

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 708 – CAPITAL SUBVENTIONS AND MAJOR SYSTEMS AND EQUIPMENT

Medical Subventions

83MM – One-off grant to the Hospital Authority for minor works projects

Members are invited to recommend to Finance Committee the approval of a one-off grant of \$13 billion to the Hospital Authority for minor works projects, subject to a financial ceiling of \$75 million for each individual item.

PROBLEM

The Hospital Authority (HA) needs to implement more intensive programmes to improve the condition and environment of HA's ageing facilities and enhance their service capacity to complement other major new hospital or hospital renovation projects.

PROPOSAL

2. The Secretary for Food and Health proposes to make a one-off grant of \$13 billion to HA for carrying out minor works projects, including improvement works, regular maintenance and preparatory works for major capital works projects, subject to a financial ceiling of \$75 million for each individual item.

PROPOSED SCOPE AND NATURE

3. The proposed one-off grant will fund the following programmes and minor works with individual items costing not more than \$75 million –

/(a)

- (a) an intensive facility rejuvenation programme to modernize the environment of its hospitals and clinics, including the renovation of over 500 wards in 34 hospitals;
- (b) a capacity enhancement programme to provide an additional 800 beds in 11 hospitals, expanded general outpatient clinics, as well as other treatment and diagnostic facilities such as operating theatres, endoscopy units and cardiac catheterization laboratories;
- (c) a safe engineering programme to comprehensively upgrade the major electrical and mechanical engineering installations in hospitals, including upgrading and replacing the existing electrical main distribution switchboards and emergency generators in 16 hospitals, as well as installing appropriate safety devices or replacing existing lifts in 33 hospitals;
- (d) a programme to enhance universal accessibility to its hospitals and clinics by constructing, where required and practicable, lift towers and/or link bridges connecting pedestrian walkways with its facilities. The programme will also cover improvement works in HA hospitals and clinics for compliance with the requirements stipulated in “Design Manual – Barrier Free Access 2008” to address the special needs of persons with disabilities; and
- (e) regular maintenance/minor works and preparatory works for major capital works projects.

4. Subject to the funding approval of the Finance Committee (FC), HA estimates that a total of around 5 000 projects will be carried out using the proposed \$13 billion one-off grant and the estimated investment return. An initial list of project items to be funded by the one-off grant, some of which are subject to site availability or technical feasibility, is provided at Enclosure 1 for reference. The projects have been identified by HA in consultation with its clusters and individual hospitals. The list will continue to be updated throughout the coming years as new items are created or existing items adjusted to meet changing service requirements or actual site situations.

/JUSTIFICATION

JUSTIFICATION

5. HA is managing 42 public hospitals/institutions, 48 specialist outpatient clinics and 73 general outpatient clinics, with a total floor area of over 2.6 million square metres in around 300 buildings. Over 56% of the buildings were completed more than 30 years ago and some are even aged over 85 years. Due to their constant heavy utilisation, the public hospitals and clinics are prone to accelerated deterioration. As a result, many of HA's ageing facilities are in unsatisfactory conditions. We need to upgrade such facilities to meet the needs of modern quality service delivery. Besides, given their age, many of the major electrical and mechanical engineering installations in HA hospitals are lagging behind the prevailing standards which have evolved over the years through technological advancements and increasingly higher expectations for safety performance. There is therefore a need for HA to embark on a comprehensive programme to upgrade such installations (such as electrical supply systems and lifts) to ensure a safe and reliable round-the-clock operations in hospitals.

6. Further, with a growing and ageing population in Hong Kong, the demand for medical services is projected to increase significantly in the coming years. To meet the projected increase in demand, apart from major hospital expansion and redevelopment projects in the pipeline, there is also a need for HA to supplement the major works projects by carrying out alteration and addition works to its existing hospitals and clinics to enhance their service capacity.

7. At present, apart from major new hospital and hospital redevelopment projects, the Government has been providing funding to HA for implementing minor improvement and planned maintenance projects through the Capital Works Reserve Fund (CWRF) block allocation **Head 708 Subhead 8100MX – Hospital Authority – improvement works, feasibility studies, investigations and pre-contract consultancy services for building projects** on a lump-sum basis annually in order to improve and maintain hospital facilities for effective patient care.

