

Revamping the Lotteries Fund Procedures
Answers to Questions raised by NGOs and APs/Consultants regarding the
revamped procedures set out in the Lotteries Fund Manual

Chapter 1

Q1: Would there be special arrangements to assist NGOs which do not accept Lotteries Fund grants to meet their legitimate capital requirements?

For NGOs which have difficulties in applying direct for LF grants because of the association of these resources with gambling activities, SWD may in very exceptional grounds and on individual merits support their funding requests by SWD applying to LF on their behalf. The same approach has been adopted in respect of the Tide-over Grant for NGOs under Lump Sum Grant. However, it should be recognised that such arrangements may only be exercised sparingly and for projects that are legitimate requirements the monitoring of which is relatively more straight forward. Applications for experimental projects of limited duration by an individual NGO would not normally be processed in that manner. Separately, the former Subventions and Lotteries Fund Advisory Committee (the predecessor of the Lotteries Fund Advisory Committee) has already agreed to waive the acknowledgement requirement of LF under the circumstances.

Q2: Would Lotteries Fund finance research projects?

(This question also appears under other chapters)

The ambit of the Lotteries Fund is to finance the development of social welfare services. It could of course finance research projects, if they are directly related to the development of welfare services. As a matter of fact, LF has all along been supporting these studies, one of the latest being an evaluation of the experimental three-year action plan on street sleepers.

Q3: Would the flexibility allowed in the LF Manual for experimental projects such as virement between different cost items be extended to those approved before end August 2001?

LF grants approved before end August 2001 will continue to be regulated by the Guide to Lotteries Fund Procedures (including supplementary guidance issued from time to time) or specified conditions prescribed in the approval of the grant as appropriate. As a

matter of fact, for experimental projects approved in the past several months before August 2001, in anticipation of the revamped LF procedures, the Department has already built-in the needed flexibility, where appropriate, in the conditions attached to the approval. For example, in several cases, the grant is already to be disbursed in a lump sum with virement of funds between different cost items permitted.

Chapter 2

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Chapter 3

Q1: In implementing Lump Sum Grant fitting-out projects can the NGO directly engage an AP without going through the process of consultancy bidding?

(This question also appears under other chapters)

NGOs are encouraged to use competitive bidding to select APs as far as possible. Under the revamped LF projects, in recognition of the special nature of fitting-out work and the block grant approach, NGOs may directly engage an AP provided that all the other procurement requirements and payment arrangements are complied with and principles of fairness and avoidance of conflict of interest upheld.

Q2: In the case of Lump Sum Grant fitting-out works, will NGOs be reimbursed of the AP consultancy fees incurred in the preparation of technical submission for consideration by SWD in the process of bidding for operation of new premises?

(This question also appears under other chapters)

No. NGOs who opt to engage APs to prepare technical submission in their premises bidding process for allocation of new service units will have to bear their own respective AP consultancy fees.

Q3: Will there be provision for supplementary funding application for fitting-out works under Lump Sum Grant?

No. Supplementary grant will not normally be provided. NGO/AP may choose to adopt higher standard of finishes than those stipulated by SWD in their Lump Sum Grant fitting-out works on condition that where the total cost exceeds the fixed Lump Sum grant, NGO will top up with their own resources. Vice versa, unspent and unclaimed grants after a specified period of the project commissioning will be returned to LF.

Q4: How is the lump sum grant for fitting-out works arrived at?

This is a budgetary estimate for reimbursing costs for fitting-out works. SWD makes reference to the type and scale of service, the Schedule of Accommodation (S of A), and prepares a nominal layout plan. A budgetary estimate is then calculated which takes into consideration the provisions in the Technical Schedule (TS)(which specifies the minimum acceptable standard), the as-constructed bare-shelled conditions of the premises and the total cost of builders' work and building services installation work indicated in the nominal layout plan. Provisions will also be made for the AP fees. This

budgetary estimate should be adequate to meet all standard requirements of the specific service.

Q5: Can NGOs/APs deviate from the SWD's standard provision in their technical submission in bidding for operation of services?

Yes. SWD encourages innovative design to enhance efficient space utilization for social welfare facilities. NGOs/APs may deviate from Schedule of Accommodation (S of A) and opt for creative scheme for consideration by SWD in their bidding for operation of services.

