

LegCo Panel on Financial Affairs

Background Brief

Purchase and fitting-out of government offices

Introduction

When the Panel discussed the item "Permanent accommodation for the Hong Kong Monetary Authority (HKMA)" at its meeting on 5 November 2001, members requested the Panel Clerk to provide supplementary information to facilitate the Panel's further deliberation on the matter. Members also agreed that the Administration should provide further information to address members' concerns and queries raised at the meeting. Information from the Administration is awaited.

2. This paper seeks to provide background information on past cases of purchase of office accommodation for government bureaux/departments and set out the funding arrangements for the fitting-out of different types of government offices. The information is intended to facilitate members' deliberation on the subject, in particular the funding arrangements for the fitting-out of permanent accommodation for HKMA.

Past cases of purchase of private premises as office accommodation for government bureaux/departments

3. According to the Government Property Agency (GPA), the first case of purchase of office accommodation for government bureaux/departments was in 1983. It was for the Printing Department at Cornwall House, Quarry Bay. Funding was approved by the Finance Committee (FC) on 29 June 1983 at an estimated cost of \$115 million. As noted in the relevant paper for the Public Works Subcommittee (PWSC 1983/120) attached at **Annex A**, it was FC which, in considering the initial proposal to construct new premises for the Printing Department, first suggested that the possibility of purchase rather than construction should be looked into because of the abundant supply of industrial accommodation at that time. After a review of Government printing operations and having regard to the then market conditions, the Administration concluded in 1983 that for both time and cost reasons, purchase of accommodation for the Printing Department was preferred to construction of new office for the department.

4. Government bureaux/departments had been accommodated either in purpose-built government office premises or in leased private premises before 1983 when the option of purchasing private premises for use as government offices was first pursued. Including the first case above mentioned, there have been 14 purchases of office accommodation for government bureaux/departments

since 1983. A summary of these purchases is set out at **Annex B**. There are also two instances in which the funds for purchase of office accommodation have been approved by FC but the purchases have not taken place. Essential particulars on these two cases are set out in **Annex C**.

5. The Administration's main considerations in favouring the purchase option as may be gleaned in the relevant funding proposals include the following -

- (a) In the light of the then market conditions, it was more economical to meet the accommodation need by the purchase of premises rather than by leasing premises or by the construction of offices.
- (b) Departments housed in government-owned premises would generally have greater security of tenure. Those in leased accommodation might be forced to relocate for various reasons, in particular when the rent became exorbitant. Long-term planning of the departments would therefore be adversely affected.
- (c) Those departments which had particular requirements would be able to have such requirements met more easily in purchased premises rather than in leased premises.
- (d) The construction of offices premises took time; purchase of office premises was preferred when the immediate availability of accommodation was an important factor.

6. It is noted that except for the purchase of office premises for the Office of the Telecommunications Authority (OFTA) in 2001, all purchases of office accommodation for government bureaux/departments were made with FC's approval and the expenditure was charged to Head 703 (Buildings) of the Capital Works Reserve Fund (CWRF). The office purchase for OFTA was approved by the Secretary for the Treasury and the Secretary for Information Technology and Broadcasting under section 5(2) of the Trading Funds Ordinance (Cap. 430). The relevant sale and purchase agreement was signed in April 2001 and the purchase price was \$35.5 million. In all these cases, the purchase agreements were entered into and the premises are held by the Financial Secretary Incorporated.

Funding for fitting-out of office accommodation

7. According to GPA, the funding arrangements for fitting-out of office accommodation for government bureaux/departments are as follows-

- (a) for purpose-built government offices, the fitting-out costs are set out in the funding proposals for the construction of the government offices and are approved by FC;

- (b) for leased offices, fitting-out works costing less than \$15 million per project is approved under power delegated by FC and the expenditure is charged to the CWRP block allocation under Head 703 Subhead 3101GX - *Minor building works for items in Category D of the Public Works Programme*, for which the Director of Architectural Services is the Controlling Officer. Funding for fitting-out works costing more than \$15 million per project is individually approved by FC; and
- (c) for purchased premises, where funding for the purchase requires Finance Committee approval, the fitting-out costs are included in the proposals and are approved by FC.

Disposal of funds from the Capital Works Reserves Fund

8. As the expenditure in virtually all purchases of premises for government bureaux/departments and fitting-out of government offices has been charged to the CWRP, members may wish to note the relevant statutory provision regarding the disposal of funds from the Fund. The CWRP was established under section 29(1) of the Public Finance Ordinance (Cap. 2) with effect from 1 April 1982 by resolution of the Council on 20 January 1982 for the purpose of financing the Public Works Programme and the acquisition of land. According to a resolution passed on 17 December 1987, the Fund should be administered by the Financial Secretary, who may delegate his power of administration to other public officers. The Financial Secretary may spend moneys from the Fund for ... (specified purposes) in accordance with such conditions, exceptions and limitations as may be specified by the Finance Committee.

