

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 2016–17 | \$373.6m |
| Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 162 non-directorate posts as at 31 March 2016 and as at 31 March 2017..... | \$95.1m |
| In addition, there will be an estimated 18 directorate posts as at 31 March 2016 and as at 31 March 2017. | |
| Commitment balance | \$799.3m |

Controlling Officer's Report

Programmes

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

| | 2014–15 (Actual) | 2015–16 (Original) | 2015–16 (Revised) | 2016–17 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 13.1 | 13.2 | 14.0 (+6.1%) | 14.1 (+0.7%) |
| | | | | (or +6.8% on 2015–16 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 support to the Secretary for Financial Services and the Treasury in undertaking political work. This includes the support provided by the Under Secretary and the Political Assistant. The Office is also 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

| | 2014–15 (Actual) | 2015–16 (Original) | 2015–16 (Revised) | 2016–17 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 139.3 | 143.7 | 148.2 (+3.1%) | 153.7 (+3.7%) |
| | | | | (or +7.0% on 2015–16 Original) |

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Aim

4 The aim is to manage the allocation of resources; oversee the Government's tax and other revenue-raising policies; facilitate decisions on government investments; and promote open, fair and competitive tendering, in line with prudent financial management principles and other policy objectives of the Government.

Brief Description

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

- ensure that the growth of government expenditure over time is commensurate with the growth of the economy;
- ensure that the resources available are directed towards those areas where they will be of most benefit to the community, with due regard to government affordability and fiscal sustainability;
- 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;
- promote adherence to the "cost recovery" and "user pays" principles; and
- manage the fiscal reserves to meet the daily operational needs of the Government, secure investment income, provide for unfunded liabilities and commitments, and serve as a cushion against future uncertainties, etc.

6 In 2015, the Treasury Branch continued to co-ordinate the resource allocation, Estimates compilation and Budget preparation processes, and helped ensure that the financial implications of proposals from bureaux and departments were assessed with due diligence.

Matters Requiring Special Attention in 2016–17

7 During 2016–17, the Branch will:

- continue to contain the growth of government expenditure in line with that of the economy and manage the allocation of resources having regard to established principles for the prudent management of public finance;
- continue to oversee legislative amendments to the Inland Revenue Ordinance (Cap. 112) to keep the tax regime updated, and in particular those required for implementing the new standard for automatic exchange of financial account information in tax matters, so that Hong Kong can commence the first exchange with appropriate jurisdictions by 2018;
- continue the drive to expand the network of comprehensive avoidance of double taxation agreements and exchange of information agreements with trading partners, and to map out the strategy for Hong Kong in the light of world trends on combating tax evasion including the latest initiatives under Base Erosion and Profit Shifting;
- continue to oversee Government's procurement policy and related matters;
- continue the drive to streamline financial regulations within the Government, and to streamline and expedite tendering procedures; and
- continue to consider major investment and loan proposals in support of economic and social development; and ensure that government fees and charges imposed under the "cost recovery" and "user pays" principles are reviewed in a timely manner.

Programme (3): Service Departments

| | 2014–15 (Actual) | 2015–16 (Original) | 2015–16 (Revised) | 2016–17 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 59.4 | 61.3 | 63.6 (+3.8%) | 65.7 (+3.3%) |
| | | | | (or +7.2% on 2015–16 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 information management, procurement, supplies management, land transport, printing and accommodation); and
 - ensure that the service departments under its purview provide quality support services to meet the needs of the user bureaux and departments.

Matters Requiring Special Attention in 2016–17

- 10** During 2016–17, the Branch will continue to:
- monitor and facilitate the work of the service departments to ensure efficiency of operation and cost-effectiveness in the delivery of central support services, and
 - co-ordinate the allocation of resources for minor building works with a view to ensuring proper scrutiny and prioritisation of the projects.

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ANALYSIS OF FINANCIAL PROVISION

| Programme | 2014–15 (Actual) (\$m) | 2015–16 (Original) (\$m) | 2015–16 (Revised) (\$m) | 2016–17 (Estimate) (\$m) |
|--|------------------------------|--------------------------------|-------------------------------|---|
| (1) Director of Bureau’s Office | 13.1 | 13.2 | 14.0 | 14.1 |
| (2) Revenue and Financial Control..... | 139.3 | 143.7 | 148.2 | 153.7 |
| (3) Service Departments | 59.4 | 61.3 | 63.6 | 65.7 |
| | 211.8 | 218.2 | 225.8 (+3.5%) | 233.5# (+3.4%) |
| | | | | (or +7.0% on 2015–16 Original) |

The cash flow requirements for the two one-off subsidy schemes relating to electricity charges are reflected in *Subhead 700 General non-recurrent*.

