

**LEGISLATIVE COUNCIL
FINANCE COMMITTEE**

Follow-up Actions Arising from the Meeting on 2 November 2018
(FCR(2018-19)46 – EC(2018-19)12)

In the meeting of the Finance Committee on 2 November 2018, the Finance Committee requested the Administration to follow up the matters below:

- (a) Elaborate the changes in the responsibilities of the Works Policies Sections under the Works Policies and Infrastructural Projects Division (to be re-tilted as Works Division 2) and the proposed Works Division 3 of the Works Branch in the Development Bureau due to the initiatives in the latest Policy Address, namely the Lantau Tomorrow, development of brownfield sites in the New Territories, the Land Sharing Pilot Scheme and the redevelopment of buildings developed under the Civil Servants' Co-operative Building Society Scheme;
- (b)
 - (i) Elaborate the relevant information, data and reports of the Administration's preliminary study to explain the basis for commencing a study on the 1 700-hectare reclamation at East Lantau;
 - (ii) The quantity of (by report number) and the areas covered by the above preliminary study;
- (c) For the proposed one million new housing units, the Administration stated that sites had been identified for 600 000 of them. Provide the location distribution of those housing units and the sites in the form of a list;
- (d) The role of the Steering Committee on Land Supply on the Lantau Tomorrow;
- (e) A copy of Financial Circular No. 2/2009; and
- (f)
 - (i) The progress of in-situ land exchange for site with 40 000 square feet under the development plan in the North East New Territories;

- (ii) Whether public consultation on the Land Sharing Pilot Scheme will be carried out; and the procedures for making an application to the Town Planning Board under the Land Sharing Pilot Scheme.

2. For the matters above, having consulted the Civil Engineering and Development Department (CEDD), the Development Bureau (DEVB) hereby provides a consolidated reply as follows:

- (a) The initiatives and related works on drinking water safety set out in the 2018 Policy Address are taken forward by the Works Division 3 of the Works Branch in the DEVB.

As regards the various land supply initiatives proposed in the 2018 Policy Address, matters relating to the artificial islands in the central waters, Sunny Bay reclamation, Lung Kwu Tan reclamation, the re-planning of Tuen Mun West areas (including the River Trade Terminal) and the associated transport infrastructure under the Lantau Tomorrow are mainly taken forward by the Works Division 2 of the Works Branch in the DEVB. As for the development of brownfield sites in the New Territories, the Land Sharing Pilot Scheme (LSPS) and the redevelopment of buildings developed under the Civil Servants' Co-operative Building Society Scheme, they are mainly handled by the Planning and Lands Branch of the DEVB.

- (b) In mid-2018, the CEDD conducted a preliminary broad technical analysis on whether the study extent of the reclamation area in the central waters could be enlarged. The area covered by the analysis was the central waters between Hong Kong Island and Lantau.

After consolidating the findings of the analysis on a number of key factors including water flow, water depth, navigation channel and marine traffic as well as marine ecology, it was preliminarily considered that there was a potential to enlarge the study extent of reclamation in the central waters to about 1 700 hectares (ha). However, the actual reclamation extent is subject to further studies. The related scheme involved several artificial islands and it generally maintained the speed of the water flow in the adjacent waters, and the

depth of the seabed in the reclamation extent¹ was similar to that of the East Lantau Metropolis (ELM) of about 1 000 ha². As for marine ecology, the related scheme was still within the central waters where ecological sensitivity is relatively low, capable of preserving the existing natural shorelines of Kau Yi Chau, Hei Ling Chau and Sunshine Island, and without touching on the usual habitats of Chinese White Dolphins or finless porpoises. Further, the enlarged reclamation extent did not encroach into artificial reefs deployment areas, fish culture zones, major fish nursery grounds or spawning grounds.

