

**Briefing Session for NGOs
on the Use of Lotteries Fund
for Major Renovation Works
under Chapter 5 of the
Lotteries Fund Manual**

**Lotteries Fund Projects Section,
Social Welfare Department &
Subvented Projects Division,
Architectural Services Department
19 December 2013**



Objectives

- To enhance the mutual understanding among non-governmental organisations (NGOs), the Social Welfare Department (SWD) and the Architectural Services Department (ArchSD).
- To highlight the procedures, cost estimates, tenders, final account and common issues of an Lotteries Fund (LF) application / project related to major renovation works under Chapter 5 of the LF Manual.



Program Rundown

- **2:30 - 2:45 p.m.**
 - Registration
- **2:45 - 2:50 p.m.**
 - Introduction and opening remarks
- **2:50 - 3:30 p.m.**
 - General procedures and workflow for projects related to major renovation works under Chapter 5 of the LF Manual
- **3:30 - 4:30 p.m.**
 - ArchSD's management of LF projects
- **4:30 - 5:15 p.m.**
 - Questions and answers



Definition of Major Renovation under Chapter 5

- **Renovation / maintenance works for existing premises with a cost exceeding \$500,000 (including professional fees and lithography if applicable).**



Procedures - Pre-approval Stage

- **Step 1A (Optional)**
 - Engagement of Authorised Person (AP) / Consultant for Lodging an LF application
- **Step 1B**
 - Submission of an LF Application to LF Projects Section
- **Step 2**
 - Initial Vetting by respective Service Branch of SWD / relevant Bureau
- **Step 3**
 - Technical Assessment by ArchSD
- **Step 4**
 - Approval of an LF Grant



Step 1A : Engagement of AP / Consultant for Lodging an LF Application

- **Streamlined approach for engagement of AP / Consultant at pre-approval stage**
 - Taking into account the difficulties encountered by NGOs in engaging APs/consultants at the pre-approval stage due to the low preliminary AP fees (i.e. set at 10% of the total professional fees of the approved budget or \$30,000, whichever is the less), a streamlined approach was introduced in April 2012.
 - The cap on AP / consultant fees for lodging an LF application has been lifted but the total professional fee for both pre-approval stage and post-approval stage remain to be capped at 10% of the total cost of works.



Step 1A : Engagement of AP / Consultant for Lodging an LF Application

- NGOs are required to use a standardised application and seek endorsement of SWD (in consultation with the ArchSD) before the issue of invitation and award of contract for AP / consultant at pre-approval stage.
- NGOs should **NOT** change the scope of works as stipulated in the bidding documents for engagement of AP / consultant after awarding the contract.
- Reimbursement of professional fees for lodging LF application will only be recognised for successful LF application. No advance payment will be processed before the approval of the entire works project.



Step 1A : Engagement of AP / Consultant for Lodging an LF Application

- **Documents required under the streamlined approach –**
 - a duly completed ‘Application Form for Engagement of APs / Consultants for Lodging LF Applications’, including the Standard Template for Invitation of Fee Proposals (i.e. the draft bidding document);
 - supporting information and documents (e.g. photos of the premises, existing layout plans and drawings, etc); and
 - a list of proposed APs / Consultants to be invited.



* The application form and other relevant templates can be downloaded from SWD Homepage:

www.swd.gov.hk/en/index/site_ngo/page_lotteriesf/



Step 1A : Engagement of AP / Consultant for Lodging an LF Application

- **Time required for processing application for engagement of AP / Consultant at pre-approval stage**
 - From our record, it normally takes about two to three months for vetting the draft tender documents for invitation of AP / Consultant.
 - About a month for vetting the returned tender and endorsement of NGO's recommendation of AP.

☺ Advice on engagement of APs / Consultants to be given by ArchSD later.



Step 1B : Submission of an LF Application

- **Documents required for application of LF grants for works project**
 - **A covering letter with declaration on –**
 - whether the applied items have been / may be supported by other funding sources;
 - whether there are duplicated items supported by LF (including Block Grant) in the past five years and to list out the duplicated items in a Proforma Sheet; and
 - whether the service unit concerned will be kept operating for at least three years after the completion of works.



Step 1B : Submission of an LF Application

- **Two sets of completed LF Application Form (Annex 5.1), including –**
 - General Information Sheet
 - Appendix 1 – Summary of Application for LF Grant for Works Items
 - Appendix 2 – Breakdown and Details of the Proposed Works Items
- **Soft copies (in Excel format) of completed Appendices 1 & 2**



Step 1B : Submission of an LF Application

- **Supporting documents include –**
 - 1) two copies of sketches and layout plans (including existing and proposed layout, with Internal Floor Area specified on the layout plans) specifying materials used, method and cost quotations;
 - 2) two copies of schematic wiring, lighting and air-conditioning diagram (for electrical testing and rectification works);
 - 3) approval-in-principle of the landlord and / or relevant authorities for proposed works with structural implications;



Step 1B : Submission of an LF Application

- 4) for works to meet statutory requirements (such as fire, gas, electricity etc.), copies of requirement or letters of no objection from relevant authorities;
- 5) for installation / replacement of air-conditioners as works items, information on dimension and function of the area served, the type and power of air-conditioners and installation proposal; and
- 6) justifications, location plans and drawings with dimensions and cost quotations for built-in furniture.



