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SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS
GOVERNMENT SECRETARIAT
EAST WING
CENTRAL GOVERNMENT OFFICES
2 TIM MEI AVENUE, TAMAR
HONG KONG

6 February 2017

Chairman,
Finance Committee,
Legislative Council,
Legislative Council Complex,
1 Legislative Council Road,
Central, Hong Kong

Dear Hon CHAN,

**Finance Committee of the Legislative Council
Update to FCR(2016-17)80**

The Government's proposal to adjust the cash remuneration for politically-appointed officials (PAOs) and to introduce an annual adjustment mechanism is currently being considered by the Finance Committee (FC). Having regard to the actual Consumer Price Index (C) (CPI(C)) figure for 2016 released on 23 January 2017, I write to update the FC on the impact of the latest CPI(C) figure on the Government's proposal.

2. As stated in paragraph 2 of FCR(2016-17)80, the Government proposes that –

- (a) with effect from 1 July 2017, the cash remuneration for PAOs be adjusted according to the cumulative change in CPI(C) from 2012 to 2016; and
- (b) with effect from 1 July 2018, the cash remuneration for PAOs as approved by FC be adjusted on an annual basis in accordance with the change in the average annual CPI(C).

3. Paragraph 13 of FCR(2016-17)80 further states that the Government will fine-tune the percentage increase for the proposed one-off adjustment to the cash remuneration for PAOs when the actual CPI(C) figure for 2016 is available. The increase in the CPI(C) for 2016 has been duly published by the Census and Statistics Department on 23 January 2017. The increase is 2.1% (instead of 2.5% as originally estimated). Accordingly, the proposed one-off adjustment to the cash remuneration for PAOs will be 12.0% (instead of 12.4%), and would involve an extra \$13.4 million (instead of \$13.8 million) per annum, assuming no major change to the Government's organisation structure. The subsequent annual adjustments following the CPI(C) movement could involve about \$1.2 million (instead of \$1.3 million) per annum for every percentage point increase/decrease. We have updated, as attached to this letter, the recommended cash remuneration for PAOs as set out in Enclosure 2 to FCR(2016-17)80 with the relevant changes shaded in grey for Members' easy reference.

4. The updating of the CPI(C) for 2016 does not affect the validity of the Government's proposal in FCR(2016-17)80 as recapitulated in paragraph 2 above.

5. I should be grateful if the Secretariat could draw this information to the attention to Members of the FC.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Raymond TAM', with a large, sweeping initial 'R' and a long horizontal stroke extending to the right.

(Raymond TAM)
Secretary for Constitutional and Mainland Affairs

Attachment

Update to Enclosure 2 to FCR(2016-17)80

**Proposed remuneration package for PAOs
Serving in the Fifth-Term HKSAR Government (2017 to 2022)**

- (1) **Cash remuneration** (adjustment by 12.0%¹, which is equivalent to the cumulative increase in CPI(C) from 2012 to 2016)

Position	Monthly (Annual) Cash Remuneration (HK\$)		Pay differential	Additional costs per annum (HK\$) ²
	Current	Proposed ³		
CS	330,565 (3,966,780)	370,200 (4,442,400)	3.5% above FS	475,620
FS	319,385 (3,832,620)	357,700 (4,292,400)	3.5% above SJ	459,780
SJ	308,585 (3,703,020)	345,600 (4,147,200)	3.5% above DoB	444,180
DoB⁴	298,115 (3,577,380)	333,900 (4,006,800)	-	6,011,880
DDoB	193,775 - 223,585 (2,325,300 - 2,683,020)	217,050 - 250,450 (2,604,600 - 3,005,400)	65%, 70% or 75% of DoB	3,868,560 ⁵
PA	104,340 (1,252,080)	116,850 ⁶ (1,402,200)	Not more than 35% of DoB	2,101,680

/(2)

¹ The year-on-year percentage changes in CPI(C) from 2012 to 2016 were 3.8%, 3.5%, 2.1% and 2.1% respectively. The cumulative change in CPI(C) is calculated to be 12.0%.

² Assuming all PAO positions are filled.

³ All figures are calculated based on the percentage differences with the DoB's remuneration.

⁴ The financial implication of DoB includes 1 Director of the Chief Executive's Office whose terms of employment should align with a DoB as approved by the FC in June 2007.

⁵ The maximum pay point is used for comparison.

⁶ PA's remuneration proposed to be capped at 35% of a DoB's remuneration in the new term.

(2) Other benefits

In addition to cash remuneration, PAOs are also eligible for –

- (a) annual leave of 22 days per annum;
- (b) medical and dental benefits on the same basis as those provide to civil servants during the term of their employment;
- (c) Mandatory Provident Fund contribution by the Government;
- (d) use of a car and driver when in Hong Kong at his/her discretion for each of the SoDs and DoBs as well as for the Director of the CE's Office. Departmental transport for DDoBs is provided by relevant policy bureaux/offices from their internal resources; and
- (e) an official residence with domestic staff and a non-accountable entertainment allowance for each of the SoDs.
