

CHAPTER 12

Lands Department

Temporary use of vacant government sites

**Audit Commission
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This audit review was carried out under a set of guidelines tabled in the Provisional Legislative Council by the Chairman of the Public Accounts Committee on 11 February 1998. The guidelines were agreed between the Public Accounts Committee and the Director of Audit and accepted by the Government of the Hong Kong Special Administrative Region.

Report No. 49 of the Director of Audit contains 12 Chapters which are available on our website at <http://www.aud.gov.hk>.

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TEMPORARY USE OF VACANT GOVERNMENT SITES

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PART 1: INTRODUCTION

1.1 This PART describes the background to the audit and outlines the audit objectives and scope.

Background

1.2 As at August 2007, the Hong Kong Special Administrative Region had a total land area of 110,397 hectares. Of this, 73,741 hectares (67%) had been used in different ways, such as:

- (a) allocated to government departments for various uses (Note 1);
- (b) designated as country parks, amenity parks and beaches; and
- (c) leased to public bodies and the private sector for long-term development.

The remaining 36,656 hectares (33%), including open spaces (such as barren islands, natural slopes and unoccupied land in remote areas) and vacant government sites (both formed and unformed), were under the management of the Lands Department (Lands D).

1.3 Under the Government's policy, if there is a vacant government site which is not required for use or development in the near future, the Lands D will consider making the site available for suitable temporary use by:

- (a) letting it to a user by way of a short term tenancy (STT — Note 2). In 2006-07, the rental income from STTs amounted to \$1,043 million; or
- (b) allocating it to a government department, such as a works department for use as a works area.

As at August 2007, the total land area let under STTs and allocated for temporary use was 2,291 hectares.

Note 1: *For example, land is allocated to works departments for constructing sewage treatment plants and reservoirs.*

Note 2: *The Lands D grants an STT by one of the following means: (a) open tender; (b) direct grant; (c) regularisation of unauthorised occupation of government land; or (d) conversion from a Government Land Licence.*

1.4 The Lands D's Lands Administration Office oversees 12 District Lands Offices (DLOs — Note 3). An organisation chart of the Lands D is at Appendix A. The DLOs are responsible for administering vacant government sites and STTs within their districts. The Lands D has promulgated instructions and guidelines for temporary use of vacant government sites in the Lands Administration Office Instructions and Technical Circulars.

Director of Audit's Report on administration of STTs

1.5 In 2006, the Audit Commission (Audit) conducted an audit review of the Lands D's administration of STTs. The review results were included in Chapter 2 "Administration of short term tenancies" of the Director of Audit's Report No. 47 of October 2006. In that Report, Audit made a number of recommendations for improving the management of STTs, which were accepted by the Lands D for implementation.

Audit review

1.6 Audit has recently conducted a review to examine the Lands D's economy, efficiency and effectiveness in putting vacant government sites to temporary use. The audit focused on the following areas:

- (a) management of vacant site information (PART 2);
- (b) vacant sites reserved by government departments (PART 3);
- (c) problems of some vacant sites (PART 4); and
- (d) term contract arrangements and performance information (PART 5).

Audit has found that there are areas where improvements can be made in administering vacant government sites. Audit has made a number of recommendations to address the issues.

Acknowledgement

1.7 Audit would like to acknowledge with gratitude the full cooperation of the staff of the Lands D during the course of the review.

Note 3: *The 12 DLOs are: DLO/Hong Kong East (DLO/HKE), DLO/Hong Kong West and South (DLO/HKW&S), DLO/Kowloon East (DLO/KE), DLO/Kowloon West (DLO/KW), DLO/North (DLO/N), DLO/Sai Kung (DLO/SK), DLO/Sha Tin (DLO/ST), DLO/Tai Po (DLO/TP), DLO/Tsuen Wan and Kwai Tsing (DLO/TW&KT), DLO/Tuen Mun (DLO/TM), DLO/Yuen Long (DLO/YL) and DLO/Islands (DLO/Is).*

PART 2: MANAGEMENT OF VACANT SITE INFORMATION

2.1 This PART examines the Lands D's management of vacant site information and its arrangements for identifying vacant sites for temporary use.

Land record system

2.2 *Instruction issued in 1988.* Each DLO maintains a land registry which keeps records of land under its management. In October 1988, the Lands D (Note 4) issued a Lands Administration Office Instruction promulgating the following record keeping requirements:

- (a) effective and efficient land administration was dependent on an accurate land record system which required constant control and updating; and
- (b) a separate record system should be kept for all government sites not held on long-term lease. The system should comprise the following three parts:
 - (i) a card record system with information on the land status of government sites, their present use, topography, size, future use, availability and other relevant information to facilitate the identification of sites for future utilisation and for general management;
 - (ii) visual records (e.g. site plans); and
 - (iii) a filing system for individual government sites.

2.3 *1989 review.* In 1989, the Lands D reviewed the implementation of the card record system (see para. 2.2(b)(i)). The DLOs commented that:

- (a) while a uniform system was desirable from the point of consistency, it lacked flexibility. To require all DLOs to follow the cumbersome 1988 Lands Administration Office Instruction might turn out to be counter-productive and impracticable, especially under the then staff shortage situation;

Note 4: *In April 1986, the Lands D merged with the Buildings Ordinance Office of the former Public Works Department to become the then Buildings and Lands Department. Since August 1993, the Lands D has operated as an independent department.*

- (b) the DLOs had adopted different systems, having regard to the special circumstances of their districts; and
- (c) the card record system was too rigid and complicated, and there were practical difficulties for the DLOs to strictly comply with the requirements.

In view of the DLOs' comments, the Lands D did not implement the card record system.

2.4 ***Vacant site information.*** At present, the Lands D keeps vacant site information in different types of records to support different land administration functions, as follows:

- (a) ***Land Control Records.*** The Lands D is responsible for preventing vacant government sites from being illegally occupied. The DLOs maintain records of vacant sites requiring fencing, guarding and patrolling services (hereinafter referred to as Land Control Records);
- (b) ***Master List of Potential Land Sale Sites.*** This list contains information on all potential sites which may be selected for inclusion in the List of Sites for Sale by Application. In May 2006, at a Committee on Housing Development (Note 5) meeting, the Lands D said that if a decision on the use of a potential land sale site would take a long time, action should be taken to use the site on a temporary basis instead of leaving it idle;
- (c) ***Subject site files.*** The DLOs usually open subject files for individual vacant sites in connection with the carrying out of various land administration functions (e.g. land control, disposal, acquisition and lease enforcement); and
- (d) ***Land status plans.*** To support the DLOs' land administration functions, the Lands D's District Survey Offices prepare land status plans.

Note 5: *The Committee on Housing Development was chaired by the then Permanent Secretary for Housing, Planning and Lands (Housing) with representatives of the Planning Department, Lands D, Civil Engineering and Development Department, and Housing Department as its members. The Committee's terms of reference included: (a) monitoring public and private housing production; and (b) ensuring adequate supply of land to meet the anticipated demand for both public and private housing.*

2.5 *2006 stocktaking exercise.* In August 2006, the Lands D instructed the DLOs to conduct a stocktaking exercise on all vacant government sites under their management. The purpose of the exercise was to ascertain the number of vacant sites in the districts and whether these sites were being put to temporary use. In October 2006, the DLOs submitted their returns indicating that 101 of 261 vacant sites would be put to temporary use. The remaining 160 sites were considered not suitable (see Table 1).

Table 1
Vacant government sites
(October 2006)

DLOs	Sites to be let by STTs or allocated for other temporary use (a) (Nos.)	Sites considered not suitable for temporary use (b) (Nos.)	Total (c) = (a)+(b) (Nos.)
1. DLO/HKE	11	19	30
2. DLO/HKW&S	3	11	14
3. DLO/KE	7	0	7
4. DLO/KW	9	33	42
5. DLO/N	6	3	9
6. DLO/SK	8	31	39
7. DLO/ST	9	8	17
8. DLO/TP	0	12	12
9. DLO/TW&KT	23	23	46
10. DLO/TM	3	15	18
11. DLO/YL	6	5	11
12. DLO/Is	16	0	16
Total	101	160	261

Source: Lands D records

Records used for the 2006 stocktaking exercise

2.6 In June 2007, in response to Audit enquiry about the types of records used for identifying the vacant sites, 11 of the 12 DLOs replied that they had made reference to their Land Control Records in compiling the returns. One DLO said that its staff identified vacant sites based on their knowledge and various subject files.

2.7 **Audit check.** The DLOs take land control action on a need basis. There may be vacant government sites that do not require land control action. Hence, these sites may not be included in the Land Control Records. Audit selected eight vacant sites separately from another source, namely the Lands D's Master List of Potential Land Sale Sites of September 2006, to test check the completeness of the Land Control Records used for the 2006 stocktaking exercise. As there were no target sale dates, the eight sites could have potential for temporary use (see para. 2.4(b)). Audit test check revealed that five of the eight sites (see Table 2) had not been included in a DLO's Land Control Records.

