

Head 58 — GOVERNMENT SUPPLIES DEPARTMENT

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

Estimate 2001–02	\$175.2m
Establishment ceiling 2001–02 (notional annual mid-point salary value) representing an estimated 436 non-directorate posts at 31 March 2001 reducing by three posts to 433 posts at 31 March 2002	\$104.9m
In addition there will be an estimated four directorate posts at 31 March 2001 and at 31 March 2002.	
Capital Account commitment balance	\$1.3m

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

	1999–2000 (Actual)	2000–01 (Approved)	2000–01 (Revised)	2001–02 (Estimate)
Financial provision (\$m)	47.5	53.0 (+11.6%)	50.7 (–4.3%)	52.1 (+2.8%)

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 2000 including ISO 9002 accreditation. It expects that it will continue to meet its targets in 2001.

5 During 2000, the department has introduced the monthly price trend indicator to compare the price change in purchases against the trends in Consumer Price Index (B).

6 The savings achieved in 2000 through price negotiations amounted to \$44.5 million.

7 The key performance measures in respect of procurement are:

Targets

	Target	1999 (Actual)	2000 (Actual)	2001 (Plan)
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%).....	93#	97	98	93
processing and referral of tenders received to users for evaluation within four working days (%).....	95	99	99	95
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%).....	93#	98	98	93

The present target is an improvement over the year 2000 target of 90

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Indicators

	1999 (Actual)	2000 (Actual)	2001 (Estimate)
expenditure over value of orders (%).....	0.7	0.9	0.9
value of orders (\$m)	6,794.0	4,437.5	4,500.0
contracts handled.....	4 124	3 193	3 200
price trend indicators§			
overall price change in purchases (%)	-12.4	-8.7†	-3.0
Consumer Price Index (B) (%).....	-4.7	-4.3†	—

† Average for January to September 2000 compared with the average for January to September 1999

§ New indicator

Matters Requiring Special Attention in 2001–02

8 During 2001–02, 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;
- study the feasibility of ISO 14001 accreditation to improve environmental awareness in purchasing practices; and
- consider extending the Electronic Tendering System to cover Government Supplies Department originated tenders above \$10 million in value.

Programme (2): Storage and Distribution

	1999–2000 (Actual)	2000–01 (Approved)	2000–01 (Revised)	2001–02 (Estimate)
Financial provision (\$m)	72.1	77.0 (+6.8%)	75.2 (-2.3%)	79.1 (+5.2%)

Aim

9 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

10 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 supplies additional and replacement items of quarters furniture for all grades of quarters and maintains furniture inventories for quarters of grade 'G' and above.

11 Except for that on stock turn-over rate, the department achieved all its targets for 2000 including ISO 9002 accreditation. The stock turn-over target is expected to be met in 2001.

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

Targets

	Target	1999 (Actual)	2000 (Actual)	2001 (Plan)
stock turn-over rate for common-user items (the no. of times the stock is flowed through in a year).....	5.0	4.7	4.3	5.0
maintaining the stock-out rate within 1.5%	1.5#	3.0	1.1	1.5
delivery of medical stores to hospitals and clinics within three working days from the receipt of the Stores Requisition Note (%)§	85.0	N.A.†	N.A.†	85.0
delivery of other stores to users within seven working days from the receipt of the Stores Requisition Note (%).....	85.0	85.8	93.0	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	98.6	100.0	93.0

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	Target	1999 (Actual)	2000 (Actual)	2001 (Plan)
completion of inspection of delivered goods by the department within seven working days (%).....	85.0	91.0	91.0	85.0

The present target is an improvement over the year 2000 target of 5%

§ An improved service to be implemented in year 2001

† Not applicable

Indicators

	1999 (Actual)	2000 (Actual)	2001 (Estimate)
expenditure over value of common-user items issued (%).....	14.6	16.3	16.0
average stockholding of common-user items (\$m).....	74.4	77.6	70.0
value of purchase (\$m).....	339.0	322.6	340.0
no. of quarters serviced.....	25 200	24 900	27 100

