

**For discussion on  
6 February 2015**

**Legislative Council Panel on Home Affairs**

**Proposed Increase in the Honorarium and  
New Provision for Duty Visits for District Council Members**

**Introduction**

This paper seeks Members' support for the proposed increase in the honorarium and the introduction of a new provision for duty visits for District Council (DC) members.

**Proposals**

2. We propose, with effect from 1 January 2016 (i.e. commencement of the 2016 - 2019 DC term),
  - (a) to increase the honorarium for DC members by 15%, from \$25,760 to \$29,620 per month based on 2015 prices; and
  - (b) to introduce a new provision, capped at a ceiling of \$10,000 per member per term, to finance DC members' duty visits.

**Justifications**

3. It is the established practice of the Government to complete the review of the remuneration package for DC members and to announce the new package about one year before the commencement of the next DC term, so that potential candidates are aware of the package before deciding whether to run in the election.

4. A guiding principle in reviewing the remuneration package is to ensure that DC members are provided with sufficient resources to cover

expenses arising from their DC-related functions and duties. A holistic approach has been adopted as in previous reviews, giving consideration to a basket of factors such as past expenditure patterns.

### The Mid-term Review

5. In view of DC members' concerns about their increased operating expenses, particularly the significant increase in office rental, the Government conducted a mid-term review of the remuneration package in 2013. We consulted the Panel on Home Affairs of the Legislative Council (LegCo) on 8 November 2013, and obtained approval from the Finance Committee (FC) on 6 December 2013 for the implementation of the following enhancements with effect from 1 January 2014 (i.e. within the current DC term) –

- (a) increasing the rate of the accountable Operating Expenses Reimbursement (OER) by 34%;
- (b) allowing any surplus from OER entitlement in one calendar year to roll over to the following year until the end of a DC term; and
- (c) increasing the entitlement of the accountable Setting-up Expenses Reimbursement (SER) from 50% to 100% for a DC member who has claimed SER in a previous term but has changed the location of his ward office in the current term.

### The 2014 Review

6. While the mid-term review covered the operating expenses incurred by DC members, the 2014 review focuses on the honorarium arrangement for and other needs of DC members. Four focus group meetings had been organised in 2014 to gauge the views of DC members on the current package. Having regard to the guiding principle that the remuneration package should be attractive to enable a broad spectrum of individuals from different sectors and background to serve the public, the views and operational needs of DC members, the prudent use of public funds and public perception, the Chief Executive (CE) announced in the 2015 Policy Address that the Government proposes to increase the monthly honorarium of DC members by 15 % in real terms and introduce

a new provision of \$10,000 per term to cover duty visit related expenses starting from the next DC term. Details of the proposals are set out in ensuing paragraphs.

(a) Monthly Honorarium

7. We propose to increase the monthly honorarium for DC members by 15% in real terms starting from the next DC term. As with the current practice, the revised honorarium will be subject to annual adjustments in accordance with the movement of Consumer Price Index (CPI) (A) in January each year. Based on 2015 prices, the monthly honorarium of DC members in the new term will increase from \$25,760 to \$29,620.

8. DCs have been playing a unique and important role in district administration. They have been increasingly engaged by the Government and various authorities in the planning and implementation of public policies and programmes affecting the well-being of the community. These include, among others, land resumption and reclamation, rezoning of Government/Institution/Community (GIC) sites for residential development, columbarium development and expansion of landfill sites. These issues not only involve complex political and technical considerations, but also lengthy consultation and dialogues between DCs and local residents/stakeholders and with different government departments.

9. In line with the concept advocated by the CE of “addressing district issues at the local level and capitalizing on local opportunities”, DCs have been entrusted with new and increased responsibilities. These include spearheading and implementing Signature Projects which require substantial planning and coordination work involving multiple stakeholders, promotion of district arts and culture, advising on street management issues, etc.

10. The responsibilities of DCs and DC members will further increase in the coming years. Firstly, following the announcement in the CE’s 2014 Policy Address, a Pilot Scheme to enhance district administration was launched in April 2014 in two districts, namely Sham Shui Po and Yuen Long, providing the District Management Committees chaired by District Officers with decision-making power to tackle priority district management and environmental hygiene problems identified by the respective DCs through inter-departmental efforts. We already

reported the progress and positive results of the Pilot Scheme to Members on 12 December 2014. As announced in the CE's 2015 Policy Address, we will conduct a review upon completing the Pilot Scheme in August this year. Subject to the results of the review, we will actively consider implementing the Scheme in all 18 districts starting from the next DC term.

11. Secondly, the DCs have been provided with additional resources since 2013-14 to promote and support arts and cultural development at the district level. As announced in the CE's 2015 Policy Address, in the coming five years the Government will provide additional resources for community involvement (CI) programmes to further strengthen DCs' work in this regard.

12. Having regard to these latest developments, we see a strong case for increasing the honorarium of DC members in the new term to commensurate with their enhanced role and responsibilities.

13. Although DC membership is not considered a job but a form of public service, given the increasingly important role of DCs, it is imperative that the honorarium for DC members is pitched at a level that is sufficient to attract talents from different sectors and to provide a reasonable compensation package for those who devote so much time and efforts to community service. We consider it reasonable to increase the monthly honorarium by 15% from the next DC term onwards.

(b) New Provision for Duty Visits

14. We propose to introduce a new provision with effect from 1 January 2016 so that each DC member will have up to \$10,000 per term to cover expenses incurred in duty visits.