Table 2
Eight vacant sites without target sale dates
(September 2006)

Site	DLOs	Included in Land Control Records
A	DLO/KE	Yes
B	DLO/KE	Yes
C	DLO/HKW&S	Yes
D	DLO/HKW&S	No
E	DLO/HKW&S	No
F	DLO/HKW&S	No
G	DLO/HKW&S	No
H	DLO/HKW&S	No

Source: Lands D records

Temporary use of land sale sites

2.8 For the eight vacant sites listed in Table 2, Audit further checked to the individual site files to ascertain whether the DLOs had considered putting the sites to temporary use. According to the file records, the DLOs had considered putting three of the eight vacant sites to temporary use. However, the records did not show that the DLO/HKW&S had considered the other five sites which were vacant for a number of years (see Table 3).

Table 3
Five vacant sites not put to temporary use
(July 2007)

Site (see Table 2)	Vacant period
D	Since April 2000 (7 years)
E	Since April 2000 (7 years)
F	Since November 1994 (13 years)
G	Since March 1998 (9 years)
H	Since November 1994 (13 years)

Source: Lands D records

2.9 In response to Audit enquiry about the reasons for not putting the five sites to temporary use, in May and June 2007, the Lands D said that:

- (a) to avoid the problem of getting them back for sale, generally it was not appropriate to let proposed land sale sites for temporary use. However, for those sites not earmarked for sale in the near future, the DLOs would be reminded to consider whether it was appropriate to put them to temporary use; and
- (b) the five sites mentioned in Table 3 had minimal potential for temporary use due to geographical constraints, such as hilly topography and dense vegetation cover. The Lands D had to carry out site formation works and clear the vegetation before the sites could be put to use.

Mechanism for assessing sites for temporary use

2.10 In 1988, the Lands D laid down guidelines (which are currently in force) on the temporary use of vacant sites. Under the guidelines, the DLOs should:

- (a) make temporary use of vacant sites to obtain revenue and reduce the cost of guarding the sites against illegal occupation;
- (b) establish a system of temporary tenure which:
 - (i) gives the Government the means to clear the site immediately when it is required for development; and
 - (ii) can be administered easily, fairly and cost-effectively; and
- (c) ensure that the letting of a site would not prejudice its development in any way.

2.11 Audit visited five DLOs (DLO/KE, DLO/ST, DLO/TP, DLO/TW&KT and DLO/YL) to ascertain their criteria and arrangements for selecting vacant sites for temporary use. The key findings are summarised below:

- (a) **Review procedures.** The DLO/KE, DLO/ST and DLO/YL held review meetings to consider the temporary use of vacant sites. As for the DLO/TW&KT and DLO/TP, they did not hold review meetings. Instead, staff of the two DLOs put up proposals for temporary use of vacant sites for their respective District Lands Officer's consideration on a case-by-case basis; and
- (b) **Selection criteria.** The DLOs had taken into account factors, such as site size and presence of vehicular access in considering whether a vacant site should be put to temporary use, as reflected in the DLOs' returns for the 2006 stocktaking exercise (see para. 2.5). Two of the five DLOs visited by Audit had different site size criteria. The DLO/TW&KT considered that a site with an area of larger than 500 square metres (m²) was suitable. The DLO/ST considered that a site of 940 m² was too small for letting by an STT (Note 6). The other three DLOs did not have a specific site size criterion.

Note 6: *In August 2007, the Lands D informed Audit that this site had been reserved for use as a public transport interchange in connection with the 2008 Equestrian Events.*

2.12 In late May 2007, in response to Audit enquiry about whether it would consider issuing guidelines to the DLOs on selecting vacant sites for temporary use, the Lands D informed Audit that:

- (a) local circumstances and demand for vacant sites were different in each district. Any guidelines or criteria set for one district might not be applicable to another district;
- (b) the Lands D had formalised the 2006 stocktaking exercise as a regular monitoring mechanism for implementation with effect from June 2007. Under this mechanism, the DLOs would:
 - (i) collate control lists of all available sites under their management;
 - (ii) hold District Review Meetings quarterly to review the control lists of vacant sites;
 - (iii) set reasonable selection criteria for their review;
 - (iv) work out a programme of land disposal based on the sites in hand and resources available; and
 - (v) update the control lists quarterly and provide the relevant regional Assistant Directors of the Lands D with copies of the updated control lists for monitoring; and
- (c) the Lands D Headquarters and the DLOs could use the control lists to improve the management and the monitoring of vacant sites. In addition, the control lists could also be used as a database for finding sites for temporary use, when requested by government departments and non-government organisations.

Audit observations

Need to ensure completeness of information in control lists of vacant sites

2.13 Audit noted that, in the 2006 stocktaking exercise, most of the DLOs made reference to the Land Control Records for compiling their returns. **However, Audit examination revealed that the Land Control Records did not include all vacant sites (see paras. 2.6 and 2.7). The Lands D needs to issue instructions requiring the DLOs to include all vacant sites in the control lists (see para. 2.12(b)).** The Lands D should also remind the DLOs of the need to consider putting vacant sites without target sale dates to temporary use (see paras. 2.8 and 2.9).

Need to consider using new information technology for record keeping

2.14 At present, the DLOs keep vacant site information in different types of records (see para. 2.4). It is cumbersome to collate the control lists of vacant sites from these records on a quarterly basis without the support of a computer system. Furthermore, the Lands D has said that the control lists of vacant sites would serve as a database for management purposes and for retrieving information for answering enquiries (see para. 2.12(c)). **Audit considers that there is scope for using new information technology to streamline the record keeping of vacant sites and meet different parties' information needs.**

Need to keep Lands Administration Office Instructions up-to-date

2.15 In 1989, the Lands D decided not to implement the card record system (see para. 2.3). **However, up to July 2007, the relevant Lands Administration Office Instruction had not been withdrawn.**

Need to review site selection criteria

2.16 According to the new mechanism for collating control lists of vacant sites, the DLOs would set their own criteria for selecting sites for temporary use, taking into account their districts' special circumstances. Audit examination revealed that there were large variations in the selection criteria among the DLOs (see para. 2.11(b)). **There is a need for the Lands D Headquarters to review the criteria set by the DLOs to ensure that they are reasonable and consistent.**

Documentation of actions on site assessment

2.17 Based on the Land Control Records, Audit selected five vacant sites for test checking the Lands D's actions on assessing their potential for temporary use. In the records of four sites, Audit found that there was room for improvement in documenting the actions taken. See Case A below, and Cases B to D at Appendix B.

Case A

- Part of a government site (of about 3,100 m²) in Ap Lei Chau was used by the Food and Environmental Hygiene Department (FEHD) as a refuse collection point up to March 1999. The other part was let by an STT up to December 2002.
- In July 2003, the DLO/HKW&S proposed letting the entire site for use as fee-paying car parks by two STTs. The subject files showed that follow-up action was taken only up to the point of preparing special conditions for the proposed STTs for other departments' comments. As far as Audit could ascertain, no action had been taken thereafter.
- In July 2004, an organisation applied for an STT to use part of the site as an urban greenery project for three years. After consulting the relevant parties, in July 2005 the DLO/HKW&S informed the applicant that its request could not be acceded to as the Leisure and Cultural Services Department (LCSD) would require the site by October 2007 (i.e. in about two years' time). In August 2005, the applicant said that it would return the site by May 2007 and requested the DLO to reconsider the case. However, the records did not show that the DLO took a decision on the applicant's further request.
- In June 2007, in response to Audit enquiry, the DLO/HKW&S said that it could not trace from the file records the reason for not pursuing the proposed STTs in 2003. The DLO also said that the said organisation's application for an STT in 2005 was not further pursued because, under an agreement between the Lands D and the developer of a neighbouring housing estate, the public was not allowed to use the only vehicular access to the site.
- Audit found that there was no cross-reference in the subject files to the agreement concerning the vehicular access (which was filed separately).

Source: Lands D records

Audit observations

Need to improve documentation of site assessment actions

2.18 The four cases have revealed that the DLOs did not document the reasons for not putting the sites concerned to temporary use in the subject files (see para. 2.17). Cross-referencing to other records pertaining to issues relevant to the sites (such as the agreement concerning the vehicular access in Case A) was lacking in the subject files. **Audit considers that it is important to document site-assessment decisions and actions to facilitate management reviews.**

Audit recommendations

2.19 **Audit has recommended that the Director of Lands should:**

- (a) **for better monitoring and control, require the DLOs to include all vacant sites in the control lists of vacant sites submitted to the Lands D senior management (see para. 2.13);**
- (b) **consider using a computerised database for maintaining vacant site information (see para. 2.14);**
- (c) **update the Lands Administration Office Instructions by deleting obsolete instructions (see para. 2.15);**
- (d) **review the criteria set by the DLOs for selecting vacant sites for temporary use, ensuring that such criteria are reasonable and consistent (see para. 2.16);**
- (e) **require the DLOs to consider putting vacant sites (particularly those without target sale dates) to temporary use (see para. 2.13); and**
- (f) **require the DLOs to properly document the justifications for not putting vacant sites to temporary use (see para. 2.18).**

Response from the Administration

2.20 The **Director of Lands** agrees with the audit recommendations in paragraph 2.19. She has said that the Lands D:

- (a) has required the DLOs to implement the audit recommendations in paragraph 2.19(a), (e) and (f);
- (b) has bid funds for a computerisation project for implementing the audit recommendation in paragraph 2.19(b); and
- (c) will review:
 - (i) the Lands Administration Office Instructions and delete the obsolete instructions (see para. 2.19(c)); and
 - (ii) the criteria set by the DLOs for selecting vacant sites for temporary use (see para. 2.19(d)).

