

Legislative Council Panel on Financial Affairs

Consultation Process for the 2012-13 Budget

Purpose

This paper advises Members of the consultation arrangements for the 2012-13 Budget.

Background

2. It has been an established practice for the Financial Secretary (FS) to consult Members of the Legislative Council (LegCo), relevant stakeholders and the public when drawing up the Budget. These consultations are an important part of the budgetary process to ensure that proposals in the Budget are in line with the community's needs and priorities.

3. Before the 2003-04 Budget¹, FS usually conducted consultations on expenditure proposals in June/July and on revenue proposals in October each year. This arrangement largely reflects the government budgetary process and our internal resource allocation mechanism². During the first round of consultations, the Administration received views on expenditure priorities and considered them in the context of the internal resource allocation mechanism. Revenue proposals received during the second round of consultations would be considered when drawing up revenue measures in the Budget. Although the exact time and format of the consultations vary to suit the practical needs of each year's circumstances, the consultation process followed roughly this pattern.

¹ In the light of the impact of the Asian financial crisis on public finances, FS consulted Members on the 2000-01 Budget by seeking views on both expenditure and revenue proposals in one go in October 1999.

² The annual budget cycle starts in May/June when bureaux/departments submit bids for funding new and improved services. The internal resource allocation mechanism is completed by end September/early October. Key new initiatives are normally announced in the Policy Address and funding will be included in the following Budget.

4. The two rounds of consultations were combined into one in November 2002 for the 2003-04 Budget, and has been the practice since then. FS consults LegCo Members, the general public, District Councils, Committee of Strategic Development, chambers of commerce, Heung Yee Kuk, media organizations, financial institutes, professional bodies and other organizations/groups on the coming budget at around December/January.

The 2012-13 Budget Consultation

5. We have reviewed the consultation arrangements for the Budget. We consider consultation an important part of the budgetary process to ensure that proposals in the Budget meet the needs and expectations of the community. It is an interactive process which encourages various sectors of the community to voice their views. It promotes rational discussion and enhances public awareness of budgetary principles and considerations. The Government invites views proactively, examines all proposals carefully and balances different considerations in a pragmatic and responsible manner in drawing up the Budget.

6. We note, however, that some of the proposals received during the budget consultations involve major policy considerations. The relevant bureaux and departments need time to consider such proposals and analyse their implications and feasibility. We therefore propose to fine-tune the consultation process for the 2012-13 Budget. More specifically, we plan to revert to the previous arrangement of conducting two rounds of consultations, the first round in the summer and the second round towards the end of the calendar year.

7. We believe that in the management of public finances, policy leads and resources follow. A key function of the Budget is to make suitable funding arrangements to enable implementation of initiatives announced in the Policy Address. With this in mind, we will conduct the first round of budget consultations on expenditure as part of the Policy Address consultations in August/September 2011. Combining the Policy Address and Budget consultations will improve the coordination and interaction between policy formulation and budgetary planning. This arrangement should facilitate more comprehensive consultations and informed discussion with LegCo and the community. Bringing forward the budget consultations on expenditure will also allow bureaux and departments more time to consider the views received and to submit funding proposals where necessary according to the internal resource allocation mechanism.

8. The second round of Budget consultations on revenue will be conducted in November/December 2011. LegCo and the public can offer views on revenue measures in the light of initiatives announced in the Policy Address. Changes in and the latest developments of the economic trends and fiscal environment may then be taken into account.

9. We consider that the revised consultation arrangements outlined in paragraphs 7 and 8 above will better integrate the policy formulation process with budgetary planning and facilitate the community's discussions on public finance priorities.

Timetable

10. The timetable for consultations on the 2012-13 Budget is set out as follows –

<u>Date</u>	<u>Event</u>
August/September 2011	<p>As part of Policy Address consultations, conduct first round of Budget consultations on expenditure.</p> <p>The Administration, led by the Chief Executive (CE), invites policy proposals for the Policy Address and funding proposals for the Budget. FS provides economic and financial updates to facilitate discussion.</p> <p>Bureaux and departments consider proposals received and follow up as necessary according to internal resource allocation mechanism.</p>
November/December 2011	<p>Conduct second round of Budget consultations on revenue, after allowing time for public discussion of initiatives announced by CE in the Policy Address.</p>