Step 2 : Initial Vetting by respective Service Branch / Bureau

■ Initial Vetting

- LF Project Section (LFPS) will seek initial comments / support from relevant Service Branch of SWD / subvented Bureau (e.g. comments from Education Bureau is required for applications related to kindergarten cum child care centre) on the proposed layout plans submitted by NGO.
- Respective Service Branch / Bureau will assess the proposed works items with reference to the standard provisions of the Schedule of Accommodation & Technical Schedule.
- LFPS will request for supplementary information / further clarification from NGO if required.



Step 2 : Initial Vetting by respective Service Branch / Bureau

■ Site Visit

- A joint site visit with respective Service Branch / Bureau will be conducted if necessary.
- Any significant deviations on the project scope will be discussed during the site visit.
- NGOs are required to submit a revised application (or provide supplementary justifications for reconsideration) after the site visit.
- Revised application will be forwarded to ArchSD for technical comment.



Step 3 : Technical Assessment by ArchSD

■ Technical Assessment

- The LF application with SWD's comments will be forwarded to ArchSD for technical assessment.
- ArchSD will conduct site visit.
- ArchSD will comment on the support-worthiness and provide cost estimate for each applied works items.
- SWD will inform NGOs of any substantial change in the scope of works after the technical assessment of ArchSD.

☺ The technical assessment of LF application to be elaborated by ArchSD later.



Step 4 : Approval of LF Grant

■ Delegation of Authority

- Director of Social Welfare may approve grants from \$10,000 to \$400,000, and grants up to the limit of \$4 million each with the endorsement of the Lotteries Fund Advisory Committee (LFAC). LFAC meeting will be held bimonthly.
- For projects with commitment above \$4 million, approval of the Secretary for Financial Services and the Treasury is required after the endorsement of LFAC.
- In cases where the LF grant carries a likely recurrent expenditure implication for the Government in excess of \$10 million per year, the approval of the Finance Committee of the Legislative Council has to be sought.



Step 4 : Approval of LF Grant

- **Issue approval letters to NGOs with a list of supported items**
 - An NGO is required to comply with the terms of the approval letter and to ensure that the grant is spent in accordance with the approved scope and standard of works.



Procedures – Post-approval Stage

- **Step 1**
 - Engagement of AP / Consultant for Monitoring of LF Works Project
- **Step 2**
 - Tendering of Works Contract
- **Step 3**
 - Commencement of Works
- **Step 4**
 - Finalisation of Project Accounts



Step 1 : Engagement of AP / Consultant for Monitoring of LF Works Project

- **Preparation of draft bidding documents for AP/Consultant**
 - Normal duties of project AP/consultants and points to note in their selection are stipulated in Annexes 6.4 & 6.5 of the LF Manual.
 - ArchSD will provide technical comments on the draft bidding documents.
 - NGOs are required to revise their bidding documents in accordance with the comments from ArchSD.



Step 1 : Engagement of AP / Consultant for Monitoring of LF Works Project

- The procurement of AP/Consultant service should follow the principle of competitive bidding –
 - For professional fee exceeding \$500,000, NGOs should conduct a selection exercise on the basis of the assessment of both technical and fee proposals with the aid of a **pre-determined** marking scheme.
- ☺ Further advice in the selection of project AP to be elaborated by ArchSD later.



Step 1 : Engagement of AP / Consultant for Monitoring of LF Works Project

- **Carrying out tendering exercise and submission of tender analysis report for recommendation of AP**
 - SWD, in consultation with ArchSD, will consider the recommendation made by NGOs.



Step 2 : Tendering of Works Contract

- **A detailed tendering procedures for works projects is at Annex 6.2 of the LF Manual.**
- **Preparation of draft tender documents for works**
 - ArchSD will provide technical comments on the draft tender documents.
 - NGOs are required to revise their tender documents in accordance with the comments from ArchSD.



Step 2 : Tendering of Works Contract

- **Carrying out tendering exercise and submission of tender analysis report for recommendation of works contract**
 - SWD, in consultation with ArchSD, will consider the recommendation made by NGOs.

- ☺ Tendering of AP / works to be elaborated by ArchSD later.



Supplementary Grant

■ Mechanism

- To cover the increase in cost due to circumstances beyond the control of the NGO concerned (e.g. the lowest conforming bid in a tender exercise is higher than the approved estimate, say due to inflation).

■ Important Notes

- Tender validity period;
- Any additional cost due to inflation attributable to the delay of NGOs / APs in conducting the quotation or tender exercise will be the NGO's responsibility; and
- NGOs must not assume that a supplementary grant will always be approved, which is subject to vetting on the relevant procedures and the case merit.