The formation of artificial islands of 1 700 ha in the central waters is a vision. We will first focus on the studies for developing the artificial islands of about 1 000 ha near Kau Yi Chau. As for the remaining artificial islands of about 700 ha near Hei Ling Chau, there is no concrete implementation timetable at the moment. However, we will collect information in the future studies related to artificial islands in the central waters for future reference in long-term planning.

- (c) The Government has been adopting a multi-pronged strategy in increasing land supply in a sustained and steady manner in order to increase housing production and implement the Long Term Housing Strategy. In the short-to-medium term, a total of over 380 000 residential units can be provided by the over 210 housing sites identified through land use reviews, the Kai Tak Development Area, etc. Among them, some 210 sites with housing development potential in the short-to-medium term can provide over 310 000 units in total (over 70% for public housing). The location plans of these sites by District Council districts were provided to the Legislative Council on 13 December 2017 and can be downloaded from http://gia.info.gov.hk/general/201712/13/P2017121300386_274011_1_1513148535054.pdf and http://gia.info.gov.hk/general/201712/13/P2017121300386_274012_1_1513148535087.pdf. In the medium-to-long term, New Development Areas (NDAs) and new town extensions can provide over 230 000 residential units. A total of more than 610 000

¹ The seabed of the proposed artificial islands near Kau Yi Chau was about 7 metres deep on average.

² This was referring to the reclamation extent of the ELM roughly indicated in the Sustainable Lantau Blueprint. The Sustainable Lantau Blueprint promulgated by the Government in June 2017 can be downloaded from " https://www.lantau.gov.hk/download/full_report.pdf".

residential units can be provided by the above short, medium and long-term initiatives.

- (d) The Steering Committee on Land Supply (SCLS) chaired by the Financial Secretary is a standing mechanism within the Government to coordinate work on planning, development and land supply. Taking into account the recommendations tendered by the Land Supply Task Force and with a view to strengthening the Government's highest level steer for overseeing and coordinating the land supply strategy and the land planning, the composition and terms of reference of the SCLS have been expanded since April 2019, including all Directors of Bureaux and the Government Economist as members. The re-organised SCLS will continue to look into matters of the following areas –

(a) adopt a vision-driven and forward-looking approach in re-assessing our land demand for housing, economic, community and recreational needs, taking into account the public aspirations for better housing and quality living environment around where we live, the space required to maintain our economic competitiveness, the needs of the elderly and their families amidst an ageing population;

(b) oversee the adoption of an infrastructure-led and capacity creating approach in planning and providing strategic transport infrastructure, as well as integration of land use planning and infrastructure decision making;

(c) consider the execution arrangements for major development projects; and

(d) coordinate cross-bureau efforts and monitor progress to ensure that land supply strategy and its implementation are taken forward in a timely and effective manner.

The Lantau Tomorrow involves a number of projects and studies. Relevant bureaux and departments will report the progress of relevant works to the SCLS in due course.

- (e) Financial Circular No. 2/2009 was replaced by Financial Circular No. 4/2015, and Financial Circular No. 4/2015 was also replaced by

Financial Circular No. 5/2016 subsequently issued. A copy of the above three financial circulars is at **Enclosure 1**.

- (f) (i) As for the sites within the areas of the Phase I development of the Kwu Tung North and Fanling North NDAs, the Lands Department (LandsD) processed two applications for in-situ land exchange in accordance with their Practice Note No. 1/2014 and its revisions³. The two applications for in-situ land exchange concerned Kwu Tung in Sheung Shui and Fanling; and were completed on 19 December 2017 and 27 December 2017 respectively. The relevant legal documents were registered in the Land Registry.

As regards the applications for in-situ land exchange for sites falling within the remaining development areas of the NDAs, the LandsD will set out the respective time limits for submission of the applications and acceptance of all basic terms (including amount of land premium) in due course and process the applications in an orderly manner, with due consideration given to the implementation timetable of the remaining development areas of the NDAs and in accordance with their Practice Note No. 1/2014.

