

## Head 58 — GOVERNMENT SUPPLIES DEPARTMENT

**Controlling officer:** the Director of Government Supplies will account for expenditure under this Head.

<b>Estimate 2002–03</b> .....	<b>\$177.5m</b>
<b>Establishment ceiling 2002–03</b> (notional annual mid-point salary value) representing an estimated 371 non-directorate posts at 31 March 2002 rising by 25 posts to 396 posts at 31 March 2003 .....	<b>\$108.5m</b>
In addition there will be an estimated four directorate posts at 31 March 2002 and at 31 March 2003.	
<b>Capital Account commitment balance</b> .....	<b>\$1.5m</b>

### Controlling Officer's Report

#### Programmes

<p><b>Programme (1) Procurement</b>  <b>Programme (2) Storage and Distribution</b>  <b>Programme (3) Services to Other Departments</b></p>	<p>These programmes contribute to Policy Area 27: Intra-Governmental Services (Secretary for the Treasury).</p>
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#### Detail

##### Programme (1): Procurement

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	43.1	52.1 (+20.9%)	50.7 (–2.7%)	53.5 (+5.5%)

#### Aim

2 The aim is to purchase for government departments, subvented organisations and certain non-government public bodies goods and services that represent best value for money.

#### Brief Description

3 The main activities under this programme include the formulation of tendering strategies, the preparation of tender documents, the calling of tenders, the evaluation of tenders in conjunction with user departments, the award of contracts and the monitoring of contractors' performance. Other activities include the registration of suppliers, market research to identify new sources of supply and, where appropriate, negotiations with suppliers to obtain better prices and terms for the Government.

4 The department achieved its targets in 2001 including the extension of the Electronic Tendering System to cover Government Supplies Department originated tenders above \$10 million in value. It expects that the department will continue to meet its targets in 2002.

5 The savings achieved in 2001 through price negotiations amounted to \$75.5 million.

6 The key performance measures in respect of procurement are:

#### Targets

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%) .....	93	98	97	<b>93</b>
processing and referral of tenders received to users for evaluation within four working days (%) .....	95	99	96	<b>95</b>
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%) .....	93	98	96	<b>93</b>

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### Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
expenditure over value of orders (%).....	0.9	0.7	<b>0.8</b>
value of orders (\$m).....	4,437.5	6,466.8	<b>5,000.0</b>
contracts handled .....	3 193	2 300	<b>2 300</b>
price trend indicators			
overall price change in purchases (%) .....	-11.5	-7.5	<b>-7.0</b>
Consumer Price Index (B) (%).....	-3.8	-1.6	—

### Matters Requiring Special Attention in 2002–03

7 During 2002–03, the department will:

- continue with its strategic approach to purchasing in order to improve the overall value, quality and reliability of goods and services supplied;
- adopt the international environmental management system based on ISO 14001 standard; and
- consider extending the Electronic Tendering System to cover tenders originated by other government departments.

### Programme (2): Storage and Distribution

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	70.9	79.1 (+11.6%)	74.8 (-5.4%)	<b>79.1 (+5.7%)</b>

### Aim

8 The aim is to supply to government departments, subvented organisations and certain non-government public bodies in a cost-effective manner the common-user items they require.

### Brief Description

9 The department is responsible for maintaining, storing and distributing common-user items to users, and inspecting the goods upon delivery by suppliers. It also supplies additional and replacement items of quarters furniture for all grades of quarters and maintains furniture inventories for quarters of grade 'G' and above.

10 Except the targets on stock turn-over rate and delivery of medical stores, the department achieved all its targets for 2001 including phasing out 13 out of 17 delivery teams under the Voluntary Retirement Scheme. The department expects to meet all the targets in 2002.

11 The key performance measures in respect of storage and distribution are:

### Targets

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
stock turn-over rate for common-user items (the no. of times the stock is flowed through in a year) .....	5.0	4.3	4.8	<b>5.0</b>
maintaining the stock-out rate within 1.5% .....	1.5	1.1	0.8	<b>1.5</b>
delivery of medical stores to hospitals and clinics within three working days from the receipt of the Stores Requisition Note (%) .....	85.0	N.A.†	83.6	<b>85.0</b>
delivery of other stores to users within seven working days from the receipt of the Stores Requisition Note (%) .....	85.0	93.0	91.7	<b>85.0</b>
response within seven working days to requests in connection with office and quarters furniture (excluding orders where delivery is requested on a date more than seven working days ahead) (%).....	93.0	100.0	99.1	<b>93.0</b>

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	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
completion of inspection of delivered goods by the department within seven working days (%).....	85.0	91.0	90.0	<b>85.0</b>

† Not applicable. The target was introduced in 2001.

