

立法會
Legislative Council

LC Paper No. ESC150/18-19
(These minutes have been
seen by the Administration)

Ref : CB1/F/3/2

Establishment Subcommittee of the Finance Committee

Minutes of the 20th meeting
held in Conference Room 1 of Legislative Council Complex
on Monday, 24 June 2019, at 2:30 pm

Members present:

Hon Mrs Regina IP LAU Suk-yee, GBS, JP (Chairman)
Hon Holden CHOW Ho-ding (Deputy Chairman)
Hon James TO Kun-sun
Hon WONG Ting-kwong, GBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Steven HO Chun-yin, BBS
Hon WU Chi-wai, MH
Hon YIU Si-wing, BBS
Hon CHAN Chi-chuen
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung, JP
Hon Christopher CHEUNG Wah-fung, SBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon IP Kin-yuen
Dr Hon Elizabeth QUAT, BBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, SBS, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon CHUNG Kwok-pan
Hon Alvin YEUNG
Hon CHU Hoi-dick
Hon HO Kai-ming
Hon SHIU Ka-fai
Hon YUNG Hoi-yan
Dr Hon Pierre CHAN

Hon CHAN Chun-ying, JP
Hon Jeremy TAM Man-ho
Hon AU Nok-hin
Hon Vincent CHENG Wing-shun, MH
Hon Tony TSE Wai-chuen, BBS

Member absent:

Hon SHIU Ka-chun

Public Officers attending:

Ms. Kinnie WONG Kit-yee	Deputy Secretary for Financial Services and the Treasury (Treasury) 1 (Acting)
Mr Brian LO Sai-hung, JP	Deputy Secretary for the Civil Service 1
Mr Caspar TSUI Ying-wai	Under Secretary for Labour and Welfare
Mr LAM Ka-tai	Deputy Director of Social Welfare (Services)
Mr Alex WONG Kwok-chun	Assistant Director (Subventions) Social Welfare Department
Mr Joseph CHAN Ho-lim	Under Secretary for Financial Services and the Treasury
Mr Andrew LAI Chi-wah	Deputy Secretary for Financial Services and the Treasury (Treasury)2
Mr Bobby CHENG Kam Wing	Deputy Director of Administration 1, Chief Secretary for Administration's Office

Clerk in attendance:

Ms Connie SZETO	Chief Council Secretary (1)4
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Staff in attendance:

Miss Sharon LO	Senior Council Secretary (1)9
Ms Alice CHEUNG	Senior Legislative Assistant (1)1
Miss Yannes HO	Legislative Assistant (1)7
Ms Haley CHEUNG	Legislative Assistant (1)10

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The Chairman drew members' attention to the information paper ECI(2019-20)6, which set out the latest changes in the directorate establishment approved since 2002 and the changes to the directorate establishment in relation to the three items on the agenda. She then reminded members that in accordance with Rule 83A of the Rules of Procedure ("RoP"), they should disclose the nature of any direct or indirect pecuniary interest relating to the item under discussion at the meeting before they spoke on the item. She also drew members' attention to RoP 84 on voting in case of direct pecuniary interest.

EC(2019-20)9 Proposed creation of one permanent post of Senior Principal Executive Officer (D2) in the Social Welfare Department with immediate effect upon approval of the Finance Committee to head a new Planning and Development Branch to strengthen the planning, coordination and implementation of capital works projects of welfare premises and formulating departmental policies and procedures on all matters relating to project planning, implementation as well as management and maintenance for the provision of welfare facilities

2. The Chairman remarked that the staffing proposal was to create one permanent post of Senior Principal Executive Officer (D2) (to be designated as Assistant Director (Planning and Development) ("AD(PD) ")) in the Social Welfare Department ("SWD") with immediate effect upon approval of the Finance Committee ("FC") to head a new Planning and Development Branch to strengthen the planning, coordination and implementation of capital works projects of welfare premises and formulating departmental policies and procedures on all matters relating to project planning, implementation as well as management and maintenance for the provision of welfare facilities.

3. The Chairman remarked that the Administration had consulted the Panel on Welfare Services on this staffing proposal on 14 January, 2019. At the meeting of the Panel, members expressed concerns on the substantial delay in the implementation of a number of welfare facility projects and asked how creation of the proposed post could improve the delay situation. The Administration remarked that the proposed post could strengthen the planning, coordination and implementation of projects of welfare facilities, secure more premises for welfare facilities and speed up the

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implementation of relevant projects. The majority of the members supported in principle the Administration's submission of the proposal to the Establishment Subcommittee ("ESC") for consideration, but they requested the Administration to provide information relating to the conversion projects at ex-Kei Leung Primary School in Tuen Mun into welfare facilities prior to submission of the proposal to ESC. The information provided by the Administration was circulated to members on 27 March 2019 vide LC Paper No. CB2 1104/18-19(01).

