

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

**Arrangements for resolutions under section 7(1)
of the Public Finance Ordinance (Cap. 2)**

Suggestions of the Subcommittee formed to examine the Vote on Account (VOA) Resolution for the 2008-2009 financial year	The Administration's proposed arrangements presented to the Panel on Financial Affairs at the meeting on 1 December 2008	Arrangements for the proposed VOA Resolution for the 2009-2010 financial year
1. Scrutiny period		
<p>The Administration should make reference to evolving past practice and critically review the existing arrangement for seeking funds on account, including the suggestion of giving notice to move the motion on the VOA resolution after the Estimates of Expenditure for the coming financial year have been laid before the Council, and including in the proposed resolution as far as practicable information on the subheads for which funds on account are being sought.</p>	<p>The Administration would make its best endeavours to schedule the VOA resolution day at least two weeks after the Budget Day. In other words, the Administration will endeavour to restore the previous practice, during 1976 to 2003, of allowing an interval of 12 to 14 days (instead of the 7-day interval in the past few years) between the release of the Estimates of Expenditure and the passage of the VOA resolution.</p>	<p>The Administration gave notice on 18 February 2009 to move the motion on the VOA resolution on 11 March 2009, i.e. two weeks after the Budget Day on 25 February 2009.</p>

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<p>2. Computation of the interim funding required</p>		
<p>The Administration should review the existing funding formula. Specifically, in respect of non-recurrent expenditure subheads, to consider seeking funds on account for urgent or essential items only and to examine whether a funding proportion of lower than 100% should be adopted.</p>	<p>For non-recurrent subheads under the Operating Account which set out the funding requirements for approved commitments, the Administration proposes to continue seeking 100% of the provision during the VOA period as the payment patterns for commitments under these subheads are often lumpy and irregular¹.</p> <p>In respect of non-recurrent Subhead 789 Additional Commitments which provides for any unavoidable expenditure that may arise during the year in excess of the amounts provided under other heads and subheads, the Administration would assess the funds to be required during the VOA period and recommend the provision of an absolute amount on a need basis.</p>	<p>Honouring its proposal to seek funds on account only on a need basis in respect of Subhead 689 and Subhead 789 Additional Commitments, the Administration is seeking \$1,000,000,000 in respect of Subhead 789 Additional Commitments (out of the full-year provision of \$8,087,762,000, i.e. about 12.4%, for this subhead under the draft Estimates for 2009-2010) and is not seeking any funds in respect of Subhead 689 Additional Commitments under the proposed resolution.</p> <p>According to the Administration (as indicated in the Footnote to the draft speech by the Secretary for Financial Services and the Treasury on moving the motion), the amount of \$1,000,000,000 sought under Subhead 789 is for expected</p>

¹ In the year 2007-2008, expenditure for the commitment 'Antiviral Stockpile for Influenza Pandemic' was incurred in May and June only. The expenditure for the two months accounted for over 70% of the actual expenditure for the subhead in the year.

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	<p>There is also an Additional Commitments subhead under the Capital Account (Subhead 689) with nature similar to Subhead 789. The Administration proposes to apply the same arrangement above for the subhead.</p>	<p>contribution to the Mandatory Provident Fund accounts and for contingency.</p>
<p>3. Use of funds on account²</p>		
<p>The Administration should provide more detailed information on the background, purpose and effect of the clause in the VOA resolution relating to the Financial Secretary (FS)'s power to vary the funds on account in respect of any subhead and to consider the need or otherwise to retain the clause in future resolutions.</p>	<p>The Administration explained that as illustrated by the precedent cases, it is indeed possible that the Administration has to deal with unexpected circumstances during the VOA period and to quickly authorize spending over and above the amount voted on account for individual subheads, subject to the full-year provision for the relevant subhead as appearing in</p>	<p>The Administration will abide by the arrangements for reporting to the Finance Committee in case FS has to approve the said variations during the VOA period.</p>

² The Subcommittee had also expressed concern about the Administration's discretion to directly utilize the funding under subheads for Additional Commitments (notably Subheads 251 and 789) of Head 106. The Administration confirmed through the Secretary for Financial Services and the Treasury's speech when moving the motion for the VOA resolution on 5 March 2008 that provisions under these subheads for Additional Commitments are for meeting unavoidable expenditure in 2008-2009 in excess of the amounts provided under other heads, for instance, the expenditure for implementing certain measures proposed in the 2008 Budget. The Government would later transfer the required funding from Head 106 to the respective heads and subheads in accordance with the established procedures to meet the actual expenditure. According to the existing limits of the authority delegated by the Finance Committee, any such transfer in excess of \$10 million as well as the creation of non-recurrent commitments exceeding \$10 million require the approval of the Committee.

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	the Annual Estimates and the aggregate amount of funds on account not being exceeded. The Administration has also been exercising prudence in making variations to the funds on account, as evidenced by the small sums involved in the past. To increase transparency, while retaining the FS's power to vary the funds approved for individual subheads under the VOA resolution, the Administration would submit reports to the Finance Committee on any variations so approved by FS.	