

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.