

**For discussion
on 16 January 2002**

EC(2001-02)25

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

**HEAD 143 - GOVERNMENT SECRETARIAT :
CIVIL SERVICE BUREAU
Subhead 001 Salaries**

Members are invited to recommend to Finance Committee the retention of the following supernumerary post in the Civil Service Bureau for a period of 21 months from 1 April 2002 to 31 December 2003 –

1 Administrative Officer Staff Grade C
(D2) (\$122,450 - \$130,050)

PROBLEM

The Secretary for the Civil Service (SCS) needs dedicated support at the directorate level in order to set up the Civil Service Provident Fund (CSPF) Scheme by mid 2003.

PROPOSAL

2. The SCS proposes to retain one supernumerary post of Administrative Officer Staff Grade C (AOSGC) post (D2) in the Civil Service Bureau (CSB) for a period of 21 months from 1 April 2002 to 31 December 2003 to undertake the full range of preparatory work for setting up the CSPF Scheme.

/JUSTIFICATION

JUSTIFICATION

3. The Finance Committee approved on 10 March 2000 the creation of an AOSGC post on a supernumerary basis for 24 months with effect from 1 April 2000. The AOSGC heads a Special Duties Team to oversee the implementation of Mandatory Provident Fund (MPF) arrangements for eligible Government employees; to co-ordinate matters relating to the setting up of service-wide human resources management, computer and accounting systems to enable the Government to comply with the mandatory requirements of the MPF Schemes Ordinance (MPFSO) as an employer; and to explore the proposal of introducing the CSPF Scheme as a new retirement benefit system for new recruits to the civil service. The AOSGC is supported by staff at non-directorate level comprising one Chief Executive Officer, one Senior Executive Officer, one Executive Officer I, one non-civil service contract actuarial officer and general secretarial and clerical support. The supernumerary AOSGC post is due to lapse on 31 March 2002.

4. With the approval of the Executive Council (ExCo) of the CSPF Scheme and its design principles on 10 July 2001, we now enter into the implementation phase of the Scheme. Preparatory work in the pipeline for setting up the CSPF Scheme includes –

- (a) taking forward the detailed design of scheme rules of the CSPF Scheme, having regard to the legislative provisions under the MPFSO and the civil service management policies and practices;
- (b) finalising the contribution rates of the Government's voluntary contribution and in the light of the agreed rates, developing co-ordinated budgeting and accounting procedures to ensure timely and effective operation of the Scheme;
- (c) putting in place a set of detailed and proper procedures on the making, withholding and forfeiture of the Government's voluntary contribution having regard to the approved contribution rates for officers in civilian grades and disciplined services, vesting rules, and prevailing discipline policies;
- (d) conducting the selection exercise for scheme trustees in accordance with the Government procedures and requirements; and
- (e) conducting full consultation with all stakeholders in the process of the above tasks to ensure that their respective views are taken into account and to organise publicity and training programmes to familiarise staff and departmental management on the operation of the Scheme to ensure its effective and smooth implementation.

5. The CSPF Scheme is applicable to civil servants who joined the civil service on or after 1 June 2000 and when they progress onto permanent terms upon satisfactory completion of probation and/or agreements. Due to the different timing in recruitment of staff, the earliest batch of officers who will reach permanent terms and become eligible for the CSPF Scheme are those who joined the disciplined services in mid to late 2000. They would have completed a three-year probation from mid 2003 onwards and start to be eligible for the CSPF Scheme. We are therefore carrying out the above tasks as a matter of urgency with a view to having the CSPF Scheme in operation by mid 2003. The timetable is tight given the number of Government bureaux/departments involved to finalise the administrative and accounting arrangements, having regard to the legal and policy issues involved. We have started with the preparatory work on implementation upon ExCo's approval in July 2001 and there is a continued need to maintain the Special Duties Team at its current strength beyond 31 March 2002 to attend to the full range of setting up arrangements for the CSPF Scheme.

6. The CSPF Scheme is the first of its kind to be set up in the civil service. It would be necessary to develop operational procedures in making contributions and granting accrued benefits under the scheme. If past experience of implementing the MPF arrangements for Government employees is of any guide, there is a need to retain the Special Duties Team for a short while after the Scheme is first in operation to ensure smooth implementation. Departmental management and staff will in particular require the support and advice of the Team on the administration and operation of the Scheme at the initial stage. The scheme trustees would similarly look to a central co-ordinator in their administration of the CSPF Scheme at the early stage for advice as and when necessary on service-wide issues concerning the application of the scheme rules to individual officers having regard to their terms and conditions of appointment. We therefore consider it necessary to extend the AOSGC post up to 31 December 2003. This is in our view the minimum period required to ensure proper operation of the CSPF Scheme. The duty list of the supernumerary AOSGC is at Enclosure 1. The organisation chart of Civil Service Bureau is at Enclosure 2. The supernumerary AOSGC will continue to report to Deputy Secretary (Civil Service)¹ (DS(CS)1).