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2016–17 is \$0.1 million (0.7%) higher than the revised estimate for 2015–16. This is mainly due to the additional requirements for personnel related expenses.

Programme (2)

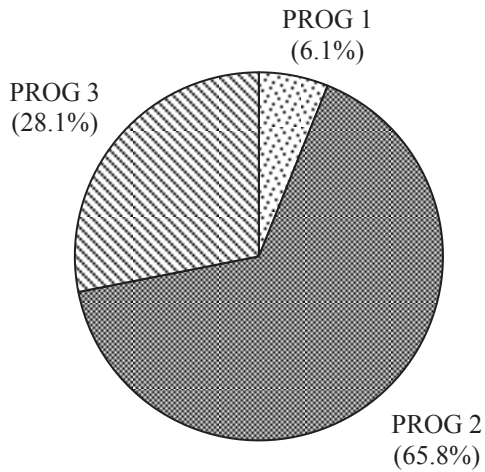
Provision for 2016–17 is \$5.5 million (3.7%) higher than the revised estimate for 2015–16. This is mainly due to the additional requirements for personal emoluments and air passenger departure tax administration fees.

Programme (3)

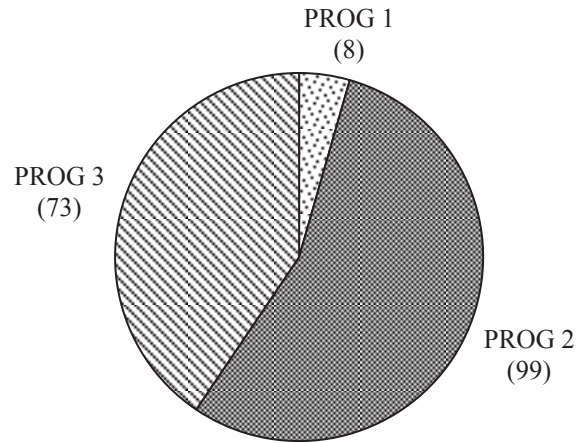
Provision for 2016–17 is \$2.1 million (3.3%) higher than the revised estimate for 2015–16. This is mainly due to the additional requirements for personal emoluments.

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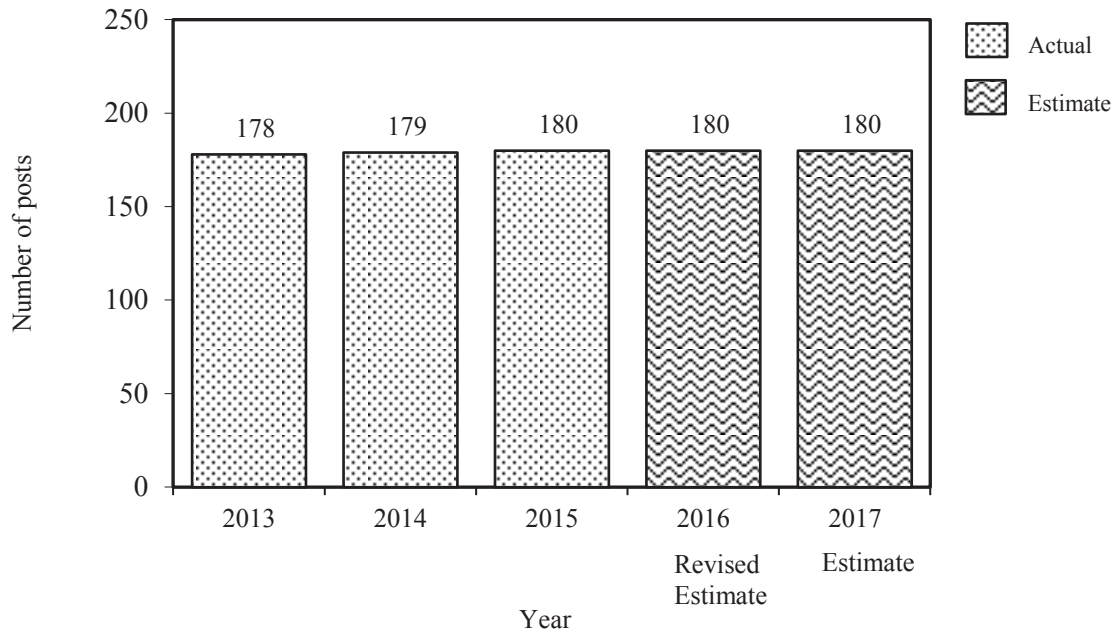
Allocation of provision to programmes (2016-17)



