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**Notes on the Special Briefing for Finance Committee Members
on Friday, 23 June 2000, at 4:20 pm
in the Chamber of the Legislative Council Building**

Members present:

Hon CHAN Kam-lam, Deputy Chairman of Finance Committee (Convenor)
Hon Kenneth TING Woo-shou, JP
Hon David CHU Yu-lin
Hon HO Sai-chu, SBS, JP
Hon Edward HO Sing-tin, SBS, JP
Hon Albert HO Chun-yan
Hon Michael HO Mun-ka
Ir Dr Hon Raymond HO Chung-tai, JP
Hon LEE Wing-tat
Hon LEE Kai-ming, SBS, JP
Prof Hon NG Ching-fai
Hon Mrs Selina CHOW LIANG Shuk-yee, JP
Hon MA Fung-kwok
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon CHAN Kwok-keung
Hon CHAN Yuen-han
Hon Bernard CHAN
Hon CHAN Wing-chan
Dr Hon LEONG Che-hung, JP
Hon LEUNG Yiu-chung
Hon Gary CHENG Kai-nam, JP
Hon SIN Chung-kai
Hon Andrew WONG Wang-fat, JP
Hon Jasper TSANG Yok-sing, JP
Hon Howard YOUNG, JP
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung
Hon LAU Chin-shek, JP
Hon LAU Kong-wah

Hon LAU Wong-fat, GBS, JP
Hon Mrs Miriam LAU Kin-ye, JP
Hon Ambrose LAU Hon-chuen, JP
Hon Emily LAU Wai-hing, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon SZETO Wah
Hon FUNG Chi-kin
Dr Hon TANG Siu-tong, JP

Public officers attending:

Miss Denise YUE, JP	Secretary for the Treasury
Mrs Carrie LAM, JP	Deputy Secretary for the Treasury
Mr K K LAM	Principal Executive Officer (General), Finance Bureau
Mr K K KWOK, JP	Director of Finance, Administration and Planning, Hong Kong Police Force
Mrs Kitty CHENG	Financial Controller, Hong Kong Police Force
Mr Stephen SELBY, JP	Director of Intellectual Property
Mr M T SHUM, JP	Director of Accounting Services
Mr William NG	Director, Civil Service Training and Development Institute

Staff in attendance:

Ms Pauline NG	Assistant Secretary General 1
Miss Polly YEUNG	Chief Assistant Secretary (1)3
Ms Anita SIT	Senior Assistant Secretary (1)8

On the purpose of this briefing, the Convenor informed Members that the Administration wished to take this opportunity to consult Members on its plan to confirm the operation of the five pilot departments on one-line vote on a permanent basis and to roll out the arrangement to more departments in 2001-02.

2. At the invitation of the Convenor, the Deputy Secretary for the Treasury (DS(Tsy)) highlighted the following points regarding the pilot implementation of the one-line vote arrangement and the way forward -

- (a) Overall speaking, the feedback from the five pilot departments confirmed that the one-line vote arrangement could bring about the envisaged benefits. Under the arrangement, departments were

able to speed up the decision-making process in resource management and respond more promptly to changes. The arrangement had also helped institute a new culture of resource management in departments whereby managers at various levels had increased their sense of financial responsibility and become more cost conscious.

- (b) The five pilot departments also confirmed that the flexibility and autonomy provided under the one-line vote facilitated the planning and implementation of new initiatives for the Enhanced Productivity Programme (EPP) and prompted effective redeployment of resources. In this regard, three of the five pilot departments, namely the Treasury, the Civil Service Training and Development Institute (CSTDI) and the Office of The Ombudsman, had over-achieved the 1% EPP target for 2000-01.
- (c) The one-line vote had not resulted in profligate spending by departments. On the contrary, the pilot departments tended to spend less. The overall "underspending" (i.e. actual outturn as compared to the original estimate) in the five departments was 5.6% for the year 1999-2000 as compared to the service-wide figure of 3.2%.
- (d) To ensure high standards of accountability and to prevent abuse, the five pilot departments had put in place internal spending control mechanisms according to their own circumstances.
- (e) Since the launching of the one-line vote arrangement, the Administration had issued four quarterly reports to the Finance Committee with details on the actual spending and redeployment of funds classified by conventional subheads. The Administration had received some enquiries from Members on these reports and had provided the necessary response.
- (f) In order to extend the management experience of one-line vote to more bureaux, 10 other departments had been identified, each nominated by their respective bureau, to operate on one-line vote basis in 2001-02. The bureaux would also oversee the implementation of the one-line vote arrangement in their respective departments. These other departments were mainly medium-sized departments as according to the experience of the Office of The Ombudsman, there was very little scope for redeployment of resources in small departments.

