

Head 51 — GOVERNMENT PROPERTY AGENCY

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

Estimate 2008–09 **\$1,805.4m**

Establishment ceiling 2008–09 (notional annual mid-point salary value) representing an estimated 206 non-directorate posts as at 31 March 2008 and as at 31 March 2009 **\$79.0m**

In addition, there will be an estimated seven directorate posts as at 31 March 2008 and as at 31 March 2009.

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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	686.7	804.1	721.2 (–10.3%)	775.6 (+7.5%)
				(or –3.5% on 2007–08 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 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 Government for acquired and leased accommodation; and
- assessing requirements for Government, Institution and Community (GIC) accommodation in private developments.

4 The key performance measures are:

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
take-up rate of office space (%)	99.8	99.9	99.9	99.8
rental level of leased offices (percentage of market rent) (%)	95.0	95.5	92.6	95.0
take-up rate of quarters (%).....	99.8	99.8	99.8	99.8

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	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
rental level of leased quarters (percentage of market rent) (%)	97.0	96.8	95.4	97.0
identifying suitable premises to lease within three months of the Agency's agreement to provide leased office accommodation (%).....	90	100	100	90

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
total area of office space (m ²)^	989 140	987 761	986 000
office space owned by Government (%).....	72.6	72.9	73.0
office space leased by Government (%).....	27.4	27.1	27.0
new allocation of owned office space to government bureaux/departments (m ²)	40 086	32 514	29 000
reduction in leased office accommodation (m ²).....	6 960	3 533	1 520
renewals of leased office accommodation (m ²).....	71 685	77 018	52 000
non-departmental quarters (NDQs).....	828	827	790
NDQs owned by Government (%).....	100	100	100
departmental quarters (DQs).....	22 723	22 460	22 400
DQs owned by Government (%).....	99.8	99.8	99.8

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

Matters Requiring Special Attention in 2008–09

5 During 2008–09, the Agency will continue to:

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

Programme (2): Property Management

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	880.2	955.1	901.6 (–5.6%)	990.6 (+9.9%)
				(or +3.7% on 2007–08 Original)

Aim

6 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

7 This programme involves:

- property management in respect of government offices, quarters and other non-domestic accommodation through outsourcing as far as practicable;
- discharging owner's functions in respect of GIC accommodation in private developments;
- 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.

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8 The key performance measures are:

Target

	Target	2006 (Actual)	2007 (Actual)	2008 (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	97	96	95

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
management of government properties			
GIC non-domestic properties in private developments managed by the Agency	201	201	211
residential flats managed by the Agency	23 877	23 012	23 012
government joint-user buildings managed by the Agency	50	50	49
other accommodation managed by the Agency			
sites	25	24	24
area (m ²)	801 290	770 448	770 448
average management fee for non-domestic accommodation in private developments (\$/m ² /month)§	43.1	44.7	46.4
average management cost of major joint-user buildings (\$/m ² /month)Ω	8.9	9.6	10.2
average management fee for quarters in private developments (\$/m ² /month)§	18.9	16.5	18.7
average management cost of wholly-owned government quarters (\$/m ² /month)Ω	7.2	8.1	8.7

§ 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 wholly-owned government 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 2008–09

9 During 2008–09, 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

	2006–07 (Actual)	2007–08 (Original)	2007–08 (Revised)	2008–09 (Estimate)
Financial provision (\$m)	35.7	36.3	36.2 (–0.3%)	39.2 (+8.3%)
				(or +8.0% on 2007–08 Original)

Aim

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

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Brief Description

11 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.

12 The key performance measures are:

Targets

	Target	2006 (Actual)	2007 (Actual)	2008 (Plan)
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 (%)	90@	91	94	90

@ Improvement over the previous target of 85 per cent as from 2008. The let out rate may vary with changing market conditions.

Indicators

	2006 (Actual)	2007 (Actual)	2008 (Estimate)
sites for review ϕ	94	97	90
sites ready to be released for disposal, redevelopment or other purposes ϕ	8	6	15
sites included in prioritised redevelopment programme	8	6	12
non-domestic premises			
lettings	585	631	694
rental income (\$m).....	357.6	381.7	395.4
domestic premises			
lettings	538	480	427
rental income (\$m).....	163.6	203.3	184.2
ratio of rental income in respect of domestic and non-domestic premises to related staff cost#	20	21	20
government premises identified as having new commercialisation opportunities	25	22	20

ϕ Indicators previously presented as targets. Sites for review are sites considered 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.

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.

