

立法會 *Legislative Council*

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Paper for the House Committee meeting on 9 May 2003

Committee on Rules of Procedure

Future timetable for delivering the Policy Address and Budget

Purpose

This paper reports on the current position of the discussion between the Committee on Rules of Procedure (CRoP) and the Administration on the future timetable for delivering the Policy Address and Budget.

Background

2. The Chief Executive delivered the Policy Address for the current Legislative Council session on 8 January 2003. The delivery of the Budget took place in March as in previous year, on 5 March 2003. In meeting the House Committee on the revised timetable for the current session, the Administration undertook to review the future timetable for delivering the Policy Address and Budget in the light of the experience of the 2003 exercise. CRoP was invited by the House Committee to follow up the matter. At CRoP's meeting held on 7 April 2003, the Administration informed CRoP of the findings of its review.

Conclusions of the Administration's review

3. The conclusions reached by the Administration following its review are as follows:

- (a) the Policy Address and Budget processes are, and should be, closely inter-related. Narrowing the gap between the two improves the co-ordination/interaction between the formulation of programmes/policies and the budget, and facilitates more informed and comprehensive consultations with and discussions in the Legislative Council (LegCo) and the community;

- (b) such close interaction between the Policy Address and budgetary processes is likely to be even more crucial in the coming years of fiscal consolidation. Given that resources will be even scarcer, it is all the more important that programmes/policies are formulated with regard to resources available, and budgets are formulated in a way targeting resources at the society's prevailing priorities;
- (c) the shortened interval at two months between the Policy Address and the Budget in 2003 has enabled more timely reflection of the Policy Address' priorities and policies in the 2003 Budget. Such key priorities announced in the 2003 Policy Address include the three-pronged plan to solve the deficit problem: boost economic growth, cut public expenditure, and raise revenue. These plans are reflected in the 2003-04 Estimates and the Medium Range Forecast up to 2007-08. The Budget also announced specific budgetary initiatives in line with the Policy Address, such as the \$1 billion for grants to match certain donations to universities, a \$200 million initiative to attract investments in the Greater Pearl River Delta and to set up offices in Hong Kong, etc;
- (d) having reviewed possible options to shorten the time gap between the Policy Address and the Budget to two months, the Administration considers that the timetable of delivering the Policy Address in January and the Budget around early March should continue to be adopted in the interim few years; and
- (e) the Administration would keep under review the most appropriate long term arrangements for delivering the Policy Address and Budget.

4. Details of the review are set out in the Administration's paper in **Appendix I**.

CRoP's views

5. Having discussed the Administration's paper on the review, CRoP wishes to report that:

- (a) most CRoP members consider that the Administration has not established a convincing case for narrowing the time gap between the delivery of the Policy Address and the Budget to two months;
- (b) most CRoP members consider that delivering the Policy Address in October is a more suitable arrangement for the operation of LegCo; and

- (c) the current definition of “financial year” should remain unchanged, as there is a link between its definition and that of tax assessment year as defined in the Inland Revenue Ordinance. Changing the definition of financial year will have considerable impact on the public at large.

6. CROp has urged the Administration to take account of its views and reconsider the timeframe for delivering future Policy Addresses.

The current position

7. In his letter of 30 April 2003, the Director of Administrations informs CROp that the Administration was still considering CROp’s views and would report back to CROp once it has completed its further deliberations on the future timetable for delivering the Policy Address.

8. On 2 May 2003, 19 LegCo Members sent a joint letter to the Chief Executive setting out their views on the matter. A copy of the letter is in **Appendix II**. In short, these Members requested the Chief Executive to revert to the previous practice of delivering the Policy Address and Budget in October and March respectively.

Advice sought

9. Members are invited to take note of the current position of the discussion between CROp and the Administration on the matter.

Legislative Council Secretariat
7 May 2003

COMMITTEE ON RULES OF PROCEDURE

Future Timetable for the Policy Address and Budget

PURPOSE

This paper briefs the Committee on Rules of Procedure (the Rules Committee) on the findings of the Administration's review of the future timetable for the Policy Address and Budget.

BACKGROUND

2. The Chief Executive (CE) delivered his first Policy Address of his second term in January 2003. The timing for the Budget has remained unchanged, i.e. in early March of the year. Taking into account the experiences in 2003, we undertook to conclude a review of the future timetable for the Policy Address and Budget as soon as possible following the completion of the 2003 Policy Address and Budget exercises.

