

## ITEM FOR FINANCE COMMITTEE

### HEAD 63 - HOME AFFAIRS DEPARTMENT

#### Subhead 106 Temporary Staff

#### Subhead 110 Honoraria for members of committees

#### Subhead 149 General departmental expenses

#### Subhead 215 Environmental improvement and community involvement projects

#### Subhead 700 General other non-recurrent

Members are invited to –

- (a) approve the following modifications to the package of remuneration and allowances for District Council (DC) members –
  - (i) increase the monthly rate of accountable allowance (AA) from \$10,000 by \$7,000 to \$17,000 and expand the ambit of the AA, with effect from December 2001;
  - (ii) merge the monthly AA into an annual provision starting from January 2002; and
  - (iii) grant a one-off grant of \$10,000 to DC members to strengthen the information technology and other support during the current DC term.
  
- (b) approve supplementary provision of \$14.6 million under Head 63 Subhead 110 Honoraria for members of committees in 2001-02; and

- (c) approve supplementary provision of \$41 million under Head 63 Subhead 215 Environmental improvement and community involvement projects in 2001-02.

## **PROBLEM**

We need to enhance the allowances for the District Council (DC) members and the flexibility in the use of such allowances, and give DC members more support to help them discharge their duties more effectively. The support resources provided to the DCs also need to be strengthened.

## **PROPOSAL**

2. The Secretary for Home Affairs proposes to -
  - (a) increase the Accountable Allowance (AA) for DC members from \$10,000 to \$17,000 per month and expand the ambit of the AA to cover a wider range of office expenditure, with effect from December 2001;
  - (b) merge the monthly AA into an annual provision with effect from January 2002;
  - (c) make available a one-off “information technology (IT) and other support” grant of up to \$10,000 to each DC member in the current DC term;
  - (d) allocate an additional \$41 million to the 18 DCs for organising more community building, cultural and recreational activities and implementing more environmental improvement projects; and
  - (e) strengthen the support to the Home Affairs Department (HAD), and allocate \$12 million for employing extra staff to strengthen support to the DC Secretariats and the Works Section, and \$5 million for organising more training courses and seminars for DC members, their assistants and relevant civil servants.

**/JUSTIFICATION .....**

## JUSTIFICATION

### The DC Review

3. In July 2001, the Administration consulted the public on the recommendations of a Working Group on DC Review set up to consider the scope for strengthening the roles and functions of the DCs. After taking into account the views collected during the public consultation, the Administration finalised its recommendations on the DC Review and some of the recommendations involve providing additional resources for DCs and for strengthening HAD's support to DCs. Details of these recommendations are described in paragraphs 4 to 6 below.

### *Environmental Improvement & Community Involvement Projects*

4. In 2001-02, DCs have an allocation of \$168.4 million for improving the local environment by undertaking environmental improvement projects costing not more than \$0.6 million each, and for promoting district activities. The DCs are prepared to take on more environmental improvement projects in the districts such as greening and beautification projects, and more projects that can enhance the district identity. We propose an additional annual allocation of \$10 million for the 18 DCs to implement more environmental improvement projects starting from 2001-02. As for community involvement, the DCs have actively supported the Government in promoting various community building, cultural and recreational activities in the districts (e.g. Clean Hong Kong Campaign, promotion of wider use of IT). To enhance the capacity of the DCs and other district organizations in organizing cultural/recreational activities and district festivals, we propose an additional annual allocation of \$31 million for the 18 DCs starting from 2001-02 to organize or subsidize community involvement projects.

### *Staffing and Other Support for DCs*

5. Given the increasing level of DC activities and the enhanced roles of DC members, additional staff is required at both the headquarters and district level of HAD to strengthen the support for the operation of the DC Fund Accounting System, the management and processing of DC Fund, the processing of claims for the AA and the "IT and other support" grant, as well as the additional environmental improvement and other works projects. HAD will require an additional annual allocation of \$12 million in a full year to employ 48 additional non-directorate staff to strengthen the DC Secretariats, the Works Section, and other related divisions of the Department. In 2001-02, HAD requires an allocation of \$2.1 million to acquire extra staffing support.

6. HAD will organize more briefings, visits and training courses to familiarize DC members or their assistants with the work of Government departments and to facilitate their discharge of duties. This will be particularly beneficial to new members. In addition, HAD will organise courses and seminars for civil servants who have frequent dealings with the DCs to brief them on the enhanced roles and functions of the DCs and to cultivate among them a more forthcoming attitude towards the DCs. HAD will require an annual allocation of \$5 million in a full year and an allocation of \$1.7 million in 2001-02 for these purposes.