Step 3 : Commencement of Works

- **Contract Variation (Para. 6.7.2 of the LF Manual)**
 - NGOs / APs may approve variations which are –
 - necessary for the completion of the works within the scope of the funding approval, subject to the availability of funds in the contract sum; and
 - within the approved scope of works and would not incur additional cost.



Step 3 : Commencement of Works

- NGOs / APs should seek **prior approval** from SWD, in consultation with ArchSD, on any departure from the approved scope and quality of work as defined in the tender documents.
- NGOs / APs should submit original application to SWD with a duplicated copy directly to ArchSD if prior approval has to be sought for any changes on approved scope and quality of work as defined in the tender documents.



Step 4 : Finalisation of Project Accounts

- NGOs are required to submit Final Account within three months after the expiry of Defect Liability Period (Annex 5.4 of the LF Manual).
- Documents required for Finalisation of Project Accounts are listed in Annex 6.4.1 of the LF Manual.
- Piecemeal submission will **NOT** be accepted since vetting of final account will commence only when full set of required documents is available.



Step 4 : Finalisation of Project Accounts

- Final payment will be made only after ArchSD has commented the final accounts and recommended a project cost admissible for the LF grant.
- ☺ The finalisation of project accounts to be elaborated by ArchSD later.



Claim for Reimbursement

- **Payment claim should be submitted to SWD's Finance Branch within the time specified in the approval letter.**
- **Documents required (Para. 5.6.6) –**
 - 1) duly completed payment claim form (Annex 5.3);
and
 - 2) original and one copy of all the receipt / invoices related to the claim.
- **Release of the contract sum (Para. 5.4.7)**
 - set at 95% at the stage of practical completion; and
 - remaining 5% will be released upon SWD's approval of the final accounts.



Claim for Reimbursement

- **Release of Professional Fee (Para. 6.6.6)**
 - subject to not exceeding the maximum percentage of payment as stipulated in the relevant consultancy agreements;
 - interim payment up to 95% of the approved professional fees upon the issuance of the Certificate of Practical Completion; and
 - NGOs should confirm the stage of works project and maximum percentage of professional fee can be released in accordance the fee scales and payment terms as stipulated in the relevant consultancy agreements.



Acknowledgement of LF Grants

- **Acknowledgement Requirements (Para. 7.2.2)**
 - NGOs are required to make general acknowledgement in the annual report of the financial support from the LF.
 - For an LF grant to construct/renovate/fit-out/furnish a facility at an amount of \$1,500,000 or above, the beneficiary NGO is required to install a commemorative plaque [sample is stated in Annex 7.1(a)].



Work Flow – Pre-approval Stage

Step 1A (Optional) – Engagement of AP / Consultant

Parties Involved : LFPS, ArchSD and NGOs

Step 1B – Submission of an LF application

Parties Involved : LFPS, NGOs, and their APs (if applicable)

Step 2 – Initial Vetting

Parties Involved : LFPS, respective service branch/bureau, NGOs,
and their APs (if applicable)

Step 3 – Technical Assessment

Parties Involved : LFPS, ArchSD, NGOs, and their APs (if applicable)

Step 4 – Approval of an LF Grant

Parties Involved : LFPS, LFAC, DSW under Delegated Authority /
FSTB (if required) and Finance Branch



Work Flow – Post-approval Stage

Step 1 – Engagement of AP / Consultant

Parties involved : LFPS, ArchSD and NGOs

Step 2 – Tendering of Works Contract

Parties involved : LFPS, ArchSD, NGOs and their APs

Step 3 – Commencement of Works

Parties involved : LFPS, ArchSD, NGOs, their APs and Works Contrators

Step 4 – Finalisation of Project Accounts

Parties involved : LFPS, ArchSD, NGOs and their APs



Work Flow - Time

- The actual time required for vetting an individual application varies subject to the complexity of the project and the time required for clarifications from NGOs/APs.
- Pre-approval stage : for a straight forward project and assuming each step of the process involving NGOs/APs, respective service branch / bureau and ArchSD is smooth, the time frame is around 12 -16 months (excluding the engagement of AP for lodging LF application).
- Post-approval stage : if the inputs of NGOs/APs, SWD, and ArchSD are smooth, the time frame for the engagement of AP and the tendering of works contracts is around 18 - 24 months.



Time Frame for Completion of Projects and Submission of Final Accounts

Project Cost	Submission of draft bidding documents for the AP after approval of the grant	Submission of draft tender / quotation documents for the works after selection of AP	Completion of Project after commencement of works	Submission of Final Account after the expiry of the defect liability period
(a) Exceeding \$500,000 but not exceeding \$1,000,000	1 month	4 months	6 months	3 months
(b) Exceeding \$1,000,000 but not exceeding \$5,000,000	1 month	6 months	12 months	3 months
(c) Exceeding \$5,000,000	3 months	6 months	12 months	3 months

(Annex 5.4 of LF Manual)





Thank You

