

**Extract of minutes of meeting of the LegCo Panel on Home Affairs
on 9 January 2001**

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V. Review of annual adjustment mechanism for honorarium and accountable allowance (AA) for DC members

[LC Paper No. CB(2)613/00-01(04)]

20. At the invitation of the Chairman, Deputy Secretary for Home Affairs (2) briefly introduced the Administration's paper.

21. The Chairman declared interest as a DC member for himself as well as the following members attending the meeting: Miss CHOY So-yuk, Mr IP Kwok-him, Mr Albert CHAN and Mr WONG Sing-chi.

Proposed revised mechanism

22. Mr IP Kwok-him was disappointed to know that there had been suggestions in the community for a downward adjustment of the rates of DC members' honorarium and allowance in line with the movement of the Consumer Price Index (CPI). He pointed out that the rates concerned were in fact inadequate to meet the expenses incurred by DC members in discharging their duties. Mr IP said that he was supportive of the Administration's proposed revised mechanism which would :

- (a) replace the current CPI(C) with CPI(A) as the basis for adjusting DC members' honorarium and AA; and
- (b) defer the downward adjustment of the ceiling of AA at times of deflation and effect the deduction only when there was an upward adjustment of its ceiling in an inflation year.

He also supported the Administration to appoint an independent commission to carry out periodic reviews of the remuneration package for DC members. However, Mr IP expressed disappointment that DC members' monthly honorarium still had to be reduced from \$18,190 to \$17,950. He pointed out that although a reduction of \$240 on DC members' honorarium would not cause financial problem to them, it had reflected the Administration's view that the role and functions of DC members was not important.

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23. In response, Secretary for Home Affairs (SHA) pointed out that the current mechanism for revising DC members' honorarium and AA had been examined and approved by the Finance Committee (FC) of the Legislative Council (LegCo) in 1992 and 1999 respectively, and was in line with the current arrangements for revision of LegCo Members' remuneration and operating expenses reimbursement. In view of the House Committee's concern about the issue, the Administration had conducted a special review of the annual adjustment mechanism for DC members' honorarium and allowance before the completion of the overall review on the roles and functions of DC. He emphasised that based on the principle of not deviating from the current mechanism, the findings and recommendations of the special review had offered a short-term solution to the problems faced by DC members who were bound by the terms of the rental and staff contracts they had entered into. He added that HAB would examine the suggestions put forward by LegCo Members and DC members regarding the adequacy of the honorarium and AA in the context of the overall review of DC's roles and functions.

24. Mr Albert CHAN considered that HAB's proposal not only could offer a short-term solution to the problems faced by the Administration and DC members, but was also in line with the principle of the established revision mechanism. Miss CHOY So-yuk also expressed support for the proposals set out in the paper.

25. Mr WONG Sing-chi asked why the Administration did not consider deferring the adjustment of DC members' honorarium as applied in the case of the ceiling of their AA. The Chairman also pointed out that most of the DC members attending the activities of the "District Councils Day" had expressed concern over issues relating to the adjustment of their honorarium and AA. He asked whether the Administration had considered deferring the adjustment of DC members' honorarium under the present economic environment.

26. SHA pointed out that the Administration did not share the view that there could only be upward, but not downward adjustment of the levels of DC members' honorarium and AA. However, it agreed that DC members were bound by their contractual obligations in terms of rental charges and staff salaries which could not be adjusted at will or in accordance with the movement of CPI. Therefore, the Administration suggested that the downward adjustment of the ceiling of DC members' AA should be deferred and the deduction should be effected when there was a need for its upward adjustment at times of inflation. He explained that the same principle did not apply to DC members' honorarium which was to cover the expenses arising from DC business and compensate them to some extent for their time spent on DC business. Therefore, the Administration considered that DC members' honorarium should continue to be adjusted with reference to the movement of CPI. He added that the downward adjustment of LegCo Members' remuneration earlier had set a precedent. He hoped that DC members would take into consideration the different views in the community, including some LegCo members, on this issue.

