



Ref : ETWB(PM) 891 VII
Group : 5

29 October 2003

Environment, Transport and Works Bureau
Technical Circular (Works) No. 30/2003

Control of Client-Initiated Changes for Capital Works Projects

Scope

This Circular sets out the procedures to enhance the control of client-initiated changes on user and programme requirements of capital works projects. It applies to all projects in the Capital Works Programme (through Category C to completion of the works), except non-works items and Category D items but including subvented projects.

2. Policy Secretaries have agreed to the contents of this Circular.

Effective Date

3. This Circular takes immediate effect.

Effect on Existing Circulars

4. This Circular has no effect on other Works Branch Circulars. It should, however, be read in conjunction with Financial Circular (FC) No. 11/2001 "Requirement for Project Definition Statement and Technical Feasibility Statement for Capital Works Projects."

Background

5. FC No. 11/2001 requires a Policy Bureau to complete a Project Definition Statement (PDS) describing the scope and target date for operation of a proposed capital works project. The works agent is then required to confirm the technical feasibility of the project on a prima facie basis (in a Technical Feasibility Statement approved by ETWB) before inclusion of the project as a Category C item and applying for funds in the Capital Works Resource Allocation Exercise. The scheduled start and completion dates for the project in the Technical Feasibility Statement (TFS) will form the basis for subsequent monitoring of the progress of the project through Category C to the upgrading of the project to Category A.

6. When a Category B project is approved for upgrading to Category A by the Finance Committee, the updated start and completion dates of the project as given in the PWSC paper will form the new basis for monitoring the implementation of the upgraded project to completion of the works.

7. Many capital works projects have suffered delays, compared with the original programmes as given in the TFS or PWSC papers. One of the main causes for delay is attributed to a change in the user and/or programme requirements of projects after approval of TFS and PWSC papers.

8. As part of our continuous objective to expedite the delivery of projects, we need to make a concerted effort to contain the need for changes to user and programme requirements to those that are absolutely essential and necessary.

Control of Changes to User and Programme Requirements

9. For the purpose of this Circular, we will not consider changes in the scope or Approved Project Estimates of Category A projects for which approval must be sought from the Finance Committee (for changes involving an increase in the Approved Project Estimates exceeding \$15 million) or SFST (for other minor changes). We will also leave the control of changes arising from the normal course of firming up project layout and works details during design evolution or necessary revision to the original design of works during construction (e.g. to take account of unforeseen ground conditions) to

the works agents. We trust that works agents will continue to do their best to mitigate the impact on both project cost and programme from these causes.

10. The focus of this Circular is on those changes initiated by Client Policy Bureaux, Client Departments or subvented bodies which involve a change in the policy, user requirements or timing of the project from those originally stated in the PDS/TFS for Category B and Category C projects, or PWSC submissions not involving an increase in the Approved Project Estimates. In some cases, these changes may be triggered by a shift in policy priorities or recommendation of some latest reviews having a bearing on the concerned projects. Changes of this nature can be rather disruptive to the overall programme of projects, and often result in abortive work and additional costs.

(a) For all projects other than those implemented by subvented bodies

11. At present, these changes are negotiated between the staff at various ranks in Client Policy Bureaux/Client Departments and Works Departments. In most cases, Works Branch has no knowledge of the proposed changes before the impacts on project programme and costs are registered in the Public Works Management System (PW_MS) as fait-accomplis. We need to tighten up the control of such changes so that a conscious decision is taken whether to proceed with these changes by staff of adequate rank in both Policy Bureaux and Works Departments, having full regard to the probable ramifications on the timely delivery and costs of projects.