### *Indicators*

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
expenditure over value of common-user items issued (%).....	16.3	17.2	<b>17.0</b>
average stockholding of common-user items (\$m).....	77.6	66.0	<b>66.0</b>
value of purchase (\$m).....	322.6	303.5	<b>300.0</b>
no. of quarters serviced.....	24 900	24 900	<b>24 900</b>

### *Matters Requiring Special Attention in 2002–03*

12 During 2002–03, the department will:

- continue to ensure the efficient operation of the centralised warehouse in Chai Wan so as to achieve the performance targets at higher levels of efficiency;
- continue to examine ways of further improving storage and distribution operations having regard to practices in the private sector;
- adopt the international environmental management system based on ISO 14001 standard; and
- continue to review the specifications for common-user items to ensure that environmentally-friendly products are purchased.

### **Programme (3): Services to Other Departments**

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	46.5	44.0 (–5.4%)	42.8 (–2.7%)	<b>44.9 (+4.9%)</b>

### *Aim*

13 The aim is to assist other government departments to manage their supplies effectively.

### *Brief Description*

14 The department is responsible for the management of Supplies Grades staff on the establishment of other government departments, including their recruitment, posting, promotion, training and welfare. It conducts regular stores verifications and system surveys on the supplies activities in government departments. It also provides various miscellaneous services, such as the disposal of condemned and surplus government stores and confiscated goods, and the transportation and safe custody of civil servants' personal effects in accordance with Civil Service Regulations.

15 The key performance measures in respect of services to other departments are:

### *Targets*

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
provision of classroom training to Supplies Grades staff per annum (man-days).....	3 500#	4 435	3 951	<b>3 500</b>
sale of confiscated, surplus and unserviceable stores by public auction within 21 working days (%).....	95.0	99.2	99.6	<b>95.0</b>

# The present target is an improvement over the 2001 target of 3 000

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### *Indicators*

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
cost of staff management over total salaries of staff managed in other departments (%).....	4.1	4.3	4.2
no. of Supplies Grades staff managed in other departments ...	1 137	1 124	1 028
average cost of surveying one stockholding point (\$).....	3,899.5	4,166.7	4,100.0
percentage of professionally qualified officers in the Supplies Officer Grade (%).....	71	75	77

### *Matters Requiring Special Attention in 2002–03*

**16** During 2002–03, the department will continue to enhance the professionalism of the Supplies Officer Grade by increasing the extent and variety of professional training available to them.

**17** As from 1 April 2002, the department will take over from the Housing Department the responsibilities of providing supplies activities to the Housing Authority. The costs of providing such services will be fully reimbursed by the Housing Authority.

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### ANALYSIS OF FINANCIAL PROVISION

Programme	2000-01 (Actual) (\$m)	2001-02 (Approved) (\$m)	2001-02 (Revised) (\$m)	2002-03 (Estimate) (\$m)
(1) Procurement .....	43.1	52.1	50.7	<b>53.5</b>
(2) Storage and Distribution .....	70.9	79.1	74.8	<b>79.1</b>
(3) Services to Other Departments .....	46.5	44.0	42.8	<b>44.9</b>
	160.5	175.2 (+9.2%)	168.3 (-3.9%)	<b>177.5</b> <b>(+5.5%)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2002-03 is \$2.8 million (5.5%) higher than the revised estimate for 2001-02. This is mainly due to salary increments for staff and the slippage of capital account projects from 2001-02 to 2002-03.

##### Programme (2)

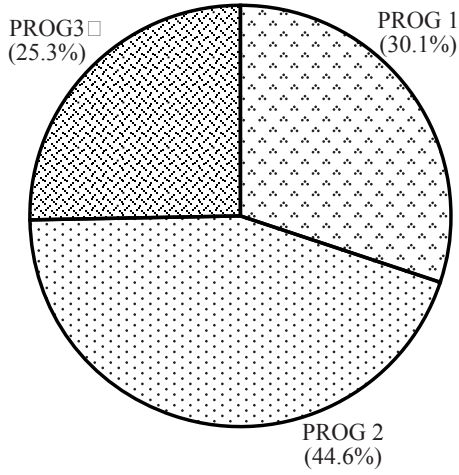
Provision for 2002-03 is \$4.3 million (5.7%) higher than the revised estimate for 2001-02. This is mainly due to salary increments for staff, the hiring of more transportation contractor services and the capital costs of replacing the central air-conditioning system at the Government Logistics Centre in 2002-03, partly offset by the deletion of three posts under the Voluntary Retirement Scheme and the full-year effect of posts deleted in 2001-02.

