

Funding schemes for conservation of built heritage managed by the Development Bureau

The Audit Commission ("Audit") conducted a review of the funding schemes for conservation of built heritage managed by the Development Bureau ("DEVB"), including the Revitalising Historic Buildings Through Partnership Scheme ("the Revitalisation Scheme"),¹ the Financial Assistance for Maintenance Scheme on Built Heritage ("FAS")² and two pilot funding schemes, namely the Funding Scheme for Public Engagement Projects on Built Heritage Conservation ("FSPEP")³ and the Funding Scheme for Thematic Research on Built Heritage Conservation ("FSTR").⁴ A related review was conducted in March 2013.⁵

2. In 2007, DEVB had taken forward a package of administrative measures to implement a new heritage conservation policy to protect, conserve and revitalize historical and heritage sites and buildings. These measures included setting up the Commissioner for Heritage's Office under DEVB in April 2008, launching the Revitalisation Scheme and FAS in 2008, and launching FSPEP and FSTR in 2017. DEVB is responsible for the management of these four funding schemes.

3. As of July 2020, a total of 19 projects had been selected under the Revitalisation Scheme, with grant payments amounting to \$1,057 million. In addition, 79 applications under FAS, three applications under FSPEP and six applications under FSTR had been approved, with grant payments amounting to \$63 million, \$2 million and \$6 million respectively.

4. The Advisory Committee on Built Heritage Conservation ("ACBHC") was established in 2016 to advise the Government on the operation of the Built Heritage Conservation Fund. ACBHC assesses new applications and monitors existing projects under the Revitalising Scheme, monitors the operation of FAS, and advises on FSPEP and FSTR.

¹ The Revitalisation Scheme aims to put selected vacant government-owned historic buildings to adaptive re-use. Under the Scheme, non-profit-making organizations ("NPOs") are invited to submit proposals for using the designated historic buildings to provide services or run business in the form of social enterprises.

² FAS aims to provide financial assistance to owners of privately-owned graded historic buildings as well as NPO tenants of government-owned declared monuments or graded historic buildings to carry out maintenance works themselves.

³ FSPEP aims to provide funding for public education, community involvement and publicity activities.

⁴ FSTR aims to encourage interest in, render financial support to, and recognize quality academic research on the theme of built heritage conservation.

⁵ Chapter 1 of the Director of Audit's Report No. 60 – "Conservation of monuments and historic buildings".

5. The Committee noted the following findings from the Director of Audit's Report:

Management of the Revitalisation Scheme

- under the Revitalisation Scheme, non-profit-making-organizations ("NPOs") were invited to submit proposals for using the designated historic buildings and were responsible for running the approved projects. Audit examination of the applications received during Batches I to V of the Revitalisation Scheme revealed that the number of applications received for each historic building varied considerably from 2 to 30 applications (averaging 10 applications) and the percentage of invalid applications in two of the latest three batches was relatively high (i.e. 15% and 19% respectively);
- as of July 2020, out of the 12 completed projects, the works of 11 projects were completed 37 to 560 days (averaging 284 days) later than the scheduled completion dates;
- in one project, many instructions of works variations had been issued by the NPO without prior approval from DEVB⁶ and the reasons for not seeking prior approval were not recorded. Moreover, a number of instructions of works variations were issued by the NPO after the certified completion date of the works;⁷
- out of the 11 completed projects which had applied for the capital grant under the Revitalisation Scheme, the project accounts of six (55%) projects had not been finalized according to the one-year requirement⁸ as of July 2020, including three projects which had been substantially completed for three to seven years;
- 8 out of the 12 NPOs submitted their first business plans and financial plans to DEVB later than the specified time limits and 10 NPOs

⁶ According to DEVB guidelines for projects under the Revitalisation Scheme, for variation works deemed absolutely necessary by an NPO, it should obtain prior approval from DEVB before issuing instructions to contractors to proceed with the variation works.

⁷ Please see paragraphs 2.21 and 2.22 of Chapter 6 of the Director of Audit's Report No. 75 for details.

⁸ According to DEVB guidelines for projects under the Revitalisation Scheme, NPOs should submit the draft project account and other supporting documents to DEVB within one year after the date of practical completion of the renovation works.

