

立法會
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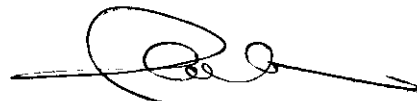
From : Clerk to the Finance Committee

To : Members of the Finance Committee

Finance Committee

Follow-up to meeting on 18 March 2005

Members may recall that when the proposal regarding the Centre for Youth Development (CYD) was discussed at the captioned meeting, the Administration was requested to account for the difference in income and expenditure projections for CYD provided by the Government and the IBM Business Consulting Services. The letter from the Legislative Council Secretariat to the Administration together with the latter's response, including a comparison table, are now attached for members' reference.



(Ms Pauline NG)
Clerk to the Finance Committee

Encl.



立法會
LEGISLATIVE COUNCIL

來函檔號 YOUR REF :
本函檔號 OUR REF : CB1/F/1/10
電話 TELEPHONE : 2869 9213
圖文傳真 FACSIMILE : 2869 6794

18 March 2005

Secretary for Financial Services and the Treasury
[Attn: Mr Alfred FOK, PEO(G)]
Financial Services and the Treasury Bureau
(The Treasury Branch)
4/F, Main Wing, CGO
Lower Albert Road
Hong Kong

Dear Mr FOK,

Finance Committee

Follow-up to meeting on 18 March 2005

When FCR(2004-05)50 regarding the Centre for Youth Development was discussed at the captioned meeting, the Administration was requested to account for the difference in income and expenditure projections for the Centre provided by the Government and the IBM Business Consulting Services.

I should be grateful if the Administration's bilingual response could reach the Secretariat before 7 April 2005.

Yours sincerely,

(Miss Becky YU)

for Clerk to the Finance Committee

c.c. Hon Emily LAU, JP (Chairman of the Finance Committee)

政府總部
民政事務局

香港灣仔
軒尼詩道一百三十號
修頓中心三十一樓



GOVERNMENT SECRETARIAT
HOME AFFAIRS BUREAU

31ST FLOOR, SOUTHORN CENTRE,
130 HENNESSY ROAD,
WAN CHAI,
HONG KONG.

Our Ref : HAB/CR/1/2/39
Tel No : 2835 1543
Faxline : 2591 6002

6 April 2005

Clerk to the Finance Committee
(Attn.: Miss Becky YU)
Legislative Council Building,
8 Jackson Road,
Hong Kong.
(Fax: 2869 6794)

Dear Miss Yu,

**Finance Committee
Follow-up to meeting on 18 March 2005**

At the meeting of the Finance Committee on 18 March 2005 whilst discussing the proposal regarding the Centre for Youth Development (CYD), Members enquired why the total annual operating expenses for the CYD currently estimated by the Government were higher than that estimated by the IBM Business Consulting Services (IBM) in 2004, despite our proposal to contract out the day-to-day management and operation of the CYD premises and the various facilities in it which would reduce the direct staff costs incurred.

The numerical difference between the two expenditure estimates arises from the difference in the presentation of the income and operating expenses of the youth hostel, which is explained below:


(a) Income and Expenditure Projection by IBM in 2004

The estimated income of the youth hostel included was in fact the Government's share of net operating profit from the hostel, which was estimated to be 15% of its annual income. Operating expenses of the youth hostel were **not** reflected in the total operating expenses of the CYD.

(b) Income and Expenditure Projection by the Government in March 2005

This presentation shows the income and expenditure items of the project separately. Both the estimated annual income and operating expenses (estimated to be 85% of annual income) of the youth hostel were included as separate items. As a result, both the total income and operating expenses of the CYD have been higher than those projected by IBM in 2004.

Yours sincerely,



(Ms Fony LUI)
for Secretary for Home Affairs

c.c. SFST (Attn.: Mr. Manfred Wong) Fax: 2147 5239

政府總部
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13 April 2005

Clerk to the Finance Committee
(Attn.: Miss Becky YU)
Legislative Council Building,
8 Jackson Road,
Hong Kong.
(Fax: 2869 6794)

Dear Miss Yu,

**Finance Committee
Follow-up to meeting on 18 March 2005**

Further to my letter dated 6 April 2005 regarding the Centre for Youth Development (CYD) project, I attach herewith a comparison table of the estimated annual operating expenses of the CYD as projected by the IBM Business Consulting Services in 2004 and by the Government in March 2005.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Fony LUI'.

(Ms Fony LUI)
for Secretary for Home Affairs

c.c. SFST (Attn.: Mr. Manfred Wong) Fax: 2147 5239

Comparison of annual operating expenses of the Centre for Youth Development (CYD) as projected by IBM in 2004 and by the Government in March 2005

Operating Expenses	Projection by IBM in 2004 (\$M)	Projection by the Government in March 2005 (\$M)	Explanatory note on the difference in projections
Staff cost	16.82	5.40	<p><u>Projection by IBM in 2004</u> It was estimated that a total of 75 staff would be directly employed to manage and operate the various facilities on a day-to-day basis.</p> <p><u>Projection by the Government in March 2005</u> It was proposed to contract out the day-to-day management and operation of the various facilities, and hence reducing the direct staff cost incurred. The estimated number of staff was 22.</p>
Utilities, cleaning and security	11.89	11.89	-
Repairs and maintenance	8.67	8.67	-
Publicity and promotion	3.10	3.10	-
Management fees for service contracts (except hostel)	-	3.74	<p><u>Projection by IBM in 2004</u> Relevant expenses were not required as the facilities would be directly managed and operated by staff of the</p>

			<p>CYD.</p> <p><u>Projection by the Government in March 2005</u></p> <p>These represent the management fees for service contracts for the day-to-day management and operation of the various facilities, which were estimated to be 10% of the annual income of the facilities.</p>
Management fees and operating expenses for hostel	-	13.03	<p><u>Projection by IBM in 2004</u></p> <p>The Government's share of net operating profit from the hostel, which was estimated to be 15% of its annual income, was included in the total annual income of the CYD. Operating expenses of the hostel were <u>not</u> reflected in the total operating expenses.</p> <p><u>Projection by the Government in March 2005</u></p> <p>Both the estimated annual income and operating expenses of the hostel were included in the budget as separate items. Operating expenses of the hostel were estimated to be 85% of its annual income.</p>
Miscellaneous expenses	-	3.00	<p><u>Projection by IBM in 2004</u></p> <p>No miscellaneous expenses were included.</p> <p><u>Projection by the Government in March 2005</u></p> <p>A ballpark figure was included to cover miscellaneous expenses such as stores and equipment, transportation and travelling, etc.</p>
Total	40.48	48.83	