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APPENDIX A

MEDIUM RANGE FORECAST

1997-1998 TO 2001-2002

MEDIUM RANGE FORECAST 1997-1998 TO 2001-2002

INTRODUCTION

The *Medium Range Forecast* (MRF) is a projection of expenditure and revenue for the forecast period based on the forecasting assumptions and budgetary criteria outlined in Section I of this Appendix.

- 2** The MRF is presented in three sections:
- (I) Forecasting assumptions and budgetary criteria.
 - (II) The MRF for 1997-1998 to 2001-2002.
 - (III) Commentary on the MRF in relation to budgetary criteria.

SECTION I—FORECASTING ASSUMPTIONS AND BUDGETARY CRITERIA

3 A number of computer based models are used to derive the MRF. These models reflect a wide range of assumptions about the factors determining each of the components of Government's revenue and expenditure. Some are economic in nature (the general economic assumptions) while others deal with specific areas of Government's activity (the detailed assumptions). These are supported by studies of historical and anticipated trends.

General Economic Assumptions

Growth in Gross Domestic Product (GDP)

4 There is a clear link between many of Government's major revenue sources and economic growth. For planning purposes the medium range assumption as to annual GDP growth for the current MRF has been set at 5% in real terms.

Inflation

5 Over the forecast period the average year on year inflation is assumed to be 7.5%. It is emphasised that this is a *trend* assumption related to the GDP deflator.

Detailed Assumptions

6 A wide range of detailed assumptions relating to developing expenditure and revenue patterns over the forecast period are taken into account. These include:

- estimated cash flow of capital projects.
- forecast completion dates of these capital projects and their related recurrent consequences in terms of staffing and running costs.
- estimated cash flow arising from new commitments resulting from policy initiatives.
- the expected pattern of demand for individual services.
- the trend in yield from individual revenue sources.
- new revenue measures in 1998-1999.

Budgetary Criteria

7 In addition to the above forecasting assumptions there are a number of criteria against which the results of forecasts are tested for overall acceptability in terms of budgetary policy. Any significant breach of these parameters results in a review of the underlying programmes and adjustments where necessary and appropriate.

8 The following are the more important budgetary criteria:

- *Total cash flow surplus/deficit*
The Government aims to maintain adequate reserves in the long term.
- *Total expenditure growth*
It is intended that, over time, expenditure growth should not exceed the assumption as to the *trend* growth in GDP.
- *Capital expenditure growth*
By its nature some fluctuations in the level of capital expenditure are to be expected. However, over a period the aim is to contain capital expenditure growth within overall expenditure guidelines, i.e. within the assumption as to the *trend* GDP growth but allowance is made for unavoidable expenditure on exceptional projects. Allowance is also made for a number of major projects due to start in the forecast period. In planning the size of the capital programme regard is had to the recurrent consequences of capital works (staffing, maintenance, etc.).
- *Revenue Policy*
The projections reflect the revenue measures introduced in this year's budget. Account is taken of the need to maintain over time the real yield from fees and charges, fixed duties etc. and to review periodically the various tax thresholds in the light of inflation.

SECTION II—THE MRF FOR 1997-1998 TO 2001-2002

9 The current MRF is summarised in the following three tables which indicate the forecast operating position, capital cash flow and consolidated reserves (*Note a*).

10 It is emphasised that the forecasts are based on *trends* and, therefore, the actual results of any individual year may vary from the *trend* assumption.

Operating Statement (General Revenue Account)*Table 1*

	Revised Estimate	Forecast			
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	\$m	\$m	\$m	\$m	\$m
Revenue (<i>Note b and j</i>)	200,350	192,680	211,390	242,900	271,330
Less: Expenditure (<i>Note c</i>)	161,770	182,480	200,740	227,830	258,570
Operating surplus for the year	38,580	10,200	10,650	15,070	12,760

Capital Financing Statement (The Funds)*Table 2*

	Revised Estimate	Forecast			
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	\$m	\$m	\$m	\$m	\$m
Opening balances of the Funds	46,990	61,660	50,210	55,030	63,390
Add : Revenue (<i>Note d</i>)	56,410	66,310	72,790	85,520	101,250
: Transfers from/(to) General Revenue Account (<i>Note e</i>)	(5,840)	(11,990)	1,000	(2,000)	(12,000)
Less : Expenditure on capital projects (<i>Note f</i>)	31,570	34,110	39,610	46,130	53,740
: Loans and investments (<i>Notes g and h</i>)	4,320	31,660	29,360	29,030	29,350
: Aid for disaster relief (<i>Note i</i>)	10	—	—	—	—
Closing balance of the Funds	61,660	50,210	55,030	63,390	69,550

Consolidated Reserves*Table 3*

	Revised Estimate	Forecast			
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	\$m	\$m	\$m	\$m	\$m
General Revenue Account					
Opening balance	126,620	383,910	406,100	415,750	432,820
Operating surplus (per Table 1)	38,580	10,200	10,650	15,070	12,760
Land Revenue (<i>Note j</i>)	17,870	—	—	—	—
Transfers from/(to) the Funds (per Table 2) (<i>Note e</i>)	5,840	11,990	(1,000)	2,000	12,000
Closing balance	188,910	406,100	415,750	432,820	457,580
The Funds—closing balances (per Table 2)	61,660	50,210	55,030	63,390	69,550
Fiscal Reserves at 31 March (<i>Note k</i>)	250,570	456,310	470,780	496,210	527,130
Land Fund — opening balance (<i>Note l</i>)	197,070				
— change in net worth	(2,070)				
Total	445,570				

Notes on the Medium Range Forecast*(a) Accounting policies*

- (i) The Medium Range Forecast, like Government's Accounts, is prepared on a cash basis and reflects forecast receipts and payments, whether or not they relate to recurrent or capital transactions.
- (ii) The Medium Range Forecast includes the General Revenue Account and the Funds (the Capital Works Reserve Fund, the Loan Fund, the Capital Investment Fund, the Disaster Relief Fund and the Civil Service Pension Reserve Fund).
- (iii) The Suspense Account of the Capital Works Reserve Fund is excluded from the Medium Range Forecast the net revenue of which, to 30 June 1997, was subject to sharing between the Government's account and the then Hong Kong Special Administrative Region Land Fund.

