

CHAPTER 1

Government Property Agency Water Supplies Department

Management of surplus quarters

**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.

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MANAGEMENT OF SURPLUS QUARTERS

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MANAGEMENT OF SURPLUS QUARTERS

Executive Summary

1. It is the Government's policy to provide quarters to eligible civil servants as a type of housing benefits or for operational need. As at October 2013, there were 708 non-departmental quarters (NDQs) managed by the Civil Service Bureau (CSB), 22,543 departmental quarters (DQs) and 179 post-tied quarters managed by various bureaux/departments (B/Ds). The Government Property Agency (GPA) is responsible for formulating and reviewing policy on the provision, standards and management of quarters, ensuring their proper utilisation and management, and arranging purchase, leasing and disposal of them. As at 31 December 2013, 39 GPA staff were directly involved in management of quarters. The related expenditure was \$354.4 million for 2013-14.

2. With the introduction of the Home Financing Scheme in October 1990, new appointees to the Civil Service are not eligible for NDQs. As a result, the demand for NDQs has gradually decreased. With the implementation of various re-engineering of the process of service delivery and other changing circumstances, some government departments were able to reduce their accommodation requirements. As at October 2013, there were 198 surplus NDQs leased and/or pending disposal by the GPA. In 2001, the GPA took over from the Housing Department (HD) seven blocks of surplus quarters. As at October 2013, two blocks had been used as quarters by disciplined services departments and the remaining five were pending redevelopment. Five other departments also had a total of 498 surplus quarters not yet put into use, of which 330 units (66%) were held by the Water Supplies Department (WSD). As surplus quarters are valuable assets, the Audit Commission (Audit) has recently conducted a review of the management of these surplus quarters.

Disposal of surplus NDQs by the GPA

3. In 1996, Audit conducted a review on "Management of surplus NDQs". The Public Accounts Committee (PAC) held the view that the selling of surplus NDQs and NDQs sites to generate revenue should be the ultimate objective of the Administration as the Government was not supposed to function as a landlord or

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agent for leasing properties. The PAC recommended that the CSB Working Group should consider practical ways to dispose of all surplus NDQs within a reasonable specified time frame. This was accepted by the Administration (paras. 2.2 and 2.3).

4. ***Stock of surplus NDQs.*** Surplus NDQs held by the Financial Secretary Incorporated (FSI) may be sold by the GPA en bloc or individually. Of the 198 surplus NDQs as at October 2013, 114 were FSI-owned, with 90 in the leasing pool and 24 on the sale list. 69 of the 90 FSI-owned NDQs in the leasing pool had been transferred to the GPA for 15 to 17 years. While the GPA had made attempts to sell these 69 NDQs before 1998, 19 of them had not been put up for sale since then. There was a need to sell the FSI-owned surplus NDQs within a reasonable time frame (paras. 2.4 and 2.7 to 2.9).

5. ***Sale of NDQs units by public auction.*** From 2008 to 2013, the sale of NDQs was suspended on three occasions (lasting 25 months) due to the financial crisis and downturn of property market. During the 47 months when sale resumed, the GPA sold 71 NDQs by 1 public tender and 8 public auctions. As at October 2013, there were 24 FSI-owned NDQs on the sale list and 12 of them had been on the list for two to six years. NDQs on the sale list were no longer available for leasing and did not generate revenue during the holding period. They should be put on the market for sale. Audit noted that there was scope for expediting the sale of surplus NDQs stock through better public auction arrangements (such as increasing the frequency of public auction) when the sale programme resumed (paras. 2.12 to 2.15).

HD's surplus quarters transferred to the GPA

6. ***Management of surplus quarters.*** In 2001, the HD transferred seven blocks of its surplus quarters (167 of the total 228 Grades F and H units were then vacant) to the GPA on the basis that better utilisation of the premises would be achieved. As agreed between the GPA and HD, three blocks were vacated by 2002 and four blocks were designated for decanting. Of the three vacant blocks, only one was put into use in 2002. From 2002 to 2005, the GPA explored interim uses of the other two vacant blocks but in vain. Meanwhile the four blocks for decanting had decreasing number of occupants. It was only in 2007 and 2008 that the GPA invited the disciplined services departments to bid for the use of the six blocks (two vacant and four with decreased number of occupants) although these departments had great demands for these grades of quarters. As at October 2013, two of the seven blocks

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had been put into use as disciplined services quarters (one in 2002 and the other in 2009). The remaining five blocks (three had been demolished and two entirely vacated) were pending redevelopment as disciplined services quarters under four capital works projects (paras. 3.4 to 3.13, 3.22 and 3.25 to 3.29).

7. ***Project planning process.*** In four redevelopment projects, the planning process for the Tsz Wan Shan and Kwun Tong sites had taken over six years and five years respectively before they were included in the Capital Works Programme. The long time taken was caused by factors including significant changes in cost estimates/project scope and long lead time in resolving technical issues. There is a need for the Architectural Services Department to work with relevant departments to define clearly key project requirements and planning parameters at an early stage (para. 3.37).

Surplus quarters of the WSD

8. ***Management of surplus quarters.*** In 2001, the WSD had 491 DQs which were used to accommodate operational staff serving at the waterworks installations nearby. The WSD considered that there were no longer strong operational needs for retention of most DQs. From 2001 to 2013, 378 surplus quarters of the WSD in various locations were declassified as surplus accommodation. However, up to December 2013, only 48 surplus accommodation units had been put into other departmental uses. There were delays in implementing the WSD's action plan of 2010 for co-locating quarters occupants which could have released more vacant premises for alternative uses at an early date and minimised recurrent cost in maintaining under-utilised premises. There were also delays in taking action in accordance with an Accommodation Circular issued in April 2008 to relinquish vacant premises for consideration of alternative uses by other departments (paras. 4.4 to 4.7, 4.13 to 4.15 and 4.18 to 4.20).

9. ***Monitoring the utilisation of surplus accommodation.*** Since 2005, the GPA has required B/Ds to report in annual returns vacant specialist and departmental buildings/premises under their control. Based on the returns, the GPA provides progress reports to the Property Strategy Group for monitoring the utilisation of these vacant buildings/premises. Audit examination revealed that the WSD had not reported in its 2012-13 return 147 surplus accommodation units in partially occupied premises and there were delays of one to eight years in reporting ten vacant premises (paras. 4.24 and 4.25).

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Way forward

10. Besides the WSD, four other departments had a total of 168 surplus accommodation units not yet put into use as at October 2013. In the light of the management problems of surplus accommodation identified in the case of the WSD, there is a need for these four departments to take measures to prevent similar problems (para. 5.5).

Audit recommendations

11. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has *recommended* that the Government Property Administrator should:**

- (a) **dispose of the surplus FSI-owned NDQs units by sale within a reasonable time frame (para. 2.20(a));**
- (b) **improve the arrangements for the sale of surplus NDQs units by public auction (para. 2.20(b));**
- (c) **take effective measures to ensure that surplus quarters under the GPA's purview are put into gainful use and strengthen its coordinating role in assisting departments to resolve their problems of surplus quarters or shortage in quarters (para. 3.38(a) and (b));**
- (d) **assist the WSD in putting its surplus accommodation into gainful use as soon as possible (para. 4.29(c));**
- (e) **step up control to ensure that the information on surplus accommodation (both converted to departmental use or not yet put into use) reported by B/Ds in their annual returns is accurate and complete (para. 4.29(e));**
- (f) **make effective use of the annual returns provided by B/Ds for monitoring the utilisation of the surplus accommodation (para. 5.5(a)); and**

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- (g) render necessary assistance to the four departments which also had surplus accommodation not yet put into use as at October 2013 with a view to optimising the use of government resources (para. 5.5(b)(ii)).
12. **Audit has also *recommended* that:**
- (a) the Director of Architectural Services should work with project proponent departments to define clearly key project requirements at the beginning of the planning process with a view to providing advice on the cost and programme more accurately (para. 3.39(a)); and
 - (b) the Director of Water Supplies should:
 - (i) expedite action to co-locate quarters occupants with a view to releasing vacant quarters premises for alternative use and minimising the cost in maintaining under-utilised quarters premises (para. 4.28(d)); and
 - (ii) take measures to ensure that prompt action on surplus accommodation is taken in accordance with the Accommodation Circular requirements (para. 4.28(e)).

Response from the Administration

13. The Administration agrees with the audit recommendations.

PART 1: INTRODUCTION

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

Background

1.2 It is the Government's policy to provide quarters to eligible civil servants as a type of housing benefits or for operational need. The rules and regulations governing the provision and management of quarters are set out in the Civil Service Regulations, the Accommodation Regulations and various departmental circulars.

1.3 Quarters are broadly classified as follows:

- (a) ***Non-departmental quarters (NDQs)***. NDQs are provided to house officers who are eligible for quarters by their terms of service (Note 1) and for whom departmental quarters (DQs) are not provided. The Civil Service Bureau (CSB) is responsible for allocating NDQs in accordance with the Civil Service Regulations;
- (b) ***DQs***. DQs are allocated to eligible officers by the Heads of Department in accordance with the Accommodation Regulations. They are further classified into the following categories:
 - (i) ***Disciplined services quarters (DSQs)***. DSQs are provided, subject to the availability of resources, for married officers of the rank and file, local married officers in the rank of inspectors and superintendents of the Hong Kong Police Force and comparable ranks in six other disciplined services departments (Note 2). The

Note 1: *NDQs may be allocated to officers appointed before 1 October 1990 and who have been receiving salaries on or above point 45 of the Master Pay Scale (or equivalent).*

Note 2: *The six other disciplined services departments comprise the Correctional Services Department (CSD), Customs and Excise Department (C&ED), Fire Services Department, Government Flying Service, Immigration Department (ImmD) and Independent Commission Against Corruption.*

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policy objective on the provision of DSQs is to maintain morale in the disciplined services departments;

- (ii) **Judiciary quarters.** Judiciary quarters are provided for Judges of the Court of First Instance of the High Court and above of the Judiciary;
 - (iii) **Operational quarters.** Operational quarters (Note 3) are provided for housing a restricted group of eligible officers who, by virtue of their ranks or postings, are required to perform specific operational duties (e.g. staff of the Water Supplies Department (WSD) serving at waterworks installations nearby); and
 - (iv) **General quarters.** General quarters are quarters without immediate operational requirement but, with the agreement of the Government Property Agency (GPA) are retained by the department holding the quarters. These quarters are made available for allocation to all interested eligible officers within the department; and
- (c) **Post-tied quarters.** Post-tied quarters are provided for holders of specific posts who are required to live at or very close to their places of work (e.g. staff in specific posts of the CSD serving at correctional institutions).

Role of the GPA

1.4 The work of the GPA covers three programme areas, namely acquisition and allocation of government accommodation (offices and quarters), property management, and estate utilisation. According to the Accommodation Regulations, one of the objectives of the GPA is to ensure that all government accommodation is fully utilised with maximum efficiency and value for money. The major responsibilities of the GPA in respect of DQs and NDQs are to:

Note 3: *Under former Accommodation Regulations valid before 1 June 2003, operational quarters referred to quarters provided for specific policy or operational purposes. In other words, DSQs and judiciary quarters were also classified as operational quarters before 1 June 2003.*

- (a) formulate and review policy on the provision, standards and management of government quarters;
- (b) ensure proper utilisation and management of government quarters in line with established policy; and
- (c) arrange purchase, leasing and disposal of government quarters.

1.5 The GPA's work in managing quarters is distributed over a number of functional divisions. According to the GPA, as at 31 December 2013, 39 staff were directly involved in management of quarters. The related expenditure in 2013-14 was \$354.4 million, comprising staff cost of \$29.4 million and operating cost of \$325 million (Note 4).

Responsibilities of bureaux and departments

1.6 According to the Accommodation Regulations, Heads of Department are responsible for:

- (a) reviewing the designation of operational quarters;
- (b) allocating quarters in accordance with the Code of Practice for Allocation of DQs;
- (c) ensuring that quarters are put to their intended uses;
- (d) assessing the supply and demand situation of DQs in consultation with the policy bureau; when a need for quarters arises, submitting an acquisition proposal to the policy bureau for support and then seeking funding from the Financial Services and the Treasury Bureau (FSTB) for the proposed acquisition;

Note 4: *The operating cost included expenses for engaging property management services contractors to manage the wholly-owned government quarters, and management charges and expenses for renovation and maintenance works for quarters in private developments.*

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- (e) making an annual return to the GPA of the DQs under their control as at 31 March each year and a monthly return listing DQs vacant for over two months; and
 - (f) ensuring that the supply and demand of government quarters are kept under review. When quarters are no longer required for their originally approved purpose, the GPA should be advised at once so that proposals for alternative use or disposal through deleasing, letting or sale can be considered. According to Accommodation Circular No. 3/2008 which sets out the procedures for handling surplus specialist and departmental accommodation (including quarters), user departments have the primary responsibility and are accountable for the proper use and optimal utilisation of their specialist and departmental accommodation (see details in para. 4.18).
- 1.7 According to the GPA's records, as at October 2013, there were:
- (a) 23,430 quarters units for allocation to eligible staff by relevant bureaux/departments (B/Ds), comprising 708 NDQs (Note 5), 22,436 DSQs, 23 judiciary quarters, 7 operational quarters, 77 general quarters and 179 post-tied quarters; and
 - (b) 198 surplus NDQs leased and/or pending disposal by the GPA. For surplus quarters which were declassified as surplus accommodation (Note 6) but retained and managed by the relevant B/Ds, they would not be included in the returns on DQs (see para. 1.6(e)). The GPA monitors their utilisation through other annual returns for non-quarters departmental accommodation (see para. 4.24) from B/Ds. No separate statistics are compiled for declassified quarters.

Note 5: *Of the 708 NDQs, 24 units were transferred to the GPA for temporary leasing as they had not been allocated after quarters allocation exercises. These units had specific dates for taking back from the GPA for reallocation as NDQs.*

Note 6: *According to the GPA, surplus accommodation may be turned into other departmental use. For example, surplus units in school have been approved for uses such as student changing room, library and multi-purpose rooms.*

Decreasing demand for NDQs

1.8 With the introduction of the Home Financing Scheme in October 1990, new appointees to the Civil Service are not eligible for NDQs. Instead, they are eligible for the Home Financing Scheme. For those residing in NDQs, they have to vacate their quarters if they opt for the Home Financing Scheme or when they reach their retirement age. As a result, the demand for NDQs is gradually decreasing.

1.9 In 1990, in recognition of the decreasing demand for NDQs, the CSB endorsed the following strategies to deal with the surplus NDQs:

- (a) when there were surplus NDQs in leased accommodation, the vacant leased NDQs should be released;
- (b) for government-owned quarters located in under-utilised prime sites, the preferred option was to sell the sites;
- (c) where land sale was not practicable, consideration might be given to selling some individual flats surplus to the requirements in the open market; and
- (d) surplus NDQs should be converted to DQs.

In 1995, the CSB set up a Working Group (Note 7) to tackle the issue of surplus NDQs. The Working Group reviews the demand for NDQs and decides on disposal of surplus NDQs.

1.10 In 1996, the Audit Commission (Audit) found in a review that with all vacant NDQs in leased accommodation having been released in the year, releasing would cease to be an option to tackle the issue of surplus NDQs. In 1995, the monthly average number of vacant NDQs was 175 with a significant number of

Note 7: *The Working Group is chaired by the Deputy Secretary for the Civil Service and comprises representatives from the Development Bureau (DEVB), the FSTB, the Security Bureau (SB), the Transport and Housing Bureau, the GPA, the Lands Department (Lands D) and the Planning Department (Plan D).*

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them remaining vacant for considerable periods of time. The Administration accepted the audit recommendation to consider leasing surplus NDQs as an interim measure to put these valuable assets into economic use.

1.11 As at October 2013, the number of NDQs (Note 8) used for allocation was 708; additionally the number of surplus NDQs pending disposal was 198. Of the 198 surplus NDQs, 174 were in the leasing pool and 24 were on the sale list.

Decreasing demand for other quarters

1.12 With the implementation of various re-engineering of the process of service delivery and other changing circumstances, some departments were able to reduce their accommodation requirements. In 2001, the GPA took over from the Housing Department (HD) seven blocks of partially occupied quarters (i.e. 167 of the total 228 units were then vacant). As at October 2013, only two of the seven blocks (42 units) had been put into use as DSQs. The remaining five blocks (three had been demolished and two entirely vacated) were pending redevelopment as DSQs. Upon Audit's request, in February 2014, the GPA conducted a service-wide survey on the number of surplus quarters that had been declassified and managed by B/Ds as at October 2013. Based on B/Ds' returns, five other departments (Note 9) also had a total of 498 surplus quarters which had been declassified as surplus accommodation but not yet put into use. As shown in Table 1, a total of 330 (240 + 90) surplus quarters were held by the WSD, representing 66% of the total 498 surplus quarters. For easy reference, the numbers of government quarters for allocation and surplus units as at October 2013 are summarised at Appendix A.

Note 8: *Quarters are graded from the highest Grade AA to the lowest Grade L (totalling 16 grades) by the GPA according to a number of factors including size, quality and location. NDQs are of Grade AA to Grade C and their sizes range from 364 to 134 square metres.*

Note 9: *The five departments were the WSD, CSD, Food and Environmental Hygiene Department (FEHD), Electrical and Mechanical Services Department (EMSD) and Leisure and Cultural Services Department (LCSD).*

Table 1
Surplus quarters declassified
(October 2013)

| Declassified surplus quarters | | | User departments |
|-------------------------------|-----------------|-----------------|---|
| Type | Number of units | Grades (Note 1) | |
| (A) DQs | | | |
| (i) DSQs | 125 | CD to IJ | All these units were held by the CSD (Note 2) in 3 correctional institutions on 2 outlying islands (Hei Ling Chau and Lantau Island). |
| (ii) Operational quarters | 260 | G to K | 240 of these units were held by the WSD, 12 by the FEHD and 8 by the EMSD (Note 3). |
| (iii) General quarters | 110 | I to K | 90 of these units were held by the WSD (Note 4), 19 by the FEHD and 1 by the LCSD (Note 5). |
| (B) Post-tied quarters | 3 | G to J | All 3 units were held by the FEHD (Note 6). |
| Total (A) + (B) | | 498 | |

Source: GPA records

Note 1: The sizes of the surplus quarters range from 17 to 144 square metres.

Note 2: According to the CSD, it had made attempts to use the 125 surplus DQs (see para. 5.7).

Note 3: Based on the GPA's information, the eight surplus DQs of the EMSD are in two sites, one of which will be disposed of by land sale and the other released for housing development.

