

## **For information**

### **LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE**

#### **Review of Fringe Benefit Type of Civil Service Allowances**

##### **Purpose**

This paper briefs Members on the latest position of the Administration's review of fringe benefit type of civil service allowances.

##### **Background**

2. We have been taking proactive steps over the years to modernise the provision of fringe benefit type of allowances to civil servants. As a result, new entrants joining the service after a specified date are no longer eligible for certain fringe benefit type of allowances, for example, education allowances, sea passage. Other allowances have also been reduced in scope or rate for new recruits, e.g. housing allowances, leave passage allowance. Generally speaking, the package of fringe benefits available to officers offered appointment on or after 1 June 2000 has been substantially trimmed down in step with present day circumstances.

3. We are conducting a comprehensive review of all civil service allowances. Our objectives in pursuing the allowance review are three-fold, namely –

- (a) to explore ways to further rationalise the payment of these allowances;
- (b) to enhance control over Government expenditure on these allowances and to achieve substantive savings in the next few years; and
- (c) to identify scope for improving efficiency in the administration of these allowances.

4. At the Panel meeting held on 19 April 2004, we informed Members that the Administration would adopt a two-phase approach for the review of fringe benefit type of benefits (see LC Paper No. CB(1)1505/03-04(03) for details). On 3 June 2004, we issued a consultation note setting out the change proposals under phase one of the review concerning certain passage and related

allowances as well as housing-related allowances and benefits for staff consultation. Members were informed of the consultation proposals *vide* LC Paper No. CB(1)2137/03-04(01). The consultation period ended on 14 August 2004, during which we received 412 written submissions. It was our intention to release the revised phase one change proposals as well as those change proposals under phase two of the review for staff consultation before the end of 2004. The allowance review was subsequently put in abeyance in view of the Government's appeal to the Court of Final Appeal (CFA) in relation to the pay adjustment ordinances, which involved the Basic Law provisions regarding remuneration of civil servants. Members were informed of the Administration's decision at the Panel meeting held on 20 December 2004 (see LC Paper No. CB(1)494/04-05(04)). The appeal has now been concluded.

### **Latest package of change proposals**

5. We note that many of the allowances under review are out of step with present day circumstances and are no longer offered to new recruits. As such, the current review principally focuses on identifying feasible ways to further rationalise the payment of various allowances to officers who are currently or potentially eligible for these allowances as fringe benefits under their terms of employment. Taking account of the CFA judgment on the pay adjustment ordinances case, the staff feedback received during the phase one consultation and the policy objectives of the review, we have further revised the entire package of change proposals arising from the review under phase one and phase two. The fringe benefit type of allowances under review can be broadly categorised as follows –

- (a) education allowances;
- (b) passage and related allowances; and
- (c) housing and related allowances and benefits.

A note setting out the change proposals for staff consultation is at the **Annex** for Members' information.

6. In considering whether an allowance should be removed, retained or adjusted, we follow the principles of lawfulness, reasonableness and fairness. Examples of some notable proposals are set out below.

7. As regards education allowances which have ceased for new recruits since 1996 (in respect of Overseas Education Allowance) and since 2000 (in respect of Local Education Allowance), we propose to continue to freeze the rates for existing claimants while reducing the rates to the 1997 level for children of eligible officers who start to claim the allowance from a future date.

8. As regards passage and related allowances, we propose to keep most of the allowances intact and improve the administration of certain allowances where appropriate. For Sea Passage which has ceased for new recruits since 1984, we believe there is a case to retain it for the existing 177 eligible officers, but capping the rate at the 1997 level.

9. Over the years, we have regularly reviewed the housing and related allowances. For example, we have introduced the Non-accountable Cash Allowance Scheme to replace all other kinds of housing allowances for new recruits offered appointment since June 2000. In the current review, we propose to streamline/ rationalise the rate adjustment mechanism of Accommodation Allowance, Private Tenancy Allowance, Non-accountable Cash Allowance, the Removal Allowance and the provision of hotel accommodation while keeping the other housing allowances intact. We also propose to abolish three housing-related allowances. They are the Air-conditioning Allowance which has ceased for those promoted to the directorate level on or after 1 May 1999 and which is of minor monetary value to the existing claimants of directorate officers; the Furniture and Domestic Appliances Allowances and the Hotel Subsistence Allowance, which have ceased for new recruits since May 1999.

10. We have written to the staff sides of the central consultative councils as well as all civil servants seeking their views on the revised package of proposals. The consultation period will end on 21 November 2005.

11. We believe the latest package of change proposals has largely addressed the main concerns advanced by staff, while achieving the broad objectives of the allowance review. After staff consultation, we shall draw up the Administration's final proposals and seek the advice of the advisory bodies on civil service salaries and conditions of service before making a final decision. It is our intention to implement the new measures arising from the review as early as possible in 2006.

12. We shall keep Members informed of the progress of the review.

Civil Service Bureau  
September 2005

## **Review of Fringe Benefit Type of Civil Service Allowances**

### **Purpose**

This note sets out for staff consultation the package of change proposals arising from the review on fringe benefit type of civil service allowances. A summary of all the change proposals is at **Annex A**.

### **Background**

2. We have been taking proactive steps over the years to modernise the provision of fringe benefit type of allowances to civil servants. As a result, new entrants joining the service after a specified date are no longer eligible for certain fringe benefit type of allowances. Other allowances have also been reduced in scope or rate for new recruits. Generally speaking, the package of fringe benefits available to officers offered appointment on or after 1 June 2000 has been substantially trimmed down in step with present day circumstances.

3. Our objectives in pursuing the current review are three-fold, namely –
- (a) to explore ways to further rationalise the payment of these allowances;
  - (b) to enhance control over Government expenditure on these allowances and to achieve substantive savings in the next few years; and
  - (c) to identify scope for improving efficiency in the administration of these allowances.

In taking forward the review, we follow the guiding principles of lawfulness, reasonableness and fairness.

4. We have proceeded with the review in two phases. On 3 June 2004, we issued a note setting out the change proposals under the phase one review for staff consultation covering certain passage and related allowances as well as housing-related allowances and benefits. It was our intention that allowances other than the above ones would be covered under phase two of the review for a subsequent round of consultation.

5. At the close of the consultation period on 14 August 2004, we received 412 submissions from staff and staff associations. The allowance review was subsequently put in abeyance in view of the Government's appeal to the Court of Final Appeal (CFA) in relation to the pay adjustment ordinances, which involved the Basic Law provisions regarding remuneration of civil servants.

## **Latest package of change proposals**

6. Following the conclusion of the appeal, we have revived the allowance review and decided to consolidate the change proposals under phase one and phase two as a comprehensive exercise. Taking account of the CFA judgment, legal advice, the policy objectives of the review, and the feedback from staff during the phase one review, we have further revised the entire package of change proposals.

7. The fringe benefit type of allowances under review and the major change proposals are highlighted below -

(a) **Education and related allowances**

Education allowances and school passage allowance (SPA) are no longer justified under present day circumstances and have not been offered to officers recruited since August 1996 in respect of overseas education allowance and school passage allowance and to officers recruited since June 2000 in respect of local education allowance. We propose to freeze the education allowance rates for existing claimants<sup>1</sup> at the current levels and reduce the allowance rates for new claimants<sup>1</sup> from the 2006-07 school year to the cash levels prevailing on 30 June 1997. As regards SPA, we propose to reduce the allowance rates to the rates as at 1 July 1998 (when SPA started to be provided in the form of a cash allowance instead of economy class air tickets) and to tighten up the payment rules for both existing and new claimants;

(b) **Passage and related allowances**

Apart from SPA mentioned above, passage and related allowances include leave passage allowance<sup>2</sup> (LPA), sea passage<sup>2</sup>, sea baggage allowance<sup>2</sup> (SBA) and travelling expenses in country of origin or place of study. Taking into account the feedback received during the phase one consultation, we have decided to retain the provision of LPA and SBA on their existing terms. As regards sea passage, only officers on overseas terms recruited before 1985 are eligible for this outdated benefit. We intend to phase it out in the normal course, subject to capping the allowance rates for the respective class of travel at the rates approved for the 1997 sailing to the United Kingdom. For travelling expenses in country of origin or place of

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<sup>1</sup> In this context, claimants refer to the eligible children in respect of whom an OEA/LEA is claimed.

<sup>2</sup> These allowance/hotel accommodation are also provided to officers on external postings. Such provision arises from the external postings and is not intended as fringe benefits. We are separately reviewing the terms of provision of these allowances/benefits under the External Service Regulations.

study, we propose to freeze the allowance rates at the current levels for existing LPA claimants on overseas terms; and cease the allowance for all SPA claimants;

(c) **Housing and related allowances and benefits**

These allowances include Non-accountable Cash Allowance, Home Purchase Allowance, Home Financing Allowance, Accommodation Allowance, Private Tenancy Allowance, provision of furniture and domestic appliances, furniture and domestic appliances allowances, removal allowance, air-conditioning allowance, provision of hotel accommodation<sup>2</sup> and hotel subsistence allowance<sup>2</sup>. We do not propose any major changes save for the rationalisation of the allowance rate or the rate adjustment mechanism, as appropriate, to better reflect the cost of the provision as well as the movement in market property prices. Accordingly, we do not propose any changes to the Home Purchase Allowance and Home Financing Allowance. We have proposed to streamline/ rationalise the rate adjustment mechanism of Accommodation Allowance, Private Tenancy Allowance, Non-accountable Cash Allowance, Removal Allowance and the provision of hotel accommodation while keeping the other housing allowances intact. We also propose to abolish three housing-related allowances. They are the Air-conditioning Allowance which has ceased for those promoted to the directorate level on or after 1 May 1999 and which is of minor monetary value to the existing claimants of directorate officers; the Furniture and Domestic Appliances Allowances and the Hotel Subsistence Allowance, which have ceased for new recruits since May 1999.