Justifications for establishment of a Planning and Development Branch and creation of the post of Assistant Director (Planning and Development)

4. Mr CHAN Chun-ying noted that AD(PD) would head the new Planning and Development ("PD") Branch, take forward measures to identify premises for welfare facilities (including taking forward the Special Scheme on Privately Owned Sites for Welfare Uses ("Special Sites Scheme")), implement the new initiative announced in the 2019-2020 Budget under which \$20 billion would be allocated for the purchase of premises for provision of welfare facilities (the "Purchase Scheme"), and reinstate population-based planning ratios in the Hong Kong Planning Standards and Guidelines ("HKPSG"). He opined that the latter two were not recurrent initiatives, and asked for justifications for establishing a PD Branch in SWD and creating the proposed post on a permanent basis. Pointing out that AD(PD) would be substantially involved in taking forward and managing public works projects, Mr CHAN asked why, instead of having an officer from a professional grade, the post would be taken up by a Senior Principal Executive Officer. He asked whether the post would be filled by internal promotion or via open recruitment.

5. Under Secretary for Labour and Welfare ("USLW") responded that both the Special Sites Scheme and the Purchase Scheme required detailed planning. In addition, reinstating population-based planning ratios in HKPSG required the planning of and earmarking suitable premises for provision of relevant facilities, and all of those tasks had to be carried out on a long term basis. Furthermore, AD(PD) would be required to take up other long-term duties, including imposing land sale conditions in appropriate land sale site projects, under which developers were required to design and construct premises for welfare facilities. As regards the requirements for the post of AD(PD), USLW remarked that the post would primarily be involved in handling strategic work, and the candidate, in addition to working with colleagues from the professional grades, would have to conduct high level coordination and discussion with the senior management of relevant bureaux and departments, which called for a candidate who was well-versed with government policies and experienced in high level public administration. The post would be filled up by a

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suitable candidate through internal deployment from within the Government. He added that there were precedents of officers from the Executive Officer grade heading officers from the professional grades. Deputy Director of Social Welfare (Services) ("DDSW(S)") added that the new PD Branch would be underpinned by three work sections, namely Project Planning Section ("PPS"), Architectural Section ("Arch S"), and Premises Management and Maintenance Section ("PMMS"). AD(PD)'s duties were diverse and strategic requiring communication and coordination with different bureaux and departments with efforts to secure more sites for provision of welfare premises. Professional grade officers would be in place at different sections of the branch to provide support to AD(PD).

6. Ir Dr LO Wai-kwok expressed support for this staffing proposal. He agreed that additional manpower for SWD would be needed in order to identify premises for welfare facilities, whereas planning for provision of welfare facilities required high level leadership as well. Ir Dr LO pointed out that a number of members of the Public Works Subcommittee were concerned about inadequate provision of welfare facilities in Hong Kong and they looked forward to additional provision of such facilities by the Government through different means, such as inclusion of welfare facilities in public housing development projects and relaxation of plot ratios and height restriction of stand-alone welfare buildings.

7. Dr Fernando CHEUNG expressed opposition against the staffing proposal. He pointed out that SWD currently had two deputy directors and eight assistant directors. Paragraph 4 of the paper provided by the Administration had set out the efforts of SWD in seeking premises for provision of welfare services, but most of them were on-going efforts, with the exception of the Purchase Scheme, which was a new initiative. He questioned whether creation of the proposed post was necessary. Dr CHEUNG remarked that the Panel on Welfare Services had discussed the Purchase Scheme in the past. According to the Administration, there were precedent cases of purchase of private properties for provision of welfare services, and long standing and effective mechanism was in place. As such, he was of the view that it was unjustifiable for SWD to set up the PD Branch for taking forward the Purchase Scheme. He suggested that the relevant resources should be deployed to projects for improvement of people's livelihood instead. Dr CHEUNG further pointed out that inadequate welfare facilities in Hong Kong was a result of poor planning on the part of the Government, which could not be resolved simply by deployment of additional manpower. He asked whether SWD would review its planning process (e.g. unsatisfactory arrangements on certain Special Sites Schemes including Redevelopment of Factory for the Blind for the Hong Kong Society for the Blind, and cases where certain social

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welfare organizations were required by the Housing Department to renovate the premise upon occupancy), and whether AD(PD) would assist SWD in conducting such reviews. Mr AU Nok-hin and Dr KWOK Ka-ki had similar concerns.

8. In response, USLW pointed out that the expenditures of SWD on provision of welfare services had increased by 116% over the past ten years, from an actual expenditure of \$39.4 billion in 2010-2011 to \$85.1 billion in 2019-2020. SWD had been strengthening its efforts in planning. On provision of elderly services and facilities, the Government had already included relevant population-based planning ratios in HKPSG. Moreover, the Government had announced that the planning ratio for child care centre places would be devised, and planning was underway for inclusion of a population-based planning ratio in HKPSG in 2019-2020. On rehabilitation services, SWD recognized that a certain set of assumptions adopted for planning purpose in the past had become obsolete, resulting in inadequate provision of relevant facilities. The Government had plans to devise a new Hong Kong Rehabilitation Programme Plan for meeting diverse service needs of persons with disabilities. He further pointed out that given the further increase in demand for welfare facilities resulting from the inclusion of population-based planning ratios in HKPSG, coupled with new initiatives such as the implementation of Phase II of Special Sites Scheme by SWD, it was necessary to set up the PD Branch and create the proposed post. He reiterated the diverse areas of work involving AD(PD), and that implementation of the Purchase Scheme was only one of those work.

