

## **CHAPTER 4**

### **Financial Services and the Treasury Bureau Government Property Agency**

<h3><b>Management of joint-user general office buildings and facilities by the Government Property Agency</b></h3>
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**Audit Commission  
Hong Kong  
27 October 2022**

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

Report No. 79 of the Director of Audit contains 8 Chapters which are available on our website at <https://www.aud.gov.hk>



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# MANAGEMENT OF JOINT-USER GENERAL OFFICE BUILDINGS AND FACILITIES BY THE GOVERNMENT PROPERTY AGENCY

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# MANAGEMENT OF JOINT-USER GENERAL OFFICE BUILDINGS AND FACILITIES BY THE GOVERNMENT PROPERTY AGENCY

## Executive Summary

1. The Government Property Agency (GPA) oversees and gives advice to the Financial Services and the Treasury Bureau on government accommodation matters. GPA's main objectives include managing government accommodation under its purview in an efficient and cost-effective manner. According to the Accommodation Regulations, GPA undertakes the day-to-day property management of joint-user general office buildings (JUBs). In January 2020, GPA took over the management responsibility of the Hong Kong-Zhuhai-Macao Bridge Hong Kong Port (HZMB-HKP) and monitoring of the contractor's performance under the management, operation and maintenance (MOM) contract. GPA also undertakes tenancy management work for leased-out accommodation within these premises. The Audit Commission (Audit) has recently conducted a review on the management of JUBs and facilities by GPA with a view to identifying areas for improvement.

## Monitoring of property management services contractors

2. GPA outsources property management services (PMS) for JUBs to private service contractors under six contracts. The total sum for provision of PMS to the 46 JUBs under the six contracts which were awarded to three contractors for the four-year period from 1 April 2020 to 31 March 2024 is \$714.6 million. The Contract Administration Team of GPA's Property Management Division is responsible for administering PMS contracts (para. 2.2).

3. *Need to review the service charge adjustment mechanism.* GPA adopts an outcome-based contract management approach to monitor the performance of PMS contractors. For this purpose, it adopts a service charge adjustment mechanism to monitor if the performance of contractors is up to standard. Among the 20 service items specified in the PMS contracts, GPA includes 10 items in the service charge adjustment mechanism. If the contractor has not achieved the required performance

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level in any one-month period, a deduction shall be made to the service charge. Examples of the remaining 10 service items not included in the mechanism are soft landscaping and tree management, and waste disposal. In 2019 and 2021, substantiated complaints were received in respect of soft landscaping. GPA needs to consider including the remaining service items in the mechanism (paras. 2.3 and 2.4).

4. ***Number of site inspections and surprise checks outside office hours not meeting the required frequencies promulgated in GPA Guidelines.*** GPA conducts inspections and checks on a surprise basis in JUBs to monitor the contractors' performance and verify compliance with the contractual obligations throughout the contract period. Audit examined the record of site inspections and surprise checks outside office hours performed in the period from 2019 to 2021, and noted that in 2019, 2020 and 2021 respectively, the required frequencies of: (a) site inspections had not been attained for 2, 23 and 1 JUBs; and (b) surprise checks outside office hours had not been attained for 10, 13 and 13 JUBs (paras. 2.5 and 2.6).

5. ***Room for improvement in planning site inspections and documenting site inspection reports.*** Audit examination of GPA's site inspection reports for inspections conducted in 15 JUBs (including 8 major JUBs, 5 minor JUBs and 2 JUBs in remote sites) in 2020 and 2021 revealed that: (a) for 9 JUBs (60%), the inspection reports had stated the floors/areas inspected in each site inspection. In 6 of these 9 JUBs, some floors/areas were not covered in the site inspections conducted in 2020 and 2021; (b) for 4 JUBs (27%), the inspection reports had not stated the floors/areas inspected but only specified the floors/areas in which irregularities were found; and (c) for 2 JUBs (13%), not all the inspection reports recorded the floors/areas inspected. Audit conducted inspections in the 8 major JUBs during January to July 2022 and found irregularities and defects in 2 JUBs, namely Queensway Government Offices and North Point Government Offices. While GPA focuses on key or major floors/facilities of JUBs and those portions of specific concerns in its site inspections, Audit notes that there are no clear guidelines in selecting areas to be inspected for each type of JUBs (paras. 2.7 to 2.9).

6. ***Scope for improvement in conducting customer satisfaction surveys.*** GPA conducts customer satisfaction surveys twice a year to evaluate the performance of the contractors. For each survey, over 6,000 questionnaires in paper form are distributed to user departments in JUBs and the respondents need to manually tick the ratings. Upon receipt of completed questionnaires, GPA staff need to manually input the data for analysis. From April 2019 to October 2021, the overall response rates

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of the customer satisfaction surveys of the six PMS contracts ranged from 28% to 37%. Audit further analysed the response rates of the surveys by individual JUBs in October 2020, April 2021 and October 2021 and noted that for 9 (21%) of 43 JUBs, the response rates were consistently below 30% (paras. 2.14 and 2.15).

7. *Need to make better use of customer satisfaction survey results.* Audit noted that, while the average satisfaction level of each of the six contracts ranged from 96% to 99% and 97% to 99% in the surveys conducted in April and October 2021 respectively, the average satisfaction level on the cleanliness of office toilets in the contract of Hong Kong Island Region 2 was below 90% consecutively. Audit analysis found that, among the 7 JUBs under the contract, the satisfaction level on the cleanliness of office toilets was below 90% in 5 JUBs, ranging from 60% to 84% and 72% to 89% in April and October 2021 respectively (para. 2.18).

### **Leasing out of accommodation within joint-user general office buildings**

8. Since 2019, GPA has implemented the “Socially Caring Leasing Arrangements” on suitable government accommodation leased out by GPA to facilitate the provision of social services by non-governmental organisations (NGOs) and social enterprises (SEs). As of June 2022, GPA administered 46 tenancies in respect of leased-out accommodation in 22 JUBs, including 16 tenancies entered with NGOs with policy support at nominal rent, 5 tenancies under the Socially Caring Leasing Arrangements and 25 commercial tenancies (para. 1.7).

9. *Inadequacies in conducting routine site inspections.* From January 2019 to March 2022, GPA conducted 69 routine site inspections in respect of the leases in JUBs. Audit examination revealed the following areas for improvement: (a) the frequencies of routine site inspections stated in the divisional instructions had not been complied with in some cases; (b) the completed inspection checklists had not been submitted to the Estate Surveyor/Valuation Surveyor grade staff for information and taking necessary follow-up actions in 32 (46%) routine site inspections, contrary to the requirements; and (c) of the 25 routine site inspections of carpark, in 15 (60%) cases, GPA staff did not conduct the inspections during the operating hours of the carpark operators concerned, and in 8 (32%) cases, GPA staff did not record the time of inspection in the checklists (para. 3.4).

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10. ***Letting out of premises within JUBs under Socially Caring Leasing Arrangements.*** From April 2019 to June 2022, in order to lease out 6 premises in JUBs under the Socially Caring Leasing Arrangements which no B/Ds had expressed interest in taking up, GPA had conducted 5 batches of restricted tender exercises by sending invitation letters to about 600 selected NGOs and SEs. Audit examination of the restricted tender exercises revealed that the response from NGOs and SEs was less than satisfactory: (a) except for the fifth batch of restricted tender exercise (with 2 tenders received), only 1 or nil tender was received in the remaining 4 batches of restricted tender exercises; and (b) only 4 of the 6 premises could be leased out to NGOs or SEs for the provision of social services (para. 3.13).

### **Management of joint-user facilities at boundary control points**

11. In 2019, the Government decided to put the management responsibility of boundary control points (BCPs) except those two at the Hong Kong International Airport and the Hung Hom Station as joint-user facilities under the purview of GPA. The first BCP taken over by GPA for management was HZMB-HKP. In April 2022, GPA awarded a new contract for the provision of MOM services at HZMB-HKP for the four-year period from 29 June 2022 to 28 June 2026 (paras. 1.10 and 4.3).

12. ***Need to step up efforts in improving the response rate of feedback forms from user departments.*** Since August 2020, GPA has distributed feedback forms to 10 user departments on a monthly basis to gauge their views on the MOM contractor's performance. Audit noted that, for the 23 months from August 2020 to June 2022, the response rate was 20% or below in 11 (48% of 23) months. Audit further analysis revealed that: (a) 2 (20% of 10) user departments did not return any feedback form; and (b) 2 (20% of 10) user departments only returned the form once (para. 4.6).

13. ***Need to take measures to improve the prospect of leasing out vacant premises at the Passenger Clearance Building (PCB) of HZMB-HKP.*** There are 58 premises available for leasing out at PCB of HZMB-HKP. As at 30 June 2022, 34 (59%) premises were leased out/occupied and the remaining 24 (41%) premises were vacant. While noting that the marketability of the premises is low because of the travel restrictions due to coronavirus disease (COVID-19) epidemic, Audit noted that 22 (38%) premises had not been leased out since the commissioning of HZMB-HKP in October 2018 (paras. 4.8 and 4.9).

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14. *Need to closely monitor the performance of the MOM contractor.* According to GPA, the operation of BCPs is very different from that of JUBs in terms of scale, functionalities and mode of operation. There are no particular guidelines for monitoring the MOM contractor at BCPs but GPA primarily refers to GPA Guidelines (for contract management of JUBs) in conducting inspections and surprise checks, etc. to monitor the performance of the MOM contractor. Since 2020, the number of passenger flow has been significantly reduced due to COVID-19 epidemic, and hence the effectiveness of GPA's measures to cope with the influx of passengers in the future upon the resumption of normal traveller clearance between Hong Kong and the Mainland remains to be tested. The second BCP with its joint-user government facilities put under the purview of GPA is Heung Yuen Wai BCP. In light of the experience gained in assuming the management role over these two BCPs, GPA will map out the overall plan for taking up the management responsibilities in respect of the remaining 10 BCPs in phases (paras. 1.11, 4.5, 4.10 and 4.11).

15. *Need to consider improving the performance reporting on management of joint-user facilities at BCPs.* GPA includes the number of joint-user government facilities at BCPs and the average management cost of buildings/facilities at BCPs as key performance indicators in its Controlling Officer's Reports (CORs). Audit noted that, in the calculation of average management cost for 2021 presented in GPA's COR, the cost was \$48.7 million, representing 38% of the total management costs paid to the MOM contractor at \$126.8 million. The cost included in the calculation of average management cost was adjusted to only include the cost for PCB (1 of the 58 joint-user government facilities). Furthermore, despite the significant contract sum (\$553.9 million for the 4-year period from 29 June 2022 to 28 June 2026) for provision of MOM services to facilities at HZMB-HKP, there is no performance target set in GPA's COR or any publications to evaluate GPA's performance in managing joint-user facilities at BCPs (paras. 4.12 to 4.14).

### Audit recommendations

16. **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:**

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### ***Monitoring of PMS contractors***

- (a) **make reference to the standards/benchmarks set by other departments which have deployed contractors for carrying out soft landscaping, tree management and waste disposal work, and consider including the remaining service items in the service charge adjustment mechanism (para. 2.12(a));**
- (b) **take measures to ensure that the frequencies of site inspections and surprise checks outside office hours comply with the requirements promulgated in GPA Guidelines (para. 2.12(b));**
- (c) **record the locations inspected in the inspection reports (para. 2.12(c));**
- (d) **review relevant guidelines and practice on inspection of selected areas with a view to ensuring all key floors/common areas (e.g. lobby/hall and areas accessible by the public) are inspected within a reasonable timeframe (para. 2.12(d));**
- (e) **consider using electronic means for conducting customer satisfaction surveys to facilitate data analysis, and step up efforts in improving the response rate of customer satisfaction surveys in future (para. 2.19(a) and (b));**
- (f) **make better use of the customer satisfaction survey results to gauge the performance of contractors in managing individual JUBs, and to identify service items which need improvement (para. 2.19(c));**

### ***Leasing out of accommodation within JUBs***

- (g) **remind GPA staff to strictly comply with the requirements on conducting routine site inspections in leased-out accommodation within JUBs, and conduct routine site inspections of carpark during operating hours of the carpark operators (para. 3.10(a) and (b));**
- (h) **ascertain the reasons of the lukewarm response from NGOs and SEs in the restricted tender exercises, and take measures to improve the**

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prospect of letting out premises within JUBs under the Socially Caring Leasing Arrangements (para. 3.15(a) and (b));

### *Management of joint-user facilities at BCPs*

- (i) step up efforts in improving the response rate of feedback forms from user departments of HZMB-HKP (para. 4.15(a));
- (j) take measures to improve the prospect of leasing out vacant premises at PCB of HZMB-HKP (para. 4.15(b));
- (k) continue to closely monitor the performance of the MOM contractor of HZMB-HKP and consolidate the experience gained to prepare for taking over the management of Heung Yuen Wai BCP and other BCPs (para. 4.15(c));
- (l) draw up detailed guidelines for monitoring the performance of MOM contractors in view of the unique mode of operation of BCPs (para. 4.15(d)); and
- (m) disclose the management cost of the remaining joint-user government facilities other than PCB, and consider setting performance targets for the management of joint-user facilities at BCPs (para. 4.15(e) and (f)).