Details of all the change proposals are set out at **Annex B**. The eligibility criteria for the civil service allowances under review are set out at **Annex C**.

8. Following the staff consultation, we shall consider whether any changes should be made to the proposals in this paper. We shall then draw up the Administration's final proposals and seek the advice of the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service, as appropriate. Based on the advice of these advisory bodies and taking account of all relevant considerations, we shall make a final decision on the change measures and implement them as early as possible in 2006.

## **Views sought**

9. We invite the views of staff on the entire package of proposals arising from the allowance review by **21 November 2005**. Written comments may be sent to Civil Service Bureau by mail, facsimile or e-mail –

Mail address: Central Government Offices, 11/F, West Wing  
11 Ice House Street, Hong Kong  
(Attn : Conditions of Service Division)

Facsimile: 2501 0749

E-mail address: [csbcos@csb.gov.hk](mailto:csbcos@csb.gov.hk)

Civil Service Bureau  
22 September 2005

## Review of Fringe Benefit Type of Civil Service Allowances :

### Summary of Change Proposals

<b>(I) Education allowances</b>
<b>(A) Overseas Education Allowance (OEA)</b>
<p><b><u>Existing claimants<sup>1</sup></u></b></p> <ul style="list-style-type: none"> <li>• Freeze the OEA ceiling rates at the existing levels in foreign currencies (see Annex B, Appendix A for details) and no further rate adjustment in future.</li> <li>• Other rules (e.g. subsidy level, duration of subsidy, age and number of eligible dependants and place of study) will remain unchanged.</li> </ul> <p><b><u>New claimants<sup>1</sup> joining the scheme from the 2006-07 school year/ 2007 school year<sup>2</sup></u></b></p> <ul style="list-style-type: none"> <li>• Reduce the OEA ceiling rates to the levels as at 30.6.1997 and no further rate adjustment in future. The OEA ceiling rates will be set in Hong Kong dollars, based on the average daily exchange rates prevailing in the 1996-97 school year / the 1997 school year as appropriate up to 30.6.1997 (see Annex B, Appendix A for details). Indicative UK rates are : <ul style="list-style-type: none"> <li><i>Boarding School Allowance :</i></li> <li>Junior : HK\$81,206</li> <li>Senior : HK\$93,632; and</li> <li><i>Day School Allowance : HK\$15,624.</i></li> </ul> </li> <li>• Other rules (e.g. subsidy level, duration of subsidy, age and number of eligible dependants and place of study) will remain unchanged.</li> </ul>

<sup>1</sup> In this context, claimants refer to the eligible children in respect of whom an OEA is claimed.

<sup>2</sup> The reduced OEA rates will apply to new claimants joining the scheme from the 2006-07 school year (in the case of UK and Ireland) and the 2007 school year (in the case of Australia, New Zealand and South Africa).



## **(B) Local Education Allowance (LEA)**

### **Existing claimants<sup>3</sup>**

- Freeze the LEA ceiling rates at the existing levels (i.e. Primary: \$31,950, F1 to F3: \$53,025, and F4 & above: \$49,238) and no further rate adjustment in future.
- Other rules (e.g. basic charge, subsidy level, duration of subsidy, age and number of eligible dependants) will remain unchanged.

### **New claimants<sup>3</sup> joining the scheme from the 2006-07 school year**

- Reduce the LEA ceiling rates to the levels as at 30.6.1997 (i.e. Primary: \$ 29,925, F1 to F3: \$49,650 and F4 & above: \$46,313) and no further rate adjustment in future.
- Other rules (e.g. basic charge, subsidy level, duration of subsidy, age and number of eligible dependants) will remain unchanged.

## **(II) Passage and related allowances**

### **(A) Sea Passage**

- Retain the provision of sea passage at an officer's entitled class of travel until it is phased out in the normal course.
- Starting from the 2007 sailing, the allowance rates for sea passage will be capped at the maximum allowance rates for the respective class of travel approved for the 1997 sailing to the UK. The ceiling rates will be fixed in Hong Kong dollar equivalents, based on the exchange rate at the time of actual payment made by the Government for the 1997 sailing (i.e. HK\$67,570 for those entitled to First Class (Higher); HK\$58,290 for those entitled to First Class (Lower)).

### **(B) School Passage Allowance (SPA)**

- Reduce the ceiling rates of SPA to the rates as at 1.7.1998 when school passage started to be provided in the form of a cash allowance instead of economy class air tickets, with no further rate adjustment in future. The revised rates are :

SPA Level 3: \$11,800;

SPA Level 2: \$23,600;

SPA Level 1: \$17,700.

<sup>3</sup> In this context, claimants refer to the eligible children in respect of whom a LEA is claimed.

- Tighten up the payment rules for SPA to align with the original purpose of the school passage benefit before the introduction of the cash allowance on 1.7.1998, i.e. no carrying forward of SPA to the next cycle will be allowed, children aged 19 and 20 may not split their SPA (i.e. only one return trip is allowed) while those aged below 19 may only have two splits of their SPA (i.e. two return trips) in each 12-month cycle, the children/parents using SPA may only travel by economy class.
- Subsume travelling expenses in the place of study under SPA without separate provision.
- All the above measures will apply to all claimants from their next SPA cycle commencing on or after the effective date.

**(C) Travelling expenses in country of origin or place of study**

- Freeze the allowance rates at the current levels (i.e. \$2.19 per kilometre for adults (including children aged 16 or above) and \$1.10 per kilometre for children) for existing leave passage allowance claimants on overseas terms.
- Cease the allowance for all SPA claimants.

**(III) Housing and related allowances and benefits**

**(A) Non-accountable Cash Allowance (NCA) Scheme**

**New claimants**

- Reduce the rates of NCA to 5% below the corresponding rates of Home Financing Allowance (HFA)/Home Purchase Allowance (HPA) to restore the original differential between the NCA rates and HFA/HPA rates, and apply the reduced rates to all new joinees and re-joinees on re-appointment with a break in service. Based on the current rates, the reduced rates of NCA will be as follows –
  - (i) officers who commence to draw NCA on or above MPS 34 (or equivalent): \$11,120 to \$30,790 a month; and
  - (ii) officers who commence to draw NCA below MPS 34 (or equivalent): \$1,360 to \$14,020 a month.
- The rates for re-joinees on re-appointment with a break in service will be based on the scale of rates prevailing when they re-join the Scheme or the scale prevailing when they first drew the allowance, whichever is the lesser.
- Adjust the future NCA rates in line with the annual percentage adjustment to HFA/HPA.

- Impose a 3-year service requirement on officers remunerated on MPS 22-33 (or equivalent) before they may queue for a quota place to align with the existing arrangement for comparable officers offered appointment before 1.6.2000 who may only queue for a quota after confirmation to the permanent establishment or completion of one agreement.
- Apply the rules on prevention of double housing benefits only to Accommodation Allowance (AA) claimants opting for NCA.

**(B) Accommodation Allowance (AA) Scheme**

**Existing claimants<sup>4</sup>**

- Starting from a new tenancy/upon renewal of tenancy, lock the scale of allowance rates payable to an individual officer to the scale prevailing when he commences a tenancy for the entire tenancy term, irrespective of any subsequent upward and downward annual adjustments to the allowance rates. Officers on salary progression or promotion may continue to progress to a higher rate of allowance from the relevant scale during the tenancy term subject to the terms of the Scheme.
- Adjust the rates of allowance according to the territory-wide rental movements, instead of the rental movements for selected districts only, compiled by the Rating and Valuation Department (RVD).
- Option to switch to NCA subject to the following conditions –
  - (i) the NCA Scheme as revised under the proposals put forward for that Scheme;
  - (ii) the rate of NCA payable when the officer commences to draw the allowance must be no higher than the rate of AA applicable to the officer; and
  - (iii) an officer may receive the NCA for up to a maximum of 120 months or up to his AA entitlement period, whichever date comes first.

**(C) Private Tenancy Allowance (PTA)**

**Existing and new claimants**

- Starting from a new tenancy/upon renewal of tenancy, lock the scale of allowance rates payable to an individual officer to the scale prevailing when he commences a tenancy for the entire tenancy term, irrespective of subsequent upward and downward annual adjustments to the allowance rates. Officers on salary progression or promotion may continue to progress to a higher rate of allowance from the relevant scale during the tenancy term subject to the terms of the Scheme.
- Adjust the rates of allowance according to the territory-wide rental movements, instead of the rental movements for selected districts only, compiled by RVD.

<sup>4</sup> All officers eligible for the AA Scheme have already joined the Scheme.

<p><b>(D) Provision of furniture and domestic appliances</b>  <b>(E) Furniture and domestic appliances allowances</b></p>
<ul style="list-style-type: none"> <li>• Continue the provision of furniture and domestic appliances to occupants of Government quarters subject to availability of funds/stock and streamlined administrative arrangements.</li> <li>• Abolish the furniture and domestic appliances allowances.</li> </ul>
<p><b>(F) Removal allowance</b></p>
<ul style="list-style-type: none"> <li>• Turn the removal allowance into a fully non-accountable allowance and reduce the existing accountable component of the allowance by 5% (see Annex B, Appendix F for details). The allowance rate will be adjusted from time to time having regard to the change in Consumer Price Index (A), as at present.</li> <li>• Maintain the current arrangement whereby removal allowance will normally be payable within twelve months before the vacation deadline.</li> </ul>
<p><b>(G) Air-conditioning allowance</b></p>
<ul style="list-style-type: none"> <li>• Abolish the air-conditioning allowance.</li> </ul>
<p><b>(H) Provision of hotel accommodation</b></p>
<ul style="list-style-type: none"> <li>• Standardise the maximum period for which short-term hotel accommodation is provided to eligible officers on overseas terms on final leave at three nights.</li> <li>• Remove the provision of one-night hotel accommodation to eligible officers on overseas terms before and after taking leave.</li> </ul>
<p><b>(I) Hotel subsistence allowance</b></p>
<ul style="list-style-type: none"> <li>• Abolish the hotel subsistence allowance.</li> </ul>

**Review of Fringe Benefit Type of Civil Service Allowances :**

**Change proposals for staff consultation**

This annex sets out the detailed change proposals arising from the review of fringe benefit type of civil service allowances.

