**Legislative Council Panel
on Information Technology and Broadcasting**

**Capital Works Reserve Fund Head 710 Computerisation
Subhead A007GX – New Administrative Computer Systems**

INTRODUCTION

At the meeting of the Legislative Council Panel on Information Technology and Broadcasting held on 17 November 2000, Members asked for additional information about the over-commitment arrangement under the Capital Works Reserve Fund (CWRF) Head 710 Computerisation Subhead A007GX – New Administrative Computer Systems (Block Allocation) and a summary of the benefits of the approved computerisation projects funded under the Block Allocation in 2001-02.

THE ADMINISTRATION's RESPONSE

Authority of Over-commitment

2.   The commitment of a computerisation project represents the total cost of the project which may spread over a number of years.   It is the **aggregate total** of the estimated annual expenditure to be incurred by the project.

3.   Under the Resolution of the Legislative Council on the establishment of the CWRF, the Financial Secretary[1] is responsible for administering the Fund.   By virtue of the authority under the Financial Secretary, a maximum level of over-commitment of up to 150% of the annual allocation approved by the Finance Committee for Subhead A007GX is allowed for each financial year.   This, however, in no way allows us to incur expenditure in excess of the approved allocation without going through the proper procedure of seeking supplementary provision under the Subhead.

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[1] Under the Interpretation and General Clauses Ordinance (Cap.1), the "Financial Secretary" means the Financial Secretary and the Secretary for the Treasury.

4.   The same or similar over-commitment arrangements apply to all the other block allocation subheads under the CWRF, i.e. 150% over-commitment for subheads under Heads 701 to 707, 709 and 711, and 100% over-commitment for subheads under Head 708.

Justification for Over-commitment

5.   The implementation period of computerisation projects can be longer or shorter than 12 months, and some may not commence implementation at the beginning of a financial year and thus may straddle more than one financial year.   Such projects under Subhead A007GX may thus have expenditure to be incurred in more than one financial year.   In order for these projects to proceed smoothly without disruption and for tenders to be awarded and contracts to be signed, there is a need to approve the full commitment of these projects (and not just expenditure in one financial year) which covers the expenditure to be incurred in the first and subsequent years till the completion of the projects.

6.   We have, therefore, introduced the over-commitment mechanism using the annual allocation approved by the Finance Committee as the basis since we have to deal with expenditure in more than one financial year.   The over-commitment ceiling indeed imposes a control to ensure that we would not over-commit ourselves by embarking on too many projects at any time.   This arrangement, however, does not in any way affect the annual expenditure under Subhead A007GX which is governed by the allocation approved by the Finance Committee for each financial year, and expenditure under the Subhead cannot exceed the approved allocation without going through the proper procedure of seeking supplementary provision.

7.   Past operational experiences prove that the 150% over-commitment for Subhead A007GX is adequate to allow us to keep on with the momentum of carrying out computerisation work within the Government.   The level of over-commitment in 1998-99, 1999-2000 and the latest position in the current financial year is set out in Annex A.

Benefits of Computerisation

8.　　　　It is the Government's policy to take full advantage of information technology in order to improve the efficiency, quality of service and cost-effectiveness of Government departments.　Over the past years, the implementation of computerisation projects has delivered a substantial amount of realisable benefits (e.g. staff savings as a result of deletion of posts), notional benefits (e.g. fractional staff savings, cost avoidance, etc.), and intangible benefits (e.g. service improvement, increase in productivity, enhancement of information security, etc.).

9.　　　　There is currently a well-established mechanism within the Government to ensure that computerisation projects under Subhead A007GX are justified on cost-benefit ground and that the anticipated benefits will be realised.　After funding has been earmarked for a computerisation project under the Subhead in the Resource Allocation Exercise, the bureau or department concerned is required to prepare a detailed proposal to seek formal funding approval.　The detailed funding proposal covers, inter alia, the benefits and improvements which can arise from the proposed project.　After the live-run of the project, the bureau or department concerned is required to submit a Post Implementation Departmental Return (PIDR) to evaluate the implementation of the project.

10.　　　　The PIDR will cover -

(a)　　the extent to which the project has achieved its agreed objectives;

(b)　　the utilisation of the funds earmarked for the project;

(c)　　the realisation of the anticipated benefits; and

(d)　　the progress of implementation.

