

LEGISLATIVE COUNCIL BRIEF

DISTRICT COUNCILS REVIEW: OUTCOME OF CONSULTATION AND REMUNERATION FOR DISTRICT COUNCIL MEMBERS

INTRODUCTION

At the meeting of the Executive Council on 20 November 2001, the Council ADVISED and the Chief Executive ORDERED that, subject to the provision of the necessary funds by the Finance Committee (FC) of the Legislative Council (LegCo), the following proposals should be implemented -

- (a) the final recommendations to enhance the roles and functions of the District Councils (DCs) as set out in Annex A; and
- (b) the recommendations of the Independent Commission on Remuneration for Members of the District Councils of the HKSAR (the Commission) on the remuneration package for DC members as set out in Annex B.

BACKGROUND AND ARGUMENT

General Background

2. 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, chaired by Home Affairs Bureau (HAB), was set up in July 2000 and completed the review in June 2001.

3. 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. We have consulted the 18 DCs individually and received a total of 27 submissions from the public.

4. An Independent Commission was appointed on 6 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 the Legislature of the HKSAR. The Commission has completed its review and submitted a package of recommendations to strengthen support for DC members.

The Proposals

DC Review : Outcome of Consultation

5. While the majority of the recommendations in the DC Review report are welcomed or accepted by the DCs, there are two areas of concerns. First, the Government has not devolved the powers previously vested in the Provisional Municipal Councils (PMCs) to the DCs. Secondly, the proposal to set up a consultative committee in each district to advise on the usage and management of district leisure and cultural facilities would undermine the role and status of the DCs. In addition, some DC members have put forward other proposals and suggested modifications to some of the recommendations. Their comments are summarized in **Annex A**.

(a) Devolution of Executive Power to DCs

6. Many LegCo and DC members considered that the Government should gradually devolve to the DCs some of the functions for providing cultural, recreational and environmental hygiene services. They nonetheless agreed that it might not be desirable or feasible to turn the 18 DCs into 18 mini-Municipal Councils as this would result in fragmenting responsibilities and diminishing efficiency. Some considered that the problem could be resolved by reducing the number of DCs to, say, four or five, so that each of the Councils could be given executive powers similar to those of the two PMCs.

7. The last major review of the district organisations (including the two PMCs and DCs) was held in 1998. The Administration has no plan to conduct another review concerning the number and composition of DCs at this stage. We will consider the need for such a review at an appropriate time and, in the meantime, continue to explore ways to further enhance DCs' influence over the work and decisions of departments at the district level as well as their participation in local environmental improvement works and community building activities.

(b) District Consultative Committee

8. There were reservations about the proposal to set up a district consultative committee to advise on the usage and management of district-based leisure and cultural facilities, despite that the original proposal came from some DC members and that the arrangement was in line with those for community halls and markets. DC members were concerned that the proposed consultative committee would undermine the role and influence of the DCs in district affairs.

9. Instead of pursuing the original proposal, we would invite one of the DC's committees (e.g. Cultural, Recreation and Sports Committee) to advise the Leisure and Cultural Services Department (LCSD) on the usage and management of district leisure and culture facilities (e.g. opening hours and booking policies). To enable the DC committee to take into account the users' needs in their deliberations, they would be encouraged to invite the interested parties or user groups to sit in its meetings when usage and management of a particular facility is discussed. In addition, LCSD would report to the DC committee the views of the Customers Liaison Groups (CLGs), which are set up by the Department on a venue basis and comprise users of the facility. LCSD would take on board the DCs' views so long as they are in line with the territory-wide policies and are broadly within the prescribed budgets.

(c) Independent DC Secretariat

10. A number of DC and LegCo members have suggested that, apart from providing more resources to the DC secretariats, the secretariats should be made independent from the Government and be accountable to the DCs. They argued that an independent secretariat, like the one for LegCo, would be more responsive to DCs' demands and provide more neutral advice. The Administration considers that the current set-up of the DC secretariats under the District Offices ensures the smooth and efficient operation of the secretariats and effective communication between DC members and Government departments. Moreover, in view of the far-reaching implications of the proposal and the dissenting views expressed by Members during the LegCo motion debate on 31 October 2001, we do not propose to pursue the suggestion at this stage. Additional resources will be provided to the DC Secretariats to strengthen their support for the DCs.

