

ITEM FOR PUBLIC WORKS SUBCOMMITTEE OF FINANCE COMMITTEE

Head 703 - BUILDINGS

Government Offices - Intra-governmental services

70KA - Purchase and fitting-out of office accommodation for the Office of The Ombudsman

Members are invited to recommend to Finance Committee the upgrading of **70KA** to Category A at an estimated cost of \$150.7 million in money-of-the-day prices for the purchase and fitting-out of office accommodation for the Office of The Ombudsman.

PROBLEM

The Office of The Ombudsman (the Office) is housed in leased premises and requires additional space for expansion in the medium term.

PROPOSAL

2. We propose to purchase and fit out some 2 200 square metres (net usable area) of general office accommodation in a suitable location, at a total estimated cost of \$150.7 million in money-of-the-day (MOD) prices.

JUSTIFICATION

3. The Office is an independent authority established under The Ombudsman Ordinance (Cap 397). To maintain its independent image, the Office has all along been accommodated in leased commercial premises and not in a government building. It moved into the 31st floor of Tower I in Gateway in 1995.

Over the years, additional space has been leased to cope with expanded activities. The Office is now scattered over four different floors. Because of the building's low vacancy rate, it has not been possible to co-locate these offices into fewer floors. The present accommodation arrangement is not ideal from a management point of view and the situation is expected to deteriorate over time. More importantly, owning office premises would be more economical than leasing in the longer term and will protect the Office from the vagaries of the rental market.

Immediate and medium term space requirement

4. On 1 April 2001, the Office severed its administrative links with the Administration. In consequence thereof, wide ranging activities have to be reviewed and revamped, particularly in respect of those functions which had previously been provided centrally by the Administration, such as staff training, provision of legal advice and management of finance and accounting. The Office needs additional space to accommodate these new activities.

5. The delinking exercise not only enhances the independent image of the Office but also gives The Ombudsman greater flexibility in resource management. The Ombudsman has started reviewing her operations to take advantage of the newly-acquired flexibility to improve her services to the public. New or improved services that have been or will be introduced include -

A telephone complaint service

- (a) This was launched in March 2001 with the employment of four temporary Complaints Assistants. The scheme has been well received by the public and The Ombudsman proposes to turn it into a permanent service.

Faster processing of complaints

- (b) Complaint processing time for 2000-01 has lengthened. Although 95% of caseload can still comply with the performance pledge of completion within three to six months, the majority was completed closer to the upper end of the pledge. A number of factors contributed to this. For the current reporting year, incoming complaints increased by more than 600 as compared with the previous year. In addition, to promote greater transparency, The Ombudsman has directed that more personalised replies should be given instead of the previous standardised approach. Four temporary

Senior Complaints Officers were appointed in May to help reduce processing time. The Ombudsman will review the effectiveness of this arrangement later in the year. A projection of the workload of the Office is at Enclosure 1.

Re-introduction of the mediation service

- (c) Mediation is an effective and less acrimonious means of dispute resolution. It is particularly suitable for minor cases that do not involve maladministration, and where practical solutions could be negotiated. The service has been temporarily suspended because of other work pressure. The Ombudsman intends to establish a dedicated mediation team in the near future when resources permit.

6. The present office accommodation has made no provision for these new activities. Makeshift arrangements, such as office-sharing and partitioning off a portion of the conference room, are made to accommodate the new staff. Additional space is required to meet expanding needs and other anticipated requirements in the medium term.

Location

7. Apart from the organised attendance of large groups of complainants, many individuals attend the Office personally to lodge or pursue their complaints. The Office also hosts regular visits for students, senior citizens and other community groups. Hence, the Office should be conveniently-located, easily-identifiable and well-served by public transport from all points in the territory.

ESTIMATES OF PROJECT COSTS

8. When the proposal was submitted on 16 May 2001, Members considered the proposed budget ceiling on the high side and suggested that this be reviewed in the light of possible locations identified. On Members' advice, The Ombudsman requested the Government Property Administrator (GPA) to conduct a search for possible suitable premises on the basis of the following criteria -

- (a) the premises should be conveniently-located, easily-identifiable and well-served by public transport from across the territory, preferably no more than 10 to 15 minutes' walk from MTR stations;

/(b)

- (b) the premises need not be on a single floor, but for efficient floor utilisation and better management, should occupy as few floors as possible; and
- (c) the immediate environment of the premises should be in keeping with the image of the Office.

