

LCQ20: Expenditure of Police

Following is a question by the Hon Alvin Yeung and a written reply by the Secretary for Security, Mr John Lee, in the Legislative Council today (April 29):

Question:

The Commissioner of Police (CP) is the controlling officer for Head 122 of Government expenditure. Regarding the expenditure of the Hong Kong Police Force in the 2019-2020 financial year, will the Government inform this Council:

(1) of the number of applications made by the authorities to the Finance Committee (FC) of this Council for making changes to the approved estimates of expenditure under Head 122 for that year, and set out in a table the (i) subhead(s) involved, (ii) nature of the change(s) (e.g. creation of new subhead(s), supplementary provision in approved or new subhead(s), variation(s) in the establishment(s) of post(s), or increase(s) in the limit to the commitments which might be entered into for non-recurrent expenditure), (iii) purpose(s) of the additional funding (if applicable) and (iv) amount(s) of the additional funding (if applicable);

(2) of the number of occasions on which the Financial Secretary made, in accordance with the power delegated to him by the FC under section 8(3) of the Public Finance Ordinance (Cap 2), changes to the approved estimates of expenditure under Head 122 for that year, and set out in a table the (i) subhead(s) involved, (ii) nature of the change(s), (iii) purpose(s) of the additional funding (if applicable) and (iv) amount(s) of the additional funding (if applicable);

(3) of the amount(s) of expenditure that CP was authorised to incur under the subheads of the heads controlled by other controlling officers by way of allocation warrants signed by such officers under section 14(4) of Cap 2 in that year, and set out in a table the (i) government department(s) and head(s) involved, (ii) subhead(s) involved, (iii) purpose(s) of the allocation(s) and (iv) amount(s) of the allocation(s), in respect of such allocation warrants;

(4) whether CP incurred any urgent expenditure under section 15 of Cap 2 in that year; if so, set out in a table the (i) date(s), (ii) subhead(s), (iii) purpose(s) and (iv) amount(s) in respect of such expenditure; and

(5) whether CP received any funding through other channels in that year; if so, of the details?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau, my reply to various parts of the question is as follows:

(1) In the 2019-20 financial year, the Hong Kong Police Force (HKPF) did not make any application to the Finance Committee (FC) of the Legislative Council (LegCo) for making changes to the approved estimates of expenditure under Head 122 (Hong Kong Police Force).

(2) According to section 8(3) of the Public Finance Ordinance (PFO), the FC may delegate to the Financial Secretary the power to approve changes subject to such conditions, exceptions and limitations as are specified in the delegation. Section 8(4) of PFO also states that the Financial Secretary, where a delegation by the FC under subsection (3) so provides, and subject to such conditions, exceptions and limitations as are specified in the delegation, may further delegate his power to approve changes to any public officer.

Under the above delegation, the more commonly exercised delegated authority includes:

- (a) supplementary provisions for salaries and allowances in accordance with approved scales and rates in respect of personal emoluments and subventions;
- (b) supplementary provisions up to \$10 million for each subhead without approved commitment (i.e. Operating Account recurrent subheads and Capital Account block vote subheads);
- (c) supplementary provisions for subheads with approved commitments provided that the unexpended balances of the approved commitments are not exceeded;
- (d) creation of new commitments up to \$10 million each;
- (e) for commitments approved under delegated authority, increases in commitment which do not cause the approved commitment to exceed \$10 million;
- and
- (f) for commitments approved by the FC, increases in commitment up to \$10 million.

According to section 8(8)(a) of PFO, the Financial Secretary shall at the end of each quarter of the financial year or as soon as practicable thereafter report to the FC changes made to the approved estimates of expenditure in that quarter upon approval by him or by any public officer pursuant to a delegation under section 8(3) or (4).

Information on the changes made to the approved estimates of expenditure under Head 122 (Hong Kong Police Force) with the power delegated by the FC under section 8 of PFO in the 2019-20 financial year is given in Annex.

(3) Under section 14 of PFO, a controlling officer may, in respect of any subhead for which he/she is the controlling officer, authorise by an allocation warrant any other controlling officer to incur expenditure for the former's subhead. The purpose of the expenditure involved in the allocation warrant must be within the ambit of the payment subhead. Besides, the amount involved in the allocation warrant will not be transferred from the relevant

subhead of the controlling officer issuing the allocation warrant to the subhead of the controlling officer to whom the allocation warrant is issued. Therefore, the allocation warrant will not cause changes to the approved estimates of expenditure of the relevant subheads. The power of issuing allocation warrant comes from PFO instead of the FC's delegation.

It is a common arrangement for government departments to use allocation warrants to incur expenditures for each other. HKPF is regularly authorised to incur expenditures for other departments by allocation warrants. Common examples include compensation for work-related injuries of HKPF employees incurred under the subhead of the Treasury, disbursements for studies programmes of HKPF incurred under the subhead of the Civil Service Bureau, costs for installing administrative computer systems and employing consultants to conduct feasibility study and system development incurred under the subhead of the Office of the Government Chief Information Officer, etc.

