

Head 51 — GOVERNMENT PROPERTY AGENCY

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

Estimate 2007–08 **\$1,795.5m**

Establishment ceiling 2007–08 (notional annual mid-point salary value) representing an estimated 206 non-directorate posts as at 31 March 2007 and as at 31 March 2008 **\$73.5m**

In addition, there will be an estimated seven directorate posts as at 31 March 2007 and as at 31 March 2008.

Controlling Officer's Report

Programmes

Programme (1) Acquisition and Allocation
Programme (2) Property Management
Programme (3) Estate Utilisation

These programmes contribute to Policy Area 27: Intra-Governmental Services (Secretary for Financial Services and the Treasury).

Detail

Programme (1): Acquisition and Allocation

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	666.0	731.1	692.3 (–5.3%)	804.1 (+16.1%)
				(or +10.0% on 2006–07 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;
- meeting Government's needs for general use accommodation through planning and construction of new government office buildings and renting or purchasing at terms most favourable 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 2006. The rental level of leased offices in 2006 as a percentage of market rent was marginally higher than the target because the office leasing market continued to be strong and landlords generally had high expectations on rental. The Agency will work to achieve its targets in 2007.

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5 The key performance measures are:

Targets

	Target	2005 (Actual)	2006 (Actual)	2007 (Plan)
take-up rate of office space (%).....	99.8	99.9	99.9	99.8
rental level of leased offices (% of market rent)	95.0	95.3	95.5	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	96.8	97.0
identifying suitable premises to lease within three months of the Agency's agreement to provide leased office accommodation (%)	90.0	93.3	100	90.0

Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
total area of office space (m ²) [^]	1 000 811	989 140	988 000
office space owned by Government (%).....	72.2	72.6	72.6
office space leased by Government (%)	27.8	27.4	27.4
new allocation of owned office space to government bureaux/departments (m ²)	25 376	40 086	24 000
reduction in leased office accommodation (m ²)	18 217	6 960	700
renewals of leased office accommodation (m ²)	78 921	71 685	76 000
non-departmental quarters (NDQs)	853	828	800
NDQs owned by Government (%)	100	100	100
departmental quarters (DQs)	22 912	22 723	22 500
DQs owned by Government (%)	99.7	99.8	99.8

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

Matters Requiring Special Attention in 2007–08

6 During 2007–08, the Agency will continue to:

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

Programme (2): Property Management

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	894.4	942.1	908.1 (–3.6%)	955.1 (+5.2%)

(or +1.4% on
2006–07 Original)

Aim

7 The aim is to manage government properties under the control of the Agency in an efficient and cost-effective manner, 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 key performance measures are:

Target

	Target	2005 (Actual)	2006 (Actual)	2007 (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	97	95

Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
management of government properties			
GIC non-domestic properties in private developments managed by the Agency.....	195	201	205
residential flats managed by the Agency Ψ	29 146	23 877	23 877
government joint-user buildings managed by the Agency.....	50	50	50
other accommodation managed by the Agency			
sites.....	26	25	25
area (m ²).....	801 493	801 290	801 290
average management fee for non-domestic accommodation in private developments (\$/m ² /month) \S	42.2	43.1	44.4
average management cost of major joint-user buildings (\$/m ² /month) Ω	9.3	8.9	9.7
average management fee for quarters in private developments (\$/m ² /month) \S	18.0	18.9	19.4
average management cost of government wholly-owned quarters (\$/m ² /month) Ω	6.6	7.2	7.5

Ψ Including DQs temporarily managed by the Agency pending site disposal. The decrease in 2006 was mainly due to the handover of quarters sites, vacated as a result of the purchase of surplus Home Ownership Scheme flats for use as disciplined services quarters, to relevant government departments.

\S 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 2007–08

10 The four property management services contracts for the buildings/sites under the Agency's management will expire on 31 March 2007 and new contracts will be effective from 1 April 2007. During 2007–08, the Agency will continue to monitor the performance of its property management services contractors with a view to enhancing their efficiency and effectiveness.

Programme (3): Estate Utilisation

	2005–06 (Actual)	2006–07 (Original)	2006–07 (Revised)	2007–08 (Estimate)
Financial provision (\$m)	38.0	38.7	35.8 (–7.5%)	36.3 (+1.4%)
				(or –6.2% on 2006–07 Original)

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Aim

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

Brief Description

12 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.

13 The key performance measures are:

Targets

	Target	2005 (Actual)	2006 (Actual)	2007 (Plan)
sites for review ϕ	91	91	94	91
sites ready to be released for disposal, redevelopment or other purposes ϕ	5	10	8	5
preparing and issuing tender invitation to lease out non-domestic premises within three months upon completion of feasibility study (%)	95	96	96	95
let out rate of surplus NDQs with tenure of two years or more (%)@	85	93	91	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 redeveloped 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 sites for review and sites ready to be released for 2006 were 94 cases and 6 cases respectively.