Note 4: The 330 (240 + 90) surplus DQs of the WSD are scattered over 35 different locations. According to the WSD, actions had been taken in respect of these units (see para. 4.8).

Note 5: According to the LCSD, it had made attempts to use the surplus DQs (see para. 5.9).

Note 6: The 34 (12 + 19 + 3) surplus quarters of the FEHD are scattered over seven sites. Based on the GPA's information, units in five sites are reserved for office use or other departmental use (e.g. conversion into columbarium or temporary storage facilities for cremains), while the remaining two market sites will be released for disposal by land sale.

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Audit reviews

1.13 In 1996, 2007 and 2008, Audit conducted three reviews on government quarters. The results were included in the Director of Audit's Report No. 26 of March 1996 ("Management of surplus NDQs"), No. 49 of October 2007 ("Allocation and management of DSQs") and No. 51 of October 2008 ("Provision and management of quarters") respectively.

1.14 As surplus quarters are valuable assets, Audit has recently conducted a review of the Government's management of these surplus quarters, focusing on the following areas:

- (a) disposal of surplus NDQs by the GPA (PART 2);
- (b) HD's surplus quarters transferred to the GPA (PART 3);
- (c) surplus quarters of the WSD (PART 4); and
- (d) way forward (PART 5).

Audit has found room for improvement in the above areas and has made a number of recommendations to address the issues.

Acknowledgement

1.15 Audit would like to acknowledge with gratitude the full cooperation of the staff of the CSB, SB, GPA, HD and WSD during the course of the audit review.

PART 2: DISPOSAL OF SURPLUS NDQs BY THE GPA

2.1 This PART examines the following issues relating to the disposal of surplus NDQs by the GPA:

- (a) measures for disposing surplus NDQs (paras. 2.2 to 2.5);
- (b) stock of surplus NDQs (paras. 2.6 to 2.10); and
- (c) sale of NDQs units by public auction (paras. 2.11 to 2.19).

Measures for disposing surplus NDQs

2.2 In 1996, Audit conducted a review on “Management of surplus NDQs”. The results were reported in the Director of Audit’s Report No. 26 of March 1996 (see para. 1.13). The Public Accounts Committee (PAC) held a public hearing on this audit subject. In its report of June 1996, the PAC:

- (a) stated that the selling of surplus NDQs and NDQs sites to generate revenue should be the ultimate objective of the Administration as the Government was not supposed to function as a landlord or agent for leasing properties; and
- (b) recommended that the CSB Working Group (see para. 1.9) should consider:
 - (i) leasing out as a viable interim measure to put surplus NDQs into economic use; and
 - (ii) practical ways to dispose of all surplus NDQs within a reasonable specified time frame.

2.3 In response to the PAC report, the Administration stated in the Government Minute of October 1996 that:

Disposal of surplus NDQs by the GPA

- (a) the CSB Working Group accepted that the leasing of surplus quarters was an appropriate interim measure to make full economic use of the surplus NDQs. It had decided to lease out units currently surplus to requirement prior to their disposal by sale or redevelopment; and
- (b) on the time frame for disposal of all NDQs, in 1996, the Working Group had drawn up a rolling five-year NDQs disposal programme (Note 10). The full disposal of NDQs sites would take up to 30 years to complete because officers with an entitlement to NDQs would be in service for that period.

2.4 As set out in the GPA Manual, measures taken to dispose of the surplus NDQs stock include the following:

- (a) *Sale of NDQs sites.* This method is used for NDQs built on government-owned sites. When the whole site becomes vacant, the site is disposed of through the Land Sale Programme (Note 11);
- (b) *Sale of NDQs under strata title.* This method is used for NDQs under strata title, i.e. properties held in the name of the Financial Secretary Incorporated (FSI — Note 12). The GPA will consider the appropriate disposal method of these NDQs, i.e. to sell NDQs en bloc or individually, on a case by case basis taking account of various factors, including the nature and type of the properties, marketability, cost-effectiveness, the then market conditions and occupancy status;

Note 10: *The programme sets out the NDQs to be disposed of in the coming five years. It is reviewed by the Working Group annually having regard to the forecast surplus and reprovisioning requirements for affected NDQs occupants.*

Note 11: *The Land Sale Programme administered by the Lands D is outside the scope of this audit review.*

Note 12: *FSI is a corporation incorporated under the Financial Secretary Incorporation Ordinance (Cap. 1015) and has the capacity to acquire and to dispose of government lands/properties and to execute deeds and agreements.*

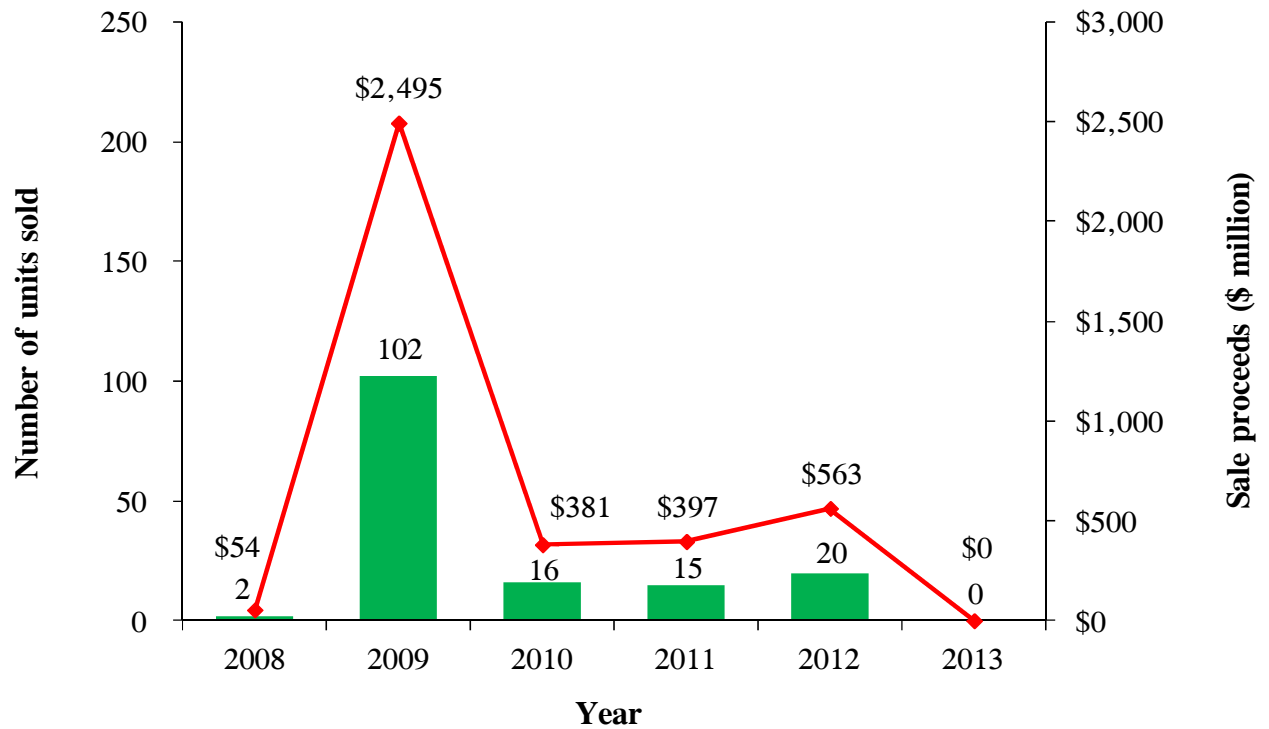
- (c) ***Converted use of NDQs as DQs.*** NDQs are of higher grades than most types of DQs. Converted NDQs are mainly used as DSQs for meeting the accommodation need of their senior officers and should be ultimately returned to the surplus NDQs pool for disposal; and
- (d) ***Leasing.*** Surplus NDQs units pending disposal are normally let out on two-year leases with a provision which enables the Government to terminate the tenancy after the initial 12 months with a 3-month advance notice to facilitate the sale. Surplus NDQs units are always let on “as-is” conditions, i.e. with essential repairs carried out to bring them to habitable condition. Depending on the merit of individual case, the GPA will also consider carrying out some renovation before leasing to enhance the marketability.

Sale and leasing of surplus quarters

2.5 In 1998, following the downturn of the property market, the sale of surplus FSI-owned NDQs was suspended. In March 2004, the GPA considered it opportune to resume the sale of surplus NDQs. In the 2008 review, Audit found that the GPA planned in 2005 to sell the surplus NDQs in four buildings (involving a total of 237 units) en bloc by tender in two years’ time. In November 2005, the sale of one building with 46 units by tender was cancelled because the tender prices were unacceptable. Up to September 2008, only 40 units in one of the four buildings were sold. In response to the audit recommendation on sale of surplus NDQs, the GPA said that the plans for the sale of surplus NDQs were under constant review and it had been exploring other options to dispose of surplus NDQs. In the six years from 2008 to 2013, the GPA sold 155 surplus NDQs for a total of \$3,890 million and generated rental income of \$1,021 million by leasing out surplus quarters pending disposal (see Figures 1 and 2).

Figure 1

Number of NDQs units sold and sale proceeds
(2008 to 2013)

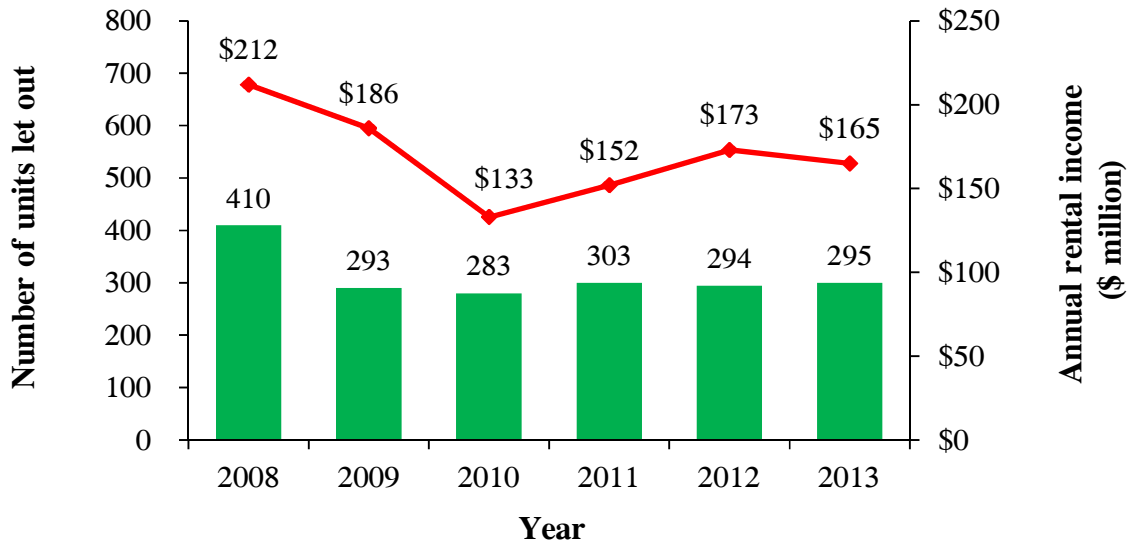


Legend: ■ Number of units sold (155 units in total)
◆ Sale proceeds (\$3,890 million in total)

Source: GPA records

Figure 2

Number of surplus government quarters let out and annual rental income (2008 to 2013)



Legend: ■ Number of units let out (Note 1)
◆ Annual rental income (\$1,021 million in total — Note 2)

Source: GPA records

Note 1: The numbers shown are based on the GPA's Controlling Officer's Reports and annual reports. They reflect the snapshot position as at 31 December of the relevant years and exclude tenancies with tenure of less than two years.

Note 2: The amounts shown are based on the GPA's Controlling Officer's Reports and annual reports. They include rental from all tenancies irrespective of their tenure.

Remarks: The figures shown reflect the number of and rental income generated from all types of government quarters. The GPA did not compile separate statistics on the number of NDQs let out and the related rental income.

Stock of surplus NDQs

Surplus NDQs records and statistics

2.6 According to the GPA's database, as at October 2013, there were 334 surplus NDQs. However, in February 2014, the GPA informed Audit that the number of surplus NDQs should be 198 because its database had included 136 quarters transferred by other parties to the GPA for interim leasing pending disposal (Note 13), which were also coded as "NDQs". Regarding the reasons why the surplus NDQs and quarters returned by other parties were not separately coded, and separate rental statistics were not compiled for surplus NDQs (see Remarks of Figure 2 in para. 2.5), in March and April 2014, the GPA informed Audit that:

- (a) the database was designed to meet the GPA's daily/routine operation. It was suffice for the GPA's own operation to categorise all quarters other than DQs passed to the GPA for disposal as "NDQs"; and
- (b) the GPA had proper record of each property transferred to it for disposal and could compile relevant statistics when operationally required. For example, of the \$165 million rental income for 2013, about \$117 million was generated from NDQs.

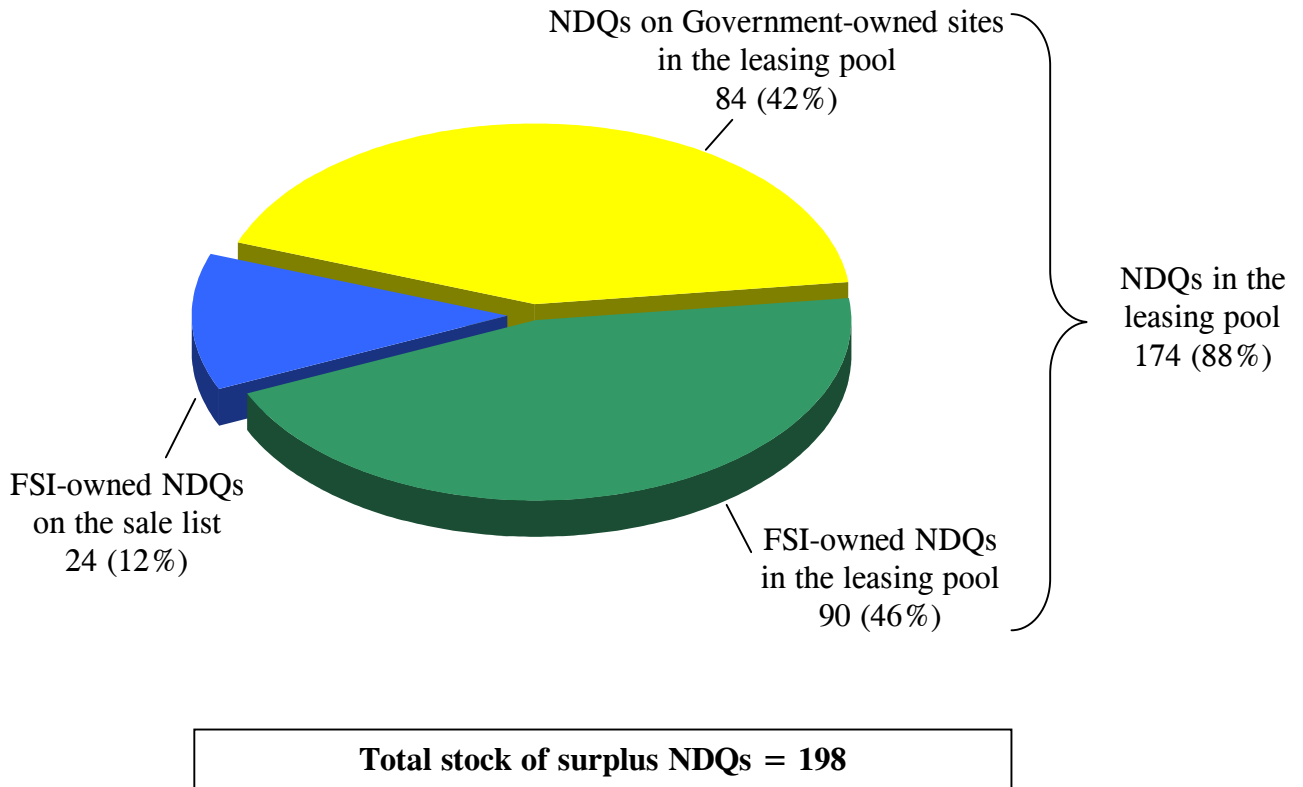
Long-term leasing of surplus NDQs

2.7 The PAC was of the view in 1996 that the selling of surplus NDQs and NDQs sites to generate revenue should be the ultimate objective of the Administration as the Government was not supposed to function as a landlord or agent for leasing properties (see para. 2.2(a)). This was accepted by the Administration and the GPA indicated in 2008 that the plans for the sale of surplus NDQs were under constant review (see paras. 2.3 and 2.5). Audit analysed the 198 surplus NDQs as at October 2013 and found that 174 (88%) of them were in the leasing pool (see Figure 3).

Note 13: *According to the GPA, of the 136 quarters, 80 were ex-military properties which would be cleared under the Kwu Tung North New Development Area in mid-2018, 55 were the Hospital Authority's properties and would be returned to the Hospital Authority for redevelopment, and the remaining one was an ex-Government guard house located in a green belt area and with no sale/redevelopment plan.*

Figure 3

**Analysis of stock of surplus NDQs
(October 2013)**



Source: Audit analysis of GPA records

2.8 Of the 174 surplus NDQs in the leasing pool, 84 were on government-owned sites (Note 14) which could eventually be disposed of by the sale of the sites as a whole (see para. 2.4(a)). There was a need to lease them in the interim before the whole site became available for sale. However, for 90 FSI-owned NDQs units (Note 15), practical ways to dispose of them within a reasonable time frame should be considered in line with the PAC's recommendation, as accepted by the Administration (see paras. 2.2(b)(ii) and 2.3).

Note 14: Of the 84 units, 21 could be converted as DQs.

Note 15: As at October 2013, of the 90 FSI-owned NDQs, 81 were let out, 5 were put up for letting and 4 were under renovation or rental valuation.

Disposal of surplus NDQs by the GPA

Ageing analysis shows that 69 (77%) of the 90 FSI-owned NDQs in the leasing pool had been transferred to the GPA for 15 to 17 years (see Table 2).

Table 2

**Ageing analysis of FSI-owned NDQs in the leasing pool
(October 2013)**

| | Period (Note) | Number of NDQs units | Percentage |
|-----|--------------------------------|---------------------------------|-------------------|
| (a) | Less than 1 year | 1 | 1% |
| (b) | 1 year to less than 5 years | 8 | 8% |
| (c) | 5 years to less than 10 years | 6 | 7% |
| (d) | 10 years to less than 15 years | 6 | 7% |
| (e) | 15 years to 17 years | 69 | 77% |
| | Total | 90 | 100% |

Source: Audit analysis of GPA records

Note: The period was counted from the date of transfer of NDQs units to the GPA.

