

# USE AND DISPOSAL OF VACANT SCHOOL PREMISES

## Executive Summary

1. Vacant school premises (VSP) mean premises of schools that have ceased to operate for various reasons such as closing the schools and reprovisioning the schools to other premises, including VSP resulted from the Government's policy on consolidation of under-utilised primary schools implemented since the 2003/04 school year. For VSP suitable for school or other educational uses, the Education Bureau (EDB) aims to put them to gainful use in the shortest possible time. For other VSP, the EDB aims to return them to relevant departments, mainly the Lands Department (LandsD), in an expeditious manner for consideration of alternative uses. According to EDB records, there were 105 VSP not being used as at 30 April 2015. The Audit Commission (Audit) has recently conducted a review of the use and disposal of VSP.

### Identifying VSP

2. The EDB has an established mechanism for handling VSP, including identifying them and allocating suitable ones for school or other educational uses. Under the mechanism, the EDB has since July 2005 maintained a database on VSP mainly based on information provided by its Regional Education Offices. Between July 2005 and 30 April 2015, the database recorded a total of 234 VSP. About 80% of the schools concerned were primary schools and the remaining were mainly secondary schools (paras. 2.2 and 2.6).

3. *VSP not identified and handled in accordance with established mechanism.* The EDB maintains a school registration database containing records of schools registered/deregistered by the EDB at various times, which could be used for identifying VSP. Using such information in the school registration database up to 30 April 2015, Audit sample check revealed 14 VSP not included in the 234 VSP recorded in the EDB's database on VSP. The EDB should review these 14 cases and the mechanism for handling VSP (paras. 2.7 and 2.10).

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4. ***Room for enhancing transparency on uses of VSP.*** In response to Legislative Council Members' questions about uses of VSP, the EDB mainly provided information on primary schools that had ceased operation due to the Government's policy on consolidation of under-utilised primary schools since 2003/04. The information provided did not cover all VSP in the EDB's database on VSP, such as primary schools that had ceased operation due to other reasons. For example, in March 2015, the EDB disclosed that since 2003/04 the VSP of primary schools that had ceased operation due to the Consolidation Policy and the VSP of secondary schools that had ceased operation or merged with other schools were 88 and 20 respectively, when its database on VSP recorded a total of 234 VSP. There was a significant number of VSP of schools that had ceased operation due to reasons other than the Consolidation Policy (paras. 2.15 to 2.17).

5. ***VSP having undergone improvement works.*** Of the 234 VSP in the EDB's database on VSP, 79 were included in the EDB's School Improvement Programme implemented between 1994 and 2007, which intended to benefit the students for at least five years. However, 26 of the 79 schools concerned vacated the premises within five years of completion of improvement works, mainly due to drop in student enrolment. The average cost of the improvement works for the 26 schools was \$19 million per school (paras. 2.20 to 2.24).

### **Allocating VSP for educational or other uses**

6. The EDB's database on VSP showed that, as at 30 April 2015, of the 234 VSP, 105 (45%) were not being used, 102 (44%) were being used and 27 (11%) had been or would be demolished for housing or other developments (para. 3.5).

7. ***29 VSP under EDB's purview not being used.*** The 105 VSP not being used as at 30 April 2015 included 29 that had not been returned by the EDB to the Government. The 29 VSP, mostly located in Hong Kong Island and Kowloon, comprised: (a) 8 VSP that had not been earmarked for any use. The 8 schools concerned had ceased operation for 1.6 to 10.6 years (averaging 6.4 years); (b) 9 VSP that had been earmarked for school uses for 0.1 to 6.3 years (averaging 3.9 years) but had yet to be allocated for such uses. The 9 schools concerned had ceased operation for 1.6 to 15.6 years (averaging 6 years); and (c) 12 VSP that had been allocated for school or other educational uses for 0.3 to 7.8 years (averaging 2.2 years) but had not yet been put to such uses. The 12 schools concerned had ceased operation for 1.6 to 11.6 years (averaging 6.4 years). The EDB needs to put the 29 VSP to good use expeditiously (paras. 3.6 to 3.11).

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8. ***73 VSP under LandsD's purview not being used.*** The 105 VSP not being used as at 30 April 2015 also included 73 considered by the EDB as not suitable for educational uses which had been returned to the LandsD for consideration of alternative uses. The 73 VSP were mostly located in the New Territories. The 73 schools concerned had ceased operation for 0.6 to 35.6 years (averaging 12.1 years). Audit found that there was room for improvement in the LandsD's arrangements for providing interested parties with ready access to updated and complete information about VSP available for short-term uses (paras. 3.13 to 3.16).

9. ***VSP partially utilised or allocated for temporary uses for a long period.*** The 102 VSP being used as at 30 April 2015 included 77 that were under the EDB's purview. Audit found that 4 of the 77 VSP were only partially utilised for the allocated uses, including 3 VSP each having about half of the floors/blocks not being used. Audit also found that another 14 of the 77 VSP had not been earmarked for any specific long-term educational uses. The 14 VSP were allocated for temporary uses only, including 4 VSP that had been allocated for temporary uses to various parties for over six years (paras. 3.26 to 3.28).