The concerned bureaux and departments will submit the PIDR to the Finance Bureau, the Information Technology Services Department and the policy bureau (if the project is implemented by a department) of the department concerned for scrutiny, and will also copy the PIDR (for all projects with value exceeding $500,000) to the Director of Audit.　All

these arrangements have been institutionalised. A well-established audit trail is thus already in place.
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Benefits of Computerisation Projects to be implemented in 2001-02

11.   As set out in Annex A of LC Paper No. CB(1)171/00-01(04) (reproduced in Annex B of this paper), subject to the approval of the Finance Committee, 322 projects with a total estimated expenditure of $620 million in 2001-02 would be implemented in the coming financial year. Of the $620 million, $244 million will be deployed to 168 approved projects; and the balance of $376 million for funding 154 endorsed projects and new bids submitted for implementation in 2001-02.

12.   We have gone through the detailed funding proposals of the 168 approved projects. Twenty-four of them (with a forecast cashflow of $30.3 million in 2001-02) are feasibility or technical studies for other projects and the concerned benefits could only be realised upon the full implementation of these other projects. For the remaining 144 projects (with a forecast cashflow of $213.7 million in 2001-02) –

(a)   86 projects are related to the implementation of the Government Office Automation (GOA) Programme, the Confidential Mail Programme, the enhancement of Government network infrastructure, etc. These projects aim at enhancing the infrastructure and provision of office automation facilities to more officers. They will mainly give rise to intangible benefits;

(b)   40 projects are related to implementation of new information systems, including case processing systems, registration and licensing systems, electronic record registers, management information systems, human resources management systems, etc. These systems automate existing manual procedures and streamline business processes. They will mainly give rise to tangible benefits in terms of reduction in staff costs and other recurrent expenditure; and

(c)   the remaining projects are related to Software Asset Management, provision of public computer facilities for community use, implementation of online Government services, etc. These projects will mainly give rise to intangible benefits.

13.   In terms of tangible benefits to be derived from all these projects, there will be $13 million realisable savings (in terms of reduction in staff costs through actual deletion of posts and reduction in other recurrent expenditure) and $118 million notional savings (in terms of fractional staff savings and cost avoidance, etc.) each year.

14.   In terms of intangible benefits to be derived from all these projects, these include –

(a)   improvement in operational efficiency and reduction in processing time;

(b)   improvement in quality of services to the public;

(c)   improvement in internal communication within the Government;

(d)   facilitation of better data analysis and more-informed decision making processes; and

(e)   enhancement of data integrity, information system security, software asset management; etc.

15.   As regards the 154 endorsed projects and new bids submitted for implementation in 2001-02, the concerned bureaux and departments are preparing the detailed proposals. We, therefore, cannot provide an analysis of their anticipated benefits at present but these projects are expected to deliver benefits of the same nature as described above. We will assess the detailed funding proposals of these projects on cost-benefit ground before granting approval for implementation.

Information Technology and Broadcasting Bureau
December 2000

**Level of Over-commitment of
CWRF Head 710 Computerisation Subhead A007GX –
New Administrative Computer Systems (Block Allocation)**

Financial Year	Approved Allocation in that Financial Year ($Million)	Total Commitment under the Block Allocation ($Million)	Level of Over-commitment under the Block Allocation
1998-99 (as at 31 March 1999)	400.0	995.6	149%
1999-2000 (as at 31 March 2000)	600.0	1,126.4	88%
2000-01 (as at 30 September 2000)	560.0	939.0	68%

**Tentative Allocation of the Proposed Funding under
CWRF Head 710 Computerisation
Subhead A007GX - New Administrative Computer Systems
in 2001-02**

	2001-02	
	No. of Projects	($Million)
Approved projects carried forward from 2000-01	168	244
New projects relating to the provision of Government services to the community through electronic means	21	70
New projects relating to the extension of the Government Office Automation (GOA) programme	40	90
New projects relating to the adoption of intra-departmental and inter-departmental electronic transactions and the enhancement of Government internal information infrastructure to support electronic transactions	7	23
Other computerisation projects	86	193
Total	322	620