

**For discussion
on 10 May 2000**

EC(2000-01)6

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 147 - GOVERNMENT SECRETARIAT : FINANCE BUREAU Subhead 001 Salaries

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Finance Bureau for a period of two years -

1 Administrative Officer Staff Grade C
(D2) (\$116,650 - \$123,850)

PROBLEM

The Finance Bureau (FB) needs an additional directorate staff to provide full-time dedicated support to the Task Force to review Public Finances and the Advisory Committee on New Broad-based Taxes, which were announced by the Financial Secretary in his Budget Speech on 8 March 2000.

PROPOSAL

2. The Secretary for the Treasury proposes to create one supernumerary post of Administrative Officer Staff Grade C (AOSGC) (D2) for a period of two years to head a dedicated secretariat in FB to service both the Task Force to review Public Finances and the Advisory Committee on New Broad-based Taxes.

/JUSTIFICATION

JUSTIFICATION

The Task Force to review Public Finances and the Advisory Committee on New Broad-based Taxes

3. The Financial Secretary announced in the 2000 Budget Speech, and explained further in his speech concluding the Budget Debate on 5 April 2000, that the Government would set up two dedicated bodies to study our public finances.

4. Specifically, we will form a Task Force to review Public Finances (Task Force) which will be headed by the Secretary for the Treasury, comprising predominantly officers from FB, Inland Revenue Department and the Economic Analysis Division of the Financial Services Bureau. The Task Force will assess whether the phenomenon of projected successive operating deficits is cyclical in nature, or whether it represents a more serious structural problem. To this end, it needs to monitor the correlation between our recurrent revenue yield and economic growth. In the light of this finding, it will critically examine the viability of our existing tax regime to see if any changes should be made to the existing tax base, tax net, tax rates and types of taxes, whilst complying with the overriding principle of maintaining a low and simple taxation regime and preserving Hong Kong's competitiveness.

5. In parallel, we will appoint a committee (to be called the Advisory Committee on New Broad-based Taxes (Advisory Committee)) comprising tax experts, professionals and academics. This committee will be tasked specifically to look into the suitability of introducing new types of broad-based taxes, including a consumption-based tax, and to consider what form such taxes should take and their practical implications, should there be a need to generate additional revenue through such means.

6. Both the Task Force and the Advisory Committee will need to solicit views from the Legislative Council, the community at large and other interested parties in the course of their deliberations.

7. They will need to submit progress reports to the Financial Secretary by November this year to facilitate his consideration of the 2001 Budget. They should also, as far as possible, submit their final reports at the end of 2001. This will ensure that the impact of economic growth on our recurrent revenue yield will be monitored over a reasonable period of time, for the purpose of determining whether there is any structural problem in our fiscal revenues, and if so, its nature and extent.

Need for additional manpower

8. We plan to set up a small dedicated secretariat headed by the proposed AOSGC to assist both the Task Force and the Advisory Committee in their deliberations. Specifically, the AOSGC will assume the role of coordinating and facilitating the reviews to be undertaken by the Task Force and the Advisory Committee, by providing them with the full range of secretariat, research and logistics support. The officer and his team will primarily be responsible for producing discussion papers, conducting background research (including research into overseas experiences), organising consultation exercises to solicit views from the public and interested parties, collating and analysing feedback received, and drafting progress and final reports.

9. Given the extensive scope and complexity of the subjects involved, and the tight working timeframe, we consider it necessary to have a dedicated officer at the AOSGC level to take up this job on a full-time basis. We propose that the post should last for two years to enable the completion of the work of the Task Force and the Advisory Committee. If the work is completed earlier, we will delete the post before the end of the two-year period.

