

INTRODUCTION

For control and funding purposes, Government's financial activity is undertaken through the General Revenue Account and a variety of funds. The General Revenue Account acts as the central funding device with resources transferred as necessary to a number of funds established to finance specific activities. Information contained in this volume is in respect of revenue and expenditure of the General Revenue Account. The volume is in two parts. Volume IA contains an introduction and various summaries, and provides for a number of Heads of Expenditure expenditure analysis for each Head of Expenditure in the form of Controlling Officers' Report, Details of Expenditure by Subhead and Capital Account Commitments. Volume IB contains the expenditure analysis for the remaining Heads of Expenditure. It will also contain the revenue analysis for the General Revenue Account. An index of policy areas by programmes is provided in both Volumes IA and IB. Volume II provides information on the various funds. All dollar figures in the Expenditure Analysis by Head are in thousands of dollars, except in Controlling Officers' Reports where figures are rounded to the nearest \$0.1 million.

General Revenue Account—Expenditure

2 The greater part of Government's expenditure is met directly from the General Revenue Account. There are 91 Heads of Expenditure. A head usually corresponds to a government bureau or department.

3 The following changes have been made to Heads of Expenditure—

(a) *Deletion of existing head*

Head 175—Standing Committee on Disciplined Services Salaries and Conditions of Service

(b) *Retitling of existing heads*

Head 96—"Government Secretariat: Overseas Offices" retitled to "Government Secretariat: Hong Kong Economic and Trade Offices"

Head 174—"Standing Commission on Civil Service Salaries and Conditions of Service" retitled to "Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service"

Controlling Officers' Reports

4 Each Head of Expenditure is supported with a report by the controlling officer on the programmes on which it is proposed to spend resources and the results sought. The effectiveness or cost-effectiveness of the results is measured where possible in terms of unit cost or productivity indicators.

5 In the controlling officers' reports, the percentage increase or decrease in provision for each programme is shown in brackets to denote—

(a) the 2001–02 approved provision as against the 2000–01 actual expenditure;

(b) the 2001–02 revised estimate as against the 2001–02 approved provision; and

(c) the 2002–03 estimate as against the 2001–02 revised estimate.

Details of Expenditure by Subhead

6 For analysis and control purposes, the provision of each Head of Expenditure is analysed into expenditure components as follows—

<i>Recurrent component</i>	<i>Nature of expenditure</i>
Personal Emoluments	Staff salaries and allowances.
Personnel Related Expenses	Costs related to the employment of staff other than pay and allowances e.g. pensions, staff housing.
Departmental Expenses	The day to day operating expenses of departments e.g. fuel, travelling expenses, furniture.
Other Charges	Significant expenditure peculiar to a particular department's operation.
Recurrent Subventions	Payments to external bodies in support of their on-going expenses.

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Capital component

Plant, Equipment and Works	Capital expenditure on assets acquired or constructed by the Government and not funded from the Capital Works Reserve Fund.
Other Non-Recurrent	Other expenditure of a one-off nature, but not involving the acquisition or construction of an asset e.g. a consultancy study.
Capital Subventions	Payments to external bodies for the purchase of equipment costing more than \$100,000 each, which is not consequential to building projects, and for capital works of a minor nature.
Transfers to Funds	Transfers in support of the various funds through which Government undertakes major capital spending and loans etc.

7 Within each component, expenditure is analysed into subheads. The following subheads are standard and may appear in any head of expenditure—

<i>Component</i>	<i>Standard subhead</i>
Personal Emoluments	001 Salaries
	002 Allowances
	007 Job-related allowances
Departmental Expenses	149 General departmental expenses
Plant, Equipment and Works	600 Works
	603 Plant, vehicles and equipment
	661 Minor plant, vehicles and equipment (block vote)
Other Non-Recurrent	700 General other non-recurrent

The standard *Subhead 002 Allowances* covers standard allowances and, for certain heads, the consolidated overtime allowance for Chauffeur grade, at the following rates—

<i>Rank</i>	<i>Master Pay Scale point</i>	<i>Rate per month†</i>
		\$
Senior Personal Chauffeur	13	8,755
	14	9,200
Personal Chauffeur	11	7,770
	12	8,250
Chauffeur	5	5,240
	6	5,705
	7	6,080
	8	6,480
	9	6,905
	10	7,315

† These rates are payable for the first 1-100 hours overtime per month. Overtime performed in excess of 100 hours will be compensated at 1% of the monthly rate per hour.

Other non-standard subheads are used only under some Heads, and their ambit is described in the text accompanying each expenditure head.

