

Head 188 — TREASURY

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

Estimate 2006–07 **\$333.0m**

Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 509 non-directorate posts as at 31 March 2006 reducing by five posts to 504 posts as at 31 March 2007 **\$135.5m**

In addition, there will be an estimated ten directorate posts as at 31 March 2006 and as at 31 March 2007.

Controlling Officer's Report

Programmes

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

Detail

Programme (1): Central Accounting, Collections and Payments

| | 2004–05 (Actual) | 2005–06 (Original) | 2005–06 (Revised) | 2006–07 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 108.1 | 108.9 | 112.8 (+3.6%) | 116.9 (+3.6%) |
| | | | | (or +7.3% on 2005–06 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 procured and subventions. It also arranges for the provision of a centralised collection service in respect of rates, water and sewage charges, government rent, land premiums and other types of revenue.

4 The Treasury achieved all its targets in 2005 and expects to maintain the same level of performance for services provided in 2006.

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

Targets

| | Target | 2004 (Actual) | 2005 (Actual) | 2006 (Plan) |
|--|--------|------------------|------------------|----------------|
| to produce financial statements after end of the relevant period within a stated time frame (months) | | | | |
| monthly financial results | 1 | 1 | 1 | 1 |
| statutory annual statements of accounts | 2.8 | 2.7 | 2.7 | 2.7 |
| accrual-based annual statements of accounts | 5.5 | 5.5 | 5.5 | 5.5 |

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| | Target | 2004 (Actual) | 2005 (Actual) | 2006 (Plan) |
|--|--------|------------------|------------------|------------------------|
| to effect payments to creditors within 30 calendar days after receipt of goods/services or invoices (%)..... | 98 | 98 | 99 | 98 |
| to complete processing postal remittances within four working days during peak periods (%)..... | 100Ω | 100 | 100 | 100 |
| three working days during non-peak periods (%)..... | 100Ω | 100 | 100 | 100 |

Ω As against the 2005 target of 99%.

Indicators

| | 2004 (Actual) | 2005 (Actual) | 2006 (Estimate) |
|--|------------------|------------------|----------------------------|
| sets of financial statements to compile and maintain..... | 11 | 11 | 11 |
| payments to creditors..... | 993 316 | 991 623 | 998 000 |
| revenue collections through the Treasury or the Treasury's agents | | | |
| counter collections..... | 8 979 237 | 9 135 797 | 9 558 000 |
| postal remittances..... | 872 135 | 778 662 | 868 000 |
| collections by autopay..... | 2 109 090 | 2 114 101 | 2 236 000 |
| collections by other electronic means..... | 5 305 918 | 5 800 737 | 6 196 000 |

Matters Requiring Special Attention in 2006–07

6 During 2006–07, the Treasury will 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

| | 2004–05 (Actual) | 2005–06 (Original) | 2005–06 (Revised) | 2006–07 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-------------------------------|
| Financial provision (\$m) | 98.2 | 96.5 | 96.8 (+0.3%) | 97.3 (+0.5%) |

(or +0.8% on
2005–06 Original)

Aim

7 The aim is to process and pay salaries, pensions, allowances, 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 and Civil Service Provident Fund (CSPF) 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 pensions systems.

9 The Treasury achieved all its targets in 2005 and expects to maintain the same level of performance in 2006.

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

Targets

| | Target | 2004 (Actual) | 2005 (Actual) | 2006 (Plan) |
|--|--------|------------------|------------------|------------------------|
| to pay salaries and allowances on the due date (%)..... | 99.9 | 99.9 | 99.9 | 99.9 |
| to pay pension and contract gratuities on the due date (%)..... | 99.0 | 99.8 | 99.5 | 99.0 |

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| | Target | 2004 (Actual) | 2005 (Actual) | 2006 (Plan) |
|--|--------|------------------|------------------|------------------------|
| to pay recurrent pensions on the due date or two weeks after receipt of claim forms (%)..... | 99.9 | 99.9 | 99.9 | 99.9 |
| to pay passage allowances within 30 calendar days (%)..... | 99.9 | 99.9 | 99.9 | 99.9 |
| to ensure that payments/deductions are correct (%)..... | 99.9 | 99.9 | 99.9 | 99.9 |
| to answer enquiries from pensioners within nine working days of receipt of letter (%)..... | 99.5Ω | 99.8 | 99.5 | 99.5 |
| to process applications for various civil service housing benefits within the target time (%)..... | 99.5Ω | 99.9 | 99.9 | 99.9 |

Ω As against the 2005 target of 99%.

