

Head 59 — GOVERNMENT LOGISTICS DEPARTMENT

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

Estimate 2020–21 **\$582.7m**

Establishment ceiling 2020–21 (notional annual mid-point salary value) representing an estimated 727 non-directorate posts as at 31 March 2020 rising by 16 posts to 743 posts as at 31 March 2021..... **\$305.6m**

In addition, there will be an estimated seven directorate posts as at 31 March 2020 and as at 31 March 2021.

Controlling Officer's Report

Programmes

<p>Programme (1) Procurement Programme (2) Supplies Management Programme (3) Land Transport Programme (4) Printing Services</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

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	52.7	57.4	58.4 (+1.7%)	66.6 (+14.0%)
				(or +16.0% on 2019–20 Original)

Aim

- 2 The aim is to purchase for government departments goods and services that represent the best value for money.

Brief Description

3 The main activities under this programme include the formulation of tendering strategies, preparation of tender documents, invitation of tenders, evaluation of tenders in conjunction with user departments, award of contracts and monitoring of contractors' performance for tenders arranged by the Procurement Division of the Department. Other activities include providing advice to government departments on tendering procedures, expanding and maintaining suppliers' lists, conducting market research to identify new sources of supply, undertaking negotiations with suppliers to obtain better prices and terms for the Government as well as providing support for development and review of government procurement policy.

- 4 The key performance measures in respect of procurement are:

Targets

	Target	2018 (Actual)	2019 (Actual)	2020 (Plan)
issuing tender invitations within 12 working days upon receipt of agreed user specifications (%).....	93	100	100	93
processing and referring tenders received to users for evaluation within four working days (%).....	95	100	100	95
submitting tender recommendations to the approving authority within 12 working days upon receipt of completed evaluation reports (%).....	93	100	100	93

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Indicators

	2018 (Actual)	2019 (Actual)	2020 (Estimate)
value of contracts (\$m).....	4,160.3	6,164.3	4,321.0 ϕ
contracts handled.....	168	221	110 ϕ
overall price change in purchases (%)	4.8	1.9	N.A.#

ϕ The figures for 2020 are estimated on the basis of the forecast returns submitted by other government departments and contract information kept by the Department.

Not possible to estimate.

Matters Requiring Special Attention in 2020–21

5 During 2020–21, the Department will:

- adopt a strategic and pro-innovation approach to purchasing to improve the overall value, quality and reliability of goods and services supplied;
- strengthen the advisory services provided to user departments on procurement strategies, particularly under the new pro-innovation government procurement policy; preparation of tender/quotation documents and marking schemes; and procedures for inviting tenders/quotations; and
- provide support for development and review of the pro-innovation government procurement policy.

Programme (2): Supplies Management

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	92.0	96.4	90.8 (–5.8%)	93.9 (+3.4%)
				(or –2.6% on 2019–20 Original)

Aim

6 The aim is to supply common-user items required by government departments through allocated term contracts whereby the items will be delivered by suppliers directly to user departments on an as-and-when-required basis, to supply essential and emergency items to government departments in a cost-effective manner, and to assist government departments to manage their procurement and supplies activities effectively.

Brief Description

7 The Department is responsible for arranging the allocated term contracts and monitoring the draw-off rates for common-user items by government departments. It also carries out an inspection programme to assist departments' management of these items.

8 The Department is also responsible for maintaining, storing and distributing essential and emergency items to government departments, and inspecting such goods upon delivery by suppliers. The Department supplies additional and replacement items of quarters furniture for government quarters. It also provides various miscellaneous services such as the disposal of confiscated, unserviceable, technically obsolete and unclaimed stores.

9 The Department conducts compliance checks to ensure full compliance with relevant procurement and stores management policy and procedures by government departments.

10 The key performance measures in respect of supplies management are:

Targets

	Target	2018 (Actual)	2019 (Actual)	2020 (Plan)
responding within seven working days to requests in connection with quarters furniture (excluding orders where delivery is requested on a date more than seven working days ahead) (%).....	95	100	100	95
completing inspection of delivered goods within seven working days (%)	90	100	100	90

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	Target	2018 (Actual)	2019 (Actual)	2020 (Plan)
disposing of confiscated, unserviceable, technically obsolete and unclaimed stores by public auction within 21 working days (%).....	95	100	100	95

Indicators

	2018 (Actual)	2019 (Actual)	2020 (Estimate)
stock turnover rate for essential and emergency items (no. of times the stock flows through in a year)	1.7	1.7	1.7
value of purchase of essential and emergency items (\$m).....	13.7	13.9	14.4
average stockholding of essential and emergency items (\$m).....	8.4	8.6	8.8
quarters serviced.....	23 335	23 985	23 985

Matters Requiring Special Attention in 2020–21

11 During 2020–21, the Department will continue to:

- arrange allocated term contracts for the supply of common-user items so that user departments may place orders with suppliers for direct delivery as and when required, monitor the draw-off rates by user departments and conduct inspections on departments' management of these items;
- look for ways to further improve supply, storage and distribution operations having regard to practices in the private sector;
- review the specifications for common-user items to promote the purchase of environment-friendly products while ensuring value for money;
- provide logistical support services to government departments in meeting requirements for emergency items during contingencies; and
- conduct compliance checks to ensure that departments follow fully relevant procurement and stores management policy and procedures.