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submitted their first building management plans later than the specified time limits;⁹

- out of the 40 mid-year progress reports required to be submitted by the 12 NPOs, three (7%) reports had not been submitted by three NPOs as of July 2020 and 24 (60%) reports were submitted by seven NPOs later than the specified time limits;¹⁰
- out of the 39 annual reports required to be submitted by the 12 NPOs, one (3%) report had not been submitted by an NPO as of July 2020 and 27 (69%) reports were submitted by nine NPOs later than the specified time limits;¹¹

Management of FAS and FSPEP

- out of the 79 applications approved under FAS, the processing time of 22 (28%) applications was more than two years up to 1 554 days. Out of the 66 FAS applications being processed as of July 2020, four (6%) applications were received some four to five years ago;
- according to DEVB's current practice, a single historic building could at most have three concurrent applications at any instant covering different aspects of the building. However, such practice for handling concurrent FAS applications was neither specified in the Guide to Application of FAS nor in DEVB's internal guidelines;
- out of the 79 approved FAS projects, the maintenance works of 62 (78%) projects had commenced. For these 62 projects, the time elapsed from formal approval date to commencement date of maintenance works of 25 (40%) projects was more than one year and

⁹ Tenancy agreements of various projects set out different time limits for NPOs to submit the first project plans, including business plan, financial plan and building management plan. The time limits are as follows: (a) within six months after signing of tenancy agreements for three projects under Batch I; (b) four months before the commencement of operation of the project or a specified date, whichever is earlier, for a project under Batch I; or (c) six months before the commencement of operation of the project or a specified date, whichever is earlier, for two projects under Batch I and all projects under Batches II and III.

¹⁰ On a regular basis, NPOs should submit mid-year progress reports within two months following the end of the six-month period after the end of the accounting year.

¹¹ On a regular basis, NPOs should submit annual reports (including audited financial statements) within four months after the end of the accounting year.

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up to 3.3 years, exceeding the one-year limit as set out in the Guide to Application of FAS;

- as of July 2020, the maintenance works of 17 (22%) out of the aforesaid 79 projects approved under FAS had not commenced. The time elapsed from formal approval date to July 2020 ranged from 29 to 2 261 days, averaging 560 days;
- as of July 2020, out of the 59 projects with maintenance works completed under FAS, Audit examination of five projects discovered that:
 - (a) for two projects (with project works completed in 2011 and 2015 respectively), only three and two brief reports had been submitted by the grantees after the completion of maintenance works. For the other three projects, no reports had been submitted by the grantees; and
 - (b) DEVB did not issue reminders in a timely manner to those grantees which had not submitted or had delay in submitting the brief reports. For four projects, DEVB only issued reminders to the grantees once about two to three years after works completion or the last submission of brief report;
- for one FSPEP project, one of the six workshops organized by the grantee fell short of the target number of participants by 62%;¹²

Declaration of interests by ACBHC members

- Audit examination of the records of declaration of interests by members (including the chairman) of ACBHC from May 2016 to May 2020¹³ found that:

¹² The grantee was required to provide a series of workshops to secondary school students, teachers and professionals for helping communities to better understand places with heritage value and each workshop was anticipated to attract up to 30 or 40 participants.

¹³ DEVB did not request declaration of general pecuniary interests from ACBHC members when they were appointed. Instead, they were requested to declare their interests at the first committee meeting (for the term of office from May 2016 to May 2018) or six days before the first committee meeting (for the term of office from May 2018 to May 2020), which were one to two months after the date of appointment. In addition, no time limit was set by DEVB for the return of the declaration forms.

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- (a) for the term of office from May 2016 to May 2018, three members of ACBHC submitted their declaration forms on the day when DEVB made the request and 15 members did so 2 to 355 days after the request was made by DEVB (averaging 94 days). The longest time of 355 days involved two members; and
 - (b) for the term of office from May 2018 to May 2020, two members of ACBHC submitted their declaration forms on the day when DEVB made the request and 20 members did so 3 to 114 days after the request was made by DEVB (averaging 31 days). The longest time of 114 days involved one member; and
- DEVB had not requested any member of ACBHC to make annual declaration of interests in the second year of the terms of office from May 2016 to May 2018 and May 2018 to May 2020. In the event, no annual declaration forms were submitted by members of ACBHC.

6. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the management of the Revitalisation Scheme, FAS and FSPEP as well as the declaration of interests by members of ACBHC. The replies from **Secretary for Development** are in *Appendices 8* and *9*.

7. Noting that the average processing time of 79 approved applications under FAS is more than one year, the Committee is particularly concerned about this long processing time and recommends that DEVB should regularly review the effectiveness of its measures with a view to providing timely and professional assistance to FAS applicants to expedite their applications.

8. The Committee wishes to be kept informed of the progress made in implementing the various recommendations in respect of this subject.