

Head 188 — TREASURY

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

Estimate 2003–04 **\$343.9m**

Establishment ceiling 2003–04 (notional annual mid-point salary value) representing an estimated 601 non-directorate posts as at 31 March 2003 reducing by one post to 600 posts as at 31 March 2004..... **\$174.0m**

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

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

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	108.0	120.8 (+11.9%)	103.1 (–14.7%)	122.2 (+18.5%)

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 supervises the accounts of the Government. It serves as the Government's central paymaster in respect of goods and services supplied and subventions. It also arranges for the provision of a centralised collection service in respect of rates, water and sewage charges, government rents, land premiums and other types of revenue. It examines the receipting and payment records of departments to ensure that all public moneys received and paid are promptly and properly brought to account.

4 The Treasury achieved all its targets in 2002 and expects to maintain this level of performance for services provided in 2003.

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

Targets

	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to produce annual statutory statements of accounts after the end of each financial year				
time required (months).....	2.8	2.7	2.7	2.7
to effect payments to creditors within 30 calendar days after receipts of goods/services or invoices (%).....	96.0	98.0	98.0	98.0
to complete processing postal remittances within				
seven working days during peak periods (%).....	99.0	100.0	100.0	99.0
four working days during non-peak periods (%).....	99.0	100.0	100.0	99.0

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	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to reply to written enquiries within nine working days (%)	99.0	100.0	100.0	99.5

Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
no. of payments to creditors	1 027 372	970 486	970 000
no. of revenue collections through the Treasury or the Treasury's agents:			
counter collections.....	5 025 040@	5 949 647§	8 000 000
postal remittances	2 183 657	854 151†	1 100 000
collections by autopay	2 150 101	1 309 482†	2 200 000
collections by other electronic means.....	4 572 124	3 180 624†	5 100 000

@ This figure included the collections by the Treasury Collection Offices before they ceased operation in November 2001 and the collections by the Post Office which started to take over the collection function of the Treasury Collection Offices and the New Territories District Offices (NTDOs) in October 2001.

§ The increase compared to the actual figure of 2001 was mainly due to the full-year effect of the transfer of collection functions from the NTDOs to the Post Office since October 2001, partly offset by reduction in collections arising from concession on rates and water charges respectively from January 2002 and April 2002 for one year.

† The overall reduction in the number of revenue collections in 2002 was mainly due to concession on rates and water charges.

Matters Requiring Special Attention in 2003–04

6 During 2003–04, the Treasury will:

- co-ordinate the preparation of a second set of Government's annual accounts on accrual basis; and
- 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

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	96.2	98.6 (+2.5%)	97.5 (–1.1%)	95.3 (–2.3%)

Aim

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

Brief Description

8 The Treasury is responsible for ensuring that all civil servants are paid, on the prescribed day of each month, the salaries and allowances to which they are entitled. The Treasury also ensures that all pensions, contract gratuities and retirement gratuities are paid on the due date.

9 The Treasury is also responsible for the day-to-day administration of the civil service housing benefit schemes.

10 The other main activities under this programme include the administration of the Widows and Orphans Pension Scheme, the Surviving Spouses' and Children's Pensions Scheme, the Overseas Education Allowance and Local Education Allowance Schemes and passages.

11 The Treasury achieved all its targets in 2002 and expects to maintain this level of performance in 2003.

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

Targets

	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to pay salaries and allowances on the due date (%).....	99.9	99.9	99.9	99.9

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	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to pay pension and contract gratuities on the due date (%)	99.0	98.0	99.0	99.0
to pay recurrent pensions on the due date or two weeks after receipt of claim forms (%)	99.9	99.9	99.9	99.9
to pay passage allowances within 30 calendar days (%)	99.9	99.9	99.9	99.9
to ensure that payments/deductions are correct (%)	99.9	99.9	99.9	99.9
to answer enquiries from pensioners within nine working days of receipt of letter (%)	99.0	99.0	99.5	99.5
to process applications for various civil service housing benefits within the target time (%).....	99.0	99.9	99.9	99.9

Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
no. of civil servants paid.....	180 204	173 513	171 000
no. of participants in various housing benefit schemes.....	40 073	38 106	37 270
no. of pensioners paid.....	72 619	78 500	81 400
no. of passage applications processed	25 987	30 275	35 900

Matters Requiring Special Attention in 2003–04

13 The Treasury Payroll System is undergoing a comprehensive review aimed at providing greater flexibility in response to changes of business requirement.

