

LC: SFST's speech in moving the resolution on Public Finance Ordinance

Wednesday, March 5, 2008

Following is the English translation of a speech by the Secretary for Financial Services and the Treasury, Professor K C Chan, in moving the resolution on Public Finance Ordinance in the Legislative Council today (March 5):

Madam President,

I move the Vote on Account Resolution under Section 7(1) of the Public Finance Ordinance (Cap 2)(the Resolution).

At its meeting on February 22, the House Committee of the Legislative Council decided to set up a Subcommittee to scrutinise the Resolution. The Committee also agreed that the Government needed not follow the normal practice to withdraw its notice of the Resolution, and to issue a fresh notice after the Subcommittee had studied the Resolution and reported its findings to this Council. I would like to thank the Committee for the decision, which has enabled me to move the Resolution today as scheduled.

I am also very grateful to the Honourable To Kun-sun, James, the Chairman, and other Members of the Subcommittee. The Subcommittee held two meetings in a space of just more than one week to examine urgently the Resolution and made some suggestions.

The purpose of the Resolution is to seek funds on account amounting to \$90,989,010,000 to enable the Government to carry on existing services between the start of the financial year on April 1, 2008 and the enactment of the Appropriation Ordinance 2008. The initial amount of funds on account for each head of expenditure as shown in the draft Estimates was provided to Members in the form of a footnote to my earlier draft speech.

In accordance with Section 7(2) of the Public Finance Ordinance, the amount of funds on account was worked out on the basis of the provision sought for each head and subhead of expenditure as shown in the 2008-09 draft Estimates of Expenditure. As stipulated in the fourth paragraph of the Resolution, the proportion of the funds on account sought in general is 20% of the provisions of Operating Account Recurrent subheads of expenditure and 100% of the provisions of Operating Account Non-recurrent subheads or Capital Account subheads.

This calculation basis for funds on account applies also to subheads for Additional Commitments under Head 106 Miscellaneous Services. We understand that Members are concerned about the substantial provisions made under subheads 251 and 789. We have explained at the meetings of the Subcommittee that as set out in the Controlling Officer's Report for Head 106, provisions under these subheads for Additional Commitments are for meeting unavoidable expenditure in 2008-09 in excess of the amounts provided under other heads, e.g. the expenditure for implementing certain measures proposed in the 2008 Budget. The Government will later transfer the required funding from Head 106 to the respective heads and subheads in accordance with the established procedures to meet the actual expenditure. According to the existing limits of the authority delegated by the Finance Committee, any commitment in excess of \$10 million requires the approval of the Committee.

The fourth paragraph of the Resolution also empowers the Financial Secretary to vary the funds on account in respect of any subhead to enable the Government to meet any unforeseen or contingent expenditure prior to the enactment of the Appropriation Ordinance 2008. However, the variations should not cause an excess over the amount of provisions entered for that subhead in the 2008-09 Estimates of Expenditure.

We would like to thank Members of the Subcommittee for their suggestions, including the following:

- (a) The Government should only seek funds on account for those essential or urgent items under the Non-recurrent expenditure subheads, instead of uniformly seeking funds on account equivalent to 100% of the provisions shown in the Estimates.
- (b) The notice to move the motion for the funds on account should be given after the Estimates for Expenditures for the coming year has been laid before the Legislative Council (LegCo). The LegCo should also be provided with sufficient notification period for moving the motion so that Members will have enough time to scrutinise the Resolution.
- (c) The Government should review whether there is any practical need to empower the Financial Secretary to vary the funds on account approved in respect of any subhead in accordance with the fourth paragraph of the Resolution.

Before the drafting of the next Vote on Account Resolution, we will carefully consider the views of the Subcommittee and consult the relevant Panel.

The arrangement for the Resolution is long established. It can ensure that, prior to the enactment of the Appropriation Ordinance each year, the funding requirements for maintaining government services can be appropriately met. I hope that the LegCo will pass the Resolution today. The vote on account will be subsumed upon the enactment of the Appropriation Ordinance 2008.

Madam President, I beg to move.

Ends