

Head 51 — GOVERNMENT PROPERTY AGENCY

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

Estimate 2019–20 **\$2,227.1m**

Establishment ceiling 2019–20 (notional annual mid-point salary value) representing an estimated 202 non-directorate posts as at 31 March 2019 rising by 67 posts to 269 posts as at 31 March 2020..... **\$169.4m**

In addition, there will be an estimated seven directorate posts as at 31 March 2019 rising by two posts to nine posts as at 31 March 2020.

Controlling Officer's Report

Programmes

- | | |
|---|--|
| Programme (1) Acquisition and Allocation | This programme contributes to Policy Area 22: Buildings, Lands, Planning, Heritage Conservation, Greening and Landscape (Secretary for Development) and Policy Area 27: Intra-Governmental Services (Secretary for Financial Services and the Treasury). |
| 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

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	737.5	769.5	765.0 (–0.6%)	798.2 (+4.3%)
				(or +3.7% on 2018–19 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;
 - assessing requirements for Government, Institution and Community (GIC) accommodation in private developments; and
 - co-ordinating the planning and implementation of government multi-storey building projects involving cross-bureau GIC facilities.

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4 The key performance measures are:

Targets

	Target	2017 (Actual)	2018 (Actual)	2019 (Plan)
take-up rate of office space (%).....	99.8	100	100	99.8
rental level of leased offices (percentage of market rent) (%) ^Λ	95.0	95.0	95.2	95.0
take-up rate of quarters (%).....	99.8	99.9	99.8	99.8
rental level of leased quarters (percentage of market rent) (%) ^Λ	97.0	96.4	97.8	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

	2017 (Actual)	2018 (Actual)	2019 (Estimate)
total area of office space (m ²) ^Λ	1 015 904	1 041 266	1 110 000
office space owned by Government (%).....	68.9	67.2	67.6
office space leased by Government (%).....	31.1	32.8	32.4
new allocation of owned office space to government bureaux/departments (m ²).....	4 726	3 933	66 200
net change in leased office accommodation (m ²).....	8 128#	25 488#	18 000#
renewals of leased office accommodation (m ²).....	65 088	69 223	50 000
non-departmental quarters (NDQs).....	556	504	480
NDQs owned by Government (%).....	100	100	100
departmental quarters (DQs).....	22 804	23 060	23 600
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 2019–20

5 During 2019–20, 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;
- continue to pursue deleasing opportunities where appropriate;
- through an annual accommodation review mechanism, continue to encourage government bureaux and departments to regularly review office accommodation required in the short and medium terms; and
- plan and take forward government multi-storey building projects with cross-bureau GIC facilities identified to be implemented under the “single site, multiple use” initiative.

Programme (2): Property Management

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	1,150.5	1,220.1	1,175.1 (–3.7%)	1,368.3 (+16.4%)

(or +12.1% on
2018–19 Original)

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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.

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	2017 (Actual)	2018 (Actual)	2019 (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

	2017 (Actual)	2018 (Actual)	2019 (Estimate)
management of government properties			
GIC non-domestic properties in private developments under the custody of the Agency	226	228	235
residential flats managed by the Agency	22 076	22 170	22 698
government joint-user buildings managed by the Agency	45	46	46
other accommodation managed by the Agency			
sites	13	15	14
area (m ²)	179 462	184 839	181 010
average management fee for non-domestic accommodation in private developments (\$/m ² /month)§	52.5	54.4	55.6
average management cost of major joint-user buildings (\$/m ² /month)Ω	16.3	16.4	17.0
average management fee for quarters in private developments (\$/m ² /month)§	20.6	21.8	24.8
average management cost of wholly-owned government quarters (\$/m ² /month)Ω	13.3	13.5	14.0

§ 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.

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Matters Requiring Special Attention in 2019–20

- 9 During 2019–20, the Agency will:
- continue to monitor the performance of its property management services contractors to ensure and enhance their efficiency and effectiveness;
 - continue to take forward measures to reduce energy consumption in government joint-user buildings; and
 - plan for taking charge of the property management of joint-user government facilities at border control points.

