

立法會
Legislative Council

LC Paper No. CB(1)926/07-08

Ref : CB1/SS/6/07

**Subcommittee on Proposed Resolution under Section 7(1) of the
Public Finance Ordinance (Cap.2)**

Background Brief

Purpose

This paper provides background information and highlights certain issues in connection with this year's Vote on Account to be moved by the Secretary for Financial Services and the Treasury (SFST) at the Legislative Council (LegCo) meeting on 5 March 2008.

The proposed resolution¹

2. SFST has given notice to move this year's Vote on Account, the purpose of which is to seek funds on account to enable the Government to carry on existing services from the start of the financial year on 1 April 2008 to the enactment of the Appropriation Ordinance 2008. This procedure has been established under section 7(1) of the Public Finance Ordinance (Cap.2) (PFO). According to paragraph 1 of the proposed resolution, the aggregate total sum sought under all heads is \$90,989,010,000 this year and cannot be exceeded without the approval of LegCo.

3. Similar to the practice in past years, the funds on account sought under each subhead are calculated in percentage terms by reference to the provision shown in the Estimates of Expenditure 2008-2009 to be laid before the Council on 27 February 2008. The percentages are determined in accordance with paragraph 4 of the proposed resolution. The effect of paragraph 4 is that except where there is a different percentage stipulated in the Schedule to the proposed resolution, the maximum percentage in respect of an Operating Account Recurrent subhead is 20% and in respect of an Operating Account Non-Recurrent subhead or Capital Account subhead, 100%.

¹ The proposed resolution has been issued to Members vide LC Paper No. CB(3)387/07-08 on 14 February 2008.

4. Paragraph 3 of the proposed resolution stipulates that, in respect of any head, the expenditure shall not exceed the aggregate of the amounts authorized by paragraph 4 to be expended in respect of the subheads in that head. Under paragraph 4 of the proposed resolution, the Financial Secretary is empowered to vary the fund on account in respect of any subhead, provided that the varied amount does not exceed the provision shown in respect of that subhead in the Estimates of Expenditure.

5. Under section 7(3) of PFO, upon the Appropriation Ordinance coming into operation, the expenditure charged on the general revenue pursuant to the vote on account resolution shall be set off against the amounts respectively provided in the Appropriation Ordinance 2008. Section 7 of PFO is attached at **Appendix I**.

Issues for consideration

6. At the House Committee meeting held on 22 February 2008, Members decided to form a subcommittee to study the proposed resolution and follow up with the Administration on a number of issues.

The amount of funds on account being sought

7. Whilst noting the arrangements as provided under PFO and the proposed resolution, concern has been raised about the significant increase in the aggregate total sum being sought this year, i.e. \$90,989,010,000 as compared to \$55,269,264,000 being sought for the 2007-2008 financial year. In this connection, the funds on account being sought under section 7(1) of PFO for the last five financial years are as follows:

Financial year	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Funds on account being sought (HK\$'000)	\$83,602,440	\$56,857,786	\$55,884,844	\$55,269,264	\$90,989,010

8. Given that the funds on account being sought have been on the decrease and have remained in the region of \$55,000,000,000 for the past three years, the Administration should be invited to explain the reasons for the significant increase in the amount of funds sought for the 2008-2009 financial year.

Determination of the amount of funds on account to be sought

9. According to paragraph 4 of the proposed resolution, the maximum level of funds on account being sought in respect of an Operating Account Recurrent subhead is 20% of the relevant provision as shown in the Estimates of Expenditure 2008-2009,

and that in respect of an Operating Account Non-Recurrent subhead or Capital Account subhead is 100% of the relevant provision. The Schedule to the proposed resolution provides some different percentages for 15 subheads ranging from 25% to 100%.

10. It is understood that different methodologies are adopted by governments of other jurisdictions in determining their funds on account or provisional funding in advance of formal approval of their budgets. Based on available information, a table outlining the different practices is at **Appendix II**.

11. Given that "20%" and "100%" are the predominant benchmarks for determining the level of funds on account being sought, members would like to know the basis (statutory or otherwise) and the reasons for adopting the aforesaid benchmarks by the Administration.

12. It should be noted that the monetary amount of funds being sought under the proposed resolution in respect of the subheads cannot be ascertained pending the tabling of the Estimates of Expenditure 2008-2009 at the Council meeting on 27 February. In this connection, it is noted from **Appendix II** that there are other approaches of seeking approval for funds on account. One approach is to determine the amount of funds on account as a percentage of the "approved" Estimates instead of the "proposed" Estimates of Expenditure as in the case of the United Kingdom and Australia. If the amount of the funds on account is based on the "proposed" Estimates of Expenditure as in the case of Canada and New Zealand, their approach is to table the "proposed" Estimates of Expenditure to the legislature before introducing the bill on interim budgetary arrangement.