Encl. 1

Encl. 2

ALTERNATIVES CONSIDERED

7. We are mindful of the need to exercise stringent control over the creation and retention of directorate posts and have all along vigorously reviewed the establishment in the CSB and the departments under its purview to ensure the staffing level remains appropriate in the light of the current day requirements. We

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took the initiative in October 2001 to amalgamate the four secretariats serving the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service, the Standing Committee on Directorate Salaries and Conditions of Service and the Standing Committee on Judicial Salaries and Conditions of Service. The formation of a Joint Secretariat to serve the four advisory bodies has resulted in a net reduction of a permanent directorate post, resulting from the deletion of two permanent directorate posts (one Administrative Officer Staff Grade B (D3) and one Principal Executive Officer (D1)) and the creation of an AOSGC (D2). This initiative underlines our efforts in contributing to containing the size of directorate officers.

8. It is also worth noting that in the past years, we have taken on board a series of initiatives to modernise the management of the civil service. Such initiatives include the introduction of a new entry system, and the new starting salaries and fringe benefits package for new recruits to increase the flexibility of the appointment system; the implementation of the Voluntary Retirement Scheme for 59 grades to streamline the exit procedures to better handle redundancy; the introduction of the Management-initiated Retirement Scheme to enhance the quality of the senior management of the civil service; the initiation of a three-year training and development programme to better equip staff with necessary skills to deliver quality service to the community; the launching of the annual service-wide Customer Service Award Scheme since 1999 to further promote customer service culture in the civil service; and the streamlining of disciplinary mechanism, etc. In addition, we will undertake a major review on civil service pay policy and system. We will also conduct a comprehensive review of civil service rules and regulations to identify further scope for simplification and streamlining of procedures in order to enhance efficiency. Apart from the creation of one permanent Senior Principal Executive Officer (D2) and his supporting staff with effect from April 2000 for the setting up of a dedicated Secretariat on Civil Service Discipline, a supernumerary AOSGC post for 18 months to review the civil service starting salaries and to study the performance-based pay system (the post has already lapsed in end December 2000), a supernumerary Principal Executive Officer (D1) post for 12 months to head a Task Force on Civil Service Integrity Programme (the post has already lapsed in end June 2000), and the supernumerary AOSGC post on the CSPF Scheme, we have absorbed all the additional duties within our existing directorate establishment.

9. On the staffing request to support the design and development of the CSPF Scheme, we have adopted the same prudent and practical approach. When we last sought approval in 2000 for the creation of the AOSGC post on a

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supernumerary basis, we decided to seek for the minimum period required for the completion of the study and design work. In the light of ExCo's approval for the implementation of the Scheme, we have reviewed the staffing requirement to take forward the Scheme, and on this basis, now propose to extend the supernumerary AOSGC post up to end December 2003. The overall directorate establishment of the CSB portfolio will not be increased as a result of this proposal since the post will lapse in end December 2003. On the other hand, the amalgamation of the secretariats serving advisory bodies to a Joint Secretariat has resulted in a permanent reduction of an AOSGB post since 1 December 2001.

10. We have critically examined whether existing officers in CSB have spare capacity to absorb the duties concerned. For the two Principal Assistant Secretaries (PASs) also reporting to DS(CS)1, they are responsible for policies on appointment, directorate succession, qualifications, examinations, pensions, and grade management functions of the Administrative Officer Grade respectively. The two PASs are fully occupied in their existing schedules and cannot absorb the duties arising from the design and development of the CSPF Scheme. As for PASs in other divisions, each of them is responsible for distinct policy areas relating to training and development, performance management, pay and conditions, conduct and discipline, and staff relations. In addition, under the current Civil Service Regulations, SCS is the approving authority for certain human resource functions in respect of staff above specified seniority. These divisions have to share among themselves the responsibilities for handling such personnel cases in all Government bureaux and departments. Our assessment is that it is not feasible for other directorate officers in CSB to absorb the duties of the proposed AOSGC post without adversely affecting the discharge of their current duties. Doing away with the proposed AOSGC post will have adverse impact on the implementation of the CSPF Scheme.

FINANCIAL IMPLICATIONS

11. The additional notional annual salary cost at mid-point of the proposal is \$1,515,000. The full annual average staff cost of the proposal, including salaries and staff on-cost, is \$2,500,000.

12. The proposal will necessitate the retention of five non-directorate posts (one Chief Executive Officer, one Senior Executive Officer, one Executive Officer I, one Personal Secretary I and one Clerical Officer) at a notional annual mid-point salary cost of \$2,911,320 and the full annual average staff cost of \$4,558,000.

