

(Translation)

財經事務及庫務局
(庫務科)



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本函檔號 Our Ref. : TsyB LT 00/700-2/15 (2019-20)
來函檔號 Your Ref. : CB1/F1/1

12 November 2019

The Honourable CHAN Kin-por, GBS, JP
Chairman of the Finance Committee
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Chairman,

**Finance Committee
Members' views on the Government's
arrangements for putting forward financial proposals and
on the response of public officers to Members' questions**

Thank you for your letter of 1 November to the Secretary for Financial Services and the Treasury on the above matter. Our reply is as follows –

Public consultation on funding proposals

The Government will, in general, conduct timely consultations with various stakeholders, including relevant district organisations, statutory or advisory bodies, District Councils and panels of the Legislative Council (LegCo), in accordance with established procedures before submitting funding proposals to the Finance Committee (FC) and its subcommittees to facilitate thorough discussion of the proposals and consideration of different views as far as possible. In preparing discussion papers, policy bureaux and departments (B/Ds) will duly incorporate consultation results and the response of the Government into the “public consultation” section for Members' reference.

Scheduling of agenda items

Public interest is our guiding principle in drawing up funding proposals, and all proposals submitted by the Government are related to people's livelihood. The Government will consider holistically factors such as importance and urgency of projects, public expectation and progress of deliberation, etc. in submitting funding proposals to the FC and setting priorities for agenda items. We will also review and adjust the order of agenda items from time to time in response to the latest development so as to facilitate timely approval of funding proposals of utmost urgency.

Taking into consideration the large number of funding proposals submitted every year, as well as the views that the Government should facilitate Members' understanding and deliberation of funding proposals of similar nature from a holistic point of view, B/Ds have, in recent years, put similar and closely-related items together in one discussion paper as far as possible for Members' scrutiny. This will help Members' scrutinise the items concerned in a more holistic manner on the one hand, and enable more effective use of time at meetings on the other.

Quality of discussion papers

There are standard formats and requirements for discussion papers submitted by the Government to the FC and its subcommittees. As far as papers submitted to the Public Works Subcommittee (PWSC) are concerned, information such as nature of the proposed project, justifications for taking forward the proposed project, financial implications, public consultation process, environmental/traffic/heritage and other implications as well as relevant background information will be included so as to provide Members with sufficient details and hence facilitate their understanding of the proposed works and discussion and consideration of the funding proposals. Besides, representatives of B/Ds attending the meeting will make every effort to respond to Members' concerns, including project costs, cash flow and detailed breakdowns of operating revenues and expenditures. The Government also provides supplementary information in writing after meetings in response to Members' detailed enquiries about individual public works projects from time to time. As different Members may have different concerns about a proposed project, further standardising the formats and requirements for discussion papers may not be conducive to addressing the specific concerns of individual Members about certain projects, and there are practical difficulties in doing so. To facilitate deliberations, representatives of B/Ds are most ready to provide, at Members' request, relevant information in person or in writing before the scheduled meetings.

Cost estimates and data forecasts for works projects

The Government has been implementing infrastructure projects in a prudent and orderly manner to meet the needs of all sectors of society. According to records, the FC approved some 460 Category A works projects with a total provision of about \$826 billion in the 10 years from 2009-10 to 2018-19. Among them, about 30 projects involved application to the FC for additional funding totalling around \$58 billion. In other words, additional funding was needed for about 6.5% of the projects and the amount of additional funding accounted for some 7% of the total provision. While works departments have been trying their best to make accurate cost estimates and control expenditures in implementing projects, additional funding may be required for individual projects because of a volatile external environment and other uncontrollable or unpredictable factors such as weather and geological conditions. The Project Strategy and Governance Office under the Development Bureau will separately prepare an information paper on the cost overrun situation in some infrastructure projects for Members' perusal.

B/Ds will, in general, make various forecasts for a proposed infrastructure project, such as its economic rate of return and utilisation rate, at its planning and design stage based on the information available at that particular point in time. The forecasts made will form the basis of policy decisions and formulation of implementation plans. Such information will be set out in the papers submitted to the PWSC and the FC to facilitate Members' scrutiny of the proposed infrastructure projects. Although discrepancies between estimated and actual figures may arise during implementation of a project (particularly during the early stage of commissioning of infrastructure projects), they usually stay within a reasonable range. In some cases, discrepancies arise because accurate estimation is not possible during the planning and design stage of the project. Furthermore, most infrastructure remains serviceable for decades, and its cost-effectiveness and utilisation rate generally increase over time.

Block allocations arrangement under the Capital Works Reserve Fund

The Government has been committed to promoting economic development and improving people's livelihood through launching public works projects. The long-established block allocations mechanism enables the Government to respond promptly to the ever-changing needs of the community by taking forward thousands of minor works projects and pre-construction activities every year.

In accordance with the resolution passed by LegCo on the establishment of the Capital Works Reserve Fund (CWRF), the Financial Secretary is responsible for the administration of the CWRF. The block allocations

mechanism was established on the basis of the CWRP, under which specific subheads are created to enable the Government to implement, under delegated authority from LegCo, thousands of important works projects of smaller scale in an efficient manner every year.

The operation of the block allocations mechanism involves elaborate procedures and considerations of the use of public funds, including assessment of project priorities and management of works progress and contract accounts, etc.. The idea of establishing the mechanism as well as the creation of new subheads and the amendments made over the years were all initiated by the Government and then introduced to the legislature for deliberation and approval. The aim is to ensure the practicability of the mechanism and avoid any adverse impact on the operation of the CWRP, while giving due respect and recognition to the legislature's functions to scrutinise and endorse proposed amendments.

Furthermore, the block allocations arrangement is a pragmatic and effective approach as it enables the FC to focus its time and resources on vetting more important and higher valued projects.

In administering and expending monies from the CWRP, the Government has been acting in strict accordance with the authority delegated by the FC. The existing practice of delegation of authority is a precise and effective arrangement, with which the Government can administer the CWRP effectively and ensure proper use of monies to achieve the purpose of the CWRP in financing capital works projects, while complying with all the conditions and restrictions imposed by the FC.

Preparation for and follow-up to meetings

To enable Members to have a comprehensive understanding of the items proposed in discussion papers and hence obtain their approval for implementation, representatives of B/Ds will gather sufficient information and data beforehand and make their best efforts to answer the questions raised by Members at meetings to address their concerns. If more details are needed, the officers attending the meetings will usually agree to provide supplementary information in writing afterwards.

B/Ds submit supplementary information on follow-up issues arising from meetings from time to time at Members' requests. As regards Members' view that supplementary information is not received in time and that they are not given

sufficient time to study such information before the next meeting, we will remind B/Ds to submit the information required promptly and at the same time appeal to Members to put forward their requests as early as possible and be selective in obtaining information having regard to their specific concerns. This will enable the Government to prepare more focused replies in an efficient manner and hence provide timely response to Members' enquiries. Furthermore, we will reflect the views of Members about the way government officers answer Members' questions at meetings to B/Ds and try our best to make improvements.

Thank you for the valuable comments you and FC Members have given. The Government will continue to co-operate with the FC and its subcommittees so that funding proposals relating to livelihood can be scrutinised and approved as early as possible in the 2019-20 legislative session.

Yours sincerely,

(Raistlin LAU)
for Secretary for Financial Services
and the Treasury