8 Where an item of expenditure is described as approved, this means that it has been approved by the Finance Committee of the legislature or under delegated powers. Approvals up to 14 December 2001 are included unless otherwise specified.

9 Explanations are given to variations in individual subheads where there is an estimated increase or decrease of four per cent or more (but subject to materiality) against the revised estimate 2001–02.

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One-Line Vote Departments

10 A one-line vote arrangement was introduced in the 1999–2000 Estimates for five departments on a pilot basis. In 2002–03 this arrangement will formally apply to 23 departments, namely Head 22—Agriculture, Fisheries and Conservation Department, Head 26—Census and Statistics Department, Head 28—Civil Aviation Department, Head 29—Civil Service Training and Development Institute, Head 31—Customs and Excise Department, Head 37—Department of Health, Head 39—Drainage Services Department, Head 44—Environmental Protection Department, Head 50—Government Land Transport Agency, Head 58—Government Supplies Department, Head 60—Highways Department, Head 74—Information Services Department, Head 76—Inland Revenue Department, Head 78—Intellectual Property Department, Head 79—Invest Hong Kong, Head 82—Buildings Department, Head 90—Labour Department, Head 122—Hong Kong Police Force, Head 130—Printing Department, Head 155—Government Secretariat: Innovation and Technology Commission, Head 186—Transport Department, Head 188—Treasury and Head 194—Water Supplies Department.

11 A one-line vote places all recurrent expenditure provided for the operation of a department under a single subhead (i.e. *Subhead 000 Operational expenses*) which operates on a cash-limited budget and will not be increased in the course of the year, except for increases to the personal emoluments portion in line with the civil service pay adjustment. The Controlling Officer is given autonomy and flexibility in deploying the funds between the various components of expenditure within the single subhead as set out in the section Details of Expenditure by Subhead. However, the establishment controls as stated in paragraphs 14 and 15 continue to apply to these one-line vote departments. The Administration provides to Finance Committee quarterly financial reports showing actual spending and any redeployment of funds between the components within *Subhead 000 Operational expenses*.

12 The ambit of *Subhead 000 Operational expenses* therefore covers all recurrent expenditure components as described in paragraph 6, unless otherwise shown and described by means of separate subheads within a particular head.

Personal Emoluments

13 The estimated establishment is given for each government department at 31 March 2002 and at 31 March 2003.

14 Under the arrangements for the creation of posts which were introduced on 1 April 1980, controlling officers are authorised to create or delete posts in existing non-directorate ranks provided that the net additional notional annual mid-point salary value of the posts created does not cause the departmental establishment ceiling to be exceeded. In each department, a Departmental Establishment Committee (DEC) advises the controlling officer in the exercise of his delegated authority to create posts. With a few specified exceptions, posts may only be created by a controlling officer after obtaining the advice of the DEC, but the controlling officer may redeploy approved posts in non-directorate ranks freely without reference to the DEC.

15 These arrangements will continue to apply in 2002–03. The departmental establishment ceiling for 2002–03, as shown in the text accompanying each expenditure head, is expressed in terms of a notional annual mid-point salary value, calculated on the basis of pay scales in force on 14 December 2001. Any changes to the departmental establishment ceiling during the year will require the approval of Finance Committee.

16 Where civil servants work under the Hong Kong Housing Authority/the Hospital Authority/the Vocational Training Council or, in certain cases, under subvented organisations or other public bodies, expenditure on their salaries and allowances is shown under *Subhead 003 Recoverable salaries and allowances (General)*. Where civil servants work under other organisations, expenditure on their salaries and allowances is shown under the subheads as follows—

<i>Non-standard subhead</i>	<i>Organisation</i>
006 Recoverable salaries and allowances (Companies Registry Trading Fund)	Companies Registry
008 Recoverable salaries and allowances (Hong Kong Monetary Authority)	Hong Kong Monetary Authority
009 Recoverable salaries and allowances (Land Registry Trading Fund)	Land Registry

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081 Recoverable salaries and allowances (Office of the Telecommunications Authority Trading Fund)	Office of the Telecommunications Authority
082 Recoverable salaries and allowances (Post Office Trading Fund)	Post Office
083 Recoverable salaries and allowances (Electrical and Mechanical Services Trading Fund)	Electrical and Mechanical Services Department
084 Recoverable salaries and allowances (Legal Aid Services Council)	Legal Aid Services Council
085 Recoverable salaries and allowances (Office of The Ombudsman)	Office of The Ombudsman

Recoveries in respect of these salaries and allowances are credited to the same subhead but on-costs are credited to General Revenue.