@ The let out rate may vary with changing market conditions.

Indicators

	2005 (Actual)	2006 (Actual)	2007 (Estimate)
sites included in prioritised redevelopment programme	9	8	6
non-domestic premises			
lettings	526	585	664
rental income (\$m)	297.2	357.6	381.6
domestic premises			
lettings	578	538	471
rental income (\$m)	179.0	163.6	168.2
ratio of rental income in respect of domestic and non- domestic premises to related staff cost#.....	18	20	21
government premises identified as having new commercialisation opportunities	24	25	22

Ratio will be affected by market demand as well as availability and value of government premises for commercialisation, and may change either way over time.

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Matters Requiring Special Attention in 2007–08

14 During 2007–08, 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 and, 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.

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ANALYSIS OF FINANCIAL PROVISION

Programme	2005-06 (Actual) (\$m)	2006-07 (Original) (\$m)	2006-07 (Revised) (\$m)	2007-08 (Estimate) (\$m)
(1) Acquisition and Allocation	666.0	731.1	692.3	804.1
(2) Property Management.....	894.4	942.1	908.1	955.1
(3) Estate Utilisation.....	38.0	38.7	35.8	36.3
	1,598.4	1,711.9	1,636.2 (-4.4%)	1,795.5 (+9.7%)
				(or +4.9% on 2006-07 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2007-08 is \$111.8 million (16.1%) higher than the revised estimate for 2006-07. This is mainly due to the anticipated increase in office rental, partly offset by the anticipated savings from de-leasing of leased accommodation.

Programme (2)

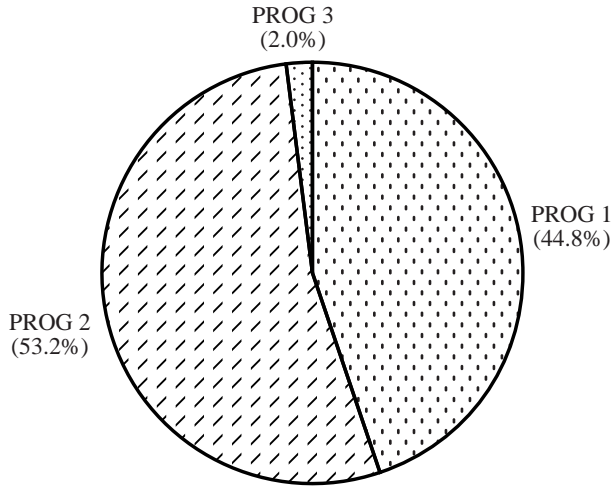
Provision for 2007-08 is \$47.0 million (5.2%) higher than the revised estimate for 2006-07. This is mainly due to the anticipated increase in the cost of the four new property management services contracts and provision for contingencies.

Programme (3)

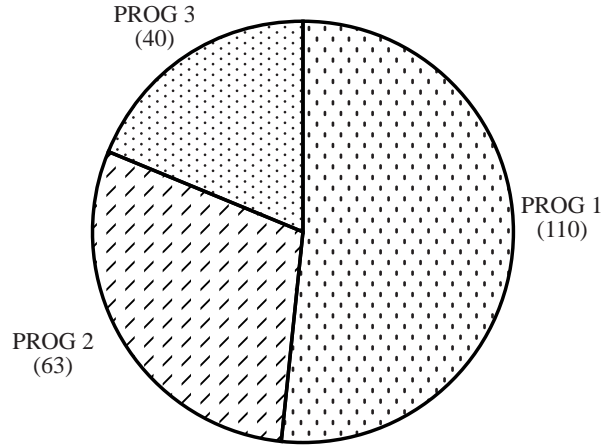
Provision for 2007-08 is \$0.5 million (1.4%) higher than the revised estimate for 2006-07. This is mainly due to the anticipated increase in management cost of ex-military sites, partly offset by the reduced salary provision arising from staff changes.