13. We shall include sufficient provision in the 2002-03 draft Estimates to meet the cost of this proposal.

CONSULTATION WITH LEGISLATIVE COUNCIL PANEL

14. We consulted the Panel on Public Service on 19 November 2001. Members of the Panel noted the need to extend the post and requested the Administration to keep the extension period to the shortest possible having regard to the estimated operational requirements. We have critically examined the situation and have accordingly shortened the proposed extension period from end March 2004 to 31 December 2003 to take into account members' concerns. We would monitor the situation regularly and would allow the post to lapse earlier than 31 December 2003 if the workload reduces to a level that does not justify an AOSGC.

BACKGROUND INFORMATION

15. In the Civil Service Reform Consultation Document issued in March 1999, we proposed, among other things, to study the feasibility of setting up a CSPF Scheme for new recruits to the civil service. The Scheme is intended to be a replacement of the pension system to complement the new entry system for the civil service, which provides for a more flexible and competitive appointment system while maintaining a structured career framework that provides stability, continuity and a high degree of integrity among civil servants.

16. To take forward the proposal, CSB commissioned a consultancy study in January 2000. Stage One of the Study examines possible design options for the Scheme; while Stage Two of the Study will focus on the implementation details. On completion of the Stage One Study, a public consultation exercise was carried out from January to April 2001 on the findings and recommendations of the consultants.

17. Taking into account views received in the consultation, ExCo approved on 10 July 2001 that the CSPF Scheme should be set up for officers who joined the civil service on or after 1 June 2000 and when they progress onto permanent terms. ExCo also approved the design principles of the Scheme, details of which are set out in the Legislative Council Brief issued on 10 July 2001 (reference: CSBCR/AP/5/090-005/10 Part 23). In terms of the financial implications of the Scheme, ExCo ruled that the overall financial commitment of

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the Government should be kept within 18% of the salary cost, which would be 4% lower than the average pension on-cost of 22% of the salary cost under the New Pension Scheme.

18. As the first batch of civil servants will become eligible for joining the CSPF Scheme in June 2003, we shall propose the provision for government's contributions towards the Scheme in 2003-04 in the 2003-04 draft Estimates. In line with the practice of delegating more authorities and responsibilities to Heads of Departments/Heads of Grades, we will ask individual Controlling Officers to make provisions under a new Recurrent Account Subhead under their respective heads of expenditure for making CSPF contributions for their eligible staff. This arrangement will better reflect the total cost of individual departments in the delivery of services.

19. We are now working on the detailed design features of the Scheme and all other necessary setting-up arrangements. Our plan is to conduct a tender exercise in accordance with Government procedures in the first quarter of 2002 to select scheme trustees from the market for the operation of the CSPF Scheme. Our target is to have the Scheme in operation by mid 2003.

ESTABLISHMENT CHANGES

20. Civil Service Bureau's establishment changes for the last two years are as follows –

Establishment (Note)	Number of posts			
	Existing	as at 1.4.2001	as at 1.4.2000	as at 1.4.1999
A	17 + (1)	17 + (2*)	17 + (3)	16 + (1 [#])
B	93	96	98	84
C	232	240	250	239
Total	343	355	368	340

Note:

A - ranks in the directorate pay scale or equivalent

B - non-directorate ranks the maximum pay point of which is above MPS Point 33 or equivalent

C - non-directorate ranks the maximum pay point of which is at or below MPS Point 33 or equivalent

() - number of supernumerary directorate posts

* Included a short-term Principal Executive Officer post which lapsed on 9 September 2001.

The post was a short-term Administrative Officer Staff Grade C post which lapsed on 4 July 1999.

/ADVICE

**ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE
SALARIES AND CONDITIONS OF SERVICE**

21. As the AOSGC post is proposed on a supernumerary basis, its retention, if approved, will be reported to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