**I. EDUCATION ALLOWANCES**

**(A) Overseas Education Allowance (OEA)**

2. Notwithstanding that we have ceased the provision of OEA to new recruits offered appointment on or after 1 August 1996, the expenditure on this allowance has increased significantly during the past few years from \$326.3M in 1999-2000 to \$619.1M in 2004-05 (i.e. by almost 90% over five years). The significant increase in OEA expenditure in recent years is due to a combination of factors, including an increase in the number of students claiming OEA and an increase in allowance payment resulting from rising overseas school fees and the appreciation of foreign currencies. This trend is likely to persist in the next few years due to an anticipated increase in the number of eligible dependants claiming OEA and an anticipated increase in school fees.

3. Although out of an eligible pool of 121 843 officers, only some 5 127 officers and 5 983 students were claiming OEA as of 31 March 2005, given the anticipated escalating expenditure on the allowance and the substantial financial provision involved, we see a need to contain Government expenditure in this regard. With the general improvements in the provision of local primary and secondary education, the original justification for providing OEA has fallen away. We note, however, that for individual officers, any substantial changes to the terms of provision of the allowance resulting in a significant reduction in the amount of allowances that could be claimed will be a matter of considerable concern. This is particularly so for those officers who have already sent their dependants overseas for education and are currently drawing OEA.

4. In view of the foregoing considerations, we propose that we should retain OEA for eligible officers subject to the following proposals –

- (a) For eligible dependent children already receiving OEA in the school year immediately before the commencement of the 2006-07 school

year<sup>1</sup> (in the case of the United Kingdom (UK) and Ireland) or the 2007 school year<sup>1</sup> (in the case of Australia, New Zealand and South Africa) as the case may be, the OEA ceiling rates will be frozen at the existing levels in foreign currencies (see **Appendix A** for the existing rates) with no further rate adjustment in future. The other eligibility rules for OEA will remain unchanged;

- (b) For eligible dependants who start to claim the allowance in or after the 2006-07 school year (in the case of the UK and Ireland) or the 2007 school year (in the case of Australia, New Zealand and South Africa) as the case may be (including those who have obtained approval under Form OEA 1 but start to send their dependent children overseas for education only from the above-mentioned school years), the OEA ceiling rates will be reduced to the levels as at 30 June 1997 in Hong Kong dollar terms (see **Appendix A** for the proposed rates) with no further rate adjustment in future<sup>2</sup>. The reduced rates will be expressed in Hong Kong dollars, based on the average daily exchange rates<sup>3</sup> for the 1996-97 school year or the 1997 school year, as the case may be, up to 30 June 1997. The other eligibility rules for OEA will remain unchanged.

5. On paragraph 4(b) above, the proposed approach for calculating the 1997 rates broadly reflects the current payment method and the actual cost to the Government in terms of Hong Kong dollars for the school year immediately before 1 July 1997. It also provides greater certainty to the Government in future in terms of financial control. We have considered the possibility of similarly setting the ceilings on OEA rates for existing claimants (i.e. those referred to in paragraph 4(a) above) in Hong Kong dollars. However, in view of the possible financial implications on the claimants and the relatively less

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<sup>1</sup> Including students drawing the allowance in the relevant scheme under OEA, i.e. Boarding School Allowance (BSA) or Day School Allowance (DSA), in the 2005-06 school year or the 2006 school year as the case may be; students moving from junior schools to senior schools, without a break, under the same scheme; students changing from one school to another under the same scheme without a break; and students switching from one scheme to another without a break (i.e. from BSA to DSA or vice versa).

<sup>2</sup> At present, eligible officers intending to claim OEA are required to first seek approval by submitting Form OEA 1 to ensure that the school in question is of an acceptable educational standard. The approval given vide Form OEA1 is given on the basis that the school as indicated in the application form is considered an approved school for the purposes of the OEA scheme. The maximum OEA rates payable to the applicants will depend on the rates to be notified from time to time in CSB circulars, as stated in CSR 772.

<sup>3</sup> Under the existing arrangement, OEA is paid to the claimants in Hong Kong dollars. For BSA, where full boarding and tuition fee is paid by bank remittance, conversion will be made at the rate the fee is remitted. If a bank remittance advice for the full fee is not submitted, conversion will be made at the Hong Kong Association of Banks mid-market rate on the date of the school fee receipt or, in the absence of a school fee receipt, the date on which Form OEA 3 was signed by the school. For DSA, the Hong Kong Association of Banks mid-market rate prevailing on the day of claim via Form OEA 2 is adopted.

flexibility for them to re-arrange the schooling for their dependants who are already studying overseas, we propose that for this group of claimants, the OEA ceiling rates should be set in foreign currencies as at present.

6. At present, eligible officers intending to claim OEA are required to first seek approval by submitting Form OEA 1 to ensure that the school in question is of an acceptable educational standard. We intend to streamline the administration of OEA by promulgating a list of schools considered acceptable for the purpose of claiming OEA, similar to the current arrangements for claiming Local Education Allowance and consequentially dispensing with the Form OEA 1 procedures. For schools not on the list, officers should check the eligibility of the school concerned with the Student Financial Assistance Agency as at present. In future, officers may seek reimbursement of OEA by submitting proof of payment of school fees and subject to the school concerned being of an acceptable educational standard. The new procedures will not impact in any way on the amount of OEA payable to the claimants. We shall pursue this outside the current review.

7. The estimated savings arising from the proposals concerning OEA are about \$21.3M on a full-year basis and about \$441.6M over five years.

**(B) Local Education Allowance (LEA)**

8. Expenditure on LEA has also witnessed a significant increase over the past few years, from \$212.4M in 1999-2000 to \$284.0M in 2004-05 (i.e. by about 34% over five years), despite the fact that we have ceased the provision of LEA to new recruits offered appointment on or after 1 June 2000. Based on the expenditure pattern in the past few years, we anticipate that expenditure in LEA will continue to rise in the years ahead. With the availability of nine-year free education to all Hong Kong citizens and heavily subsidised upper secondary education in Hong Kong, we consider that the continued provision of LEA (which is now available to all officers offered appointment before 1 June 2000) is out of step with the current situation in Hong Kong. This notwithstanding, LEA is an important component of the remuneration package of many of the serving officers. As of 31 March 2005, 151 924 officers were eligible for LEA, of whom 16 733 were claiming the allowance involving 20 304 dependants. Any major changes to the terms of provision of LEA would raise considerable staff concern. For the purpose of containing Government expenditure on LEA, we propose the following instead of abolishing the allowance altogether –

- (a) For eligible dependent children already receiving LEA in the school year immediately before the commencement of the 2006-07 school

year<sup>4</sup>, the LEA ceiling rates will be frozen at the existing levels (see **Appendix A** for the existing rates) with no further rate adjustment in future. The other eligibility rules for LEA<sup>5</sup> will remain unchanged; and

- (b) For eligible dependants who start to claim LEA in or after the 2006-07 school year, the LEA ceiling rates will be reduced to the levels as at 30 June 1997 (see **Appendix A** for the proposed rates), with no further rate adjustment in future. The other eligibility rules for LEA will remain unchanged.

9. The estimated savings arising from the proposals concerning LEA are about \$0.5M on a full-year basis and about \$8.6M over five years.

## **II. PASSAGE AND RELATED ALLOWANCES**

### **(A) Sea Passage**

10. Sea passage has long outlived its original purpose of providing a means, at reasonable costs to the Government, for retiring overseas terms officers to return to their country of origin. We have already ceased to provide sea passage to officers appointed on or after 1 December 1984. Based on the profile of officers eligible for this benefit, around 177 officers were eligible for sea passage as at 30 April 2005 and we project that this benefit will phase out in 16 years in the normal course. In the past five years, on average about 42% of the eligible officers took the sea passage to return to their country of origin on departure from the service.

11. In view of the foregoing, we propose retaining the provision of sea passage to eligible officers at their entitled class of travel and phasing out the benefit in the normal course. However, to contain Government expenditure in this regard, we propose that the allowance rates should be capped at the maximum rates for the respective class of travel approved for the 1997 sailing to the UK. In other words, an eligible officer taking a standard sea passage to his country of origin will be eligible for a sea passage allowance equivalent to the fare approved for the relevant class of travel for the relevant sailing or the 1997 rate for the relevant class of travel, whichever is the lower. To facilitate

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<sup>4</sup> Including students drawing the allowance under the LEA scheme in the 2005-06 school year; students moving from junior schools to senior schools without a break and students changing from one school to another without a break under LEA.

<sup>5</sup> LEA is payable to cover 75% of the school fee for primary schools and secondary schools up to Form 3, and 75% of the school fee after deducting a basic charge for Form 4 and above, subject to specified ceiling rates. The current basic charge, at \$5,320 per year, will be adjusted in line with the standard fee for Form 4 and 5 in Government and aided schools set by the Education and Manpower Bureau as at present.



better financial control in future, the ceiling rates will be set in Hong Kong dollar equivalents, based on the exchange rate applicable to the actual payment made by the Government in January 1997 for the 1997 sailing (i.e. GBP1 = HK\$13.07). The proposed ceiling rates, which are shown at **Appendix B**, will apply to all eligible officers taking standard sea passage, irrespective of their country of origin, from the 2007 sailing.

12. The estimated savings arising from the proposal concerning sea passage are about \$0.1M on a full-year basis and about \$0.4M over five years assuming that 42% of the eligible officers take sea passage.