##### Programme (3)

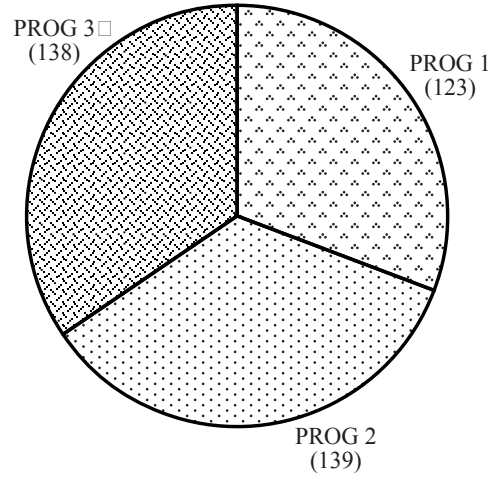
Provision for 2002-03 is \$2.1 million (4.9%) higher than the revised estimate for 2001-02. This is mainly due to salary increments for staff and the capital costs of replacing the central air-conditioning system at the Government Logistics Centre in 2002-03. The responsibilities for providing supplies services to the Housing Authority will be transferred from the Housing Department to the Government Supplies Department on 1 April 2002. Accordingly, 28 posts of supplies grade staff will be transferred from the Housing Department to the Government Supplies Department on 1 April 2002. The costs of providing such services will be fully reimbursed by the Housing Authority.

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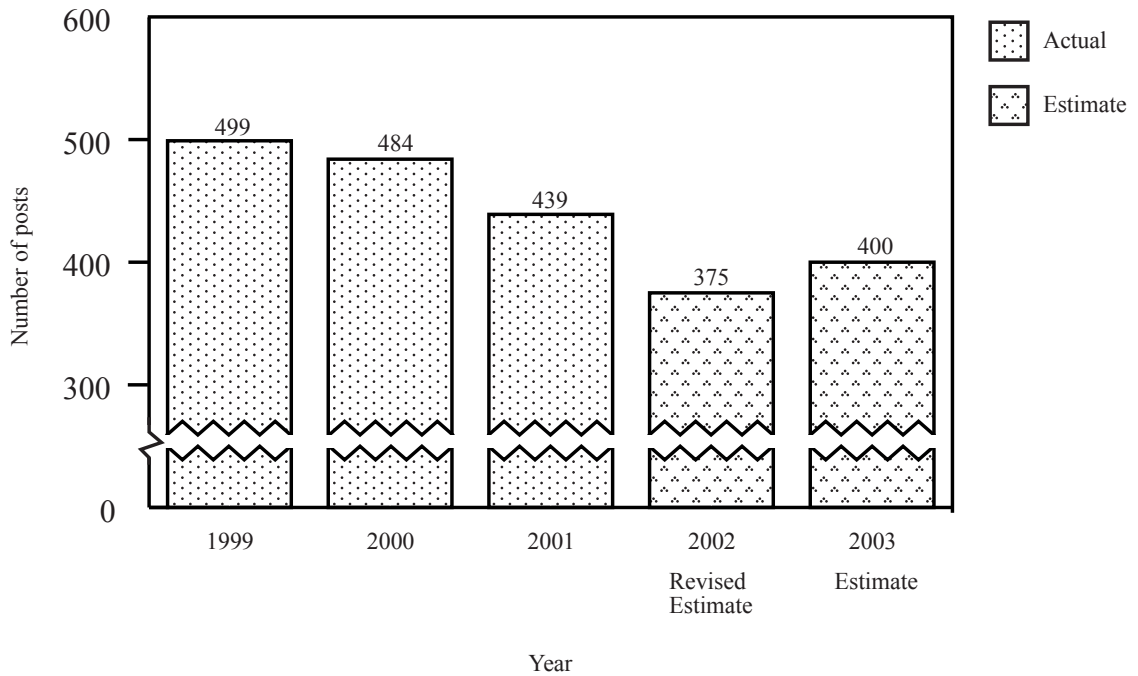
*Allocation of provision to programmes (2002-03)*



