

2017-18 Budget

(1) The Objectives

The Financial Secretary explains that public finance should serve three objectives, namely –

- (a) develop the economy and improve livelihood;
- (b) invest for the future and enhance liveability; and
- (c) uphold social justice and share the fruits of success.

In pursuing a sound and progressive fiscal policy, the Government should decide on the optimal allocation of resources after assessing the prevailing requirements of the Government, the medium- to long-term financial implications upon full implementation of policy initiatives, the external environment, etc. Windfall revenue of a capital nature is no justification for substantial increases in recurrent expenditure. The level of fiscal reserves should allow Hong Kong to withstand economic swings and meet the needs of the community in a sustained manner. Strict fiscal discipline calls for adherence to “value for money”, “user pays” and “cost recovery” principles. A tax policy unit would be set up to explore tax measures to enhance Hong Kong’s competitiveness and to support the sustainable development of our society.

Government would continue to support the pillar industries (trade and logistics, financial services, tourism, and business and professional services, which collectively account for 60% of the Gross Domestic Product (GDP), industries over which we have advantages and emerging industries. Promotion of innovation and technology and financial technologies are government priorities of the day.

(2) Overview

1. Key Figures

	2016-17 Revised Estimate	2017-18 Estimate	Increase/ Decrease
	\$ billion	\$ billion	
Operating expenditure	354.1	384.2	8.5%
- of which, recurrent government expenditure	345.3	371.0	7.4%
Capital expenditure	112.6	107.2	-4.8%
- of which, capital works expenditure	86.2	86.8	0.7%
Government expenditure	466.7	491.4	5.3%
Government revenue	559.5	507.7	-9.3%
Consolidated surplus	92.8	16.3	-82.5%

GDP in nominal terms is forecast to increase by 4% to 5% in 2017.

2. For this term of Government, the cumulative growths and trend growths for government expenditure, revenue and nominal GDP from 2012-13 to 2017-18 are as follows –

	2012-13	2017-18	2017-18 Versus 2012-13	
		Estimate	Cumulative	Trend
	\$ billion	\$ billion	Growth	Growth
Recurrent government expenditure, of which	262.3	371.0	41.4%	7.2%
- Education	60.4	78.6	30.1%	5.4%
- Social Welfare	42.8	73.3	71.2%	11.4%
- Health	46.2	61.9	34.0%	6.0%
Government expenditure	377.3	491.4	30.2%	5.4%
Government revenue	442.1	507.7	14.8%	3.4%
Nominal GDP	2,037.1	2,601.1	27.7%	5.0%

3. The comparison of government expenditure with nominal GDP growth from 1997-98 and 2012-13 to 2017-18 is as follows –

	2017-18 Versus	
	1997-98	2012-13
	%	%
Government expenditure		
- cumulative growth	152.8%	30.2%
Nominal GDP		
- cumulative growth	89.4%	27.7%

4. It is estimated that the 2017-18 Budget would have a stimulus effect of 1.1% on the growth of GDP.

(3) Recurrent Government Expenditure

5. Recurrent government expenditure in 2017-18 is \$371.0 billion, higher than the 2016-17 revised estimate by 7.4% or \$25.6 billion. When compared with 1997-98 and 2012-13, the increases are –

	2017-18 Versus	
	1997-98	2012-13
	%	%
Recurrent government expenditure		
- cumulative growth	148.3%	41.4%

6. The continued increase in recurrent government expenditure seeks to provide the full range of new and existing services, reflecting Government's long term commitment towards the development and well-being of the community.

7. Education, Social Welfare and Health account for nearly 60% of recurrent government expenditure. The increase in recurrent government expenditure for these three policy area groups is as follows –

	2015-16 Actual \$ billion	2016-17 Revised Estimate \$ billion	2017-18		
			Estimate \$ billion	versus 2016-17 %	versus 2012-13 %
Education	72.4	75.5	78.6	+4.1	+30.1
Social Welfare	58.3	63.8	73.3	+14.9	+71.2
Health	56.5	58.8	61.9	+5.4	+34.0
Total	187.2	198.1	213.8	+8.0	+43.1

For details of the expenditure of the above three policy area groups, please see Appendices 1 to 3.

