

Head 188 — TREASURY

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

Estimate 2008–09 **\$331.1m**

Establishment ceiling 2008–09 (notional annual mid-point salary value) representing an estimated 499 non-directorate posts as at 31 March 2008 reducing by 13 posts to 486 posts as at 31 March 2009 **\$145.3m**

In addition, there will be an estimated ten directorate posts as at 31 March 2008 and as at 31 March 2009.

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>
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Detail

Programme (1): Central Accounting, Collections and Payments

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	111.3	112.4	108.0 (–3.9%)	114.8 (+6.3%)
				(or +2.1% on 2007–08 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, Government Rent, land premiums, water and sewage charges, and other types of revenue.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
producing financial statements after end of the relevant period within a stated time frame (months)				
monthly financial results	1.0	0.9	0.9	1.0
statutory annual statements of accounts	2.8	2.8	2.5	2.8
accrual-based annual statements of accounts	5.5	5.5	5.5	5.5
effecting payments to creditors within 30 calendar days after receipt of goods/services or invoices (%)	98	99	99	98

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	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
completing processing postal remittances within				
four working days during peak periods (%)	100	100	100	100
three working days during non-peak periods (%)	100	100	100	100

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
sets of financial statements to compile and maintain	11	11	11
payments to creditors	954 454	933 743	900 000
revenue collections through the Treasury's agents			
counter collections	8 991 567	8 703 258@	9 032 000@
postal remittances	710 025	636 325@	730 000@
collections by autopay	2 075 235	1 887 254@	2 129 000@
collections by other electronic means	6 043 605	6 207 429@	6 622 000@
cost per \$1,000 revenue collected for respective financial years (\$).....	0.36	0.32	0.32

@ The actual figures for 2007 and the estimates for 2008 have taken into account the reduced number of collections as a result of the rates concession in the second and third quarters of 2007 and the first quarter of 2008.

Matters Requiring Special Attention in 2008–09

5 During 2008–09, 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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	100.2	101.5	99.0 (–2.5%)	101.0 (+2.0%)

(or –0.5% on
2007–08 Original)

Aim

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

Brief Description

7 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.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
paying salaries and allowances on the due date (%)	99.9	99.9	99.9	99.9
paying pension and contract gratuities on the due date (%).....	99	99	99	99
paying recurrent pensions on the due date or two weeks after receipt of claim forms (%).....	99.9	99.9	99.9	99.9
paying passage allowances within 30 calendar days (%)	99.9	99.9	99.9	99.9

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	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
ensuring correct payments/ deductions (%).....	99.9	99.9	99.9	99.9
answering enquiries from pensioners within nine working days of receipt of letter (%).....	99.5	99.5	99.5	99.5
processing applications for various civil service housing benefits within the target time (%).....	99.9	99.9	99.9	99.9

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
participants in various housing benefit schemes	26 501	24 210	22 600
pensioners paid	94 198	97 492	101 460
passage applications processed.....	24 109	24 722	24 800
participants in CSPF Scheme.....	2 920	3 821	5 700

Matters Requiring Special Attention in 2008–09

9 During 2008–09, the Treasury will continue to enhance the payroll-related systems in order to ensure the prompt and accurate payment of salaries, pensions and benefits.

Programme (3): Accounting and Financial Information Systems

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	89.4	104.1	86.9 (–16.5%)	110.0 (+26.6%)

(or +5.7% on
2007–08 Original)

Aim

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

Brief Description

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

12 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.

13 The project for the replacement of the Government Financial Management Information System (GFMIS) consists of two phases. Phase 1 for the replacement of the existing general ledger system was implemented in December 2007 and Phase 2 covering replacement of other existing accounting application systems, including the system for payments to creditors, is scheduled for completion within 2008–09.