9. GPA conducted a thorough search in the property market by canvassing all office accommodation currently available for sale. He shortlisted and arranged for The Ombudsman to view all premises meeting the space requirement in the Sheung Wan, Central, North Point, Tsim Sha Tsui and Kowloon Bay areas. The Ombudsman identified a few possible premises which meet with the other criteria in paragraph 8 to varying degrees. On a gross basis, the asking prices of these premises range from \$41,000 per square metre (i.e. \$3,800 per square foot) to \$45,000 per square metre (i.e. \$4,200 per square foot). On a net basis (i.e. after taking into account an assumed 75% efficiency ratio), the asking prices range from \$55,000 per square metre (i.e. \$5,100 per square foot) to \$60,000 per square metre (i.e. \$5,600 per square foot). We consider that the adoption of \$60,000 per square metre on net usable area is reasonable for estimating the overall purchase price. A summary of the total space requirement is at Enclosure 2. The schedule of accommodation is drawn up in accordance with the space standards applicable to the civil service and has been vetted by GPA.

10. The Director of Architectural Services will undertake and oversee the design and fitting-out work using the prevailing standards for government offices. The confidential nature of The Ombudsman's work requires a high proportion of the floor area to be partitioned into cellular offices. Staff of the Architectural Services Department has visited the identified premises for ascertaining the scope and magnitude of the fitting-out works required. On the basis of their findings and recommendations, it is estimated that the total fitting-out cost will be about \$14.3 million (i.e. \$6,500 per square metre).

FINANCIAL IMPLICATIONS

11. The total estimated cost for the whole project is about \$150.7 million, made up as follows -

/(a)

	\$ million
(a) Purchasing approximately 2 200 square metres of accommodation (@\$60,000 per net square metre)	132.0
(b) Purchasing two carparking spaces	2.0
(c) Design and fitting-out (@\$6,500 per net square metre)	14.3
(d) Furniture and equipment	2.4
Total	<u>150.7</u>

12. The total project cost includes the purchase of two carparking spaces, the cost of which has been reduced broadly in line with the revision in the price ceiling sought. Only a small number of properties offer car parks for sale. In the event that no carparking spaces are available for sale in the vicinity of the premises acquired, leasing will be pursued.

13. Subject to approval, we plan to purchase and spend in 2001-02 about 90% of the total provision sought. The remaining 10% will be incurred in 2002-03 for completion of the fitting-out works, purchase of furniture and equipment and residual payment upon expiry of the defect liability period.

14. The unit rate for the provision of management and air-conditioning services in the identified premises is estimated to be about \$60 to \$70 per square metre per month, which is similar to that currently paid by the Office. The future total annual recurrent expenditure is estimated to be in the region of \$1.6 million to \$1.9 million.

15. In the current market conditions, we anticipate the payback period (i.e. purchase price/current annual market rent) for the purchase of a permanent office for The Ombudsman in the buildings now contemplated will be in the region of 16 years. Based on the estimate (i.e. \$60,000 per square metre of net usable area) in this submission, the maximum market rental of the shortlisted buildings will be in the region of \$312 per square metre, as compared to the actual current rental of \$409 per square metre for the premises at Gateway. We therefore consider that on cost grounds alone, the proposed purchase of permanent office accommodation for The Ombudsman is justified. Furthermore, ownership has the benefits of security of tenure and protection from future rent increases upon lease renewals. If approved, this will also offer an opportunity for the consolidation of accommodation thereby facilitating greater operational efficiency.

16. The current lease at Gateway will expire in October 2001. A short extension of the current lease will be necessary to cope with the purchase and fitting-out processes.

PUBLIC CONSULTATION

17. We consulted the LegCo Panel on Administration of Justice and Legal Services on 26 April 2001. The Panel had no objection in principle to this proposal.

BACKGROUND INFORMATION

18. We upgraded **70KA** to Category B in March 2001.

19. The Office occupies about 1 700 square metres of lease premises on four floors in Gateway Tower I, Canton Road. Currently, the annual rental is \$8.6 million and the annual management plus air-conditioning charges are \$1.3 million (i.e. about \$60 per square metre per month).

20. From 2001-02, the Office severs its linkage with the Administration. Financial provisions have been included in the 2001-02 Estimates for the rental of the current office.

21. The Administration has proposed amendments to The Ombudsman Ordinance to provide The Ombudsman with the authority to acquire and hold properties. The permanent office accommodation will be held in the corporate name of The Ombudsman. The Ombudsman undertakes that she will not sell, lease, assign, mortgage, charge or dispose of any part of the property to any other person without the prior written approval of Government. The Ombudsman is also obliged to unconditionally transfer the ownership of the property to Government if she ceases to occupy it.

