

## Head 58 — GOVERNMENT SUPPLIES DEPARTMENT

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

**Estimate 2003–04** ..... **\$178.8m**

**Establishment ceiling 2003–04** (notional annual mid-point salary value) representing an estimated 388 non-directorate posts as at 31 March 2003 reducing by one post to 387 posts as at 31 March 2004..... **\$107.0m**

In addition there will be an estimated four directorate posts as at 31 March 2003 and as at 31 March 2004.

### 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 Financial Services and the Treasury).</p>
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#### Detail

##### Programme (1): Procurement

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	<b>2003–04 (Estimate)</b>
Financial provision (\$m)	48.3	53.5 (+10.8%)	50.5 (–5.6%)	<b>51.8 (+2.6%)</b>

#### *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 enlisting 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 2002. The department expects to meet its targets in 2003.

5 The savings achieved in 2002 through price negotiations amounted to \$118.8 million.

6 The key performance measures in respect of procurement are:

#### *Targets*

	Target	2001 (Actual)	2002 (Actual)	<b>2003 (Plan)</b>
issue of a tender invitation within 12 working days upon receipt of the agreed user specifications (%).....	93	97	96	<b>93</b>
processing and referral of tenders received to users for evaluation within four working days (%) .....	95	96	96	<b>95</b>
submission of tender recommendations to the approving authority within 12 working days upon receipt of the completed evaluation report (%) .....	93	96	96	<b>93</b>

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### *Indicators*

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
expenditure over value of orders (%) .....	0.7	1.1	<b>1.0</b>
value of orders (\$m) .....	6,466.8	4,561.6	<b>5,200.0</b>
contracts handled.....	2 300	1 696	<b>2 400</b>
price trend indicators			
overall price change in purchases (%).....	-7.5	-8.5	—
Consumer Price Index (B) (%).....	-1.6	-3.1	—

### *Matters Requiring Special Attention in 2003–04*

7 During 2003–04, 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
- enhance the Procurement Management System to make it Internet accessible by remote users.

### **Programme (2): Storage and Distribution**

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	63.3	79.1 (+25.0%)	71.0 (-10.2%)	<b>73.2</b> <b>(+3.1%)</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 The department achieved its targets in 2002. The department expects to meet its targets in 2003.

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

### *Targets*

	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
stock turn-over rate for common-user items (the no. of times the stock is flowed through in a year) .....	5.0	4.8	5.0	<b>5.0</b>
stock-out rate (the percentage of stock that is out of supply in a year) (%) .....	1.5	0.8	0.7	<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	83.6	96.5	<b>85.0</b>
delivery of other stores to users within seven working days from the receipt of the Stores Requisition Note (%).....	85.0	91.7	97.5	<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	99.1	98.4	<b>93.0</b>
completion of inspection of delivered goods by the department within seven working days (%) .....	85.0	90.0	92.0	<b>85.0</b>

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### *Indicators*

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
expenditure over value of common-user items issued (%) .....	17.2	13.6	<b>14.2</b>
average stockholding of common-user items (\$m).....	66.0	59.6	<b>55.0</b>
value of purchase (\$m).....	303.5	263.7	<b>253.0</b>
no. of quarters serviced .....	24 900	24 513	<b>24 300</b>

### *Matters Requiring Special Attention in 2003–04*

**12** During 2003–04, 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;
- critically review the range of common-user items with a view to maintaining only essential items in its central warehouse. Term contracts for the supply of non-essential items will be arranged for user departments to place their orders with suppliers for direct delivery;
- 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**

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	46.4	44.9 (–3.2%)	51.2 (+14.0%)	<b>53.8 (+5.1%)</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	2001 (Actual)	2002 (Actual)	2003 (Plan)
provision of classroom training to Supplies Grades staff per annum (man- days) .....	3 500	3 951	4 155	<b>3 500</b>
sale of confiscated, surplus and unserviceable stores by public auction within 21 working days (%) .....	95.0	99.6	99.8	<b>95.0</b>

### *Indicators*

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
cost of staff management over total salaries of Supplies Grades staff managed in other departments (%) .....	4.3	5.1	<b>5.5</b>
no. of Supplies Grades staff managed in other departments....	1 124	1 044	<b>1 043</b>
average cost of surveying one stockholding point (\$) .....	4,166.7	3,536.8	<b>4,632.0</b>
percentage of professionally qualified officers in the Supplies Officer Grade (%) .....	75	78	<b>80</b>

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### *Matters Requiring Special Attention in 2003–04*

