

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.

References

Hong Kong

1. Financial Services and the Treasury Bureau. (2008) *Proposed Resolution to be Moved by the Secretary for Financial Services and the Treasury under the Public Finance Ordinance*. Available from: <http://www.legco.gov.hk/yr07-08/english/hc/papers/hc0222cb3-387-e.pdf> [Accessed 26 February 2008].
2. Legislative Council Secretariat. (2008) *Legal Service Division Report on Proposed Resolution under Section 7(1) of the Public Finance Ordinance (Cap. 2)*. Paper for the House Committee Meeting on 22 February 2008. LC Paper No. LS52/07-08.

The United Kingdom

3. 10 Downing Street. (2007) *Public Estimates Brief 2007*. Available from: <http://www.number10.gov.uk/files/pdf/28.Public%20Estimates%20Brief%202007.pdf> [Accessed 26 February 2008].
4. HM Treasury. (2007a) *Central Government Supply Estimates 2008-09 – Vote on Account*. Available from: http://www.hm-treasury.gov.uk/media/3/A/voteonaccount_201107.pdf [Accessed 26 February 2008].
5. HM Treasury. (2007b) *Main Estimates, 2007-08*. Available from: http://www.hm-treasury.gov.uk./documents/public_spending_reporting/estimates/psr_estimates_main07-08.cfm [Accessed 26 February 2008].
6. HM Treasury. (2008a) *Parliamentary Supply Estimates*. Available from: http://www.hm-treasury.gov.uk/documents/public_spending_reporting/estimates/psr_estimates_vote_on_account.cfm [Accessed 26 February 2008].
7. HM Treasury. (2008b) *Supply Estimates: A Guidance Manual*. Available from: http://www.hm-treasury.gov.uk/media/E/A/estimates_manual011007.pdf [Accessed 26 February 2008].
8. House of Commons Information Office. (2003) *Factsheet P6: Financial Procedure*. Available from: <http://www.parliament.uk/documents/upload/P06.pdf> [Accessed 26 February 2008].

-
-
9. May, E. (2004) *Erskine May's Treatise on the Law, Privileges, Proceedings, and Usage of Parliament*. 23rd ed. LexisNexis UK.

Australia

10. Evans, H. (2004) *Odgers' Australian Senate Practice*. 11th ed. Available from: <http://www.aph.gov.au/Senate/pubs/odgers/> [Accessed 26 February 2008].
11. House of Representatives. (2004) *Infosheet No. 10 – The Budget and Financial Legislation*. Available from: <http://www.aph.gov.au/HOUSE/info/infosheets/is10.pdf> [Accessed 26 February 2008].
12. House of Representatives. (2005) *House of Representatives Practice*. 5th ed. Available from: <http://www.aph.gov.au/house/pubs/PRACTICE/> [Accessed 26 February 2008].
13. *Parliamentary Education Office*. (2008) Available from: http://www.peo.gov.au/students/gloss_rs.html [Accessed 26 February 2008].

Canada

14. House of Commons. (2007) *Standing Orders of the House of Commons*. Available from: <http://www.parl.gc.ca/information/about/process/house/standingorders/toc-e.htm> [Accessed 26 February 2008].
15. House of Commons. (2008) *Compendium*. Available from: http://www.parl.gc.ca/compendium/web-content/c_a_index-e.htm [Accessed 26 February 2008].
16. Library of Parliament. (2004) *Appropriations and the Business of Supply*. Available from: <http://www.tbs-sct.gc.ca/est-pre/estime.asp> [Accessed 26 February 2008].
17. Marleau, R. & Montpetit, C. (ed.) (2000) *House of Commons Procedure and Practice*. Available from: <http://www.parl.gc.ca/MarleauMontpetit/DocumentViewer.aspx?DocId=1001&Sec=Ch001&Seq=1&Lang=E> [Accessed 26 February 2008].
18. Office of the Auditor General of Canada. (2006) *An Overview of the Federal Government's Expenditure Management System*. Available from: <http://www.oag-bvg.gc.ca/internet/docs/20061100ce.pdf> [Accessed 26 February 2008].

-
19. Treasury Board of Canada Secretariat. (2007) *Tabling of the Government of Canada's 2007-2008 Reports on Plans and Priorities*. Available from: http://www.tbs-sct.gc.ca/media/nr-cp/2007/0329_e.asp [Accessed 26 February 2008].
 20. Treasury Board of Canada Secretariat. (2008a) *Appropriation Acts (Supply Bills)*. Available from: <http://www.tbs-sct.gc.ca/est-pre/estime.asp> [Accessed 26 February 2008].
 21. Treasury Board of Canada Secretariat. (2008b) *Main Estimates*. Available from: <http://www.tbs-sct.gc.ca/est-pre/estime.asp> [Accessed 26 February 2008].
 22. Treasury Board of Canada Secretariat. (2008c) *Tools and Resources for Parliamentarians*. Available from: <http://www.tbs-sct.gc.ca/tbs-sct/audience-auditore/parliamentarian-parlementaire-eng.asp> [Accessed 26 February 2008].

New Zealand

23. House of Representatives. (2005) *Standing Orders of the House of Representatives*. Available from: <http://www.parliament.nz/NR/rdonlyres/078D6043-9E03-4D87-93BA-A6BB84ACC063/6619/standingorders20095.pdf> [Accessed 26 February 2008].
24. *Imprest Supply (First for 2007/08) Bill*. Available from: http://www.parliament.nz/NR/rdonlyres/C4314130-C46A-4E8F-A2F4-5DE1E13F42BF/62679/DBHOH_BILL_7963_5145.pdf [Accessed 26 February 2008].
25. Parliamentary Library. (2007a) *Budget 2007: Overview of the Financial Cycle and Published Reports*. Available from: <http://www.parliament.nz/NR/rdonlyres/0C2C3401-9604-472B-9FEB-EAD48D728BC2/55255/Budget2007Part1rev1.pdf> [Accessed 26 February 2008].
26. Parliamentary Library. (2007b) *Budget 2007: Reading the Budget Documents*. Available from: <http://www.parliament.nz/NR/rdonlyres/0D037190-495A-413E-84A4-A617ACD5B023/54493/Budget2007part3.pdf> [Accessed 26 February 2008].
27. The Treasury. (2005) *A Guide to the Public Finance Act*. Available from: <http://treasury.govt.nz/publications/guidance/publicfinance/pfaguide/guide-pfa.pdf> [Accessed 26 February 2008].

-
28. The Treasury. (2007) *Budget Process – Overview for Departments and Ministerial Offices*. Available from: <http://www.treasury.govt.nz/publications/guidance/budget/process/overview/bud-proc-overview08.pdf> [Accessed 26 February 2008].

Prepared by Michael YU
27 February 2008
Tel: 2869 9695

Information notes are compiled for Members and Committees of the Legislative Council. They are not legal or other professional advice and shall not be relied on as such. Information notes are subject to copyright owned by the Legislative Council Commission (the Commission). The Commission permits accurate reproduction of the information notes for non-commercial use in a manner not adversely affecting the Legislative Council, provided that acknowledgement is made stating the Research and Library Services Division of the Legislative Council Secretariat as the source and one copy of the reproduction is sent to the Legislative Council Library.