## Response from the Government

17. The Government Property Administrator 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 The Financial Services and the Treasury Bureau (FSTB) has policy responsibility for government accommodation matters and is the authority for the issue and amendment of the Accommodation Regulations (Note 1). The Government Property Agency (GPA) oversees and gives advice to FSTB on government accommodation matters. GPA's main objectives are to:

- (a) keep an overview of the Government's short-term and long-term accommodation needs, mainly for offices and quarters, and meet those needs in an economical and cost-effective manner, typically in government-owned premises supplemented when necessary by leased accommodation;
- (b) review existing accommodation standards and set new standards as required;
- (c) manage government accommodation under its purview in an efficient and cost-effective manner;
- (d) optimise the utilisation of government sites and surplus properties with potential for alternative uses;
- (e) promote among government departments an awareness of the value of the accommodation they occupy and the need to maximise its use whilst minimising resources consumption and other operation costs; and
- (f) explore commercialisation opportunities in government buildings.

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**Note 1:** *The Accommodation Regulations of the Government set out the policy and guiding principles on government accommodation and related matters for government bureaux/departments.*

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1.3 According to the Accommodation Regulations, the management responsibility for a government building is designated according to the classification of the building. Government buildings are generally classified into joint-user general office buildings (JUBs) and specialist/departmental buildings (SDBs). Their salient features are as follows:

- (a) **JUB.** It is a building occupied by more than one user department. GPA assumes a coordinating role in seeking funds for the construction of the building and allocating the space therein to the user departments. User departments are responsible for seeking funds for the recurrent and other costs in respect of their office accommodation. GPA also undertakes the day-to-day property management of JUBs; and
- (b) **SDB.** It is a building, structure or formed land provided at the initiative of a user department which, with the support of its policy bureau(x), seeks funds for the construction and subsequent use of SDB in order to meet its policy objectives and/or operational needs (Note 2). The proponent/user department or the major/lead department (in the case of a multi-user SDB — see Appendix A) is responsible for seeking funds to obtain the accommodation required while the user department(s) should secure the funding for the recurrent and other costs for operating and maintaining the accommodation. For a single-user SDB, the day-to-day management is the responsibility of the proponent or user government bureau/department (B/D) concerned. For a multi-user SDB, the user departments in the building should form a Building Management Committee (BMC — Note 3) to perform day-to-day management. The role of GPA in SDBs is to set, assess and review space and furniture standards.

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**Note 2:** *SDBs include standalone departmental headquarters buildings, law courts, police stations, fire stations, correctional institutions, schools, libraries, museums, town halls, civic centres, community centres/halls/complexes, clinics, rehabilitation centres and multi-storey carparks and stores, etc.*

**Note 3:** *A BMC should comprise representatives from all user departments. The committee members should elect a chairman among themselves. They may consider rotating the chairmanship among the member departments for a fair sharing of management responsibilities.*

### ***Property management of JUBs***

1.4 GPA aims to manage government properties under its purview in an efficient and cost-effective manner, and to improve and modernise them to meet changing needs. It outsources the property management services (PMS) for JUBs, quarters and other premises under GPA's purview to private service contractors under six contracts covering different geographical regions (two for Hong Kong Island, two for Kowloon and two for the New Territories). In February 2020, six contracts for the four-year period from 1 April 2020 to 31 March 2024 were awarded at a total contract sum of \$1,645.5 million, covering 46 JUBs, 61 quarters and 34 other premises (Notes 4 and 5). A list of JUBs managed by GPA is listed out in Appendix B.

1.5 GPA adopts an outcome-based contract management approach which focuses on outcomes and performance (Note 6). The contractors are required to provide comprehensive and quality management services to the properties under their respective management with reference to the service specifications specified in the contracts. The scope of PMS in the contracts includes the following:

- (a) ***Site management services.*** These include building operations such as control/operation of electrical and mechanical facilities, compliance of statutory requirements, management of the booking of shared facilities and common areas, and soft landscaping and tree management;
- (b) ***Cleaning services.*** These include general cleaning services, pest control services and waste disposal services;

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**Note 4:** *The contract sum comprises \$714.6 million for JUBs, \$746.0 million for quarters, \$106.9 million for other premises under GPA's purview and \$78 million provisional sums for electrical and mechanical services.*

**Note 5:** *For the Treasury Building commissioned in March 2022, GPA included its PMS for the period from 1 March 2022 to 31 March 2024 in the contract for Kowloon Region 2 by issuing a contract variation order.*

**Note 6:** *An outcome-based service contract focuses on satisfying the customer expectation in terms of service levels, quality and frequency, and generally allows a more flexible, cost-efficient and value-added service solution.*

## Introduction

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- (c) *Security services.* These should be available at all times to enhance the personal safety and protection of government assets against theft and burglary, vandalism and unauthorised occupancy of the common areas, etc. The contractors are also responsible for operating and controlling all entry and exit points of the sites; and
- (d) *Administrative services.* These include management reporting, utility and power management, and other site management support services.

### *Leasing out of accommodation within JUBs*

1.6 According to Accommodation Regulations, in cases where B/Ds identify that any part or whole of their accommodation within JUBs is or will become surplus in the short or long-term, they should notify GPA, who will then consider and decide whether any alternative use of such accommodation (e.g. reallocation to other B/Ds) should be approved. When such accommodation cannot be put to alternative long-term use within the Government, GPA will consider other appropriate means of putting the accommodation to gainful use in the following order of priorities:

- (a) interim alternative use within the Government;
- (b) commercialisation; and
- (c) direct leasing supported by relevant B/Ds.

1.7 In line with the Government's policy objective to build a caring society, GPA has implemented the "Socially Caring Leasing Arrangements" on suitable government accommodation leased out by GPA since 2019 to facilitate the provision of social services by non-governmental organisations (NGOs) and social enterprises (SEs). Under the Socially Caring Leasing Arrangements, for tenancies commencing in 2019 and thereafter, the relevant accommodation within government buildings including JUBs is handled in the following order of priorities:

- (a) B/Ds are invited to take up the accommodation for their own use or directly allocate the accommodation to their sponsored non-profit-making NGOs (with priority accorded to welfare service providers) with policy support at nominal rent;

- (b) restricted tenders from NGOs and SEs are invited based on the lists (Note 7) provided by several B/Ds, with the successful bidders paying a fixed rent they offered in the tender; and
- (c) for the remaining accommodation which is not rented by any NGOs or SEs, GPA will lease it out by open tendering to the successful bidders, which are usually commercial organisations, at the offered rent (Note 8).

As of June 2022, GPA administered 46 tenancies in respect of leased-out accommodation in 22 JUBs, including 16 tenancies entered with NGOs with policy support at nominal rent, 5 tenancies under the Socially Caring Leasing Arrangements (comprising 1 tenancy granted directly to an NGO with policy support at nominal rent and 4 tenancies granted to NGOs/SEs through restricted tendering) and 25 commercial tenancies.

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**Note 7:** *Under the Socially Caring Leasing Arrangements, the lists comprise the following:*

- (a) *NGOs having tax exemption status under Section 88 of the Inland Revenue Ordinance (Cap.112) and participating in the “Enhancing Employment of People with Disability through Small Enterprise” project of the Social Welfare Department;*
- (b) *SEs having tax exemption status under Section 88 of the Inland Revenue Ordinance and funded under the “Enhancing Self-Reliance Through District Partnership Programme” of the Home Affairs Department; and*
- (c) *SEs having tax exemption status under Section 88 of the Inland Revenue Ordinance under the SE Directory of the Hong Kong Council of Social Services.*

**Note 8:** *For the accommodation leased out to commercial organisations by open tendering under the Socially Caring Leasing Arrangements, GPA incorporates tenancy provisions (e.g. providing longer and flexible tenure, and turnover rent) in appropriate premises to facilitate business operations of small and medium-sized enterprises.*

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1.8 In 2021-22, the rental income from tenancies in respect of leased-out accommodation within JUBs was \$16.7 million (Note 9). The common types of premises let out in JUBs include:

- (a) retail outlets (e.g. shops, cafes and kiosks);
- (b) space for automatic teller machines and automatic vending machines; and
- (c) carpark for use by the public during non-office hours (Note 10).

### ***New initiative in management of joint-user government facilities at boundary control points***

1.9 Boundary control points (BCPs) are one of the crucial components of cross-boundary facilities connecting Hong Kong to the Mainland and the rest of the world. At present, there are 14 BCPs (Note 11) in Hong Kong. Prior to 2019, BCPs were classified as SDBs and managed by pertinent B/Ds, the Hong Kong Airport

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**Note 9:** *In response to challenges (e.g. coronavirus disease (COVID-19) epidemic) faced by enterprises, the Government granted 50% rental concession for eligible tenants of government properties leased out by GPA since October 2019, and further increased the concession from 50% to 75% since April 2020 and up to June 2023.*

**Note 10:** *In order to better utilise parking resources, GPA has opened up some of the carparks in 15 JUBs for public use during non-office hours (normally the operating period is from 7:00 p.m. to 7:00 a.m. of the following day for all Mondays to Fridays (other than public holidays), and from 7:00 a.m. to 7:00 a.m. of the following day for all Saturdays, Sundays and public holidays). For Cheung Sha Wan Government Offices, some carpark spaces have also been opened up 24 hours every day for public use.*

**Note 11:** *The 14 BCPs currently in operation are the Hong Kong International Airport, Hung Hom Station, Lo Wu Control Point, Lok Ma Chau Spur Line Control Point, West Kowloon Station of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge Hong Kong Port, Shenzhen Bay Port Hong Kong Port Area, Lok Ma Chau BCP, Sha Tau Kok BCP, Man Kam To BCP, China Ferry Terminal, Hong Kong-Macau Ferry Terminal, Kai Tak Cruise Terminal and Heung Yuen Wai BCP.*

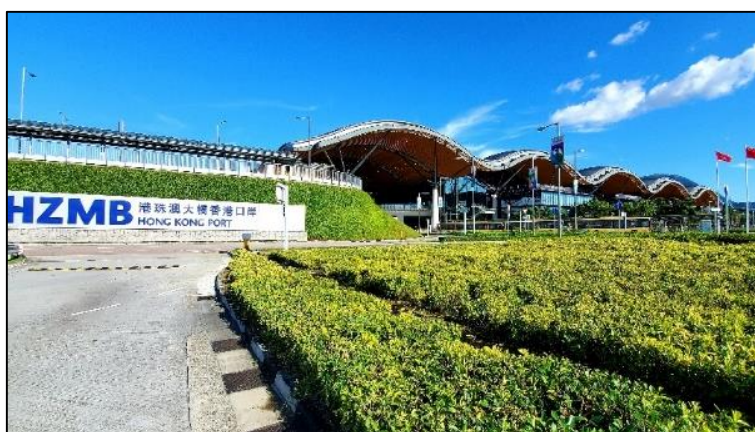
Authority or the MTR Corporation (Note 12). In February 2019, following a review conducted by the Security Bureau and having regard to GPA's experience in providing PMS to government properties, the Government decided that except those two at the Hong Kong International Airport and the Hung Hom Station, the rest of the 12 BCPs should be classified as joint-user government facilities and GPA's future role in managing joint-user facilities in BCPs would be no different from GPA's core functions in managing existing JUBs, e.g. arranging security, cleaning and site management.

1.10 The new arrangement started with Hong Kong-Zhuhai-Macao Bridge Hong Kong Port (HZMB-HKP — see Photograph 1). In January 2020, GPA took over from the Highways Department (HyD) the management responsibility of HZMB-HKP and monitoring of the contractor's performance under the management, operation and maintenance (MOM) contract entered by HyD as a representative of the Government in May 2018. In April 2022, GPA awarded a new contract for provision of MOM services at HZMB-HKP for the four-year period from 29 June 2022 to 28 June 2026.

### Photograph 1

#### HZMB-HKP

##### (a) Exterior view of the Passenger Clearance Building



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**Note 12:** *The Hong Kong Airport Authority and the MTR Corporation assume the building management duties for the Hong Kong International Airport and the Hung Hom Station control points respectively, except for government departments' back office areas.*

### Photograph 1 (Cont'd)

**(b) Interior view of the Passenger Clearance Building**



**(c) North Public Transport Interchange**



*Source: GPA records*

1.11 The second BCP with its joint-user government facilities put under the purview of GPA is Heung Yuen Wai (HYW) BCP. According to GPA, it will assume the property management responsibilities no later than 12 months after full commissioning of HYW BCP (Note 13). Meanwhile, with the commencement of the new MOM contract on 29 July 2022, GPA has taken up the role of convenor in BMC meetings and the major responsibility of monitoring the performance of MOM contractor. In light of the experience gained in assuming the management role over these two BCPs, GPA will map out the overall plan for taking up the management responsibilities in respect of the remaining 10 BCPs in phases, with a view to strategically enhancing their property and facilities management services in a holistic manner.

