

FINANCIAL CIRCULAR NO. 4/2012

[updated on 20 June 2017 vide FC No. 4/2017]

**Requirements for Project Definition Statement and
Technical Feasibility Statement for Capital Works Projects**

(Note : Distribution of this Circular is **Scale C**.
Directors of Bureaux, Controlling Officers,
and all officers dealing with capital works
projects, resource allocation and Estimates
preparation should read it.)

Purpose

This Circular updates the requirements for Project Definition Statements (PDS) and Technical Feasibility Statements (TFS). In particular, it advises works agents on the updated levels of delegation for signing off TFSs, the improvement measures to the existing arrangements for optimising site utilisation and the expanded TFS requirements to cover tree preservation, heritage implications and energy conservation.

2. Financial Circular No. 11/2001 is hereby cancelled with immediate effect.

/Preparation

To: Directors of Bureaux
Controlling Officers

Preparation of Project Definition Statement and Technical Feasibility Statement

3. Before making any Resource and Allocation Exercise (RAE) bids for capital works projects –

- (a) the relevant **policy bureau** needs to justify and define the scope of the proposed project with a PDS, and
- (b) the relevant **works agent** needs to confirm the technical feasibility of the proposed project on a prima facie basis with a TFS.

4. With regard to **project definition** (paragraph 3(a) above), Directors of Bureaux are required to sign off the PDS for each proposed capital works project, following the format in Annex A. Directors of Bureaux can also delegate the authority to approve PDSs to Permanent Secretaries/Deputy Secretaries, irrespective of the estimated cost of the projects.

5. With regard to **technical feasibility** (paragraph 3(b) above), upon receipt of a PDS, the relevant works director is required to complete the TFS in consultation with the relevant policy bureau, client department and the Treasury Branch of the Financial Services and the Treasury Bureau (TsyB)¹, following the format in Annex B. The works agent should assess all aspects as required, including the design constraints, environmental considerations, the project cost estimate and implementation programme. He should sign off the TFS and submit it to the Works Branch of the Development Bureau (WB) for approval. In vetting the TFS, WB will check the validity of the technical assessment for the proposed project made by the works agent in all required aspects, as well as the reasonableness of the project cost estimate and implementation programme.

6. Works directors may delegate the authority to sign off TFSs to a Directorate Officer at D2 level for projects estimated to cost under \$300 million each, and a Directorate Officer at D3 level for projects estimated to cost \$300 million or more but not more than \$700 million each.

/7.

¹ For projects of which the works agents are not government departments (e.g. Hospital Authority, school sponsors, University Grants Committee (UGC)-funded institutions), the works directors should also consult the relevant Controlling Officers (e.g. Director of Architectural Services, Secretary-General, UGC) in completing the TFS.

7. As the TFS only seeks to establish the technical feasibility of a project on a prima facie basis, we expect works agents to be able to complete a TFS **within four months** from the date of receipt of the signed PDS² and **without recourse to consultancy support**. If it is envisaged that the TFS could not be completed within four months, prior approval for extending the deadline for TFS submission should be sought from TsyB. Under no circumstances should a consultant be engaged exclusively for the sake of completing a TFS.

8. If a works director is **personally** satisfied that notwithstanding the completion of a PDS, a feasibility study is required before he is in a position to recommend that the project is technically ready for upgrading to Category B in the Capital Works Programme, he may consider engaging consultants to conduct the feasibility study. He can also submit the relevant extract of the feasibility study **in lieu of** a TFS for approval.

9. TFSs are generally **not required** for projects which are themselves studies, non-works items (such as purchase of property) or renovation works. In such cases, works agents may apply to WB for a waiver of the TFS requirement. Irrespective of whether a waiver will be granted, the works agent should define the scope of works and work out the project estimate with itemized cost breakdown and payment schedule.

10. Subject to paragraphs 8 and 9 above, TsyB will **strictly enforce** the requirement for all Capital Works RAE bids to be accompanied by a PDS and a WB-approved TFS³. The relevant policy bureau will need to submit in the RAE bids other information as set out in annual RAE call circulars, including the recurrent implications arising from the proposed project.

/11.

² Including new and updated PDSs.

³ Bids for upgrading a project to Category B must be supported by a TFS which has been approved by WB. For TFS completed three or more years ago, the information contained therein should be updated as appropriate. Please see FC No. 3/2012 for details. Updated information on TFS should be provided to TsyB, and copied to WB (Attn: CAS(W)4) for information. For projects with substantial changes, the procedures stipulated in ETWB TCW No. 30/2003 "Control of Client-Initiated Changes for Capital Works Projects" should be followed.