PART 3: VACANT SITES RESERVED BY GOVERNMENT DEPARTMENTS

3.1 This PART examines the temporary uses of vacant sites reserved by government departments for various government projects.

Provision of land for government projects

3.2 The procedures for reserving and allocating land for developing government projects are set out in Lands and Works Branch (Note 7) Technical Circular No. 26/85 of October 1985 and the Lands Administration Office Instructions (both currently in force). The salient points include:

- (a) **Site search.** After establishing the need for a project, the project department concerned should forward its request for site reservation to the Planning Department. The request should indicate the general locality and approximate area required for the project. During the site selection process, the Planning Department would consult relevant departments, including the Lands D;
- (b) **Site reservation.** Upon completion of the site search exercise, the Planning Department would reserve a specific site for the government project on town plans (including the statutory Outline Zoning Plan and departmental Outline Development Plan). The Lands D would record the reservation and make an appropriate reference on its District Survey Office record plan; and
- (c) **Site allocation.** When the government project has been upgraded to Category B or D of the Public Works Programme (Note 8), the project department may make a request to the DLO concerned for land allocation. Upon receiving the project department's request, the DLO would prepare the allocation plan and the draft allocation conditions for consultation with the relevant departments. After clearance with the departments concerned, the DLO would approve the land allocation.

Note 7: *The Lands and Works Branch was established in September 1981. After re-organisations of the Government Secretariat over the years, the land policy portfolios have been taken up by the new Development Bureau with effect from July 2007.*

Note 8: *For a project exceeding \$15 million, the project department has to go through the Resource Allocation Exercise and seek funding from the Finance Committee of the Legislative Council by upgrading the project from Category C through Category B to Category A of the Public Works Programme. A project costing \$15 million or below may be funded as a Category D item under the Capital Works Reserve Fund block vote which is approved by the Finance Committee on an annual, rather than project-specific, basis.*

3.3 The Lands D has also issued the following guidelines for the DLOs on land allocation:

- (a) **Site reservation.** Reservation of a site does not automatically entitle the project department concerned to an allocation. The DLO concerned should ask the project department the reason for not taking up a reservation after a lengthy period. For warranted cases, consideration should be given to releasing the site for alternative developments. **Where possible, a reserved site awaiting development should not be left idle. The DLO should consider temporary use of the site;** and
- (b) **Site possession.** In a straightforward case, the DLO concerned will grant possession of a site immediately after finalising the allocation conditions. Sometimes, there will be a substantial period of time between the site allocation and the date of possession (owing to the time required for project design and resumption/clearance action). In such circumstances, the granting of possession should be deferred until the site is required for construction. This would allow the land authority to make interim use of the site. Allocation for such a site should be subject to a standard “deferred possession” clause, requiring the project department to give advance notice of the date on which possession is required.

Reserved sites in Kwai Chung and North Point

3.4 Audit examination of the DLOs’ returns for the 2006 stocktaking exercise (see para. 2.5) revealed that the following two sites had been reserved for government projects for 15 years and 7 years respectively:

- (a) **Site in Kwai Chung.** In December 1991, the Civil Engineering and Development Department (CEDD — Note 9) proposed developing a barging facility (Note 10) in Tsuen Wan. With the Planning Department’s assistance, the CEDD identified a reclaimed site of 16,200 m² in Kwai Chung as suitable for the barging facility. Upon the CEDD’s request in June 1992, the Kwai Chung site was reserved for the CEDD’s barging facility development. Up to September 2007 (15 years later), the barging facility project had not been implemented; and

Note 9: *The CEDD was formed in July 2004 by merging the former Civil Engineering Department and the former Territory Development Department. The Civil Engineering Department was the project department for public-fill barging facilities before July 2004. For simplicity, this Department is also referred to as the CEDD in this Report.*

Note 10: *The barging facility is for loading of inert construction waste into barges for delivery to reclamation sites for land formation.*

- (b) ***Site in North Point.*** In the North Point Outline Zoning Plan, a Government, Institution and Community site of 5,600 m² was earmarked for school use. In May 1999, the North Point site was reserved for a school development project of the Education Bureau (EDB — Note 11). In March 2006 (about 7 years later), the EDB confirmed that, as the school sponsor had accepted a replacement site in Tin Shui Wai, the North Point site could be released for the Lands D's disposal.

The temporary uses of the two sites during the reservation periods are summarised in paragraphs 3.5 to 3.10.

Temporary uses of the reserved sites

The Kwai Chung site

3.5 ***Requests for temporary use.*** At the time of the CEDD's request for reservation of the Kwai Chung site in June 1992, both the then Regional Services Department (RSD) and the Highways Department (HyD) expressed interest in temporary use of parts of the site. In August 1992, the departments concerned agreed that the CEDD would apply for allocation of the site on the understanding that the RSD and HyD would have temporary use of parts of it.

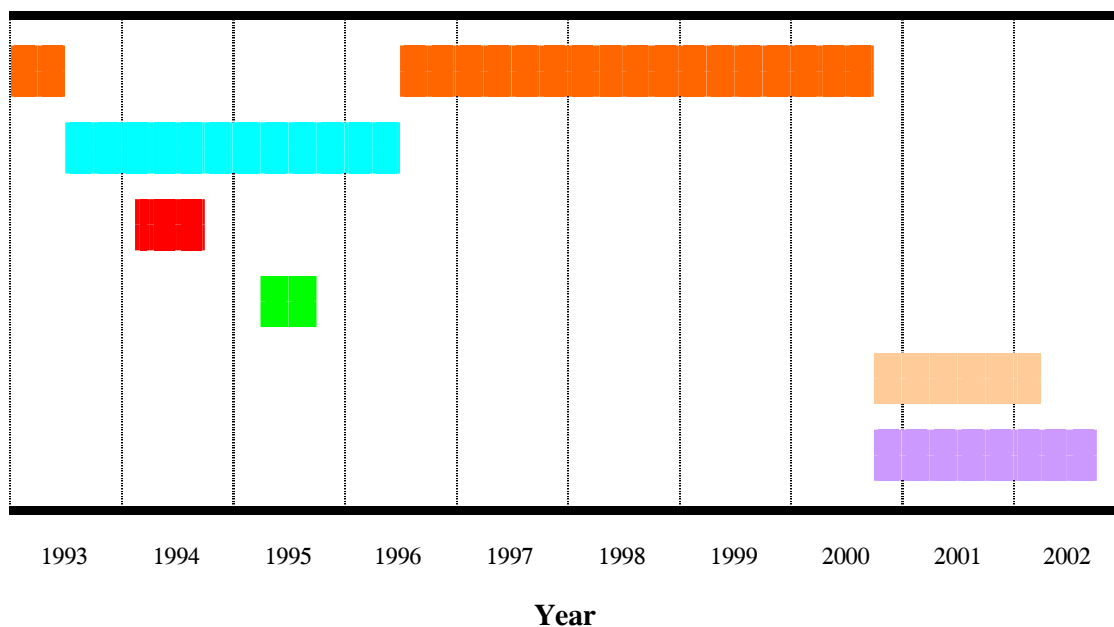
3.6 ***1992 land allocation application.*** In October 1992, the CEDD applied to the DLO/TW&KT for allocation of the Kwai Chung site. In November 1992, the DLO approved in principle the CEDD's application. In March 1993, when the DLO circulated the draft allocation conditions for departments' comments, the Transport Department objected to the allocation of the site for barging facility development on traffic grounds. As such, the allocation of the Kwai Chung site was withheld, but the site was still reserved for the CEDD's barging facility project (Note 12).

3.7 ***Temporary uses from 1993 to 2002.*** During the ten years from 1993 to 2002, the DLO/TW&KT allocated the Kwai Chung site for temporary uses by various parties (mainly government departments — see Figures 1 and 2).