(d) Other Issues

11. Apart from the above-mentioned issues, DC members had also raised a number of points on the other recommendations. Our response is set out in **Annex A**. We have made changes to three of the 28 recommendations, namely, items 3 (district consultative committee), 5 (consequential changes necessitated by changes to item 3) and 13 (attendance of chairmen of DC committees at District Management Committee meetings).

12. In response to DC members' request, the Administration will expand the Precedence List to include DC Vice-Chairmen and members (as separate categories), in addition to DC Chairmen who are already on the List.

Review of the Remuneration for DC Members

13. In considering the remuneration package for DC members, the Commission adopted the following guiding principles –

- (a) DC membership is a form of service to the public and the honorarium should not be treated as a salary;
- (b) DC members should be reasonably and adequately remunerated to ensure that they would not suffer from pecuniary embarrassment due to the time spent on providing community service. The honorarium is also meant to cover travel, out-of-pocket and related expenses incurred in connection with their DC duties;
- (c) DC members should be provided with an Accountable Allowance (AA) to pay for staff costs, office rental and related expenses arising from the operation of their ward offices; and
- (d) DC members should be personally accountable for all their claims, which should be credible and reasonable. Their accounts should be properly documented and all their claims, including supporting documents and declarations, should be made available for public inspection.

14. The Commission's recommendations are summarized at **Annex B**. The main recommendations include:

- (a) to maintain the monthly honorarium for DC members at the current rate of \$17,950 and the existing annual adjustment mechanism (i.e. in accordance with the movement of Consumer Price Index (A) (CPI(A)));
- (b) to increase the monthly AA from \$10,000 to \$17,000, allowing about \$7,000 for office rental, \$8,000 for salary and related expenses for employing personal assistants and \$2,000 for other expenses arising from the operation of the ward office. Since the new rates of AA reflect the current market situation and the actual needs of DC members, they are net of the adjustments arising from the movement of the CPI(A) in 2000 and 2001. In other words, the next annual adjustment will be due in January 2003;
- (c) to expand the ambit of the AA to cover a wider range of office expenditure and expenses on publicity materials promoting the member's ward offices for the purpose of conducting DC business;
- (d) to merge the monthly AA into an annual provision to provide greater flexibility for DC members; and
- (e) to provide a one-off reimbursable grant of \$10,000 for each member to strengthen the information technology (IT) and other support for them during the current term. The provision of a full-fledged setting up grant would be revisited when the Commission conducts its next review in 2003, one year before the start of the next DC term.

The Administration has considered and accepted the recommendations of the Independent Commission at Annex B .

15. The Administration has considered carefully the proposed increase in AA and the provision of an IT and other support grant in the current economic climate. We agree that the package reflects the basic and necessary expenses arising from the operation of DC members' ward offices and the current market situation, and that the enhanced support will in turn improve the communication between DC members and the public as well as the quality of community services provided by them.

Legislative Amendments

16. No legislative amendments are required to give effect to the proposed package of measures to enhance the roles and functions of DCs and support for DC members.

PUBLIC CONSULTATION

17. We have consulted the public, including the DCs individually, on the recommendations in the DC Review report in July-September 2001. The LegCo Panels on Home Affairs and Constitutional Affairs held a joint meeting on 4 October 2001 to discuss the report. In addition, the Hon Ip Kwok-him moved a motion at LegCo on 31 October 2001 urging the Government to revise the recommendations in the Review report having regard to the views gathered and to gradually devolve to DCs some of the functions for providing cultural, leisure and environmental hygiene services. The motion was carried but the amendment proposed by the Hon Andrew Cheng urging the Government to, inter alia, study the proposal of making the DC Secretariats independent from the Government and introduce an annual debate mechanism for DCs, was defeated.