9. Mr WU Chi-wai asked about the impact of reinstating population-based planning ratios in HKPSG on the work of SWD. He said that if the Administration was of the view that the work of PD Branch was of an on-going nature, SWD should have set a long term work target accordingly. He asked if the Administration would conduct a comprehensive review on the planning on provision of social and welfare services in Hong Kong, and the relevant timetable for provision of social and welfare services as committed by the Administration.

10. In response, USLW remarked that the Administration recognized the increasing demand for social and welfare services in Hong Kong. SWD would enhance the planning work for provision of social and welfare services (such as the formulation of the new Rehabilitation Programme Plan) and increase the number of premises for welfare facilities through a multi-pronged approach. He reiterated that additional manpower and funding had been allocated to SWD. For example, the establishment of the Subventions Branch would be expanded to an anticipated 126 posts in 2019-2020 from 82 posts in 2012, and the number of work sections under

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the branch would increase from four to five.

Purchase of premises for provision of welfare facilities

11. Mr YIU Si-wing noted that the Administration intended to take forward the Purchase Scheme in three years' time, and it was expected that the relevant welfare facilities from the last batch of premises would be commissioned by end of 2023 to early 2024. Yet the Administration had not yet submitted any funding proposal to the FC for approval. He was concerned if the timetable was too aggressive, and in the event that the initiative should fail to deliver on time, whether AD(PD) would be held accountable. Mr YIU asked about details for vetting applications of the Purchase Scheme, and whether any mechanism would be in place (e.g. reference to be made against the actual needs of the 18 districts across the across the territory) to accord priority to the types of welfare facilities to be provided in each district.

12. Dr KWOK Ka-ki pointed out that the Government had no experience in purchasing large quantity of premises in the private market for provision of welfare facilities and it might not be well-versed in the operation of the market. He raised a number of concerns on the Purchase Scheme, including the need for proper use of public monies, which might not be guaranteed by the relevant mechanism put in place in the past; the initiative becoming measures for boosting the property market and resulting in transfer of interests between the Government, the developers and owners of the relevant premises; and the inability of the Government to address the issue of potential bid-rigging among owners of premises. Dr Fernando CHEUNG shared Mr KWOK's concerns. He asked about the duties and qualification requirements of AD(PD) for the purpose of ensuring the effective implementation of the Purchase Scheme.

13. Mr CHAN Chi-chuen asked if the Purchase Scheme was the responsibility of PD Branch, the duties of AD(PD) (including whether he/she could make the final decision), whether the funding of \$20 billion would be exhausted, and whether a per square foot price ceiling would be set when purchasing premises in order not to push up property prices. The Chairman made similar enquiries. Furthermore, Mr CHAN was concerned that if property prices kept going up, the funding of \$20 billion might only be able to purchase a small quantity of premises.

14. Dr Pierre CHAN asked about the calculation of management fees and operation fees of the premises purchased by SWD under the Purchase Scheme. He was also concerned about the measures in place for SWD to address increasing or decreasing property prices in order not to affect the development of the property market.

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15. In response, USLW remarked that provision of welfare facilities and services could be expedited when premises required for the provision of such facilities and services could be available in different districts under the Purchase Scheme, in particular old districts where supply of land was unavailable for planning purposes. Established procedures were in place as there were cases in the past where the Government purchased properties in the private market for provision of welfare facilities. SWD had prepared a table setting out the approximately 160 items of welfare facilities in the 18 districts across the territory. He stressed that in taking forward the Purchase Scheme, SWD would set out specific purchase requirements and take into account the actual need for welfare services and facilities in each individual district. SWD might not necessarily purchase any premise for provision of related welfare services and facilities, nor would it necessarily exhaust the \$20 billion funding. He remarked that the Government was confident that the Purchase Scheme would be taken forward in about three years' time.

16. Regarding the operating mechanism, USLW and DDSW(S) said that a steering committee would be set up with the Director of Social Welfare as Chairman and Government Property Administrator of the Government Property Agency ("GPA") as Deputy Chairman to supervise the Purchase Scheme in general and decisions made on the purchase of premises in particular. The committee would have the power to make the final decision with regard to purchase of premises. USLW added that there would be built-in and highly transparent mechanisms for anti-corruption and prevention of transfer of interest (including avoidance of using a single agent for identification of premises). SWD would also consult the Independent Commission Against Corruption ("ICAC") for setting up a system for declaration of interest for all public officers involving in the Purchase Scheme as well as external parties commissioned by the Government. Having taken note of member's concerns, the Government would explain the details of the Purchase Scheme when submitting the funding proposal of the Purchase Scheme to FC for approval.