### *Performance reporting*

1.12 The key performance target and indicators on management of JUBs and facilities at BCPs as reported by GPA in its Controlling Officer's Reports (CORs) for 2017 to 2021 are shown in Table 1.

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**Note 13:** *HYW BCP was commissioned for the use of cross-boundary cargo clearance on 26 August 2020 and the management role was taken up by the Customs and Excise Department. Passenger Clearance Building and private cars' passenger clearance services in HYW BCP have not yet been commissioned up to the date of this report. According to GPA:*

- (a) since 2021, it has participated as an observer in the facility management meetings and BMC meetings coordinated by the Customs and Excise Department or the Immigration Department to understand the current practice of managing HYW BCP;*
- (b) in early 2022, it assisted in preparing tender documents of the new MOM contract for the four-year period from 29 July 2022 to 28 July 2026; and*
- (c) the contract was awarded by GPA on behalf of BMC in May 2022.*

## Introduction

**Table 1**

**Key performance target and key performance indicators  
(2017 to 2021)**

	Target	2017	2018	2019	2020	2021
		Actual				
Key performance target						
Performance level of PMS contractors (average percentage score measured according to the service level specified in PMS contracts) (%)	95	96	96	96	97	96
Key performance indicators						
(a) Number of government properties managed by GPA						
- JUBs	N.A.	45	46	46	46	45
- joint-user government facilities at BCPs (Note 1)	N.A.	N.A.	N.A.	N.A.	58	58
(b) Average management cost of: (\$/square metres/month) (Note 2)						
- JUBs	N.A.	16.3	16.4	18.2	20.3	20.7
- buildings/facilities at BCPs managed by GPA (Note 1)	N.A.	N.A.	N.A.	N.A.	59.4	53.1

Source: GPA records

Note 1: GPA has taken over property and facilities management of the 58 joint-user government facilities at HZMB-HKP with effect from 1 January 2020.

Note 2: Management costs of JUBs and buildings/facilities at BCPs managed by GPA are exclusive of expenditure on regular maintenance, provision for major repairs borne by the Architectural Services Department and electricity charges.

### **Responsible divisions**

1.13 GPA is headed by the Government Property Administrator. Relevant divisions and teams responsible for the management of JUBs and BCP facilities are as follows:

- (a) ***Contract Administration Team.*** Under the Property Management Division headed by a Chief Property Manager, the Contract Administration Team, led by a Senior Property Manager, is responsible for administering PMS contracts and monitoring the performance of the contractors. As at 31 March 2022, the staff establishment and strength of the Team were 21 and 18 respectively;
- (b) ***Leasing and Commercialisation Division.*** Headed by a Chief Property Manager, the Leasing and Commercialisation Division is responsible for identifying commercial opportunities in existing government buildings (including JUBs), and administering the commercial and NGO/SE tenancies. As at 31 March 2022, the staff establishment and strength of the Division were 50 and 41 respectively; and
- (c) ***BCP Team.*** In September 2019, GPA set up BCP Team to cope with the new responsibilities in taking over the management duties of the joint-user facilities at BCPs (see para. 1.9). As at 31 March 2022, the staff establishment and strength of the Team were 47 and 38 respectively.

An extract of organisation chart of GPA is shown in Appendix C.

### ***Financial provision***

1.14 Financial provision of management of JUBs and facilities by GPA are provided under the following programme areas:

- (a) ***Property management.*** The property management of JUBs and facilities is under the programme area “Property management” (Note 14). According to GPA’s COR, the estimated expenditure of the programme area in 2022-23 was \$1,857.3 million; and

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**Note 14:** *The programme area also covers Government, Institution and Community non-domestic properties in private developments, residential flats and other accommodation.*

## Introduction

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- (b) *Estate utilisation.* The leasing out of accommodation within JUBs is under the programme area “Estate utilisation” (Note 15). According to GPA’s COR, the estimated expenditure of the programme area in 2022-23 was \$74 million.

## Audit review

1.15 In November 2021, the Audit Commission (Audit) commenced a review to examine the management of JUBs and facilities by GPA, focusing on:

- (a) monitoring of PMS contractors (PART 2);
- (b) leasing out of accommodation within JUBs (PART 3); and
- (c) management of joint-user facilities at BCPs (PART 4).

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

## Acknowledgement

1.16 Audit would like to acknowledge with gratitude the full cooperation of the staff of GPA during the course of the audit review.

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**Note 15:** *The programme area also covers the utilisation of government sites and surplus properties (e.g. SDBs and government quarters).*

## **PART 2: MONITORING OF PROPERTY MANAGEMENT SERVICES CONTRACTORS**

2.1 This PART examines the monitoring of PMS contractors by GPA, focusing on:

- (a) administration of PMS contracts (paras. 2.3 to 2.13);
- (b) customer satisfaction survey (paras. 2.14 to 2.20); and
- (c) performance reporting (paras. 2.21 to 2.26).

2.2 As mentioned in paragraph 1.4, GPA outsources PMS for JUBs, quarters and other premises under its purview to private service contractors under six contracts. The total sum for provision of PMS to the 46 JUBs under the six contracts (see Note 4 to para. 1.4) which were awarded to three contractors for the four-year period from 1 April 2020 to 31 March 2024 is \$714.6 million (see Table 2). The Contract Administration Team of the Property Management Division is responsible for administering PMS contracts (see para. 1.13(a)). According to GPA, under the contract provisions, it monitors the performance of PMS contractors mainly by:

- (a) assessing the contractors' performance against the pre-defined service level standards and performance targets on a monthly basis (see paras. 2.3 and 2.4);
- (b) conducting periodic inspections and checks, and convening of monthly contract meetings and half-yearly Management Committee Meetings (see paras. 2.5 to 2.11); and
- (c) conducting customer satisfaction surveys every six months (see paras. 2.14 to 2.18).

## Monitoring of property management services contractors

Table 2

### Property management of JUBs under PMS contracts (1 April 2020 to 31 March 2024)

Region	Number of JUBs	Total gross floor area (Note) (square metres)	Sum included in contract for managing JUBs in the 4-year tenure (\$ million)
HK1	6	132,344	100.4
HK2	9	387,995	207.2
KLN1	4	72,215	57.5
KLN2	10	288,035	161.1
NT1	6	65,997	75.3
NT2	11	115,536	113.1
Total	46	1,062,122	714.6

Legend: HK1 = Hong Kong Island Region 1  
 HK2 = Hong Kong Island Region 2  
 KLN1 = Kowloon Region 1  
 KLN2 = Kowloon Region 2  
 NT1 = the New Territories Region 1  
 NT2 = the New Territories Region 2

Source: GPA records

Note: Gross floor area generally refers to the area contained within the external walls of the building measured at each floor level, together with the area of balcony and the thickness of the external walls of the building. The figures are compiled based on the information recorded in the site particulars of relevant PMS contract documents.

Remarks: The table shows the information of the contracts when they were awarded.

### Administration of property management services contracts

#### *Achievement of pre-defined service level by contractors*

2.3 As mentioned in paragraph 1.5, GPA adopts an outcome-based contract management approach to monitor the performance of PMS contractors. For this purpose, it adopts a service charge adjustment mechanism to monitor if the performance of contractors is up to standard. According to the service specifications included in PMS contracts, there are 20 service items under four areas, namely site management services, cleaning services, security services and administrative services. For each service item, a required service level is set. Among the 20 service items, GPA selects 10 service items and allocates a weighted point to each of them (see Table 3). If there is a failure in meeting the respective required standards in any of the 10 selected service items, a specified percentage shall be deducted from the performance level of the service item (Note 16). According to GPA, an irregularity found in GPA's site inspection or a substantiated complaint received from a user would be treated as a failure. If the contractor has not achieved the required performance level of 90% in any one-month period, a deduction shall be made to the service charge to reflect the failure to meet the required performance level (see Table 4). GPA may exercise the discretion of not making such deduction, where appropriate, during the "settle-in" period in the first six months of the contract. From April 2020 to March 2022, the performance levels of the contractors ranged from 90.45% to 99.75%. Since the contractors had achieved a performance level not below 90% which was deemed satisfactory under the relevant contract requirements, no deduction had been made to the service charge payable to them.

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**Note 16:** *In addition to the service charge adjustment mechanism, the contractor is required to achieve an average performance level of 94% and an average satisfaction level of 90% for customer satisfaction surveys for the first 24-month period (see para. 2.18); or otherwise, GPA may consider early termination of contract at the end of the third year of the contract period.*

## Monitoring of property management services contractors

**Table 3**

**Weighted point for the 10 selected service items  
under the service charge adjustment mechanism  
(1 April 2020 to 31 March 2024)**

Service area	Service item	Weighted point
Site management services	Monitoring and reporting of building operations	17
	Undertake inspections and co-ordinate tenant moving in/out	5
	Carparking spaces, passes and permits	5
	Contractor availability and responsiveness	8
	Emergency response service	13
	Tenant/resident complaints	10
Cleaning services	Cleaning	13
Security services	Security protection	17
	Entry and exit of persons and vehicles	5
Administrative services	Management reporting	7
Total		100

Source: GPA records

**Table 4**

**Percentage of deduction to the service charge against  
performance level under the service charge  
adjustment mechanism  
(1 April 2020 to 31 March 2024)**

Performance level	Percentage of deduction to the service charge
90% or above	No deduction
88% or above but less than 90%	1%
86% or above but less than 88%	2%
84% or above but less than 86%	3%
82% or above but less than 84%	4%
80% or above but less than 82%	5%

Source: GPA records

2.4 ***Need to review the service charge adjustment mechanism.*** Audit notes that among the 20 service items, only 10 have been included in the service charge adjustment mechanism. Examples of the remaining 10 service items not included in the mechanism include:

- (a) ***Soft landscaping and tree management.*** The contractor is responsible for existing soft landscaping and replacement where necessary, and tree management (e.g. tree inspection, replant and maintenance, etc.), for the purpose of providing tenants/residents with an aesthetically pleasing environment and reducing the risk of health and fire hazards and nuisance; and
- (b) ***Waste disposal.*** The contractor is responsible for waste recycling and providing necessary and sufficient rubbish bins, recyclable plastic bags, and carts for collecting and delivering all refuse to the specified waste transfer points.

According to GPA, it was not considered practicable in the previous review performed in 2002 to include the remaining 10 service items into the mechanism, having regard to the difficulties in quantifying the shortfall/failure. However, Audit noted that substantiated complaints were received in respect of soft landscaping in 2019 and 2021. In Audit's view, GPA needs to make reference to the standards/benchmarks set by other departments which have deployed contractors for carrying out soft landscaping, tree management and waste disposal work, and consider including the remaining service items in the mechanism.

### ***Conduct of inspections and checks***

2.5 GPA conducts inspections and checks on a surprise basis in JUBs to monitor the contractors' performance and verify compliance with the contractual obligations throughout the contract period. Each Assistant Building Supervisor and Building Supervisor of the Contract Administration Team is assigned to oversee a group of JUBs. According to GPA's Procedural Guidelines for Contract Management (hereinafter referred to as GPA Guidelines), inspections and checks should be conducted as follows:

- (a) site inspections should be conducted on a surprise basis with the following frequencies:

## **Monitoring of property management services contractors**

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- (i) once a month for major JUBs (e.g. Queensway Government Offices (QGO));
  - (ii) once every two months for minor JUBs (e.g. Sai Kung Government Offices); and
  - (iii) once or twice a year for JUBs located in remote sites (e.g. Peng Chau Government Offices Building);
- (b) a random sample of workers should be interviewed during each site inspection to cross check the working condition of non-skilled workers including actual amount of wages received, maximum daily working hours and the actual number of rest days, etc.;
- (c) surprise checks outside office hours should be conducted at least once every six months to each venue in order to ensure energy saving measures like switching off of non-essential lightings and electrical and mechanical provision during non-business hours are strictly adhered to;
- (d) for each site inspection and surprise check, the staff should complete a report within two months after carrying out the inspection and check;
- (e) if an irregularity is found during an inspection/check, the inspection officer should write to inform the contractor within two working days. Progress of follow-up actions should be required from the contractor within five working days from the date of receipt of GPA's notice and copied to the electronic inspection file system for record purpose;
- (f) a supervisor (e.g. Senior Building Supervisor) has to accompany the inspection officer in conducting some site inspections at least once half-yearly;
- (g) the Contract Manager in the Contract Administration Team should carry out his/her own site inspection, targeted at twice per month. In addition, he/she should check the record of site inspections, and submit a summary of inspections on individual properties carried out by his/her staff on a bi-monthly basis to the Chief Property Manager of the Property

## **Monitoring of property management services contractors**

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Management Division (CPM(PM)) and Senior Property Manager (Contract Administration) (SPM(CA)) for information; and

- (h) CPM(PM) and SPM(CA) should conduct random site inspection with the respective Contract Manager at least once before the half-yearly Management Committee Meeting to be held with the contractor.

