

**For discussion
on 10 March 2008**

**Legislative Council Panel on
Information Technology and Broadcasting**

**Follow up on the Allocation and Expenditure by Bureaux/Departments
under Capital Works Reserve Fund Head 710 Computerization
from 2000-2001 to 2006-2007**

Introduction

This paper provides additional information to Members on the Allocation and Expenditure by Bureaux/Departments (B/Ds) for the implementation of computerisation projects under Capital Works Reserve Fund (CWRF) Head 710 Computerisation. This information is meant to explain the difference between Allocation¹ and Expenditure on the Government's computerisation projects as well as the considerations in managing funds for these projects.

Background

2. In response to the request of the Information Technology and Broadcasting (ITB) Panel meeting on 12 November 2007, the Office of the Government Chief Information Officer (OGCIO) has provided the Panel, on 6 December 2007, with information on the amount of Allocation and Expenditure by B/Ds under CWRF Head 710 Computerization for the past seven years (from 2000-2001 to 2006-2007). A copy of the reply is attached at Appendix.

3. CWRF Head 710 Computerisation is the Head of Expenditure for funding administrative computer system projects and consultancies for feasibility studies and system development. Such projects can broadly be

¹ Allocation refers to the amount of cashflow allocated to a B/D with reference to the estimated expenditure requirement of the approved project in a given financial year.

categorized into Block Vote (BV) projects² and major projects³. BV projects are funded through a block allocation under CWRP Subhead Head 710 Subhead A007GX (the block allocation). The Financial Secretary has delegated to the Government Chief Information Officer the power to authorise expenditure under the block allocation. Major projects are funded under separate subheads under Head 710 and subject to the approval of the Finance Committee (FC). The subject bureaux/departments (B/Ds) as the project owners of these major computerisation projects are responsible for the funding submissions to the FC and monitoring project delivery.

Difference between Allocation and Expenditure on Computerisation Projects

4. The lifecycle of administrative computer projects typically goes through different project phases including feasibility studies, systems analysis and design, procurement, implementation and testing, culminating in project delivery and completion. The funding of these projects is in most cases done on an individual basis, with one funding item covering one computer project. In some cases, e.g. in implementing information system strategies, B/Ds may include more than one computer project in a single funding application.

5. The information given to the Panel on 6 December 2007 summarized the Allocation and Expenditure on computerisation projects over the seven financial years from 2000-2001 to 2006-2007, broken down by individual B/Ds. They cover both BV and major projects. The Allocation figures are in fact the estimated expenditure allocated to B/Ds for their computer projects. For ease of reference, they are summarized in **Table 1** below by financial year.

² A Block Vote project is a computer project with estimated cost between \$150,001 and \$10 million.

³ A major project is a computer project with estimated cost more than \$10 million.

Table 1: Estimated and Actual Expenditure under CWRP Head 710 between 2000-2001 and 2006-2007 for Block Vote and Major Projects						
Financial Year	Estimated Expenditure^(Note) (\$M)			Actual Expenditure (\$M)		
	BV	Major	Total	BV	Major	Total
2000-2001	542	987	1,529	499	599	1,098
2001-2002	601	889	1,490	531	482	1,013
2002-2003	613	1,027	1,640	576	494	1,070
2003-2004	565	1,259	1,824	497	626	1,123
2004-2005	421	1,380	1,801	361	625	986
2005-2006	538	1,197	1,735	388	412	800
2006-2007	506	1,487	1,993	457	488	945

Note: For BV projects, the estimated expenditure was less than the approved block allocation under the Head 710. For major projects, these were the original estimates appeared in the relevant Draft Estimates for CWRP, together with supplementary provision approved, if any.

6. In the table, the estimated expenditure is the project owners' best estimate of the cashflow requirements that match with the planned progress of the computerisation projects for a given financial year. The actual expenditure, on the other hand, represents the projects' ability to actually realize the expenditure in the relevant financial year. If the progress of the projects or the timing for disbursement of expenditure is such that the planned cashflow for a given year cannot be realized, the project owners will seek to modify and include the revised cashflow requirements in the Draft Estimates for CWRP in subsequent years, provided that the project owners could fully justify the revised funding requirements. It should be noted that the total expenditure of a given project cannot exceed the Approved Project Estimate (APE), for both BV and major projects. However, because of the mismatch between estimated expenditure and the projects' ability to spend in a given year, the aggregate figures may give a misleading impression that there is a tremendous "underspending", being the difference between estimated and actual expenditure. This phenomenon is particularly significant in the case of major projects that have relatively higher cashflows. However, the aggregated allocation is not meaningful at all as the unspent estimated expenditure in one year is included in the subsequent year.