- (ii) The Chief Executive outlined the LSPS in the 2018 Policy Address, which seeks to unlock the development potential of privately owned agricultural lots in the New Territories for both public and private housing development through public-private partnership. We will adopt a set of criteria and procedures based on fairness and high transparency in handling applications under the LSPS and selecting suitable projects. The Government is in the process of drawing up more specific criteria and other implementation details of the LSPS, including

³ According to LandsD's Practice Note No. 1/2014, the size of proposed site to be surrendered should not be less than 4 000 square metres.

the basic requirements which must be fulfilled by the applications, work flow in vetting applications including alignment with existing statutory procedures on town planning and land administration regime, as well as the relevant advisory set-up for the LSPS and its operational arrangements (including the mechanism for declaration of interest and disclosure arrangement). We will consult relevant stakeholders on the proposed arrangements in due course, with a view to submitting the proposed arrangements to the Chief Executive in Council for approval and inviting applications.

Development Bureau
August 2019

This circular is superseded by Financial Circular No. 4/2015.

FIN C9/58 Pt. 1

GOVERNMENT SECRETARIAT
HONG KONG
22 January 2009

FINANCIAL CIRCULAR NO. 2/2009

Initiating Works-related Tendering and Consultants Selection Procedures
Before Funding is Secured

(Note : Distribution of this Circular is **Scale C**. Directors of Bureaux, Controlling Officers, Resource Management Unit officers of policy bureaux and all officers dealing with expenditure proposals under the Capital Works Reserve Fund should read it.)

Introduction

This Circular announces the revised financial limit of the authority delegated to Controlling Officers for initiating works-related consultants selection procedures before funding is secured. It updates and replaces Financial Circular No. 2/2003.

Delegations

2. Directors of Bureaux (or their Permanent Secretaries if authorised in writing to do so) and Controlling Officers have been delegated the authority to initiate works-related tendering or works-related consultants selection procedures before funding is secured, provided that the requirements as set out in paragraph 6 below are complied with. To update and streamline the procedure, we will increase **with immediate effect** the financial limit for Controlling Officers to initiate works-related consultants selection procedures from the existing \$15 million to **\$21 million**. Bureaux and departments are reminded to consider making use of these delegated authorities to expedite the delivery of works projects as appropriate.

/ Works tenders ...

To: Directors of Bureaux
Controlling Officers

Works tenders

3. All Directors of Bureaux (or their Permanent Secretaries if authorised in writing to do so) may allow tenders for works projects, irrespective of type or value, to be invited before funding is secured. The authorisation covers the initiation of prequalification exercises for works tenders. Separate approval from the Treasury Branch is not required.

Works-related consultancies

4. The authority to approve applications for proceeding with **shortlisting** of works-related consultants before funding is secured is delegated to –

- (a) Controlling Officers, for consultancies not exceeding \$21 million; and
- (b) Directors of Bureaux (or their Permanent Secretaries if authorised in writing to do so), for all consultancies beyond \$21 million.

5. The authority to approve applications to **invite technical and fee proposals** for works-related consultancies before funding is secured is delegated to –

- (a) Controlling Officers, for consultancies not exceeding \$21 million subject to policy backing; and
- (b) Directors of Bureaux (or their Permanent Secretaries if authorised in writing to do so), for consultancies beyond \$21 million.

Separate approval from the Treasury Branch is not required.

/ Conditions attached to ...

Conditions attached to the exercise of delegated authorities

6. In exercising the above delegated authorities, the relevant Directors of Bureaux (or their Permanent Secretaries) and Controlling Officers shall be accountable for their decisions in each case. They should satisfy themselves, before granting the requisite approvals, that the following conditions and obligations are met –

