

## Head 51 — GOVERNMENT PROPERTY AGENCY

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

**Estimate 2014–15** ..... **\$1,873.2m**

**Establishment ceiling 2014–15** (notional annual mid-point salary value) representing an estimated 206 non-directorate posts as at 31 March 2014 and as at 31 March 2015..... **\$100.4m**

In addition, there will be an estimated seven directorate posts as at 31 March 2014 and as at 31 March 2015.

### Controlling Officer's Report

#### Programmes

**Programme (1) Acquisition and Allocation**  
**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

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	<b>2014–15 (Estimate)</b>
Financial provision (\$m)	695.8	766.3	753.4 (–1.7%)	<b>803.1</b> (+6.6%)
				(or +4.8% on 2013–14 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 and 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.

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4 The key performance measures are:

### *Targets*

	Target	2012 (Actual)	2013 (Actual)	2014 (Plan)
take-up rate of office space (%).....	99.8	99.9	99.9	99.8
rental level of leased offices (percentage of market rent) (%)Λ.....	95.0	96.6	94.8	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	97.0	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*

	2012 (Actual)	2013 (Actual)	2014 (Estimate)
total area of office space (m <sup>2</sup> )Λ.....	980 798	994 526	1 013 000
office space owned by Government (%).....	71.6	70.6	68.9
office space leased by Government (%).....	28.4	29.4	31.1
new allocation of owned office space to government bureaux/departments (m <sup>2</sup> ).....	6 869	3 816	5 100
net change in leased office accommodation (m <sup>2</sup> ).....	2 802#	13 728#	22 900#
renewals of leased office accommodation (m <sup>2</sup> ).....	53 730	72 223	38 000
non-departmental quarters (NDQs).....	707	683	670
NDQs owned by Government (%).....	100	100	100
departmental quarters (DQs).....	22 737	22 729	22 800
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 2014–15*

5 During 2014–15, the Agency will:

- 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 releasing opportunities where appropriate; and
- continue to, 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**

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	2014–15 (Estimate)
Financial provision (\$m)	995.9	1,077.6	1,073.9 (-0.3%)	1,022.9 (-4.7%)

(or -5.1% on  
2013–14 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	2012 (Actual)	2013 (Actual)	2014 (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	97	96	95

### *Indicators*

	2012 (Actual)	2013 (Actual)	2014 (Estimate)
management of government properties			
GIC non-domestic properties in private developments under the custody of the Agency .....	218	217	221
residential flats managed by the Agency .....	22 474	22 194	22 184
government joint-user buildings managed by the Agency .....	47	47	46
other accommodation managed by the Agency			
sites .....	17	16	16
area (m <sup>2</sup> ) .....	576 826	308 718	308 718
average management fee for non-domestic accommodation in private developments (\$/m <sup>2</sup> /month)§ .....	54.9	44.9	55.8
average management cost of major joint-user buildings (\$/m <sup>2</sup> /month)Ω .....	13.0	13.5	14.0
average management fee for quarters in private developments (\$/m <sup>2</sup> /month)§ .....	17.6	22.1	17.5
average management cost of wholly-owned government quarters (\$/m <sup>2</sup> /month)Ω .....	9.9	10.3	10.7

§ 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 2014–15*

9 During 2014–15, the Agency will continue to monitor the performance of its property management services contractors with a view to enhancing their efficiency and effectiveness.

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### Programme (3): Estate Utilisation

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	<b>2014–15 (Estimate)</b>
Financial provision (\$m)	44.3	45.3	45.8 (+1.1%)	<b>47.2</b> (+3.1%)
				(or +4.2% on 2013–14 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 the 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 may be appropriate;
- assisting government bureaux and departments in putting surplus departmental properties to alternative uses or disposal as may be 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	2012 (Actual)	2013 (Actual)	<b>2014 (Plan)</b>
preparing and issuing tender invitation to lease out non-domestic premises within three months upon completion of feasibility study (%).....	95	100	100	<b>95</b>
let out rate of surplus government quarters with tenure of two years or more (%)Δ ...	90.0	94.3	93.2	<b>90.0</b>

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

#### *Indicators*

	2012 (Actual)	2013 (Actual)	<b>2014 (Estimate)</b>
sites for reviewφ.....	85	85	<b>85</b>
sites ready to be released for disposal, redevelopment or other purposes.....	5	7	<b>3</b>
non-domestic premises			
lettings.....	800	825	<b>869</b>
rental income (\$m).....	495.0	550.2	<b>554.7</b>
domestic premises			
lettings.....	294	295	<b>290</b>
rental income (\$m).....	173.0	164.7	<b>153.3</b>
ratio of rental income in respect of domestic and non-domestic premises to related staff cost‡.....	22	21	<b>20</b>

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	2012 (Actual)	2013 (Actual)	2014 (Estimate)
government premises identified as having new commercialisation opportunities.....	15	10	<b>8</b>
ϕ Sites for review are government sites considered for alternative uses or disposal with a view to optimising the 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 2014–15***

**13** During 2014–15, 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 may be appropriate,
- assist government bureaux and departments in putting surplus departmental properties to alternative uses or disposal as may be appropriate, and
- identify government properties held by the Agency under its portfolio with commercialisation potential with a view to realising such potential.