17. DDSW(S) remarked that a valuation committee would be set up under the steering committee to determine the level of prices for the purchase of premises. The valuation committee would set a price ceiling taking into account a number of factors, including recent transaction prices of similar premises in the same district, the age and floor area of the premises, date of transaction of such premises, and other relevant factors. USLW added that the steering committee and its sub-committees would comprise officers from the relevant professional grades, and they would ensure proper use of public monies.

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18. Regarding impacts on the property market, USLW pointed out that the Purchase Scheme would not have any significant impact on the property market, because the total floor area involved would only constitute around 0.1% of the stock of non-residential building units in end of 2018, and SWD would complete the purchase plan, which involved purchase of different types of premises, in some three years' time.

19. At the request of the Chairman, the Administration agreed to provide information in response to members concern that purchasing premises might push up property prices.

(Post-meeting note: The information provided by the Administration was circulated to members on 15 July 2019 vide LC Paper No. ESC139/18-19(01))

20. In response to an enquiry made by Mr WU Chi-wai on whether the Administration would provide additional resources in the future for purchase of premises, USLW remarked that the Government did not intend to provide additional funding apart from the \$20 billion funding provision, but it would monitor closely any feedback and opinions on whether similar initiatives should be introduced in the future.

Structure and manpower arrangement of the Planning Development Branch

21. Mr CHAN Chi-chuen asked for details on the manpower of PPS, Arch S and PMMS; the current duties and organization of those sections; the reasons for the substantial increase in the number of working staff in PPS and Arch S; and whether additional manpower would be required for the new PD Branch. Mr WU Chi-wai made similar enquiries.

22. Mr Tony TSE expressed support for this staffing proposal. He pointed out the need for PPS under PD Branch to communicate with a number of professional departments, and asked why PPS would be headed by a Principal Executive Officer instead of an officer from a professional grade. Mr TSE also asked about the number of officers from professional grades in PD Branch and whether those officers were deployed internally. He was also of the view that consideration should be given to creating a post of Estate Surveyor under PPS.

23. In response, USLW remarked that currently, PPS, Arch S and PMMS were under the Subventions Branch of SWD, which had five work sections (including the aforementioned three sections as well as the Subventions Section and the Lotteries Fund Projects Section). SWD anticipated that with the heavy workload of the Subventions Branch in the

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future (including review on enhancing the Lump Sum Grant Subvention System in light with the recommendations made in the Director of Audit's Report No. 69 and the Public Accounts Committee Report No. 69A, as well as processing the ever increasing number of and increasingly complex applications from the Lotteries Fund), the branch would not be able to absorb the duties of proposed new PD Branch. He also remarked that the establishment of PPS and Arch S were expect to increase from 22 and 25 posts (as at June 2019) to 24 and 26 posts in 2019-2020, whereas the establishment of PMMS would remain at 5 posts. Together with the proposed new post of AD(PD), the new PD Branch would have an establishment of 56 posts. USLW added that SWD would provide additional manpower for PD Branch in the future in light of service demand and workload.

24. On the arrangements for officers from professional grades, DDSW(S) remarked that all officers from professional grades at PD Branch were deployed internally from within the Government. Of the 25 and 5 staff members currently deployed at Arch S and PMMS respectively, 25 and four of them were officers from professional grades. Considering that PPS had to co-ordinate with bureaux and departments, it was headed by a Chief Executive Officer. PPS had to work with GPA (which had the post of Estate Surveyor) from time to time, but there was no Estate Surveyors at PPS. Nevertheless, the Government had taken note of the view of Mr Tony TSE.

25. In response to an enquiry made by Mr AU Nok-hin, USLW remarked that no directorate post at SWD was dedicated for handling issues relating to universal retirement protection.

Provision of more welfare premises and welfare facilities

26. Mr AU Nok-hin cited the case of the site of the former Harbour Mission School at Ap Lei Chau, which had been left unused for many years. He pointed out that in the past, SWD would very often give up its efforts for providing welfare facilities at vacant "Government, Institution or Community" premises simply because of opposition from the community. He also criticized SWD for not providing more welfare facilities (particularly residential care places for the elderly) proactively. For example, it was only with the strong demand from the community that SWD decided to provide about 200 residential care places for the elderly in Lei King Wan's Joint User Complex. Mr AU asked how the staffing proposal could help SWD in its effort to identify premises for welfare facilities (in particular in seeking sites from the Development Bureau), and he called on SWD to make optimal use of land for provision of welfare facilities expeditiously. Dr KWOK Ka-ki raised a similar concern.

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27. USLW remarked that he had no further comments on individual cases. He remarked that as stated in paragraph 4 of the Administration's paper, SWD had always adopted a multi-pronged approach in identifying and seeking suitable premises for the operation of welfare services. He said that SWD was committed to increasing the amount of welfare facilities for provision of elderly services, child care services, and rehabilitation services etc. As regards land sale projects, land sale conditions under which developers were required to provide premises for welfare facilities had been imposed in certain land sale site projects (including recently a site in Tai Po and Kai Tak Area 1F Site and 4A Site), and consideration would be given to inclusion of relevant requirements in appropriate land sale projects in the future. Furthermore, he pointed out that SWD had taken forward a number of initiatives to provide more subsidized residential care places for the elderly. SWD also planned to increase the number of day care centres for the elderly and enhance community healthcare services.