(b) General Revenue Account - Revenue

This comprises all receipts to be credited to any of the following revenue heads (except Transfers from Funds and revenue from Land Transactions), namely -

Duties
General Rates
Internal Revenue
Motor Vehicle Taxes
Fines, Forfeitures and Penalties
Royalties and Concessions
Properties and Investments
Loans, Reimbursements, Contributions and Other Receipts (excluding transfers from Funds)
Utilities
Fees and Charges

Revenue from land transactions which was credited to the General Revenue Account in 1997-98 before enactment of the revised resolution for the Capital Works Reserve Fund is shown in Table 3.

(c) General Revenue Account - Expenditure

This comprises all expenditure to be charged to the General Revenue Account in accordance with the Appropriation Ordinance, with the exception of the Transfers to Funds. It includes the day to day operational expenses of government departments together with minor capital purchases of a routine nature.

(d) Funds - Revenue

This comprises all revenue receivable by the Funds except the transfers from General Revenue Account. It includes —

Hong Kong Government's share of land premia received up to 30 June 1997 distributed in accordance with Annex III of the Joint Declaration and all income from land transactions from 1 January 1998
Loan repayments received
Recovery from Mass Transit Railway Corporation
Recoveries from Trading Funds
Interest and dividends
Donations towards capital projects

The breakdown of revenue to the various Funds is —

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	\$m	\$m	\$m	\$m	\$m
Capital Works Reserve Fund	48,500 ^(Note 1)	52,960	61,620	73,040	86,850
Capital Investment Fund	4,030	6,130	4,050	4,270	4,380
Civil Service Pension Reserve Fund	650	560	570	610	640
Loan Fund	3,230	6,660	6,550	7,600	9,380
Total	56,410	66,310	72,790	85,520	101,250

Note 1 : In 1997-98 revenue from land transactions of \$17,870 million was credited to the General Revenue Account before the enactment of the revised Capital Works Reserve Fund resolution effective from 1 January 1998.

Notes on the Medium Range Forecast —Contd.*(e) Transfers between General Revenue Account and the Funds*

The transfers between General Revenue Account and the Funds are assessed with regard to the commitments of the Funds and their forecast cash flow requirements. The breakdown of the transfers for 1997-1998 and 1998-1999 is—

	1997-1998	1998-1999
	\$m	\$m
General Revenue Account	5,840	11,990
Capital Works Reserve Fund	(8,540)	(35,000)
Loan Fund	2,170	14,000
Capital Investment Fund	0	9,000
Disaster Relief Fund	30	10
Civil Service Pension Reserve Fund	500	0

(f) Expenditure on capital projects

This comprises expenditure chargeable to the Capital Works Reserve Fund in respect of the Public Works Programme (including land acquisition), capital subventions, major systems and equipment and computerisation.

(g) Loans

These comprise loans made from the Loan Fund, including loans to the Hong Kong Housing Society, schools, teachers, students as well as housing loans for the Home Starter scheme and to civil servants.

The forecast of payments from the Loan Fund is —

1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
\$m	\$m	\$m	\$m	\$m
4,160	16,440	13,000	13,600	14,200

(h) Investments

These comprise, in the main, advances and equity investments made from the Capital Investment Fund to trading funds and statutory bodies.

The forecast of payments from the Capital Investment Fund is—

1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
\$m	\$m	\$m	\$m	\$m
160	15,220	16,360	15,430	15,150

(i) Aid for disaster relief

This is actual expenditure made from the Disaster Relief Fund for providing relief to disasters that occur outside Hong Kong. Because of the unpredictable nature of disasters, no estimate of future expenditure is made for the forecast period.

(j) Land revenue

In 1997-98 revenue from land transactions of \$17,870 million was credited to the General Revenue Account before the enactment of a revised Capital Works Reserve Fund resolution effective from 1 January 1998. The revenue of \$17,870 million credited to the General Revenue Account in 1997-98 is shown in Table 3.

(k) Fiscal reserves

The fiscal reserves represent the accumulated balances of the General Revenue Account and the Funds. The movement in the fiscal reserves from one year to the next year represents the estimated surplus/deficit for the year.

(l) Land Fund

For the purpose of the MRF the balance of the Land Fund has been merged with the General Revenue Account from 1 April 1998 and its investment earnings are included under the revenue of the General Revenue Account with effect from that date.

SECTION III—COMMENTARY ON THE MRF**Expenditure Growth**

11 To demonstrate that expenditure growth, over time, does not exceed the trend growth rate in the economy, Government's spending plans should be compared with the budgetary guidelines (Diagrams 1 and 2).