Programme (3): Estate Utilisation

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	48.3	52.1	51.4 (–1.3%)	60.6 (+17.9%)
				(or +16.3% on 2018–19 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	2017 (Actual)	2018 (Actual)	2019 (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	92.1	90.1	90.0

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

Indicators

	2017 (Actual)	2018 (Actual)	2019 (Estimate)
sites for reviewφ	85	85	85
sites ready to be released for disposal, redevelopment or other purposes	2	4	4

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	2017 (Actual)	2018 (Actual)	2019 (Estimate)
non-domestic premises			
lettings.....	986	1 072	1 149
rental income (\$m).....	507.7	467.8	409.8
domestic premises			
lettings.....	251	215	200
rental income (\$m).....	155.8	130.9	109.1
ratio of rental income in respect of domestic and non-domestic premises to related staff cost‡.....	20	16	13
government premises identified as having new commercialisation opportunities.....	12	27	47

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 2019–20

13 During 2019–20, 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;
- continue to assist government bureaux and departments in putting surplus departmental properties to alternative uses or disposal as appropriate;
- continue to identify government properties with commercialisation potential with a view to realising such potential; and
- implement the refined leasing arrangements for better achieving the socially caring objective.

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ANALYSIS OF FINANCIAL PROVISION

	2017–18 (Actual) (\$m)	2018–19 (Original) (\$m)	2018–19 (Revised) (\$m)	2019–20 (Estimate) (\$m)
Programme				
(1) Acquisition and Allocation	737.5	769.5	765.0	798.2
(2) Property Management	1,150.5	1,220.1	1,175.1	1,368.3
(3) Estate Utilisation	48.3	52.1	51.4	60.6
	1,936.3	2,041.7	1,991.5 (–2.5%)	2,227.1 (+11.8%)
				(or +9.1% on 2018–19 Original)

Analysis of Financial and Staffing Provision

Programme (1)

Provision for 2019–20 is \$33.2 million (4.3%) higher than the revised estimate for 2018–19. This is mainly due to an increase of 35 posts and other operating expenses.

Programme (2)

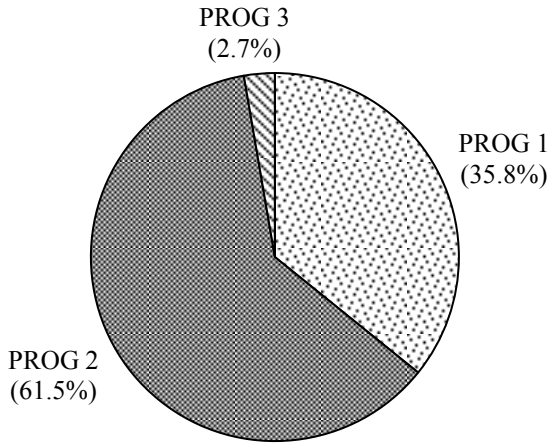
Provision for 2019–20 is \$193.2 million (16.4%) higher than the revised estimate for 2018–19. This is mainly due to anticipated increases in costs of property management and maintenance services including those to be provided for a newly commissioned government joint-user building, the requirement for scheduled replacement of minor plant and equipment, management charges and an increase of 24 posts.

Programme (3)

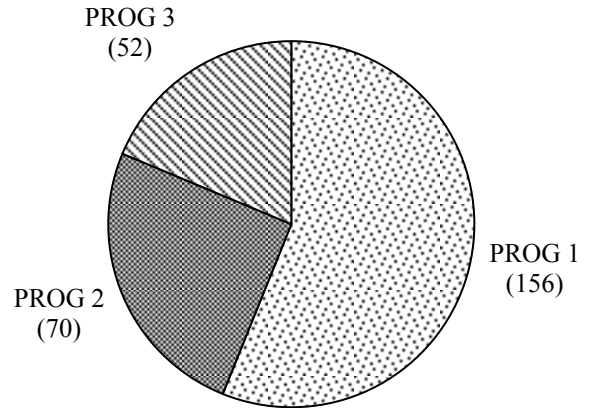
Provision for 2019–20 is \$9.2 million (17.9%) higher than the revised estimate for 2018–19. This is mainly due to an increase of ten posts and the anticipated increase in the operating costs for the management of new government premises.

