

## Head 147 — GOVERNMENT SECRETARIAT: FINANCIAL SERVICES AND THE TREASURY BUREAU (THE TREASURY BRANCH)

**Controlling officer:** the Permanent Secretary for Financial Services and the Treasury (Treasury) will account for expenditure under this Head.

**Estimate 2005–06**..... **\$196.2m**

**Establishment ceiling 2005–06** (notional annual mid-point salary value) representing an estimated 161 non-directorate posts as at 31 March 2005 and as at 31 March 2006 ..... **\$64.5m**

In addition, there will be an estimated 18 directorate posts as at 31 March 2005 and as at 31 March 2006.

### Controlling Officer's Report

#### Programmes

<b>Programme (1) Director of Bureau's Office</b>	This programme contributes to Policy Area 27: Intra-Governmental Services (Secretary for Financial Services and the Treasury).
<b>Programme (2) Revenue and Financial Control</b>	This programme contributes to Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).
<b>Programme (3) Service Departments</b>	This programme contributes to Policy Area 27: Intra-Governmental Services (Secretary for Financial Services and the Treasury).

#### Detail

##### Programme (1): Director of Bureau's Office

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	6.2	6.7	6.6 (–1.5%)	6.5 (–1.5%)
				(or –3.0% on 2004–05 Original)

#### Aim

- 2 The aim is to ensure the smooth operation of the Office of the Secretary for Financial Services and the Treasury.

#### Brief Description

3 The Office of the Secretary for Financial Services and the Treasury is responsible for providing administrative support to the Secretary for Financial Services and the Treasury in carrying out his duties. The work includes the planning, co-ordination and implementation of all arrangements for the Secretary's public, media and community functions.

##### Programme (2): Revenue and Financial Control

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision# (\$m)	102.6	138.5	114.2 (–17.5%)	146.0 (+27.8%)
				(or +5.4% on 2004–05 Original)

# All figures include provisions for appointment of financial consultants and for payment of air passenger departure tax administration fees, the estimates for which have been transferred from Head 106—Miscellaneous Services with effect from 2004–05.

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### *Aim*

4 The aim is to ensure the prudent management of public finances and to foster economic growth by leaving resources, as far as possible, in the private sector where they can be productively employed.

### *Brief Description*

5 The Treasury Branch's work under this programme is to formulate, co-ordinate and implement policies and actions to:

- ensure that the growth of government expenditure over time is in line with the trend growth rate of the economy;
- ensure that the resources available are directed towards those areas where they will be of most benefit to the community;
- promote value for money in the delivery of government services;
- improve Hong Kong's competitiveness and living environment by investing in major infrastructure projects;
- maintain a low, simple and predictable tax system which encourages investment and enterprise;
- combat tax evasion and minimise opportunities for tax avoidance;
- raise sufficient revenue to cover our spending commitments; and
- maintain adequate fiscal reserves to provide a cushion against future uncertainties.

6 In 2004, the Treasury Branch processed financial proposals from Controlling Officers (COs) and in doing so assisted COs in ensuring that resources are directed towards areas where they will be of most benefit to the community. The Branch also co-ordinated COs' efforts to achieve efficiency savings in operating expenditure required to restore fiscal balance by 2008–09.

### *Matters Requiring Special Attention in 2005–06*

7 During 2005–06, the Branch will:

- continue to control government expenditure and establish medium-term targets for balancing the operating and consolidated accounts by 2008–09;
- progressively bring public expenditure down to 20% of Gross Domestic Product or below;
- consult the public on whether Hong Kong should and how best to implement a Goods and Services Tax (GST);
- identify further revenue options with a view to broadening the tax base and increasing revenue;
- continue to consider major investment and loan proposals in support of economic and social development;
- raise alternative sources of capital revenue for capital works projects or other capital investments through the implementation of the Asset Sale and Securitisation Programme;
- appoint financial consultants to carry out various financial appraisals;
- continue to support corporatisation or privatisation initiatives as they arise;
- implement the Government's decision on the merger proposal of the two railway corporations in terms of financial arrangements; and
- continue to maintain the 'user pays' principle for appropriate government services by regular revisions of fees and charges.

### **Programme (3): Service Departments**

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	45.0	45.6	44.9 (–1.5%)	43.7 (–2.7%)
				(or –4.2% on 2004–05 Original)

### *Aim*

8 The aim is to ensure that government departments receive the central support services necessary to enable them to maintain and upgrade the level and quality of the services they provide to the public in an efficient and cost-effective manner.