Programme (3): Accounting and Financial Information Systems

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	108.1	114.1 (+5.6%)	107.8 (–5.5%)	121.2 (+12.4%)

Aim

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

Brief Description

15 The Treasury maintains the Government Financial Management and Information System (GFMIS) which includes the central general ledger providing financial information for the budgetary control of expenditure and revenue and for the production of Government accounts, and other systems to assist departments to determine the cost of their operations and to better manage the resources at their disposal. The Treasury also operates other government-wide systems such as the Payroll System and the web-based Payment of Creditors System and supports departmental financial systems.

16 A feasibility study on GFMIS was completed in early 2002 with a recommendation to replace the existing GFMIS by a new system to be rolled out to all bureaux and departments during 2005 and 2006. The new system will be procured through open tender and the replacement project is targeted to be completed by 2007.

17 All the targets of Programme (3) were met in 2002.

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

Targets

	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to ensure that computer services are provided to users according to an agreed service level system availability (%).....	98.5	99.5	99.3	98.5

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	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to satisfy the requirement of users on the response time of on-line computer services				
users satisfied with response time (%).....	93.0	95.0	95.0	—#

As our computer applications are moving to web-based operations, the existing method for measuring user satisfaction is no longer appropriate. A new indicator will be introduced under the GFMS to be rolled out in 2005–06.

Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
provision of support to departments/bureaux on Ledger Accounting and Financial Information System, accounting, costing and security matters			
no. of departments/bureaux served.....	91	86	85
no. of computer applications	84	80	79

Matters Requiring Special Attention in 2003–04

19 The Treasury will procure the recommended new GFMS system and work on the detailed design with the system contractor.

Programme (4): Management of Funds

	2001–02 (Actual)	2002–03 (Approved)	2002–03 (Revised)	2003–04 (Estimate)
Financial provision (\$m)	5.4	5.5 (+1.9%)	5.3 (–3.6%)	5.2 (–1.9%)

Aim

20 The aim is to invest funds in accordance with approved guidelines and to achieve a reasonable return.

Brief Description

21 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 and the Beat Drugs Fund with a view to achieving a reasonable investment return through prudent investment. It also aims to administer the Funds in a cost-effective manner by promptly and correctly refunding outgoing contributions as well as paying grants to sponsor activities of the Funds.

22 Under a stagnating global economy, the actual investment returns for the two Schools Provident Funds in 2002 were below the target.

23 The key performance measures are:

Target

	Target	2001 (Actual)	2002 (Actual)	2003 (Plan)
to achieve the strategic target investment return of 4% above the Consumer Price Index B (CPI) (subject to a minimum overall return of 5%) for the two Schools Provident Funds in each school year	CPI +4%	CPI –7%	CPI +0.6%	CPI +4%

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Indicators

	2001 (Actual)	2002 (Actual)	2003 (Estimate)
Funds managed (\$m)			
invested in-house			
Schools Provident Funds	21,718	14,229	14,304
Quality Education Fund.....	2,889	1,564	1,505
Sir David Trench Fund for Recreation	401	355	265
Beat Drugs Fund.....	23	14	17
invested by portfolio managers			
Schools Provident Funds	11,695	19,230	21,456
Quality Education Fund.....	1,556	2,175	2,258
Sir David Trench Fund for Recreation	—	—	35
Beat Drugs Fund.....	354	338	324
number of portfolio managers			
Schools Provident Funds	4	7	7
Quality Education Fund.....	2	3	3
Sir David Trench Fund for Recreation	—	—	1
Beat Drugs Fund.....	2	2	2
dividend declared for Schools Provident Funds (%)	5.0	5.0	5.0

Matters Requiring Special Attention in 2003–04

24 During 2003–04, the Treasury will seek consultancy advice on the asset allocation strategy of the Schools Provident Funds and the Quality Education Fund. Hiring additional portfolio managers to carry out investment activities for these Funds will be considered.

