Briefing on Management of Lotteries Fund Projects

by Lotteries Fund Projects Section, SWD
and Subvented Projects Division, ArchSD

19 December 2013
Contents

- 1. Roles of stakeholders
- 2. Examination of LF Applications
- 3. Tendering and Award of Consultants / Works
- 4. Final Account
Roles of Stakeholders
Who are the stakeholders?

They are:

- **NGOs will act as works agents** to employ their own consultants and contractors to design and carry out the construction works on Lotteries Fund

- **SWD is the vote controller**

- **ArchSD will provide technical support** to SWD
Roles of Stakeholders

SWD

ArchSD

Technical Advisor

Vote controller

NGOs

Consultants

Contractors
What is the Role of Social Welfare Department (SWD)?

- as project proponent and vote controller.
- to process financial payments, manage and control accounts.
- to oversee project handover.
- to exercise the discretion to approve the funding support of certain variation works by taking into account the technical advice of ArchSD.
- to determine the ultimate funding support level by taking into account the technical advice of ArchSD.
What is the Role of Architectural Services Department (ArchSD)?

To provide technical comments on

Pre–contract stage

- *project scope and feasibility*
- *budgetary estimate*
- *selection of consultants: invitation documents, tenderer list and consultancy recommendation*
- *selection of contractors: tender documents, tenderer list and tender recommendation*
What is the Role of ArchSD? (Cont’d)

Post–contract stage

- end–of–stage payments of consultant fees
- final finding support level of projects
What is the Role of Project Team

NGOs (Employer)

 Consultants (Architect, QS) (Supervisors)

 Contractors and sub-contractors
What is the Role of NGOs?

- as works agent of the project
- as employer of consultants and contractors
- to top up the non-supported amount by its own resources
- to endorse and submit interim and final payments to SWD
What is the Role of Consultants?

- to prepare tender and contract documents
- to design, manage and supervise projects
- to certify payments and contract completion
- to finalize project accounts and provide supporting documents
What is the role of Consultants? (Cont’d)

- to provide NGOs monthly variation reports of the contract stating the justifications for the issuance of each variation and the estimates of the supported and the non-supported items

- Annex 6.4 to LF Manual refers

- Guidelines for Appointment of AACS Consultants refers
What is the role of Contractors and Sub-contractors?

- to carry out and complete project Works pursuant to the Contract and instruction of the Consultant
2. Examination of LF Applications
Four Steps of Processing

Step 1 : Preliminary Assessment

Step 2 : Joint Site Inspection

Step 3 : Budgetary Assessment

Step 4 : Difference / Objection by NGO
Step 1 – Preliminary Assessment

- *SWD to complete Initial Assessment on NGO’s applications*

- *SWD to forward to ArchSD the NGO applications*

- *ArchSD to take preliminary review on the NGO applications*
Step 2 – Joint Site Inspection

- ArchSD to arrange joint site inspection with NGO

- NGO’s representative to answer queries raised during site walk and provide further information immediately afterwards or after reasonable time
Step 3: Budgetary Assessment

- Based on the available information from NGOs and policy decision on supportability of items from SWD, ArchSD to proceed with budgetary assessment

- ArchSD to advise SWD of the technically supported amount
Budgetary Assessment (Cont’d)

Principles of Examination

- SWD’s support from service point of view
- SWD’s technical schedules
- Safety, hygiene, service conditions
- Finishing – whole or part areas depending on nature, ageing, usage and locations.
Step 4: Differences/ Objections from NGOs

- **NGOs to provide justification/ substantiation in respect of each disputed item within reasonable time after receipt of SWD’s advice.**
- **SWD/ ArchSD to further assess and decide on the final supportable level.**
- **ArchSD to complete within reasonable time.**
- **May repeat the above process once more, where necessary, as the final round.**
Points to Note:

ArchSD to give advice on LF applications within 30 days of the receipt of SWD’s requests
3. Tendering and Award of AP / Works
Selection and Appointment of APs / Consultants

Selection and Appointment of Contractors
Selection and Appointment of APs / Consultants

