

Head 188 — TREASURY

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

Estimate 2002–03 **\$339.0m**

Establishment ceiling 2002–03 (notional annual mid-point salary value) representing an estimated 639 non-directorate posts at 31 March 2002 reducing by 22 posts to 617 posts at 31 March 2003 **\$187.1m**

In addition there will be an estimated ten directorate posts at 31 March 2002 and at 31 March 2003.

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 the Treasury).</p>
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Detail

Programme (1): Central Accounting, Collections and Payments

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	101.0	107.4 (+6.3%)	111.1 (+3.4%)	120.8 (+8.7%)

Aim

- 2 The aim is to produce the accounts of the Government and to provide centralised collection and payment services.

Brief Description

3 The Treasury compiles and supervises the accounts of the Government including the main accounts and a number of special funds. 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 premia and other demand notes. It examines receipting records and payment authorisations 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 2001 and expects to maintain this level of performance for services provided in 2002.

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

Targets

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
to produce annual statements of accounts after the end of each financial year				
time required (months)	2.8	2.6	2.7	2.7
to effect payments to creditors within 30 calendar days after receipts of goods/services or invoices (%)	96.0	96.0	98.0	98.0
to complete processing postal remittances within				
seven working days during peak periods (%)§	99.0	99.2	100.0	99.0
four working days during non-peak periods (%)φ	99.0	99.2	100.0	99.0
to keep waiting time at Treasury Collection Offices within				
25 minutes during peak periods (%)..	99.0	98.8	99.7	—#
eight minutes during lunch non-peak periods (%).....	99.0	99.6	100.0	—#

Head 188 — TREASURY

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
four minutes during non-peak periods (%)	99.0@	98.8	99.7	—#
to reply to written enquiries within nine working days (%)	99.0	100.0	100.0	99.5

§ The present target is an improvement over the year 2000 target of completing within ten working days and the year 2001 target of completing within nine working days

φ The present target is an improvement over the year 2000 target of completing within seven working days and the year 2001 target of completing within six working days

@ The target was 98% for 2000

Treasury Collection Offices ceased operation with effect from 3 October 2001 when the collection service was taken over by Post Office

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
no. of payments.....	1 030 857	1 027 372	1 038 000
no. of counter collections	4 101 565	2 981 024#	—#
no. of postal remittances	2 488 385	2 183 657	1 700 000
no. of collections by autopay	2 110 876	2 150 101	2 000 000
no. of collections by other electronic means	3 727 984	4 572 124	4 700 000

Treasury Collection Offices ceased operation with effect from 3 October 2001 when the collection service was taken over by Post Office.

Matters Requiring Special Attention in 2002–03

6 During 2002–03, the Treasury will:

- start to 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 outsourcing the service of collection of payments by post.

Programme (2): Payment of Salaries, Pensions and Benefits

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	88.1	97.5 (+10.7%)	98.6 (+1.1%)	98.6 (0.0%)

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 must also ensure 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 generally achieved its targets in 2001 and expects to maintain this level of performance in 2002.

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

Targets

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
to pay salaries and allowances on the due date (%)	99.9	99.9	99.9	99.9

Head 188 — TREASURY

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
to pay pension and contract gratuities on the due date (%)	99.0	99.0	98.0	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 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	99.0	99.5
to process applications for various civil service housing benefits within the target time (%)	99.0	99.9	99.9	99.0

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
no. of civil servants paid.....	186 539	180 204	180 200
no. of participants in various housing benefit schemes	41 329	40 073	38 670
no. of pensioners paid.....	64 935	72 619	77 800
no. of passage applications processed	23 040	25 987	27 390

Matters Requiring Special Attention in 2002–03

13 The Treasury will take forward a comprehensive review of the Treasury Payroll System with a view to providing greater flexibility in response to changes of business requirement.

Programme (3): Accounting and Financial Information Systems

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	107.0	113.9 (+6.4%)	112.5 (–1.2%)	114.1 (+1.4%)

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 Systems (GFMS) which include 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 Payment of Creditors System and supports departmental financial systems.

16 In 2001, a consultant was appointed to carry out a feasibility study on upgrading the GFMS to better meet the financial information and management needs of the Government. A Steering Group has been formed to manage the consultancy, consider the consultant's recommendation and the experience of other governments and private organisations, and develop a course of action to ensure that appropriate systems are in place for the Government's needs.

