

Head 51 — GOVERNMENT PROPERTY AGENCY

Controlling officer: the Government Property Administrator will account for expenditure under this Head.

Estimate 2006–07 **\$1,711.9m**

Establishment ceiling 2006–07 (notional annual mid-point salary value) representing an estimated 209 non-directorate posts as at 31 March 2006 reducing by three posts to 206 posts as at 31 March 2007 **\$74.4m**

In addition, there will be an estimated seven directorate posts as at 31 March 2006 and as at 31 March 2007.

Controlling Officer's Report

Programmes

<p>Programme (1) Acquisition and Allocation Programme (2) Property Management Programme (3) Estate Utilisation</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): Acquisition and Allocation

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	689.1	707.5	683.6 (–3.4%)	731.1 (+6.9%)
				(or +3.3% on 2005–06 Original)

Aim

2 The aim is to meet Government's needs, mainly for offices and quarters, in an economical and cost-effective manner.

Brief Description

3 This programme involves:

- assessing and co-ordinating Government's needs for general use accommodation;
- planning to meet Government's needs for general use accommodation through construction of new government offices buildings and renting or purchasing at terms most advantageous to the Government;
- allocating office accommodation to government bureaux/departments and making available quarters accommodation to government bureaux/departments for allocation to government officers;
- providing input to major refurbishment programmes in respect of government buildings;
- setting, assessing and reviewing space and furniture standards for office and specialist buildings;
- vetting or assisting in the vetting of schedules of accommodation for government bureaux/departments in respect of general use/specialist accommodation and for voluntary organisations using government accommodation;
- negotiating the best overall deal for the Government for acquired and leased accommodation; and
- assessing requirements for Government, Institution and Community (GIC) accommodation in private developments.

4 Except for the target on rental level of leased offices as a percentage of market rent, the targets under this programme were achieved in 2005. The target rental level of leased offices in 2005 as a percentage of market rent was marginally not met because the office leasing market has recovered and landlords generally have higher expectations on rental. The Agency will work to achieve its targets in 2006.

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5 The key performance measures in respect of meeting Government's needs for offices and quarters are:

Targets

	Target	2004 (Actual)	2005 (Actual)	2006 (Plan)
take-up rate of office space (%)	99.8	99.8	99.9	99.8
rental level of leased offices (% of market rent)	95.0	95.6	95.3	95.0
take-up rate of quarters (%)	99.8	99.8	99.8	99.8
rental level of leased quarters (% of market rent)	97.0	97.0	97.0	97.0
identifying suitable premises to lease within three months of the Agency's agreement to provide leased office accommodation (%)	90.0	93.3	93.3	90.0

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
total area of office space (m ²) [^]	1 022 055	1 000 811	998 000
office space owned by the Government (%)	71.0	72.2	72.4
office space leased by the Government (%)	29.0	27.8	27.6
new allocation of owned office space to government bureaux/departments (m ²)	N.A.#	25 376	17 000
reduction in leased office accommodation (m ²)	N.A.#	18 217	2 650
renewals of leased office accommodation (m ²)	N.A.#	78 921	86 000
non-departmental quarters (NDQs)	900	853	865
NDQs owned by the Government (%)	99.9	100.0	100.0
departmental quarters (DQs)	23 074	22 912	22 700
DQs owned by the Government (%)	99.7	99.7	99.8

[^] Excluding specialist and departmental buildings occupied and managed by government bureaux/departments.

[#] The indicators were introduced as from 2005.

Matters Requiring Special Attention in 2006–07

6 During 2006–07, the Agency will continue to:

- pursue de-leasing opportunities where appropriate; and
- through an improved annual accommodation review mechanism, encourage government bureaux/departments to undertake a regular and critical review of office accommodation required in the short and medium term.

Programme (2): Property Management

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	831.8	930.9	917.4 (–1.5%)	942.1 (+2.7%)

(or +1.2% on
2005–06 Original)

Aim

7 The aim is to manage government properties under the control of the Agency efficiently and cost-effectively, to improve and modernise them to meet changing needs, and to ensure that the Government's rights and responsibilities as owner of GIC accommodation in private developments are incorporated in the appropriate legal documents.

