

New Requirements for Procurement of Furniture and Equipment for Subvented Capital and AA&I Projects

Background

In January 2016, the Administration issued the enclosed Financial Circular (FC) No. 3/2016 “Furniture and Equipment for Capital Works Projects Funded under the Capital Works Reserve Fund”. The Circular applies to all capital works projects funded under the Capital Works Reserve Fund (CWRF), save for capital subvention projects. For capital subvention projects funded under Head 708 (Capital Subvention) of the CWRF, Controlling Officers (including SG, UGC for capital subvention to UGC-funded universities) should adhere to the requirements as far as practicable. Where necessary, the Controlling Officers may adapt the requirements to reflect established arrangements and agreements between Government and relevant subvented organisations on the procurement of furniture and equipment (F&E) items.

Proposed new requirements

2. Pursuant to the requirements in the FC, new requirements need to be devised for compliance by the UGC-funded universities as follows: -

Submission of indicative F&E list

3. Paragraph 9 of the FC states that approval should be sought from the authorities (e.g. SG, UGC for capital subvention to UGC-funded universities) before procuring F&E items. As for the detailed arrangement, we would need to strike a balance in adhering to the new requirements in the FC as far as practicable and maintaining some of the current practice in vetting the F&E items for UGC-funded subvented projects.

4. As in the past, the UGC Secretariat assumes the vetting role for cost estimate on F&E. To facilitate the vetting of the project estimates for F&E provisions, when seeking approval to upgrade a capital project to Category A, universities should provide an indicative F&E list setting out – (a) the total estimated cost of F&E items (including installation cost) to be funded under the project, and (b) a breakdown of the F&E items and cost together with information explaining/justifying the standard provision for each room/space type and other special requirements as appropriate. Before procuring F&E items, universities should submit an application

form (sample at **Enclosure A1**) setting out the scope and latest programme of the project relevant to the application and the details of the proposed F&E items to be procured with justifications showing that the items are proper charge to the F&E vote. Universities should not commit funding to procure the F&E items before securing approval of the UGC Secretariat. As for AA&I projects, universities should generally follow the above requirements and submit an application form (sample at **Enclosure A2**) once funding approval has been secured from the block allocation.

5. General guidelines on preparing F&E applications are also devised at **Enclosure B** for reference.

Proper charge to the F&E vote

6. Generally speaking, F&E items may be charged to the F&E vote of a project if such items are: -

- (a) integral to the project concerned;
- (b) strictly essential to meet users' operational needs;
- (c) used solely in the project premises; and
- (d) not consumable or recurrent (e.g. lease line rental fee) in nature.

The allowance for F&E in a capital works project should not normally exceed 12.5% of the building costs on an ideal site and the building services costs of the project as advised by the ArchSD.

7. As a general guideline, the items which should normally be charged against the approved provision for F&E are listed at **Enclosure C**. Built-in items outside the list, such as shelving, should be charged against the provision for construction works. Items such as fume cupboards and laboratory benches should be listed separately as "Special F&E" which are to be excluded from the provision for construction works. Funds cannot be transferred between the F&E budget and the construction budget without UGC's approval.

Seeking fresh approval to change estimated F&E requirements and costs

8. Universities should seek fresh approval for procuring F&E items if: -

- (a) the cumulative cost for procurement of F&E item will exceed the ceiling in the approved F&E list;
- (b) the F&E items to be procured are markedly different (in terms of specifications or product types) from the approved F&E items (say change in size of a display unit from 42" to 65"); or

(c) the number of units required are markedly different from the approved number (say, over/under 20%).

9. If procurement of F&E items not on the approved list is necessary, universities should also seek approval from UGC and the application should be supported by strong justifications.

10. Where it is strictly unavoidable to commit the procurement of F&E items before formal approval is secured from UGC, universities should seek in-principle approval from the UGC Secretariat before committing funds. Formal approval should be sought once the details of the F&E items are available. Where possible, universities should seek in-principle approval for procurement before inviting tenders to avoid abortive effort.

Post-implementation checking

11. A full and final approved F&E list for each project will be issued to the university concerned. The onus is on the university concerned to ensure compliance with the approved F&E list. Upon completion of the project, universities are required to confirm within three months after completion of the project that they had procured the items as per the approved F&E list.

Implementation plan

12. The new requirements should take immediate effect and apply to all new projects approved from now on.

SAMPLE APPLICATION

**Capital Project No. XXX
(Project title)**

Application for procurement of furniture and equipment (F&E) items

In accordance with [the new requirements for procurement of F&E items for subvented capital and AA&I projects issued by UGC in xx 2016/the UGC Notes on Procedures], UGC's approval is hereby sought for the procurement of F&E items estimated to cost \$XX million.

JUSTIFICATION

Progress of the project

[Note: To provide the scope and latest programme of the project. Please specify part(s) of the scope relevant to the application.]

2.

Details of the proposed F&E items

[Note: To set out in detail the proposed F&E items in form of an Excel table and to give a brief summary in the application. For change in F&E items previously approved, please indicate the items concerned and provide justifications for the change(s).]

3. Details of the application are summarised as follows –

	F&E items under request	Estimated cost (\$ million)
(a)	furniture for use at various locations at the facilities, including XX, XX, XX and XX, etc.	XX
(b)	F&E items for use at offices and support the overall operation of the facilities	XX
	Total	XX

4. [University] confirms the items listed out in paragraph 3 above are proper charges to the F&E vote as provided under the new requirements/UGC Notes on Procedures because –

- (a) the items are essential to meet operational needs;
- (b) the quantity and quality of all the proposed items are standard provisions for similar projects, e.g. XX, XX;
- (c) the cost estimated for the items is based on recent procurement / quotation.