Q6: Is vetting of quotation/tender documents and final account for Lump Sum Grant fitting-out projects by SWD required?

No. Vetting and subsequent approval to quotation/tender documents, tender report/recommendation and final account by SWD are no longer required under Lump Sum Grant fitting-out projects. The AP engaged by the NGO will assume full responsibility of ensuring:

- (a) works are designed and completed at least to the minimum standard stipulated by SWD;
- (b) proper procedure to invite quotation/tender for fitting-out works is adopted; and
- (c) final accounts are settled in a professional manner.

Q7: What are those works document to be forwarded to SWD in implementation of Lump Sum Grant fitting-out works? ...and when?

The NGO/AP has to:

- (a) forward a copy of the works contract document for the fitting-out works including detailed works programme and a copy of the consultancy service agreement to SWD prior to commencement of work;
- (b) submit certified claim forms for reimbursement purpose to SWD supported by original receipts during construction stage;
- (c) forward a certified true copy of as-constructed drawings to SWD prior to handover inspection; and
- (d) forward the completed final account for works contract to SWD within three months from the date of expiry of the defect liability period of the fitting-out

works.

Chapter 4

Q1: Could the Block Grant be used to fund the routine maintenance costs of F & E (e.g. in the form of a service contract for gas appliances)?

Routine maintenance of F & E should be met by OC of the recurrent Subvention grant. Capitalization of these items in the form of, say, a maintenance service contract, should not be met from the Block Grant.

Q2: (a) Are service units subvented by SWD by Lump Sum Grant in the form of time-limited service agreements (e.g. Single Parent Centre) eligible for the Block Grant?

(b) Will NGOs have to return the unspent balance of the grant to LF after the expiration of the service agreements?

(a) According to paragraph 4.2.1, the Block Grant shall be used for minor works or replenishment of F & E of existing premises providing SWD-subvented services, and subvented services include services subvented through Lump Sum Grant or conventional modes. Service units subvented in the form of time-limited Service Agreement are also eligible to the Block Grant.

(b) For NGOs with subvented service units other than these service agreement ones, there is normally no need for a clawback since the Block Grant is allocated on an NGO basis and the NGO may use the grant on other subvented units even if the subvention status of one of its units has changed. However, for NGOs which have only one subvented service unit which is subvented in the form of time-limited Service Agreement, they will have to refund the unspent balance of the Block Grant to LF upon expiry and non-renewal of the Service Agreement unless with the prior approval of DSW.

Q3: Paragraph 5.4.1 provides that applications from NGOs providing SWD-subvented services for minor works within the ambit of the Block Grant (Chapter 4) e.g. renovation/repairs of a service unit with a (vetted) cost not exceeding \$500,000, will normally not be considered for major/other grants. If an NGO applies for a major grant exceeding \$500,000 but SWD considers, after vetting, that a grant lower than \$500,000 will be needed, what will happen?

(This question also appears under other chapters)

In the circumstance, if the application fulfils the criteria mentioned in Q4 under Chapter

4, the case would be approved under Chapter 5 as a separate grant. Otherwise, the vetted amount for the service unit concerned may be added on to the NGO's Block Grant in the next allocation exercise as if the requirement is included in the bid. However, within this coming month until the completion of this year's allocation exercise in November 2001, all these cases, if any, will be included in the Block Grant to be allocated for the remainder of this financial year.

Q4: Would SWD consider applications from NGOs whose Block Grant allocations are insufficient to meet their requirements in the year?

NGOs are reminded to include all requirements realistically in their bids. Allocation of the Block Grant will be made with reference to the NGO's requirements, the size of the NGO's recurrent subventions, patterns of the past non-recurrent grants, as well as the Lotteries Fund resource constraints and other relevant considerations. The grant will be provided on an NGO basis taking account of legitimate requirements of its service units. An NGO will be given the flexibility to use the grants to best meet the needs of its service units providing SWD-subvented services including unforeseen requirements such as emergency repairs even though that particular unit or need may not have been included in its original bids. Individual applications in the course of the year will therefore normally not be entertained, except in emergency situations or under circumstances that clearly cannot be foreseen.

Q5: Should the whole allocation of Block Grant be kept in a separate bank account or only the unspent balance of the Block Grant is required to be kept in a separate bank account?