10. The proposed AOSGC will report to the Deputy Secretary (Treasury) 2 (DS(Treasury)2). At present, DS(Treasury)2 has the support of three Principal Assistant Secretaries (PASs) ranked at the level of AOSGC/Assistant Director of Accounting Services. These PASs are responsible for policies on Government's recurrent and capital revenue, taxation, tax-related legislation, double taxation agreements, Government fees and charges, Government utilities, management accounting issues, formulation of budget revenue proposals, preparation of budget revenue, Capital Investment Fund and Loan Fund estimates, financial arrangements for major infrastructure projects, Government investment and loan portfolios, trading funds, as well as financial aspects of privatisation and corporatisation. They are also overseeing the operation of four departments with responsibility for tax collection, and monitoring the financial aspects of the Government's investment and loan portfolios in more than 30 statutory bodies and organisations in which the Government has a financial stake. They are already heavily occupied in assisting DS(Treasury)2 in several major review exercises, including arrangements for the proposed land and sea departure tax, the review of exemption arrangements for First Registration Tax on motor vehicles, revisions to Government fees and charges, implementation of the partial privatisation of Mass Transit Railway Corporation, review of Government's financial and administrative arrangements with the Housing Authority, and funding of the Urban Renewal Authority. It would be impossible for these PASs to absorb the duties of the proposed AOSGC post as they already have full schedules of duties.

11. As for the other two Deputy Secretaries under Secretary for the Treasury, DS(Treasury)1 is in charge of six divisions while DS(Treasury)3 is in charge of three divisions, each headed either by a PAS or Principal Executive Officer. DS(Treasury)1 is responsible for the overall provision and use of resources for all policy areas and heads of expenditure and recurrent and capital subventions in the General Revenue Account; co-ordination of the preparation of annual Estimates of Expenditure; financial management policies, procedures and practices, including, in particular, the continued development of resource management by policy bureaux and departments; implementation of the Enhanced Productivity Programme across the Government and the subvented sector; and containing the size of the civil service. DS(Treasury)3 assists the Secretary for the Treasury in the management of the Capital Works Reserve Fund covering expenditure on works, land acquisition and infrastructural developments etc.; and oversees policy matters on Government procurement and tenders; and the provision of intra-governmental services by five departments under FB. Both DSs and their PASs are currently heavily committed and have no spare capacity to take on the duties of the proposed AOSGC.

Encl. 1
Encl. 2

12. The job description of the proposed supernumerary AOSGC is at Enclosure 1, and an organisation chart showing the proposed post is at Enclosure 2.

FINANCIAL IMPLICATIONS

13. The additional notional annual salary cost of this proposal at MID-POINT is \$1,443,000. The full annual average staff cost of the proposal, including salaries and staff on-costs, is \$2,470,896. We have included sufficient provision in the 2000-01 Estimates to meet the cost of this proposal.

14. The proposed AOSGC will be supported by a small dedicated team comprising one Senior Administrative Officer, one Senior Assessor, one Senior Executive Officer, one Personal Secretary I and one Clerical Officer. We plan to fill these posts through internal redeployment.

BACKGROUND INFORMATION

15. In his Budget Speech on 8 March 2000, the Financial Secretary outlined the need to review our public finances. Moreover, to safeguard the long-term interests of our fiscal system, we should be alert to the impact of developments which may erode our revenue base. These include increasing economic globalisation, the growing trend of electronic commerce, developments

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in electronic and other forms of illegal gambling in Hong Kong, global practice on treatment of stamp duty on stock transactions, the continued stability in our property market, and the growing importance to our recurrent revenue of volatile investment proceeds from our fiscal reserves.

16. To this end, the Financial Secretary announced that we would take a two-pronged approach, by setting up an internal Task Force headed by the Secretary for the Treasury and the Advisory Committee on new broad-based taxes in Hong Kong. These initiatives are generally welcome by the community.

CIVIL SERVICE BUREAU COMMENTS

17. The Civil Service Bureau considers the grading, ranking and duration of the proposed post appropriate, having regard to the level and scope of responsibilities involved.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

18. As the AOSGC post is proposed on a supernumerary basis, its creation, if approved, will be reported to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Finance Bureau
April 2000

**Job Description of the Proposed Post of
Principal Assistant Secretary (Treasury) (Special Reviews)**

Post Title : Principal Assistant Secretary (Treasury) (Special Reviews)

Rank : Administrative Officer Staff Grade "C" (AOSGC)

