

## **ITEM FOR FINANCE COMMITTEE**

### **NEW HEAD "CIVIL ENGINEERING AND DEVELOPMENT DEPARTMENT"**

#### **HEAD 43 – CIVIL ENGINEERING DEPARTMENT**

#### **HEAD 110 – TERRITORY DEVELOPMENT DEPARTMENT**

Members are invited to approve the following changes to the 2004-05 Estimates with effect from 1 July 2004 to reflect the merging of Civil Engineering Department and Territory Development Department into a new department from the same date –

- (a) for the Civil Engineering and Development Department -
  - (i) creation of a new Head of Expenditure under the General Revenue Account entitled "Civil Engineering and Development Department", with the Director of Civil Engineering and Development as the Controlling Officer;
  - (ii) under this new Head of Expenditure, creation of one Recurrent Subhead and two Non-Recurrent Subheads under the Operating Account, and two Subheads under the Capital Account;
  - (iii) consequential transfer of seven commitments under Operating Account Non-Recurrent Subhead and one commitment under Capital Account Subhead from Head 43 Civil Engineering Department to this new Head of Expenditure;

/(iv) .....

- (iv) supplementary provision of \$872.694 million in 2004-05; and
  - (v) provision of establishment ceiling of \$584,936,000 in 2004-05 expressed in terms of total notional annual mid-point salary value to the new Head for the creation of non-directorate posts; and
- (b) deletion of Head 43 Civil Engineering Department and Head 110 Territory Development Department.

## **PROBLEM**

We need to fund the new Civil Engineering and Development Department (CEDD) to be established on 1 July 2004 through the merging of the Civil Engineering Department (CED) and the Territory Development Department (TDD). The new department will continue to perform an essential role in the delivery of major infrastructural and development projects in Hong Kong and assume the co-ordinating role in planning and implementation of these projects.

## **PROPOSAL**

2. We propose the following changes to the 2004-05 Estimates, with effect from 1 July 2004 -

- (a) creating one new Head of Expenditure and relevant Subheads under the General Revenue Account to account for the expenditure of CEDD, with the Director of Civil Engineering and Development (DCED) as the Controlling Officer;
- (b) transferring seven commitments under Operating Account Non-Recurrent Subhead and one commitment under Capital Account Subhead from CED to CEDD;
- (c) providing under the new Head of Expenditure supplementary provision of \$872.694 million in 2004-05 for the operation of CEDD from 1 July 2004;
- (d) providing an establishment ceiling for CEDD; and
- (e) deleting Head 43 CED and Head 110 TDD.

**/JUSTIFICATION .....**

## JUSTIFICATION

### The merger

3. On 28 April 2004, the Establishment Subcommittee (ESC) of the Finance Committee (FC) endorsed the proposed changes in the directorate establishment required to implement the merger of CED and TDD into a new department named CEDD to be established on 1 July 2004.

4. The proposed merger will bring about synergy effect of the expertise of the two departments. It also offers opportunities for significant savings, particularly at senior and managerial level, and opportunities for streamlining organisational structures.

5. Essentially, the merger proposal involves the integration of the Headquarters of CED and TDD and a number of rationalisation and restructuring measures with a view to responding more effectively to changing demands for public services. The proposal will result in changes in the number and deployment of directorate posts on civil service establishment, with a net deletion of nine directorate posts (including two ungraded posts) and 57 non-directorate posts.

### Creation of new Head and Subheads

6. We propose to create, with effect from 1 July 2004, a new Head of Expenditure under the General Revenue Account to account for the spending of CEDD with DCED as the Controlling Officer. Consistent with the established practice for other existing heads, the expenditure under the new Head will be broken down into Operating and Capital Account Subheads. The subhead structure largely follows those of the two existing departments combined. The provision for each of the subheads is in fact the cost-neutral transfer of the estimated balance of the nine months' expenses in 2004-05 from the corresponding subheads under Head 43 CED and Head 110 TDD. Details of the 2004-05 provision under the new Head presented in the Estimates format with supporting explanation are set out in the Enclosure.

Encl.

*/operating .....*

*Operating Account -Recurrent*

7. Subhead 000 Operational expenses under the new Head is the combination of the estimated residual balances in each of the existing Subhead 000 under Head 43 CED and Head 110 TDD. For the period from 1 July 2004 to 31 March 2005, we estimate that CEDD will incur a total recurrent expenditure of \$860.794 million.

*Operating Account - Non-recurrent*

8. Subhead 700 General non-recurrent (accommodating seven existing approved non-recurrent commitments) and Subhead 841 Minor consultancy studies (block vote) under the new Head of Expenditure are transferred from Head 43 CED. Details of the commitment are set out in the Estimates for CEDD in the Enclosure.

*Capital Account*

9. Subhead 603 Plant, vehicles and equipment and Subhead 661 Minor plant, vehicles and equipment (block vote) under the new Head of Expenditure are transferred from Head 43 CED. Details of the commitment are set out in the Estimates for CEDD in the Enclosure.

