

Legislative Council

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Paper for the House Committee Meeting on 4 September 1998

**First Report of the Subcommittee on Review of Allowances
for Members of the Legislative Council**

**Financial Arrangement for
Reimbursement of Operating and Setting Up Expenses**

Purpose

This paper reports on the deliberations of the Subcommittee on Review of Allowances for Members of the Legislative Council, and invites the House Committee's endorsement of the Subcommittee's recommendations on a proposal of providing an operating fund advance to facilitate Members in handling their day to day Legislative Council (LegCo) related business.

Composition of the Subcommittee

2. The Subcommittee was appointed by the House Committee on 10 July 1998 to look into the financial arrangement for reimbursement of operating and setting up expenses for Members and other related matters. The Subcommittee comprises 10 members and the membership list is at **Appendix**. The main deliberations of the Subcommittee thus far are set out in the following paragraphs.

Deliberations and Recommendations of the Subcommittee

Financial Arrangement for Reimbursement of Operating and Setting Up Expenses

Existing Arrangement

3. Under the existing reimbursement system worked out on the recommendations of the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region, Members are provided with an operating expenses reimbursement and a district office allowance, totalling \$112,500 a month. Except for the claiming of a non-accountable travelling and entertaining allowance of \$7,030, Members have to present certified receipts to support their payment before getting a reimbursement. As reimbursement is on a monthly basis, Members usually accumulate their expense receipts and present their reimbursement claims in the following month. If all necessary documents are certified and presented, reimbursement normally takes place within 10 working days after submission.

4. In addition to the monthly reimbursement, Members can also be reimbursed with a total of \$100,000 for setting up their district office(s) and \$50,000 for setting up the central office provided by the LegCo Secretariat. To keep the administrative cost to the minimum, reimbursement claim for each office set up is on a one-off basis. Members may spend half a year to set up one office and accumulate receipts during the setting up period. Several offices may be set up at any time during a Member's term, either in parallel or at different times.

Problems

5. Under the reimbursement system, a Member has to pay his/her LegCo-related expenses first and get the receipts to prove his/her expenses before he/she could get any reimbursement. Obviously, there is a time gap between payment and reimbursement. Based on the operating cycle described in paragraphs 3-4 above, the gap usually ranges from one and a

half months to three months in the case of reimbursing monthly expenses and over half a year in the case of claiming setting up expenses, depending on how early a claim is submitted and whether all the reimbursement conditions are met in the first submission.

6. In other words, a Member has to draw on his/her own financial resources to cover about two months' operating expenses, viz \$225,000. In addition, another \$150,000 may be locked up for some time in setting up his/her offices.

7. Some Members have indicated that they have difficulties in raising the initial operating fund. Borrowing to fund such expenses would incur interest which is not reimbursable. Even if a Member needs not resort to borrowing, it is unfair to freeze some \$200,000 of his/her own financial resources until he/she ceases to be a LegCo Member.

Suggested Solutions

8. The Subcommittee recommends that, subject to the approval of The Legislative Council Commission, an operating fund at the maximum level equivalent to two months' operating expenses (i.e. \$225,000 at present reimbursement level) be advanced to a Member on his/her application. The advance should be repaid to the Secretariat when a Member ceases office. Reimbursement of monthly expenses should remain to be claimed in the usual manner.

9. As the reimbursement level is reviewed annually in October according to the movement of the Hang Seng Consumer Index, the Subcommittee also suggests that the ceiling of the operating fund should be revised accordingly and Members may have the operating fund held by them increased to the new ceiling by applying to the Secretariat.

10. With regard to the setting up expenses, the Subcommittee notes that they are not spent on an on-going basis and a Member may choose not to set up his/her office or do so at anytime. As such, an advance without any restriction would not be appropriate. The Subcommittee therefore recommends that a Member may apply for an advance of not more

than \$100,000 for setting up a district office and another advance of \$50,000 for the central office, subject to his remaining balance in each case. Moreover, instead of allowing six months for setting up an office when personal funds are used, a Member must complete the setting up and submit the relevant receipts within three months after he/she has received public funds in advance.

Financial Implications

11. A maximum amount of \$13,500,000 will be needed on the introduction of an operating fund for monthly expenses, if every Member applies for the full amount being proposed.

12. As Members have to repay the advance when they cease office, the proposal involves no additional expenditure on the part of the Administration or The Legislative Council Commission. However, the Commission would lose an annual interest income of \$1,215,000 if deposit interest is at 9% per annum. The Subcommittee also notes that there may be a very slim chance that the Commission may have difficulty in recovering an advance from an out-going Member.

13. On the advance of setting up allowance, if a maximum of \$9,000,000 is made for three months, at an interest rate of 9% per annum, the Commission would lose an interest income of \$202,500 in each LegCo term.

14. In terms of cashflow, the LegCo Secretariat has advised that it should be able to manage with the current financial resources.

Implementation

15. The proposal can be implemented immediately upon the approval of The Legislative Council Commission.

Name of the Subcommittee

16. The Subcommittee takes the view that it is misleading to use

the term “allowance” in the operating expenses package provided for LegCo Members, e.g. setting up/winding up allowances, district office allowance, etc., as it gives an impression that it is one form of income or salary which, in fact, is given to Members on a reimbursement basis. It is recommended that such allowances should be called “expenses reimbursement” to reflect more correctly the nature of the financial resources provided to Members. For the same reason, the Subcommittee has also suggested to change its name to “Subcommittee on Matters related to the Reimbursement of Members’ Operating Expenses”.

Other Matters being considered by the Subcommittee

17. The Subcommittee has invited representatives of the Administration to discuss the following issues -

- YII level of operating expenses reimbursement for LegCo Members; and
- YII allocation of LegCo Member’s offices in public housing estates.

Further reports will be made to the House Committee on the deliberations of the above issues where appropriate.

Advice Sought

18. Members are invited to endorse the Subcommittee’s recommendations that -

- a) the proposal of providing an advance of operating funds to Members as set out in paragraphs 8 - 10 be put up to The Legislative Council Commission for consideration; and
- b) the name of the Subcommittee be changed to “Subcommittee on Matters related to the Reimbursement of Members’ Operating Expenses”.

Legislative Council Secretariat
September 1998

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Appendix

Membership List of Subcommittee on Review of Allowances for Members of the Legislative Council

Hon Emily LAU Wai-hing, JP (Chairman)

Hon YEUNG Yiu-chung (Deputy Chairman)

Hon Cyd HO Sau-lan

Hon Fred LI Wah-ming

Hon NG Leung-sing

Hon Christine LOH

Hon Bernard CHAN

Hon WONG Yung-kan

Hon Howard YOUNG, JP

Hon Ambrose LAU Hon-chuen, JP