Indicators

| | 2004 (Actual) | 2005 (Actual) | 2006 (Estimate) |
|--|------------------|------------------|----------------------------|
| participants in various housing benefit schemes..... | 33 292 | 29 941 | 27 300 |
| pensioners paid..... | 87 723 | 90 651 | 93 530 |
| passage applications processed..... | 28 835 | 25 524 | 25 900 |
| participants in CSPF Scheme..... | 1 096 | 2 200 | 2 800 |

Matters Requiring Special Attention in 2006–07

11 During 2006–07, the Treasury will complete the redevelopment of the Pension Management System and the Education Allowance and Passage System.

Programme (3): Accounting and Financial Information Systems

| | 2004–05 (Actual) | 2005–06 (Original) | 2005–06 (Revised) | 2006–07 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 91.6 | 120.1 | 96.5 (–19.7%) | 114.2 (+18.3%) |
| | | | | (or –4.9% on 2005–06 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.

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

15 There is some delay in the project for the replacement of the existing Government Financial Management Information System (GFMS) and the project is rescheduled for completion by 2008.

16 The Treasury achieved all its targets in 2005 and expects to maintain the same level of performance in 2006.

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

Targets

| | Target | 2004 (Actual) | 2005 (Actual) | 2006 (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 | 95.0 |
| to ensure that computer services are provided efficiently and with minimal interruptions | | | | |
| average system availability (%) | 98.5 | 99.0 | 99.5 | 98.5 |
| average system response time (% of cases within five seconds)# | 90.0 | 87.0 | 91.4 | 90.0 |

New target as from 2006.

Indicators

| | 2004 (Actual) | 2005 (Actual) | 2006 (Estimate) |
|--|------------------|------------------|----------------------------|
| provision of professional support and advisory services to bureaux/departments on accounting, costing and financial management matters | | | |
| requests handled§ | 747 | 767 | 760 |
| provision of application support and maintenance to computer applications | | | |
| maintenance/enhancement tasks completed§ | 574 | 414 | 400 |

§ New indicators as from 2006.

Matters Requiring Special Attention in 2006–07

18 During 2006–07, the Treasury will continue to work on the GFMIS replacement project with a view to implementing smoothly the new system by 2008.

Programme (4): Management of Funds

| | 2004–05 (Actual) | 2005–06 (Original) | 2005–06 (Revised) | 2006–07 (Estimate) |
|---------------------------|---------------------|-----------------------|----------------------|----------------------------------|
| Financial provision (\$m) | 4.2 | 4.6 | 5.2 (+13.0%) | 4.6 (–11.5%) |
| | | | | (or same as 2005–06 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.

21 Under an improved global economy, the actual investment returns for the two Schools Provident Funds in 2005 were much higher than the target.

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22 The key performance measures are:

Target

| | Target | 2004 (Actual) | 2005 (Actual) | 2006 (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)+14.5% | CPI(B)+12.5% | CPI(B)+4% |

Indicators

| | 2004 (Actual) | 2005 (Actual) | 2006 (Estimate) |
|--|------------------|------------------|----------------------------|
| funds managed (\$m) | | | |
| Schools Provident Funds | 47,923 | 49,097 | 47,861 |
| Quality Education Fund..... | 5,022 | 5,250 | 5,176 |
| Sir David Trench Fund for Recreation | 372 | 346 | 322 |
| Beat Drugs Fund..... | 448 | 461 | 462 |
| portfolio managers | | | |
| Schools Provident Funds | 11 | 11 | 11 |
| Quality Education Fund..... | 5 | 5 | 5 |
| Sir David Trench Fund for Recreation | 1 | 1 | 1 |
| Beat Drugs Fund..... | 2 | 2 | 2 |
| dividend declared for Schools Provident Funds (%)..... | 5 | 5 | 5 |

Matters Requiring Special Attention in 2006–07

23 During 2006–07, the Treasury will engage a financial consultant, as a periodic exercise, to review the investment strategy of the two Schools Provident Funds and the Quality Education Fund.

