

Head 51 — GOVERNMENT PROPERTY AGENCY

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

Estimate 2016–17 **\$1,942.7m**

Establishment ceiling 2016–17 (notional annual mid-point salary value) representing an estimated 206 non-directorate posts as at 31 March 2016 and as at 31 March 2017..... **\$110.9m**

In addition, there will be an estimated seven directorate posts as at 31 March 2016 and as at 31 March 2017.

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

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	793.4	791.6	787.2 (–0.6%)	742.4 (–5.7%)
				(or –6.2% on 2015–16 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, as well as renting or purchasing at terms most favourable to Government;
 - allocating office accommodation to government bureaux and departments and making available quarters accommodation to government bureaux and 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 and departmental buildings;
 - vetting or assisting in the vetting of schedules of accommodation for government bureaux and departments in respect of general use and specialist accommodation and for non-governmental 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.

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4 The key performance measures are:

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (Plan)
take-up rate of office space (%).....	99.8	99.9	99.9	99.8
rental level of leased offices (percentage of market rent) (%)Λ.....	95.0	95.8	94.5	95.0
take-up rate of quarters (%).....	99.8	99.9	99.9	99.8
rental level of leased quarters (percentage of market rent) (%)Λ.....	97.0	97.0	96.3	97.0
identifying suitable premises to lease within three months of the Agency's agreement to provide leased office accommodation (%).....	90	100	100	90

Λ The targets are considered to have been met if the rental levels achieved do not exceed the target percentages of market rent.

Indicators

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
total area of office space (m ²)Λ.....	1 010 982	1 037 173	1 007 000
office space owned by Government (%).....	69.0	70.4	69.6
office space leased by Government (%).....	31.0	29.6	30.4
new allocation of owned office space to government bureaux/departments (m ²).....	7 690	48 592	18 800
net change in leased office accommodation (m ²).....	21 035#	(6 699)Ψ	(400)Ψ
renewals of leased office accommodation (m ²).....	39 282	57 084	109 000
non-departmental quarters (NDQs).....	657	626	610
NDQs owned by Government (%).....	100	100	100
departmental quarters (DQs).....	22 744	22 894	22 900
DQs owned by Government (%).....	99.9	99.9	99.9

Λ Office space excludes specialist and departmental buildings occupied and managed by government bureaux and departments.

The net increase in leased office accommodation is mainly due to new requirements of user departments.

Ψ The net decrease in leased office accommodation is mainly due to leasing.

Matters Requiring Special Attention in 2016–17

5 During 2016–17, the Agency will continue to:

- plan and take forward new government office building projects for the reprovisioning of the departments in the three government office buildings at the Wan Chai waterfront;
- pursue leasing opportunities where appropriate; and
- through an annual accommodation review mechanism, encourage government bureaux and departments to regularly review office accommodation required in the short and medium term.

Programme (2): Property Management

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	1,028.7	1,058.8	1,064.1 (+0.5%)	1,148.9 (+8.0%)
				(or +8.5% on 2015–16 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 Government's rights and responsibilities as owner of GIC accommodation in private developments are incorporated in the appropriate legal documents.

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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 government properties in private developments;
 - reviewing maintenance, security and amenity requirements for government properties under the Agency's management; and
 - scrutinising and executing Deeds of Mutual Covenant, assignments and related documents in respect of GIC accommodation in private developments.
- 8 The key performance measures are:

Target

	Target	2014 (Actual)	2015 (Actual)	2016 (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	95	95	95

Indicators

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
management of government properties			
GIC non-domestic properties in private developments under the custody of the Agency	221	223	227
residential flats managed by the Agency	22 182	22 262	22 252
government joint-user buildings managed by the Agency	46	47	45
other accommodation managed by the Agency			
sites	16	15	15
area (m ²)	302 796	284 646	219 166
average management fee for non-domestic accommodation in private developments (\$/m ² /month)§	45.1	45.4	46.6
average management cost of major joint-user buildings (\$/m ² /month)Ω	14.0	15.0	16.1
average management fee for quarters in private developments (\$/m ² /month)§	17.1	18.1	19.4
average management cost of wholly-owned government quarters (\$/m ² /month)Ω	10.8	12.3	13.3

§ 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 2016–17

- 9 During 2016–17, the Agency will continue to:
- monitor the performance of its property management services contractors with a view to enhancing their efficiency and effectiveness, and
 - take forward measures to reduce energy consumption in government joint-user buildings.

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Programme (3): Estate Utilisation

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	2016–17 (Estimate)
Financial provision (\$m)	49.1	51.0	50.1 (–1.8%)	51.4 (+2.6%)
				(or +0.8% on 2015–16 Original)

Aim

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

Brief Description

11 This programme involves:

- advising government bureaux and departments on ways to optimise site utilisation at the site reservation stage;
- advising on the utilisation of sites to be developed by government bureaux and departments and, where appropriate, assisting them in identifying joint users with a view to optimising the utilisation of the government sites;
- reviewing under-utilised sites managed by government bureaux and departments and, if conditions permit, assisting the bureaux and departments in releasing them for alternative uses or disposal as appropriate;
- assisting government bureaux and departments in putting surplus departmental properties to alternative uses or disposal as appropriate;
- identifying government properties held by the Agency under its portfolio with commercialisation potential with a view to realising such potential;
- exploring the possibility of introducing commercial activities within government properties where appropriate; and
- updating the GIC site record system to take account of new development areas and revised planning parameters.