### **(B) School Passage Allowance (SPA)**

13. SPA was originally provided to facilitate officers on overseas terms to send their children overseas for education, and was subsequently extended to all officers on local terms on parity ground. Although we have ceased the provision of SPA, together with OEA, to new recruits offered appointment on or after 1 August 1996, expenditure on SPA has increased significantly from \$77M in 1999-2000 to \$133M in 2004-05 (i.e. an increase of about 73% over five years) in tandem with the increase in OEA expenditure. As in the case of OEA, the continued provision of SPA is out of step with the present situation in Hong Kong. In order to contain Government expenditure in this regard, we propose to reduce the SPA rates to the levels as at 1 July 1998 when we started to provide school passage in the form of a cash allowance instead of economy class air tickets, and to freeze the allowance rates at those levels with no further rate adjustment in future. The proposed allowance rates are set out at **Appendix C**.

14. We further propose tightening up the SPA payment rules to reflect the original policy intentions regarding the provision of school passages before the introduction of the cash allowance in lieu on 1 July 1998. Specifically, we propose that carrying forward of SPA to the next cycle should be ceased and that children aged 19 and 20 should not be allowed to split their SPA (i.e. only one return trip is allowed) while those aged below 19 may only have two splits of their SPA (i.e. two return trips) in each 12-month cycle. In this connection, each passage taken by a parent using SPA will be counted as one split and only one split may be taken by the parent(s) in each 12-month cycle. The existing provision for the unspent SPA in a child's account to be used by a child on top of the limit of four children for each officer under the SPA scheme will cease. Also the children/parents using SPA may only travel by economy class.

15. With the proposed cessation of reimbursement of travelling expenses for all SPA claimants (see paragraph 19 below), we propose that the scope of SPA should be extended to cover payment for travelling expenses in the place

of study.

16. We propose that the measures proposed above should apply to all claimants from their next SPA cycle commencing on or after an effective date to be specified. As some existing claimants may have accumulated an unspent balance in their SPA accounts, we propose a one-year grace period counting from the effective date of the new measures for clearing any SPA accumulated from the previous cycle. Any unspent SPA carried forward from the previous cycle will be forfeited upon the expiry of the grace period.

17. The estimated savings arising from the proposals concerning SPA are about \$9.3M on a full-year basis and about \$46.7M over five years.

**(C) Travelling expenses in the country of origin or place of study**

18. The provision of travelling expenses to officers on overseas terms while on leave in their country of origin and to SPA claimants in the place of study can be traced to the days when Government passage, whether leave passage or school passage, was provided in the form of air tickets instead of a cash allowance. We see room for rationalising such arrangement now that Government passage is provided in the form of a cash allowance.

19. For travelling expenses in the place of study for SPA claimants, we propose that we should cease making separate provision for such expenses for all officers eligible for SPA. As proposed in paragraph 15 above, we shall extend the scope of SPA to cover reimbursement claims in this regard. As regards travelling expenses incurred in their country of origin by officers on overseas terms taking leave passage allowance, we note that some of these officers are eligible to claim Government passage in the form of air tickets under specified circumstances. To avoid over-complicating the administration of this benefit, we propose retaining the provision of travelling expenses in an eligible officer's country of origin, but the ceiling rates should be frozen at the current levels and there should be no further rate adjustment in future.

20. The estimated savings arising from the proposals concerning travelling expenses are about \$5.6M on a full-year basis and about \$28.5M over five years.

**(D) Leave Passage Allowance (LPA), Sea Baggage Allowance (SBA) and Unaccompanied Air Baggage Allowance (UABA)**

21. Taking account of the consultation feedback in the phase one review, we have decided to retain the provision of LPA and SBA on their existing terms. We note that the provision of LPA to officers on overseas terms and directorate

officers is broadly in line with private sector practice, and the number of eligible officers on overseas terms will gradually reduce. Similarly, the provision of SBA to officers on overseas terms upon retirement or on leaving the service will phase out in the normal course. The estimated savings arising from the original change proposals in respect of LPA and SBA are not significant.

22. We have also reviewed the UABA which is payable to officers on overseas terms on completion of a tour or on finally leaving the service as well as to children eligible for SPA when they start or cease education outside Hong Kong for transportation of baggage by air. We do not propose any change to the current arrangement.

### **III. HOUSING AND RELATED ALLOWANCES AND BENEFITS**

#### **(A) Non-accountable Cash Allowance (NCA) Scheme**

##### *Reduce the NCA rates*

23. When the NCA was introduced in 2000, the allowance rates were initially set at 5% below the prevailing allowance rates under the Home Financing Scheme (HFS)/Home Purchase Scheme (HPS). This differential, however, has been eroded over time since the NCA rates are adjusted annually according to the year-on-year change in the Composite Consumer Price Index whereas the allowance rates under the HFS and HPS are adjusted annually according to the change in property prices. Due to the different rate adjustment mechanisms, the NCA rates effective from 1 April 2005 are higher than the corresponding rates of HFS/HPS allowances by about 8.8%.

24. To rectify the anomaly and to reflect the original policy intention, we propose restoring the NCA rates for new joinees (including re-joinees on re-appointment with a break in service) to 5% below the corresponding allowances rates under HFS/HPS (see **Appendix D** for the proposed rates for illustration based on the rates effective from 1 April 2005). For officers re-joining the NCA Scheme upon re-appointment with a break in service, the rates of allowance will be based on the scale of rates prevailing when the officer concerned re-joins the Scheme or the scale prevailing when he first drew the allowance, whichever is the less. We further propose that in future the NCA rates should be adjusted annually in line with the percentage adjustment to the allowance rates under HFS/HPS so as to maintain the intended 5% differential.

Impose a 3-year service requirement on officers remunerated on MPS 22-33 (or equivalent)

25. Under the HPS, officers on MPS 22-33 (or equivalent) must have completed at least one agreement or have been confirmed to the permanent establishment before they can queue for a quota place, i.e. having completed about 2 to 3 years' continuous service. On the other hand, officers on MPS 22-33 (or equivalent) appointed on new terms (who are eligible for NCA) may queue for a quota place immediately on reaching MPS 22 (or equivalent). For consistency and fairness, we propose imposing a 3-year service requirement under the NCA Scheme on officers remunerated on MPS 22-33 (or equivalent) before they may queue for a quota place.

26. Under the terms of the NCA Scheme, all potential claimants have to meet the prevailing terms of the Scheme before they may commence to draw the allowance. We, thus, propose that the 3-year service requirement proposed in paragraph 25 above should also apply to officers on MPS 22-33 (or equivalent) who have met the current eligibility criteria for queuing a quota but have not yet been allocated a quota.

Apply the rules on prevention of double housing benefits to Accommodation Allowance (AA) claimants opting for NCA

27. When drawing up the NCA Scheme, we have relaxed some of the rules on prevention of double housing benefits having regard to private sector practice and as an integral part of the new remuneration package for recruits offered appointment on or after 1 June 2000. In proposing to allow AA claimants an option to join the NCA on a voluntary basis as set out in paragraph 32 below, we propose that we should apply in full the rules on prevention of double housing benefits (i.e. in the same manner as under the HFS/HPS) to these officers. This is because the remuneration package under overseas terms is generally more favourable than that under new terms and AA claimants opting for NCA will be allowed to retain their fringe benefits entitlements under their terms of appointment. The main features of these rules and illustrations of their application are set out at **Appendix E**.

28. Based on the current rates of allowances, the estimated number of NCA joiners in 2005-06 and the profile of serving officers offered appointment on or after 1 June 2000 who have yet to join the NCA, the estimated savings arising from the proposal to reduce the NCA rates for new joiners and re-joiners are about \$0.5M on a full-year basis and about \$7M over five years. We do not envisage any savings under the second proposal. Savings for the third proposal are reflected in the proposal under the AA Scheme below.

**(B) Accommodation Allowance Scheme (AAS)**

*Lock the scale of allowance rates payable throughout the term of tenancy*

29. At present, an AA claimant receives the new rate of allowance during his tenancy term if the AA rates have been revised upwards. On the other hand, a reduction of the AA rates does not apply immediately to current claimants whose tenancies straddle the date of revision (i.e. 1 April), but only upon the commencement of a new tenancy or renewal of the tenancy. We propose locking the allowance payable to an eligible officer to the scale of rates prevailing when he commences a tenancy throughout the term of the tenancy, irrespective of any upward or downward adjustment to the rates of allowance during that period. We should clarify that the officer concerned may draw a higher AA rate corresponding to his pay point through salary progression or promotion during the tenancy, based on the scale of rates prevailing when he commenced the tenancy and subject to the terms of the Scheme. If implemented, the proposed measure would apply when individual AA claimants renew their existing tenancies or enter into new tenancies.

*Adjust the rates of allowance according to the territory-wide rental movements*

30. The rates of AA are adjusted annually on 1 April according to the same mechanism for PTA as approved by the Finance Committee, i.e. the rates of AA are adjusted according to the rental movements in selected geographical areas where PTA claimants live. As AA claimants may rent accommodation throughout the territory, to streamline the administration of civil service housing benefits, we propose that the rates of AA should be adjusted annually according to the territory-wide rental movements compiled by the Rating and Valuation Department (RVD).

31. We estimate that the savings, if any, arising from the proposals as set out in paragraphs 29 and 30 concerning AAS would not be significant.

*Option for AA claimants to switch to the NCA Scheme*

32. AAS is a non-time limited scheme and the current rates of allowance under the AAS are higher than those under other civil service housing benefits schemes. But AA claimants are not eligible for any option of housing assistance for home purchase. To provide AA claimants an option for home purchase assistance while achieving savings for the Government, we propose allowing all AA claimants an option to receive NCA on a voluntary basis subject to the following conditions –

- (a) changes proposed to the NCA Scheme as set out in paragraphs 23 to 27 above would be applied to the transferees;

- (b) the rate of NCA payable when the officer commences to draw the NCA must be no higher than the rate of AA applicable to the officer; and
- (c) an officer may receive the NCA up to a maximum of 120 months or up to his AA entitlement period<sup>6</sup>, whichever date comes first.