28. Mr AU Nok-hin said that generally there were fewer objections to building residential care homes for the elderly and welfare facilities in new development areas. SWD should, in light of the actual needs of the 18 districts across the territory, seek to impose in land sale conditions a requirement for provision of social welfare facilities with a view to providing relevant welfare facilities in each individual district to avoid over-concentration of new facilities in new development areas. USLW took note of Mr AU's views.

29. Dr Fernando CHEUNG criticized SWD for failing to utilize vacant ex-government quarters. He pointed out that the ex-Western Police Married Quarters site had been left vacant for years, and requested the Administration to provide information on why the site was not secured by SWD for construction of welfare facilities, and how the new PD Branch would assist SWD in securing that site.

(Post-meeting note: The information provided by the Administration was circulated to members on 15 July 2019 vide LC Paper No. ESC139/18-19(01))

30. In response, USLW remarked that PD Branch would co-ordinate with bureaux and departments in an effort to secure more vacant "Government, Institution or Community" premises. Some of those premises (e.g. vacant schools) were not suitable for provision of welfare facilities due to inaccessibility (located in remote areas) or other reasons.

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Other issues

31. Dr KWOK Ka-ki remarked that the Secretary for Labour and Welfare wrote in his blog on 3 June 2019 that "I truly hope that everybody could set aside their differences, patch up broken relations and reunite for a better future for Hong Kong". He called on the Government and the Chief Executive to respond clearly to the aspirations of the public raised during the march held on 6 and 16 June, 2019. Dr Fernando CHEUNG expressed similar views. He remarked that pending the positive responses from the Government on the aspirations of the public, he would oppose all staffing proposals submitted by the Government. The Chairman reminded members to focus on the staffing proposal currently under discussion.

32. In response, USLW remarked that Labour and Welfare Bureau was responsible for a number of issues relating to the livelihood of the public, and due consideration had to be given by the relevant officers to balance the interests of various parties and communicate with stakeholders. He also remarked that AD(PD) needed political acumen and sensitivity for effective implementation of various duties in order to assist SWD in taking forward relevant planning, identify suitable premises for provision of welfare facilities and shorten the waiting time for social welfare services.

Voting on the item

33. As members raised no further questions on the item, the Chairman put the item EC(2019-20)9 to vote. At the request of members, the Chairman ordered a division, and the division bell rang for five minutes. Thirteen members voted for this item, and nine against it. The Chairman declared that the Subcommittee agreed to recommend the item to FC for approval. The votes of individual members were as follows:

For

Mr WONG Ting-kwong	Mr WONG Kwok-kin
Mr YIU Si-wing	Mr KWOK Wai-keung
Mr Christopher CHEUNG	Mr Martin LIAO
Mr POON Siu-ping	Dr CHIANG Lai-wan
Ir Dr LO Wai-kwok	Ms YUNG Hoi-yan
Dr Pierre CHAN	Mr CHAN Chun-ying
Mr Tony TSE	
(13 members)	

Against

Mr James TO	Mr WU Chi-wai
Mr CHAN Chi-chuen	Dr KWOK Ka-ki
Dr Fernando CHEUNG	Mr IP Kin-yuen

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Mr Alvin YEUNG
Mr AU Nok-hin
(9 members)

Mr CHU Hoi-dick

34. Mr CHAN Chi-chuen requested that the item be voted on separately at the relevant FC meeting.

(At 4:33 pm, the Chairman declared that the meeting be suspended for five minutes. The meeting resumed at 4:43 pm.)

EC(2019-20)10 Proposed creation of one permanent post of Administrative Officer Staff Grade B1 (D4)/D4-equivalent non-civil service position in the Financial Secretary's Office with effect from the date of approval by the Finance Committee to strengthen its directorate support for assisting the Financial Secretary in the formulation and follow-up of Budget-related proposals as well as spearheading strategic tax policies and measures in Hong Kong

35. The Chairman remarked that the staffing proposal was to create one permanent post of Administrative Officer Staff Grade B1 (D4)/D4-equivalent non-civil service position in the Financial Secretary's Office ("FSO") (to be designated as Head of the Budget and Tax Policy Unit ("H/BTPU")) with effect from the date of approval by FC to strengthen the directorate support for the FSO for assisting the Financial Secretary ("FS") in the formulation and follow-up of Budget-related proposals as well as spearheading strategic tax policies and measures in Hong Kong.