8. The ambit of **Subhead 8100MX** covers improvement and maintenance works, preliminary project feasibility studies, and pre-contract consultancy services including design and preparation of tender documents for building projects. Individual items under **Subhead 8100MX** are subject to a

/ceiling

ceiling of expenditure of \$30 million and the Subhead is subject to an over-commitment limit at 200% of the approved allocation for the year. The approved allocation and actual expenditure in respect of **Subhead 8100MX** in the past ten years are as follows –

<u>Year</u>	<u>Approved Allocation</u> (\$ million)	<u>Actual Expenditure</u> (\$ million)	<u>Actual Expenditure to Approved Allocation</u>
2004-2005	200.000	199.872	99.94%
2005-2006	210.000	209.674	99.84%
2006-2007	240.000	239.403	99.75%
2007-2008	320.000	319.863	99.96%
2008-2009	400.000	399.915	99.98%
2009-2010	600.000	600.000	100.00%
2010-2011	600.000	600.000	100.00%
2011-2012	714.850	714.850	100.00%
2012-2013	675.500	675.500	100.00%
2013-2014	661.119	661.119*	100.00%*

* *Projected figures by end of 2013-14*

In general, HA spends about 45% of the funding on improvement projects, 40% on maintenance projects, and 15% on feasibility studies and preparatory works for building projects.

9. Despite the increase in the approved allocation under **Subhead 8100MX** over the years, the amount remains insufficient to meet the needs of HA for timely maintenance of its facilities which have been heavily utilized to cope with continuous growth in demand for public healthcare services due to demographic effect and ageing population. Further, HA's facilities are generally heavily utilized throughout the year. As such, a relatively long lead time is usually required for operational decanting arrangements before minor works projects can be carried out in order to minimize disruption to public services. The current annual funding arrangement for minor works projects has constrained HA's ability to flexibly plan and implement the necessary minor works projects for improving and maintaining the facilities in longer term.

/10.

10. To better address the medical needs of the ageing population, we propose to make a one-off grant of \$13 billion to HA to provide sufficient resources and allow more flexible planning for HA to implement the planned improvement works programmes in an intensive manner over the coming ten years or so, depending on the construction inflation and the investment return on uncommitted fund during the period. The new arrangement will give HA more certainty of the funds available for a reasonably long period of time. This could allow HA and individual hospitals to plan for multi-stage improvement works involving decanting and renovation in phases, so as to accelerate progress of the improvement programmes. The improvement programmes are needed to complement other major new hospital or hospital renovation projects, which will typically take a long time to materialize.

11. Having regard to the scale and complexity of many of the planned improvement works (e.g. the construction of hillside lifts or escalators which may entail associated geotechnical works), we propose that the minor works projects to be funded by the grant should be subject to a financial ceiling of \$75 million for individual items. FC's funding approval will be sought for individual projects each costing more than \$75 million. The proposed \$75 million ceiling is in line with the arrangement for the implementation of the Universal Accessibility Programme funded under the block allocation **Subhead 6101TX**.

FINANCIAL IMPLICATIONS

12. The proposed one-off grant will replace the existing block allocation to HA through **Subhead 8100MX** until it is depleted. With the one-off grant of \$13 billion, HA will invest the funds which are not immediately required in low-risk investments to achieve the highest prudent return, while ensuring the provision of adequate liquid funds for meeting the expenditure requirements. HA will manage the grant in accordance with its prevailing investment objectives and guidelines.

13. The approved grant together with the interest generated from investment (estimated to be at \$1.9 billion) will be fully used to meet the costs of the planned programmes set out in paragraph 3 above, broken down as follows –

- (a) Intensive facility rejuvenation programme: \$6.0 billion;
- (b) Capacity enhancement programme: \$3.2 billion;

/(c)

- (c) Safe engineering programme: \$0.8 billion;
- (d) Universal accessibility programme: \$0.5 billion; and
- (e) Regular maintenance/minor works and preparatory works for major capital works projects: \$4.4 billion.