THE REVIEW

3. We have examined whether the new timetable for the Policy Address in 2003, viz. delivering the Policy Address in January, with the Budget timing remain unchanged in March, has –

- (a) satisfactorily met our objective of better aligning the Policy Address and Budget processes; and
- (b) contributed to a better synchronization of work within Government, between Government and LegCo, and between Government and other stakeholders, in terms of the preparation and consultation of the Policy Address and Budget proposals.

4. In considering the longer-term arrangements for the delivery of the Policy Address, we have also examined the pros and cons and the implications of the various options of narrowing the time gap between the Policy Address and the Budget to two months. We have also made references to practices in overseas jurisdictions.

5. Our conclusions following the review are –

- (a) the Policy Address and Budget processes are, and should be, closely inter-related. Narrowing the gap between the two improves the co-ordination/interaction between the formulation of programmes/policies and the budget, and facilitates more informed and comprehensive consultations with and discussions in LegCo and the community;
- (b) Such close interaction between the Policy Address and budgetary processes is likely to be even more crucial in the coming years of fiscal consolidation. Given that resources will be even scarcer, it is all the more important that programmes/policies are formulated with regard to resources available, and budgets are formulated in a way targeting resources at the society's prevailing priorities;
- (c) the shortened interval at two months between the Policy Address and the Budget in 2003 has enabled more timely reflection of the Policy Address' priorities and policies in the 2003 Budget. Such key priorities announced in the 2003 Policy Address include the three-pronged plan to solve the deficit problem : boost economic growth, cut public expenditure, and raise revenue. These plans are reflected in the 2003-04 Estimates and the Medium Range Forecast up to 2007-08. The Budget also announced specific budgetary initiatives in line with the Policy Address, such as the \$1 billion for grants to match certain donations to universities, a \$200 million initiative to attract investments in the Greater PRD and to set up offices in Hong Kong, etc; and
- (d) having reviewed possible options to shorten the time gap between the Policy Address and the Budget to two months, we consider that the timetable of delivering the Policy Address in January and the Budget around early March should continue to be adopted in the interim few years; and

- (e) the Administration would keep under review the most appropriate long term arrangements for delivering the Policy Address and Budget.

6. Our findings in support of the above are set out below.

Review of the timetable of delivering the Policy Address and Budget in 2003

7. The shortened interval at two months between the Policy Address and the Budget in 2003 has enabled more timely reflection of the Policy Address' priorities and policies in the 2003 Budget. Such key priorities announced in the 2003 Policy Address include the three-pronged plan to solve the deficit problem: plans for reviving the economy, for appropriate revenue measures, and for concrete targets and measures for cutting expenditure. These plans are reflected in the 2003-04 Estimates and the Medium Range Forecast (MRF) up to 2007-08. The Budget also announced specific budgetary initiatives in line with the Policy Address, such as the \$1 billion for grants to match certain donations to universities, a \$200 million initiative to attract investments in the Greater PRD and to set up offices in Hong Kong, etc.

8. This shorter time gap at two months has also enhanced the overall efficiency of the Government machinery, in formulating and implementing policy initiatives on the one hand, while allowing sufficient time for the preparation and consultation of the relevant proposals with stakeholders, including LegCo Members, on the other.

9. Looking to overseas experiences, we note from the research report compiled by the LegCo Secretariat that the shortened time gap between the Policy Address and Budget at two months is broadly in line with practices in other overseas jurisdictions, including Australia, the United States and New Jersey, which all have an interval of one to three months¹ between the equivalents of their Policy Address and Budget.

¹ Although the Queen's Speech in the United Kingdom is delivered at the beginning of each legislative session, its focus is on the Administration's legislative priorities ahead. In view of this major difference in content, it would not be meaningful to compare its timing of delivery with that of the Policy Address in Hong Kong.

10. Taking into account the above considerations, we have come to the view that a shortened interval between the delivery of the Policy Address and the Budget at around two months is about right.

Future timetable of delivering Policy Address and Budget

11. In light of the above analysis, we have considered the following three possible options on delivering the Policy Address and Budget in future. They all involve a gap of roughly two months between the delivery of the Policy Address and the Budget –

- (a) For the CE to deliver his Policy Address in early October, and for the Budget to be delivered in December, with or without changing the current definition of Government's financial year;
- (b) For the CE to deliver his Policy Address in early July, and for the Budget to be delivered in September, with or without changing the current definition of Government's financial year; and
- (c) For the CE to deliver his Policy Address at the beginning of the calendar year in early January, and for the Budget to be delivered in March of the year.