Programme (3): Land Transport

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	154.5	160.1	159.4 (–0.4%)	152.3 (–4.5%)
				(or –4.9% on 2019–20 Original)

Aim

12 The aim is to procure vehicles to meet the operational needs of government departments at the best value for money and to provide government departments with transport management advice and support services.

Brief Description

13 The Department renders advice to government departments on the efficient operation and management of their vehicle fleets. It vets requests for additional and replacement vehicles to ensure that their procurement is justified. The Department procures vehicles, other than specialised vehicles, for government departments and manages the funding through a block vote.

14 To contribute to Government's policy on environmental protection, the Department implements green measures, including the use of liquefied petroleum gas light buses and exploring the feasibility of using more environment-friendly vehicles in the government fleet. In support of the policy initiative of promoting the wider use of electric vehicles, the Department will continue to keep abreast of the latest technological development of electric vehicles and encourage the use of electric vehicles to replace the retiring ones subject to the availability of suitable models in the market and the performance of the electric vehicles in meeting departments' operational requirements.

15 The Department operates a transport pool which supplements departmental fleets and provides transport services to government departments with no or insufficient departmental vehicles. It also arranges contract hiring of commercial vehicles to provide services that are not available within the Government, or to cope with seasonal peak demand or short-term transportation needs which do not justify the procurement of additional vehicles.

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16 The Department is responsible for ensuring that government drivers maintain a high standard of driving and road safety through training and tests.

17 The key performance measures in respect of land transport are:

Targets

	Target	2018 (Actual)	2019 (Actual)	2020 (Plan)
transport pool resources utilisation				
drivers tasked daily (%)	90	92	95	90
pool vehicles utilised daily (%).....	88	93	90	88

Indicators

	2018 (Actual)	2019 (Actual)	2020 (Estimate)
vehicles procured			
additional.....	26	30	49
replacement.....	465	208	321
blameworthy accidents per 1 000 000 km.....	0.9	0.9	0.9
officers who have attended driving related training courses			
during the year.....	955	956	950
trainees on driving courses.....	154	155	150

Matters Requiring Special Attention in 2020–21

18 During 2020–21, the Department will continue to:

- monitor the transport needs of government departments with a view to containing the size of the government fleet and identifying savings opportunities;
- give priority to environment-friendly vehicles when replacing vehicles in the government fleet subject to availability of suitable models in the market as well as operational and resources considerations;
- adopt a pro-innovation approach to procurement of vehicles; and
- improve the cost-effectiveness of the pool transport services.

Programme (4): Printing Services

	2018–19 (Actual)	2019–20 (Original)	2019–20 (Revised)	2020–21 (Estimate)
Financial provision (\$m)	241.3	254.5	252.8 (–0.7%)	269.9 (+6.8%)
				(or +6.1% on 2019–20 Original)

Aim

19 The aim is to provide cost-effective and quality printing services to government departments.

Brief Description

20 The Department produces a wide range of printed materials, including publications, government forms and paper stationery. The Department also advises government departments on all matters related to printing, including the use and purchase of printing equipment and accessories.

21 The key performance measures in respect of printing services are:

Targets

	Target	2018 (Actual)	2019 (Actual)	2020 (Plan)
printing and delivering printed materials within an agreed schedule (%).....	98	99	98	98
providing written technical advice on printing within seven working days (%).....	98	100	100	98

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Indicators

	2018 (Actual)	2019 (Actual)	2020 (Estimate)
use of available production capacity (%).....	89	89	88
share of security printing work (as a proportion of total sales value) (%)	15	15	16

Matters Requiring Special Attention in 2020–21

22 During 2020–21, the Department will continue to strive for continuous improvement in its printing services.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2018–19 (Actual) (\$m)	2019–20 (Original) (\$m)	2019–20 (Revised) (\$m)	2020–21 (Estimate) (\$m)
(1) Procurement.....	52.7	57.4	58.4	66.6
(2) Supplies Management.....	92.0	96.4	90.8	93.9
(3) Land Transport.....	154.5	160.1	159.4	152.3
(4) Printing Services.....	241.3	254.5	252.8	269.9
	540.5	568.4	561.4 (-1.2%)	582.7 (+3.8%)
				(or +2.5% on 2019–20 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2020–21 is \$8.2 million (14.0%) higher than the revised estimate for 2019–20. This is mainly due to the increased requirement in salaries and allowances, partly offset by the decreased requirement in departmental expenses. There will be a net increase of nine posts in 2020–21.

