

# 立法會 *Legislative Council*

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## **Paper for the House Committee Meeting on 8 December 2000**

### **Second Report of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement**

#### **Purpose**

This paper reports on the further deliberations and recommendations of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement in its review of the resources provided to Members of the Legislative Council.

#### **Background**

2. The first report of the Subcommittee was considered by the House Committee on 17 November 2000. The Subcommittee was requested to work out more concrete proposals and provide another report to the House Committee. Under the chairmanship of Hon NG Leung-sing, the Subcommittee held another meeting on 30 November 2000.

3. Apart from those expressed at the House Committee meeting on 17 November 2000, no other views have been received from non-Subcommittee members for consideration by the Subcommittee at its meeting on 30 November 2000.

#### **Deliberations and Recommendations of the Subcommittee**

##### Standard Rate of Operating Expenses Reimbursement (OER) for all Members

4. The Subcommittee is of the consensus that there should not be a difference in the level of OER for Members, irrespective of the different methods of election (functional constituencies, Election Committee or geographical constituencies).

### Factors for Review of Members' OER

5. After lengthy deliberation, the Subcommittee agrees that it would be inappropriate for Members themselves to recommend specific amounts, but the factors in paragraphs 6 to 13 should be taken into consideration in a review of Members' OER.

### Maintenance of Quality of Service to the Public

6. As indicated in the statistics of Members' office operation expenses in June 2000, 63.2% and 10.6% of these expenses were spent on staff and office accommodation respectively (from past experience, the figures for staff salaries and office rents are not expected to vary significantly from month to month). These expenses cannot follow the downward movement of the Consumer Price Index (C) (CPI(C)) because they are bound by contracts or implied moral obligations. Moreover, the components and their relative weighting of CPI(C) are different from the expenditure items under the OER, e.g. CPI(C) does not have a separate weighting for wages and salaries.

7. A further reduction by another 5.1% this year following a 2% reduction in 1999 according to CPI(C) further aggravates the already inadequate level of OER for Members. Under such circumstances, Members are left with little choice but to reluctantly cut back on the service for the community. The Subcommittee considers it very important that Members' quality of service should be maintained.

8. When the mechanism for the annual adjustment of Members' remuneration and OER according to the movement of the Hang Seng Consumer Price Index (subsequently renamed as CPI(C)) was established in 1994-1995, it was the intention of the Commission on Remuneration for Members of the Legislative Council (the Commission) to ensure that Members' remuneration and their monthly expenses allowance would not be eroded by inflation. It is doubtful that the Commission envisaged at that time any downward adjustment at times of deflation. Any downward adjustment of Members' remuneration and OER according to CPI(C) may not therefore be a correct interpretation of the Commission's intention. It should be rectified as a matter of urgency.

### Separate Adjustment Mechanism(s) for Staff and Office Costs

9. It is noted that the Legislative Council's Working Group on the Review of Allowances for Legislative Council Members recommended in 1994 that there should be separate adjustment mechanisms for staff and office costs and for other expenses (extract of the report of the Working Group is at **Appendix I**). However, the Commission recommended that adjustment should be made across the board by reference to the Hang Seng CPI.

10. For the same reasons stated in paragraph 6, the Subcommittee is of the view that expenses on staff salaries and office accommodation should more appropriately be subject to new annual adjustment mechanism(s), while other expenses should continue to be subject to CPI(C).

#### Changes to Election Systems and Constituencies since 1994

11. In 1994 the Commission's recommendation on the level of OER was based on one office per Member with a manning scale of an Executive Officer I, a Personal Secretary II and a Clerical Officer II at the mid-point salaries of \$49,385 (which is equivalent to \$71,865 in 2000) (extract of the Report of the Commission is at **Appendix II**). In view of the different election systems in 1994 and 2000 whereby the constituencies are now greatly enlarged, the need for more offices and resources is obvious. In June 2000, 48 Members had a total of 76 district offices (26 Members with one office, 16 Members with two offices and 6 Members with three offices). This indicates that over 80% of Members have more than one office. The present level of OER is hardly sufficient, let alone setting aside funds for future staff benefits. In this connection, the Subcommittee has requested Members to forward all invoices and receipts for the period October – December 2000 to the Secretariat for recording, irrespective of whether the OER ceilings have been exceeded, so that the actual expenditure of Members can be reflected to the Administration.

12. An appeal was made to the Administration to review the level of OER in 1998-1999. Whilst recognizing the enlarged area and population in some constituencies, the Administration considered that Members could communicate with their constituents through modern technology; hence the approval of the \$100,000 capital account on Information Technology and Communication Equipment Expenses in July 1999. The low expenditure on this account (\$0.456 million as at 30 June 2000) since its introduction seems to indicate that this measure may not be as effective and useful as expected.

