

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 3rd meeting
held at the Legislative Council Chamber
on Friday, 1 December 2006, at 3:00 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, SBS, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBS, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, GBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-yee, GBS, JP
Hon CHOY So-yuk, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, SBS, JP

Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon LI Kwok-ying, MH, JP
Dr Hon Joseph LEE Kok-long, JP
Hon Daniel LAM Wai-keung, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon WONG Ting-kwong, BBS
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon KWONG Chi-kin
Hon TAM Heung-man

Members absent:

Hon Martin LEE Chu-ming, SC, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, SBS, JP
Hon James TO Kun-sun
Hon WONG Yung-kan, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Hon MA Lik, GBS, JP
Hon CHEUNG Hok-ming, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Amy TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mrs Carrie LAM, JP	Permanent Secretary for Home Affairs
Mrs Pamela TAN, JP	Director of Home Affairs

Clerk in attendance:

Ms Pauline NG

Assistant Secretary General 1

Staff in attendance:

Miss Becky YU

Chief Council Secretary (1)1

Mrs Mary TANG

Senior Council Secretary (1)2

Ms Alice CHEUNG

Senior Legislative Assistant (1)1

Mr Frankie WOO

Legislative Assistant (1)2

Action

Item No. 1 - FCR(2006-07)24

**RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE
MADE ON 25 OCTOBER 2006**

The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2006-07)25

HEAD 63 – HOME AFFAIRS DEPARTMENT

- ♦ **Subhead 000 Operational expenses**
- ♦ **Subhead 700 General non-recurrent**

2. The Chairman informed members that the Panel on Home Affairs (HA Panel) was consulted on the proposal at its meeting on 10 November 2006.

3. Miss CHOY So-yuk, Chairman of HA Panel, declared interest as a District Council (DC) member. She said that at the meeting on 10 November 2006, the Panel concurred with the proposed improvements to the remuneration package for DC members. There was a suggestion that the proposed increase in DC members' honorarium should take effect on 1 January 2007 in line with the effective date of the increases in Operating Expenses Allowances (OEA) and Winding-up Allowances instead of the start of the new DC term on 1 January 2008 as proposed in the paper. Since the financial proposal would be approved by Legislative Council (LegCo) Members, there would not be any conflict of interest in respect of the pay rise. Besides, the Panel was of the view that any adjustment to the remuneration package of DC members, including the employment-related benefits, should be commensurate with the nature of the DC work and how far the work was regarded as a profession instead of a public service.

4. The Chairman referred to Rule 84(1) of the Rules of Procedure and said that since those LegCo Members who were also DC members had an interest which was “in common with the rest of the population of Hong Kong or a sector thereof”, these members were allowed to speak and vote on the proposal. The following members declared interest as DC members –

Mr CHAN Kam-lam
Mr LEUNG Yiu-chung
Mr Howard YOUNG
Miss CHOY So-yuk
Mr Andrew CHENG Kar-foo
Mr TAM Yiu-chung
Mr Tommy CHEUNG Yu-yan
Mr Frederick FUNG Kin-kee
Mr LI Kwok-ying
Mr Daniel LAM Wai-keung
Dr KWOK Ka-ki
Miss TAM Heung-man

5. Mr CHAN Kam-lam said that Members of the Democratic Alliance for the Betterment and Progress of Hong Kong supported the proposal. Mr James TIEN said that Members of the Liberal Party also supported the proposal, the policy aspect of which had already been deliberated at length by the HA Panel. Mr Daniel LAM indicated support for the proposal as the present remuneration was inadequate to support DC members in carrying out their duties effectively. The increase in OEA and Winding-up Allowances would also facilitate the operation of DC members’ offices. He hoped that the remuneration package for DC members would be regularly reviewed to take account of changing circumstances.

Level of OEA

6. Mr LEUNG Yiu-chung enquired about the basis upon which the proposed 10% increase in DC members’ monthly OEA from \$16,348 to \$18,000 was arrived at. He pointed out that the cost for rent and utilities of a DC member’s ward office alone might amount to about \$5,000 to \$6,000 a month, the remaining \$10,000 was not sufficient to hire an adequate number of staff to provide an effective service to the public. The Permanent Secretary for Home Affairs (PSHA) said that there was no scientific basis for the proposed 10% increase in OEA nor a concise estimate on the expenses incurred from operating a DC member’s ward office. According to records, about 77% of DC members had claimed over 90% of OEA. However, there were some DC members who did not have a ward office. The proposed 10% increase in OEA was considered an acceptable arrangement given that no adjustment had been made to OEA for some time and so far, no strong views against the proposal had been received.