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ANALYSIS OF FINANCIAL PROVISION

| Programme | 2004-05 (Actual) (\$m) | 2005-06 (Original) (\$m) | 2005-06 (Revised) (\$m) | 2006-07 (Estimate) (\$m) |
|--|------------------------------|--------------------------------|-------------------------------|---|
| (1) Central Accounting, Collections and Payments | 108.1 | 108.9 | 112.8 | 116.9 |
| (2) Payment of Salaries, Pensions and Benefits | 98.2 | 96.5 | 96.8 | 97.3 |
| (3) Accounting and Financial Information Systems | 91.6 | 120.1 | 96.5 | 114.2 |
| (4) Management of Funds..... | 4.2 | 4.6 | 5.2 | 4.6 |
| | 302.1 | 330.1 | 311.3 (-5.7%) | 333.0 (+7.0%) |
| | | | | (or +0.9% on 2005-06 Original) |

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2006-07 is \$4.1 million (3.6%) higher than the revised estimate for 2005-06. This is mainly due to an anticipated increase in payment to collection agents in 2006-07 as a result of growing number of government bills, increased provision for conducting a periodic pension actuarial study and enhancement of the government payment and revenue collection systems, partly offset by the deletion of one post in 2006-07.

Programme (2)

Provision of 2006-07 is \$0.5 million (0.5%) higher than the revised estimate for 2005-06. This is mainly due to the increased provision for the employment of contract staff for time-limited projects, partly offset by the deletion of two posts in 2006-07.

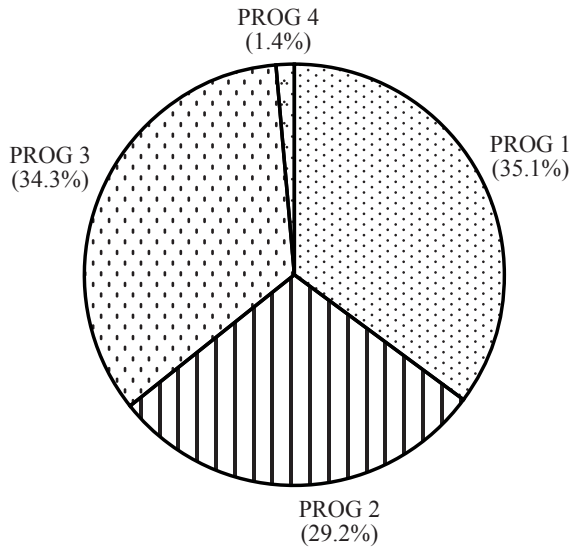
Programme (3)

Provision for 2006-07 is \$17.7 million (18.3%) higher than the revised estimate for 2005-06. This is mainly due to the rescheduling of the GFMIS replacement project, and increased provision for filling of vacancies and for payment of pre-retirement leave salary, partly offset by the deletion of two posts in 2006-07.

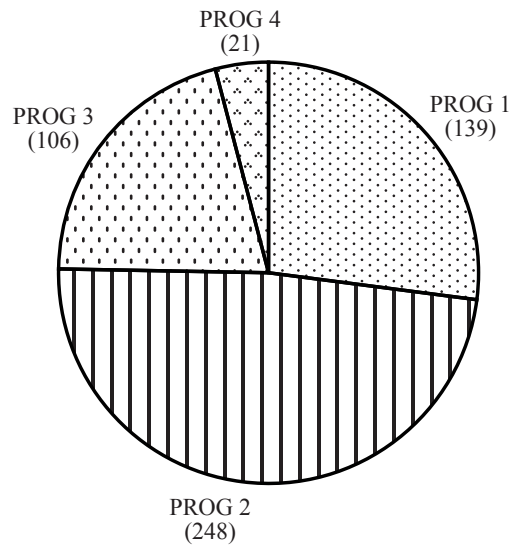
Programme (4)

Provision of 2006-07 is \$0.6 million (11.5%) lower than the revised estimate for 2005-06. This is mainly due to the completion of the replacement of the existing computerised investment accounting systems for the two Schools Provident Funds and the Quality Education Fund in 2005-06, partly offset by the increased expenditure on the consultancy study to review the investment strategy of the two Schools Provident Funds and the Quality Education Fund.