**16** During 2003–04, 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	2001-02 (Actual) (\$m)	2002-03 (Approved) (\$m)	2002-03 (Revised) (\$m)	2003-04 (Estimate) (\$m)
(1) Procurement.....	48.3	53.5	50.5	<b>51.8</b>
(2) Storage and Distribution .....	63.3	79.1	71.0	<b>73.2</b>
(3) Services to Other Departments .....	46.4	44.9	51.2	<b>53.8</b>
	158.0	177.5 (+12.3%)	172.7 (-2.7%)	<b>178.8</b> <b>(+3.5%)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2003-04 is \$1.3 million (2.6%) higher than the revised estimate for 2002-03. This is mainly due to salary increments for staff, filling of vacancies and implementation of IT Security Risk Assessment Project, partly offset by the completion of capital projects and the full-year effect of the civil service pay cut in 2002.

##### Programme (2)

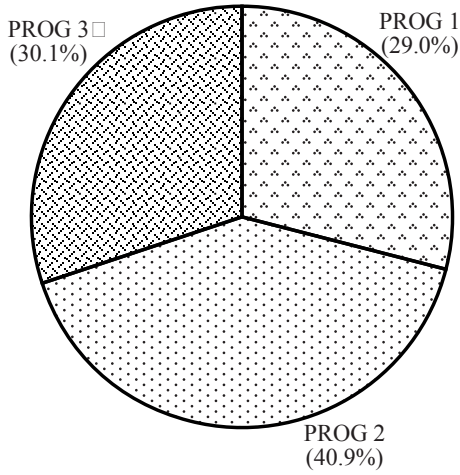
Provision for 2003-04 is \$2.2 million (3.1%) higher than the revised estimate for 2002-03. This is mainly due to salary increments for staff, filling of vacancies and implementation of IT Security Risk Assessment Project, partly offset by the full-year effect of the civil service pay cut in 2002. In addition, five posts will be deleted in 2003-04.

##### Programme (3)

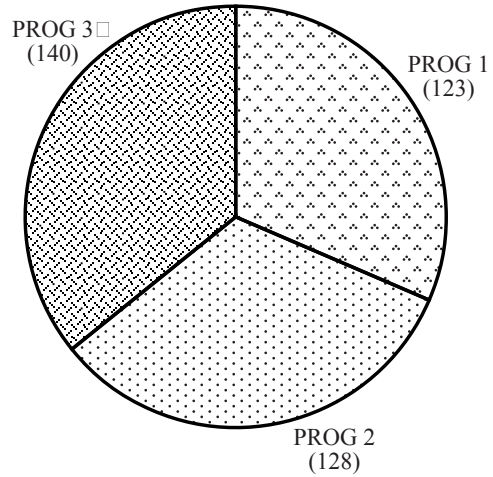
Provision for 2003-04 is \$2.6 million (5.1%) higher than the revised estimate for 2002-03. This is mainly due to salary increments for staff, filling of vacancies and implementation of IT Security Risk Assessment Project and the cost-neutral transfer of four posts from the Information Technology Services Department on 1 April 2003, partly offset by the full-year effect of the civil service pay cut in 2002.

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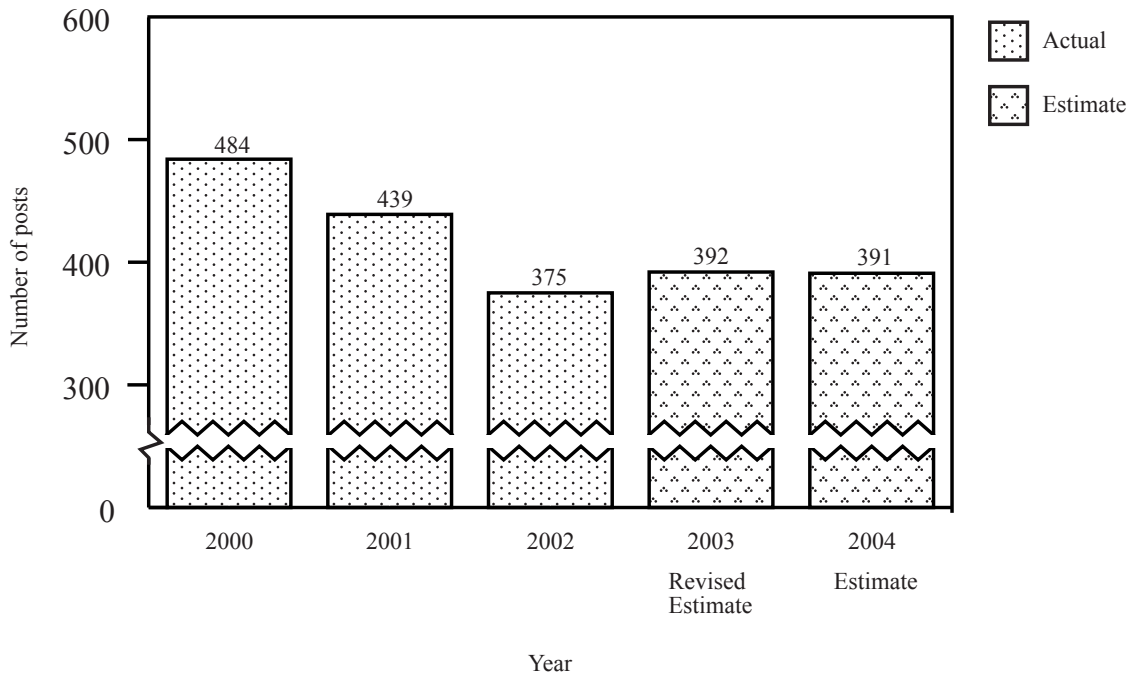
*Allocation of provision  
to programmes  
(2003-04)*



