

# **INTRODUCTION**

## INTRODUCTION

The Estimates (comprising Volumes IA, IB and II) set out the estimated revenue and expenditure of the General Revenue Account and the nine purpose-specific funds established under section 29 of Public Finance Ordinance (Cap. 2) (the Ordinance), viz Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund, Lotteries Fund and Bond Fund. The General Revenue Account is the Government's main account and acts as the central funding device with resources transferred as appropriate to and from the funds.

2 Volume IA contains an introduction and various summaries and, together with Volume IB, provides an expenditure analysis for all Heads of Expenditure in the form of Controlling Officers' Report, Details of Expenditure by Subhead and Commitments. Volume IB also contains the revenue analysis for the General Revenue Account. Both Volumes IA and IB contain at the back two indexes, one on policy areas and another on Heads of Expenditure. Volume II provides the statutory background, purposes and details of the nine purpose-specific funds.

### General Revenue Account—Expenditure

3 The greater part of Government's expenditure is met directly from the General Revenue Account. There are 83 Heads of Expenditure. A head usually corresponds to a government bureau, a branch of a bureau or a department. Hereunder, reference to a department is taken to mean a bureau, branch or department with its own expenditure head.

4 For 2011–12, Head 136—Public Service Commission will be retitled Public Service Commission Secretariat.

### Controlling Officers' Reports

5 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.

- 6 The report also shows the percentage changes in the provision for each programme by comparing—
- (a) the 2010–11 revised estimate against the 2010–11 original estimate; and
  - (b) the 2011–12 estimate against the 2010–11 original estimate and revised estimate.

### Details of Expenditure by Subhead

7 The provision of each Head of Expenditure is typically broken down into the following expenditure components and standard subheads—

#### *Operating Account*

Recurrent Expenditure of a recurrent nature. The main subhead is *Subhead 000 Operational expenses*, the scope of which is elaborated in paragraph 10.

Non-Recurrent Expenditure on items of a one-off nature and costing more than \$150,000 each but not involving the acquisition or construction of a physical asset. A standard subhead is *Subhead 700 General non-recurrent*.

#### *Capital Account*

Plant, Equipment and Works Capital expenditure on assets acquired or constructed with government funding but not funded from the Capital Works Reserve Fund. The standard subheads include—

*600 Works.* The ambit covers minor capital works with the cost of individual projects not exceeding \$10,000,000 and not in the Public Works Programme.

*603 Plant, vehicles and equipment.* The ambit covers expenditure on plant, specialised vehicles (i.e. vehicles which, in addition to carrying goods, have mounted on them ancillary equipment for the purpose of performing specific functions), dinghies and launches, and equipment each costing more than \$2,000,000 but are not included in the Capital Works Reserve Fund.

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*661 Minor plant, vehicles and equipment (block vote).* The ambit covers minor capital expenditure on plant and equipment (except administrative computer systems) with the cost of individual items above \$150,000 but not exceeding \$2,000,000, specialised vehicles, dinghies and launches with unit cost of \$2,000,000 or less.

Capital Subventions

Payments to external/subvented bodies for the purchase of plant, vehicles and equipment costing more than \$150,000 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 established under section 29 of the Ordinance.

**8** Where an expenditure item is described as approved, this means that it has been approved by the Finance Committee of the Legislative Council or under delegated power. Approvals up to 17 December 2010 are included unless otherwise specified.

**9** Controlling officers will provide explanations to variations in the estimated provision of individual subheads (other than those non-recurrent and capital account subheads for which there is an approved commitment) where there is an estimated increase or decrease of eight per cent or more against the 2010–11 revised estimate.

### *Operating Account*

#### *Recurrent*

**10** *Subhead 000 Operational expenses* covers all expenditure of a recurrent nature of a department, unless otherwise shown and described by means of separate subheads. The financial provision under this subhead operates as a one-line vote, such that the controlling officer is given autonomy and flexibility in deploying the funds amongst the various conventional subheads within *Subhead 000 Operational expenses*. Conventional subheads are expenditure subheads which are shown individually under a department in the Estimates before the implementation of one-line vote arrangement and which are now grouped under *Subhead 000 Operational expenses*. To ensure sufficient transparency and accountability under the one-line vote, a further analysis of financial provision by the conventional subheads is provided—

#### *Conventional subheads*

#### *Nature of expenditure*

Personal Emoluments

Civil service staff salaries and allowances.

— Salaries

— Allowances

— Job-related allowances

Personnel Related Expenses

Costs relating to the employment of civil service staff other than pay and allowances e.g. pensions, Mandatory Provident Fund contribution, Civil Service Provident Fund contribution and staff housing.

— Mandatory Provident Fund contribution

— Civil Service Provident Fund contribution

Departmental Expenses

The day-to-day operating expenses of departments e.g. fuel, travelling and maintenance expenses.

— General departmental expenses

Other Charges

Expenditure peculiar to a particular department's operation.

Recurrent Subventions

Payments to external/subvented bodies in support of their on-going expenses.

Personnel Emoluments

**11** The estimated establishment is given for each department as at 31 March 2011 and 31 March 2012.

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**12** Under the arrangements for the creation of posts introduced since 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.

