

# **立法會**

## ***Legislative Council***

LC Paper No. FC54/17-18

### **Finance Committee**

#### **Background brief prepared by the Legislative Council Secretariat on the block allocations mechanism under the Capital Works Reserve Fund**

#### **Purpose**

This paper provides background information on the block allocations mechanism under the Capital Works Reserve Fund ("CWRP") and a brief account of the issues of concerns raised by members during the deliberations of the Finance Committee ("FC") and the Public Works Subcommittee ("PWSC") on the financial proposals on the block allocations in recent legislative sessions.

#### **Background**

2. According to the Administration,<sup>1</sup> expenditure items under the CWRP must generally be approved by the FC on a project-by-project basis in accordance with the terms of the Resolution made by the Legislative Council ("LegCo") in establishing the CWRP. To enable more efficient operation of FC and PWSC so that they may concentrate on the more important and higher value projects, FC has authorized the Administration to approve expenditure on individual projects under CWRP block allocation subheads, subject to the respective financial ceiling for individual items and the projects meeting the ambit of the relevant subheads.<sup>2</sup> The Administration may exercise its delegated authority and

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<sup>1</sup> FCRI(2013-14)15

<sup>2</sup> The ambits of block allocation subheads are set out in the Memorandum Note on CWRP in Volume II (Funds Accounts) of the annual Estimates. Such information is available in the Administration's submissions on CWRP block allocations to PWSC.

create such Category D items<sup>3</sup> as far as the delegated power permits, and does not require consulting the PWSC on individual items. Since 1983, the Administration has been seeking funding for the CWRP block allocations on a lump-sum basis every year,<sup>4</sup> and approving Category D items pursuant to the delegated authority of the FC.

3. At present, there are a total of 26 block allocations under CWRP, of which 21 are subject to a financial ceiling of \$30 million in spending on each item. The remaining five block allocations are either not subject to a financial ceiling per item or a different financial ceiling per item as follows:

| <b>Subhead</b>   | <b>Financial ceiling per item</b> |
|--|-----------------------------------|
| Subhead 1004CA – Compensation for surrenders and resumptions: miscellaneous (under Head 701 – Land Acquisition)          | Nil <sup>Note</sup>               |
| Subhead 1100CA – Compensation and ex-gratia allowances in respect of projects in PWP (under Head 701 – Land Acquisition) | Nil <sup>Note</sup>               |
| Subhead 5001BX – Landslip preventive measures (under Head 705 – Civil Engineering)                                       | Nil <sup>Note</sup>               |
| Subhead 6101TX – Universal Accessibility Programme (under Head 706 – Highways)   | \$75 million                      |
| Subhead A007GX – New administrative computer systems (under Head 710 – Computerisation)                                  | \$10 million                      |

Note: According to the Administration,<sup>5</sup> FC has delegated the authority to the relevant controlling officers to approve individual items without a financial limit, provided the spending is a proper charge to the subheads and the aggregate expenditure does not exceed the annual allocation approved by FC.

<sup>3</sup> According to paragraph 3 of the information note FCRI(2007-08)2 provided by the Administration, Category D items are essentially minor works projects or standalone studies funded by the works-related block allocations under CWRP.

<sup>4</sup> An exception to the above practice was the approval of proposal on block allocations for 1996-1997. Instead of submitting a single proposal on the block allocations as in the rest of the years, the Administration submitted 11 proposals, each on one CWRP Head of Expenditure, on block allocations for 1996-1997 to PWSC/FC. The said proposals were discussed and voted on by PWSC on 7 February 1996 and approved by FC on 8 March 1996.

<sup>5</sup> Source: PWSC(2016-17)37

4. For further details on the establishment of CWRP and the mechanism for approving expenditure for CWRP block allocation subheads, members may wish to refer to paragraphs 2 to 9 of the information note (LC Paper No. LS 12/17-18) prepared by the Legal Service Division.