2.6 ***Number of site inspections and surprise checks outside office hours not meeting the required frequencies promulgated in GPA Guidelines.*** Audit examined the record of site inspections and surprise checks outside office hours performed in the period from 2019 to 2021 and noted that:

- (a) the required frequencies of site inspections (see para. 2.5(a)) had not been attained for 2, 23 and 1 JUBs in 2019, 2020 and 2021 respectively. According to GPA:
  - (i) due to the outbreak of COVID-19 epidemic, the frequencies of site inspections were reduced in some months in 2020 and a short period of 2021; and
  - (ii) following the improvement of epidemic situation in 2021, the frequencies of site inspections resumed normal from February to December 2021; and
- (b) the required frequencies of surprise checks outside office hours (see para. 2.5(c)) had not been attained for 10, 13 and 13 JUBs in 2019, 2020 and 2021 respectively (see Table 5). In particular, no surprise check outside office hours had been conducted in five JUBs in 2020 and 2021.

Audit considers that GPA needs to take measures to ensure that the frequencies of site inspections and surprise checks outside office hours comply with the requirements promulgated in GPA Guidelines.

Table 5

**Surprise checks outside office hours performed by GPA  
(2019 to 2021)**

Year	Required frequencies of surprise checks				Total	
	Attained		Not attained			
	(Number of JUBs)	(%)	(Number of JUBs)	(%)	(Number of JUBs)	(%)
2019	36	78	10	22	46	100
2020	33	72	13	28	46	100
2021	32	71	13	29	45 (Note)	100

Source: Audit analysis of GPA records

Note: The Yaumatei Carpark Building was decommissioned on 1 January 2021. As a result, the number of JUBs decreased from 46 in 2020 to 45 in 2021.

**2.7 Room for improvement in planning site inspections and documenting site inspection reports.** Audit selected 15 JUBs (including 8 major JUBs, 5 minor JUBs and 2 JUBs in remote sites) and examined the 113 and 132 site inspection reports for inspections conducted in 2020 and 2021 respectively. Audit examination revealed that:



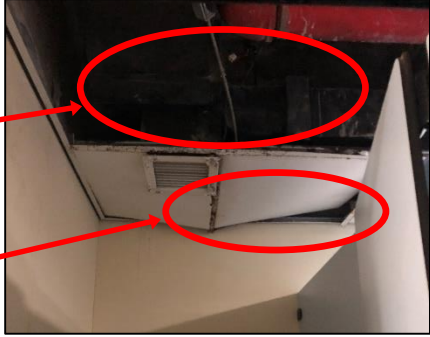

- (a) the inspection reports for 9 JUBs (60%) had stated the floors/areas inspected in each site inspection. In 6 of these 9 JUBs, some floors/areas were not covered in the site inspections conducted in 2020 and 2021;
- (b) the inspection reports for 4 JUBs (27% — including QGO) had not stated the floors/areas inspected but only specified the floors/areas in which irregularities were found; and
- (c) for 2 JUBs (13% — including North Point Government Offices (NPGO)), not all the inspection reports recorded the floors/areas inspected.

2.8 In this connection, Audit conducted inspections in the 8 major JUBs during January to July 2022 and noted that there was room for improvement in performing site inspections:

- (a) **QGO.** Audit visited QGO on 12 January and 17 February 2022 and found that, in a male toilet of the Low Block of QGO, some false ceiling panels were misplaced or missing and some light fittings were out of order (see Photograph 2). For the period from 12 January to 17 February 2022, GPA conducted one inspection at QGO (on 27 January 2022) but the floor concerned was not covered in the site inspection. Furthermore, according to the cleaning records, during the period, the contractor had cleaned the toilet on 17 and 24 January, and on 4 and 7 February 2022. The contractor should have spotted the defects but had not taken follow-up actions. There was also no record of checking by the supervisory staff of the contractor during the period. In July 2022, in response to Audit's findings, GPA informed Audit that:
  - (i) it had reported the above defects to the respective works departments and the defects were rectified in March 2022;
  - (ii) for cost-effectiveness, the inspections performed by GPA focused on key or major floors/facilities of JUBs as well as those portions of specific concerns. Pursuant to the Accommodation Regulations, the user departments, particularly the major user department of the floor concerned, should report building defects/building services defects to the works departments (e.g. the Architectural Services Department) for their necessary follow-up action. According to the record of PMS contractor, no report of those defects had been received from the user departments of the floor concerned; and
  - (iii) as the office of the major user department of the floor concerned had been under renovation since July 2021, the staff of PMS contractor misunderstood that there would be works at the ceiling of the toilet being carried out by the renovation contractor and did not verify with the renovation contractor on the issue. Nonetheless, the frequency of checking by the supervisory staff of PMS contractor was found not up to GPA's satisfaction and the checking was not conducted thoroughly. As a result, the defects were not timely reported for follow-up action; and

Photograph 2

### Audit inspections to a male toilet in QGO





Date	(a) False ceiling panels misplaced or missing	(b) Light fitting out of order
12 January 2022		
17 February 2022		

Source: Photographs taken by Audit staff on 12 January and 17 February 2022

- (b) **NPGO.** Audit visited NPGO on 6 May and 2 June 2022, and found that there was a lot of trash in a planter to the left of the main entrance on the ground floor and some dirt around the sinks of the male toilet in the carpark (see Photograph 3). Audit could not locate the cleaning records in the said toilet during Audit inspections. In the period from 6 May to 2 June 2022, GPA conducted one inspection at NPGO (on 24 May 2022). According to the inspection report, the concerned planter was not inspected by GPA in its site inspections, while the concerned toilet was inspected and marked an irregularity due to blocked drain.

**Photograph 3**

**Audit inspections to NPGO**

<b>Date</b>	<b>(a) Trash found in a planter to the left of the main entrance on the ground floor</b>	<b>(b) Dirt around the sinks of the male toilet in the carpark</b>
6 May 2022		
2 June 2022		

*Source: Photographs taken by Audit staff on 6 May and 2 June 2022*

2.9 While GPA focuses on key or major floors/facilities of JUBs and those portions of specific concerns in its site inspections (see para. 2.8(a)(ii)), Audit notes that there are no clear guidelines in selecting areas to be inspected for each type of JUBs. To improve the effectiveness of GPA's site inspections, Audit considers that GPA needs to:

- (a) record the locations inspected in the inspection reports;
- (b) review relevant guidelines and practice on inspection of selected areas with a view to ensuring all key floors/common areas (e.g. lobby/hall and areas accessible by the public) are inspected within a reasonable timeframe; and

## **Monitoring of property management services contractors**

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- (c) remind user departments to proactively report irregularities or defects to the building management office or the works departments.

**2.10      *Need to properly document site inspections performed by the Contract Managers, SPM(CA) and CPM(PM).*** According to GPA Guidelines, the Contract Managers should perform site inspections twice a month, and SPM(CA) and CPM(PM) are required to perform random site inspections with the Contract Managers at least once before the Management Committee Meeting (see para. 2.5(g) and (h)). However, there was no documentary evidence showing that the pertinent officers had conducted any inspections in 2020 and 2021. Audit considers that GPA needs to properly document the site inspections performed by the Contract Managers, SPM(CA) and CPM(PM).

**2.11      *Need to conduct interview with workers during site inspections in accordance with GPA Guidelines.*** According to GPA Guidelines, inspection staff should conduct interview with a random sample of workers on site during each of his site inspection to cross check the working condition of non-skilled workers (see para. 2.5(b)). The interview should be conducted without prior notice to the contractor. Audit examined the 113 and 132 inspection reports of the 15 JUBs for inspections conducted in 2020 and 2021 respectively (see para. 2.7) and noted that GPA did not conduct interview with workers in 97 (86% of 113) site inspections in 2020 and 95 (72% of 132) site inspections in 2021. In order to monitor the terms and conditions of service of non-skilled workers employed under PMS contracts, GPA needs to conduct interview with workers during site inspections in accordance with GPA Guidelines.

## **Audit recommendations**

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

- (a) **make reference to the standards/benchmarks set by other departments which have deployed contractors for carrying out soft landscaping, tree management and waste disposal work, and consider including the remaining service items in the service charge adjustment mechanism;**

## **Monitoring of property management services contractors**

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- (b) **take measures to ensure that the frequencies of site inspections and surprise checks outside office hours comply with the requirements promulgated in GPA Guidelines;**
- (c) **record the locations inspected in the inspection reports;**
- (d) **review relevant guidelines and practice on inspection of selected areas with a view to ensuring all key floors/common areas (e.g. lobby/hall and areas accessible by the public) are inspected within a reasonable timeframe;**
- (e) **remind user departments to proactively report irregularities or defects to the building management office or the works departments;**
- (f) **properly document the site inspections performed by the Contract Managers, SPM(CA) and CPM(PM); and**
- (g) **conduct interview with workers during site inspections in accordance with GPA Guidelines.**

## **Response from the Government**

2.13 The Government Property Administrator agrees with the audit recommendations. He has said that GPA:

- (a) is reviewing the service charge adjustment mechanism by making reference to the standards/benchmarks set by other departments which have deployed contractors for the relevant service items, with a view to implementing appropriate changes in the new PMS contracts. The review will be completed by the end of 2022;
- (b) has implemented regular reporting of site inspections and surprise checks outside office hours since June 2022 to step up the monitoring of contractors' performance;

## Monitoring of property management services contractors

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- (c) is reviewing the procedures to ensure that the inspected locations are recorded properly in the inspection reports in future. It will complete the review by the end of 2022;
- (d) is reviewing relevant guidelines and practice on inspection of selected areas with a view to ensuring that all key floors/common areas are inspected within a reasonable timeframe;
- (e) has reminded user departments, through BMC, to take a more proactive role in reporting any irregularities identified from their daily occupation;
- (f) will ensure that sites inspections are properly documented; and
- (g) has reminded its staff to observe the interview requirements set out in GPA Guidelines.

## Customer satisfaction survey

2.14 GPA conducts customer satisfaction surveys twice a year to evaluate the performance of the contractors. Questionnaires with 24 questions grouped under three types of service areas (i.e. site management services, cleaning services and security services) are distributed to the departmental representatives of user departments in JUBs. Ten copies are distributed to a department occupying a whole floor while five copies are distributed to a department occupying a portion of a floor. The departmental representatives then pass the questionnaires to selected staff to rate the contractors' performance on a 6-point scale, namely "6 - very satisfied", "5 - satisfied", "4 - somewhat satisfied", "3 - somewhat dissatisfied", "2 - dissatisfied" and "1 - very dissatisfied". After completion, the staff can return the questionnaires by fax or by dropping them into the collection box at the respective building management office. According to GPA Guidelines, the contractor is required to achieve an average satisfaction level of 90% (i.e. 90% of the respondents rating "6 - very satisfied", "5 - satisfied", or "4 - somewhat satisfied" in the survey — Note 17) on contract basis for the first 24-month period, and an incremental

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**Note 17:** *For analysis purpose, GPA groups "6 - very satisfied", "5 - satisfied" and "4 - somewhat satisfied" as "satisfied" and "1 - very dissatisfied", "2 - dissatisfied" and "3 - somewhat dissatisfied" as "dissatisfied" and performs the analysis on contract basis.*

satisfaction level specified by GPA in subsequent surveys for the remaining contract period.

### *Scope for improvement in conducting customer satisfaction surveys*

2.15 For each survey, over 6,000 questionnaires are distributed to user departments in JUBs. Under the prevailing practice, the questionnaires distributed to departments are in paper form and the respondents need to manually tick the ratings. Upon receipt of completed questionnaires, GPA staff need to manually input the data for analysis. As shown in Table 6, from April 2019 to October 2021, the overall response rates of the customer satisfaction surveys of the six PMS contracts were less than 50%, ranging from 28% to 37%. Audit further analysed the response rates of the surveys by individual JUBs in October 2020, April 2021 and October 2021 and noted that:

- (a) for 9 (21%) of 43 JUBs (Note 18), the response rates were consistently below 30%; and
- (b) among the 9 JUBs, for a JUB in remote site, 20 sets of questionnaires had been distributed to the user departments in each of these three surveys but only one completed questionnaire had been received in the survey conducted in October 2020.

