

Provision of government office accommodation and utilisation of government sites

The Audit Commission ("Audit") conducted a review of the Government Property Agency ("GPA")'s work on provision of government office accommodation and utilization of government sites.

2. Bureaux/departments ("B/Ds") are housed in joint-user general office buildings, leased premises and specialist and departmental buildings ("SDBs"). Under the policy directive of the Financial Services and the Treasury Bureau, GPA is responsible for providing administrative support services to all B/Ds in respect of acquisition, allocation and management of government-owned and leased office accommodation, as well as optimizing the development potential of government sites through reviewing existing uses. As of December 2016, GPA managed 1 023 110 square metres ("m²") office space, including 308 051 m² (30%) of leased office accommodation and 715 059 m² (70%) of government owned office accommodation in joint-user general office buildings and private developments for use by various B/Ds. In addition, SDBs of 7 348 976 m² were purposely built for specialized functions and/or office use by one or more B/Ds and managed by the concerned B/Ds in accordance with the Accommodation Regulations promulgated by the Financial Services and the Treasury Bureau. In 2016-2017, rental expenditure on leased office accommodation was \$960 million.

3. The Committee noted the following findings from the Director of Audit's Report:

- based on the 2016 returns on the annual review of office accommodation submitted to GPA by B/Ds,¹ there were 168 requests for new office space of 94 921 m² from 2017-2018 to 2021-2022. However, according to GPA's assessment, there would be a shortfall of 44 459 m², including a possible need for a site search for 29 591 m². Meanwhile, no JUB had been planned other than the three on-going JUB projects² which were mainly used for reprovisioning the offices at the Wan Chai Government Offices Compound ("WCGOC");

¹ According to the Financial Services and the Treasury Bureau's Accommodation Regulations, B/Ds should see if there is a continued need for all the office accommodation in government-owned and leased accommodation allocated to them once a year. Based on the annual review of office accommodation, B/Ds should provide a return on any request for additional office accommodation and surplus accommodation (excluding SDBs which should be reported separately in the annual stewardship statement exercise).

² The three joint-user general office buildings are the West Kowloon Government Offices, the Treasury Building and the Tseung Kwan O Government Offices Building.

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- the relocation of WCGOC announced in 2008 required the construction of nine replacement buildings for 28 B/Ds and the Judiciary, but six replacement buildings projects encountered delays due to changes in project scope, technical constraints and the time taken for seeking funding approval. Meanwhile, a suitable site for reprovisioning the Wan Chai Law Courts³ was only identified in 2015 as the site proposed in 2008 was found in 2012 to be unable to provide the required floor area. The relocation of the Wan Chai Law Courts was still under planning without a projected completion date. As for the relocation of WCGOC as a whole, it was estimated to be completed in 2025-2026 at the earliest;
- among the nine replacement building projects, the West Kowloon Government Offices was an on-going project⁴ before the announcement of WCGOC relocation plan, but the project was affected by the alignment review of the Central Kowloon Route project. Eventually, the West Kowloon Government Offices had taken almost 12 years to progress from project inception to funding approval in June 2015;
- while the Government's accommodation policy was to house offices in owned buildings as far as practicable, leased accommodation increased by 13% from 271 461 m² in 2006 to 308 051 m² in 2016;
- Audit examination of three leases (Leases A, B and C) which exceeded the Rating and Valuation Department's average rents⁵ by more than 40% revealed that no reasons had been documented for not exploring alternative premises with lower rental costs before entering into or renewing such leases;
- 76% of an office in Kowloon Bay under Lease D was used for storage of case files that was not location-tied, the government paid monthly

³ The Wan Chai Law Courts occupied a net operational floor area of 26 834 m² in WCGOC.

⁴ In 2002, the West Kowloon Government Offices was planned for reprovisioning four government buildings in Yau Ma Tei affected by the Central Kowloon Route project, and for deleasing leased office accommodation in various areas.

⁵ The Rating and Valuation Department compiles average rents on a monthly basis for private office premises designed for commercial/business purposes with a breakdown by districts and office grading. The levels of average rents at a certain period depend to a large extent on various factors such as quality and location of the premises which are leased during the period. Changes in average monthly rents between different periods should not be taken as necessarily indicating a general change in value over the period.

rent of \$265 per m², compared to leased accommodation used by other B/Ds for storage purposes of \$94 to \$147 per m²;

- a godown site of 1 505 m² was acquired in 1990 for a proposed road project, but no decision had been taken on whether the project would be implemented after a lapse of some 26 years. Apart from short-term uses from 1991 to 2007, the site had been left idle for some 10 years up to 2017;
- there were 1 569 sites pending site-utilization reviews by GPA as of August 2017, while only 85 sites were selected for review each year;
- GPA developed the Government Property Information System to identify under-utilized sites. However, Audit sample check revealed that there were omissions and discrepancies in the Government Property Information System, the pertinent site and building records of an unusable property and the site information of eight premises/buildings were missing, and the status of some government sites was not up-to-date; and
- GPA conducted site-utilization reviews and drew up redevelopment proposals for endorsement by an inter-B/D Property Strategy Group. GPA's half-yearly report⁶ indicated that as of February 2017, there were 27 vacant or under-utilized premises in SDBs.

4. The Committee did not hold any public hearing on this subject. Instead, it asked for written responses regarding the relocation of WCGOC and the Wan Chai Law Courts, measures to meet the office accommodation needs of B/Ds, underlying reasons for rejecting/not recommending offers to B/Ds in the selection of premises for leasing office accommodation and the lack of relevant documentation, improvement measures on the accuracy of the information in the Government Property Information System, and the follow-up actions relating to the 1 569 sites pending site-utilization reviews and the 27 vacant or under-utilized premises. The replies from **Secretary for Financial Services and the Treasury, Government Property Administrator, Director of Civil Engineering and Development and Director of Architectural Services** are in *Appendices 35 to 38* respectively.

⁶ GPA regularly reports to the Property Strategy Group on a half-yearly basis the position of vacant or under-utilized premises of specialist and departmental accommodation under the purview of individual B/Ds.

5. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.