



中華人民共和國香港特別行政區
Hong Kong Special Administrative Region of the People's Republic of China



立法會秘書處
LEGISLATIVE COUNCIL SECRETARIAT

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19 June 2003

Ms Miranda HON
Clerk
Public Accounts Committee
Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms HON

**The Director of Audit's Report on the
results of value for money audits (Report No. 40)**

**Chapter 5: Subvention for staff emoluments
of The Legislative Council Commission**

Thank you for your letter dated 17 June 2003. As requested, the following information is provided for the Public Accounts Committee:

(a) Funding requests in respect of services

To ensure the managerial and financial autonomy of LCC, the Administration does not control the staff establishment of LCC or the way LCC delivers its services. Requests for additional funding in each Resource Allocation Exercise (RAE) are in respect of new or improved services, and not for the creation of posts. This conceptual framework is laid down in the Exchange of Letters (EoL) agreed between the Administration and LCC. Paragraphs 4 and 5 of EoL are particularly relevant (**Appendix I**).

New funds are not earmarked for any posts, and the Commission has the freedom to deploy new resources allocated through an RAE. This is illustrated by the notification of funding application results from the Secretary for Financial Services and the Treasury. Please see as an example notification for the new resources allocated in the 1997 RAE for 1998-99 (paragraph 4.5 of the Audit Report refers) in **Appendix II**. Annex B to Appendix II shows that the amount allocated was in respect of four services. Paragraph 3 of Appendix II affirmed that “under a one-line vote arrangement, you (LCC) are, of course, free to deploy resources as you see fit”.

(b) Supporting information for Financial Services and the Treasury Bureau (FSTB) in relation to funding applications

The funding for existing services is based on the approved financial provision for LCC’s recurrent expenses in the previous year (i.e baseline expenditure as mentioned in paragraph 4.2(b) of Appendix I).

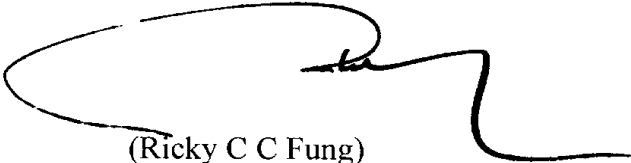
To support the funding requests for new or improved services, LCC estimates the service level to be achieved and the plans for delivering such services. The plan can be additional staff, use of technologies and/or hiring of outside services. It is for budgetary purposes and can be changed in the implementation stage.

(c) Whether cash allowances and contract gratuities are relevant information in funding applications

Funding for existing services does not take into account the amount of cash allowances and contract gratuities payable by LCC. As stated in paragraph (b) above, funding is based on the financial provision approved in the previous year.

Regarding funding requests for new or improved services, if the plan is to employ additional staff, the estimated staff costs will be used for budgeting the resources required. Salary, cash allowance and contract gratuity involved are taken into account in estimating the staff costs. However, LCC’s funding requests are in respect of the overall cost for the new or improved services, and not for any specific components.

Yours sincerely



(Ricky C C Fung)
Secretary General

Encls.

c.c. Secretary for Financial Services and the Treasury
Director of Audit

****Note by Clerk, PAC: Appendix II not attached.***

**Extract from Exchange of Letters between the Administration and
The Legislative Council Commission**

4. Procedure for preparation of the Estimates

- 4.1 The Secretary General of the LegCo Secretariat is designated as the controlling officer in respect of the estimates of expenditure of the Commission. He will prepare the Commission's annual draft estimates of expenditure in accordance with directions or instructions given generally by the Financial Secretary for that purpose. These will be discussed and agreed with the Administration for incorporation in the draft Estimates of Expenditure for the following financial year.
- 4.2 The level of provision to be included in the draft Estimates of Expenditure will be determined having regard to -
- (a) the overall government budgetary situation;
 - (b) the baseline expenditure of the Commission and price adjustments to reflect the increased cost of services;
 - (c) the recurrent consequences of any approved capital works projects which will come on stream in that year;
 - (d) the cost of any new or improved services, funds for which have been secured through the Resource Allocation Exercise referred to in paragraph 5 below; and
 - (e) any charges imposed by the Government on the Commission for services which it hitherto provides free of charge to the Commission (see paragraph 9.1 below).

5. New or improved services

Where the Commission requires additional funds for introducing new or improved services, it will submit bids in the annual Resource Allocation Exercise. Such bids will be considered by the Administration in competition with other bids for public funding.