

## Head 188 — TREASURY

**Controlling officer:** the Director of Accounting Services will account for expenditure under this Head.

**Estimate 2005–06**..... **\$330.1m**

**Establishment ceiling 2005–06** (notional annual mid-point salary value) representing an estimated 522 non-directorate posts as at 31 March 2005 reducing by five posts to 517 posts as at 31 March 2006..... **\$137.7m**

In addition, there will be an estimated ten directorate posts as at 31 March 2005 and as at 31 March 2006.

### Controlling Officer's Report

#### Programmes

<p><b>Programme (1) Central Accounting, Collections and Payments</b></p> <p><b>Programme (2) Payment of Salaries, Pensions and Benefits</b></p> <p><b>Programme (3) Accounting and Financial Information Systems</b></p> <p><b>Programme (4) Management of Funds</b></p>	<p>These programmes contribute to Policy Area 25: Revenue Collection and Financial Control (Secretary for Financial Services and the Treasury).</p>
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#### Detail

##### Programme (1): Central Accounting, Collections and Payments

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	<b>2005–06 (Estimate)</b>
Financial provision (\$m)	108.4	115.0	108.6 (–5.6%)	<b>108.9</b> (+0.3%)
				(or –5.3% on 2004–05 Original)

#### *Aim*

2 The aim is to produce the accounts of the Government and to arrange for the provision of centralised collection and payment services.

#### *Brief Description*

3 The Treasury compiles and maintains the accounts of the Government. It serves as the Government's central paymaster in respect of goods and services supplied and subventions. It also arranges for the provision of a centralised collection service in respect of rates, water and sewage charges, government rents, land premiums and other types of revenue.

4 The Treasury achieved all its targets in 2004 and expects to maintain this level of performance for services provided in 2005.

5 The key performance measures in respect of central accounting, collections and payments are:

#### *Targets*

	Target	2003 (Actual)	2004 (Actual)	<b>2005 (Plan)</b>
to produce financial statements after end of the relevant period within a stated time frame (months)				
monthly financial results# .....	1	1	1	<b>1</b>
statutory annual statements of accounts .....	2.8	2.7	2.7	<b>2.7</b>
accrual-based annual statements of accounts# .....	5.5	5.5	5.5	<b>5.5</b>

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	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
to effect payments to creditors within 30 calendar days after receipt of goods/services or invoices (%) .....	98Ω	99	98	98
to complete processing postal remittances within				
four working days during peak periods (%) .....	99	100	100	99
three working days during non-peak periods (%) .....	99	100	100	99

# New targets as from 2005.

Ω As against the 2004 target of 96%.

### Indicators

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
sets of financial statements to compile and maintain# .....	11	11	11
payments to creditors .....	989 358	993 316	997 000
revenue collections through the Treasury or the Treasury's agents			
counter collections .....	7 341 461	8 979 237§	9 480 000§
postal remittances .....	834 915	872 135§	900 000§
collections by autopay .....	1 639 273	2 109 090§	2 140 000§
collections by other electronic means .....	3 960 211	5 305 918§	5 690 000§

# New indicator as from 2005.

§ The number of collections increased in 2004 as a result of the cessation of the concession on rates and water charges during that year. A further increase is expected in 2005 as the economy continues to improve.

### Matters Requiring Special Attention in 2005–06

6 During 2005–06, the Treasury will:

- compile and publish the accrual-based consolidated financial statements of the Government and a stewardship statement to provide non-financial information of the Government's major fixed assets for the financial year 2004–05; and
- continue to explore ways and means to achieve higher efficiency with lower costs for revenue collection activities, including promotion of e-payments.

### Programme (2): Payment of Salaries, Pensions and Benefits

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	98.7	99.1	99.9 (+0.8%)	96.5 (–3.4%)
				(or –2.6% on 2004–05 Original)

### Aim

7 The aim is to process and pay salaries, pensions, allowances, and housing and certain other benefits to civil servants.

### Brief Description

8 The Treasury serves as the Government's central paymaster for salaries, allowances, contract gratuities, mandatory provident fund contributions, and other benefits for civil servants as well as pensions for retired civil servants and other eligible persons under relevant legislations, regulations and rules. It operates and maintains the Government's centralised payroll and pension systems.