18. Many DC members have expressed views on the remuneration package prior to and during the public consultation exercise. The Commission has given due regard to these views and those made by the general public in making recommendations.

BASIC LAW IMPLICATIONS

19. The recommendations in Annexes A and B are consistent with the Basic Law.

FINANCIAL AND STAFFING IMPLICATIONS

20. The package of measures, including the recommendations on the remuneration package, require the allocation of an additional \$101.6 million per annum to the DCs and a one-off non-works capital expenditure of \$5.19 million. These include –

- (a) \$31 million for DCs to organise and sponsor additional community involvement, cultural and recreational activities;

- (b) \$10 million for DCs to implement additional Minor Environmental Improvement (MEI) projects;
- (c) \$43.6 million for the increase in AA for DC members on the basis that the proposed rate of \$17,000 is net of the adjustments arising from the movement of CPI(A) in 2000 and 2001 (see para. 14(b) above);
- (d) \$12 million for Director of Home Affairs (DHA)/DCs to employ 48 additional staff to strengthen support for the DC secretariats and to implement additional community involvement and MEI projects;
- (e) \$5 million for DHA to organise DC-related activities including visits, briefings and training courses for DC members and their assistants, training for civil servants who have frequent dealings with DCs, District Administration seminars, etc, and to provide other support services for DCs; and
- (f) a capital item of \$5.19 million (up to end 2003) for the one-off reimbursable grant to DC members to strengthen their IT and other support.

21. The 2001-02 Budget has set aside \$100 million of recurrent expenditure for implementing the recommendations arising from the DC Review. For the current (2001-02) financial year, we would seek FC's approval that the DCs be allocated the full-year provision in respect of items (a) and (b) in paragraph 20 above (i.e. \$41 million), and four months' provision for items (c), (d) and (e). DCs have all along considered the funds given to them to carry out community involvement activities and MEI projects insufficient. It would be advisable to give the DCs the full-year provision so that they could implement as many projects as possible at the district level. This will in turn create more job and business opportunities within a relatively short time span. We are confident that the DCs could spend the additional allocation of \$41 million in the current financial year.

ENVIRONMENTAL IMPLICATIONS

22. The proposals to increase the funding for the DCs to undertake more MEI projects and to promote public awareness in, inter alia, clean Hong Kong and environmental protection will bring environmental benefits to the society.

PUBLICITY

23. We will conduct a special briefing for the DC Chairmen and Vice-Chairmen on 21 November and write to DC members informing them of the recommendations in paragraph 1 above. A press release will also be issued on the same day. A spokesman will be available to handle media and public enquiries. The LegCo Panels on Home Affairs and Constitutional Affairs will be consulted before a submission is made to the FC in December.

ENQUIRY

24. Enquiries on this Legislative Council brief may be directed to Mr Kevin Yeung, Principal Assistant Secretary for Home Affairs at telephone number 2835 1375.

Home Affairs Bureau
November 2001

**Government’s Response to the Views Expressed
on the Recommendations in the DC Review Report**

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
A. <u>Enhancing the roles and functions of DCs and providing additional funding for them</u>		
(1) To allocate to the DCs an additional \$31 million per annum for organizing community involvement (CI) projects starting from 2001-02. Together with the \$25.4 million transferred from the Leisure & Cultural Services Department (LCSD), the DC funds for organising CI projects in 2001-02 will have increased by 46% over that for 2000-01.	Increase in funding was supported though some considered the proposed increase not sufficient Allocation of the additional funding should take into account the population, distribution and characteristics of each district.	Requests for additional funding noted and will be considered in future. No changes proposed. Actual distribution of the funding will be drawn up by HAD in consultation with DCs
(2) To provide the DCs' with an additional \$10 million per annum for implementing Minor Environmental Improvement (MEI) projects starting from 2001-02, representing a 50% over that allocated by DCs in 2000-01.	Increase in funding was supported though some considered the proposed increase not sufficient Allocation of the additional funding should take into account the population, distribution and characteristics of each district.	Requests for additional funding noted and will be considered in future. No changes proposed. Actual distribution of the funding will be drawn up by HAD in consultation with DCs
* (3) To set up a consultative committee in each district to advise on the usage and management of district-based cultural and leisure facilities such as indoor games halls, parks, swimming pools, beaches, local libraries; and to appoint DC members to the committee as members.	Objected by most DC members. They considered that consultation on the usage and management of district-based cultural and leisure facilities should be done through a DC committee. Some considered that the DCs should be allowed to manage the municipal facilities.	To revise the recommendation along the line of recommendation (4) to read – “To consult DC or its committee on the usage and management of district-based cultural and leisure facilities such as indoor games halls, parks, swimming pools, beaches, local libraries. LCSD would take on board the DCs’ views so long as they do not depart from the territory-wide policies and are broadly within the prescribed budget.”