Diagram 1

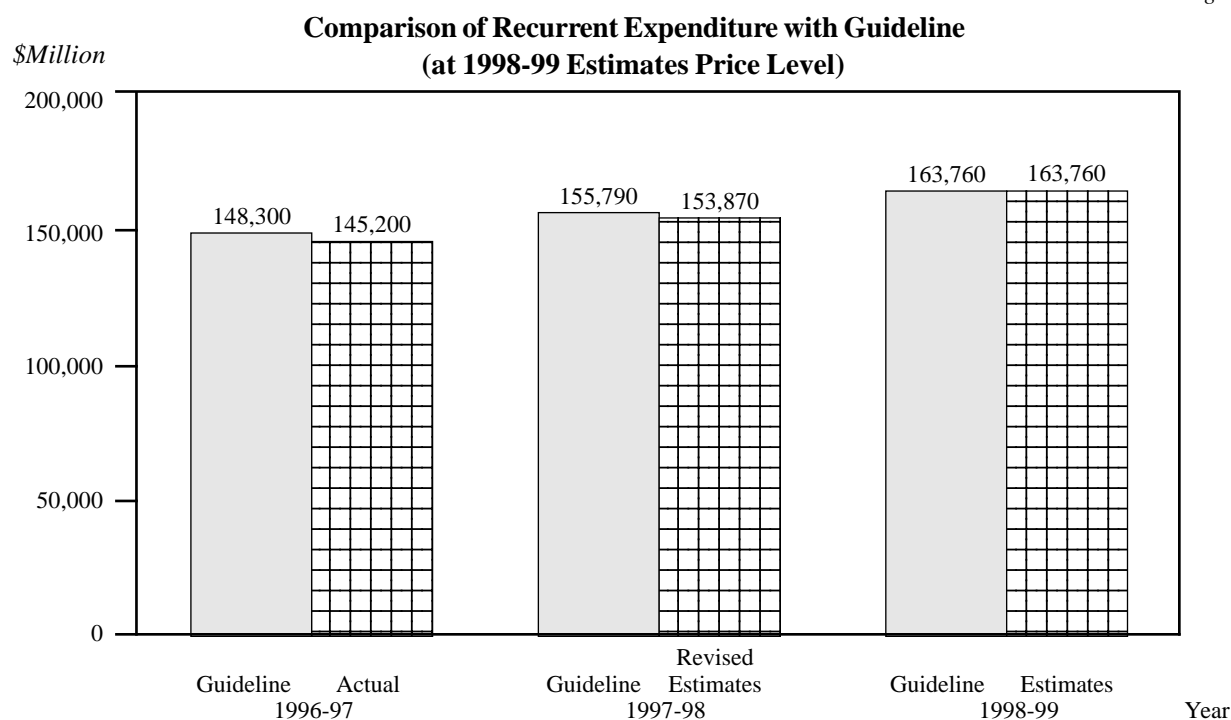
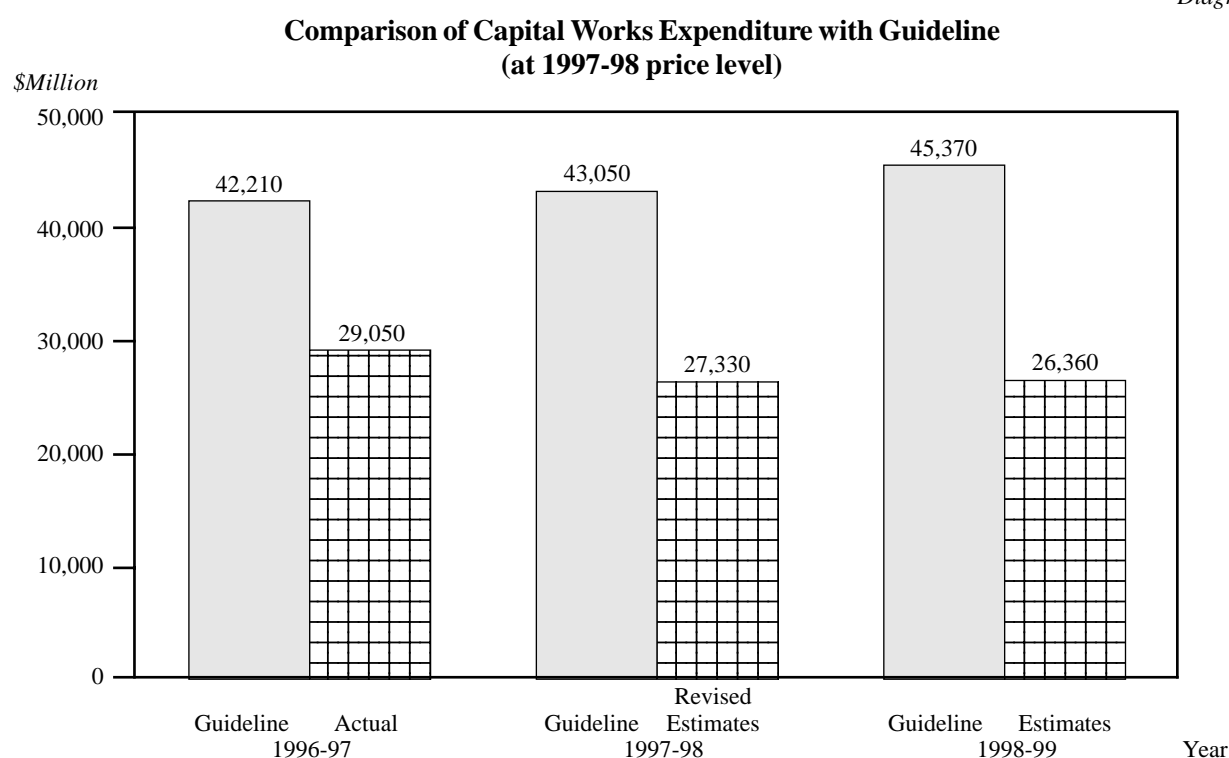


Diagram 2



Public Expenditure in the Context of the Economy

12 For monitoring purposes, the Government's own expenditure is consolidated with the expenditure of some other public bodies such as the Municipal Councils in order to compare total public expenditure with the size of the economy.

13 The results of this comparison are set out in Table 4 and the historical and forecast relationship between GDP and public expenditure is illustrated in Diagram 3. A comparison of cumulative growth in public expenditure with cumulative growth in GDP since the introduction of the MRF in 1986-87 is shown in Diagram 4.