7. As a matter of fact, such “underspending” in a particular financial year does not necessarily mean that the whole project has resulted in underspending. **Table 2** provides an analysis of the expenditure outturn of major projects completed during the said period, which shows a range from 80 to 98% of the APE. For BV projects, the average expenditure level was 85% of the APE.

Table 2 : Expenditure Outturn of Major Projects Completed between 2000-2001 and 2006-2007				
Financial Year	No. of Project Completed	Total Approved Project Estimates (APE) (\$M)	Actual Expenditure (\$M)	% of Expenditure against APE
	(a)	(b)	(c)	(c) / (b) x 100%
2000-2001	6	259	230	89%
2001-2002	8	218	195	90%
2002-2003	4	256	238	93%
2003-2004	7	408	327	80%
2004-2005	6	651	597	92%
2005-2006	5	247	243	98%
2006-2007	4	631	509	81%

Managing Funds for Computerisation Projects

8. In preparation of the annual Draft Estimates for CWRF, the Controlling Officers of the subject B/Ds will assess the cashflow requirements of their major computerisation projects realistically for inclusion in the Draft Estimates.

9. For BV projects, to ensure optimal utilization of the approved provision, cashflow requirements of approved BV projects will be reviewed and allocated on a half-yearly or quarterly basis subject to the utilization situation of the BV. In the funding allocation exercise, B/Ds will be reminded to provide more realistic estimates according to the project implementation plan, and to spend according to schedule. They are also

required to indicate the degree of certainty of spending of the project estimates.

10. The OGCIO is responsible for coordinating, managing and monitoring the capital funding for all BV projects. Project progress and spending situation will be monitored. For BV projects, subject B/Ds are required to submit reports to OGCIO on a regular basis. When a serious underspending⁴ situation is identified, OGCIO will liaise closely with the concerned B/Ds to ensure timely implementation of project milestones and other mitigation measures be taken to improve the cashflow situation.

11. Controlling Officers of the respective subject B/Ds are responsible for the day-to-day management and delivery of their computer projects, including contractual and funding arrangements of these projects. For major projects, they are also required to provide quarterly returns to the OGCIO. In cases where underspending is identified, OGCIO will provide support and advice in facilitating B/Ds to improve the project progress and avert delays in implementation and expenditure. These measures include:

- (a) reviewing project plans with project owners to work out more accurate estimates on project spending. Guidelines are promulgated to assist B/Ds in devising project plans and reporting project progress;
- (b) providing advice and assistance to B/Ds in identifying and resolving any contract management issues in outsourced projects; and
- (c) helping B/Ds to sustain the improvements, skills and knowledge of the B/Ds in managing outsourced projects. Briefing sessions and project management training courses will be organized for IT managers and user managers of B/Ds.

12. To assist B/Ds in the smooth implementation of IT projects on the one hand and to improve the spending position of major projects on the other, the Government has strengthened the governance of IT projects by introducing the project governance mechanism to B/Ds since April 2006. The objectives of the project governance mechanism are (i) to better monitor IT projects in the Government to ensure effective implementation

⁴ BV projects with underspending exceeding \$200,000 and 20% of the estimated expenditure of the financial year will be considered as high underspending projects.

with focus on large scale, complex, and high risk projects, and (ii) to assist B/Ds in better management of their IT projects by providing advice on project management practices and risk control.

13. The central role of OGCIO in the governance of Government IT projects has been strengthened by playing a more proactive and visible role in large scale, complex and high-risk projects for which head of B/Ds retain their management responsibilities.

14. With the strengthened project governance measures, it is expected that IT management capability of B/Ds will be enhanced, thereby, improving the cashflow management of IT projects.

Way Forward

15. We will continue to monitor the spending position of CWRP Head 710 Computerisation and introduce improvement measures where necessary.

