

**For discussion on
23 January 2006**

LegCo Panel on Administration of Justice and Legal Services
**Annual Review of Financial Eligibility Limits
of Legal Aid Applicants**

PURPOSE

The Administration has completed the 2005 annual review of the financial eligibility limits of legal aid applicants (the limits). This paper reports on the outcome of the review and seeks the Panel's views on the proposed way forward.

BACKGROUND

2. At present, a person whose financial resources¹ do not exceed \$155,800 is financially eligible for legal aid under the Ordinary Legal Aid Scheme (OLAS). The corresponding limit for the Supplementary Legal Aid Scheme (SLAS) is \$432,900. Our policy is to review the limits annually to take account of movements in CPI(C)², so as to maintain the real value of the limits.

3. Pursuant to the 2001 - 2003 annual reviews, the limits were last reduced by 8.2% in July 2004 to reflect the accumulated changes in CPI(C) during July 2000 to July 2003. Having consulted the Legal Aid Services Council and the Panel in December 2004, the Administration decided to reserve the small increase of 0.4% in CPI(C) recorded during the reference period of the 2004 annual review, covering July 2003 to July 2004. In deciding to reserve the 0.4% increase, we undertook to

¹ Financial Resources means the aggregate of an applicant's yearly disposable income and disposable capital. A person's **disposable income** is his gross income minus deductible items as allowed under the Legal Aid Ordinance. A person's **disposable capital** is the value of his resource of a capital nature, disregarding a number of items as allowed under the Legal Aid Ordinance.

² CPI(C) reflects the pattern of relatively higher household expenditure which covers approximately the top 10% of the total households. It is an appropriate indicator of the changes in litigation costs which are generally regarded as high level of expenditure item. It also has as its component the highest percentage of expenditure on "miscellaneous services". Cost for legal services is one of the miscellaneous services.

consider the increase together with the outcome of the 2005 annual review, covering the period from July 2004 to July 2005.

THE 2005 ANNUAL REVIEW

4. The increase in the CPI(C) from July 2004 to July 2005 is 1.3%. The accumulated change during July 2003 to July 2005 is +1.6%.

WAY FORWARD

5. Pursuant to the 2005 review, and notwithstanding the small adjustment involved, we are prepared to make a Legislative Council Resolution to effect the upward adjustment to the limits by 1.6%, taking account of the 0.4% kept in the 'reserve' since the 2004 review and the 1.3% captured from the review this year. Accordingly, the limits would be increased, in dollar terms, by \$2,500 to \$158,300 for the OLAS, and by \$6,900 to \$439,800 for the SLAS.

6. We propose to make the Legislative Council Resolution in the first quarter of 2006 to bring into effect the proposed increase. Consequential changes to the Legal Aid (Assessment of Resources and Contributions) Regulations will follow to adjust the scale of contributions.

Administration Wing
Chief Secretary for Administration's Office
January 2006