Public Expenditure in the Context of the Economy (Note 1)*Table 4*

	Revised Estimate	Forecast			
	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	\$m	\$m	\$m	\$m	\$m
Operating expenditure	159,620	180,130	198,090	224,840	255,190
Capital expenditure	37,890	52,900	55,260	62,720	71,320
Total government expenditure	197,510	233,030	253,350	287,560	326,510
Add: Other public sector bodies	46,400	55,860	62,480	66,500	67,470
Total public expenditure	243,910	288,890	315,830	354,060	393,980
Gross Domestic Product (calendar year) (Note 2)	1,327,030	1,497,880	1,690,740	1,908,420	2,154,130
Growth in GDP					
Money terms	11.3	12.9	12.9	12.9	12.9
Real terms	5.2	5.0	5.0	5.0	5.0
Growth in public expenditure					
Money terms	15.5	18.4	9.3	12.1	11.3
Real terms	8.2	11.2	1.2	3.6	3.0
Public expenditure as a percentage of GDP (Note 3)	18.4	19.3	18.7	18.6	18.3

Note 1 Public expenditure comprises expenditure by the trading funds, the Hong Kong Housing Authority, the Provisional Urban Council and the Provisional Regional Council, expenditure financed by the Government's statutory funds and all expenditure charged to the General Revenue Account. Expenditure by institutions in the private or quasi-private sector is included to the extent of their subventions. The payments of government departments which are wholly or partly financed by charges raised on a commercial basis are also included (e.g. airport, waterworks). But *not* included is expenditure by those organisations, including statutory organisations, in which the Government has only an equity position, such as the Mass Transit Railway Corporation and the Kowloon-Canton Railway Corporation. Similarly, advances and equity investments from the Capital Investment Fund are excluded as they do not reflect the actual consumption of resources by the Government.

Note 2 For years beyond the current year, the GDP figures are based on *trend* assumptions.

Note 3 Caution should be exercised in interpreting these percentages as the public expenditure is estimated on a fiscal year basis while the GDP is estimated on a calendar year basis.

Diagram 3

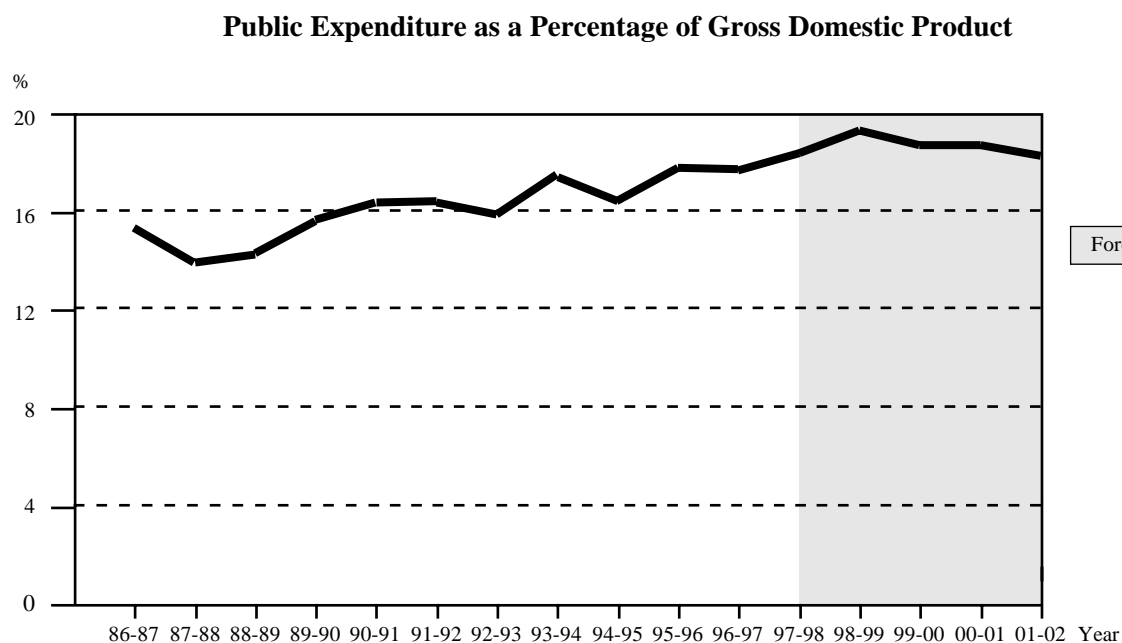
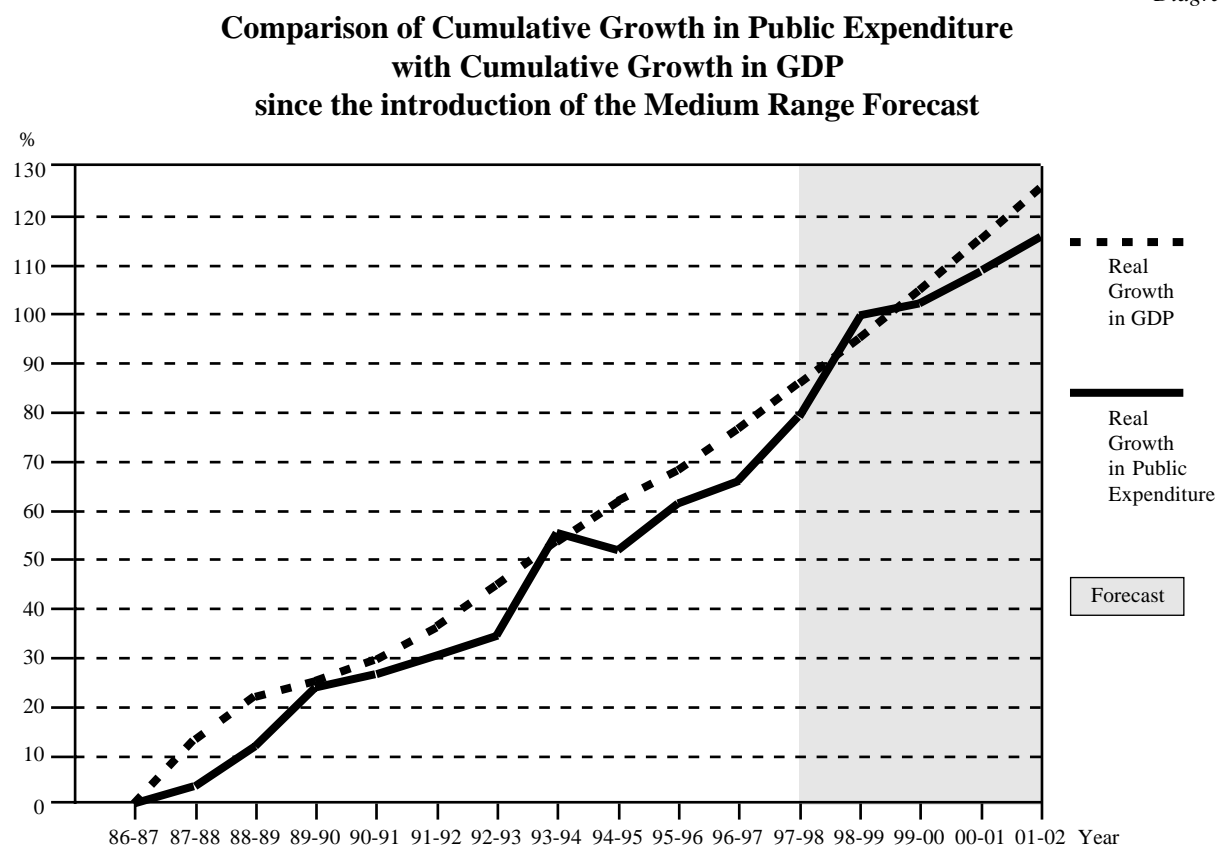