Option (a) : Delivery of Policy Address in October and Budget in December

12. This option involves a reversion to the pre-2003 practice of delivering the Policy Address in October and bringing forward the Budget Day to December.

Pros

- If the CE delivers his Policy Address at the commencement of a legislative session, it sets the scene and provides focus for LegCo activities for the rest of the session. This is of particular relevance upon the commencement of a new LegCo term.
- The timetable is an established constitutional convention in Hong Kong.

Cons

- This option may give rise to an unwieldy situation when a LegCo term lapses. Under this scenario, the Administration will be consulting the old term LegCo on the Policy Address and the Budget proposals, while it will be the LegCo in the new term which receives and debates the Policy Address and the Budget.
- If the Budget were presented in December, it would be problematic to keep the current definition of the Government's financial year. For one thing, if the financial year starts on 1 April and the Budget is presented in December, one main problem is that the Budget would have to be formulated with expenditure/revenue data up to around end-October, or seven months' data. The expenditure/revenue data around the end of the calendar year is crucial for budgetary purposes. This is because under our expenditure control and revenue collection systems, on a pro rata basis, more government expenditure is incurred, and more revenue is collected, in the last several months of a financial year. Preparing the Budget without taking into account this data would make the revised estimates for the year, estimates for the next year and the MRF even less reliable. It would also not be conducive to public discussion of the Budget if economic and fiscal data available for discussion is so limited.
- If we change the financial year so that it starts on 1 January, we would need to change the definition of financial year in Cap 1, and make careful preparations for the change to minimise the initial confusion. We would also need to consider if we should also change the tax assessment year, which is currently defined in the Inland Revenue Ordinance as "the period of 12 months commencing on 1 April in any year". Whether we change the assessment year so that it also starts on 1 January, there could be impact on taxpayers

and the operation of the IRD. We would need to think through such impact carefully.

- Any option involving the change of the financial year should not be implemented during the 2003-04 financial year, given that we have already submitted the 2003-04 Budget to LegCo. Such options therefore cannot be implemented for the next Policy Address/2004 Budget.

Taking into account possible need for legislative amendments, we consider that this is not a feasible option to be pursued in the short and medium term.

Option (b) : Delivery of Policy Address in early July and Budget in September

13. Under this option, the CE will deliver his Policy Address upon his assumption of office and in early July every year thereafter.

Pros

- If the CE delivers the Policy Address in early July upon his assumption of office, it would set the policy direction of the HKSARG over a timeframe that tallies with the term of office of the head of its government.
- The timing will be of particular relevance upon the commencement of the term of a new CE, when there is public expectation for the CE to account openly as soon as practicable his aspirations and policy direction for the rest of his term.

Cons

- Moving the Policy Address to July will pose major disruptions to the annual programme and work plan of LegCo. To accommodate this, there is a need to defer the summer recess to the latter part of July to allow the Policy Address debate to run its course. It may also involve changing the commencement and ending of a legislative session (currently fixed at October of a year

to mid July of the following year), in order to enable LegCo to receive the Policy Address and Budget in July and September of the year, and to enact the Appropriation Bill in mid-October.

- Article 69 of the Basic Law stipulates that the term of office of LegCo shall be four years. The current LegCo term should normally end on 30 September in 2004. Therefore, in so far as the third term LegCo (2004 – 2008) is concerned, it would be constitutionally problematic to either cut short the second LegCo term or advance the start of the third LegCo term to commence in July 2004.
- Without changing the commencement date of LegCo's term of office, the implementation of this option may cause abnormalities in LegCo's operation. A general election will take place every four years in about mid-September. To enable such a general election to be held, LegCo's operation will normally be terminated for six to seven weeks for nomination and electioneering. Thus, it may not be practicable for LegCo to consider the Budget in September during the election year.
- If the consideration of the Budget is deferred until October when the new Legislature commences operation, a rather unwieldy situation may arise with the old term LegCo debating the Policy Address, whilst it is the LegCo in the new term which considers the Budget and enacts the Appropriation Bill.
- If the Budget is presented in September, it would be difficult to keep the current definition of the Government's financial year. For one thing, if the financial year starts on 1 April and the Budget is presented in September, we would have to prepare our revised expenditure and revenue estimates for the year, draft estimates for the next year and the MRF on the basis of three or at most four months' economic/ expenditure/revenue data. Such data would not provide a reliable basis to formulate the budget and would not

be conducive to public consultation on the various proposals.