- (a) for consultants selection procedures, the **scope** of the assignment has been finalised and agreed by all relevant parties within the Government. For tendering to be initiated, the **detailed design** of the works project has also been finalised and agreed within the Government;
- (b) the approving authority has assessed the **risks** involved in initiating a procurement exercise before funding is secured. The risks to the Government of having to abort the procurement exercise due to lack of funding or substantive last-minute changes to the scope of the consultancy brief or proposed works have been assessed as low. Alternatively, despite the perceived risks, the possibility of abortive costs and inconvenience to bidders and tenderers, the merits of fast tracking have been assessed as outweighing the potential demerits; and
- (c) the procuring department reflects correctly in the tender documents or the consultancy briefs the funding status of the project and reminds all bidders that **Government is not responsible for their costs of preparing the bids.**

7. Until funding has been approved, a procuring department must not enter into contractual commitments of any kind and must not indicate to the successful tenderer or bidder that the Government will accept his tender or bid.

Trading Funds

8. This Circular applies to Trading Funds.

/ Enquiries ...

Enquiries

9. For enquiries on this Circular, please contact the Principal Assistant Secretary for Financial Services and the Treasury (Treasury)(Works) on 2810 2232.

Professor K C Chan
Secretary for Financial Services and the Treasury

TsyB W 00/580/7

GOVERNMENT SECRETARIAT
HONG KONG
16 December 2015

FINANCIAL CIRCULAR NO. 4/2015

Parallel tendering for works contracts

(Note : Distribution of this Circular is **Scale C**. Directors of Bureaux, Controlling Officers, Resource Management Unit officers of policy bureaux and all officers dealing with expenditure proposals under the Capital Works Reserve Fund should read it.)

Introduction

This Circular encourages greater use of parallel tendering and relaxes the financial limits for Controlling Officers to approve works tendering or works-related consultants selection procedures before funding is secured. It replaces Financial Circular No. 2/2009.

Risk-based approach to parallel tendering

2. As from 2001, the Financial Secretary (or then Secretary for the Treasury under Cap 1) has delegated to project proponents the authority to initiate tendering and consultant selection procedures for works contracts in parallel with (rather than “after”) securing funding approval from the Finance Committee (FC) of the Legislative Council.

3. Parallel tendering is intended to expedite the delivery of works projects and works-related consultancies. It also allows Government to set more realistic project cost estimates before approaching FC, thus reducing the risk and scale of cost overruns.

4. However, parallel tendering is **not** without risk. In case FC were to vote down the project, vary the scope of the project or delay its processing, the relevant tender exercise could be held up if not aborted, the tender scope could

be subject to renegotiations, and tender validities could lapse. It is not unlikely that tenderers could build in a risk premium when bidding for projects which have yet to secure FC's funding approval.

Conditions precedent

5. The approving authorities concerned should satisfy themselves, **before** granting the approvals to proceed with parallel tendering, that the following conditions are met –

- (a) the **scope** of the consultancy assignment or **detailed design** for the works contract has been finalised and agreed by all relevant parties within the Government; and
- (b) a **project-specific risk-appraisal** has been conducted. The approving authority concerned should assess the risks to the Government of having to delay or abort the procurement exercise due to lack of funding or substantive last-minute changes to the scope of the consultancy brief or proposed works. The risks of FC imposing unexpected conditions on the project scope, or holding up funding approvals and/or blaming Government for pre-empting FC should be assessed. The approving authority should only agree to proceed with parallel tendering where such risks are assessed as **low** or where the merits of parallel tendering have been assessed as **outweighing** the potential downside risks.

6. If approval for parallel tendering is granted, the procuring department must reflect correctly in the tender documents or the consultancy briefs the funding status of the project and remind all tenderers that **Government is not responsible for their costs of preparing the bids**. Until funding has been approved by FC, the procuring department must **not** enter into contractual commitments of any kind and must **not** indicate to the successful tenderer that Government will accept his bid.

Parallel tendering encouraged

7. About 120 works-related projects were upgraded to Category A in the last three Legislative Sessions (2012/13 to 2014/15). Some 40% of these projects were relatively less controversial (defined in this context as having been cleared by the Public Works Subcommittee within one sitting and not

subject to any Members' motions in the Subcommittee and FC); but only 23% of the 120 projects had adopted parallel tendering and reflected the tendered sums in the Approved Project Estimates being sought.