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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) Central Accounting, Collections and Payments.....	108.0	120.8	103.1	122.2
(2) Payment of Salaries, Pensions and Benefits.....	96.2	98.6	97.5	95.3
(3) Accounting and Financial Information Systems.....	108.1	114.1	107.8	121.2
(4) Management of Funds.....	5.4	5.5	5.3	5.2
	317.7	339.0 (+6.7%)	313.7 (-7.5%)	343.9 (+9.6%)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2003-04 is \$19.1 million (18.5%) higher than the revised estimate for 2002-03. This is mainly due to the lower than expected expenditure on payment to collection agents in 2002-03 as a result of rates and water charges concession, and additional provision for the implementation of accrual accounting, procurement of office automation facilities, full-year effect of vacancies filled in 2002-03 and salary increments, partly offset by the full-year effect of the civil service pay reduction in 2002 and of posts deleted in 2002-03, the deletion of one post in 2003-04 and efficiency savings in operating expenses.

Programme (2)

Provision for 2003-04 is \$2.2 million (2.3%) lower than the revised estimate for 2002-03. This is mainly due to the full-year effect of posts deleted in 2002-03 and of the civil service pay reduction in 2002, and efficiency savings in operating expenses, partly offset by additional provision for the redevelopment of the Payroll System, salary increments, employment of additional contract staff and procurement of office automation facilities.

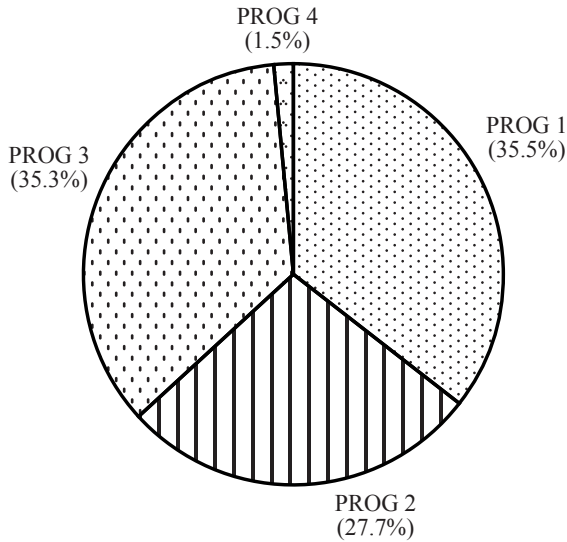
Programme (3)

Provision for 2003-04 is \$13.4 million (12.4%) higher than the revised estimate for 2002-03. This is mainly due to the additional provision for replacing the Government Financial Management Information System, procurement of office automation facilities, creation of supernumerary posts to accommodate officers on pre-retirement leave, full-year effect of vacancies filled in 2002-03, employment of additional contract staff, and salary increments, partly offset by the full-year effect of the civil service pay reduction in 2002 and efficiency savings in operating expenses.

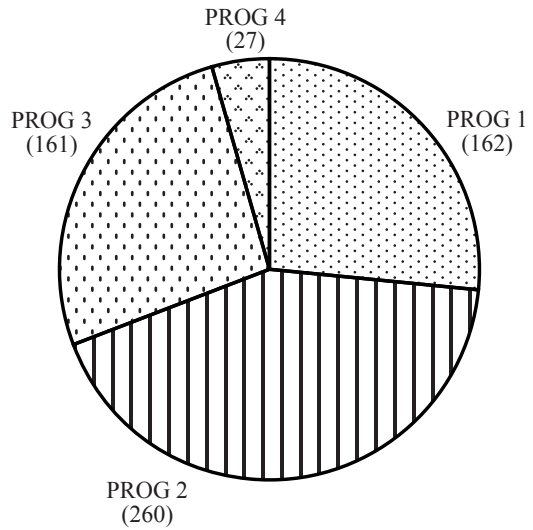
Programme (4)

Provision for 2003-04 is \$0.1 million (1.9%) lower than the revised estimate for 2002-03. This is mainly due to the full-year effect of the civil service pay reduction in 2002 and efficiency savings in operating expenses, partly offset by salary increments and additional provision for procurement of office automation facilities.

