THE HONG KONG HOUSING AUTHORITY

Memorandum for the Building Committee

Increase in the Approved Contract Sum and Project Budget
for Construction of the Redevelopment of
Kwai Shing East Estate Phase 2

(Contract No. 148 of 1995)

PURPOSE

To seek Members’ approval to increase –

(a) the Contract Sum of building contract from $655.800M to $685.693M; and

(b) the Approved Project Budget (APB) from $694.925M to $740.925M.

BACKGROUND

2. The building contract comprises two 39-storey Harmony 1 Blocks (Blocks 4 and 5) providing a total of 1518 No. domestic flats, which stand on a podium floor fitted out with a Children and Youth Centre and a Day Nursery on top of a 3-storey Carpark and 2-storey Commercial Centre and a Bus Terminus.

3. The tender was approved by the Building Committee in June 1996 (Paper No. BCT 198/96 refers). The original Contract Sum for Building was $646.800M, and the APB was $684.205M.

4. In June 1997, the Contract Sum for foundation contract was increased from $13.692M to $15.412M (Paper No. BC 95/97 refers) as a result of unforeseen ground conditions and prolongation cost due to the granting of extension of time to the foundation contract and the APB was revised to $685.925M.
5. The Bus Terminus was completed in October 1998. The Commercial Centre and Domestic Blocks were completed in June 1999.

SUBSEQUENT DEVELOPMENT

6. Works commenced on 30 September 1996. Since then a number of revisions to the Standard Block design have been made and implemented in this contract.

7. Other additional costs have been incurred due to existing slope stabilization and slope improvement work, and the major upgrading of builder’s work and building services installation to meet the requirements of latest 1996 Edition Means of Escape (MOE).

8. Under Departmental delegated authority, the building contract sum was revised from $646.800M to $655.800M with an addition of $9.0M for variations in EMO layout and amendment in Bus Terminus, road realignment work.

9. A fee of $1.50M required for Arbitration proceedings in foundation contract with an estimated additional cost of $4.0M to be reimbursed to the foundation contractor based on the arbitrator’s award. The additional cost of $5.607M for the apportioned allowance to share the special external work for the Kwai Shing East Phase 7 (NCC Site) and an contingency sum of $5.0M to be included in the revised Project Budget.

CONTRACT SUM FOR BUILDING CONTRACT

10. The current Estimated Final Contract Sum is $685.693M which exceeds the Revised Approved Contract Sum of $655.800M by $29.893M (4.56%). Principal items are as follows –

<table>
<thead>
<tr>
<th>Description</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Revised Approved Contract Sum</td>
<td>655.800</td>
</tr>
<tr>
<td>(b) Less provision for Fluctuations</td>
<td>(44.820)</td>
</tr>
<tr>
<td>(c) Fluctuations</td>
<td>45.182</td>
</tr>
<tr>
<td>(d) Less provision for Contingency</td>
<td>(7.060)</td>
</tr>
</tbody>
</table>
(e) Expenditure of contingency in additional mini-pile foundation for footbridge, cut slope and other general architectural/structural variations 7,060

(f) Revisions to the contract arising from the design modifications to standard blocks (Annex A refers) 10,201

(g) Revisions to meet the latest 96’ Edition requirement of MOE 7,630

(h) Additional cost for Fire Services Installation 1,269

(i) Additional cost for Electrical Installation 1,850

(j) Additional cost for ACMV Installation 0,959

(k) Additional cost for Slope Improvement work 1,500

(l) Revisions in External Work and relocation of Emergency Generator Room for Commercial Centre 1,985

(m) Structural, drainage and building services amendment in Day Nursery and Children & Youth Centre 2,669

(n) Additional signage, provision of scissors lift platform for maintenance use 1,468

Estimated Final Contact Sum 685,693

REVISED PROJECT BUDGET

11. Arising from the increased Contract Sum of the building contract, the Revised Project Budget of $740,925M exceeds the APB of $694,925M (BC95/97 and under Departmental delegated authority approval dated 2.8.99) by $46,000M (i.e. 6.62%), as follows –

<table>
<thead>
<tr>
<th>Contract</th>
<th>APB (Paper No. BC95/97) ($)</th>
<th>Revised Project Budget ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demolition</td>
<td>9,718</td>
<td>9,718</td>
</tr>
<tr>
<td>Foundation (para. 4 refers)</td>
<td>15,412</td>
<td>15,412</td>
</tr>
<tr>
<td>Building (para. 11 refers)</td>
<td>651.998*</td>
<td>681.891</td>
</tr>
<tr>
<td>---------------------------</td>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Building Contract Sum = $681.891M + $3.802M* = $685.693)</td>
</tr>
<tr>
<td>Fee &amp; Others (para. 9 refers)</td>
<td>17.797</td>
<td>33.904</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(includes an estimate of $4.0M based on arbitrator’s award and an contingency sum of $5.0M)</td>
</tr>
<tr>
<td>Total</td>
<td>694.925</td>
<td>740.925</td>
</tr>
</tbody>
</table>

*$3.802M Lotteries Fund from Social Welfare Department.

**FUNDING**

12. Based on the Revised Project Budget, expenditure for 1999/00 and subsequent years will be as follows -

<table>
<thead>
<tr>
<th></th>
<th>up to 31.3.1999</th>
<th>1999/00</th>
<th>2000/01</th>
<th>post 2000/01</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposed</td>
<td>$649.238M</td>
<td>$59.891M</td>
<td>$27.785M</td>
<td>$4.011M</td>
<td>$740.925M</td>
</tr>
</tbody>
</table>

Based on the Revised Project Budget the approved funding is insufficient for the expenditure for year 2000/01, additional funding will be sought in the next Capital Budget review.

**RECOMMENDATION**

13. It is recommended that the revised Building Contract Sum of **$685.693M** and revised Project Budget of **$740.925M** as detailed in paragraphs 10 & 11 above, respectively, be approved to enable future payments and final account to be concluded.
PRESUMPTION

14. It is not thought that Members will have any objection to the recommendation in paragraph 13 above. If no objection or request for discussion is received by the Committees’ Secretary by noon on 29 May 2000, Members’ approval will be presumed.

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Enquires : Miss Ivy LEONG
Tel. No. : 2761 5033
Fax No. : 2761 0019

File Ref. : HD(AR) 61/784/2

Date : 15 May 2000