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

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
providing preliminary response to request for accounting and financial support and advisory services within three working days (%).....	95	98	98	95

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	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
ensuring that computer services are provided efficiently and with minimal interruptions				
average system availability (%).....	98.5	99.5	99.6	98.5
average system response time (percentage of cases within five seconds) (%)	90.0	92.3	94.4	90.0

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
providing professional support and advisory services to bureaux/departments on accounting, costing and financial management matters			
requests handled.....	761	1 252	800
providing application support and maintenance to computer applications			
maintenance/enhancement tasks completed.....	361	292	230

Matters Requiring Special Attention in 2008–09

15 During 2008–09, the Treasury will continue to work on Phase 2 of the GFMS replacement project with a view to completing the project within 2008–09.

Programme (4): Management of Funds

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	4.2	4.8	4.2 (–12.5%)	5.3 (+26.2%)
				(or +10.4% on 2007–08 Original)

Aim

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

Brief Description

17 The Treasury manages the investment portfolios of the Grant and Subsidized Schools Provident Funds, the Quality Education Fund, the Sir David Trench Fund for Recreation, the Beat Drugs Fund, the AIDS Trust Fund and the new HKSAR Government Scholarship 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.

18 Under an improved global economy, the actual investment returns for the two Schools Provident Funds in 2007 were higher than the target.

19 The key performance measures in respect of management of funds are:

Target

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
achieving the strategic target investment return of four per cent above the Consumer Price Index B (CPI(B)) (subject to a minimum overall return of five per cent) for the two Schools Provident Funds in each school year	CPI(B)+4%	CPI(B)+8.4%	CPI(B)+16.2%	CPI(B)+4%

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Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
funds managed (\$m)			
Schools Provident Funds	56,488.8	65,381.8	64,670.2
Quality Education Fund	6,003.6	6,885.1	6,867.7
Sir David Trench Fund for Recreation.....	305.6	414.3	353.5
Beat Drugs Fund.....	533.7	626.3	642.9
AIDS Trust Fund§#	258.4	233.0	193.8
HKSAR Government Scholarship Fund§	N.A.	N.A.	1,000.0
portfolio managers			
Schools Provident Funds	10	10	10
Quality Education Fund	5	5	5
Sir David Trench Fund for Recreation.....	1	1	1
Beat Drugs Fund	2	2	2
HKSAR Government Scholarship Fund§	N.A.	N.A.	5
dividend declared for Schools Provident Funds (%).....	6.9	20.7	5.0

§ New indicators as from 2008.

The AIDS Trust Fund was established in 1993. The investment and accounting work for the Fund has all along been undertaken under Programme (1). Following the transfer of the work to Programme (4) in April 2007, relevant information of the AIDS Trust Fund is provided under this Programme from 2008 onwards.

Matters Requiring Special Attention in 2008–09

20 During 2008–09, the Treasury will take up the investment and accounting functions of a new HKSAR Government Scholarship Fund set up under the purview of the Education Bureau as part of the measures of developing Hong Kong as a regional education hub. The Treasury will draw on the experience of the Quality Education Fund in managing the new fund.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2006-07 (Actual) (\$m)	2007-08 (Original) (\$m)	2007-08 (Revised) (\$m)	2008-09 (Estimate) (\$m)
(1) Central Accounting, Collections and Payments	111.3	112.4	108.0	114.8
(2) Payment of Salaries, Pensions and Benefits	100.2	101.5	99.0	101.0
(3) Accounting and Financial Information Systems.....	89.4	104.1	86.9	110.0
(4) Management of Funds.....	4.2	4.8	4.2	5.3
	305.1	322.8	298.1 (-7.7%)	331.1 (+11.1%)
				(or +2.6% on 2007-08 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2008-09 is \$6.8 million (6.3%) higher than the revised estimate for 2007-08. This is mainly due to filling of vacancies and lower-than-expected expenditure on payment to collection agents in 2007-08.

Programme (2)

Provision for 2008-09 is \$2.0 million (2.0%) higher than the revised estimate for 2007-08. This is mainly due to filling of vacancies.