### **The Independent Commission**

7. In July 2001, the Administration appointed an Independent Commission on Remuneration for Members of the District Councils of the HKSAR (the Independent Commission) to conduct reviews of the remuneration package for DC members. The Independent Commission completed its review in October 2001. A summary of the review's recommendations, which have been accepted by the Administration, is at Enclosure 1. Some of the recommendations require additional funding.

Encl. 1

### ***Accountable Allowance***

8. Having studied the claim and usage pattern of the AA, the Independent Commission considered that the current rate of the allowance was insufficient to cover the operating expenses incurred by DC members in operating ward offices. The Independent Commission recommended that the monthly AA for each DC member should be increased from \$10,000 to \$17,000. The increase has been worked out with reference to the requirement of about \$7,000 for office rental, \$8,000 for salary and related expenses for employing assistants, and \$2,000 for other items. The Independent Commission also recommended that the new rate should take effect from December 2001 and be subject to annual adjustment with reference to the movement of the Consumer Price Index (A) (CPI(A)). The Independent Commission considered that since it had determined the proposed new rate of AA in late 2001, the new rate should not be subject to the price adjustments arising from the movement of the CPI(A) in 2000 and 2001. The proposed rate should therefore be subject to the annual adjustment due in January 2003, reflecting the CPI(A) movement of the year 2002, in accordance with the adjustment mechanism and delegated authority approved by Members in January 2001 and July 1999 respectively.

9. There have been requests from DC members that the ambit of the AA should be expanded to cover other items, such as stationery, postage, printing/photocopying expenses, publicity materials etc. The Independent Commission considered that these items are operating expenses essential to the discharge of DC business and should be included as permissible items for reimbursement. The expanded list of reimbursable items under AA is at Enclosure 2.

Encl. 2

10. The existing arrangement of providing AA on a monthly basis does not provide enough flexibility for DC members to vary their expenditure pattern to suit their operational needs. To provide DC members with greater flexibility in deploying their resources, the Independent Commission proposed to merge the monthly provisions under the AA into an annual provision for the period from January to December each year.

### *IT and other support*

11. In response to the recommendation made in the DC Review report that more IT support should be provided to DC members to enhance their operation and communication with the public and the Government, the Independent Commission recommended to provide a one-off reimbursable grant of \$10,000 for each DC member to help them equip their ward offices with basic IT equipment and facilities. As some DC members may have already purchased IT equipment for their ward offices, the Independent Commission proposed that flexibility should be given to DC members so that they may use the one-off grant to purchase other necessary equipment/furniture/facilities which would contribute to the smooth operation of their ward offices. A recommended list of reimbursable items under the grant is at Enclosure 3.

Encl. 3

## **FINANCIAL IMPLICATIONS**

12. We estimate that the maximum financial implication of increasing the AA for DC members by \$7,000 per month will be \$14.6 million in 2001-02 (covering the period from December 2001 to March 2002) and \$43.6 million in a full year. A supplementary provision of \$14.6 million will be required in 2001-02 under Head 63 Subhead 110 Honoraria for members of committees. Subject to Members' approval, this amount will be offset by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

/13. ....

13. The widening of the ambit of the AA and the merging of the monthly provision for the AA into an annual provision will carry no additional financial implication.

14. Provision of a new one-off reimbursable "IT and other support" grant will incur a non-recurrent expenditure of up to \$5.2 million for the current DC term on the assumption that all DC Members will claim up to the maximum of their entitlement. Subject to Members' approval, we shall approve this new commitment under Head 63 Subhead 700 General non-recurrent and supplementary provision required in 2001-02 under delegated authority.

15. The proposal to allocate more funding to 18 DCs for organising environmental improvement and community building projects will require an annual provision of \$41 million. We propose a full year provision in 2001-02 so that the DCs can implement as many projects in the remainder of 2001-02. A supplementary provision of \$41 million will be required in 2001-02 under Head 63 Subhead 215 Environmental improvement and community involvement projects. Subject to Members' approval, this amount will be offset by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

16. The proposal to enhance the staffing support for DC related duties and training resources in HAD will require a full year provision of \$17 million. To implement these proposals immediately, \$2.1 million will be required to acquire extra staffing support and \$1.7 million to organise the various activities in the remainder of the year. Subject to Members' approval, we shall approve the supplementary provision required in 2001-02 under Head 63 Subhead 106 Temporary staff and Subhead 149 General departmental expenses under delegated authority.

## **BACKGROUND INFORMATION**

### ***Consultation***

17. We consulted the LegCo Panel on Home Affairs on 27 November 2001 on the above proposal. Members of the LegCo Panel on Constitutional Affairs and other LegCo Members were also invited to the meeting. Members attending the meeting raised no objection to the proposals. Some however considered that the increase in the AA was still insufficient. They also suggested that consideration should be given to renaming the AA as "Allowance for Operating Expenses" and to allow DC members to use the AA for purchasing office equipment. We agree to forward the suggestions to the Independent Commission for consideration when it conducts the next review in 2003.