12 The key performance measures are:

Targets

	Target	2014 (Actual)	2015 (Actual)	2016 (Plan)
preparing and issuing tender/quotation invitation to lease out non-domestic premises within three months upon completion of feasibility study (%) β	95	100	100	95
let out rate of surplus government quarters with tenure of two years or more (%) Δ ...	90.0	90.0	90.4	90.0

β Revised description of the previous target “preparing and issuing tender invitation to lease out non-domestic premises within three months upon completion of feasibility study” as from 2015.

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

Indicators

	2014 (Actual)	2015 (Actual)	2016 (Estimate)
sites for review ϕ	85	85	85
sites ready to be released for disposal, redevelopment or other purposes	3	1	4
non-domestic premises			
lettings	859	874	917
rental income (\$m)	603.0	614.0	583.4
domestic premises			
lettings	298	269	260
rental income (\$m)	159.9	161.6	161.9
ratio of rental income in respect of domestic and non-domestic premises to related staff cost \ddagger	22	23	21

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	2014 (Actual)	2015 (Actual)	2016 (Estimate)
government premises identified as having new commercialisation opportunities.....	8	6	8
<p>φ Sites for review are government sites considered for alternative uses or disposal with a view to optimising the utilisation. The number can vary from year to year. The Agency will assess the utilisation of government sites, consult and liaise with departments as required, and work with the Planning Department on any possible release of government sites.</p> <p>‡ 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.</p>			

Matters Requiring Special Attention in 2016–17

13 During 2016–17, the Agency will continue to:

- assist government bureaux and departments in reviewing their under-utilised sites with a view to releasing the sites for alternative uses or disposal as appropriate,
- assist government bureaux and departments in putting surplus departmental properties to alternative uses or disposal as appropriate, and
- identify government properties held by the Agency under its portfolio with commercialisation potential with a view to realising such potential.

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ANALYSIS OF FINANCIAL PROVISION

	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	2016–17 (Estimate) (\$m)
Programme				
(1) Acquisition and Allocation	793.4	791.6	787.2	742.4
(2) Property Management	1,028.7	1,058.8	1,064.1	1,148.9
(3) Estate Utilisation	49.1	51.0	50.1	51.4
	1,871.2	1,901.4	1,901.4 (—)	1,942.7 (+2.2%)
				(or +2.2% on 2015–16 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2016–17 is \$44.8 million (5.7%) lower than the revised estimate for 2015–16. This is mainly due to anticipated savings from the de-leasing of rented accommodation, partly offset by anticipated increases in office rentals.

Programme (2)

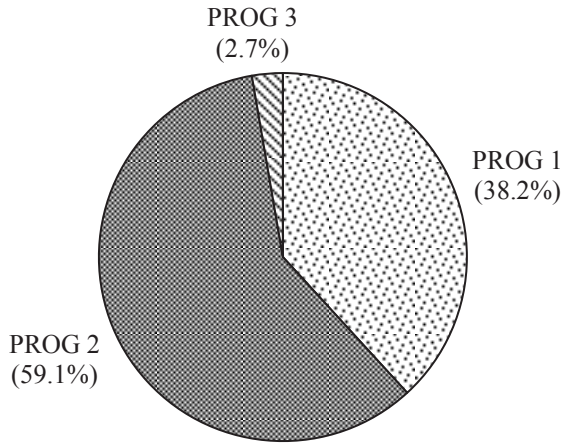
Provision for 2016–17 is \$84.8 million (8.0%) higher than the revised estimate for 2015–16. This is mainly due to anticipated increases in costs of property management services, requirement for scheduled replacement of minor plant and equipment, workshop services and management charges.

Programme (3)

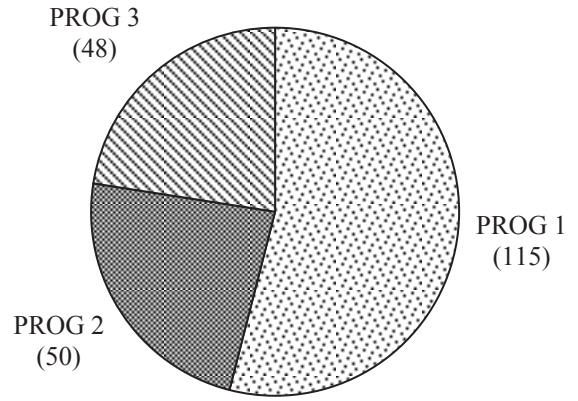
Provision for 2016–17 is \$1.3 million (2.6%) higher than the revised estimate for 2015–16. This is mainly due to salary increments for staff.