Note 11: *In July 2007, the EDB was formed to take over the education policy portfolios of the former Education and Manpower Bureau. For simplicity, this Bureau is also referred to as the EDB in this Report.*

Note 12: *In December 2004, after settling the traffic issue, the CEDD re-applied to the DLO/TW&KT for allocation of the Kwai Chung site. In September 2006, the CEDD informed the DLO that construction works would commence in early 2009. In August 2007, the DLO informed Audit that it would approve the allocation once the CEDD confirmed the date the site would be required.*

Figure 1
Temporary use of the Kwai Chung site
(1993 to 2002)

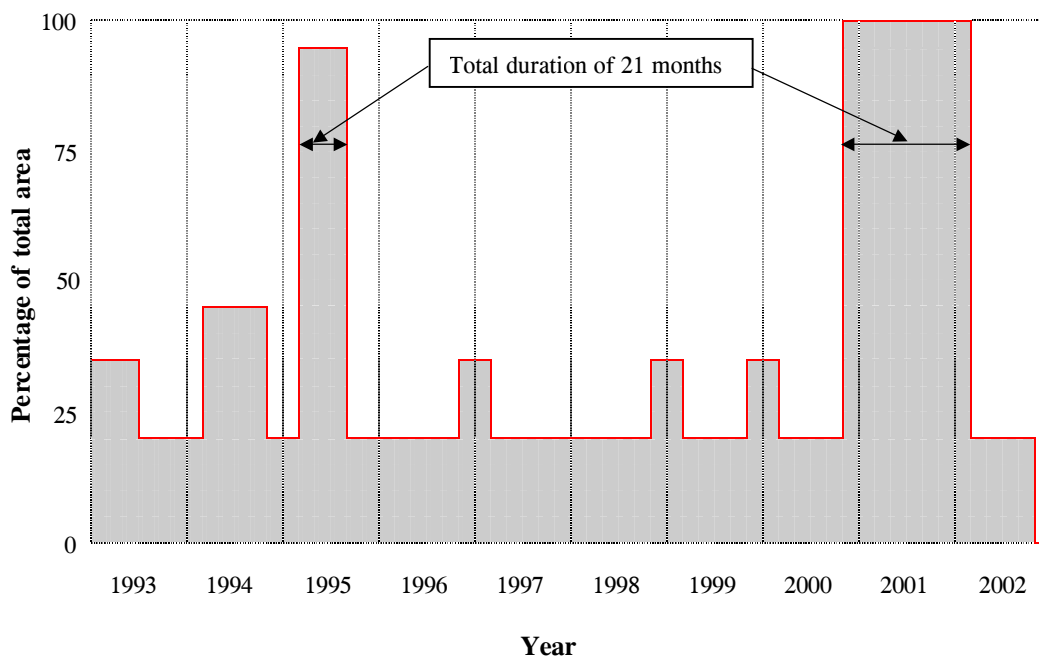


Legend:

User	Period	Area (m ²)	Use
RSD	6.1.1993 to 16.6.1993 (about 5 months)	5,500	Off-loading waste from barges
	4.6.1996 to 31.10.2000 (about 53 months)	3,400	Off-loading waste from barges (for about 53 months)
		2,200	Overhauling of beach rafts (for about 12 months)
HyD	5.6.1993 to 3.6.1996 (about 36 months)	3,400	Barging area for roadworks project
Drainage Services Department	18.2.1994 to 31.10.1994 (about 8 months)	3,700	Storage of plant and equipment
Private sector	24.3.1995 to 28.8.1995 (about 5 months)	11,900	Film shooting
CEDD	25.11.2000 to 11.3.2002 (about 16 months)	12,800	Assessment of landfill gas hazard (for about 13 months)
		16,200	Ground investigation works (for about 3 months)
FEHD	1.11.2000 to 6.11.2002 (about 24 months)	3,400	Off-loading livestock

Source: Lands D records

Figure 2
Utilisation of the Kwai Chung site (percentage of total area)
(1993 to 2002)



Source: Audit analysis of Lands D records

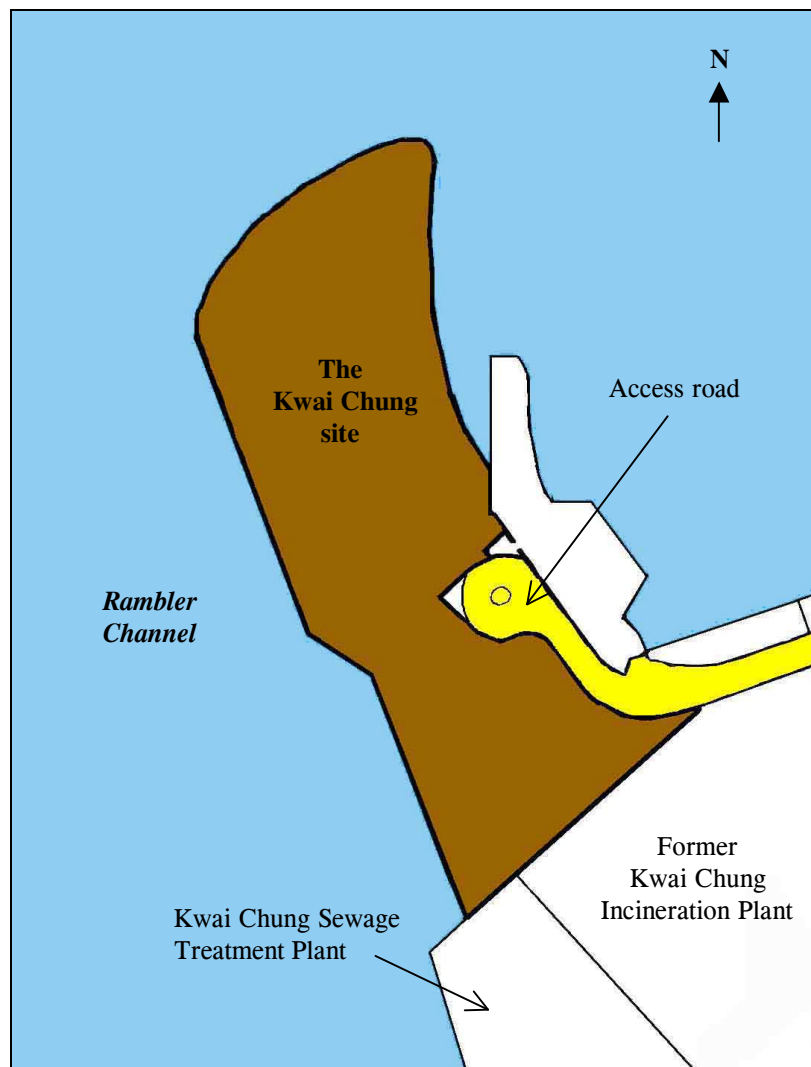
3.8 **Site left vacant from December 2002 to August 2007.** From December 2002 to August 2007, there were four temporary use proposals for the Kwai Chung site, as follows:

- (a) in December 2002, the DLO/TW&KT proposed letting the Kwai Chung site by a public car park STT. At that time, there was an inter-departmental proposal (Note 13) to close the only access road to the site (see Figure 3) because the road had frequently been used for illegal activities (such as illegal sale of diesel fuel and dumping of chemical waste). In January 2003, in response to the DLO's enquiry, the District Office (Kwai Tsing) said that the road would be reopened when there was a need for it. At an inter-departmental meeting in the same month, it was agreed that the access road (to be closed within a month) would be reopened when there was a need, such as for providing access to the proposed car park. In February 2003, the DLO decided not to let the site because the road had been closed;

Note 13: *The proposal was made after discussions among the departments concerned, including the District Office (Kwai Tsing) of the Home Affairs Department, the Environmental Protection Department, the Hong Kong Police Force, the Lands D and the Transport Department.*

Figure 3

The Kwai Chung site



Source: Lands D records

- (b) in July 2004, upon learning that the LCSD required a site for overhauling its beach rafts, the DLO/TW&KT said that the site was available up to October 2005. However, the site was not selected; and
- (c) in September 2006 and May 2007, the CEDD and the HyD respectively applied for using parts of the site. In September 2007, the DLO/TW&KT allocated the site to these departments for temporary use.

As described above, the site was left vacant from December 2002 to August 2007.

The North Point site

3.9 *Temporary use from 2005 to 2007.* The North Point site was reserved for school development for about seven years (from May 1999 to March 2006). During this period, the school project was not included in the Public Works Programme primarily because of the need to discuss with the local community about the impact the project would have on traffic. In August 2004, the DLO/HKE proposed putting the site to temporary use. After consultation with the school sponsor, the EDB did not consider the DLO's proposal suitable as construction was expected to commence in less than one year. In the event, the site was only temporarily used by the Water Supplies Department from December 2005 to April 2007. In June 2007, in response to Audit enquiry, the DLO said that:

- (a) in considering a reserved site for temporary use, it was essential to ensure that the use would not affect its development or long-term use; and
- (b) prior agreement from the project department concerned to any proposed temporary use should be obtained so as to ensure that the subsequent development programme would not be adversely affected.