33. The savings to be achieved under this proposal would depend on the number of AA claimants taking up the option and the timing of doing so. Based on the profile of the existing AA claimants<sup>7</sup>, on average they have about 13 years of remaining service. The average estimated savings per officer is \$83,000 a year during the 10-year NCA entitlement period and \$249,000 a year per officer thereafter.

**(C) Private Tenancy Allowance (PTA)**

*Lock the scale of allowance rates payable throughout the term of tenancy*

34. Consistent with the proposal for AAS set out in paragraph 29 above, we propose locking the allowance payable to an officer to the scale of rates prevailing when he commences a tenancy throughout the term of the tenancy, irrespective of any upward or downward adjustment to the rates of allowance during that period. We should clarify that the officer concerned may draw a higher PTA rate corresponding to his pay point through salary progression or promotion during the tenancy, based on the scale of rates prevailing when he commenced the tenancy and subject to the terms of the Scheme. If implemented, the proposed measure would apply when a PTA claimant renews his tenancy or enters into a new tenancy.

*Adjust the rates of allowance according to the territory-wide rental movements*

35. The rates of PTA are adjusted according to the rental movements in selected geographical areas where most of the claimants live. However, as PTA claimants may rent accommodation throughout the territory, to streamline the administration of civil service housing benefits and to be consistent with the proposal for AAS set out in paragraph 30 above, we propose that the rates of PTA should be adjusted annually according to the territory-wide rental movements compiled by RVD.

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<sup>6</sup> According to the terms of the AAS, an AA recipient who proceeds on leave prior to leaving the service shall be entitled to receive AA for a maximum period of 60 days or for a period up to and including the day on which he leaves Hong Kong, whichever period is the shorter.

<sup>7</sup> All officers eligible for AA have already joined the scheme.

36. We estimate that the savings, if any, arising from the proposals concerning PTA would not be significant.

**(D) Provision of Furniture and Domestic Appliances**

37. A selection of furniture and domestic appliances are provided to eligible occupants of Government quarters. While we see a case to maintain this benefit subject to availability of funds and stock, we propose streamlining the administrative arrangements as set out below –

- (a) All outgoing occupants may retain the furniture and domestic appliances already allocated to them (except items regarded as fixtures (e.g. water heaters) or items that are usually issued on a per quarter basis (e.g. refrigerators) according to the advice of the relevant departments) on changing quarters. Replacement items will be provided at the new quarters if the relevant departments certify that the items already issued to the officers concerned are beyond economical repair;
- (b) Occupants of quarters, including those changing quarters, may ask for additional furniture and domestic appliances having regard to their entitlements and subject to availability;
- (c) Relevant departments will continue to provide repair and maintenance service for furniture and domestic appliances items; and
- (d) Officers who do not acquire or are not provided with furniture and domestic appliances will not be eligible for payment of Furniture and Domestic Appliances Allowances.

38. We estimate that the savings arising from the proposals concerning the provision of furniture and domestic appliances would not be significant.

**(E) Furniture and Domestic Appliances Allowances**

39. We consider that the payment of Furniture and Domestic Appliances Allowances is largely out of step with present day circumstances. In view of our proposal to continue to provide furniture and domestic appliances to eligible officers occupying Government quarters subject to availability of funds and stock, we consider that the needs of these occupants for furniture and domestic appliances have largely been catered for. We, therefore, propose abolishing the Furniture and Domestic Appliances Allowances for all eligible officers.

40. The estimated savings arising from the proposal concerning furniture and domestic appliances allowances are about \$15.7M on a full-year basis and about \$78.5M over five years.

**(F) Removal Allowance**

41. Removal allowance is payable to officers who are directed to move into or out of Government quarters and junior disciplined services officers who move out of departmental quarters to Housing Authority accommodation under the Special Quota of the Civil Service Public Housing Quota. In line with our overall objective to streamline the administration of civil service allowances, we propose turning this allowance into a fully non-accountable allowance. Taking account of the additional flexibility in the use of the allowance as a result, we propose a moderate reduction in the accountable component by 5%. The proposed allowance rates are shown at **Appendix F**. Based on the claims for removal expenses for officers in the lowest band (i.e. MPS 16 or below) between 2002-03 and 2004-05, we envisage that the proposed allowance rates after reduction would generally still be able to meet the expenses arising from removals.

42. The estimated savings arising from the proposals concerning removal allowance are about \$200,000 on a full-year basis and about \$1M over five years.

**(G) Air-conditioning Allowance**

43. We have already ceased paying the air-conditioning allowance to officers occupying substantively a directorate post on or after 1 May 1999. We consider this allowance out of step with present day circumstances and propose that it should be ceased for all claimants from a prospective date without substitute.

44. The estimated savings arising from this proposal are about \$300,000 on a full-year basis and about \$1.5M over five years.

**(H) Provision of Hotel Accommodation**

45. At present, a maximum of seven nights of hotel accommodation is provided to officers on overseas terms occupying Government quarters during their final leave. In addition, one night of hotel accommodation is provided to eligible officers on overseas terms proceeding on, and returning from, annual or curtailed leave lasting less than 60 days and who signify their intention to return to their quarters after their leave.



46. We consider that the provision of a maximum of three nights of hotel accommodation can reasonably serve the intended purpose of providing temporary accommodation to officers who have to vacate their quarters on final departure from Hong Kong because shipping of belongings can be planned ahead and the officers concerned can make shipping arrangements to tie in with their departure date. As for the disconnection of utilities, we understand from the utility companies that they can usually arrange for refund of deposits within one or two days following the disconnection of services. In view of the foregoing, we propose that from a prospective date, all eligible officers on overseas terms proceeding on final leave should be provided with hotel accommodation for a maximum of three nights.

47. The estimated savings arising from the proposal are about \$100,000 on a full-year basis and about \$500,000 over five years.

48. As regards the provision of one night of hotel accommodation to officers on overseas terms before and after taking annual and curtailed vacation leave, we consider that the need for such benefit has diminished given the rapid development of Hong Kong's public transportation network. We, therefore, propose to cease this benefit.

49. We estimate that the savings arising from this proposal would not be significant as we have not received any such application from eligible officers since 1999.

#### **(I) Hotel Subsistence Allowance**

50. Hotel subsistence allowance is payable to eligible officers to compensate them for extra expenditure incurred due to a prolonged stay in hotel accommodation. Given the large number of reasonably priced eateries within easy reach of local hotels nowadays, we consider that the payment of this allowance is no longer justified and propose that it should be ceased.

51. We estimate that the savings arising from this proposal would not be significant as we have not received any claims from officers eligible for this benefit in recent years.

#### **(J) Home Financing Scheme (HFS) and Home Purchase Scheme (HPS)**

52. We have also reviewed the HFS and HPS. We have not proposed any change measures for HFS and HPS because we have only recently improved the mechanisms for adjusting the allowance rates in 2001, which are still in line with present day circumstances. Also, as HFS and HPS are

schemes that facilitate property purchase, administrative improvement measures similar to those proposed for other schemes, such as the AA Scheme and PTA, are not applicable to them.

53. On the other hand, HPS is a discretionary benefit for officers offered appointment before 1 June 2000 who are below MPS 34 (or equivalent). Its provision is subject to the availability of funds. Since 1990, the annual quota under the HPS has been 1 800 places. The quota under the HPS is shared with the NCA Scheme in respect of officers offered appointment on or after 1 June 2000 who are below MPS 34 (or equivalent). We estimate that the number of officers below MPS 34 (or equivalent) who have not joined the HPS/NCA (i.e. potential HPS/NCA participants) has decreased from about 159 000 in October 1990 to about 121 000 in June 2005 (i.e. a decrease of about 24% since 1990; equivalent to about 430 HPS/NCA quota places on a proportional basis). However, taking account of all relevant considerations, including the current waiting time for acquiring a quota, we have decided not to reduce the quota for the time being notwithstanding the decrease in the number of potential participants but shall keep in view the position regularly.

Civil Service Bureau  
September 2005

**Existing and Proposed Rates for  
Overseas Education Allowance and Local Education Allowance**

**(I) Overseas Education Allowance: Proposed rates for existing claimants<sup>1</sup>**

**(a) Boarding School Allowance**

<u>Countries</u>	<u>Maximum rates per academic year per child (i.e. current rates)</u>
United Kingdom / United States	
Junior School	GBP 7,434
Senior School	GBP 9,138
Australia	
Junior School	AUD 8,233
Senior School	AUD 9,374
New Zealand	
Junior School	NZD 8,885
Senior School	NZD 9,539
Republic of Ireland	
Junior School	EUR 6,270
Senior School	EUR 5,004
South Africa	
Junior School	Rand 11,460
Senior School	Rand 11,808

**(b) Day School Allowance**

<u>Countries</u>	<u>Rates per academic year per child (i.e. current rates)</u>
United Kingdom, United States, Australia, New Zealand & Singapore	GBP 1,289
Republic of Ireland	GBP 915
South Africa	GBP 750

<sup>1</sup> In this context, claimants refer to the eligible children already receiving OEA in the school year immediately before the commencement of the 2006-07 school year or the 2007 school year, as the case may be.