9 The Treasury achieved all its targets in 2004 and expects to maintain this level of performance in 2005.

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**10** The key performance measures in respect of payment of salaries, pensions and benefits are:

### *Targets*

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
to pay salaries and allowances on the due date (%) .....	99.9	99.9	99.9	<b>99.9</b>
to pay pension and contract gratuities on the due date (%).....	99.0	99.8	99.8	<b>99.0</b>
to pay recurrent pensions on the due date or two weeks after receipt of claim forms (%).....	99.9	99.9	99.9	<b>99.9</b>
to pay passage allowances within 30 calendar days (%) .....	99.9	99.9	99.9	<b>99.9</b>
to ensure that payments/deductions are correct (%).....	99.9	99.9	99.9	<b>99.9</b>
to answer enquiries from pensioners within nine working days of receipt of letter (%).....	99.0	99.8	99.8	<b>99.5</b>
to process applications for various civil service housing benefits within the target time (%).....	99.0	99.9	99.9	<b>99.9</b>

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
participants in various housing benefit schemes .....	36 106	33 292	<b>31 400</b>
pensioners paid .....	82 390	87 723	<b>91 000</b>
passage applications processed.....	28 018	28 835	<b>31 000</b>
participants in Civil Service Provident Fund Scheme#.....	282	1 096	<b>2 216</b>

# New indicator as from 2005.

### *Matters Requiring Special Attention in 2005–06*

**11** The Treasury has successfully implemented the e-payroll system and issued the e-pay statements. During 2005–06, it will work on the redevelopment of the pension management system.

### **Programme (3): Accounting and Financial Information Systems**

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	95.8	119.5	102.2 (–14.5%)	<b>120.1</b> (+17.5%)
				(or +0.5% on 2004–05 Original)

### *Aim*

**12** The aim is to provide secure and effective accounting and financial information systems and procedures throughout the Government.

### *Brief Description*

**13** The Treasury runs and maintains the centralised government financial information systems for the budgetary control of expenditure and revenue by departments and for the production of the accounts of the Government, and other accounting and costing systems to assist departments to determine the cost of their operations and services and to better manage the resources at their disposal.

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14 The Treasury provides a full range of accounting and financial support and advisory services to bureaux and departments, such as setting of accounting instructions and costing policies, and giving advice on accounting and financial control, and on costing and financial management matters. It also maintains regular training for Treasury grades staff to ensure that services provided by them are continually of high professional quality.

15 A contract was awarded by open tender in mid-2003 for the replacement of the existing Government Financial Management Information System (GFMIS). The overall solution design for the project was completed in March 2004 and the project is undergoing the system building and testing phase.

16 The target of Programme (3) was met in 2004.

17 The key performance measures in respect of accounting and financial information systems are:

### *Targets*

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
to provide preliminary response to request for accounting and financial support and advisory services within three working days (%)#.....	95.0	95.0	95.0	<b>95.0</b>
to ensure that computer services are provided to users according to an agreed service level system availability (%).....	98.5	99.7	99.0	<b>98.5</b>

# New target as from 2005.

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
provision of support and advisory services to bureaux/departments on costing, accounting and financial control, related information system and security matters			
bureaux/departments served.....	81	78	<b>78</b>
computer applications§.....	70	63	<b>50</b>

§ The number of computer applications supported by the Treasury is decreasing as a result of the consolidation of applications and the redevelopment of departmental financial systems by individual departments.

### *Matters Requiring Special Attention in 2005–06*

18 During 2005–06, the Treasury will continue to work with the contractor on the building and testing of the new GFMIS and to ensure smooth implementation of the new system.

### **Programme (4): Management of Funds**

	2003–04 (Actual)	2004–05 (Original)	2004–05 (Revised)	2005–06 (Estimate)
Financial provision (\$m)	4.8	5.1	4.6 (–9.8%)	<b>4.6</b> (—)
				(or –9.8% on 2004–05 Original)

### *Aim*

19 The aim is to manage the investments of designated funds in accordance with approved guidelines and to achieve a reasonable return.

### *Brief Description*

20 The Treasury manages the investment portfolios of the Grant and Subsidised Schools Provident Funds, the Quality Education Fund, the Sir David Trench Fund for Recreation and the Beat Drugs Fund with a view to achieving a reasonable investment return through prudent investment. It also ensures that the Funds are managed efficiently and that all disbursement and grants from the Funds are correctly and promptly made.

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21 Under an improved global economy, the investment returns for the two Schools Provident Funds in 2004 were much higher than the target.

22 The key performance measures are:

### *Target*

	Target	2003 (Actual)	2004 (Actual)	2005 (Plan)
to achieve the strategic target investment return of 4% above the Consumer Price Index B (CPI(B)) (subject to a minimum overall return of 5%) for the two Schools Provident Funds in each school year .....	CPI(B)+4%	CPI(B)+15.7%	CPI(B)+14.5%	<b>CPI(B)+4%</b>

### *Indicators*

	2003 (Actual)	2004 (Actual)	2005 (Estimate)
funds managed (\$m)			
Schools Provident Funds .....	42,676	47,923	<b>47,496</b>
Quality Education Fund .....	4,540	5,022	<b>4,985</b>
Sir David Trench Fund for Recreation.....	380	372	<b>369</b>
Beat Drugs Fund .....	410	448	<b>444</b>
portfolio managers			
Schools Provident Funds .....	7	11	<b>11</b>
Quality Education Fund .....	3	5	<b>5</b>
Sir David Trench Fund for Recreation.....	1	1	<b>1</b>
Beat Drugs Fund .....	2	2	<b>2</b>
dividend declared for Schools Provident Funds (%).....	5	5	<b>5</b>

### *Matters Requiring Special Attention in 2005–06*

23 In 2005–06, the Treasury will replace the existing computerised investment accounting systems for the two Schools Provident Funds and the Quality Education Fund. The systems are reaching their maximum capacity and have become increasingly difficult to maintain after about eight and six years of service respectively.