(4) Capital Works Expenditure

8. It is Government's commitment to invest in capital works projects to set the foundation for Hong Kong's social and economic development, enhance our competitiveness and improve our quality of life.
9. By end March 2017, the estimated total outstanding commitment for on-going capital works projects will be \$310.3 billion.
10. The estimated expenditure for 2017-18 is \$86.8 billion, similar to the revised estimate of \$86.2 billion for 2016-17. With many major projects at their construction peaks, the estimated annual capital works expenditure for the next few years will continue to stay at a high level. We are, however, concerned about the slow progress of deliberation in LegCo, resulting in a mounting backlog of funding proposals and delayed commencement of livelihood-related projects.

11. Apart from strategic infrastructure projects (e.g. Central Kowloon Route), we also intend to implement the following projects which are closely linked with our everyday lives –
- (a) On **healthcare**, we earmarked \$200 billion last year for various hospital and community health centre projects in the coming decade. We plan to seek FC's funding approval for three hospital projects in the current legislative session;
 - (b) On **housing and land supply**, we plan to seek FC's funding approval for nine public housing related developments in the current legislative session;
 - (c) On **sports, recreation and district facilities**, we plan to seek FC's funding approval for Kai Tak Sports Park and various sports and recreational projects in the current legislative session;
 - (d) On **education**, we plan to seek FC's funding approval for two new school projects, and the extension and conversion of one school and one tertiary institution in the current legislative session; and
 - (e) On **environmental protection**, the tendering exercise for the phase 2 of the Organic Waste Treatment Facilities is underway. We plan to seek FC's funding approval for a number of projects relating to improving the water quality of the Victoria Harbour in the current legislative session.

(5) Key Expenditure and Revenue proposals in the 2017-18 Budget

	Proposal	Annual/ Total Amount \$m	Beneficiaries
I.	Policy Address Major New Initiatives		
A.	<i>Recurrent and time-limited recurrent</i>		
^β 1.	Enhance the Old Age Living Allowance (OALA)	7,557	In the first year of full implementation, 500 000 eligible elderly persons
^β 2.	Lower the eligibility age for the Elderly Health Care Vouchers from 70 to 65	1,185	400 000 elderly persons aged 65 to 69
*3.	Repeat the one-off exemption arrangement under the Guangdong (GD) Scheme for 1 year and introduce the Fujian Scheme to provide monthly Old Age Allowance for eligible elderly persons	174	5 000 eligible elderly persons for the one-off exemption arrangement under GD Scheme; 5 900 eligible elderly persons for Fujian Scheme
*4.	Strengthen elderly services, including increasing funding for the Infirmary Care Supplement (ICS) and the Dementia Supplement (DS) and residential / day care places for the elderly	253	ICS: more than 1 600 eligible elderly persons; DS: more than 6 200 eligible elderly persons; 758 places
*5.	Increase the annual subvention for the Hospital Authority to strengthen healthcare services	2,000	General public

^β Recurrent measures; amounts shown are ten-year average provisions.

* Recurrent measures; amounts shown are the annual provisions.

