

Islands District Council
Paper IDC 40/2014

District Minor Works Programme
Proposal on Central Reserve

Purpose

This paper aims at outlining the usual arrangement in setting aside a central reserve under the District Minor Works (DMW) block vote allocation as well as the scope of the reserved fund; the centralized payment of consultancy fees and Resident Site Staff (RSS) costs by the Home Affairs Department Headquarters (HAD HQs) implemented since the last financial year; and the arrangements concerning the DMW recurrent expenditure.

Background

2. Since the introduction of the DMW Programme in 2008, HAD HQs has held a small portion of the block vote allocation as central reserve every year, so as to cater for possible demands for emergency cross-district works and unforeseeable cash flow requirements for districts. In the Financial Year (FY) 2013/14, the amount of central reserve was \$4.2 million, which was the same as that of the previous financial year.

3. Besides, the Finance Committee of the Legislative Council (LegCo) approved on 10 January 2014 an allocation of \$340 million for the 18 District Councils (DCs) to implement DMW projects in FY2014/15. Similar to the arrangement in the last financial year, \$20 million of the sum will be used for centralized payment of consultancy fees and RSS costs by HAD HQs.

Proposal on the Central Reserve Fund

4. Following the usual practice since the implementation of the DMW Programme in 2008, HAD HQs suggests that an amount out of

the total allocation be set aside as central reserve in FY 2014/15. The proposed amount is \$4.2 million, which is the same as that of last year, and will be used for the following purposes:-

- (a) emergency works in various districts, for instance, emergency dredging at flooding areas, emergency repairs to district facilities damaged in accidents, etc.; and
- (b) other unforeseeable cash flow requirements for various districts or inter-district works coordinated by HAD HQs.

5. If required, submissions to HAD HQs could be made by District Offices or project officers through a funding application indicating the items to be settled by the central reserve with justifications for using the fund.

6. If the central reserve for the financial year has been completely used or committed, the expenses for emergency projects in individual district will have to be absorbed by the DMW fund allocated to the district. In the circumstances, the District Office or relevant department has to seek endorsement of the project by the respective DC committee. If the project needs to be carried out in a very short period of time, the District Office or relevant department should, if situation allows, seek prior agreement from the chairman or vice-chairman of the respective DC committee before the works start. Covering approval from the committee should be sought as soon as possible. During the mid-year financial review, if HAD HQs foresees that there will be surplus in the central reserve at the end of the financial year, the surplus will be deployed to districts in need of additional funding so as to ensure optimal use of resources.

Centralized Payment of the Consultancy Fees and RSS Costs

7. DCs may appoint the term consultant as the works agent when implementing DMW projects. The government has engaged term consultants as works agents, for the purpose of saving the

administrative procedures required for employing works agent for every single project, and shortening the project preparatory work. Term consultants have to be selected from the approved list provided by the Architectural Services Department and be employed via an open tendering process with the consultancy fee determined in the tender exercises. The consultant firms are architect-led, comprising members from different works professions. They are therefore equipped to provide more creative designs and handle more large-scale and complicated projects.

8. Since FY 2013/14, HAD HQs has applied for an additional sum of \$20 million from the Finance Committee of LegCo for paying the consultancy fees and RSS costs centrally. As DCs will no longer need to pay for such expenses, they have more dispensable resources for implementing DMW projects. This arrangement has allayed DC's concern about the payment of consultancy fees and RSS costs from the DMW fund allocated to individual DC. In the past, some DCs were concerned about the high project cost arising from payment of such fees for projects undertaken by term consultants and were not inclined to assign projects to term consultants for implementation. In this connection, HAD HQs has started to settle the consultancy fees and RSS costs centrally since 1 April 2013 so as to encourage DCs to use the service provided by term consultants to expedite the progress of DMW projects.

9. HAD HQs will review the expenditure position of the consultancy fees and RSS costs from time to time. If the expenses are expected to exceed \$20 million, HAD HQs will liaise with the consultants during project assignment so that the excess amount would only be settled in the next financial year. If a surplus is predicted, HAD HQs will deploy the amount to districts in need of additional funding at appropriate time so as to ensure optimal use of resources.

The Recurrent Expenditure of the DMW Projects

10. Apart from \$340 million allocation for the implementation of DMW projects, HAD HQs will, based on the required recurrent

expenditure of the completed facilities, provide funding to the 18 DCs on an annual basis. The funds cover the recurrent expenditure of DMW projects and the amount is around \$25 million for this financial year.

11. In addition, to achieve the objective as stated by the ex-Chief Executive in the 2011-12 Policy Address, the total allocation for the DMW block vote and recurrent expenditure is expected to be progressively increased to \$400 million within the current and the next DC term.

Comments sought

12. Members are invited to endorse the central reserve proposal as stated in paragraphs 4 to 6 above and to note the centralized payment arrangement for the consultancy fees and RSS costs and the arrangements concerning the DMW recurrent expenditure as stated in paragraphs 7 to 9 and paragraph 10 of the paper respectively.

Islands District Office
April 2014