Enclosure 1 to PWSC(2001-02)51

**Workload Projection in terms of
Number of Complaints Received**

	1997-98	1998-99	1999-2000	2000-01	2005-06
No. of complaints received	3 073	4 125	3 101	3 705	4 700 (approximate)
Percentage Increase (+)/ Decrease (-) over the previous year	-	+34.2%	-24.8%	+19.5%	5% annual increase from 2000-01 ⁽ⁱⁱ⁾
Average annual percentage increase	-	+9.6% ⁽ⁱ⁾			-

Explanatory Notes

- (i) This figure is the average of the increase/decrease in percentage from 1997-98 to 2000-01.
- (ii) The Office has no control over the number of incoming complaints. Although the caseload increased on average by 9.6% per annum in the previous four years, we have only applied a very conservative forecast of an annual increase of 5% for the five years between 2001-02 and 2005-06.

Enclosure 2 to PWSC(2001-02)51

**Space Requirements of the Office of The Ombudsman
(Net Usable Area)**

	Existing Leased Accommodation m²	Medium-term Requirement m²	Notes
(A) Staff			
Existing posts (90)	995	995	
New posts	28	175	(1)
<i>Total area for staff</i>	<i>1 023</i>	<i>1 170</i>	
(B) Ancillary Areas			
Reception areas (one reception counter each on 30/F and 31/F)	40	40	(2)
Interview rooms	35	35	
Mediation room	20	30	(3)
Meeting room	20	20	
Conference-cum-briefing room	170	170	
Small library for internal use	30	45	(4)
Resource Centre	100	100	
Classroom for group visitors/ Waiting area for group complainants	65	65	
Server room	30	40	(5)
Server hubs for other floors	5	5	
General and personnel registry	45	45	
Store room	40	40	
Store room for publications	30	40	(6)
Store room for complaint records	70	125	(7)
Telephone room	5	10	(8)
Pantry	13	13	
Rooms for Advisors	-	20	(9)
Small mediation room	-	10	(10)
Machine room for publications	-	10	(11)
Simultaneous interpretation booth for conference room	-	15	(12)
Training centre	-	25	(13)
<i>Total ancillary area</i>	<i>718</i>	<i>903</i>	
Total staff and ancillary area (A)+(B)	1 741	2 073	
Add : 5% for expansion	-	104	(14)
<i>Total net floor area</i>	<i>1 741</i>	<i>2 177</i>	
		<i>(say) 2 200</i>	

Notes

1. The new posts include one Accountant, four Complaints Assistants, seven temporary Senior Complaints Officers and five temporary Case Officers. The Accountant, four Complaints Assistants and four temporary Senior Complaints Officers have been appointed.
2. At present there are two reception counters - one on 30/F for receiving visitors to the Resource Centre and one on 31/F for receiving complainants. For planning purpose, the current amount of reception area is adopted as it is unlikely that the office could be accommodated on one single floor.
3. The existing mediation room can marginally accommodate ten persons. A larger mediation room is required to accommodate up to 12 or 13 persons which is the size of most mediation sessions.
4. At present, only 19 out of 91 officers have access to Internet. Two terminals will be installed in the library for the rest of the office to search for information from the Internet or to receive web-based learning. Additional space is also required for the display of publications, such as reference books, training manuals, annual reports of government departments and organisations.
5. Additional space is required for the new servers and systems that have been or are about to be installed. These include the Account System, Human Resource System, Government Common Applications System, Confidential Mail and Software Asset Management System, etc. The Director of Information Technology Services has vetted the additional space required.
6. This is for the storage of publicity materials to be distributed to the public (e.g. complaint forms, Annual Reports, Direct Investigation Reports and publicity pamphlets, souvenirs), panels for roving exhibition and audiovisual equipment.
7. Additional space is required for storage of increasing complaint records. The annual growth rate is around 10 m² per year. The Office will consider the feasibility of using a paperless computer management system.
8. Additional space is required for the new Interactive Voice Response System and storage of recorded tapes (from telephone complaints).
9. Two rooms are required as working areas for honorary advisors in the legal, medical and engineering fields.

10. To conduct mediation, the two parties may need to retreat for private discussions among themselves on the offers proposed by the opposite party. One additional mediation room is required for this purpose. As the size of each party normally ranges from two to six, an area of 10 m² is required.
11. A machine room is required for producing office publications, such as the Ombuds News, pamphlets and publicity materials for workshops/seminars. The equipment includes duplicator, colour photocopier, sorter, laminator and binding machine.
12. A simultaneous interpretation booth is required for the conference room for holding talks and workshops/seminars.
13. The training centre will be equipped with five personal computers linked to the Complaints Management System (CMS) for the conduct of training on the CMS as well as other types of training, e.g. courses run on CD-ROM.
14. A 5% allowance for future expansion is included in the overall space requirement to enable the Office of The Ombudsman to cope with its operational requirements in the next five to seven years.

~ End ~