There is actually no difference between the two situations since at all times, the unspent balance of the Block Grant should be kept in a separate interest-bearing account according to paragraph 4.4.2. As a matter of fact, the quarterly disbursement of the grant may be credited directly to the bank accounts concerned if NGOs have completed the necessary authorization beforehand (paragraph 4.4.1).

Q6: Should the allocation of Block Grant for different service units be kept in one bank account or different bank accounts?

The Block Grant is provided on an NGO basis and NGOs should exercise the flexibility to use the grants to best meet the needs of its service units. It should be kept in one bank account.

Q7: Would SWD visit NGOs' service units to assess their bids for Block Grant?

Since Block Grants are routine requirements to support services subvented by SWD and the assessment is basically a resource allocation process, site visits will normally not be conducted. NGOs should however provide sufficient information to support their bids which should be made realistically.

Q8: Can NGOs implement LF works projects without engaging an AP/Consultant?

(This question also appears under other chapters)

For minor maintenance and repair works under the Block Grant, AP service is normally not required. Requirement for engaging consultants of various disciplines (including architects, quantity surveyor, structural engineer, building service engineer and other consultants) will be in accordance with guidelines specified in paragraph 6.6.2 and 6.6.3 of the LF Manual. However, APs must be employed for purpose-built projects and fitting-out works covered by a Lump Sum grant.

Q9: Could Block Grant be used to cover the costs of minor works, which were carried out before the allocation?

No, paragraph 1.3.1 reminds NGOs that they should not enter into any financial commitment in respect of any projects before the LF grants concerned have been approved. Paragraph 4.4.3 also provides that any excess of expenditure may not be offset against future grants.

Chapter 5

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In the circumstance, if the application fulfils the criteria mentioned in Q4 under Chapter 4, the case would be approved under Chapter 5 as a separate grant. Otherwise, the vetted amount for the service unit concerned may be added on to the NGO's Block Grant in the next allocation exercise as if the requirement is included in the bid. However, within this coming month until the completion of this year's allocation exercise in November 2001, all these cases, if any, will be included in the Block Grant to be allocated for the remainder of this financial year.

Q2: While the revamped procedures will take effect from September 2001 onwards, NGOs may have some applications for major renovation works submitted or even under planning where there may have already been an understanding to directly engage an AP who is assisting in the NGO's applications, as in the 'old' procedures governed by the Guide to Lotteries Fund Procedures. Under the circumstances, NGOs may have difficulties to conduct competitive bidding for the APs for these projects. Could NGOs opt for the 'old' procedures?

(This question also appears under other chapters)

We are aware that there are some outstanding or impending applications which have been prepared on the basis of the previous procedures. Subject to the request of the NGOs, we may consider to allow the NGOs concerned to continue to adopt the entire set of the 'old' procedures under the Guide to Lotteries Fund Procedures on a case-by-case basis. We do not however expect that there would be a lot of these requests since there are already built-in flexibility in the revamped procedures to cater for the circumstances mentioned. Under paragraph 6.3.2, NGOs may waive the quotation requirements for AP service of up to \$500,000 subject to compliance of the laid down conditions.

Q3: Is direct engagement of APs also applicable to implementing works projects for major grants?

(This question also appears under other chapters)

No. The procurement of AP services for major grants should follow the principle of competitive consultancy bidding as governed by the thresholds. Open tendering is required for AP service where value exceeds \$500,000.

Q4: In the cases of individual LF applications (excluding Lump Sum Grant for fitting-out and Block Grant), will NGOs be reimbursed the AP consultancy fees incurred in the preparation of project estimate and preliminary design works for the purpose of lodging an LF application?

(This question also appears under other chapters)

Revised
10/2005

Yes. A notional amount not exceeding \$30,000 will be provided in the approved budget of successful applications for NGOs to reimburse an AP for carrying out the necessary works for the purpose of lodging an LF application, irrespective of the result of the assessment of the need of an AP for the subsequent implementation of the project.

Chapter 6

Q1: Could one single competitive bidding exercise for selection of AP/Consultant be conducted for several approved projects?

Yes, this can take the form of tendering for a term AP/Consultant service. However, in that case, the tender/quotation ceiling applicable will be the total amount of the projects or services involved. NGOs should also be careful to ensure that the time frames laid down for individual grants will be complied with.