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### ***Brief Description***

- 9 The Treasury Branch's work under this programme is to formulate and co-ordinate policies and actions to:
- ensure the efficient and cost-effective delivery of central support services under its purview (i.e. financial management, procurement, supplies management, land transport, printing and accommodation); and
  - ensure that the service departments provide quality support services to meet the needs of their customers.

### ***Matters Requiring Special Attention in 2005–06***

- 10 During 2005–06, the Branch will continue to:
- review, in conjunction with the service departments, the mode of delivery of central support services under its purview to improve efficiency, meet customers' operational needs and improve customer satisfaction; and
  - review the existing and planned use of Government, Institution and Community sites so as to achieve optimal utilisation.

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### ANALYSIS OF FINANCIAL PROVISION

Programme	2003–04 (Actual) (\$m)	2004–05 (Original) (\$m)	2004–05 (Revised) (\$m)	2005–06 (Estimate) (\$m)
(1) Director of Bureau's Office.....	6.2	6.7	6.6	6.5
(2) Revenue and Financial Control.....	102.6	138.5	114.2	146.0
(3) Service Departments .....	45.0	45.6	44.9	43.7
	153.8	190.8	165.7 (–13.2%)	196.2 (+18.4%)
				(or +2.8% on 2004–05 Original)

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2005–06 is \$0.1 million (1.5%) lower than the revised estimate for 2004–05. This is mainly due to the full-year effect of the 2005 civil service pay cut, partly offset by the salary increments for existing staff.

##### Programme (2)

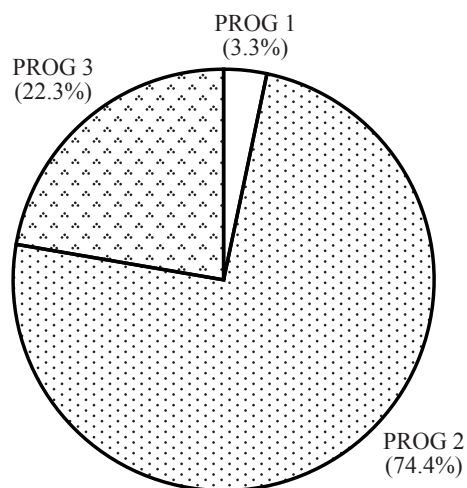
Provision for 2005–06 is \$31.8 million (27.8%) higher than the revised estimate for 2004–05. This is mainly due to the adjusted provision for appointment of financial consultants, requirement for public consultation on matters relating to GST, increased requirement for air passenger departure tax administration fees and salary increments for existing staff, partly offset by the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004–05.

##### Programme (3)

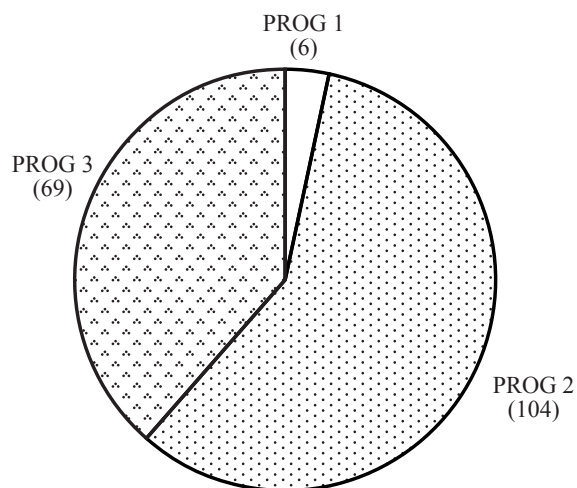
Provision for 2005–06 is \$1.2 million (2.7%) lower than the revised estimate for 2004–05. This is mainly due to the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004–05, partly offset by the salary increments for existing staff.