Diagram 4



14 Table 5 shows the sum to be appropriated in the 1998-1999 Budget analysed between operating and capital expenditure and, after including expenditure from the various funds and other public sector bodies, shows the derivation of public expenditure for 1998-1999 given in Table 4.

15 The table also illustrates the effect of the budget revenue measures on the overall surplus/deficit position for 1998-1999.

16 The table can be read with Tables 1-4.

**Relationship Between Government Expenditure
and Public Expenditure in 1998-1999**

Table 5

Components of expenditure and revenue	Appropriation	Government expenditure and revenue			Public Expenditure
		Operating	Capital	Total	
	\$m	\$m	\$m	\$m	\$m
Expenditure					
General Revenue Account:					
Recurrent account	171,705	171,705	—	171,705	171,705
Capital account					
Plant, equipment and works	1,265	—	1,265	1,265	1,265
Other non-recurrent	8,420	8,420	—	8,420	8,420
Subventions	1,090	—	1,090	1,090	1,090
	182,480	180,125	2,355	182,480	182,480
Transfers to Funds	23,010	—	—	—	—
Capital Works Reserve Fund	—	—	34,105	34,105	34,105
Loan Fund	—	—	16,445	16,445	16,445
Lotteries Fund (1)	—	—	—	—	1,155
Housing Authority (1)	—	—	—	—	37,485
Provisional Urban Council (1)	—	—	—	—	7,795
Provisional Regional Council (1)	—	—	—	—	5,250
Trading funds (1)	—	—	—	—	4,175
	205,490	180,125	52,905	233,030	288,890
Revenue					
General Revenue Account:					
Taxation		144,335	1,420	145,755	
Other revenue (excluding transfers from Funds)		45,280	3,550	48,830	
		189,615	4,970	194,585	
Increase in net worth of Land Fund		11,700	—	11,700	
Capital Works Reserve Fund		—	52,960	52,960	
Capital Investment Fund		—	6,125	6,125	
Civil Service Pension Reserve Fund		—	560	560	
Disaster Relief Fund		—	5	5	
Loan Fund		—	6,660	6,660	
		201,315	71,280	272,595	
Cash surplus before budget revenue measures		21,190	18,375	39,565	
Less: Effect of budget revenue measures		(13,515)	(90)	(13,605)	
Cash surplus after budget revenue measures		7,675	18,285	25,960	
Less: Advances and equity investments from the Capital Investment Fund (2)		—	(15,220)	(15,220)	
Consolidated Surplus		7,675	3,065	10,740	

(1) These other public sector bodies which contribute to public expenditure are all self-financing and receive no recurrent subsidies from the Government.

(2) Advances and equity investments from the Capital Investment Fund are excluded from government expenditure (see also Note 1 to Table 4).

APPENDIX B

TRENDS IN PUBLIC EXPENDITURE

1993-1994 TO 1998-1999

TRENDS IN PUBLIC EXPENDITURE
1993-1994 TO 1998-1999

INTRODUCTION

The purpose of this appendix is to present trends in public expenditure over the period 1993-1994 to 1998-1999. This analysis is expressed in public expenditure terms as defined in Table 4 of Appendix A and includes expenditure by the trading funds, the Hong Kong Housing Authority, the Provisional Urban Council, the Provisional Regional Council and the Lotteries Fund. It shows the actual and estimated recurrent and total expenditure during this period and expresses this in terms of ten main policy area groups (an index showing the policy areas forming part of these ten main groups is provided at page 22):

- Community and External Affairs
- Economic
- Education
- Environment
- Health
- Housing
- Infrastructure
- Security
- Social Welfare
- Support

Where appropriate, policy area groups are further analysed by policy areas.

