

Head 58 — GOVERNMENT SUPPLIES DEPARTMENT

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

Estimate 2000–01	\$175.5m
Establishment ceiling 2000–01 (notional annual mid-point salary value) representing an estimated 484 non-directorate posts at 31 March 2000 rising by 30 posts to 514 posts at 31 March 2001	\$122.0m
In addition there will be an estimated four directorate posts at 31 March 2000 and at 31 March 2001.	
Capital Account commitment balance	\$3.1m

Controlling Officer's Report

Programmes

<p>Programme (1) Procurement Programme (2) Storage and Distribution Programme (3) Services to Other Departments</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

	1998–99 (Actual)	1999–2000 (Approved)	1999–2000 (Revised)	2000–01 (Estimate)
Financial provision (\$m)	47.7	48.7 (+2.1%)	49.9 (+2.5%)	53.0 (+6.2%)

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 preparation of tender documents, the formulation of tendering strategies, 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 government.

4 The department achieved its targets in 1999. It expects that it will continue to meet its targets in 2000.

5 During 1999, the prices of bulk purchases (exceeding \$500,000 in value) of stores requiring regular replenishment (e.g. paper for office use, pharmaceuticals, light fittings) fell by an average of 10.7% when compared with the last purchases of the same items. In 1999, the savings achieved through price negotiations amounted to \$251.9 million.

6 The key performance measures in respect of procurement are:

Targets

	Target	1998 (Actual)	1999 (Actual)	2000 (Plan)
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%)	90	94	97	90
processing and referral of tenders received to users for evaluation within four working days (%)	95	97	99	95
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%)	90	98	98	93

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Indicators

	1998 (Actual)	1999 (Actual)	2000 (Estimate)
expenditure over value of orders (%).....	0.9	0.7	0.7
value of orders (\$m).....	5,024.6	6,794.0	6,500.0
contracts handled	4 628	4 124	4 200

Matters Requiring Special Attention in 2000–01

7 During 2000–01, 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;
- review and improve the purchasing practices with a view to obtaining ISO accreditation within 2000–01; and
- adopt the Electronic Tendering System which is an additional means of tendering through Internet technology and monitor the effectiveness of this new tendering system.

Programme (2): Storage and Distribution

	1998–99 (Actual)	1999–2000 (Approved)	1999–2000 (Revised)	2000–01 (Estimate)
Financial provision (\$m)	73.0	75.3 (+3.2%)	74.8 (–0.7%)	77.0 (+2.9%)

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 the inspection of goods upon delivery by suppliers. It also repairs quarters furniture, 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 The department achieved its targets in 1999 except the stock turn-over rate. With the adoption of effective stock management techniques (by using the Economic Ordering Quantity formula to determine the reordering quantities and delivery schedules in stock replenishment, deferring orders for items with adequate stock and deleting low value and slow-moving items from the stock range), the department expects to meet the target stock turn-over rate in 2000.

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

Targets

	Target	1998 (Actual)	1999 (Actual)	2000 (Plan)
stock turn-over rate for common-user items (the no. of times the stock is flowed through in a year)	5.0#	3.7	4.7	5.0
maintaining the stock-out rate within 5% ...	5.0	N.A.†	3.0	5.0
delivery of stores to users within seven working days from the receipt of the Stores Requisition Note (%).....	85.0	41.3	85.8	85.0
response within seven working days to requests in connection with office and quarters furniture (excluding orders where delivery was requested on a date more than seven working days ahead) (%).....	93.0§	97.0	98.6	93.0
completion of inspection of delivered goods by the department within seven working days (%)	85.0	88.9	91.0	85.0

The target has been revised from 4.0 for 1998 to 5.0 for 1999

§ The target has been revised from 90 for 1998 to 93 for 1999

† Not applicable

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Indicators

	1998 (Actual)	1999 (Actual)	2000 (Estimate)
expenditure over value of common-user items issued (%).....	13.4	14.6	14.6
average stockholding of common-user items (\$m).....	103.8	74.4	77.0
value of purchase (\$m).....	360.9	339.0	370.0
no. of quarters serviced	25 500	25 200	25 200

Matters Requiring Special Attention in 2000-01

12 During 2000-01, 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;
- review and improve operational practices with a view to obtaining ISO accreditation within 2000-01; and
- embark on benchmarking studies that will compare the efficiency of its storage and distribution operations with those of similar organisations.