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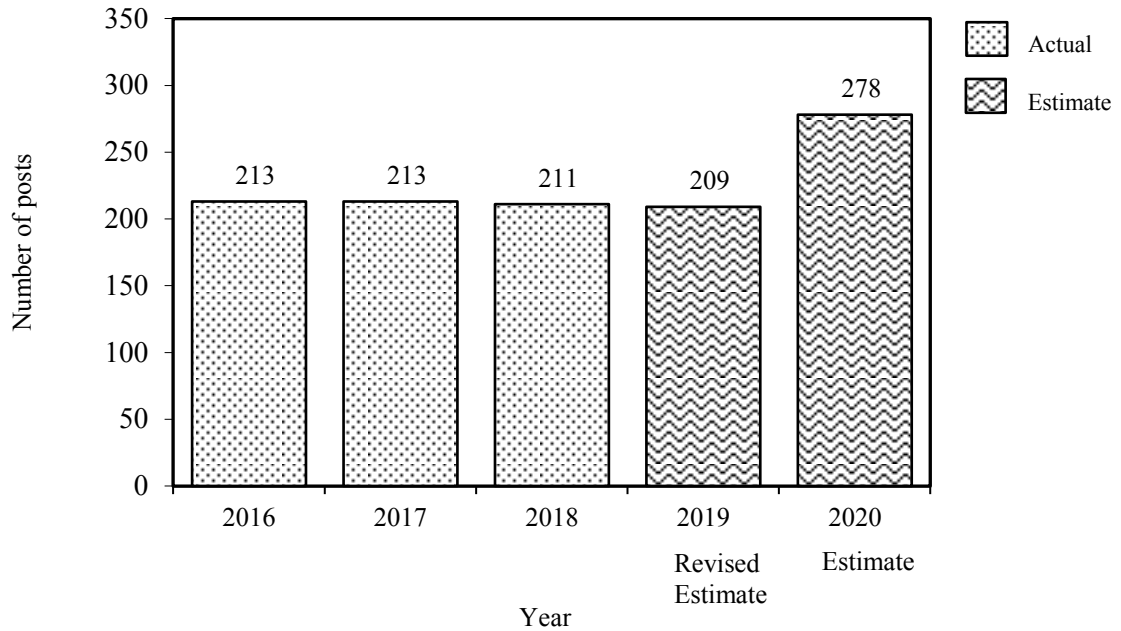
Allocation of provision to programmes (2019-20)



Staff by programme (as at 31 March 2020)



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



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Sub-head (Code)	Actual expenditure 2017-18	Approved estimate 2018-19	Revised estimate 2018-19	Estimate 2019-20	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	1,885,092	1,959,367	1,941,150	2,152,076
	Total, Recurrent	1,885,092	1,959,367	1,941,150	2,152,076
	Total, Operating Account	1,885,092	1,959,367	1,941,150	2,152,076
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Capital Account					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote)	51,200	82,306	50,306	75,001
	Total, Plant, Equipment and Works	51,200	82,306	50,306	75,001
	Total, Capital Account	51,200	82,306	50,306	75,001
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	Total Expenditure	1,936,292	2,041,673	1,991,456	2,227,077
		<u>1,936,292</u>	<u>2,041,673</u>	<u>1,991,456</u>	<u>2,227,077</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2019–20 for the salaries and expenses of the Government Property Agency is \$2,227,077,000. This represents an increase of \$235,621,000 over the revised estimate for 2018–19 and \$290,785,000 over the actual expenditure in 2017–18.

Operating Account

Recurrent

2 Provision of \$2,152,076,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the Government Property Agency. The increase of \$210,926,000 (10.9%) over the revised estimate for 2018–19 is mainly due to increased provision for creation of new posts in 2019–20 and increased requirement for departmental expenses.

3 The establishment as at 31 March 2019 will be 209 permanent posts. It is expected that there will be an increase of 69 posts in 2019–20. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2019–20, but the notional annual mid-point salary value of all such posts must not exceed \$169,390,000.

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

	2017–18 (Actual) (\$'000)	2018–19 (Original) (\$'000)	2018–19 (Revised) (\$'000)	2019–20 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	134,415	140,574	142,380	195,343
- Allowances.....	1,632	1,751	2,037	1,927
- Job-related allowances.....	—	10	2	10
Personnel Related Expenses				
- Leasing and management of quarters	286,732	312,135	311,010	332,128
- Mandatory Provident Fund contribution.....	465	329	472	485
- Civil Service Provident Fund contribution.....	4,471	5,450	5,826	9,495
Departmental Expenses				
- Light and power	226,085	265,030	265,035	282,430
- Hire of services and professional fees	150,233	153,057	149,061	204,678
- Specialist supplies and equipment	11,871	15,000	15,000	22,738
- Workshop services	304,743	264,370	259,840	310,134
- General departmental expenses	7,292	23,273	21,952	34,553
Other Charges				
- Rents and management charges for properties (other than quarters).....	757,153	778,388	768,535	758,155
	1,885,092	1,959,367	1,941,150	2,152,076

Capital Account

Plant, Equipment and Works

5 Provision of \$75,001,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$24,695,000 (49.1%) over the revised estimate for 2018–19. This is mainly due to the decrease in the funding requirement for scheduled replacement of minor plant and equipment in 2018–19.