

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

CAPITAL WORKS RESERVE FUND

HEAD 707 – New Towns and Urban Area Development

Subhead 7017CX – Signature Project Scheme

Members are invited to recommend to Finance Committee the creation of a new block allocation **Subhead 7017CX** under **Head 707** to support the implementation of projects by District Councils under Signature Project Scheme, subject to a financial ceiling of \$30 million for each Category D item, and the approval of \$29 million for 2013-14 for this Subhead.

PROBLEM

We need to establish a new block allocation subhead under the Capital Works Reserve Fund (CWRF) to support the implementation of projects by District Councils (DCs) under the Signature Project Scheme (SPS).

PROPOSAL

2. The Director of Home Affairs (DHA), with the support of the Secretary for Home Affairs, proposes to create a new block allocation **Subhead 7017CX** under **Head 707** to fund the preparatory and pre-construction works

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required for works-related components of SPS projects¹, subject to a maximum ceiling of expenditure of not more than \$30 million per Category D item.

3. We also propose to allocate \$29 million in 2013-14 for the Subhead. The Controlling Officer of the proposed block allocation will be the DHA. The details are as follows –

Proposed subhead

**7017CX –
Signature Project Scheme**

Proposed ambit

For items costing up to \$30 million each to support implementation of SPS projects by DCs. It covers the costs to be incurred in planning and design of works-related components of SPS projects, such as site investigations and consultants' fees for feasibility studies, design, preparation of tender documents and contract procurement.

JUSTIFICATION

4. The Chief Executive announced in his 2013 Policy Address that a one-off allocation of \$100 million would be earmarked for each district to initiate one to two SPS projects. All the projects will be proposed, discussed and agreed by DCs before they are put to implementation. The DC must be satisfied that the project would address local needs, and would have a visible and lasting impact on the community. Depending on the DC's views and needs of the district, an SPS project may be works or non-works in nature, or a mixture of both. All SPS projects will be subject to a lower limit of \$30 million and an upper limit of \$100 million.

5. Same as other capital works projects, works items under SPS will have to go through various stages, including technical feasibility study, site investigation and design before they can be submitted to the Finance Committee (FC) for funding approval. In this regard, the Administration has earmarked

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¹ In the paper discussed by the Home Affairs Panel on 18 February 2013, we proposed that, aside from the preparatory and pre-construction works, the new block allocation should cover also the construction of minor works costing \$30 million or less of SPS projects comprising both works and non-works components. After review, we propose that funding approval should be sought from the Finance Committee for all construction works of SPS projects and that the new block allocation should cover only the preparatory and pre-construction works.

\$200 million to fund, among other things², preliminary studies and consultancies for works-related SPS projects.

6. At present, there are block allocation subheads established under the CWRF to provide funds for the relevant works departments to establish technical feasibility and prepare detailed design/tender documents of major capital works projects prior to seeking funding approval of FC for the construction works. To support the implementation of SPS projects, it is necessary to create a dedicated block allocation to fund the preparatory and pre-construction works required for works components of SPS projects. This would enable DCs to identify, plan and address technical aspects of their proposed SPS projects at the planning stage, and prepare the requisite detailed proposals for seeking funding approval from FC.

7. The block allocation will be used for the SPS projects by 18 districts. The expenditure on each individual item is subject to the financial ceiling of \$30 million and the annual overall expenditure should not exceed the annual provision approved by the FC. As the earliest target for DCs to submit their proposals to Home Affairs Department for processing will be 31 March 2013, it is not possible for us to provide at this juncture a list of the items underpinning the delivery of works-related SPS projects to be funded under the proposed block allocation for 2013-14. We would provide detailed information of the works-related projects under the SPS at a later stage when such projects are ready for seeking FC's funding approval.

8. We will continue to provide separate funding for implementing district-based works projects implemented by DCs costing up to \$30 million through the existing **Subhead 7016CX** "District Minor Works Programme".

FINANCIAL IMPLICATIONS

9. The proposed allocation for the new block allocation for 2013-14 is \$29 million. As the target for DCs to come up with their proposed SPS projects will be 31 March 2013 at the earliest, we consider it necessary to seek FC's approval for creation of the proposed subhead as soon as practicable to facilitate implementation of the SPS³. Based on the preliminary information that we have

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² The \$200 million will also be used to fund consultancy studies for more complex non-works projects, employment of non-civil service contract staff and publicity activities to be coordinated by the Home Affairs Department Headquarters.

³ Subject to Public Works Subcommittee's endorsement of the proposal, we plan to seek FC's approval in May 2013.

gathered from DCs so far, we understand that the majority of DCs would each submit a predominately works-related SPS project, while a small number of DCs may propose predominately non-works-related projects or may take longer time to come up with their proposals. In arriving at the estimated cost for 2013-14, we have made certain assumptions (details are provided in Enclosure). The actual expenditure of the new subhead will depend on the nature of the SPS projects to be pursued and the relevant works programmes. We will provide updated expenditure of the proposed subhead in the regular quarterly reports to the Public Works Subcommittee on the various block allocations under the CWRP.

10. From 2014-15 onwards, we will follow the established practice of other block allocation subheads and apply to the FC every year an allocation on a lump-sum basis according to the past expenditure patterns, existing commitments and projects expected to be undertaken in the relevant financial year.

RECURRENT EXPENDITURE

11. The proposed creation of a new block allocation subhead will not give rise to any recurrent expenditure.

PUBLIC CONSULTATION

12. We briefed the Chairmen and Vice-Chairmen of all DCs on the SPS and related arrangements on 16 January 2013. A briefing session for all DC members was also conducted on 6 February. DCs are supportive of the SPS and related arrangements.

13. We consulted the LegCo Panel on Home Affairs on the SPS and the proposed creation of the new block allocation on 18 February 2013. Members raised no objection to the proposal.

BACKGROUND INFORMATION

14. Since the last review on district administration in 2006, DCs have been given increased responsibilities (e.g. in participation in the management of some district facilities) and resources to launch Community Involvement and

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District Minor Works projects. However, when it comes to district facilities, services or community involvement programmes in districts, DCs aspire to carry out projects of larger scale in order to meet the specific needs of their districts. To fulfill this aspiration of DCs, the Chief Executive announced in his 2013 Policy Address that a one-off allocation of \$100 million would be earmarked for each district for implementation of SPS.

Home Affairs Bureau
March 2013

**Assumptions for the Provision Sought for 2013-14
for Subhead 7017CX “Signature Project Scheme”**

Assumptions	Quantum
Estimated average cost of works component of an SPS project	\$75 million
Assuming 70% of all the 18 districts would each come up with an SPS project with strong works-related components	13 districts (70% x 18 districts)
Estimated total project costs for 13 SPS projects	975 million (\$75 million x 13 districts)
Estimated fees for preparatory and pre-construction works (e.g. site investigation) being 10%	\$97.5 million (\$975 million x 10%)
Assuming 30% of fees for preparatory and pre-construction works to be incurred in 2013-14	\$29.25 million (\$97.5 million x 30%)
Total	\$29.25 million (say \$29 million)