

**For discussion
on 28 November 2003**

LegCo Panel on Home Affairs

**Remuneration Package for
Members of the Second Term District Councils (2004 – 2007)**

Purpose

This paper proposes a remuneration package for members of the second term District Councils (DCs).

Background

2. On 23 October 2001, the Independent Commission on Remuneration for Members of the District Councils of the HKSAR (the Commission) recommended to the Administration a remuneration package for members of the DCs (2000 – 2003), which had been fully adopted by the Administration. The existing remuneration package for DC members covers the following -

- (a) a monthly honorarium of \$17,000 for DC members - the honoraria for DC Chairmen and Vice Chairmen are \$34,000 and \$25,500 respectively. The ratio of the rates of honorarium for DC members, Vice Chairmen and Chairmen is 1:1.5:2. The honorarium is adjusted annually according to the movement of Consumer Price Index (A) (CPI(A)).
- (b) An annual provision of Operating Expenses Allowance (OEA), formerly known as Accountable Allowance, at the rate of \$204,000, reimbursable on production of certified receipts to meet

expenses incurred wholly and necessarily for discharging DC duties. Annual adjustments should be made according to movements of CPI(A). However, any downward adjustment of the OEA in a deflation year is deferred to a subsequent inflation year.

- (c) A one-off reimbursable Information Technology and Other Support Grant (ITOSG) of \$10,000. The grant is fully accountable. It may only be claimed once during the four-year term.

The Review

3. The Commission is tasked to carry out a review of the remuneration package for DC members before the start of the new DC term and make recommendations to the Government. The terms of reference and the membership of the Commission are at **Annex A** and **Annex B** respectively.

4. During the past two years, the Commission has examined a wide range of issues related to the remuneration package. In examining these issues, the Commission has given due regard to the views collected by the Administration through various channels, including press interviews, DC meetings, discussions with the LegCo Member representing the District Council Functional Constituency, proposals raised by some LegCo Members during the 2003-04 Budget consultation, DC secretariats' contacts with DC members, press commentaries, etc. The Commission has now completed the review and its recommendations are set out in paragraph 6 below.

5. In this review, the Commission upheld the following principles –

- (a) DC membership is a form of service to the public and hence the honorarium should not be regarded as a salary reward for the services provided;
- (b) it would be against public interest to deter candidates who are less well-off from participating in public affairs. DC members should be reasonably and adequately remunerated to ensure that

they do not suffer pecuniary embarrassments due to time spent on community service; and

- (c) DC members should be personally accountable for all their claims, which should be credible and reasonable.

The Proposals

6. The Commission recommends that the existing remuneration package for DC members, with some minor modifications, should continue to apply in the second DC term -

- (a) Honorarium

The monthly rate of honorarium should be \$17,000, subject to annual adjustments being made according to the movement of CPI(A). The first annual revision for honorarium for the second term DCs should be made on 1 January 2004. The different rates of honorarium for DC members, Vice Chairmen and Chairmen should be maintained at the ratio of 1:1.5:2.

- (b) Operating Expenses Allowance

- (i) *Adjustment Mechanism*

OEA should be adjusted annually according to the movement of CPI(A), be it an inflation year or a deflation year. The annualised amount of reimbursable OEA for DC members effective from 1 January 2004 should be adjusted according to the change in CPI(A) since the last OEA adjustment in December 2001.

- (ii) *Ambit*

The ambit of the OEA should be expanded to allow greater flexibility so that such items as stamp duty for rental agreements and miscellaneous items will be reimbursable. For the avoidance of doubt, a list of non-reimbursable items

under the OEA should be made available to DC members for ease of reference.

(c) Information Technology and Other Support Grant

A one-off grant of \$10,000 should be provided to individual DC members for the next DC term to assist them to improve IT support and other facilities for use in their ward offices in the new DC term.