Programme (2)

Provision for 2020–21 is \$3.1 million (3.4%) higher than the revised estimate for 2019–20. This is mainly due to the increased requirement in salaries and allowances as well as departmental expenses, partly offset by the reduced provision for replacement of minor plant and equipment. There will be a net increase of three posts in 2020–21.

Programme (3)

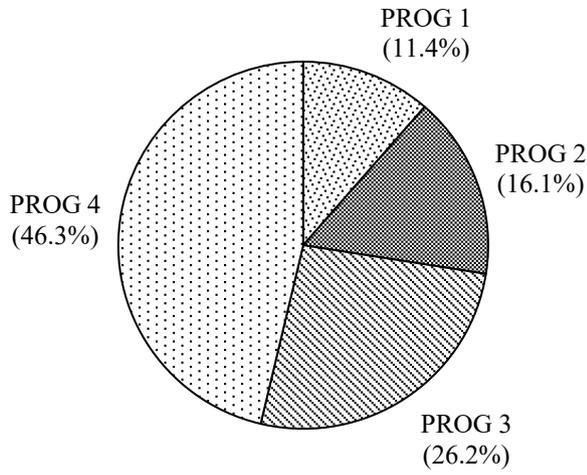
Provision for 2020–21 is \$7.1 million (4.5%) lower than the revised estimate for 2019–20. This is mainly due to the reduced provision for procurement of general purpose vehicles, partly offset by the increased requirement in salaries and allowances as well as departmental expenses. There will be an increase of four posts in 2020–21.

Programme (4)

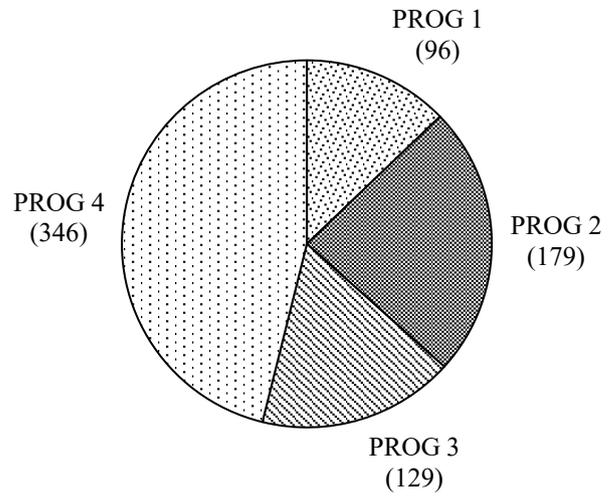
Provision for 2020–21 is \$17.1 million (6.8%) higher than the revised estimate for 2019–20. This is mainly due to the increased requirement in salaries and allowances as well as departmental expenses, partly offset by the reduced provision for replacement of minor plant and equipment.

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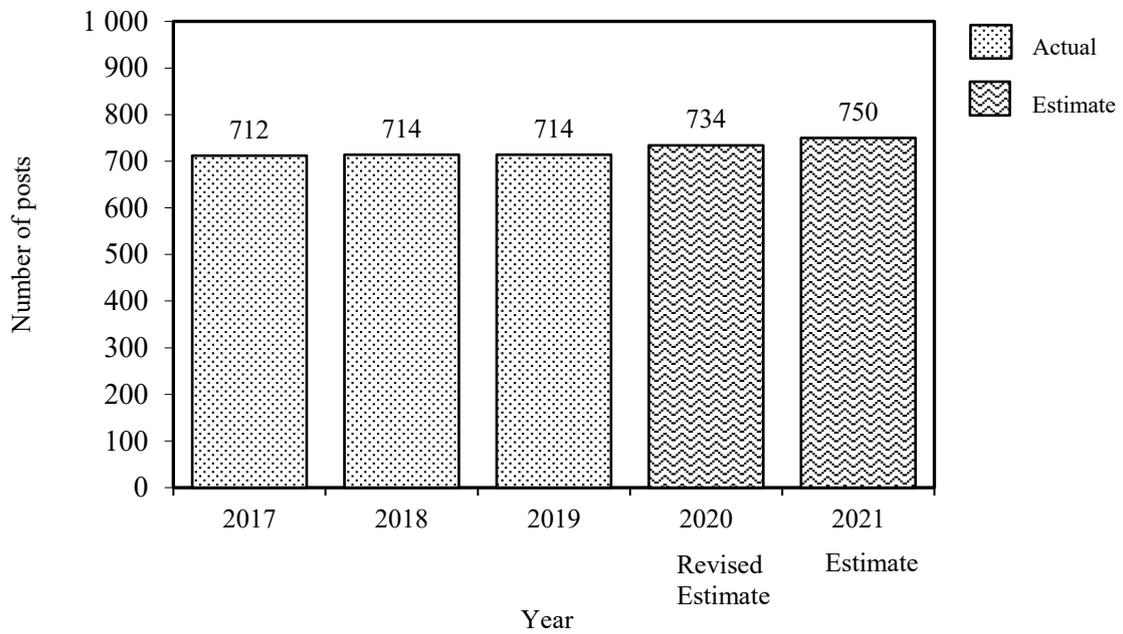
Allocation of provision to programmes (2020-21)