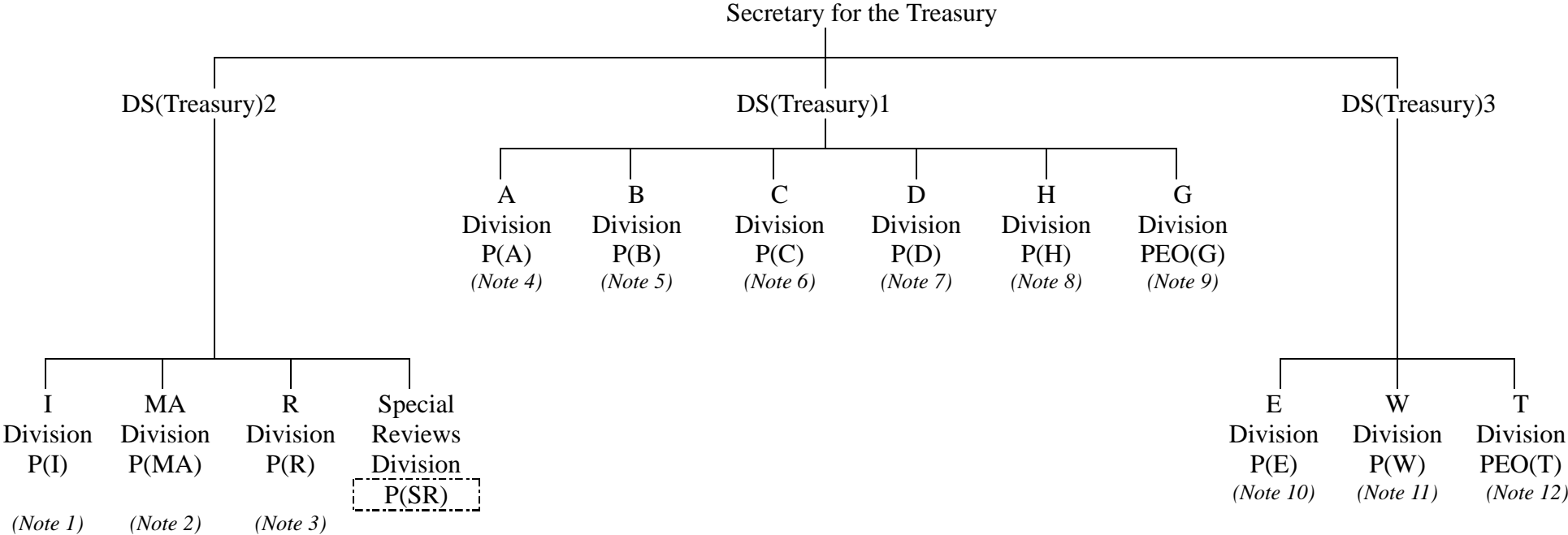
Responsible to : Deputy Secretary (Treasury) 2

Main duties and responsibilities :

As head of the Special Reviews Division, the AOSGC is responsible for -

1. providing secretarial and logistics support for the Task Force to Review Public Finances (Task Force) and the Advisory Committee on New Broad-based Taxes in Hong Kong (Advisory Committee);
2. co-ordinating the production of discussion papers (through liaison with relevant bureaux and departments for inputs as necessary) to facilitate the deliberations of the Task Force and Advisory Committee;
3. conducting studies and research into the principles and implementation of different types of broad-based taxes in other taxation jurisdictions;
4. co-ordinating measures to facilitate the Task Force and the Advisory Committee to solicit views from the Legislative Council, the community at large, and other interested parties in the course of their deliberations, as well as analysing the feedback received;
5. liaising with, and monitoring the work of, technical advisers on specific areas of expertise, on behalf of the Advisory Committee, as and when appropriate; and
6. co-ordinating the drafting of the progress and final reports on the findings and recommendations of both the Task Force and Advisory Committee.

