

LEGISLATIVE COUNCIL PANEL ON HOME AFFAIRS

IMPLEMENTATION OF THE DISTRICT COUNCIL REVIEW

INTRODUCTION

This paper sets out the arrangements for implementing the recommendations of the District Council (DC) Review, including the launching of a pilot scheme in four districts, and seeks Members' support for a revised remuneration package for DC Members and the creation of a dedicated capital works block vote for district minor works which will be put to the Legislative Council (LegCo) Finance Committee for endorsement in due course.

BACKGROUND

2. On completion of a three-month public consultation in July this year, the Administration announced on 28 September the way forward for implementing the recommendations contained in the 2006 DC Review consultation document and issued a LegCo Brief to Members on these recommendations on the same day. In the context of briefing Members on the 2006-07 Policy Address, both the Secretary for Constitutional Affairs and the Secretary for Home Affairs had referred to the subject in the respective Panel meetings.

3. To recapitulate, the Administration has recommended that all proposals contained in the DC Review would be implemented, except for the proposal to postpone polling day from late November to early December and other minor revisions. These revisions involve the relaxation of the requirement to set up a separate District Facilities Management Committee under each DC and the fine-tuning of the improvements to the remuneration package for DC Members. Details and timing for implementing these recommendations are set out at Annex A.

4. As set out in the LegCo Brief issued on 28 September, we will launch a pilot scheme to involve DCs in the management of some district facilities in four selected districts (i.e. Wan Chai, Wong Tai Sin, Sai Kung and Tuen Mun) with effect from 1 January 2007.

PROGRESS OF IMPLEMENTATION PLAN

5. Further to general briefings already conducted for DC Members and staff of the Home Affairs Department (HAD) and the Leisure and Cultural Services Department (LCSD), we are organising specific briefing sessions and familiarisation visits for Members of the four pilot DCs on the details of the implementation plan. Preparations for the implementation of the pilot scheme are well under way, including drafting of new manuals and guidelines on district minor works projects and the use of DC Funds.

6. Plans are also in hand to select a tertiary institution to conduct an evaluation study of the effectiveness of the pilot scheme. The study would help lay the groundwork for full implementation in January 2008. We expect that the study team will be appointed before end November 2006. The evaluation study will consist of a quantitative component to obtain feedback from stakeholders and a qualitative case study to identify the process of involving DCs in the management of district facilities and in partnership with district organizations in delivering social objectives.

NEW REMUNERATION PACKAGE FOR DC MEMBERS

7. The Administration has also proposed improvements to the remuneration package for DC Members to enable them to effectively discharge their enhanced role. Taking account of feedback received during the public consultations, we have obtained endorsement of the proposed new remuneration package from the Independent Commission on Remuneration for Members of the District Councils of the HKSAR (the Independent Commission). These proposals and the timing for their implementation are set out in the paragraphs below.

Honorarium

8. Under the new remuneration package, we propose to increase the level of DC Members' monthly honorarium by 10% from \$17,040 to \$18,700. This will be the first real increase in Members' honorarium since 1986. As per the current practice, this amount is subject to annual adjustments in accordance with the movement of Consumer Price Index (A) (CPI(A)) in January each year.

Operating Expenses Allowance (OEA)

9. We propose to also raise the DC Members' monthly Operating Expenses Allowance (OEA) (which is a fully accountable allowance) by 10% from \$16,348 to \$18,000. This would address concerns from DC Members that the existing level of OEA is inadequate for them to cover the expenses they need to incur in order to discharge their duties effectively.

10. We proposed in the DC Review that upon the introduction of a new non-accountable Miscellaneous Expenses Allowance (MEA) to cover minor expenses such as stationery and entertainment and a new accountable Setting-up Allowance to cover items like furniture and equipment, the ambit of the OEA could be confined to cover only office rental, employment of assistants and related expenses such as office insurance and auditing expenses. However, during public consultations, some DC Members opined that communication with voters in the form of printing newsletters and postal expenses constituted significant financial outlay and should be qualified for reimbursement under the OEA. Accordingly, we now propose to restore some expenditure items currently reimbursable under OEA, namely expenses on printing, publicity, and communication charges for DC Members to maintain contacts with their constituents. The categories of expenditure items reimbursable under the new ambit of the OEA are listed at Annex B.