11. To uphold fairness and preserve the integrity of the resource allocation system, policy bureaux should submit their capital works bids for consideration in the annual RAE (which normally takes place in the third quarter of the calendar year) so that the Star Chamber can take a holistic view on the relative merits of different funding proposals. TsyB would only entertain in-year bids if there are urgent, exceptional and/or unforeseen circumstances that merit out-of-turn project upgrading between two RAE cycles. Such in-year bids will still need to be supported by a PDS and a WB-approved TFS.⁴

Optimisation of Site Utilisation for Capital Works Projects

12. Project proponents should ensure that the sites of their proposed projects are utilised to the fullest extent possible. For details, please refer to Financial Circular No. 4/2017 “Optimisation of Site Utilisation for Capital Works Projects”.

Expanded scope for Technical Feasibility Statement

13. There is growing public expectation that our projects should be carried out with due regard to tree preservation, heritage implications and energy conservation. Standard paragraphs on these three areas are required in the funding submissions to the Public Works Subcommittee (PWSC) of the Legislative Council (LegCo). We therefore consider it advisable for works agents to look into these aspects at the TFS stage. Details are set out in the ensuing paragraphs.

/Tree

⁴ In-year RAE bids should be supported by a TFS which has been approved by WB. For TFS completed three or more years ago, the information contained therein should be updated as appropriate. Please see FC No. 3/2012 for details. Updated information on TFS should be provided to TsyB, and copied to WB (Attn: CAS(W)4) for information. For projects with substantial changes, the procedures stipulated in ETWB TCW No. 30/2003 “Control of Client-Initiated Changes for Capital Works Projects” should be followed.

Tree Preservation

14. In accordance with Environment, Transport and Works Bureau Technical Circular (Works) (ETWB TCW) No. 3/2006 “Tree Preservation”, works agents are required to observe the need to preserve and protect trees while undertaking capital works projects. Works agents should hence carry out site survey of existing trees at the TFS stage to see whether there are any trees with high conservation or amenity value that deserve to be retained. In particular, trees already included or potentially registrable in the “Register of Old and Valuable Trees” under ETWB TCW No. 29/2004 “Registration of Old and Valuable Trees, Guidelines and their Preservation” should be identified for priority preservation at their existing locations. Works agents should state in the TFS whether there are existing trees on site and whether further assessment on preservation of these trees is required.

Need for Heritage Impact Assessment

15. Works agents are required to assess whether there are heritage sites within the project boundary or in the vicinity of the project site. They should confirm their findings with the Antiquities and Monuments Office (AMO) of the Leisure and Cultural Services Department and state in the TFS –

- (a) whether there is/are heritage site(s) (i.e. all declared monuments, proposed monuments, graded historic sites/buildings, sites of archaeological interests and Government historic sites identified by AMO) within the project site or in the vicinity of the project site; and
- (b) whether a Heritage Impact Assessment (HIA) is required for the project in the investigation and design stage.

16. Works agents should attach AMO’s advice to the TFS as per Section 5 of Annex B. For details on the procedures and requirements for assessing heritage impact arising from capital works projects, please refer to DEVB Technical Circular (Works) No. 6/2009 “Heritage Impact Assessment Mechanism for Capital Works Projects”.

/Energy

Energy Conservation

17. In accordance with ETWB TCW No. 16/2005 “Adoption of Energy Efficient Features and Renewable Energy Technologies in Government Projects and Installations”, the cost of energy efficient features and/or renewable energy technologies for a capital works project should be allowed for in the project cost estimates during the preparation of the TFS. DEVB/Environment Bureau (ENB) joint circular (DEVB Technical Circular No. 5/2009, ENB Circular Memorandum No. 2/2009) on “Green Government Buildings” also sets out certain limits on additional costs arising from adoption of green measures (including energy efficient measures) in government building projects. Works agents should state in the TFS whether the cost of green features has been budgeted in the project cost estimates and whether the requirements in the relevant circulars have been complied with.

Enquiries

18. For enquiries, please contact PAS(Tsy)(W) at 2810 2232 or AS(Tsy)(W)1 at 2810 2495.

Professor K C Chan
Secretary for Financial Services and the Treasury

To: Director of []

**Project Definition Statement for
(*project title*)**

Please complete a Technical Feasibility Statement for the above project in accordance with Financial Circular No. 4/2012.

- 1. Policy objective to be achieved through the proposed project**
- 2. Source of policy approval (ExCo, PC, Policy Address, etc.)**
- 3. Justifications for the project**
- 4. Target date for project to come into operation**
- 5. Description of project scope/special requirements¹**

[Name/Title/Policy Bureau/Contact Tel]
[Date]

c.c. Client Department
SDEV (Attn : CAS(W)4)
SFST (Attn : PAS(W))
GPA (Attn: Ch Property Mgr (Site Utilisation))

¹ If fees are expected to be charged in relation to the usage of the facilities in the proposed project, the policy bureau should make clear whether any “hardware” structure for fee collection is required (e.g. a toll plaza will be needed for a tunnel project). This can facilitate the works agent to take into account the relevant requirements in preparing the TFS.