**(II) Overseas Education Allowance: Proposed rates for new claimants<sup>2</sup> who start to claim the allowance in or after the 2006-07 school year or the 2007 school year as the case may be**

**(a) Boarding School Allowance**

**Maximum rates per academic year per child<sup>3</sup>  
(i.e. rates as at 30.6.1997 set in Hong Kong dollars)**

<b><u>Countries (rates)</u></b>	<b>(HK\$)</b>
United Kingdom / United States	
Junior School (GBP 6,450)	\$81,206
Senior School (GBP 7,437)	\$93,632
Australia	
Junior School (AUD 8,233)	\$49,563
Senior School (AUD 9,374)	\$56,431
New Zealand	
Junior School (NZD 8,885)	\$47,979
Senior School (NZD 9,539)	\$51,511
Republic of Ireland	
Junior School (IEP 4,325)	\$53,457
Senior School (IEP 3,454)	\$42,691
South Africa	
Junior School (Rand 11,460)	\$19,826
Senior School (Rand 11,808)	\$20,428

**(b) Day School Allowance**

**Rates per academic year per child<sup>3</sup>  
(i.e. rates as at 30.6.1997 set in Hong Kong dollars)**

<b><u>Countries (rates)</u></b>	<b>(HK\$)</b>
United Kingdom, United States, Australia, New Zealand & Singapore (GBP 1,241)	\$15,624
Republic of Ireland (GBP 915)	\$11,520
South Africa (GBP 750)	\$9,443

<sup>2</sup> In this context, claimants refer to the eligible children who start to claim OEA in or after the 2006-07 school year or the 2007 school year, as the case may be.

<sup>3</sup> The average daily exchange rates for the 1996-97 school year up to 30.6.1997 are: United Kingdom / United States, GBP 1 = HK\$12.59; Republic of Ireland IEP 1 = HK\$12.36. The average daily exchange rates for the 1997 school year up to 30.6.1997 are: Australia, AUD 1 = HK\$6.02; New Zealand, NZD 1 = HK\$5.40; South Africa, Rand 1 = HK \$1.73.

**(III) Local Education Allowance: Proposed rates for existing claimants**<sup>4</sup>

	<b><u>Maximum rates per academic year per child</u></b> <b><u>(i.e. current rates)</u></b> <b>(HK\$)</b>
Primary Schools	\$31,950
Secondary Schools (Form I to III)	\$53,025
Secondary Schools (Form IV and above) <sup>5</sup>	\$49,238

**(IV) Local Education Allowance: Proposed rates for new claimants**<sup>6</sup> **who start to claim the allowance in or after the 2006-07 school year**

	<b><u>Maximum rates per academic year per child</u></b> <b><u>(i.e. rates as at 30.6.1997)</u></b> <b>(HK\$)</b>
Primary Schools	\$29,925
Secondary Schools (Form I to III)	\$49,650
Secondary Schools (Form IV and above) <sup>5</sup>	\$46,313

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<sup>4</sup> In this context, claimants refer to the eligible children already receiving LEA in the school year immediately before the commencement of the 2006-07 school year.

<sup>5</sup> LEA is payable to cover 75% of the school fee for primary schools and secondary schools up to Form 3, and 75% of the school fee after deducting a basic charge for Form 4 and above, subject to specified ceiling rates. The current basic charge, at \$5,320 per year, will be adjusted in line with the standard fee for Form 4 and 5 in Government and aided schools set by the Education and Manpower Bureau as at present.

<sup>6</sup> In this context, claimants refer to the eligible children who start to claim LEA in or after the 2006-07 school year.

**Proposed Ceilings on Allowance Rates for Sea Passage**

<b>Class of Cabin</b>	<b>Proposed Ceilings on the Allowance Rates for Sea Passage</b>
First Class (Higher) (for eligible officers on MPS 44 and above)	HK\$67,570
First Class (Lower) (for eligible officers below MPS 44)	HK\$58,290

**Notes:**

1. The ceilings will be set in Hong Kong dollars based on the exchange rate adopted for the actual payment made by the Government in January 1997 for the 1997 sailing, i.e. GBP1 = HK\$13.07.
2. The ceilings will apply to all eligible officers taking standard sea passage, irrespective of their country of origin, from the 2007 sailing onwards. For each sailing from the 2007 sailing, the Government will ascertain the fare for each relevant class of cabin. If the actual fares are lower than the stipulated ceilings based on the 1997 sailing, the approved allowance rates will be based on the former.

**Existing and Proposed Rates for  
School Passage Allowance (SPA)**

<b>SPA Level</b>	<b>Current Rates (effective from 1.4.2005) (HK\$)</b>	<b>Proposed Rates (i.e. rates as at 1.7.1998) (HK\$)</b>
Level 3 (for children aged 19 and 20)	12,550	11,800
Level 2 (for children aged 12 to 18)	25,100	23,600
Level 1 (for children aged below 12)	18,830	17,700

## Appendix D

### Rates of Non-accountable Cash Allowance (NCA) (for officers who commence to draw NCA on or above MPS 34) and Home Financing Allowance (HFA)

Pay Points (or equivalent) \$ as at 1.1.2005	Rates of allowance per month (\$)			Difference between (a) & (c) (\$) (d) = (c) - (a)
	Current NCA (a)	Current HFA (b)	Reduced NCA (c) = (b) x 95%	
D6 - 10 162,650 - 216,650	35,250	32,410	30,790	-4,460 (-12.7%)
D2 - 5 110,000 - 154,150	26,420	24,300	23,090	-3,330 (-12.6%)
MPS 45 - D1 72,135 - 98,300	23,490	21,600	20,520	-2,970 (-12.6%)
MPS 41 - 44B 61,765 - 74,725	16,640	15,310	14,540	-2,100 (-12.6%)
MPS 38 - 40 54,255 - 59,210	14,680	13,500	12,830	-1,850 (-12.6%)
MPS 34 - 37 45,240 - 51,870	12,720	11,700	11,120	-1,600 (-12.6%)

**Average: (-12.6%)**

**Notes:**

1. Current rates effective from 1.4.2005 are shown.
2. Reduced NCA rates rounded to the nearest \$10.



**Rates of NCA (for officers who commence to draw NCA below MPS 34)  
and Home Purchase Allowance (HPA)**

Pay Points  (or equivalent)  \$ as at 1.1.2005	Rates of allowance per month (\$)			Difference between	
	Current NCA  (a)	Current HPA  (b)	Reduced NCA  (c) = (b) x 95%	(a) & (c) (\$)	(d) = (c) - (a)
D10 216,650	16,050	14,760	14,020	-2,030	(-12.6%)
D9 204,800	15,270	14,040	13,340	-1,930	(-12.6%)
D7 & 8 175,600 - 181,050	14,590	13,410	12,740	-1,850	(-12.7%)
D6 162,650	13,860	12,740	12,100	-1,760	(-12.7%)
D4 & 5 145,150 - 154,150	13,060	12,010	11,410	-1,650	(-12.6%)
D3 127,900 – 135,550	12,410	11,410	10,840	-1,570	(-12.7%)
D2 110,000 – 116,800	11,660	10,720	10,180	-1,480	(-12.7%)
D1 92,650 – 98,300	11,290	10,390	9,870	-1,420	(-12.6%)
MPS 48 & 49 80,220 – 83,105	11,120	10,220	9,710	-1,410	(-12.7%)
MPS 47 77,435	10,850	9,980	9,480	-1,370	(-12.6%)
MPS 46 74,725	10,690	9,820	9,330	-1,360	(-12.7%)
MPS 45 72,135	10,430	9,590	9,110	-1,320	(-12.7%)
MPS 43 - 44B 67,190 – 74,725	10,110	9,290	8,830	-1,280	(-12.7%)
MPS 42 64,425	9,890	9,100	8,650	-1,240	(-12.5%)
MPS 41 61,765	9,620	8,860	8,420	-1,200	(-12.5%)
MPS 40 59,210	9,080	8,360	7,940	-1,140	(-12.6%)
MPS 39 56,765	8,480	7,800	7,410	-1,070	(-12.6%)
MPS 38 54,255	7,940	7,300	6,940	-1,000	(-12.6%)

Pay Points (or equivalent) \$ as at 1.1.2005	Rates of allowance per month (\$)			Difference between	
	Current NCA (a)	Current HPA (b)	Reduced NCA (c) = (b) x 95%	(a) & (c) (\$)	(d) = (c) – (a)
MPS 37 51,870	7,680	7,070	6,720	-960	(-12.5%)
MPS 36 49,535	7,250	6,670	6,340	-910	(-12.6%)
MPS 35 47,335	7,040	6,470	6,150	-890	(-12.6%)
MPS 34 45,240	6,600	6,070	5,770	-830	(-12.6%)
MPS 33 - 33C 43,940 – 49,535	6,160	5,670	5,390	-770	(-12.5%)
MPS 32 41,965	5,810	5,340	5,070	-740	(-12.7%)
MPS 31 40,085	5,380	4,940	4,690	-690	(-12.8%)
MPS 30 38,285	5,040	4,640	4,410	-630	(-12.5%)
MPS 29 36,575	4,840	4,450	4,230	-610	(-12.6%)
MPS 28 34,920	4,680	4,310	4,090	-590	(-12.6%)
MPS 27 33,355	4,500	4,140	3,930	-570	(-12.7%)
MPS 26 31,860	4,400	4,050	3,850	-550	(-12.5%)
MPS 25 30,430	4,160	3,820	3,630	-530	(-12.7%)
MPS 24 29,100	4,070	3,750	3,560	-510	(-12.5%)
MPS 23 27,790	3,850	3,540	3,360	-490	(-12.7%)
MPS 22 26,540	3,730	3,420	3,250	-480	(-12.9%)
MPS 21 25,340	3,610	3,320	3,150	-460	(-12.7%)
MPS 20 24,135	3,550	3,260	3,100	-450	(-12.7%)
MPS 19 22,990	3,440	3,150	2,990	-450	(-13.1%)
MPS 18 21,900	3,310	3,050	2,900	-410	(-12.4%)
MPS 17 20,865	3,280	3,010	2,860	-420	(-12.8%)