3. In reply to Mr HUI Cheung-ching's enquiries, DS(Tsy) clarified that all the five pilot departments considered that the one-line vote arrangement had enabled them to attain the anticipated benefits to a certain extent. The Ombudsman however had pointed out that due to the small size of the

department and the constraints imposed by the Ombudsman Ordinance, the scope for redeployment of resources by the Office was limited.

4. As regards the extent of "underspending" (i.e. actual outturn as compared to the original estimate) of the five pilot departments in 1999-2000, DS(Tsy) reported as follows-

<u>Department</u>	<u>% of Underspending</u>
CSTDI	21%
Hong Kong Police Force	5.3%
Treasury	9.7%
Intellectual Property Department	6.4%
Office of The Ombudsman	10.6%

5. Dr YEUNG Sum pointed out that the positive feedback from the management and staff of Government departments on the one-line vote arrangement contrasted with the worries and anxieties expressed by subvented welfare organizations on the lump sum funding arrangement (LSFA). He asked whether this was mainly attributed to the fact that the remuneration and other conditions of service of civil servants were not affected by the one-line vote arrangement while those of the staff of subvented welfare organizations might be jeopardized under LSFA.

6. In response, DS(Tsy) confirmed that adoption of the one-line vote arrangement in Government departments would not affect the fringe benefits of civil servants as it was the Civil Service Bureau, instead of individual departments, which controlled the budget for and disbursement of fringe benefits to civil servants. As regards salaries, the long-term plan was for the resource bureaux to control only the staffing establishment of departments and to provide funds for salaries calculated at the mid-point salary of the approved establishment. This however would not be implemented in the short-term partly because individual departments did not have control over the posting of the officers of the general grades in and out of departments. Thus, for the time being, departments operating on one-line vote would be provided with funds for salaries according to the actual salary of serving staff.

7. Dr YEUNG Sum urged the Administration to review the LSFA in the light of the experience of the one-line vote arrangement, such that subvented welfare organizations could enjoy autonomy and flexibility in resource management while at the same time safeguarding the terms and conditions of service of their staff.

8. Noting that as an innovative measure encouraged by the one-line vote arrangement, CSTDI had replaced the former Senior Staff Development Programmes (SSDPs) run by non-civil service full-time tutors with the Leadership in the Public Sector Programmes (LPSPs) conducted mainly by local and overseas guest speakers, Miss Emily LAU enquired about the

reason(s) for this programme change and how the guest speakers were remunerated.

9. In reply, the Director, CSTDI advised that although savings had been achieved, the very reason for replacing the SSDPs by LPSPs was to achieve a more effective mode of delivering the programmes rather than to save costs. Under the conventional line by line funding arrangement, it would require a longer time and more formalities to effect the change as funds for full-time staff and for guest speakers were provided under separate subheads and virement of funds could not be easily arranged. However, under the one-line vote arrangement, the Controlling Officer of CSTDI was given the autonomy to redeploy funds for the purpose. He also clarified that some full-time staff were still engaged in overseeing the LPSPs. As regards the remuneration for guest speakers, the Director, CSTDI advised that full-time tutors were remunerated on a monthly basis while guest speakers were remunerated on an hourly basis. Generally speaking, the total cost of engaging guest speakers was lower than that of employing full-time tutors to conduct a training programme.

10. Miss Emily LAU referred to the internal control rules of the Police Force governing the virement of funds under the one-line vote arrangement and enquired whether the Administration would consider specifying control rules for all the departments adopting the one-line vote operation.