NGO to submit the following documents:
1. a proposed list of the interested consultants.
2. a draft invitation letter.
3. a draft invitation document.
4. a “Technical Proposal Assessment Form” for technical and fee proposals.
5. Item 1 to 3 above also apply to Step 1A Pre-approval stage.
Proposed List of Interested Consultants

1. Preferable to have 10 interested consultants

2. Source of consultants:

   For projects of estimated value not exceeding $245 million
   - AACSB Band 2 list on “Architectural” and “Building Surveying” categories
   - Band 3 list Consultants
   - NGO’s selected Consultants. (See also Annex 6.5 to LF Manual)
Proposed List of Interested Consultants (cont'd)

For projects of estimated value exceeding $245 million
- AACSB Band 1 list on “Architectural category”

3. Issuance of an Express of Interest letter
- Scope of the Project
- Estimate Value of the Project
- Indicative Programme
Draft Invitation Letter

- For estimated fee not exceeding $500,000
  - NGO’s standard letter

- For estimated fee exceeding $500,000
  - ArchSD’s standard letter including Appendix 1 to 5 as appropriate. (Guidelines – Sample letter (i))
Draft Invitation Document

- For estimated fee not exceeding $500,000
  - Annex 6.4, 6.4.1 and 6.4.2 to LF Manual
    plus approved scope of works and costs

- For estimated fee exceeding $500,000 but not exceeding $1,000,000
  - ArchSD’s invitation document for AP / Consultant (ArchSD Guidelines)
Draft Invitation Document (Cont’d)

- For estimated fee exceeding $1,000,000:
  - ArchSD’s invitation document for AP / Lead Consultant (ArchSD Guidelines)
  - ArchSD’s invitation document for QS Consultant (ArchSD Guidelines)
“Technical Proposal Assessment Form” for technical and fee proposals

- Where a marking scheme is adopted, a “Technical Proposal Assessment Form” should be submitted for approval (ArchSD Guidelines – Appendix 1 to the Procedure)

- A standard Technical Proposal Form is included in Appendix 4 to the invitation letter (ArchSD Guidelines – Sample Letter (i))
“Technical Proposal Assessment Form” for technical and fee proposals (Cont’d)

- Two envelope system: the fee proposal envelope should only be opened after the endorsement of the marking of the technical proposal. The fee proposal envelopes of the tenders whose tender proposals fail should never be opened and should be returned intact to the tenderers.

- If the fee proposal is opened before the approval of the technical proposal, the tender exercise becomes abortive.
Selection and Appointment of APs / Consultants (Cont’d)

Points to Note:

1. *ArchSD to give advice on consultancy invitation documents within 21 days of the receipt of SWD’s requests and all documents*

2. *ArchSD to give advice on consultancy recommendation within 14 days of the receipt of SWD’s requests, NGO’s report and the lowest three tenders*

3. *NGOs to allow more time in their programme for submission of additional information for justifications*
Selection and Appointment of Contractors

NGO to submit the following documents:

1. a proposed list of the interested tenderers
2. draft tender documentation
3. a breakdown of the liquidated damages
Proposed List of Interested Tenderers

1. Preferable to have 10 interested contractors

2. Source of contractors:

   For projects of estimated value not exceeding $185 million
   - Government Lists (Group A and/or B)
   - Licensed Contractors (e.g. BD contractors)
Proposed List of Interested Tenderers (Cont’d)

For projects of estimated value exceeding $185 million

– Government List (Group C)

3. Issuance of an Express of Interest Letter

– Scope of the Project
– Estimate Value of the Project
– Indicative Programme
Draft Tender Documentation

- *Invitation letter.*
- *Tender drawings and tender documents*  
  - *For estimated value exceeding $5 million, standard building contract in the latest version should be used.*
- *Security bond.*
- *Para. 5.4.6 and Annex 6.2 to LF Manual refer.*
Breakdown of the Liquidated Damages

- **Cost–Benefit Analysis**
  - *genuine pre–estimated loss at the award of contract; OR*

