

立法會  
*Legislative Council*

LC Paper No. CRM 782/17-18

Ref : AM12/01/19 (16-20)

**Subcommittee on Members' Remuneration and  
Operating Expenses Reimbursement**

**Minutes of meeting held on 4 June 2018 at 11:00 am  
in Conference Room 3 of the Legislative Council Complex**

**Members present** : Hon WONG Ting-kwong, GBS, JP  
Hon CHAN Hak-kan, BBS, JP  
Hon WU Chi-wai, MH  
Hon IP Kin-yuen  
Hon Martin LIAO Cheung-kong, SBS, JP  
Ir Dr Hon LO Wai-kwok, SBS, MH, JP  
Hon HO Kai-ming  
Hon Jeremy TAM Man-ho

**Member absent** : Hon CHU Hoi-dick

**Clerk in attendance:** Ms Amy YU  
Principal Council Secretary 1

**Staff in attendance** : Mr Kenneth CHEN, SBS  
Secretary General

Miss Roxanna LO  
Accountant

Ms Louisa SOO  
Senior Deputy Accountant

Mr Simon CHEUNG  
Deputy Accountant 4

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**I. Outcome of consultation with Members on annual adjustment mechanism for Office Operation Expenses Reimbursement for Legislative Council Members**  
(LC Paper No. CRM 573/17-18)

The Chairman said that at its meeting on 20 December 2017, the Subcommittee agreed that all Members should be consulted on the proposals for adopting a weighted index instead of Consumer Price Index (C) ("CPI(C)") as the basis for the annual adjustment to the level of Members' Office Operation Expenses Reimbursement ("OOER"). Subsequently, a questionnaire had been issued to all Members for this purpose.

2. At the invitation of the Chairman, the Clerk briefed members on the outcome of the consultation with Members, details of which were set out in the paper prepared by the Secretariat (LC Paper No. CRM 573/17-18). In gist, a total of 67 Members had responded to the questionnaire and the majority of all Members agreed to all the proposals for using a weighted index as the basis for annual adjustment to Members' OOER, including the components of the proposed weighted index, the respective weightings as well as adjustment indicators for each of the components.

3. The Clerk further briefed the Subcommittee on the comments raised by some Members on the adjustment indicators to be used for the three main components of the weighted index. She said that while the majority of Members agreed to the proposals for using civil service pay adjustment for middle and lower salary bands, rental index for Grade C offices compiled by the Rating and Valuation Department ("RVD") and CPI(C) as the respective basis for adjusting the three main components on staff expenses, office accommodation expenses and other operating expenses, some Members had raised other views/proposals including:

- (a) the Composite CPI or civil service pay adjustment for middle and lower salary bands, whichever was the higher, should be used as the adjustment indicator for the component on staff expenses, so as to ensure the level of adjustment would not be less than the prevailing inflation rate;
- (b) an alternative indicator should be used for adjusting office accommodation expenses, as rental index for Grade C offices, which covered private offices of the lowest quality and cheapest rentals in the market, was inadequate to reflect the level of rental expenses incurred by Members;

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- (c) it was inappropriate to use CPI(C) as the adjustment factor for the component on other operating expenses, as Members' other operating expenses generally covered expenditures for stationery and office supplies while CPI(C) was compiled based on the expenditure patterns of high income households; and
- (d) CPI(A) instead of CPI(C) should be used as the basis for adjusting the component on other operating expenses.

4. The Chairman invited members' views on the above comments/proposals raised by some Members during the consultation. He said that subject to the outcome of the discussions, a meeting with the Administration would be arranged to discuss the proposals. He reminded members that proposals on Members' remuneration and operating expenses reimbursement put forward by the Subcommittee would be considered by the Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System of the HKSAR for implementation in the following Legislative Council ("LegCo") term.

5. Ir Dr LO Wai-kwok said that the ratios of Members' expenditure in the three main components of OOER were fairly stable in the past and provided a reasonable basis for working out the proposed weighted index. He reiterated his support for using the proposed weighted index which provided a more reasonable mechanism for annual adjustment of Members' OOER in the light of their actual expenditure patterns.

6. Regarding the adjustment indicator for the component on staff expenses, Ir Dr LO Wai-kwok considered it appropriate to use civil service pay adjustment as the adjustment indicator, given that it was a well-established mechanism which generally reflected the pay trend in the market. He stressed that the proposal for adopting civil service pay adjustment as the adjustment indicator did not imply that the salary level of Members' staff would be pegged to the civil service pay scales. He also agreed to the proposal for using rental index for Grade C offices compiled by RVD as the adjustment indicator for the component on office accommodation expenses, considering that Members' offices were generally located in public housing estates and modest private office premises. As regards the adjustment indicator for the component on other operating expenses, he considered it appropriate to use a CPI index which most closely reflected the price movements of supplies and services procured by Members' offices.