2.9 Of the 90 surplus NDQs units in the leasing pool, the GPA had made various attempts to sell 75 units but without success:

- (a) 69 units (item (e) of Table 2) had been put up for sale before 1998. The GPA subsequently made two attempts to sell 46 units (in 2005 and 2010) and one attempt to sell 4 units (in 2010-11) but no attempt was made to sell the remaining 19 units again;
- (b) 3 units (of the 6 units in item (d) of Table 2) were put up for sale once in 2004; and
- (c) 3 units (of the 6 units in item (c) of Table 2) were put up for sale once in 2010-11.

2.10 Audit noted that of the 708 NDQs used for allocation as at October 2013 (see para. 1.11), 164 were FSI-owned and would be transferred to the GPA for sale gradually over the next 20 years. The GPA needs to step up efforts to sell the FSI-owned NDQs units within a reasonable time frame instead of putting them on long-term leasing.

Sale of NDQs units by public auction

2.11 As shown in Figure 1 in paragraph 2.5, the GPA sold 155 NDQs units from 2008 to 2013. Among the units sold, 84 were in two blocks of a FSI-owned building sold en bloc by public tender in 2009. The remaining 71 FSI-owned NDQs were scattered in different premises and were sold in nine batches. The first batch was sold by public tender in 2008. After the sale, the GPA conducted a review of the disposal method and found that sale by public auction would have the following advantages:

- (a) public auction took a shorter lead time than public tender and would be more effective to respond to sudden market changes;
- (b) auction would enable higher transparency as prospective buyers offered their bids in the presence of other competitors; and
- (c) auction would achieve the best result in a competitive atmosphere.

2.12 From 2009 to 2013, the GPA arranged eight public auctions for the sale of FSI-owned NDQs units through property consultants. Table 3 summarises the results of the sale of FSI-owned NDQs units by tender in 2008 and by public auctions from 2009 onwards.

Disposal of surplus NDQs by the GPA

Table 3

Sale of FSI-owned NDQs (2008 to 2013)

| Auction/tender date | Number of NDQs units | | |
|---------------------|----------------------|------|---|
| | Put up for sale | Sold | Withdrawn/ cancelled (for tender) (Note) |
| 13 June 2008 | 7 | 2 | 5 |
| 13 August 2009 | 10 | 10 | 0 |
| 12 November 2009 | 10 | 8 | 2 |
| 29 July 2010 | 11 | 9 | 2 |
| 17 November 2010 | 10 | 7 | 3 |
| 22 March 2011 | 10 | 8 | 2 |
| 6 July 2011 | 10 | 7 | 3 |
| 8 May 2012 | 10 | 10 | 0 |
| 18 September 2012 | 10 | 10 | 0 |
| Total | 88 | 71 | 17 |

Source: GPA records

Note: The units were withdrawn/cancelled (for tender) from sale because the bidding prices offered were below the reserve prices set by the GPA.

Remarks: According to the GPA, for six of the eight auctions, one of the successful buyers each time was the only bidder and he had to make several bids before reaching the reserve prices set by the GPA.

Disposal of surplus NDQs by the GPA

2.13 The average lead time for arranging the eight public auctions was about six weeks (Note 16) which was shorter than the two months taken for the public tender in 2008 (Note 17). Notwithstanding the adoption of the more expeditious sale method by public auction, as at October 2013, 24 (12% of the 198 surplus NDQs) FSI-owned NDQs units were still on the sale list (see Figure 3 in para. 2.7). Ageing analysis shows that 12 (50%) of them had been on the list for two to six years (see Table 4). The situation is not satisfactory bearing in mind the holding cost in terms of rental forgone.

Table 4

**Ageing analysis of FSI-owned NDQs units on the sale list
(October 2013)**

| | Period of vacancy | Number of NDQs units | Percentage |
|-------|------------------------------|-------------------------|------------|
| (a) | Less than 1 year | 8 | 33% |
| (b) | 1 year to less than 2 years | 4 | 17% |
| (c) | 2 years to less than 5 years | 7 | 29% |
| (d) | 5 years to 6 years | 5 | 21% |
| Total | | 24 (Note) | 100% |

} 50%

Source: Audit analysis of GPA records

Note: From 2008 to 2013, of the 24 units, 19 had not been put up for sale. The remaining 5 units (two under item (a), one under item (b), one under item (c) and one under item (d)) had been put up for sale once but without success.

Note 16: *The lead time was counted from the date of giving instruction to the property consultant to the date of auction.*

Note 17: *The time taken was counted from the date of inviting tenders to the date of award of contract.*

Disposal of surplus NDQs by the GPA

- 2.14 In February and March 2014, the GPA informed Audit that:
- (a) there was a need to keep a reserved stock of NDQs which usually attracted a higher sale price in the sale list because:
 - (i) to attract a wide range of potential buyers, it was desirable to have a good mix of properties of different qualities from different locations;
 - (ii) keeping a stock of 24 units in the sale list was not excessive having regard to the sale records in recent years. From 2010 to 2012, on average, 20 units were put up for sale and 17 units were sold each year. The reserved stock allowed the GPA to respond efficiently to market condition and launch sale readily when the appropriate opportunity arose;
 - (iii) units in the leasing pool could not be readily transferred to the sale list as it would take time to obtain vacant possession once leased out; and
 - (iv) selling units with tenants would deter potential buyers who were not looking for an investment, thereby affecting their marketability/attractiveness and prices achievable; and
 - (b) the main reasons for not putting up the 19 NDQs units (see Note to Table 4) for sale during the six years of 2008 to 2013 were as follows:
 - (i) the sale of NDQs units was suspended on three occasions (lasting a total of 25 months). The first suspension from October 2008 to May 2009 was due to the outbreak of the financial crisis (Note 18). The second one from October 2011 to March 2012 was due to the downturn of the property market (Note 19). The third one from November 2012 and still ongoing was due to the

Note 18: *The decision to suspend the sale programme in 2008 was endorsed by the FSTB after the GPA had consulted the views of the Transport and Housing Bureau, the Economic Analysis Division and the DEVB.*

Note 19: *The GPA decided to suspend the sale programme in 2011 after taking into account the views of the property consultants.*

sluggish market condition arising from the Government's further measures to cool the property market in October 2012 (Note 20); and

- (ii) during the periods (47 months) when the sale programme resumed, other units instead of the subject NDQs were selected to provide a good mix of properties for sale.

Need for better public auction arrangements

2.15 Surplus NDQs units on the sale list were no longer available for leasing and hence should be put on the market for sale. Audit noted that there was scope for expediting the disposal of the surplus NDQs stock through better public auction arrangements when the sale programme resumed:

- (a) one of the advantages of public auction was its shorter lead time and hence NDQs units earmarked for sale could be put on the market within a short time (see paras. 2.11(a) and 2.13). However, during the 27 months from June 2009 (the end of the first suspension of the sale programme) to September 2011 (the start of the second suspension), the GPA only launched six public auctions, i.e. on average once every 4.5 months. There was scope for increasing the frequency of public auctions; and
- (b) all the eight public auctions were half-day sessions and only 10 to 11 units could be put up for sale each time. Consideration could be given to holding full-day public auction so that more units could be put up for sale.

2.16 In response, the GPA has informed Audit the following reasons for not holding more frequent auctions or putting up more units in each sale:

- (a) the NDQs are large in size with substantial sale prices and they are situated in a few locations. The pool of potential buyers is quite restrictive. There is a need to accumulate enough potential buyers before an auction can be carried out with success;

Note 20: *The decision to suspend the sale in 2012 was endorsed by the FSTB.*

Disposal of surplus NDQs by the GPA

- (b) the GPA has formulated its sales plan in consultation with relevant government departments. All the disposal arrangements are handled with prudence with a view to achieving the best result but without affecting the market condition. The sale of NDQs attracts a lot of media interest and it is important to ensure that the result will not send any wrong or misleading signal to the market; and
- (c) holding auction too frequently or putting up too many units for sale on each auction may adversely affect the marketability of the units and the Government's revenue from the sale.

Need for more flexible sale strategy

2.17 In suspending the sale of surplus NDQs since November 2012, the GPA has provided the FSTB with the following justifications:

- (a) following the Government's measures to stabilise the property market (i.e. the introduction of the buyer's stamp duty in October 2012 and increasing the ad valorem stamp duty rates in February 2013), there was a substantial drop in the property sales volume;
- (b) although the market condition gradually improved in early 2013, the sales volume dropped again in mid-2013 due to the imminent end of quantitative easing in the United States and the possible increase in Hong Kong's interest rates; and
- (c) the GPA's property consultants were of the view that it might not be opportune to conduct public auction.

2.18 In an internal instruction on disposal of surplus quarters/properties by public auction issued by the GPA in January 2014, it was also stated that public auction might not be appropriate in bad economic time where buyers were more cautious in bidding and it would be difficult to create a competitive atmosphere to motivate buyers to compete for the properties.

2.19 While public auction might not be the appropriate method to sell surplus NDQs in 2013, there was no record to show that consideration had been given to alternative sale strategy to test the market response. Bearing in mind the holding cost (in terms of rental forgone) of surplus NDQs units pending sale, the GPA needs to flexibly adjust the sale strategy of NDQs units under different property market conditions.

Audit recommendations

2.20 **Audit has *recommended* that the Government Property Administrator should:**

- (a) **dispose of the surplus FSI-owned NDQs units by sale within a reasonable time frame instead of putting them on long-term leasing;**
- (b) **improve the arrangements for the sale of surplus FSI-owned NDQs units by public auction, such as increasing the frequency of public auctions and holding full-day auction; and**
- (c) **flexibly adjust the sale strategy of surplus NDQs units under different property market conditions.**

Response from the Administration

2.21 The Government Property Administrator accepts the audit recommendations. He has said that the GPA will:

- (a) aim to dispose of surplus NDQs having regard to market condition and with prudence and efficiency, with a view to achieving best revenue return for the Government and safeguarding the Government's interest in capital assets;
- (b) increase the frequency of sale or put up more units for each sale where appropriate having regard to the nature of the properties, marketability, cost-effectiveness as well as market condition and considerations as set out in paragraph 2.16;

Disposal of surplus NDQs by the GPA

- (c) continue to adopt a practical and flexible strategy in line with the Government procurement policy to dispose of the surplus NDQs and maintain an appropriate but not excessive sale stock; and
- (d) conduct regular review of the sale programme and will arrange for leasing out the surplus NDQs pending disposal on a temporary basis in order to generate a reasonable return for the Government.

2.22 The Secretary for Financial Services and the Treasury generally accepts the audit recommendations. He has said that:

- (a) surplus NDQs are valuable capital assets of the Government. The FSTB agrees in principle that the ultimate objective is to dispose of them by sale to generate revenue. Leasing them out should only be an interim arrangement; and
- (b) to safeguard the Government's interest, the FSTB must ensure that in planning the disposal of surplus NDQs, the optimal return for the Government is achieved, having regard to the prevailing market condition, the nature and marketability of the properties in question and the cost-effectiveness of the GPA's sale strategy. While being mindful of the importance of disposing of these units within a reasonable time frame as recommended by Audit, the GPA will continue to adopt a practical and flexible approach in working out the details (such as the frequency of sale and number of units covered in each sale exercise) of the sale programme and reviewing/updating it regularly with due regard to all relevant considerations. For those surplus NDQs units which cannot be disposed of immediately, the GPA will arrange for them to be leased out on a temporary basis so that they will continue to generate a reasonable return for the Government in the interim.

PART 3: HD'S SURPLUS QUARTERS TRANSFERRED TO THE GPA

3.1 This PART examines the following issues relating to the surplus quarters of the HD transferred to the GPA:

- (a) transfer of seven blocks of surplus quarters from the HD to GPA (paras. 3.2 to 3.5);
- (b) use of three blocks of surplus quarters vacated by 2002 (paras. 3.6 to 3.24);
- (c) use of the remaining four blocks of surplus quarters (paras. 3.25 to 3.33); and
- (d) areas for improvement (paras. 3.34 to 3.37).

Transfer of seven blocks of surplus quarters from the HD to GPA

3.2 *1998 review.* Operational quarters were built in the 1960s for HD staff who were involved in estate management and maintenance work, and required to carry out emergency duties in case of typhoon, flooding and fire. In 1998, the HD noted that:

- (a) due to the changed modes of estate management, the great improvement in transport and communication facilities and the setting up of the Departmental Communication Centre to handle emergency cases, the operational need of quarters had faded over the years; and
- (b) of the 305 operational quarters units in 11 blocks of quarters, 159 were occupied and 146 were vacant.

Accordingly, the HD withheld the allocation of vacant quarters and conducted a review. In August 1999, based on the results of the review, the HD decided to phase out its operational quarters.

HD's surplus quarters transferred to the GPA

3.3 *Transfer of land ownership of quarters to the GPA.* To maximise the use of resources before the disposal of the quarters, in 2000, the HD explored the feasibility of letting out the vacant units on a short-term basis but found it inappropriate to do so because:

- (a) the Housing Authority's power to let is subject to the provisions of the Housing Ordinance (Cap. 283); and
- (b) the leasing of vacant quarters units was not consistent with providing subsidised housing for those in need.

3.4 After liaising with the GPA, the HD noted that transfer of ownership of the quarters was essential to empower the GPA to let out the vacant units and to provide it with greater flexibility to determine the long-term use of such quarters. In December 2000, the HD informed the GPA that:

- (a) to enable better utilisation of the surplus quarters, it was prepared to transfer the ownership of all DQs (other than the one in Shek Lei which was designated for Home Ownership Scheme development) to the GPA; and
- (b) to smooth out the phasing out of DQs, agreement had been reached with HD staff on the following relocation arrangements:
 - (i) existing occupants would be allowed to reside in four blocks of quarters at Kwun Tong (No. 1 & No. 2), Lok Fu and Tin Wan (Note 21) until there were concrete development plans for these quarters sites; and

Note 21: *In December 1999, the HD originally planned to retain the Lok Fu and Kwun Tong quarters only. The affected occupants appealed to the CSB, Legislative Council and Chief Secretary's Office against the phasing out arrangements. After taking into account the relevant parties' views and in order to minimise the disturbance to existing occupants, the HD decided in April 2000 to also retain the Tin Wan quarters due to their high occupancy rate.*

HD's surplus quarters transferred to the GPA

- (ii) existing occupants in other quarters sites would be allowed 18 months to relocate their homes to the four blocks of quarters designated for decanting. They would have to vacate their existing quarters by end of January 2002.

3.5 **2001 agreement.** In March and May 2001, the GPA agreed to the transfer of seven blocks (Note 22) of the HD's DQs on the basis that better site utilisation or better use of existing premises would be achieved. It was agreed between the HD and GPA that:

- (a) the premises were partly vacant and partly occupied by HD staff. These staff, upon the taking over of the quarters by the GPA, would be deemed to be authorised occupants of the concerned quarters;
- (b) as the premises were partly occupied by HD staff, the HD would continue to fund and provide property management and maintenance services; and
- (c) should the GPA allocate any of these premises to other civil servants as quarters or introduce private-sector tenants to these premises, the GPA would fund and provide management service.

Table 5 is a summary of the seven quarters transferred to the GPA.

Note 22: *Of the 11 blocks of quarters occupied by HD staff (see para. 3.2(b)), transfer of ownership to the GPA was required for seven only because one was designated for Home Ownership Scheme development (see para. 3.4(a)), two were to be returned to the Lands D direct and one was already under the GPA's purview. The land allocation for the seven sites was completed by July 2001.*

HD's surplus quarters transferred to the GPA

Table 5

Seven HD quarters transferred to the GPA (January 2001)

| Name of quarters (Address) | Site zoning | Site area (square metres) | Total no. of units | No. of units occupied |
|---|--|------------------------------|--------------------|-----------------------|
| <i>Quarters designated for decanting</i> | | | | |
| 1 Kwun Tong No. 1 (4 Tseung Kwan O Road) | Residential (A) | 4,170 | 90 | 12 |
| 2 Kwun Tong No. 2 (4 Tseung Kwan O Road) | | | | |
| 3 Tin Wan (Tin Wan Street, Aberdeen) | Government, Institution or Community (GIC) | 890 | 15 | 9 |
| 4 Lok Fu (20 Heng Lam Street) | GIC | 2,650 | 43 | 24 |
| <i>Quarters to be vacated by 2002</i> | | | | |
| 5 Lei Cheng Uk (40 Cheung Fat Street) | GIC | 1,215 | 14 | 2 |
| 6 Shek Kip Mei (9 Nam Shan Chuen Road) | GIC | 1,620 | 28 | 8 |
| 7 Tsz Wan Shan (57 Sheung Fung Street) | GIC | 3,039 | 38 | 6 |
| Total | | 13,584 | 228 (Note) | 61 |

Source: GPA records

Note: The 228 units comprised 15 Grade F quarters (of 115 square metres each) and 213 Grade H quarters (ranging from 52 to 66 square metres). In 2000, the GPA estimated that the market rental values of these quarters ranged from \$5,000 to \$12,000 per month based on the assumption of reasonable state of repair.

Remarks: The then plot ratios of the seven quarters sites ranged from 1.07 to 1.82. In 1999, the GPA considered that the quarters sites were under-utilised when compared with the plot ratios of residential developments in the vicinity which ranged from 7.5 to 9.

Use of three blocks of surplus quarters vacated by 2002

3.6 As agreed between the GPA and the HD, three operational quarters namely Lei Cheng Uk, Shek Kip Mei and Tsz Wan Shan were vacated from late 2001 to May 2002. The Shek Kip Mei quarters had been used as DSQs by the CSD and C&ED since 2002. The Lei Cheng Uk quarters were used by the ImmD as DSQs in February 2009 (some seven years later). As for the Tsz Wan Shan quarters, the site was incorporated into a capital works project for redevelopment as the C&ED's DSQs and included in the Capital Works Programme in July 2013 (after the lapse of about 11 years). The circumstances leading to the long time taken in putting the two surplus quarters into use are detailed in paragraphs 3.7 to 3.10 for the Lei Cheng Uk quarters and paragraphs 3.12 to 3.23 for the Tsz Wan Shan quarters.