Miscellaneous Expenses Allowance

11. In response to DC Members' requests for additional support to cover expenses associated with their work to serve their constituents, we propose to provide a non-accountable MEA of \$4,000 per month to DC Members. This is intended to assist Members in covering items such as entertainment, self-development courses, minor purchases, personal insurance and organising activities for residents in the district.

12. We propose that similar to the arrangements for the honorarium and OEA, the monthly rate of the MEA would be subject to annual revision on 1 January each year according to the movement of CPI(A). DC Members with concurrent membership in the Executive Council and/or LegCo would be eligible for only two-thirds of the amount of MEA, as in the case for the honorarium.

13. We further propose that the Secretary for Financial Services and the Treasury be delegated the authority to approve future adjustments to the level of the MEA on an annual basis by reference to the movement of CPI(A). The proposed arrangements are in line with the present practice of annual revision of DC Members' honorarium and OEA.

Setting-up and Winding-up Allowances

14. We have proposed in the DC Review to provide two new fully accountable allowances to address DC Members' longstanding concerns that the existing OEA and a one-off Information Technology and Other Support Grant are insufficient to cover the cost of setting up and operating their ward offices. These include for each DC term –

- (a) a Setting-up Allowance of \$100,000 for renovation and refurbishment of a ward office, procurement of furniture and equipment and other legitimate expenses that are solely for the conduct of DC business; and
- (b) a Winding-up Allowance of \$72,000 for paying severance pay to assistants engaged with the OEA, reinstatement of the ward office as required by the landlord upon termination of tenancy, and other

legitimate expenses that are solely for the conduct of DC business.

Setting-up Allowance

15. Taking into account feedback from DC Members during the public consultation and noting that the Setting-up Allowance is a newly available allowance, we consider it justifiable that the original proposal to give re-elected or re-appointed Members who have used OEA for running a ward office only 50% of the Allowance should be modified. We now propose that all DC Members using the Setting-up Allowance for the first time should be eligible for the full rate. Thereafter, DC Members who have already claimed the Allowance in a previous term will only be eligible for 50% of the Allowance (i.e. \$50,000) in subsequent DC terms. DC Members joining the DC in the middle of a term and claiming the Setting-up Allowance for the first time will also be eligible for the full rate of \$100,000.

Winding-up Allowance

16. The Winding-up Allowance of \$72,000 per DC term will cover expenses of DC Members arising from cessation of office if they choose not to stand for re-election or for reasons such as death, serious injury or defeat in an election. However, Members who have resigned, or who are removed from DCs for reasons under the District Councils Ordinance (Cap. 547), will not be eligible for the allowance. We further propose that a DC Member should not be eligible for the Winding-up Allowance simply for the closure or relocation of a ward office within a term whilst maintaining his DC membership.

Timing of Implementation

17. As regards timing for implementing the new remuneration package for DC Members, we consider it more prudent to adhere to the well rehearsed principle, as in the case of LegCo, that any substantial

changes to the remuneration of LegCo Members, particularly those relating to LegCo Members' own benefits, proposed in one LegCo term will only be implemented in the following term to preserve the credibility of the remuneration regime and avoid the undesirable perception that Members are sanctioning pay rises for themselves. We therefore propose that the 10% increase in honorarium as well as the new non-accountable MEA and the accountable Setting-up Allowance should take effect from the new DC term in January 2008.

18. However, taking into account the views expressed by DC Members and the public, we propose to raise DC Members' OEA by 10% from 1 January 2007. This would address longstanding concerns from DC Members that the existing level of OEA is inadequate for them to effectively discharge their duties and maintain close liaison with their constituents. There is also a precedent in the 2001 DC Review¹. In line with recommendations from the Independent Commission to enhance accountability in the use of public funds, we also propose to include audit fees and agency fees for lease of members' ward office as reimbursable items under the OEA with effect from 1 January 2007, i.e. before the revised list of reimbursable items at Annex B takes effect from 1 January 2008. Separately, as there is widespread support for the early introduction of the newly created Winding-up Allowance, also a fully accountable allowance which is payable only when DC Members step down from office and have to disband their staff and/or close their ward offices, we propose to advance the implementation of this component to the current DC term as well. Both allowances are payable on a reimbursement basis.