To: SDEV (Attn : CAS(W)4)

**Technical Feasibility Statement for
(project title)**

As requested by the Secretary for [], I have completed the preliminary study for the above project pursuant to Financial Circular No. 4/2012. I confirm that, prima facie, the project is technically feasible. The project is estimated to cost []. I aim to hand over the completed works to the client department by/within []. The key findings are set out below.

1. Project Scope and Description

(Describe the project scope, preferred development option and attach the outline layout plan.)

2. Land Requirements

(State the location, present zoning and whether planning permission/ amendment to the existing zoning is required. Indicate potential changes to site boundary where applicable. Attach advice from the Lands Department, covering the following –

*"I have checked the land requirements of the above project. According to the location and boundary of the project site broadly defined by the works agent, land resumption *is/is not required and major land clearance *is/is not required. *The extent of *land resumption/major land clearance required has been broadly identified. There *are/are no potentially problematic issue(s) as briefly listed below that may significantly affect the resumption/clearance programme. The estimated time for site hand-over is ___ months from the submission of the final Clearance Application Form subject to no substantial changes in the project boundary.")*

3. Development Constraints

(Include preliminary geotechnical appraisal of the site; identify constraints and risks affecting cost and programme, such as diversion of major utilities, traffic constraints, the need for borrow areas or disposal sites, major slope stabilisation/geotechnical hazard mitigation works, interface problems, presence of soft marine deposits under proposed reclamation/marine structures, difficulties in adopting a no-dredge solution, etc. State whether further studies e.g. traffic impact assessment, geotechnical assessment, and drainage impact assessment are required.)

Only desktop study of available data is expected. No physical ground investigation should be carried out for preparing the TFS. Seek advice from the Geotechnical Engineering Office of the Civil Engineering and Development Department if necessary.)

(Identify whether the existing trees on site (if any) are Old and Valuable Trees (OVTs), potentially registrable OVTs or trees of high conservation or amenity value. Include preliminary assessment on the impact on these trees. Field visits may be necessary for ascertaining the condition and impact on the existing trees. The proposed project should be categorised along one of the following lines –

** There are no existing trees on site.*

** The site has (an) existing tree(s) and further assessment to preserve* this/these tree(s) will be required.*

** The site has (an) existing tree(s) including the presence of *old and valuable tree(s)/potentially registrable old and valuable tree(s) / trees of high conservation and amenity value, and further assessment to preserve *this/these old and valuable tree(s) in-situ will be required.)*

(Attach the proforma on site utilisation signed by the Government Property Agency along the following lines –

** (a) GPA confirms that the project is not subject to the arrangement set out in the Financial Circular No. 4/2017; OR*

** (b) GPA is satisfied that, on the basis of ArchSD's assessment of the PR likely to be achieved at [xx] based on the user requirements and PlanD's reference PR at [xx] based on the site area of [xx]m², the project appears to be able to achieve an optimal degree of site utilisation under the prevailing circumstances, i.e. the project could achieve at least 90% of the development potential of the*

reserved site; OR

** (c) GPA is not satisfied that, based on the proposed accommodation requirements of the user(s), the project will achieve an optimal degree of site utilisation, i.e. the project could not achieve at least 90% of the development potential of the reserved site. The Project Proponent has to go through the course of actions detailed in paragraphs 9 to 12 of the Financial Circular No. 4/2017 and enhance site utilisation by exploring different measures. If the project is to proceed without optimising the site utilisation, Project Proponent should seek the endorsement of the PSG before approval of the TFS; and/or*

(d) Further to (c), GPA confirms that the site utilisation of the project has been endorsed by the PSG on [date].)

(For road projects, state whether the requirements for allocating space for greening on roads as stipulated in the DEVB TCW No. 2/2012 have been complied with. If not, attach advice on the exemption from the Greening, Landscaping and Tree Management Section of DEVB.)