- Again, if we were to change the financial year so that it starts on 1 January, the implications as discussed under option (a) above will apply.
- Any option involving the change of the financial year should not be implemented during the 2003-04 financial year, given that we have already submitted the 2003-04 Budget to LegCo. Such options therefore cannot be implemented for the next Policy Address/2004 Budget.

On balance, taking into account possible Basic Law implications, and the need for legislative amendments, we do not consider this a feasible option for the short and immediate term.

Option (c) : Delivery of Policy Address in January and Budget in March

14. This is the timetable for the 2003 exercise.

Pros

- The 2003 experiences have proven that this timetable has enhanced the overall efficiency of Government in formulating and implementing policy initiatives while allowing sufficient time for consultation on proposals in the Policy Address and Budget.
- This is also the simplest option among the three and it can be readily implemented.

Cons

- There will be a null period of LegCo activities between the start of a session in October, and the time when the Policy Address is delivered, posing difficulties for LegCo to plan its work.

- The null period will pose an even greater problem to LegCo when a LegCo term lapses. Unlike the scenarios within a LegCo term under which LegCo may consider outstanding bills or other business during the null period, LegCo Members may not have much business to deal with at the beginning of the first legislative session of a new term.

15. In the absence of a viable alternative which will narrow the time gap between the Policy Address and the Budget in the short and medium term, we consider that we should continue with the 2003 timetable (i.e. option (c)) as an interim measure for the coming few years. To address a possible null period at the start of a new LegCo term, the Administration can plan ahead and ensure that a sufficient number of new legislative proposals would be introduced into LegCo at the beginning of the term.

16. In tandem, the Administration will also keep under review the most appropriate long-term arrangements for delivering the Policy Address and the Budget.

OTHER OPTIONS

17. We have also considered the pros and cons of reverting to the pre-2003 timetable i.e. delivering the Policy Address in October, and the Budget in March the following year – an option in fact preferred by some LegCo Members. We do not favour this option since the 5-month gap between the two exercises would not enable the Administration to implement as soon as practicable the policy initiatives announced in the Policy Address with funding implications. The experiences in 2003 have borne out that a time gap of two months between the two exercises is just about right, and this should be the target timeframe we seek to achieve. We would not therefore recommend reversion to the previous timetable.

Administration Wing
Chief Secretary for Administration's Office
March 2003

附錄 II

中區政府合署中座五樓行政長官辦公室
行政長官董建華先生

董先生：

行政署於四月七日向立法會議事規則委員會提交文件，堅持日後施政報告及財政預算案發表的安排與今年一樣。我們對此表示不滿，並促請當局考慮回復過往十月發表施政報告，三月公佈財政預算案的做法。

當局在文件中指出，施政報告與財政預算案之間的公佈時間距離縮短至兩個月，可更全面地諮詢立法會及社會大眾及展開討論，亦可令行政機關在計劃及編寫施政報告與財政預算案時更為配合。在財政赤字高企下，此安排亦可節省資源。

我們認為今年的經驗無法證明上述立論，而當局的決定，不但需要更改政府對財政年度的定義，更會令新一屆立法會出現工作真空期。因此我們認為這決定欠缺實質成效，只屬徒勞之舉。

環顧海外國家的經驗，如美國、英國及澳洲等地的行政機關，均在國會開會的首月，公佈國情咨文、女皇敕語及總督揭幕辭，以示尊重立法機構，並配合立法機關的工作。由此可見當局的提議，與國際潮流相違，令外界質疑香港的行政機關並不尊重立法機關。

我們希望閣下能考慮上述的意見，維持以往行之有效的做法，以促進行政及立法機關的合作。敬希賜覆，為荷。並頌
籌祺！

聯署立法會議員：

司徒華

何俊仁

李柱銘

馮檢基

楊新

鄭家富

梁國英

徐耀中

吳國儀

劉慧卿

單仲偕

葉國風

何永蘭

梁文道

梁耀忠

陳偉業

鄧啟光

李卓人

黃毓民

二零零三年五月二日

副本送交：政務司司長辦公室行政署署長黃灝玄先生