Matters Requiring Special Attention in 2001–02

13 During 2001–02, 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;
- examine ways of further improving storage and distribution operations having regard to the practices of private sector companies;
- study the feasibility of ISO 14001 accreditation to ensure that the warehouse activities take proper account of environmental considerations;
- review the specifications for common-user items to ensure that environmentally friendly products are purchased; and
- phase out 13 of its 17 delivery teams under the Voluntary Retirement Scheme and increase the use of transportation contractors to carry out delivery services.

Programme (3): Services to Other Departments

	1999–2000 (Actual)	2000–01 (Approved)	2000–01 (Revised)	2001–02 (Estimate)
Financial provision (\$m)	40.0	45.5 (+13.8%)	42.8 (–5.9%)	44.0 (+2.8%)

Aim

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

Brief Description

15 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 stores verifications and systems 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.

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

Targets

	Target	1999 (Actual)	2000 (Actual)	2001 (Plan)
provision of classroom training to Supplies Grades staff per annum (man-days).....	3 000#	4 023	4 435	3 000
sale of confiscated, surplus and unserviceable stores by public auction within 21 working days (%).....	95.0§	98.2	99.2	95.0

The present target is an improvement over the year 2000 target of 2 500

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§ The present target is an improvement over the year 2000 target of 90

Indicators

	1999 (Actual)	2000 (Actual)	2001 (Estimate)
cost of staff management over total salaries of staff managed in other departments (%).....	4.5	4.1	4.3
no. of Supplies Grades staff managed in other departments....	1 206	1 137	1 075
average cost of surveying one stockholding point (\$).....	4,323.5	3,899.5	4,000.0
percentage of professionally qualified officers in the Supplies Officer Grade (%).....	63	71	75

Matters Requiring Special Attention in 2001-02

17 During 2001-02, 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.

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ANALYSIS OF FINANCIAL PROVISION

Programme	1999–2000 (Actual) (\$m)	2000–01 (Approved) (\$m)	2000–01 (Revised) (\$m)	2001–02 (Estimate) (\$m)
(1) Procurement.....	47.5	53.0	50.7	52.1
(2) Storage and Distribution.....	72.1	77.0	75.2	79.1
(3) Services to Other Departments	40.0	45.5	42.8	44.0
	159.6	175.5 (+10.0%)	168.7 (–3.9%)	175.2 (+3.9%)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2001–02 is \$1.4 million (2.8%) higher than the revised estimate for 2000–01. This is mainly due to salary increments for existing staff, the employment of non-civil service contract staff and additional recurrent expenses relating to the Government Offices Automation System and the Strategic Human Resource Management Information System, partly offset by the deletion of one post in 2001–02 following the implementation of the Strategic Human Resource Management Information System.

Programme (2)

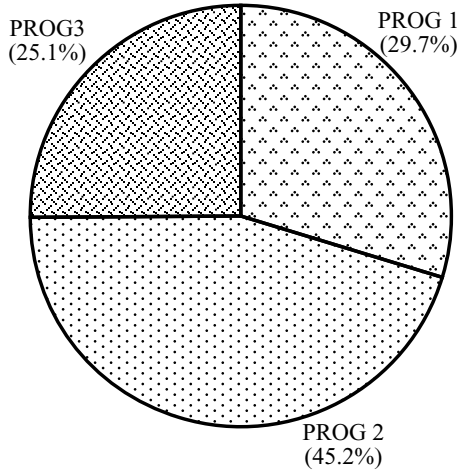
Provision for 2001–02 is \$3.9 million (5.2%) higher than the revised estimate for 2000–01. This is mainly due to salary increments for existing staff, additional requirement in the employment of furniture maintenance contractors, non-civil service contract staff and transportation contractors and additional recurrent expenses relating to the Government Offices Automation System and the Strategic Human Resource Management Information System, partly offset by the savings arising from closure of the Furniture Workshop under the Enhanced Productivity Programme, the reduction in cashflow requirements for capital account and the deletion of one post in 2001–02 following the implementation of the Strategic Human Resource Management Information System.

