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Panel on Home Affairs

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 8 November 2013**

**Review of allowance and expense reimbursement arrangements
for District Council members**

Purpose

This paper provides background information on the Government's review of the remuneration package for District Council ("DC") members and summarizes the views and concerns of members of the Panel on Home Affairs ("the Panel") on the subject.

Background

Government's review of the remuneration package in 2010

2. According to the information provided by the Administration in November 2010, regular reviews of DC members' remuneration package are conducted to ensure that the package is appropriate and in line with time. It has been the established practice for the Government to complete the review and to announce the package about one year before the commencement of the next DC elections, so that potential candidates are aware of the agreed remuneration package in good time before deciding whether to run for the elections.

3. In connection with the 2011 District Council Election, the Administration briefed the Panel on Home Affairs ("HA Panel") on 9 July and 12 November 2010 on its latest review of and proposed enhancements to the remuneration package for DC members drawn up in consultation with DC members and the Independent Commission on Remuneration for Members

of the District Councils of the Hong Kong Special Administrative Region ("the Independent Commission"). Members noted that the following guiding principles and practices had been adopted in the course of the review -

- (a) the objective of the remuneration package was to make it possible and attractive for a broad spectrum of individuals from different sectors and all walks of life of the community to serve the public;
- (b) although the remuneration of DC members was funded by the Government, DC members did not have any employment relationship with the Government; and
- (c) any proposal involving substantial changes to the remuneration package for DC members in one term should take effect in the following term.

4. As a result of this review, the Administration proposed the following enhancements to the remuneration package for DC members -

- (a) an accountable medical allowance of \$26,970 per annum be provided to DC members who did not have concurrent membership in the Legislative Council ("LegCo"), for payment of the premium of their personal medical and/or dental insurance cover, or actual medical and dental expenses, or both, and the level of the medical allowance be adjusted in future in line with that of LegCo Members;
- (b) an end-of-term gratuity equivalent to 15% of the honorarium be provided to DC members when they completed their term of office;
- (c) a new entertainment allowance of \$30,000 per annum be provided to DC Chairmen for entertainment expenses incurred on behalf of their respective DC;
- (d) the rates of the accountable Operating Expenses Reimbursement ("OER")¹ be increased by 15% from \$19,462 per month at 2010 prices to \$22,381 per month;
- (e) flexibility be provided to DC members to opt to use up to 50% of the Miscellaneous Expenses Allowance ("MEA") for staff and/or rental expenses on an accountable basis before the start of each

¹ Formally named as Operating Expenses Allowance ("OEA")

calendar year, and these expenses be tax-exempted; and

- (f) the arrangement for advancement for OER be relaxed so that DC members might keep the advance payment for the whole DC term instead of three months only.

5. In line with the established practice that any proposal involving substantial changes to the existing remuneration package for DC members should take effect in the following term, the Government proposed that the introduction of a medical allowance, an end-of-term gratuity and an entertainment allowance for DC Chairmen should be implemented in the next DC term, i.e. January 2012. As the proposed increase in OER and tax exemption arrangement for MEA only sought to fine-tune the prevailing remuneration package in the light of the operational experience, these measures should be implemented with effect from January 2011. As for the revised advance payment arrangement, as its main purpose was to relieve DC members' cash flow problem at the start-up period, the Administration proposed to implement the new arrangement in the next DC term, i.e. January 2012.

Prevailing remuneration package for DC members

6. According to the Administration's reply to an oral question raised by Hon Regina IP at the Council meeting of 14 November 2012, the monthly honorarium for a DC member is currently \$22,090. As for DC members' operating expenses, the current annual OER for a DC member is about \$292,000 (i.e. a monthly average of about \$24,000) reimbursable on production of certified receipts to meet expenses incurred for discharging DC duties which cover various expenditure items, such as office rental and other expenses, salary for assistants, audit fees, printing costs, expenses on publicity items and communication expenses. DC members may have flexibility in utilizing the OER according to their individual needs and office requirements.