17 In respect of *Subhead 001 Salaries*, the estimated provision under individual Heads of Expenditure takes into account additional requirements due to salary increments, creation of additional posts including the full-year effect arising from a change in establishment and filling of vacancies in the previous year, and pre-retirement leave of staff; and reduction in requirements due to deletion of posts. For certain Heads of Expenditure, the provision covers non-accountable entertainment allowance for eligible officers.

18 In respect of *Subhead 002 Allowances*, standard allowances include acting allowance, disciplined service overtime allowance, expatriation pay, extra duties allowance for the disciplined services, overtime allowance, stand-by duty allowance, typhoon allowance and honoraria payable under CSR 683. Other allowances are treated as non-standard and are described in the text relating to each head.

19 In respect of *Subhead 007 Job-related allowances*, standard job-related allowances include extraneous duties allowance, hardship allowance and shift duty allowance. Other job-related allowances are treated as non-standard and are described in the text relating to each head.

Departmental Expenses

20 The ambit of *Subhead 149 General departmental expenses* covers expenses that are directly related to the day to day running of the department and, therefore, normally includes the following unless otherwise shown and described by means of separate subheads within each head—

Stores and equipment—for expenditure on clothing and uniforms, cleaning materials, paper, office stationery and materials, general publications, periodicals and journals, office furniture, office equipment (including the rental of equipment) and workshop tools and equipment costing not more than \$100,000 per item;

Technical Services Agreement—for payment to Reach Networks Hong Kong Limited for the provision of services under the Technical Services Agreement;

Rewards and special services—for expenditure on services of a confidential nature;

Light and power—for payment of gas and electricity bills;

Temporary staff—for employment of casual labour, post-secondary students and temporary staff and the employer's contribution to the Mandatory Provident Fund Scheme;

Training expenses—for expenditure on training fees, subsistence allowances and travel costs related to training, publications, equipment and teaching aids and other minor expenses related to training;

Honoraria for members of committees—for payment of honoraria to members of committees (other than official members);

Hire of services and professional fees—for payment of fees to accountants, lawyers, consultants, witnesses, artists, performers and other non-government professionals and for expenditure on the hire of cleansing services, security services, laundry services, flight calibration and inspection services, plant and vehicles (other than those required for travel and transport), computer services and other hired services not specifically covered elsewhere;

Expenses of visiting advisers—to meet the expense of experts visiting Hong Kong at the invitation of the Government;

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Administration—for expenditure on subsistence allowances (other than hotel subsistence allowances or those paid for training), telephone rentals, telephone call charges, telegrams, telex and private communication lines, overseas duty visits (including travel costs), official entertainment (local and overseas), postage, photocopying and reproduction, advertisement, printing costs and incidental administration expenses not elsewhere specified;

Transport and travelling—for expenditure on posting and secondment passage, petrol and oil for vehicles used for travel and transport, the hire of vehicles for travel and transport, travelling and mileage allowances, short-term parking of government vehicles, tunnel tickets and all local travel by ferry, bus, tram and rail;

Fuel and lubricating oil—for expenditure on fuel and lubricants for aircraft, vessels, furnaces, generators and other plant;

Office rents and rates—for payment of office rents and rates including associated car park and management charges on government leased office accommodation;

Data processing—for expenditure on rentals, maintenance and excess usage of computer hardware, software and data preparation facilities; and on the rental of communication terminals, lines and modems;

Provisions for institutions—for expenditure on institutional diets (e.g. in prisons and hospitals);

Specialist supplies and equipment—for expenditure on supplies and equipment of a specialist nature peculiar to the department concerned;

Maintenance materials—for expenditure on materials for the maintenance of government capital assets;

Contract maintenance—for expenditure on all maintenance work on capital assets that is carried out under contract;

Recruiting expenses—for expenditure on advertisement, publicity campaigns, first appointment passage and other associated expenses arising from recruiting exercises;

Workshop services—to meet the expenses in relation to services provided by the Electrical and Mechanical Services Trading Fund;

Trading fund services—to meet the expenses in relation to services provided by Trading Fund bodies;

Staff suggestion scheme—for expenditure on awards in cash or kind to civil servants for suggestions for improving the efficiency of the civil service;

Staff welfare fund—for expenditure on welfare and recreational activities of civil servants, including provision for the purchase and maintenance of sports and recreational equipment;

Staff motivation scheme—for expenditure on staff motivation activities, including educational programmes, publicity and awards in kind, for sustaining the commitment of civil servants to the performance pledge programmes and to a general improvement in service.