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**Note 18:** *The number of JUBs excluded the Yaumatei Carpark Building (which was decommissioned on 1 January 2021), Wu Chung House and Oi Kwan Court. The latter two JUBs were in private developments and some PMS (e.g. site management services, cleaning services for common area) were provided by other contractors deployed by the owners of these developments. For the services (e.g. cleaning services for B/Ds' offices) provided by GPA's PMS contractor, GPA assessed the contractor's work by other means such as collecting feedback from user B/Ds, complaints received, site inspections and deliberation at BMC meetings.*

## Monitoring of property management services contractors

Table 6

**Response rate of the customer satisfaction surveys in JUBs  
(April 2019 to October 2021)**

Survey	Response rate (%)						
	HK1	HK2	KLN1	KLN2	NT1	NT2	Overall
April 2019	26	28	40	35	34	27	31
October 2019	25	31	49	45	26	30	33
March 2020 (Note)	23	27	37	30	30	24	28
October 2020	28	42	43	36	43	28	37
April 2021	27	39	36	39	40	26	35
October 2021	31	33	41	33	37	25	32

Legend: HK1 = Hong Kong Island Region 1  
HK2 = Hong Kong Island Region 2  
KLN1 = Kowloon Region 1  
KLN2 = Kowloon Region 2  
NT1 = the New Territories Region 1  
NT2 = the New Territories Region 2

Source: GPA records

Note: In order to evaluate the performance of the contractors with the contracts ended on 31 March 2020, the customer satisfaction survey was conducted in March 2020 instead of April 2020.

2.16 In Audit's view, in order to gauge the users' feedback on the performance of the contractors, GPA needs to:

- (a) consider using electronic means for conducting customer satisfaction surveys to facilitate data analysis; and
- (b) step up efforts in improving the response rate of customer satisfaction surveys in future.

***Need to make better use of customer satisfaction survey results***

2.17 According to the analysis performed by GPA, for the surveys conducted in April and October 2021, the average satisfaction level of the respondents of JUBs in each of the six contracts ranged from 96% to 99% and 97% to 99% respectively (see Table 7).

**Table 7**

**Results of the customer satisfaction surveys for JUBs  
(April and October 2021)**

Service area	Percentage of satisfaction level (Note)					
	HK1	HK2	KLN1	KLN2	NT1	NT2
<b><i>April 2021</i></b>						
Site management services	100%	98%	99%	99%	99%	99%
Cleaning services	97%	92%	95%	98%	96%	97%
Security services	100%	98%	98%	99%	98%	100%
Average	99%	96%	97%	99%	98%	99%
<b><i>October 2021</i></b>						
Site management services	99%	98%	99%	99%	98%	99%
Cleaning services	93%	94%	96%	99%	96%	98%
Security services	98%	98%	99%	100%	100%	100%
Average	97%	97%	98%	99%	98%	99%

Legend: HK1 = Hong Kong Island Region 1  
 HK2 = Hong Kong Island Region 2  
 KLN1 = Kowloon Region 1  
 KLN2 = Kowloon Region 2  
 NT1 = the New Territories Region 1  
 NT2 = the New Territories Region 2

Source: GPA records

Note: Percentage of satisfaction level represents the percentage of respondents rating the service area as “6 - very satisfied”, “5 - satisfied” or “4 - somewhat satisfied”.

Remarks: There were 13, 7 and 4 questions in site management services, cleaning services and security services respectively. The above table shows the average satisfaction level in each service area.

## Monitoring of property management services contractors

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2.18 According to GPA Guidelines, the contractor is required to achieve an average satisfaction level of 90% for the first 24-month period (see Note 16 to para. 2.3). Audit noted that, while the average satisfaction level of each of the six contracts ranged from 96% to 99% and 97% to 99% in the surveys conducted in April and October 2021 respectively, the average satisfaction level on the cleanliness of office toilets in the contract of Hong Kong Island Region 2 was below 90% consecutively (April 2021: 82%; October 2021: 85%) (Note 19). Audit analysis found that, among the 7 JUBs (Note 20) under the contract, the satisfaction level on the cleanliness of office toilets was below 90% in 5 JUBs, ranging from 60% to 84% and 72% to 89% in April and October 2021 respectively, with NPGO (April 2021: 60%; October 2021: 73%) recording the lowest satisfaction level among the 7 JUBs (see Table 8). In Audit's view, GPA needs to:

- (a) make better use of the customer satisfaction survey results to gauge the performance of contractors in managing individual JUBs, and to identify service items which need improvement (e.g. cleanliness of office toilets);
- (b) take further measures to improve the contractors' performance on service items (e.g. cleanliness of office toilets in JUBs) with a satisfaction level below 90% in customer satisfaction surveys; and
- (c) consider setting a satisfaction level on each individual service item in conducting customer satisfaction surveys in future, taking into account the feedback of users and satisfaction levels recorded in previous surveys.

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**Note 19:** *Apart from the contract of Hong Kong Island Region 2, the average satisfaction levels for the cleanliness of office toilets were below 90% in the contracts of Kowloon Region 1 (88%) and Hong Kong Island Region 1 (84%) in the surveys conducted in April and October 2021 respectively.*

**Note 20:** *There were 9 JUBs in the contract of Hong Kong Island Region 2. However, the customer satisfaction survey did not include government offices in Wu Chung House and Oi Kwan Court which were in private developments (see Note 18 to para. 2.15(a)).*

## Monitoring of property management services contractors

Table 8

### Cleanliness of office toilets by JUB rated in the customer satisfaction surveys of Hong Kong Island Region 2 (April and October 2021)

Satisfaction level (Note)	Number of returned questionnaires							
	Eastern Law Courts Building	Immigration Tower	North Point Fire Brigade Building	NPGO	Revenue Tower	Southorn Centre	Wanchai Tower	Total
<b>April 2021</b>								
Satisfied	60 (83%)	115 (69%)	6 (75%)	39 (60%)	196 (84%)	142 (92%)	128 (93%)	686 (82%)
Dissatisfied	12 (17%)	52 (31%)	2 (25%)	26 (40%)	37 (16%)	12 (8%)	10 (7%)	151 (18%)
Total	72 (100%)	167 (100%)	8 (100%)	65 (100%)	233 (100%)	154 (100%)	138 (100%)	837 (100%)
<b>October 2021</b>								
Satisfied	51 (89%)	112 (83%)	12 (86%)	37 (73%)	115 (72%)	125 (95%)	148 (93%)	600 (85%)
Dissatisfied	6 (11%)	23 (17%)	2 (14%)	14 (27%)	45 (28%)	6 (5%)	12 (7%)	108 (15%)
Total	57 (100%)	135 (100%)	14 (100%)	51 (100%)	160 (100%)	131 (100%)	160 (100%)	708 (100%)

*Source:* Audit analysis of GPA records

*Note:* There are six ratings ranging from “6 - very satisfied” to “1 - very dissatisfied”. For analysis purpose, GPA groups “6 - very satisfied”, “5 - satisfied” and “4 - somewhat satisfied” as “satisfied” and “1 - very dissatisfied”, “2 - dissatisfied” and “3 - somewhat dissatisfied” as “dissatisfied”.

### Audit recommendations

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

- (a)      **consider using electronic means for conducting customer satisfaction surveys to facilitate data analysis;**
- (b)      **step up efforts in improving the response rate of customer satisfaction surveys in future;**
- (c)      **make better use of the customer satisfaction survey results to gauge the performance of contractors in managing individual JUBs, and to identify service items which need improvement (e.g. cleanliness of office toilets);**
- (d)      **take further measures to improve the contractors' performance on service items (e.g. cleanliness of office toilets in JUBs) with a satisfaction level below 90% in customer satisfaction surveys; and**
- (e)      **consider setting a satisfaction level on each individual service item in conducting customer satisfaction surveys in future, taking into account the feedback of users and satisfaction levels recorded in previous surveys.**

### Response from the Government

2.20      The Government Property Administrator agrees with the audit recommendations. He has said that GPA:

- (a)      is preparing for the development of electronic questionnaires for conducting customer satisfaction surveys to facilitate data analysis;
- (b)      will step up efforts in improving the response rate through soliciting assistance from BMCs of JUBs;

- (c) has made better use of the customer satisfaction survey results by checking the area(s)/venue(s) with relatively low satisfaction level, drawing PMS contractors' attention to the relevant area(s)/venue(s) and requesting them to improve and report the actions taken in a timely manner; and
- (d) will consider setting a satisfaction level on each individual service item in conducting customer satisfaction surveys as far as practicable in future.

### Performance reporting

2.21 As mentioned in paragraph 1.12, regarding the property management of JUBs, GPA includes one key performance target (i.e. performance level of PMS contractors) and two key performance indicators (i.e. number of JUBs managed by GPA and their average management cost) in its COR. Audit has found room for improvement in performance reporting as mentioned in paragraphs 2.22 to 2.24.

#### *Need to improve the disclosure of key performance measures*

2.22 In addition to the key performance target and key performance indicators disclosed in GPA's COR, Audit notes that there are other key measures on property management which will facilitate the monitoring of the contractors' performance, including:

- (a) ***Response time of property management complaints.*** As shown in GPA's website, it pledges to respond to property management complaints within two working days and the target level is 90%. However, the actual performance was neither disclosed on the website nor in COR; and
- (b) ***Number of inspections and checks conducted.*** GPA carries out site inspections and surprise checks outside office hours in accordance with the frequencies stipulated in GPA Guidelines (see para. 2.5(a) and (c)).

In Audit's view, GPA needs to take measures to improve the disclosure of key performance measures.

### *Need to improve the reporting of average management cost in COR*

2.23 According to GPA, the average management cost of JUBs is calculated by dividing the total service charges on PMS paid to the contractors by the total internal floor areas of JUBs. However, Audit noted that for the average management costs of JUBs in 2020 and 2021 reported in GPA's CORs, the service charges paid to the contractors did not include the costs arising from contract variation orders for special services, mainly for deploying more staff for checking of body temperature at entrances of JUBs since 2020 and facilitating the enforcement of using the "LeaveHomeSafe" mobile application in 2021. If the costs of contract variation orders were included in the calculation of average management cost, the average management cost of JUBs per month would increase by 26% (from \$20.3 per square metres (m<sup>2</sup>) to \$25.6 per m<sup>2</sup>) in 2020 and by 36% (from \$20.7 per m<sup>2</sup> to \$28.2 per m<sup>2</sup>) in 2021.

2.24 In July 2022, GPA informed Audit that, as checking of body temperature was not a prescribed measure in property management over the years and only required amid the epidemic, it regarded the service as an ad hoc item and did not include in the calculation of average management cost of JUBs, which would facilitate a like-with-like comparison with previous years. While noting that the costs arising from contract variation orders are ad hoc items, Audit considers that there is a merit for GPA to present a full picture of average management cost of JUBs in its COR. Since the costs were significant (2020: \$43.7 million; 2021: \$62.2 million), GPA should consider including footnotes to the performance indicator to disclose the additional costs incurred on ad hoc items to facilitate understanding by COR users.

## **Audit recommendations**

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

- (a) **take measures to improve the disclosure of key performance measures; and**
- (b) **consider including footnotes to the performance indicator to disclose the additional costs incurred on ad hoc items to facilitate understanding by COR users.**

## **Response from the Government**

2.26 The Government Property Administrator agrees with the audit recommendations. He has said that GPA will take measures to improve the disclosure of key performance measures and include footnotes to the performance indicator to improve the reporting of average management cost.

## **PART 3: LEASING OUT OF ACCOMMODATION WITHIN JOINT-USER GENERAL OFFICE BUILDINGS**

3.1 This PART examines GPA's work related to leasing out of accommodation within JUBs, focusing on:

- (a) compliance of tenancy conditions (paras. 3.3 to 3.11); and
- (b) letting out of premises within JUBs under the Socially Caring Leasing Arrangements (paras. 3.12 to 3.16).

3.2 As of June 2022, GPA administered 46 tenancies in respect of leased-out accommodation in 22 JUBs, as follows:

- (a) 21 NGO/SE tenancies, including:
  - (i) 16 premises leased out to NGOs at nominal rent with policy support by B/Ds (i.e. concessionary tenancies through direct allocation/leasing); and
  - (ii) 5 premises leased out to NGOs/SEs under the Socially Caring Leasing Arrangements (comprising 1 tenancy granted directly to an NGO with policy support at nominal rent and 4 tenancies granted to NGOs/SEs through restricted tendering); and
- (b) 25 commercial tenancies (premises leased out through open tendering or direct leasing at market rent).

The tenancy management work, which is performed by the Leasing and Commercialisation Division of GPA, mainly includes monitoring compliance of tenancy conditions by the tenants, and collecting rent/management fee and other charges. Table 9 shows the types of premises let out under the 46 tenancies in JUBs as of June 2022.