3.10 *Enquiries about development programme.* During the reservation period of the North Point site, the DLO/HKE asked the EDB about the school development project (see Appendix C for details). On three occasions, the DLO requested the EDB to provide the date the site would be required:

- (a) in June 2001 (and in two subsequent reminders of October 2001 and April 2002), the DLO made an enquiry in connection with its processing of allocation of the site. In April 2002, the EDB replied that:
 - (i) the school project was at a very preliminary planning stage; and
 - (ii) it was roughly estimated that the site might be required for school construction by mid-2003 (i.e. in about a year's time);
- (b) in September and November 2002, the DLO made enquiries in relation to the provision of information to the school sponsor's consultant (for undertaking a feasibility study of the school project — Note 14) and the land allocation arrangements. In November 2002, the EDB replied that the site would be

Note 14: *According to Financial Circular No. 11/2001 of November 2001 (which is currently in force), completion of a feasibility study is one of the pre-requisites for including a project in Category C of the Public Works Programme.*

required around late 2003 (i.e. in about a year's time) subject to the findings of the feasibility study; and

- (c) in early August 2004, the DLO enquired about the possibility of putting the site to temporary use. In August 2004, the EDB replied that:
 - (i) the development programme could only be confirmed after the traffic issue (see para. 3.9) had been resolved; and
 - (ii) as the tentative programme showed that construction would commence in May 2005 (i.e. in less than one year), temporary use of the site was not suitable.

Audit observations

Need to comply with land allocation procedures

3.11 According to Lands and Works Branch Technical Circular No. 26/85, a project department may ask for land allocation only when a project costing over \$15 million has been upgraded to Category B of the Public Works Programme (see para. 3.2(c)). When the CEDD applied for the allocation of the Kwai Chung site in October 1992, its barging facility project had not yet been included in the Public Works Programme. The project only attained Category C status in 1999 and was later upgraded to Category B in 2004. However, in November 1992, the DLO/TW&KT approved in principle the allocation of the site without first checking with the CEDD the status of funding of the project (see para. 3.6). **There is a need for both the project department and the Lands D (as the approving authority) to ensure that the laid down land allocation procedures are complied with.**

Need to maximise the temporary use of large sites

3.12 The Kwai Chung site covers a large area of 16,200 m². During the ten years from 1993 to 2002 (when the site was put to temporary use), the main users were government departments (see para. 3.7). Audit examination revealed that, for more than eight years during the ten-year period, less than half of the site area was used (see Figure 2). **There is a need to maximise the utilisation of a large site, such as putting its different parts to concurrent use by government departments and private-sector users.**

Need for more proactive action to use a site with access restriction

3.13 In February 2003, the DLO/TW&KT decided not to let the Kwai Chung site by an STT because the access road to the site had been closed to the public. Audit noted that, in January 2003, the District Office (Kwai Tsing) informed the DLO that the access road could be reopened when there was a need for it, such as for access to the proposed car park (see para. 3.8(a)). In August 2007, in response to Audit enquiry, the DLO said that:

- (a) a car park let under an STT would require an access road; and
- (b) the reopening of the access road just a few months after its closure would be susceptible to criticisms. The government departments concerned had made concerted efforts over 50 months to decide on the road closure.

As far as Audit could ascertain, the DLO did not seek clarification from the District Office (Kwai Tsing) and the Transport Department of whether they would object to reopening the access road, shortly after its closure. Moreover, while the access road was closed to the public, government vehicles could still use it. **However, the DLO did not proactively pursue the possibility of temporary use of the site by government departments until there were such requests (see para. 3.8(b) and (c)). There is room for improvement in this regard.**

Need to inform EDB of putting the site to temporary use

3.14 There is a need to obtain a project department's agreement before putting a reserved site to temporary use (see para. 3.9(b)). During the seven-year reservation period of the North Point site, on three occasions (see para. 3.10), the DLO/HKE asked the EDB when the site would be required for school development. **However, the DLO only informed the EDB on one occasion (in August 2004) that the site would be put to temporary use. There is room for improvement in this regard.**

Need for instructions on temporary use of reserved sites

3.15 In December 2004, the Development Bureau (Note 15) issued General Circular No. 2/2004 (which is currently in force) requiring project departments to:

Note 15: *In July 2007, the Development Bureau was formed to take over the planning and land policy portfolios of the former Housing, Planning and Lands Bureau. For simplicity, the Housing, Planning and Lands Bureau is also referred to as the Development Bureau in this Report.*

- (a) make diligent effort to ensure timely implementation of proposed projects for which sites have been reserved; and
- (b) regularly review the necessity for and validity of site reservations.

Having regard to the above audit observations, there is merit to issue further instructions asking project departments to work closely with the Lands D with a view to putting reserved sites to temporary use.

Audit recommendations

3.16 **Audit has recommended that the Director of Lands should:**

- (a) **obtain confirmation that a project costing over \$15 million has been upgraded to Category B (or Category D for a project costing \$15 million or below) of the Public Works Programme before allocating land for the project (see para. 3.11);**
- (b) **maximise the utilisation of a large site by allocating its parts to different users, if a single user does not need the whole site (see para. 3.12); and**
- (c) **remind the DLOs of the need to take proactive action to:**
 - (i) **address constraints (such as closure of an access road) affecting a vacant site so that it can be put to temporary use (see para. 3.13); and**
 - (ii) **inform project departments that reserved sites may be put to temporary use if they are not required for development soon (see para. 3.14).**

3.17 **Audit has recommended that the Director of Civil Engineering and Development should, for a project costing over \$15 million, apply for allocation of land after the project has been upgraded to Category B of the Public Works Programme (see para. 3.11).**

3.18 **Audit has recommended that the Secretary for Development should issue instructions asking project departments to work closely with the Lands D to put reserved sites (not required for development soon) to temporary use (see para. 3.15).**

Response from the Administration

3.19 The **Director of Lands** agrees with the audit recommendations in paragraph 3.16. She has said that the Lands D has required the DLOs to implement the audit recommendations.

3.20 The **Director of Civil Engineering and Development** agrees with the audit recommendation in paragraph 3.17. He has said that:

- (a) the CEDD project mentioned in paragraph 3.11 is an isolated case; and
- (b) the CEDD will remind all project staff to adhere strictly to the requirements laid down in Lands and Works Branch Technical Circular No. 26/85 in future.

3.21 The **Secretary for Development** agrees with the audit recommendation in paragraph 3.18.

PART 4: PROBLEMS OF SOME VACANT SITES

4.1 This PART examines the Lands D's arrangements for making vacant sites available for letting by STTs, such as sites involving slope stability and handover issues.

Slope stability of some potential STT sites

4.2 In February 2000, in view of STT tenants' reluctance to maintain slopes within or adjacent to STT sites, the Geotechnical Engineering Office (GEO — Note 16) of the CEDD issued the following guidelines (which are currently in force):

- (a) the Lands D should ensure that man-made slopes affecting a proposed STT site are up to prevailing safety standards before letting;
- (b) for a new STT proposal, the GEO would conduct a check on the existence of any man-made slopes within or adjacent to the proposed site;
- (c) if man-made slopes affecting a proposed STT site are below prevailing safety standards or their stability conditions are unknown, the GEO would object to the proposal unless the slopes are found to pose no significant landslide hazard to the site; and
- (d) if a proposed STT involves substantial developments, the GEO may support the proposal provided that the slopes concerned have been studied and repaired before a tenant takes possession of the site. Either the Lands D or the tenant should carry out such a study and the required repair works.

DLOs' views

4.3 In 2001, pursuant to the 2000 GEO guidelines, the GEO objected to a proposed letting of a site on Hong Kong Island by an STT on the grounds that the stability of the adjoining slopes had not been examined. In November 2001, the DLO/HKE proposed to the Lands D's Estate Management Section the following options to deal with the GEO's objection:

Note 16: *The GEO has an overall responsibility for slope safety in Hong Kong. It repairs the risky and complex slopes and coordinates government departments' efforts in slope maintenance.*

- (a) ***Overruling the GEO's objection.*** The Lands D's District Lands Conference (Note 17) could overrule the GEO's objection. However, it was risky to do so;
- (b) ***Requiring the new STT tenant to carry out a study.*** In theory, the Lands D could include a special tenancy condition requiring a new STT tenant to carry out the slope stability study. However, this approach was unlikely to attract bidders due to the high cost involved and the short period of use;
- (c) ***Commissioning the GEO to carry out a study.*** The GEO carried out slope stability studies for some land sale sites with funding provided by the Lands D. Similar arrangements could be made for potential STT sites; and
- (d) ***Commissioning a consultant.*** The Lands D could commission a consultant to carry out the study.

The DLO/HKE suggested that it would be more economical to group several sites together in a slope stability study.

4.4 Six other DLOs provided the Estate Management Section with the following comments on the DLO/HKE's suggestions:

- (a) three DLOs said that they had encountered a similar problem in handling four other potential STT sites due to the GEO's objections on slope stability grounds (i.e. a total of five sites, including the one raised by the DLO/HKE in paragraph 4.3); and
- (b) five DLOs supported the DLO/HKE's suggestion of carrying out a stability study of the slopes concerned.

The Estate Management Section considered that, given the GEO's slope safety concerns, there was no easy solution to the issue. As far as Audit could ascertain, the Lands D did not pursue the slope-stability study proposal.

Note 17: *The Lands D's District Lands Conference is an inter-departmental forum to approve the proposed usage of STT sites.*

4.5 **Audit check.** Of the five potential STT sites which were not let owing to the lack of a slope stability study (see para. 4.4), Audit selected the largest site located in Shek Kip Mei for review. The findings are summarised below.