Organisation Chart of Finance Bureau



Legend

 The supernumerary post proposed for creation

- DS Deputy Secretary
- P Principal Assistant Secretary
- PEO Principal Executive Officer

/Footnote

Division of responsibilities in Finance Bureau

Footnote -

- Note 1 I Division is responsible for proposing, evaluating and finalising financing arrangements for major infrastructure projects, financial monitoring of trading funds, evaluating the financial aspects of privatisation and corporatisation proposals; managing Government investment and loan portfolios under the Capital Investment Fund and Loan Fund; and overseeing the operation of statutory bodies in which the Government has a financial stake.
- Note 2 MA Division is responsible for the policy on Government fees and charges (except tax-loaded fees) and revenue aspects of inter-departmental charging proposals; evaluating the financial viability of proposals from other Bureaux and departments; monitoring the financial performance of Government utilities; and providing management accounting support to other divisions of Finance Bureau.
- Note 3 R Division is responsible for the policy on Government revenue (except cost-related fees and charges) and taxation including tax-related legislation; policy on double taxation agreements; formulation of budget revenue proposals; preparation of budget revenue estimates; and housekeeping of Inland Revenue Department, Rating and Valuation Department and Customs and Excise Department (mainly relating to dutiable commodities).
- Note 4 A Division is responsible for resource management of Civil Service Bureau, Health & Welfare Bureau, Information Technology and Broadcasting Bureau, eight Government departments and some 200 subvented organisations; and financial aspects of policies on civil service, health, welfare and information technology matters, such as review of fringe benefits, entry system for new recruits, voluntary retirement scheme, containing the size of the civil service, health care financing and lump sum grant.
- Note 5 B Division is responsible for resource management of Education and Manpower Bureau, Finance Bureau, Economic Services Bureau, 16 Government departments and 11 statutory bodies; management of subvention to over 1 000 educational institutions and to the Hong Kong Tourist Association; financial aspects of policies on education, employment, economic services and tourism, etc.; and overall coordination and review of Government's subvention policy.
- Note 6 C Division is responsible for resource management of the Chief Executive's Office, Offices of the Chief Secretary for Administration and Financial Secretary, Financial Services Bureau, Security Bureau, Trade and Industry Bureau, the Judiciary, 22 Government departments and seven subvented organisations, policy review of Technical Services Agreement and financial aspects of policy on the provision of departmental quarters for disciplined services staff.

/Note 7

- Note 7 D Division is responsible for resource management of Constitutional Affairs Bureau, Home Affairs Bureau, Housing Bureau, Environment and Food Bureau, Planning and Lands Bureau, Transport Bureau, Works Bureau and Beijing Office, 20 Government departments and 18 subvented organisations.
- Note 8 H Division is responsible for the co-ordination of central forecasting and budgeting; co-ordination of the annual Resource Allocation Exercise (other than capital works) and the Enhanced Productivity Programme; the resource allocation process; lay-out design, printing and distribution of annual Estimates and budget speech; and new financial information system development.
- Note 9 G Division is responsible for general administration and internal management of Finance Bureau; co-ordination of resource management matters in respect of Finance Bureau and departments under it; liaison with the LegCo Secretariat and co-ordination of the Administration's work on Finance Committee and Public Accounts Committee matters; and logistics support for the compilation of the annual Estimates.
- Note 10 E Division is responsible for policy matters relating to intra-Government services provided by the Government Property Agency, Government Supplies Department, Printing Department, Government Land Transport Agency and the Architectural Services Department (in respect of facilities upkeep); and housekeeping of the Treasury and the Audit Commission.
- Note 11 W Division is responsible for the resource management of planned and on-going projects funded under the Capital Works Reserve Fund (CWRF); co-ordination of the annual CWRF Resource Allocation Exercise and Estimates; advising on the financial aspects of lands and works development including land grants and ex-gratia compensation allowances; liaison with the LegCo Secretariat and co-ordination of Public Works Subcommittee submissions; and advising on the land, planning and Public Works Programme aspects of matters involving non-government agencies such as the Housing Authority, the Land Development Corporation and the Hong Kong Industrial Estates Corporation.
- Note 12 T Division is responsible for policies and procedures on tendering, appointment of consulting firms, contract variations, contract claims and procurement of stores and services; providing secretarial service to the Central Tender Board and the Central Consultants Selection Board; and examining applications for single and restricted tendering, waiving of tendering or consultants selection procedures.