	Proposal	Annual/ Total Amount \$m	Beneficiaries
*6.	Regularise the Study Subsidy Scheme for Designated Professions/Sectors and increase number of subsidised self-financing degree places from about 1 000 per cohort to 3 000 from the 2018/19 academic year	849	13 000 students of self-financing degree programmes per annum
Ω*7.	Support children with special needs and their parents – (a) convert the pilot scheme on On-site Pre-school Rehabilitation Services into a regular government subsidy programme; and (b) waive the service fees of special child care centres and provide a non-means-tested training subsidy for children on the waiting list	*582 Ω181	7 000 children with special needs 3 300 children with special needs
Ω*8.	Strengthen the work on land supply and development	*29 Ω228	General public
Ω*9.	Support the development of tourism in Hong Kong and enhance the appeal	*15 Ω200 (Note 1)	Tourism industry and related sectors
*10.	Increase support for persons with disabilities, including rehabilitation services, outreach services and support for mental wellness	176	10 000 persons with disabilities
*11.	Enhance the remuneration for qualified staff working in units of day/residential child care (CC) services and pre-school rehabilitation (PSR) services	145	Child care staff in day/residential CC services and PSR services
Ω*12.	Enhance capability in maintaining law and order and combating illegal immigration	*536 Ω433	General public

* Recurrent measures; amounts shown are the annual provisions.

Ω Time-limited recurrent measures; amounts shown are the totals.

	Proposal	Annual/ Total Amount \$m	Beneficiaries
*13.	Enhance environmental hygiene and strengthen the related enforcement and prosecution work	119	General public
^Ω *14.	Increase resources for waste management measures – (a) encourage the commercial and industrial sectors to recycle and handle food waste properly; and (b) implement quantity-based municipal solid waste charging	*19 ^Ω 91	General public
*15.	Provide an additional \$100 million to the Community Involvement Programme to enable the 18 District Councils to enhance community involvement projects	100	General public
*16.	Beef up the establishment and resources of the Belt and Road Office	36	Various sectors
^Ω 17.	Expand the network of overseas Economic and Trade Offices	24	Various sectors
18.	Other items	503	
	Sub-total	15,435	

* Recurrent measures; amounts shown are the annual provisions.

^Ω Time-limited recurrent measures; amounts shown are the totals.

	Proposal	Annual/ Total Amount \$m	Beneficiaries
B.	Non-recurrent		
19.	Progressively abolish the “offsetting” arrangement and earmark \$6 billion for a one-off subsidy over 10 years to share out employers' additional expenditure	6,000	Employees eligible for severance payments or long service payments and covered by the Mandatory Provident Fund Schemes Ordinance or other statutory retirement schemes
20.	Inject \$1.5 billion into the Continuing Education Fund	1,500	General public
21.	Inject \$1 billion into the Elite Athletes Development Fund	1,000	Hong Kong elite athletes and sports community
22.	Launch the seventh Matching Grant Scheme for eligible self-financing local degree-awarding institutions	500	Eligible self-financing local degree-awarding institutions
23.	Provide a one-off grant to primary and secondary schools for promotion of understanding of Chinese history and culture	125	Primary and secondary school teachers and students
24.	Provide \$100 million for the “Enhancing Employment of People with Disabilities through Small Enterprises Project”	100	800 persons with disabilities
	Sub-total	<hr/> 9,225 <hr/>	

	Proposal	Annual/ Total Amount \$m	Beneficiaries
	<i>C. Capital Items</i>		
25.	Develop the Kai Tak Sports Park	31,900	Sports sector, general public
26.	Earmark in the fiscal reserves a total of \$20 billion in the coming five years to develop new or improve existing sports and recreation facilities	20,000 (Note 2)	General public
27.	Tender for Phase 2 of the Organic Waste Treatment Facilities to further waste-to-energy efforts	2,482	General public
28.	Construct dry weather flow interceptors and rehabilitate truck sewers in Kowloon and Tsuen Wan to reduce the discharge of residual pollutants into Victoria Harbour and ameliorate the odour problem of the inshore water	1,907	General public
29.	Improve a number of remote public piers to facilitate public access to outing destinations and natural heritage	1,100	Visitors and residents
30.	Continue to implement hillside escalator links and elevator systems projects	820	Local residents
31.	Earmark funding for measures to combat climate change and energy saving – (a) \$200 million for the provision of renewable energy installations in government buildings and venues as well as community facilities; and (b) at least \$500 million to gradually achieve the targets of energy saving	700	General public