21 In general, only non-recurrent expenditure items with a cost of more than \$100,000 each are charged to the capital account. Items at or below this value are generally charged to the recurrent account. However, to provide for adequate control, provision for motor vehicles, dinghies and launches, costing up to \$100,000, is also included in the Capital Account.

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22 The ambit of *Subhead 600 Works* covers minor capital works not in the Public Works Programme (e.g. Restoration of Hung Lau in Tuen Mun under Head 95—Leisure and Cultural Services Department).

23 The ambit of *Subhead 603 Plant, vehicles and equipment* covers expenditure on plant, specialised vehicles (see paragraphs 25 and 26 below) and equipment each costing more than \$2,000,000 but are not included in the Capital Works Reserve Fund, dinghies and launches. The approved commitments of these items are shown separately on the commitments pages.

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24 The ambit of *Subhead 661 Minor plant, vehicles and equipment (block vote)* includes minor capital expenditure on plant, specialised vehicles (see paragraphs 25 and 26 below) and equipment (except administrative computer systems) with the cost of individual items above \$100,000 but not exceeding \$2,000,000. Where a subhead in the Capital Account has the words “block vote” in brackets immediately after the title, the items for which provision has been made are not separately identified on the commitments page. The general rule is that the approved provision for block vote is limiting on both expenditure and commitment. As the approved provision is usually fully committed well before the close of the financial year, and yet will almost certainly be underspent because of delays or the long lead time required for purchase or construction, Finance Committee has approved a standard limit of over-commitment for all block votes of 50% of the approved provision. Where this is inadequate, Finance Committee is approached annually for approval of a higher limit.

25 All general purpose vehicles with a unit cost of \$10 million or less will be funded under a capital account block vote *Subhead 691 General purpose vehicles (block vote)* in Head 50—Government Land Transport Agency. New commitments for specialised vehicles will continue to be funded under *Subhead 603 Plant, vehicles and equipment* (unit cost over \$2,000,000) or under *Subhead 661 Minor plant, vehicles and equipment (block vote)* (unit cost of \$2,000,000 or less) of the appropriate heads of expenditure.

26 In broad terms, a general purpose vehicle is a vehicle designated and used primarily for the carriage of passengers and/or goods; a specialised vehicle is a vehicle, which in addition to carrying goods, has mounted on it ancillary equipment for the purpose of performing a specific function.

27 The ambit of *Subhead 700 General other non-recurrent* covers the other non-recurrent items shown on the commitments pages.

Capital Account Commitments

28 Except for items chargeable to individual capital account block votes, expenditure on capital account subheads is also controlled against individual commitments representing the total cost of a proposal over a period of years. It lists the approved commitments relating to each Head of Expenditure.

29 The original approved commitment is shown in the first column, accumulated expenditure to 31 March 2001 in the second column, the revised estimate of expenditure for 2001–02 in the third column and the balance of the commitment in the last column. Figures for subhead totals in the third column may differ from those shown as revised estimate for 2001–02 on the subhead analysis page for the head. The difference represents expenditure on commitments expected to be discharged during 2001–02 that are not included on the commitments page. The total balance shown in the last column of the commitments page may exceed the provision shown under the same subhead on the subhead analysis page. This implies that completion of the expenditure is not expected in 2002–03 and that some of the balance will be carried forward to 2003–04. This does not stop departments from becoming committed contractually up to the level of the total unspent balance, provided that they are satisfied that actual expenditure incurred during 2002–03 will not exceed the provision.

Cash Limits

30 With the exception of personal emoluments subheads (other than *Subhead 007*), for which provision will be adjusted in the course of the year broadly in line with the average pay settlement for the civil service and some departmental expenses/other charges subheads, the total provision made to individual Heads of Expenditure is cash limited. That is to say, the provision made to a Head of Expenditure will not be increased save in exceptional and clearly defined circumstances. Such circumstances include the need to meet statutory obligations for which insufficient provision has been made, to meet additional costs that are unforeseeable and wholly out of the control of the controlling officer (e.g. in responding to a natural disaster), and to meet bills presented for payment within the approved commitment of a capital item.

31 The provision made for *Subhead 007 Job-related allowances* is cash limited but additional provision may be provided during the course of the year to meet additional expenditure arising from any revision in the rates of allowances as a result of either the annual pay adjustment or periodic review.

32 Some departmental expenses, other charges and capital account block vote subheads, particularly those which provide for statutory payments, are not by definition cash limitable. These subheads are identified in the expenditure Estimates with an asterisk(*).

33 The provision made for *Subhead 000 Operational expenses* for one-line vote departments is cash limited, except that additional provision will be provided for increases to the personal emoluments portion in line with the civil service pay adjustment.