Staff by programme (as at 31 March 2017)



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



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| Sub-head (Code) | Actual expenditure 2014–15 | Approved estimate 2015–16 | Revised estimate 2015–16 | Estimate 2016–17 | |
|--------------------------|--|---------------------------------|--------------------------------|-----------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | |
| Operating Account | | | | | |
| Recurrent | | | | | |
| 000 | Operational expenses | 154,621 | 159,077 | 165,418 | 170,598 |
| 281 | Air passenger departure tax administration fees | 57,143 | 59,120 | 60,420 | 62,950 |
| | Total, Recurrent | 211,764 | 218,197 | 225,838 | 233,548 |
| Non-Recurrent | | | | | |
| 700 | General non-recurrent | 1,760,039 | 190,500 | 190,239 | 140,040 |
| | Total, Non-Recurrent | 1,760,039 | 190,500 | 190,239 | 140,040 |
| | Total, Operating Account | 1,971,803 | 408,697 | 416,077 | 373,588 |
| <hr/> | | | | | |
| | Total Expenditure | 1,971,803 | 408,697 | 416,077 | 373,588 |

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Treasury Branch is \$373,588,000. This represents a decrease of \$42,489,000 against the revised estimate for 2015–16 and \$1,598,215,000 against the actual expenditure in 2014–15. The reduction is mainly due to the reduced cash flow requirements for the electricity charges subsidy scheme.

Operating Account

Recurrent

2 Provision of \$170,598,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Treasury Branch.

3 The establishment as at 31 March 2016 will be 180 permanent posts. No change in establishment is expected in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$95,055,000.

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

| | 2014–15 (Actual) (\$'000) | 2015–16 (Original) (\$'000) | 2015–16 (Revised) (\$'000) | 2016–17 (Estimate) (\$'000) |
|---|---------------------------------|-----------------------------------|----------------------------------|--|
| Personal Emoluments | | | | |
| - Salaries..... | 124,838 | 127,472 | 132,633 | 135,601 |
| - Allowances..... | 3,999 | 3,917 | 3,856 | 3,914 |
| - Job-related allowances..... | — | 2 | 2 | 2 |
| Personnel Related Expenses | | | | |
| - Mandatory Provident Fund contribution..... | 164 | 150 | 160 | 120 |
| - Civil Service Provident Fund contribution..... | 3,561 | 4,000 | 4,900 | 5,400 |
| Departmental Expenses | | | | |
| - Honoraria for members of committees | 1,767 | 2,245 | 2,441 | 2,127 |
| - General departmental expenses | 20,292 | 21,291 | 21,426 | 23,434 |
| | 154,621 | 159,077 | 165,418 | 170,598 |

5 Provision of \$62,950,000 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.

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Commitments

| Sub-head (Code) | Item (Code) | Ambit | Approved commitment \$'000 | Accumulated expenditure to 31.3.2015 \$'000 | Revised estimated expenditure for 2015–16 \$'000 | Balance \$'000 |
|---------------------------------|---|-------|----------------------------------|--|--|-------------------|
| <i>Operating Account</i> | | | | | | |
| 700 | <i>General non-recurrent</i> | | | | | |
| 835 | Supplementary electricity charges subsidy for eligible public housing tenants affected by redevelopment, major repair or improvement worksΔ | | 9,000 | 6,489 | 140 | 2,371 |
| 881 | Electricity charges subsidy for eligible residential accountsΔ | | 22,300,000 | 21,313,032 | 190,000 | 796,968 |
| | Total | | <u>22,309,000</u> | <u>21,319,521</u> | <u>190,140</u> | <u>799,339</u> |

Δ The two subsidy schemes underlying the non-recurrent commitment, approved by Finance Committee in June 2013 and under delegated authority in November 2013 respectively, were originally intended to cease to operate on 30 June 2016. As announced in the 2016–17 Budget Speech, Financial Secretary has approved a minor scope variation by extending the operation of the two schemes for two years while keeping the cost ceiling and other terms intact.