employment surveys conducted by the HKAPA were 15%, 27% and 24% for the years 2012, 2013 and 2014 respectively, while those for the two randomly selected UGC-funded institutions were all at or above 85% for the years above. As all the respondents were students of local institutions, could the Government please explain why there was such an extreme difference in the response rates? Does this phenomenon suggest that the career prospects of HKAPA graduates are relatively poor, thus resulting in low response rates? If so, what improvements can be made in this regard? If not, what are the reasons for the low response rates?</p>
<p>Response 5</p>	<p>5.1 The HKAPA has always been outsourcing its Graduate Employment Survey to a professional and reputable consultancy firm since the exercise was commenced in 2012. The first survey conducted in 2012 was sent to all former students who graduated in 2010, 2011 and 2012. The response rates of the surveys conducted in 2012, 2013, and 2014 were 15%, 27% and 24% respectively. The low response rate in 2012 was mainly attributed to the challenge in reaching out to former graduates who had graduated some 2 to 3 years ago prior to the time of the survey. The response rates in 2013 and 2014</p>



	<p>surveys had improved after the HKAPA had taken proactive steps to encourage the graduates of the year to respond to the survey.</p> <p>5.2 It is noted that the response rates of the graduate employment surveys conducted by the HKAPA were lower than those conducted by other tertiary education institutions. This may be due to the timing and methodology for conducting fieldwork for collecting responses from graduates. The HKAPA will review the situation to see if the survey process can be modified with a view to improving the response rate of future surveys. To improve the response rate, especially that to online surveys, apart from making follow-up phone calls to remind the graduates, the Academy would offer suitable incentives to boost response rate.</p>
<p><b>Part 3 Governance and Government Monitoring</b></p>	
<p>Question 3 (HAB)</p>	<p>(Paragraph 3.24 refers) In 2004, the Government issued the Financial Circular No. 9/2004 on “Guidelines on the Management and Control of Government Funding for Subvented Organisations”. However, the important requirements specified in the Financial Circular regarding the submission of annual financial statements were not incorporated in the Memorandum of Administrative Arrangements (MAA) of the HKAPA. As a result, the HKAPA has not submitted to the HAB an audited financial report on its funded programmes. Does the Government, being the control authority, have any control measures in place to ensure that its subvented organisations comply with the important requirements specified in the funding guidelines? If yes, what are the reasons for not noticing the fact that the HKAPA has not submitted any audited financial reports for years? Who should be held responsible for this? If no, what improvement measures will be taken?</p>
<p>Response 6</p>	<p>6.1 The HAB all along exercises effective management and control of government subvention allocated to the HKAPA. Currently, the HKAPA is required to submit and has been submitting financial statements and auditor’s report annually, together with their annual report, to HAB for tabling before the Legislative Council in accordance with section 23 of the HKAPA Ordinance (Cap. 1135). The audited financial statements submitted by the HKAPA to HAB cover, amongst other things, the total tuition, programmes and other fees (i.e. income) from the subvented programmes. As a member of the HKAPA Council and Finance Committee, HAB also receives on a regular basis detailed</p>

	<p>information on the breakdown of income and expenditure on both the government and non-government funded activities of the HKAPA, as well as on movements in the reserve of unspent subvention retained and assets acquired under the subvented programmes.</p> <p>6.2 As stated in HAB’s response in the Audit report, we are in the process of reviewing and updating the Memorandum of Administrative Arrangements (MAA) signed with HKAPA and will incorporate the relevant reporting requirements as specified in Financial Circular No. 9/2004 into the MAA as soon as practicable.</p>
<p>Question 4 (HAB)</p>	<p>(Paragraphs 3.30-3.36 refer) The Audit Report pointed out from different aspects that there were several discrepancies and differences between the operation and management of the HKAPA and that of UGC-funded institutions, reflecting that the problems and loopholes originated from the lack of a standardised regime and a dedicated regulatory authority. According to the review report entitled “Aspirations for the Higher Education System in Hong Kong” published by the UGC in December 2010, the HKAPA should be funded and overseen by the UGC. However, since November 2011, there has not been further development on the issue of transferring the responsibility of funding and overseeing the HKAPA from the HAB to the UGC. In order to achieve a standardised and professional management and overseeing of public-funded tertiary institutions so as to maximise the synergy effects, has the Government conducted a comprehensive research on transferring the management responsibility from the HKAPA to the UGC? If yes, what are the details? If no, how did the relevant conclusion come up?</p>
<p>Response 7</p>	<p>7.1 Unlike the UGC-funded tertiary education institutions where student numbers are a key factor for calculating subvention, under the existing funding arrangement for HKAPA, the amount of subvention for the HKAPA in a particular year is determined having regard to a number of factors, including HKAPA’s baseline expenditure, approved funding for new initiatives, estimated income, impact of civil service pay adjustment, and the overall government budgetary situation, etc. Given the unique role and functions of the HKAPA in achieving the Government’s vision of developing Hong Kong into a cultural metropolis and implementing its arts and cultural policies, HAB considers it necessary and beneficial to continue with the existing subvention arrangement through which it can work with the HKAPA closely and directly in pursuing</p>