Programme (3): Services to Other Departments

	1998-99 (Actual)	1999-2000 (Approved)	1999-2000 (Revised)	2000-01 (Estimate)
Financial provision (\$m)	43.5	44.6 (+2.5%)	43.3 (-2.9%)	45.5 (+5.1%)

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 staff on the establishment of other government departments, including their recruitment, posting, promotion, training and welfare. It conducts regular financial surveys and systems surveys of 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	1998 (Actual)	1999 (Actual)	2000 (Plan)
provision of classroom training to Supplies Grades staff per annum (man- days).....	2 500	2 875	4 023	3 000
sale of confiscated, surplus and unserviceable stores by public auction within 21 working days (%).....	90.0	95.7	98.2	95.0

Indicators

	1998 (Actual)	1999 (Actual)	2000 (Estimate)
cost of staff management over total salaries of staff managed in other departments (%)	5.3	4.5	4.5
no. of Supplies Grades staff managed in other departments....	1 165	1 206	1 136
average cost of surveying one stockholding point (\$).....	5,337.7	4,323.5	4,220.0
percentage of professionally qualified officers in the Supplies Officer Grade (%)	N.A.§	63	67

§ Not applicable

Matters Requiring Special Attention in 2000-01

16 During 2000-01, the department will continue to enhance the professionalism of the Supplies Officer Grade by increasing the amount and variety of professional training available to them.

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ANALYSIS OF FINANCIAL PROVISION

Programme	1998–99 (Actual) (\$m)	1999–2000 (Approved) (\$m)	1999–2000 (Revised) (\$m)	2000–01 (Estimate) (\$m)
(1) Procurement	47.7	48.7	49.9	53.0
(2) Storage and Distribution	73.0	75.3	74.8	77.0
(3) Services to Other Departments	43.5	44.6	43.3	45.5
	164.2	168.6 (+2.7%)	168.0 (–0.4%)	175.5 (+4.5%)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2000–01 is \$3.1 million (6.2%) higher than the revised estimate for 1999–2000. This is mainly due to the additional expenses relating to the Procurement Management System Upgrade, Electronic Tendering System and the hosting of the 10th International Public Procurement Association Conference, partly offset by deletion of one post in 2000–01 following the completion of projects.

Programme (2)

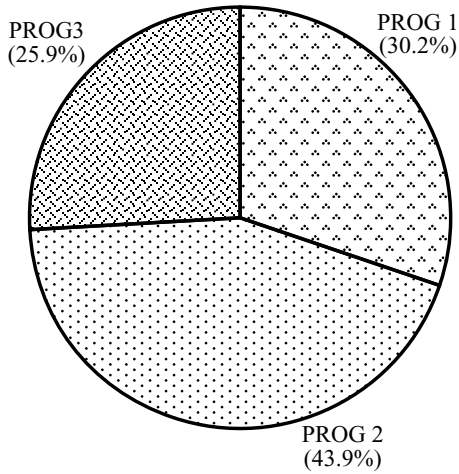
Provision for 2000–01 is \$2.2 million (2.9%) higher than the revised estimate for 1999–2000. This is mainly due to the procurement of a vehicle tracking system in 2000–01 and creation of three posts upon taking over the Stationery Store from Printing Department, partly offset by the full-year savings of initiatives implemented in 1999–2000 under the Enhanced Productivity Programme and deletion of two posts in 2000–01 following the completion of projects.