Office of the Government Chief Information Officer

Commerce and Economic Development Bureau

March 2008

香港特別行政區政府
政府資訊科技總監辦公室



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GOVERNMENT CHIEF INFORMATION
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日期 Date: 6 December 2007

Miss Erin TSANG
Clerk to Panel on Information Technology and Broadcasting
Legislative Council Building
8 Jackson Road, Central
Hong Kong

Dear Miss Tsang,

**Information Requested by the Panel on Information Technology and
Broadcasting Meeting on 12 November 2007**

At the Panel meeting on 12 November, the Chairman asked the Administration to provide the information on the allocation under CWRF Head 710 Computerization for the past seven years, showing the amount of allocation and expenditure by B/Ds, and the present in-house IT manpower resources within the Government, and make an analysis of the present IT manpower situation in the Government in comparison with other governments and advanced countries.

2. Enclosed at the Annex please find the information on the allocation under CWRF Head 710 Computerization for the past seven years, showing the amount of allocation and expenditure by B/Ds.

3. On the comparison of in-house IT manpower resources with other governments, this information is not readily available on public resources. We shall nonetheless continue to look for relevant sources and will update the Panel on the outcome in due course.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'CFAN', written in a cursive style.

(Caroline FAN)

for Government Chief Information Officer

**Summary of allocation and expenditure by B/Ds
under CWRP Head 710 Computerization from 2000-2001 to 2006-2007**

Bureau / Department	Allocation from 2000-2001 to 2006-2007		Expenditure from 2000-2001 to 2006- 2007	
	(\$)	% to Total	(\$)	% to Total
Agriculture, Fisheries and Conservation Department	69,097,790	0.58%	49,768,502	0.71%
Auxiliary Medical Service	2,337,119	0.02%	2,186,645	0.03%
Architectural Services Department	88,229,271	0.73%	53,587,173	0.76%
Audit Commission	7,217,392	0.06%	6,954,084	0.10%
Buildings Department	110,074,341	0.92%	84,921,988	1.21%
Customs and Excise Department	235,285,971	1.96%	205,855,725	2.92%
Census and Statistics Department	152,936,494	1.27%	125,597,612	1.78%
Civil Aviation Department	20,481,934	0.17%	17,447,514	0.25%
Civil Aid Service	12,016,078	0.10%	11,533,505	0.16%
Commerce and Economic Development Bureau	606,491,742	5.05%	367,791,421	5.22%
Civil Engineering and Development Department	51,620,515	0.43%	44,865,001	0.64%
Chief Executive's Office	8,181,707	0.07%	6,065,434	0.09%
Constitutional and Mainland Affairs Bureau	7,678,910	0.06%	6,485,866	0.09%
Central Policy Unit	2,597,870	0.02%	1,851,694	0.03%
Chief Secretary for Administration's Office	35,163,530	0.29%	22,835,914	0.32%
Civil Service Bureau	49,517,614	0.41%	46,839,519	0.66%
Correctional Services Department	88,365,253	0.74%	86,073,963	1.22%
Civil Service Training and Development Institute	7,072,542	0.06%	5,522,074	0.08%
Development Bureau	66,309,394	0.55%	52,164,096	0.74%
Department of Health	501,013,795	4.17%	204,930,852	2.91%
Department of Justice	53,658,062	0.45%	50,391,495	0.72%
Drainage Services Department	25,296,228	0.21%	21,857,477	0.31%
Education Bureau	702,903,299	5.85%	339,569,496	4.82%
Electrical and Mechanical Services Department	40,059,441	0.33%	37,196,680	0.53%
Environment Bureau	7,962,422	0.07%	4,511,582	0.06%
Environmental Protection Department	99,913,433	0.83%	83,158,835	1.18%
Efficiency Unit	16,173,371	0.13%	11,787,624	0.17%
Food and Environmental Hygiene Department	73,260,559	0.61%	68,516,836	0.97%
Food and Health Bureau	14,908,844	0.12%	7,887,943	0.11%
Fire Services Department	50,580,626	0.42%	39,433,022	0.56%

