

財經事務及庫務局
(庫務科)



FINANCIAL SERVICES AND
THE TREASURY BUREAU
(The Treasury Branch)

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本函檔號 Our Ref.: TsyB C 186/645-10-99/1/0(C) Pt.3

來函檔號 Your Ref.:

5 July 2011

Clerk to the Finance Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

BY FAX

(Attn : Mrs Constance Li)

Dear Constance,

Follow-up on the Meeting of the Finance Committee on 13 May 2011

During the discussion of Item FCR(2011-12)8 on Injection into the Community Care Fund at the captioned meeting, Members requested information on control over funds set up with seed money approved by the Finance Committee (FC). The requested information is set out in ensuing paragraphs.

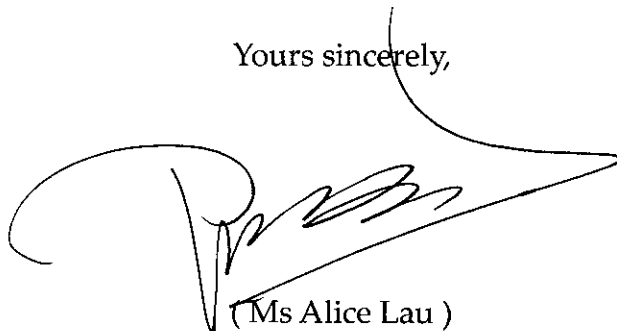
The Government has a long history of setting up funds for special purposes. In terms of status, some funds have specific ambits defined by law or their trust deeds. Others have no legal status and are set up in the form of non-recurrent commitments approved by the Finance Committee (FC) with their ambits defined in the relevant FC submissions. For funds that serve an on-going purpose, some support their operations using investment returns generated from government injection as seed money. Others receive additional government injections from time to time to replenish depletion in cash balance. There are also funds that have a limited lifespan: they are dissolved either when funding is fully expended, or by a definite end date with unspent balance returned to the general revenue.

In terms of funding arrangements, providing seed money for funds generates investment returns to support the operation of the funds on a long-term basis. Such a funding mode provides the funds in question with flexibility in deploying resources to implement initiatives in support of their objectives and in meeting cash flow requirements. It also shields the funds from fluctuations in the Government's overall fiscal position. Control mechanisms with checks and balances are put in place to ensure that resources are deployed prudently.

By way of example, the Quality Education Fund (QEF) and the Research Endowment Fund (REF) are funds supported by investment returns from seed money. The Permanent Secretary for Education Incorporated acts as the trustee of QEF and REF by virtue of the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098). The annual audited accounts of these funds are tabled before the Legislative Council as required by the Ordinance. QEF has established a Steering Committee to advise on policies and procedures governing the operation of QEF. Regarding REF, the University Grants Committee is responsible for advising the trustee on the operation, investment and use of the fund. Both funds have a set of criteria for the allocation of grants and have formulated policies on the administration and investment of the funds. Information on the projects approved with the support of the funds is available on the relevant websites.

Each of the funds set up has its own specified policy objectives. In order to ensure that the funds will achieve these objective, the responsible bureaux/departments will manage the funds in an appropriate manner, including ensuring the funds are operated in accordance with the law, monitoring the operation of the funds, reviewing the deployment of the funds, and launching publicity programmes if necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Alice Lau', written in a cursive style. The signature is positioned above the printed name '(Ms Alice Lau)'.

(Ms Alice Lau)
for Secretary for Financial Services and the Treasury