Programme (3)

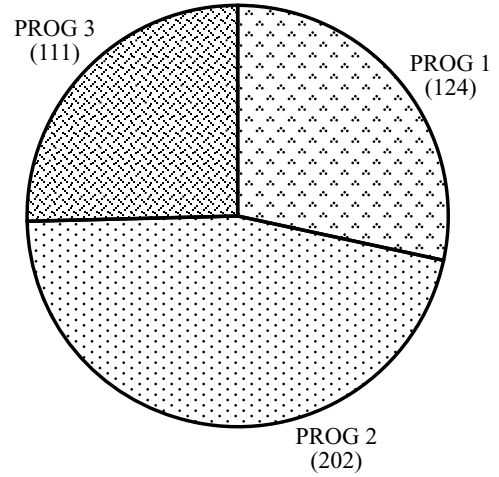
Provision for 2001–02 is \$1.2 million (2.8%) higher than the revised estimate for 2000–01. This is mainly due to salary increments for existing staff, the employment of non-civil service contract staff and additional recurrent expenses relating to the Government Offices Automation System and the Strategic Human Resource Management Information System, partly offset by the deletion of one post in 2001–02 following the implementation of the Strategic Human Resource Management Information System.

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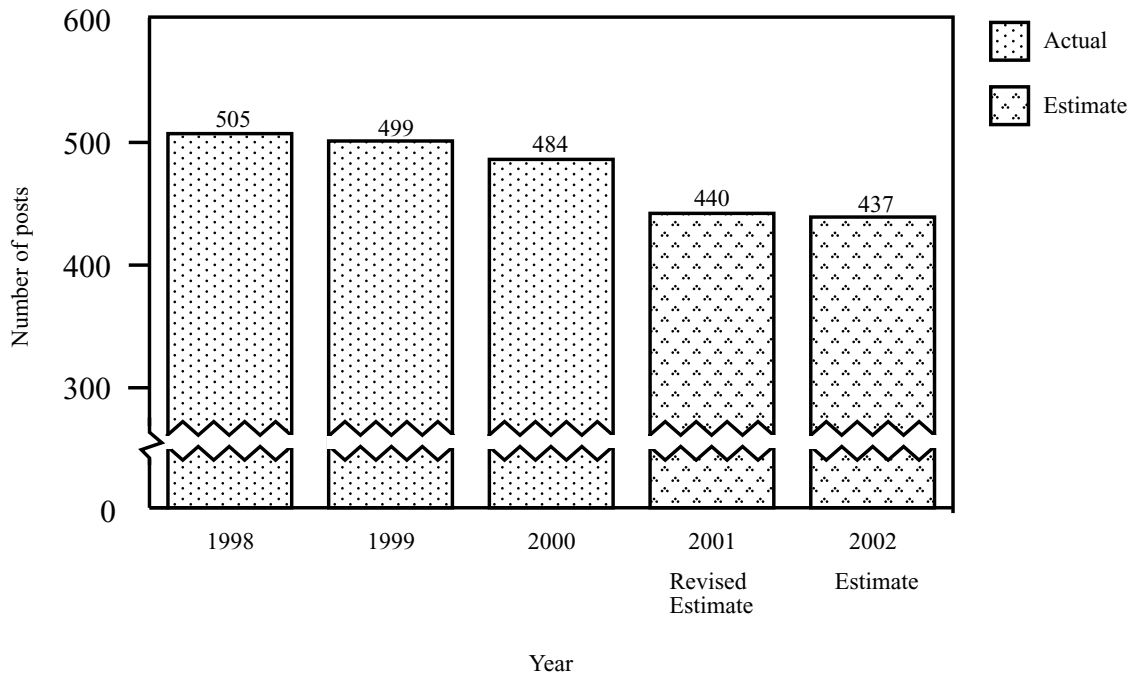
Allocation of provision to programmes (2001-02)