15. To enhance the quality of district administration, it would be beneficial for DC members to visit local authorities and relevant institutions outside Hong Kong, so that they can gain first-hand experience from and exchange views with their counterparts in handling district matters such as environmental hygiene, promotion and development of district arts and sports, street management, etc. In the last DC term (2008 - 2011), 14 visits had been organized by seven DCs to nearby cities (e.g. Zhuhai, Guangzhou) at members' own costs. The DC members concerned considered such visits highly beneficial to their work and at the focus group meetings (mentioned in paragraph 6 above)

expressed that such visits should be funded by the Government.

16. We consider it beneficial and justifiable to introduce a new provision for DC members to cover expenses incurred in duty visits. These visits must be related to DC work, formally endorsed by the DC, and conducted in the name of the DC or its committees. The destinations for the duty visits will be decided by the individual DCs. We envisage that with the proposed provision of \$10,000 per term, a DC member may conduct one to two short-haul visits to nearby or Asian cities.

17. The proposed provision may cover the cost of a reasonable standard of air passage, accommodation, local transportation expenses, meals and minor incidental out-of-pocket expenses, etc. The DC Secretariats will arrange for the procurement of air tickets, accommodation and/or in-town travelling arrangements, while other eligible expenses, such as members' own meals and other minor incidental out-of-pocket expenses, will be covered subject to the overall ceiling and payment guidelines. Any other costs in excess of the ceiling would be borne by the DC members themselves. Detailed guidelines would be promulgated by the Home Affairs Department to govern the proper use of the duty visit provision, as with other allowances payable to DC members.

### **Other Components of the Remuneration Package**

18. We consider that the current levels of other components of the remuneration package for DC members (such as OER, Miscellaneous Expenses Allowance (MEA), Medical Allowance (MA), end-of-term gratuity, SER and Winding-up Expenses Reimbursement (WER) for all DC members, as well as Entertainment Expenses Reimbursement for DC Chairmen) are largely appropriate and should remain unchanged in the current DC term.

### **Schedule of Implementation**

19. In line with the established practice, proposals involving substantial changes to the remuneration package for DC members will take effect in the following DC term. Therefore, the proposed increase in the honorarium for DC members and the introduction of a new provision for duty visits will be implemented with effect from 1 January

2016.

## **Financial Implications**

20. The proposed 15% increase in honorarium for DC members, save for any annual price adjustments to be made, will entail an additional expenditure of about \$5.6 million in 2015-16 (from January to March 2016), and about \$22.5 million from 2016-17 onwards. There will also be a consequential increase of about \$13.5 million in end-of-term gratuity for the next DC term, the amount of which is linked to the level of honorarium<sup>1</sup>. The proposal to introduce a provision for duty visits is estimated to cost about \$4.7 million for the next DC term (i.e. four years from 2016 to 2019).

## **Public Consultation**

21. We conducted four focus group meetings with DC members to gauge their views on the remuneration package in June and July 2014. The Independent Commission on Remuneration for Members of the District Councils of the Hong Kong Special Administrative Region has been consulted and given its full support to the proposals.

## **Advice Sought**

22. Members are invited to advise on the proposals set out in paragraph 2 above. We plan to submit the proposals to the FC for consideration in the first quarter of 2015.

## **Background**

23. In reviewing the remuneration package for DC members, we have followed the guiding principles and practices set out below –

- (a) the objective of the remuneration package is to make it possible and attractive for a broad spectrum of individuals from different sectors and all walks of life to serve the public;

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<sup>1</sup> The end-of-term gratuity payable at the end of a DC term is pitched at 15% of the total honorarium received during the term.

- (b) although the remuneration package of DC members is funded by the Government, DC members do 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 for better public perception.

24. The current remuneration package for DC members is at the Annex.

Home Affairs Bureau/  
Home Affairs Department  
January 2015

**Current Remuneration Package for District Council (DC) Members**

The current remuneration package<sup>1</sup> for DC members comprises the following eight components –

- (a) a monthly honorarium at \$25,760 (\$51,520 for Chairman and \$38,640 for Vice-chairman);
- (b) an annual provision of accountable Operating Expenses Reimbursement (OER) at \$456,624, reimbursable on production of certified receipts to meet expenses incurred, and the surplus of each year to be rolled over to the following year until the end of a term;
- (c) a non-accountable monthly provision of Miscellaneous Expenses Allowance (MEA) at \$5,240 to cover minor expenses;
- (d) an accountable Setting-up Expenses Reimbursement (SER) at \$100,000 per DC term to cover the cost of setting up a ward office, including –
  - (i) 100% entitlement for newly-elected or newly-appointed members,
  - (ii) 100% for re-elected or re-appointed members who have claimed SER in the previous terms but have relocated ward offices, and
  - (iii) 50% for other re-elected or re-appointed members who have claimed SER in the previous terms;
- (e) an accountable Winding-up Expenses Reimbursement (WER) at \$72,000 per DC term to cover expenses required to wind up a ward office;
- (f) an accountable Medical Allowance (MA) at \$31,610 per annum;

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<sup>1</sup> The honorarium, OER and MEA for DC members, and Entertainment Expenses Reimbursement for DC Chairmen are subject to annual price adjustments in January each year in accordance with the movement of the CPI (A). The level of MA is adjusted annually in January each year in line with that for Legislative Council Members.



- (g) an end-of-term gratuity, which is equivalent to 15% of the honorarium; and
- (h) for DC Chairmen only: an Entertainment Expenses Reimbursement at \$34,990 per annum to meet entertainment expenses incurred on behalf of their respective DCs.