Civil Service Bureau
January 2002

**Job Description of the Proposed Post of
Principal Assistant Secretary (Appointments) Special Duties**

Post Title : Principal Assistant Secretary (Appointments) Special Duties

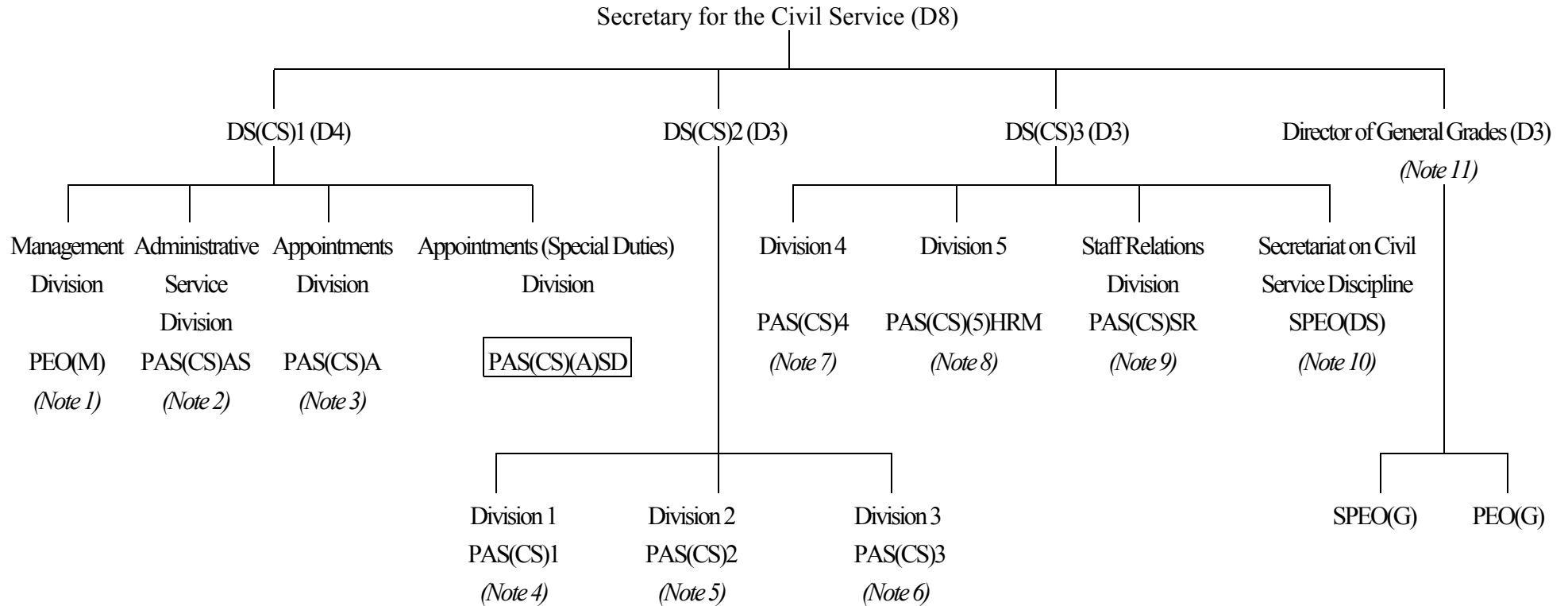
Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary (Civil Service) 1

Main duties and responsibilities –

1. To head the Special Duties Team and to co-ordinate with policy bureaux, departments, grades, advisory bodies and other relevant parties on all matters relating to the development and implementation of the Civil Service Provident Fund (CSPF) Scheme;
2. to carry out consultation with the staff sides on the scheme details, and to draw up guidelines to educate staff on the overall arrangements under the CSPF Scheme;
3. to finalise the detailed design features and governing rules of the CSPF Scheme;
4. to oversee all matters relating to the implementation of the CSPF Scheme as the new retirement benefits system for the civil service. This includes working out the detailed implementation strategies; carrying out a tender exercise to select scheme trustees for the CSPF Scheme; putting in place proper institutional arrangements for day-to-day administration of the Scheme; making suitable amendments to civil service regulations and other documents such as specimen appointment letters to reflect the CSPF arrangements; setting up new service-wide budgetary and accounting procedures for use by bureaux/departments in making CSPF contributions for their eligible staff, etc.; and
5. to oversee all matters relating to the service-wide arrangements to enable the Government to comply with the requirements of the MPFSO as an employer.

Organisation Chart of the Civil Service Bureau



Legend:

Supernumerary post proposed for extension

DS Deputy Secretary
 PAS Principal Assistant Secretary (D2)
 SPEO Senior Principal Executive Officer (D2)
 PEO Principal Executive Officer (D1)

/Footnote

Footnote

- Note 1* Management Division is responsible for general administration and resource management of CSB.
- Note 2* Administrative Service Division is responsible for management of the Administrative Officer Grade.
- Note 3* Appointments Division is responsible for policies on appointments, qualification assessment and examinations, pensions, retirement and post-retirement employment.
- Note 4* Division 1 is mainly responsible for policies on civil service housing benefits.
- Note 5* Division 2 is mainly responsible for policies on civil service pay, leave and passage, and travelling expenses.
- Note 6* Division 3 is mainly responsible for policies on education and job-related allowances, as well as civil service medical and dental benefits.
- Note 7* Division 4 is mainly responsible for policies on conduct and discipline.
- Note 8* Division 5 is mainly responsible for policies on training and human resource management.
- Note 9* Staff Relations Division is responsible for matters on staff relations and welfare, central consultative councils and departmental consultative committees.
- Note 10* Secretariat on Civil Service Discipline is responsible for processing disciplinary cases under the Public Service (Administration) Order 1997.
- Note 11* Director of General Grade is responsible for the management of the Executive Officer, Secretarial and Clerical grades.