

# Report No. 58 of the Director of Audit — Chapter 8

## YOUTH SQUARE

### Summary

1. In his Policy Address of 1998, the Chief Executive of the Hong Kong Special Administrative Region announced that the then Chai Wan Community Centre at the eastern part of the Hong Kong Island would be redeveloped into the Youth Square to serve as a focal point for youth development activities in Hong Kong. With a total capital cost of \$771 million, the construction works of the project took place from June 2002 to April 2008, with the building handed over to the Home Affairs Bureau (HAB) in November 2008. In March 2009, through an open tender, the HAB awarded a seven-year contract to a contractor for providing day-to-day management and operation services for the Youth Square.

2. The Youth Square had commenced operation by phases since August 2009 and was officially opened in March 2010. With a total gross floor area of about 40,000 square metres, it comprises a Main Block and a Hostel Block, providing major facilities which include a hostel, a theatre, a performance and exhibition platform, a studio, offices, multi-purpose/function rooms, retail shops and restaurants. The Audit Commission (Audit) has recently conducted a review of the Youth Square.

3. *Noting that the HAB has undertaken to review the management and operation mode of the Youth Square after three years of operation (i.e. in 2013), Audit has recommended the Secretary for Home Affairs to take into account in the HAB review the audit observations and recommendations in this Report and consult, where appropriate, various stakeholders (which may include the Commission on Youth, the Management Advisory Committee, the contractor and the youth-related non-governmental organisations (NGOs)). As early as 2005, the Government decided that the HAB would take up the direct responsibility of managing and operating the Youth Square and would bear all commercial risks arising therefrom. In 2009, the HAB further informed the Legislative Council (LegCo) that it would strive to achieve full-cost recovery by making every effort to operate the Youth Square in a cost-effective manner. Audit has therefore recommended the Secretary to critically consider, in the HAB review, how the Youth Square should be positioned to strike a proper balance between the objectives of youth development and full-cost recovery as they might be in conflict.*

## Areas for improvement

4. The Youth Square is a key investment of the Government to promote youth development in Hong Kong. It aims to serve as a focal point for territory-wide youth development activities (see para. 1). Audit has identified the following areas that call for improvement:

### *Operation and performance*

- (a) ***Need to formulate qualitative and quantitative performance targets to measure the extent of the Youth Square in contributing to youth development.*** Examples of such targets may include target number of youth programmes to be organised at the Youth Square, target number of youth participants and target number of youth visitors to the Youth Square;
- (b) ***Need to improve hostel usage by youth organisations.*** Against a target mix (for guests from youth organisations) of 40% set for the youth hostel in December 2009, the actual target-user mix was 18% in 2010-11 and 34% in the first nine months of 2011-12;
- (c) ***Need to increase the number of youth programmes.*** Of the 2,130 programmes held at the Youth Square from May 2009 to January 2012, only 1,109 (52%) were youth-related;
- (d) ***Need to improve usage of facilities.*** Audit's site visits found that many offices at the Youth Square did not appear to have staff providing services. As of October 2011, only 11% of the 36 retail shops were let to non-profit-making youth organisations (classified as high-priority tenants). Besides, the utilisation of facilities for audio recording, video recording and editing, photographic production, fashion and design, dancing and exhibition at the Youth Square was less than 50%;
- (e) ***Need to improve recording of visitors.*** Although the HAB informed LegCo in March 2011 that the number of visitors to the Youth Square had reached a record high of over 113,000 in January 2011, Audit examination revealed that such visitor information was based on visitor-flow figures reported by the contractor, which had included both visitors entering and visitors leaving the Youth Square. That is, the visitor-flow figures could have been 100% more than the visitor numbers. Besides, the reported visitor-flow figures included staff and workers (who should not have been counted as visitors), and other visitors such as hostel guests, parents, domestic helpers and restaurant customers, some of whom might not be youths;

- (f) ***Need to review justifications for the costs incurred.*** The Youth Square incurred an operating deficit of \$33.2 million for 2010-11 (the first year of full operation). The operating results differed significantly from the estimated deficit of \$5 million a year which the HAB estimated in March 2005. The HAB needs to consider whether the operating costs of the Youth Square are justified by its contribution to youth development;
- (g) ***Need to review rental strategy.*** Although the HAB would grant appropriate rental concessions for its venues and facilities let to target users (mainly youth organisations), Audit is concerned whether the concessionary rental rates charged are affordable to target users. For example, the high hostel room rate could be one of the major reasons for the lower-than-target mix of hostel guests from youth organisations (see item (b) above);