4. Environmental Considerations

(In consultation with the Environmental Protection Department, the works agents should categorise the project along one of the following lines –

** This is a designated project under the Environmental Impact Assessment (EIA) Ordinance (Cap. 499). We undertake to prepare an EIA report to meet the requirements under EIA Ordinance.*

** This is not a designated project under the Environmental Impact Assessment Ordinance (Cap. 499) and is covered by a Class Assessment Document approved by the Director of Environmental Protection. We undertake to provide the mitigation measures set out in the Class Assessment Document as part of the project.*

** This is not a designated project under the Environmental Impact Assessment Ordinance (Cap. 499). It belongs to one of the categories listed in ETWB TCW No. 13/2003 that have very little potential for giving rise to adverse environmental impacts. We undertake to implement the standard pollution control measures during construction, as promulgated by the Director of Environmental Protection.*

** This is not a designated project under the Environmental Impact Assessment Ordinance (Cap. 499). We undertake to carry out a Preliminary Environmental Review for the project at the design stage and agree the findings with the Director of Environmental Protection.)*

5. Heritage Implications

(Attach Antiquities and Monuments Office's advice on the need of Heritage Impact Assessment and categorise the project along one of the following lines –

** We have consulted the Antiquities and Monuments Office (AMO) on the necessity for conducting a Heritage Impact Assessment for this project. AMO has advised that such an assessment is *required/not required.*

** The project boundary cannot be ascertained at this stage. We shall submit a checklist to the Antiquities and Monuments Office to seek their advice on whether a Heritage Impact Assessment is required for this project as soon as the project boundary is determined.)*

6. Project Programme

(Attach a Gantt chart covering major activities from receipt of the Project Definition Statement to physical completion, highlighting the critical path.)

7. Capital Cost Estimates

- (a) The preliminary project estimate is \$[] in September [] prices. To achieve the project programme in paragraph 6 above, funding should be sought in the [] Capital Works RAE under Head []/an in-year bid should be submitted before [] under Head [].

(Attach reference information to show the basis and reasonableness of the preliminary cost estimate of major components. As a general guide, a component should be considered as major if its estimated cost exceeds \$100 million or 25% of the total cost excluding the contingencies, whichever is the less. The information to be provided should commensurate with the level of project details available at the time of preparation of the TFS.)

- (b) A rough breakdown of the capital cost estimate is as follows –

	Funded from Block Vote (Subhead No)	Funded from Project Vote (Head No)
Design & Related Services		
(i) Consultancy fees at Study/ Investigation/Preliminary Design Stage		
(ii) Consultancy fees at Detailed Design Stage		
(iii) Consultancy fees at Construction Stage		
(iv) Resident Site Staff Cost		
Subtotal	_____	_____

		Funded from Block Vote (Subhead No)	Funded from Project Vote (Head No)
Site Investigation			
	Subtotal	_____	_____
Construction/Works Packages/Contracts			
	Subtotal	_____	_____
Other costs not covered by project main contracts (but charged to Project Vote) e.g. F&E, Reprovisioning works			
	Subtotal	_____	_____
Contract Contingencies e.g. Works Package A Works Package B			
	Subtotal	_____	_____
Project Contingencies			
	Subtotal	_____	_____
	Total	=====	=====

- (c) *(For building projects and other projects satisfying the criteria in Environment, Transport and Works Bureau Technical Circular (Works) (ETWB TCW) No. 16/2005 and Development Bureau (DEVB)/ Environment Bureau (ENB) joint circular (DEVB Technical Circular No. 5/2009, ENB Circular Memorandum No. 2/2009) on “Green Government Buildings” only)*

The costs \$[] for the energy efficient features and/or renewable energy technologies *have/have not been allowed for under item(s) [] in the cost estimate. *(In accordance with ETWB TCW No. 16/2005, where there is no such allowance in the project, the exclusion should be mentioned in the covering memo of the TFS addressed to DEVB and copied to the Electrical and Mechanical Services Department)* The limits on additional costs arising from adopting green measures as set out in the joint circular on “Green Government Buildings” *have/have not been exceeded. *(If the limits have been exceeded, please give details in the covering memo of the TFS.)*

(d) [The estimated unit cost of the project, represented by building and building services cost, is \$_____ per m² of CFA in September [] prices.] *(Text in square brackets is required for building projects only)* We consider the cost estimate would be comparable to similar government projects / the cost estimate would likely be higher than similar government projects because ... *(Please provide reasons e.g. difficult site conditions, special requirements of client departments, adoption of advance/alternative technologies, etc. If adoption of advance/alternative technologies is proposed, please set out justifications and provide deliberations on the cost-effectiveness as far as possible.)*

(e) The annual cash flow is as follows –

Financial Year	Block Vote (Subhead No.)	Project Vote (Head No.)
e.g. 2012-13		
2013-14		
2014-15		
Total	_____	_____

[Name/Title/Department/Contact Tel]
[Date]

c.c. Director of Bureau/Permanent Secretary
Client Department
SFST (Attn : PAS(W))

Note: DEVB may update the technical requirements in paragraphs 1 to 7 above from time to time, in consultation with the Lands Department, the Antiquities and Monuments Office, the Environmental Protection Department and the Government Property Agency where appropriate.