In the 2019-20 financial year, HKPF used a total of \$337 million authorised by other departments via allocation warrants under section 14 of PFO. Other than the above items, in response to the public order events in recent months, some departments needed to strengthen premise and facility security, and issued allocation warrants to HKPF, incurring expenditure from their own subheads, for measures such as procuring large water-filled barriers and other equipment so as to enhance the security of government premises and public facilities, as well as maintain their daily operations and ensure that public services remain unaffected. Among these, the amount of allocation warrants involved on measures for strengthening the security of the Central Government Offices is \$161 million.

(4) No urgent expenditure was incurred by the Commissioner of Police under section 15 of PFO in the 2019-20 financial year.

(5) Apart from the channels mentioned above, like other government departments, HKPF can also seek funding from LegCo from the Capital Works Reserve Fund (CWRP) according to the established mechanism. There are altogether 11 heads of expenditure under CWRP, covering Land Acquisition (Head 701), Public Works Programme (Heads 702 to 707, 709 and 711), Capital Subventions and Major Systems and Equipment (Head 708) and Computerisation (Head 710).

Provisional financial results for the year ended March 31, 2020

The Government announced today (April 29) its provisional financial results for the year ended March 31, 2020.

Expenditure for the year ended March 31, 2020 amounted to HK\$607.8 billion and revenue HK\$590.9 billion, resulting in a deficit of HK\$10.6 billion after receipt of net proceeds of HK\$7.8 billion from issuance of green bonds under the Government Green Bond Programme (Green Bond) and repayment of institutional notes of HK\$1.5 billion.

Expenditure for the year is in line with the original estimate, while revenue for the year recorded a variance of 5.6 per cent (HK\$35.2 billion) lower than expected.

The consolidated deficit for the year was HK\$27.2 billion lower than the revised estimate of HK\$37.8 billion. Revenue was HK\$23.6 billion (4.2 per cent) higher than expected, mainly attributable to profits tax (HK\$24.5 billion higher). Expenditure was HK\$3.6 billion (0.6 per cent) lower than forecast for the revised estimate mainly due to lower-than-expected requirements.

The fiscal reserves stood at HK\$1,160.3 billion as at March 31, 2020.

The government spokesperson said that these are provisional figures pending the final closing of the annual accounts. According to past experience, any changes to the provisional figures are unlikely significant.

Detailed figures are shown in Tables 1 and 2.

TABLE 1. CONSOLIDATED ACCOUNT (PROVISIONAL) (Note 1)

	Month ended March 31, 2020 HK\$ million	Year ended March 31, 2020 HK\$ million
Revenue	42,929.3	590,926.9
Expenditure	(72,702.3)	(607,830.3)
Deficit before issuance and repayment of government bonds and notes	(29,773.0)	(16,903.4)
Net proceeds from issuance of Green Bond	—	7,828.7
Repayment of government bonds and notes	—	(1,500.0)

Deficit after issuance and repayment of government bonds and notes	(29,773.0)	(10,574.7)
Financing		
Domestic		
Banking Sector (Note 2)	30,224.2	11,645.2
Non-Banking Sector	(451.2)	(1,070.5)
External	—	—
Total	29,773.0	10,574.7

Government Debts as at March 31, 2020 (Note 3)
HK\$7,754 million

Debts Guaranteed by Government as at March 31, 2020 (Note 4)
HK\$30,016.2 million

TABLE 2. FISCAL RESERVES (PROVISIONAL)

	Month ended March 31, 2020 HK\$ million	Year ended March 31, 2020 HK\$ million
Fiscal Reserves at start of period	1,190,080.8	1,170,882.5
Consolidated Deficit after issuance and repayment of government bonds and notes	(29,773.0)	(10,574.7)
Fiscal Reserves at end of period (Note 5)	1,160,307.8	1,160,307.8

Notes:

1. This Account consolidates the General Revenue Account and the following eight Funds: Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund. It excludes the Bond Fund, the

balance of which is not part of the fiscal reserves. The Bond Fund balance as at March 31, 2020 was HK\$121,057 million.

2. Includes transactions with the Exchange Fund and resident banks.

3. These were the green bonds of US\$1,000 million (equivalent to HK\$7,754 million as at March 31, 2020) which were denominated in US dollars with maturity in May 2024. They do not include the outstanding bonds with nominal value of HK\$83,213 million and alternative bonds with nominal value of US\$2,000 million (equivalent to HK\$15,509 million as at March 31, 2020) issued under the Government Bond Programme (with proceeds credited to the Bond Fund). Of these bonds under the Government Bond Programme (including Silver Bonds with nominal value of HK\$8,813 million, which may be redeemed before maturity upon request from bond holders), bonds with nominal value of HK\$12,361 million and alternative bonds with nominal value of US\$1,000 million (equivalent to HK\$7,754 million as at March 31, 2020) will mature within the period from April 2020 to March 2021 and the rest within the period from April 2021 to March 2034.