### **Issues of concerns regarding the block allocations mechanism**

5. In recent years, when financial proposals were deliberated by FC and PWSC, issues related to the CWRP block allocations mechanism were raised. In particular, there were various requests from members to take out certain projects from the respective block allocations proposals for separate discussion and/or voting. A brief account of these instances is set out in the ensuing paragraphs.

#### Block allocations for 2014-2015

6. When the block allocations proposal for 2014-2015, i.e. PWSC(2013-14)27, was considered at the PWSC meeting on 18 December 2013, a member requested that the item "Southeast New Territories landfill extension – consultancy study for design and construction" be removed from the proposal for separate discussion and voting at a future meeting. The Administration advised that the purpose of the block allocations proposal was to seek FC's approval for the provisions for each of the block allocation subheads under CWRP, but not the proposed list of items as the Administration might adjust the list during the course of the year to cater for changing circumstances. The PWSC Chairman directed that the block allocations proposal should be dealt with in accordance with the prevailing practice of the Subcommittee, and that no individual item would be taken out from the proposal for separate discussion/voting.<sup>6</sup>

7. Prior to the FC meeting on 10 January 2014 at which PWSC(2013-14)27 was scheduled to be considered, Hon Frederick FUNG requested separate voting on three items related to landfill extension projects and one item related to integrated waste management facilities, whereas Dr Hon KWOK Ka-ki requested separate voting on the said

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<sup>6</sup> At the request of a member at the PWSC meeting, the Administration provided a paper setting out the background of the CWRP block allocations mechanism (LC Paper No. PWSC33/13-14(01)).

three items related to landfill extension projects.<sup>7</sup> Considering that the members' requests of taking out some items from the CWRP block allocations proposal for separate voting would constitute a change to FC's long-established practice for dealing with block allocations proposals, the FC Chairman informed members vide LC Paper No. FC30/13-14(01) that he would, at the time when the Committee began to deliberate on the block allocations proposal, first invite members to consider the question as to whether they would agree to the proposed change to the existing practice adopted by FC.

8. However, just before the FC meeting commenced, the Administration submitted a supplementary note (FCR(2013-14)48A) to amend the original funding proposal (PWSC(2013-14)27) by reducing the funding sought for the said proposal by an amount representing the cash flow requirement of the three items related to landfill extension projects.<sup>8</sup> After deliberations, FC approved the proposal as amended.

#### Block allocations for 2015-2016

9. Prior to the PWSC meeting on 10 February 2015 at which the block allocations proposal for 2015-2016, i.e. PWSC(2014-15)52, was scheduled to be considered, two members separately requested that certain items under Subhead 1100CA – Compensation and ex-gratia allowances in respect of projects in PWP of Head 701 – Land Acquisition be taken out from the proposal for separate voting.<sup>9</sup> In its written response,<sup>10</sup> the Administration explained that it was necessary to make provisions for the said items for 2015-2016, so as to facilitate the Lands Department to release the compensation and requisite interest to the claimants and affected parties soonest possible.

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<sup>7</sup> Please refer to a letter from Hon Frederick FUNG (LC Paper No. FC29/13-14(01)) (Chinese version only) and a letter from Dr Hon KWOK Ka-ki (LC Paper No. FC29/13-14(02)) (Chinese version only) for the details.

<sup>8</sup> For the item related to integrated waste management facilities, the Administration did not accede to the member's request of taking out this item for separate voting as the item has already been commenced.

<sup>9</sup> Please refer to a letter from Dr Hon KWOK Ka-ki (LC Paper No. PWSC90/14-15(01)) (Chinese version only) and a letter from Hon Gary FAN (LC Paper No. PWSC91/14-15(01)) (Chinese version only) for the details.

<sup>10</sup> Please refer to the Administration's reply (LC Paper No. PWSC99/14-15(01)) for the details.