*/The. ....*

*The DC Review*

18. During the Resumption of the Second Reading debate of the Provision of Municipal Services (Reorganisation) Bill on 2 December 1999, the Administration undertook to consider the scope for strengthening the roles and functions of the DCs. An inter-departmental Working Group on DC Review was set up in July 2000 and completed the review in July 2001. The DC Review report, containing 28 recommendations in five major areas, was released for public consultation on 9 July 2001. The consultation period ended on 10 September 2001. During the period, the Administration consulted the 18 DCs individually and received a total of 27 submissions from the public. Taking into account the views expressed, the Administration has finalized its recommendations.

*The Independent Commission*

19. The Independent Commission was appointed in July 2001 to conduct periodic reviews of the remuneration package for DC members. The Commission was chaired by Mr Wong Po-yan and comprises four members, including two of the Independent Commission on Remuneration for Members of the Executive Council and Legislature of the HKSAR. The Commission completed its review in October 2001 and submitted recommendations to strengthen support for DC members. The Administration has accepted the recommendations made by the Independent Commission.

*Development of the remuneration package for DC Members*

20. In 1981, Members approved the introduction of an honorarium at the rate of \$2,000 per month for District Board (DB) members with effect from April 1982. The honorarium was to meet, in part, earnings forgone due to time spent on DB matters and expenses incurred in connection with DB business.

21. In July 1992, Members delegated to the Secretary for the Treasury the authority to approve annual revisions of the honorarium by reference to the movement in the Hang Seng Consumer Price Index (CPI).

22. In March 1996, Members approved the introduction of an Office Rental Allowance (ORA) with a ceiling of \$4,500 per month payable to DB members with effect from 1 April 1996. Revisions of the ORA would be made by reference to the movement of the Hang Seng CPI.

23. In recognition of the enhanced role of the DCs, Members approved in July 1999, among others, a new accountable allowance (AA) replacing the ORA for DC members with effect from 1 January 2000 and the AA was raised to a ceiling of \$10,000 per month. Members also agreed that the rate of the honorarium and the ceiling of the AA should be revised annually with reference to the movement of CPI (C). Apart from meeting the expenses incurred by DC members related to the running of their offices, the AA also covers the expenses for members to employ assistants for discharging DC duties in the district.

24. In January 2001, Members approved changes to the annual adjustment mechanism of the honorarium and AA for DC members. These included (a) replacing CPI (C) with CPI (A) as the basis for annual adjustment of the honorarium and AA; and (b) deferring downward adjustments of the AA in deflation years and effecting them when there is an upward adjustment in the allowance by offsetting the reduction carried forward against the increase.

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Home Affairs Bureau  
November 2001

**The Independent Commission on  
Remuneration for Members of the District Councils of the HKSAR**

**Summary of the Recommendations on Remuneration**

**Present Position**

The existing remuneration package of District Council (DCs) members covers the following:

- (a) a monthly honorarium of \$17,950 (the honoraria for DC Chairmen and Vice Chairmen are twice and 150% of the rate of a DC member respectively); and
- (b) a monthly Accountable Allowance (AA) of \$10,000 to cover expenses on employment of assistant(s), office rental and basic expenditure such as electricity and fixed telephone/internet service charges. Expenses on purchase and maintenance of office equipment and other telecommunication services are not covered.

**Recommendations**

***Honorarium***

- The monthly honorarium should remain at the current rate of \$17,950.
- The current arrangement of different rates for DC members, Vice Chairmen and Chairmen at the ratio of 1 : 1.5 : 2 should be maintained.
- Annual adjustment should continue to be made according to the movement of Consumer Price Index (A) (CPI(A))<sup>1</sup>.
- Reduction (by one-third of the rate of the honorarium) for members with multiple membership at LegCo/ExCo should continue to apply.
- Retirement benefits and medical/dental benefits should not be provided to DC members as there does not exist an employer-employee relationship between the Government and DC members.

***/Accountable .....***

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<sup>1</sup> The next annual adjustment of the honorarium will be made in January 2002 in accordance with the movement of CPI(A) in 2001.