* Changes to the original recommendations proposed.

<p>Recommendations of the Working Group on DC Review</p>	<p>Summary of major views by DCs, political parties and the general public</p>	<p>Amendments to the recommendations and the Administration's Views</p>
<p>(4) To strengthen DCs’ ability in monitoring the provision and delivery of district-based <u>municipal</u> facilities and services by institutionalizing a mechanism to ensure that the departments concerned will:</p> <ul style="list-style-type: none"> (i) consult the DCs in advance on their proposed initiatives, measures and projects and their priority; (ii) take on board the DCs’ views on the design and layout of district-based municipal facilities which have secured funding approval, provided their recommendations do not depart from the territory-wide policies and are broadly within the prescribed budget; (iii) submit to the DCs a district annual plan and half-yearly progress reports on the work of the department; and (iv) invite the DCs to comment on the performance and standards of the municipal services provided by private contractors in the districts and to take account of their views and other relevant factors in deciding whether the contracts should be renewed. 	<p>Supported.</p> <p>Some considered that the DCs should be empowered to provide municipal services.</p>	<p>The Administration will consider the need for another review of the DCs at an appropriate juncture. Meanwhile, we will continue to explore ways to further enhance DCs’ influence over the work and decisions of the departments at the district level as well as their participation in local environmental improvement works and community building activities.</p>

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
<p>* (5) To improve communication between the two municipal departments and the DCs, Director of Leisure and Cultural Services (DLCS) and Director of Food and Environmental Hygiene (DFEH) undertake to hold regular liaison meetings with the chairmen and vice-chairmen of the relevant DC committees to collect views on the work of the departments. Similar meetings between DLCS and the chairmen of the management consultative committees proposed in (3) above can be arranged.</p>	<p>Supported. Some suggested that DFEH and DLCS should also meet the relevant DC Committees regularly if possible.</p>	<p>In view of the proposed changes to recommendation (3), the last sentence of this recommendation will be deleted. Will convey to the Heads of Department concerned DC members' suggestion.</p>
<p>(6) To enhance the role of DCs in the planning and implementation of <u>other</u> district-based services and facilities (e.g. transport, territory development), the core departments will:</p> <p>(i) submit to the DCs their annual district plans and incorporate their views into the work plans as far as practicable;</p> <p>(ii) seek and take on board the DCs' views on the priority, location and design of local projects and facilities within the purview of the core departments, provided that they are broadly within the prescribed budget and do not depart from the territory-wide policies; and</p>	<p>Supported.</p>	<p>No changes proposed</p>