7. Mr LEUNG Yiu-chung expressed disappointment that the Administration had made no efforts in ascertaining the expenses required for the effective operation of DC members’ ward offices. The arbitrary 10% increase had failed to reflect the workload of DC members. He further enquired about the different modes of

operation of ward offices between elected and appointed DC members. PSHA said that there were 481 DC members who had ward offices operated either individually or jointly with other members. Of the 48 DC members who had not set up ward offices, 26 of them had claimed OEA for employing staff to support their work. As there was no hard and fast rule on how ward offices should be operated, no guidelines had been set on the working hours, the size of offices and the number of staff to be employed, etc.

8. The Chairman asked whether payments on medical insurance plans could be reimbursable with effect from the coming 2008-2011 DC term. PSHA explained that under the existing OEA arrangement, insurance plans for DC members were non-reimbursable. However, with effect from the 2008-2011 DC term, DC members could use the non-accountable Miscellaneous Expenses Allowance of \$4,000 per month to cover some of their expenses, including payments on medical insurance plans.

9. The Chairman enquired if the DC Secretariats were provided with the resources to audit applications for OEA reimbursements from DC members as in the case of the LegCo Secretariat where an independent auditor was engaged for the purpose. She also enquired if the reimbursements were tax-free. PSHA said that OEA reimbursements of DC members were being inspected by the respective DC Secretariats.. In addition, the Internal Management Audit team set up under the Home Affairs Department (HAD) would audit the performance of the 18 DC Secretariats in monitoring the reimbursement claims by DC members. While the audit team would follow up on any discrepancies, an independent audit report would not be prepared for the purpose. Besides, the Independent Commission Against Corruption had not recommended that additional auditing be performed on the reimbursement claims by DC members. The existing arrangement would apply to the new remuneration package but improvements to the auditing system would be considered as and when necessary.

10. As regard the tax concessions for DC members, PSHA advised that the Director of Audit (D of A) had indicated, in his Report No.43 released in 2004, concern about the existing practice of allowing 50% of the honorarium for a DC member as tax deductible expenses despite that the remuneration package of DC members had been expanded to include OEA for various office expenses since April 1996. D of A's views were shared by the Public Accounts Committee. It had since been agreed with the Commissioner of Inland Revenue that the said practice be removed starting from the 2006-2007 financial year. All DC members were notified about the new arrangement in March 2006. While reimbursements for OEA were not taxable, the honorarium would be subject to tax. However, DC members who had used their honoraria to cover operating expenses in excess of the OEA ceiling could apply for tax deduction in respect of such additional expenses when filing their tax returns. The said arrangement had all along been applicable to salary tax.

11. The Chairman said that an arrangement had been introduced a few years ago to provide LegCo Members with a cash advance equivalent to two months of OEA at the beginning of the new LegCo term to enable them to set up their offices so that they would not need to make upfront payments out of their own pockets. The

cash advance would be repayable at the end of the LegCo term. She enquired if the same arrangement would apply to DC members as well. The Director of Home Affairs explained the existing arrangement where DC members would be given a cash advance equivalent to two months of OEA at the beginning of the new DC term. DC members could use the cash advance to meet the cost for setting up their ward offices. However, unlike the arrangement for LegCo Members where the cash advance would be repayable at the end of the LegCo term, the cash advance for DC members would be offset by subsequent claims from members for their OEA reimbursements within a specified period. The Chairman asked the Administration to consider whether the LegCo arrangement could be adopted for DC members.

12. Mr LEUNG Kwok-hung said that he found it absurd that the accounts of DC members should be monitored by HAD when the work of the latter should be monitored by DCs instead. PSHA explained that the functions of DCs as set out in the District Councils Ordinance (Cap.547) (DCO) were to advise the Government on matters affecting the well-being of the people in the District and the provision and use of public facilities within the District, as well as the adequacy and priorities of Government programmes and the use of public funds allocated to the District for local public works and community activities and where funds were made available for the purpose, to undertake community activities and environmental improvements within the District. There were no provisions under DCO requiring DCs to monitor the work of HAD.

DC members' remuneration to reflect the nature of DC membership

13. While accepting the proposal which would give DC members the needed financial support, Mr Frederick FUNG said that there was a lot more to be done to enhance the role and function of DC members. DC members today were comparatively more qualified than those in earlier years. By way of illustration, the some 20 DC members of the Hong Kong Association for Democrats and People's Livelihood were better qualified in terms of academic achievements and working experience than their counterparts who had joined the Association in 1986. Many of them were young college graduates while some were professionals in different fields. Over 60% of them were full-time councillors relying on the remuneration for DC members as their sole source of income. Given the increased responsibilities and the enhanced complexity in the management of district facilities, DC membership should no longer be regarded as a public service but a career. In view of the time and efforts which DC members had devoted to DC duties, it was necessary that they should be adequately remunerated. Consideration should also be given to providing DC members with medical and retirement benefits as part of their remuneration package. A study similar to the review of the provision of medical and retirement benefits for LegCo Members should be conducted for DC members as well.