Staff by programme (as at 31 March 2021)



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



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Sub-head (Code)	Actual expenditure 2018–19	Approved estimate 2019–20	Revised estimate 2019–20	Estimate 2020–21
	\$'000	\$'000	\$'000	\$'000
Operating Account				
Recurrent				
000	429,298	465,284	458,280	498,724
003	Recoverable salaries and allowances (General)..... 18,970			
	<i>Deduct</i> reimbursements <i>Cr. 18,970</i>	—	—	—
224	Motor Insurers' Bureau - government contribution	83	103	103
225	Traffic Accident Victims Assistance Scheme - levies.....	883	927	957
226	Allocated stores: local landing charges.....	—	10	10
267	Unallocated stores: suspense account adjustment	—	1	1
	Total, Recurrent.....	430,264	466,325	499,795
	Total, Operating Account	430,264	466,325	499,795
Capital Account				
Plant, Equipment and Works				
661	Minor plant, vehicles and equipment (block vote).....	16,281	9,064	2,900
691	General purpose vehicles (block vote).....	93,999	93,000	80,000
	Total, Plant, Equipment and Works.....	110,280	102,064	82,900
	Total, Capital Account.....	110,280	102,064	82,900
	Total Expenditure	540,544	568,389	582,695

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Details of Expenditure by Subhead

The estimate of the amount required in 2020–21 for the salaries and expenses of the Government Logistics Department is \$582,695,000. This represents an increase of \$21,326,000 over the revised estimate for 2019–20 and \$42,151,000 over the actual expenditure in 2018–19.

Operating Account

Recurrent

2 Provision of \$498,724,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Logistics Department.

3 The establishment as at 31 March 2020 will be 734 permanent posts. It is expected that there will be a net increase of 16 posts in 2020–21. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2020–21, but the notional annual mid-point salary value of all such posts must not exceed \$305,604,000.

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

	2018–19 (Actual) (\$'000)	2019–20 (Original) (\$'000)	2019–20 (Revised) (\$'000)	2020–21 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	251,982	268,680	269,505	292,982
- Allowances	11,520	12,436	13,782	15,512
- Job-related allowances.....	1,495	1,587	1,587	1,693
Personnel Related Expenses				
- Mandatory Provident Fund contribution	1,312	1,575	1,575	1,654
- Civil Service Provident Fund contribution	10,083	16,570	14,856	16,472
Departmental Expenses				
- Specialist supplies and equipment.....	82,165	84,474	81,474	90,032
- Contract maintenance	987	1,097	1,097	1,151
- General departmental expenses	69,754	78,865	74,404	79,228
	429,298	465,284	458,280	498,724

5 Provision of \$18,970,000 under *Subhead 003 Recoverable salaries and allowances (General)* is for the salaries and allowances for a team of civil servants providing supplies services to the Hong Kong Housing Authority (the 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 \$103,000 under *Subhead 224 Motor Insurers' Bureau - government contribution* is for the Government's contribution towards the Bureau to assist victims of road accidents who are unable to obtain compensation under third-party insurance.

7 Provision of \$957,000 under *Subhead 225 Traffic Accident Victims Assistance Scheme - levies* is for statutory payments under the Traffic Accident Victims (Assistance Fund) Ordinance (Cap. 229).

8 Provision of \$10,000 under *Subhead 226 Allocated stores: local landing charges* is for the payment of port related charges for shipments from places outside Hong Kong.

9 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

10 Provision of \$2,900,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents a decrease of \$6,164,000 (68%) against the revised estimate for 2019–20. This is mainly due to the decreased cash flow requirement for replacement of minor plant and equipment.

11 Provision of \$80 million under *Subhead 691 General purpose vehicles (block vote)* represents a decrease of \$13 million (14%) against the revised estimate for 2019–20. This is mainly due to the decreased cash flow requirement for procurement of government vehicles which are designed and used primarily for the carriage of passengers and/or goods with a unit cost not exceeding \$10 million.