

Head 51 — GOVERNMENT PROPERTY AGENCY

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

Estimate 2018–19 **\$2,041.7m**

Establishment ceiling 2018–19 (notional annual mid-point salary value) representing an estimated 204 non-directorate posts as at 31 March 2018 and as at 31 March 2019..... **\$117.7m**

In addition, there will be an estimated seven directorate posts as at 31 March 2018 and as at 31 March 2019.

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

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	2018–19 (Estimate)
Financial provision (\$m)	731.6	711.5	732.7 (+3.0%)	769.5 (+5.0%)
				(or +8.2% on 2017–18 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.

Head 51 — GOVERNMENT PROPERTY AGENCY

4 The key performance measures are:

Targets

	Target	2016 (Actual)	2017 (Actual)	2018 (Plan)
take-up rate of office space (%).....	99.8	99.9	100	99.8
rental level of leased offices (percentage of market rent) (%)Λ.....	95.0	95.4	95.0	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	96.9	96.4	97.0
identifying suitable premises to lease within three months of the Agency's agreement to provide leased office accommodation (%).....	90	100	100	90

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

Indicators

	2016 (Actual)	2017 (Actual)	2018 (Estimate)
total area of office space (m ²)Λ.....	1 023 110	1 015 904	1 039 000
office space owned by Government (%).....	69.9	68.9	67.4
office space leased by Government (%).....	30.1	31.1	32.6
new allocation of owned office space to government bureaux/departments (m ²).....	18 050	4 726	5 600
net change in leased office accommodation (m ²).....	1 534#	8 128#	23 000#
renewals of leased office accommodation (m ²).....	97 571	65 088	68 000
non-departmental quarters (NDQs).....	594	556	540
NDQs owned by Government (%).....	100	100	100
departmental quarters (DQs).....	22 882	22 804	23 000
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.

Matters Requiring Special Attention in 2018–19

5 During 2018–19, 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 deleasing 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 terms.

Programme (2): Property Management

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	2018–19 (Estimate)
Financial provision (\$m)	1,153.9	1,182.2	1,160.4 (–1.8%)	1,220.1 (+5.1%)

(or +3.2% on
2017–18 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.

Head 51 — GOVERNMENT PROPERTY AGENCY

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	2016 (Actual)	2017 (Actual)	2018 (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

	2016 (Actual)	2017 (Actual)	2018 (Estimate)
management of government properties			
GIC non-domestic properties in private developments under the custody of the Agency	224	226	234
residential flats managed by the Agency	22 261	22 076	22 166
government joint-user buildings managed by the Agency	46	45	45
other accommodation managed by the Agency			
sites	15	13	12
area (m ²)	193 572	179 462	175 633
average management fee for non-domestic accommodation in private developments (\$/m ² /month)§	43.6	52.5	58.6
average management cost of major joint-user buildings (\$/m ² /month)Ω	15.9	16.3	16.7
average management fee for quarters in private developments (\$/m ² /month)§	19.4	20.6	24.3
average management cost of wholly-owned government quarters (\$/m ² /month)Ω	13.2	13.3	13.9

§ 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 2018–19

- 9 During 2018–19, 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.

Head 51 — GOVERNMENT PROPERTY AGENCY

Programme (3): Estate Utilisation

	2016–17 (Actual)	2017–18 (Original)	2017–18 (Revised)	2018–19 (Estimate)
Financial provision (\$m)	51.4	49.0	49.4 (+0.8%)	52.1 (+5.5%)
				(or +6.3% on 2017–18 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 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	2016 (Actual)	2017 (Actual)	2018 (Plan)
preparing and issuing tender/quotation invitation to lease out non-domestic premises within three months upon completion of feasibility study (%)	95	100	100	95
let out rate of surplus government quarters with tenure of two years or more (%)Δ ...	90.0	91.5	92.1	90.0

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

Indicators

	2016 (Actual)	2017 (Actual)	2018 (Estimate)
sites for reviewφ	85	85	85
sites ready to be released for disposal, redevelopment or other purposes	2	2	3
non-domestic premises			
lettings	905	986	1 062
rental income (\$m)	568.5	507.7	509.3
domestic premises			
lettings	261	251	200
rental income (\$m)	163.3	155.8	129.6
ratio of rental income in respect of domestic and non-domestic premises to related staff cost‡	21	20	17

Head 51 — GOVERNMENT PROPERTY AGENCY

	2016 (Actual)	2017 (Actual)	2018 (Estimate)
government premises identified as having new commercialisation opportunities.....	8	12	15
ϕ Sites for review are government sites considered for alternative uses or disposal with a view to optimising 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.			
‡ 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 2018–19

13 During 2018–19, 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 with commercialisation potential with a view to realising such potential.

