

NOTE FOR FINANCE COMMITTEE

One-Line Vote Arrangement

PURPOSE

This paper reports to Members progress of the implementation of the One-Line Vote (OLV) arrangement in 2001-02 and our plan to further roll out the arrangement to seven departments in the 2002-03 Estimates.

BACKGROUND

2. Under our conventional arrangement a Controlling Officer (CO)'s recurrent expenditure is controlled under various subheads, such as salaries, allowances, general departmental expenses, etc. Deployment of provisions between subheads require the approval of the Finance Committee or, under delegated authority, the Finance Bureau (FB). Under OLV, recurrent expenditure provided for the operation of a department, other than specified exceptions¹, is put under one single subhead (*viz.*, Subhead 000 Operational expenses) which operates on a cash-limited budget². Within this one subhead for operational expenses, the CO has the authority to deploy the funds among different components of expenditure. OLV therefore streamlines procedures and provides COs with greater flexibility to respond more efficiently to changing demands and needs.

3. At the same time, to ensure transparency and to continue to subject the use of the OLV to Members' scrutiny, as part of the OLV arrangement we -

- (a) require COs operating on a one-line vote to provide a breakdown of the OLV by the conventional subheads in the annual Estimates; and,

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¹ Using Inland Revenue Department as an illustration, given the unique nature of spending on interest on tax reserve certificates as well as special legal expenses on court fees in connection with the registration of writs, expenditure on these two areas have continued to be accounted for under separate subheads.

² In the course of the year, we will provide supplementary provision only to the salaries and allowances portion of the Operational Expenses in line with the civil service pay adjustment.

- (b) submit quarterly reports showing actual spending under the OLV and any redeployment of funds between these conventional subheads. These reports have been submitted to Members in the form of Finance Committee Information Notes on a quarterly basis since September 1999.

4. With Members' support we first applied the OLV on a pilot basis to five departments in the 1999-2000 Estimates, and extended the arrangement to two more departments in the 2000-01 Estimates. In June 2000 we briefed Members on progress of the implementation of the OLV and on our plan to extend the OLV arrangement to 10 more departments in the 2001-02 Estimates and ultimately to all bureaux and departments. At present, 16 departments are operating the OLV arrangement and they are listed in Enclosure 1.

Encl. 1

PROGRESS OF IMPLEMENTATION OF OLV

5. In September 2001 we conducted forum discussions with the OLV departments to find out about their experience with the arrangement. We received positive feedback from them. In general they reported the following benefits under the OLV arrangement -

- (a) speeding up the decision-making process in resource management, which enables departments to respond to changes more promptly;
- (b) developing a stronger sense of ownership and financial responsibility as well as accountability among managers in departments which in turn encourages more innovative thinking in better utilisation of resources; and
- (c) providing departments the flexibility to decide on the optimal mix of manpower and other input resources to do their jobs.

6. Some of the specific feedback received from the OLV departments are set out in Enclosure 2.

Encl. 2

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THE WAY FORWARD

7. In the light of the encouraging results, we will continue to roll out the OLV arrangement to more departments. After consultation with Bureau Secretaries and with the agreement of the concerned COs, we will include **seven** more departments under the OLV arrangement with effect from 2002-03. These departments and their indicative budget of operational expenses are listed in Enclosure 3.

Encl. 3

8. We will continue with the existing measures to ensure transparency and accountability, including the submission of quarterly reports showing the actual spending and any redeployment of funds to Finance Committee.

9. Our ultimate objective remains to extend the OLV arrangement to all bureaux and departments. We will continue to roll it out to more bureaux and departments as and when they are ready.

Finance Bureau
January 2002

Departments operating on a One-line Vote

Since 1.4.1999 (note)

Civil Service Training and Development Institute

Hong Kong Police Force

Intellectual Property Department

Treasury

Since 1.7.2000

Innovation and Technology Commission

Invest Hong Kong

Since 1.4.2001

Agriculture, Fisheries and Conservation Department

Buildings Department

Census and Statistics Department

Department of Health

Highways Department

Information Services Department

Inland Revenue Department

Labour Department

Transport Department

Water Supplies Department

Note -The Ombudsman has ceased to operate on a one-line vote since 1.4.2001 when it starts to be funded on subvention basis.