**Leasing out of accommodation  
within joint-user general office buildings**

**Table 9**

**Types of premises let out under the 46 tenancies in JUBs  
(June 2022)**

Type of premises	Number of tenancies			
	NGO/SE tenancy		Commercial tenancy	Total
	at nominal rent	under Socially Caring Leasing Arrangements		
Office/activity centre	14	1	0	15
Carpark for use by the public	0	0	13	13
Clinic	2	0	4	6
Retail outlet	0	4	1	5
Automatic vending machine	0	0	3	3
Automatic teller machine	0	0	2	2
Advertising	0	0	1	1
Electricity substation	0	0	1	1
Total	16	5	25	46

*Source: Audit analysis of GPA records*

## **Compliance of tenancy conditions**

3.3 According to GPA, site inspections are conducted to ensure that there is no breach of tenancy terms and conditions by the tenants. GPA has promulgated divisional instructions on conducting site inspections of leased-out government properties (including those in JUBs), as follows:

- (a) ***Routine site inspections.*** Depending on the procedures adopted to lease out the accommodation, there are different requirements on the inspection frequencies:

## Leasing out of accommodation within joint-user general office buildings

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- (i) for accommodation in JUBs leased out through tenders (including restricted tender and open tender), GPA should arrange inspections at an interval of 2 years; and
- (ii) for accommodation in JUBs leased out through direct allocation/leasing with policy support at market/nominal rent (hereinafter referred to as direct allocation/leasing), GPA should arrange inspections at least once every 3 years.

GPA staff should complete an inspection checklist (using a specified template — Note 21) after the inspection. If a breach of tenancy conditions is identified, GPA should take appropriate enforcement and follow-up actions; and

- (b) ***Non-routine site inspections.*** GPA also conducts non-routine site inspections under circumstances such as upon receiving complaints from the public or referrals from other parties (e.g. other B/Ds) in relation to the operation of the tenancies. From January 2019 to March 2022, GPA conducted 10 non-routine site inspections in respect of the leases in JUBs.

### ***Inadequacies in conducting routine site inspections***

3.4 From January 2019 to March 2022, GPA conducted 69 routine site inspections in respect of the leases in JUBs. Audit examination revealed the following areas for improvement:

- (a) ***Non-compliance with routine site inspection frequencies.*** From January 2019 to March 2022, 49 premises were leased out, comprising

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**Note 21:** *Major items to be checked by GPA staff during routine site inspections included:*

- (a) *subletting and change to permitted use and boundary of the premises;*
- (b) *change to the name of the shop;*
- (c) *unauthorised structural alteration to the premises;*
- (d) *change to the carpark charges;*
- (e) *obstruction to common area or nuisance caused by the tenant; and*
- (f) *breach of other tenancy conditions.*

## **Leasing out of accommodation within joint-user general office buildings**

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27 premises leased out through tenders and 22 premises leased out through direct allocation/leasing. Audit examination found that the frequencies of routine site inspections stated in the divisional instructions (see para. 3.3) had not been complied with in some cases:

- (i) for 17 (63% of 27) premises leased out through tenders, there were delays ranging from 10 days to 22 months (averaging 11 months) in conducting routine site inspections; and
- (ii) for 19 (86% of 22) premises leased out through direct allocation/leasing, there were delays ranging from 8 days to 10 months (averaging 5 months) in conducting routine site inspections.

According to GPA, during the period, the site inspection work was affected by firstly the social unrest in 2019 and then the COVID-19 epidemic and the work-from-home arrangements from 2020 to 2022. Thus, site inspections were not conducted in accordance with the normal programme. In some cases where GPA staff had difficulties in conducting the site inspections as scheduled due to the above circumstances, GPA utilised the services of the PMS contractors to inspect and report the on-site situation;

- (b) ***Inadequacies in reporting inspection results.*** According to GPA's divisional instructions, the completed inspection checklists should be submitted to an Estate Surveyor/Valuation Surveyor grade staff for information and taking necessary follow-up actions. Audit examination found that the completed inspection checklists had not been submitted to the Estate Surveyor/Valuation Surveyor grade staff in 32 (46% of 69) routine site inspections, contrary to the requirements (see para. 3.3); and
- (c) ***Need to improve effectiveness of routine site inspections of carpark.*** According to the tenancy agreements, carpark operators are granted the right to operate the carpark in JUBs during non-office hours (see Note 10 to para. 1.8(c)). Of the 69 routine site inspections, 25 inspections were related to carpark leases. Audit examination of the 25 routine site inspection records found areas for improvement in 23 (92%) cases:

## **Leasing out of accommodation within joint-user general office buildings**

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- (i) in 15 (60%) cases, GPA staff did not conduct routine site inspections of carpark during the operating hours of the carpark operators concerned; and
- (ii) in 8 (32%) cases, GPA staff did not record the time of inspection in the checklists.

In Audit's view, GPA needs to remind its staff to strictly comply with the requirements on conducting routine site inspections in leased-out accommodation within JUBs. GPA also needs to conduct routine site inspections of carpark during operating hours of the carpark operators.

### ***Policy support for concessionary tenancies***

3.5 According to the Accommodation Regulations, B/Ds recommending a concessionary tenancy (sponsoring B/Ds) should conduct a review from time to time to ensure that the NGO tenant is using the premises for the approved purposes. The sponsoring B/D should first consider if the NGO tenant is justified to stay before considering whether the NGO tenant is operating to the sponsoring B/D's satisfaction and concessionary/nominal rent can still be recommended. If the review result warrants that the NGO tenant does not qualify for a concessionary/nominal rent, the tenancy should be terminated and market rent should be charged.

3.6 Regarding the premises leased out to NGOs at nominal rent with policy support by sponsoring B/Ds, GPA issues memoranda to relevant B/Ds for review of policy support at an interval of 2 years and requests the relevant B/Ds to confirm whether:

- (a) the premises are still being used by the tenants for the approved purposes; and
- (b) the services currently provided by the tenants are still supported by the relevant B/Ds to continue their occupation at the premises at concessionary/nominal rent.

## **Leasing out of accommodation within joint-user general office buildings**

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3.7 As of December 2020, there were 16 concessionary tenancies at nominal rent in JUBs with policy support by B/Ds. In mid-December 2020, GPA issued memoranda to 8 pertinent B/Ds requesting them to respond by January or February 2021 for the results of the reviews of their policy support for the concessionary tenancies covering the tenancy period from 1 January 2021 to 31 December 2022. In the event, the 8 pertinent B/Ds continued to provide policy support. Audit examination revealed that:

- (a) 3 B/Ds who supported 3 concessionary tenancies had replied to GPA before the deadline; and
- (b) 5 B/Ds who supported 13 concessionary tenancies failed to reply to GPA on time, with delays ranging from 5 days to 12 months (averaging 8 months). In particular, the Social Welfare Department (SWD) (involving 9 concessionary tenancies) took the longest time and GPA had issued five reminders to SWD during the period from May to December 2021 in this regard.

3.8 In response to Audit's enquiry, in mid-February 2022, SWD said that the reasons for the delay in replying to GPA were as follows:

- (a) the review process, which involved examining the services being provided in the premises with reference to district welfare needs and the Government welfare policy and service objectives, took time as it involved over 350 concessionary tenancies in government accommodations (including JUBs); and
- (b) due to the outbreak of COVID-19 epidemic since 2020 and the implementation of several rounds of work-from-home arrangements both in the Government and NGOs in 2021, the review process which involved, among other things, exchange of information among SWD and NGOs had taken longer time than expected.

3.9 Given that the sponsoring B/Ds may take a long time to complete the policy support review exercise on concessionary tenancies, GPA informed Audit in September 2022 that it had issued memoranda to all sponsoring B/Ds in May 2022, reminding them to carry out the review for the tenancy period from 1 January 2023 to 31 December 2024 earlier and reply to GPA by the end of December 2022.

## **Audit recommendations**

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

- (a)      remind GPA staff to strictly comply with the requirements on conducting routine site inspections in leased-out accommodation within JUBs, including:**
  - (i)      complying with the routine site inspection frequencies;**
  - (ii)     recording the time of inspection in the inspection checklists; and**
  - (iii)    reporting the routine site inspection results properly; and**
- (b)      conduct routine site inspections of carparks during operating hours of the carpark operators.**

## **Response from the Government**

**3.11      The Government Property Administrator agrees with the audit recommendations. He has said that GPA has:**

- (a)      reminded staff to strictly comply with the requirements on conducting routine site inspections; and**
- (b)      started arranging routine site inspections of carparks during the operating hours of the carpark operators concerned.**

## **Letting out of premises within joint-user general office buildings under the Socially Caring Leasing Arrangements**

3.12 Since January 2019, GPA has implemented the Socially Caring Leasing Arrangements (see para. 1.7) to facilitate the provision of social services by NGOs and SEs with a view to promoting a caring culture. Under the Socially Caring Leasing Arrangements, for tenancies of suitable premises commencing in 2019 and thereafter, GPA would first circulate to B/Ds on a quarterly basis to invite bids to take up relevant available government premises (including accommodation within JUBs) for their own use or direct allocation to their sponsored NGOs at nominal rent. For relevant government premises not taken up by B/Ds, GPA would give priorities to NGOs and SEs with policy support in leasing the appropriate premises (e.g. accommodation suitable for use as shops and kiosks) by inviting tenders from NGOs and SEs based on the lists provided by pertinent B/Ds (see Note 7 to para. 1.7(b)). According to GPA, leasing out the relevant government premises through open tendering would be the last resort.

3.13 *Few tenders received from NGOs and SEs under the Socially Caring Leasing Arrangements.* From April 2019 to June 2022, in order to lease out 6 relevant premises in JUBs which no B/Ds had expressed interest in taking up, GPA had conducted 5 batches of restricted tender exercises by sending invitation letters to about 600 selected NGOs and SEs on the lists in each tender exercise. Audit examination of the restricted tender exercises for leasing out of the 6 premises in JUBs revealed that the response from NGOs and SEs was less than satisfactory. As shown in Table 10:

- (a) no tender was received for 2 premises (i.e. Premises C and D) in the first batch of restricted tender exercise in April 2019. When GPA conducted the second batch of restricted tender exercise for Premises D in December 2019, no tender was received again. In the event, only 4 premises (i.e. Premises A, B, E and F) out of the 6 premises could be leased out to NGOs or SEs for the provision of social services; and
- (b) except for the fifth batch of restricted tender exercise (with 2 tenders received), only 1 or nil tender was received in the remaining 4 batches of restricted tender exercises.

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**Table 10**

**Restricted tender exercises for leasing out Premises A to F  
(April 2019 to June 2022)**

<b>Batch</b>	<b>Date of invitation of tender</b>	<b>Premises under restricted tender</b>	<b>Premises successfully leased out</b>	<b>Number of tenders received</b>
1	April 2019	A	✓	1
		B	✓	1
		C (Note 1)	✗	0
		D (Note 2)	✗	0
2	December 2019	D (Note 2)	✗	0
		E	✓	1
3	December 2020	F	✓	1
4	March 2022	A (Note 3)	✓	1
5	April 2022	B (Note 3)	✓	2

*Source: Audit analysis of GPA records*

*Note 1: As no tender was received from NGOs and SEs under the restricted tender exercise, Premises C was leased out to a commercial organisation through open tendering in February 2020.*

*Note 2: As no tender was received from NGOs and SEs under the two batches of restricted tender exercises, Premises D was allocated to SWD for interim use as temporary storage since February 2020.*

*Note 3: Upon the expiry of tenancies of Premises A and B, GPA conducted the fourth and fifth batches of restricted tender exercises for them in March and April 2022 respectively.*

**3.14 Reviews on implementation of the Socially Caring Leasing Arrangements by GPA.** Regarding the implementation of the Socially Caring Leasing Arrangements, GPA had conducted reviews and implemented improvement measures, as follows:

## **Leasing out of accommodation within joint-user general office buildings**

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- (a) **Review in 2019.** After conducting the first batch of restricted tender exercise in April 2019, GPA consulted the relevant stakeholders on the tendering arrangements. In response to stakeholders' comments, GPA has implemented some enhanced administrative arrangements since December 2019, including:
- (i) incorporating the hyper-link of GPA's webpage on the Socially Caring Leasing Arrangements onto the websites of SWD and the Home Affairs Department to enhance the publicity of the policy; and
  - (ii) allowing flexibility in the date of handing over the leased properties to facilitate the successful NGO/SE bidders to have sufficient time for securing funding from the relevant authorities for setting up business prior to commencement of operation; and
- (b) **Review in 2021.** After completing the 3 batches of restricted tender exercises, GPA conducted another review on the implementation of the Socially Caring Leasing Arrangements in April 2021. Measures related to enhancing utilisation of premises in JUBs by NGOs and SEs were as follows:
- (i) for existing premises under concessionary tenancies which were returned to GPA upon expiry of the tenancies and considered appropriate, they would be eligible for restricted tendering under the Socially Caring Leasing Arrangements; and
  - (ii) regular invitations would be sent to pertinent B/Ds (e.g. SWD) for updating the list of NGOs and SEs to be invited for restricted tendering from time to time.

While GPA has implemented the above improvement measures, the response from NGOs and SEs in the fourth and fifth batches of restricted tender exercises in 2022 was still less than satisfactory. Audit considers that GPA needs to ascertain the reasons of the lukewarm response from NGOs and SEs in the restricted tender exercises, and take measures to improve the prospect of letting out premises within JUBs under the Socially Caring Leasing Arrangements.