	Proposal	Annual/ Total Amount \$m	Beneficiaries
32.	Earmark \$500 million to assist government departments in using technology to enhance the quality of public services	500	General public
33.	Earmark \$500 million for the first stage for taking forward harbourfront development	500	General public
34.	Develop a new intelligent booking system for more efficient booking of sports and recreation venues and enrolment of related activities	500	General public
35.	Inject \$300 million into the Community Investment and Inclusion Fund through the Lotteries Fund	300	General public
		<hr/>	
		60,709	
		<hr/>	
		85,369	
		<hr/> <hr/>	
	Total funding provision for Policy Address major new initiatives		

	Proposal	Estimated Annual/Total Amount \$m	Beneficiaries
II.	Budget Proposals		
A.	<i>Tax and Short-term Relief Measures</i>		
36.	Reduce 2016-17 salaries tax and tax under personal assessment by 75% subject to a ceiling of \$20,000	16,400	1.84 million taxpayers
37.	Reduce 2016-17 profits tax by 75% subject to a ceiling of \$20,000	1,900	132 000 taxpayers
*38.	Widen the marginal bands for salaries tax from \$40,000 to \$45,000	1,500	1.3 million taxpayers
*39.	Extend entitlement period for home loan interest deduction from 15 years of assessment to 20 years of assessment	430	Depending on the number of claimants. For year of assessment 2014/15, 247 000 taxpayers claimed the deduction.
*40.	Increase the following allowances and deduction ceiling under salaries tax and tax under personal assessment –		
	(a) Disabled dependent allowance (from \$66,000 to \$75,000);	50	35 000 taxpayers
	(b) Dependent brother/sister allowance (from \$33,000 to \$37,500); and	13	23 800 taxpayers
	(c) Deduction ceiling for self-education expenses (from \$80,000 to \$100,000)	8	3 500 taxpayers
41.	Waive rates for four quarters of 2017-18 subject to a ceiling of \$1,000 per quarter for each rateable property [@]	10,861	3.21 million properties liable to rates

* Recurrent measures; amounts shown are annual provisions.

@ CSSA recipients who do not have to bear rates will not obtain any pecuniary advantage from the rates waiver.

	Proposal	Estimated Annual/Total Amount \$m	Beneficiaries
42.	Provide a one-off extra month payment to recipients of –		
	(a) Comprehensive Social Security Assistance payment, Old Age Allowance, OALA or Disability Allowance;	3,490	1.24 million eligible recipients
	(b) Low Income Working Family Allowance; and	73	35 000 eligible families
	(c) Working Incentive Transport Subsidy	29	48 000 eligible persons
43.	Earmark \$300 million to allow owners to participate in the Urban Renewal Authority’s “Smart Tender” Building Rehabilitation Facilitating Services Scheme at a concessionary rate	300	Owners of 4 500 buildings
	Sub-total	35,054	
 B. Other budget measures			
44.	Provide additional funding for youth development –		
	(a) \$200 million for Multi-faceted Excellence Scholarship; and	200	Additional 20 Secondary Six students per year;
	(b) \$100 million for the International Youth Exchange Programme	100	Additional 260 young people per year
45.	Provide additional funding to support tourism industry to increase product diversity, to strengthen the promotion of mega events, and to attract more high-yield overnight visitors	161 (Note 1)	Tourism and related industry

	Proposal	Estimated Annual/Total Amount \$m	Beneficiaries
46.	Waive the licence fees for restaurants and hawkers and fees for restricted food permits for one year	113	27 000 restaurants and operators
47.	Waive the licence fees for hotels and guesthouses for one year	13	Over 2 000 hotels and guesthouses
48.	Waive the licence fees for travel agents for one year	11	1 800 travel agents
49.	Extend the application period for the Dedicated Fund on Branding, Upgrading and Domestic Sales for five years up to June 2022	-	Small and medium enterprises
50.	Extend the application period for the special concessionary measures under the SME Financing Guarantee Scheme up to 28 February 2018	-	Small and medium enterprises
51.	Raise the cap on the contingent liability of Hong Kong Export Credit Insurance Corporation under contracts of insurance from \$40 billion to \$55 billion	-	Small and medium enterprises
52.	In 2017-18, continue to fully waive first registration tax (FRT) for electric commercial vehicles, motor cycles and motor tricycles; while FRT waiver for electric private cars will be subject to a cap of \$97,500	-	Depending on take-up rate