Pay Points (or equivalent) \$ as at 1.1.2005	Rates of allowance per month (\$)			Difference between	
	Current NCA (a)	Current HPA (b)	Reduced NCA (c) = (b) x 95%	(a) & (c) (d) = (c) – (a)	(\$) (%)
MPS 16 19,860	3,180	2,920	2,770	-410	(-12.9%)
MPS 15 18,915	3,150	2,890	2,750	-400	(-12.7%)
MPS 14 18,010	3,070	2,820	2,680	-390	(-12.7%)
MPS 13 17,145	3,000	2,760	2,620	-380	(-12.7%)
MPS 12 16,165	2,840	2,620	2,490	-350	(-12.3%)
MPS 11 15,215	2,790	2,560	2,430	-360	(-12.9%)
MPS 10 14,330	2,750	2,520	2,390	-360	(-13.1%)
MPS 9 13,515	2,630	2,420	2,300	-330	(-12.5%)
MPS 8 12,690	2,530	2,330	2,210	-320	(-12.6%)
MPS 7 11,905	2,420	2,220	2,110	-310	(-12.8%)
MPS 6 11,170	2,200	2,030	1,930	-270	(-12.3%)
MPS 5 10,505	2,080	1,920	1,820	-260	(-12.5%)
MPS 4 9,845	1,950	1,780	1,690	-260	(-13.3%)
MPS 3 9,245	1,880	1,730	1,640	-240	(-12.8%)
MPS 2 8,675	1,760	1,620	1,540	-220	(-12.5%)
MPS 1 8,150	1,660	1,530	1,450	-210	(-12.7%)
MPS 0 7,674	1,560	1,430	1,360	-200	(-12.8%)

**Average (-12.7%)**

**Notes:**

1. Current rates effective from 1.4.2005 are shown.
2. Reduced NCA rates rounded to the nearest \$10.

**Application of the Rules on Prevention of Double Housing Benefits**

**Accommodation Allowance (AA) claimants opting for Non-accountable Cash Allowance (NCA)**

AA claimants opting for NCA will be subject to the rules on prevention of double housing benefits in full as the Home Financing Scheme/Home Purchase Scheme participants as set out in CSR 809 and the relevant CSB Circulars/Circular Memoranda. A summary of the main features of the rules is set out below :

- (a) he may only receive one housing benefit at any one time, irrespective of whether or not the housing benefit is provided by Government;
- (b) he will be ineligible for NCA if his spouse is receiving housing benefits from her employer, except where his spouse is a recruit offered appointment on or after 1 June 2000 and is receiving NCA according to the terms of NCA for recruits;
- (c) once he opts to draw NCA, he will forfeit his and his spouse's (if his spouse is employed by Government or publicly-funded organisation) eligibility for all other civil service housing and housing-related benefits immediately and irrevocably, irrespective of any break in service. If he is single when he commences to draw NCA or his spouse is not employed by Government or publicly-funded organisation when he receives the NCA, he may preserve his spouse's own civil service housing benefit entitlement by opting to cease his receipt of NCA within 60 days of marriage or within 60 days from his spouse's joining the Government or a publicly-funded organisation with retrospective effect from the date of marriage or the date of joining the Government or a publicly-funded organisation as appropriate. If he opts to preserve his spouse's eligibility for her own civil service housing benefit within the 60-day period, his spouse can receive civil service housing benefits according to her own terms of employment with the Government, or any future employment with the Government if the spouse is not employed by the Government at the material time. If no option is made within the 60-day period, his spouse will forfeit her eligibility for all other civil service housing and housing-related benefits with effect from the date of marriage or date of joining the Government or a publicly-funded organisation as appropriate;
- (d) his entitlement to NCA will be reduced by the period of relevant housing assistance (excluding the period of assistance under the AA Scheme) he or his spouse has received from Government or any publicly-funded organisation; and

- (e) he will be ineligible for NCA if he or his spouse is receiving any public housing benefits, except where his spouse is a recruit offered appointment on or after 1 June 2000 and is exempted from relinquishing her public housing benefits while receiving NCA in her own right according to the terms of NCA for recruits.

2. Individual officers are advised to read the relevant regulations as set out in CSR 809 and the relevant CSB Circulars/Circular Memoranda or to seek information from the Treasury/Civil Service Bureau regarding the application of the rules on prevention of double housing benefits in their own circumstances before they opt for NCA.

Removal Allowance : Existing and Proposed Rates<sup>1</sup>

Pay point	Existing and Proposed Rates		Total	
	Non-accountable component <sup>2</sup>	Accountable component <sup>3</sup>	Existing rates	Proposed Rates <sup>4</sup>
<b>D2 and above</b> (or equivalent)	<i>\$5,535</i> [\$5,600]	<i>\$16,575</i> [\$15,935]	<i>\$22,110</i>	[\$21,535]
<b>MPS 38-49 and D1</b> (or equivalent)	<i>\$5,010</i> [\$5,070]	<i>\$11,785</i> [\$11,330]	<i>\$16,795</i>	[\$16,400]
<b>MPS 17-37</b> (or equivalent)	<i>\$4,190</i> [\$4,240]	<i>\$6,795</i> [\$6,530]	<i>\$10,985</i>	[\$10,770]
<b>MPS 16 and below</b> (or equivalent)	<i>\$1,825</i> [\$1,845]	<i>\$3,345</i> [\$3,215]	<i>\$5,170</i>	[\$5,060]

## Notes :

1. The existing rates (in italic) took effect on 1 January 2003. They have been grossed up for tax on the basis of the standard tax rate of 15% prevailing at the last revision. The proposed new rates (in square brackets) have been grossed up for tax on the basis of the standard tax rate of 16% for 2004-05.
2. The figures in square brackets under the “non-accountable component” column are derived by using the new gross-up factor corresponding to the standard tax rate of 16%.
3. The figures in square brackets under the “accountable component” column are derived by reducing the existing rates by 5% and using the new gross-up factor corresponding to the standard tax rate of 16%.
4. We propose to make the allowance fully non-accountable.

**Review of Fringe Benefit Type of Civil Service Allowances :**

**Eligibility criteria for the allowances covered by the package of change proposals for staff consultation**

This information note sets out the existing eligibility criteria for the civil service allowances covered by the package of change proposals for staff consultation. Apart from a few allowances/benefits which we propose to abolish, we are NOT proposing any changes to the existing eligibility criteria set out here<sup>1</sup>. A breakdown of expenditure on the allowances under review in 2004-05 is at the **Appendix**.

**I. EDUCATION ALLOWANCES**

**(A) Overseas Education Allowance (OEA)**

2. Officers except Model Scale 1 staff and those on temporary terms of employment are eligible for OEA. The provision of OEA has been ceased for new recruits offered appointment on or after 1 August 1996. As at 31 March 2005, 121 843 civil servants were eligible for OEA, of whom 5 127 officers were claiming the allowance involving 5 983 eligible dependent children. Over 99% of the students for whom OEA is claimed study in the United Kingdom (UK). The current OEA rates for the UK<sup>2</sup> are set out below -

- Boarding School Allowances : GBP 7,434 for the junior rate<sup>3</sup> and GBP 9,138 for the senior rate<sup>2</sup>;
- Day School Allowance : GBP 1,289.

3. The OEA is payable to eligible officers for the education of their dependent children (aged 9 to below 19) who are attending full-time education in the officer's country of origin (for officers on overseas terms) or in the UK

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<sup>1</sup> Except for the proposal to impose a 3-year service requirement on officers remunerated on MPS 22-33 (or equivalent) before they may queue for a quota place under the Non-accountable Cash Allowance Scheme as set out in paragraphs 25 to 26 of Annex B.

<sup>2</sup> Different ceiling rates for Boarding School Allowance/Day School Allowance are set for different countries of study, including the United States, Australia, New Zealand, Ireland and South Africa.

<sup>3</sup> For Boarding School Allowance in respect of education in the UK, officers with children aged 13 or above may claim the senior rate provided their children are attending classes of senior education level. Children below 13 will claim the junior rate, unless the school can certify that the children are attending classes of senior education level. In the case of BSA for Australia, New Zealand, Ireland and South Africa, officers with children reaching 11 years of age at the commencement of the respective school year may claim the senior school rate.

(for officers on local terms). There are two types of OEA payment, namely Boarding School Allowance (BSA)<sup>4</sup> and Day School Allowance (DSA)<sup>3</sup>. An eligible officer may claim OEA at any one time for up to four eligible dependent children. BSA is payable on a reimbursement basis to cover 90% of the actual tuition and boarding fees subject to specified ceiling rates, while DSA is payable at a fixed rate irrespective of the school fees paid. The Secretary for the Civil Service (SCS) revises the ceiling rates from time to time having regard to the rates payable by the UK Government to its civil servants working overseas<sup>5</sup>.

## **(B) Local Education Allowance (LEA)**

4. All officers offered appointment before 1 June 2000 are eligible for LEA. As at 31 March 2005, 151 924 civil servants were eligible for LEA, of whom 16 733 officers were claiming the allowance involving 20 304 eligible dependent children. The current LEA rates are : \$31,950 for Primary, \$53,025 for Form 1 to Form 3 and \$49,238 for Form 4 and above.

5. The LEA is payable to eligible officers to subsidise the cost of primary and secondary education of their dependent children (aged below 19) in Hong Kong. It is payable to cover 75% of the school fee for primary schools and secondary schools up to Form 3, and 75% of the school fee after deducting a basic charge for Form 4 and above<sup>6</sup>, subject to specified ceiling rates. SCS adjusts the ceiling rates from time to time having regard to the school fees of the English Schools Foundation and the basic charge in line with the standard fee for Form 4 and 5 in Government and aided schools set by the Education and Manpower Bureau. An eligible officer may claim LEA for up to four eligible dependent children at any one time.