Matters Requiring Special Attention in 2008–09

13 During 2008–09, 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	2006–07 (Actual) (\$m)	2007–08 (Original) (\$m)	2007–08 (Revised) (\$m)	2008–09 (Estimate) (\$m)
(1) Acquisition and Allocation.....	686.7	804.1	721.2	775.6
(2) Property Management	880.2	955.1	901.6	990.6
(3) Estate Utilisation	35.7	36.3	36.2	39.2
	1,602.6	1,795.5	1,659.0 (–7.6%)	1,805.4 (+8.8%)
				(or +0.6% on 2007–08 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2008–09 is \$54.4 million (7.5%) higher than the revised estimate for 2007–08. This is mainly due to the anticipated increase in office rental, partly offset by the anticipated savings from de-leasing of leased accommodation.

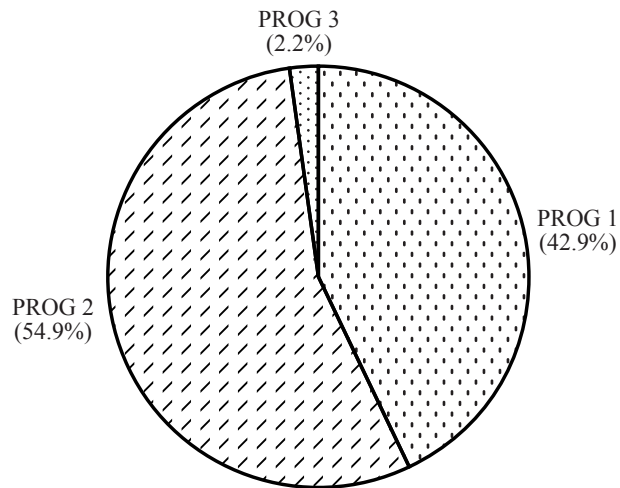
Programme (2)

Provision for 2008–09 is \$89.0 million (9.9%) higher than the revised estimate for 2007–08. This is mainly due to the anticipated increase in the requirement for major renovation works for government-owned properties in private developments and the cost of property management services, increased requirement for scheduled replacement of plant and equipment, and provision for contingencies.

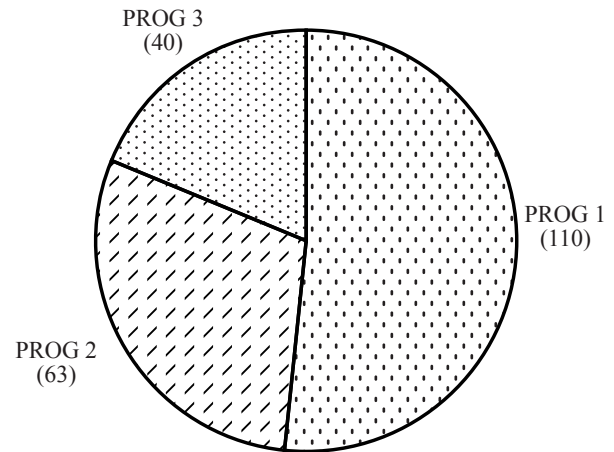
Programme (3)

Provision for 2008–09 is \$3.0 million (8.3%) higher than the revised estimate for 2007–08. This is mainly due to the anticipated increase in management cost of ex-military sites and requirement for professional services.