14. Having regard to the important need to maintain public hospital services without disruptions, HA considers that around 500 new projects can be initiated annually and the proposed one-off grant is expected to be able to support the minor works of HA for about 10 years or so, if there is not an unusual hike in construction inflation. In 2014-15, HA estimates that around 1 400 projects with an annual expenditure of about \$680 million will be funded by the proposed one-off grant. Enclosure 2 sets out the key on-going and new items to be implemented in 2014-15.

15. The proposed one-off grant has no recurrent financial implications.

GOVERNANCE

16. To ensure transparency and accountability on the use of the proposed one-off grant, the use of fund under the proposed one-off grant will be monitored by the Legislative Council (LegCo) and the Food and Health Bureau (FHB) like the use of fund under **Subhead 8100MX**. HA will –

- (a) deposit with the LegCo Secretariat annually a full list of all the items proposed to be funded by the one-off grant in the following financial year;
- (b) provide annual reports on the key minor works projects implemented and the actual expenditure in the past financial year, as well as key minor works projects planned to be implemented and the forecast expenditure under the one-off grant in the coming year;
- (c) prepare separate audited financial statements on the use of the one-off grant on an annual basis. The audited financial statement and the report on the key minor works projects mentioned in (b) above will be submitted to LegCo Panel on Health Services and the Public Works Subcommittee (PWSC) annually; and

/(d)

- (d) seek prior approval from FHB of each individual item of expenditure to be funded by the one-off grant.

17. The mechanism for HA to consider and process minor works project items to be funded by the proposed one-off grant will mirror the existing one for the block vote under **Subhead 8100MX**. HA will take into consideration a basket of factors including the following before submission of the items to FHB for approval –

- (a) statutory requirements (e.g. periodic inspection, testing and certification of fixed electrical installation works as stipulated in the Electricity Ordinance);
- (b) corporate initiatives (e.g. “Filmless HA”¹ or preparatory works for major capital works projects);
- (c) ages, conditions and risks of the facilities (e.g. pipeline and drainage leakage, concrete debonding and power failure that might occur in the event that maintenance and repair works were not carried out in a timely manner); and
- (d) service quality improvement or operational requirements (e.g. facility conversion or additional works).

For each individual proposed project item, HA will submit a standard application form with information on the scope, objectives and estimated costs of the proposed item to FHB for approval.

18. Mirroring the existing mechanism for the block vote under **Subhead 8100MX**, FHB will consider and process applications from HA for approval of minor works project items to be funded by the proposed one-off grant by taking into account the relevant factors including the following –

- (a) estimated costs of the projects (only projects at estimated cost not exceeding the financial ceiling of \$75 million will be considered);

/(b)

¹ The “Filmless HA” project is an on-going HA-wide initiative to enable capturing, archiving and distributing radiology images in digital formats through electronic network and new generations of X-ray machines.

- (b) availability of funding;
- (c) technical feasibility and site availability for the projects;
- (d) recommendations from HA Head Office as well as the hospital or clinic concerned; and
- (e) objectives of the projects.

HA will be notified of FHB's decision as soon as possible. All the applications including those approved and rejected will be properly documented by both FHB and HA.

PUBLIC CONSULTATION

19. We consulted the LegCo Panel on Health Services on the proposal to make a one-off grant of \$13 billion to HA for minor works projects at its meeting on 28 October 2013. Members of the Panel supported the proposal. Some Members raised questions about the governance mechanism within FHB for and the monitoring role of LegCo in the use of fund under the proposed one-off grant. The relevant information about these issues is now set out in paragraphs 16 to 18 above.

BACKGROUND INFORMATION

20. Under the present arrangement, HA is granted allocation under **Subhead 8100MX** every year to carry out maintenance and minor improvement works for public hospitals, as well as preparatory works for major capital works projects. In 2013-14, \$661.119 million was approved under the subhead for HA to carry out about 1 300 number of new and on-going minor works projects.

21. We estimate that the proposed one-off grant of \$13 billion to HA for minor works will create about 17 470 jobs (16 420 for labourers and another 1 050 for professional/technical staff) providing a total employment of 209 590 man-months.

