

## NOTE FOR FINANCE COMMITTEE

**For meeting on 10 January 2014**

**Item 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 (CWRF); 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.

The above proposal has been discussed and endorsed by the Public Works Subcommittee (PWSC) at the PWSC meeting on 18 December 2013. On 7 January 2014, the Hon. Frederick Fung Kin-kee and Dr. Hon. Kwok Ka-ki have separately suggested individual voting on four and three of the items respectively. Pursuant to the existing mechanism, the Administration considers that the voting should be on the basis of the total allocation proposed, instead of singling out individual items for separate voting.

### **CWRF Block Allocation Mechanism**

2. Expenditure items under the CWRF must generally be approved by the FC on a project-by-project basis in accordance with the terms of the Resolution made by the Legislative Council (LegCo) in establishing the CWRF. 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 CWRF 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 CWRF block allocations on a lump-sum basis every year, and approving Category D items pursuant to the delegated authority of the FC.

3. Pursuant to the established practice, the Administration will set out in the funding paper the key expenditure items under each block allocation subheads for Members' reference. We have also deposited with the LegCo Secretariat a full list of all the items proposed to be funded in the relevant year under each block allocation subheads. The list is prepared based on information currently available to departments and subvented bodies. Adjustment may be made to the list during the course of the year to cater for changing circumstances or evolving needs. At present, there are a total of 26 block allocations under the CWRP; their ambit is set out at **Annex**. In 2012-13, over 5 000 items had been created.

4. 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.

5. In accordance with the CWRP Resolution, the Administration sought, and the FC approved on 9 March 1983, delegation of powers to the Financial Secretary to approve inclusion of Category D projects in the Public Works Programme with a project estimate not exceeding \$1.5 million each. The financial ceiling has since been uplifted by the FC on various occasions. The last revision was approved by FC on 13 July 2012, raising the financial ceiling for Category D items for certain CWRP block allocation subheads from \$21 million to \$30 million to preserve the real value of the delegated power.

6. Over the years, FC has approved the creation of new block allocations under the CWRP. Take Head 705 Subhead 5101DX "Environmental works, studies and investigations for items in Category D of the Public Works Programme" as an example, FC approved the creation of the subhead on 12 December 1997. At present, 21 of the 26 block allocations under the CWRP are subject to a financial ceiling of \$30 million in spending on each item<sup>1</sup>. Projects exceeding the above ceilings in cost are submitted to FC for funding approval on a project basis.

/7. ....

---

<sup>1</sup> In the case of **Subhead 6101TX – Universal Accessibility Programme** under **Head 706**, the financial ceiling is \$75 million for each item. For **Subhead A007GX – New administrative computer systems** under **Head 710**, the financial ceiling is \$10 million per project. As for the three remaining block allocations – **Subheads 1004CA – Compensation for surrenders and resumptions: miscellaneous** and **1100CA – Compensation and ex-gratia allowances in respect of projects in the Public Works Programme** under **Head 701**, and **Subhead 5001BX – Landslip preventive measures** under **Head 705**, FC has delegated the authority to the relevant controlling officers to approve individual items without a financial limit, provided the spending is a proper charge to the subheads and the aggregate expenditure does not exceed the annual allocation approved by FC.

7. As explained above, the items set out under each of the subheads in PWSC(2013-14)27 are included mainly for Members' reference, they are not part of the funding application. **The Administration may adjust the list of items to be implemented during the course of the year to cater for changing circumstances or evolving needs.** There are thousands of items that are planned to be implemented in 2014-15; if the FC discuss and vote on the items on individual item basis, it will run contrary to the intention of setting up of block allocations, i.e. to enable FC to make better use of their time.

#### **Four items related to landfill extension projects and the Integrated waste management facilities phase 1**

8. The item under Head 705 Subhead 5101DX "Southeast New Territories landfill extension - consultancy study for design and construction" is a consultancy study on the contract procurement and related site investigation work for the extension project included in the CWRP block allocations in accordance with the delegated authority of the block allocation system. As the existing Southeast New Territories (SENT) landfill is near exhaustion, there is an actual and urgent need to have an extension, otherwise the existing waste management facilities would not be able to cope with and this would lead to environmental hygiene problem. The inclusion of this item in the block allocations reflects our intention to proceed with the preparatory work. The Environment Bureau (ENB) assures that **the contract for the consultancy study would only be awarded upon securing LegCo's funding approval for the main works of the SENT landfill extension project.**

9. The item under Head 705, Subhead 5101DX – "West New Territories Landfill - Study of Road Access (Upgrading of Nim Wan Road and Deep Bay Road) - **Feasibility Study**" is a follow-up response to address the views received during consultations with the Tuen Mun and Yuen Long District Councils (DC). The purpose of this study is to upgrade and improve the road accessibility to the West New Territories (WENT) Landfill and its associated and nearby facilities by conducting various technical and impact assessments, including the feasibility of alternative alignment options (e.g. tunnel, elevated bridge, etc) from the WENT Landfill to Tuen Mun and Yuen Long. ENB has consulted the Tuen Mun DC's Environment, Hygiene and District Development Committee on 15 November 2013, the Ha Tsuen Rural Committee (RC) on 28 November 2013 and the Yuen Long DC on 10 December 2013 on Government's intention to commence the study. Following the unanimous support from the Ha Tsuen RC and the acknowledgement of the Yuen Long DC, ENB has started the consultant procurement procedure for this study in mid-December 2013. Upon the commencement of the study, it is expected that the study will be completed in about two years.