12. As a crucial step towards improving the control of changes, we need to formalise and document the full process from the first initiation of changes to its final acceptance and approval. With immediate effect, the following procedures shall apply for all client-initiated changes –

- (a) A Client Policy Bureau officer at D3 level or above will complete Section I of Annex A making a request for the proposed changes. For a joint-user project, the Client Policy Bureau proposing a change will consider the views of all joint-users concerned before submitting his/her signed request to the Works Department through the lead Client Policy Bureau. Justifications should be

provided for the proposed changes and the request shall be forwarded to the Director of the relevant Works Department;

- (b) A Works Department officer at D2 level (for project estimate not exceeding \$200 million after change) or D3 level or above (for project estimate over \$200 million after change) will assess the time and cost implications of the proposed changes and advise the Client Policy Bureau accordingly by completing Section II of Annex A. He/she will also advise whether a revised TFS is required to re-assess the technical feasibility of the project. Where the proposed changes would not cause any delay or additional cost to the project, the Works Department may directly proceed with the changes after confirming the same in Section II of Annex A. In all other cases (including any problem with additional recurrent consequences or extra staff for project delivery), the Works Department must await the Client Policy Bureau's response to their advice before proceeding further with the proposed changes;
- (c) A Client Policy Bureau officer at D3 level or above is required to confirm acceptance or otherwise of the time and cost implications (as assessed and advised by the Works Department) by completing Section III of Annex A. In approving the changes, the approving officer should take into account all the cost and time implications as advised by the Works Department. The approving officer should satisfy himself/herself that the changes are the most cost-effective option forward and well justified. He/she should consult FSTB/LegCo on the changes as appropriate and wherever necessary. For a joint-user project, he/she should take into account the views of all joint-users concerned before completing Section III of Annex A. The Works Department may proceed with the proposed changes only if the Client Policy Bureau's response is in the affirmative and, where applicable, they have reconfirmed the technical feasibility of the project by completing a revised TFS approved by ETWB;
- (d) The above correspondence shall be simultaneously copied to the Works Branch of ETWB (Attn: CAS(W)2 and CAS(W)3) who may comment from the works aspect or overall delivery of public works angle as appropriate. Where there are significant changes to the nature and magnitude of a project which might affect its feasibility, we may require a revised TFS to be conducted. The Works Branch will provide its comments, if any, within seven

working days after receipt of the completed Section II of Annex A from the Works Department. Otherwise, the Client Policy Bureau and Works Department can assume that the Works Branch has no objection to the proposed changes; and

- (e) Works Departments shall not input the time and cost implications of any proposed client-initiated changes when updating the cost and programme data for the project in the PW_MS before Client Policy Bureau's confirmation to accept same vide Section III of Annex A has been received.

13. The above procedures are illustrated in the flow-chart at Annex B for ease of reference.

(b) For projects implemented by subvented bodies

14. The procedures in paragraphs 11 to 13 above shall also generally apply to projects implemented by subvented bodies. For these projects, the subvented bodies will themselves be responsible for assessing the time and cost implications of any changes. A slightly different proforma specially adapted for requesting and approving/rejecting proposed changes under these projects is at Annex C. The subvented bodies are required to complete Section I of Annex C for submission to the Client Policy Bureaux. A Policy Bureau officer at D3 level or above is required to approve or otherwise reject the proposed change by completing Section II of Annex C. The above correspondence shall be copied to the Works Branch of ETWB (Attn: CAS(W)2 and CAS(W)3) and the Works Director acting as the technical adviser for the project for their comments to the Policy Bureau within seven working days after receipt of the completed Section I of Annex C. The Policy Bureau can assume that the Works Branch has no objection to the proposed change if no comment is received within this period.

(W S Chan)
Deputy Secretary for the Environment,
Transport and Works (Works) 2

Client-Initiated Changes to Public Works Projects

Routing Sheet for Change Proposal and Approval

Project no. & title

Section I – Change Proposal

To: Director of [] (Attn:)

I am considering the following proposed changes to the user and programme requirements of the project –

2. The justification for the proposed changes is –

3. Please assess and advise me of the associated time and cost implications for me to decide whether to proceed with the proposed changes. However, you may proceed directly with the changes if there are no time and cost implications.