2 Details of the individual heads of expenditure contributing to a particular policy area are provided in an index in Volume I of the 1998-1999 Estimates. This index further provides details by head of expenditure of individual programmes which contribute to a policy area.

3 The analysis provided in this appendix shows how resources have been and will, in 1998-1999, be allocated to different policy area groups. Where appropriate, historical figures have been adjusted to comply with the current classification of expenditure.

HISTORICAL PERSPECTIVE: THE MAJOR FEATURES

4 The changing share of expenditure on policy area groups from 1993-1994 to 1998-1999 is illustrated in Tables 1 and 2. Table 1 relates to recurrent public expenditure and Table 2 to total public expenditure.

Recurrent Public Expenditure by Policy Area Group 1993-1994 to 1998-1999*Table 1*

Policy Area Groups	Actual				Revised Estimate	Draft Estimate
	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
	%	%	%	%	%	%
(A) Community and External Affairs						
(1) District and Community Relations	0.7	0.7	0.7	0.7	0.7	0.7
(2) Recreation, Culture and Amenities	5.3	5.3	5.1	5.2	5.1	5.2
(3) Other	0.3	0.3	0.3	0.3	0.3	0.3
	6.3	6.3	6.1	6.2	6.1	6.2
(B) Economic	5.7	5.3	4.9	5.0	5.3	5.1
(C) Education	21.4	21.9	21.8	21.6	21.1	21.7
(D) Environment	1.2	1.5	1.6	1.5	1.7	1.7
(E) Health	13.8	14.2	14.4	14.5	14.7	14.6
(F) Housing	6.7	6.5	7.2	6.8	7.3	6.9
(G) Infrastructure						
(1) Buildings, Lands and Planning	1.8	1.9	1.8	1.8	1.8	1.8
(2) Transport	1.5	1.3	1.3	1.3	1.4	1.4
(3) Water Supply	2.7	2.6	2.7	2.7	2.6	2.6
	6.0	5.8	5.8	5.8	5.8	5.8
(H) Security						
(1) Immigration	1.2	1.2	1.2	1.1	1.1	1.1
(2) Internal Security	12.9	12.2	11.3	10.8	10.0	9.6
(3) Other	1.6	1.7	1.6	1.7	1.7	1.8
	15.7	15.1	14.1	13.6	12.8	12.5
(I) Social Welfare	8.4	8.7	9.5	10.8	11.7	12.5
(J) Support	14.8	14.7	14.6	14.2	13.5	13.0
	100.0	100.0	100.0	100.0	100.0	100.0

	\$m	\$m	\$m	\$m	\$m	\$m
Total Recurrent Public Expenditure	105,255	119,920	138,693	156,159	176,615	198,295

Total Public Expenditure by Policy Area Group 1993-1994 to 1998-1999

Table 2

Policy Area Groups	Actual				Revised Estimate	Draft Estimate
	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998	1998-1999
	%	%	%	%	%	%
(A) Community and External Affairs						
(1) District and Community Relations	0.5	0.5	0.5	0.6	0.6	0.6
(2) Recreation, Culture and Amenities	4.6	4.8	4.8	5.2	4.9	4.8
(3) Other	0.2	0.3	0.2	0.3	0.2	0.2
	5.3	5.6	5.5	6.1	5.7	5.6
(B) Economic	8.0	4.4	4.6	5.1	5.7	6.6
(C) Education	16.4	17.4	17.6	17.9	19.9	18.4
(D) Environment	2.0	2.7	2.9	2.9	2.9	2.2
(E) Health	11.9	11.6	12.7	11.9	11.6	10.9
(F) Housing	10.7	11.9	10.0	11.5	12.3	16.9
(G) Infrastructure						
(1) Buildings, Lands and Planning	6.3	6.4	5.6	4.0	4.1	4.1
(2) Transport	5.8	6.4	5.3	4.3	3.1	2.4
(3) Water Supply	2.8	3.0	3.1	2.8	2.6	2.8
	14.9	15.8	14.0	11.1	9.8	9.3
(H) Security						
(1) Immigration	0.9	0.9	0.9	0.9	0.8	0.8
(2) Internal Security	9.2	9.3	9.3	9.3	8.0	7.3
(3) Other	1.1	1.2	1.2	1.3	1.4	1.4
	11.2	11.4	11.4	11.5	10.2	9.5
(I) Social Welfare	5.9	6.6	7.4	8.5	9.1	9.1
(J) Support	13.7	12.6	13.9	13.5	12.8	11.5
	100.0	100.0	100.0	100.0	100.0	100.0

	\$m	\$m	\$m	\$m	\$m	\$m
Total Public Expenditure	155,207	165,950	191,338	211,248	243,905	288,890

5 Recurrent public expenditure and total public expenditure in 1997-1998 and 1998-1999, analysed by policy area groups, are shown in Tables 3 and 4 respectively together with details of the real growths in expenditure between the two years.

Analysis of Recurrent Public Expenditure by Policy Area Group

Table 3

Policy Area Groups	Revised Estimate	Draft Estimate	Increase In Real Terms
	1997-1998	1998-1999	
	\$m	\$m	%
(A) Community and External Affairs			
(1) District and Community Relations	1,330	1,470	+ 5.6
(2) Recreation, Culture and Amenities	8,960	10,350	+ 8.6
(3) Other	550	575	- 1.4
	10,840	12,395	+ 7.8
(B) Economic	9,300	10,190	+ 5.4
(C) Education	37,275	42,990	+ 6.3
(D) Environment	2,975	3,315	+ 5.1
(E) Health	26,020	28,970	+ 5.4
(F) Housing	12,970	13,730	- 0.2
(G) Infrastructure			
(1) Buildings, Lands and Planning	3,195	3,630	+ 7.7
(2) Transport	2,445	2,750	+ 5.8
(3) Water Supply	4,540	5,030	+ 3.9
	10,180	11,410	+ 5.5
(H) Security			
(1) Immigration	1,890	2,185	+ 9.3
(2) Internal Security	17,650	18,980	+ 1.8
(3) Other	3,100	3,545	+ 8.8
	22,640	24,710	+ 3.4
(I) Social Welfare	20,570	24,885	+ 13.6
(J) Support	23,845	25,700	+ 3.2
Total Recurrent Public Expenditure	176,615	198,295	+ 5.7