Proposal	Estimated Annual/Total Amount \$m	Beneficiaries
53. Earmark provisions in the fiscal reserves for –	40,700 (Note 2)	
(a) providing support to the elderly and the disadvantaged (\$30 billion);		
(b) promoting innovation and technology (\$10 billion); and		
(c) enhancing student and teacher development (\$0.7 billion)		
Sub-total	<u>41,298</u>	
Total funding provision for budget measures	<u>76,352</u>	
Grand Total	<u>161,721</u>	

Note 1: The total provision in 2017-18 to support tourism amounts to \$243 million, comprising the 2017-18 cash flow of \$82 million included in Item 9 and \$161 million in Item 45.

Note 2: A total of \$60.7 billion has been newly earmarked in the fiscal reserves for the following -

- (a) \$20 billion for a series of sports and recreation facilities (Item 26);
- (b) \$30 billion for providing support to the elderly and the disadvantaged (Item 53(a));
- (c) \$10 billion for promoting innovation and technology (Item 53(b)); and
- (d) \$0.7 billion for enhancing student and teacher development (Item 53(c))

(6) Medium Range Forecast

(\$ billion)	2016-17 Revised Estimate	2017-18 Estimate	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast
Operating Surplus	54.1	11.1	24.0	18.0	19.1	18.5
Capital Surplus (Deficit)	38.7	5.2	(16.7)	(16.0)	(27.6)	(26.9)
Repayment of bonds and notes				(1.5)		
Consolidated surplus (deficit)	92.8	16.3	7.3	0.5	(8.5)	(8.4)
Fiscal reserves at 31 March	935.7	952.0	959.3	959.8	951.3	942.9
In terms of no. of months of government expenditure	24	23	21	21	19	18
In terms of % of GDP	37.6%	36.6%	35.3%	33.8%	32.0%	30.4%

Appendices – Major Policy Area Group Expenditure

1. Education
2. Social Welfare
3. Health

Education

1. Estimated government expenditure on education amounts to \$87.5 billion in 2017-18, which is 6.0% or \$4.9 billion higher than the 2016-17 revised estimate.
2. Estimated recurrent government expenditure on education is \$78.6 billion in 2017-18 (3.0% of nominal GDP in 2017), accounting for 21.2% of recurrent government expenditure and representing a 4.1% increase over the 2016-17 revised estimate.
3. The key initiatives and the additional resource provisions are highlighted below –

Recurrent government expenditure of existing services (figures reflect additional expenditure)

- (a) With the implementation of the free quality kindergarten education policy, the recurrent government expenditure on pre-primary education is estimated to increase by about \$2.7 billion to about \$6.7 billion in 2017/18 school year; and
- (b) About \$511 million is additional subvention (existing \$14.1 billion) for aided primary schools to cope with increase in student population and the increase in the ratio of graduate teacher posts in public sector primary schools from 60% in the 2016/17 school year to 65% in the 2017/18 school year.

Non-recurrent and capital expenditure initiatives

- (c) \$500 million is for the Seventh Matching Grant Scheme for eligible self-financing local degree-awarding institutions to apply;
- (d) \$125 million is for providing a one-off grant to primary and secondary schools for the promotion of understanding of Chinese history and culture; and
- (e) \$1,186 million is for the regular repairs mechanism of schools.

