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Establishment Subcommittee of Finance Committee

Meeting on 11 June 2003

**Staffing proposals relating to the implementation of the
accountability system for principal officials**

Purpose

This paper highlights the major concerns raised by members at the relevant Establishment Subcommittee (ESC) and Finance Committee (FC) meetings when considering the staffing proposals and the financial implications arising from the implementation of the accountability system.

Background

2. The funding proposal on the accountability system was submitted to the ESC on 6 June 2002 (EC(2002-03)2) and to FC for approval on 14 June 2002 (FCR(2002-03)20 and 21). The proposal consisted of the creation of 14 non-civil service principal official positions offset by the deletion of three civil service directorate posts, as well as one D8 non-civil service position offset by the deletion of a post at comparable rank in the civil service. The net additional full annual average staff cost of the proposal was \$42.228 million. The proposal was approved on the basis of certain undertakings from the Administration. Members also noted that the then existing 16 D8 civil service posts in Bureaux would be retained and re-titled as Permanent Secretary. Out of these 16 posts, there would be temporary redeployment in the duties for five Permanent Secretary posts under delegated authority. Permanent realignment of duties among these five Permanent Secretary posts would require FC's approval within 12 months, i.e. before 1 July 2003.

3. The Administration also pledged in its paper that on assuming office, the principal officials would review the working relationship between their bureaux and executive departments within their respective purview. The overall direction would be to streamline the structure and working relationship between the two,

merging and integrating similar functions being performed by both, making better use of resources to achieve effective implementation of policies and delivery of services to the public. The Administration expected to effect sufficient savings within 12 months to make the introduction of the accountability system a cost neutral exercise.

Major issues of concern

4. At the ESC and FC meetings, Members were particularly concerned about the cost effectiveness of introducing a new layer of principal officials on top of the then D8 civil service posts in the bureaux. Although the Administration undertook to report to the Constitutional Affairs Panel in six and 12 months after implementation of the accountability system, there was concern that proposals to seek approval of the permanent realignment of duties of Permanent Secretaries would come in a piecemeal basis, hence depriving members of an overall picture of how streamlining would be carried out in bureaux and departments. Since the funding proposal for the new layer of principal officials had to be approved for implementing the new accountability system, the only avenue where Members could exercise their role in controlling public expenditure was in scrutinizing the proposal for the permanent redeployment of the Permanent Secretaries. Members therefore requested the Administration to submit a comprehensive proposal to cover all 16 Permanent Secretary posts to enable the legislature to have an opportunity to assess whether it was justified for the Permanent Secretary posts to be kept at D8 level. The following paragraphs further elaborate the concerns expressed by members at the ESC and FC meetings.

Posts of Permanent Secretary

5. When examining the staffing structure of the accountability system, some members had queried the justification for maintaining 16 civil service posts ranked at D8 of the Directorate Pay Scale to serve as Permanent Secretaries to underpin the Directors of Bureau. There was a suggestion that the number should be reduced to 11 to tie in with the number of policy bureaux under the accountability system. Some members opined that the ranking of the Permanent Secretary posts should be critically reviewed and if necessary, suitably adjusted to reflect the span and level of responsibilities of the Permanent Secretary posts in question. As the scope and complexity of policy responsibilities of individual Bureaux varied, concern was also expressed about the uneven distribution of duties among the 16 posts.

6. While noting that the permanent redeployment of duties among five Permanent Secretary posts would eventually be submitted to FC for approval, members disagreed with the Administration that the remaining 11 Permanent Secretary posts only involved re-titling. Members therefore requested that the Administration should inform the legislature about the way forward for the other

11 Permanent Secretary posts when seeking approval for the permanent realignment of duties for the five Permanent Secretary posts with substantial change of duties. Members would then be in a position to assess the appropriateness or otherwise of pitching these Permanent Secretary posts at the D8 level under the accountability system. A list of the five Permanent Secretary posts with realignment of duties under delegated authority and the 11 re-titled Permanent Secretary posts is provided at **Appendix**.