Head 51 — GOVERNMENT PROPERTY AGENCY

ANALYSIS OF FINANCIAL PROVISION

	2016–17 (Actual) (\$m)	2017–18 (Original) (\$m)	2017–18 (Revised) (\$m)	2018–19 (Estimate) (\$m)
Programme				
(1) Acquisition and Allocation	731.6	711.5	732.7	769.5
(2) Property Management	1,153.9	1,182.2	1,160.4	1,220.1
(3) Estate Utilisation	51.4	49.0	49.4	52.1
	1,936.9	1,942.7	1,942.5 (—)	2,041.7 (+5.1%)
				(or +5.1% on 2017–18 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2018–19 is \$36.8 million (5.0%) higher than the revised estimate for 2017–18. This is mainly due to anticipated increases in office rentals, partly offset by anticipated savings from the releasing of rented accommodation.

Programme (2)

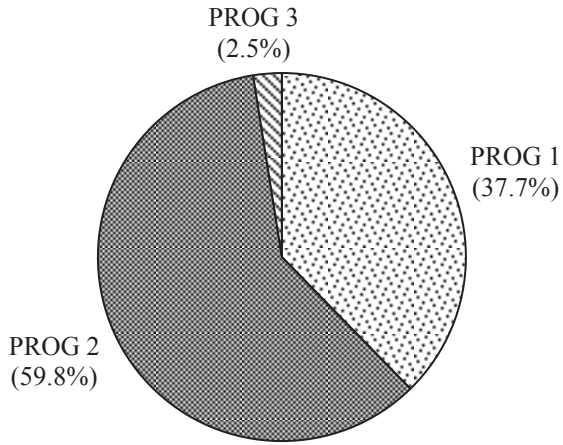
Provision for 2018–19 is \$59.7 million (5.1%) higher than the revised estimate for 2017–18. This is mainly due to anticipated increases in costs of property management services, requirement for scheduled replacement of minor plant and equipment and management charges.

Programme (3)

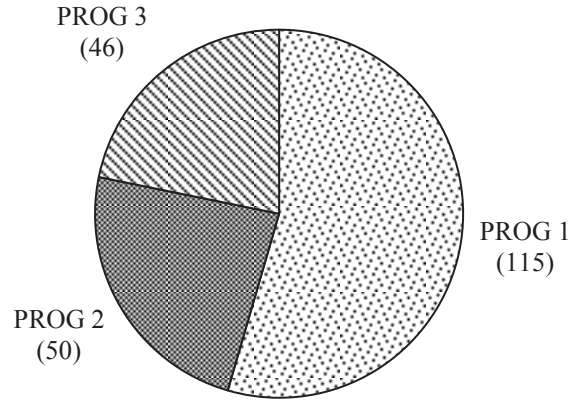
Provision for 2018–19 is \$2.7 million (5.5%) higher than the revised estimate for 2017–18. This is mainly due to salary increments for staff and anticipated increase in costs of scheduled works.