Social Welfare

1. Estimated government expenditure on social welfare amounts to \$80.5 billion in 2017-18, which is 17.6% or \$12.1 billion higher than the 2016-17 revised estimate.
2. Estimated recurrent government expenditure on social welfare in 2017-18 is \$73.3 billion (2.8% of nominal GDP in 2017), accounting for 19.8% of recurrent government expenditure and representing a 14.9% increase over the 2016-17 revised estimate. The expenditure mainly includes about \$47.4 billion for the Comprehensive Social Security Assistance (CSSA) Scheme and the Social Security Allowance Scheme (SSA); and for children with special needs, rehabilitation services and elderly services.

Social Security

3. The expenditure on social security since 2012-13 is as follows –

	2012-13 (Actual)	2013-14 (Actual)	2014-15 (Actual)	2015-16 (Actual)	2016-17 (Revised Estimate)	2017-18 (Estimate)
CSSA (\$ million)^	18,659 (19,773)	18,383 (19,496)	19,548 (20,669)	20,037 (22,313)#	21,250 (22,375)	20,829 (21,989)
SSA (\$ million)^	9,800 (10,579)	17,615 (18,883)	17,179 (18,585)	18,668 (21,673)#	20,543 (22,184)	26,537 (28,867)
Total (\$ million)^*	28,458 (30,352)	35,998 (38,379)	36,727 (39,255)	38,704 (43,987)#	41,793 (44,558)	47,366 (50,856)

^ Expenditure in brackets included the one-month additional payments.

Expenditure in brackets included the two-month additional payments.

* Figures may not add up due to rounding.

4. The key social security initiatives are highlighted below –
 - (a) to strengthen the support of the social security pillar for elderly persons, the Government will enhance the Old Age Living Allowance (OALA), including adding a higher tier of assistance and relaxing the asset limits for the existing allowance. The additional expenditure in 2017-18 is about \$4.69 billion;

- (b) to facilitate elderly persons' retirement on the Mainland¹, the Government will once again exempt, on a one-off basis for one year, eligible elderly persons already residing in Guangdong from the requirement of having reside in Hong Kong for at least one year immediately before the date of application. The additional full-year expenditure is about \$78 million; and
- (c) to provide a one-off extra payment, which is equivalent to one month payment of CSSA or allowance under SSA, to eligible recipients. The one-off additional expenditure is about \$3.49 billion.

Other Welfare Services

- 5. The key initiatives and the additional resource provisions are highlighted below –

Recurrent government expenditure initiatives (figures reflect additional full-year expenditure)

- (a) \$582 million is for supporting children with special needs and their parents, mainly including –
 - (i) \$464 million for converting the Pilot Scheme on On-site Pre-school Rehabilitation Services into a regular government subsidy programme after its conclusion, under which 7 000 service places will be provided in phases; and
 - (ii) \$118 million for waiving the fees of special child care centres and providing non-means-tested training subsidy for children on the waiting list for these centres.
- (b) \$253 million is for enhancing elderly services, mainly including –
 - (i) \$31 million for increasing 149 subsidised residential care places and 25 day care places for the elderly;
 - (ii) \$36 million for enhancing the service quality of 7 existing contract homes involving 499 subsidised residential care places and 85 day care places for the elderly; and

¹ Separately, it is proposed in the 2017 Policy Address that the Fujian Scheme should be introduced to provide monthly Old Age Allowance (OAA) for eligible elderly persons who choose to reside in Fujian. It is envisaged that the Fujian Scheme would be implemented at the beginning of the 2018-19 financial year, which would involve about \$96 million. Although no allowance under the Fujian Scheme will be paid in 2017-18, SWD's preparation in the year will be reflected in its Controlling Officer Report 2017-18 so as to roll out the Fujian Scheme as planned.