[Client Policy Bureau officer at D3 level or above]

[Date]

c.c. SETW (Attn: CAS(W)2 & CAS(W)3)

Section II – Advice on Time and Cost Implications (to be given within 10 working days after receipt of Section I)

To: Secretary for [] (Attn:)

The current project start date is _____ with completion in _____ , at an estimated project cost of _____. We propose the following mitigation measures to minimize the time and cost implications of the proposed changes – _____

- * (a) Notwithstanding these measures, the proposed changes will delay the start date by _____ months to _____ , completion date by _____ months to _____ , and require an increase of \$ _____ M in the estimated project cost. We do not/will* require extra staff (give details) for project delivery and additional recurrent consequences of \$ _____ M per year after completion of the works. We await your further directive whether to proceed with the proposed changes.
- * (b) By adopting these measures, the proposed changes will not cause any delay or additional cost to the project. There is also no problem of additional recurrent consequences or extra staff for delivery of the project. I confirm that we will proceed with the proposed changes subject to (c) below.
- (c) The technical feasibility as previously confirmed in the TFS has not changed/will need to be re-assessed*. (for Category C and Category B projects only)

[Works Department officer at D3 level or above
(D2 for project not exceeding \$200 million)]

[Date]

c.c. SETW (Attn: CAS(W)2 & CAS(W)3)

* Delete as appropriate

Section III – Change Confirmation (to be given within **10# working days** after receipt of Section II)

To: Director of [] (Attn:)

- * (a) Having regard to your advice on cost and time implications in Section II above, I have decided not to proceed with the proposed changes.
- * (b) I confirm my acceptance of the time and cost implications in Section II above [and agree to allocate the required additional recurrent consequences from my Operating Envelope or other means][†]. Please proceed with the proposed changes subject to the normal procedures for funding approval and contractual arrangements [and re-confirmation of the technical feasibility of the project by a revised TFS]*.

[Client Policy Bureau officer at D3 level or above]

[Date]

c.c. SETW (Attn: CAS(W)2 & CAS(W)3)
SFST (Attn: PAS(Tsy)W) (in the case a revised TFS is required)