*Staff by programme  
(as at 31 March 2004)*



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



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Sub-head (Code)		Actual expenditure 2001-02	Approved estimate 2002-03	Revised estimate 2002-03	<b>Estimate 2003-04</b>
	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Recurrent Account</b>					
000	Operational expenses.....	—	174,750	171,012	<b>177,670</b>
003	Recoverable salaries and allowances (General).....	—	—	—	—
	Deduct reimbursements.....	—	—	—	—
	<i>Cr. 11,160</i>	—	—	—	—
226	Allocated stores: local landing charges .....	70	200	100	<b>100*</b>
267	Unallocated stores: suspense account adjustment.....	—	1	—	<b>1*</b>
	Salaries .....	111,096	—	—	—
	Allowances .....	2,227	—	—	—
	Specialist supplies and equipment.....	604	—	—	—
	Contract maintenance .....	1,462	—	—	—
	General departmental expenses .....	42,352	—	—	—
	Total, Recurrent Account .....	157,811	174,951	171,112	<b>177,771</b>
<b>Capital Account</b>					
I — Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	—	1,079	738	<b>1,057</b>
	Total, Plant, Equipment and Works .....	—	1,079	738	<b>1,057</b>
II — Other Non-Recurrent					
	General other non-recurrent .....	169	1,452	852	—
	Total, Other Non-Recurrent .....	169	1,452	852	—
	Total, Capital Account .....	169	2,531	1,590	<b>1,057</b>
	Total Expenditure.....	157,980	177,482	172,702	<b>178,828</b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2003–04 for the salaries and expenses of the Government Supplies Department is \$178,828,000. This represents an increase of \$6,126,000 over the revised estimate for 2002–03 and of \$20,848,000 over actual expenditure in 2001–02.

#### *Recurrent Account*

**2** Provision of \$177,670,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Government Supplies Department and its other operating expenses.

**3** The establishment as at 31 March 2003 will be 392 permanent posts. There will be a net deletion of one permanent post in 2003–04, as a result of the cost-neutral transfer of four posts from the Information Technology Services Department and the deletion of five posts. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2003–04, but the notional annual mid-point salary value of all such posts must not exceed \$106,954,000.

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

	2001–02 (Actual) (\$'000)	2002–03 (Original Estimate) (\$'000)	2002–03 (Revised Estimate) (\$'000)	2003–04 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	111,096	109,812	106,667	<b>110,872</b>
- Allowances.....	2,227	2,506	2,421	<b>2,524</b>
- Job-related allowances .....	—	3	—	<b>3</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	<b>68</b>
Departmental Expenses				
- Specialist supplies and equipment.....	604	1,500	1,505	<b>1,700</b>
- Contract maintenance.....	1,462	2,500	1,981	<b>2,000</b>
- General departmental expenses.....	42,352	58,429	58,438	<b>60,503</b>
	157,741	174,750	171,012	<b>177,670</b>

**5** Provision of \$11,160,000 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 Financial Services and the Treasury. Expenditure under this subhead is reimbursed by the Authority.

**6** Provision of \$100,000 under *Subhead 226 Allocated stores: local landing charges* is for payment of transportation costs for the inward shipment of stores.

**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.

#### *Capital Account*

##### Plant, Equipment and Works

**8** Provision of \$1,057,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$319,000 (43.2%) over the revised estimate for 2002–03. This is mainly due to an increase in the number of plant and equipment due for replacement.