Potential STT site in Shek Kip Mei

- In April 2001, the Housing Department (HD) returned to the DLO/KW a cleared Temporary Housing Area in Shek Kip Mei with an area of 43,200 m². In June 2001, the GEO objected to the DLO's proposed letting of the site by an STT as the stability of four adjacent slopes was unknown (see Photograph 1 for one of the slopes).
- In February 2002, after reviewing the previous slope maintenance records of the HD, the Lands D's Slope Maintenance Section considered that there were insufficient records confirming the slope stability. According to the HD, the slopes concerned were in fair conditions.
- In March 2006, in response to the DLO/KW's enquiry, the GEO said that the slopes concerned had not been included in its Landslip Preventive Measures Programme.
- In April 2006, the DLO/KW sought the GEO's view on the possibility of using part of the site which would not be affected by possible instability of the slopes. In response, the GEO said that the slopes were high and would pose a threat to the whole site. The GEO also said that the stability of the slopes should be assessed before the site was put to use.

Source: Lands D records

Photograph 1

The Shek Kip Mei site (May 2007)



Source: CEDD records

Audit observations

Need to conduct slope stability study for potential STT sites

4.6 The Lands D is responsible for ensuring that slopes affecting a proposed STT site are up to the prevailing safety standards before letting (see para. 4.2(a)). In 2001, the DLOs reported that five potential STT sites could not be used because the stability of the slopes had not been examined. Six DLOs proposed that a stability study should be conducted. However, the proposal was not pursued (see para. 4.4). Audit noted that one of the five potential STT sites (namely the Shek Kip Mei site — see para. 4.5) had been left vacant for more than six years since 2001. **Audit considers that there is a need for the Lands D to consider the merits of conducting a cost-and-benefit analysis to help decide whether slope stability studies should be carried out for potential STT sites (especially the large sites).**

Need to update the slope maintenance responsibility records

4.7 In 1999, the Lands D implemented a Slope Maintenance Responsibility Information System (SMRIS) for keeping information on man-made slopes registered by the GEO. Under the system, the public may have access to information on the party responsible for the maintenance of a slope. Audit examination revealed that, as at July 2007, the Lands D's SMRIS showed that three of the four slopes adjacent to the Shek Kip Mei site (see para. 4.5) were still under the HD's maintenance responsibility. Only one slope was correctly shown as under the Lands D's maintenance responsibility. **Audit considers that there is a need to update the information of the SMRIS.**

Audit recommendations

4.8 **Audit has recommended that the Director of Lands should:**

- (a) **consider the merits of conducting a cost-and-benefit analysis to help decide whether slope stability studies should be carried out for potential STT sites which have not been put to beneficial use owing to the lack of such studies (see para. 4.6); and**
- (b) **promptly update the information of the SMRIS (see para. 4.7).**

Response from the Administration

4.9 The **Director of Lands** agrees with the audit recommendations in paragraph 4.8. She has said that the Lands D will check with the GEO to identify those sites requiring a slope stability study before they can be put to temporary use.

Handover problem of a site in Ho Man Tin

4.10 In December 2002, the HD informed the DLO/KW that a public housing site in Ho Man Tin with an area of 44,400 m² would be returned to the DLO in March 2003. However, the HD and the Lands D took a long time to agree the fencing requirements. The site was handed over in November 2004, 20 months later than the original proposed date.

4.11 **Lands D's requirements.** The Ho Man Tin site had double-deck hoardings (see Photograph 2) at its periphery with a covered walkway. The HD built these hoardings for public safety during the demolition works of the old public housing blocks on the site. In February 2003, the DLO/KW requested the HD to replace the existing hoardings by chain-link fences (see Photograph 3). In late February 2003, the HD provided a proposed chain-link fence layout for the DLO's agreement. In August 2003, the DLO verbally agreed with the HD's proposed fence layout.

Photograph 2

A typical double-deck hoarding



Source: Photograph taken by Audit

Photograph 3

A typical chain-link fence



Source: Photograph taken by Audit

4.12 ***Proposed change of fencing requirements.*** In September 2003, an HD staff made the following suggestion relating to the fencing arrangements at the Ho Man Tin site:

- (a) the DLO's standard practice of replacing existing hoardings at a site by chain-link fences was for its easy supervision;
- (b) removing the covered walkway and hoardings at the site would take away the shaded sidewalk that had been serving the pedestrians; and
- (c) the Government could rent out the site for short-term parking to generate revenue.

4.13 The HD estimated that removal of hoardings and building of chain-link fences for the site would cost \$1.2 million and \$0.8 million respectively. It considered that the cost of constructing new hoardings for subsequent development works would be high. In October 2003, the HD held a meeting with the Lands D to explore the possibilities of dispensing with the chain-link fencing requirements. At the meeting, the Lands D said that:

- (a) chain-link fences would facilitate surveillance against illegal entry;
- (b) the maintenance cost of chain-link fences was lower than that of hoardings. If hoardings were retained, the DLO (or the tenant if the site was let) would be responsible for maintaining them; and
- (c) as there was no long-term development programme for the site, temporary use of it by an STT would be arranged. There was no precedent case where a site was let without removing the hoardings, with the maintenance responsibilities transferred to the tenant. Revenue generated from such an STT would likely be reduced.

4.14 At the meeting in October 2003, the Lands D agreed to examine the following options for the Ho Man Tin site:

- (a) ***Option A.*** The DLO/KW would accept partial dismantling of the hoardings at intervals adequate for maintaining surveillance, and take over the maintenance responsibility for the remaining hoardings; and
- (b) ***Option B.*** The Lands D would compare the saving in cost (of retaining the hoardings) with the likely reduced revenue under the arrangement whereby the tenant would be responsible for maintaining the hoardings.

4.15 In January 2004, the Lands D considered that, as there was no long-term development programme for the site, the maintenance cost of the hoardings (including the lighting cost of the covered walkway) over a period of time could be substantial. The Lands D informed the HD that, after reviewing the maintenance and cost implication, the Lands D maintained its view that chain-link fences should be provided.

4.16 *Letting the site by STTs.* In December 2003, the HD informed the DLO/KW that it would require six months to complete the fencing works. In the same month, the DLO commenced preparatory work (e.g. consulting relevant departments) for letting the site by STTs. In December 2004 (shortly after the site handover in November 2004), the District Lands Conference approved the letting of part of the site by two STTs. The two STTs were awarded in 2005. The remaining part of the site was let by another two STTs in 2006 (Note 18). The total rental income was \$0.5 million a month.

Audit observations

Need to expedite the site handover process

4.17 **Having regard to the audit findings in paragraphs 4.10 to 4.16, Audit considers that there is a need for the Lands D to expedite action on the handover arrangements (such as those for fencing layout) so that potential STT sites can be handed over at an early time.**

Need to minimise the site fencing cost

4.18 For security, the DLOs normally require the installation of chain-link fences for sites to be returned to the Lands D for easy surveillance. Although the Lands D found it not justifiable to retain the hoardings at the Ho Man Tin site (see para. 4.15), the circumstances of each site are different. **There is a need to examine the cost-effectiveness of retaining existing hoardings, instead of demolishing them and building new fences in future site-handover cases.**

Note 18: *In January 2004, part of the site was earmarked for use as a works area for a railway project. Owing to the postponement of the project, in 2006, this part of the site was released for letting by another two STTs.*

Audit recommendations

4.19 **Audit has recommended that the Director of Lands should remind the DLOs to:**

- (a) **expedite action to take over returned sites, particularly those which have potential for letting by STTs (see para. 4.17); and**
- (b) **assess the cost-effectiveness of retaining existing hoardings on sites to be handed over to the Lands D (see para. 4.18).**

Response from the Administration

4.20 The **Director of Lands** agrees with the audit recommendations in paragraph 4.19. She has said that the Lands D has reminded the DLOs to implement the audit recommendations.

PART 5: TERM CONTRACT ARRANGEMENTS AND PERFORMANCE INFORMATION

5.1 This PART examines the Lands D's term contract arrangements for managing vacant government sites and its disclosure of performance information.

Term contract arrangements for site management

5.2 *Management of vacant government sites.* The Lands D is responsible for managing vacant government sites before their development. The Lands D takes different actions depending on the likelihood of the sites being illegally occupied. For example:

- (a) for valuable or sensitive sites where the risk of illegal occupation is high, the Lands D provides perimeter fencing and guarding services on a 24-hour basis; and
- (b) for large sites where fencing would be uneconomical or impractical (e.g. a site having multiple access points), the Lands D only provides guarding services on an 8-hour basis or patrolling services.

5.3 To maintain the conditions of vacant government sites, the Lands D regularly carries out the following work:

- (a) grass cutting and removal of rubbish and stagnant water to prevent mosquito breeding and the spread of dengue fever; and
- (b) clearance of illegal structures.

5.4 *Outsourced contracts.* It is the Government's policy that government departments should use the private sector to assist in delivering some public services. In line with this policy, the Lands D has outsourced the site management services by granting two-yearly term contracts. As at March 2007, the Lands D had 21 site management term contracts (see Table 4).