***Accountable Allowance (AA)***

- The reimbursable monthly allowance should be revised from \$10,000 to \$17,000 (allowing about \$7,000 for office rental, \$8,000 for salary and related expenses for employing personal assistant(s) and \$2,000 for other office expenses)<sup>2</sup>.
- The monthly provisions under the AA should be merged into an annual provision, i.e. \$204,000 per annum for each DC member, and control over the claims could be achieved through this annual ceiling. This will allow greater flexibility to DC members and is in line with the arrangement for LegCo Members.
- The ambit of the AA should be expanded to include items listed at Enclosure 2. Travelling and entertainment expenses incurred by DC members should not be reimbursable under the AA and should be covered by the honorarium.
- To provide DC members with more flexibility in using the AA, they should be eligible for reimbursement of their expenses for employing assistant(s) and other purposes in discharging their DC duties regardless of whether they have set up ward offices.
- The existing mechanism for making annual adjustments according to CPI(A) and deferring any downward adjustment in a deflation year to a subsequent inflation year, which was approved by the Finance Committee in January 2001, should continue<sup>3</sup>.
- The existing arrangements on reduction of allowances for members with multiple membership should be maintained. (Under the existing mechanism, the AA would be reduced by one-third if members operate a single ward office for duties relating to their multiple membership and/or employing assistant(s) for these duties, provided that the expenses being claimed have not already been claimed in their other capacities.)
- The proposal to establish an advance payment mechanism for DC members, as with the one for LegCo Members, is not supported partly because the existing reimbursable arrangements are readily acceptable by DC members; and partly because an advance payment scheme, together with the necessary control and monitoring mechanisms, for a large number of DC members (519) would increase administrative costs considerably.

*/New .....*

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<sup>2</sup> The breakdown does not represent ceilings of the respective reimbursement items.

<sup>3</sup> Since the new rates of AA proposed by the Commission reflect the current market situation and the basic and necessary expenses incurred by DC members, they are net of the adjustments arising from the movement of CPI(A) in 2000 and 2001. The next annual adjustment will be due in January 2003.

*New Components*

- As over 82% of the DC members have already set up their ward offices, there is no urgent need for a full-fledged setting up grant during the current DC term. The proposal to provide setting up and winding up grants will be further examined when the Commission conducts the next review one year before the start of the next DC term in 2004.
  
- Instead, a one-off reimbursable grant of \$10,000 should be provided to individual DC members during their current DC term to strengthen the IT and other support for them and/or other facilities for use in their ward offices (Enclosure 3). DC members who cease office should be required to return to the DC Secretariats any items costing \$1,000 or more and with a life span of over one year (excluding software and fixture) procured with the one-off grant. Alternatively, DC members could buy the items in question at market value (or purchase price discounted by depreciation) to be determined by HAD. This is in line with the practice for LegCo Members.

**Recommended List of Reimbursable Items  
under the Accountable Allowance**

**I. Staff Expenses:**

- Staff remuneration (including salaries, leave pay, gratuities, bonuses and other employment-related allowances)
- Medical benefits
- Insurance payments
- Provident fund contributions
- Statutory payments under labour laws
- Recruitment expenses#
- Training expenses#

**II. Operating expenses:**

- Office accommodation expenses, including –
  - Rentals
  - Rates and government rent
  - Management fees
  - Cleansing service charges#
  - Water and sewage charges
  - Electricity charges
- Communication charges (including postage for bulk mailing#, internet, telephone and fax charges)
- Stationery#
- Periodicals, newspapers and publications (in printed and electronic form)#
- Printing (e.g. business cards, newsletters on DC business)#

/Repair .....

- Repair and maintenance of equipment and furniture located in the DC member's ward office(s)#\*
- Office insurance (e.g. insurance on public liabilities, theft, fire and other perils) #\*\*
- Expenses on publicity items promoting the DC member's ward offices for the purpose of conducting DC business+#

**Note:**

- # New reimbursable items under the AA.
- \* Expenses on purchase and installation of equipment and furniture **not** included.
- \*\* DC members' personal medical and dental insurance payments **not** included.
- + Publicity items for the purpose of publicizing the addresses, telephone number(s), office hours and appointment arrangements of individual DC members' ward office(s) for conducting DC business are reimbursable. Publicity items containing information about a political party (except an indication of the party to which the member belongs plus its logo) and/or the member's achievements and political agenda are **not** reimbursable.

**Recommended list of equipment/furniture/facilities  
reimbursable under the one-off grant for IT and other support**

**Core items reimbursable**

- Computer including hardware and software
- Printer
- Fax machine

**Other items reimbursable** (Note)

- Telephone set
- Answering machine
- Photocopying machine including accessories
  - paper feeder
  - document sorter
- Whiteboard
- Calculator
- Water dispenser
- Vacuum cleaner
- Refrigerator
- Television set
- Video cassette recorder
- Electric fan
- Air-conditioner
- File Cabinet
- Computer table
- Conference table
- Desk
- Sofa
- Chair
- First aid kit
- Fire extinguisher

**Note:**

The one-off grant is set up to strengthen IT support for members' ward offices. However, if members consider that their offices have been adequately equipped in this respect, flexibility is allowed for members to use the grant on other equipment items as listed.