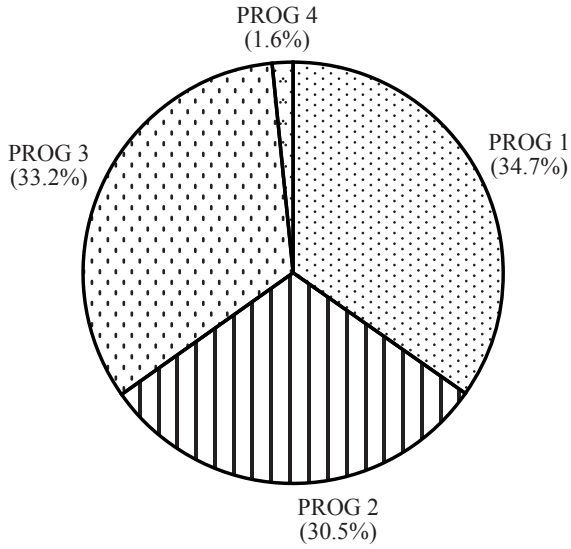
Programme (3)

Provision for 2008-09 is \$23.1 million (26.6%) higher than the revised estimate for 2007-08. This is mainly due to filling of vacancies and additional provision for the GFMIS replacement project. 14 posts will be deleted in 2008-09.

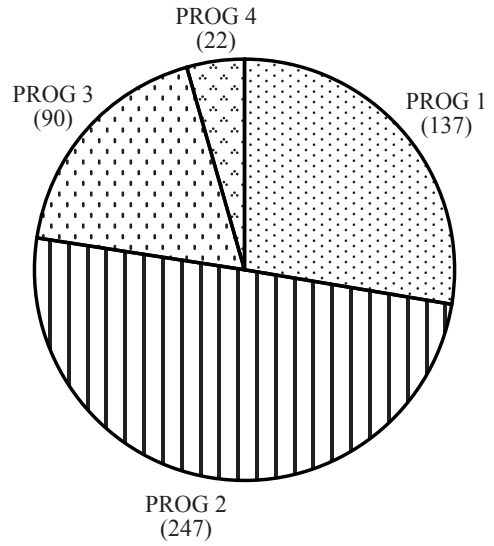
Programme (4)

Provision for 2008-09 is \$1.1 million (26.2%) higher than the revised estimate for 2007-08. This is mainly due to filling of vacancies, provision for a consultancy on review of fund investment strategy and creation of one post in 2008-09.

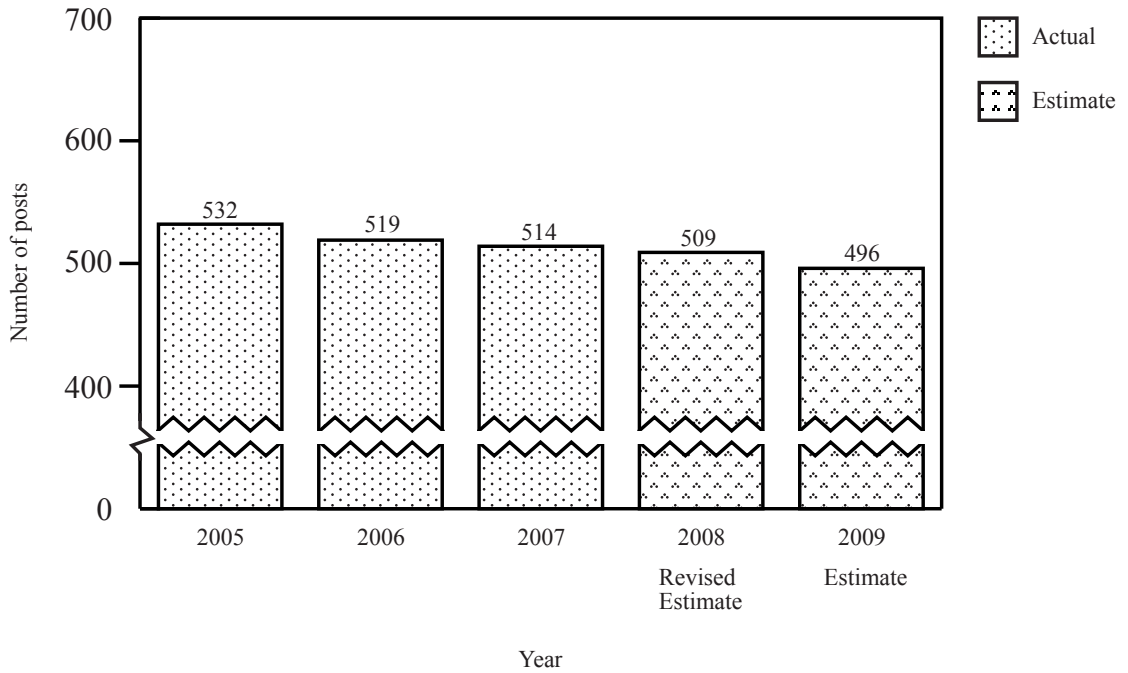
*Allocation of provision
to programmes
(2008-09)*