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### ANALYSIS OF FINANCIAL PROVISION

	2012–13 (Actual) (\$m)	2013–14 (Original) (\$m)	2013–14 (Revised) (\$m)	2014–15 (Estimate) (\$m)
<b>Programme</b>				
(1) Acquisition and Allocation .....	695.8	766.3	753.4	<b>803.1</b>
(2) Property Management .....	995.9	1,077.6	1,073.9	<b>1,022.9</b>
(3) Estate Utilisation .....	44.3	45.3	45.8	<b>47.2</b>
	1,736.0	1,889.2	1,873.1 (-0.9%)	<b>1,873.2</b> (—)
				<b>(or -0.8% on 2013–14 Original)</b>

#### Analysis of Financial and Staffing Provision

##### Programme (1)

Provision for 2014–15 is \$49.7 million (6.6%) higher than the revised estimate for 2013–14. This is mainly due to anticipated increases in office rentals, partly offset by anticipated savings from the deleasing of rented accommodation.

##### Programme (2)

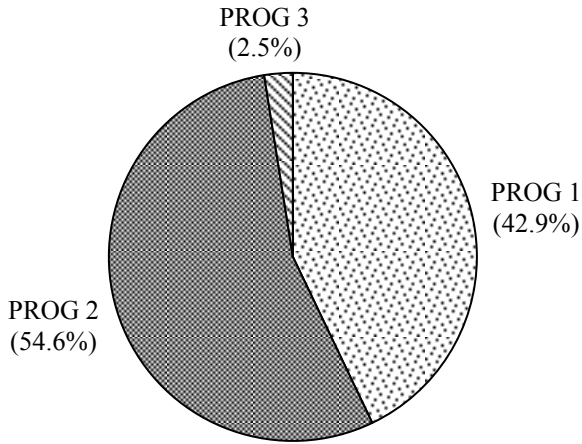
Provision for 2014–15 is \$51.0 million (4.7%) lower than the revised estimate for 2013–14. This is mainly due to anticipated decreases in requirement for major renovation works for government-owned properties in private developments and workshop services, partly offset by anticipated increases in costs of property management services, management charges, requirement for scheduled replacement of minor plant and equipment and provision for contingencies.

##### Programme (3)

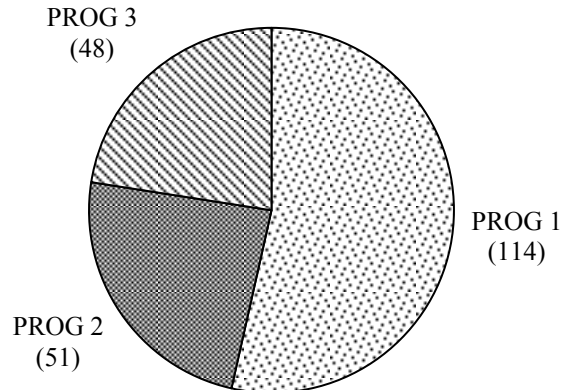
Provision for 2014–15 is \$1.4 million (3.1%) higher than the revised estimate for 2013–14. This is mainly due to salary increments for staff.

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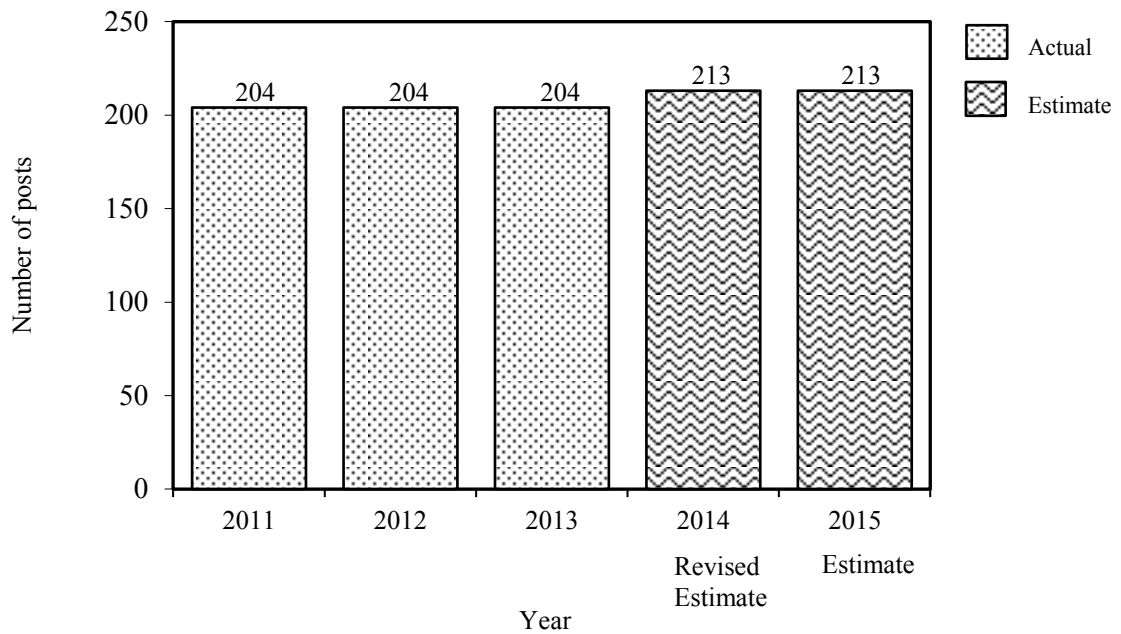
*Allocation of provision  
to programmes  
(2014-15)*



