

**For discussion
on 28 October 2013**

**Legislative Council Panel on Health Services
Proposed One-off Grant to the Hospital Authority
for Minor Works Projects**

Purpose

This paper seeks Members' support for the proposal to provide a one-off grant of \$13 billion to the Hospital Authority (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.

Background

2. 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 meters in around 300 buildings. Over 56% of the buildings were completed more than 30 years ago and some are even aged over 85 years. The conditions of such an aging building stock require particular attention as not only will they have significant impact on the health and safety of their occupants, but also on the daily operation of the hospitals and clinics in the delivery of quality medical services to the community. 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 Head 708 Subhead 8100MX block allocation on a lump-sum basis annually in order to improve and maintain hospital facilities for effective patient care.

3. 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 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.

4. 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.

5. 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 plan and implement the necessary minor works projects for improving and maintaining the facilities under its management and control in the most timely and effective manner.

Proposed One-off Grant

6. To prepare for 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

proposed one-off grant would replace the existing annual block allocation under Subhead 8100MX until the grant is depleted, for carrying out improvement works, regular maintenance and preparatory works for major capital works projects. 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. The proposed \$75 million ceiling is in line with the arrangement for the implementation of Universal Accessibility Programme funded under the block allocation Subhead 6101TX.

7. The improvement programme to be funded by the proposed one-off grant will complement other major new hospital or hospital redevelopment projects, which will typically take a long time to materialize. The proposed grant will fund the following programmes with individual items costing not more than \$75 million -

(a) Facility Rejuvenation

Public hospitals and clinics are particularly prone to accelerated deterioration due to their constantly heavy utilization. As a result, many of HA's aging facilities are in unsatisfactory conditions. To upgrade such facilities into conditions for modern quality service delivery, HA plans to launch an intensive rejuvenation programme to modernize the physical environment of its hospitals and clinics, including the renovation of over 500 wards in 34 hospitals. The rough indication of cost for this programme is \$6.0 billion.

(b) Capacity Enhancement

With a growing and aging 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 the 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. These include the provision of around 800 additional 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. The rough indication of cost for this programme is \$3.2 billion.

(c) Safe Engineering

Proper functioning of major electrical and mechanical engineering

installations such as electrical supply systems and lifts are essential for safe and reliable round-the-clock operations in hospitals. However, many of such engineering installations in HA hospitals are lagging behind prevailing standards which have evolved over the years through technological advancements and increasingly higher expectations for safety performance. HA plans to launch a comprehensive programme to upgrade these engineering installations to prevailing standards. Under this programme, HA will upgrade or replace the existing electrical main distribution switchboards and emergency generators in 16 hospitals, as well as install appropriate safety devices or replace existing lifts in 33 hospitals. The rough indication of cost for this programme is \$0.8 billion.

(d) Universal Accessibility

HA plans 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. HA will also continue to carry out improvement works in its 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. The rough indication of cost for this programme is \$0.5 billion.

8. 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 Annex for reference. The projects have been identified in consultation with the 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 accord with actual site situations. In addition to the above specific programmes of improvement works, the one-off grant will also be used to cover regular maintenance / minor works and preparatory works for major capital works projects which are currently funded by Subhead 8100MX block allocation. It is envisaged that around \$4.4 billion is required for the purpose

Financial Implications

9. We propose to provide HA with a one-off grant of \$13 billion to replace the existing block allocation to HA through Head 708 Subhead 8100MX until it is depleted. The new arrangement will give HA more certainty of the funds available for a longer period of time. It will be able to plan ahead and give individual hospitals a better indication and more assurance of the timing and implementation of the necessary improvement works. HA will manage the grant, if approved, in accordance with its prevailing investment objectives and guidelines.

HA will invest approved funds from this grant 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. The approved grant together with the interest generated from investment will be fully used to meet the costs of the planned programmes set out in paragraphs 7 and 8 above.

10. 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. HA will endeavour to expedite the implementation of the above programmes wherever circumstances permit. 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.

11. As for the governance mechanism, HA will continue to be required to seek prior approval from the Food and Health Bureau of each individual item of expenditure to be funded by the one-off grant, as has been the practice for the use of fund under Subhead 8100MX. In addition, HA will prepare annually separate audited financial statements on the use of the one-off grant. A report on the key minor works projects implemented together with the audited financial statements, as well as the forecast expenditure under the one-off grant and key minor works projects planned to be implemented in the coming year, will be provided to this Panel and the Public Works Subcommittee annually.

Advice sought

12. Members are invited to support the proposed one-off grant of \$13 billion to HA. Subject to Members' views, we will seek endorsement from the PWSC at its meeting on 27 November 2013 for funding approval by the Finance Committee on 20 December 2013.

**Food and Health Bureau
Hospital Authority
October 2013**

Initial List of Project Items to be funded by the One-off Grant
(Some of the items 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 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
- 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
- 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
- Enhancement and Replacement of Lifts in WCH

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 Gynecology 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
- 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

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	Head Quarters 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	
AHNH	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