	<p>performing arts education policies and initiatives. This objective could not be achieved should the policy and funding responsibilities for HKAPA be transferred to the Education Bureau or the UGC. Indeed, the present funding arrangement reflects and reinforces the strategic partnership between HAB and HKAPA, and caters to the needs and aspirations of the stakeholders in the arts and cultural sector.</p> <p>7.2 It is a critical time for the HKAPA to work closely with HAB and other partners in the arts sector to enhance Hong Kong’s cultural software in tandem with the development of the West Kowloon Cultural District. Under the established funding arrangement, the HKAPA can fully devote itself to further improving the quality of its performing arts programmes to address the needs of the arts sector in line with the arts and cultural policies.</p> <p>7.3 As stated in HAB’s response in the Audit Report, we will seek the endorsement of the HKAPA Council and other relevant bureaux on maintaining the current funding arrangements for the HKAPA during which the justifications would be clearly and fully articulated.</p>
<p>Question 6 (HKAPA)</p>	<p>(Paragraphs 3.28-3.29 refer) The HKAPA had twice made allocations from its reserve, but did not follow the requirements under its signed MAA to obtain timely approval from the HAB. In addition, the HKAPA did not return duly the unspent amount to the reserve.</p> <p>(a) Has the Finance Committee of the HKAPA made any suggestions or recommendations on its management and regulation against the problems mentioned in the Audit Report? If yes, what are the details?</p> <p>(b) Has the Finance Committee of the HKAPA played an overseeing role relating to the implementation of an important financial management regime? If no, what are the reasons?</p>
<p>Response 8</p>	<p>8.1 The Finance Committee of the HKAPA plays an important role in monitoring the financial management system of the Academy and will continue to advise and make recommendations to the Council on financial matters.</p> <p>8.2 Apart from the follow up actions stated in HAB’s response to the cases mentioned in paragraphs 3.28(a) and 3.28(b) of the Audit Report, actions have also been taken to follow up on the case mentioned in paragraph 3.29(a) of the</p>

Audit report: after a thorough review to ensure that no further expenses would be incurred for the 30th Anniversary event, HKAPA has returned a total of \$1.4 million (unspent balance of the allocation) to the its government reserve account in February 2016.

8.3 For case mentioned in paragraph 3.29(b) of the Audit report, the HKAPA estimates that a substantial amount from the Béthanie Maintenance Reserve Fund (which is used for funding both the initial operation cost and the ongoing maintenance costs of the Béthanie site) will be utilized to carry out maintenance works for the Béthanie, which was declared as Monument in November 2013 by the Antiquities Authority under the Antiquities and Monuments Ordinance. As compliance with all relevant statutory requirements for carrying out works in the Declared Monument Béthanie will require maintenance of the building health, safety and structural stability, the HKAPA is of the view that there is a need to retain the Bethanie Maintenance Reserve Fund. HKAPA is currently in the process of appointing a consultant to carry out a comprehensive condition survey and investigation to come up with recommendations for thorough maintenance works to be carried out for submission to relevant authorities.

8.4 Furthermore, HAB has reminded the management of the HKAPA to observe the relevant provisions in the MAA in respect of the use of reserve fund, including the need for obtaining HAB’s prior approval for making allocation from the reserve and returning any unspent balance of an allocation to the reserve in a timely manner.

8.5 The Finance Committee of HKAPA has thoroughly discussed the measures to enhance the financial control and management of the Academy. The HKAPA Council has also set up an Ad-hoc Committee (comprising Finance Committee members) to examine all the recommendations made by the Audit Commission and to consider appropriate follow-up measures. The Deputy Director (Administration) and Registrar of HKAPA will lead a management team to implement the follow-actions to be devised and the Ad-hoc Committee will monitor the progress of implementation.