Examples from departments on how they find the one-line vote (OLV) arrangement beneficial

(a) Agriculture, Fisheries and Conservation Department

The authorisation process for redeployment of funds between various expenditure components within the OLV is much shortened as the authority rests with the Controlling Officer and approval by Finance Bureau (FB) is no longer required.

(b) Census and Statistics Department

Departmental staff welcome the flexibility of the OLV though the department has not yet come across the need for redeployment of funds within the OLV.

(c) Civil Service Training and Development Institute

The flexibility in redeployment of funds between expenditure components within the OLV has provided unit heads of the Institute with greater scope and flexibility in devising their business plans and encouraged more innovative thinking in utilisation of resources to accomplish results. The recent successful upgrading of the Cyber Learning Centre which included upgrading hardware, software, data line, designing new user interface and contracting out on-going centre administration services is an example.

(d) Hong Kong Police Force

The OLV has reduced paper work within the department and with FB as the department no longer needs to seek the latter's approval for virement of funds between the components within Subhead 000 *Operational Expenses*. The aggregation of the funds for various expenditure components under a one-line vote has also provided flexibility in the control/redeployment of funds within the department. Under the OLV arrangement, departmental budget officers may redeploy the funds delegated to them to meet urgent operational requirements or enhance productivity and efficiency. To sustain the benefits of the OLV, the department conducts continuous seminars and training courses on OLV and financial management for its staff.

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(e) Information Services Department

The flexibility in redeployment of funds between PE and non-PE components within the OLV has enabled more efficient decision-making and optimal use of resources.

(f) Innovation and Technology Commission

The flexibility under the OLV enables the Commission to redeploy the resources within the OLV to meet operational needs. For example the Commission has been able to temporarily redeploy funds earmarked for the employment of professional staff to acquire outside professional services from international experts to conduct thematic studies.

(g) Intellectual Property Department

The flexibility for virement of funds between PE and Departmental Expenses (DE) components enables prompt decisions on the alternative modes of delivery of services. The process of internally reviewing the OLV position regularly prompts the departmental management to develop alternative cost-saving modes, e.g. less forms are printed, and clients are encouraged to download forms from the department's website.

(h) The Treasury

The OLV arrangement together with the initiatives under the Enhanced Productivity Programme have encouraged more innovative thinking among supervisors and managers in utilising and deciding on the optimal mix of manpower and other input resources to do their jobs. For example, the department employs temporary staff during the peak seasons in collection of rates and is thus able to reduce overtime work and the related expenses.

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(i) Transport Department

The department has utilised the flexibility of OLV arrangement for virement of funds between PE and non-PE components. For example, the department has hired service to do night time surveys and thus no longer requires overtime work by their staff. Departmental division heads are given the authority to determine virement of funds for non-PE items. Monthly financial reports on spending position of PE and non-PE items are prepared for review by the Commissioner. Creation/deletion/vacancy of civil service posts is subject to close monitoring to facilitate the calculation of funds under PE that could be made available for spending on non-PE components. Continuous Improvement Teams in each Division are put in place to suggest work improvements.

(j) Water Supplies Department

OLV enables better utilisation of resources and has resulted in savings in recurrent costs. An example is the provision of receipt and despatch service at a reduced cost. OLV is a driving force for changes and is welcomed by management and departmental budget holders. Departmental instructions are put in place to set out the approval authority for virement of funds between subheads by budget holders. The LAFIS user codes have been revised to include “budget holders” as an element to facilitate them to monitor the position of their funds.

Enclosure 3 to FCRI(2001-02)13

Departments to operate on a One-line Vote from 2002-03

	Department	Responsible Bureau	Indicative Operational Expenses Budget based on 2001-02 Estimates (\$ million)	Indicative Expenditure to be separately accounted for and controlled (\$ million)
1.	Civil Aviation Department	Economic Services Bureau	645.6m	3.2m
2.	Customs and Excise Department	Commerce and Industry Bureau	1,780.2m	62.1m
3.	Drainage Services Department	Planning and Lands Bureau	1,457.0m	Nil
4.	Environmental Protection Department	Environment and Food Bureau	859.6m	1,303.6m
5.	Government Land Transport Agency	Finance Bureau	53.7m	0.9m
6.	Government Supplies Department	Finance Bureau	173.3m	0.5m
7.	Printing Department	Finance Bureau	245.8m	Nil