Head 51 — GOVERNMENT PROPERTY AGENCY

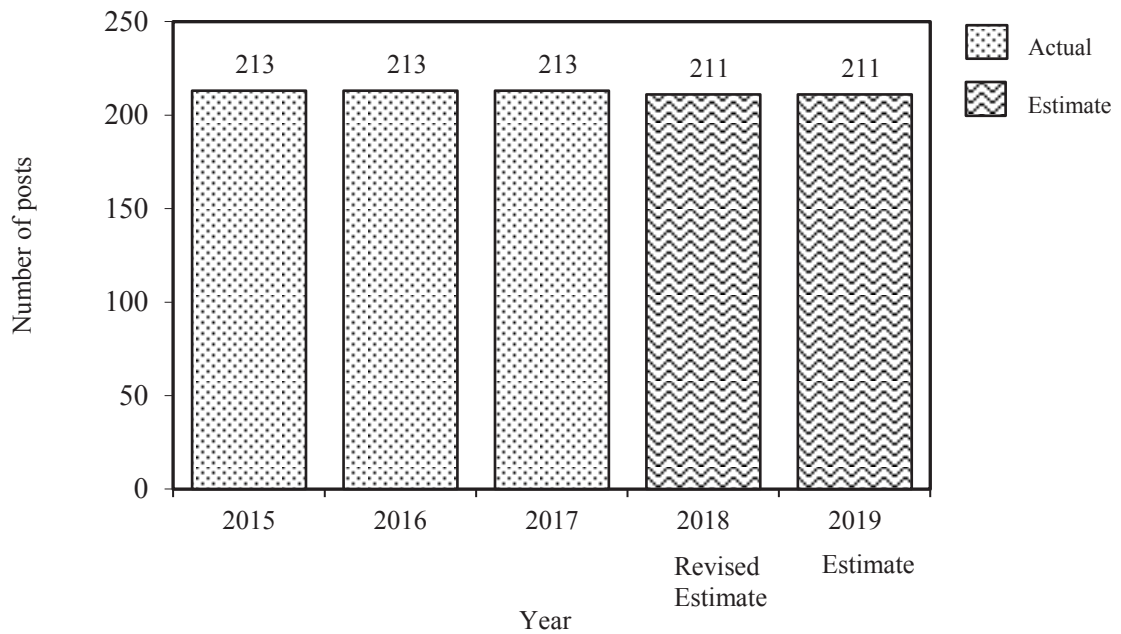
*Allocation of provision
to programmes
(2018-19)*



*Staff by programme
(as at 31 March 2019)*



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



Head 51 — GOVERNMENT PROPERTY AGENCY

Sub-head (Code)	Actual expenditure 2016-17	Approved estimate 2017-18	Revised estimate 2017-18	Estimate 2018-19	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,898,081	1,891,343	1,891,343	1,959,367
	Total, Recurrent.....	1,898,081	1,891,343	1,891,343	1,959,367
	Total, Operating Account	1,898,081	1,891,343	1,891,343	1,959,367
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Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	38,853	51,371	51,206	82,306
	Total, Plant, Equipment and Works.....	38,853	51,371	51,206	82,306
	Total, Capital Account.....	38,853	51,371	51,206	82,306
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	Total Expenditure	1,936,934	1,942,714	1,942,549	2,041,673
		<u>1,936,934</u>	<u>1,942,714</u>	<u>1,942,549</u>	<u>2,041,673</u>

Head 51 — GOVERNMENT PROPERTY AGENCY

Details of Expenditure by Subhead

The estimate of the amount required in 2018–19 for the salaries and expenses of the Government Property Agency is \$2,041,673,000. This represents an increase of \$99,124,000 over the revised estimate for 2017–18 and \$104,739,000 over the actual expenditure in 2016–17.

Operating Account

Recurrent

2 Provision of \$1,959,367,000 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 2018 will be 211 permanent posts. No change in establishment is expected in 2018–19. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2018–19, but the notional annual mid-point salary value of all such posts must not exceed \$117,664,000.

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

	2016–17 (Actual) (\$'000)	2017–18 (Original) (\$'000)	2017–18 (Revised) (\$'000)	2018–19 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	133,558	132,370	134,426	140,574
- Allowances.....	1,429	1,035	1,524	1,751
- Job-related allowances.....	—	10	2	10
Personnel Related Expenses				
- Leasing and management of quarters	285,949	299,409	286,826	312,135
- Mandatory Provident Fund contribution.....	450	364	452	329
- Civil Service Provident Fund contribution.....	4,105	4,854	4,409	5,450
Departmental Expenses				
- Light and power.....	267,944	263,490	248,020	265,030
- Hire of services and professional fees	148,903	149,869	145,458	153,057
- Specialist supplies and equipment	13,170	15,000	15,000	15,000
- Workshop services.....	297,452	284,989	290,972	264,370
- General departmental expenses	8,371	8,064	9,078	23,273
Other Charges				
- Rents and management charges for properties (other than quarters).....	736,750	731,889	755,176	778,388
	1,898,081	1,891,343	1,891,343	1,959,367

Capital Account

Plant, Equipment and Works

5 Provision of \$82,306,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$31,100,000 (60.7%) over the revised estimate for 2017–18. This is mainly due to the increased requirement for scheduled replacement of minor plant and equipment.