Legislative timetable

13. Pursuant to section 7(1) of PFO, the proposed resolution requires approval by LegCo and is therefore subject to the "positive vetting" procedure. SFST gave notice on 13 February 2008 to move the proposed resolution at the Council meeting on 5 March 2008. The proposed resolution was considered by the House Committee on 22 February 2008 and members decided to set up a subcommittee to study the proposed resolution. The current practice is that upon formation of a subcommittee, the House Committee would normally request the public officer to withdraw his notice of the motion, pending the deliberation of the subcommittee. Upon the subcommittee's completion of scrutiny and reporting back to the House Committee, the public officer would then give fresh notice to move the motion.

14. The proposed resolution however is time-critical in that the funds on account are needed to enable the Government to carry on existing services starting from 1 April 2008 in advance of the enactment of the Appropriation Ordinance 2008. It was also agreed at the House Committee meeting that the Administration would not be requested to withdraw its notice to move the motion on 5 March 2008. Given that there are only two Council meetings in the month of March 2008, the scrutiny process would inevitably be subject to a very tight timeframe. The respective legislative

timetable for dealing with the proposed resolution on 5 March 2008 or on 12 March 2008 is as follows:

Deadline for SFST to give notice to move the proposed resolution under Rule 29(1) of Rules of Procedure	House Committee meeting to consider the proposed resolution	Deadline for giving notice of amendment under Rule 29(6) of Rules of Procedure	Date of Council meeting
19 February 2008	22 February 2008	27 February 2008	5 March 2008
26 February 2008	29 February 2008	5 March 2008	12 March 2008

The way forward

15. The Subcommittee will hold its first meeting on 28 February 2008. As information on the proposed resolution is quite limited, the Administration has been requested to provide more detailed information in writing to facilitate members' consideration. The information should include, but not limited to, the following:

- (a) the significant increase in the funds on account being sought for the 2008-2009 financial year (paragraph 8);
- (b) the background and rationale of the current approach adopted for determining the amount of funds required (i.e. in percentage terms with reference to the draft Estimates to be laid before the Council) and how Hong Kong compares with other jurisdictions in its current approach (paragraphs 11 and 12); and
- (c) the Administration's comments on the tight timeframe for scrutiny of the proposed resolution in question (paragraph 14).

Council Business Division 1
Legislative Council Secretariat
 27 February 2008

Section 7 of Public Finance Ordinance (Cap.2)



Chapter: 2	Title:	PUBLIC FINANCE ORDINANCE	Gazette Number:
Section: 7	Heading:	Authorization of expenditure in advance of appropriation	Version Date: 30/06/1997

(1) The Legislative Council may, in advance of an Appropriation Ordinance, by resolution authorize expenditure for the services of the Government in respect of a financial year to be charged on the general revenue, in accordance with this Ordinance and subject to such limitations and conditions as may be specified in the resolution.

(2) Expenditure charged on the general revenue pursuant to a resolution under this section shall be arranged in accordance with the heads and subheads shown in the estimates of expenditure laid under section 5 and the provisions of this Ordinance shall, for the purposes of this subsection and subject to such conditions and limitations as may be specified in the resolution, apply to such estimates as though they were the approved estimates of expenditure.

(3) Expenditure charged on the general revenue pursuant to a resolution under this section shall be set off against the amounts respectively provided in the Appropriation Ordinance upon the same coming into operation.

INFORMATION NOTE

Interim budgetary arrangements in selected places

1. Background

1.1 In Hong Kong, the Public Finance Ordinance (Cap. 2) provides for the Government to seek approval from the Legislative Council (LegCo) for expenditure on services between the start of the new financial year and the enactment of the Appropriation Ordinance. The purpose of this information note is to provide the Subcommittee on Proposed Resolution under Section 7(1) of the Public Finance Ordinance (Cap. 2) with information on similar arrangements in the United Kingdom, Australia, Canada and New Zealand. The relevant interim budgetary arrangements in the places studied are summarized in the **Table** below.

Table – Overview of interim budgetary arrangements in Hong Kong, the United Kingdom, Australia, Canada and New Zealand

	Hong Kong	The United Kingdom	Australia	Canada	New Zealand
Financial year	<ul style="list-style-type: none"> 1 April to 31 March. 	<ul style="list-style-type: none"> 1 April to 31 March. 	<ul style="list-style-type: none"> 1 July to 30 June. 	<ul style="list-style-type: none"> 1 April to 31 March. 	<ul style="list-style-type: none"> 1 July to 30 June.
Submission of the annual expenditure plan to the legislature	<ul style="list-style-type: none"> Estimates laid before LegCo before or as soon as practicable after the commencement of the financial year to which they relate. 	<ul style="list-style-type: none"> Main Estimates presented to Parliament around the start of the new financial year (within five weeks of the Chancellor's Budget Statement). 	<ul style="list-style-type: none"> Normally in May. Budget may be presented at another time, traditionally in August, if a general election prevents it from being delivered in May. 	<ul style="list-style-type: none"> Main Estimates tabled on or before 1 March. 	<ul style="list-style-type: none"> Normally in May.
Timing of the passage of the Appropriation Bill	<ul style="list-style-type: none"> Usually not later than April or May. 	<ul style="list-style-type: none"> Sometime in July when Royal Assent is given to the Appropriation Act. 	<ul style="list-style-type: none"> Before the start of the financial year if followed the "May budget timetable". October or November if followed the "August budget timetable". 	<ul style="list-style-type: none"> Typically around June. 	<ul style="list-style-type: none"> Normally within three months of the presentation of the Budget.