Programme (3)

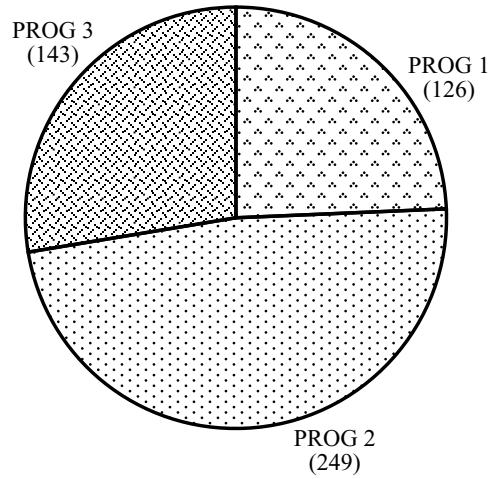
Provision for 2000–01 is \$2.2 million (5.1%) higher than the revised estimate for 1999–2000. This is mainly due to the transfer to the department of 31 posts following the re-organisation of municipal services, partly offset by the full-year savings of initiatives implemented in 1999–2000 under the Enhanced Productivity Programme and deletion of one post in 2000–01 following the completion of projects.

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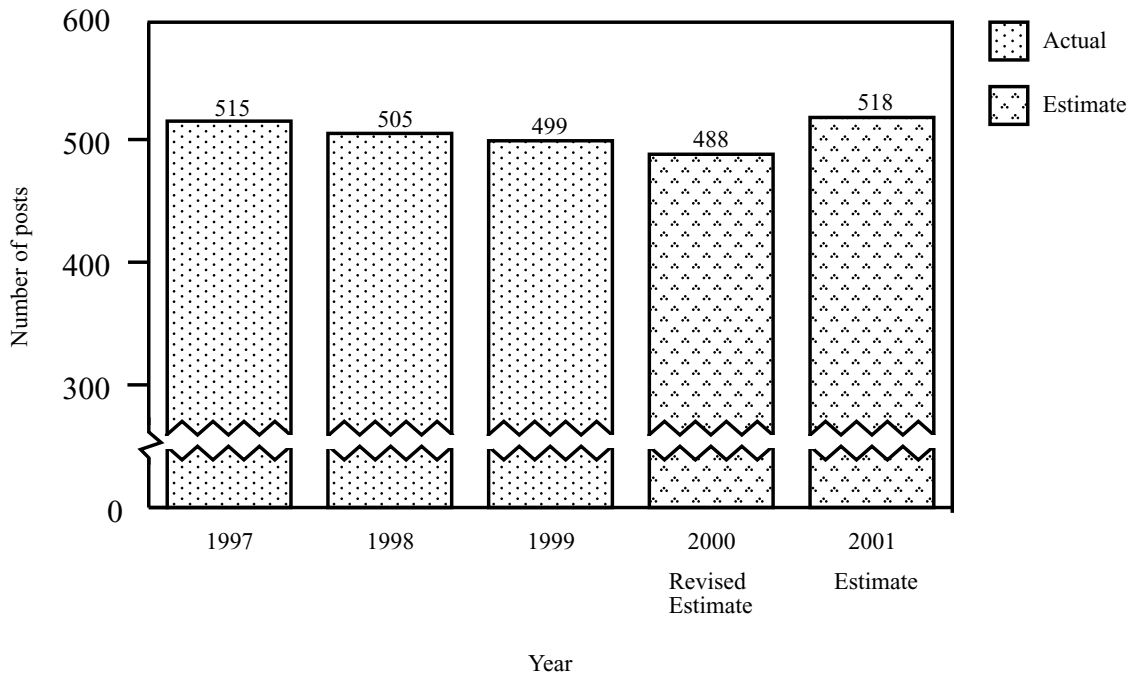
*Allocation of provision
to programmes
(2000-01)*