**Part 4                      Administrative Issues**

Question 5 (HAB) (Paragraphs 4.5-4.7 refer) Low utilisation rate was observed in the teaching venues at some campuses of the HKAPA. The average utilisation rates were

<p>Question 7 (HKAPA)</p>	<p>32% to 79% for venues at the Wanchai Campus, 3% to 28% for venues at the Béthanie Campus and 12% to 35% for leased premises in commercial buildings.</p> <p>According to the Audit Report, the HKAPA claimed that there was an acute shortage in teaching venues. It was therefore taking forward campus expansion and improvement projects (please see Part 5 below), which were contradictory to the report findings that low utilisation rates were recorded for some teaching venues.</p> <p>(a) The average utilisation rate for the Béthanie Campus was only between 3% and 29%. What are the reasons? Are there any improvement measures?</p> <p>(b) Does the HKAPA have any plans to reduce the scale of leasing premises in commercial buildings and make better use of its campus venues with a low utilisation rate to avoid wasting resources? If no, what are the reasons?</p> <p>(c) Did the Government make an assessment as to whether there would be a change in the low utilisation rate for the teaching venues at the campus upon completion of campus expansion works? If yes, what is the conclusion? If no, what are the reasons?</p> <p>(d) When the HKAPA initially put forward the expansion project, on what assumption was it based and what were the specific information and data (such as the increase in enrolment and programmes) involved? What are the differences as compared with the present actual situation and the trend projection?</p>
<p>Response 9</p>	<p>9.1 The Béthanie Campus houses the School of Film/TV (FTV), providing teaching space as well as other facilities for public hiring purpose, including the Chapel, the Wellcome Theatre and the Sir Y K Pao Studio. Non-FTV School students do not regularly use the teaching space and facilities in the Béthanie campus as the “general” classes such as Academy electives, languages, liberal arts courses, as well as other practical and project-based courses are held in the main Wanchai campus. Due to its isolated location and the specialized nature of the facilities therein, the hiring rate of most of the public hiring facilities in Bethanie is relatively low.</p> <p>9.2 Since many teaching venues of the Academy are specialized facilities catering for divergent training needs of different performing arts disciplines, they are designed to be only suitable for designated uses and thus the utilization of such facilities will not be as high as general facilities (such as lecture rooms).</p>

While the HKAPA will have to retain the specialized nature of the majority of its teaching facilities and venues upon the completion of the on-site campus expansion (OCE) project, it will proactively review its requirement for hiring commercial buildings upon the completion of the OCE project as the main campus will then be able to accommodate some of the teaching activities currently carried out in hired commercial buildings.

9.3 To follow-up on the Audit Commission's observations, HKAPA has formed a designated working group to examine the issue of optimal space usage, and will continue to consider how best to put all its venues into the most meaningful uses. HKAPA is in the process of reviewing the utilisation rates of all its venues, and will enhance the Central Timetabling System to streamline the room booking operation and to optimize the utilisation of teaching venues. Schools and Departments will be encouraged to increase the use of their facilities both for classes, rehearsals, and public events, e.g. seminars, recitals, master classes, etc., where the premises permit. Through these Academy's public events, the Béthanie venues can be more effectively promoted to the public and potential hirers. The HKAPA also plans to introduce new measures to promote the hiring/usage of the venues/facilities, such as revamping the venue charging rates and promoting the upgraded projection screen and cinema sound system at the Wellcome Theatre starting from mid-2016. It will also introduce new hiring packages for rental of the Sir Y K Pao Studio and the Chapel with a view to enhancing utilization of both venues.

9.4 As stated in the Audit Report, the existing Wanchai campus buildings were completed in 1980s and were originally designed to house 600 full-time students only. The total number of FTE students had significantly increased over the years (as referred to in paragraph 1.2 above, the total number of FTE students as at October 2015 was 1197, assuming that each part-time is counted as 0.5 FTE student). The completion of the current expansion and improvement project of the Wan Chai Campus will provide an additional construction floor area of 9,757 m<sup>2</sup>, which will partly relieve the problem of space shortage. As stated in HAB's response in the Audit report, HAB will review the basis on which space requirements for the HKAPA should be assessed having regard to all relevant factors including the nature of the programmes, performance/production requirements, and other teaching and learning needs before planning for any future expansion project.

Question 7 (HKAPA)	(Paragraph 4.29 refers) In 2014-15, the HKAPA disposed of 981 items of fixed assets at a total cost of \$18 million, including 118 items of fixed assets reported loss at a total cost of \$707,000. What are the causes? Are there any targeted improvement measures available?
Response 10	The 2014-15 exercise was a triennial physical check conducted by the HKAPA. Among the fixed assets disposed, majority of them no longer met operational needs or were beyond economic repair; while a small percentage of the fixed assets disposed were items reported loss. As stated in HKAPA's response in the Audit report, the Academy is enhancing the guidelines and procedures on fixed asset management with a view to stepping up management and control of fixed assets. Physical check on fixed assets will be conducted by School/Department annually to keep proper record on fixed assets. The HKAPA will also improve the procedures to ensure timely return of items on loan.
<b>Part 5 Campus Improvement and Expansion</b>	
Question 6 (HAB)	(Paragraphs 5.3-5.13 refer) In 2012, the Legislative Council (LegCo) approved a funding of about \$440 million for the HKAPA to carry out its Wanchai Campus expansion project. The project was originally scheduled for completion in December 2015. However, given that the construction cost exceeded the estimated funding, the project is now re-scheduled for completion by in December 2017, i.e. two years behind the original schedule. The HKAPA and the HAB agreed on their own to reduce the project scale by 1 132m <sup>2</sup> or 10%, without notifying the LegCo afterwards. Although this is conducive to a reduction of the project cost of \$68 million, a two-year project delay will result in additional rental of \$4 million. As the LegCo, the authority making the original approval, was not notified of the procedures adopted in reducing the scale of the project, is such a practice in line with the relevant requirements according to the Government's relevant practical guidelines on financial management? If not, what should be the correct handling procedures? Moreover, the delay of the project and its reduction in scale may subsequently affect the operation of the HKAPA? What are the measures taken to minimise the impact on the HKAPA's delivery of its academic programmes and other services during the construction period? How will the Government ensure that there will be no more cost overruns and delay of the Wanchai Campus expansion project?

