

**Remuneration and Operating Expenses Reimbursements
for Legislative Council Members**

PURPOSE

This paper seeks to –

- (a) inform Members of the outcome of the review of the annual adjustment mechanism and the level of their remuneration and office operation expenses reimbursement; and
- (b) consult Members on the alternative mechanism for annual adjustments to the “accountable expenses reimbursement for office operation” set out in paragraph 6 below.

RECOMMENDATIONS OF THE INDEPENDENT COMMISSION

2. The Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (HKSAR) (the Independent Commission) recommended and the Chief Executive, on the advice of the Executive Council, approved that –

- (a) LegCo Members be given the option of an alternative mechanism for annual adjustments to the “accountable expenses reimbursement for office operation”;
- (b) the “accountable expenses reimbursement for office operation” of LegCo Members be increased by \$25,000 from \$96,120 to \$121,120 per month, having regard to their increased workload relating to Council business;
- (c) the monthly provisions of the “accountable expenses reimbursement for office operation” be merged and made available as one annual provision. The same arrangement be applied to the monthly provisions for “entertainment & travelling expenses reimbursement”;
- (d) consideration be given to providing additional resources, where justified, to the LegCo Secretariat so that enhanced support could be provided to LegCo Members as a whole and, where appropriate, individually;

- (e) no change be made to the accountable allowance for the “Information Technology and Communication Equipment Expenses”;
- (f) no additional funding be provided for long service payments and mandatory provident fund payments to staff of LegCo Members; and
- (g) no change be made to the adjustment mechanism and the level of LegCo Members’ remuneration.

3. The revised package of allowances for operating expenses for LegCo Members is at the **Annex**.

BACKGROUND

4. A Subcommittee on Members’ Remuneration and Operating Expenses Reimbursement (the Subcommittee) was appointed by the LegCo House Committee in October 2000 to consider matters relating to Members’ remuneration and allowances package. 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 operation expenses reimbursement (OER) to the Administration. To ascertain the adequacy or otherwise of the current provision, the LegCo Secretariat conducted a survey of Members’ actual OER for the period October to December 2000. At Members’ request, the Independent Commission has also met with the Subcommittee.

CONSIDERATION

(A) Annual adjustment mechanism for Office Operation Expenses Reimbursement

5. Pursuant to the decision of the Finance Committee in 1995, adjustments to LegCo Members’ remuneration and OER have been made in accordance with the movement of the Consumer Price Index (C) (CPI(C)) under delegated authority by the Secretary for the Treasury. The Independent Commission confirmed that the intention of the existing adjustment mechanism provides for both upward and downward adjustments and recommended that LegCo should be advised accordingly.

6. Nevertheless, the Independent Commission noted that a significant proportion of the OER is being used to cover expenses on staff salaries and office rental, which may not be changed from year to year. Moreover, variations, if any, may not necessarily be in accordance with the CPI(C). Having regard to this, the Independent Commission recommended that LegCo Members be given an additional option whereby –

- (a) the OER be divided into two components, one for expenses relating to staff salaries and office accommodation and the other for other operating expenses;
- (b) the component covering staff and office accommodation expenses will be ‘fixed’ and will not be varied irrespective of the subsequent movements in the CPI(C); the other ‘variable’ component will continue to be adjusted annually in accordance with the movement of the CPI(C);
- (c) the proportion between the “fixed” and “variable” components in this account would be determined in consultation with LegCo Members, in the light of their expenditure pattern; and
- (d) once the ratio is agreed, it will be applicable to all LegCo Members and for their entire term of office.

(B) Level of the Office Operation Expenses Reimbursement

7. The Independent Commission noted that different LegCo Members have different modes of operation and that about one-third of LegCo Members are maintaining more than one district office. The Independent Commission however did not accept the argument that individual LegCo Members would necessarily require more district offices to serve their constituencies and that LegCo Members should be provided with additional resources to set up more district offices.

8. Nevertheless, the Independent Commission noted that, compared to the 1993-95 term when the current manning scale was drawn up, LegCo Members’ workload relating to Council business, as stipulated in the Basic Law, in the first term of the HKSAR LegCo had increased both in terms of volume and complexity. The current manning scale does appear thin vis-a-vis their increased workload relating to Council business. The survey conducted by the LegCo Secretariat on LegCo Members’ operating expenses showed that of the 28 Members who had expenditure in excess of the OER, the excess amount varied from \$67 to \$52,000 a month.

9. Having regard to the increased Council-related work and the inadequacy of the current OER for a number of LegCo Members, the Independent Commission recommended that the level of the OER 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 either additional or better qualified staff to assist them in performing their Council-related work.

10. The Independent Commission also noted that expenditure, even for the same LegCo Member, can vary from month to month and that significant excesses above the reimbursable OER ceiling arise for those months where expenditure on items other than office accommodation and staff is high. To enable LegCo Members to have more flexibility in deploying their resources, the Independent Commission recommended that the monthly provisions under OER be merged into an annual provision. Given that LegCo Members are allowed to use up to 50% of the entertainment & travelling expenses for employing staff under the existing arrangement, the Independent Commission further recommended that the monthly provisions for entertainment & travelling be also merged into an annual provision but kept as a separate account.

