

ITEM FOR FINANCE COMMITTEE

HEAD 63 – HOME AFFAIRS DEPARTMENT Subhead 000 Operational expenses

Members are invited to approve an increase in the ceiling of the quarterly financial assistance to Mutual Aid Committees from \$1,000 to \$1,500 with effect from 1 October 2010.

PROBLEM

We need to enhance the financial assistance to Mutual Aid Committees (MACs) to enable them to better discharge their functions.

PROPOSAL

2. The Director of Home Affairs, with the support of the Secretary for Home Affairs, proposes that the ceiling of the quarterly financial assistance to MACs be increased from \$1,000 to \$1,500 with effect from 1 October 2010.

JUSTIFICATION

3. MACs are voluntary bodies formed by the residents of a building with the primary aim of promoting a sense of friendliness, mutual help and responsibility among residents, and promoting better security, a better environment and generally more effective management within the building. MACs also provide a channel of two-way communication between residents and the Government on matters affecting the well-being of the residents and the community, and serve as a focal point for residents to participate in community activities. There are currently around 2 700 MACs in Hong Kong.

4. The Home Affairs Department (HAD) provides an accountable allowance in each quarter for MACs to meet basic daily expenses, including rates and Government rent, electricity charges, telephone bills, office equipment and stationery. The current ceiling of the quarterly financial assistance, set in 1997, is \$1,000 per MAC. The existing practice is that the ceiling for the quarterly financial assistance is adjusted having regard to changes in the Consumer Price Index (A)¹ (CPI(A)). No adjustment has been made since 1997 because CPI(A) has only increased from 110.1 in June 1997 to 110.9 in May 2010, which would translate into a \$7 increase in the ceiling of the quarterly financial assistance to MACs.

5. With the growing involvement of MACs in various community activities and services in which the Government encourages them to participate, there have been calls for a review of the financial assistance to MACs. A review conducted by HAD reveals that many MACs have difficulty in raising funds from residents and mainly rely on the quarterly financial assistance to meet their operational expenditure.

6. As MACs nowadays need the support of a wide range of electrical and electronic appliances such as computers for their day-to-day operation, their operational expenses including electricity bills, repair and replenishment costs, have increased. Having regard to the typical expenditure pattern of MACs, we propose to increase the ceiling of the quarterly financial assistance from \$1,000 to \$1,500 to help MACs meet the increase in their operational expenditure. Thereafter, based on the existing practice, the ceiling of the quarterly financial assistance will continue to be adjusted having regard to changes in the CPI(A).

7. The quarterly financial assistance is reimbursed on an accountable basis. To apply for reimbursement, MACs are required to provide the relevant District Offices with duly certified bills, receipts and invoices. Only expenses incurred in connection with the operation of MACs will be reimbursed. To ensure proper use of public funds, we conduct random checks on selected items purchased with the accountable allowance when visiting MACs.

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¹ CPI(A) is compiled based on the expenditure patterns of households in the relatively low expenditure range and the approximate percentage of households covered under CPI(A) is 50%.

FINANCIAL IMPLICATIONS

8. The financial implication of the proposal depends on the number of MACs which will claim the financial assistance and the levels of their claims. We estimate that this proposal may entail an additional expenditure of \$1.2 million in 2010-11 and \$2.4 million per annum from 2011-12 onwards². Subject to Members' approval of the proposal, the additional requirement in 2010-11 will be met by existing resources while that from 2011-12 onwards will be reflected in the Estimates.

PUBLIC CONSULTATION

9. We consulted the Legislative Council Panel on Home Affairs (HA Panel) on the proposal on 11 June 2010. Members supported the proposed increase in the ceiling of the quarterly financial assistance to MACs.

BACKGROUND

10. In 1977, Members approved the provision of an accountable financial assistance each quarter for MACs to meet basic daily expenses, including rates and Government rent, electricity charges, telephone bills, office equipment and stationery. In 1985, Members delegated the authority to approve revisions of the ceiling of the quarterly financial assistance to MACs to the then Deputy Financial Secretary on the basis of increased prices and provided the revisions do not involve any important point of principle.

11. We consulted the HA Panel on 11 June 2010 on the proposed increase in quarterly financial assistance to MACs from \$1,000 to \$1,500, with effect from 1 October 2010. In addition, we consulted the HA Panel on the proposed increase in the ceiling of the accountable one-off financial assistance from \$1,000 to \$5,000 with effect from 1 October 2010 for newly formed MACs to set up their office and for all existing MACs with an office to furnish their offices and/or purchase certain capital items, within a two-year period. Members supported both proposals.

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² These figures are based on the assumption that MACs which have claimed the quarterly financial assistance in the past three financial years from 2007-08 to 2009-10 (around 1 200) will claim the quarterly financial assistance up to the proposed new limit.

12. At present, village offices (VOs) can apply for financial assistance from the Administration of up to \$1,000 per VO per quarter as a subsidy to their recurrent expenditure. As a general practice, the ceiling of the financial assistance to VOs has been set with reference to the ceiling of the financial assistance to MACs. With the introduction of a new assistance to the rural community in the form of honorarium for village representatives (VRs) in 2010-11 as approved by the Finance Committee on 22 January 2010, future adjustments to the ceiling of the financial assistance to VOs will be considered separately. As the honorarium for VRs will be reviewed and adjusted where appropriate having regard to the change in the CPI(A) every four years to tie in with the term of the VRs, the ceiling of the financial assistance to VOs is also intended to be reviewed and adjusted as appropriate by the Administration from time to time having regard to the change in the CPI(A).

Home Affairs Bureau
Home Affairs Department
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