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30 November 2016

Clerk to Panel on Development
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road, Central
Hong Kong
(Attn: Ms Sharon Chung)

Dear Ms Chung,

Panel on Development

Motions passed under the agenda item
Capital Works Reserve Fund Block Allocations for 2017-18
at the meeting on 22 November 2016

At the Panel on Development meeting on 22 November 2016, two motions were passed under the agenda item “Capital Works Reserve Fund (CWRP) Block Allocations for 2017-18”, requesting the Government to take out the following items (a) and (b) for separate consideration, and withdraw item (c) from the relevant funding proposal –

| | Head | Subhead | Project description | Project Estimate \$'million | Estimate 2017-18 \$' million |
|-----|------|---------|--|--------------------------------|------------------------------------|
| (a) | 701 | 1100CA | Resumption of land for development at Wang Chau, Yuen Long | 203.70 | 83.98 |
| (b) | 701 | 1100CA | Road works — site formation and infrastructure works for development at Wang Chau, Yuen Long | 91.86 | 38.20 |
| (c) | 707 | 7017CX | Pre-construction works, consultancy fee and study for improving the tourist facilities at Lam Tsuen Wishing Square (Tai Po District) | 4.00 | 0.50 |

On item (c), the motion also requested the Government to conduct five rounds of public consultation exercises at the district level before proceeding to consider the necessity of taking forward the project.

2. The Government considers it necessary to retain the above three items in the funding proposal. The Government considers that voting should be on the basis of the total allocation proposed due to reasons elaborated in the ensuring paragraphs.

CWRF Block Allocation Mechanism

3. Expenditure items under the CWRF must generally be approved by the Finance Committee (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 Public Works Subcommittee (PWSC) so that they may concentrate on the more important and higher value projects, FC has delegated to the Financial Secretary (FS) the authority 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 ceiling of FS' delegated authority was last adjusted on 13 July 2012, from \$21 million to \$30 million for each Category D item under certain CWRF block allocation subheads to preserve the real value of the delegated power.

4. Block allocations underpin the delivery of capital works projects. They provide funding for land acquisition costs and ex-gratia allowances in respect of projects in the public works programme and land and property reverting to the Government. 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's funding approval for the construction works. They also enable works departments to carry out standalone minor improvement items of a smaller scale or at the district level (e.g. minor building works for schools and public facilities, local roadworks and drainage improvements) in a more efficient manner.

5. For transparency and accountability, the Government would deposit with the LegCo Secretariat a full list of items proposed to be funded in the relevant year under each block allocation subhead every time we seek FC's approval for the CWRF block allocations annual provision. The list is prepared based on information currently available to departments and subvented bodies and is subject to updating. The Government will also highlight in the funding application the key expenditure items under each block allocation subhead to facilitate deliberations in FC.

6. For 2017-18, the Government seeks a total provision of \$12.4 billion to press ahead with some 8 300 on-going items and 1 300 new items under various CWRF block allocations.

Land Resumption Items Related to Wang Chau Phase 1 Public Housing Development

7. The two land resumption items relating to Wang Chau in Yuen Long as mentioned in paragraph 1(a) and (b) are ongoing items seeking to resume and clear land for the phase 1 public housing development thereat. The phase 1 development will provide about 4 000 units. To allow completion of phase 1 development by 2024/25, the Government plans to seek funding from FC and press ahead with the requisite site formation and infrastructure works in early 2018 after the relevant land is resumed and cleared. Any delay in land resumption and clearance will impose a block-shift delay on the site formation and infrastructure works, causing knock-on effect on the subsequent phase 1 public housing development.

8. The LegCo and the public at large have shown concerns over the Wang Chau public housing development. As the Government has repeatedly explained, the decision to take forward the development in phases was a pragmatic one having regard to the brownfield operations in the sites required for phases 1 to 3 of Wang Chau public housing development, local sentiment, technical and environmental considerations including infrastructure works required to underpin the development. The decision would enable early construction of about 4 000 units and allow time to examine brownfield issues and technical considerations.

9. As with other public housing development proposals, the Government has conducted public consultations and undergone necessary statutory procedures for the Wang Chau phase 1 public housing development. Specifically, we have consulted the Yuen Long District Council in April and June 2014 and the Ping Shan Rural Committee in May 2014. The Town Planning Board decided not to uphold the adverse representations and maintained rezoning of the site for phase 1 development to residential use in April 2015 after having heard and considered public views per the established statutory mechanism. The Chief Executive in Council approved the zoning amendment in Ping Shan Outline Zoning Plan in June 2015. The Government has also briefed the Panel on Development on the phased development of Wang Chau public housing development at its meeting on 26 April 2016.

10. Timely delivery of housing production with about 4 000 units in Wang Chau phase 1 development in 2024/25 is essential to meeting the target in the Long Term Housing Strategy. The phase 1 public housing development has received support during public consultation and the site has also been rezoned per the prevailing mechanism. Any delay in the public housing development is not in the overall interest of Hong Kong, particularly for families on the waiting list for public rental housing. The Government therefore decides not to single out the two items from the funding proposal for separate voting.

Pre-construction Works for Lam Tsuen Wishing Square Project

11. Item 1(c) above is an ongoing item. Most of the pre-construction works have already been completed; \$3.3 million of the \$4 million (82.5%) total budget for the pre-construction works was already incurred. The Government sought funding approval from the FC for the main works of the project last legislative session vide PWSC(2016-17)4. Unfortunately, FC had yet to vote on the funding application on the main works by the closure of the last LegCo term. As the Signature Project Scheme is spearheaded by district councils, Tai Po District Council (TPDC) is considering the way forward of the project. Currently, the Government has put on hold the later stage of pre-construction works including the drafting of tender documents and subsequent procurement of works contract.

12. There is a practical need to retain the pre-construction item in the funding proposal to cater for, inter alia, consultants' fees for updating the project cost estimate etc., so as to enable TPDC to consider the way forward of the project and to approach FC for funding approval as appropriate.

13. As explained in PWSC(2016-17)4, TPDC has conducted extensive public consultation on the project, the Panel on Home Affairs and the PWSC were also duly consulted. It will be incumbent upon TPDC to consider the way forward of the project now. The Government should render necessary assistance to facilitate TPDC's deliberation on the matter, and thus would require retention of the pre-construction item for this purpose.

Yours sincerely,



(Jasmine Choi)
for Secretary for Financial Services
and the Treasury

c.c.

Secretary for Transport and Housing

Secretary for Development

Director of Lands

Director of Civil Engineering and Development

Director of Home Affairs

(Attn.: Mr Kenneth Leung)

(Attn.: Mr John Kwong)

(Attn.: Mr Tony Moyung)

(Attn.: Mr Ricky Lau)

(Attn.: Miss Charmaine Wong)