

ITEM FOR FINANCE COMMITTEE

HEAD 112 – LEGISLATIVE COUNCIL COMMISSION

Subhead 366 Remuneration and reimbursements for Members of the Legislative Council

Members are invited to approve modifications to the package of remuneration and allowances for Members of the Legislative Council with effect from 1 October 2001 as recommended by the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region.

PROBLEM

We need to give Members of the Legislative Council (LegCo) more resources and greater flexibility in the use of their accountable allowances for office operating expenses to help them discharge their LegCo-related functions.

PROPOSAL

2. With effect from 1 October 2001, we propose to –
 - (a) increase the “accountable expenses reimbursement for office operation” of LegCo Members by \$25,000 per month;
 - (b) merge the monthly provisions of the “accountable expenses reimbursement for office operation” into an annual provision; and
 - (c) merge the monthly provisions of the allowance for “entertainment and travelling expenses” into an annual provision.

/JUSTIFICATION

JUSTIFICATION

3. In December 2000, the LegCo House Committee put forward various proposals regarding Members' remuneration and accountable allowances for office operating expenses to the Administration. In response, the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (hereafter referred to as the Independent Commission) have reviewed the package of remuneration and allowances for LegCo Members and recommended some modifications to the package. We accept the Independent Commission's recommendations, having regard to the increase in LegCo Members' workload in Council-related business and their need for greater flexibility in deploying their accountable allowances for office operating expenses.

Accountable Expenses Reimbursement for Office Operation

4. The Independent Commission note that different LegCo Members have different modes of operation and that only about one-third of LegCo Members are maintaining more than one district office. The Independent Commission do not consider that individual LegCo Members necessarily require more district offices to serve their constituencies. Nevertheless, the Independent Commission note that, compared to the 1993-95 LegCo term when the basis of the accountable allowances for office operating expenses was drawn up, LegCo Members' workload relating to Council business, as stipulated in the Basic Law, has increased in terms of both volume and complexity. The current staffing support for LegCo Members appears thin vis-a-vis their increased workload relating to Council business. A survey conducted in 2000 by the LegCo Secretariat on LegCo Members' office operating expenses showed that of the 28 Members who had expenditure in excess of the "accountable expenses reimbursement for office operation", the excess amount varied from \$67 to \$52,000 a month. Given the increased Council-related work and the inadequate provision of the current "accountable expenses reimbursement for office operation" for a number of LegCo Members, the Independent Commission recommend that the "accountable expenses reimbursement for office operation" be increased by \$25,000 per month, which should go towards meeting the operational needs of the majority of LegCo Members, enabling them to employ additional and better qualified staff.

5. The Independent Commission also note that expenditure, even for the same LegCo Member, can vary from month to month and that significant excesses above the monthly provision under the "accountable expenses reimbursement for office operation" arise during those months when expenditure on items other than office accommodation and staff is high. To allow LegCo Members greater

/flexibility

flexibility in deploying their resources, the Independent Commission recommend that the monthly provisions under the “accountable expenses reimbursement for office operation” should be merged into an annual provision.

Allowance for Entertainment and Travelling Expenses

6. Given that LegCo Members are allowed to use up to 50% of the allowance for “entertainment and travelling expenses” for employing staff under the existing arrangement, the Independent Commission similarly recommend that the monthly provisions for the allowance for “entertainment and travelling expenses” be merged into an annual provision, but kept as a separate account from the “accountable expenses reimbursement for office operation”.

Adjustment Mechanism for the Accountable Expenses Reimbursement for Office Operation

7. Pursuant to the decision of the Finance Committee on 14 July 1995 vide FCR(95-96)44, adjustments to the remuneration, the “accountable expenses reimbursement for office operation” and the allowance for “entertainment and travelling expenses” for LegCo Members have been made in accordance with the movement of the CPI(C) under delegated authority by the Secretary for the Treasury.

8. The Independent Commission have confirmed that the intention of the existing adjustment mechanism provides for both upward and downward adjustments. Nevertheless, the Independent Commission note that a significant proportion of the “accountable expenses reimbursement for office operation” is used by LegCo Members to cover expenses on staff salaries and office rental, which may not change from year to year, or if they do, may not be in accordance with the CPI(C). The Independent Commission, therefore, recommend that LegCo Members be given the option whereby the “accountable expenses reimbursement for office operation” is divided into two components - a fixed part for expenses relating to staff salaries and office accommodation and a variable part for other operating expenses which will continue to be adjusted annually in accordance with the movement of the CPI(C). We consulted the LegCo Subcommittee on Members’ Remuneration and Operating Expenses Reimbursement on the alternative adjustment mechanism, and were informed at a meeting on 26 June 2001 that the majority of the LegCo Members indicated preference to continue with the existing adjustment mechanism.

Others

9. As regards the other suggestions on LegCo Members' remuneration and allowances, the Independent Commission do not support LegCo's request for additional funding for long service payments and mandatory provident fund contributions to LegCo Members' staff, given that the current ambit of the "accountable expenses reimbursement for office operation" already covers such payments to staff as required under the relevant labour legislation, which includes long service payments and provident fund contributions.

10. The Independent Commission do not support any increase to the "information technology and communication equipment expenses reimbursement", given the relatively short time since the introduction of this allowance in 1999 and LegCo Members' varying expenditure patterns.