83MM – One-off Grant to the Hospital Authority for minor works projects

**Indicative list of project items to be funded by the proposed grant
(Subject to site availability or technical feasibility)**

Hong Kong East Cluster

- Renovation of Wards in CCH
- Enhancement and Replacement of Lifts in CCH
- Renovation of Wards in PYNEH**
- Provision of 240 additional beds in PYNEH
- Enhancement of Electrical Supply Systems in PYNEH
- Enhancement and Replacement of Lifts in PYNEH
- Addition of Escalators and Passenger Lifts at Main Block of PYNEH **
- Renovation of Combined Endoscopy Centre at Main Block of PYNEH**
- Renovation of Wards in RH**
- Setting up of Ward C8 at RH**
- Enhancement of Electrical Supply Systems in RH
- Enhancement and Replacement of Lifts in RH
- Provision of Escalator and Passenger Lift at RH**
- Renovation of Wards in SJH
- Relocation and Expansion of Accident & Emergency Department at SJH
- Enhancement and Replacement of Lifts in SJH
- Renovation of Wards in TWEH
- Sterilization Enhancement to Central Sterile Supplies Department and Theatre Sterile Supplies Unit at TWEH
- Enhancement and Replacement of Lifts in TWEH
- Enhancement and Replacement of Lifts in WCH
- Relocation and Expansion of Wan Tsui General Out-patient Clinic

Hong Kong West Cluster

- Renovation of Wards in DKCH
- Enhancement of Electrical Supply Systems in DKCH
- Enhancement and Replacement of Lifts in DKCH
- Improvement Works to Allied Health Departments at DKCH**
- Addition and Improvement of Operating Theatres at DKCH**
- Renovation of Wards in FYKH
- Enhancement and Replacement of Lifts in FYKH
- Renovation of Wards in GH**
- Installation of Air-conditioning System in Wards of GH**
- Enhancement of Electrical Supply Systems in GH

- Enhancement and Replacement of Lifts in GH
- Renovation of Wards in MMRC
- Enhancement and Replacement of Lifts in MMRC
- Renovation of Wards in QMH**
- Expansion of Haemopoietic Stem Cell Transplantation Unit at QMH
- Quality Enhancement of Operating Theatre Sterilization at QMH**
- Enhancement and Replacement of Lifts in QMH**
- Renovation of Wards in TWH
- Enhancement of Electrical Supply Systems in TWH
- Enhancement and Replacement of Lifts in TWH
- Enhancement of Electrical Supply Systems in TYH
- Enhancement and Replacement of Lifts in TYH

Kowloon Central Cluster

- Renovation of Wards in BH
- Ward Renovation in HKEH
- Construction of Extension Wing at HKEH
- Improvement Works for Centralization of Sterilization Services at HKEH
- Enhancement and Replacement of Lifts in HKEH
- Renovation of Wards in KH
- Enhancement of Psychiatric In-patient Facilities at Main Building of KH**
- Enhancement and Replacement of Lifts in KH
- Renovation of Wards in QEH**
- Provision of 60 additional beds in QEH**
- Construction of a new Aseptic Dispensing Unit at QEH**
- Enhancement of Electrical Supply Systems in QEH**
- Enhancement and Replacement of Lifts in QEH**
- Provision of Escalators at Ambulatory Care Centre of QEH**
- Establishment of Apheresis Donor Centre at the new HQ of HKRC**
- Expansion of Hung Hom Clinic

Kowloon East Cluster

- Renovation of Wards in HHH**
- Provision of 40 additional beds in HHH
- Renovation of clinical and support departments in HHH
- Renovation of Wards in TKOH**
- Provision of 40 additional beds in TKOH
- Setting up of Psychiatric Day Hospital at TKOH**
- Enhancement and Replacement of Lifts in TKOH
- Setting up of a Geriatric Day Hospital in TKOH
- Renovation of Wards in UCH**
- Enhancement and Replacement of Lifts in UCH
- Renovation of Pamela Youde Polyclinic**
- Renovation of Yung Fung Shee Medical Centre**

