

**For discussion
on 20 December 2004**

LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE

Review of Fringe Benefit Type of Civil Service Allowances

Purpose

This paper briefs Members on the progress of the Administration's review of fringe benefit type of civil service allowances.

Background

2. The Administration is conducting a comprehensive review of civil service allowances, including those related to the performance of duties and those provided as fringe benefits. Our objectives in pursuing the review of civil service allowances are three-fold, namely –

- (a) to ensure that payment of civil service allowances is in line with present day circumstances;
- (b) to enhance control over Government expenditure on civil service allowances and to achieve substantive savings in this regard in the next few years; and
- (c) to identify scope for improving efficiency in the administration of civil service allowances.

3. We informed Members on 11 June 2004 *vide* LC Paper No. CB(1)2137/03-04(01) that the Administration would adopt a two-phase approach for the review of fringe benefit type of civil service allowances taking account of staff feedback and in view of the complicated legal and policy considerations involved. Under the phase one review, we would focus on change proposals that affect relatively fewer civil servants or are less complicated. As regards those change proposals which would likely have a more extensive impact within the civil service (e.g. change proposals concerning education allowances and housing allowances), we aimed to consult staff under phase two of the review exercise.

Change proposals under the phase one review of fringe benefit type of civil service allowances

4. On 3 June 2004, we issued a note setting out the change proposals for the following allowances under the phase one review for staff consultation -

- (a) *passage and related allowances*, namely leave passage allowance, sea passage and sea baggage allowance; and
- (b) *housing-related allowances and benefits*, namely provision of hotel accommodation, hotel subsistence allowance, provision of furniture and domestic appliances, furniture and domestic appliances allowances, removal allowance and air-conditioning allowance.

We informed Members of the proposals *vide* LC Paper No. CB(1)2137/03-04(01) on 11 June 2004.

5. At the close of the consultation period on 14 August 2004, we received 412 submissions from staff and staff associations.

Work progress

6. Taking account of the consultation feedback and our policy objectives as set out in paragraph 2 above, we have refined the proposed change measures under phase one of the review. In parallel, we have examined the possible scope for change in respect of the remaining allowances covered by the phase two review and have held informal discussions with the staff sides. We have noted the staff feedback received during the consultation on the phase one review proposals that they would like to know the full package of change proposals arising from the review in offering comments. Accordingly, we aim to present the full set of change proposals for staff consultation before making a decision on the proposals for implementation.

7. As Members are aware, on 29 November 2004 the Court of Appeal has by a majority allowed the appeals against the ruling of the Court of First Instance in respect of the Public Officers Pay Adjustment Ordinance which was in favour of the Government. The Government has obtained leave to appeal to the Court of Final Appeal against the Court of Appeal's decision. We are reviewing the way forward for the allowance review in the light of the latest developments.