11. The Director of Finance, Administration and Planning, Hong Kong Police Force confirmed that the Police had put in place internal control rules at its own initiative. One of the objectives was to make it clear to budget officers at different levels that no virement of funds was allowed for staff welfare, entertainment and training purposes under the one-line vote arrangement. DS(Tsy) also pointed out that the Police was a very large department, with an annual operating budget of over \$10 billion and the financial responsibility being delegated to a number of budget officers, most of whom were disciplined staff with little training in financial control. As such, the Finance Bureau (FB) was supportive of putting in place a suitable internal control mechanism within the Force. She re-assured Members that separate rules governing departmental spending on staff welfare, entertainment and training etc. were already in place. She further advised that at this stage, the Administration did not consider it necessary to specify funding control rules to be applied to all one-line vote departments. However, the Administration would review the need for such rules in the light of further implementation experience.

12. In reply to Miss Emily LAU's enquiry about the spending on staff welfare, entertainment and training in other pilot departments, the Director of Accounting Services advised that the Treasury only held a few guest luncheons and sent a few officers for overseas training each year. The relevant expenses accounted for a very small proportion of the total provision for the department. The Director of Intellectual Property said that he was not aware of any specific

provision for staff entertainment in his department.

13. Whilst appreciating the objective of conferring greater financial autonomy and responsibility on departments, Mr Andrew WONG expressed concern that some departments might take advantage of the one-line vote arrangement to recruit non-civil service employees to fill civil service posts. He considered that the employment of non-civil service employees within the Government was a problematic issue and urged the Administration to address this issue at the policy level. He suggested that as a first step, the Administration should delineate clearly the types of public service which must be delivered by civil servants and those which might be delivered by non-civil service staff.

14. In response, DS(Tsy) acknowledged that under the one-line vote arrangement, departments were provided with the flexibility to redeploy funds initially earmarked for the remuneration of civil servants to contract out the services or to employ non-civil service contract staff. She however assured Members that this flexibility could hardly be abused by departments. In the guidelines issued to bureaux and departments last year, the Administration had made it clear that non-civil service staff should only be employed where the service need was short-term or where staff would not be required on a long-term or permanent basis. Bureaux and departments were also reminded not to circumvent this rule by providing for non-civil servants to work alongside with civil servants undertaking similar duties on a long term basis. She informed Members that FB and the Civil Service Bureau would monitor the situation having regard to the need to contain the size of the civil service as announced by the Financial Secretary in his 2000 Budget Speech.

15. As to how the funding for approved new initiatives was determined, DS(Tsy) advised that the one-line vote departments would need to assess and justify their resource requirements for new initiatives in their request for funds. Upon agreement between FB and the relevant Controlling Officer, funds earmarked for the new initiatives would be included in the lump sum provision for Subhead 000 "Operational expenses". In this connection, DS(Tsy) pointed out that in order to bring about a cultural change in resource management through the one-line vote arrangement, departments were advised to work out their resource requirements by analyzing the expected results vis-à-vis the estimated unit cost of the service, instead of the conventional approach whereby a bureaucratic staffing structure was first drawn up for the provision of a service.

16. Mr Andrew WONG was of the view that delineating the grade/rank and the number of staff members required to deliver a service was an inevitable step under any funding mechanism. He did not consider that this step could be discarded even under a new culture of resource management. DS(Tsy) clarified that under the new approach for assessment of resource requirements, the emphasis was on benefits/results and cost comparisons while the emphasis of the conventional approach was on the need for staffing support.

17. Miss Emily LAU said that at the Bills Committee on the Urban Renewal Authority Bill, some Members had suggested that the Urban Renewal Authority (URA) should fall under the purview of the Director of Audit (D of A). She further recalled that the Deputy Secretary for Planning and Lands had objected to this arrangement on the grounds that the URA would have to spend about 40% of its man time in order to satisfy the various requirements of D of A as in the case of Government departments in general. Miss LAU questioned whether in practice, civil servants had to spend a substantial amount of time simply for the sake of satisfying the requirements of D of A.

18. In response, the Secretary for the Treasury said that she was not aware of any circumstance whereby civil servants had to spend such a high percentage of their time to fulfil D of A's requirements or to follow auditing rules. As the Controlling Officer for FB, she spent less than 1% of her time in this aspect of work.

19. Summing up the discussion, the Convenor remarked that in general, Members were in support of the Administration's proposal to roll out the one-line vote arrangement to more departments in 2001-02. He thanked the Administration and Members for participating in the briefing.

20. The briefing ended at 4:53 pm.