

ITEM FOR FINANCE COMMITTEE

HEAD 112 – LEGISLATIVE COUNCIL COMMISSION

**Subhead 366 Remuneration and reimbursements for Members of the
Legislative Council**

**Subhead 872 Non-recurrent expenses reimbursements for Members of the
Legislative Council**

Members are invited to approve a 10% increase in the Operating Expenses Reimbursement for Members of the Legislative Council with retrospective effect from 1 October 2006.

PROBLEM

Members of the Legislative Council (LegCo) require additional resources in the form of accountable allowances for operating expenses to better discharge their LegCo-related functions.

PROPOSAL

2. As recommended by the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (the Independent Commission), we propose to increase the annual accountable allowance for Operating Expenses Reimbursement (OER) by 10% from \$1,361,880 to \$1,498,070 for each LegCo Member with retrospective effect from 1 October 2006.

/JUSTIFICATION

JUSTIFICATION***Adjustment to OER***

3. The LegCo's House Committee has established a Subcommittee on Members' Remuneration and Operating Expenses Reimbursement (the LegCo Subcommittee) to examine issues relating to the level of remuneration and expense reimbursement for LegCo Members. Among other things, the LegCo Subcommittee has proposed to increase the OER by up to 20%.

4. The OER reimburses LegCo Members for expenses spent on office operation. Its scope includes staff remuneration, office accommodation expenses, publicity items and activities, and communication charges, etc. The OER level is subject to adjustment every year in October, in accordance with the movement in the Consumer Price Index (C) (CPI(C)). At present, it stands at \$1,361,880 (after the annual CPI(C) adjustment effective as from 1 October 2006).

5. The LegCo Subcommittee quotes the following reasons in support of its request for enhancing the OER –

- (a) the current level is inadequate for the majority of LegCo Members, as evidenced by the fact that 43 of the 60 LegCo Members spent 90% or above of the OER in 2004/05 (vs. 39 in 2003/04);
- (b) the current OER level does not allow LegCo Members to recruit adequate or quality staff to operate local offices and to conduct policy research;
- (c) many LegCo Members have incurred expenses above the OER limit. They have to meet these over-ceiling expenses out of their own pockets. The system is therefore unfair as it penalises diligent LegCo Members. This system also discourages political talent from joining LegCo; and
- (d) as the OER is paid on an accountable and reimbursement basis, any increase will not benefit LegCo Members' own pockets and is not susceptible to abuse.

6. The Independent Commission is sympathetic to the reasons put forward by the LegCo Subcommittee, and agrees that an increase is warranted. As to the magnitude of increase, the Independent Commission notes that the need amongst LegCo Members and the cost of running a Member's office vary greatly. It is difficult, if not impossible, to devise an objective yardstick to determine the optimum number of assistants and district offices for LegCo Members, having regard to their different background and different modes of operation.

7. The Independent Commission has therefore taken a holistic approach. Having considered a basket of factors including the utilisation rates of the OER, statistics on the number of offices operated and staff employed by LegCo Members, changes in population and the number of registered electors for geographical constituency elections, and the nature of work and demands now placed on LegCo Members, the Independent Commission has come to a view that a 10% increase to the OER would be appropriate.

8. As for the timing for giving effect to the proposed increase, the Independent Commission has recommended that it should be implemented as soon as possible in order to enable LegCo Members to better discharge their relevant functions.

9. The Administration agrees with the advice of the Independent Commission.

Shared employment of staff

10. The LegCo Subcommittee has also proposed to relax the restriction against shared employment of staff members by LegCo Members. In place since 1994, the restriction was initially designed to uphold the principle of transparency and accountability in the use of public funds. The Independent Commission agrees that this restriction may have fettered the flexible deployment of resources. To address concerns about transparency, the LegCo Subcommittee has proposed to specify the proportion of accountability by individual LegCo Members in the joint employment contract for the staff concerned. The Independent Commission is satisfied that the LegCo Subcommittee's proposed arrangement should meet the accountability and transparency test, and that the existing restriction should be relaxed as soon as possible for more efficient use of resources. We intend to give effect to this recommendation administratively.

/Other

Other requests

11. The LegCo Subcommittee has also suggested linking Members' monthly remuneration to a certain percentage of the salary range of the directorate officers in the civil service, and introducing medical and retirement benefits. The Independent Commission has set aside these requests as it maintains that these requests, if agreed, would amount to substantial changes to the remuneration package for LegCo Members, and hence should not be implemented in the current legislative term in order to preserve the credibility of the remuneration regime. The Independent Commission will revisit these outstanding requests in the forthcoming comprehensive review for the next-term LegCo.

FINANCIAL IMPLICATIONS

12. We estimate that the maximum financial implication of increasing the OER by 10% or \$136,190, from \$1,361,880 to \$1,498,070 for each LegCo Member, will be about \$8.2 million in a full year. The proposal may also increase the expenditure of the one-off allowance made available to outgoing Members to wind up their offices when the LegCo term ends^{Note}. Subject to Members' approval, we will provide the supplementary provision required in 2006-07 under delegated authority and will include sufficient provision in the annual draft Estimates for the subsequent years.

PUBLIC CONSULTATION

13. The Independent Commission met with the representatives of the LegCo Subcommittee twice, on 6 June and 2 August 2006, to hear their views on their proposals. We have also attended a meeting of the LegCo Subcommittee to receive their views.

BACKGROUND

14. The Independent Commission is appointed by the Chief Executive to determine the remuneration package for the Executive Council and LegCo Members in the Hong Kong Special Administrative Region. Since June 2005, the LegCo Subcommittee has submitted three written submissions proposing that various components of the remuneration package be enhanced. The Independent Commission has considered the latest proposals submitted by the LegCo Subcommittee in June 2006.

/15.

Note

The winding up provision is fixed at the monthly equivalent of the annual OER. Separately, the severance payments paid to relevant staff when offices are wound up are reimbursed on an actual basis. The amount payable is linked to their salary, which may be increased as a result of the proposed enhancement in the OER.

Encl.

15. The updated remuneration package for LegCo Members, taking into account the annual CPI(C) adjustment of +1.9% effective as from 1 October 2006, is at the Enclosure.

Administration Wing
Chief Secretary for Administration's Office
October 2006

Remuneration package for LegCo Members

| | Upon CPI(C) adjustment of +1.9% w.e.f. 1 October 2006 | Change Proposed |
|---|--|----------------------------|
| | (\$) | (\$) |
| Monthly Remuneration | | |
| (a) President | 110,840 | |
| (b) President's Deputy and the Chairman of the House Committee | 83,150 | |
| (c) Other Members | 55,420 | |
| Annual Expenses Reimbursement | | |
| (d) OER | 1,361,880 | +136,190 |
| (e) President's entertainment expenses | 153,770 | |
| (f) Members' entertainment and travelling expenses | 153,620 | |
| One-off Provisions | | |
| (g) Setting up | 150,000 | |
| (h) Information technology and communications | 100,000 | |
| (i) Winding up ^{Note} | 113,490 | +11,349 |

^{Note} The winding up provision is fixed at the monthly equivalent of the annual OER. Separately, the severance payments paid to relevant staff when offices are wound up are reimbursed on an actual basis. The amount payable is linked to their salary, which may be increased as a result of the proposed enhancement in the OER.