Table – Overview of interim budgetary arrangements in Hong Kong, the United Kingdom, Australia, Canada and New Zealand (cont'd)

	Hong Kong	The United Kingdom	Australia	Canada	New Zealand
Interim budgetary arrangement	<ul style="list-style-type: none"> • Vote on Account. 	<ul style="list-style-type: none"> • Vote on Account. 	<ul style="list-style-type: none"> • Nil for the "May budget timetable". • Interim budgetary arrangement (Supply Bills) is required for the "August budget timetable". 	<ul style="list-style-type: none"> • Interim Supply Bill⁽¹⁾. 	<ul style="list-style-type: none"> • First Imprest Supply Bill⁽²⁾.
Presentation of the interim budgetary arrangement to the legislature	<ul style="list-style-type: none"> • Presented to LegCo in February and passed before the start of the financial year. 	<ul style="list-style-type: none"> • Presented to Parliament in November before the start of the new financial year on 1 April. • Vote on Account must be agreed by 6 February before the start of the new financial year on 1 April. 	<ul style="list-style-type: none"> • Introduced and passed in April or May. 	<ul style="list-style-type: none"> • Usually introduced in mid-March after tabling the Main Estimates on or before 1 March. • Funds sought under the Interim Supply Bill must be approved not later than 26 March. 	<ul style="list-style-type: none"> • Usually introduced in June after tabling the Budget in May. • Funds sought under the First Imprest Supply Bill are usually approved in June.

Notes: (1) When the Main Estimates are tabled in the House of Commons, they are referred to various Standing Committees which must report back to the House on their reviews of the Estimates. To provide for ongoing operations while the Main Estimates are under review, the Treasury Board of Canada Secretariat prepares an Interim Supply Bill. See Treasury Board of Canada Secretariat (2008c).

(2) Imprest Supply Bills are normally passed twice a year. The first Imprest Supply Bill covers all spending areas until the Appropriation Bill is passed. The second Imprest Supply Bill covers all additional expenses and capital expenditure after the passage of the Appropriation Bill.

Table – Overview of interim budgetary arrangements in Hong Kong, the United Kingdom, Australia, Canada and New Zealand (cont'd)

	Hong Kong	The United Kingdom	Australia	Canada	New Zealand
Computation of the appropriations required	<ul style="list-style-type: none"> For 2008-2009, funds sought under Vote on Account are calculated in percentage terms by reference to the provision shown in the Estimates of Expenditure 2008-2009. A maximum percentage of: <ol style="list-style-type: none"> 20% for Operating Account Recurrent subhead; and 100% for Operating Account Non-Recurrent subhead or Capital Account subhead. 	<ul style="list-style-type: none"> Around 45% of the previous financial year's net resources and net cash provision are covered by the Votes on Accounts⁽³⁾. For 2008-2009, funds sought under Vote on Account are around 45% of 2007-2008's net resources and net cash provision. Net resources represent current expenditure, while net cash provision incorporates the amounts required for capital expenditure, and to settle provisions for long-term liabilities, as well as to finance current expenditure. 	<ul style="list-style-type: none"> The appropriations set out in the Supply Bills usually represent a pro-rata extrapolation of the previous year's annual appropriations to cover the five-month period⁽⁴⁾. Supply Bill (No.1) covers salaries and administrative expenses while Supply Bill (No.2) provides for capital expenditure. 	<ul style="list-style-type: none"> The amounts granted for the Interim Supply Bill are expressed in twelfths of the amount to be voted in the Main Estimates⁽⁵⁾. The Interim Supply Bill covers both operating and capital expenditure. 	<ul style="list-style-type: none"> The amounts sought under the first Imprest Supply Bill usually provide interim appropriations for one-sixth (two months' worth) of the relevant appropriation sought for the current year⁽⁶⁾ with adjustment for uneven timing and risks. The first Imprest Supply Bill authorizes the incurring of expense and capital expenditure in anticipation of a formal appropriation by an Appropriation Act.

Notes: (3) The amounts sought should normally be sufficient to ensure that funding is not exhausted before the Appropriation Act is passed, but not so high as to pre-judge Parliament's consideration of the Main Estimates.

(4) The amounts sought in the Supply Bills should cover all spending areas from the start of the financial year on 1 July until the Budget is passed in October or November.

(5) The amounts sought in the Interim Supply Bill should cover the needs of the public service from the start of the new financial year to the date on which the Appropriation Bill is passed. Funds sought for the 2007-2008 Interim Supply Bill are based on the 2007-2008 Main Estimates.

(6) For example, funds sought under the 2007-2008 first Imprest Supply Bill is based on the annual appropriations included in the 2007-2008 estimates.

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Prepared by Michael YU
27 February 2008
Tel: 2869 9695

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