Analysis of Total Public Expenditure by Policy Area Group

Table 4

Policy Area Groups	Revised Estimate	Draft Estimate	Increase In Real Terms
	1997-1998	1998-1999	
	\$m	\$m	%
(A) Community and External Affairs			
(1) District and Community Relations	1,550	1,565	- 3.6
(2) Recreation, Culture and Amenities	11,835	13,970	+ 11.7
(3) Other	570	595	- 1.3
	13,955	16,130	+ 9.4
(B) Economic	13,885	19,260	+ 33.1
(C) Education	48,510	53,200	+ 1.4
(D) Environment	7,100	6,430	- 14.9
(E) Health	28,180	31,470	+ 5.6
(F) Housing	29,895	48,915	+ 52.1
(G) Infrastructure			
(1) Buildings, Lands and Planning	10,170	11,910	+ 9.2
(2) Transport	7,575	6,755	- 16.6
(3) Water Supply	6,270	8,105	+ 20.1
	24,015	26,770	+ 4.0
(H) Security			
(1) Immigration	2,000	2,220	+ 5.4
(2) Internal Security	19,405	21,130	+ 2.9
(3) Other	3,375	3,990	+ 12.1
	24,780	27,340	+ 4.4
(I) Social Welfare	22,260	26,245	+ 10.6
(J) Support	31,325	33,130	+ 0.7
Total Public Expenditure	243,905	288,890	+ 11.2

INDEX OF POLICY AREA GROUPS**Policy Area**

Policy Area Group	Description	Reference
Community and External Affairs	District and Community Relations	19
	Recreation, Culture and Amenities	18
	Broadcasting and Entertainment	17
Economic	Air and Sea Communications	3
	Employment	8
	Financial Services	1
	Food Supply	2
	Posts, Telecommunications and Power	4
	Public Safety	7
	Trade and Industry	6
	Travel and Tourism	5
Education	Education	16
Environment	Environmental Protection	23
Health	Health	15
Housing	Housing	31
Infrastructure	Buildings, Lands and Planning	22
	Transport	21
	Water Supply	24
Security	Immigration Control	10
	Internal Security	9
	Administration of Justice	12
	Anti-Corruption	13
	Legal Administration	11
	Legal Aid	20
Social Welfare	Social Welfare	14
Support	Central Management of the Civil Service	26
	Complaints Against Maladministration	30
	Constitutional Affairs	28
	Intra-Governmental Services	27
	Revenue Collection and Financial Control	25
	Support for Members of the Legislative Council	29

Note : The Policy Area reference corresponds with that used in the Index of Policy Areas in the Estimates of expenditure.

APPENDIX C

POLICY AREAS WITH MAJOR GROWTH IN RECURRENT EXPENDITURE IN 1998-1999

**POLICY AREAS WITH MAJOR GROWTH IN
RECURRENT EXPENDITURE IN 1998–1999**

Additional funds have been provided to finance the following major improvements in services in 1998–1999—

	<i>\$ million (at 1997–1998 prices)</i>
Education	<u>2,340</u>
— 1 380 additional graduate teacher posts for primary schools	
— 21 more primary schools operating on a whole-day basis	
— Extra support for schools using Chinese as the medium of instruction	
— Additional native-speaking English teachers in secondary schools	
— Enhancing the use of information technology in school education	
— More training places for teachers in schools and kindergartens	
— Language benchmarking for teachers	
— Supporting the implementation of school-based management	
— Additional clerical support for primary and secondary schools	
— Increased school places and support services for newly arrived children	
— Implementing the recommendations of the Board of Education for special education	
— Providing travel subsidy to primary pupils below the age of 12	
— Extending the Textbook Assistance Scheme to Secondary 4 to 7 students	
Health	<u>1,360</u>
— 754 additional hospital beds	
— For the elderly, 12 integrated elderly health centres, 12 visiting health teams, 40 geriatric day places, an additional psychogeriatric team and community geriatric assessment team	
— Establishment of a regulatory framework to regulate the practice, use and trading of traditional Chinese medicine and the registration of practitioners	
— A Kowloon Bay Primary Health Care Centre with an integrated day treatment centre for sexually transmitted and skin diseases and HIV infection, a general out-patient clinic and a radiography centre	
— A new Child Assessment Centre in Central Kowloon	

\$ million
(at 1997-1998
prices)

Social Welfare

2,800

- For the elderly, an additional 2 621 residential places, 12 social centres, 3 day care centres, 4 multi-service centres, 20 home help teams, 2 carers' support and resource centres, 35 dedicated teams for outreaching and to support volunteers programmes, a blister programme to train pupil nurses to serve elderly homes, additional staffing in day care centres and elderly homes and the introduction of a new Dementia Supplement for subvented residential care homes
- Increase in the Comprehensive Social Security Assistance standard monthly payment for the elderly by \$380 (after subsuming the annual Chinese New Year and Social and Recreation Activities grants)
- For people with a disability, an additional 180 residential places and 250 day places
- For children, an additional 3 266 day nursery places, 12 day crèche places and 30 residential home places
- An additional 288 pre-school places for children with a disability
- An additional 26 family caseworker units to strengthen family support services and 12 additional medical social workers
- 14 more school social workers, 1 outreaching social work team, 2 children and youth centres and 2 teams under the community support service scheme