Brief Description

8 This programme involves:

- property management in respect of government offices, quarters, and other non-domestic accommodation through outsourcing as far as practicable;
- discharging functions relating to owners in respect of GIC accommodation in private developments;

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- reviewing maintenance, security and amenity standards; and
 - scrutinising and executing Deeds of Mutual Covenant, assignments and related documents in respect of GIC accommodation in private developments.
- 9 The Agency achieved its target in 2005 and will work to achieve it in 2006.
- 10 The key performance measures are:

Target

	Target	2004 (Actual)	2005 (Actual)	2006 (Plan)
performance level of property management services contractors (average percentage score measured according to the service level specified in the property management services contracts) (%)	95	96	96	95

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
management of government properties			
GIC non-domestic properties in private developments managed by the Agency	195	195	202
residential flats managed by the Agency ^Ψ	25 166	29 146	29 146
government joint-user buildings managed by the Agency	50	50	50
other accommodation managed by the Agency			
sites	28	26	26
area (m ²)	818 488	801 493	801 493
average management fee for non-domestic accommodation in private developments (\$/m ² /month) [‡]	41.7	42.2	43.6
average management cost of major joint-user buildings (\$/m ² /month) ^Ω	9.9	9.3	9.2
average management fee for quarters in private developments (\$/m ² /month) [‡]	18.4	18.0	19.5
average management cost of government wholly-owned quarters (\$/m ² /month) ^Ω	6.9	6.6	6.8

^Ψ Including DQs temporarily managed by the Agency pending site disposal.

[‡] Management fees paid for accommodation in private developments are inclusive of electricity charges for common areas, expenditure on regular maintenance and provision for anticipated major repairs.

^Ω Management costs of major joint-user buildings and government wholly-owned quarters are exclusive of expenditure on regular maintenance and provision for major repairs borne by the Architectural Services Department. Management costs of major joint-user buildings also exclude electricity charges while those for wholly-owned quarters include electricity charges for common areas.

Matters Requiring Special Attention in 2006–07

11 During 2006–07, the Agency will continue to monitor the performance of its property management agents with a view to enhancing their efficiency and effectiveness.

Programme (3): Estate Utilisation

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	39.6	41.3	40.0 (–3.1%)	38.7 (–3.3%)

(or –6.3% on
2005–06 Original)

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Aim

12 The aim is to optimise the utilisation of all government sites and surplus properties with potential for alternative government use or commercialisation.

Brief Description

13 This programme involves:

- advising government departments on ways to optimise site utilisation at the site reservation stage;
- identifying under-utilised sites, and if conditions are appropriate, liaising with user departments for their release for alternative government use or disposal;
- monitoring utilisation of sites to be developed by government departments with a view to optimising the utilisation of the site potential, and where appropriate, assisting in identifying joint-users to this end;
- updating the GIC site record system to take account of new development areas and revised planning parameters;
- temporary or permanent disposal of surplus properties with commercialisation potential; and
- exploring commercial opportunities within government estates, where appropriate.

14 The Agency generally achieved its targets in 2005. The Agency will work to achieve them in 2006.

15 The key performance measures are:

Targets

	Target	2004 (Actual)	2005 (Actual)	2006 (Plan)
sites for review ^φ	94	97	91	94
sites ready to be released for disposal, redevelopment or other purposes ^φ	6	11	10	6
preparing and issuing tender invitation to lease out non-domestic premises within three months upon completion of feasibility study (%)	95	N.A. [¶]	96	95
let out rate of surplus NDQs with tenure of two years or more (%) [@]	85	86	93	85

^φ Sites for review are sites targeted for alternative use or disposal. Review includes liaison with relevant government departments with a view to formulating a strategy on release of developed or reserved sites for alternative government use or disposal; and monitoring the utilisation of sites to be developed by government departments with a view to optimising the utilisation of the site potential. The number of sites for review or eventually ready to be released may vary from year to year as it hinges on the demand for release of such sites which is outside the Agency's control. The targets of site for review and site ready to be released for 2005 were 91 cases and 11 cases respectively.

[¶] The target was introduced as from 2005.

[@] The target for 2005 was 80%. The let out rate may vary with changing market conditions.

