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Panel on Housing

Meeting on 10 July 2018

**Background brief prepared by the Legislative Council Secretariat on
the role of the Housing Department in outsourcing of government services**

Purpose

This paper provides background information on outsourcing of services by the Housing Department ("HD"), and gives a summary of the views and concerns expressed by Members on issues relating to the subject.

Background

2. According to the Administration, outsourcing is one of the ways adopted by government departments to deliver public services. Currently, there is no policy requiring government departments to outsource public services, or mandating outsourcing as the primary mode for delivering services. Departments have the discretion to consider according to their operational needs whether to adopt outsourcing and the details thereof.

3. The Hong Kong Housing Authority ("HA"), as a statutory body for developing and implementing public housing programmes, draws reference from the Government's procurement regulations and financial circulars in formulating its relevant tender and procurement procedures. As the executive arm of HA, HD provides support to HA in the relevant work.

Inter-bureaux/departmental working group

4. The Secretary for Labour and Welfare has set up an inter-bureaux/departmental working group to explore feasible options to improve the government outsourcing system with a view to enhancing the protection of reasonable employment terms and conditions as well as labour benefits for non-skilled employees engaged by government service contractors.¹ Apart from the Labour and Welfare Bureau and the Labour Department, the working group comprises the Financial Services and the Treasury Bureau and various government departments, including HD.²

Members' views and concerns

5. Members have expressed views on matters relating to HA's outsourced services at meetings of the Legislative Council and its committees. The major views and concerns are summarized in the ensuing paragraphs.

Monitoring of outsourced service contractors

6. Members were all along concerned about the quality of services outsourced by government departments, including HD. In view that HA had outsourced the property management of certain public rental housing ("PRH") estates, Members enquired how HA assessed the satisfaction levels of PRH households in respect of the outsourced property management services.

7. The Administration advised that the outsourced property services contracts under HA covered property management, cleansing and security services. The "Public Housing Recurrent Survey" conducted by HA annually included collecting feedback of PRH residents on the satisfaction level on the outsourced property management services. The assessment criteria comprised four aspects, i.e. quality of security services; cleanliness and hygienic condition of common areas; maintenance-related services in the PRH units and the estate common areas; and the sense of responsibility of estate officers.

¹ According to the [Budget Speech](#) delivered by the Financial Secretary on 28 February 2018, the working group was expected to complete the review within 2018.

² Other government departments include the Food and Environmental Hygiene Department, Leisure and Cultural Services Department and Government Property Agency.

Protection of employees of outsourced service contractors

8. Some Members considered that the outsourced service contracts awarded by HA such as cleansing and security services relied heavily on the deployment of non-skilled workers, and enquired about the measures to ensure that the employment rights and benefits of these workers would be adequately protected.

9. The Administration explained that HD closely monitored the outsourced service contractors to ensure compliance with the contract and labour legislation, and monitored their performance by conducting interviews with the contractor's workers at least quarterly to understand workers' conditions for the prevention of exploitation. The Central Monitoring Unit of HD conducted surprise checks in different estates and interviewed the non-skilled workers for protection of their rights and interests. Same as other government departments, HD implemented a demerit point system against contractors which had breached their contractual obligations in respect of wages, daily maximum working hours, signing of standard employment contract ("SEC")³ with and wage payment by means of autopay to their non-skilled workers, etc.

Tender evaluation

10. Under the guidelines revised by the Administration in May 2016 on the use of marking scheme for contracts that relied heavily on the deployment of non-skilled workers, if a government department opted to adopt a marking scheme for tender evaluation⁴, the part on technical evaluation should by default include the assessment criteria on tenderers' proposed wage rates and working hours for non-skilled workers, unless otherwise agreed by the relevant tender board/committee. In this regard, Members enquired about the minimum score that must be obtained by the successful tenderer in respect of the two criteria as set by procuring government departments, such as HD.

³ The Administration introduced in 2005 the SEC for mandatory adoption by government contractors in employing non-skilled workers. Under the SEC, government contractors are required to set out clearly the level of monthly wages, working hours, method of payment, etc. Upon the implementation of the Statutory Minimum Wage ("SMW") on 1 May 2011, the Administration has revised the SEC which set out, among others, the specified wages being not less than SMW and one paid rest day in every period of seven days (LC Paper No. [IN04/16-17](#)).

⁴ The revised guidelines are applicable to all Government bureaux and departments. HD, being the executive arm of HA, is not bound by the procurement guidelines as in the case of other procuring departments, but it may make reference to the requirements to formulate their own procurement guidelines (LC Paper No. [CB\(1\)1074/15-16\(02\)](#)).

11. The Administration advised that HD adopted marking schemes to evaluate tenders for property services/cleansing service/security service contracts. In the relevant tender documents, HD set the statutory minimum wage rate (plus paid rest days) as the minimum requirement for the assessment of wage rates. HD also set the maximum daily working hours for cleansing workers. In giving scores, the best performers in these two aspects would be awarded the highest mark in the respective items while the remaining tenderers would get lower marks commensurate with their performance. All tenderers were required to meet the minimum requirements for wage rates and working hours stipulated in the tender documents. Tenders which did not meet the minimum requirements would not be considered.⁵

Latest development

12. On 8 June 2018, Hon HO Kai-ming wrote a letter to the Chairman of the Panel on Housing requesting that the Panel discuss the review on the role of HD in outsourcing of government services. The Panel will discuss with the Administration the subject at the meeting on 10 July 2018.

Relevant papers

13. A list of relevant papers is set out in the **Appendix**.

Council Business Division 1
Legislative Council Secretariat
5 July 2018

⁵The Administration's reply to the written question on "use of marking schemes for tender evaluation in respect of government outsourced service contracts" at the Council meeting of 12 July 2017.

Appendix

Role of the Housing Department in outsourcing of government services

List of relevant papers

Council/ Committee	Date of meeting	Papers
Council	23 November 2016	Council question on protecting the rights and interests of employees of outsourced service contractors
Council	31 May 2017	Council question on using marking schemes for tender evaluation in respect of government outsourced service contracts
Council	7 June 2017	Council question on protecting the rights and interests of workers employed by outsourced service contractors
Council	12 July 2017	Council question on use of marking schemes for tender evaluation in respect of government outsourced service contracts
Panel on Manpower	26 February 2018	Administration's paper on Protection of Employees of Government Service Contractors (LC Paper No. CB(2)920/17-18(03)) Minutes of meeting (LC Paper No. CB(2)1234/17-18)
Council	21 March 2018	Council question on outsourcing property management services for public rental housing estates