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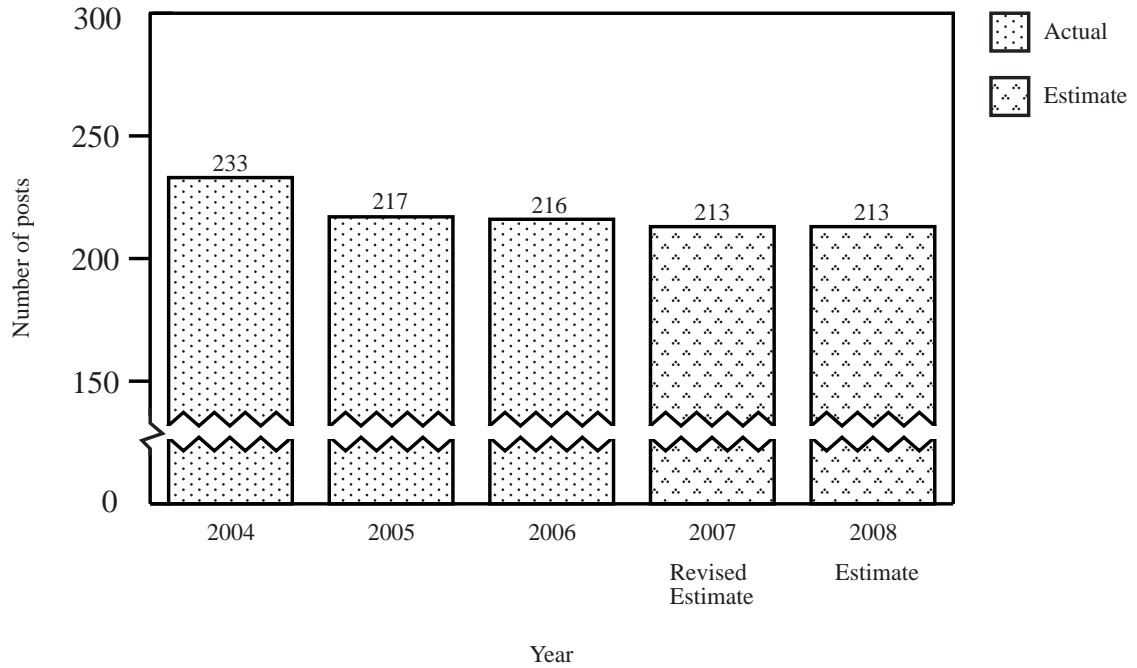
*Allocation of provision
to programmes
(2007-08)*



*Staff by programme
(as at 31 March 2008)*



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



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Sub-head (Code)	Actual expenditure 2005-06	Approved estimate 2006-07	Revised estimate 2006-07	Estimate 2007-08	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses.....	1,584,409	1,694,069	1,618,442	1,776,739
	Total, Recurrent	<u>1,584,409</u>	<u>1,694,069</u>	<u>1,618,442</u>	<u>1,776,739</u>
	Total, Operating Account.....	<u>1,584,409</u>	<u>1,694,069</u>	<u>1,618,442</u>	<u>1,776,739</u>
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	14,022	17,800	17,800	18,778
	Total, Plant, Equipment and Works	<u>14,022</u>	<u>17,800</u>	<u>17,800</u>	<u>18,778</u>
	Total, Capital Account	<u>14,022</u>	<u>17,800</u>	<u>17,800</u>	<u>18,778</u>
	 Total Expenditure.....	 <u><u>1,598,431</u></u>	 <u><u>1,711,869</u></u>	 <u><u>1,636,242</u></u>	 <u><u>1,795,517</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2007–08 for the salaries and expenses of the Government Property Agency is \$1,795,517,000. This represents an increase of \$159,275,000 over the revised estimate for 2006–07 and of \$197,086,000 over actual expenditure in 2005–06.

Operating Account

Recurrent

2 The provision of \$1,776,739,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Property Agency. The increase of \$158,297,000 (9.8%) over the revised estimate for 2006–07 is mainly due to the anticipated increase in office rental and the cost of the four new property management services contracts, and provision for contingencies, partly offset by the anticipated savings from deleasing of leased accommodation.

3 The establishment as at 31 March 2007 will be 213 permanent posts. No change in establishment is expected in 2007–08. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2007–08, but the notional annual mid-point salary value of all such posts must not exceed \$73,454,000.

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

	2005–06 (Actual) (\$'000)	2006–07 (Original) (\$'000)	2006–07 (Revised) (\$'000)	2007–08 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	94,046	95,210	94,336	94,100
- Allowances.....	839	856	865	856
- Job-related allowances	—	20	—	20
Personnel Related Expenses				
- Leasing and management of quarters	266,752	290,860	252,700	256,103
- Mandatory Provident Fund contribution.....	63	68	73	68
- Civil Service Provident Fund contribution.....	—	—	2	42
Departmental Expenses				
- Light and power	260,921	271,808	271,810	293,704
- Hire of services and professional fees.....	90,896	94,953	91,885	106,427
- Specialist supplies and equipment.....	10,959	11,429	11,429	11,429
- Workshop services.....	167,182	172,693	172,693	176,045
- General departmental expenses.....	6,657	6,673	6,708	6,578
Other Charges				
- Rents and management charges for properties (other than quarters).....	686,094	749,499	715,941	831,367
	1,584,409	1,694,069	1,618,442	1,776,739