8. To expedite project delivery and minimise the possibility and quantum of cost overrun, we would encourage project proponents to consider more positively the use of parallel tendering for the following less controversial project types –

- (a) school, post-secondary institution and university projects;
- (b) hospital or clinic projects;
- (c) water and drainage works;
- (d) district-level recreational facilities;
- (e) local roadworks and public transport termini;
- (f) departmental quarters for disciplined services; and
- (g) low-value stand-alone works projects (as against partial upgrades) under \$100 million.

Approving authorities

9. The Secretary for Financial Services and the Treasury has delegated to **Directors of Bureaux** (and since 2003, **Permanent Secretaries** where authorised in writing) the authority to approve parallel tendering for works-related consultancies and works projects, irrespective of value. **Controlling Officers** also have delegated authority to initiate parallel tendering for works-related consultancies up to a limit of \$21 million; this authority did not cover parallel tendering for works projects.

10. As a new facilitation measure to encourage greater use of parallel tendering, we will relax the limit of delegated authorities for **Controlling Officers** from \$21 million to **\$30 million**, to be in line with the financial limit for most Capital Works Reserve Fund block allocation subheads since 2012. We will also extend the scope of their delegated authority to cover parallel tendering for **works projects**.

11. With immediate effect, therefore, the delegated authority to initiate parallel tendering for **works-related consultancies** (including shortlisting and invitation of technical and fee proposals) and **works projects** (including initiation of prequalification exercises) is updated as follows –

	Approving authority	Financial limit
(a)	Director of Bureaux (or their Permanent Secretaries if authorised by the Director in writing)	No financial limit
(b)	Controlling Officers	Not exceeding \$30 million

Trading Funds

12. This Circular applies to Trading Funds.

Enquiries

13. For enquiries, please contact Principal Assistant Secretary for the Treasury (Works) at 2810 2232 or Assistant Secretary for the Treasury (Works)¹ at 2810 2495.

Professor K C Chan
Secretary for Financial Services and the Treasury

FINANCIAL CIRCULAR NO. 5/2016

Parallel Tendering for All Contracts

(Note : Distribution of this Circular is **Scale C**. Directors of Bureaux, Controlling Officers, Resource Management Unit officers of policy bureaux and all officers dealing with procurement should read it.)

Introduction

The traditional requirement for Controlling Officers (COs) to secure funding **before** initiating tender procedures or consultants selection exercises has to be relaxed to expedite project delivery, taking into account the much longer lead time required for securing funding approvals from the Finance Committee (FC) or Legislative Council (LegCo). Further to the relaxation announced in December 2015 concerning works contracts and related consultancies, this Circular announces changes of the Stores and Procurement Regulations (SPR) to allow the use of parallel tendering for **all** contracts and consultancies funded under the Capital Works Reserve Fund (CWRF) and General Revenue Account (GRA).

2. Financial Circular No. 4/2015 (Parallel tendering for works contracts) is superseded. Its requirements are subsumed into this Circular.

Requirements to date

3. COs used to be barred under SPRs 335 and 415 from inviting tenders and initiating consultants selection exercises respectively before funding is secured. Only works contracts and related consultancies may adopt parallel tendering under SPR 336 provided the conditions in Financial Circular No. 4/2015 are met.

4. As the waiting time for securing FC or LegCo approval (for items seeking approval in the context of the Appropriation Bill) is getting longer and less predictable, facilitation and streamlining are needed. For works projects, the average lead time between securing Panel clearance and FC approval increased from 2.9 months in 2005-06 to 7.1 months in 2014-15 and is deteriorating. For non-works projects, the average lead time involved from Panel clearance to FC approval increased from 1.4 months in 2005-06 to 4.9 months in 2014-15.