Lei Cheng Uk quarters

3.7 The Lei Cheng Uk quarters site was reserved for school use in the Cheung Sha Wan Outline Zoning Plan. In May 2001, the GPA ascertained from the then Education Department that an adjoining school would be recommended to take up the site for educational use after demolition of the quarters by the HD. In February 2002, the GPA also ascertained from the HD that the latter had no plan to demolish the quarters as the ownership had already been transferred to the GPA in June 2001.

3.8 ***Interim uses explored.*** In January 2001, the HD informed the GPA that the ground floor of the quarters was being used by one of its operation units and asked for a 12-month advance notice in case the office would need to be vacated for other development. In October 2001, the HD informed the GPA that all tenants had moved out of the Lei Cheng Uk quarters. From 2002 to January 2004, the GPA explored various interim uses of the Lei Cheng Uk quarters but without success (see Appendix B for details).

3.9 In June and July 2006 (two and a half years later), the GPA received the following requests:

HD's surplus quarters transferred to the GPA

- (a) noting that the quarters had been vacant for a number of years, the adjoining school (see para. 3.7) requested the then Education and Manpower Bureau to explore with the GPA the possibility of using the site; and
- (b) the ImmD submitted a request for acquiring Grades F and G quarters for its staff.

The GPA then consulted the Lands D and Plan D about the feasibility of using the Lei Cheng Uk site as permanent quarters of the disciplined services departments.

3.10 *For use as DSQs.* In February 2007, the GPA invited the disciplined services departments to bid for the use of the Lei Cheng Uk quarters. On the advice of the SB, the Lei Cheng Uk quarters were allocated to the ImmD. In May 2007, the HD handed over the vacated quarters to the ImmD upon the GPA's advice (see para. 3.8). In January 2008, the Lands D approved the land allocation of the Lei Cheng Uk quarters site to the ImmD. Refurbishment works for the Lei Cheng Uk quarters commenced in March 2008 and were completed in January 2009. The Lei Cheng Uk quarters had been used by the ImmD since February 2009.

3.11 The above sequence of events shows that while the GPA had explored various options for using the Lei Cheng Uk quarters from 2002 to 2004, there was a lapse of over two years before it invited the disciplined services departments in 2007 to bid for the use of the quarters. Similar delays were also seen in four other quarters (see para. 3.25). Areas for improvement are discussed in paragraphs 3.34 to 3.36.

Tsz Wan Shan quarters

3.12 *Proposed interim uses from 2002 to 2005.* Before the vacation of the Tsz Wan Shan quarters by the HD in May 2002, there were discussions among the Plan D, Lands D and the then Education Department on the use of the Tsz Wan Shan quarters site for school development. In July 2002, the GPA ascertained from the Plan D and Lands D that they had no objection to the temporary letting of the Tsz Wan Shan quarters for three years pending permanent development of the site. From 2002 to 2005, the GPA explored various interim

uses of the quarters, given that the site was tentatively planned for disposal in 2006-07 (see Appendix C for details).

3.13 ***Planning for use as DSQs from 2007 to January 2014.*** In March 2007, noting that the Tsz Wan Shan site had been taken off from the Land Sale Programme and upon the request for additional quarters by the disciplined services departments, the GPA invited the SB to consider using the Tsz Wan Shan quarters to meet the shortfall in DSQs. After having been invited by the SB to take up the site, the C&ED explored with the Architectural Services Department (ArchSD) and Plan D the options of refurbishment or redevelopment but this turned out to be a lengthy process. In July 2013 (six years later), the site was incorporated into a capital works project for redevelopment as the C&ED's quarters and included in the Capital Works Programme. The key events are summarised in paragraphs 3.14 to 3.23.

3.14 ***Redevelopment option.*** In April 2007, in response to the C&ED's enquiry about redeveloping the Tsz Wan Shan site for DSQs, the Plan D advised that:

- (a) as there was a shortage of GIC facilities in the locality, the site would be reserved for GIC development to cater for present and unforeseen future needs of the community; and
- (b) the existing Tsz Wan Shan quarters were regarded as an "existing use" under the Tsz Wan Shan, Diamond Hill and San Po Kong Outline Zoning Plan, the premises could continue to be used for such purpose.

3.15 ***Refurbishment option.*** In May 2007, the C&ED sought the ArchSD's advice on the feasibility and cost for refurbishing the Tsz Wan Shan quarters. After consultations with relevant parties, in May 2008, the ArchSD informed the C&ED that:

- (a) these quarters were built based on the 1969's statutory and design standard and it was critical that extensive improvement/alteration works should be further studied; and

HD's surplus quarters transferred to the GPA

- (b) a rough indication of cost for the proposed improvement/alteration works was in the range of \$18 million to \$20 million. Such cost would be subject to final scope of works (Note 23) and results of further detailed feasibility study.

3.16 In July 2008, the ArchSD provided the C&ED with an updated project cost estimate of \$28 million. Upon the request of the C&ED, the ArchSD subsequently scaled down the scope of works to reduce the project cost to \$20 million (i.e. within the minor building works ceiling — Note 24). Works omitted included lift installation and structural alteration for staircase although the C&ED had been informed that such omission would not fully comply with the prevailing fire safety standards and barrier free access requirements.

3.17 *Refurbishment as a minor works project.* Based on the information provided by the ArchSD, the C&ED applied for funds to refurbish the Tsz Wan Shan quarters as a minor works project. However, in October 2008, the application was not selected by the Accommodation Strategy Group (Note 25) as the proposed works could not meet the prevailing fire safety standards. On the request of the C&ED, the ArchSD revised the scope of works to address the Accommodation Strategy Group's concern and to comply with the relevant requirements. In March 2009, the ArchSD estimated that the project cost would be \$26 million, exceeding the minor building works ceiling.

Note 23: *According to the ArchSD, the works scope for refurbishment could differ significantly from patch repair, partial replacement to complete renovation.*

Note 24: *According to Financial Circular No. 2/2007 and the Legislative Council Finance Committee's approval of November 2007, building works not exceeding \$21 million could be carried out as a minor works project under the Capital Works Reserve Fund Block Vote.*

Note 25: *The Accommodation Strategy Group chaired by a Deputy Secretary for Financial Services and the Treasury, and comprising the Government Property Administrator and the Director of Architectural Services as members, was responsible for examining and recommending for funding approval of projects costing more than \$14 million but not exceeding \$21 million.*

3.18 Given the high refurbishment cost, the C&ED consulted the Plan D again on the redevelopment option before submitting a bid for including the refurbishment project in the Capital Works Programme (Note 26). In March and April 2009, the Plan D informed the C&ED that:

- (a) there was a change in planning circumstances and a maximum building height of six storeys (the existing building height of the Tsz Wan Shan quarters) had been imposed on the Tsz Wan Shan site. The GIC sites in the planning area would function as breathing space and visual relief to the urban built-up area (Note 27). Redevelopment of the Tsz Wan Shan quarters would be subject to the said height restriction. The existing plot ratio of the site could be adopted as the reference plot ratio; and
- (b) an application for minor relaxation of the maximum building height for the Tsz Wan Shan site might be submitted to the Town Planning Board (Note 28) under section 16 of the Town Planning Ordinance (Cap. 131). The Plan D would unlikely give support to an application under section 12A of the Town Planning Ordinance for rezoning of the site for high-rise development as the current GIC zone should be retained as low-rise development.

Note 26: *A proposed capital works project costing more than the minor works ceiling has to be included in the Capital Works Programme for resources planning. Before inclusion as a Category C project in the Capital Works Programme, the relevant policy bureau needs to justify and define the scope of the proposed project with a Project Definition Statement (PDS) and the relevant works agent needs to confirm the technical feasibility of the proposed project on a prima facie basis with a Technical Feasibility Statement (TFS).*

Note 27: *The 2007-08 Policy Address announced that, in the light of the public concerns about the wall effect caused by the increasing number of high-rise buildings, the Administration should review the Outline Zoning Plans of various districts and, where justified, revise the relevant planning parameters to lower the development density. Under such context, amendments were made to the Tsz Wan Shan, Diamond Hill and San Po Kong Outline Zoning Plan to impose building height restrictions.*

Note 28: *The Town Planning Board is a statutory body responsible for preparing statutory plans such as the Outline Zoning Plans and considering representations for proposed amendments to the plans. The Board is chaired by the Permanent Secretary for Development (Planning and Lands) and comprises 5 official members (including the Director of Planning) and 29 unofficial members.*

HD's surplus quarters transferred to the GPA

3.19 *Refurbishment as a capital works project.* In March 2009, the C&ED prepared a PDS for refurbishing the Tsz Wan Shan quarters as a capital works project which was endorsed by the SB and the GPA in May 2009. However, in September 2009, the ArchSD informed the SB that its TFS indicated that, based on a more comprehensive works scope (Note 29), the project would cost \$89.5 million. The improvement works were required to refurbish the aged quarters to a habitable condition and up to the latest statutory requirements. The ArchSD considered that the refurbishment project was not cost-effective and technically not advisable.

3.20 *Project shelved.* Given the advice of the Plan D and ArchSD (see paras. 3.18 and 3.19), in September 2009, the SB informed the GPA of its decision not to use the Tsz Wan Shan quarters. In August 2010, the GPA sought the FSTB's support to demolish the Tsz Wan Shan quarters and return the cleared site to the Lands D (Note 30).

3.21 *Redevelopment option revisited.* In June 2011, at an interdepartmental meeting held by the SB to formulate long-term measures to address the shortfall of DSQs, the Plan D advised that it would explore the feasibility of relaxing the building height restriction of the Tsz Wan Shan site for redevelopment. The C&ED then renewed its interest in constructing DSQs at the Tsz Wan Shan site. In August 2011, the Lands D indicated no objection to the redevelopment proposal. In March 2012, the Plan D advised the C&ED that a TFS for redeveloping the site could be conducted based on a minor relaxation of the building height to eight storeys (based on which, the ArchSD subsequently calculated that the plot ratio was 2.9). However, the redevelopment proposal would be subject to the planning permission of the Town Planning Board.

Note 29: *The works included slope upgrading, reconstruction of structural slabs, replacement of electrical, fire services, plumbing and drainage systems, inclusion of lift and environmental design features.*

Note 30: *The demolition works were completed in April 2012 and the cleared site was handed over to the Lands D.*

3.22 *Redevelopment as a capital works project.* In December 2012, the SB submitted a PDS for the construction of 56 quarters units on the Tsz Wan Shan site (based on a reference plot ratio of 2.9) to the ArchSD. In May 2013, the ArchSD completed the TFS which was endorsed by the DEVB in July 2013. According to the TFS, the project was expected to be completed by May 2018. In July 2013, the redevelopment project (based on a plot ratio of 2.9) was included in the Capital Works Programme.

3.23 *Latest development.* In order to optimise the utilisation of the Tsz Wan Shan site, in January 2014, the SB decided to pursue a rezoning application although the completion date of the quarters redevelopment project might be deferred (Note 31). The circumstances leading to the decision are summarised as follows:

- (a) in April 2013, in the light of the difficulty in searching land for development of new DSQs, the SB sought the Plan D's assistance to review the parameters of the building heights and plot ratios of sites identified for developing DSQs including the Tsz Wan Shan site. In response to the Government's policy of optimising the use of land and increasing the development intensity of Government land as set out in the 2013 Policy Address and the SB's request, the Plan D started in April 2013 to comprehensively re-examine the possibility of a higher development intensity for a number of quarters sites; and
- (b) in June 2013, the Plan D advised the SB that after a review, it might be possible to relax the development intensity of the Tsz Wan Shan site to a plot ratio of 7.5 through rezoning of the site to Residential Group (A) subject to technical assessments to demonstrate that the development would not result in adverse impacts on traffic, air ventilation and urban design aspects. Based on the Plan D's advice and after discussion with the C&ED, the ArchSD proposed that the number of quarters units could be increased from 56 to 104. The decision to pursue a rezoning application was made after discussions among departments concerned.

Note 31: *According to the Lands D, the site is currently used by another government department as a works site.*

HD's surplus quarters transferred to the GPA

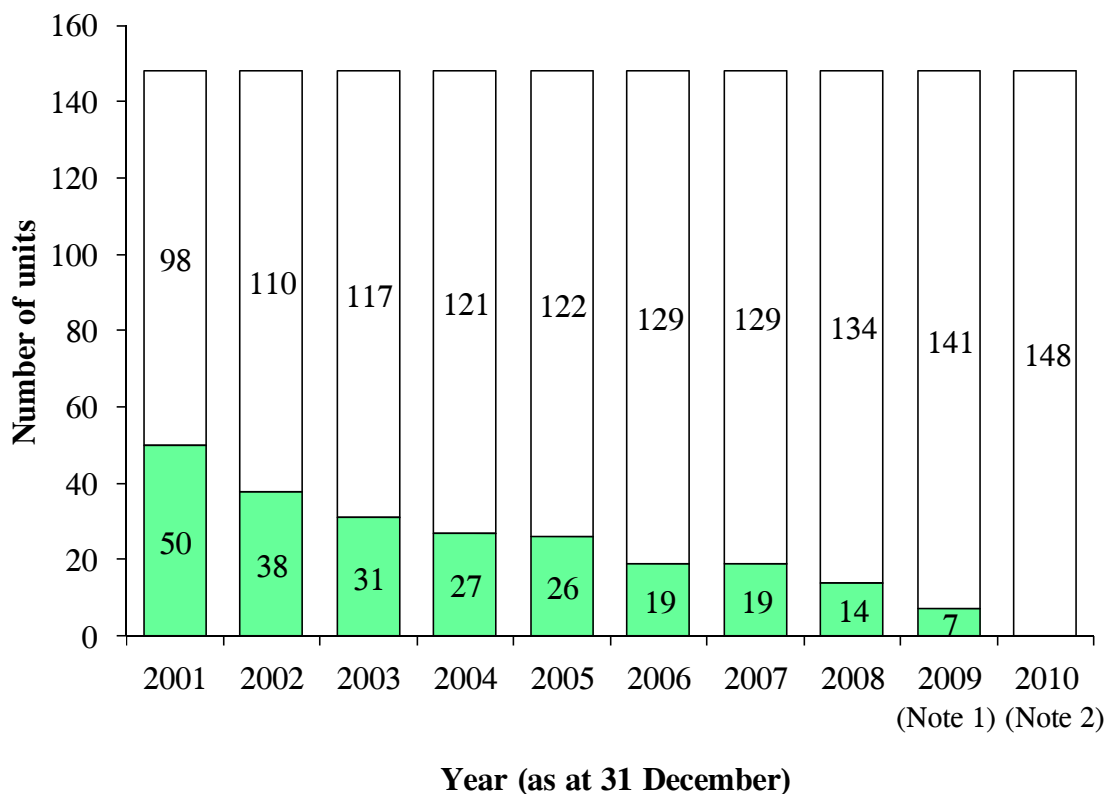
3.24 The above sequence of events shows that the long time taken in the project planning process for the redevelopment of the Tsz Wan Shan quarters was caused by factors including significant changes in cost estimates/project scope as well as the Government's planning policy. Similar issues were also seen in the redevelopment of the Kwun Tong quarters (see paras. 3.30 to 3.31). Areas for improvement are discussed in paragraph 3.37.

Use of the remaining four blocks of surplus quarters

3.25 According to the HD's plan of 2000, the four blocks of quarters at Kwun Tong (No. 1 & No. 2), Lok Fu and Tin Wan were designated for rehousing the occupants of the other blocks to be vacated by 2002 (see para. 3.4). They were allowed to reside in the four quarters until there were concrete development plans. From 2001 to 2006, due to retirement and promotion, some 31 occupants vacated their quarters units which were returned to the GPA for disposal. As a result, the surplus quarters units in the four blocks increased from 98 (66% of a total 148 units) in 2001 to 129 (87%) in 2006 (see Figure 4). On the other hand, there was shortage of Grades F and H DSQs (same grades as the surplus quarters of the HD) according to the analyses compiled by the SB which were copied to the GPA (see Figure 5). In 2007, the SB enquired the GPA about the availability of surplus quarters for reallocation to the disciplined services departments. The GPA then initiated actions to explore the use of the vacant units in the four blocks as DSQs (see paras. 3.26 to 3.33).

Figure 4

Utilisation of the four blocks of quarters
(2001 to 2010)



Legend: Vacant
 Occupied

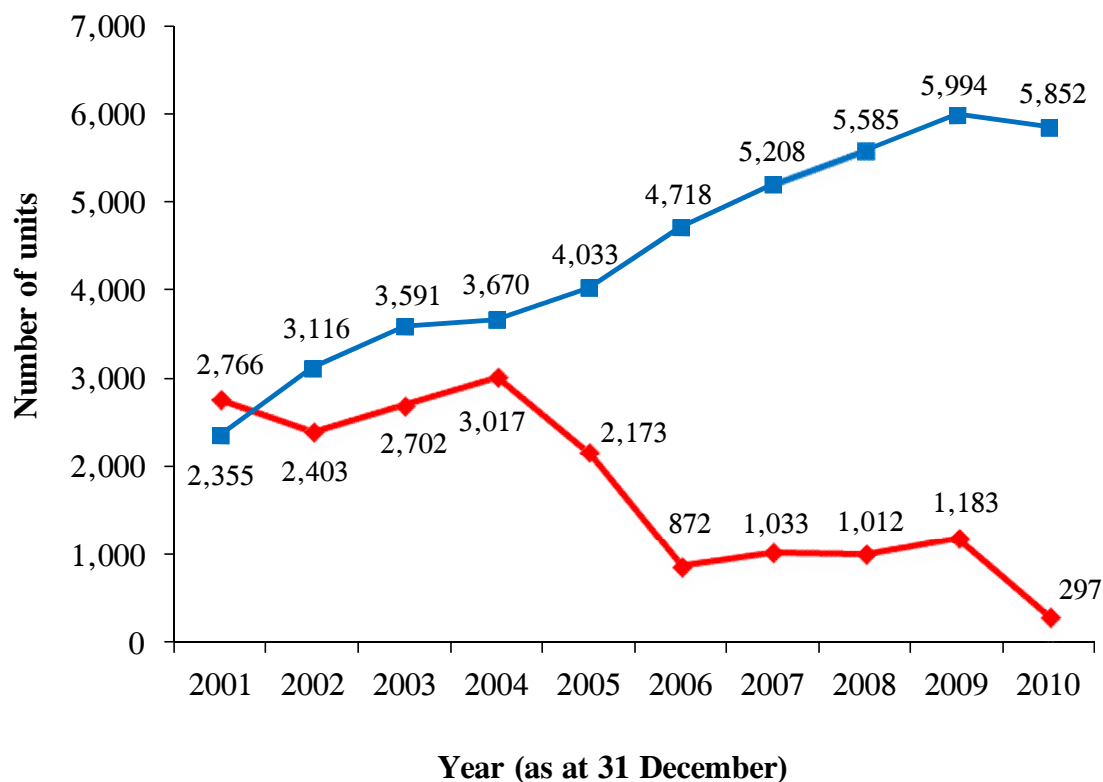
Source: *Audit analysis of HD records*

Note 1: *The last tenant of the Kwun Tong (No.1 & No.2) quarters moved out on 6 November 2009.*

Note 2: *The last tenants of the Lok Fu and Tin Wan quarters moved out on 13 August 2010 and 17 August 2010 respectively.*

Figure 5

Shortfall of DSQs
(2001 to 2010)



Legend: —■— Quarters for all grades
—◆— Quarters Grades F & H

Source: *Audit analysis of GPA records*

Remarks: *The decrease in shortfall for Grades F and H quarters from the years 2004 to 2006 was due to the purchase of some 4,300 Home Ownership Scheme flats as DSQs (with some 2,000 graded as H).*

3.26 *Proposed relocating occupants to vacate quarters sites.* In April 2007, the GPA asked the HD about the earliest possible date of vacating the quarters sites. In June 2007, the HD informed the GPA that it had examined the feasibility of relocating the only occupant (Note 32) in the Tin Wan quarters to other quarters with a view to vacating the entire site for the GPA's disposal. The proposal had been turned down by the officer concerned in December 2006. According to the retirement schedule of the occupants, the quarters in Tin Wan, Kwun Tong and Lok Fu would become completely vacant in 2010, 2019 and 2020 respectively (Note 33). In the light of the low utilisation of the four quarters, the GPA urged the HD to re-examine the feasibility of relocating the occupants in Kwun Tong and Tin Wan to Lok Fu. In early October 2007, the HD informed the GPA that the occupants of Kwun Tong and Tin Wan quarters did not prefer to be relocated to Lok Fu.