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
(iii) in exceptional cases where the DCs' views cannot be taken on board, explain the reasons clearly to them.		
(7) Policy bureaux and departments to invite DCs to comment on major policy issues and capital works projects affecting the well-being of the people in the district, and to report their views in the bureaux/departments' submissions to the approving authority.	Supported. DC members hoped the bureaux would discuss with them major policy initiatives at the initial stage of their formulation.	No changes proposed. Will convey to the Bureaux/Departments DC members' suggestion.
(8) To involve DCs in drawing up the priority of major culture and leisure works projects in the respective districts before LCSD puts forward a consolidated Five-Year Plan for such projects for consideration within the Administration. The Plan would give the DCs an indication as to whether and when a particular project will proceed.	Supported. But many DC members considered the progress made on the ex-PMC projects unsatisfactory and urged the Government to expedite the implementation of the projects.	LCSD has announced the Five-Year Plan and will inform DCs of the outcome. The exercise will be repeated on a roll-over basis. Meanwhile, LCSD will consider ways to further accelerate the progress of the work projects.
(9) To increase DCs' involvement in the implementation of local minor works projects by devolving to DC chairmen/members the chairmanship of the two Steering Committees on Rural Public Works (RPW) and Urban Minor Works (UMW) Programmes as well as the 18 District Working Groups.	Supported. However, some DC members suggested that the Administration should consult the relevant DC Committees on these projects instead of setting up the Steering Committees/Working Groups.	The proposal is a first step in the direction of devolution. HAB/HAD will look into the possibility of further enhancing DCs' involvement in minor works projects.
(10) To take into account DCs' views as far as practicable in considering planning applications and requests for land use changes.	Supported. Some DCs considered that consultation with DCs on the planning and rezoning proposals should be made mandatory.	HAB/HAD will discuss with Planning and Lands Bureau and Planning Department on how to increase DCs' involvement in the informal consultation process, pending the enactment of the amendments to the Town

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
		Planning Ordinance.
(11) To invite DCs to consider the specific suggestions made by departments at Appendix II to increase DCs' involvement in their work.	Supported. DCs might also help promote environment protection, HK's traditions and heritage conservation.	Will invite the relevant departments to consult DCs on these issues.
(12) To devolve chairmanship of certain district committees to DC members and to invite them to take part in more district committees.	Supported. Some DC members requested that most if not all of these committees should be put under DCs. These include the District Fight Crime Committee, District Fire Safety Committee, District Clean Hong Kong Committee, etc.	<p>The proposal is the first step in the direction of devolution of chairmanship. Nonetheless, HAB/HAD will consider requests for putting district advisory bodies under the DCs on a case-by-case basis having regard to the nature and specific needs of individual bodies. Not in favour of making the proposal an across-the-board arrangement because:</p> <ul style="list-style-type: none"> (a) it would prevent the government from tapping valuable expertise and resources from the wider community; and (b) DC members, who are limited in number, may have difficulties in taking on the work of the many district advisory bodies set up to pursue various policy objectives and initiatives.
* (13) To invite chairmen of DC committees to attend District Management Committee (DMC) meetings as and when items concerning their committees are discussed.	Supported. However, many DCs suggested that the chairmen of the DC committees should be invited to attend DMC meetings regularly. Some further suggested that the respective DC members should also be invited to attend DMC meetings when an item concerning their constituents was discussed.	The former proposal is acceptable but the latter is not feasible and would turn the DMC meeting into a de facto DC meeting. To revise the recommendation to read – “To invite chairmen of DC Committees to attend District Management Committee meetings to assist discussions”.

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
B. Enhancing communication between DCs and the Administration		
(14) To enable effective dialogue between the DCs and the Policy Secretaries/Heads of Department (HoDs) who oversee matters affecting people's livelihood, the latter would meet DC members as necessary and at least once within the four-year term of DCs.	Supported. But many DC members requested more frequent meetings with the Policy Secretaries/Heads of Department.	We would convey to the Policy Secretaries/Heads of Department DC members' requests. One alternative is for their Deputies to meet with the DCs between the visits by the Policy Secretaries/Heads of Department. Different format of organising briefings for DCs (e.g. regional forum) may be considered.
(15) To stipulate clearly the level of representation of the core departments at DC meetings and to require a directorate officer of the bureau and department which cannot attend a DC meeting to give a written or oral explanation to the DC secretariat in advance.	Supported.	No changes proposed.
(16) Departments having dealings with DCs to assign a suitable officer to provide "one-stop" services for DC members including the handling of complaints.	Supported. Some considered that the officers should be pitched at the Assistant Director level.	No changes proposed. The most appropriate officer will be appointed, who may or may not be an Assistant Director.
(17) To develop a feedback mechanism for collecting DC members' feedback to the work of the core departments. The feedback collected from DCs will be conveyed to the Heads of Department concerned for reference and necessary follow-up action.	Supported.	No changes proposed.