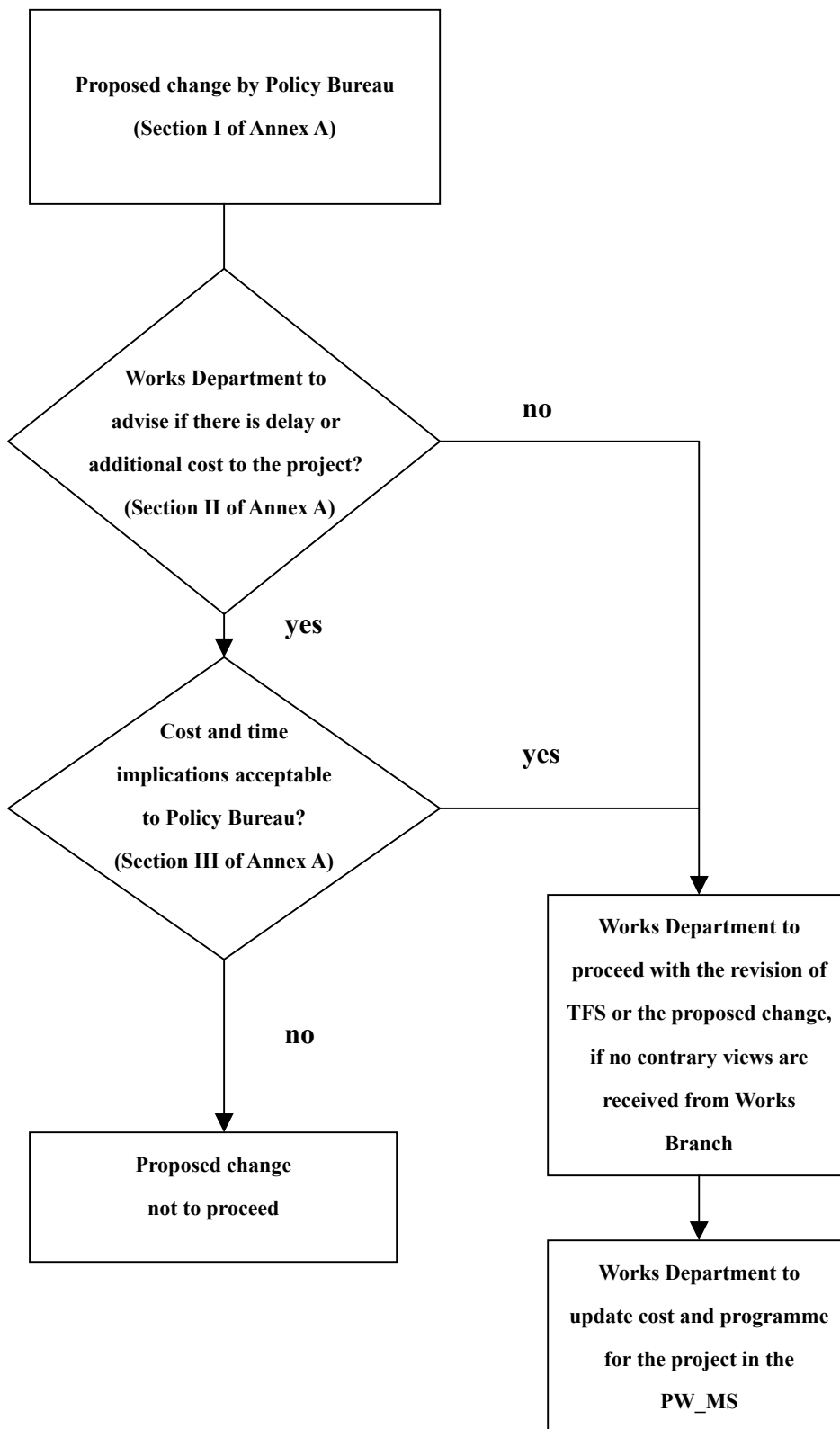
* Delete as appropriate

† Delete if Works Department does not require additional recurrent consequences from Bureau for the proposed changes.

The Works Branch of ETWB will give its comments on the proposed changes, if any, within 7 working days after receipt of Section II.

**Client-Initiated Changes to Works Projects
other than those implemented by Subvented Bodies**

Flow-chart



**Proposed Changes to Works Projects
Implemented by Subvented Bodies**

Routing Sheet for Change Proposal and Approval

Project no. & title

Section I – Change Proposal cum Advice on Time and Cost Implications

To: Secretary for [] (Attn:)

I am considering the following proposed changes to the user and programme requirements of the project –

2. The justification for the proposed changes is – _____

3. The current project start date is _____ with completion in _____ , at an estimated project cost of _____. We propose the following mitigation measures to minimize the time and cost implications of the proposed changes - _____

* (a) Notwithstanding these measures, the proposed changes will delay the start date by _____ months to _____ , completion date by _____ months to _____ , and require an increase of \$ _____ M in the estimated project cost to be funded by Government. We do not/will* require additional recurrent consequences of \$ _____ M per year after completion of the works.

* (b) By adopting these measures, the proposed changes will not cause any delay or additional cost on the project funded by Government. There is also no problem of additional recurrent consequences.

- (c) The technical feasibility as previously confirmed in the TFS has not changed/needs to be re-assessed and a revised TFS is attached*. (for Category C and Category B projects only)

[Signed on behalf of the Subvented Body]

[Date]

c.c. SETW (Attn: CAS(W)2 & CAS(W)3)

Works Director acting as the technical adviser for the project

* Delete as appropriate

Section II – Change Approval (to be given within **10# working days** after receipt of Section I)

To: Name of Subvented Body (Attn:)

- * (a) Having regard to your justifications for proposed changes and your advice on cost and time implications in Section I above, I regret to advise that the proposed changes are not approved for the following reasons -

- * (b) I confirm my in-principle approval to the proposed changes [and agree to allocate the required additional recurrent consequences from my Operating Envelope or other means][†]. You may proceed with the proposed changes subject to the normal procedures for funding approval and contractual arrangements [and the approval of the revised TFS by Works Branch of ETWB]*.

[Client Policy Bureau officer at D3 level or above]

[Date]

c.c. SETW (Attn: CAS(W)2 & CAS(W)3)

Works Director acting as the technical adviser for the project

SFST (Attn: PAS(Tsy)W) (in the case a revised TFS is required)

* Delete as appropriate

[†] Delete if the subvented body does not require additional recurrent consequences from Bureau for the proposed changes.

The Works Branch of ETWB and the Works Department as the technical adviser for the project will give comments on the proposed changes, if any, within 7 working days after receipt of Section I.