3.27 *Proposed shared-use of quarters.* On the basis of the HD's reply, the SB considered that the more viable option was to share the Tin Wan and Kwun Tong quarters with the remaining occupants of the HD. In October 2007 and June 2008, the GPA invited the disciplined services departments to bid for shared-using the four quarters with the HD. However, no agreement was reached among the HD, the ArchSD and the GPA on the maintenance responsibility of the shared-use quarters. In March and May 2009, the HD directed the remaining occupants of the four quarters to vacate their units. In the event, the Kwun Tong quarters were completely vacant in November 2009 while the Tin Wan and Lok Fu quarters were completely vacant in August 2010.

Note 32: *According to the Civil Service Regulations, no officer is entitled as of right to reside in quarters. The Accommodation Regulations state that if the need to house an officer no longer exists, steps should be taken to direct the officer to vacate the quarters allocated to him. An officer may be required to vacate his quarters on at least one month's notice being given.*

Note 33: *According to the HD, noting the strong sentiment from staff who were authorised occupants of these four quarters, it had made projection of the latest possible return dates of the quarters for the scenario that there were no concrete development plans for the quarters sites and the occupants were to stay until their retirement.*

Planning for use as DSQs

3.28 In 2008 and 2009, the vacant units of the four ex-HD quarters were allocated for use as DSQs. Since these quarters were built in the 1960s, they were required to be refurbished or redeveloped before putting into use. After assessing the refurbishment and redevelopment options, the SB decided to redevelop all four quarters. The key milestone dates in planning the use of the four quarters are summarised in Table 6.

HD's surplus quarters transferred to the GPA

Table 6
Key milestone dates in planning the use of four ex-HD quarters
(2008 to January 2014)

| Site | Kwun Tong (No. 1 & No. 2) | Lok Fu | Tin Wan |
|--|------------------------------------|------------------------|-------------------|
| User department | ImmD (Note 1) | ImmD | CSD |
| Date of site allocation (a) | January 2008 | December 2009 | February 2008 |
| PDS signed date (for refurbishment) | February 2009 | April 2010 (Note 2) | N/A (Note 3) |
| TFS completion date (for refurbishment) | June 2009 | November 2010 | N/A (Note 3) |
| PDS signed date (for redevelopment) | May 2010 (Note 4) February 2011 | February 2011 (Note 5) | May 2009 (Note 6) |
| TFS completion date (for redevelopment) (b) | May 2013 | June 2011 | August 2009 |
| Time lapse (b)-(a) | 64 months | 18 months | 18 months |
| Project status (Note 7) | Category B | Category B | Category B |

Source: GPA and SB records

Note 1: The ImmD is the leading department for the Kwun Tong quarters redevelopment project. The quarters units to be built under this project would be share-used by the C&ED, CSD and the Fire Services Department.

Note 2: In 2010, the ImmD pursued the refurbishment option after obtaining the Plan D's advice that it would unlikely support any rezoning proposal for redevelopment of high rise residential use at the site. According to the Plan D, the site was intended to provide GIC facilities to meet the needs of the local residents and there was a shortage of GIC facilities in the planning area. However, in May 2010, the ArchSD also advised that the refurbishment option would not be cost-effective. After this was confirmed in the TFS, the Plan D advised that it might be feasible to redevelop the site subject to meeting certain requirements (e.g. building height).

Note 3: According to the ArchSD's estimates, the cost of refurbishment was \$11 million for 11 units (4 units had to be demolished to provide space for installation of lift which was required under the Disability Discrimination Ordinance — Cap. 487). In March 2009, the ArchSD further advised the CSD that 55 units could be built if the site was redeveloped. As such, the CSD went for the redevelopment option.

Note 4: The TFS for this PDS was discontinued in August 2010 (see para. 3.31).

Note 5: The PDS was for the construction of 80 quarters units.

Note 6: The PDS was for the construction of 55 quarters units.

Note 7: Category B projects under the Capital Works Programme are projects for which the necessary pre-construction work could be undertaken so as to render the project ready in all aspects for upgrading to Category A by the Finance Committee upon the recommendation of the Public Works Subcommittee.

HD's surplus quarters transferred to the GPA

3.29 As shown in Table 6, it had taken 64 months for planning the use of the Kwun Tong quarters (from the date of site allocation to the ImmD to the date of completion of the TFS for redeveloping the quarters) which was much longer than the other two projects. The redevelopment project was included in the Capital Works Programme in July 2013. Audit examined the planning of the redevelopment of the Kwun Tong quarters (see Photograph 1) and the findings are summarised in paragraphs 3.30 to 3.33.

Photograph 1

Ex-HD quarters at Kwun Tong



Source: Photograph taken by Audit on 21 January 2014

Kwun Tong quarters

3.30 **Refurbishment option.** In 2008, the ImmD planned to use the Kwun Tong quarters as DSQs after refurbishment (as two units were still occupied by HD staff at that time). In September 2008, the ArchSD advised the ImmD that to meet all statutory requirements, the rough indication of cost for the refurbishment works was \$42 million (Note 34). In February 2009, the SB submitted a PDS for the refurbishment works to the ArchSD. In June 2009, the ArchSD advised the SB that after investigation, the estimated refurbishment cost of 90 units, with a more comprehensive works scope (Note 35) was \$156 million, i.e. \$1.73 million per unit. As the zoning of the Kwun Tong site allowed for a maximum plot ratio of 7.5, the ArchSD estimated that a maximum of 550 Grade H quarters units on two 35-storey towers could be built at a cost of \$853 million, i.e. \$1.55 million per unit. The ArchSD recommended the SB to consider the redevelopment option which was more cost-effective.

3.31 **Height restriction on redevelopment option.** According to the conditions of the land allocation to the HD, the Kwun Tong quarters were subject to a height limit of 11 storeys. To achieve a maximum plot ratio of 7.5, a relaxation of the height limit was necessary. After discussions among relevant departments, in December 2009, the Plan D informed the ImmD of its agreement to relaxing the building height restriction to 120 mPD (Note 36) taking into account the proposed construction of two 35-storey towers. Accordingly, in May 2010, the SB submitted a PDS for the construction of 476 quarters units (comprising 200 Grade H, 228 Grade G and 48 Grade F) on the Kwun Tong site to the ArchSD. However, in July 2010, the Plan D informed the ArchSD that having regard to the updated development parameters and the strong public sentiment against high rise and panel-like buildings, a building height of 78 mPD was considered more appropriate

Note 34: *According to the ArchSD, the cost was worked out for examining whether the refurbishment works could be carried out as a minor works project. The scope covered basic essential repairs and improvement works for meeting health and safety requirements for living accommodation.*

Note 35: *The works included replacement of fire services, plumbing and drainage systems, inclusion of lift and energy and environmental design features.*

Note 36: *mPD stands for metres above the Hong Kong Principal Datum. It is a surveying term used in Outline Zoning Plans to denote building height restrictions besides number of storeys. The Hong Kong Principal Datum refers to 1.23 metres below sea level.*

HD's surplus quarters transferred to the GPA

for the Kwun Tong site if ancillary facilities such as carpark were provided at basement (Note 37). The ArchSD estimated that the number of quarters achievable would be reduced from 476 to 336 as a result and the TFS was discontinued in August 2010. After further discussions among relevant departments, in October and December 2010, the Plan D advised the ImmD to adopt a building height of 100 mPD for building 448 units as a basis for the TFS application. In February 2011, the SB submitted a new PDS for the construction of 448 quarters units.

3.32 *Old tree issue.* In September 2010, the ArchSD informed the ImmD that two large old trees located in the site might hinder its development potential. Upon the ArchSD's request, the ImmD then consulted the Lands D and LCSD which advised that any tree felling application should be made in accordance with the Government's guidelines. In April 2011, the ArchSD informed the SB that the TFS had to be withheld pending the resolution of the tree issue. Thereafter the ArchSD obtained funding for engaging a tree specialist to carry out a survey and submitted a tree felling application to the Lands D in November 2011. After several rounds of consultation with the ArchSD, Agriculture, Fisheries and Conservation Department and LCSD, the Lands D approved the tree felling application in July 2012. As about 1.5 years had been lapsed since the submission of the PDS in February 2011, the ArchSD had to consult relevant departments again on the planning parameters.

3.33 *Traffic noise issue.* After resolution of the tree issue in July 2012, the ArchSD examined the noise impact on the redeveloped quarters due to the heavily trafficked Tseung Kwan O Road and its flyover, and worked out a noise mitigation scheme. While the TFS was ready for submission to the DEVB in November 2012, the ArchSD noted that the noise mitigation scheme which required a number of acoustic installations could be improved. In January 2013, the ArchSD explored with the Plan D for relaxing the building height limit so that the units at lower floors facing the Tseung Kwan O Road could be moved to higher floors with fewer acoustic installation requirements. After obtaining the Plan D's approval of building height relaxation in March 2013, the ArchSD submitted the TFS to the DEVB in May 2013 and obtained the DEVB's approval in July 2013.

Note 37: *This was one of the sustainable building design measures recommended by the Council for Sustainable Development to the Government in June 2010. According to the Plan D, implementation of these measures is an important government policy which the Plan D has a duty to follow.*

Areas for improvement

Need to improve the management of surplus quarters

3.34 According to the agreement between the HD and GPA in 2001, the transfer of seven blocks of surplus quarters (Grades F and H) to the GPA was made on the basis that better site utilisation or better use of existing premises would be achieved (see para. 3.5). While there was great demand for such grades of staff quarters by the disciplined services departments (see Figure 5 in para. 3.25), only one of the seven quarters (the Shek Kip Mei quarters) was allocated to the C&ED and the CSD in 2002. For the remaining six ex-HD quarters (with 147 vacant units as at January 2001), it was only in 2007 and 2008 (after receiving requests from the ImmD and the SB — see paras. 3.9(b) and 3.25) that the GPA invited the disciplined services departments to bid for their use. The GPA also had not explored other interim uses (such as commercial letting) except for two of the six quarters (i.e. the Lei Cheng Uk quarters from 2002 to 2004 and the Tsz Wan Shan quarters from 2002 to 2005).

3.35 Upon enquiry, in February and March 2014, the GPA informed Audit that:

- (a) the GPA had explored interim uses for the Lei Cheng Uk quarters (see para. 3.8 and Appendix B) and the Tsz Wan Shan quarters (see para. 3.12 and Appendix C). Due to various reasons, the interim uses did not materialise; and
- (b) for the remaining four ex-HD quarters, the GPA had the following considerations:
 - (i) in view of the low existing plot ratios of the sites compared with the plot ratios of residential developments in the vicinity (see Remarks of Table 5 in para. 3.5), the original intention of the GPA was to demolish the quarters to allow for redevelopment pending complete decantation of the concerned sites by the HD in order to fully release the development potential of the sites;

HD's surplus quarters transferred to the GPA

- (ii) there was new development in respect of the provision of DSQs that the Administration launched a consultation in the early 2000's on the introduction of a Housing Assistance Scheme which could serve as an alternative to the option of DSQs;
- (iii) as a result of the purchase of Home Ownership Scheme flats (with some 2,000 graded as H) in 2004 for reprovisioning of some old and substandard DSQs (see Remarks of Figure 5 in para. 3.25), the total shortfall of Grades F and H quarters was greatly reduced; and
- (iv) in 2000, in connection with the relocation of the HD's quarters occupants to four blocks (see Note 21 to para. 3.4), the Legislative Council urged the departments concerned to make every effort to minimise disturbance to the occupants. Further pooling shortly after the first pooling exercise would cause substantial disturbance to the residents. As the HD's quarters were built in the 1960s and were in dilapidated conditions, converting only the vacant units into DSQs would require extensive refurbishment works which would also cause disturbance to the occupants of the Kwun Tong, Lok Fu and Tin Wan quarters.

3.36 However, it should be noted that Grades F and H quarters for the disciplined services departments were still in shortfall (i.e. 872 in 2006) after the purchase of Home Ownership Scheme flats (see Figure 5 in para. 3.25). Regarding the possible disturbance to occupants of the four partially occupied quarters, the total number of occupied units had been reduced from 50 in 2001 to 27 in 2004 (see Figure 4 in para. 3.25). The Tin Wan quarters only had 2 occupied units out of a total of 15 units in 2004 while the Kwun Tong quarters only had 3 occupied units out of a total of 90 units in 2006. In fact, the Lei Cheng Uk quarters were completely vacant in 2004. There was no record to show that the GPA had explored with the SB in making use of these surplus quarters before 2007. According to the 2001 agreement between the GPA and the HD, the transfer of the HD's surplus quarters was made on the basis that better site utilisation or better use of the quarters would be achieved (see para. 3.5). In Audit's view, the delay in identifying suitable users/uses of the surplus quarters was not conducive to the effective use of resources. The GPA needs to draw lesson from this case.

Need to improve the project planning process

3.37 According to the 2014 Policy Address, the Government would expedite eight DSQs projects (including the Tsz Wan Shan, Kwun Tong, Lok Fu and Tin Wan redevelopment projects) for providing more than 2,200 units by 2020. As mentioned in paragraphs 3.13 and 3.29, the planning process for the Tsz Wan Shan and Kwun Tong redevelopment projects had taken over six years and five years respectively which were longer than the other two projects. The long time taken was caused by factors including significant changes in cost estimates/project scope and technical issues, as follows:

- (a) ***Provision of cost estimates.*** For the Tsz Wan Shan case, in March 2009, the ArchSD advised the C&ED that the estimated cost would be \$26 million, but after undertaking a TFS, the ArchSD advised the SB in September 2009 that the cost of works based on a more comprehensive works scope would be \$89.5 million, thus rendering the refurbishment option not cost-effective (see paras. 3.17 and 3.19). Similarly for the Kwun Tong case, the ArchSD advised the ImmD in September 2008 that to meet all possible statutory requirements, the rough indication of cost for the refurbishment works (covering essential repairs and improvement works) was \$42 million. However, in June 2009, the ArchSD advised the SB that after investigation, the estimated refurbishment cost based on a more comprehensive works scope was \$156 million, thus rendering the refurbishment option not cost-effective (see para. 3.30). In Audit's view, ArchSD should work with relevant project proponent departments to define clearly key project requirements (e.g. scope of works and refurbishment standards) at the beginning of the project planning process. In this way, the ArchSD could advise on the viability of options, cost and programme more accurately, thus minimising the need for subsequent revisions which would affect timely completion of TFSs and the delivery programme; and

- (b) ***Timely resolution of technical issues.*** According to Financial Circular No. 11/2001 of November 2001, a TFS was expected to be completed within four months upon receipt of the PDS (Note 38). While more time was required for completing the TFS in the Kwun Tong case due to the old tree issue and noise issue, Audit noted that the two issues were dealt

Note 38: *The target completion time of a TFS is still in force in accordance with Financial Circular No. 4/2012 which has superseded Financial Circular No. 11/2001.*

HD's surplus quarters transferred to the GPA

with in sequence. It turned out the resolution of the noise issue required the Plan D's input in relaxing height limit which had prolonged the time in completing the TFS. Audit considers that the ArchSD should liaise with relevant B/Ds at an early stage to determine all key planning parameters required for resolving technical issues with a view to shortening the lead time in completing a TFS.

Audit recommendations

3.38 Audit has *recommended* that the Government Property Administrator should:

- (a) take effective measures to ensure that surplus quarters under the GPA's purview are put into gainful use without delay; and**
- (b) strengthen the coordinating role of the GPA in assisting departments to resolve their problems of surplus quarters or shortage in quarters in a timely and cost-effective manner.**

3.39 Audit has also *recommended* that the Director of Architectural Services should:

- (a) work with project proponent departments to define clearly key project requirements at the beginning of the planning process so that the ArchSD could advise on the viability of options, cost and programme more accurately; and**
- (b) liaise with relevant B/Ds at an early stage to determine all key planning parameters required for resolving technical issues with a view to shortening the lead time in completing a TFS.**

Response from the Administration

3.40 The Government Property Administrator accepts the audit recommendations in paragraph 3.38. He has said that:

HD's surplus quarters transferred to the GPA

- (a) the original intention of the GPA was to demolish the partially occupied Lok Fu, Kwun Tong and Tin Wan quarters to allow for redevelopment pending complete decantation of the concerned sites by the HD in order to fully release the development potential. It was difficult to put these partially occupied quarters to alternative short-term use because:
- (i) the affected occupants had raised strong objection to the HD's original decantation arrangement and appealed to, inter alia, the Legislative Council which subsequently urged the departments concerned to make every effort to minimise disturbance to the occupants; and
 - (ii) since the quarters were built in the 1960s with outdated design, converting them into DSQs or other short-term use required extensive refurbishment works not only in individual units but also in the communal area (including installation of lifts, substantial structural works to bring the means of fire escape up to current statutory requirements, and structural reinforcement works) which would cause disturbance to the occupants shortly after their relocation.

