

財經事務及庫務局



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**FINANCIAL SERVICES AND THE
TREASURY BUREAU**

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2 February 2021

The Honourable CHAN Kin-por, GBS, JP
Chairman of the Finance Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Chairman,

**Follow-up to the meeting of
the Finance Committee on 22 January 2021**

With regard to the follow-up issues arising from the above meeting, in consultation with the policy bureaux/departments concerned, the Government provides a consolidated response at the **Enclosure**.

Yours sincerely,

(Original signed)

(Howard LEE)
for Secretary for Financial Services
and the Treasury

- (a) Please provide additional supplementary information on the basis of the price adjustment factors stated in Annex 2 to the Legislative Council (LegCo) Paper No. CB(1)321/20-21(01), having regard to the latest economic situation (including changes in the inflation rate).**

As projects under block allocations cover different types of works and generally span over several years, the Government has proposed to adopt the price adjustment factors as a basis for raising the financial ceilings of delegated authority. Price adjustment factors are not inflation forecast. They do not only consider the local inflation trend, but also a basket of factors, including data on the prices of public sector buildings and construction output, the overall labour market situation, and the latest changes in wages in the construction industry and prices of construction materials, etc. Thus, price adjustment factors provide a more comprehensive and appropriate basis for adjustment of the financial ceilings. The adoption of these factors is also in line with the practice of adopting costs in money-of-the-day prices for Category A proposals submitted to the Finance Committee for funding approval.

In 2020, the COVID-19 pandemic ravaged the world and dealt a heavy blow to the Hong Kong economy. Nevertheless, alongside an improved external environment led by a swift rebound and sustained strengthening of the Mainland economy, international prices of many raw materials rebounded visibly in the second half of 2020. Moreover, prices of public sector buildings and construction output still recorded a year-on-year increase of 3.1% (the latest figure) in the first three quarters of 2020 combined despite the severe contraction in the local economy.

If mass vaccinations can be carried out progressively and yield the intended results in most economies (including Hong Kong), the pandemic may abate gradually in 2021 and major economies could hopefully see a more solid recovery. In tandem with an anticipated rebound in the global economy, the recovery of the Hong Kong economy is expected to gain a stronger momentum in the second half of this year, and hence, labour market conditions should also show some improvements. Looking ahead into the next few years, local public sector construction activities would pick up. The global economy may also see faster growth for a year or two after the pandemic. This, together with Mainland's stepping up of infrastructure investments to foster economic growth, will render support to the international prices of raw materials. Taking into account the above factors, it is anticipated that local construction prices will continue to face upward pressures in the coming few years. The trend rate of increase is assumed to be around

5% per annum from 2021 to 2025, broadly in line with the average annual increase of 4.7% from 2010 to 2019.

Since the financial ceiling of delegated authority for 21 works-related block allocation subheads under Capital Works Reserve Fund (CWRF) was adjusted in July 2012, a cumulative increase of about 40% in respect of price adjustment factors was recorded in 2020. As request for an adjustment to the financial ceiling of delegated authority is not made by the Government every year, we have, in proposing to raise the ceiling, taken into account the projection on price adjustment factors for the next few years (i.e. around 5% per annum on average as mentioned above), in addition to the need to catch up with the increase over the past eight years. We therefore proposed to raise the relevant ceiling from \$30 million to \$50 million to ensure that the usefulness of the delegated authority can still be maintained for a certain period in future, thereby achieving the intended objective of the block allocation arrangement.

(b) Please provide information on the improvement measures implemented by the Government as well as the actions (including punishments) taken against the contractors concerned following the Registration and Electoral Office's loss of electors' data and the failure of the Food and Health Bureau (FHB) to promptly send notifications of the COVID-19 test results via SMS to those who took the test.

On 9 April 2019, the Registration and Electoral Office (REO) confirmed the loss of a Register of Electors (the Register) of the polling station situated at SKH Tsing Yi Estate Ho Chak Wan Primary School in Kwai Tsing District in the 2016 Legislative Council General Election. The Register contains the personal data (name, sex, address and Hong Kong identity card number, etc.) of about 8 000 registered electors who were assigned to that polling station.

The Hong Kong Special Administrative Region Government was highly concerned about the incident given its seriousness and immediately instructed the REO to take a series of prompt follow-up actions. Independent administrative support was also provided for the Electoral Affairs Commission (EAC) to conduct a full investigation and review so as to identify the problems and loopholes relating to the electoral arrangements as well as the management of the REO, with a view to making recommendations for improvement. After conducting a detailed investigation into the causes and course of the incident, the EAC published an independent investigation report on 24 July 2019. Although the exact causes of the loss of the Register could not be ascertained, the EAC was convinced that the incident only involved the handling of

electoral materials after the completion of vote counting. In its independent investigation report, the EAC also pointed out the deficiencies of the REO in various aspects and proposed over 20 improvement measures covering six major areas. In response to the EAC's recommendations, the REO implemented a series of improvement measures on the packaging and transportation of electoral documents for the District Council Ordinary Election held in November 2019 by clearly specifying how various types of electoral documents should be packed. These include requiring the Presiding Officer to put all ballot papers and counterfoils into red plastic bags before locking them in suitcases; and the marked the Register must be put into a yellow plastic bag and placed inside a red plastic document box for delivery for easy identification. The delivery and receipt procedures as well as security arrangements of the designated collection centres were also enhanced. Moreover, the REO proactively followed-up on the enforcement notice issued by the Office of the Privacy Commissioner for Personal Data (PCPD), and submitted a report with relevant documents to the PCPD on 28 November 2019 to confirm that it had implemented the improvement measures set out in the enforcement notice.

