

NOTE FOR FINANCE COMMITTEE

Increase in the Maximum Limit of Advance Account for Making Advance Payment of Operating Expenses Reimbursement to District Council Members

PURPOSE

This paper informs Members of the increase in the maximum limit of the advance account from \$28 million to \$49 million for the purpose of making advance payment of Operating Expenses Reimbursement (OER) to District Council (DC) members.

BACKGROUND

2. At present, in order to give DC members more flexibility in the discharge of their DC duties and help relieve their cash flow problem, if any, for operating ward offices, DC members may apply for an advance payment of OER up to a maximum of the reimbursable amount of OER for two months (i.e. \$92,590 for DC members without concurrent membership¹ and \$61,726 for DC members with concurrent membership) anytime during the DC term. DC members may keep the advance payment for the whole term, and the advance payment will be used to offset the reimbursable expenses of OER of the month immediately before the DC member ceases office and any reimbursable winding-up expenses.

3. The advance payment arrangement is implemented through the creation of an advance account with a maximum limit of \$20 million approved by the then Secretary for Financial Services and the Treasury (SFST) in March 2004 under section 20 of the Public Finance Ordinance (Cap. 2). The maximum limit was adjusted to \$28 million with effect from 1 January 2011 consequent upon the increase in the rate of OER by 15%. The Finance Committee was informed of the creation of the advance account and increase in the maximum limit via FCRI(2004-05)5 and FCR(2010-11)46 respectively.

/MAXIMUM

¹ DC members with concurrent membership refer to those who serve as members of the Executive Council and/or the Legislative Council.

MAXIMUM LIMIT OF ADVANCE ACCOUNT

4. The rate of OER, and hence the advance payment of OER to DC Members, is subject to annual adjustment in accordance with the movement of the Consumer Price Index (A) (CPI(A)), and periodic reviews conducted by the Independent Commission on Remuneration for Members of the DCs of the Hong Kong Special Administrative Region. In view of the increases in the rate of OER since January 2011², the existing maximum limit (i.e. \$28 million) of the advance account was found insufficient for making advance payment of OER to DC members. In order to secure sufficient provision for processing advance payments applications of DC members, we obtained approval from the then SFST to increase the maximum limit of the advance account from \$28 million to \$49 million in March 2020. The increased limit of \$49 million has been worked out having regard to the current rate of the OER (\$46,295 per month) and estimated adjustments to the rate of OER in accordance with the movement of CPI(A) in the coming years.

5. We will continue to take all necessary steps to ensure proper use of public funds and full recovery of advance payments made to DC members.

Home Affairs Bureau
Home Affairs Department
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² The rate of OER in 2011 was \$23,142 per month and the current rate is \$46,295 per month, representing an increase of 100%.