*Staff by programme (as at 31 March 2003)*



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



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Sub-head (Code)		Actual expenditure 2000-01	Approved estimate 2001-02	Revised estimate 2001-02	<b>Estimate 2002-03</b>
	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Recurrent Account</b>					
000	Operational expenses .....	—	—	—	<b>174,750</b>
003	Recoverable salaries and allowances .... 10,759				
	<i>Deduct</i> reimbursements..... <i>Cr. 10,759</i>	—	—	—	—
226	Allocated stores: local landing charges .....	185	544	42	<b>200*</b>
267	Unallocated stores: suspense account adjustment.....	—	1	1	<b>1*</b>
	Salaries .....	114,097	114,881	112,953	—
	Allowances.....	2,184	3,302	2,506	—
	Job-related allowances .....	—	3	3	—
	Specialist supplies and equipment.....	888	1,750	700	—
	Contract maintenance.....	824	3,400	2,000	—
	General departmental expenses.....	40,562	49,975	49,900	—
	Total, Recurrent Account.....	158,740	173,856	168,105	<b>174,951</b>
<b>Capital Account</b>					
I — Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	—	—	—	<b>1,079</b>
	Total, Plant, Equipment and Works .....	—	—	—	<b>1,079</b>
II — Other Non-Recurrent					
700	General other non-recurrent .....	1,725	1,300	170	<b>1,452</b>
	Total, Other Non-Recurrent.....	1,725	1,300	170	<b>1,452</b>
	Total, Capital Account.....	1,725	1,300	170	<b>2,531</b>
	Total Expenditure.....	160,465	175,156	168,275	<b>177,482</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2002–03 for the salaries and expenses of the Government Supplies Department is \$177,482,000. This represents an increase of \$9,207,000 over the revised estimate for 2001–02 and of \$17,017,000 over actual expenditure in 2000–01.

#### *Recurrent Account*

**2** Provision of \$174,750,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Government Supplies Department and its other operating expenses. Management and control of the Government Supplies Department's operational expenses will take the form of a one-line vote with effect from 2002–03.

**3** As a vote-funded department, the Government Supplies Department is subject to establishment control. The establishment at 31 March 2002 will be 375 permanent posts. It is expected that a net 25 permanent posts will be created in 2002–03, as a result of the cost-neutral transfer of 28 posts from the Housing Department and the deletion of three posts under the Voluntary Retirement Scheme. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2002–03, but the notional annual mid-point salary value of all such posts must not exceed \$108,478,000.

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

	2000–01 (Actual) (\$'000)	2001–02 (Original Estimate) (\$'000)	2001–02 (Revised Estimate) (\$'000)	<b>2002–03 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries .....	114,097	114,881	112,953	<b>109,812</b>
- Allowances .....	2,184	3,302	2,506	<b>2,506</b>
- Job-related allowances .....	—	3	3	<b>3</b>
Departmental Expenses				
- Specialist supplies and equipment.....	888	1,750	700	<b>1,500</b>
- Contract maintenance .....	824	3,400	2,000	<b>2,500</b>
- General departmental expenses .....	40,562	49,975	49,900	<b>58,429</b>
	158,555	173,311	168,062	<b>174,750</b>

**5** Provision of \$10,759,000 under *Subhead 003 Recoverable salaries and allowances* is for salaries and allowances for a team of 28 civil servants providing supplies services to the Hong Kong Housing Authority. The gross provision must not be exceeded without the prior approval of the Secretary for the Treasury. Expenditure under this subhead is reimbursed by the Authority.

**6** Provision of \$200,000 under *Subhead 226 Allocated stores: local landing charges* is for payment of transportation costs for the inward shipment of stores. The increase of \$158,000 (376.2%) over the revised estimate for 2001–02 is due to lower than expected requirement for such services in 2001–02.

**7** Provision of \$1,000 under *Subhead 267 Unallocated stores: suspense account adjustment* is a token sum for the accounting treatment of clearing the stock adjustment accounts of the Unallocated Stores Suspense Account at the end of the financial year.



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### Capital Account

#### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2001	Revised estimated expenditure for 2001-02	Balance
			\$'000	\$'000	\$'000	\$'000
700		<i>General other non-recurrent</i>				
	224	Hosting the 10th International Public Procurement Association Conference in Hong Kong.....	2,000	1,104	3	893
	225	Conducting International Organisation for Standardisation (ISO) accreditation on procurement services, storage and distribution services and product inspection of Government Supplies Department.....	950	298	—	652
		Total.....	<u>2,950</u>	<u>1,402</u>	<u>3</u>	<u>1,545</u>