Table 4

**Site management term contracts
(March 2007)**

Services provided	No. of contracts (a)	Total expenditure for 2005-06 and 2006-07 (b) (\$ million)	Average annual expenditure per contract (c) = (b)÷(a)÷2 (\$ million)
1. Security guard	4 (Note 1)	24.9	3.1
2. Maintenance of vegetation	4 (Note 2)	18.0	2.3
3. Clearance and minor works	13 (Note 3)	16.9	0.7
Total	21	59.8	

Source: Audit analysis of Lands D records

Note 1: The four contracts provided services for four regions, namely the Hong Kong Island region, the Kowloon East and New Kowloon East region, the Kowloon West and New Kowloon West region, and the New Territories region.

Note 2: The four contracts provided services for four regions, namely the Hong Kong Island and Outlying Islands region, the Kowloon and New Kowloon region, the Sai Kung, Sha Tin, Tai Po and North region, and the Kwai Tsing, Tsuen Wan, Tuen Mun and Yuen Long region.

Note 3: Each of the 12 DLOs had its own contract. The thirteenth contract provided services for the Lands D's Non-development Clearance Unit (which is responsible for village improvement and control).

Size of outsourced contracts

5.5 **Guidelines on outsourcing.** The Efficiency Unit (EU) is responsible for promoting good outsourcing practices to enhance the quality of government outsourced services. In October 2003, the EU issued, among others, the following outsourcing guidelines (Note 19):

- (a) **Contract size.** Given that the efforts involved in processing outsourced contracts were similar regardless of the contract size, contracts should be large enough to justify the efforts. Departments should consider consolidating related services into a single contract; and
- (b) **Contract review.** There was a need to review existing contract conditions before incorporating them into new contracts to ensure that the best practices were adopted.

5.6 In 2006, the EU carried out a survey of 75 government departments on their outsourced works and non-works contracts (Note 20). The survey also sought contractors' views on government outsourcing practices. The survey revealed that there had been a modest shift towards larger-size contracts. For non-works contracts surveyed, their average annual expenditure was \$4 million for each contract. 50% of the contractors responded that non-works contracts with annual expenditure of less than \$1.3 million were too small.

Reliance on a single contractor

5.7 In February 2007, the EU issued the following guidelines on contract management (Note 21):

- (a) departments should assess the risk involved in engaging a single contractor. They should consider whether there would be other potential contractors who could provide backup services in case the single contractor defaulted or went bankrupt; and

Note 19: See the EU's "A General Guide to Outsourcing — Second Edition, October 2003".

Note 20: The non-works contracts were mainly for the provision of services, such as building and property management, plant and equipment maintenance, and environmental hygiene services.

Note 21: See the EU's "A User Guide to Contract Management — 2007".

- (b) to mitigate the risk of heavy reliance on a few contractors, departments should ensure that appropriate contract performance management mechanisms were in place.

Contract condition on expenditure ceiling

5.8 In 1980, the then Public Works Department (Note 22) introduced a term contract condition under which a works order (for clearance and minor works) exceeding a specified expenditure ceiling should be subject to separate tendering. The Department said that:

- (a) separate tendering of the works on a lump sum basis would obviate the need for measuring the works done (for making payments under term contracts) and avoid possible measurement errors; and
- (b) as administration efforts and costs would increase for separate tendering, such a condition should only be applied to large-valued works.

5.9 In 1980, the expenditure ceiling was set at \$50,000. This was increased to \$100,000 in 1990 and \$200,000 in 1998. In 2004, a contractor expressed a concern to the Lands D over this expenditure ceiling, saying that it would affect the efficiency and effectiveness of the operation of contractors and the Lands D.

Audit observations

Scope for consolidating small contracts

5.10 Between April and July 2007, the Lands D renewed the contracts of the three types of site management services (see Table 4 in para. 5.4). In renewing the contracts, the Lands D repackaged the four contracts for security guard services into three larger-size ones (Note 23). However, the Lands D did not adopt this good practice for the other two types of services. **The Lands D still awarded four new contracts for maintenance of vegetation, and 13 for clearance and minor works. Audit considers that there may be scope for consolidating small-size term contracts into larger-size ones to save efforts in tendering and to achieve economies of scale.**

Note 22: *At that time, the Public Works Department was responsible for land administration in the urban area. Since its establishment in 1982, the Lands D has taken over the land administration responsibility.*

Note 23: *A new term contract for the entire Kowloon and New Kowloon region replaced the two former contracts, one for the Kowloon East and New Kowloon East region, and one for the Kowloon West and New Kowloon West region.*

Risk of reliance on a single contractor

5.11 In June 2006, before conducting the tender exercise for the four vegetation-maintenance term contracts, the Lands D consulted the Financial Services and the Treasury Bureau on a proposal for restricting the maximum number of contracts a tenderer could obtain. Such a proposal could reduce the risk of reliance on a single contractor. In July 2006, the Bureau replied that:

- (a) according to a previous legal advice, there would be a risk of legal challenge if such a restriction was not set on the basis of assessing a contractor's capability of undertaking the contracts concerned;
- (b) the restriction might be acceptable if it was set to protect public health or safeguard public interest; and
- (c) the Lands D should seek legal advice in case of doubt.

In the event, the four vegetation-maintenance term contracts were awarded to a single contractor. As grass cutting service is urgently required upon a dengue-fever outbreak, any delay in providing the service may pose a risk to public health. **Audit considers that the Lands D needs to seek legal advice on its 2006 proposal. Meanwhile, the Lands D should draw up a contingency plan for providing urgent vegetation-maintenance service in case of default of the single contractor.**

Need for review of contract condition

5.12 The Lands D has adopted the contract condition limiting the expenditure of each works order of the clearance-and-minor-works term contracts (see para. 5.8). As the current expenditure ceiling of \$200,000 was set in 1998, and in view of the contractor's comment that the expenditure ceiling would affect efficiency and effectiveness (see para. 5.9), Audit considers that there is a need for the Lands D to conduct a review of this ceiling.

Audit recommendations

5.13 **Audit has recommended that the Director of Lands should:**

- (a) **consolidate small-size term contracts into larger-size ones to save efforts in tendering and achieve economies of scale (see para. 5.10);**

- (b) seek legal advice on the issue of restricting the maximum number of vegetation-maintenance term contracts a tenderer may obtain (see para. 5.11);
- (c) draw up a contingency plan for providing urgent vegetation-maintenance service in case of default of the single contractor (see para. 5.11); and
- (d) conduct a review of the expenditure ceiling of \$200,000 for clearance-and-minor-works orders (see para. 5.12).

Response from the Administration

5.14 The **Director of Lands** agrees with the audit recommendations in paragraph 5.13. She has said that the Lands D will take appropriate action to implement the recommendations.

5.15 The **Head, Efficiency Unit** agrees that there is a need to mitigate the risk of reliance on a single contractor (see para. 5.11). She has said that the Lands D should seek legal advice on the issue of restricting the maximum number of vegetation-maintenance term contracts a tenderer may obtain (see para. 5.13(b)).

Disclosure of performance information and STT tender information

Performance information in Controlling Officer's Report

5.16 **Controlling Officer's Report.** A Controlling Officer's Report (COR) in the Annual Estimates of Expenditure provides performance information on various programme areas of a government department. The information on the performance targets for the ensuing year and the attainment of the targets in the past years is useful for stakeholders to evaluate departmental performance.

5.17 **Guidelines on performance measurement.** According to the EU, research in both the public and private sectors demonstrates that good systems of performance measurement help improve service quality, and increase job satisfaction of employees. The EU has issued the following guidelines on performance measurement:

- (a) departments should produce a set of measurements (such as those relating to customer satisfaction and the attainment of government objectives) to facilitate a balanced review of the departments' performance; and

- (b) departments should review whether the performance measurement information meets the need of all users.

5.18 **Lands D's COR.** Of the three programme areas (Note 24) stated in the Lands D's 2007-08 COR, Land Administration accounted for 73% of the departmental expenditure and 71% of the Lands D's staff resources. The Lands D set 7 performance targets and 27 performance indicators for the Land Administration programme area. However, there was no performance target for temporary use of vacant government sites. Among the 27 performance indicators, only the following indicator related to temporary use of vacant government sites:

Performance indicator	2005 (Actual)	2006 (Actual)	2007 (Estimate)
Land let by STTs (hectares)	77.8	90.9	80.0

5.19 **Government Property Agency's COR.** The Government Property Agency (GPA) performs the estate management function which is similar to the land management function of the Lands D. In its 2007-08 COR, the GPA included 4 performance targets and 7 performance indicators on estate utilisation (see Appendix D).

Forecast on STT tenders

5.20 Vacant government sites that are likely to be of general commercial interest (such as for fee-paying car park purposes) are let by STTs through open tenders. In 2001, a car-park STT operator requested that the Lands D should provide information on available STT sites to facilitate prospective tenderers' planning and formulation of marketing strategies. Since 2002, the Lands D has uploaded on its website a forecast of STT tenders for the ensuing three months.