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### ANALYSIS OF FINANCIAL PROVISION

Programme	2003-04 (Actual) (\$m)	2004-05 (Original) (\$m)	2004-05 (Revised) (\$m)	2005-06 (Estimate) (\$m)
(1) Central Accounting, Collections and Payments .....	108.4	115.0	108.6	<b>108.9</b>
(2) Payment of Salaries, Pensions and Benefits .....	98.7	99.1	99.9	<b>96.5</b>
(3) Accounting and Financial Information Systems.....	95.8	119.5	102.2	<b>120.1</b>
(4) Management of Funds.....	4.8	5.1	4.6	<b>4.6</b>
	307.7	338.7	315.3 (-6.9%)	<b>330.1</b> <b>(+4.7%)</b>
				<b>(or -2.5% on 2004-05 Original)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2005-06 is \$0.3 million (0.3%) higher than the revised estimate for 2004-05. This is mainly due to an anticipated increase in payment to collection agents in 2005-06 as a result of growing number of government bills, partly offset by the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004-05.

##### Programme (2)

Provision for 2005-06 is \$3.4 million (3.4%) lower than the revised estimate for 2004-05. This is mainly due to the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004-05. In addition, one post will be deleted in 2005-06.

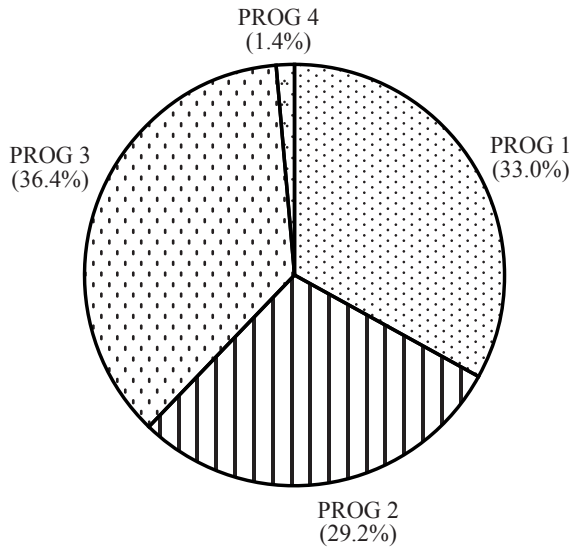
##### Programme (3)

Provision for 2005-06 is \$17.9 million (17.5%) higher than the revised estimate for 2004-05. This is mainly due to the additional provision for replacing the GFMS, partly offset by the full-year effect of the 2005 civil service pay cut and of deletion of posts in 2004-05. In addition, two posts will be deleted in 2005-06.

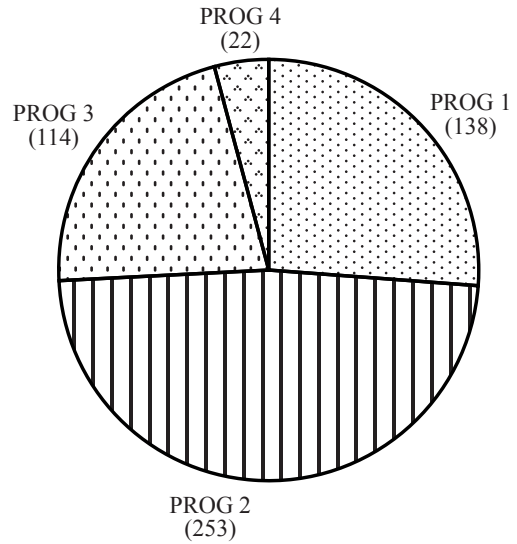
##### Programme (4)

Provision for 2005-06 is the same as the revised estimate for 2004-05. Two posts will be deleted in 2005-06.