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7. Mr WU Chi-wai also expressed support for using a weighted index which reflected Members' actual expenditure patterns more accurately. On the adjustment indicator for the component on other operating expenses, Mr WU considered that Composite CPI, which reflected the impact of consumer price changes on the household sector as a whole, was a more appropriate adjustment indicator than CPI(C) which reflected the inflation rate of luxury items. Referring to the proposal set out in paragraph 3(a) above, Mr WU further said that if changes in the Composite CPI had already been taken into consideration when deciding on the rates of civil service pay adjustment, it would not be necessary to compare these two indicators in adjusting the component on Members' staff salaries.

8. Ir Dr LO Wai-kwok shared the view that it was appropriate to use Composite CPI for adjusting the component on other operating expenses, given that other operating expenses incurred by Members covered commodities and services across different price ranges.

9. Mr IP Kin-yuen agreed with the view that there was no need to compare the Composite CPI with civil service pay adjustment for middle and lower salary bands. In his view, the latter was a reasonable indicator for adjusting the component on staff expenses. To ensure that Members' staff would receive a reasonable level of remuneration, he proposed that the level for OOER in respect of staff expenses at the beginning of the next LegCo term in 2020 should be calculated by using the relevant OOER rate in 2016 (i.e. the beginning of the current LegCo term) as the basis, to be adjusted by the relevant rates of civil service pay adjustment for middle and lower salary bands in each of the years of the current LegCo term.

10. Mr Martin LIAO sought clarification on the apparent contradiction that some respondents to the questionnaire agreed to the proposal for using a weighted index as the basis for annual adjustment while at the same time disagreed to the proposals regarding the adjustment indicators to be used in calculating the weighted index.

11. The Clerk clarified that 63 Members (94% of the respondents) agreed to the general proposal that a weighted index instead of CPI(C) should be used as the basis for annual adjustment to Members' OOER. While agreeing that a weighted index should be used, some of these respondents did not agree to the proposed adjustment indicators for calculating the weighted index. The Secretary General further elaborated on the formula for calculating the weighted index. He added that while Members generally supported using a weighted index as the basis for adjustment and agreed to the components of the

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index, some Members had expressed different views on the respective adjustment indicators to be used for the components.

12. Mr HO Kai-ming considered the current adjustment mechanism based on CPI(C) inadequate in providing a reasonable level of salary adjustment for Members' staff. He agreed to the proposal for using civil service pay adjustment for middle and lower salary bands as the adjustment indicator for the component on staff expenses, which accounted for a major portion of Members' operating expenses.

13. Mr IP Kin-yuen said that while the salaries of Members' staff were not pegged to the civil service salary scales, the civil service pay adjustment mechanism would provide a clear, reasonable and widely accepted basis for adjusting the component on Members' staff expenses. Mr IP further pointed out that a similar mechanism was used for adjusting the government subsidy for direct subsidy scheme schools. Such subsidy would be adjusted to take into account changes in the unit costs of aided school places arising from, among others, civil service pay adjustment.

14. Referring to the actual rates of civil service pay adjustment for middle and lower salary bands and the annual change in Composite CPI over the past six financial years set out in paragraph 9 of LC Paper No. CRM 573/17-18, Mr Jeremy TAM noted that the level of annual adjustment to Members' OOER in accordance with CPI(C) mostly lagged behind the civil service pay adjustments for middle and lower salary bands. The rental indexes published by RVD for the 2012-2013 to 2015-2016 legislative sessions set out in Appendix IV to the paper also indicated that under the current adjustment mechanism, the level of annual adjustment to OOER could not keep up with the changes in office rental in the market. He supported the proposal that a weighted index instead of CPI(C) should be used as the basis for annual adjustment to Members' OOER.

15. Mr Martin LIAO stressed the need to demand for a fair and reasonable level of remuneration and salary adjustment for Members' staff, in recognition of their increased workload, which was well demonstrated in the significant increase in meetings held by the Finance Committee and its two subcommittees over the past years. He considered it reasonable to use civil service pay adjustment for middle and lower salary bands for adjusting the level of OOER for staff expenses.

16. Summing up the discussions, the Chairman sought Members' views on putting forward the following proposals to the Administration for consideration:

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- (a) a weighted index instead of CPI(C) should be used as the basis for annual adjustment to Members' OOER with effect from the next LegCo term;
- (b) the proposed weighted index should comprise the three main components of OOER, with each component to be adjusted in accordance with the relevant adjustment indicator as follows:
  - (i) salary expenses, with its relative weighting of 70% of OOER, should be adjusted with reference to civil service pay adjustment for middle and low salary bands;
  - (ii) office accommodation expenses, with its relative weighting of 10% of OOER, should be adjusted with reference to rental index for Grade C offices compiled by RVD; and
  - (iii) other operating expenses, with its relative weighting of 20% of OOER, should be adjusted with reference to Composite CPI.

Members agreed.

17. The Chairman said that a meeting with the Administration would be arranged to discuss the proposals.

**II. Any other business**

18. There being no other business, the meeting ended at 12:03 pm.

Complaints and Resources Management Division  
Legislative Council Secretariat  
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