17 The Treasury achieved all its targets in 2001 and expects to maintain this level of performance in 2002.

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

Targets

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
to ensure that computer services are provided to users according to an agreed service level system availability (%)	98.5	99.6	99.5	98.5

Head 188 — TREASURY

	Target	2000 (Actual)	2001 (Actual)	2002 (Plan)
to satisfy the requirement of users on the response time of on-line computer services				
users satisfied with response time (%).....	93.0	94.7	95.0	94.0

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
provision of support to departments on Ledger Accounting and Financial Information System, accounting, costing and security matters			
no. of departments served	90	91	91
no. of computer applications	84	84	80

Matters Requiring Special Attention in 2002–03

19 Subject to funding approval of Finance Committee, the Treasury will make arrangement for the procurement of the recommended GFMS system solution and provide support to departments as they respond to changes required in the contents of government financial reports.

Programme (4): Management of Funds

	2000–01 (Actual)	2001–02 (Approved)	2001–02 (Revised)	2002–03 (Estimate)
Financial provision (\$m)	5.2	5.5 (+5.8%)	5.6 (+1.8%)	5.5 (–1.8%)

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 2001 were below the target.

23 The key performance measures are:

Target

	Target	2000 (Actual)	2001 (Actual)	2002 (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 +16%	CPI –7%	CPI +4%

Indicators

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
Funds managed (\$m)			
invested in-house			
Schools Provident Funds.....	22,656	21,718	22,765
Quality Education Fund	3,724	2,889	2,586
Sir David Trench Fund for Recreation.....	459	401	385
Beat Drugs Fund	36	23	23

Head 188 — TREASURY

	2000 (Actual)	2001 (Actual)	2002 (Estimate)
invested by portfolio managers			
Schools Provident Funds	10,579	11,695	12,258
Quality Education Fund.....	1,977	1,556	1,393
Beat Drugs Fund.....	393	354	354
number of portfolio managers			
Schools Provident Funds	4	4	4
Quality Education Fund.....	2	2	2
Beat Drugs Fund.....	2	2	2
dividend declared for Schools Provident Funds (%)	6.3	5.0	5.0

Matters Requiring Special Attention in 2002-03

24 During 2002-03, the Treasury will explore new arrangements to increase the revenue of the Funds, including the appointment of additional portfolio managers to carry out investment activities.

Head 188 — TREASURY

ANALYSIS OF FINANCIAL PROVISION

Programme	2000-01 (Actual) (\$m)	2001-02 (Approved) (\$m)	2001-02 (Revised) (\$m)	2002-03 (Estimate) (\$m)
(1) Central Accounting, Collections and Payments	101.0	107.4	111.1	120.8
(2) Payment of Salaries, Pensions and Benefits	88.1	97.5	98.6	98.6
(3) Accounting and Financial Information Systems	107.0	113.9	112.5	114.1
(4) Management of Funds.....	5.2	5.5	5.6	5.5
	301.3	324.3 (+7.6%)	327.8 (+1.1%)	339.0 (+3.4%)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2002-03 is \$9.7 million (8.7%) higher than the revised estimate for 2001-02. This is mainly due to the full-year effect of payment to Post Office for counter collection service with effect from 3 October 2001, requirement to meet increased number of payment by electronic means and expenses for the implementation of accrual accounting, creation of six posts in 2002-03, and salary increments for staff, partly offset by the full-year effect of the deletion of 73 posts in 2001-02 and nine posts in 2002-03, and a reduction in general administrative expenses due to the completion of two projects in 2001-02.

Programme (2)

Provision for 2002-03 is the same as the revised estimate for 2001-02. This is mainly due to the requirement to employ additional contract staff and salary increments for staff, offset by the full-year effect of the net deletion of four posts in 2001-02, the deletion of 19 posts in 2002-03 and a reduction in general administrative expenses due to the completion of two projects in 2001-02.