The concerned sites are now planned for redevelopment as new DSQs. There will be a threefold increase in the number of DSQs units from 148 units to around 600 units;

- (b) in 2007, when the SB enquired about the availability of surplus quarters for reallocation to the disciplined services departments, the occupants of the HD's pooling exercise had already moved into the four concerned blocks for around five years. Having regard to the shortage of DSQs as raised by the SB/disciplined services departments and the increasing vacancy in respect of the four blocks, the GPA thus explored the use of the blocks as DSQs, including the options of site refurbishment and in-situ redevelopment;
- (c) while there is room for improvement in handling the HD's surplus quarters, there are no surplus DQs currently under the purview of the GPA; and

HD's surplus quarters transferred to the GPA

- (d) there are now established procedures and practice for both acquisition of additional quarters and handling of surplus quarters. As regards acquisition, the Heads of Department concerned should assess the supply and demand situation with the policy bureaux. When a need for quarters arises, they should submit an acquisition proposal to the policy bureaux for support and seek funding for the proposed acquisition. As regards surplus DQs, user departments should follow the procedures stipulated in Accommodation Circular No. 3/2008. The GPA stands ready to provide assistance to the departments concerned and to help coordinate the arrangements.

3.41 The Director of Architectural Services agrees with the audit recommendations in paragraph 3.39. He has said that:

- (a) as the works scope for refurbishment projects could differ very significantly from patch repair, partial replacement to complete renovation, the ArchSD will in future work closely with project proponents to define the key project requirements such as refurbishment standards and scope of works at the beginning of the planning process; and
- (b) the ArchSD will liaise closely with relevant B/Ds for early confirmation of all the key planning parameters required for resolving all technical issues with a view to shortening the lead time for completing all TFSs.

PART 4: SURPLUS QUARTERS OF THE WSD

4.1 This PART examines the following issues relating to the surplus quarters of the WSD:

- (a) declassifying surplus quarters as surplus accommodation (paras. 4.2 to 4.10);
- (b) co-locating quarters occupants (paras. 4.11 to 4.15);
- (c) relinquishing vacant quarters premises (paras. 4.16 to 4.22); and
- (d) monitoring the utilisation of surplus accommodation (paras. 4.23 to 4.27).

Declassifying surplus quarters as surplus accommodation

4.2 According to the Accommodation Regulations, the responsibilities of Heads of Department on the management of quarters include:

- (a) allocating quarters in accordance with the Code of Practice for Allocation of DQs;
- (b) ensuring that quarters are put to their intended use;
- (c) ensuring that the supply and demand of government quarters are kept under review. When quarters are no longer required for their originally approved purpose, the GPA should be advised at once so that proposals for alternative use or disposal through deleasing, letting or sale can be considered; and
- (d) making an annual return to the GPA of the DQs under their control as at 31 March each year and a monthly return listing DQs vacant for over two months.

Surplus quarters of the WSD

4.3 Each year, the GPA issues a circular to call for annual returns on DQs under the control of relevant B/Ds. Through these call circulars, the GPA has advised B/Ds the following options of putting vacant DQs into gainful uses:

- (a) ***Institutional quarters.*** Institutional quarters are those attached to, and are part of an institution, which is an area under the full control of a department. These quarters are not normally capable of disposal either by redistribution to other departments, or commercial letting. They can be, as appropriate:
 - (i) turned to other departmental uses, e.g. storeroom, office and function room;
 - (ii) reclassified to “general quarters” (for non-disciplined services departments only);
 - (iii) declassified and retained as temporary surplus accommodation of the department; or
 - (iv) co-located and locked up on building basis to minimise recurrent expenditure; and

- (b) ***Non-institutional quarters.*** For non-institutional quarters, the department quarters management may consider the following options:
 - (i) for DSQs above Grade I, the GPA would invite the SB to consider re-distributing the unallocated quarters to meet shortfall of other services. If not so redistributed, the SB’s endorsement would be sought for putting the vacant quarters to assist de-leasing of leased-in quarters in the hand of disciplined services. For quarters below Grade H, the disciplined services departments may, subject to approval from the SB, consider merging the vacant units to improve take-up; and

- (ii) for non-disciplined services quarters above Grade I, the department should return the surplus to the GPA so that disposal through deleasing, for instance, can be considered. For both disciplined and non-disciplined services quarters below Grade H, and if neither redistribution nor deleasing is suitable, the GPA would consider if commercial letting is viable. If this is not possible, the quarters should be treated the same way as the institutional quarters.

4.4 According to the annual return on DQs submitted by the WSD, as at 31 March 2001, the WSD had 491 DQs units (Note 39) in 55 premises, which were used to accommodate operational staff at junior levels serving at the waterworks installations nearby. The WSD considered that there were no longer strong operational needs for the retention of most DQs and had since 2000 ceased to allocate DQs to staff except for a few locations still with operational needs. As a result, most of the WSD's DQs became surplus to requirements as and when they were vacated by their occupants (e.g. upon retirement).

4.5 In accordance with the Accommodation Regulations, the WSD conducted regular reviews of DQs and submitted disposal proposals for surplus DQs units to the GPA for consideration. This resulted in a reduction of the DQs stocks of the WSD from 491 units in 55 premises in March 2001 to 28 units in 15 premises in December 2013 (see Table 7). The changes in DQs stock and disposition of the surplus quarters over the same period are shown in Figure 6.

Note 39: *All the 491 DQs were operational quarters in 2001. Of the 491 DQs, 9 were above Grade I and the remaining 482 were Grade I or below. The sizes of the 482 quarters units ranged from 19 to 59 square metres. According to the SB's analyses from 2001 to August 2013, there was no shortfall in DSQs of Grade I or below.*

Surplus quarters of the WSD

Table 7

A comparison of the DQs stock as at 31 March 2001 and 31 December 2013

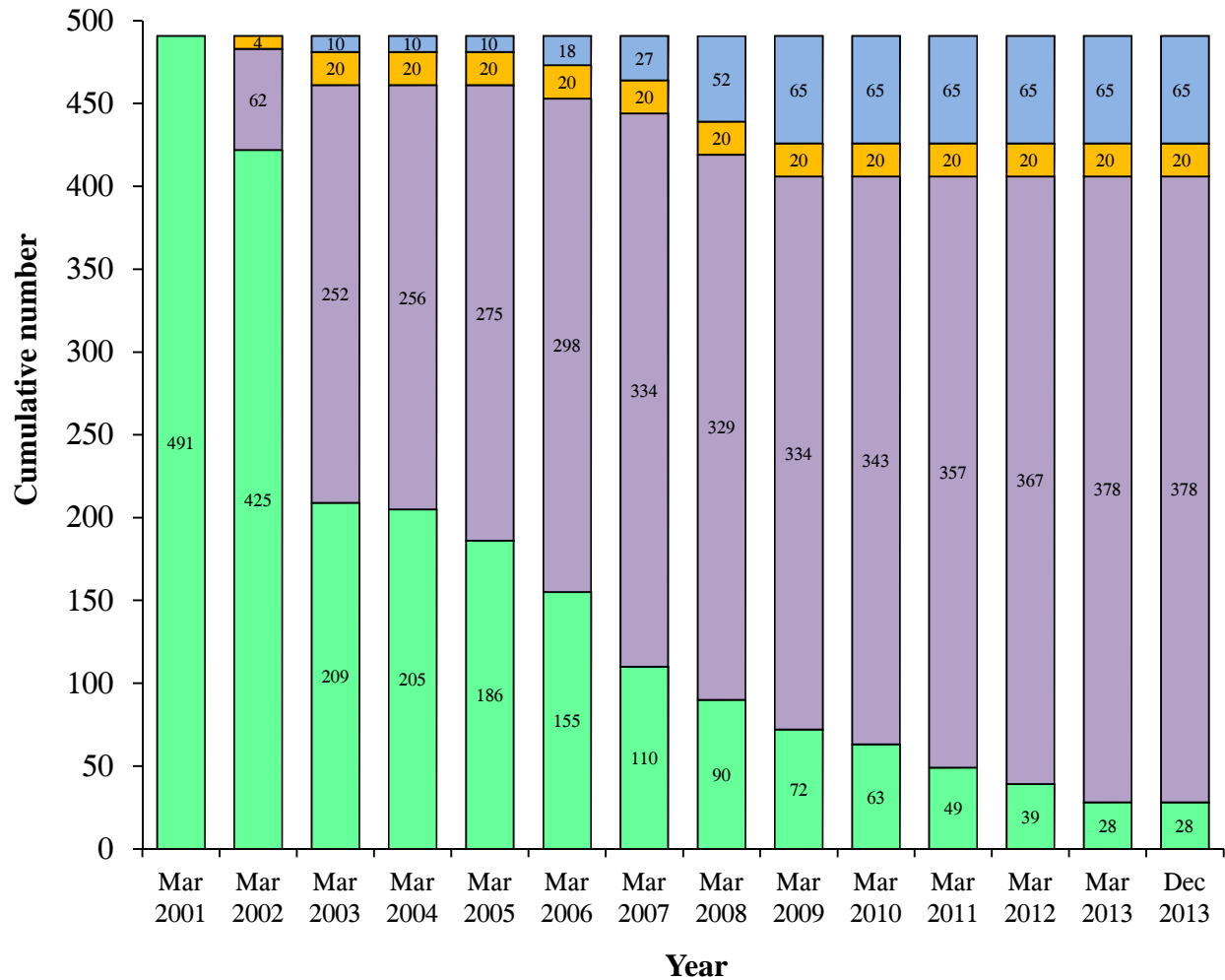
| | Units | Premises |
|---------------------------------------|--------------|--|
| DQs stock as at 31 March 2001 | 491 | 55 |
| Less: Demolished | (37) | (6) |
| Transferred to other departments | (28) | (9) |
| Converted for storage use | (20) | } 40 (see details in Appendix D) |
| Declassified as surplus accommodation | (378) | |
| DQs stock as at 31 December 2013 | 28 (Note) | |

Source: GPA and WSD records

Note: The 28 DQs units comprised 24 general quarters and 4 operational quarters. Of the 24 general quarters, one was vacated in October 2013 and the WSD would apply to the GPA for its declassification.

Figure 6

Changes in WSD's DQs stock and disposition of surplus quarters
(March 2001 to December 2013)



- Legend:
- DQs
 - Surplus accommodation
 - Units used for storage
 - Others (including quarters demolished and transferred to other departments)

Source: WSD records

Surplus quarters of the WSD

Usage of surplus accommodation

4.6 In 2002 and 2003, when approving the WSD's applications for declassifying vacant DQs as surplus accommodation (see para. 4.3(a)(iii)), the GPA reminded the WSD that:

- (a) surplus accommodation should be put to gainful use whenever possible; and
- (b) for standalone DQs premises that could be occupied by other departments, the WSD should liaise with the GPA when they became completely vacated to see if any of them could be put to other uses or be returned to the Lands D for disposal.

4.7 In June 2005, the then Environment, Transport and Works Bureau (Note 40) expressed concern about the declassification of a large number of DQs as surplus accommodation. The Bureau considered that the declassification should be an interim arrangement and the declassified units should not be left unused for a long time. Audit found that up to December 2013, the WSD had put 48 of the 378 surplus accommodation units into use as follows:

- (a) 24 units in 3 premises had been used as site offices by the WSD's contractors (10 units since 2004, 2 units since 2011, 8 units since 2012 and 4 units since 2013);
- (b) 18 units in 6 premises had been used for storage purpose. There was no record of the commencement dates of such uses; and
- (c) 6 units in 1 premises had been used for the WSD's regional Supervisory Control and Data Acquisition Centre since 2012.

Note 40: *After the re-organisation of policy bureaux of the Government Secretariat in July 2007, the WSD has been put under the policy responsibilities of the DEVB.*

- 4.8 In February 2014, the WSD informed Audit that:
- (a) there were difficulties in putting the surplus units into gainful use because:
 - (i) they were mainly institutional quarters which were attached to waterworks installations like water treatment works, pumping stations and service reservoirs and were not readily accessible by non-WSD staff for security reasons;
 - (ii) a large number of its DQs premises were located in areas quite remote from access of public transport whilst occupants usually needed to take a long walk via staircases or otherwise from the nearest public transport unloading points; and
 - (iii) many of its DQs premises were aged buildings (83% being 30 or more years old), occupying small footprints (averaged site area was 0.017 hectare) and the units were mostly small in sizes, ranging from 19 to 59 square metres; and
 - (b) actions had been taken in respect of the 330 surplus accommodation units not yet in use (i.e. 378 units less 48 units — see para. 4.7), as follows:
 - (i) 76 units had been reserved for use of planned projects/site offices;
 - (ii) 126 units (in 11 premises) had been endorsed by the DEVB for relinquishing and that the Plan D had been requested to explore alternative use of the premises (see paras. 4.14(a) and 4.18). The GPA was also assisting the WSD to identify potential users of the surplus accommodation for the time being;
 - (iii) 7 units in a joint-user building had been referred to the GPA for identifying the temporary use of the units (see para. 4.26(a)(ii));
 - (iv) 24 units would be released for alternative uses pending co-locating the occupants/uses of 6 partially occupied/utilised premises (see para. 4.14(b)); and

Surplus quarters of the WSD

- (v) the remaining 97 units were not accessible to non-WSD staff for security reasons (see para. 4.8(a)(i)).

Inconsistencies in reporting accessibility of surplus DQs units

4.9 When submitting disposal proposals for surplus DQs units to the GPA (see para. 4.5), the WSD provided information about the locations and accessibility of these units by other departments. Audit examination revealed that for DQs premises with surplus units arising in different times, the WSD had reported some surplus units as accessible by other departments but some others in the same premises as not accessible. Of the 40 DQs premises as at December 2013 (see Table 7 in para. 4.5), 24 were found to have such problem of inconsistent information about their accessibility.

4.10 Upon Audit's enquiry, the WSD conducted a review of the accessibility of all the 40 DQs premises. In February 2014, the WSD informed Audit that:

- (a) its staff had, over the past years, applied different interpretations when reporting accessibility of the surplus units in different times. For example, for the Diamond Hill Fresh Water and Salt Water Pumping Station Staff Quarters, its staff had once reported the units as accessible due to availability of public transport to reach the premises. On the other hand, other staff had reported the units as inaccessible at a different time for security of the pumping station nearby; and
- (b) the inconsistencies mentioned in paragraph 4.9 had been rectified in early January 2014.

As inaccurate information on surplus accommodation may affect the GPA's assessment of its potential for use by other departments, the WSD needs to take measures to prevent recurrence of similar problem.

Co-locating quarters occupants

4.11 In 2009, the WSD reviewed the DQs position and noted that the number of occupied quarters units had decreased from 147 in March 2005 to 60 in September 2009. They were scattered in 25 partially occupied premises. To rationalise the use of quarters premises, the WSD considered different options of vacating and co-locating quarters occupants.

4.12 In January 2010, the WSD sought the GPA's views and agreement on its proposed action plan to co-locate all occupants to three quarters premises. At that time, there were only 47 occupied quarters units in 21 premises (in particular 11 premises had one occupied unit each, with occupancy rates ranging from 10% to 50%). In May 2010, the GPA informed the WSD that its relevant team was fully occupied by other urgent commitment and would revert to the WSD after reviewing the proposed action plan. In September 2010, the GPA informed the WSD that it was concerned that a vast majority of DQs in 21 premises were significantly under-utilised and it would revert to the WSD for supplementary information (such as profiles of existing occupants). Thereafter, there was no record to show that the GPA and WSD had further discussed about implementing the co-locating plan.

4.13 Audit found that as at December 2013, the number of occupied quarters units further decreased to 27. They were scattered in 15 premises which had a total of 254 quarters units. Of the 15 premises, only 2 were used as operational quarters for serving waterworks installations nearby. The other 13 premises (with 232 units) were used as general quarters for which co-locating the occupants was feasible according to the 2010 action plan. Audit was particularly concerned with the general quarters in Hing Fong Road, Kwai Fong (see Photograph 2). It was an 11-storey building built in 1977 to accommodate the operational staff of the then seawater desalting plant which was shut down in 1982. The building had 75 quarters units served by two lifts but only 5 units were occupied (see Photograph 3). While the WSD had taken measures to reduce the building management and maintenance costs to an optimum level (Note 41), the average annual cost (for cleaning and repairs) still amounted to \$203,000 from 2010-11 to 2012-13.

Note 41: *The measures taken included locking up unused units, reducing general lighting to floors without occupants as far as possible, adopting less frequent refurbishment cycles and keeping repairing to the minimum in meeting safety requirements.*

Photograph 2

Hing Fong Road general quarters



Source: Photograph taken by Audit on 29 January 2014

Photograph 3

A vacant unit in Hing Fong Road general quarters



Source: Photograph taken by Audit on 17 December 2013

- 4.14 In February and March 2014, the WSD informed Audit that:
- (a) in December 2013 (during the course of audit), the GPA recommended the WSD to consider co-locating the 5 occupants in the Hing Fong Road general quarters to other quarters with a view to releasing the site for alternative development. The WSD took the GPA's advice forward and sought the DEVB's endorsement to relinquish the whole Hing Fong Road general quarters. Subsequently, the WSD had notified the Plan D of its intention to release the site and sought the Plan D's assistance in identifying its long-term alternative use (Note 42);

Note 42: *The GPA informed Audit in March 2014 that the Property Strategy Group (see Note 48 to para. 4.24) had endorsed that the Hing Fong Road general quarters should be decanted by end of 2014 and the site would be disposed of by land sale.*

Surplus quarters of the WSD

- (b) in line with the GPA's recommendation of co-locating the occupants of the Hing Fong Road general quarters, the WSD revisited the 2010 action plan for co-locating occupants of the remaining 12 general quarters. Following receipt of the GPA's support, the WSD was taking action to actively pursue co-locating of the occupants; and

- (c) in February 2014, the Plan D conducted a preliminary assessment to explore the long-term alternative use of the sites of the WSD's 15 partially occupied quarters (13 general quarters and 2 operational quarters). From the land use planning perspective and without consultation on technical feasibility, 3 sites (including the site of the Hing Fong Road general quarters) were assessed to have potential for alternative uses other than GIC use. The other 12 sites were recommended to be retained for GIC uses as some of them were located within the consultation zone of potentially hazardous installations and could not be considered for non-GIC uses which would involve a significant increase in population, not accessed by any roads, being a declared monument, or small in site area. Of these 12 sites, the WSD considered that 6 should either be retained for operational use or should not be used by non-WSD staff due to security reasons.