## **Audit recommendations**

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

- (a)      ascertain the reasons of the lukewarm response from NGOs and SEs in the restricted tender exercises for letting out premises within JUBs; and**
- (b)      take measures to improve the prospect of letting out premises within JUBs under the Socially Caring Leasing Arrangements.**

## **Response from the Government**

**3.16      The Government Property Administrator agrees with the audit recommendations. He has said that GPA:**

- (a)      has issued two rounds of invitation letters to NGOs and SEs during the invitation period to remind and encourage prospective NGOs and SEs to submit tenders for leasing the relevant premises since the fourth batch of restricted tender exercise in 2022; and**
- (b)      will continue to explore new measures with a view to achieving results as suggested in the audit recommendations in paragraph 3.15.**

## **PART 4: MANAGEMENT OF JOINT-USER FACILITIES AT BOUNDARY CONTROL POINTS**

4.1 This PART examines the management of joint-user facilities at BCPs.

4.2 As stated in GPA's COR, one of its aims is to manage government properties under its control in an efficient and cost-effective manner. According to GPA records, the net operational floor area of government-owned office accommodation under GPA's purview has increased by 31,879 (4%) m<sup>2</sup> from 715,059 m<sup>2</sup> in 2016 to 746,938 m<sup>2</sup> in 2021, and will further increase to 817,438 m<sup>2</sup> in 2025, with the commissioning of two new JUBs (with a total office area of 70,500 m<sup>2</sup>). However, Audit notes that the area will be substantially reduced by 175,000 m<sup>2</sup> to 642,438 m<sup>2</sup> (Note 22) with the planned decommissioning of three JUBs (i.e. Wanchai Tower, Immigration Tower and Revenue Tower) in Wan Chai Government Offices Compound. As compared with the office accommodation of 746,938 m<sup>2</sup> in 2021, there will be a significant reduction in the area of office accommodation under GPA's purview of 104,500 m<sup>2</sup> (14%). Regarding the Revenue Tower and Immigration Tower, majority of the government offices will be re-provisioned as SDBs and managed by pertinent B/Ds. According to GPA:

- (a) it is planning to develop more JUBs which GPA will take up the property management upon completion, including new JUBs in the Northern Metropolis, therefore the net operational floor area of government-owned office accommodation under GPA's purview will likely follow a rising trend; and
- (b) it has taken up the property management of joint-user facilities of BCP at HZMB-HKP and will assume the management role of joint-user facilities at more BCPs in future (see paras. 4.3 to 4.14).

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**Note 22:** *This does not include the joint-user facilities of BCPs which are managed by a dedicated team set up to take up the management of BCPs (see para. 1.13(c)).*

### **New initiatives in the Government Property Agency's property management**

4.3 As mentioned in paragraph 1.9, on the recommendation of the Security Bureau in 2019, the Government decided to put the management responsibility of BCPs except those two at the Hong Kong International Airport and the Hung Hom Station (multi-user SDBs as classified under the Accommodation Regulations) as joint-user facilities under the purview of GPA, taking into account the following:

- (a) the then BMC mechanism was not the most efficient set-up to respond to property and facilities management issues in the control points. Absence of a single management authority with sufficient property and facilities management expertise and experience would constrain the operations of control points, as well as the continuous improvement of their management efficiency to meet the increasing demand for and expectation on quality cross-boundary services at BCPs;
- (b) GPA, being the specialist department on property and facilities management within the Government, should play a major role in the property and facilities management of control points. In order to ensure prompt decision-making and actions in response to the circumstances at the control points, a single management authority instead of a committee should assume the daily management duty at the control points; and
- (c) a committee, namely the Inter-departmental Management Committee, comprising user departments and convened by GPA could be set up for users to communicate on and discuss the property management issues. In order for GPA to smoothly perform the property management roles, sufficient resources should be provided to GPA, for example, to set up a dedicated team to manage the control points.

HZMB-HKP is the first BCP put under the management of GPA, to be followed by HYW BCP.

4.4 On 1 January 2020, GPA took over from HyD the management responsibility of HZMB-HKP. The scope of services under MOM contract includes site and property management services, soft landscaping maintenance services (see Photograph 4(a)), cleaning and waste disposal services (see Photograph 4(b)), general

## Management of joint-user facilities at boundary control points

security services, and traffic operation and monitoring services. The first MOM contract of HZMB-HKP entered by HyD as the representative of the Government was under an input-based approach incorporating detailed specific requirements on the service provider's operation, e.g. specifying the minimum number of manpower at designated times in contract venues to provide relevant property and facilities management services. For the second MOM contract for the period from 29 June 2022 to 28 June 2026, outcome-based elements have been introduced to the cleaning and waste disposal services, under which the contractor is allowed to propose the number of staff (with minimum set) to deliver the required services. Similar to PMS contracts for JUBs, the new MOM contract has introduced a service level assessment and payment deduction mechanism (see para. 2.3).

### Photograph 4

#### HZMB-HKP

(a) Soft landscaping maintenance services



Source: GPA records

(b) Cleaning and waste disposal services



Source: Photograph taken by Audit staff on 13 July 2022

4.5 According to GPA, it primarily refers to GPA Guidelines (for contract management of JUBs) (see para. 2.5) in conducting inspections and surprise checks, etc. to monitor the performance of the MOM contractor. Although there are no particular guidelines for monitoring the MOM contractor at BCPs, GPA has put in place a set of measures as follows:

## **Management of joint-user facilities at boundary control points**

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- (a) the Inter-departmental Management Committee, comprising the MOM contractor and the representatives of GPA and user departments, holds meetings three or four times each year to sort out general issues pertinent to management of HZMB-HKP;
- (b) a progress meeting, with attendees comprising the MOM contractor and its sub-contractors, the representatives of GPA, and the representatives of works departments (where necessary), is held once a month to review the progress and performance of MOM contractor, problems encountered and consideration of any possible improvements to the services provided in relation to the management of the joint-user facilities at HZMB-HKP;
- (c) the MOM contractor is required to submit to GPA a monthly management report with details of staff movement and employment, a summary of irregularities/malfunction of facilities/systems, and the numbers of complaints received and other major incidents, etc. at HZMB-HKP in the month;
- (d) BCP Team conducts:
  - (i) site inspections at frequencies depending on the nature of facilities (e.g. every day excluding Saturdays, Sundays and public holidays for the Passenger Clearance Building (PCB), and once a week for public transport interchanges);
  - (ii) surprise checks on the manpower deployed by the MOM contractor twice a month; and
  - (iii) contract audit on the working condition of non-skilled workers of the MOM contractor half-yearly; and
- (e) performance report of MOM contractor is prepared by GPA half-yearly, and feedback forms are distributed to user departments on a monthly basis to evaluate the performance of the MOM contractor.

*Need to step up efforts in improving the response rate of feedback forms from user departments*

4.6 For the first MOM contract of HZMB-HKP, the performance of MOM contractor was evaluated on a half-yearly basis (see para. 4.5(e)). According to GPA, the overall performance of MOM contractor during the period from January 2020 to June 2022 was satisfactory. In addition, since August 2020, to assist in monitoring the performance of MOM contractor, GPA has distributed feedback forms (Note 23) to 10 user departments (including the Customs and Excise Department and the Immigration Department) to gauge their views on the MOM contractor's performance. Each user department returns one completed form to GPA on a monthly basis for GPA to take follow-up actions on the items to be improved. Audit noted that, for the 23 months from August 2020 to June 2022, the response rate was 20% or below (i.e. only 1 to 2 departments returned the forms) in 11 (48% of 23) months. Audit further analysis revealed that:

- (a) 2 (20% of 10) user departments did not return any feedback form; and
- (b) 2 (20% of 10) user departments only returned the form once.

4.7 As mentioned in paragraph 4.4, the new MOM contract commencing from 29 June 2022 has introduced a service level assessment and payment deduction mechanism. On a monthly basis, GPA calculates the performance level of the MOM contractor, which is 90% based on service level assessments performed by GPA and 10% based on customer satisfaction score deduced from the returned feedback forms. Where the MOM contractor has not achieved 90% of the required performance level, GPA shall make a deduction to the monthly charge to reflect the failure in meeting the required performance level. As collecting feedback from user departments is one of the main tools for assessing the performance of the MOM contractor, GPA needs to step up efforts in improving the response rate of feedback forms from user departments of HZMB-HKP.

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**Note 23:** *The feedback form has 11 questions in total, including 3 questions in the area of site and property management services and 2 questions in each of the 4 areas, namely soft landscaping maintenance services, cleaning and waste disposal services, general security services, and traffic operation and monitoring services. There are 3 ratings for each question, namely "satisfactory", "not applicable" and "item(s) to be improved".*

***Need to take measures to improve the prospect of leasing out vacant premises at PCB of HZMB-HKP***

4.8 There are 58 premises available for leasing out at PCB of HZMB-HKP. Tenancies for the premises are generally procured by open tender/quotation or direct engagement in accordance with the provisions of the Stores and Procurement Regulations. Table 11 shows the status of the premises as at 30 June 2022.

**Table 11**

**Status of premises at PCB  
(30 June 2022)**

Purpose	Number of premises		
	Leased/occupied (Note 1)	Vacant	Total
Food and beverage and ancillary facilities (Note 2)	2 (20%)	8 (80%)	10 (100%)
Retail shop and ancillary store room	20 (77%)	6 (23%)	26 (100%)
Ticketing and related office	5 (56%)	4 (44%)	9 (100%)
Automated teller machine	2 (40%)	3 (60%)	5 (100%)
Office	4 (100%)	0 (0%)	4 (100%)
Store room	0 (0%)	3 (100%)	3 (100%)
Visitor information centre	1 (100%)	0 (0%)	1 (100%)
Total	34 (59%)	24 (41%)	58 (100%)

*Source: Audit analysis of GPA records*

*Note 1: One shop designated for retail purpose was deployed as health check point for arrival passengers.*

*Note 2: These included premises for kitchen, dining area and store room.*

4.9 As at 30 June 2022, of the 58 premises, 34 (59%) premises were leased out/occupied and the remaining 24 (41%) premises were vacant. While noting that

## **Management of joint-user facilities at boundary control points**

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the marketability of the premises is low because of the travel restrictions due to COVID-19 epidemic, Audit noted that 22 (38%) premises had not been leased out since the commissioning of HZMB-HKP in October 2018. According to GPA:

- (a) among the 22 premises, it had conducted tender/direct leasing exercises for 6 premises but they were unsuccessful; and
- (b) in order to strengthen the marketing of the premises at PCB:
  - (i) it has introduced more flexible tenancy terms such as three months short-term tenancies (renewable for another three months) to attract potential clients who may wish to set up business at HZMB-HKP on a trial basis;
  - (ii) it has placed advertisements on both the press and mobile applications in order to enhance publicity for the two quotations recently invited in August 2022; and
  - (iii) it is also planning to approach NGOs and other enterprises to explore the possibility for setting up product showcase or retail outlets at PCB.

In Audit's view, GPA needs to take measures to improve the prospect of leasing out vacant premises at PCB of HZMB-HKP.

### ***Need to closely monitor the performance of the MOM contractor***

4.10 According to GPA, the assumption of property management responsibility of BCPs poses a new challenge to the Agency, taking into account the following:

- (a) GPA is a small department with an establishment of about 330 staff. It has bid for additional resources and conducted recruitment to take up the new role. As of March 2022, GPA's BCP Team had a staff establishment of 47;
- (b) the operation of BCPs is very different from that of JUBs in terms of scale, functionalities and mode of operation. Apart from taking over the

conventional property management role of BCPs, GPA also acts as the Convenor of the Inter-departmental Management Committee which coordinates various issues, e.g. managing transport facilities, formulating and reviewing crowd control measures, incident management plans, contingency plans, and receiving important guests for visit etc. The handling of these tasks requires more than GPA's conventional expertise; and

- (c) the existing MOM contractor provides various services for HZMB-HKP at an annual fee of over \$100 million. With over 400 staff members, the MOM contractor provides services for five categories of work covering property management, general security, traffic operation and monitoring, cleaning and waste disposal, and landscaping. The contract has imposed detailed and specific requirements at the operational level (e.g. the level of manpower to be deployed to provide property and facilities management services in particular venues at designated times). GPA needs to oversee and assess if the contractor has duly discharged its obligation on various aspects such as property management services at specific venues, cleaning/waste disposal/pest control services, compliance with HZMB-HKP work permit requirements, traffic incident detection, and document and record management of the Traffic Operation and Monitoring System, etc.