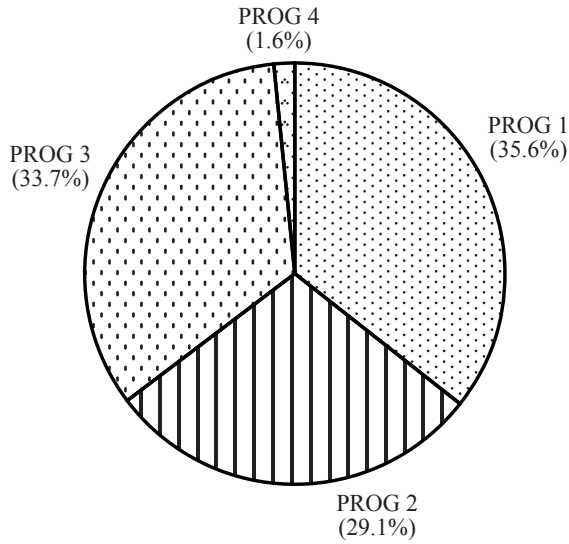
Programme (3)

Provision for 2002-03 is \$1.6 million (1.4%) higher than the revised estimate for 2001-02. This is mainly due to the provision for vacancies to be filled in 2002-03, requirement to employ additional contract staff, and salary increments for staff, partly offset by the full-year effect of the deletion of one post in 2001-02 and a reduction in general administrative expenses due to the completion of two projects in 2001-02.

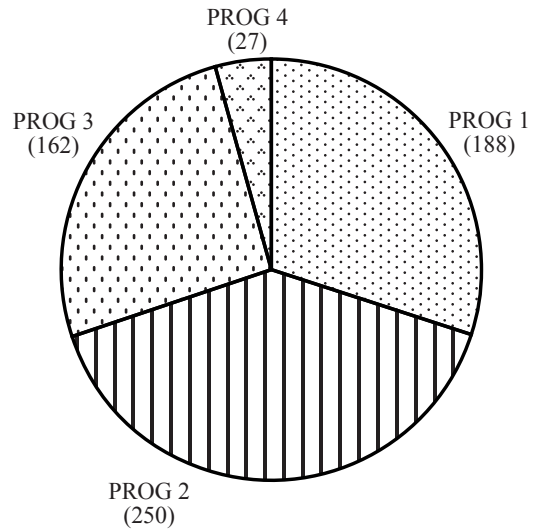
Programme (4)

Provision for 2002-03 is \$0.1 million (1.8%) lower than the revised estimate for 2001-02. This is mainly due to a reduction in general administrative expenses due to the completion of two projects in 2001-02, partly offset by the salary increments for staff.

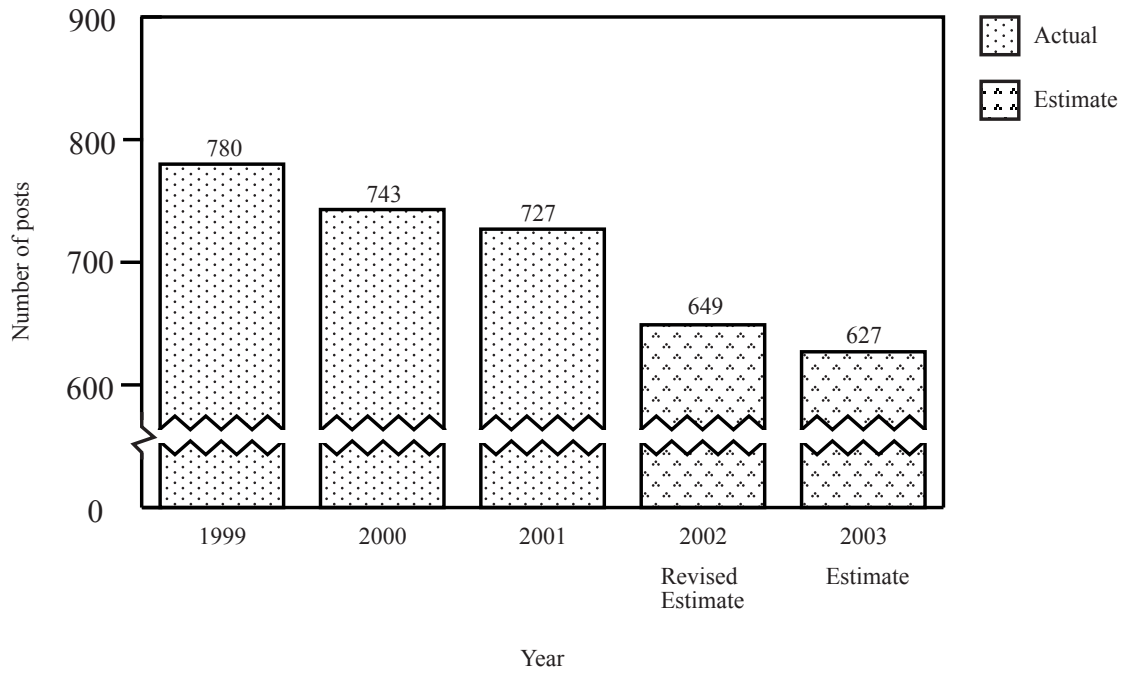
Allocation of provision to programmes (2002-03)