10. At the PWSC meeting on 10 February 2015, PWSC agreed to proceed forthwith two motions moved by a member under paragraph 32A of the PWSC Procedure expressing views on the land resumption arrangements and compensation to fishermen affected by marine works. The two motions were passed. PWSC also endorsed the block allocations proposal at the meeting. FC subsequently approved the proposal at its meeting on 27 February 2015.

#### Block allocations for 2016-2017

11. When PWSC considered the block allocations proposal for 2016-2017, i.e. PWSC(2015-16)48, at its meeting on 17 February 2016, some members expressed concern that it would be difficult for them to monitor the implementation of individual projects once the block allocations proposal was approved. Moreover, a member asked if the item "site formation and associated infrastructure works for purpose-built complex of residential care homes for the elderly in Area 29 of Kwu Tung North New Development Area" could be taken out for separate voting. The PWSC Chairman said that the Subcommittee's practice regarding the handling of proposals on block allocations was that the Subcommittee would not vote on individual items under a block allocations proposal separately and FC had the same practice. The Administration advised that voting on individual projects under the block allocations proposal separately went against the purpose of establishing the CWRP block allocations, namely making more efficient use of the meeting time of FC and PWSC.

12. FC discussed the block allocations proposal at its meetings on 12, 18 and 19 March 2016. At the FC meeting on 18 March 2016, a member requested the Chairman to take out certain items from the block allocations proposal for separate voting by the Committee. The FC Chairman considered that the member's request would alter the established practice of the Committee in handling the CWRP block allocations for more than 30 years; as such, he put forth this question for the Committee to decide whether that was acceptable. After a debate, the FC Chairman put the question "that the Committee agrees to change the established practice for voting on funding proposals on block allocations under the CWRP so that individual items in FCR(2015-16)48 may be taken out for separate voting" to vote. The question was negatived. The block allocations proposal was approved by FC on 19 March 2016.

## Block allocations for 2017-2018

### *Discussion in the Public Works Subcommittee*

13. Before the commencement of and during the PWSC's deliberation on the block allocations proposal for 2017-2018, i.e. PWSC(2016-17)37, a number of members wrote to the PWSC Chairman requesting that certain items be taken out from the proposal for separate discussion and voting.<sup>11</sup> A member also raised questions on the CWRP block allocations mechanism, including the absence of per-item funding ceiling for Subheads 1004CA and 1100CA, both related to land resumption compensations.<sup>12</sup>

14. The block allocations proposal was discussed at five PWSC meetings from 25 January to 22 February 2017 and the proposal was eventually endorsed on 22 February 2017. During the meetings, there were repeated requests from some members for certain controversial items to be taken out from the proposal. Moreover, 14 members proposed a total of 247 motions under paragraph 32A of the PWSC Procedure with 55<sup>13</sup> of them put to PWSC to decide whether they should be proceeded with. All were voted down by a majority of members and not proceeded with.

15. Some members opined that the bundling approach of the CWRP block allocations mechanism had put members who were opposed to a few individual items among the other livelihood-related items under the block allocations proposal in a dilemma that they had no choice but to support or reject the block allocations proposal as a whole. There was also a view that as the block allocations mechanism was established in as early as 1982, given the changes in the political system and social environment, the mechanism should be critically reviewed.

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<sup>11</sup> Please refer to a letter from seven Subcommittee members belonging to the Democratic Party (LC Paper No. PWSC20/16-17(01)) (Chinese version only), a letter from Hon CHU Hoi-dick (LC Paper No. PWSC61/16-17(01)) (Chinese version only) and a statement from 19 Subcommittee members (LC Paper No. PWSC83/16-17(01)) (Chinese version only) for the details.

<sup>12</sup> Please refer to a letter from Hon CHU Hoi-dick (LC paper No. PWSC66/16-17(01)) (Chinese version only) and the Administration's reply (LC Paper No. PWSC66/16-17(02)) for the details.

<sup>13</sup> A number of them were requests to vote separately on individual items or remove these items from the proposal.