Note 24: *The three programme areas were Land Administration, Survey and Mapping, and Legal Advice.*

Audit observations

Need to disclose more performance information in COR

5.21 Performance measurement and reporting is an important management tool to promote value for money and public accountability in the delivery of public services. As at August 2007, the total area of land let by STTs and allocated for temporary use was 2,291 hectares (see para. 1.3). However, in its 2007-08 COR, the Lands D only included the area of land let by STTs as the sole performance indicator (see para. 5.18). **In Audit's view, there is scope for providing more performance information on temporary use of vacant government sites in the Lands D's COR by reference to practices of other government departments (e.g. the GPA — see para. 5.19).**

Need to review the three-month forecast of STT tenders

5.22 Upon introducing the STT tender forecast arrangements in 2002, the Lands D said that it would consider extending the three-month forecast to a six-month forecast if the arrangements worked satisfactorily. **Audit considers that, after implementing the tender forecast arrangements for five years, it is opportune for the Lands D to conduct a review of the arrangements.**

Audit recommendations

5.23 **Audit has recommended that the Director of Lands should:**

- (a) **provide more performance indicators in the Lands D's COR on temporary use of vacant government sites by reference to practices of other government departments (see para. 5.21); and**
- (b) **conduct a review of the three-month forecast of STT tenders (see para. 5.22).**

Response from the Administration

5.24 The **Director of Lands** agrees with the audit recommendations in paragraph 5.23.

5.25 The **Secretary for Financial Services and the Treasury** generally agrees with the recommendations in this Report. He has said that the Financial Services and the Treasury Bureau will remind the Lands D to consider including new performance targets and indicators in the 2008-09 draft Estimates.

Summary of Cases B, C and D

Case B

- In September 1998, a government site (of about 3,600 m²) in Wong Chuk Hang was cleared.
- In December 2002, the DLO/HKW&S allocated a small area of the site (of 50 m²) to the FEHD for providing portable toilet facilities.
- In March 2003, the DLO/HKW&S allocated another portion of the site (of 500 m²) to the District Office (South) of the Home Affairs Department for use as a sitting-out area.
- However, Audit could not find from the subject file the reasons for not putting the remainder (of 3,050 m²) of the site to temporary use.
- In June 2007, in response to Audit enquiry, the DLO/HKW&S said that the site had minimal potential for STT purposes due to site constraints, such as the absence of vehicular access and dense vegetation cover. The DLO also said that the site might have high potential for temporary use by other departments because its adjacent area had been developed into a public open space. In 2003, 2004 and 2005, the DLO proposed that greening works should be carried out at the site, but without success.
- Audit found that there was no cross-reference in the subject files to the DLO/HKW&S' greening proposals (which were filed separately).

Source: Lands D records

Case C

- In 1990, a government site in Tai Tam (of about 600 m²) was proposed to be used as a parking area.
- As the Drainage Services Department would use the site as a works area from June 1991 to November 1995, the car-park proposal was shelved.
- In November 1995, the DLO/HKW&S took over the Tai Tam site. As far as Audit could ascertain, the DLO had not taken any action to examine the temporary use of the site from November 1995 to November 2004.
- In June 2007, in response to Audit enquiry, the DLO/HKW&S said that the Tai Tam site had minimal potential for STT purposes due to site constraints, such as dense vegetation cover and slope safety concerns. The DLO also said that the car-park proposal had been shelved having regard to the cost of slope works required. The DLO considered that the site might have high potential for temporary use by other government departments. In 2003 and 2004, the DLO proposed that greening works should be carried out at the site, but without success.
- Audit found that there was no cross-reference in the subject files to the DLO/HKW&S' greening proposals (which were filed separately).

Source: Lands D records

Case D

- In early 2005, the Lands D took over a newly formed site (of about 42,450 m²) adjacent to a container terminal in Tsing Yi. The site was formed by the container-terminal developer as part of the land grant conditions.
- In February 2006, the DLO/TW&KT let part of the site (of 34,800 m²) by an STT. As for the remainder (of 7,650 m²) of the site, its temporary use was under consideration as at July 2007.
- In August 2007, in response to Audit enquiry about the reason for not letting the entire site by the same STT, the DLO/TW&KT said that: (a) the site could only be put to temporary use after obtaining the relevant government departments' confirmations that the site formation works had been completed to their satisfaction; (b) as the site was handed over to the Government by parts, the departments' confirmations were obtained over a period of time; and (c) as the departments' confirmations for the remaining area of the site were only obtained in March 2006 (after the STT tendering exercise in January 2006), it could not have been included as part of the STT.
- Audit found that the above-mentioned reasons were not documented in the STT subject file.

Source: Lands D records

Chronology of key events relating to the North Point site

October 2000	The DLO/HKE asked for the EDB's comments on a prospective school sponsor's application for using the North Point site. In reply, the EDB informed the DLO that a school allocation exercise for the site had not yet commenced.
March 2001	In response to the DLO/HKE's enquiry, the EDB said that the result of the school allocation exercise would not be available before mid-2001.
May 2001	In response to the DLO/HKE's enquiry, the EDB said that the result of the school allocation exercise would be available by June 2001.
June 2001	The EDB informed the DLO/HKE that a school sponsor had been awarded the school project at the North Point site.
Late June 2001	The DLO/HKE asked the EDB to provide the date of requiring the site.
October 2001 and April 2002	The DLO/HKE issued two reminders respectively on the issue raised in late June 2001.
Mid-April 2002	The EDB informed the DLO/HKE that, since the project was at a very preliminary planning stage, it was roughly estimated that the site might be required by mid-2003.
September and November 2002	The DLO/HKE asked the EDB for the date of requiring the site so as to provide information to the school sponsor's consultant for undertaking a feasibility study and to commence the land allocation work.
Late November 2002	The EDB informed the DLO/HKE that the site would be required around late 2003 subject to the result of a feasibility study.

Appendix C
(Cont'd)
(para. 3.10 refers)

- June 2003 The DLO/HKE requested the EDB to consider relocating the proposed school to address local traffic and environmental concerns (Note). The EDB replied that the proposed school project had already been awarded to a school sponsor and there was no replacement site on Hong Kong Island.
- August 2004 The DLO/HKE asked the EDB to provide the date of requiring the site. The EDB replied that temporary use of the site was not suitable as construction works would commence in May 2005.
- October 2004 The Water Supplies Department applied for temporary use of the site as a works area.
- February 2005 The EDB and some members of the local community expressed concerns over the proposed temporary use of the site.
- October 2005 The EDB agreed to the proposed temporary use of the site on condition that the site would be made available for school development works when required.

Note: In its memo to the EDB, the DLO/HKE noted that the adverse traffic and environmental impact originally envisaged for the North Point area would have been minimised. This was because only the proposed school project (instead of five school projects as originally planned) would be developed in the foreseeable future.

Performance information in the GPA's 2007-08 COR

Performance targets	Target	2005 (Actual)	2006 (Actual)	2007 (Plan)
1. Sites for review of alternative use or disposal	91	91	94	91
2. Sites ready to be released for disposal, redevelopment or other purposes	5	10	8	5
3. Preparing and issuing tender invitation to lease non-domestic premises within three months upon completion of feasibility study (%)	95	96	96	95
4. Letting rate of surplus non-departmental quarters with tenure of two years or more (%)	85	93	91	85

Performance indicators	2005 (Actual)	2006 (Actual)	2007 (Estimate)
1. Sites included in prioritised redevelopment programme	9	8	6
2. Non-domestic premises: Letting (No.)	526	585	664
3. Non-domestic premises: Rental income (\$ million)	297.2	357.6	381.6
4. Domestic premises: Letting (No.)	578	538	471
5. Domestic premises: Rental income (\$ million)	179.0	163.6	168.2
6. Ratio of rental income in respect of domestic and non-domestic premises to related staff cost	18:1	20:1	21:1
7. Government premises identified as having new commercialisation opportunities	24	25	22

Source: GPA's 2007-08 COR

Acronyms and abbreviations

Audit	Audit Commission
CEDD	Civil Engineering and Development Department
COR	Controlling Officer's Report
DLOs	District Lands Offices
DLO/HKE	DLO/Hong Kong East
DLO/HKW&S	DLO/Hong Kong West and South
DLO/Is	DLO/Islands
DLO/KE	DLO/Kowloon East
DLO/KW	DLO/Kowloon West
DLO/N	DLO/North
DLO/SK	DLO/Sai Kung
DLO/ST	DLO/Shau Tin
DLO/TM	DLO/Tuen Mun
DLO/TP	DLO/Tai Po
DLO/TW&KT	DLO/Tsuen Wan and Kwai Tsing
DLO/YL	DLO/Yuen Long
EDB	Education Bureau
EU	Efficiency Unit
FEHD	Food and Environmental Hygiene Department
GEO	Geotechnical Engineering Office
GPA	Government Property Agency
HD	Housing Department
HyD	Highways Department
Lands D	Lands Department
LCSD	Leisure and Cultural Services Department
m ²	square metres
RSD	Regional Services Department
SMRIS	Slope Maintenance Responsibility Information System
STT	short term tenancy