Staff by programme (as at 31 March 2003)



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



Head 188 — TREASURY

Sub-head (Code)		Actual expenditure 2000-01	Approved estimate 2001-02	Revised estimate 2001-02	Estimate 2002-03
	\$'000	\$'000	\$'000	\$'000	\$'000
Recurrent Account					
000	Operational expenses	297,533	315,362	319,565	334,515
003	Recoverable salaries and allowances 8,852				
	<i>Deduct</i> reimbursements..... <i>Cr. 8,852</i>	—	—	—	—
187	Agents' commission and expenses.....	3,743	4,409	3,770	4,484*
	Total, Recurrent Account.....	301,276	319,771	323,335	338,999
Capital Account					
I — Plant, Equipment and Works					
	Plant, vehicles and equipment.....	—	4,500	4,500	—
	Total, Plant, Equipment and Works	—	4,500	4,500	—
	Total, Capital Account.....	—	4,500	4,500	—
	Total Expenditure.....	301,276	324,271	327,835	338,999

Head 188 — TREASURY

Details of Expenditure by Subhead

The estimate of the amount required in 2002–03 for the salaries and expenses of the Treasury is \$338,999,000. This represents an increase of \$11,164,000 over the revised estimate for 2001–02 and of \$37,723,000 over actual expenditure in 2000–01.

Recurrent Account

2 Provision of \$334,515,000 under *Subhead 000 Operational expenses* is for the salaries and allowances of staff of the Treasury and its other operating expenses. The increase of \$14,950,000 (4.7%) over the revised estimate for 2001–02 is mainly due to full-year effect of payment to Post Office for counter collection service, additional requirement in transaction fees to meet increased number of payment by electronic means, expenses for the implementation of accrual accounting, full-year provision for posts created in 2001–02, provision for filling vacant posts and employing additional contract staff in 2002–03, and salary increments for staff, partly offset by the full-year effect of the deletion of posts in 2001–02 and 2002–03, and a reduction in general administrative expenses due to the completion of two projects (installation of uninterruptible power supply systems and technical study on the information technology security implementation) in 2001–02. Management and control of the Treasury's operational expenses take the form of a one-line vote.

3 As a vote-funded department, the Treasury is subject to establishment control. The establishment at 31 March 2002 will be 649 permanent posts. It is expected that a net 22 permanent posts will be deleted in 2002–03. Subject to certain conditions, the controlling officer may under delegated powers create or delete non-directorate posts during 2002–03, but the notional annual mid-point salary value of all such posts must not exceed \$187,067,000.

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

	2000–01 (Actual) (\$'000)	2001–02 (Original Estimate) (\$'000)	2001–02 (Revised Estimate) (\$'000)	2002–03 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	218,678	231,610	220,132	219,530
- Allowances	3,076	4,774	3,791	4,601
- Job-related allowances	502	553	362	125
Departmental Expenses				
- General departmental expenses	75,277	78,425	95,280	110,259
	297,533	315,362	319,565	334,515

5 Provision of \$8,852,000 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 the Treasury. Expenditure under this subhead is reimbursed by the Funds.

6 Provision of \$4,484,000 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 \$714,000 (18.9%) over the revised estimate for 2001–02 is mainly due to an increase in the number of payments made by autopay and other electronic means, and an increase in the number of payments of pensions through overseas agents.