

SUPPLEMENTARY NOTE TO ITEM FOR FINANCE COMMITTEE [FCR(2013-14)48]

RECOMMENDATION OF THE PUBLIC WORKS SUBCOMMITTEE MADE AT ITS MEETING ON 18 DECEMBER 2013

The Finance Committee (FC) will discuss on 10 January 2014 the Administration's proposal vide PWSC(2013-14)27, inviting FC to –

- (a) approve a total allocation of \$12,232.8 million for 2014-15 for the block allocations under the Capital Works Reserve Fund (CWRP); and
- (b) increase the approved allocation for **Subhead 4100DX** under **Head 704** for 2013-14 by \$55.2 million from \$232.5 million to \$287.7 million.

2. The above proposal has been discussed and endorsed by the Public Works Subcommittee (PWSC) at the PWSC meeting on 18 December 2013. Some Members requested that the following four items be singled out for separate voting –

	Head	Subhead	Project description	Project Estimate \$'000	Estimate 2014-15 \$'000
(a)	701	1100CA	Northeast New Territories Landfill Extension	37,714	18,273
(b)	705	5101DX	Southeast New Territories landfill extension – consultancy study for design and construction	8,800	3,000
(c)	705	5101DX	West New Territories landfill – study of road access (upgrading of Nim Wan Road and Deep Bay Road) – feasibility study	29,000	6,000
(d)	705	5101DX	Integrated waste management facilities phase 1 – consultancy study for design and construction	20,200	2,020

3. The Administration has explained its view on how the FC may vote on the block allocation funding proposal vide FCRI(2013-14)15 issued on 9 January 2014. We have also explained in detail that items 2(a) and 2(b), as well as item 2(d) (remaining parts) will only be commenced upon the main construction works of the respective projects have been approved by the FC. To reflect the Administration's commitment, we propose amending recommendation (a) of PWSC(2013-14)27, i.e. the total allocation of \$12,232.8 million as mentioned in paragraph 1(a) above be amended to \$12,205.527 million, reducing \$27,273,000 being the 2014-15 cash flow requirement of items 2(a) to 2(c).

Proposed amendment to PWSC(2013-14)27

4. As explained in FCRI(2013-14)15, the four items relating to landfill extension projects as well as integrated waste treatment facilities (phase 1) are created pursuant to the existing CWRf block allocation mechanism and they fully meet the prevailing mechanism as well as the power delegated by the FC to the Administration. With respect to items 2(a) and 2(b) above, the Government has also committed in FCRI(2013-14)15 that only after the funding applications for the relevant landfill extension projects are approved by the FC will the Administration award the relevant consultancy contract (for the Southeast New Territories landfill extension – consultancy study for design and construction) and initiate the resumption procedures and payment of compensation required (for the Northeast New Territories Landfill Extension).

5. The proposals of the two items above (items 2(a) and 2(b)) fully meet the existing mechanism. However, to reaffirm the Administration's commitment that we will not commence the items before the relevant funding applications for landfill extension projects have been approved by the FC, as well as to ease the concern of some Members, we will exclude the items, as well as the relevant 2014-15 cash flow requirements from PWSC(2013-14)27.

6. As regards the other item relating to West New Territories landfill (i.e. item 2(c)), "West New Territories landfill - study of road access (upgrading of Nim Wan Road and Deep Bay Road) – feasibility study" under **Head 705 Subhead 5101DX**, as explained in FCRI(2013-14)15, following the unanimous support from the Ha Tsuen Rural Committee and the acknowledgement of the Yuen Long District Council, the Environment Bureau (ENB) has started the consultant procurement procedure for this study in mid-December 2013. ENB is yet to award the consultancy contract. The Administration also proposes to exclude the item as well as the 2014-15 cash flow requirement of the item from PWSC(2013-14)27.

7. As for the remaining item, “Integrated waste management facilities phase 1 – consultancy study for design and construction” under **Head 705 Subhead 5101DX** (item 2(d) above), as the item has already been commenced in October 2011, the Government must adhere to the spirit of the contract and should not terminate it before it ends. Hence, neither the item nor its 2014-15 cash flow requirement will be excluded from our block allocation proposal. That said, the Government has made it clear in FCRI(2013-14)15 that prequalification and tendering work will only commence after the funding for the main item of the project is approved by the Legislative Council. In fact, in the 2012-13 annual report on CWRP block allocation we submitted to the PWSC in October last year, we have already listed the project estimate and expenditure of the item.

CWRP block allocation mechanism

8. To enable **more efficient operation** of FC and PWSC so that they may concentrate on the more important and higher value projects, FC has authorised the Administration to approve expenditure on individual projects under CWRP block allocation subheads, subject to the respective financial ceiling for individual items and the projects meeting the ambit of the relevant subheads. The Administration may exercise its delegated authority and create such Category D items as far as the delegated power permits, and does not require consulting the PWSC on individual items. Since 1983, the Administration has been seeking funding for the CWRP block allocations on a lump-sum basis every year, and approving Category D items pursuant to the delegated authority of the FC.

9. Block allocations underpin the delivery of capital works projects in two main ways. First, they provide funds for works departments to **establish the technical feasibility and prepare the detailed design/tender documents of major capital works projects** prior to seeking FC/PWSC’s funding approval for the construction works. Second, they enable works departments to carry out **standalone minor improvement items** of a smaller scale or at district level (e.g. minor building works for schools and public facilities, local roadworks and drainage improvements) in a more efficient manner.

10. The system for block allocations as authorised by the FC to enable the Administration to create items under various subheads is needed. The Government will continue to implement block allocation items pursuant to the mechanism, and to report to the PWSC regularly.

/Funding

Funding proposal upon amendment

11. Upon amendment, we invite FC to –
 - (a) approve a total allocation of \$12,205.527 million for 2014-15 for the block allocations under CWRP; and
 - (b) increase the approved allocation for **Subhead 4100DX** under **Head 704** for 2013-14 by \$55.2 million from \$232.5 million to \$287.7 million.
12. In so far as the total allocation for CWRP block allocations for 2014-15 is concerned, the amended funding proposal will represent a reduction of \$27,273,000, of which \$9 million will be reduced from **Head 705 Subhead 5101DX**, and the remaining \$18,273,000 from **Head 701 Subhead 1100CA**.
13. We invite the FC to approve the amended funding proposal.

Financial Services and the Treasury Bureau
10 January 2014