Administrative support for Directors of Bureau

7. Under the accountability system, each Director of Bureau would be provided with administrative support comprising an administrative assistant (AA) (equivalent to D2 of the Directorate Pay Scale), a press secretary, a personal assistant and a chauffeur. Members noted that while the provisions for the complement of administrative staff would be absorbed within existing financial resources, the Administration would need to revert to ESC/FC on the longer-term arrangements, such as whether the AA post should be made permanent and continue to be pitched at D2 level.

Review of working relationship between bureaux and departments

8. When examining the distribution of policy responsibilities under the accountability system, some members had stressed the need for a more efficient and streamlined working relationship between each policy bureau and its executive departments. This would bring about savings, as well as improvement in the delivery of public services. Members took note of the Administration's undertaking to review the working relationship between bureaux and departments within 12 months after implementation of the accountability system.

Financial implications of the accountability system

9. According to the Administration, the net additional full annual average staff cost for implementation of the accountability system, including salaries and staff on-cost, was \$42.228 million. The Administration had pledged that it would effect sufficient savings within 12 months to make the accountability system a cost-neutral exercise.

The Administration's undertaking

10. Having regard to the concerns expressed at the ESC and FC meetings, the Administration undertook to report progress of the accountability system to the Panel on Constitutional Affairs six months and 12 months after implementation of the system on 1 July 2002. Members expected that a further 12-month report would be provided to the Panel in about June 2003.

Latest position

11. In its six-month report submitted to the Panel on Constitutional Affairs (Paragraphs 43 and 44 of LC Paper CB(2)930/02-03(02)) in January 2003, the Constitutional Affairs Bureau (CAB) informed members that since implementation of the accountability system in July 2002, principal officials had been making good progress in identifying savings and that the total amount of savings realized or identified in terms of staff costs was \$75.65 million. The paper had not accounted for how the said savings had been achieved, including details of the posts deleted.

12. Following the implementation of the accountability system, the Administration has put up a number of staffing and establishment proposals to ESC/FC for approval, including the reorganization proposals in respect of the former Housing Bureau and the Housing Department, the Education and Manpower Bureau and the Education Department, as well as the formation of the Government Logistics Department.

13. When ESC was invited to consider six proposals at the meeting on 28 May 2003, some members considered that the Administration should provide a comprehensive report on the establishment and organizational changes implemented as a result of the accountability system, including important information such as the number and ranking of directorate and non-directorate posts deleted, as well as details of the realized or identified savings achieved in connection with the organizational and establishment changes to make the exercise cost-neutral. Members agreed that the CAB should be invited to brief the Panel on Constitutional Affairs and provide detailed information on the implementation of the accountability system before the relevant establishment proposals are to be re-submitted to ESC for consideration. (Members have been notified of the subsequent meeting arrangements vide LC Paper No. ESC43/02-03 issued on 6 June 2003.)

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Appendix

Permanent Secretary	Policy areas
1. Permanent Secretary for Education and Manpower*#	Education and manpower (except labour issues)
2. Permanent Secretary for Health, Welfare and Food*	Health, welfare, food safety and environmental hygiene
3. Permanent Secretary for the Environment, Transport and Works (Transport and Works)*	Transport and Works
4. Permanent Secretary for the Environment, Transport and Works (Environment)*	Environment protection and conservation
5. Permanent Secretary for Economic Development and Labour (Labour)*	Labour issues
6. Permanent Secretary for the Civil Service	Civil Service
7. Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry)	Commerce and Industry
8. Permanent Secretary for Commerce, Industry and Technology (Information Technology and Broadcasting)	Information Technology and Broadcasting
9. Permanent Secretary for Constitutional Affairs	Constitutional Affairs
10. Permanent Secretary for Economic Development and Labour (Economic Development)	Economic Development
11. Permanent Secretary for Financial Services and the Treasury (Financial Services)	Financial Services

Permanent Secretary	Policy areas
12. Permanent Secretary for Financial Services and the Treasury (Treasury)	Public Finance
13. Permanent Secretary for Home Affairs	Home Affairs
14. Permanent Secretary for Housing, Planning and Lands (Housing)	Housing
15. Permanent Secretary for Housing, Planning and Lands (Planning and Lands)	Planning and Lands
16. Permanent Secretary for Security	Security

Footnote

* Permanent Secretary posts involving re-alignment of duties

Approved by Finance Committee meeting on 6 December 2002