Kowloon West Cluster

- Renovation of Wards in CMC
- Enhancement and Replacement of Lifts in CMC
- Road Bridge Repair and Widening Works at CMC**
- Renovation of Wards in OLMH**
- Enhancement of Electrical Supply Systems in OLMH
- Enhancement and Replacement of Lifts in OLMH**
- Renovation of Wards in PMH**
- Provision of Additional Operating Theatres at PMH
- Expansion of Cardiac Intervention Centre at PMH**
- Improvement Works for Aseptic Dispensing Service at PMH
- Enhancement of Electrical Supply Systems in PMH
- Enhancement and Replacement of Lifts in PMH**
- Renovation of Wards in WTSH**
- Enhancement of Electrical Supply Systems in WTSH
- Enhancement and Replacement of Lifts in WTSH
- Construction of Lift Tower at WTSH to provide Universal Access from Sheung Fung Street
- Renovation of Wards in YCH
- Refurbishment of Endoscopy Centre on 2/F of YCH
- Enhancement of Electrical Supply Systems in YCH
- Enhancement and Replacement of Lifts in YCH**

New Territories East Cluster

- Renovation of Wards in AHNH**
- Provision of 60 additional beds in AHNH
- Improvement Works to Eye and Obstetrics and Gynaecology Clinics at AHNH
- Improvement Works to Renal Centre at AHNH
- Enhancement and Replacement of Lifts in AHNH
- Renovation of Wards in BBH
- Enhancement and Replacement of Lifts in BBH
- Renovation of Wards in NDH**
- Provision of 150 additional beds in NDH
- Enhancement and Replacement of Lifts in NDH
- Provision of a New Power Sub-station and Two New Chiller Units at NDH**
- Renovation of Wards in PWH**
- Provision of 80 additional beds in PWH
- Conversion of ex-Burns Unit and Prosthetics & Orthotics spaces to Endoscopy Centre at PWH**
- Conversion of ex-Eye Specialist Out-patient Clinic spaces to Ear, Nose and Throat and Audiology Clinics at PWH
- Enhancement of Electrical Supply Systems in PWH

- Enhancement and Replacement of Lifts in PWH**
- Renovation of Wards in SCH
- Provision of 10 additional beds in SCH
- Enhancement and Replacement of Lifts in SCH
- Renovation of Wards in SH**
- Provision of 60 additional beds in SH
- Enhancement of Electrical Supply Systems in SH
- Enhancement and Replacement of Lifts in SH
- Renovation of Wards in TPH
- Provision of 30 Additional Beds in TPH
- Conversion of Psychiatric Open Garden into an Indoor Rehabilitation Activity Space at TPH
- Conversion of Existing Car Parking Areas into a Combined Day Rehabilitation Centre at TPH**
- Enhancement of Electrical Supply Systems in TPH
- Enhancement and Replacement of Lifts in TPH

New Territories West Cluster

- Renovation of Wards in CPH
- Enhancement of Electrical Supply Systems in CPH**
- Enhancement and Replacement of Lifts in CPH**
- Renovation of Wards in POH**
- Enhancement and Replacement of Lifts in POH
- Renovation of Wards in SLH
- Renovation of Wards in TMH
- Provision of 30 additional beds in TMH**
- Expansion of Cardiac Catheterization Laboratory in Special Block of TMH**
- Enhancement of Electrical Supply Systems in TMH**
- Enhancement and Replacement of Lifts in TMH

** Projects planned to commence in 2014-15

Abbreviations

Hong Kong East Cluster

CCH	Cheshire Home, Chung Hom Kok
PYNEH	Pamela Youde Nethersole Eastern Hospital
RH	Ruttonjee Hospital
SJH	St. John Hospital
TWEH	Tung Wah Eastern Hospital

Hong Kong West Cluster

DKCH	The Duchess of Kent Children's Hospital at Sandy Bay
FYKH	Fung Yiu King Hospital

