NOTE FOR FINANCE COMMITTEE

Implementation of Capital Works Projects

PURPOSE

This note outlines the general process and procedures on implementation of Government capital works projects, in particular the steps and requirements for the project proponents (usually a government department) and the works agents to take forward the project for funding approval by the Finance Committee (FC).

CAPITAL WORKS PROGRAMME

2. In short, there are four categories of project items under the Capital Works Programme (CWP), namely, Category A, Category B, Category C and Category D.

3. Category D items are essentially minor works projects or standalone studies funded by the 22 works-related block allocations under the Capital Works Reserve Fund (CWRF). (Except for Subhead 5001BX – Landslip Preventive Measures, the cost of each project must not exceed $15 million).

4. A project proposal attains Category C status any time of the year upon submission of a Project Definition Statement (PDS) prepared by client bureau; and a Technical Feasibility Statement (TFS)\(^\text{Note}\) prepared by the works department and approved by the Works Branch of the Environment, Transport and Works Bureau (ETWB). Under the annual Resource Allocation Exercise (RAE), policy bureaux would submit bids for the funding required to implement Category C items which are expected to incur expenditure in the next five-year cycle. Bids approved will then attain Category B status.

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Note The purpose of the TFS is to establish the technical feasibility on a prima facie basis, define the scope of works, and provide a rough cost estimate and the cash flow requirements. Works departments are expected to compile a TFS within four months upon receipt of PDS and normally without recourse to external consultancy. TFS is not required for projects which are themselves studies (e.g. EIA and site investigation) or renovation works.
5. In considering funding bids under the RAE (which normally takes place in summer), we would examine the project justifications, urgency, cost-effectiveness, economic benefits, engineering feasibility and budgetary affordability (including the long-term recurrent costs). In determining the funding priority of individual projects, we also take into account the priority accorded by policy bureaux having regard to their policy objectives. In the light of Government’s pledge to set aside an average amount of $29 billion each year for CWP expenditure, we have made available sufficient resources to fund all justifiable capital works projects under planning and exercised the greatest flexibility possible to earmark funding so as to allow more projects to commence the planning, design and other preparatory work. An in-year bid mechanism is also in place to cater for urgent projects which need to acquire Category B status in between two RAEs. One example is the complementary sewage treatment works required for the Redevelopment of Ocean Park which was approved by the FC in mid-2006. In June 2005, FC also approved the funding for the conceptual design and advance technical studies for the Hong Kong-Zhuhai-Macao Bridge project.

6. Once a project attains Category B status, works department can start incurring expenditure on pre-construction work required before seeking FC’s funding approval i.e. upgrading to Category A. Such pre-construction work includes site investigations, preliminary/detailed design, environmental impact assessment (EIA), traffic impact studies, statutory gazetted procedures and tender preparation, which are usually funded under the appropriate CWRF block allocations as a Category D item. Where the expenditure of the pre-construction work exceeds $15 million, we would seek FC approval for part-upgrading the project item to Category A to fund the pre-construction work required.

7. We have previously issued to the Public Works Subcommittee (PWSC) an information note under reference PWSCI(2001-02)37 (copy at Encl.) to set out the administration and planning procedures for implementation of capital works projects, and the measures taken by the Administration to accelerate project delivery. The actual lead time required for completing the pre-construction work required varies amongst projects, depending on the scope and complexity of works involved and whether statutory procedures like the EIA Ordinance are applicable or land resumption is required. The Administration would keep these measures and related procedures under constant review to further ensure the expeditious implementation of capital works projects. From time to time, ETWB promulgated technical guidelines to works departments for speeding up the various stages of the planning and design work (e.g. consultancies).

/SUBMISSION .....
8. Upon completion of the detailed design and other preparatory work required and consultation with the relevant Legislative Council (LegCo) panel(s), policy bureaux could submit the funding request to PWSC/FC for upgrading the project to Category A. In order to minimise the lead time for commencement of construction works, Directors of Bureaux and their Permanent Secretaries (if the latter are so authorised) may allow the tender process to proceed in parallel with the funding application to PWSC/FC so as to bring forward the commencement date as much as possible.

9. The PWSC meets roughly once or twice a month, except for the holiday breaks and the period when the Special FC sessions on the annual Budget are held. In October each year, we present to PWSC a forecast of the projects planned to be upgraded to Category A in the forthcoming LegCo session. This facilitates the relevant policy bureaux and LegCo panels to coordinate the timing for consulting the panels on the funding proposals before submission to PWSC.