Appendix 2 (Cont'd)

- (iii) \$186 million for increasing the funding for Infirmarium Care Supplement and Dementia Supplement in order to provide enhanced support for frail and demented elderly persons²; and
- (c) \$176 million is for bolstering support for persons with disabilities and ex-mentally ill persons, including –
 - (i) \$136 million for providing additional 898 rehabilitation service places, including residential care services, day training and vocational rehabilitation places and pre-school rehabilitation places; and providing 80 additional day care service places and strengthening outreaching services of the district support centres for persons with disabilities; and
 - (ii) \$40 million for stepping up the support for ex-mentally ill persons through Integrated Community Centres for Mental Wellness and regularising the Pilot Project on Peer Support Service in Community Psychiatric Service Units.
- (d) \$145 million is for providing additional resources for units of day/residential child care services and pre-school rehabilitation services for enhancing the remuneration for child care staff, so as to retain and attract such staff.
- (e) \$71 million is for increasing the level of various foster care allowances, providing 240 additional foster care places in phases, and recruiting more foster parents.

Other expenditure

- (f) Provide \$100 million for the “Enhancing Employment of People with Disabilities through Small Enterprise Project” for directly creating more employment opportunities for persons with disabilities.

² The additional funding provision for Infirmarium Care Supplement and Dementia Supplement is as follows –

	2017-18 (\$ million)	2018-19 (\$ million)	Recurrent expenditure starting from 2019-20 (\$ million)
Infirmarium Care Supplement	34	52	59
Dementia Supplement	77	112	127
Total	111	164	186

Appendix 2 (Cont'd)

- (g) Injection of \$300 million into the Community Investment and Inclusion Fund through the Lotteries Fund with a view to enabling the fund to continue to support social capital development projects and build up mutual help networks in the community through cross-sector collaboration.
- (h) Provision of a one-off extra payment of \$73 million to eligible families under the Low-income Working Family Allowance Scheme.³

³ Separately, \$29 million will be provided for a one-off extra payment to eligible applicants of the Work Incentive Transport Subsidy Scheme.

Health

1. Estimated government expenditure on health amounts to \$70.0 billion in 2017-18, which is 5.7% or \$3.8 billion higher than the 2016-17 revised estimate. This is mainly due to increase in the annual recurrent provision for Hospital Authority (HA) by \$2 billion in 2017-18 and \$859 million for the enhancement and implementation of Elderly Health Care Voucher Scheme.
2. Recurrent government expenditure on health is estimated at \$61.9 billion in 2017-18 (2.4% of 2017 nominal GDP), accounting for 16.7% of recurrent government expenditure and representing a 5.4% increase over the 2016-17 revised estimate.
3. The key initiatives and the additional resource provisions are highlighted below –
- A. Recurrent government expenditure initiatives (figures reflect additional expenditure)

Hospital Authority (HA)

4. The Government will increase the annual recurrent provision for HA by \$2 billion¹ from 2017-18 onwards. In 2017-18, the recurrent subvention to HA amounts to \$54.4 billion, representing an increase of 3.4% over the 2016-17 revised estimate (\$52.6 billion). The additional recurrent subvention is to cope with the growth in service demand arising from ageing population, implementing new initiatives and enhancing various types of service in HA including the following key initiatives –
 - (a) \$207 million for extending medical waiver of public healthcare services to cover Old Age Living Allowance recipients aged 75 or above with assets not exceeding \$144,000 (elderly singletons) or \$218,000 (elderly couples);
 - (b) \$73 million for augmenting mental health services;
 - (c) \$39 million for enhancing pharmacy services in HA including clinical pharmacy services in Oncology and Paediatrics, as well as addressing patient waiting time by enhancing the drug refill services and 24-hour pharmacy services;

¹ In 2017-18 Estimates, the increase shown is \$1.8 billion, due to the lapse of time-limited funding by 2016-17.