4. Includes guarantees provided under the SME Loan Guarantee Scheme launched in 2001, the Special Loan Guarantee Scheme launched in 2008, the SME Financing Guarantee Scheme launched in 2012 and a commercial loan of the Hong Kong Science and Technology Parks Corporation.

5. Includes HK\$219,730 million being the balance of the Land Fund held in the name of "Future Fund" as from January 1, 2016, for long-term investments initially up to December 31, 2025. As from July 1, 2016, the Future Fund also includes HK\$4,800 million, being one-third of the actual surplus in 2015-16 as top-up.

Exchange Fund Abridged Balance Sheet and Currency Board Account

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced today (April 29) that the total assets of the Exchange Fund amounted to HK\$4,094.6 billion as at March 31, 2020, HK\$83.2 billion lower than that at the end of February 2020. Foreign currency assets decreased by HK\$114.5 billion while Hong Kong dollar assets increased by HK\$31.3 billion.

The decline in foreign currency assets was mainly due to the mark-to-market revaluation on foreign currency investments and a decrease in

unsettled purchases of securities. The rise in Hong Kong dollar assets was mainly due to an increase in Exchange Fund Bills and Notes issued but not yet settled, which was partly offset by withdrawals of placements by Fiscal Reserves and a decrease in market value of Hong Kong equities.

The Currency Board Account shows that the Monetary Base at the end of March 2020 was HK\$1,679.9 billion, decreased by HK\$6.7 billion, or 0.4 per cent, from the end of February 2020. The decline was mainly due to a decrease in the outstanding amount of Certificates of Indebtedness.

The amount of Backing Assets decreased by HK\$5.0 billion, or 0.3 per cent, to HK\$1,881.4 billion. The decrease was mainly attributable to the redemption of Certificates of Indebtedness which was partly offset by the interest from investments. The backing ratio increased from 111.85 per cent at the end of February 2020 to 111.99 per cent at the end of March 2020.

At present, four press releases relating to the Exchange Fund's data are issued by the HKMA each month. Three of these releases are issued to disseminate monetary data in accordance with the International Monetary Fund's Special Data Dissemination Standard (SDDS). The fourth press release, on the Exchange Fund's Abridged Balance Sheet and Currency Board Account, is made in accordance with the HKMA's policy of maintaining a high level of transparency. For the month of April 2020, the scheduled dates for issuing the press releases are as follows:

April 7 (Issued)	SDDS International Reserves (Hong Kong's Latest Foreign Currency Reserve Assets Figures)
April 15 (Issued)	SDDS Analytical Accounts of the Central Bank (Analytical Accounts of the Exchange Fund)
April 29	SDDS Template on International Reserves and Foreign Currency Liquidity
April 29	Exchange Fund Abridged Balance Sheet and Currency Board Account

International Reserves and Foreign Currency Liquidity

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) released today (April 29) the analytical data on the Hong Kong Special Administrative Region's foreign currency reserves and foreign currency liquidity as at the end of March 2020 (Annex). These data are published monthly in the Template on International Reserves and Foreign Currency Liquidity in accordance with the International Monetary Fund's Special Data Dissemination Standard.

At present, four press releases relating to the Exchange Fund's data are issued by the HKMA each month. Three of these releases are issued to disseminate monetary data in accordance with the International Monetary Fund's Special Data Dissemination Standard (SDDS). The fourth press release, on the Exchange Fund's Abridged Balance Sheet and Currency Board Account, is made in accordance with the HKMA's policy of maintaining a high level of transparency. For the month of April 2020, the scheduled dates for issuing the press releases are as follows:

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April 29	Exchange Fund Abridged Balance Sheet and Currency Board Account

Residential mortgage survey results for March 2020

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Monetary Authority (HKMA) announced the results of the residential mortgage survey for March 2020.

The number of mortgage applications in March increased month-on-month by 52.6 per cent to 13 030.

Mortgage loans approved in March increased by 40 per cent compared with February to HK\$33.1 billion. Among these, mortgage loans financing primary market transactions increased by 70 per cent to HK\$7.7 billion and those financing secondary market transactions increased by 32 per cent to HK\$19 billion. Mortgage loans for refinancing increased by 35.4 per cent to HK\$6.5 billion.

Mortgage loans drawn down during March increased by 10.7 per cent compared with February to HK\$20.7 billion.

The ratio of new mortgage loans priced with reference to HIBOR increased from 87.1 per cent in February to 88.7 per cent in March. The ratio of new mortgage loans priced with reference to best lending rates decreased from 10.2 per cent in February to 8.2 per cent in March.

The outstanding value of mortgage loans increased month-on-month by 0.5 per cent to HK\$1,459.8 billion at end-March.

The mortgage delinquency ratio remained unchanged at 0.03 per cent and the rescheduled loan ratio remained unchanged at nearly 0 per cent.