GH	Grantham Hospital
MMRC	MacLehose Medical Rehabilitation Centre
QMH	Queen Mary Hospital
TWH	Tung Wah Hospital
TYH	Tsan Yuk Hospital
WCH	Wong Chuk Hang Hospital
Kowloon Central Cluster	
BH	Hong Kong Buddhist Hospital
HKEH	Hong Kong Eye Hospital
KH	Kowloon Hospital
KWH	Kwong Wah Hospital
QEH	Queen Elizabeth Hospital
HQ of HKRC	Headquarters of Hong Kong Red Cross
Kowloon East Cluster	
HHH	Haven of Hope Hospital
TKOH	Tseung Kwan O Hospital
UCH	United Christian Hospital
Kowloon West Cluster	
CMC	Caritas Medical Centre
KCH	Kwai Chung Hospital
NLTH	North Lantau Hospital
OLMH	Our Lady of Maryknoll Hospital
PMH	Princess Margaret Hospital
WTSH	Wong Tai Sin Hospital
YCH	Yan Chai Hospital
New Territories East Cluster	
AHNS	Alice Ho Miu Ling Nethersole Hospital
BBH	Bradbury Hospice
NDH	North District Hospital
PWH	Prince of Wales Hospital
SCH	Cheshire Home, Shatin
SH	Shatin Hospital
TPH	Tai Po Hospital
New Territories West Cluster	
CPH	Castle Peak Hospital
POH	Pok Oi Hospital
SLH	Siu Lam Hospital
TMH	Tuen Mun Hospital

**Key on-going and new items
to be funded by the proposed one-off grant in 2014-15**

Part I: On-going key items

Project description	Project Estimate \$'000	Estimate 2014-15 \$'000
1. Renovation of the Centralized Chemotherapy Reconstitution Suite in Queen Mary Hospital	28,800	15,000
2. Refurbishment of Block M in Kowloon Hospital	28,500	12,000
3. Pre-contract Consultancy Services for Redevelopment of Queen Mary Hospital (Phase 1)	25,000	10,000
4. Replacement of Chiller Plant at North District Hospital	20,500	4,130
5. Setting Up of a Haemopoietic Stem Cell Transplant Unit in Queen Mary Hospital	20,050	8,000
6. Improvement Works for Pharmacy, Shroff and Pedestrian Walkway at Grantham Hospital	20,000	6,000
7. Pre-contract Consultancy Services for Refurbishment of the Hong Kong Buddhist Hospital	19,000	5,570
8. Refurbishment of Ward 3F at Special Block in Prince of Wales Hospital	15,000	7,325
9. Improvement Works on Power Supply System at Block ABCD in Tuen Mun Hospital	15,000	3,500
10. Setting Up of Ward C8 at Ruttonjee Hospital	14,000	6,000

Part II: Proposed key new items

	Project description	Project Estimate \$'000	Estimate 2014-15 \$'000
1.	Addition of Escalators and Passenger Lifts at Main Block of Pamela Youde Nethersole Eastern Hospital	48,000	700
2.	Conversion of ex-Burns Unit and Prosthetics and Orthotics Spaces to Endoscopy Centre at Prince of Wales Hospital	40,000	25,000
3.	Conversion of Existing Car Parking Areas into a Combined Day Rehabilitation Centre at Tai Po Hospital	40,000	20,000
4.	Provision of Escalator and Passenger Lift at Ruttonjee Hospital	35,000	1,500
5.	Provision of a New Power Sub-station and Two New Chiller Units at North District Hospital	33,000	15,000
6.	Addition and Improvement of Operating Theatres at The Duchess of Kent Children's Hospital at Sandy Bay	26,000	6,000
7.	Quality Enhancement of Operating Theatre Sterilization at Queen Mary Hospital	23,000	13,000
8.	Expansion of Cardiac Catheterization Laboratory in Special Block of Tuen Mun Hospital	21,000	10,000
9.	Expansion of Cardiac Intervention Centre at Princess Margaret Hospital	19,250	4,800
10.	Renovation of Combined Endoscopy Centre at Main Block of Pamela Youde Nethersole Eastern Hospital	19,000	6,000

Part III: Others

	Estimate 2014-15 \$'000
About 1 380 other on-going and new items with expected expenditure in 2014-15	500,475
Total of Parts I to III :	680,000