11. The Independent Commission noted that there might also be a need for better support to the Legislative Council as an institution. It therefore recommended that consideration should be given to providing additional resources, where justified, to the LegCo Secretariat so that enhanced support, in terms of research and legal services, could be provided generally to LegCo Members as a whole and, where appropriate, individually.

(C) Information Technology and Communication Equipment Expenses Reimbursement

12. The expenditure pattern of individual LegCo Members on the accountable allowance for information technology (IT) expenses varies. Twenty Members have been making use of the IT allowance and nine of them have used more than half of the allowance by mid May 2001. Given the relatively short time since the introduction of the allowance in 1999 and LegCo Members' varying expenditure patterns, the Independent Commission considered it premature to propose any change to the allowance at this juncture and recommended the status quo for this account.

(D) Additional funding for long service payments and mandatory provident fund payments

13. The Independent Commission noted that the current ambit of OER covers payments to staff of LegCo Members as required under relevant labour legislation, which includes long service payments (LSP) and provident fund payments. And arrangements are in place for LegCo Members to set aside funds under their monthly OER to allow for payment of such benefits. The analogy drawn between arrangements for LSP and mandatory provident fund (MPF) and that for severance payment is not appropriate because the latter, an element in the winding up allowance, is payable only when LegCo Members cease to be Members of the Legislature, which could be occasioned by matters beyond their control. The Independent Commission did not therefore see justifications and recommended no separate provision be made for LSP and MPF contributions.

(E) Level of Members' remuneration and adjustment mechanism

14. It was the view of the former Independent Commissions that LegCo membership is a form of service to the public. The Independent Commission reaffirmed this view and considered it not appropriate or possible to link remuneration for LegCo Members to the pay scales of the civil service or pay levels in the private sector.

15. The Independent Commission opined that, to maintain the credibility of the system, any recommendation for substantial change to the level of remuneration should, as far as possible, be approved by the legislature in one term for implementation in the next term. The Independent Commission also noted that the present remuneration package of our LegCo Members compares favourably with those in many overseas legislatures (e.g. the United Kingdom, Canada, Australia and Singapore). And while no two legislatures are exactly the same, the mode of operation and functions of these legislatures are broadly the same as that in Hong Kong.

16. As to the adjustment mechanism of LegCo Members' remuneration, the Independent Commission was of the view that, for want of a more appropriate index, the current link to the CPI(C) is not unreasonable, as the CPI(C) reflects the consumer price changes for households with expenditures within LegCo Members' remuneration.

17. Having regard to the above, the Independent Commission recommended that no change should be made to the level and adjustment mechanism of LegCo Members' remuneration.

FINANCIAL AND STAFFING IMPLICATIONS

18. Increasing the level of the "accountable expenses reimbursement for office operation" of LegCo Members by \$25,000 per month would entail additional funding of \$18 million per annum.

19. In addition, the proposed increase in the "accountable expenses reimbursement for office operation" may have additional financial implications as retiring LegCo Members are provided with a "winding up expenses reimbursement" and expenses incurred in making severance payment to their staff are reimbursed on an actual basis.

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

WAY FORWARD

21. Subject to Members' views on the alternative mechanism for annual adjustments to the "accountable expenses reimbursement for office operation", we will seek the approval of the Finance Committee for implementation of the Independent Commission's recommendations.

Administration Wing
Chief Secretary for Administration's Office
June 2001

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

Existing Package	Modified Package
<p>(A) Monthly provisions</p> <p>1. a remuneration of \$59,400</p> <p>2. an allowance of up to \$96,120 (or \$1,153,440 per annum) for accountable expenses relating to office operation</p> <p>3. a non-accountable allowance of up to \$13,720 for entertainment and travelling*</p> <p>(B) One-off provisions</p> <p>4. an allowance of up to \$150,000 for setting up their offices for each LegCo term</p> <p>5. an allowance of up to \$100,000 for “information technology and communications equipment expenses” for each LegCo term</p> <p>6. an allowance for winding-up when LegCo Members cease to be Members of the legislature comprising –</p> <p>(a) a fixed amount not exceeding \$96,120, payable on a reimbursement basis, to cover office expenses incurred; and</p> <p>(b) a separate amount, with no pre-set ceiling, to cover actual severance payment to be paid to staff.</p>	<p>(A) Monthly provisions</p> <p>1. a remuneration of \$59,400</p> <p>(B) Annual provisions</p> <p>2. an allowance of up to \$1,453,440 for accountable expenses relating to office operation</p> <p>3. a non-accountable allowance of up to \$164,640 for entertainment and travelling*</p> <p>(C) One-off provisions</p> <p>4. an allowance of up to \$150,000 for setting up their offices for each LegCo term</p> <p>5. an allowance of up to \$100,000 for “information technology and communications equipment expenses” for each LegCo term</p> <p>6. an allowance for winding-up when LegCo Members cease to be Members of the legislature comprising –</p> <p>(a) a fixed amount not exceeding \$121,120, payable on a reimbursement basis, to cover office expenses incurred; and</p> <p>(b) a separate amount, with no pre-set ceiling, to cover actual severance payment to be paid to staff.</p>

Note * Up to 50% of which may be used for staff expenses