### ***Planning and implementation***

- (h) ***Need to critically consider location for central facility.*** As a central facility for youth development, youths are expected to visit the Youth Square frequently. Audit however notes that owing to its location, the Youth Square cannot easily attract youths from the New Territories and new towns which have greater youth populations. This is particularly the case as the Youth Square lacks a focal theme to clearly distinguish it from other youth-related facilities;
- (i) ***Need to timely complete the Youth Square project.*** The construction works of the Youth Square were completed in April 2008, 28 months after the original scheduled completion date of the end of 2005. The delay was mainly attributable to the time taken by the Government to decide on the mode of operation and on the financial viability of the Youth Square. The relevant decision was not made until March 2005;
- (j) ***Need to ensure a proper management and supervision structure in place.*** Both the Steering Committee (set up to oversee the development of the Youth Square) and the Management Advisory Committee (set up to advise the Government on the operation of the Youth Square) included members who had rich experience in youth development work or strong connections with youth groups. However, the Steering Committee became inactive after a meeting held in September 2004 and the Management Advisory Committee was not set up until January 2009. As a result, the HAB could not obtain adequate input during 2005 to 2008 from major stakeholders (youth groups and NGOs) to assist it in planning and overseeing the implementation of the project; and

- (k) *Need to publish at regular intervals the operating results of the Youth Square.*  
Up to March 2012, the HAB had not informed LegCo of the operating results of the Youth Square. No regular reporting mechanism on the performance of the Youth Square is in place.

### **Way forward**

5. As part of the audit review, Audit interviewed five major youth-related NGOs in December 2011 to seek their views on ways and means to improve the management and operation of the Youth Square. Two NGOs said that there was a lack of a focal theme or a clear image to attract youths. All five NGOs indicated that the location of the Youth Square was inconvenient, the hostel and facility hiring charges were unaffordable for youth groups and there was inadequate publicity and promotion.

6. *To address the specific areas identified for improvement, Audit has recommended that the Secretary for Home Affairs should:*

#### ***Operation and performance***

- (a) *set qualitative and quantitative performance targets to measure the extent of the Youth Square in contributing to youth development;*
- (b) *continue making vigorous efforts to improve the hostel usage by youth organisations;*
- (c) *assess the demand of youth organisations for hostel accommodation and set an optimal target-user mix in the long term for the youth hostel;*
- (d) *continue making vigorous efforts to organise more meaningful and attractive youth programmes at the Youth Square;*
- (e) *continue taking measures to enhance the gainful use of the offices for the intended purposes;*
- (f) *continue making efforts to invite more high-priority tenants to rent the retail shops;*
- (g) *ascertain the reasons for the low utilisation of some facilities at the Youth Square and take measures to improve their utilisation;*

- (h) *take measures to compile more meaningful statistics to assess the popularity of the Youth Square in meeting the youth development objective;*
- (i) *continue stepping up efforts to promote the Youth Square, particularly to youths;*
- (j) *consider whether the operating costs of the Youth Square are justified by its contribution to youth development;*
- (k) *review the rental strategy for the Youth Square, in collaboration with the Financial Services and the Treasury Bureau;*

***Planning and implementation***

- (l) *publish at regular intervals the operating results of the Youth Square;*
- (m) *take into account the views of the youth-related NGOs in the HAB review in 2013; and*
- (n) *in implementing a similar project in future:*
  - (i) *make more accurate financial estimates;*
  - (ii) *take effective measures to minimise project risks during the planning and implementation stages, including critically considering the location of the project and endeavouring to complete the project by the target completion date as far as possible; and*
  - (iii) *ensure that a proper management and supervision structure is in place.*

**Response from the Administration**

7. The Secretary for Home Affairs agrees with the audit recommendations. He welcomes Audit's positive, constructive and forward-looking recommendations aiming to better facilitate the HAB's achievement of the policy objective of promoting youth development through the platform of the Youth Square.

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