36. Mr Christopher CHEUNG, Chairman of the Panel on Financial Affairs, reported that the Panel had discussed this staffing proposal at its meeting held on 3 June 2019. Members supported the proposal to strengthen the support for FS in tax policies and Budget-related matters. Members enquired about the timetable for the establishment of the Budget and Tax Policy Unit ("BTPU") and its average expenditure per annum. Furthermore, members suggested that staff members of BTPU should attend the meetings of the Joint Liaison Committee on Taxation ("JLCT"), whereas JLCT should be invited to take part in BTPU's research and analysis work.

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Justification for transfer of the Tax Policy Unit to the Financial Secretary's Office

37. Mr WU Chi-wai pointed out that FSO was responsible for, among other things, the conduct of studies on economic strategies and formulation of fiscal and tax measures to assist in the implementation of public policies. On macro economy, the Office of the Government Economist ("OGE") would provide relevant economic data and analysis to FS for preparation of the Budget; on tax policy, the Financial Services and the Treasury Bureau ("FSTB") and the Inland Revenue Department ("IRD") would provide FS with technical support. He questioned that the aim of transferring the Tax Policy Unit ("TPU") from FSTB to FSO was to provide FS with additional research manpower; he was of the view that the relevant arrangement was redundant, which would not offer any benefits to the formulation of tax policy and measures. He requested the Administration to explain the differences between the new structure of BTPU and the existing TPU; whether it was the view of FS that the support from the existing OGE was inadequate for the purpose of formulation of the Budget; and the division of work between BTPU and OGE in the future. Furthermore, he asked if BTPU would later be tasked to handle matters relating to tax reform, including preparation of legislative proposals for introducing amendments to the Inland Revenue Ordinance ("IRO"), or replace FSTB and IRD in attending meetings of relevant Panels and Bills Committees.

38. Dr Fernando CHEUNG pointed out that while it was not the intention of the Government to increase its revenue by means of broadening the tax base and other tax measures, coupled with the absence of major changes in matters relating to taxation globally, he questioned the need for transferring TPU from FSTB to FSO. He asked the Administration to explain the reason of the proposed transfer and whether there had been any major changes in the duties of TPU over the past two years.

39. Under Secretary for Financial Services and the Treasury ("USFST") advised that the proposed new BTPU would strengthen the support given to FS on tax measures and Budget-related matters, and FSTB would be responsible for co-ordination and implementation of such work. He pointed out that formulation of the Budget very often involved various tax measures, and the two were interrelated. Furthermore, on tax policy side, the fast evolving international tax scene and growing emphasis on the use of tax measures to enhance economic competitiveness had added to the complexity of the work of TPU. Given the ever-changing nature of international cooperation on tax matters and tax measures, TPU, after being transferred to FSO, would continue to undertake tax studies and assist other bureaux in formulating new tax measures targeting specific sectors with a

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view to further enhancing the competitiveness of the tax regime of Hong Kong. On support given to FS in preparation of the Budget, USFST said that at present, OGE would provide FS with economic analysis from a macro perspective as well as economic analysis on specific industries where necessary. In addition to supporting FS in formulating the Budget framework, BTPU would follow up on the views and suggestions received during the public consultation on the Budget. As many of those views and suggestions would interface with existing policies and measures, BTPU would have to maintain close liaison with bureaux/departments, legislators, and possibly stakeholders in the relevant sectors/professions.

40. Deputy Secretary for Financial Services and the Treasury (Treasury)² ("DSFST(T)2") added that he was currently supervising TPU, and, after the transfer of TPU to FSO, the Unit would still be responsible for conducting researches on tax measures. Furthermore, during the annual exercise in preparing the Budget, FS would receive a huge amount of Budget proposals regarding income and expenditure, and as some of the proposals would interface with existing policies and measures or require co-ordination among different departments, some of the deliberations would take longer time, and might therefore go beyond one Budget cycle to the next. However, as only two directorate staff (namely Administrative Assistant to FS and Press Secretary to FS) were deployed in FSO, and they had different duties and responsibilities and were already fully stretched in their work, it was necessary to create an Administrative Officer post to lead a professional team and follow up on tax policy matters and Budget-related matters.

41. On the division on work, DSFST(T)2 remarked that OGE was primarily responsible for assessing the overall economic situations of and the impact of global economic development on Hong Kong; FSTB was responsible for formulation of tax policies and follow up on international development and new tax requirements, including attendance of meetings of the Organisation for Economic Co-operation and Development by Commissioner of Inland Revenue on behalf of the Government, and the participation of FSTB in the efforts relating to the Financial Action Task Force on Money Laundering. At present two professional grade officers were deployed at TPU, whereas three professional grade officers would be deployed at BTPU, who would be responsible for conducting studies on new tax measures for individual industries and follow up on matters relating to the formulation of the Budget.

42. Mr CHU Hoi-dick asked why FSTB, instead of FSO, was responsible for explaining the proposed transfer of TPU to FSO, and whether there was already an Administrative Officer Staff Grade B1 officer responsible for assisting FS in the formulation of the Budget. Mr CHU

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and Mr WU Chi-wai questioned whether a dedicated team had to be set up at FSO to assist FS in the formulation of the Budget was because of FSTB's failure in providing adequate support in this regard. Furthermore, they requested the Administration to explain whether the transfer of TPU to FSO would reduce the work of FSTB, and whether there would be redundancy under the new structure in the work in relation to studies and reviews of tax policies.