*Establishment ceiling*

10. We propose an establishment ceiling of \$584,936,000 in terms of total notional annual mid-point salary value for CEDD for the creation of non-directorate posts. The establishment ceiling has taken into account the posts which can be deleted before 1 July 2004 upon the amalgamation of the two departments.

**Deletion of Head 43 Civil Engineering Department and Head 110 Territory Development Department**

11. Consequent upon the above changes, the existing Head 43 CED and Head 110 TDD will be deleted.

**/FINANCIAL .....**

**FINANCIAL IMPLICATIONS**

12. The proposed provision of \$872.694 million in 2004-05 under the new Head of Expenditure for CEDD is fully off-set by the estimated residual balances under the approved provision for Head 43 CED and Head 110 TDD to be deleted; hence, the proposal will not incur additional expenditure in 2004-05. The full-year requirements of CEDD will be reflected in the 2005-06 Estimates.

**BACKGROUND INFORMATION**

13. We briefed Members of the Legislative Council Panel on Planning, Lands and Works on the merger proposal on 27 January 2004. Members generally supported the proposal. The ESC of the FC endorsed the proposed organisation and directorate staffing structures of the new department on 28 April 2004.

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Environment, Transport and Works Bureau  
May 2004

**Estimated Provision Required for the Civil Engineering and Development Department  
(for period covering 1 July 2004 to 31 March 2005)**

Sub-head (Code)	<b>Operating Account</b>	<b>Estimate 2004-05 \$'000</b>
	Recurrent	
000	Operational expenses .....	<u>860,794</u>
	Total, Recurrent.....	<u>860,794</u>
	Non-Recurrent	
700	General non-recurrent.....	4,562
841	Minor consultancy studies (block vote).....	<u>1,301</u>
	Total, Non-Recurrent.....	<u>5,863</u>
	Total, Operating Account.....	<u>866,657</u>
<b>Capital Account</b>		
	Plant, Equipment and Works	
603	Plant, vehicles and equipment.....	3,900
661	Minor plant, vehicles and equipment (block vote).....	<u>2,137</u>
	Total, Plant, Equipment and Works.....	<u>6,037</u>
	Total, Capital Account.....	<u>6,037</u>
	Total Expenditure.....	<u>872,694</u>

/Details .....

## Details of Expenditure by Subhead

The estimate of the amount required in 2004-05 for the salaries and expenses of the Civil Engineering and Development Department is \$872,694,000.

### *Operating Account*

#### Recurrent

2 Provision of \$860,794,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Civil Engineering and Development Department.

3 The establishment as at 1 July 2004 will be 1,792 permanent posts and two supernumerary posts. It is expected that there will be a deletion of 32 permanent posts in 2004-05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004-05, but the notional annual mid-point salary value of all such posts must not exceed \$584,936,000.

4 An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows -

	<b>2004-05 (Estimate) (\$'000)</b>
Personal Emoluments	
- Salaries .....	<b>621,636</b>
- Allowances .....	<b>8,329</b>
- Job-related allowances .....	<b>686</b>
Personnel Related Expenses	
-Mandatory Provident Fund contribution .....	<b>540</b>
Departmental Expenses	
- Contract maintenance .....	<b>153,819</b>
- General departmental expenses .....	<b>75,784</b>
	<b>860,794</b>

#### Non-Recurrent

5 Provision of \$1,301,000 under *Subhead 841 Minor consultancy studies (block vote)* is for engaging consultants to conduct minor studies costing above \$150,000 but not exceeding \$2,000,000 each.

/Commitments .....

**Commitments**

Sub-head (Code)	Item (Code)	Ambit	Approved <u>commitment</u> \$'000	Accumulated expenditure <u>to 31.3.2004</u> \$'000	Estimated expenditure 1.4.2004 to <u>30.6.2004</u> \$'000	<u>Balance</u> \$'000
<b><i>Operating Account</i></b>						
700	<i>General non-recurrent</i>					
	528	Provision of warning signs in squatter areas.....	5,000	2,927	150	1,923
	534	Monitoring of uncontaminated mud disposal area at South Cheung Chau and East Ninepins.....	7,800	6,490	255	1,055
	535	Monitoring of uncontaminated mud disposal area at north of Lantau and south of Tsing Yi.....	17,100	11,139	340	5,621
	536	Publication of a Geoguide on Engineering Geology.....	2,500	260	260	1,980
	540	Electronic filing system for slope safety-related information.....	1,000	374	135	491
	541	International Conference on Coastal Infrastructure Development.....	300	58	-	242
	542	Enhancement of the transmission system for rainguage stations.....	1,500	-	350	1,150
			<u>35,200</u>	<u>21,248</u>	<u>1,490</u>	<u>12,462</u>
<b><i>Capital Account</i></b>						
603	<i>Plant, vehicles and equipment</i>					
	325	Replacement of Universal Testing Machine of 2000 KN.....	4,000	39	-	3,961
		<b>Total.....</b>	<b>39,200</b>	<b>21,287</b>	<b>1,490</b>	<b>16,423</b>