**13** The departmental establishment ceiling for 2011–12, 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 17 December 2010. Any changes to the departmental establishment ceiling during the year will require the approval of the Finance Committee.

**14** Where civil servants work in the Housing Authority, the Hospital Authority, the Vocational Training Council, or, in certain cases, in subvented organisations or other public bodies, expenditure on their salaries and allowances is shown under *Subhead 003 Recoverable salaries and allowances (General)* or under specific subheads as indicated in the Estimates (e.g. *Subhead 006 Recoverable salaries and allowances (Companies Registry Trading Fund)*). Recoveries in respect of these salaries and allowances are credited to the same subhead but on-costs are credited to General Revenue.

**15** In respect of *Salaries*, the estimated provision under individual Heads of Expenditure takes into account changes in requirements due to salary increments, changes in establishment, filling of vacancies, pre-retirement leave of staff, etc. For certain Heads of Expenditure, the provision covers non-accountable entertainment allowance for eligible officers.

**16** In respect of *Allowances*, the scope covers various allowances payable to civil servants relating to the performance of duty other than job-related allowances, such as Acting Allowance, Overtime and related allowances, etc.

**17** In respect of *Job-related allowances*, the scope covers various job-related allowances payable to civilian and disciplined services staff, including Extraneous Duties Allowances (for civilian staff), Extra Duties Allowances (for disciplined services staff), Hardship Allowances, Shift Duty Allowance, Typhoon Allowance and Rainstorm Black Warning Allowance, etc.

### Personnel Related Expenses

**18** The scope of *Mandatory Provident Fund contribution* covers the Government's contributions to the Mandatory Provident Fund Scheme for civil servants on agreement terms and those appointed under the new probationary terms on or after 1 June 2000.

**19** The scope of *Civil Service Provident Fund contribution* covers the Government's contributions to the Civil Service Provident Fund Scheme for civil servants appointed under the new civil service entry terms on or after 1 June 2000 and are confirmed to the permanent establishment.

### Departmental Expenses

**20** The scope of *General departmental expenses* covers expenses that are directly related to the day-to-day running of the department and normally includes the following—

Administration—for expenditure on subsistence allowances (other than hotel subsistence allowance), telephone rentals, telephone call charges, private communication lines, overseas duty visits (including travel costs), official entertainment (local and overseas), postage, photocopying and reproduction, advertisement, printing costs, write-offs, refunds of revenue and incidental administration expenses not elsewhere specified;

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

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;

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

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

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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;

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

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

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

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

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

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

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

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

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;

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

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

Stores and equipment—for expenditure on clothing and uniforms, cleaning materials, paper, office stationery, general publications, periodicals and journals, office furniture, office equipment (including the rental of equipment) and workshop tools and equipment costing not more than \$150,000 per item;

Temporary staff—for employment of casual labour, post-secondary students and temporary staff and the Government's contributions to the Mandatory Provident Fund Scheme in respect of such temporary staff;

Trading Fund services—for expenses in relation to services provided by Trading Funds;

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

Transport and travelling—for expenditure on petrol and oil for vehicles used for travel and transport, the hire of vehicles for travel and transport, duty mileage allowance and duty travelling; and

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

### *Non-Recurrent*

**21** Expenditure on items of a one-off nature and costing more than \$150,000 each but not involving the acquisition or construction of a physical asset is charged to the non-recurrent subheads.

**22** All non-recurrent expenditure subheads of the Operating Account have approved commitments.

### *Capital Account*

**23** Capital expenditure items costing more than \$150,000 each, together with provisions for minor capital works not in the Capital Works Programme, motor vehicles, dinghies and launches are charged to the Capital Account.

**24** Capital Account subheads should each have an approved commitment or an annual block vote ceiling.

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### Subheads with Approved Commitments

**25** Expenditure items under these subheads are controlled by both the approved commitment of the item and the current year provision for each subhead. The approved commitment of an expenditure item represents the total cost of the project, which may straddle several years. Not all approved commitment items require spending in 2011–12. For those that do, details of their approved commitments have been included in the Commitments page of the relevant Heads of Expenditure (paragraph 27).

### Block Vote Subheads

**26** There is no approved commitment for items under capital account block vote subheads. Expenditure under these subheads is controlled by the approved provision only. The approved 2011–12 provision for each block vote subhead is limiting on both expenditure and commitments. 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 beyond Government's control or lead time required for purchase or construction, the Finance Committee has approved a standard limit of over-commitment for all block votes of 50 per cent of the approved provision. Where this is inadequate, the Finance Committee is approached for approval of a higher limit.

### Commitments

**27** In the Commitments page, the approved commitment is shown in the first column, accumulated expenditure to 31 March 2010 in the second column, the revised estimate of expenditure for 2010–11 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 2010–11 on the subhead analysis page for the head because the Commitments page does not cover those commitments without cash requirement in 2011–12. 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 one or more of the commitments under the subhead are not expected to be fully spent in 2011–12 and that the balances of some items will be carried forward to 2012–13. 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 2011–12 will not exceed the provision for the respective subhead.