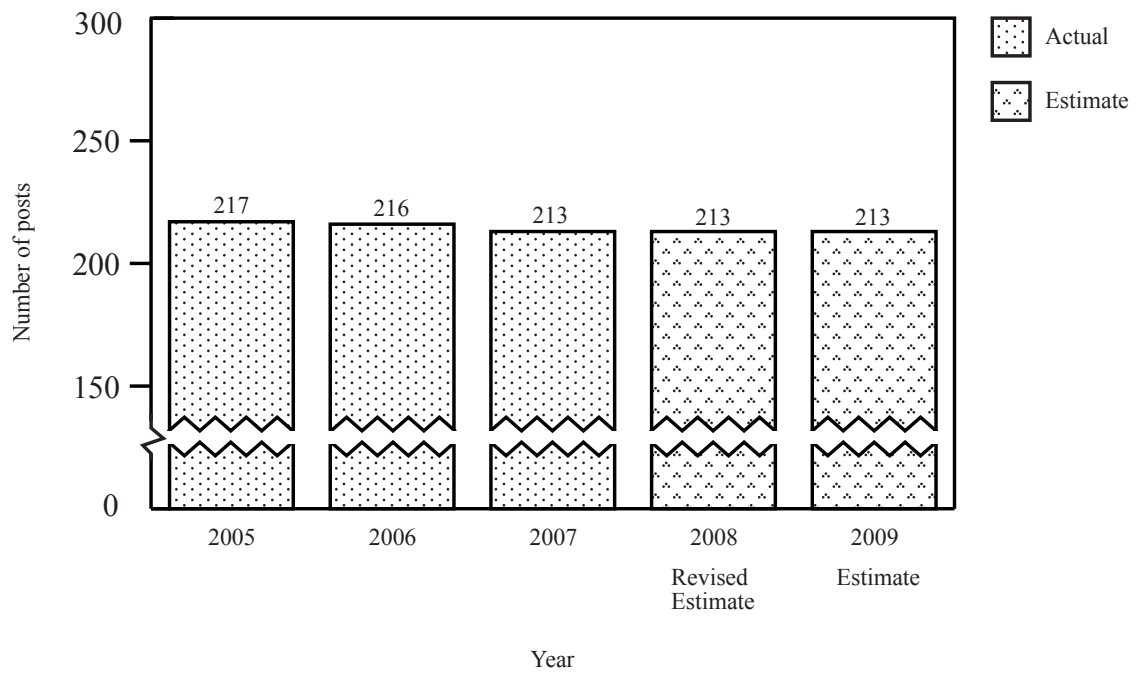
*Allocation of provision
to programmes
(2008-09)*



*Staff by programme
(as at 31 March 2009)*



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



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Sub-head (Code)	Actual expenditure 2006–07	Approved estimate 2007–08	Revised estimate 2007–08	Estimate 2008–09
	\$'000	\$'000	\$'000	\$'000
Operating Account				
Recurrent				
000 Operational expenses	1,585,296	1,776,739	1,640,259	1,779,773
Total, Recurrent.....	1,585,296	1,776,739	1,640,259	1,779,773
Total, Operating Account	1,585,296	1,776,739	1,640,259	1,779,773
Capital Account				
Plant, Equipment and Works				
661 Minor plant, vehicles and equipment (block vote)	17,339	18,778	18,778	25,655
Total, Plant, Equipment and Works.....	17,339	18,778	18,778	25,655
Total, Capital Account.....	17,339	18,778	18,778	25,655
Total Expenditure	1,602,635	1,795,517	1,659,037	1,805,428

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Details of Expenditure by Subhead

The estimate of the amount required in 2008–09 for the salaries and expenses of the Government Property Agency is \$1,805,428,000. This represents an increase of \$146,391,000 over the revised estimate for 2007–08 and of \$202,793,000 over actual expenditure in 2006–07.

Operating Account

Recurrent

2 Provision of \$1,779,773,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Property Agency. The increase of \$139,514,000 (8.5%) over the revised estimate for 2007–08 is mainly due to the anticipated increase in office rental and the requirement for major renovation works for government-owned properties in private developments, and provision for contingencies, partly offset by the anticipated savings from deleasing of leased accommodation.

3 The establishment as at 31 March 2008 will be 213 permanent posts. No change in establishment is expected in 2008–09. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2008–09, but the notional annual mid-point salary value of all such posts must not exceed \$79,044,000.

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

	2006–07 (Actual) (\$'000)	2007–08 (Original) (\$'000)	2007–08 (Revised) (\$'000)	2008–09 (Estimate) (\$'000)
Personal Emoluments				
- Salaries	93,312	94,100	97,848	101,074
- Allowances	750	856	980	946
- Job-related allowances	—	20	10	22
Personnel Related Expenses				
- Leasing and management of quarters	244,550	256,103	224,984	269,479
- Mandatory Provident Fund contribution	73	68	78	120
- Civil Service Provident Fund contribution	3	42	174	349
Departmental Expenses				
- Light and power	263,484	293,704	269,790	281,350
- Hire of services and professional fees	89,780	106,427	102,128	112,097
- Specialist supplies and equipment	11,288	11,429	11,000	11,400
- Workshop services	168,239	176,045	181,353	181,353
- General departmental expenses	6,861	6,578	7,557	7,933
Other Charges				
- Rents and management charges for properties (other than quarters)	706,956	831,367	744,357	813,650
	<u>1,585,296</u>	<u>1,776,739</u>	<u>1,640,259</u>	<u>1,779,773</u>

Capital Account

Plant, Equipment and Works

5 Provision of \$25,655,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$6,877,000 (36.6%) over the revised estimate for 2007–08. This is mainly due to the increased requirement for scheduled replacement of plant and equipment.