<p>Question 8 (HKAPA)</p>	<p>(Paragraphs 5.3-5.13 refer) In 2012, the LegCo approved a funding of about \$440 million for the HKAPA to carry out its Wanchai Campus expansion project. The project was originally scheduled for completion in December 2015. However, given that the construction cost exceeded the estimated funding, the project is now re-scheduled for completion by December 2017, i.e. two years behind the original schedule. The HKAPA and the HAB agreed on their own to reduce the project scale by 1 132 m<sup>2</sup> or 10%, without notifying the LegCo afterwards. Although this is conducive to a reduction of the project cost of \$68 million, a two-year project delay will result in additional rental of \$4 million. The delay of the project and its reduction in scale may subsequently affect the operation of the HKAPA. What are the measures taken to minimise the impact on the HKAPA's delivery of its academic programmes and other services during the construction period? How will the Government ensure that there will be no more cost overruns and delay of the Wanchai Campus expansion project?</p>
<p>Response 11</p>	<p>11.1 In delivering the OCE project, HAB is mindful of the need to observe relevant provisions of the Financial Circular No. 3/2012 on Capital Works Programme. Where the approved scope of a project requires a <u>substantial change</u>, the lead Director of Bureau should seek approval from the PWSC and FC. According to the Circular, substantial change includes all changes causing an increase in approved project estimate (APE) by more than \$15 million or changes which, albeit not increasing the APE by more than \$15 million, constitutes a significant deviation from the scope of the project approved by FC.</p> <p>11.2 The main objective of the cost containment proposal was to contain the OCE project cost within the APE approved by FC. Under the proposal, the component to construct a one-storey lightweight structure on the roof of the Theatre Block was not pursued, resulting in a reduction of the original total construction floor area (CFA) of 10,889 m<sup>2</sup> of the entire campus improvement &amp; expansion project by about 10% (i.e. 1,132 m<sup>2</sup>).</p> <p>11.3 Since the key elements of the OCE project, i.e. the construction of the nine-storey building block and an additional floor over the existing Scenic Art Workshop at the Theatre Block, as well as other deliverables will continue to be implemented, the 10% reduction in total CFA will not affect the delivery of the intended functions of the OCE project. In view of the scale of change which also does not entail an increase in APE, the Government is of the view that the cost containment proposal does not constitute a substantial change to the scope of the</p>



project. According to prevailing provisions of the FC Circular, implementation of such change does not require approval from PWSC or FC of the Legislative Council. With FSTB's consent, we consider it appropriate for the HKAPA to proceed with the capital works project based on the cost containment proposal.

11.4 The construction project is targeted to be completed by end 2017. We have issued an information note to the LegCo Panel on Home Affairs in March 2016 to keep members posted on the progress of the works project.

11.5 On the provision of service during the construction period, HKAPA has worked out alternative space arrangements before the commissioning of new facilities so that the requisite hardware requirements for its delivery of academic programmes would not be compromised because of the project delay. Parts of the OCE project, including the conversion works of the existing fountain pump room and the redesign/reconfiguration of the existing library, have been completed and the new facilities (including office and storage space for the Internal Audit and Administration departments provided in the pump room project; and research consultation rooms, information commons, learning commons and seminar rooms in the reconfigured library) have already been completed and put into use in February 2014 and November 2015 respectively.

11.6 Construction of the new building block under the OCE project has been progressing well and the project is targeted to be completed by end 2017. To prevent further delay, HKAPA has stepped up the monitoring of critical path and milestone dates of the contractor's programme, and is maintaining proactive liaison with its consultant and contractor. For example, weekly technical meetings with contractor have been held to identify and resolve critical issues which might adversely affect the project cost and programme, and HKAPA has also enhanced coordination with the contractor for early submissions of materials such as complicated works procedures for early review and approval. HAB will continue to closely monitor the progress of the project through quarterly reports from HKAPA and close liaison with the project team.