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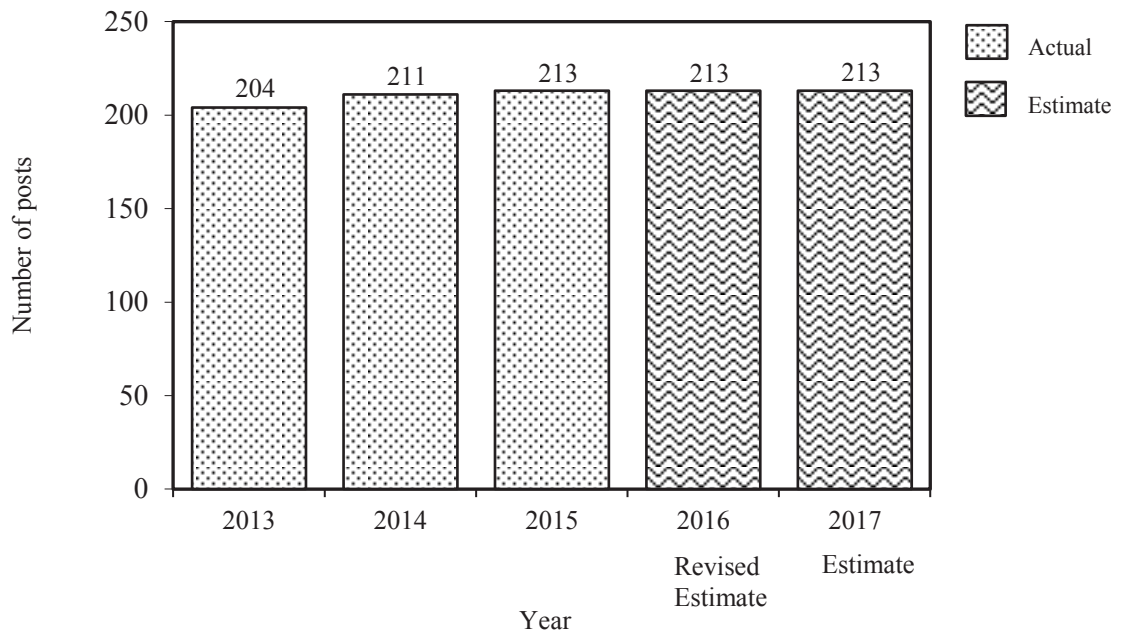
*Allocation of provision
to programmes
(2016-17)*



*Staff by programme
(as at 31 March 2017)*



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



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Sub-head (Code)	Actual expenditure 2014–15	Approved estimate 2015–16	Revised estimate 2015–16	Estimate 2016–17	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,854,837	1,884,488	1,884,488	1,903,787
	Total, Recurrent.....	1,854,837	1,884,488	1,884,488	1,903,787
	Total, Operating Account	1,854,837	1,884,488	1,884,488	1,903,787
Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	16,380	16,961	16,961	38,898^η
	Total, Plant, Equipment and Works.....	16,380	16,961	16,961	38,898
	Total, Capital Account.....	16,380	16,961	16,961	38,898
	Total Expenditure	1,871,217	1,901,449	1,901,449	1,942,685

^η Provision of \$38,898,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$21,937,000 (129.3%) over the revised estimate for 2015–16. This reflects the updating of the ambit of this block vote subhead as set out in the Introduction to the Estimates and the increased requirement for scheduled replacement of minor plant and equipment.

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Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the Government Property Agency is \$1,942,685,000. This represents an increase of \$41,236,000 over the revised estimate for 2015–16 and \$71,468,000 over the actual expenditure in 2014–15.

Operating Account

Recurrent

2 Provision of \$1,903,787,000 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 2016 will be 213 permanent posts. No change in establishment is expected in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$110,864,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	122,883	129,466	128,127	132,534
- Allowances.....	2,116	1,930	2,262	2,050
- Job-related allowances.....	—	10	2	10
Personnel Related Expenses				
- Leasing and management of quarters	250,460	255,699	259,416	290,193
- Mandatory Provident Fund contribution.....	271	262	368	325
- Civil Service Provident Fund contribution.....	3,027	3,851	3,690	4,067
Departmental Expenses				
- Light and power.....	271,817	286,282	275,756	273,254
- Hire of services and professional fees	135,270	134,738	137,898	147,639
- Specialist supplies and equipment	13,616	15,000	15,000	15,000
- Workshop services.....	241,993	222,501	249,378	269,480
- General departmental expenses	6,874	9,315	8,789	9,370
Other Charges				
- Rents and management charges for properties (other than quarters).....	806,510	825,434	803,802	759,865
	1,854,837	1,884,488	1,884,488	1,903,787

Capital Account

Plant, Equipment and Works

5 Provision of \$38,898,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$21,937,000 (129.3%) over the revised estimate for 2015–16. This reflects the updating of the ambit of this block vote subhead as set out in the Introduction to the Estimates and the increased requirement for scheduled replacement of minor plant and equipment.