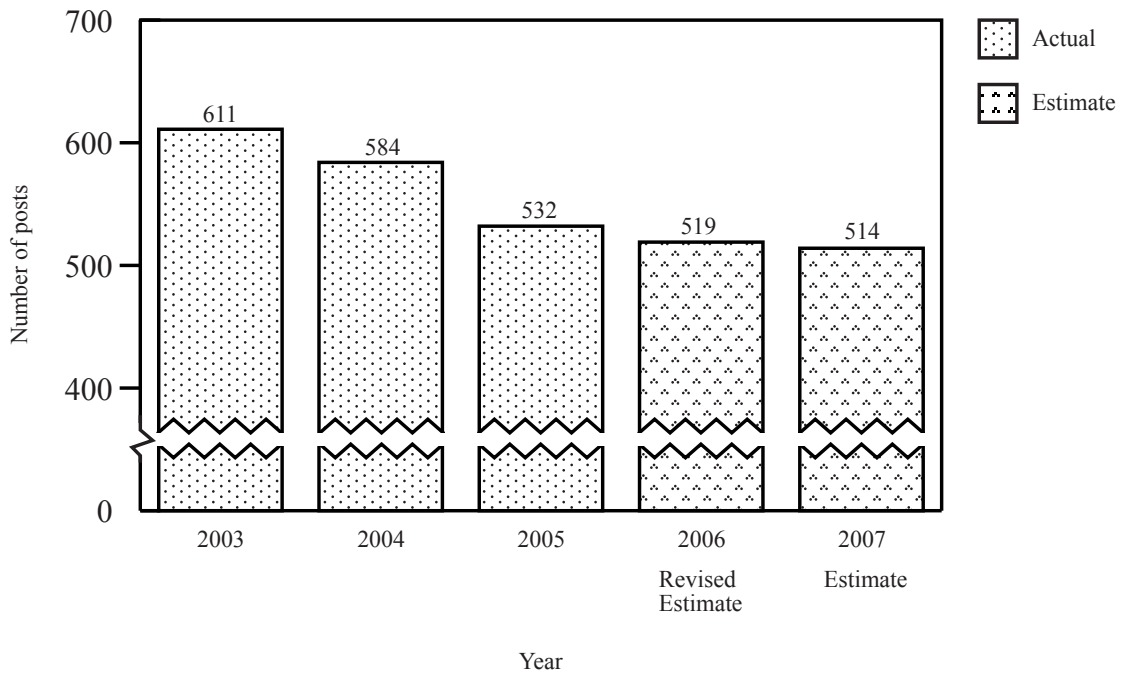
Allocation of provision to programmes (2006-07)



Staff by programme (as at 31 March 2007)



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



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| Sub-head (Code) | | Actual expenditure 2004-05 | Approved estimate 2005-06 | Revised estimate 2005-06 | Estimate 2006-07 |
|----------------------------|--|----------------------------------|---------------------------------|--------------------------------|------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating Account | | | | | |
| Recurrent | | | | | |
| 000 | Operational expenses | 297,952 | 325,722 | 307,555 | 328,657 |
| 003 | Recoverable salaries and allowances (General) | 6,505 | | | |
| | <i>Deduct</i> reimbursements | <i>Cr. 6,505</i> | | | |
| 187 | Agents' commission and expenses | 3,615 | 4,384 | 3,700 | 4,384 |
| | Total, Recurrent..... | <u>301,567</u> | <u>330,106</u> | <u>311,255</u> | <u>333,041</u> |
| | Total, Operating Account..... | 301,567 | 330,106 | 311,255 | 333,041 |
| Capital Account | | | | | |
| Plant, Equipment and Works | | | | | |
| | Plant, vehicles and equipment | 500 | — | — | — |
| | Total, Plant, Equipment and Works | <u>500</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | Total, Capital Account | 500 | — | — | — |
| | Total Expenditure..... | <u><u>302,067</u></u> | <u><u>330,106</u></u> | <u><u>311,255</u></u> | <u><u>333,041</u></u> |

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Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Treasury is \$333,041,000. This represents an increase of \$21,786,000 over the revised estimate for 2005–06 and of \$30,974,000 over actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$328,657,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Treasury.

3 The establishment as at 31 March 2006 will be 519 permanent posts. It is expected that five permanent posts will be deleted in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$135,534,000.

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

| | 2004–05 (Actual) (\$'000) | 2005–06 (Original) (\$'000) | 2005–06 (Revised) (\$'000) | 2006–07 (Estimate) (\$'000) |
|---|---------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Personal Emoluments | | | | |
| - Salaries | 176,072 | 170,222 | 162,623 | 165,152 |
| - Allowances | 1,670 | 2,766 | 1,475 | 2,424 |
| - Job-related allowances | 5 | 12 | 1 | 12 |
| Personnel Related Expenses | | | | |
| - Mandatory Provident Fund contribution | 90 | 90 | 90 | 90 |
| Departmental Expenses | | | | |
| - General departmental expenses | 120,115 | 152,632 | 143,366 | 160,979 |
| | 297,952 | 325,722 | 307,555 | 328,657 |

5 Provision of \$6,505,000 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 payments made through banks and other agencies. The increase of \$684,000 (18.5%) over the revised estimate for 2005–06 is mainly due to lower than expected requirement in 2005–06.