Indicators

	2004 (Actual)	2005 (Actual)	2006 (Estimate)
sites included in prioritised redevelopment programme.....	11	9	8 ^Δ
non-domestic premises			
lettings	506	526	588
rental income (\$m).....	311.0	297.2	313.5
domestic premises			
lettings	585	578	585
rental income (\$m).....	177	179	174
ratio of rental income in respect of domestic and non- domestic premises to related staff cost [#]	19	18	18
government premises identified as having new commercialisation opportunities	17	24	22

^Δ Excluding 15 existing DQs sites to be released for disposal or other purpose after completion of re-provisioning of flats at the sites to HOS units acquired for the purpose in 2006.

[#] Ratio will be affected by market demand and availability and value of government premises for commercialisation and may change either way over time.

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Matters Requiring Special Attention in 2006–07

16 During 2006–07, the Agency will continue to:

- assist government departments in reviewing their requirements with a view to releasing sites for alternative government use or disposal;
- co-ordinate action, where appropriate, to assist government departments in achieving optimum utilisation of government sites; and
- identify government properties with commercialisation potential with a view to realising that potential, where appropriate.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2004–05 (Actual) (\$m)	2005–06 (Original) (\$m)	2005–06 (Revised) (\$m)	2006–07 (Estimate) (\$m)
(1) Acquisition and Allocation	689.1	707.5	683.6	731.1
(2) Property Management	831.8	930.9	917.4	942.1
(3) Estate Utilisation	39.6	41.3	40.0	38.7
	1,560.5	1,679.7	1,641.0 (–2.3%)	1,711.9 (+4.3%)
				(or +1.9% on 2005–06 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2006–07 is \$47.5 million (6.9%) higher than the revised estimate for 2005–06. This is mainly due to the anticipated increase in office rental, partly offset by the anticipated savings from de-leasing of leased accommodation and deletion of one post in 2006–07.

Programme (2)

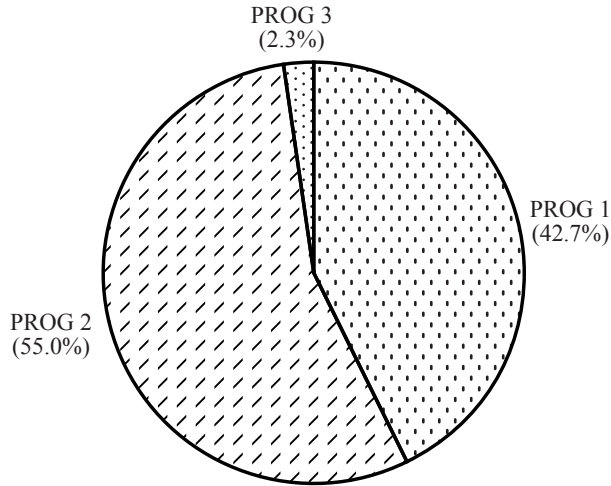
Provision for 2006–07 is \$24.7 million (2.7%) higher than the revised estimate for 2005–06. This is mainly due to the anticipated increase in requirement for some major renovation works for government-owned properties in private developments, increased requirement for scheduled replacement of plant and equipment and provision for contingencies, partly offset by the deletion of two posts in 2006–07.

Programme (3)

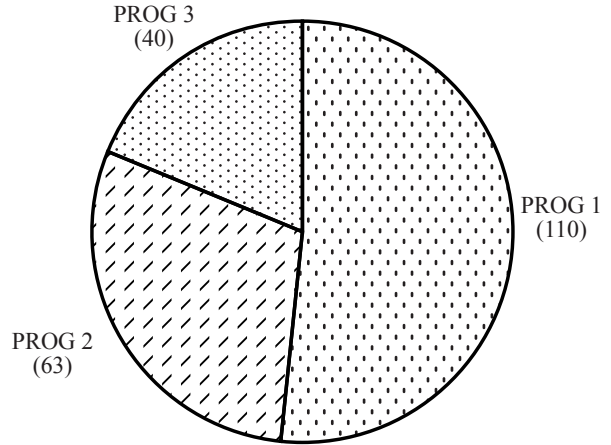
Provision for 2006–07 is \$1.3 million (3.3%) lower than the revised estimate for 2005–06. This is mainly due to the reduced salary provision arising from staff changes.