*Staff by programme
(as at 31 March 2009)*



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



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Sub-head (Code)		Actual expenditure 2006–07	Approved estimate 2007–08	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses	301,211	318,224	294,043	326,966
003	Recoverable salaries and allowances (General)				5,426
	<i>Deduct</i> reimbursements	—	—	—	—
	<i>Cr. 5,426</i>				
187	Agents' commission and expenses.....	3,327	4,127	3,602	4,127
	Total, Recurrent.....	<u>304,538</u>	<u>322,351</u>	<u>297,645</u>	<u>331,093</u>
Non-Recurrent					
	General non-recurrent	555	457	474	—
	Total, Non-Recurrent.....	<u>555</u>	<u>457</u>	<u>474</u>	<u>—</u>
	Total, Operating Account	<u>305,093</u>	<u>322,808</u>	<u>298,119</u>	<u>331,093</u>
<hr/>					
	Total Expenditure	<u><u>305,093</u></u>	<u><u>322,808</u></u>	<u><u>298,119</u></u>	<u><u>331,093</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2008–09 for the salaries and expenses of the Treasury is \$331,093,000. This represents an increase of \$32,974,000 over the revised estimate for 2007–08 and of \$26,000,000 over actual expenditure in 2006–07.

Operating Account

Recurrent

2 Provision of \$326,966,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Treasury. The increase of \$32,923,000 (11.2%) over the revised estimate for 2007–08 is mainly due to filling of vacancies, additional provision for the Government Financial Management Information System replacement project and lower-than-expected expenditure on payment to collection agents in 2007–08.

3 The establishment as at 31 March 2008 will be 509 permanent posts. It is expected that there will be a net decrease of 13 permanent posts in 2008–09. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2008–09, but the notional annual mid-point salary value of all such posts must not exceed \$145,283,000.

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

	2006–07 (Actual) (\$'000)	2007–08 (Original) (\$'000)	2007–08 (Revised) (\$'000)	2008–09 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	155,919	163,700	160,283	167,500
- Allowances	2,408	2,813	2,526	2,882
- Job-related allowances	—	12	12	12
Personnel Related Expenses				
- Mandatory Provident Fund contribution	61	120	90	190
- Civil Service Provident Fund contribution	—	—	—	30
Departmental Expenses				
- General departmental expenses	142,823	151,579	131,132	156,352
	301,211	318,224	294,043	326,966

5 Provision of \$5,426,000 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 \$4,127,000 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 \$525,000 (14.6%) over the revised estimate for 2007–08 is mainly due to lower-than-expected requirement in 2007–08.