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
(18) To keep DCs abreast of new policy proposals, policy bureaux will send electronic copies of LegCo briefs (especially those containing information of interest to the general public) to the DC secretariats for dissemination to DC members.	Supported.	No changes proposed.
(19) To provide training for civil servants who have frequent dealings with DCs on the future enhanced roles and functions of the DCs with a view to improving their communication with DC members and cultivating among them a more forthcoming attitude towards the DCs.	Supported.	No changes proposed.
C. Enhancing DC members' participation in the policy-making process		
(20) The Government to take proactive measures with a view to appointing more DC members to advisory and statutory bodies, especially those which are concerned with people's livelihood. The Home Affairs Bureau and Home Affairs Department will keep track of the progress made (2.41).	Most DC members supported the proposal but some suggested that DCs should be allowed to nominate representatives to these committees.	The proposal of allowing DCs to nominate members to district advisory bodies will be further examined by HAB/HAD in consultation with the relevant bureaux/departments.

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
D. Strengthening support for DC Members		
(21) The Independent Commission on Remuneration for DC Members to review the remuneration package for DC members and to come up with recommendations in Autumn, so that it can take into account the future enhanced roles and functions of the DCs in finalizing recommendations.	Supported, with the following specific suggestions: <ul style="list-style-type: none"> – A substantial increase in the accountable allowance (e.g. to \$20,000); – A one-off grant for setting up the ward office; and – Retirement benefits or gratuity for DC members. 	The Commission has considered the views collected during the public consultation in making recommendations on the remuneration package for DC members.
(22) To organise more familiarisation visits, seminars, briefings, etc. for DC members and, where necessary and appropriate, their assistants.	Supported. Induction training should be provided to new DC members.	No changes proposed.
(23) To earmark \$12 million for providing additional resources for the DC secretariats and the works section of HAD to enable them to take on the new tasks arising from the enhanced functions of the DCs and to strengthen support for the DCs.	Supported. Some DC and LegCo Members suggested that the DC secretariats should be made independent from the Government.	Will not pursue the proposal at this stage in view of its far reaching implications and the dissenting views of DC and LegCo Members.
(24) To provide more IT support, both hardware and software, for DCs and DC members .	Supported.	The Independent Commission has taken into account DC members' needs in considering the financial support to be given to them; and has proposed a one-off reimbursable grant of \$10,000 for each DC member to strengthen their IT and other support.

Recommendations of the Working Group on DC Review	Summary of major views by DCs, political parties and the general public	Amendments to the recommendations and the Administration's Views
E. Enhancing DCs' accountability and efficiency		
(25) To facilitate public scrutiny of DC's work, each DC to consider publishing an annual report covering, among others, its achievements in the past year, deployment of public funds and outstanding issues to be further pursued.	Supported.	No changes proposed.
(26) To strengthen the safeguards against conflict of interest by DC members by tightening the DC Standing Orders, taking into account the advice of the ICAC and rules and procedures adopted by other related organisations.	Supported.	No changes proposed. HAD is devising a revised sample Standing Order for consideration by the DCs.
(27) DCs to consider whether a self-regulatory code to govern the conduct of members should be developed.	Supported.	No changes proposed. HAD will invite DCs to consider whether a sample self-regulatory code of conduct should be developed for DC members.
(28) To provide more detailed guidelines in the DC Standing Order governing the conduct of DC meetings so as to improve the efficiency and effectiveness of such meetings and to ensure clear and prompt responses will be provided to departments on matters being consulted.	Supported.	No changes proposed. HAD is devising a revised sample Standing Order for consideration by the DCs.

**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))¹;
- Reduction (by one-third of the rate of the honorarium) for members with multiple membership at LegCo/ExCo should continue to apply;

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

and

- 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 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);
- 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 Appendix I. 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 continue²; and

² Since the new rates of AA proposed by the Commission reflect the market situation and the actual needs of 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.

- 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 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 (Appendix II). 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 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.

Appendix II

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:

- F. 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.**