Recurrent Expenditure

19. The financial implications of increasing the OEA for DC Members by 10% will be \$2.6 million in 2006-07 (covering the period

¹ In the 2001 DC Review conducted following the dissolution of the Municipal Councils, proposals to increase DC Members' Operating Expenses Allowance were implemented within the same term, benefiting the then existing DC Members.

from January to March 2007). The additional costs so incurred will be absorbed in the current Estimates.

20. Our proposals to re-define the ambit of the OEA for DC Members are primarily administrative improvements and do not carry any additional financial implications.

21. For the financial year 2007-08, on the assumption that there are no DC Members with concurrent membership in the Executive Council and/or LegCo, we estimate that the financial implications for increasing the level of the OEA by 10% and effecting the 10% increase in honorarium and introducing the new MEA (covering the period from January to March 2008) will be about \$20 million. We will include sufficient provision for the implementation of these proposals in the 2007-08 draft Estimates. Thereafter, on a full year basis, the proposals will cost about \$47 million per year.

Non-recurrent Expenditure

22. It would be difficult for us to come up with the precise amount of the additional expenditure incurred for introducing the new Winding-up Allowance as the exact number of DC Members leaving the DCs at the end of the current term is not known. However, on the basis of the number of DC Members retiring from the DCs in previous DC terms and on the assumption that all eligible Members will claim their maximum entitlement, our estimation is that the Winding-up Allowance arising from the current term and the coming DC term from 2008 to 2011 will cost a one-off expenditure of \$24 million. Regarding the Setting-up Allowance, assuming all the DC Members in the next term will claim the full amount, the proposal will cost \$55 million. To cater for the cash flow requirement over the period of the current and the coming DC terms up to December 2011, we propose to create a new non-recurrent commitment of \$79 million for these two allowances under Head 63 Home Affairs Department Subhead 700 General non-recurrent.

CAPITAL WORKS BLOCK VOTE FOR DISTRICT MINOR WORKS

Present Situation

23. At present, there are three separate sources of funding for carrying out minor works and facility improvements in districts, with varying degrees of DC involvement in their planning and implementation. They are –

- (a) DC Funds under HAD earmarked for “environment improvement and community involvement projects” of which, based on past experience, only about 15% were designated for works-related projects costing no more than \$600,000 each;
- (b) a block vote under the Capital Works Reserve Fund (CWRP) with the Director of Architectural Services as Controlling Officer for minor building works, fitting out works, refurbishment, etc. each costing no more than \$15 million across the Government, available also to LCSD and HAD for their respective district facilities; and
- (c) an Urban Minor Works Programme block vote under CWRP for district-based works projects costing up to \$15 million each with DHA as Controlling Officer to improve local facilities, living environment and hygiene conditions of the urban areas.

Proposed New Arrangements

24. We have proposed in the DC Review to create a dedicated capital works block vote under the CWRP for the departments concerned to implement the decisions of the DCs and to better support DCs in initiating and implementing minor works in the districts. The idea is that the

proposed dedicated capital works block vote would replace the three separate sources of funding as mentioned above². This proposal has the unanimous support of DCs and the general public.

25. The new block vote will have an ambit to cover minor building works relating to the district facilities under DCs' purview, viz. community halls, district libraries, leisure grounds, sports venues, swimming pools and public beaches as well as minor works in all districts, with the exception of rural area improvements in the New Territories which should continue to be catered for by the Rural Public Works Programme block vote. The cost ceiling of each project initiated or endorsed by DCs should remain at \$15 million.

26. DCs may identify minor works projects for the benefit of the local community. The following are some examples on the types of projects which may be identified for implementation under the new District Minor Works block vote –

- (a) upgrading works for community halls, sports venues, district libraries, leisure grounds, swimming pools and public beaches;
- (b) provision and/or improvement of rain shelters, pavilions, arbours, benches, information boards, etc.;
- (c) eradication of hygiene black spots; and
- (d) provision and/or improvement of local open space, parks, sitting out areas, rest gardens, promenades and other amenity and recreational facilities.