Appendix 3 (Cont'd)

- (d) \$31 million for implementing Newborn Screening for Inborn Errors of Metabolism in Queen Elizabeth Hospital, Queen Mary Hospital and Prince of Wales Hospital. It is expected that around 17,000 newborn babies will receive screening services in 2017-18;
- (e) \$21 million for continuing the Pilot Programme of Integrated Chinese-Western Medicine in 7 public hospitals for 5 more years and expanding the Programme to cover one more disease area in 2018-19;
- (f) \$17 million for HA, together with the joint efforts of the Social Welfare Department, to strengthen medical-social collaboration to provide a full range of rehabilitation and care support services for those elderly persons discharged from public hospitals, enabling them to age at home after the transitional period;
- (g) Other major items (for which itemized expenditure cannot be broken down) include –
 - (i) enhancing the management and treatment of life-threatening diseases, including HA's stroke care and cardiac services, with a view to strengthening service quality and capacity;
 - (ii) enhancing support for elderly patients with fragility fractures by increasing the HA's operating theatre sessions for surgery and traumatology, setting up geriatric fragility fracture co-ordination services in designated acute hospitals and enhancing physiotherapy service for elderly patients;
 - (iii) enhancing the services provided by the Community Geriatric Assessment Teams for terminally ill patients living in residential care homes for the elderly;
 - (iv) strengthening the services for chronic diseases through, for example, increasing the service capacity of chemotherapy and radiotherapy for cancer service, enhancing the service quota of haemodialysis for renal service, and stepping up complications screening for diabetic patients;
 - (v) increasing close to 230 public hospital beds, the number of operating theatre sessions and the quota for endoscopy examination and diagnostic radiological service so as to enhance the service capacity for addressing the ever rising healthcare needs;

- (vi) increasing the quota for general out-patient and specialist out-patient services and enhancing Accident & Emergency Services to improve the waiting time for out-patient and emergency services. The quota for general out-patient clinics in two clusters (namely New Territories East Cluster and New Territories West Cluster) will increase by 27 500 attendances in 2017-18 and 44 000 attendances in 2018-19; and
- (vii) widening the scope of the HA Drug Formulary to improve the drug treatment for patients in public hospitals.

Department of Health (DH)

5. Around \$1,070 million is for service enhancement and include the following major initiatives –
- (a) \$859 million for the Elderly Health Care Voucher (EHCV) Scheme to lower the eligibility age from 70 to 65 (\$713 million), address the demand from growing number of eligible elders aged 70 or above due to the ageing population (\$132 million) and strengthen manpower support for implementing the enhanced measure and strengthening the management and monitoring of the EHCV Scheme (\$14 million);
 - (b) \$77 million for enhancing protection of elders against invasive pneumococcal disease. It is estimated that more than 800 000 high-risk elders are eligible for free or subsidised 13-valent pneumococcal conjugate vaccines;
 - (c) \$70 million for topping up the drug cost for DH's services;
 - (d) \$18 million for supporting the recurrent expenditure of the Electronic Health Record Management Team;
 - (e) \$9 million for rolling out a pilot scheme of Accredited Registers Scheme for Healthcare Professions;
 - (f) \$8 million for strengthening the support to the Medical Council of Hong Kong in handling complaints and conducting inquiries;
 - (g) \$8 million for topping up the enforcement of the statutory smoking ban and enhancing smoking cessation services;

Appendix 3 (Cont'd)

- (h) \$7 million for enhancing the elderly health service. Two new clinical teams will be established, one in 2017-18 and another one in 2018-19, which together will provide an addition of 4 250 membership quotas and 19 300 health assessments and treatment services annually;
- (i) \$6 million for supporting the legislative work for introducing the regulatory regime to prohibit commercial sale of liquor to minors and for enhancing the education work on alcohol-related harm to minors; and
- (j) \$6 million for promoting breastfeeding and implementing “Hong Kong Code of Marketing of Formula Milk and Related Products, and Food Products for Infants & Young Children”.

B. Non-recurrent and capital expenditure initiatives

- 6. \$874 million will be allocated to HA for procurement of equipment and implementation of computerisation projects in HA.

C. Total provision to HA

- 7. The total financial provision to be allocated to HA for 2017-18 amounts to \$55.3 billion (including a recurrent subvention of \$54.4 billion and a capital funding of \$0.9 billion), which is around \$1.9 billion (or 3.5%) higher than the revised estimate (\$53.4 billion) for 2016-17.