*Staff by programme  
(as at 31 March 2015)*



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



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Sub-head (Code)	Actual expenditure 2012-13	Approved estimate 2013-14	Revised estimate 2013-14	<b>Estimate 2014-15</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	1,717,923	1,874,172	1,858,144	<b>1,856,245</b>
	Total, Recurrent.....	<u>1,717,923</u>	<u>1,874,172</u>	<u>1,858,144</u>	<u><b>1,856,245</b></u>
Non-Recurrent					
	General non-recurrent .....	633	—	—	—
	Total, Non-Recurrent.....	<u>633</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total, Operating Account .....	<u>1,718,556</u>	<u>1,874,172</u>	<u>1,858,144</u>	<u><b>1,856,245</b></u>
<b>Capital Account</b>					
Plant, Equipment and Works					
661	Minor plant, vehicles and equipment (block vote).....	17,429	14,985	14,985	<b>16,961</b>
	Total, Plant, Equipment and Works.....	<u>17,429</u>	<u>14,985</u>	<u>14,985</u>	<u><b>16,961</b></u>
	Total, Capital Account.....	<u>17,429</u>	<u>14,985</u>	<u>14,985</u>	<u><b>16,961</b></u>
	Total Expenditure .....	<u><u>1,735,985</u></u>	<u><u>1,889,157</u></u>	<u><u>1,873,129</u></u>	<u><u><b>1,873,206</b></u></u>



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### Details of Expenditure by Subhead

The estimate of the amount required in 2014–15 for the salaries and expenses of the Government Property Agency is \$1,873,206,000. This represents an increase of \$77,000 over the revised estimate for 2013–14 and of \$137,221,000 over actual expenditure in 2012–13.

#### *Operating Account*

##### Recurrent

**2** Provision of \$1,856,245,000 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 2014 will be 213 permanent posts. No change in establishment is expected in 2014–15. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2014–15, but the notional annual mid-point salary value of all such posts must not exceed \$100,410,000.

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

	2012–13 (Actual) (\$'000)	2013–14 (Original) (\$'000)	2013–14 (Revised) (\$'000)	2014–15 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	111,008	119,314	117,863	<b>123,007</b>
- Allowances.....	1,235	1,541	1,608	<b>1,776</b>
- Job-related allowances.....	—	10	2	<b>10</b>
Personnel Related Expenses				
- Leasing and management of quarters .....	254,398	290,795	278,211	<b>255,825</b>
- Mandatory Provident Fund contribution.....	220	186	279	<b>207</b>
- Civil Service Provident Fund contribution.....	1,594	2,122	2,291	<b>3,037</b>
Departmental Expenses				
- Light and power.....	261,581	278,430	275,128	<b>280,530</b>
- Hire of services and professional fees .....	122,685	132,601	130,167	<b>130,836</b>
- Specialist supplies and equipment .....	15,231	16,500	15,000	<b>15,000</b>
- Workshop services.....	208,459	216,970	224,690	<b>214,447</b>
- General departmental expenses .....	10,346	9,814	10,211	<b>9,928</b>
Other Charges				
- Rents and management charges for properties (other than quarters).....	731,166	805,889	802,694	<b>821,642</b>
	1,717,923	1,874,172	1,858,144	<b>1,856,245</b>

#### *Capital Account*

##### Plant, Equipment and Works

**5** Provision of \$16,961,000 under *Subhead 661 Minor plant, vehicles and equipment (block vote)* represents an increase of \$1,976,000 (13.2%) over the revised estimate for 2013–14. This is mainly due to the increased requirement for scheduled replacement of minor plant and equipment.