9. The current funding arrangements in respect of CWRP are as follows-

- (a) for major capital items (currently, capital works items each costing \$15 million or above and computerization items each costing \$10 million or above), the Administration puts up relevant funding proposals for upgrading to Category A of the Public Works Programme for approval by FC on a case-by-case basis; and
- (b) for minor capital items (currently, capital works items each costing not more than \$15 million and computerization items each costing not more than \$10 million), the Administration puts up a single funding proposal for block allocations under various heads of expenditure of CWRP for approval by FC on an annual basis.

10. Each year, the Government, in the context of the Appropriation Bill, proposes the transfer of funds to CWRP to ensure that there are sufficient funds in CWRP to meet the commitments in the forthcoming financial year. The revenue and expenditure of CWRP are accounted for in the annual Estimates (Volume II - Fund Accounts). The Estimates also include information on the

approved project estimates and the revised estimates in respect of approved projects and on the estimates of some of the projects planned to be upgraded to Category A of the Public Works Programme in the next financial year.

Legislative Council Secretariat

7 March 2002

附件 A

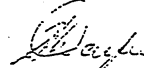
Annex A



EXTRACT
FROM THE NOTES ON DECISIONS
OF THE
FINANCE COMMITTEE OF THE LEGISLATIVE COUNCIL

The following is an extract from the notes on decisions taken at ~~the~~ the
meeting of the Finance Committee held on 29th June 1983

Date: 30th June 1983


C. K. TAYLOR
Deputy Clerk of Councils

Item No. C.7

RECOMMENDATION OF THE PUBLIC WORKS SUB-COMMITTEE

Members approved the recommendation of the Public
Works Sub-Committee, together with the financial
commitment involved, as outlined at Enclosure (42).

FIN 59/41/1 II
(TC 17/83)

Item C.7

RECOMMENDATION OF THE PUBLIC WORKS
SUB-COMMITTEE

incl. 1

At Enclosure 1 is a copy of the memorandum "New Premises for the Printing Department" presented to the Public Works Sub-Committee recommending an upgrading of the project to Category A at an estimated cost of \$115 million. The recommendation has been endorsed by the Public Works Sub-Committee.

2. Members are invited to approve the recommendation of the Public Works Sub-Committee, together with the financial commitment involved.

Enclosure

PWSC 1983/120

HEAD 703 - BUILDINGS
Amendment
General

27GE/AB
30(REV)

New Premises for the Printing Department

p. 13
p. 11
p. 67

27GE was included in Category B at the First Review 1977 for the reprovisioning of the Printing Department to new accommodation of 14,500 square metres. In the First Review 1979, it was upgraded to Category A at an estimated cost of \$62.5 million for the construction of an eleven-storey building with a gross floor area of some 20,000 square metres on a site at King's Road. The surplus floor area of 5,500 square metres was to be made available for allocation to other Government departments. In the Second Review 1980, its approved project estimate was increased to \$137 million to meet the construction costs of a nineteen-storey building with a gross floor area of 33,400 square metres so as to make the fullest possible use of the site.

2. However, at a Finance Committee meeting held on 12.12.79, Members expressed doubts about the Government's need to continue operating its own printing facility and suggested that policy should be reviewed before the construction of new premises for the Printing Department was started. As a result, a consultant was appointed to review Government printing operations in July 1981 and 27GE was downgraded to Category AB.

3. Upon the completion of the review in early 1982, the consultant recommended the following -

- (i) the government Printing Department should be retained; and
- (ii) A new Print Factory should be constructed.

4. In this connection, Members further suggested that the possibility of purchase rather than construction should also be looked into because of the abundant supply of industrial accommodation at that time.

5. In view of current market conditions, it is considered that purchase of accommodation for the Printing Department will have the following advantages :-

- (i) Accommodation can be made available earlier by means of purchase. Given the cramped and generally unsatisfactory conditions at the present printery, early removal to more suitable premises is highly desirable.
- (ii) The cost of constructing the new printery (inclusive of a surplus area of 9,000 square metres tentatively allocated to GSD for storage purpose) was estimated at \$158 million in mid-1981 (exclusive of fitting-out costs). However, the cost of purchasing premises for the Printing Department is expected not to exceed \$100 million (estimated at \$7,000 per square metre). In addition, the existing site occupied by the Printing Department at Java Road could be released for sale or development by Government.