Staff by programme (as at 31 March 2002)



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



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Sub-head (Code)		Actual expenditure 1999–2000	Approved estimate 2000–01	Revised estimate 2000–01	Estimate 2001–02
		\$ 000	\$ 000	\$ 000	\$ 000
Recurrent Account					
I — Personal Emoluments					
001	Salaries.....	117,362	120,748	116,000	114,881
002	Allowances.....	2,736	3,802	3,302	3,302
007	Job-related allowances.....	—	3	3	3
	Total, Personal Emoluments	<u>120,098</u>	<u>124,553</u>	<u>119,305</u>	<u>118,186</u>
III — Departmental Expenses					
119	Specialist supplies and equipment.....	1,638	1,750	1,750	1,750
121	Contract maintenance.....	636	1,100	1,100	3,400
149	General departmental expenses.....	36,793	44,590	44,000	49,975
	Total, Departmental Expenses	<u>39,067</u>	<u>47,440</u>	<u>46,850</u>	<u>55,125</u>
IV — Other Charges					
226	Allocated stores: local landing charges.....	252	544	544	544*
267	Unallocated stores: suspense account adjustment.....	—	1	1	1*
	Total, Other Charges.....	<u>252</u>	<u>545</u>	<u>545</u>	<u>545</u>
	Total, Recurrent Account.....	<u>159,417</u>	<u>172,538</u>	<u>166,700</u>	<u>173,856</u>
Capital Account					
II — Other Non-Recurrent					
700	General other non-recurrent.....	214	3,000	2,000	1,300
	Total, Other Non-Recurrent.....	<u>214</u>	<u>3,000</u>	<u>2,000</u>	<u>1,300</u>
	Total, Capital Account.....	<u>214</u>	<u>3,000</u>	<u>2,000</u>	<u>1,300</u>
	Total Expenditure	<u><u>159,631</u></u>	<u><u>175,538</u></u>	<u><u>168,700</u></u>	<u><u>175,156</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2001–02 for the salaries and expenses of the Government Supplies Department is \$175,156,000. This represents an increase of \$6,456,000 over the revised estimate for 2000–01 and of \$15,525,000 over actual expenditure in 1999–2000.

Recurrent Account

Personal Emoluments

2 Provision of \$118,186,000 for personal emoluments represents a decrease of \$1,119,000 against the revised estimate for 2000–01.

3 The establishment at 31 March 2001 will be 440 permanent posts. It is expected that three permanent posts will be deleted in 2001–02.

4 Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2001–02, but the notional annual mid-point salary value of all such posts must not exceed \$104,890,000.

5 Provision of \$3,302,000 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 \$3,400,000 under *Subhead 121 Contract maintenance* represents an increase of \$2,300,000 (209.1%) over the revised estimate for 2000–01. This is mainly due to the additional requirement in the employment of furniture maintenance contractors resulting from the closure of the Furniture Workshop.

9 Provision of \$49,975,000 under *Subhead 149 General departmental expenses* represents an increase of \$5,975,000 (13.6%) over the revised estimate for 2000–01. This is mainly due to the additional requirement in the employment of non-civil service contract staff and transportation contractors, and additional recurrent expenses relating to the Government Offices Automation System and the Strategic Human Resource Management Information System.

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 31.3.2000	Revised estimated expenditure for 2000-01	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	160	990	850
	225	Conducting International Organisation for Standardisation (ISO) accreditation on procurement services, storage and distribution services and product inspection of Government Supplies Department.....	750	54	242	454
		Total.....	<u>2,750</u>	<u>214</u>	<u>1,232</u>	<u>1,304</u>