

Legislative Council

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Paper for the House Committee Meeting on 25 June 1999

Second Report of the Subcommittee on Review of Operating Expenses for Members of the Legislative Council

Purpose

This paper reports on the results of the discussions with the Administration on the operating expenses reimbursement package for Members and the leasing issues with the Housing Authority.

The Subcommittee

2. The Subcommittee was appointed by the House Committee on 10 July 1998 to look into the financial arrangement for the reimbursement of Members' operating and setting up expenses and other related matters. It submitted its first report on the proposal for advancing operating funds to Members on 4 September 1998, which was subsequently implemented in the same month with the approval of The Legislative Council Commission.

3. The Subcommittee held five meetings from July 1998 to June 1999. Representatives from the Administration were invited to exchange views on:

- ◆ the level of financial resources provided to Members in carrying out their duties; and
- ◆ the policy of the Housing Authority in allocating offices to Members and the way rental rates were set.

The views and suggestions were relayed to the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the HKSAR (the Independent Commission).

Deliberations of the Subcommittee and Responses from the Administration

Level of Operating Expenses Reimbursements

District Offices and Staff Support

4. Some Members of the Subcommittee held the view that the present level of reimbursement was inadequate in supporting Members' service to the community. It has not been revised in line with the enlarged constituencies, especially geographic ones. In response, the Administration proposed more flexibility in using the reimbursements presently provided to Members, viz. the merging of the district office expenses reimbursement with the accountable component for staff and office expenses under the monthly general expenses reimbursement, and the merging of the reimbursement for setting up district offices with that for the Secretariat-provided central office. Moreover, a new information technology and communication equipment expenses reimbursement of \$100,000 for every Member in each term was proposed for setting up an additional channel to communicate with members of the public. It could only be used after the setting up expenses reimbursement was exhausted.

5. Although the Subcommittee commented that the use of information technology and communication equipment would not satisfy the public's need to discuss problems with Members face to face, the Independent Commission maintained that there was a practical limit to the time that Members could spend in each district office given the heavy commitment of LegCo Members in general. In view of the present economic situation, the Subcommittee agreed that it might not be the appropriate time to increase the level of reimbursement. It also accepted the proposal for more flexibility and the new information technology and communication equipment expenses reimbursement.

Severance Payment

6. Members of the Subcommittee expressed their concern that the entertainment and travelling expenses reimbursement being used by some Members for employing staff would entail an unfair financial burden on them when they left office, because only severance payments to staff employed with the accountable component for staff and office expenses would be reimbursed.

7. After considering Members' views and statistics on Members' expenses provided by the LegCo Secretariat, the Independent Commission agreed that 50% of the entertainment and travelling expenses reimbursement could be used to pay for staff expenses on an accountable basis, and the Administration would bear the severance payments to staff so employed.

Proposal for Revised Reimbursement Package for Members

8. The following table compares the existing and proposed systems in more detail:

	Existing	Proposed
1. General Expenses Reimbursement		
a) District office expenses	\$14,760 per month, fully accountable, for rentals, rates, government rents, management charges and utilities	\$103,360 per month, fully accountable, for office operation
b) Staff and office expenses	\$88,600 per month, fully accountable, for staff and office expenses	
c) Entertainment and travelling expenses	\$14,760 per month, 50% non-accountable	\$14,760 per month, non-accountable except for the portion used to meet staff expenses (see item 4.b below)
2. Setting Up Expenses Reimbursement		
a) District offices	\$100,000 for fitting out, and procurement of equipment, furniture and basic stationery; or \$50,000 for a re-elected Member, for renovation, removal, expansion, and additional equipment and furniture	\$150,000; or \$75,000 for a re-elected Member
b) Central office	\$50,000 for equipping the office on first taking up the office	

	Existing	Proposed
3. Information Technology and Communication Equipment Expenses Reimbursement		
Information technology and communication equipment	Not available	\$100,000 reimbursable after exhaustion of the setting up expenses reimbursement, for purchasing/upgrading information technology and communication equipment; since the first SAR LegCo term has just about one year to go, Members who are re-elected to the second SAR LegCo (2000-2004) will only be eligible to draw on the unused balance of the first SAR LegCo term
4. Winding Up Expenses Reimbursement		
a) office expenses	\$103,360, for covering all expenses upon winding up	\$103,360, for covering all expenses upon winding up
b) severance payments	no pre-set ceiling, for covering severance payments made to staff employed with the accountable component for staff and office expenses	no pre-set ceiling, for covering severance payments made to staff employed with the accountable component for staff and office expenses, and to staff employed using up to 50% of the entertainment and travelling expenses reimbursement

Items 1 and 4.a are annually adjusted in October with reference to the Hang Seng Consumer Price Index.

9. The above proposal will be submitted for the consideration of the Finance Committee on 2 July 1999. If the proposal is approved, it will take effect from July 1999.

10. Based on the above proposal, the LegCo Secretariat has drafted a revised reimbursement guide in the **Appendix** - to be tabled at the meeting. Members may notice that because of the new information technology and communication expenses reimbursement, the quantity limit on certain telecommunications and computer equipment has been revised upward.

Allocation of Offices by the Housing Department and Setting of Rental Rates

11. In response to the Subcommittee's suggestion, the Housing Authority has lifted the limit on the number of offices that can be allocated to a Member, so long as the total area does not exceed 140 sq m. Previously, a member could only be allocated a maximum of 2 offices up to 70 sq m, or if he/she also held seats in the Provisional Urban or Provisional Regional Council and a Provisional District Board, an entitlement of 35 sq m for each capacity, but not more than 70 sq m for any single office.

12. On the issue of rental reduction enjoyed by some tenants of the Housing Department but not extended to Members' district offices, the Subcommittee questioned Housing Authority's rationale behind. It was learned that in determining the rental for a tenant the Housing Authority would take into account factors such as the tenant's business prospects, location of his/her premises and the volume of pedestrian flow. As Members were not operating on a commercial basis, and Members' reimbursable ceilings had not been reduced, the rental rates for Members' offices were not revised. Members of the Subcommittee doubted whether the Housing Authority had changed its basis of charging at market value when the market value of most offices and shops had come down. The Director of Administration agreed to reflect Members' view to the Housing Authority for further consideration.

Advice Sought

13. Members are invited to support the proposed changes to the reimbursement system detailed in paragraph 8 above.