Bureau / Department	Allocation from 2000-2001 to 2006-2007		Expenditure from 2000-2001 to 2006- 2007	
	(\$)	% to Total	(\$)	% to Total
Financial Services and the Treasury Bureau	27,058,518	0.23%	22,712,536	0.32%
Government Flying Service	13,545,195	0.11%	12,105,566	0.17%
Government Logistics Department	70,247,241	0.58%	51,766,407	0.73%
Government Laboratory	18,980,227	0.16%	15,496,516	0.22%
Government Property Agency	15,741,294	0.13%	14,945,431	0.21%
Government Records Service	12,048,843	0.10%	7,766,121	0.11%
Home Affairs Bureau	13,580,706	0.11%	8,864,747	0.13%
Home Affairs Department	69,424,761	0.58%	55,851,069	0.79%
Hong Kong Observatory	34,244,223	0.29%	32,024,186	0.45%
Hong Kong Police Force	401,721,959	3.34%	240,391,437	3.41%
Highways Department	53,441,324	0.44%	49,287,347	0.70%
Independent Commission Against Corruption	182,957,653	1.52%	100,783,514	1.43%
Immigration Department	3,240,197,625	26.97%	1,435,597,818	20.38%
Invest Hong Kong	16,483,095	0.14%	14,080,367	0.20%
Independent Police Complaints Council	2,200,875	0.02%	1,946,731	0.03%
Intellectual Property Department	2,545,467	0.02%	2,346,366	0.03%
Inland Revenue Department	338,145,132	2.81%	260,779,597	3.70%
Information Services Department	76,469,926	0.64%	71,236,289	1.01%
Innovation and Technology Commission	15,116,999	0.13%	12,815,591	0.18%
Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	2,177,437	0.02%	796,702	0.01%
Judiciary	193,649,590	1.61%	161,591,774	2.29%
Legal Aid Department	130,457,213	1.09%	61,158,505	0.87%
Lands Department	182,563,223	1.52%	127,862,913	1.82%
Leisure and Cultural Services Department	535,221,851	4.46%	391,580,349	5.56%
Labour Department	159,424,949	1.33%	139,261,041	1.98%
Labour and Welfare Bureau	4,528,000	0.04%	3,014,566	0.04%
Marine Department	40,177,116	0.33%	35,559,210	0.50%
Office of Commissioner of Insurance	17,114,597	0.14%	16,277,609	0.23%
Office of the Government Chief Information Officer	476,843,954	3.97%	391,503,084	5.56%
Office of the Ombudsman	3,466,560	0.03%	3,466,560	0.05%
Official Receiver's Office	21,610,167	0.18%	20,403,522	0.29%
Planning Department	81,484,866	0.68%	68,252,336	0.97%
Public Service Commission	3,213,924	0.03%	3,028,236	0.04%
Registration and Electoral Office	105,425,838	0.88%	61,344,905	0.87%
Radio Television Hong Kong	13,528,715	0.11%	11,214,141	0.16%
Rating and Valuation Department	87,003,822	0.72%	77,902,510	1.11%
Security Bureau	38,945,967	0.32%	28,791,811	0.41%

Bureau / Department	Allocation from 2000-2001 to 2006-2007		Expenditure from 2000-2001 to 2006- 2007	
	(\$)	% to Total	(\$)	% to Total
Secretariat, Commissioner on Interception of Communications and Surveillance	1,882,638	0.02%	1,778,658	0.03%
Student Financial Assistance Agency	44,981,319	0.37%	35,699,568	0.51%
Social Welfare Department	612,186,111	5.10%	262,323,690	3.72%
Transport Department	455,818,270	3.79%	120,634,661	1.71%
Television and Entertainment Licensing Authority	16,796,683	0.14%	14,817,655	0.21%
Transport and Housing Bureau	7,446,954	0.06%	6,961,166	0.10%
Trade and Industry Department	65,881,997	0.55%	60,321,220	0.86%
Treasury	414,237,941	3.45%	178,352,740	2.53%
University Grants Committee Secretariat	12,949,770	0.11%	12,066,735	0.17%
Water Supplies Department	472,910,587	3.94%	269,503,448	3.83%
Total	12,012,486,665	100%	7,043,856,523	100%

Remarks:

- (1) The figures above include both major projects (project cost above \$10 million) and Block Vote projects (project cost between \$0.15 million and \$10 million) funded under CWRP Head 710 Computerisation.
- (2) Allocation refers to the estimated cashflow requirements of approved projects in the respective financial year.