6. The updated requirement of the Printing Department is for 14,000 square metres net floor area for both factory and storage purposes. Suitable premises at Cornwall House have been identified and the Government Printer is also satisfied that the property can meet all the requirements.

7. This project was considered by the PWFC at the 1982 Annual Review but was not agreed for a start in 1983-84; however, it was recommended that the possibility of purchasing suitable premises should be pursued.

8. In order to take full advantage of the present availability of suitable premises at a reasonable price, the Director, Councils and Administration proposes that this project be upgraded to Category A exceptionally as an injected item to enable the Commissioner of Rating and Valuation to proceed with negotiation with the landlord to settle the terms of purchase.

9. The cost of this project is estimated to be \$115 million, made up as follows -

	<u>\$ million</u>
(i) purchase of premises (14,000 square metres net)	100.0
(ii) fitting-out cost	10.8
(iii) furniture and equipment	4.2
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Total	115.0
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10. Subject to approval and subsequent negotiations with the developer, the phasing of expenditure is expected to be as follows -

	<u>\$ million</u>
1983-84	40
1984-85	75
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	115
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Recommendation: recommend to Finance Committee upgrading of 27G2 to Category A at an estimated cost of \$115 million.

Decision: as recommended.

Office premises purchased by Government

No.	FC Reference	Date of Approval	Project Code	Purpose
1	Agenda item No. C.7 for the Finance Committee meeting of 29 June 1983	29 June 1983	3027GE	Purchase and fitting out of new premises in Cornwall House, Quarry Bay, for the Printing Department
2	FCR (86-87)141	26 November 1986	3070GO	Purchase and fitting-out of a floor in Fairmont House for accommodating part of the ICAC Operations Department
3	FCR(86-87)198	18 February 1987	3072GO	Purchase and fitting-out of four commercial floors and 60 m ² of ground floor space in the MTRC development at Southorn Playground for office accommodation for the then City & New Territories Administration (CNTA) and other departments and for a Public Enquiry Service Counter
4	FCR(88-89)178	25 January 1989	3081GO	Acquisition and refurbishment of Argyle Centre Tower II to provide office accommodation for the Trade Department, the Open Learning Institute and the Trade Investigation & Verification Bureau of the Customs & Excise Department
5	FCR(89-90)155	9 February 1990	3086GO	Acquisition and refurbishment of the Housing Authority Headquarters Buildings at Princess Margaret Road and Ma Tau Kok Road for use as government offices
6	FCR(92-93)72	6 November 1992	3045KA	Purchase and fitting-out of an office to accommodate the Hong Kong Economic and Trade Office in Brussels
7	FCR(92-93)73	6 November 1992	3046KA	Purchase and fitting-out of an office to accommodate the Hong Kong Economic and Trade Office in Toronto

No.	FC Reference	Date of Approval	Project Code	Purpose
8	FCR(93-94)23	7 May 1993	3053KA	Purchase and fitting-out of office accommodation on Hong Kong Island and in Kowloon to reprovision various government offices affected by the disposal of two government office building sites at Farm Road and Kwun Tong
9	FCR(94-95)94	16 December 1994	3002GA	Purchase and fitting-out of office accommodation for the Hong Kong Economic and Trade Offices in Tokyo, Geneva and New York
10	FCR(95-96)52	29 July 1995	3103KA	Purchase and fitting-out of office accommodation for the Hong Kong Economic and Trade Offices in Singapore, Sydney, Washington and San Francisco
11	FCR(95-96)84	1 December 1995	3102KA	Acquisition of office accommodation for the Hong Kong Economic and Trade Offices in Geneva by way of a design/build/transfer agreement
12	FCR(95-96)128	9 February 1996	3043KO	Purchase and fitting-out of office accommodation for the Legislative Council Secretariat
13	FCR(1999-2000)28	2 July 1999	3108KA	Purchase and fitting-out of new office for the Hong Kong Economic and Trade Offices in Brussels
14	Approved by S for Tsy and SITB under section 5(2) of the Trading Fund Ordinance	Sale and purchase agreement signed in April 2001	Not applicable	Acquisition of office accommodation in 2001 by the Telecommunications Authority Trading Fund at 26/F Wu Chung House to replace its premises on 25/F Wu Chung House and in Hopewell Centre

**Proposals for purchase of
office accommodation approved by the Finance committee
but the purchases have not been made**

No.	FC Reference	Date of Approval	Project Code	Purpose
1	FCR(2000-01)14 FCR(2001-02)41	26 May 2000 7 December 2001	66KA	Purchase and fitting-out of office accommodation for the Beijing Office
2	FCR(2001-02)27	6 July 2001	70KA	Purchase and fitting-out of office accommodation for the Office of The Ombudsman