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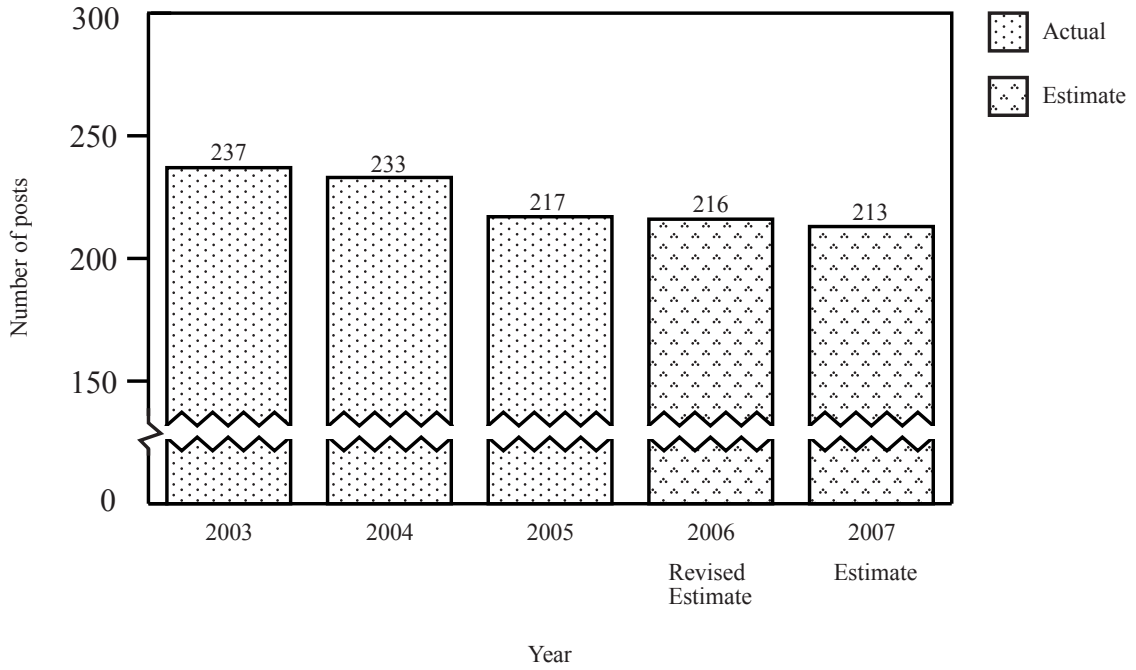
Allocation of provision to programmes (2006-07)



Staff by programme (as at 31 March 2007)



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



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Sub-head (Code)	Actual expenditure 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	Estimate 2006-07	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,546,296	1,665,497	1,626,874	1,694,069
	Total, Recurrent.....	1,546,296	1,665,497	1,626,874	1,694,069
	Total, Operating Account	1,546,296	1,665,497	1,626,874	1,694,069
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Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	14,208	14,166	14,166	17,800
	Total, Plant, Equipment and Works	14,208	14,166	14,166	17,800
	Total, Capital Account	14,208	14,166	14,166	17,800
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	Total Expenditure.....	1,560,504	1,679,663	1,641,040	1,711,869

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Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the Government Property Agency is \$1,711,869,000. This represents an increase of \$70,829,000 over the revised estimate for 2005–06 and of \$151,365,000 over actual expenditure in 2004–05.

Operating Account

Recurrent

2 Provision of \$1,694,069,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Property Agency.

3 The establishment as at 31 March 2006 will be 216 permanent posts. It is expected that three permanent posts will be deleted in 2006–07. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$74,383,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	100,317	98,100	94,940	95,210
- Allowances	810	881	918	856
- Job-related allowances	3	20	4	20
Personnel Related Expenses				
- Leasing and management of quarters	221,270	266,517	275,066	290,860
- Mandatory Provident Fund contribution	89	107	64	68
Departmental Expenses				
- Light and power	244,962	268,040	257,859	271,808
- Hire of services and professional fees	93,231	101,997	93,614	94,953
- Specialist supplies and equipment	10,129	12,429	11,429	11,429
- Workshop services	165,177	174,761	171,817	172,693
- General departmental expenses	4,630	8,252	6,739	6,673
Other Charges				
- Rents and management charges for properties (other than quarters)	705,678	734,393	714,424	749,499
	1,546,296	1,665,497	1,626,874	1,694,069

Capital Account

Plant, Equipment and Works

5 Provision of \$17,800,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$3,634,000 (25.7%) over the revised estimate for 2005–06. This is mainly due to the increased requirement for scheduled replacement of plant and equipment.