5. The procurement of information technology (IT) projects is time-consuming as well as time-critical. Of the 22 IT tenders approved by the Central Tender Board and the Government Logistics Department Tender Board between October 2014 and December 2015, only 50% of them were approved within a year from legal clearance of tender documents, another 23% from 12+ to 15 months, and the remaining 27% from 15+ to 21 months. If COs are allowed to invite tenders in parallel with, rather than after, securing funding approval from FC or LegCo, the procurement process should be expedited.

Parallel tendering for all contracts

6. As an extension to the parallel tendering regime for works contracts, Directors of Bureaux/COs are hereby allowed to invite tenders and initiate consultants selection exercises prior to funding approval for all non-works contracts under CWRF and GRA, **provided** that upon the conduct of a risk assessment, they are satisfied that the benefits outweigh the risks involved.

7. With the relaxation, parallel tendering may be adopted for all contracts funded under CWRF and GRA, whether these relate to the procurement of goods or services (including consultancy services and Standing Offer Agreements), and whether the item procured is recurrent or one-off in nature.

8. Guidelines including conditions precedent for the use of parallel tendering are in *Annex A*.

Conditions for contract award

9. All invitations for tenders or consultancy proposals issued prior to funding approval **must state clearly** that funding approval has not been obtained, and that Government will not be responsible for the cost of preparing tenders or consultancy proposals. As a general principle, COs should not award

a contract and should not indicate to the successful bidder that Government would accept its bid unless and until funding for that contract is secured.

10. Funding is deemed to have been secured in the following circumstances -

- (a) for a contract to be funded under **CWRF**: when the project estimate for the item covering such contract has been approved by FC or by a designated officer under authority delegated by FC;
- (b) for a contract to be funded under **GRA Subhead 000**:
 - (i) when resources for that contract have been earmarked from within the overall expenditure envelope provision of the relevant envelope holder/Director of Bureau, or secured through adjustment to the annual envelope provision approved by Star Chamber/Financial Secretary under the established resource allocation mechanism. Envelope holders are reminded to plan ahead for multi-year contracts and should not pre-empt the outcome of resource allocation exercises (i.e. should not presume that additional allocations would be approved), and
 - (ii) in case LegCo/FC approval is needed, when LegCo has approved the resources in the context of the Appropriation Bill or when FC or a designated officer under authority delegated by FC has approved the resources; and
- (c) for a contract to be funded under **other GRA Subheads**: when the specific non-recurrent financial commitment has been approved by LegCo as part of the relevant Appropriation Bill or by FC or a designated officer under authority delegated by FC.

Cancellation of tender/consultants selection exercises

11. In case FC/LegCo does **not** approve the funding required at all before the expiry date of the tender validity period or extended tender validity period (if applicable), the procuring department will have to cancel the tender exercise in question. Prior approval of cancellation of tenders due to this reason is not required.

12. In case FC/LegCo approves the funding **in part** and/or **varies** the scope of the procurement, the procuring department will have to consider whether the tender exercise needs to be cancelled or modified with a revised scope, or a re-tender exercise needs to be arranged. Prior approval of the relevant tender board or departmental tender committee is required if the procuring department chooses to cancel the tender exercise or negotiate with bidders on the revised scope under the circumstances. The same requirements apply to consultants selection exercises.

Approving authorities

13. The authority to initiate parallel tendering (including the conduct of consultants selection exercises) for all GRA and CWRF contracts is as follows –

	Approving authority	Financial limit
(a)	Directors of Bureaux (or their Permanent Secretaries if authorised by the Directors in writing to do so)	No financial limit
(b)	Controlling Officers	Not exceeding \$30 million

Changes to SPR

14. SPRs 335, 336 and 415 are hereby repealed. As a facilitation measure, four new SPRs (viz. SPRs 337, 338, 416 and 470(b)) and other consequential amendments as set out at **Annex B** will be effective upon promulgation of this Circular.