4.15 In Audit's view, had the 2010 action plan to co-locate quarters occupants been followed through, the under-utilised premises could have been released for alternative uses at an earlier date and the recurrent cost in maintaining them minimised.

Relinquishing vacant quarters premises

4.16 In 2002 and 2003, the GPA advised the WSD that for standalone DQs premises that could be occupied by other departments, the WSD should liaise with the GPA when they were completely vacated to see if any of them could be put to other uses or be returned to the Lands D for disposal (see para. 4.6).

4.17 Pursuant to the GPA's advice, the WSD informed the GPA on two occasions that a total of 13 quarters premises had been entirely vacated. However, only three premises were disposed of, as follows:

- (a) in March 2004, the WSD provided the GPA with a list of five completely vacant premises. One of the five premises was demolished in 2007 and two others were transferred to the Lands D for other department's use in 2007 and 2008. The remaining two premises were on outlying islands. They were either not readily accessible by non-WSD staff for security reasons or planned for other use; and
- (b) in December 2007, the WSD provided the GPA with a list of eight completely vacant premises. However, the GPA advised the WSD that as the listed premises had been declassified as surplus accommodation of the WSD, the WSD was responsible for ensuring their gainful use (Note 43). The GPA would not take back such accommodation.

4.18 In April 2008, the GPA issued Accommodation Circular No. 3/2008 setting out the procedures and arrangements for handling surplus specialist and departmental accommodation. According to the Circular, user departments have the primary responsibility and are accountable for the proper use and optimal utilisation of their specialist and departmental accommodation. A department with surplus accommodation should:

- (a) explore and exhaust possible alternative use within the department before considering giving up the surplus accommodation;
- (b) seek endorsement from the relevant policy bureau(x) for relinquishing the surplus accommodation;
- (c) seek assistance from the GPA in identifying other government departments to make long-term use of its surplus accommodation. Where the surplus accommodation is in a free standing specialist/departmental building, the department concerned should first inform the Plan D and Lands D of its intended release of the site and building so that consideration could focus on exploring the long-term alternative use of the surplus premises; and

Note 43: *According to the GPA, this arrangement was in line with its established policy, which was subsequently set out in Accommodation Circular No. 3/2008 (see para. 4.18).*

Surplus quarters of the WSD

- (d) consider putting the surplus accommodation to commercial use in case no government user is found. The GPA will act as a facilitator and assist the department in exploring suitable commercialisation opportunities.

4.19 From April 2008 (when Accommodation Circular No. 3/2008 was issued) to March 2013, the number of completely vacant quarters premises increased from 13 to 25. In March 2013, after conducting a review in accordance with Accommodation Circular No. 3/2008, the WSD sought the DEVB's endorsement for relinquishing 10 of the 25 (Note 44) premises without quarters occupants. In August 2013, the WSD informed the Plan D of its intention to release the 10 vacant premises (Note 45). In November 2013, the WSD also sought the GPA's assistance to circulate the 10 premises to other departments. Up to March 2014, two departments expressed interest in using 2 of the 10 premises for storage or training purposes.

4.20 In February 2014, the WSD informed Audit that it had taken four years (after the issue of Accommodation Circular No. 3/2008) to complete a review of its surplus accommodation in 2012 because:

- (a) during the review, the WSD had explored the possible alternative use of the vacant DQs premises within the department before they were considered for relinquishing; and

Note 44: *The DEVB's endorsement for relinquishing the 10 premises was obtained in September 2013. For the remaining 15 premises, the WSD's reasons for their retention included: (a) 8 premises were being used as site office/storage/data centre; (b) 3 premises were reserved for other planned projects; (c) 3 premises were not readily accessible by other non-WSD staff for security reasons; and (d) one was a joint-user quarters.*

Note 45: *The WSD informed Audit in March 2014 that according to the Plan D's assessment, 2 of the 10 quarters sites were considered having potential for alternative long-term use for non-GIC purposes, if the sites could be enlarged. For the remaining eight quarters sites, the Plan D considered that they should be retained for GIC use, due to inaccessibility by public transport, declared monument and small size in site areas.*

- (b) this also involved the gathering of the necessary detailed information including but not limited to, site plans and drawings, site visits to individual DQs, consultation with relevant parties within the department on temporary and long-term alternative use of the vacant DQs.

Audit, however, noted that as early as December 2007, the WSD had assessed that 8 vacant premises could be returned to the GPA (see para. 4.17(b)). With the benefit of the 2007 assessment, the review for these 8 premises should have been completed earlier than others. It turned out that the WSD only sought endorsement for relinquishing 4 of the 8 premises in March 2013. For the other 4 premises, only 2 were put into use before 2013 (Note 46).

Areas for improvement

4.21 **For WSD.** Audit noted that the review by the WSD on its surplus accommodation was completed in 2012, more than four years after the issue of Accommodation Circular No. 3/2008. As a result, there was a delay in circulating information on its vacant premises to other departments. In Audit's view, the WSD should take prompt action on surplus accommodation in accordance with the Accommodation Circular requirements. Audit also noted that some of the premises were temporarily used (or planned to be used) as site offices by the WSD's contractors. The WSD should keep in view the long-term usage of these premises after the completion of contracts.

4.22 **For GPA.** In 2007, when informed by the WSD that it had eight vacant premises, the GPA only advised that the WSD was responsible for ensuring their gainful use (see para. 4.17(b)). In 2013, upon the WSD's request, the GPA circulated information on the WSD's ten vacant quarters premises to other departments. There was a lapse of almost six years. For one of the two departments expressing interest in using these premises, the planned use was storage. Audit noted from the GPA records that a number of departments had leased accommodation for storage. For example, 19 departments leased a total of about 30,000 square metres storage space in 2013, at a cost of \$3 million a month. The GPA needs to explore with these departments the feasibility of using the surplus

Note 46: *For the remaining 2 premises, one was reserved for a planned project and one was retained by the WSD because of security reasons.*

Surplus quarters of the WSD

accommodation of the WSD to meet their storage space need with a view to saving rental cost.

Monitoring the utilisation of surplus accommodation

4.23 According to the Accommodation Regulations, B/Ds are required to provide the GPA with monthly returns on quarters which have remained vacant for over two months. However, for vacant quarters declassified as surplus accommodation, the GPA has advised the WSD (and other departments with declassified quarters) that they needed not be included in the monthly reports on vacant quarters (see paras. 1.6(e) and 1.7(b)).

4.24 Since 2005, the Treasury in consultation with the GPA has requested B/Ds to provide annual returns on government-owned buildings/premises occupied by them for the delivery of public services (Note 47). To enable the Administration to have an overview of the utilisation level of government-owned buildings/premises, the GPA has also required B/Ds to report in the same annual returns vacant specialist and departmental buildings/premises under their control (hereinafter referred to as the “annual returns on stewardship statement”). Based on information in the returns on stewardship statement, the GPA provides progress reports to the Property Strategy Group (Note 48) for monitoring the utilisation of vacant government-owned specialist and departmental buildings/premises (Note 49).

Note 47: *The information is used to compile a stewardship statement to support the accrual-based financial statements. The accrual-based financial statements are prepared in addition to the annual cash-based accounts and aim to present more comprehensive information on the financial position and performance of the Government. Only the cash-based accounts specified in the Public Finance Ordinance (Cap. 2) are subject to audit by the Audit Commission.*

Note 48: *The terms of reference of the Group include deciding on strategy and approach for management, alternative use and release of surplus government properties and the sites involved. The Group is chaired by the Permanent Secretary for the Financial Services and the Treasury (Treasury) and comprises representatives of the DEVB, ArchSD, Plan D, GPA and Home Affairs Department as members.*

Note 49: *According to Accommodation Circular No. 3/2000 and the GPA’s annual call circulars, all B/Ds are also required to provide annual returns on office accommodation review. The returns should include information on surplus office accommodation in excess of 50 square metres which may be returned in the coming five years to facilitate overall accommodation planning.*

4.25 Audit examination revealed the following areas for improvement in the present arrangements for reporting and monitoring the utilisation of surplus accommodation:

- (a) in its annual return on stewardship statement for 2012-13, the WSD had not reported 147 surplus accommodation units in partially occupied premises; and
- (b) the Property Strategy Group was only informed in July 2013 that the WSD had ten premises which had been vacant for one to eight years (see para. 4.19). In fact, the delays in reporting four of the ten vacant premises could have been detected earlier had the GPA cross-checked the WSD's previous years' annual returns against the list of vacant premises submitted by the WSD to the GPA in 2007 (see para. 4.17(b)).

4.26 In February 2014, the WSD and GPA informed Audit the following:

- (a) the WSD said that the reporting instructions of the annual return only required departments to provide information on vacant building/premises under departments' control (in a specified form known as Table B). The unreported units were outside the reporting scope of the annual return because they were either located in:
 - (i) partially occupied premises instead of vacant premises. A case in point was the Hing Fong Road general quarters where five units were still occupied; or
 - (ii) a joint-user building that was not under the WSD's control. The building concerned was the To Kwa Wan Road Government Staff Quarters (see Photograph 4) which was under the control of the EMSD (Note 50); and

Note 50: *According to the GPA's records, the building had been share-used by the WSD (7 units) and the EMSD (5 units) but became entirely vacant in 2010.*

Surplus quarters of the WSD

- (b) the GPA said that departments should report all the surplus accommodation units under their control in the annual returns as there was a column in Table B requiring departments to specify whether the reported units formed part or whole of a building.

4.27 In Audit's view, the GPA needs to have comprehensive records of all government quarters, including surplus ones that have been declassified as surplus accommodation. There is therefore a need to enhance the reporting requirement to avoid misunderstanding. Moreover, to improve the quality of information provided to the Property Strategy Group, the GPA also needs to step up control to ensure that the information of surplus accommodation reported by B/Ds is accurate and complete. Consideration may be given to requiring directorate grade staff of B/Ds to certify the correctness of their returns.

Photograph 4

To Kwa Wan Road Government Staff Quarters



Source: Photograph taken by Audit on 29 January 2014

Audit recommendations

4.28 **Audit has recommended that the Director of Water Supplies should:**

Declassifying surplus quarters as surplus accommodation

- (a) maintain detailed and centralised records of the usage of surplus accommodation for management review;**
- (b) take measures to ensure that information provided to the GPA about surplus accommodation (such as accessibility and the annual return on vacant premises) is accurate and complete;**

Co-locating quarters occupants

- (c) step up management control to ensure that outstanding issues on surplus accommodation are thoroughly followed up without delay;**
- (d) expedite action to co-locate quarters occupants with a view to releasing vacant quarters premises for alternative use at an early date and minimising the recurrent cost in maintaining under-utilised quarters premises;**

Relinquishing vacant quarters premises

- (e) take prompt action on surplus accommodation in accordance with the Accommodation Circular requirements; and**
- (f) keep in view the long-term usage of those premises which are temporarily used by the WSD's contractors as site offices.**

Surplus quarters of the WSD

4.29 Audit has also *recommended* that the Government Property Administrator should:

Co-locating quarter premises

- (a) **step up management control to ensure that outstanding issues on surplus accommodation are thoroughly followed up without delay;**

Relinquishing vacant quarters premises

- (b) **take measures to ensure that assistance to B/Ds in dealing with surplus accommodation is provided in a timely manner;**
- (c) **assist the WSD in putting its surplus accommodation into gainful use as soon as possible, including exploring with departments, which have leased accommodation for storage, the feasibility of using the surplus accommodation of the WSD to meet their storage space need;**

Monitoring the utilisation of surplus accommodation

- (d) **clarify the requirements for reporting surplus accommodation in the annual return on stewardship statement;**
- (e) **step up control to ensure that the information on surplus accommodation (both converted to departmental use or not yet put into use) reported by B/Ds in their annual returns is accurate and complete. Consideration may be given to requiring directorate grade staff of B/Ds to certify the correctness of their returns; and**
- (f) **remind B/Ds with surplus accommodation to take prompt action in accordance with the Accommodation Circular requirements.**

Response from the Administration

4.30 The Director of Water Supplies agrees with the audit recommendations in paragraph 4.28. He has said that the WSD:

Declassifying surplus quarters as surplus accommodation

- (a) has set up a team headed by an Assistant Director and comprising Chief Engineers of each region to maintain detailed and centralised records of all surplus accommodation to facilitate management review;
- (b) has rectified the inconsistencies in the reported accessibility of surplus accommodation following the senior management's assessment. Staff have been required to explain and seek endorsement from an officer at Assistant Director level for any subsequent changes. The WSD has also commenced a comprehensive review on quarters information to be provided to the GPA in the annual return;

Co-locating quarters occupants

- (c) is currently working on the arrangements for co-locating the existing quarters occupants, taking due consideration the Plan D's assessment on development potential of the partially occupied quarters premises;

Relinquishing vacant quarters premises

- (d) has taken proactive action on surplus accommodation according to Accommodation Circular No. 3/2008 since its promulgation. The WSD will continue to ensure that surplus accommodation is dealt with promptly in accordance with the requirements. The WSD will also follow up with the two departments which have expressed interest in using the vacant premises (see para. 4.19); and
- (e) will keep in view of the temporary uses of the 24 surplus accommodation units in 3 premises as site offices (see para. 4.7(a)) and plan their long-term usage in accordance with the Accommodation Circular requirements in a timely manner.

Surplus quarters of the WSD

4.31 The Government Property Administrator accepts the audit recommendations in paragraph 4.29. He has said that:

Co-locating quarters occupants

- (a) the GPA has maintained a register since 2012 to record enquiries/cases relating to quarters management received from B/Ds to ensure that timely advice and assistance are given as and when appropriate. The register is regularly updated and reported to the management;

- (b) in February 2014, the WSD revisited and sought the GPA's view on its proposal of co-locating occupants of the remaining partially occupied quarters premises. The GPA replied immediately to the WSD expressing support to its proposal and advised the WSD to consult the Plan D and Lands D to see if there was any long-term alternative use of those sites when designating sites for decanting purpose. The GPA stands ready to assist the WSD to handle the surplus accommodation in accordance with the established procedure set out in Accommodation Circular No. 3/2008. In particular, after the WSD had obtained the DEVB's endorsement to relinquish the Hing Fong Road general quarters, the GPA discussed and agreed with the WSD that the remaining occupants in the staff quarters could be relocated to other WSD's quarters premises as necessary. The quarters building will then be decanted and the site would be disposed of by land sale;

Relinquishing vacant quarters premises

- (c) when assisting B/Ds in circulating their surplus accommodation to other B/Ds under Accommodation Circular No. 3/2008, the GPA will request the B/Ds concerned to explore if the surplus accommodation could meet their space requirements in existing leased accommodation with a view to achieving savings in accommodation costs;

Monitoring the utilisation of surplus accommodation

- (d) the GPA has comprehensive records of all government quarters based on returns provided by B/Ds (see para. 1.6(e)). For surplus quarters declassified, they are no longer considered as quarters but as other non-quarters departmental accommodation. The GPA has required B/Ds to report vacant premises, whether in whole or in part, under their control in annual returns on stewardship statement. The GPA will monitor the utilisation of these declassified quarters through this arrangement. In addition, B/Ds are also required to include information on any surplus office accommodation in excess of 50 square metres in their annual returns on office accommodation reviews (see Note 49 to para. 4.24). Such returns are required to be cleared by Permanent Secretaries/Heads of Departments before submission to the GPA;
- (e) in view of the audit recommendations, the GPA has agreed with the Treasury to introduce the following new measures in mid April 2014 when the Treasury calls for annual returns on stewardship statement:
 - (i) enhancing the description of requirements for reporting surplus accommodation in the annual returns; and
 - (ii) requiring the Heads of B/Ds or the heads of finance (with delegated authority) to confirm the correctness of information provided in the annual returns; and
- (f) the procedures in handling surplus specialist/departmental accommodation are set out in Accommodation Circular No. 3/2008 which has been placed on the Government's Internet for easy reference by B/Ds. When declassifying a quarters unit, it has been the GPA's practice to remind the B/Ds concerned to follow the Circular's requirements. The GPA will remind B/Ds again to take prompt action under the Circular if they have any surplus accommodation when calling for annual returns. Furthermore, the GPA will also request B/Ds to arrange internal circulation of the Circular regularly so that their surplus accommodation can be handled promptly and properly.

PART 5: WAY FORWARD

5.1 This PART summarises the major audit observations identified in earlier PARTs and examines the way forward.

Major audit observations

5.2 The Government's strategies for the disposal of surplus NDQs are by sale of sites for those built on government-owned sites, sale of units en bloc or individually for those owned by the FSI and leasing for those pending disposal. In its 1996 report, the PAC expressed the view that the selling of surplus NDQs to generate revenue should be the ultimate objective of the Administration as the Government was not supposed to function as a landlord or agent for leasing properties and recommended the disposal of all surplus NDQs within a reasonable specified time frame. The PAC's recommendation was accepted by the Administration. In PART 2, Audit has found that as at October 2013, of the 90 FSI-owned NDQs in the leasing pool, 69 (77%) had been transferred to the GPA for 15 to 17 years. Among the 708 NDQs for allocation to eligible staff, 164 were also FSI-owned which would gradually be transferred to the GPA for sale. The GPA needs to dispose of these surplus NDQs by sale within a reasonable time frame. Audit examination has also revealed room for improvement in the GPA's arrangements for the sale of surplus NDQs by public auction.

5.3 In PART 3, Audit has found that in 2001, the HD transferred seven blocks of surplus quarters (Grades F and H) to the GPA on the basis that better utilisation of the premises would be achieved. However, only one block was used as DSQs in 2002. For the remaining six blocks, it was not until 2007 and 2008 that the disciplined services departments were invited to bid for their use even though these departments had great demands for such grades of quarters. In the event, only one block was used as DSQs in 2009 while the other five were pending redevelopment as at October 2013. In two of the redevelopment projects, the project planning process had taken a long time due to factors including significant changes to cost estimates/project scope and long lead time in resolving technical issues.

