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民政事務局

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4 June 2012

(Urgent by fax 2840 0716)

Clerk, Public Accounts Committee
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn.: Ms Cindy Chan)


Dear Ms Chan,

**The Director of Audit's Report on the
results of value for money audits (Report No. 58)**

Youth Square (Chapter 8)

I refer to your letter of 30 May 2012. The additional information requested is set out below –

- (a) According to Clause 50 of Part II “Conditions of Contract” of the tender document, when the Contractor fails to achieve 90% of the agreed targets of any one of the Key Performance Indicators (KPI) set out in Clause 21.3 of Part VI “Service Specifications”, the Government has the right to deduct the annual basic management fee according to the following formula –

<u>Level of KPI achieved</u>	<u>Extent of deduction for each KPI</u> <u>(% of the annual management</u> <u>fee for the year)</u>
(a) More than 80% but less than 90%	0.3%
(b) Less than 80%	0.5%

In the 2009-10 contract year, the Contractor failed to meet the following two performance targets –

- (i) for the usage rate of retail shops, studios and youth activity areas where the minimum performance target was 70%, the Contractor could only achieve a usage rate of 49.1% (i.e. less than 80% of the minimum performance level); and
- (ii) for the usage rate of auditorium and exhibition platform where the minimum performance target was 65%, the Contractor could only achieve a usage rate of 56.2% (i.e. more than 80% but less than 90% of the minimum performance level).

As a result, and given the annual basic management fee for 2009-10 was \$53,000,000, a total of \$424,000 (i.e. an aggregate of 0.8%) had been deducted.

- (b) As far as we know, payment of an incentive management fee to a government contractor under certain conditions is not unique to the management services contract for Youth Square.

Yours sincerely,



(Ms Kitty YU)

for Secretary for Home Affairs

c.c. Secretary for Financial Services and the Treasury (Fax no. 2147 5239)
Director of Audit (Fax no. 2583 9063)