13. The Subcommittee recommends that the Administration should review the number of offices required by Members, with reference to the 1994 manning scale for such offices. The Subcommittee welcomes the Independent Commission on Remuneration for the Members of the Executive Council and the Legislature of the HKSAR (Independent Commission) to visit the district offices and meet Members for an exchange of views on the OER system.

#### Additional Funding for Long Service Payments

14. The Subcommittee is of the unanimous view that additional funding should be provided by the Administration for long service payments to Members' staff as in the case of severance payments.

### Members' Remuneration

15. The suggestions of pegging Members' remuneration to a salary point, or at a certain percentage of a salary point on the Civil Service pay scale, and of providing for the annual adjustment to follow that for the Civil Service have been considered. The Subcommittee notes that these were considered but were not accepted by the Commission in 1994 (extract of the report of the Commission is at **Appendix III**). While the Subcommittee does not intend to make any concrete proposal on Members' remuneration, it is of the view that it is opportune for the remuneration package for Members to be reviewed comprehensively. The Commission has earlier recommended that such a review be conducted once every three to five years.

### Timing of the Review

16. The downward adjustment according to CPI(C) in October 2000 and the implementation of the Mandatory Provident Fund on 1 December 2000 further aggravate the inadequacy of OER for Members, particularly those with a large number of staff. The Subcommittee therefore urges the Independent Commission to conduct the review as a matter of urgency.

### **Advice Sought**

17. Members are invited to endorse the following recommendations of the Subcommittee and forward them to the Administration so that they can be referred to the Independent Commission for consideration:

- (a) The interpretation that Members' remuneration and OER should be adjusted downwards according to CPI(C) at times of deflation may not be correct and should be rectified urgently (paragraph 8).
- (b) Expenses on staff salaries and office accommodation should more appropriately be subject to new annual adjustment mechanism(s), while other expenses should continue to be subject to the movement of CPI(C) (paragraph 10).
- (c) It is necessary to review the present inadequate level of OER, having regard to the number of offices required by Members and with reference to the 1994 manning scale of such offices (paragraph 13).
- (d) Additional funding should be provided by the Administration for long service payments for Members' staff as in the case of severance payments (paragraph 14).
- (e) It is opportune for the remuneration package for Members to be reviewed comprehensively (paragraph 15).

- (f) A review should be conducted by the Independent Commission as a matter of urgency (paragraph 16).

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Legislative Council Secretariat  
6 December 2000

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**Extract from Report of the Working Group  
on the Review of Allowances for Legislative Council Members**

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**General Expenses Allowance**

15. The level of the component for office and staff costs should be determined by making reference to the scope of duties of a Legislative Council Member so that necessary supporting staff could be employed and adequate office expenses could be provided to assist Members in performing their duties effectively. As regards the adjustment of the non-accountable component on travelling and entertainment, reference should be made to inflation and the Consumer Price Index.

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**Extract from Report of the Commission on Remuneration  
for Members of the Legislative Council**

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**Level of the General Expenses Allowance for Staff and Office Costs**

3.13. In the absence of other suitable reference points, we recommend that the previous approach be maintained. The sum of the mid-point salaries of an Executive Officer I, a Personal Secretary II and a Clerical Officer II for 1993-94 is \$49,385. According to LegCo Members' latest claims, each LegCo Member incurs on average \$10,254 per month on office expenses. Therefore, we recommend that the level of the monthly general expenses allowance, as at the end of March 1994, should be \$60,000 (which is roughly the sum of \$49,385 and \$10,254).

3.14 We recommend that, as the expenditure pattern varies so much from one LegCo Member to another, LegCo Members should be allowed the flexibility to claim up to the full amount of \$60,000 per month irrespective of the breakdown between areas of expenditure. In other words, for example, a LegCo Member may use the whole allowance solely on staff expenses. We further recommend that, following the existing practice, the allowance should be made on a reimbursement basis. All claims must be supported by receipts duly certified by the LegCo Member concerned.

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**Extract from Report of the Commission on Remuneration  
for Members of the Legislative Council**

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**Remuneration for Legislative Council Members**

2.13 Because LegCo work is not a job, we do not find it possible to link the level of remuneration for LegCo Members to the pay scales of the civil service or pay levels in the private sector. We have therefore considered instead whether the present level of remuneration is reasonable. We are aware that there will not be any community consensus on how the level should be determined. We believe, however, whether people are coming forward as candidates in LegCo elections is not and should not be determined solely by the level of the remuneration.

2.14 We therefore choose to consider whether the present level of payment at \$43,250 per month is reasonable for those people of more modest means who may regard LegCo work as their main occupation. In this connection, we have made reference to the statistics on monthly employment and household earnings in Hong Kong and note that the existing level of remuneration, at \$43,250 per month, puts LegCo Members in the top 1.5% (as at 4th quarter 1993) of salary earners in Hong Kong. We consider this to be reasonable.

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