Trading Funds

15. This Circular applies to Trading Funds.

Enquiries

16. For enquiries, please contact our Tender Division for tender-related matters, Works Division for works-related funding matters, and the relevant Resource Divisions for other funding related matters.

Professor K C Chan
Secretary for Financial Services and the Treasury

Guidelines on parallel tendering

1. Parallel tendering is intended to expedite government procurement process. It also allows Government to set more realistic cost estimates of the procurements before approaching the Finance Committee (FC)/Legislative Council (LegCo), thus reducing the risk and scale of cost overruns.

2. However, parallel tendering is **not** without risk. In case FC/LegCo were to vote down the funding application, vary the scope of the procurement or delay its processing, the relevant tender or consultants selection exercise could be held up if not aborted, the scope of procurement could be subject to re-negotiations, and validities of prices offered could lapse. It is not unlikely that bidders could build in a risk premium when bidding for procurements which have yet to secure FC/LegCo's funding approval.

Conditions precedent

3. The approving authorities concerned should satisfy themselves, **before** granting the approvals to proceed with parallel tendering, that the following conditions are met –

- (a) the **scope** of the consultancy assignment, the **detailed design** for the works contract or the **specifications** for non-works contracts have been finalised and agreed by all relevant parties within the Government; and
- (b) a **project-specific risk-appraisal** has been conducted. The approving authority concerned should assess the risks to the Government of having to delay or abort the procurement exercise due to lack of funding or substantive last-minute changes to the scope of the consultancy brief or proposed project. The risks of FC/LegCo imposing unexpected conditions on the project scope, or holding up funding approvals and/or blaming Government for pre-empting FC should be assessed. The approving authority should only agree to proceed with parallel tendering where such risks are assessed as **low** or where the merits of parallel tendering have been assessed as **outweighing** the potential downside risks.

Parallel tendering encouraged

4. To expedite project delivery and minimise the possibility and quantum of cost overrun, procuring departments may consider more positively the use of parallel tendering for less controversial procurements and reflect the tender sums in the funding applications for FC/LegCo (where needed). The assessment of whether a project is controversial needs to be done before the funding application is submitted to FC/LegCo. Based on past experience, the following types of procurement may be ready candidates –

- (a) school, post-secondary institution and university projects;
- (b) hospital or clinic projects;
- (c) water and drainage works;
- (d) district-level recreational facilities;
- (e) local roadworks and public transport termini;
- (f) departmental quarters for disciplined services;
- (g) low-value stand-alone works projects (as against partial upgrades) under \$100 million;
- (h) computerisation projects that seek to replace or upgrade existing systems; and
- (i) procurement of systems and equipment that support existing functions or operational needs.

Changes to SPRs

CHAPTER III – TENDER PROCEDURES

FUNDING

337 (NEW). COs may adopt parallel tendering, i.e. invite tenders before funding is secured, provided they are satisfied, upon the conduct of a risk assessment, that the benefits of parallel tendering (in terms of time saving, greater certainty in the Approved Project Estimate to be sought, etc.) outweigh the risks involved (in terms of abortive tendering work in case the approving authority does not approve the project concerned or impose conditions not envisaged in the tender, risk of Government being seen to be pre-empting Finance Committee/ Legislative Council, etc). If the estimated value of the procurement exceeds \$30 million, COs shall seek the prior approval of their Directors of Bureaux (or their Permanent Secretaries if authorised by the Directors in writing to do so).

338 (NEW). COs must reflect correctly in such tender invitations that funding approval has not been obtained and remind tenderers that Government is not responsible for their costs of preparing the bids. As a general principle, COs should not award a contract and should not indicate to the successful bidder that Government would accept its bid unless and until funding for that contract is secured. Conditions for contract award are set out in FC No. 5/2016 (as may be updated from time to time).