5.4 In 2001, the WSD had 491 DQs units which were used to accommodate operational staff serving at the waterworks installations nearby. The WSD considered that there were no longer strong operational needs for retention of most DQs. In PART 4, Audit has found that from 2001 to 2013, 378 surplus quarters units of the WSD in various locations were declassified as surplus accommodation. Up to December 2013, only 48 surplus accommodation units had been put into other departmental uses. While actions had been taken by the WSD in respect of the remaining 330 units for various uses (including reservation for planned projects — see para. 4.8(b)), there was a delay in completing a review of the surplus accommodation in accordance with Accommodation Circular No. 3/2008 of April 2008. As a result, the DEVB's endorsement was only obtained in September 2013 for relinquishing 56 units in 10 vacant premises for consideration of alternative uses by other departments. There were also delays in implementing the 2010 action plan for co-locating quarter occupants which could have released more vacant premises for alternative uses at an early date and minimised recurrent cost in maintaining under-utilised premises. Audit examination has also revealed room for improvement in the present arrangements for reporting and monitoring the utilisation of surplus accommodation by B/Ds.

Audit recommendations

5.5 As shown in Table 1 of paragraph 1.12, besides the WSD, four other departments (the CSD, EMSD, FEHD and LCSD) had a total of 168 surplus quarters which had been declassified as surplus accommodation but not yet put into use as at October 2013. **In the light of the various management problems of surplus accommodation identified in the case of the WSD in PART 4, Audit has recommended that the Government Property Administrator should:**

- (a) **make effective use of the annual returns on stewardship statement provided by B/Ds to compile management statistics for monitoring the utilisation of the surplus accommodation;**
- (b) **liaise with the CSD, EMSD, FEHD and LCSD to:**
 - (i) **find out the reasons for not yet putting their surplus accommodation into use; and**

Way forward

- (ii) **render necessary assistance to them with a view to optimising the use of government resources as soon as possible; and**
- (c) **draw their attention to the management problems encountered in the case of the WSD and urge them to take measures to prevent similar problems.**

Response from the Administration

5.6 The Government Property Administrator accepts the audit recommendations. He has said that:

- (a) the GPA will make effective use of the annual return on stewardship statement which enables the Administration to have an overview of the utilisation of government-owned buildings/premises (including former quarters which were declassified), submitted by B/Ds to compile management statistics for monitoring the utilisation of surplus accommodation;
- (b) regarding the 168 surplus quarters of the CSD, EMSD, FEHD and LCSD which had been declassified but not put into use as at 31 October 2013, they are scattered in 13 sites. The CSD's 125 surplus accommodation units are located within three correctional institutions on two outlying islands (Hei Ling Chau and Lantau Island), which are difficult to be used by other departments. The surplus accommodation units of the FEHD and EMSD in eight of the sites are either earmarked for disposal/redevelopment or reserved for alternative uses. On the FEHD's request, the GPA has invited other government departments to make use of some of the vacant units. The surplus accommodation unit of the LCSD is now being handled under Accommodation Circular No. 3/2008; and
- (c) the departments concerned have been reminded to follow Accommodation Circular No. 3/2008 to deal with surplus accommodation promptly. Furthermore, they have also been reminded to duly report the surplus accommodation in the annual return on stewardship statement. The GPA will follow Audit's recommendation and render prompt and necessary assistance to the B/Ds concerned in accordance with the Circular.

5.7 The Commissioner of Correctional Services has said that:

- (a) in accordance with the prevailing practice, DQs not allocated for three consecutive times during the quarters allocation exercises would be locked up with the approval of the GPA, and would subsequently be declassified. Notwithstanding the keen demand for DQs, there are from time to time DQs which could not be successfully allocated particularly those situated at remote areas. The willingness of staff members applying for these remote DQs is hindered by inadequate public transportation and insufficient infrastructure available which can cause inconvenience to their family members. The 125 declassified surplus accommodation units are located at Hei Ling Chau (73 units), Sha Tsui (23 units) and Shek Pik (29 units) respectively. Apart from their remoteness, these quarters are also situated within the boundary of the prisons, which are restricted areas. For security reason, it is undesirable to release these quarters to other departments. Notwithstanding the above, the CSD has been exploring various options to achieve better use of the surplus accommodation units;
- (b) the 23 units in Sha Tsui are reserved for a project of the SB's Narcotics Division, which will be brought up to the Resource Allocation Exercise in 2014;
- (c) based on past experience of reverting some surplus accommodation as DQs, the CSD plans to revert the 29 units in Shek Pik to DQs;
- (d) regarding the surplus accommodation units in Hei Ling Chau, the CSD had explored following uses:
 - (i) in 2009, the CSD proposed to the Property Vetting Committee for the conversion of all the surplus accommodation units into various facilities (e.g. Anti-drug Exhibition and Education Complex). The proposals were suspended by the Committee due to technical feasibility;
 - (ii) in 2012, the CSD proposed to the GPA for converting six surplus accommodation units in a DQs block to a Central Visit Room Complex to enhance the visiting services for the public. The project is now pending funding approval;

Way forward

- (iii) the CSD had studied the feasibility of converting 11 surplus accommodation units in a DQs block for centralised administration use. Recently, the ArchSD advised that the installation of a lift in the building was required for the proposal. In view of its complexity and high cost, other possible alternatives are being explored; and
- (iv) the CSD had identified three of the surplus accommodation units for reverting as junior staff married quarters for allocation to staff in the coming quarters allocation exercise in mid-2014; and
- (e) the CSD has all along tried to make good use of the government resources in order to enhance its services and facilities for staff and the public. On-going exploration and measures have been and will be taken to put surplus accommodation units into gainful use. The CSD also welcomes the assistance of the GPA with a view to optimising the use of government resources.

5.8 The Director of Food and Environmental Hygiene agrees with the audit recommendations generally. She has said that the FEHD has provided returns to the GPA regarding the reasons/justifications on why surplus accommodation is vacant and liaised with the GPA regarding the gainful use of the resources. The latest return was submitted in February 2014.

5.9 The Director of Leisure and Cultural Services has said that:

- (a) the LCSD's surplus accommodation unit, namely the Albany Garden Staff Quarters at Garden Road has been vacant since 2002. Over the years, the LCSD has been liaising with the GPA and Lands D to explore alternative uses of the premises. The premises have also been repeatedly circulated within the LCSD and other government departments, but no parties have indicated interest in using the premises mainly because the site cannot be reached by any transportation and users can only access the premises via an uphill footpath; and

- (b) the LCSD has taken active actions in accordance with Accommodation Circular No. 3/2008, including seeking advice from the ArchSD and Lands D on the safety, maintenance cost and available tenure of the premises. A rough indication is that, due to the conditions of the premises, the cost of improvement works of maintenance may far exceed the benefits that can be derived. That said, the LCSD will seek the GPA's assistance again in identifying other government departments to make long-term use of the surplus accommodation and/or in exploring suitable commercialisation opportunities with a view to optimising the use of the premises as soon as possible.

**Government quarters for allocation and surplus units
(October 2013)**

| Type | | Number of units for allocation | Number of surplus units |
|--------------------|---------------------------|---------------------------------------|---|
| (A) | NDQs | 708 | 198 (174 in leasing pool and 24 on sale list) |
| (B) | DQs | | |
| | (i) DSQs | 22,436 | 125 |
| | (ii) Operational quarters | 7 | 260 |
| | (iii) General quarters | 77 | 110 |
| | (iv) Judiciary quarters | 23 | 0 |
| | | 22,543 | 495 |
| (C) | Post-tied quarters | 179 | 3 |
| Total (B) + (C) | | 22,722 | 498 (declassified as surplus accommodation) |

Source: GPA records

**Interim uses of the Lei Cheng Uk quarters
explored by the GPA
(2002 to January 2004)**

(A) Use as dormitory or elderly home

Such use was found not appropriate as there was no lift service in the premises.

(B) Commercialisation

Taking into account the location, layout and facilities of the premises, commercialisation opportunity of the site was considered low.

(C) Reprovisioning of displaced occupants from Ha Hang DQs

In February 2003, the GPA obtained confirmation from the then Education and Manpower Bureau that it had no objection to the GPA's proposed use of the Lei Cheng Uk site as quarters on a permanent basis to accommodate occupants that would be displaced from another DQs in Ha Hang, Tai Po which were earmarked for disposal. However, the disposal plan of the Ha Hang DQs was subsequently deferred. In January 2004, the Ha Hang DQs user departments also informed the GPA that there was no need to make available the Lei Cheng Uk quarters for reprovisioning purpose as they would not provide DQs for their staff due to improvement in transport infrastructure.

**Interim uses of the Tsz Wan Shan quarters
explored by the GPA
(2002 to 2005)**

(A) Leasing for non-industrial uses

In January 2003, the GPA invited tenders for leasing the Tsz Wan Shan quarters for non-industrial uses on a three-year term. During the tender evaluation stage, the GPA noted that the quarters had water leakage problem. Having regard to the cost of repair required before letting, the GPA considered the received tenders not financially attractive. In April 2003, the then Government Supplies Department approved the GPA's proposed cancellation of the tender exercise.

(B) Use as elderly centre

In June 2003, the GPA sought the Social Welfare Department's views on whether the quarters were suitable for private elderly centre. In July 2003, the Social Welfare Department informed the GPA that as the quarters (a six-storey building) were located on a steep road and without lift service, they were undesirable for use by the elderly and people with disability.

(C) Short-term leasing based on market feedback

In February 2004, the GPA sought views from relevant departments on conducting an expression of interest exercise to test the market response to short-term leasing of the quarters. In March 2004, the Lands D informed the GPA that the Tsz Wan Shan site was tentatively planned for disposal in 2006-07 but it was subject to review on its permanent use. The Lands D had no objection to the short-term use of the quarters up to the end of 2006. In June 2004, the GPA received two submissions expressing interest to lease the quarters. In January and May 2005, the ArchSD informed the GPA that substantial repair/renovation works were required to put the quarters fit for occupation. Due to the short tenure (about 18 months up to end of 2006) and high renovation cost, the GPA considered it not cost-effective to lease the quarters.

Appendix D
(Table 7 in para. 4.5 refers)

**WSD's DQs and surplus accommodation
(31 December 2013)**

| Region | Premises | Total number of units | Used as quarters | | Declassified as surplus accommodation | | Converted as store rooms |
|--|--|----------------------------|------------------|----------|---|-----------|--------------------------|
| | | | Occupied | Vacant | Used | Vacant | |
| Hong Kong | Premises with quarters occupants | | | | | | |
| | Aberdeen Water Treatment Works Staff Quarters (Note 1) | 22 | 2 | 1 | – | 19 | – |
| | Cheung Chau Depot Staff Quarters (Note 1) | 2 | 1 | – | – | 1 | – |
| | Eastern Water Treatment Works Staff Quarters | 15 | 3 | – | 12 (for temporary storage) | – | – |
| | Lamma Island Depot Staff Quarters | 2 | 1 | – | – | 1 | – |
| | Sandy Bay Fresh Water Pumping Station Staff Quarters | 10 | 1 | – | 2 (for temporary storage) | 7 | – |
| | Silver Mine Bay Staff Quarters (Note 1) | 20 | 4 | – | 4 (site offices) 1 (for temporary storage) | 11 | – |
| | Tai Tam Tuk Raw Water Pumping Station Staff Quarters | 4 | 1 | – | – | 3 | – |
| | Sub-total | 75 (7 premises) | 13 | 1 | 19 | 42 | – |
| | Premises without quarters occupants | | | | | | |
| Albany Fresh Water Pumping Station Staff Quarters (Note 2) | 8 | – | – | – | 8 | – | |

Appendix D
(Cont'd)
(Table 7 in para. 4.5 refers)

| Region | Premises | Total number of units | Used as quarters | | Declassified as surplus accommodation | | Converted as store rooms |
|--|---|---------------------------|------------------|--------|---------------------------------------|-----------|--------------------------|
| | | | Occupied | Vacant | Used | Vacant | |
| Hong Kong | Cheung Chau Fresh Water Pumping Station Staff Quarters (Note 2) | 3 | - | - | - | 3 | - |
| | Cheung Sha Water Treatment Works Staff Quarters (Note 2) | 4 | - | - | - | 4 | - |
| | Peng Chau Depot Staff Quarters (Note 1) | 2 | - | - | - | 2 | - |
| | Peng Chau Fresh Water Pumping Station Staff Quarters | 3 | - | - | - | 3 | - |
| | Pok Fu Lam Reservoir Staff Quarters (Note 2) | 12 | - | - | - | 12 | - |
| | Tai O Depot Staff Quarters | 2 | - | - | - | 2 | - |
| | Tai Tam Tuk Raw Water Pumping Station No. 2 Staff Quarters (Note 2) | 4 | - | - | - | 4 | - |
| | Wong Nai Chung Staff Quarters (Note 2) | 2 | - | - | - | 2 | - |
| | Sub-total | 40 (9 premises) | - | - | - | 40 | - |
| Kowloon | Premises with quarters occupants | | | | | | |
| | Beacon Hill Fresh Water Pumping Station Staff Quarters (Note 1) | 8 | 1 | - | - | 7 | - |
| | Diamond Hill Fresh Water & Salt Water Pumping Station Staff Quarters (Note 1) | 9 | 1 | - | - | 8 | - |
| | Sub-total | 17 (2 premises) | 2 | - | - | 15 | - |
| | Premises without quarters occupants | | | | | | |
| Lai Chi Kok Water Selling Kiosk Staff Quarters | 4 | - | - | - | - | 4 | |

Appendix D
(Cont'd)
(Table 7 in para. 4.5 refers)

| Region | Premises | Total number of units | Used as quarters | | Declassified as surplus accommodation | | Converted as store rooms |
|----------------------|---|----------------------------|------------------|--------|---------------------------------------|-----------|--------------------------|
| | | | Occupied | Vacant | Used | Vacant | |
| Kowloon | Tai Po Road Water Treatment Works Staff Quarters (Note 1) | 15 | - | - | - | 10 | 5 |
| | Tai Po Road Water Treatment Works No. 2 Staff Quarters (Note 1) | 1 | - | - | - | 1 | - |
| | To Kwa Wan Road Government Staff Quarters | 7 | - | - | - | 7 | - |
| | Sub-total | 27 (4 premises) | - | - | - | 18 | 9 |
| New Territories East | Premises with quarters occupants | | | | | | |
| | Sheung Shui Water Treatment Works Staff Quarters (Note 1) | 24 | 2 | - | - | 22 | - |
| | Tai Po Tau Raw Water Pumping Station Staff Quarters (Note 1) | 17 | 1 | - | - | 16 | - |
| | Sub-total | 41 (2 premises) | 3 | - | - | 38 | - |
| | Premises without quarters occupants | | | | | | |
| | Lower Shing Mun Raw Water Pumping Station Staff Quarters (Note 2) | 6 | - | - | - | 6 | - |
| | Sai Kung Depot Staff Quarters | 1 | - | - | 1 (for temporary storage) | - | - |
| | Sha Tin Water Treatment Works Staff Quarters | 40 | - | - | 10 (site offices) | 30 | - |
| | Sub-total | 47 (3 premises) | - | - | 11 | 36 | - |

Appendix D
(Cont'd)
(Table 7 in para. 4.5 refers)

| Region | Premises | Total number of units | Used as quarters | | Declassified as surplus accommodation | | Converted as store rooms |
|----------------------|---|-----------------------------|------------------|--------|---------------------------------------|------------|--------------------------|
| | | | Occupied | Vacant | Used | Vacant | |
| New Territories West | Premises with quarters occupants | | | | | | |
| | Hing Fong Road Staff Quarters (Note 2) | 75 | 5 | – | – | 70 | – |
| | Tsing Yi Salt Water Pumping Station Staff Quarters | 4 | 1 | – | – | 3 | – |
| | Tsuen Wan Water Treatment Works Staff Quarters | 31 | 1 | – | – | 20 | 10 |
| | Yau Kom Tau Water Treatment Works Staff Quarters | 11 | 2 | – | – | 9 | – |
| | Sub-total | 121 (4 premises) | 9 | – | – | 102 | 10 |
| | Premises without quarters occupants | | | | | | |
| | Kau Wa Keng Fresh Water Pumping Station Staff Quarters (Note 2) | 9 | – | – | – | 9 | – |
| | Lam Tei Raw Water Pumping Station Staff Quarters | 9 | – | – | – | 9 | – |
| | Shing Mun Reservoir Staff Quarters | 1 | – | – | 1 (for temporary storage) | – | – |
| | Tai Lam Chung Reservoir Staff Quarters | 3 | – | – | 1 (for temporary storage) | 1 | 1 |
| | Tsuen Wan Raw Water Pumping Station Staff Quarters (Note 2) | 7 | – | – | – | 7 | – |
| | Tsuen Wan Water Treatment Works No. 2 Staff Quarters | 2 | – | – | – | 2 | – |

Appendix D
(Cont'd)
(Table 7 in para. 4.5 refers)

| Region | Premises | Total number of units | Used as quarters | | Declassified as surplus accommodation | | Converted as store rooms |
|----------------------|---|--------------------------|------------------|----------|---------------------------------------|------------|--------------------------|
| | | | Occupied | Vacant | Used | Vacant | |
| New Territories West | Tsuen Wan Water Treatment Works No. 3 Staff Quarters (Note 2) | 1 | - | - | - | 1 | - |
| | Tuen Mun Salt Water Pumping Station Staff Quarters | 6 | - | - | 6 (data centre) | - | - |
| | Tuen Mun Water Treatment Works Staff Quarters | 20 | - | - | 10 (site offices) | 10 | - |
| | Sub-total | 58 (9 premises) | - | - | 18 | 39 | 1 |
| | Total | 426 (40 premises) | 27 | 1 | 48 | 330 | 20 |

28

378

Source: WSD records

Note 1: Premises not accessible to non-WSD staff for security reasons (see para. 4.8(b)(v)).

Note 2: Premises endorsed for relinquishing (see para. 4.8(b)(ii)).

Acronyms and abbreviations

| | |
|---------|---|
| ArchSD | Architectural Services Department |
| Audit | Audit Commission |
| B/Ds | Bureaux/departments |
| CSB | Civil Service Bureau |
| CSD | Correctional Services Department |
| C&ED | Customs and Excise Department |
| DEVB | Development Bureau |
| DQs | Departmental quarters |
| DSQs | Disciplined services quarters |
| EMSD | Electrical and Mechanical Services Department |
| FEHD | Food and Environmental Hygiene Department |
| FSI | Financial Secretary Incorporated |
| FSTB | Financial Services and the Treasury Bureau |
| GIC | Government, Institution or Community |
| GPA | Government Property Agency |
| HD | Housing Department |
| ImmD | Immigration Department |
| Lands D | Lands Department |
| LCSD | Leisure and Cultural Services Department |
| NDQs | Non-departmental quarters |
| PAC | Public Accounts Committee |
| PDS | Project Definition Statement |
| Plan D | Planning Department |
| SB | Security Bureau |
| TFS | Technical Feasibility Statement |
| WSD | Water Supplies Department |