11. The Independent Commission reaffirm their view that LegCo membership is a form of service to the public and that it would not be appropriate or possible to link remuneration of LegCo Members to the pay scale of the civil service or pay levels in the private sector. They also advise that any recommendations for substantial change to the level of remuneration of LegCo Members should, as far as possible, be approved by the legislature in one term for implementation in the next term. They therefore recommend that no change should be made to the level and adjustment mechanism of LegCo Members' remuneration.

Date of Implementation

12. We recommend the proposal at paragraph 2 above should come into effect in the new legislative session beginning on 1 October 2001.

FINANCIAL IMPLICATIONS

13. We estimate that the maximum financial implication of increasing the level of the "accountable expenses reimbursement for office operation" of LegCo Members by \$25,000 per month will be \$9 million in 2001-02 (covering the period from 1 October 2001 to 31 March 2002) and \$18 million in a full year. Subject to Members' approval, we will approve the supplementary provision required in 2001-02 under delegated authority.

14. The proposed increase in the "accountable expenses reimbursement for office operation" may also have an additional financial implication of \$4.5 million for the current LegCo term when LegCo Members' offices are wound up. Firstly, retiring LegCo Members are provided with a fixed amount under the

“winding up expenses reimbursement” equivalent to the monthly “accountable expenses reimbursement for office operation”. If all Members claim the allowance, this will incur an additional amount of \$1.5 million. Secondly, LegCo Members’ expenses incurred in making severance payments to their staff are reimbursed on an actual basis. If all LegCo Members use the proposed increased amount of \$25,000 to employ staff, this will incur an additional amount of \$3 million.

15. The merging of the monthly provisions for the “accountable expenses reimbursement for office operation” and the allowance for “entertainment and travelling expenses” into two separate annual provisions will carry no additional financial implications.

BACKGROUND INFORMATION

16. At its meeting on 20 October 2000, the LegCo House Committee decided to form a Subcommittee on Members’ Remuneration and Operating Expenses Reimbursement (the Subcommittee) to review the remuneration and allowances for LegCo Members. On the recommendation of the Subcommittee, the LegCo House Committee put forward in December 2000 various proposals regarding Members’ remuneration and accountable allowances for office operating expenses to the Administration. To ascertain the adequacy or otherwise of the current provision, the LegCo Secretariat conducted a survey of Members’ actual office operating expenses for the period from October to December 2000. The Subcommittee met the Administration on 16 March 2001 to discuss the matter. At Members’ requests, the Independent Commission also met the Subcommittee on 17 May 2001.

17. Having considered the views and suggestions made by LegCo Members, the Independent Commission recommend some modifications to the package of remuneration and allowances. The proposed modifications were presented to and discussed with the LegCo Subcommittee at its meetings on 15 and 26 June 2001. The LegCo Subcommittee consulted all LegCo Members on our proposed alternative adjustment mechanism for the “accountable expenses reimbursement for office operation” and the majority of them indicated preference for the existing adjustment mechanism. The proposed package, together with the existing one, is detailed at Enclosure.

Encl.

Administration Wing
Chief Secretary for Administration’s Office
June 2001

**Package for LegCo Members' Remuneration and Allowances :
Existing and Proposed**

Existing Package	Proposed Package w.e.f.1.10.2001
<p>(A) Monthly provisions</p> <ol style="list-style-type: none"> 1. a remuneration of \$59,400 2. an allowance of up to \$96,120 (or \$1,153,440 per annum) for accountable expenses relating to office operation 3. a non-accountable allowance of up to \$13,720 for entertainment and travelling* <p>(B) One-off provisions</p> <ol style="list-style-type: none"> 4. an allowance of up to \$150,000 for setting up their offices for each LegCo term 5. an allowance of up to \$100,000 for "information technology and communications equipment expenses reimbursement" for each LegCo term 6. an allowance for winding-up when LegCo Members cease to be Members of the legislature comprising – <ol style="list-style-type: none"> (a) a fixed amount equivalent to the monthly "accountable expenses reimbursement for office operation" (currently at \$96,120), payable on a reimbursement basis, to cover office expenses incurred; and (b) a separate amount, with no pre-set ceiling, to cover actual severance payment to be paid to staff. 	<p>(A) Monthly provisions</p> <ol style="list-style-type: none"> 1. a remuneration of \$59,400# <p>(B) Annual provisions</p> <ol style="list-style-type: none"> 2. an allowance of up to \$1,453,440# for accountable expenses relating to office operation 3. a non-accountable allowance of up to \$164,640# for entertainment and travelling* <p>(C) One-off provisions</p> <ol style="list-style-type: none"> 4. an allowance of up to \$150,000 for setting up their offices for each LegCo term 5. an allowance of up to \$100,000 for "information technology and communications equipment expenses reimbursement" for each LegCo term 6. an allowance for winding-up when LegCo Members cease to be Members of the legislature comprising – <ol style="list-style-type: none"> (a) a fixed amount equivalent to the monthly "accountable expenses reimbursement for office operation" (\$121,120#), payable on a reimbursement basis, to cover office expenses incurred; and (b) a separate amount, with no pre-set ceiling, to cover actual severance payment to be paid to staff.

Note - * Up to 50% may be used for staff expenses on an accountable basis.

The amount does not take into account the next annual adjustment to be made on 1 October 2001.