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19 April 2013

Mr Kenneth Chen, SBS
Secretary General
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Secretary General,

Appropriation Bill 2013

Thank you for your letter of 17 April 2013 on the Vote on Account (VoA) Resolution passed by the Legislative Council (LegCo) on 20 March 2013.

The VoA Resolution authorises the expenditure of a sum not exceeding \$75,545,010,000 on the services of the Government prior to the enactment of an Appropriation Ordinance for the 2013-14 financial year. The Resolution is made pursuant to section 7 of the Public Finance Ordinance and is intended to be a bridging facility.

The VoA Resolution enables the Government to fund recurrent as well as non-recurrent commitments charged to the General Revenue Account, the Government's main operating account, prior to the passage of the Appropriation Bill 2013. These financial commitments cover salary payments for the Government, LegCo Commission and the Judiciary; payment for public services including education, welfare, health, law and order, environmental

hygiene, food safety, employment services, legal aid; contractual obligations such as payment to cleansing contractors; and subvention payments to Hospital Authority, welfare non-governmental organisations, etc.

In line with established practice, the sum allowed in the current Resolution is determined with reference to the 2013-14 Estimates of Expenditure. As far as recurrent funding is concerned, a provision of 20% of the estimated provision for 2013-14 has generally been secured for all recurrent subheads relating to some 80 Heads of Expenditure.

Based on past experience, recurrent expenditure is spent fairly evenly over the year. A 20% provision would roughly be sufficient to meet about two months of Government's recurrent expenditure. With the funding available through the VoA Resolution, the Administration should only be able to meet its recurrent financial obligations and discharge its public functions until end May 2013.

Following the passage of the Appropriation Bill in LegCo, the Administration would need to complete other necessary legislative procedures including the gazettal of the Bill and consequential authorisations for payment through a general warrant issued under section 19 of the Public Finance Ordinance. By way of illustration, the Appropriation Bill for 2012-13 was passed on 29 March 2012 and gazetted on 5 April 2012; the Appropriation Bill for 2011-12 was passed on 14 April 2011 and gazetted on 21 April 2011. Upon completion of the legislative procedures, bureaux and departments would need time to process the vast number of payments. A reasonable period must also be allowed for the subvented bodies, contractors, etc. to in turn arrange payment to the ultimate recipients, especially for recurrent payments typically made at the beginning of each month. All considered, a two-week processing period should be allowed.

It is the responsibility of the Government to exercise the powers and functions conferred on it under Article 62 of the Basic Law. It is also the responsibility of the Government to assure the community that funds would be available in an orderly, predictable and timely manner to support committed public services. This duty to the community would be compromised if LegCo were to allow the passage of the Appropriation Bill to be unduly held back by avowed filibustering attempts from a few individual Members.

Failure to secure the passage of the Appropriation Bill 2013 in a timely manner would pose a real and intolerable threat to the continued operation of the Government, LegCo and the Judiciary. It would create anxieties amongst the public sector, the subvented sector, the business sector and ultimately the entire community which counts on the services and funding support from the Government. Undue delay in the passage of the Appropriation Bill is clearly not in public interest.

To avoid the risk of public services being seriously disrupted and the public sector being rendered inoperable, it is our considered view that the passage of the Appropriation Bill 2013 has to be secured by **mid May 2013**.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K C Chan', with a long horizontal stroke extending to the right.

(Professor K C Chan)
Secretary for Financial Services and the Treasury