### Handling cases of VSP not surrendered

10. Upon cessation of school operation, school premises on government land are required to be returned to the Government. For school premises on private land, where the LandsD had granted the land to the school sponsoring body (SSB) by land lease containing a cessation/diminution of user clause (usually private treaty grant at nil or nominal premium), the Government has the right to re-enter the site (para. 4.2).

11. ***Physical possession of 71 VSP not delivered to the Government.*** As at 30 April 2015, physical possession of 71 VSP had not been delivered to the Government after cessation of school operation, comprising 9 on government land and 62 on private land. For the 9 VSP on government land, the 9 schools concerned had ceased operation for 6.6 to 18.6 years (averaging 11.2 years). For the 62 VSP on private land, the land leases of at least 34 VSP contain a cessation/diminution of user clause. Among the 71 VSP, 41 were not being used. The uses of the remaining 30 VSP were mainly arranged by the SSBs but not through the EDB's or LandsD's

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established mechanism for handling VSP and, therefore, such VSP might not have been put to optimal uses for the effective implementation of the EDB's education policies. There is a need to review the handling of the 71 cases of VSP and expedite action to take appropriate actions (paras. 4.3 to 4.10).

12. *Need to improve handling of school reprovisioning cases.* In reprovisioning a school on private land, EDB staff were required to include in the service agreement with the SSB a surrender clause specifying that the SSB should voluntarily surrender the existing school site and premises. Audit case studies revealed that: (a) in one case, the surrender clause was omitted from the service agreement; (b) in another case, the surrender clause in the service agreement was nullified by a side agreement between the EDB and the SSB; and (c) in yet another case, the surrender clause in the service agreement required the SSB to carve out only a portion from the private treaty grant site for returning to the Government, but road access and utility connection problems made it difficult for the Government to use the carved-out site (paras. 4.14 to 4.18).

### Property management of VSP

13. *Contracts awarded to a supplier not on the EDB supplier lists.* In the two quotation exercises conducted by the EDB in 2014-15 for procuring property management services for VSP, contracts were awarded to the only bidder, which was the contractor of the existing contract and not on the EDB's supplier lists. The EDB needs to widen the pool of potential service providers which may be invited to submit quotations (paras. 5.9 and 5.11).

14. *Inadequacies in monitoring contractor performance.* The EDB conducted inspections on an ad-hoc basis to the VSP managed by contractors. However, the inspection officer did not keep comprehensive records of all inspections. Moreover, the EDB did not follow the requirement of the Stores and Procurement Regulations to evaluate the performance of contractors upon completion of the contract (paras. 5.16 and 5.17).

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### Audit recommendations

15. 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 Secretary for Education should:

#### *Identifying VSP*

- (a) follow up VSP not identified and handled in accordance with the established mechanism, and improve the mechanism for maintaining a comprehensive database on VSP (para. 2.18(a) and (b));
- (b) enhance transparency on uses of VSP arising from all kinds of reasons (para. 2.18(e));
- (c) critically evaluate all relevant factors in planning for and approving school improvement/extension works in the future (para. 2.26);

#### *Allocating VSP for educational or other uses*

- (d) review the 29 VSP not being used and take measures to improve the mechanism for handling VSP (para. 3.19(a));
- (e) review whether the eight VSP not earmarked for any use should be returned to the Government for consideration of alternative uses (para. 3.19(b));
- (f) regularly review the need to retain the earmarked VSP and closely monitor the follow-up actions after allocation of a VSP to avoid unnecessary delay in putting the VSP to use (para. 3.19(c) and (d));
- (g) explore ways to maximise the utilisation of the under-utilised VSP and regularly review the need to retain those VSP that had been allocated only for temporary uses for a long period of time (para. 3.29);

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### *Handling cases of VSP not surrendered*

- (h) in conjunction with the Director of Lands, expedite action to take appropriate actions on the 71 VSP the physical possession of which has not been delivered to the Government after cessation of school operation, and review the recording and monitoring mechanism (para. 4.11(a) and (c));
- (i) strengthen the control over school reprovisioning cases to prevent recurrence of incidents of omitting a surrender clause in the service agreement or deviating from the standard surrender arrangement (para. 4.19(a) and (b));
- (j) for the school reprovisioning case in which the SSB was required to surrender only a portion of the old school premises, consult the LandsD on how to take forward the carving out and surrender of the school so as to make the surrendered site accessible and usable (para. 4.19(c));

### *Property management of VSP*

- (k) maintain a comprehensive list of service providers of property management services for procuring property management services for VSP (para. 5.12); and
- (l) review the mechanism for inspecting VSP managed by contractors and evaluate the contractor's performance upon completion of a contract (para. 5.19(a) and (b)).

16. Audit has *recommended* that the Director of Lands should ensure that interested parties have ready access to updated and complete information about VSP available for application for short-term uses (para. 3.20).

## Response from the Government

17. The Secretary for Education and the Director of Lands agree with the audit recommendations.