Q2: In the 'old' procedures, tendering is invited in the form of five tenders (for works not exceeding \$1,000,000 or stores/services exceeding \$50,000) or ten tenders (for works exceeding \$1,000,000). In Chapter 6, there are no such provisions except for the suggestion of open and restricted tendering. Could you please clarify the requirement?

Open tendering means open tender and it would not be appropriate to pre-determine the number of tenders to be obtained. Restricted tenders where justified could be limited to a specified number of tenders or a prequalified list as appropriate. What is important is for each tendering exercise to be conducted in an open and fair manner. That said, the 'old' practice of obtaining a specified number of tenders, being a practice endorsed by the Arch SD, GSD and ICAC, is an acceptable arrangement which is compatible with the proposed tendering procedures set out in Annex 6.2.

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are already built-in flexibility in the revamped procedures to cater for the circumstances mentioned. Under paragraph 6.3.2, NGOs may waive the quotation requirements for AP service of up to \$500,000 subject to compliance of the laid down conditions.

Q4: Who are those licensed contractors for fitting-out works?

Licensed contractors refer to contractors included in Works Bureau's Approved List of Contractors for Public Works in the Building Category. Alternatively, Registered General Building Contractors (RGBC) registered under the Building Authority can also be used. For building services installation work, Works Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works is expected to be adopted.

Q5: How can the APs apply for inclusion in the approved AP list for fitting-out works relating to social welfare facilities financed by Lotteries Fund?

The approved AP list does not exist. Persons whose names are currently included in the AP register kept by the Building Authority are qualified to undertake AP consultancy service for fitting-out works financed by Lotteries Fund. NGOs or service operators may, however, shortlist and compile their own AP invitation list for bidding purpose as appropriate.

Q6: Can the APs approach the NGOs with a view to undertaking consultancy services for their potential fitting-out projects?

Subject to compliance with the code of ethics of their professional institutes and no objection raised by the respective NGOs, APs may approach NGOs to introduce their service or to seek inclusion in the NGO's AP shortlist. For the purpose of identifying potential projects APs could make reference to the allocation programme which require fitting-out works to be arranged by NGOs themselves and the allocation results. The premises list shown in the allocation programme will be updated from time to time and posted on SWD Website http://www.info.gov.hk/swd/html_eng/ngos/index.html.

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Q8: How do the NGOs compile their AP shortlist for fitting-out works?

SWD will not interfere with NGOs' decision in compiling their own AP shortlist. Individual NGO is responsible for the setting up and monitoring of its own procurement management system, through which objectives including public accountability, value for money, transparency and open and fair competition should be upheld. NGOs are also encouraged to consider the following guidelines in shortlisting their APs:

- (a) past experience in fitting-out projects of similar nature;
- (b) acquaintance with government tender procedures and other related requirements; and
- (c) demonstration of adequacy of provision of competent supervisory personnel throughout the project.

Q9: Why is the on-cost charged by Architectural Services Department (Arch SD) for entrustment projects (at 16%) much higher than the 10% allowed for AP/Consultant services of LF projects by NGOs?

The charge of 16% on-cost for Arch SD projects is not determined by Arch SD but by the government under the policy of cross-departmental charging. The on-cost is not paid into Arch SD. It cannot therefore be compared direct with allowance for professional fees for works of NGOs undertaken by their private APs. The 10 % ceiling allowance for AP service is generally adequate based on past records and particularly taking account of recent economic circumstances.

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No. The procurement of AP services for major grants should follow the principle of competitive consultancy bidding as governed by the thresholds. Open tendering is required for AP service where value exceeds \$500,000.

Q11: In the cases of individual LF applications (excluding Lump Sum Grant for fitting-out and Block Grant), will NGOs be reimbursed the AP consultancy fees incurred in the preparation of project estimate and preliminary design works for the purpose of lodging an LF application?

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Q12: In the case of Lump Sum Grant fitting-out works, will NGOs be reimbursed of the AP consultancy fees incurred in the preparation of technical submission for consideration by SWD in the process of bidding for operation of new premises?

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No. NGOs who opt to engage APs to prepare technical submission in their premises bidding process for allocation of new service units will have to bear their own respective AP consultancy fees.

Q13: In implementing Lump Sum Grant fitting-out projects can the NGO directly engage an AP without going through the process of consultancy bidding?

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