43. USFST remarked that FSTB (including TPU) and other policy bureaux had all along been giving assistance to FS in the formulation of the Budget. With more extensive public consultations and a growing number of Budget proposals received, coupled with the growing complexity of tax policy work, it was appropriate to have a dedicated team headed by an Administrative Officer to take charge of and follow up on related matters. On the work of FSTB, DSFST(T)2 explained that he was leading a team which was primarily responsible for policy matters relating to tax revenue, general revenue, fees and charges and major investment items. As such, TPU had been under his oversight, but the workload of TPU only represented a small portion of his overall workload. However, the transfer of TPU to FSO would see a corresponding increase in the workload and manpower of the Unit, in particular the need for supporting FS in following up on Budget-related proposals, including co-ordination and consultation. At present, only two directorate grade officers were deployed at FSO and they were tasked with different duties. As such, it was necessary to create an Administrative Officer post to lead a professional team and follow up on tax policy matters and Budget-related matters.

44. In response to the follow up questions made by Mr WU Chi-wai and Mr CHU Hoi-dick regarding the current and the post-transfer work of TPU, USFST and DSFST(T)2 explained that TPU was mainly responsible for conducting studies on new tax measures and tax policies for individual industries, such as the conduct of a joint study with the Innovation and Technology Bureau on provision of tax incentives for private enterprises to increase their investment on research and development, and the implementation of the policy under which the first \$2 million of the spending of eligible enterprises on research and development could be entitled to a 300% tax reduction; and a joint study with the Transport and Housing Bureau on tax measures for promoting the development of ship leasing business in HK. Subsequent to the transfer, BTPU would continue to carry out the relevant work and monitor the international development on tax requirements to ensure that any new tax measures would comply with international taxation requirements. Meanwhile, in-depth studies on tax policies and relevant legislative amendment exercises (including preparation of amendment bills and discussions with Legislative Council ("LegCo") and stakeholders) would remain the responsibility of FSTB,

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whereas IRD would be responsible for enforcement of IRO. USFST reiterated that in addition to matters relating to tax policies, BTPU would assist FS in formulating the Budget, and FSTB would continue to work closely with BTPU on issues relating to tax policies.

Duties and work target of the Budget and Tax Policy Unit

45. Mr Christopher CHEUNG expressed support for this staffing proposal. He was concerned that as Hong Kong was an externally oriented economy, its economic development would be subject to the influence of external uncertainties. He asked if the duties and work target of BTPU included the conduct of policy studies on public expenditure, provision of a stable environment for members of the public and broadening the tax base with a view to maintaining the competitiveness of Hong Kong.

46. USFST remarked that BTPU would conduct studies on relevant tax policies as well as giving assistance to other policy bureaux in studying tax measures relevant to specific sectors (such as insurance and ship leasing business) with a view to enhancing their competitiveness. BTPU would also coordinate with relevant bureaux and departments to follow up on Budget proposals collected through Budget consultation and other channels.

47. Mr CHAN Chi-chuen noted the duties of BTPU included the conduct of tax studies in support of the Government for spearheading strategic tax policies and measures with a view to enhancing the competitiveness of Hong Kong and ensuring a stable source of tax revenue. He was of the view that new measures on taxation reform (such as introduction of sales tax for broadening the tax base) could be matters of public concern, and he asked whether the Government would carry out extensive consultation and allow ample time for various sectors of the society to discuss and give their views prior to introduction of major taxation reform measures.

48. USFST replied that as a comprehensive review on the taxation regime of Hong Kong involved an extensive area of work, it was not of the top priority among the work of the current term government. Furthermore, given the high level of fiscal surplus, the Government would introduce strategic tax measures for enhancing the competitiveness of Hong Kong. The Government was of the view that currently there was no pressing need to broaden the tax base. In assisting the Government in the formulation of new tax measures, BTPU would maintain close liaison with relevant bureaux and departments to collect their views.

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49. Dr Fernando CHEUNG opined that while Hong Kong had a handsome amount of surplus, there was still a widening gap between the rich and the poor due to uneven distribution of wealth and inadequate social welfare protection. He called on BTPU to make the mitigation of the disparity between the rich and the poor one of its work targets for the purpose of sharing of financial resources.

50. USFST noted the suggestion made by Dr CHEUNG and said that in formulating the Budget, FS would take into account a number of factors such as improving people's livelihood, relieving people's burden, preparing for future development, enhancing Hong Kong's competitiveness and balancing income and expenditures etc. In supporting FS in the formulation of the Budget framework, BTPU would take into consideration various proposals and conduct detailed policy researches and analyses.