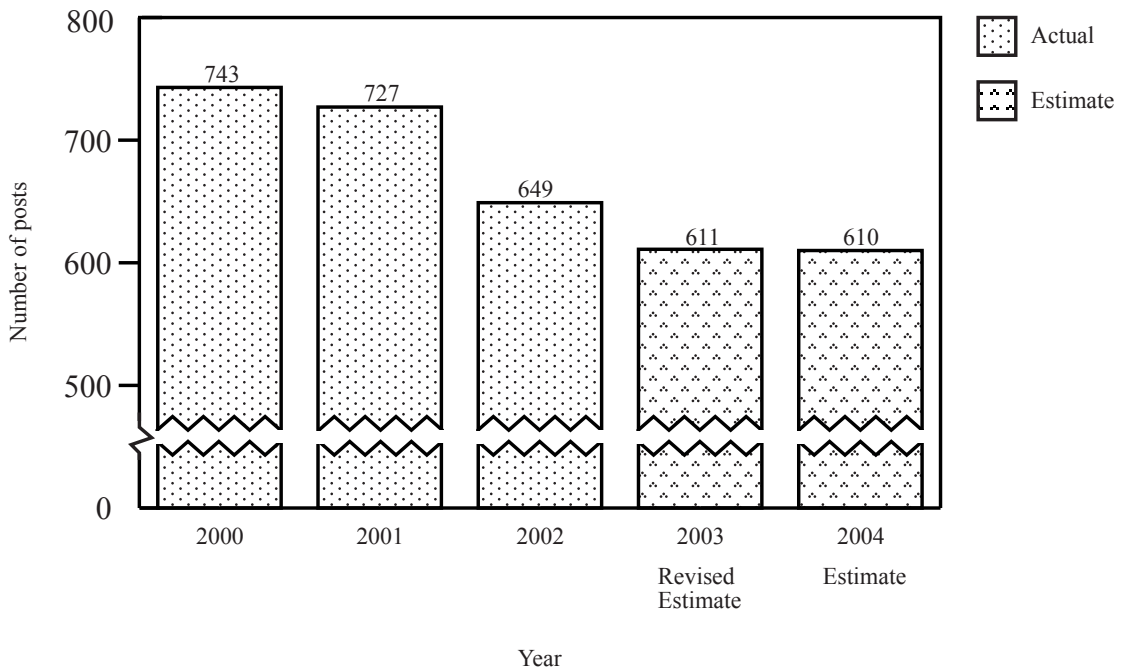
Allocation of provision to programmes (2003-04)



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	Estimate 2003-04
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Account					
000	Operational expenses.....	310,321	334,515	309,047	339,519
003	Recoverable salaries and allowances (General).....	8,410			
	<i>Deduct</i> reimbursements.....	<u>Cr.8,410</u>	—	—	—
187	Agents' commission and expenses	3,607	4,484	4,231	4,384*
	Total, Recurrent Account.....	<u>313,928</u>	<u>338,999</u>	<u>313,278</u>	<u>343,903</u>
Capital Account					
I — Plant, Equipment and Works					
	Plant, vehicles and equipment	3,775	—	412	—
	Total, Plant, Equipment and Works	<u>3,775</u>	<u>—</u>	<u>412</u>	<u>—</u>
	Total, Capital Account	<u>3,775</u>	<u>—</u>	<u>412</u>	<u>—</u>
	Total Expenditure.....	<u><u>317,703</u></u>	<u><u>338,999</u></u>	<u><u>313,690</u></u>	<u><u>343,903</u></u>

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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 Treasury is \$343,903,000. This represents an increase of \$30,213,000 over the revised estimate for 2002–03 and of \$26,200,000 over actual expenditure in 2001–02.

Recurrent Account

2 Provision of \$339,519,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Treasury and its other operating expenses. The increase of \$30,472,000 (9.9%) over the revised estimate for 2002–03 is mainly due to lower than expected expenditure on payment to collection agents in 2002–03 as a result of rates and water charges concession and additional provision for various activities including replacement of the Government Financial Management Information System, redevelopment of the Payroll System, implementation of accrual accounting, procurement of office automation facilities, creation of supernumerary posts to accommodate officers on pre-retirement leave, full-year provision for filling vacant posts, employment of additional contract staff in 2003–04 and salary increments, partly offset by the full-year effect of the civil service pay reduction in 2002 and of posts deleted in 2002–03, deletion of one post in 2003–04 and efficiency savings in operating expenses.

3 The establishment as at 31 March 2003 will be 611 permanent posts. It is expected that one permanent post will be deleted in 2003–04. 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 \$174,018,000.

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.....	217,117	219,530	207,721	210,162
- Allowances.....	2,339	4,601	3,610	3,865
- Job-related allowances.....	315	125	125	15
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	—	—	53
Departmental Expenses				
- General departmental expenses.....	90,550	110,259	97,591	125,424
	310,321	334,515	309,047	339,519

5 Provision of \$8,410,000 under *Subhead 003 Recoverable salaries and allowances* 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 \$4,384,000 under *Subhead 187 Agents' commission and expenses* is for commission and other expenses in respect of payments made through banks and other agencies.