As for the issue of notifying people of their COVID-19 test results, under the existing mechanism of the Department of Health (DH), specimens tested with a positive COVID-19 result based on virus testing in all laboratories in Hong Kong (including private medical laboratories and hospital laboratories under the Hospital Authority (HA)) are considered preliminary positive. Such cases must be referred to the Centre for Health Protection (CHP) as soon as possible for follow-up actions in accordance with the established procedures, and the specimens be transferred to the Public Health Laboratory Services Branch for confirmatory tests.

The above mechanism, which has been in use since COVID-19 was included as a statutorily notifiable infectious disease in January last year, effectively ensures that people who have taken the test carried out by any means or for any purposes and are found positive will all be notified and that all such cases will be followed up. The mechanism and follow-up actions taken (including isolating those confirmed to have been infected and tracing their close contacts) are totally unrelated to the arrangement for notifying people of their test results, and are not affected by whether those who have taken the test are notified of their results or not.

Meanwhile, the Government has been taking a multi-pronged approach to strengthen surveillance and testing efforts in order to identify cases in the community as soon as possible and help cut the transmission chains. The Government provides free tests for members of the public through various channels, including public clinics and private

doctors, etc. for regular surveillance and early identification of confirmed cases. Such surveillance testing is not intended for private purposes¹ (e.g. as certification for work or travel). Cases involving people who have undergone regular testing mentioned above are handled and followed up by the DH and the HA. Cases with positive test results identified through regular testing will be handled and followed up in accordance with the existing mechanism to ensure that there will be no omissions and delays in processing.

Due to the relatively large number of tests conducted by the Government with negative results, people tested negative were not notified² initially. Nonetheless, the Government understands that members of the public wish to be notified of the results after taking the test. In response to public expectation, the FHB, the DH and the HA have gradually improved their computer systems since the end of November last year in order to notify people tested negative via SMS messages.

During system modification, the relevant computer system experienced some technical problems, resulting in the fact that some people who obtained specimen bottles through private doctors and tested negative did not receive SMS messages containing their test results. Having identified the technical problems, the Government immediately took remedial measures and the problems were already solved. The system, after rectification, automatically sends SMS messages containing test results to individuals who took the test previously. The maintenance and rectification of the system is coordinated by the FHB, and is not related to the outsourcing of laboratory testing work.

In late November last year, we started improving the computer systems and distributing specimen bottles with standardised barcodes through private doctors, designated general out-patient clinics of the HA, post offices and MTR stations. Since then, over 430 000 SMS messages containing negative test results were sent as at 18 January 2021. Though some 890 people did not receive SMS messages containing their negative test results due to the technical problems mentioned above, none of those people were tested positive. Hence, there was no such case as delay in treatment due to the failure to send out SMS messages.

The Government will continue to improve the system so that people who have taken the test will be notified of the test results via SMS messages within 48 hours as far as possible. Those who do not receive SMS notification three days after undergoing free

¹ Please refer to the relevant press release issued by the Government in July 2020:
<https://www.info.gov.hk/gia/general/202007/17/P2020071700663.htm>.

² Same as the above.

compulsory testing may call the enquiry hotline at 6275 6901.

The SMS notification arrangement, which is designed to inform members of the public of negative test results and give them peace of mind, has no bearing on diagnoses and treatment. To effectively contain the epidemic, those tested positive will be notified and their cases be followed up in accordance with the existing mechanism of the CHP mentioned above as soon as possible. The handling of these cases will, under no circumstances, be affected by the SMS notification system and the time of sending out messages.

- (c) Members requested the Government to undertake to provide LegCo with information on Category D items each costing over \$40 million but not exceeding \$50 million on a half-yearly basis in the coming two years; and**
- (d) Please provide additional supplementary information on cost monitoring and control of Category D items with regard to the raising of the financial ceiling of delegated authority for 21 works-related block allocation subheads to \$50 million.**

The Government attaches great importance to exercising delegated authority in a proper manner. Clear and specific internal guidelines have been formulated, requiring controlling officers to strictly comply with the relevant requirements.

Controlling officers should create Category D items within the ambit and the financial ceiling of delegated authority for relevant block allocation subheads, and must not circumvent Legislative Council (LegCo)'s scrutiny by artificial splitting of large-scale projects into smaller ones. The Government has also issued internal guidelines on the creation of Category D items by controlling officers, requiring works departments to prepare a submission based on the format of a Public Works Subcommittee (PWSC) paper for approval by their controlling officers, so as to ensure that the works items are created having regard to the ambit of the respective subheads. For items costing \$10 million or above each, a copy of the finalised paper, with the signature of the approving officer and relevant financial statement, should also be sent to the relevant government departments for record.

When submitting the annual funding application for block allocations, the Government will provide a full list of items, detailing all items proposed to be funded in the coming year, the estimated provision required in the coming year and the estimated cash flow. The Government will also submit quarterly reports to the PWSC on a regular basis in

accordance with the existing mechanism, providing information on the updated expenditure profile of various CWRP block allocations. After the end of a financial year, the Government will submit an annual report on CWRP block allocations to account for the major differences between the actual works projects and the indicative one which the Government presented to Members for funding approval.

As for cost control, the Project Strategy and Governance Office (PSGO) under the Development Bureau is mainly responsible for monitoring the cost of the more complex and costly Category A projects. At the time being, the PSGO does not vet the project cost for Category D projects, which are less complex and costly. It will, for the purpose of enhancing cost management, advise on and monitor the cost management of Category D projects with a total project estimate ranging between \$30 million and \$50 million each after the adoption of the new financial ceiling of delegated authority.

As for Member's request that information on Category D projects each costing over \$40 million but not exceeding \$50 million be provided to LegCo on a half-yearly basis in the coming two years, the Government will provide the relevant information in its regular reports to LegCo in future.