4.11 According to the then Transport and Housing Bureau (Note 24), passengers, both inbound and outbound, as well as other general public users, will have a high expectation over the level of services to be provided by HZMB-HKP. Since 2020, the number of passenger flow has been significantly reduced due to COVID-19 epidemic. While GPA has implemented a set of measures to monitor the performance of MOM contractor (see para. 4.5), the effectiveness of these measures to cope with the influx of passengers in the future upon the resumption of normal traveller clearance between Hong Kong and the Mainland remains to be tested. In this connection, Audit notes that the transfer of management responsibility from HyD to GPA aims at improving the property management of HZMB-HKP by making the best use of GPA's expertise and experience in property management. In Audit's view, GPA needs to:

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**Note 24:** *Upon the reorganisation of government structure with effective from 1 July 2022, the then Transport and Housing Bureau has been split up into the Transport and Logistics Bureau and the Housing Bureau.*

## Management of joint-user facilities at boundary control points

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- (a) continue to closely monitor the performance of the MOM contractor of HZMB-HKP and consolidate the experience gained to prepare for taking over the management of HYW BCP and other BCPs; and
- (b) draw up detailed guidelines for monitoring the performance of MOM contractors in view of the unique mode of operation of BCPs.

### ***Need to consider improving the performance reporting on management of joint-user facilities at BCPs***

4.12 As mentioned in Table 1 in paragraph 1.12, under the programme “Property management” in its CORs, GPA includes the number of joint-user government facilities at BCPs and the average management cost of buildings/facilities at BCPs as key performance indicators. According to GPA, the decrease in average management cost by 11% from \$59.4/m<sup>2</sup> per month in 2020 to \$53.1/m<sup>2</sup> per month in 2021 was primarily due to the decrease in cost of ambassador service attributed to the significant drop in passenger flow due to the outbreak of COVID-19 epidemic.

4.13 ***Need to include footnotes to disclose the management cost of the remaining joint-user government facilities.*** According to the MOM contract, the contractor is required to provide services for 58 joint-user government facilities at HZMB-HKP. Audit noted that, in the calculation of average management cost for 2021 presented in GPA’s COR, the cost was \$48.7 million, representing 38% of the total management costs paid to the MOM contractor at \$126.8 million. According to GPA:

- (a) the cost included in the calculation of average management cost was adjusted to exclude opt-in services (Note 25) and only include the cost for PCB (1 of the 58 joint-user government facilities); and
- (b) since PCB required comprehensive management services while other buildings/facilities at HZMB-HKP (e.g. seawater pump house) required individual or minimal management services, GPA considered that it was

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**Note 25:** *These referred to services (cleaning, waste disposal services, etc.) requested and reimbursed by user departments for their own premises, which were not related to the management of joint-user buildings/facilities at HZMB-HKP.*

## Management of joint-user facilities at boundary control points

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reasonable and realistic to include only PCB in the assessment of average management cost (Note 26).

Given that the cost presented in its CORs represented only the cost of PCB and not all the joint-user government facilities, Audit considers that GPA should consider including footnotes to the performance indicator to disclose the management cost of the remaining joint-user government facilities other than PCB.

4.14 ***Need to set performance targets in managing BCPs.*** The contract sum for provision of MOM services to facilities at HZMB-HKP amounts to \$553.9 million for the four-year period from 29 June 2022 to 28 June 2026. Despite the significant amount, there is no performance target set in GPA's COR or any publications. In order to better evaluate GPA's performance in managing joint-user facilities at BCPs so as to enhance its service level, Audit considers that GPA needs to consider setting performance targets for its management of joint-user facilities at BCPs. For example, while more outcome-based measures have been introduced (see para. 4.4), similar to property management of JUBs, performance level of MOM contractors could be one of the performance targets.

## Audit recommendations

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

- (a) **step up efforts in improving the response rate of feedback forms from user departments of HZMB-HKP;**
- (b) **take measures to improve the prospect of leasing out vacant premises at PCB of HZMB-HKP;**
- (c) **continue to closely monitor the performance of the MOM contractor of HZMB-HKP and consolidate the experience gained to prepare for taking over the management of HYW BCP and other BCPs;**

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**Note 26:** *The construction floor area of the remaining 57 facilities was 90,950 m<sup>2</sup>, representing 47% of the construction floor area of the 58 facilities (i.e. 191,952 m<sup>2</sup> including PCB).*

- (d) **draw up detailed guidelines for monitoring the performance of MOM contractors in view of the unique mode of operation of BCPs;**
- (e) **consider including footnotes to the performance indicator to disclose the management cost of the remaining joint-user government facilities other than PCB; and**
- (f) **consider setting performance targets for the management of joint-user facilities at BCPs.**

### **Response from the Government**

4.16 The Government Property Administrator agrees with the audit recommendations. He has said that GPA:

- (a) with the commencement of the new MOM contract on 29 June 2022, has enhanced the response rate of feedback forms by issuing reminders to user departments, together with a summary of their response rates, in a timely manner;
- (b) will continue to take measures to enhance marketability of the concerned vacant premises as mentioned in paragraph 4.9;
- (c) will continue to closely monitor the performance of the MOM contractor and consolidate the experience gained to prepare for taking over the management of other BCPs;
- (d) will continue to review the monitoring measures and also will formulate the relevant guidelines for monitoring the performance of MOM contractors;
- (e) will add relevant footnotes to the performance indicator to disclose the management cost as appropriate; and
- (f) will set a performance target similar to that for management of JUBs for managing the joint-user facilities at BCPs.

## Procurement and management of multi-user specialist/departmental buildings

According to the Accommodation Regulations:

- (a) in order to maximise site utilisation, a site may be jointly developed by several departments for their specialised uses and ancillary offices. In such cases, the major user department should perform the role of the project proponent and coordinate actions on seeking funds under the Public Works Programme. All the user departments should secure their own funding to cover the costs and recurrent expenses for the subsequent use and maintenance of the accommodation under their purview as well as their respective share of the common parts of the buildings; and
- (b) where there is no major user department, all user departments should agree on the designation of a lead department as the project proponent. If no consensus can be reached, they should escalate the issue to the policy bureau(x) concerned for a decision. Details of the management responsibilities of multi-user SDBs are as follows:
  - (i) **BMC.** Upon completion of the multi-user building or facility, the user departments should form a BMC for its management. They may consider rotating the chairmanship of BMC among the member departments for a fair sharing of management responsibilities; and
  - (ii) **User departments.** User departments in a multi-user SDB are responsible for the management and maintenance of the respective accommodation allocated to them. They are also jointly responsible for the management and maintenance of the common parts of the building.

**Appendix B**  
(para. 1.4 refers)

**Joint-user general office buildings managed by the Government Property Agency  
(1 April 2020 to 31 March 2024)**

<b>Property Name</b>		<b>Region</b>	<b>Total gross floor area (Note 1) (square metres)</b>
1	Aberdeen Fisheries and Marine Offices	Hong Kong Island Region 1	3,048
2	Central Government Pier		3,768
3	Harbour Building		38,200
4	Queensway Government Offices		70,892
5	Rumsey Street Multi-storey Car Park Building		10,920
6	Western Magistracy Building		5,516
7	Eastern Law Courts Building	Hong Kong Island Region 2	15,894
8	Immigration Tower		76,453
9	North Point Fire Brigade Building		9,216
10	North Point Government Offices		65,880
11	Oi Kwan Court		2,868
12	Revenue Tower		76,653
13	Southorn Centre		38,226
14	Wanchai Tower		49,116
15	Wu Chung House		53,689
16	Kowloon East Government Offices	Kowloon Region 1	7,784
17	Ngau Tau Kok Government Offices		2,042
18	Tokwawan Market and Government Offices		8,361
19	Trade and Industry Tower		54,028
20	Cheung Sha Wan Government Offices	Kowloon Region 2	55,666
21	Ho Man Tin Government Offices		32,002
22	Kowloon Government Offices		13,109
23	Lai Chi Kok Government Offices		12,650
24	Mongkok Government Offices		12,330
25	Pui Ching Road Government Offices		810 (Main Block)
26	Sham Shui Po Government Offices		1,476
27	Treasury Building (Note 2)		40,910
28	Wang Cheong Building		40,331
29	West Kowloon Government Offices		79,524
30	Yaumatei Carpark Building (Note 3)		40,137

**Appendix B**  
(Cont'd)  
(para. 1.4 refers)

Property Name		Region	Total gross floor area (Note 1) (square metres)
31	North District Government Offices	New Territories Region 1	10,660
32	Sai Kung Government Offices		12,339
33	Sha Tau Kok Rural Building		679
34	Sha Tin Government Offices		33,797
35	Ta Kwu Ling Rural Centre Government Building		911
36	Tai Po Government Offices		7,611
37	Kwai Hing Government Offices	New Territories Region 2	11,827
38	Mui Wo Government Offices		3,659
39	Peng Chau Government Offices Building		580
40	Tai Hing Government Offices		3,128
41	Tai O Government Offices Building		142
42	Tsuen Wan Government Offices and Tsuen Wan Public Library (cleaning services only for Tsuen Wan Public Library)		40,454
43	Tsuen Wan Multi-storey Carpark Building		11,653
44	Tuen Mun Government Offices		13,522
45	Tuen Mun Government Storage Centre		11,815
46	Yuen Long District Office Building		5,124
47	Yuen Long Government Offices		13,632
Total			1,103,032

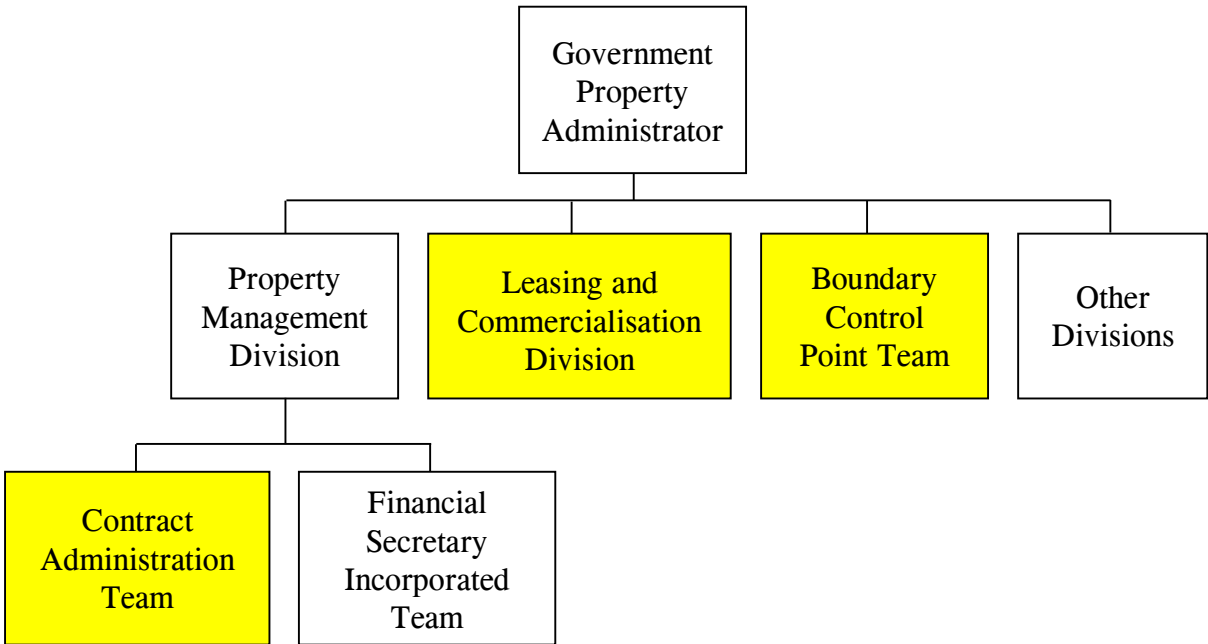
*Source: GPA records*

*Note 1: Gross floor area generally refers to the area contained within the external walls of the building measured at each floor level, together with the area of balcony and the thickness of the external walls of the building. The figures are compiled based on the information recorded in the site particulars of relevant PMS contract documents.*

*Note 2: The Treasury Building was commissioned in March 2022. Some government offices previously accommodated in Wan Chai Government Offices Compound were relocated to the Treasury Building in accordance with the decommissioning plan.*

*Note 3: The Yaumatei Carpark Building in Kowloon Region 2 was decommissioned on 1 January 2021 to facilitate the construction of the Central Kowloon Route. PMS was not required afterwards.*

Government Property Agency:  
Organisation chart (extract)  
(31 March 2022)



Legend:  Divisions/teams covered in this Audit Report

Source: *GPA records*

**Acronyms and abbreviations**

Audit	Audit Commission
BCP	Boundary control point
BMC	Building Management Committee
B/D	Government bureau/department
COR	Controlling Officer's Report
CPM(PM)	Chief Property Manager of the Property Management Division
FSTB	Financial Services and the Treasury Bureau
GPA	Government Property Agency
HyD	Highways Department
HYW	Heung Yuen Wai
HZMB-HKP	Hong Kong-Zhuhai-Macao Bridge Hong Kong Port
JUB	Joint-user general office building
m <sup>2</sup>	Square metres
MOM	Management, operation and maintenance
NGO	Non-governmental organisation
NPGO	North Point Government Offices
PCB	Passenger Clearance Building
PMS	Property management services
QGO	Queensway Government Offices
SDB	Specialist/departmental building
SE	Social enterprise
SPM(CA)	Senior Property Manager (Contract Administration)
SWD	Social Welfare Department