



財政司司長 曾俊華  
John C Tsang, GBM, JP  
Financial Secretary

22 April 2015

The Hon Jasper Tsang Yok-sing, GBS, JP  
President  
Legislative Council  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear President,

### **Appropriation Bill 2015**

Selected Members of the Legislative Council (LegCo) have moved once again a large number of Committee Stage Amendments (CSAs) to the Appropriation Bill this year. While reserving Government's position under Article 74 of the Basic Law that Members' CSAs to the Appropriation Bill cannot be introduced because they relate to public expenditure and the operation of Government, I commend your efforts in ensuring "*the efficient conduct of the Council as a law making institution*".

Your ruling on 20 April 2015 to strike out 3,286 of the 3,904 proposed CSAs to the Appropriation Bill 2015 is a refreshing and welcome move to avoid the proceedings of LegCo from being unduly prolonged. With 618 CSAs to be processed, I feel obliged to underline the significance of the timely passage of the Appropriation Bill 2015.

中華人民共和國香港特別行政區政府財政司司長辦公室  
Office of the Financial Secretary of the Hong Kong Special Administrative Region Government  
People's Republic of China

## **Time-critical nature of Appropriation Bill**

As you have rightly observed, the Appropriation Bill is time-critical in nature. Unless the annual appropriations proposed under the Bill are approved in a timely manner, Government has no authority under the Public Finance Ordinance (PFO) to incur funding under the General Revenue Account (GRA) for the financial year concerned. The public services that rely on GRA appropriations include -

- (a) welfare payments, including Comprehensive Social Security Assistance (CSSA), Old Age Living Allowance (OALA), Old Age Allowance (OAA) and Disability Allowance (DA);
- (b) education services;
- (c) public healthcare services, including those operated through the Hospital Authority (HA);
- (d) administration of justice and legal aid services;
- (e) maintenance and enforcement of law and order;
- (f) upkeep of environmental hygiene and food safety;
- (g) provision of employment services, as well as cultural, sports and leisure facilities and programmes;
- (h) contractual obligations, including payment for purchase of water, refuse collection, street cleansing and road maintenance; and
- (i) funding commitments for subvented organisations, including non-governmental welfare organisations, aided schools, etc.

Although PFO allows Government to seek interim funding, pending the passage of the Appropriation Bill in the early part of the relevant financial year, the amount sought would basically cover 20% of

Government's recurrent expenditure for the year. For 2015-16, the interim funding sought under the Vote on Account (VoA) Resolution was \$81.6 billion. This would be sufficient to support Government's recurrent expenditure for the months of April and May 2015. Scheduled payments due in early June would be affected if the Appropriation Bill 2015 were not passed by LegCo by **mid May** of 2015.

### **Disruptions experienced**

Filibustering had adversely affected the timely passage of the Appropriation Bills in 2013 and 2014. This had, in turn, disrupted the payment cycles for a host of publicly-funded organisations and contractors.

For 2013, 710 CSAs were admitted, and the Bill was passed on 21 May. Government was forced to delay payments that were scheduled for early June to HA, University Grants Committee-funded institutions and the Legislative Council Commission.

For 2014, 1,192 CSAs were admitted, and the Bill was passed on 4 June. To cope with the funding shortfall envisaged from June 2014, Government –

- (a) deferred the scheduled payments to around 20 organisations;
- (b) deferred payments to five Trading Funds; and
- (c) deferred the settlement of numerous bills.

By appealing to all Controlling Officers to confine payments during the VoA period to only essential expenditure items, we just about managed in 2014 to avoid having to cut or suspend services to the public.

These exceptional and highly disruptive contingency measures necessitated by filibustering should **not** be taken as the norm.

### **Benchmarking**

Except for 2013 and 2014 when LegCo had to deal with filibustering by a few Members, all the Appropriation Bills deliberated by LegCo for the past ten years since 2005-06 were passed in **April if not late March**. The timelines for completing deliberations on the Appropriation Bills in 2013 and 2014 were exceptional. There is a genuine and practical need for the Appropriation Bill 2015 to be approved by LegCo by **mid May**.

We recognise that times have changed, and Government has to make fundamental modifications in our administration in order to adapt to Members' changed behaviour. We have, for example, responded to a record-breaking number of enquiries through the Special Finance Committee sittings in recent years (6,996 in 2015, up from 6,660 in 2014, 5,471 in 2013 and an average of 3,491 each year for the 2009-2014 LegCo Term). Our Controlling Officers have exercised exceptional efforts in a spirit of cooperation to respond to these enquiries in a timely manner. We do hope LegCo can respond appropriately bearing in mind the need for efficiency and the importance of public interest.

### **Knock-on effects**

The delayed passage of the Appropriation Bill 2015 would have knock-on effects on the timely implementation of initiatives announced in the 2015 Policy Address and the 2015-16 Budget. These include, for instance, increasing progressively the ratio of graduate teacher posts in public sector primary schools from 50% to 65% by the 2017/18 school year, increasing the subsidised places of extended hours' service provided by child care centres and kindergarten-cum-child care centres, as well as strengthening various support services for persons with disabilities and ex-mentally ill persons. Delays would also affect

non-recurrent funding proposals scheduled for consideration of the Finance Committee. These include -

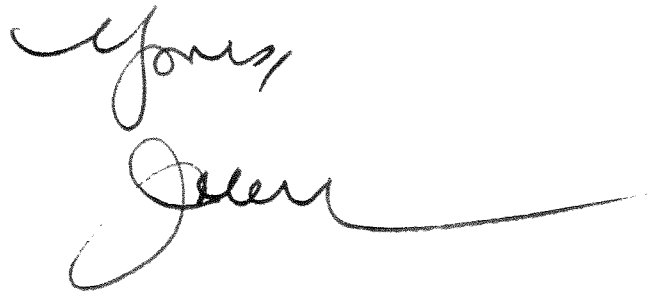
- (a) \$6.6 billion for one month's public housing rental relief and two extra months' standard rate/allowance under CSSA, OALA, OAA and DA;
- (b) \$1.5 billion for increasing commitment for and enhancements to the Small and Medium Enterprises (SME) Development Fund and SME Export Marketing Fund;
- (c) \$1 billion for the establishment of a Recycling Fund;
- (d) \$500 million for establishing a Sustainable Agricultural Development Fund;
- (e) \$500 million for the establishment of an independent Insurance Authority;
- (f) \$400 million funding injection into CreateSmart Initiative;
- (g) \$300 million for setting up a Youth Development Fund;
- (h) \$300 million for launching an Art Development Matching Grants Pilot Scheme;
- (i) \$100 million for launching a pilot scheme to enhance talent training for the insurance and asset and wealth management services; and
- (j) \$100 million for the Construction Industry Council to embark on training of semi-skilled workers up to skilled workers level.

There are also other pressing priorities that warrant urgent attention of LegCo and Government.

### **Scheduling of forthcoming proceedings**

I hope that you would take these observations into account in preparing the forthcoming proceedings on the Appropriation Bill 2015. My team in the Financial Services and the Treasury Bureau will continue to work closely with you and the Secretariat to facilitate the timely processing of the Appropriation Bill 2015.

With best wishes,

A handwritten signature in black ink, appearing to read "John", with a long horizontal flourish extending to the right.