- **Formula Approach**
  - *ArchSD’s standard form*
Selection and Appointment of Contractors (Cont’d)

- Tenders should be deposited in Public Works Tender Board (PWTB)

- PWTB retains duplicate Form of Tender and release it to NGOs after approval of the tender recommendation
Selection and Appointment of Contractors (Cont’d)

Points to Note:

1. ArchSD to give advice on tender documentation within 21 days of the receipt of SWD’s requests and all documents

2. ArchSD to give advice on tender recommendation within 14 days of the receipt of SWD’s requests, NGO’s report and the lowest three tenders

3. NGOs to allow more time in their programme for submission of additional information for justifications
4. Final Account
Final Account Submissions
Principles of Subvention
Reference Documents
Final Account Submissions

During Construction

NGO/ Consultant to keep good record of –
- certified true copies of the contract documents, including nominated subcontracts, if applicable
- contract drawings
- summary of the variation account with description, value and explanation on the need for variation
- copies of the Architect’s variation orders
Final Account Submissions (cont’d)

After Project Completion

NGO/ Consultant to –

- complete final accounts within the period stipulated in works contract (usually 1 year from certified completion date) but not later than three months after the expiry of Defects Liability Period

- submit agreed final accounts together with certified true copies of all relevant documents
Final Account Submissions (cont’d)

Examination of accounts

NGO/ Consultant to submit –

- *statement of final accounts prepared and certified by the Architect*

- *indication that the final account has been signed or at least agreed in principle by the Contractor and the NGO*

- *apportionment of supported costs and non-supported costs (for original contract sum and variation account)*
Final Account Submissions (cont’d)

- statement of any items added/changed between final checking of tender documents by ArchSD and documents sent out for tendering
- copy of letter stating date of contract commencement
- copy of Certificate of Practical/Substantial Completion
- summary of extension of time with contract grounds including copy of letters for the extension
Final Account Submissions (cont’d)

- account of delay in contract period and deduction for liquidated damages

- account of financial claim (prolongation claim, disruption claim, etc.) and any financial adjustment embedded in variation accounts

- See also Annex 6.4.1 to LF Manual
A Checklist is given as template for the above required documents
Final Account Submissions (cont’d)

ArchSD will –

- commence checking of final accounts only when a full set of required documents is available. No piecemeal submission will be accepted.

- advise final funding support level within 90 days of receipt of the full set of documents to SWD for their consideration.

- if substantial information is required after the examination of the final account submissions, advise SWD the final funding support level within further 90 days of receipt of the substantial information.
Points to note for NGO/Consultant

- apportion the cost of supported / non-supported items
- provide clear and acceptable justifications for variation works
- provide precise and specific descriptions of variations
- produce variation orders, variation reports, quantities, unit costs, relevant drawings, etc. on request
What would be recognised in the Final Account?

- *Only the cost of works within the scope pre-approved by SWD is recognised*
  
- *Approved grant is not exceeded*
  
- *Safety, hygiene and items being associated to the approved scope and necessitated in near future*
Principles of Funding Support (Cont’d)

- Is the funding amount fixed?

*Funding amount may change when there is a change in scope and/or programme*
Is final contract sum = funding supported level?

<table>
<thead>
<tr>
<th>Project Cost</th>
<th>=</th>
<th>Funding Supported Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced</td>
<td></td>
<td>Reduced</td>
</tr>
<tr>
<td>Increased</td>
<td></td>
<td>?</td>
</tr>
</tbody>
</table>
Is final contract sum = funding supported level? (cont’d)

The following reminder has been included in ArchSD’s technical advice to SWD on tender recommendations for construction contracts since October 2010:

“The NGO shall ensure that the approved project scope and the relevant subvention standards are not exceeded or violated, particularly in the issuance of variations at the post-contract stage. In general, extra expenses and/or time extension as a result of abortive works, above standard items and major design changes will not be supported for subvention unless prior approval is obtained from the subventing Bureau/Department.”
Reference Documents

- Schedule of Accommodation
- Technical schedules for Lotteries Fund projects
Thank you!

Questions and Answers