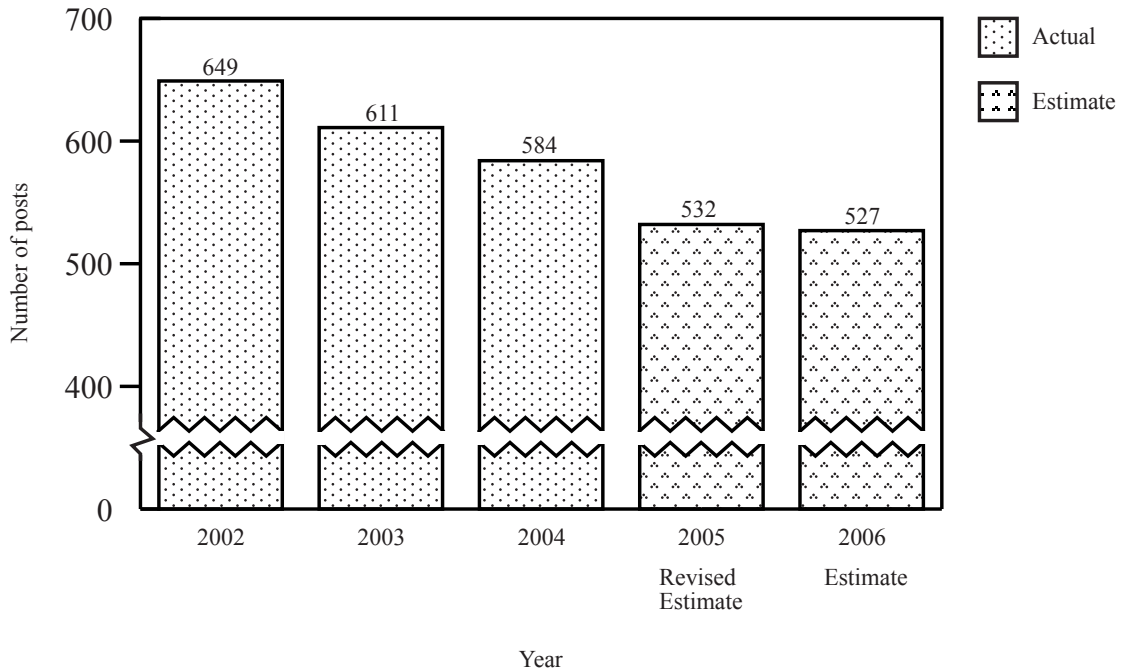
*Allocation of provision to programmes (2005-06)*



*Staff by programme (as at 31 March 2006)*



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



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Sub-head (Code)		Actual expenditure 2003-04	Approved estimate 2004-05	Revised estimate 2004-05	<b>Estimate 2005-06</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	304,227	334,302	311,028	<b>325,722</b>
003	Recoverable salaries and allowances (General) .....				6,306
	<i>Deduct</i> reimbursements.....	<i>Cr. 6,306</i>			—
187	Agents' commission and expenses.....	3,441	4,384	3,750	<b>4,384*</b>
	Total, Recurrent.....	307,668	338,686	314,778	<b>330,106</b>
	Total, Operating Account .....	307,668	338,686	314,778	<b>330,106</b>
<b>Capital Account</b>					
Plant, Equipment and Works					
	Plant, vehicles and equipment.....	—	—	500	—
	Total, Plant, Equipment and Works.....	—	—	500	—
	Total, Capital Account.....	—	—	500	—
	Total Expenditure .....	307,668	338,686	315,278	<b>330,106</b>



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### Details of Expenditure by Subhead

The estimate of the amount required in 2005–06 for the salaries and expenses of the Treasury is \$330,106,000. This represents an increase of \$14,828,000 over the revised estimate for 2004–05 and of \$22,438,000 over actual expenditure in 2003–04.

#### *Operating Account*

##### Recurrent

**2** Provision of \$325,722,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Treasury.

**3** The establishment as at 31 March 2005 will be 532 permanent posts. It is expected that five permanent posts will be deleted in 2005–06. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2005–06, but the notional annual mid-point salary value of all such posts must not exceed \$137,710,000.

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

	2003–04 (Actual) (\$'000)	2004–05 (Original) (\$'000)	2004–05 (Revised) (\$'000)	<b>2005–06 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries .....	196,258	190,372	177,589	<b>170,222</b>
- Allowances .....	2,343	2,237	2,207	<b>2,766</b>
- Job-related allowances .....	33	12	12	<b>12</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	77	90	90	<b>90</b>
Departmental Expenses				
- General departmental expenses .....	105,516	141,591	131,130	<b>152,632</b>
	304,227	334,302	311,028	<b>325,722</b>

**5** Provision of \$6,306,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for salaries and allowances of civil servants working for the Schools Provident Funds. The gross provision must not be exceeded without the prior approval of the Secretary for Financial Services and the Treasury. Expenditure under this subhead is reimbursed by the Funds.

**6** Provision of \$4,384,000 under *Subhead 187 Agents' commission and expenses* is for commission and other expenses in respect of government payments and receipts through banks and other agencies. The increase of \$634,000 (16.9%) over the revised estimate for 2004–05 is mainly due to lower than expected requirement in 2004–05.