

Consultants' Fees and Resident Site Staff Costs for Works Projects

(Adapted from Financial Circular No. 5/2014)

Financial Circular No. 5/2014 updates the guidelines for preparing cost estimates for works or works-related consultancies and resident site staff (RSS) for inclusion in Public Works Subcommittee (PWSC) and Finance Committee (FC) submissions.

2. The guidelines of FC No. 5/2014 apply to -
- (a) projects or studies funded under the Capital Works Programme (viz. Heads 702 to 707, 708 (Capital Subvention), 709 and 711 of the Capital Works Reserve Fund), including items to be approved under FC delegated authority; and
 - (b) works-related studies and consultancies funded under the General Revenue Account where appropriate.

Estimates of consultants' fees and resident site staff costs

3. Where the capital cost of a project includes consultants' fees and RSS costs, institutions should identify these fees separately and provide a breakdown in an enclosure to the PWSC or FC submission.

4. Given that consultants and RSS are employed to undertake work which should otherwise be carried out by in-house staff, institutions should base their fee estimates on the assumption that in-house staff will be used. The estimating process is set out at **Enclosure A**. A sample breakdown of estimates for fees for consultants and RSS for inclusion in the funding submissions is at **Enclosure B**.

5. Institutions should first work out the man-month(s) of professional and technical staff required for the task concerned (viz. multiplying the number of staff and the number of man-months needed). The costs of other supporting staff (e.g. clerical and administrative staff) will be catered for through the use of a multiplier factor and need not be estimated. The estimated consultants' fees and RSS costs should be derived as follows –

$$\text{Total estimated cost} = \left(\begin{array}{l} \text{Estimated} \\ \text{man-} \\ \text{month(s)} \\ \text{required} \end{array} \right) \times \begin{array}{l} \text{Relevant} \\ \text{Master Pay} \\ \text{Scale (MPS)} \\ \text{salary} \\ \text{point(s)} \end{array} \times \begin{array}{l} \text{Relevant} \\ \text{standard} \\ \text{multiplier} \\ \text{factor(s)} \end{array} + \begin{array}{l} \text{Estimated} \\ \text{out-of-pocket} \\ \text{expenses} \\ \text{(if any)} \end{array}$$

6. The standard multiplier factors are -
- (a) 2.0 for staff employed in the consultants' offices, and
 - (b) 1.6 for site staff employed by the consultant.

7. In addition to the salaries of the professional and technical staff, the multiplier factors above also provide for meeting overhead costs (such as the consultants' office accommodation and other supporting staff), as well as payment of normal staff benefits (such as gratuities, housing, children's education and medical insurance). The lower multiplier factor for site staff reflects the lower overhead and accommodation costs that the consultant has to bear.

8. Institutions should assess separately any out-of-pocket expenses that they would need to pay to the consultants (e.g. cost of producing a large number of reports, scale models and public consultation materials). This is particularly important in consultancies where the out-of-pocket element forms a significant proportion of the total estimated cost.

9. Institutions should retain on file, in a readily accessible format, details of how the various figures, such as the number and grade of staff required, are devised. Such information may need to be provided to the Administration, PWSC or FC Members upon request.

10. The Development Bureau will from time to time update the multiplier factors in consultation with the Financial Services and Treasury Bureau (FSTB). Institutions would be notified where changes are agreed.

Exceptions

11. If institutions wish to deviate from the standard estimation methodology set out above, they should seek comments from the UGC Secretariat who may consider seeking Works Division of FSTB's agreement. Such deviation, if agreed by FSTB, should be explained in the PWSC or FC submission with full justification.

Guidelines for Estimating Consultants' Fees and Resident Site Staff Costs

In preparing a breakdown of the estimates for consultants' fees and RSS costs for inclusion in PWSC or FC submissions, the following steps should be taken -

- (a) Divide the duties intended for the consultant's staff into broad categories of work, e.g. detailed design, preparation of contract documents, tender assessment, contract administration and RSS as appropriate.
- (c) Decide which professional and technical grade(s) of government staff would be used if the works were to be undertaken in-house, and choose an appropriate average MPS salary point for each grade. The average MPS adopted for each grade may vary with the type and complexity of the project. The following are suggested as typical MPS salary points -

Professional	Pt. 38
Technical	Pt. 14

These MPS salary points would generally apply to larger consultancies where the consultant employs a range of professional and technical staff. For small consultancy assignments involving only one or two individuals, it may be more appropriate to adjust the MPS salary points to reflect the actual ranks and grades of the individuals. For example, if only two professional engineers are required at the rank of senior professional, it would be more appropriate to use MPS pt. 47.

- (c) Estimate the time input in man-months required for each grade of staff to accomplish each category of work. No allowance for leave should be made.
- (d) Consider the standard multiplier factor(s) applicable for each category or the costs. On top of the salaries for the professional and technical staff, the factors also provide for overhead costs and normal staff benefits, etc. Two factors to be used are -
 - (i) 2.0 for staff employed in the consultants' offices; and
 - (ii) 1.6 for site staff supplied by the consultants.
- (e) Arrive at an estimated consultants' fee and RSS costs for the work by multiplying the monthly salary of the staff (equivalent to the MPS salary point chosen) by the man-month(s), as well as the standard multiplier factor(s).

**Sample breakdown of the estimates for consultants' fees
and resident site staff costs**

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**Breakdown of estimates for consultants' fees and resident site staff costs
(September 2012 prices)**

			Estimated Man- months	Average MPS* salary point	Multiplier (Note 1)	Estimated fee (\$ million)
(a)	Consultants' fees for					
(i)	Detailed design and supervision of site investigation works ^(Note 2)	Professional	490	38	2.0	64.4
		Technical	539	14	2.0	24.2
(ii)	Preparation of tender documents and assessment of tenders ^(Note 2)	Professional	28	38	2.0	3.7
		Technical	30	14	2.0	1.3
Sub-total						93.6
(b)	Resident site staff (RSS) costs ^(Note 3)	Professional	29	38	1.6	3.0
		Technical	55	14	1.6	2.0
Sub-total						5.0
Comprising						
(i)	Consultants' fees for management of RSS for site investigation works				0.2	
(ii)	Remuneration of RSS responsible for site investigation works				4.8	
Total						98.6

* MPS = Master Pay Scale

Notes

1. A multiplier of 2.0 is applied to the average MPS salary point to estimate the full staff costs of consultants' staff, including overheads and profit, as the staff will be employed in the consultants' offices. A multiplier of 1.6 is applied to the average MPS salary point to estimate the cost of resident site staff supplied by the consultants. (At present, MPS point 38 = \$65,695 per month and MPS point 14 = \$22,405 per month.)
2. The actual man-months and fees will only be known when we have selected the consultants through the usual competitive bid system.
3. The actual man-months and fees will only be known after completion of the site investigation works.