5. Subject to funding approval to the project, [university] will procure the F&E items in accordance with the university's internal procurement procedures.

[University]

[Date]

[Signature and name of the Director of Estates]

SAMPLE APPLICATION

AA&I Project No. XXX

(Project title)

Application for procurement of furniture and equipment (F&E) items

In accordance with [the new requirements for procurement of F&E items for subvented capital and AA&I projects issued by UGC in xx 2016/the UGC Notes on Procedures], UGC's approval is hereby sought for the procurement of F&E items estimated to cost \$XX million.

JUSTIFICATION

Progress of the project

[Note: To provide the scope and latest programme of the project. Please specify part(s) of the scope relevant to the application.]

2.

Details of the proposed F&E items

[Note: To set out in detail the proposed F&E items in form of an Excel table and to give a brief summary in the application. For change in F&E items previously approved, please indicate the items concerned and provide justifications for the change(s).]

3. Details of the application are summarised as follows –

	F&E items under request	Estimated cost (\$ million)
(a)	furniture for use at various locations at the facilities, including XX, XX, XX and XX, etc.	XX
(b)	F&E items for use at offices and support the overall operation of the facilities	XX
	Total	XX

4. [University] confirms the items listed out in paragraph 3 above are proper charges to the F&E vote as provided under the new requirements/UGC Notes on Procedures because –

- (a) the items are essential to meet operational needs;
- (b) the quantity and quality of all the proposed items are standard provisions for similar projects, e.g. XX, XX;
- (c) the estimated costs (\$XX million) under this application can be covered by the uncommitted funds (\$XX million) under the project F&E vote; and
- (d) the cost estimated for the items is based on recent procurement / quotation.

5. [University] will procure the F&E items in accordance with the university's internal procurement procedures.

[University]

[Date]

[Signature and name of the Director of Estates]

Guidelines on preparing furniture and equipment applications

Making the applications

Universities should set out the requirements concisely and clearly. They should consolidate the applications as far as possible and avoid using jargon or abbreviations that laymen may have difficulty to understand. The applications should be **personally cleared and signed by the Director of Estates** level or above of the university concerned and include the following –

- (a) Funding source – Universities should demonstrate that sufficient funds are available in the F&E vote. The estimated cost for F&E items for capital projects included under the “Financial Implications” of the relevant Public Works Subcommittee (PWSC) paper shall form the ceiling of all F&E items to be procured under the project subhead (viz. F&E vote). For AA&I projects, the approved estimates for F&E items shall be the ceiling of all F&E items to be procured.
- (b) Description – Universities should clearly set out the functions, specifications and locations for which the F&E items are to be installed (if applicable). Reference photos for specialist equipment should be provided.
- (c) Justifications – Universities should demonstrate how the F&E items are essential for their operation. Universities must ensure that the F&E items are proper charge to the F&E vote and no excessive or extravagant items are included. Universities shall duly consider the possibility of shared use of items as well as re-use of existing serviceable items. Universities should demonstrate that the F&E items requested are comparable, in terms of quality, quantity and cost to other similar projects.
- (d) Cost estimates – Universities should provide the unit cost and total cost of each item in the applications and explain the basis of the estimated cost (e.g. tender prices, quotation, referencing recently procured items and standard on-cost chargeable). On-cost, if any, should be separately listed out.
- (e) Procurement – Universities should confirm that the relevant internal procurement procedures would be observed if applicable.

The target dates of approval and procurement should also be specified.

2. The use of proprietary items should be avoided. Exceptions should be justified. For F&E items required for outsourced services, if applicable, universities should ensure that there will be no double provision of the F&E items.

3. Universities should allow approving authorities a reasonable period, generally no less than 20 working days and more time for large-scale and complicated projects, for processing and vetting. For F&E systems involving builder's work, universities should allow adequate time to secure approval of the F&E application to avoid abortive works on site.

**Typical items that may be charged to the
Furniture and Equipment vote of a works project
(for illustration purpose)**

The following items should normally be charged against the approved provision for furniture and equipment (F&E) in a works project. Items not on the list may be charged to the provision for building or building services items of the works project as appropriate while some other items may not be charged to the works project at all.

1. Furniture and appliances - desks, chairs, sofas, benches, partition screens, workstation panels, conference tables, coffee tables, cabinets, bookshelves, newspaper racks, pool and park furniture, task lights, safes, closets, cupboards and lecture theatre seating, etc. Fixture, e.g. built-in shelves, counters and cabinets may be charged to building item of the project.
2. Equipment for office use - photocopiers, telephone system, fax machines, paper shredders, projectors and screens, printers and computers, etc. Provision of cable containment and power supply for F&E, information technology and other specific systems, e.g. trunkings, conduits and sockets, may be charged to building services item of the project. Provision of information technology backbone system may be charged to a separately identified item under the project vote.
3. Equipment for academic use – computers, audio-visual and electronic systems, information display system, projectors, audio mixers, visualizers, microphone sets and writing panels, etc.
4. Domestic type appliances - cookers, refrigerators, microwave ovens, water boilers, washing machines and dryers, etc. (but not industrial type catering equipment which may be charged to building services item of the project).
5. Residential F&E for student hostels.
6. Others - library equipment, building maintenance equipment (except gondolas which may be charged to building item), vending machines, lockers, sports equipment, blinds, curtains, low level or free standing demountable partitioning, signs, name plates and notice boards, etc. Loose items that are easily portable should not be charged to the F&E vote of the project. Examples of loose items include blankets, pillow cases and bed sheets for student hostels (whereas beds and mattresses are proper F&E charges), first aid box, digital camera and hand tools, etc.