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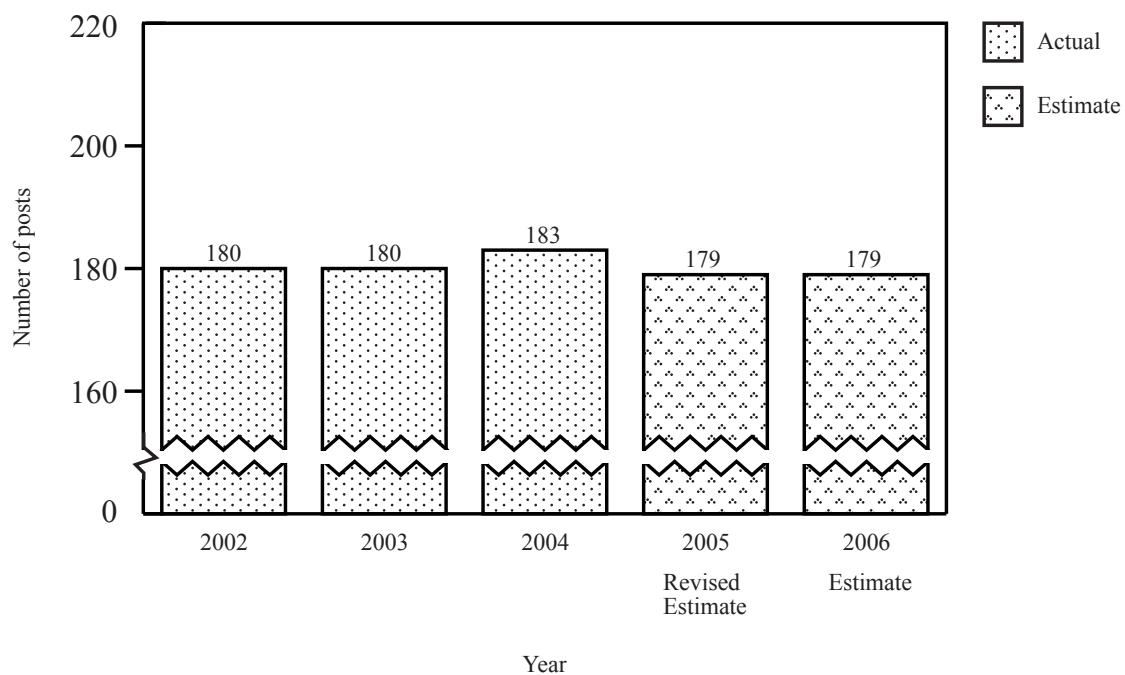
*Allocation of provision to programmes (2005-06)*



*Staff by programme (as at 31 March 2006)*



*Changes in the size of the establishment (as at 31 March)*



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Sub-head (Code)		Actual expenditure 2003–04	Approved estimate 2004–05	Revised estimate 2004–05	Estimate 2005–06
		\$'000	\$'000	\$'000	\$'000
<b>Operating Account</b>					
	Recurrent				
000	Operational expenses .....	118,658	157,822	133,040	<b>161,847</b>
281	Air passenger departure tax administration fees .....	— <sup>@</sup>	32,954	32,701	<b>34,379*</b>
	Total, Recurrent.....	118,658	190,776	165,741	<b>196,226</b>
	Total, Operating Account .....	118,658	190,776	165,741	<b>196,226</b>
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	Total Expenditure .....	118,658	190,776	165,741	<b>196,226</b>

<sup>@</sup> The actual expenditure was charged to Head 106—Miscellaneous Services.

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### Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Treasury Branch is \$196,226,000. This represents an increase of \$30,485,000 over the revised estimate for 2004–05 and of \$77,568,000 over actual expenditure in 2003–04.

#### *Operating Account*

#### Recurrent

**2** Provision of \$161,847,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Treasury Branch. The increase of \$28,807,000 (21.7%) over the revised estimate for 2004–05 is mainly due to the adjusted provision for appointment of financial consultants, requirement for public consultation on matters relating to GST and salary increments for existing staff, partly offset by the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004–05.

**3** The establishment as at 31 March 2005 will be 179 permanent posts. No change in establishment is expected in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$64,503,000.

**4** An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	2005–06 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	98,703	98,084	99,583	<b>95,603</b>
- Allowances .....	3,178	3,646	2,589	<b>2,746</b>
- Job-related allowances .....	4	4	2	<b>4</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	55	58	56	<b>59</b>
Departmental Expenses				
- Honoraria for members of committees .....	3,389	3,534	3,506	<b>3,455</b>
- General departmental expenses .....	13,329	15,396	13,064	<b>18,735</b>
Other Charges				
- Appointment of financial consultants .....	—#	37,100	14,240	<b>41,245</b>
	<u>118,658</u>	<u>157,822</u>	<u>133,040</u>	<u><b>161,847</b></u>

# The actual expenditure was charged to Head 106—Miscellaneous Services.

**5** Provision of \$34,379,000 under *Subhead 281 Air passenger departure tax administration fees* is for the payment to airlines, helicopter companies and the Civil Aviation Department's agent in respect of the collection of air passenger departure tax and the processing of exemption and refund applications related thereto. The increase of \$1,678,000 (5.1%) over the revised estimate for 2004–05 is mainly due to an estimated increase in the number of air passengers departing Hong Kong.