*Staff by programme
(as at 31 March 2001)*



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



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Sub-head (Code)		Actual expenditure 1998-99	Approved estimate 1999-2000	Revised estimate 1999-2000	Estimate 2000-01
		\$'000	\$'000	\$'000	\$'000
Recurrent Account					
I — Personal Emoluments					
001	Salaries	118,759	117,840	118,369	120,748
002	Allowances	3,860	4,302	3,811	3,802
007	Job-related allowances	—	3	3	3
	Total, Personal Emoluments	<u>122,619</u>	<u>122,145</u>	<u>122,183</u>	<u>124,553</u>
III — Departmental Expenses					
119	Specialist supplies and equipment.....	1,450	1,750	1,750	1,750
121	Contract maintenance	771	1,260	1,100	1,100
149	General departmental expenses	37,977	42,682	42,000	44,590
	Total, Departmental Expenses	<u>40,198</u>	<u>45,692</u>	<u>44,850</u>	<u>47,440</u>
IV — Other Charges					
226	Allocated stores: local landing charges	241	547	544	544*
267	Unallocated stores: suspense account adjustment.....	—	1	1	1*
	Total, Other Charges	<u>241</u>	<u>548</u>	<u>545</u>	<u>545</u>
	Total, Recurrent Account	<u>163,058</u>	<u>168,385</u>	<u>167,578</u>	<u>172,538</u>
Capital Account					
II — Other Non-Recurrent					
700	General other non-recurrent	1,097	200	430	3,000
	Total, Other Non-Recurrent	<u>1,097</u>	<u>200</u>	<u>430</u>	<u>3,000</u>
	Total, Capital Account	<u>1,097</u>	<u>200</u>	<u>430</u>	<u>3,000</u>
	Total Expenditure	<u><u>164,155</u></u>	<u><u>168,585</u></u>	<u><u>168,008</u></u>	<u><u>175,538</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2000–01 for the salaries and expenses of the Government Supplies Department is \$175,538,000. This represents an increase of \$7,530,000 over the revised estimate for 1999–2000 and of \$11,383,000 on actual expenditure in 1998–99.

Recurrent Account

Personal Emoluments

2 Provision of \$124,553,000 for personal emoluments represents an increase of \$2,370,000 over the revised estimate for 1999–2000 and takes into account posts to be created during 2000–01.

3 The establishment at 31 March 2000 will be 488 permanent posts. It is expected that a net 30 posts will be created in 2000–01.

4 Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2000–01, but the notional annual mid-point salary value of all such posts must not exceed \$121,994,000.

5 Provision of \$3,802,000 under *Subhead 002 Allowances* is for standard allowances.

6 Provision of \$3,000 under *Subhead 007 Job-related allowances* is for standard job-related allowances.

Departmental Expenses

7 Provision of \$1,750,000 under *Subhead 119 Specialist supplies and equipment* is for the procurement of furniture for existing and new quarters where the unit cost of items does not exceed \$100,000 and, in respect of new government quarters, where such items are not chargeable to the respective project vote under the Capital Works Reserve Fund.

8 Provision of \$1,100,000 under *Subhead 121 Contract maintenance* is for the repair and maintenance of furniture.

9 Provision of \$44,590,000 under *Subhead 149 General departmental expenses* represents an increase of \$2,590,000 (6.2%) over the revised estimate for 1999–2000. This is mainly due to the additional recurrent expenses relating to the Procurement Management System Upgrade and the Electronic Tendering System to be commissioned in 2000–01.

Other Charges

10 Provision of \$544,000 under *Subhead 226 Allocated stores: local landing charges* is for transportation costs for the inward shipment of stores.

11 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 31.3.99	Revised estimated expenditure for 1999–2000	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	—	200	1,800
	225	Conducting International Organisation for Standardisation (ISO) accreditation on procurement services, storage and distribution services and product inspection of Government Supplies Department.....	750	—	230	520
	226	Procurement of a vehicle tracking system.....	750	—	—	750
		Total.....	<u>3,500</u>	<u>—</u>	<u>430</u>	<u>3,070</u>