51. Mr AU Nok-hin asked apart from conducting researches and analyses on policy initiatives as announced in the Budget, whether BTPU would proactively make recommendations to FS on tax measures to encourage the development of individual industries, such as provision of tax concessions to encourage investments from the commercial sector on sports projects. Furthermore, he asked whether BTPU would be responsible for reviewing the effectiveness of relevant tax measures (such as tax deduction for premiums paid under the Voluntary Health Insurance Scheme Policy).

52. USFST responded that in formulating the Budget and the relevant tax policies, FS would take into consideration the views of various parties, including the relevant bureaux and departments and stakeholders and LegCo Members, as well as policy researches conducted by the Government. BTPU would liaise closely with bureaux and departments to ensure effective implementation of the tax measures put forth in the Budget.

Candidate for the post of Head of the Budget and Tax Policy Unit

53. The Chairman expressed support for this staffing proposal. She opined that in addition to being well-versed with tax policies, H/BTPU should also have a good knowledge on macro economy. She questioned the availability of suitable candidates from within Administrative Officer Staff Grade B1 for filling up the post. She asked whether reference would be made to the recruitment of Commissioner for Belt & Road to recruit, through open recruitment, candidates with relevant experience and expertise from outside the government for the post of H/BTPU. Mr Tony TSE raised a similar enquiry on whether non-civil servant would be recruited for the post.

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54. USFST said that the post of H/BTPU could be taken up by an officer from Administrative Officer Staff Grade B1 (D4), or by a non-civil servant with the necessary expertise from outside the Civil Service through open recruitment. The purpose of having this flexible arrangement was to ensure that the unit would be headed by an officer with the required expertise, who could provide FS with the most appropriate support in response to different circumstances. In addition to the conduct of tax policy research, the candidate would have to assist FS in the formulation of the Budget framework and co-ordinate with relevant departments for follow up actions. For the time being, the Administration inclined to identify a suitable candidate from the Civil Service to fill up the post.

55. In response to a follow up question made by Mr Tony TSE, DSFST(T)2 remarked that the post of H/BTPU was a permanent one. On recruitment of non-civil service candidate, an open recruitment exercise would be conducted to identify a suitable candidate, who would be employed on a fixed term contract with a remuneration package similar to that of an officer of Administrative Officer Staff Grade B1. He added that senior officers had also been recruited on contract terms from outside the Government in the past (e.g. the Commissioner for Belt & Road).

Budget-related work

56. The Chairman pointed out that when FS announced the Budget in February 2019, the estimated surplus for 2018-2019 was \$58.7 billion. At the end of April, the provisional consolidated surplus for the year as announced by the Government was \$68 billion; it was also announced that the first eleven month of the year, i.e., as at end of February 2019, had recorded a surplus of \$99.8 billion. She expressed concern on the accuracy of the Government's financial forecast, particularly when the amount of surplus had a direct bearing on the availability of budget to be used on economic development and measures to alleviate the hardship of the people. She asked for the actual amount of surplus for 2018-2019, and how BTPU could assist FS in making financial forecast with greater accuracy.

57. DSFST(T)2 responded that when FS announced in February the 2019-2020 Budget, the estimated surplus of \$58.7 billion for 2018-2019 was based on the information available as at end of January 2019. The provisional consolidated surplus of \$68 billion for the year as announced by the Government subsequently at the end of April had a difference of less than \$10 billion when compared with the original estimation. He added that the Government was releasing monthly report on government revenue and expenditure, and the surplus of \$99.8 billion referred to by the

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Chairman represented the situation as at end of February 2019. As a general rule, government expenditure was predominantly reflected in the latter half of the financial year, and the financial situations of the government also differed on a month to month basis depending on the time of the year. In response to a further question made by the Chairman, USFST remarked that government expenditure and revenue were calculated on a cash basis instead of accrual basis. He recognized the concern of the Chairman regarding the accuracy of the government's financial forecast, and reiterated that the primary duties of BTPU was to support FS in formulating the Budget and following up on Budget proposals which required thorough policy analysis and co-ordination with relevant parties both within and outside the Government.

Voting on the item

58. As members raised no further questions on the item, the Chairman put the item EC(2019-20)10 to vote. At the request of members, the Chairman ordered a division, and the division bell rang for five minutes. Twelve members voted for this item, and six against it. The Chairman declared that the Subcommittee agreed to recommend the item to FC for approval. The votes of individual members were as follows:

For

Mr WONG Ting-kwong	Mr YIU Si-wing
Mr KWOK Wai-keung	Mr Christopher CHEUNG
Dr Elizabeth QUAT	Mr POON Siu-ping
Mr HO Kai-ming	Ms YUNG Hoi-yan
Dr Pierre CHAN	Mr CHAN Chun-ying
Mr Vincent CHENG	Mr Tony TSE
(12 members)	

Against

Mr WU Chi-wai	Mr CHAN Chi-chuen
Dr Fernando CHEUNG	Mr Alvin YEUNG
Mr CHU Hoi-dick	Mr AU Nok-hin
(6 members)	

59. Mr CHAN Chi-chuen requested that the item be voted on separately at the relevant FC meeting.

60. The meeting ended at 6:21 pm.