

Press Release

LCQ12: Financial position of bureaux and government departments

Wednesday, January 22, 2014

Following is a question by the Hon Ip Kin-yuen and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (January 22):

Question:

Regarding the financial position of various bureaux and government departments (B/Ds), will the Government inform this Council:

(1) of the following figures in relation to the B/Ds whose unspent funds amounted to (i) 0 to 5%, (ii) 6% to 10%, (iii) 11% to 15%, (iv) 16% to 20%, and (v) 21% or more (rounded to the nearest whole percentage) of their approved estimates of expenditure in each of the past five financial years:

(a) the approved estimates of expenditure;

(b) the actual expenditure;

(c) the difference between the approved estimates of expenditure and the actual expenditure;

(d) the reasons for the funding not being fully utilised; and

(e) the respective amounts of funds returning to the General Revenue Account (if applicable) (and set out in Table 1 of Annex of the same format); and

(2) whether the funding for B/Ds for the coming year will be reduced as there is unspent funding; if so, of the details?

Reply:

President,

(1) The original estimate and actual expenditure of each head of expenditure

are available in the Accounts of the Government submitted to the Legislative Council in November every year (Please see Table 2 of Annex).

Except with the approval of Legislative Council Finance Committee or its delegated authority, no expenditure could be charged to any head in excess of the sum appropriated for that head by an Appropriation Ordinance. If the requirements are higher than expected, the relevant head of expenditure would seek supplementary appropriation. On the other hand, if the requirements are lower than expected, the actual expenditure would be less than the original estimate resulting in unspent provisions. In general, due to changes in requirements, there would be minor unspent provisions occasionally under expenditure heads with actual expenditure less than the original estimate by not more than 10%. For expenditure heads with expenditure higher than the original estimate by more than 10%, the reasons would be shown under the variance analysis by expenditure head in the Accounts of the Government.

The Government seeks provisions for each Head of Expenditure (usually corresponds to a government bureau, a branch of a bureau or a department) via the Appropriation Bill annually. After the passage of the Appropriation Bill, bureaux/departments would be allocated provisions being the expenditure ceiling in accordance with the approved estimates for providing various services. All receipts and payments are centrally processed under the General Revenue Account. Upon making payment to the payees by bureaux/departments, the relevant amount of money would be paid out of the general revenue. After the close of government account at year end, any unspent provisions still remain in the general revenue.

(2) It has been our established practice that we make arrangements for the actual allocation of the operating expenditure envelopes in each financial year having regard to a host of different factors, including the overall financial position of the Government, the forecast requirements for existing services, the need for new and additional resources, percentages as well as amounts of the underspending.

Since 1999, we have introduced the Save and Invest (S&I) arrangement to encourage savings and efficient use of resources by departments. Under the current arrangement, we determine the percentage of unspent provisions that can be carried forward as "S&I credits" having regard to the total amount of

unspent provisions and the overall financial position of the Government. We then apply the percentage to the relevant unspent provisions of departments in arriving at the "S&I credits". The credits are allocated to the respective expenditure envelopes to which the departments belong for use in the new financial year.

Ends