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27. Mr IP Kwok-him emphasised that as pointed out by the Chairman, most DC members participating in the discussions on “District Councils Day” had indicated that the current rates of honorarium and AA were inadequate to cover the expenses incurred in performing their day-to-day duties. He hoped the Administration could complete the overall review of DC members’ functions and roles as soon as possible. He urged members to support the revised mechanism proposed by the Administration. Otherwise, the ceiling of AA would be reduced by 2.7% from the current level of \$10,000 to \$9,730 with effect from 1 January 2001.

28. The Chairman said that the revised mechanism proposed by the Administration was not the best solution. He pointed out that as employers, DC members did not want to cut back the remuneration for their assistants. Moreover, other expenses of DC members’ ward offices, such as rental charges, might not necessarily be adjusted in line with inflation or deflation. In his opinion, AA should be reimbursed to DC members on production of receipts at times of deflation. Such a practice could increase the flexibility in policy implementation and reduce administrative expenses while catering for the varied financial needs of DC members.

Honorarium and AA for DC members

29. Mr Albert CHAN, Miss CHOY So-yuk and Mr WONG Sing-chi considered that the current monthly AA of up to \$10,000 was insufficient to meet the expenses incurred by DC members in discharging their duties. They pointed out that the monthly rental of DC members’ ward office would be in the range of \$3,000 to \$5,000 if they were set up within the precincts of housing estates under the management of the Housing Department (HD). However, the monthly rental would be at least \$9,000 if DC members had to rent commercial premises or private properties for setting up their ward offices. Mr CHAN added that even during the economic downturn in 1999, HD had attempted to increase the rental of his ward office located in a housing estate. Given Mr CHAN’s strong opposition, the rental was subsequently frozen. Mr CHAN and Miss CHOY urged the Administration to actively consider providing offices at fixed locations for DC members with a view to reducing their expenses on rental charges and helping them perform their duties. Miss CHOY So-yuk opined that DC members should be granted an entertainment allowance. She pointed out that in order to better understand grass-roots views and needs, DC members very often had to attend functions organised by non-governmental organisations and hence had to send baskets of flowers as a token of their compliments or respect. She suggested that those expenses should be reimbursable under AA.

30. Mr Albert CHAN pointed out that the honorarium for full-time and part-time DC members should be different. He pointed out that full-time DC members might have to spend more than ten hours per day on DC business while part-time DC members might just attend several regular meetings per month.

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He was of the view that the Administration should not adopt a uniform rate for DC members' honorarium to avoid causing any unfairness. He also pointed out that in their day-to-day work, DC members helped the Administration solve many problems relating to people's livelihood at the district level as well as placate the pent-up grievances of people in their daily life. He hoped that the Administration would attach importance to the functions of DCs in district administration as well as the role played by DC members in district affairs.

31. In response, SHA pointed out that at present, DC members' honorarium and AA were not calculated in accordance with the time they devoted to council business as this would arouse much controversy. He agreed that in discharging their duties, DC members directly and indirectly helped relevant government departments to co-ordinate and solve many problems in district management. He pointed out that he had called at 18 DCs and obtained a clear picture of the views expressed by DC members on the levels of honorarium and AA as well as the revision mechanism. He informed members that the Administration would examine all issues relating to the provision of financial support and other assistance to DC members in the context of the overall review of DCs' roles and functions.

32. Miss CHOY So-yuk and Mr IP Kwok-him pointed out that the levels of DC members' honorarium and AA were not reasonable. Miss CHOY considered that should the findings of the overall review show that the levels of DC members' honorarium and AA had been on the low side, the Administration should consider paying back the amount of honorarium and AA that DC members should have received.

33. The Chairman and Mr IP Kwok-him hoped that the Administration could complete the review of DC members' roles and functions within six months. SHA responded that the Administration planned to complete the overall review of DCs' roles and functions by the end of 2001.

34. The Chairman informed members that the Administration would seek the approval of FC of LegCo on 12 January 2001 for the relevant financial proposal.

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