16. The Administration declined to take out individual items. It advised that the block allocations provided funds for works departments to carry out standalone minor improvement items in a more efficient manner. Moreover, the works departments could use the funds to conduct technical feasibility studies, prepare tender documents, etc. for major capital works. These advance works were important to members' future scrutiny of the funding proposals of the major works concerned. Yet, commencement of the advance works did not mean that implementation of the relevant major works would become a fait accompli.

17. Having regard to members' views and the Administration's response, the PWSC Chairman advised that the Subcommittee examined block allocations proposals in accordance with the established block allocations mechanism. Unless otherwise directed by FC, the Subcommittee would adhere to the established mechanism in examining block allocations proposals and would not take out individual items under the proposed block allocations for separate deliberation and voting.

#### *Discussion in the Finance Committee*

18. Before the commencement of the deliberation in FC on the block allocations proposal, a member wrote to the FC Chairman on 22 February 2017 requesting to include an item in the FC agenda a review of the powers delegated to the Financial Secretary ("FS") in respect of the CWRP block allocations. The FC Chairman replied on 24 February 2017<sup>14</sup> that given the complicated nature of the CWRP block allocations mechanism and the potential implication of revamping the mechanism, a special meeting would be arranged to discuss the subject matter.<sup>15</sup>

19. FC discussed the block allocations proposal at its meetings on 24 February, 17 and 18 March 2017. A number of members expressed dissatisfaction with the rigidity of the Administration in refusing to take out certain controversial projects (e.g. projects related to the development at

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<sup>14</sup> Please refer to a letter from Hon CHU Hoi-dick (LC paper No. FC47/16-17(01)) (Chinese version only) and the FC Chairman's reply (LC Paper No. FC51/16-17(01)) (Chinese version only) for the details.

<sup>15</sup> The FC Chairman subsequently scheduled a special meeting for 19 April 2017 to discuss the request for reviewing the block allocations mechanism. However, after consulting the availability of members, the FC Chairman decided not to hold a special meeting to discuss the subject matter in April 2017. Please refer to the FC Chairman's reply (LC Paper No. FC261/16-17(01)) (Chinese version only) for details.

Wang Chau, Yuen Long) from the block allocations proposal and the all-or-nothing approval mechanism for the block allocations. The Administration maintained its stance that the block allocations proposal had to be endorsed in its entirety so that the implementation of the livelihood-related projects and the livelihood of the workers engaged in these projects would not be adversely affected.

20. On 9 March 2017, two members requested to include in the agenda of the FC meeting on 17 March 2017 a motion to be proposed under paragraph 21 of the Finance Committee Procedure. The motion sought to amend the conditions, exceptions and limitations to the power delegated by FC to FS in respect of the block allocations under CWRP pursuant to section 8(3) of the Public Finance Ordinance (Cap. 2) and/or paragraph (c) of the Resolution on Capital Works Reserve Fund (Cap.2A) by providing that if not fewer than 20 Members requested in writing during scrutiny by FC of a block allocations proposal, the Administration must withdraw individual items from the proposal and submit them separately to FC for approval. The FC Chairman ruled that the motion was out of order.<sup>16</sup>

21. On 15 March 2017, the same two members further proposed five other motions and requested to include them in the FC agenda in accordance with paragraph 21 of the FC Procedure. Of these five motions, four motions sought to introduce a procedure not provided for in the Finance Committee Procedure for FC to consider and examine CWRP block allocations. The remaining one sought to set a limit on the expenditure for "Head 701 – Land Acquisition". The FC Chairman ruled that these five motions were out of order.<sup>17</sup>

22. During the meetings, FC decided not to proceed with 46 motions<sup>18</sup> proposed by 13 members under paragraph 37A of the Finance Committee Procedure and considered by the FC Chairman to be directly related to the agenda item. On 18 March 2017, the block allocations proposal was approved by FC.

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<sup>16</sup> Please refer to the FC Chairman's written ruling (LC Paper No. FC63/16-17(01)) for the details.

<sup>17</sup> Please refer to the FC Chairman's written ruling (LC Paper No. FC67/16-17(01)) for the details.