Major views and concerns expressed by Panel members

Monthly honorarium

7. While members were generally supportive of the enhancements to the remuneration package for DC members proposed by the Administration in 2010, such as the introduction of a medical allowance and an end-of-term gratuity, which were modelled on those for LegCo Members, some members expressed regret over the Administration's unwillingness to increase the honorarium for DC members. In their views, the level of honorarium set at that time was insufficient to attract people of high calibre to join DCs and disproportionate to

the heavy workload and contribution to the society made by many DC members working full time. There was also a view that the level of honorarium for DC members should be gauged in connection with the public expectation of them.

8. In response to members' enquiry about the reason for not increasing DC members' honorarium, the Administration explained that the remuneration package was drawn up on the basis of the views collected by questionnaire surveys from various sectors of the society and the recommendations of the Independent Commission. Regard was also given to the operational needs of DC members and public expectation.

OER and ward offices

9. Expressing concern over DC members' difficulty in renting offices at the prevailing market rental level, some members urged the Administration to further increase the rate of OER, so that DC members would better cope with their rental expenses for ward offices.

10. According to the Administration, the Independent Commission had taken into account the market situation and had come to the view that a 15% increase in the rates of OER was reasonable. It stressed that the Independent Commission had balanced both the operational needs of DC members and the public expectation when drawing up the proposed remuneration package.

11. In response to members' enquiry as to whether the Administration could allocate spaces to DC members as ward offices, the Administration advised that it had considered whether certain areas in District Offices ("DOs") or community halls/centres could be allocated to DC members but found it unfeasible, owing to the unavailability of extra space in DOs and the public's needs for community halls/centres.

12. Some members pointed out that due to the unavailability of vacant units in public housing estates, some DC members had to pay some \$10,000 for an upstairs ward office in a private building, resulting in insufficient OER left for hiring quality staff. There was a suggestion that the Administration should consider providing DC members with office premises, which might not necessarily in DOs provided that the places were near to residents, such as vacant stores in the markets.

End-of-term Gratuity

13. In reply to members' enquiry on how the amount of the proposed end-of-term gratuity would be calculated for ex-officio DC members, the Administration advised that as the implementation of the proposed end-of-term

gratuity would commence in 2012 for the new DC term, the relevant guidelines were still under preparation. In principle, the amount of the gratuity for ex-officio DC members would be calculated on a pro-rata basis according to the time they had served.

Entertainment Allowance

14. Members asked whether the new entertainment allowance for DC Chairmen could be extended to all other DC members, having regard to the fact that the latter also had similar needs in performing their duties. The Administration responded in the negative adding that the allowance was provided in recognition of the functions undertaken by DC Chairmen on behalf of their respective DCs.

Latest developments

15. At the meeting of the Panel on Constitutional Affairs on 16 October 2012, Hon Regina IP expressed the view that there was a great disparity between the remuneration level of DC members and that of Political Assistants or the entry point of the Administrative Officer grade. She considered that the Administration should review the remuneration level of DC members for recognition of their long hours devoted to work.

16. At the Council meeting of 14 November 2012, Hon Regina IP raised an oral question on the remuneration package for DC members. Among others, she asked whether the Administration had plans to comprehensively review the nature of work and the remuneration package of DC members and to increase their honorarium and OER, so as to reflect their role in district administration and to enable them to employ higher quality assistants to serve the public.

17. The Administration will brief the Panel on its latest review of allowance and expense reimbursement arrangements for DC members on 8 November 2013.

Relevant papers

18. A list of relevant papers on the LegCo's website is in the **Appendix**.

Appendix

Relevant papers on the review of allowance and expense reimbursement arrangements for District Council members

Committee	Date of meeting	Paper
Council meeting	20.2.2008	Written question raised by Hon LAU Wong-fat on "Gratuities and medical benefits for District Council members"
Council meeting	5.5.2010	Written question raised by Hon Emily LAU on "Remuneration package for District Council members"
Panel on Home Affairs	9.7.2010 (Item III)	Agenda Minutes
Panel on Home Affairs	12.11.2010 (Item V)	Agenda Minutes
Council meeting	14.11.2012	Oral question raised by Hon Regina IP on "Remuneration package for District Council members"