27. For 2007-08, we propose to keep the existing mechanisms intact and only implement the above new mechanism in the four pilot

² For the CWRF funding discussed in paragraph 23(b), only the provision for district minor improvement works will be replaced by the new block vote; provisions for works of other nature will follow the existing arrangement and remain under the control of the Director of Architectural Services.

districts. This will take the form of a new dedicated CWRP block vote with a proposed allocation of \$20 million in 2007-08. We consider that these four districts should be given greater flexibility and the lead-time required to plan the use of this additional allocation in implementing the district minor works under the new approach when the pilot scheme is launched in January 2007. In this respect, in our annual CWRP block vote allocation exercise, we propose not to spell out the project list to be funded by the proposed new block vote in 2007-08 in our submission to the Public Works Sub-committee at its meeting in December 2006 in order not to pre-empt the decisions of the respective DCs under the pilot scheme. From 2008-09 onwards, the provision for the dedicated capital works block vote will increase to \$300 million per year, to be partly offset by allocations under the existing sources of funding as mentioned above.

WAY FORWARD

28. Subject to Members' endorsement, we intend to submit the proposed improvements to the remuneration package for DC Members (including the creation of a new non-recurrent commitment for the payment of the newly introduced Setting-up and Winding-up Allowance) to the Finance Committee for approval in December 2006. The proposed creation of a dedicated capital works block vote for district minor works in the 2007-08 draft Estimates will be included in the Administration's CWRP block vote submission to the Public Works Sub-committee also in December 2006.

Home Affairs Bureau
November 2006

**Recommendations to be implemented arising from
the District Council Review**

[revisions to the original proposals in the consultation document are underlined]

Management of district facilities

- (a) To enable DCs to play an active role in the management of some district facilities, individual DCs will be given the flexibility to consider if a District Facilities Management Committee (DFMC) should be set up to steer and oversee the work involved or whether such functions should be discharged by existing committees under the DCs. For the pilot scheme, the pilot DCs are encouraged to set up a dedicated DFMC to focus discussion and facilitate evaluation;
- (b) Upon full implementation, we will involve DCs in the management of over 1,700 district facilities, including district libraries, community halls, leisure grounds, sports venues and swimming pools (including beaches). We will transfer the management and maintenance responsibilities for over 170 district works projects previously developed by DCs to LCSD and ArchSD. These facilities, likewise, will come under the purview of the DFMC;
- (c) DFMCs or existing committees under the DCs, as the case may be, will be invited to provide input, consider and endorse proposals from HAD and LCSD regarding the management of the identified district facilities. Without prejudice to the statutory powers and obligations of the departments concerned and subject to the financial authority of these departments, relevant international professional or safety standards, prevailing government policies on staff and resources management (including government fees and charges), they will follow the decisions of the DCs as far as possible;

- (d) DC Funds will in future be expanded to cover leisure, sports and cultural programmes and community involvement and partnership projects. Taking account of the provision for programme expenses to be transferred to DC Funds from LCSD's approved budget (which accounts for about \$68 million in the 2005-06 financial year), we propose to increase the DC Funds to an annual provision of \$300 million upon full implementation in all 18 districts in the 2008-09 financial year. For the pilot scheme, we propose to provide an extra sum of \$3 million to each of the pilot districts in the 2007-08 financial year;
- (e) We propose introducing a pilot scheme and implementing the proposals in four districts with a view to paving the way for full implementation in all 18 districts in the next DC term commencing 1 January 2008. Subject to the necessary approval, we propose that the pilot scheme be implemented from 1 January 2007;

Capital works improvement to district facilities and district minor works

- (f) Subject to LegCo approval, we will create a dedicated capital works block vote under the Capital Works Reserve Fund for DCs to initiate and implement minor works in the districts particularly those district facilities placed under their management. The block vote will have an annual provision of \$300 million upon full implementation in the 18 districts, replacing three existing sources for district minor works. We will also make provision for the maintenance of the minor capital works facilities initiated by DCs. For the pilot scheme, we propose a provision of \$20 million for the pilot districts;