14. Dr YEUNG Sum said that Members of the Democratic Party supported the proposal. He noted that the Administration had plans to further devolve power to DCs and sought elaboration in this respect. PSHA said that in line with the recommendations of the 2006 DC Review, a Pilot Scheme in four selected districts would be implemented for DCs to participate in the management of some district facilities, such as libraries, community halls, leisure grounds, sports venues and

swimming pools, starting from 1 January 2007. Subject to the outcome of the Pilot Scheme, the Administration would consider the feasibility of further expanding the role of DCs in the management of facilities.

15. Ir Dr Raymond HO concurred with the need to devolve more responsibilities to DCs following the dissolution of the two municipal councils. He supported that more resources should be provided to DC members in the management of district facilities so as to encourage more qualified people to take part in district work, which was an integral part of community life. Besides, participation in district work was also seen as an important stepping stone to politics and would likely be more acceptable than the creation of posts under the Political Appointment System. He said that Members of the Alliance were supportive of the proposal.

16. Mr Frederick FUNG said that while Sham Shui Po (SSP) was not one of the four selected districts to participate in the Pilot Scheme, SSPDC had already been planning for the expansion of district facilities and holding frequent meetings with relevant organizations on how the expansion projects could be taken forward. The efforts made by DC members would serve to show that district work would demand full-time commitment and hence they should be adequately remunerated.

17. Noting that HA Panel had requested for a comprehensive review of the remuneration package of DC members to assess whether DC membership should be recognized as a job rather than a public service, the Chairman enquired if the said review could be conducted in parallel with the review of the role and function of DCs upon completion of the Pilot Scheme. PSHA said that the Government held the view that DC membership should not be regarded as a full-time job. The honorarium for DC members was intended to ensure that DC members would not suffer any pecuniary embarrassment due to their involvement in community service, and that they would be given sufficient resources to cover expenses arising from their DC duties. If it was found that the enhanced role of DC members in the management of district facilities had led to excessive work and additional manpower resource requirement, consideration would be given to reviewing the remuneration package for DC members subject to the approval of the Legislature. However, any changes to the role, function and remuneration package of DC members following the 2006 DC Review could only take effect from the next term i.e. the new DC term from 2008 to 2011. Likewise, any further changes made within the 2008-2011 DC term could only be implemented in the following term starting 1 January 2012. Meanwhile, the funding for DCs to organise various community-building, recreational and cultural programmes would be increased from \$170 million to \$300 million per year in an attempt to accommodate new and innovative ideas put forward by DC members in the management of district facilities.

18. Mr LEUNG Kwok-hung enquired if the proposed increase in the honorarium for DC members had taken into account the devolution of more responsibilities to DC members in the management of district facilities as a result of the dissolution of the two municipal councils. PSHA said that the work undertaken by the two former councils had been taken up by the Leisure and Cultural Services Department (LCSD) and the Food and Environment Hygiene Department (FEHD). She stressed that the 2006 DC review was not meant to redistribute the responsibilities

undertaken by the former municipal councils, but to strengthen DC involvement in the management of district facilities. As regards the proposed 10% increase in the remuneration package for DC members, PSHA said that this aimed at providing adequate support for DC members to carry out their duties effectively taking account of their enhanced role in the management of district facilities. The latter would be reviewed in the light of outcome of the Pilot Scheme.

19. Mr LEUNG Kwok-hung expressed concern about the lack of an elected body to take up the monitoring role of the former municipal councils in overseeing urban and regional services. It appeared to him that the Administration had reneged on its pledge to let DCs to assume the monitoring role previously performed by the two municipal councils. PSHA said that the work of LCSD and FEHD was being monitored by the respective bureaux. As regards the authority formerly vested upon the two municipal councils for approving district works projects, this had been transferred to LegCo since the dissolution of the former municipal councils.

20. Mrs Sophie LEUNG said that although she was not a DC member, she had met with many DC members in the course of her work. She held the view that apart from enhancing the remuneration of DC members, more efforts should be made to encourage public participation in district work. This would have the advantage of sharing out the duties of over-burdened DC members. PSHA said that part of the 2006 DC Review was devoted to the establishment of a partnership between DCs and district organizations which had been sharing out the duties of DC members. In fact, guidelines on how such partnership could be promoted would be provided to DCs and district works projects might also be implemented under the partnership arrangement.

21. While supporting the proposal, Dr KWOK Ka-ki said that there was a need to nurture political talents to tie in with the constitutional development in Hong Kong, and that DC would be a good learning ground in this respect. He further enquired about the Administration's plan to nurture political talents. PSHA said the DC Review was made pursuant to the 2005-2006 Policy Address which set out the need to enhance the role and function of DCs. The revision of the OEA and remuneration package was part of the DC Review recommendations to provide more support for DC members to carry out their duties effectively. Encouraging more people to enter politics and nurturing political talents were however not the purposes of the DC Review.

22. The Chairman put the item to vote. The Committee approved the proposal.

23. The meeting was adjourned at 3:55 pm.