10. Regarding the proposed funding for compensation arising from land resumption and clearance for the “Northeast New Territories Landfill Extension” project under Head 701 Subhead 1100CA, **the resumption procedures and payment of compensation required will only be initiated after the funding for the construction of the landfill project is approved by the FC.**

11. The “Integrated waste management facilities phase 1 – consultancy study for design and construction” under Head 705 Subhead 5101DX commenced in October 2011. The completed and ongoing works include early stage preparatory work such as site investigation, cost estimation, project programming, and preparation of prequalification and tender documents etc. **Prequalification and tendering work will only commence after the funding for the main item of the project is approved by the LegCo.**

12. Like other public works projects, landfill extension and waste facility projects require **preparatory studies** such as environmental impact assessments, feasibility studies, traffic impact studies, etc. All along, these have been dealt with in accordance with the delegated authority of the CWRP block allocation system. Without these studies, we do not have the required scientific, professional and objective technical support to make assessments for the works, policy decisions and submissions to the relevant committees of the LegCo for consideration and approval. In fact, some of these items mentioned above have proceeded last year or before in accordance with the block allocation system. Hence, taking out these items from the block allocations for special treatment is not feasible and this would also seriously affect the planning for important facilities relating to people’s livelihood and environmental hygiene.

## Conclusion

13. The system for block allocations as authorized by the FC to enable the Administration to create items under various subheads is needed. Preparatory works in relation to the landfill extension projects, as well as the integrated waste treatment facilities conducted by the Administration would not be prejudicial to the main funding submissions on these projects to be submitted to the PWSC/FC for approval in the future.

-----

**Capital Works Reserve Fund  
Block Allocations**

**Head 701 – Land Acquisition**

- Subhead 1004CA Compensation for surrenders and resumptions: miscellaneous
- Subhead 1100CA Compensation and ex-gratia allowances in respect of projects in the Public Works Programme

**Head 702 – Port and Airport Development**

- Subhead 2001AX Consultants' fees for feasibility investigations and design and major in-house investigations for Port and Airport Development Strategy (PADS) related civil engineering projects
- Subhead 2002AX Consultants' fees for feasibility investigations and design and major in-house investigations for PADS related transport projects; and
- Subhead 2003AX Consultants' fees for feasibility investigations and design and major in-house investigations for PADS related territorial development projects.

**Head 703 – Buildings**

- Subhead 3004GX Refurbishment of government buildings for items in Category D of the Public Works Programme
- Subhead 3100GX Project feasibility studies, minor investigations and consultants' fees for items in Category D of the Public Works Programme
- Subhead 3101GX Minor building works for items in Category D of the Public Works Programme

**Head 704 – Drainage**

- Subhead 4100DX Drainage works, studies and investigations for items in Category D of the Public Works Programme

**Head 705 – Civil Engineering**

- Subhead 5001BX Landslip Preventive Measures
- Subhead 5101CX Civil engineering works, studies and investigations for items in Category D of the Public Works Programme
- Subhead 5101DX Environmental works, studies and investigations for items in Category D of the Public Works Programme

**Head 706 – Highways**

- Subhead 6100TX Highway works, studies and investigations for items in Category D of the Public Works Programme
- Subhead 6101TX Universal Accessibility Programme

**Head 707 – New Towns and Urban Area Development**

- Subhead 7014CX Rural Public Works Programme
- Subhead 7016CX District Minor Works Programme
- Subhead 7017CX Signature Project Scheme
- Subhead 7100CX New towns and urban area works, studies and investigations for items in Category D of the Public Works Programme

**Head 708 (part) – Capital Subventions**

- Subhead 8100BX Slope-related capital works for subvented organisations other than education and medical subventions
- Subhead 8100EX Alterations, additions, repairs and improvements to the campuses of the UGC-funded institutions
- Subhead 8100MX Hospital Authority – improvement works, feasibility studies, investigations and pre-contract consultancy services for building projects
- Subhead 8100QX Alterations, additions, repairs and improvements to education subvented buildings
- Subhead 8001SX Provisioning of welfare facilities

**Head 709 – Waterworks**

- Subhead 9100WX Waterworks, studies and investigations for items in Category D of the Public Works Programme

**Head 710 – Computerisation**

- Subhead A007GX New Administrative Computer Systems

**Head 711 – Housing**

- Subhead B100HX Minor housing development related works, studies and investigations for items in Category D of the Public Works Programme