

Head 188 — TREASURY

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

Estimate 2004–05 **\$338.7m**

Establishment ceiling 2004–05 (notional annual mid-point salary value) representing an estimated 574 non-directorate posts as at 31 March 2004 reducing by 52 posts to 522 posts as at 31 March 2005..... **\$163.8m**

In addition there will be an estimated ten directorate posts as at 31 March 2004 and as at 31 March 2005.

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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	100.3	122.2	111.7 (–8.6%)	115.0 (+3.0%)
				(or –5.9% on 2003–04 Original)

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 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 receipt 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 2003 and expects to maintain this level of performance for services provided in 2004.

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

Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (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 receipt of goods/services or invoices (%).....	96.0	98.0	99.0	98.0

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	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
to complete processing postal remittances within				
four working days during peak periods (%).....	99.0	100.0‡	100.0‡	99.0
three working days during non-peak periods (%).....	99.0	100.0‡	100.0‡	99.0
to reply to written enquiries within nine working days (%).....	99.0	100.0	100.0	99.5

‡ For 2002 and the first quarter of 2003, the achievements were against the previous targets of seven working days during peak periods and four working days during non-peak periods.

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
payments to creditors.....	970 486	989 358	994 000
revenue collections through the Treasury or the Treasury's agents:			
counter collections.....	5 949 647§	7 341 461§	8 300 000
postal remittances.....	854 151§	834 915§	900 000
collections by autopay.....	1 309 482§	1 639 273§	2 100 000
collections by other electronic means.....	3 180 624§	3 960 211§	5 300 000

§ The actual figures for 2002 and 2003 reflected a reduction in the number of collections as a result of the concession on rates and water charges during the year.

Matters Requiring Special Attention in 2004–05

6 During 2004–05, 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

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	94.6	95.3	101.0 (+6.0%)	99.1 (–1.9%)

(or +4.0% on
2003–04 Original)

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, the Mandatory Provident Fund Scheme for civil servants and the Civil Service Provident Fund Scheme.

11 The Treasury achieved all its targets in 2003 and expects to maintain this level of performance in 2004.

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

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Targets

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
to pay salaries and allowances on the due date (%).....	99.9	99.9	99.9	99.9
to pay pension and contract gratuities on the due date (%)	99.0	99.0	99.8	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	99.5	99.8	99.5
to process applications for various civil service housing benefits within the target time (%).....	99.0	99.9	99.9	99.9

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
participants in various housing benefit schemes.....	38 106	36 106	34 100
pensioners paid.....	78 500	82 390	87 800
passage applications processed	30 275	28 018	31 200

Matters Requiring Special Attention in 2004–05

13 The new Treasury Payroll System was successfully implemented in September 2003. Monitoring work will continue to ensure the smooth running of the system.

Programme (3): Accounting and Financial Information Systems

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	102.6	121.2	99.4 (–18.0%)	119.5 (+20.2%)

(or –1.4% on
2003–04 Original)

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 According to the recommendation in the feasibility study on GFMIS, the existing GFMIS will be replaced by a new GFMIS to be rolled out to all bureaux and departments during 2005 and 2006. A contract was awarded by open tender and the GFMIS replacement project was started in mid-2003. The project is targeted to be fully implemented by 2006–07 and maintained thereafter on an outsourced basis for six years.

17 The target of Programme (3) was met in 2003.

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

Target

	Target	2002 (Actual)	2003 (Actual)	2004 (Plan)
to ensure that computer services are provided to users according to an agreed service level				
system availability (%).....	98.5	99.3	99.7	98.5

Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
provision of support to departments/bureaux on Ledger Accounting and Financial Information System, accounting, costing and security matters			
departments/bureaux served	86	81	81
computer applications††.....	80	70	62

†† The number of computer applications supported by the Treasury is decreasing as a result of the consolidation of applications and the re-development of departmental financial systems by individual departments.

Matters Requiring Special Attention in 2004–05

19 During 2004–05, the Treasury will work on the design of the new GFMIS with the contractor and, after user testing, assist the relevant departments for the first phase rollout in April 2005.

Programme (4): Management of Funds

	2002–03 (Actual)	2003–04 (Original)	2003–04 (Revised)	2004–05 (Estimate)
Financial provision (\$m)	5.1	5.2	5.1 (-1.9%)	5.1 (—)
				(or -1.9% on 2003–04 Original)

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 Subsidised 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 contributors as well as paying grants to sponsor activities of the Funds.

22 Under an improved global economy, the actual investment returns for the two Schools Provident Funds in 2003 were much higher than the target.