10. At the end of each LegCo session, we submit to PWSC a year-end report summarising the capital works projects which have been upgraded to Category A during the session and the deviations between the submissions and the forecast with brief explanations.

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Financial Services and the Treasury Bureau
April 2007
NOTE FOR PUBLIC WORKS SUBCOMMITTEE
OF FINANCE COMMITTEE

Information on
The Implementation Programme of a Capital Works Project

Introduction

This note sets out an overview of the administrative and planning procedures for implementation of capital works projects, for the information of PWSC members.

Acceleration of Project Delivery

2. With the recent implementation of the following measures, the lead time from inception to commencement of construction of a typical engineering and building project has been shortened from six years to less than four years -

(a) simplifying the preliminary technical appraisal for admitting projects into the Capital Works Programme and keeping as far as practicable the time allowed for such appraisals to four months;

(b) allowing bureaux to submit funding bids in-year, between the annual resource allocation cycles;

(c) streamlining procedures for the creation of minor works items (under $15 million);

(d) allowing Controlling Officers the option to initiate works-related tendering and consultant selection procedures before funding is secured. The acceptance of any tender or bid must still be subject to funding approval and conditions attached to such;

(e) taking parallel actions for the environmental impact assessment and gazetting; and

/ (f) ....
streamlining the tender procedures for capital works projects under $50 million (e.g. dropping the gazettal requirement since tender notices are published on the Internet) and allowing Controlling Officers the option to approve tender awards for straightforward cases under specified circumstances.

The updated flow charts incorporating the above changes for a typical engineering and building project are attached.

**Engineering Projects**

3. The flow chart in Enclosure 1 illustrates the main activities involved in the delivery of a medium size typical engineering project.

4. A capital works engineering project starts with a Technical Feasibility Statement, which is to be completed within a short time, to confirm the feasibility on a prima facie basis, define the scope of works and establish the rough order of cost.

5. Once included in the Capital Works Programme, the project enters into the Preliminary Design Stage for developing the preliminary technical details of the project and undertaking various impact assessments, including Environmental Impact Assessment (EIA), Traffic Impact Assessment, and Drainage Impact Assessment. For projects not sensitive in environmental impacts terms gazetting under statutory ordinances could be carried out in parallel with EIA and procedures under EIAO.

6. After the preliminary technical details have been affirmed and the procedures of EIAO completed, the project will move onto the Detailed Design Stage for preparing the design details and tender documents for the works contracts, with the procedures under relevant statutory ordinances and land resumption proceeding in tandem.

7. Funding application will also be made in parallel with the detailed design so that construction on site will commence after completing the tendering procedures.

**Building Projects**

8. The flow chart in Enclosure 2 illustrates the main activities involved in the delivery of a medium size building project.

9. The delivery process of a building project is simpler than that of an engineering project as a building project is normally less sensitive in environmental impact terms and often does not require land resumption.
10. In general, the foundation works of a building project will start at about two years after inception and the superstructure works will commence after the completion of the foundation.

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Works Bureau
November 2001
Flow Chart A - Programme of a Typical Medium Size Public Engineering Project

Technical Feasibility Assessment - 技术上的可行性评估

Entry into Capital Works Programme - 纳入基本工程计划

Preliminary Design - 初步设计

Relevant Impact Assessment and Statutory Procedures - 相关的环境影响评估及法定程序

Gazetting, Resolving Objections and Authorization under Relevant Ordinances - 刊憲, 處理反對意見及獲當局授權

Land Resumption and Clearance - 收地及清拆

Extra time required for difficult cases - 因應困難個案所需時間

Detailed Design and Tender Documentation - 詳細設計及擬備招標文件

Upgrade to Category A - 將工程撥款提升到甲級

Tendering - 招標

Construction - 施工

Note: This chart portrays main actions from inception to construction phase of a medium size project. For a large or complex project, more time will be required for detailed feasibility studies and environmental impact assessment, consultations with LegCo/District Councils/other relevant bodies and/or land resumption, depending on the complexity of the project.

註：本圖表列示一項中型工程由構思到施工階段的主要活動。少數非常大型或複雜工程，則需要進行詳細可行性研究及環境影響評估，多次諮詢立法會/區議會/有關團體及/或收地程序。因此，所涉及的時間會加長，這視乎 每項工程的複雜情度而定。
Flow Chart B - Programme of a Typical Medium Size Public Building Project

流程表 B – 一般中型工務建築工程的實施程序