## **II. PASSAGE AND RELATED ALLOWANCES**

### **(A) Sea Passage**

6. Sea passages are provided to overseas terms officers who retire or

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<sup>4</sup> BSA is payable if the child is a full-time boarder of a boarding school or a tertiary education institution which maintains its own boarding accommodation. It covers the tuition and boarding fees. DSA is payable to children attending schools as day pupils provided the spouse of the officer is not in the country of study to look after the child. It is meant to cover the cost of engaging guardians.

<sup>5</sup> For officers working overseas, the UK Government will provide assistance to meet the costs of education of their children (either in the UK, the officer's home country, the location of overseas posting, or a third country). The ceiling rates are set based on the average primary and secondary schools fees for UK independent boarding schools in the London area.

<sup>6</sup> The current basic charge is \$5,320 per year.



leave the service at the age of 50 or above and, for agreement officers, on satisfactory completion of not less than 15 years of public service in Hong Kong or another UK dependent territory. New recruits appointed on or after 1 December 1984 are not eligible for sea passage on final departure from the service. As at 30 April 2005, 177 civil servants were eligible.

7. For eligible officers, the Government bears the cost of a standard sea passage<sup>7</sup> for the officer himself and his eligible family members<sup>8</sup>. Officers eligible for sea passage and their family members may, at their choice, opt to claim a single LPA in lieu of sea passage. The single LPA rates are currently \$14,500 to \$16,240 for those taking non-standard sea passage<sup>9</sup>, or \$7,710 to \$24,750 for those taking air passage (i.e. same as the single LPA for officers who are not eligible for sea passage).

### **(B) School Passage Allowance (SPA)**

8. Concurrent with the cessation of the OEA, the school passage benefit has been ceased for new recruits offered appointment on or after 1 August 1996. As at 31 March 2005, 132 675 civil servants were eligible for SPA, of whom 5 833 officers were claiming the allowance involving 6 897 eligible dependent children. The current SPA ceiling rates for a 12-month cycle are : \$18,830 (level 1) for children below 12 years old, \$25,100 (level 2) for children at the age of 12 to 18, and \$12,550 (level 3) for children at the age of 19 and 20.

9. The SPA is payable to eligible officers to cover the costs of passages taken by their dependent children (aged below 21 for officers on overseas terms and aged 9 to below 21 for officers on local terms) receiving full-time education outside Hong Kong to commence or cease education outside Hong Kong (only in the UK for officers on local terms) and to visit their parents in Hong Kong during the academic year. As in the case of the OEA, eligible officers may claim SPA for up to four eligible dependent children at any one time. The SPA rates are subject to annual adjustments on 1 April according to movements in the air fare prices as reflected in the Composite Consumer Price Index for the 12-month period ending February of the year.

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<sup>7</sup> A standard sea passage is a passage by a direct route approved by the Director of Accounting Services between Hong Kong and an officer's country of origin, of a class/grade according to his pay point (i.e. First Class (Higher) for officers on MPS 44 or above; First Class (Lower) or Tourist Class for officers below MPS 44).

<sup>8</sup> Eligible family members include spouse and dependent children under the age of 19, or under 21 if receiving full-time education.

<sup>9</sup> A non-standard sea passage is a sea passage by a non-direct route to the officer's country of origin, or a passage to a country other than the officer's country of origin, or a passage in a class other than that to which the officer is entitled.

**(C) Travelling expenses in the country of origin or place of study**

10. The following officers/family members may claim reimbursement of the travelling expenses between the airport/port of entry/exit and the town/city in which they reside/receive education -

- (a) officers on overseas terms and their families travelling on Government leave passage in their country of origin;
- (b) children taking school passage or parents taking Government passage to visit their children receiving education outside Hong Kong; and
- (c) officers and their families provided with First Appointment Passage.

11. We have ceased the provision of travelling expenses in conjunction with school passage allowance and with leave passage allowance to officers offered appointment on or after 1 August 1996 and 1 January 1999 respectively. At present, the rates for reimbursing travelling expenses in the country of origin/place of study are \$2.19 per kilometre for adults (including children aged 16 and above), and \$1.1 per kilometre for children. The allowance rates are adjusted from time to time based on known increases in British Rail fares.

**III. HOUSING AND RELATED ALLOWANCES AND BENEFITS**

**(A) Non-accountable Cash Allowance (NCA) Scheme**

12. The NCA Scheme is provided to eligible recruits offered appointment on new terms on or after 1 June 2000. Under the NCA Scheme, a non-accountable cash allowance is provided to eligible officers for up to 120 months to assist them in acquiring home ownership. The NCA is a discretionary benefit for eligible officers below MPS 34 (or equivalent). As at 30 June 2005, there were 83 NCA recipients. The current NCA rates are from \$12,720 to \$35,250 a month for officers who commence to draw NCA on or above MPS 34 (or equivalent), and \$1,560 to \$16,050 a month for officers who commence to draw NCA below MPS 34 (or equivalent).

**(B) Accommodation Allowance Scheme (AAS)**

13. The AAS is provided to eligible officers offered appointment on overseas terms from 1 October 1990 to 31 December 1998. Under the AAS, a 75% accountable monthly allowance is provided during an eligible officer's employment with the Government to assist the officer in renting residential

accommodation in Hong Kong. As at 30 June 2005, 84 officers were claiming the AA. All eligible officers have joined the Scheme. The current AA rates are from \$11,120 to \$40,130 a month.

**(C) Private Tenancy Allowance (PTA)**

14. The PTA is provided to eligible officers on local terms on or above MPS 34 (or equivalent) and officers on overseas terms who were offered appointment before 1 October 1990. Under the PTA, depending on the number of eligible family members accompanying the officer, a fully accountable monthly allowance at the “family”, “married” or “single” rate is provided during an eligible officer’s employment with the Government to assist the officer in renting residential accommodation in Hong Kong. As at 30 June 2005, there were 702 PTA participants. The current PTA rates are from \$10,380 to \$23,850 a month.

**(D) Provision of Furniture and Domestic Appliances**

**(E) Furniture and Domestic Appliances Allowances**

15. Furniture and domestic appliances are provided to officers eligible for NDQ, officers directed by their heads of departments to occupy post-tied quarters, and officers who were offered appointment on local terms or common terms before 1 May 1999, receiving a substantive salary on MPS 17 – 44 or equivalent and are occupying departmental quarters. If for any reason no furniture or domestic appliances are supplied, they are eligible for the furniture and domestic appliances allowances. The furniture and domestic appliances allowances are also payable to officers not occupying quarters if they were offered appointment on local terms or common terms before 1 May 1999 and are receiving a substantive salary on MPS 34 – 44 or equivalent before 1 July 2000, provided that they are not otherwise debarred from receiving the benefit (e.g. they have forfeited their eligibility for housing-related benefits). The current rate of the furniture allowance is \$100 a month and that of the domestic appliances allowance is \$50 a month. As at 30 June 2005, there were about 12 000 officers claiming Furniture and Domestic Appliances Allowances and about 14 000 officers claiming Furniture and Domestic Appliances.

**(F) Removal Allowance**

16. Removal allowance is payable to officers who are directed to move into or out of Government quarters. It is also payable to disciplined services officers who move from departmental quarters into Housing Authority accommodation under the Special Quota of the Civil Service Public Housing Quota. The allowance comprises an accountable component and a

non-accountable component. The number of claimants for removal allowance varies from year to year. The maximum amounts of removal allowance currently range from \$5,170 to \$22,110. The maximum rates are adjusted from time to time having regard to the change in Consumer Price Index (A).

**(G) Air-conditioning Allowance**

17. The allowance is payable to officers occupying substantively a post in the directorate before 1 May 1999. As at 30 June 2005, 737 civil servants were eligible for the allowance. The allowance is fully accountable and is payable on a reimbursement basis, subject to a ceiling of \$3,135 per air-conditioner. Each eligible officer may claim the allowance for up to two air-conditioners for every 60-month period. Allowance for the second air-conditioner is payable only if the officer has one or more dependent children under 21 years of age, provided that the children remain in Hong Kong for the period covered by the allowance.

**(H) Provision of Hotel Accommodation**

18. Hotel accommodation as a fringe benefit is provided mainly to officers appointed on overseas terms who are eligible for NDQ when they proceed on final leave. The number of claimants varies from year to year.

**(I) Hotel Subsistence Allowance**

19. Hotel subsistence allowance is payable as a fringe benefit to officers offered appointment before 1 May 1999 who are eligible for hotel accommodation. The current rates of the allowance are \$85 per night for an adult and a child aged four or above, and \$35 per night for a child aged below four. We have not received any claims from officers eligible for this fringe benefit in recent years.

## Appendix

### Fringe Benefit Type of Civil Service Allowances: Breakdown of expenditure on the allowances under review in 2004-05

<i>Allowance</i>	2004-05
	Actual Expenditure (\$' 000)
<b>I. Education Allowances</b>	<b>903,109</b>
(A) Overseas Education Allowance#	619,086
(B) Local Education Allowance	284,023
<b>II. Passage and related allowances</b>	<b>139,562</b>
(A) Sea Passage	1,214
(B) School Passage Allowance	132,846
(C) Travelling Expenses in country of origin/ place of study	5,502
<b>III. Housing and related allowances</b>	<b>205,001</b>
(A) Non-accountable Cash Allowance Scheme	13,707
(B) Accommodation Allowance Scheme	25,647
(C) Private Tenancy Allowance	142,733
(D) Provision of Furniture and Domestic Appliances	Note
(E) Furniture and Domestic Appliances Allowances	15,451
(F) Removal Allowance	6,920
(G) Air-conditioning Allowance	321
(H) Hotels #	217
(I) Hotel Subsistence Allowance#	5
<b>Total :</b>	<b>1,247,672</b>

Note: The benefit is provided in kind.

Items marked with # also cover expenditure on allowances paid to officers posted outside Hong Kong. Provision of the allowances to these officers arises from the officers' external postings; they are not provided to the officers as fringe benefits.