23 The key performance measures are:

Target

	Target	2002 (Actual)	2003 (Actual)	2004 (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 +0.6%	CPI +15.7%	CPI +4%

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Indicators

	2002 (Actual)	2003 (Actual)	2004 (Estimate)
Funds managed			
invested in-house (\$m)			
Schools Provident Funds	14,229	15,816	2,213
Quality Education Fund	1,564	1,683	229
Sir David Trench Fund for Recreation	355	334	321
Beat Drugs Fund	14	17	20
invested by portfolio managers (\$m)			
Schools Provident Funds	19,230	26,860	42,038
Quality Education Fund	2,175	2,857	4,346
Sir David Trench Fund for Recreation	—	46	44
Beat Drugs Fund	338	393	375
number of portfolio managers			
Schools Provident Funds	7	7	11
Quality Education Fund	3	3	5
Sir David Trench Fund for Recreation	—	1	1
Beat Drugs Fund	2	2	2
dividend declared for Schools Provident Funds (%)	5.0	5.0	5.0

Matters Requiring Special Attention in 2004–05

24 During 2004–05, the Treasury will outsource the bond investment activities for the Schools Provident Funds and the Quality Education Fund to portfolio managers.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2002-03 (Actual) (\$m)	2003-04 (Original) (\$m)	2003-04 (Revised) (\$m)	2004-05 (Estimate) (\$m)
(1) Central Accounting, Collections and Payments	100.3	122.2	111.7	115.0
(2) Payment of Salaries, Pensions and Benefits	94.6	95.3	101.0	99.1
(3) Accounting and Financial Information Systems	102.6	121.2	99.4	119.5
(4) Management of Funds.....	5.1	5.2	5.1	5.1
	302.6	343.9	317.2 (-7.8%)	338.7 (+6.8%)
				(or -1.5% on 2003-04 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2004-05 is \$3.3 million (3.0%) higher than the revised estimate for 2003-04. This is mainly due to the lower-than-expected expenditure on payment to collection agents in 2003-04 as a result of rates and water charges concession, and additional provision for salary increments, partly offset by the effect of the 2004 and 2005 civil service pay cut and the full-year effect of posts deleted in 2003-04, the deletion of posts in 2004-05 and efficiency savings in operating expenses.

Programme (2)

Provision for 2004-05 is \$1.9 million (1.9%) lower than the revised estimate for 2003-04. This is mainly due to the effect of the 2004 and 2005 civil service pay cut, the deletion of posts in 2004-05 and efficiency savings in operating expenses, partly offset by additional provision for the maintenance of the Payroll System and salary increments.

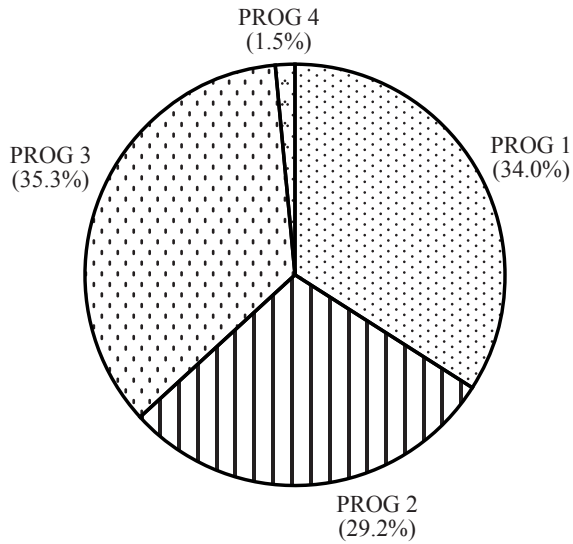
Programme (3)

Provision for 2004-05 is \$20.1 million (20.2%) higher than the revised estimate for 2003-04. This is mainly due to the additional provision for replacing the GFMIS, creation of supernumerary posts to accommodate officers on pre-retirement leave, employment of additional contract staff and salary increments, partly offset by the effect of the 2004 and 2005 civil service pay cut, the deletion of posts in 2004-05 and efficiency savings in operating expenses.

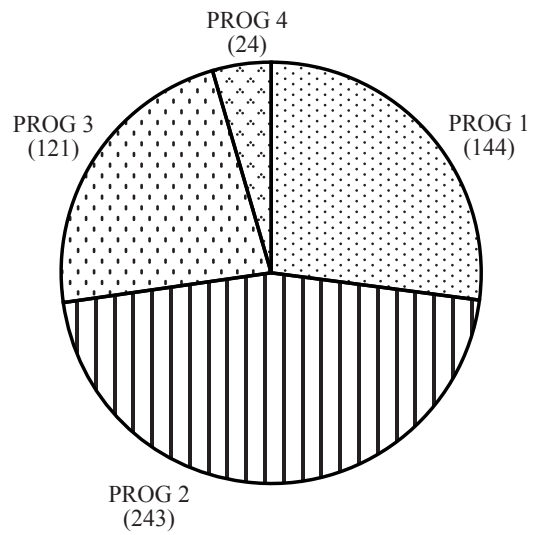
Programme (4)

Provision for 2004-05 is the same as the revised estimate for 2003-04.