<sup>18</sup> A number of them were requests to vote separately on individual items or remove these items from the proposal.



### **Latest development**

23. A special meeting of FC is scheduled to be held on 28 November 2017 to consider the request of Hon CHU Hoi-dick to review the CWRP block allocations mechanism.

### **Relevant papers**

24. A list of relevant papers with their hyperlinks is in the **Appendix**.

Council Business Division 1  
Legislative Council Secretariat  
22 November 2017

## Appendix

### Block allocations mechanism under the Capital Works Reserve Fund

#### List of relevant papers

| Committee                 | Date of meeting  | Paper   |
|---------------------------|------------------|---|
| Public Works Subcommittee | 18 December 2013 | <p>Administration's paper on "Capital Works Reserve Fund Block Allocations" [<a href="#">PWSC(2013-14)27</a>]</p> <p>Administration's follow-up paper [<a href="#">LC Paper No. PWSC33/13-14(01)</a>]</p> <p>Minutes of meeting [<a href="#">LC Paper No. PWSC46/13-14</a>]</p>   |
| Finance Committee         | 10 January 2014  | <p>Administration's paper on "Recommendation of the Public Works Subcommittee made at its meeting on 18 December 2013" [<a href="#">FCR(2013-14)48</a>]</p> <p>Administration's note in relation to item FCR(2013-14)48 [<a href="#">FCRI(2013-14)15</a>]</p> <p>Administration's supplementary note in relation to item FCR(2013-14)48 [<a href="#">FCR(2013-14)48A</a>]</p> <p>Letters from Hon Frederick FUNG and Dr Hon KWOK Ka-ki requesting separate voting on individual items under the block allocations proposal [LC Papers Nos. <a href="#">FC29/13-14(01)</a> and <a href="#">FC29/13-14(02)</a>] (Chinese version only)</p> <p>Secretariat's note in relation to the procedure for dealing with item FCR(2013-14)48 at the Finance Committee meeting [<a href="#">LC Paper No. FC30/13-14(01)</a>]</p> <p>Minutes of meeting [<a href="#">LC Paper No. FC59/13-14</a>]</p> |

| Committee                 | Date of meeting                                 | Paper  |
|---------------------------|---|--|
| Public Works Subcommittee | 10 February 2015                                | <p>Administration's paper on "Capital Works Reserve Fund Block Allocations" [<a href="#">PWSC(2014-15)52</a>]</p> <p>Letters from Dr Hon KWOK Ka-ki and Hon Gary FAN requesting separate voting on individual items under the block allocations proposal [LC Papers Nos. <a href="#">PWSC90/14-15(01)</a> and <a href="#">PWSC91/14-15(01)</a>] (Chinese version only)</p> <p>Administration's reply to the letters from Dr Hon KWOK Ka-ki and Hon Gary FAN, etc. [<a href="#">LC Paper No. PWSC99/14-15(01)</a>]</p> <p>Minutes of meeting [<a href="#">LC Paper No. PWSC127/14-15</a>]</p> |
| Finance Committee         | 27 February 2015                                | <p>Administration's paper on "Recommendations of the Public Works Subcommittee made at its meetings on 26 November 2014, 23 January, 30 January, 4 February and 10 February 2015" [<a href="#">FCR(2014-15)51</a>]</p> <p>Minutes of meeting [<a href="#">LC Paper No. FC238/14-15</a>]</p>  |
| Public Works Subcommittee | 17 February 2016                                | <p>Administration's paper on "Capital Works Reserve Fund Block Allocations" [<a href="#">PWSC(2015-16)48</a>]</p> <p>Minutes of meeting [<a href="#">LC Paper No. PWSC152/15-16</a>]</p>   |
| Finance Committee         | 12 March 2016<br>18 March 2016<br>19 March 2016 | <p>Administration's paper on "Recommendation of the Public Works Subcommittee made at its meetings on 17 February 2016" [<a href="#">FCR(2015-16)48</a>]</p>   |