Strengthening the role of District Officers and enhancing communication with DCs

- (g) We will set up a Steering Committee on District Administration from January 2007, to be chaired by the

Secretary for Home Affairs or Permanent Secretary for Home Affairs and attended by the Heads of Departments, to provide a forum for top management in various departments to exchange views on issues of mutual concern and resolve inter-departmental district management issues, as well as to formulate strategies on enhancing district work;

- (h) We will arrange for Heads of Departments that have direct interface with the public to attend four to five DC meetings every year commencing January 2007;
- (i) The Chief Executive will host an annual District Administration Summit to provide enhanced dialogue between DCs and senior Government officials and to discuss strategic issues relating to the District Administration Scheme. The first Summit will be held in early 2008;

Enhancing District Partnership

- (j) With the proposed increase in DC Funds for community involvement projects and more active involvement of DCs in the management of some district facilities, we will encourage DCs to draw up plans for collaboration with other sectors and initiate proposals with district characteristics aiming to achieve a wide spectrum of social objectives;

Support for DC Members and DC election-related matters

- (k) Subject to LegCo's approval of funding, we will raise the level of Members' honourarium (non-accountable) and Operating Expenses Allowance (OEA) (accountable) by 10% and introduce a new non-accountable Miscellaneous Expenses Allowance and two new accountable allowances on the setting-up and winding-up of ward offices. Taking into account the views expressed by DC Members during the public consultation period, we propose to expand the ambit of the OEA to cover expenses relating to communication between DC Members and their constituents and the local community. We also propose to seek LegCo Finance

Committee's approval to increase Members' OEA by 10% as soon as possible, say from 1 January 2007;

- (l) We propose to allow all first-time users of the Setting-up Allowance to reimburse up to the full rate of the Allowance and only up to 50%, in subsequent terms, for those Members who have already used the Allowance in the previous term. Having regard to the views from DC Members and the fact that the Winding-up Allowance will only be used every four years, we propose to advance the implementation of the Winding-up Allowance to the current DC term to allow incumbent DC Members to benefit from this proposal if they retire from the DCs in 2007;

- (m) Having regard to the views received during public consultation that the proposal to postpone the DC election from late November to early December would make the resultant period between the polling day and the commencement of the new DC term too short for outgoing DC Members to make the necessary arrangements to terminate the employment of their staff and the tenancy agreements of their ward offices, we propose that the existing practice to hold the election in November should remain unchanged;

- (n) Subject to the necessary amendment legislation, we will introduce a financial assistance scheme for DC election candidates. Under the proposed scheme, candidates who get elected, or those who receive 5% of valid votes or more, will be eligible for financial assistance. We will set the subsidy rate at \$10 per vote, capped at 50% of the actual election expenses of the candidates; and

- (o) The next DC term will have 534 seats, comprising 405 elected seats (including the five additional elected seats for Sai Kung DC and Islands DC which have been approved by LegCo in June 2006), 102 appointed seats and 27 ex officio seats. The population quota will remain unchanged.

**Proposed List of Reimbursable Items
under the Operating Expenses Allowance
for District Council Members
with effect from the new DC term in 2008-2011**

1. Office accommodation expenses
 - Rentals, Government rent and rates, management fees, utility charges, stamp duty and cleaning service charges
 - Agency fees for leasing members' ward office
2. Expenses on employment of assistants (e.g. staff remuneration, medical benefits, insurance payments, provident fund contributions, statutory payments under labour laws, recruitment expenses and training expenses)
3. Audit fees
4. Office insurance premium
5. Printing expenses
(e.g. newsletters, annual reports, business cards)
6. Publicity expenses for promoting members' offices for the purpose of conducting DC business
(e.g. signboards, placards, banners)
7. Communication charges (e.g. postage, internet charges, telephone charges, fax charges and expenses on design and maintenance of websites)

Note: All expenses incurred should be used solely for discharging DC duties.