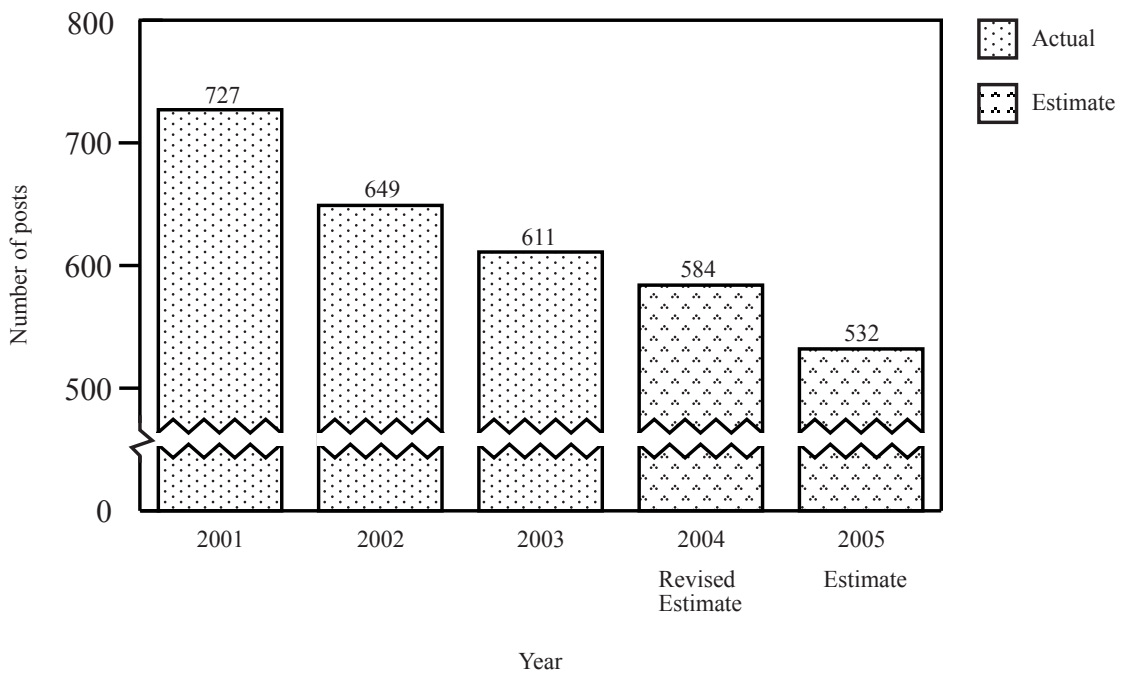
*Allocation of provision
to programmes
(2004-05)*



*Staff by programme
(as at 31 March 2005)*



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



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Sub-head (Code)		Actual expenditure 2002-03	Approved estimate 2003-04	Revised estimate 2003-04	Estimate 2004-05
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Account					
Recurrent					
000	Operational expenses.....	299,180	339,519	313,031	334,302
003	Recoverable salaries and allowances (General).....	7,891			
	<i>Deduct</i> reimbursements.....	<i>Cr. 7,891</i>			
187	Agents' commission and expenses	3,178	4,384	4,139	4,384*
	Total, Recurrent	<u>302,358</u>	<u>343,903</u>	<u>317,170</u>	<u>338,686</u>
	Total, Operating Account.....	302,358	343,903	317,170	338,686
Capital Account					
Plant, Equipment and Works					
	Plant, vehicles and equipment	276	—	—	—
	Total, Plant, Equipment and Works	<u>276</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total, Capital Account	276	—	—	—
	Total Expenditure.....	<u><u>302,634</u></u>	<u><u>343,903</u></u>	<u><u>317,170</u></u>	<u><u>338,686</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2004–05 for the salaries and expenses of the Treasury is \$338,686,000. This represents an increase of \$21,516,000 over the revised estimate for 2003–04 and of \$36,052,000 over actual expenditure in 2002–03.

Operating Account

Recurrent

2 Provision of \$334,302,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Treasury. The increase of \$21,271,000 (6.8%) over the revised estimate for 2003–04 is mainly due to lower-than-expected expenditure on payment to collection agents in 2003–04 as a result of rates and water charges concession and additional provision in 2004–05 for various activities including replacement of the GFMIS and maintenance of the Payroll System, partly offset by the effect of the 2004 and 2005 civil service pay cut.

3 The establishment as at 31 March 2004 will be 584 permanent posts. It is expected that 52 permanent posts will be deleted in 2004–05. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2004–05, but the notional annual mid-point salary value of all such posts must not exceed \$163,779,000.

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

	2002–03 (Actual) (\$'000)	2003–04 (Original) (\$'000)	2003–04 (Revised) (\$'000)	2004–05 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	203,208	210,162	197,274	190,372
- Allowances.....	2,204	3,865	2,959	2,237
- Job-related allowances	80	15	34	12
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	—	53	75	90
Departmental Expenses				
- General departmental expenses.....	93,688	125,424	112,689	141,591
	299,180	339,519	313,031	334,302

5 Provision of \$7,891,000 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. The increase of \$245,000 (5.9%) over the revised estimate for 2003–04 is mainly due to lower-than-expected requirement in 2003–04.