CANCELLATION OF A TENDER EXERCISE OR CONCLUDING A SERVICE LEVEL AGREEMENT WITH A TRADING FUND DEPARTMENT

380.(d) Approval of cancellation of tender exercise is not required when no tender is received after close of tender invitation, **or when funding is not secured.**

CHAPTER IV – CONSULTANTS SELECTION PROCEDURES

APPROVING AUTHORITY

416 (NEW). COs may initiate consultants selection exercises before funding is secured. The conditions and requirements as laid down in SPR 337 and 338 equally apply.

CANCELLATION OF A CONSULTANTS SELECTION EXERCISE

470. (a) If a procuring department decides to cancel a consultants selection exercise due to reasons such as public interest, lack of conforming bids, or conclusion of the exercise by entering into a service level agreement with a trading fund department, it shall seek the prior approval of the relevant consultants selection board and provide detailed justification for its decision. For procurement of consultancy services with a value not exceeding \$5 million, the authority for cancelling a consultants selection exercise has been delegated to DCSCs. After obtaining the approval, the procuring department should promptly inform bidders of its decision.
- (b) (NEW) Approval to cancel a consultants selection exercise is not required when no consultancy proposal is received after close of invitation, or when funding is not secured.

REPLACED

~~(REPEALED) 335. ——— For non works contracts, COs shall not invite tenders before funding is secured. This requirement does not apply to the funds required for the second and subsequent years. Exceptions have to be approved by the PS(Tsy).~~

~~(REPEALED) 336. ——— For works contracts, the PS(Tsy) has authorised Directors of Bureaux (or their Permanent Secretaries if authorised in writing to do so) to approve applications to initiate tendering (including prequalification) for works contracts before funding is secured, provided the requirements set out in FC No. 2/2009 (as may be updated from time to time) are complied with.~~

~~(REPEALED) 415. ——— COs shall not initiate consultants selection exercise before funding is secured. Exceptions have to be approved by the PS(Tsy). For capital works contracts, the PS(Tsy) has authorised Directors of Bureaux (or their Permanent Secretaries if authorised in writing to do so) and COs to approve applications to initiate works related consultants selection procedure before funding is secured, provided the requirements set out in FC No. 2/2009 (as may be updated from time to time) are complied with.~~

Appendix III(I) - Standard Tender Report Format

C. Authority to Invite Tenders

- For prequalified, restricted or single tendering, **or when parallel tendering is adopted**, quote the approving authority and provide a summary of reasons.

J. Availability of Funds

- For works tenders, state the following and confirm whether a revision of the approved project estimate will be required, if the tendered sum is greater than the sum allowed for the contract —
 - (a) Recommended tendered sum : \$
 - (b) Approved project estimate (month/year of approval) : \$
 - (c) Sum allowed for the contract in the approved project estimate : \$
 - (d) Funds in (financial year) Estimates under Head ___/Subhead ___ : \$
- For other tenders (except revenue contracts), confirm that funds are available and the vote to be charged.
- **For tenders invited before funding is secured, state the expected date of obtaining the funding approval.**

Appendix IV(A) – Specimen Submission for CCSB Stage 1 Approval

E. Authority to Employ Consultants

- Policy support from the relevant Director of Bureau or a public officer authorised by him, endorsement of the MA Division of FSTB for financial consultants and EU for general management consultants, funding approval, etc. **For initiation of consultants selection exercise before funding is secured, quote the approving authority and provide a summary of reasons.**

H. Availability of Funds

- Confirm the availability of funds and the title of the vote to be charged.
- **For initiation of consultants selection exercise before funding is secured, state the expected date of obtaining the funding approval.**

Appendix IV(B) – Specimen Submission for CCSB Stage 2 Approval

E. Authority to Employ Consultants

- Policy support, funding approval, CCSB Stage 1 approval, etc. **For initiation of consultants selection exercise before funding is secured, quote the approving authority and provide a summary of reasons.**

H. Availability of Funds

- Confirm the availability of funds and the title of the vote to be charged.
- **For initiation of consultants selection exercise before funding is secured, state the expected date of obtaining the funding approval.**