| Committee                 | Date of meeting   | Paper   |
|---------------------------|---|---|
|                           |   | <p>Minutes of meeting on 12 March 2016 at 2:32 pm [<a href="#">LC Paper No. FC279/15-16</a>]</p> <p>Minutes of meeting on 12 March 2016 at 4:43 pm [<a href="#">LC Paper No. FC280/15-16</a>]</p> <p>Minutes of meeting on 18 March 2016 at 3:00 pm [<a href="#">LC Paper No. FC302/15-16</a>]</p> <p>Minutes of meeting on 18 March 2016 at 5:12 pm [<a href="#">LC Paper No. FC303/15-16</a>]</p> <p>Minutes of meeting on 19 March 2016 at 9:00 am [<a href="#">LC Paper No. FC257/15-16</a>]</p> <p>Minutes of meeting on 19 March 2016 at 11:12 am [<a href="#">LC Paper No. FC258/15-16</a>]</p> <p>Minutes of meeting on 19 March 2016 at 2:30 pm [<a href="#">LC Paper No. FC304/15-16</a>]</p> |
| Public Works Subcommittee | <p>25 January 2017</p> <p>3 February 2017</p> <p>15 February 2017</p> <p>18 February 2017</p> <p>22 February 2017</p> | <p>Administration's paper on "Capital Works Reserve Fund Block Allocations" [<a href="#">PWSC(2016-17)37</a>]</p> <p>Letter from seven Subcommittee members belonging to the Democratic Party, letter from Hon CHU Hoi-dick and statement from 19 Subcommittee members requesting separate voting on individual items under the block allocations proposal [LC Papers Nos. <a href="#">PWSC20/16-17(01)</a>, <a href="#">PWSC61/16-17(01)</a> and <a href="#">PWSC83/16-17(01)</a>] (Chinese version only)</p> <p>Letter from Hon CHU Hoi-dick concerning the Capital Works Reserve Fund block allocations arrangements [<a href="#">LC Paper No. PWSC66/16-17(01)</a>] (Chinese version only)</p>      |

| Committee         | Date of meeting                                    | Paper   |
|-------------------|--|---|
|                   |  | <p>Administration's reply to the letter from Hon CHU Hoi-dick [<a href="#">LC Paper No. PWSC66/16-17(02)</a>]</p> <p>Minutes of meeting on 25 January 2017 [<a href="#">LC Paper No. PWSC78/16-17</a>]</p> <p>Minutes of meeting on 3 February 2017 [<a href="#">LC Paper No. PWSC91/16-17</a>]</p> <p>Minutes of meeting on 15 February 2017 [<a href="#">LC Paper No. PWSC100/16-17</a>]</p> <p>Minutes of meeting on 18 February 2017 [<a href="#">LC Paper No. PWSC112/16-17</a>]</p> <p>Minutes of meeting on 22 February 2017 [<a href="#">LC Paper No. PWSC101/16-17</a>]</p>  |
| Finance Committee | 24 February 2017<br>17 March 2017<br>18 March 2017 | <p>Administration's paper on "Recommendation of the Public Works Subcommittee made at its meeting on 22 February 2017" [<a href="#">FCR(2016-17)86</a>]</p> <p>Letter from Hon CHU Hoi-dick requesting to review the Capital Works Reserve Fund block allocations mechanism [<a href="#">LC paper No. FC47/16-17(01)</a>] (Chinese version only)</p> <p>Replies from the Chairman of the Finance Committee to the letter from Hon CHU Hoi-dick [LC Papers Nos. <a href="#">FC51/16-17(01)</a> and <a href="#">FC261/16-17(01)</a>] (Chinese version only)</p> <p>Rulings of the Chairman of the Finance Committee on the motions proposed by two members in relation to the block allocations proposal [LC Papers Nos. <a href="#">FC63/16-17(01)</a> and <a href="#">FC67/16-17(01)</a>]</p> |