Security

770

- 339 additional police officers to strengthen law and order and general policing
- 137 additional staff for stepping up fire safety inspection of buildings and community education
- 53 additional ICAC officers for corruption investigations and operations and anti-corruption community relations
- 274 additional staff to cope with the anticipated demand for immigration and customs clearance at the new airport at Chek Lap Kok
- 174 additional staff for providing immigration and customs clearance and fire services at the new River Trade Terminal in Tuen Mun
- 43 additional staff in Correctional Services Department for strengthening rehabilitation and aftercare services
- 183 additional staff for the partial commissioning of the redevelopment of Stanley Prison area (phase II)

APPENDIX D

MAJOR CAPITAL PROJECTS

TO BEGIN IN 1998-1999 OR AFTER

MAJOR CAPITAL PROJECTS
TO BEGIN IN 1998-1999 OR AFTER

Funds allocated for capital projects to start in 1998-1999 or after include—

\$ million
(at 1997-1998
prices)

Education**10,360**

- Construction of additional primary and secondary schools
- School Improvement Programme(government schools) Phases 4, 5 and 6
- School Improvement Programme(aided schools) Phases 2a, 4, 5 and 6

Environment**3,460**

- Sewerage improvement schemes in NW Kowloon and the Outlying Islands
- Restoration of landfills in Gin Drinkers Bay and NW New Territories
- Main drainage channels for Fanling, Sheung Shui and hinterland

Health**2,510**

- Lai King Hospital
- Redevelopment of Castle Peak Hospital Phase 2
- Redevelopment and refurbishment of Grantham Hospital

Infrastructure**46,040**

- Route 10-North Lantau to Yuen Long Highway
- Route 9-between Tsing Yi and Cheung Sha Wan
- Tsing Yi-North Coastal road
- Improvement to Island Eastern Corridor(North Point to Sai Wan Ho)
- Tin Shui Wai further development
- SE Kowloon development at site of former Kai Tak airport
- Reclamation and servicing -Tuen Mun Area 38(remaining works)
- North Lantau Phases 3A and 3B development in Tung Chung-engineering works

Security**550**

- Construction of police training complex at Nam Fung Road
- District Headquarters and Divisional Police Station-Area 101, Tin Shui Wai

APPENDIX E

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Note: Terms shown in ***bold italic*** are defined elsewhere in the glossary.

Capital expenditure. All expenditure charged to the Loan Fund, the Disaster Relief Fund and the Capital Works Reserve Fund (Works Account and Reserve Account only to 31 December 1997) plus expenditure from General Revenue Account on Plant, Equipment and Works and Capital Subventions. It does not include advances and equity investments made from the Capital Investment Fund.

Capital revenue. All revenue credited to the Funds and the exceptions listed under ***recurrent revenue***.

Cash surplus/deficit. The difference between ***total Government revenue*** and ***total expenditure*** of the General Revenue Account, the Loan Fund, the Disaster Relief Fund, the Civil Service Pension Reserve Fund, the Capital Works Reserve Fund and the Land Fund.

Consolidated surplus/deficit. ***Cash surplus/deficit*** after equity investments (payments from the Capital Investment Fund).

Fiscal reserves. The aggregate of the net worth of the Land Fund and the accumulation of ***consolidated surpluses***. They are also known as Government reserves.

Funds expenditure. Expenditure charged to the Capital Works Reserve Fund (Works Account and Reserve Account only to 31 December 1997), the Loan Fund, the Disaster Relief Fund, the Civil Service Pension Reserve Fund and the Capital Investment Fund. Transfers to or from the Funds are not relevant to the level of expenditure.

Funds revenue. All receipts, except transfers from General Revenue Account, which are credited directly to the Funds. These comprise:—

Capital Works Reserve Fund (Works Account and Reserve Account only to 31 December 1997)

donations for projects
land premia
interest on balances
recovery from Mass Transit Railway Corporation
recoveries from Trading Funds

Loan Fund

loan repayments received
interest on loans
interest on balances

Capital Investment Fund

repayments received
dividends
interest
interest on balances

Disaster Relief Fund

interest on balances

Civil Service Pension Reserve Fund

interest on balances

Land Fund

increase in net worth

General Revenue Account expenditure. All expenditure charged to General Revenue Account in accordance with the Appropriation Ordinance, excluding Transfers to Funds.

General Revenue Account revenue. All receipts credited to any of the eleven revenue heads, excluding Transfers from Funds.

Government expenditure. The aggregate of *operating expenditure* and *capital expenditure*. It is not the same as *public expenditure*.

Government revenue. The aggregate of *Funds revenue* and *General Revenue Account revenue*.

Operating expenditure. All expenditure from General Revenue Account charged to any of the subheads listed in the estimates under 'Recurrent Account', *plus* Other Non-Recurrent expenditure.

Operating surplus. The difference between *General Revenue Account revenue* and *expenditure*.

Public expenditure. *Government expenditure plus:—*

gross expenditure (recurrent and capital) by the trading Funds, the Hong Kong Housing Authority and the Provisional Urban and Regional Councils; and
payments from the Lotteries Fund.

It is also referred to as Consolidated Public Sector expenditure.

Recurrent revenue. All revenue credited to General Revenue Account, excluding Transfers from Funds and the following:—

disposal proceeds of government quarters
estate duty
taxi concessions
recovery from Housing Authority under current financial arrangement
donations
repayment of loans and advances

which are treated as *capital revenue*.

Taxation

earnings and profits tax
estate duty
duties
general rates
bets and sweeps tax
entertainments tax
hotel accommodation tax
stamp duties
air passenger departure tax
Cross-Harbour Tunnel passage tax
motor vehicle taxes
royalties and concessions