Justification

(A) *Honorarium*

7. Since 1 January 2003, the monthly honorarium for DC members has been pitched at \$17,000. Although the honorarium is not a salary, it helps to ensure that DC members do not suffer pecuniary embarrassments after spending time on community service. Moreover, the monthly honorarium also helps DC members meet travelling, out-of-pocket and related expenses incurred in connection with their DC duties. The expenses for employing assistants or running ward offices to serve their constituents are met by OEA. In determining whether the current rate of honorarium is pitched at the right level, the Commission has made reference to the following -

- (a) the honorarium for DC members has been revised annually in accordance with the movement of CPI(A); and
- (b) the relativity between DC members and LegCo Members in terms of honorarium has remained more or less unchanged after a lapse of two years.

8. Having regard to the above, the Commission considers that the existing rate of honorarium for DC members is appropriate and recommends that it should be maintained.

9. Based on the movement of CPI(A), the mechanism for making annual adjustments is objective and easy to understand and it should be maintained.

10. The Commission considers that the current practice of having higher rates of honorarium for DC Chairmen and Vice Chairmen which reflects the heavier responsibilities shouldered by DC Chairmen and Vice Chairmen should be maintained.

(b) *Operating Expenses Allowance*

(i) *Adjustment Mechanism*

11. The existing adjustment mechanism uses CPI(A) as the basis for making revisions. It allows any downward adjustment of the OEA in a deflation year to be deferred to a subsequent inflation year. The Commission notes that this mechanism is intended to provide DC members with the flexibility to meet their contractual obligations under, for example, employment contracts and office rental contracts which carry fixed financial commitments during the contractual period. However, in the event that deflation continues in the next few years, there is no mechanism for the Government to revise the amount of OEA.

12. The Commission notes that this has attracted public criticism that DC members will never have to face any reduction in OEA in deflation years. Moreover, this arrangement is not in line with the arrangement for LegCo Members under which revisions are made in both inflation and deflation years. The Commission therefore recommends that for the 2004 - 2007 DC term, the amount of OEA should be revised annually according to the movement of CPI(A), be it an inflation year or a deflation year.

(ii) *Ambit*

13. The Commission notes that many DC members have proposed that the ambit of the OEA should be further expanded to cover other expenses. According to section 16(2) of the Stamp Duty Ordinance (Cap. 117), an agreement for a lease shall be chargeable with stamp duty. The Commission recommends that the ambit of the OEA be expanded to include this item. The Commission also recommends that the list of reimbursable items should include miscellaneous items such as light bulbs/florescent tubes, door locks, cleansing tools and materials, tools for doing basic repair work, basic office renovation,

etc. which are essential for the smooth running of ward offices. A proposed list of reimbursable items is at **Annex C**.

14. For the avoidance of doubt, the Commission recommends that certain items should not be allowed for reimbursement under the OEA. A proposed list of non-reimbursable items is at **Annex D**. To further guard against abuse, the Commission considers that DC members should be advised that the list is not exhaustive in the sense that all claims should be reasonable and solely for the discharge of their DC duties.

(c) Information Technology and Other Support Grant

15. In the previous review conducted in 2001, the Commission recommended the provision of a one-off reimbursable ITOSG of \$10,000 for individual DC members during the 2000-2003 DC term to assist them to improve the IT support and other necessary facilities for use in their ward offices. The Commission notes that the scope of the OEA has been widened in mid-2002 to cover equipment and furniture items reimbursable under the ITOSG. DC members may choose to cover expenses on equipment and furniture items under the OEA or ITOSG. The Commission recommends that the provision of the ITOSG at the rate of \$10,000 for the 2004-2007 DC term should be maintained

Advice Sought

16. The Administration considers the Commission's recommendations outlined in paragraph 6 above acceptable. Members are invited to endorse the recommendations.

**Home Affairs Department
November 2003**

**The Independent Commission on Remuneration for
Members of the District Councils of the HKSAR**

Terms of Reference

On the basis of the existing system,

1. to consider the system of remuneration for Members of the District Councils of the HKSAR, taking into account any factor that may affect the level of such remuneration and allowances;
2. to carry out periodic reviews of the remuneration package for Members of the District Councils of the HKSAR, say once every four years and normally about a year before the start of a new District Council term;
3. to consider the appropriate level of remuneration for those with multiple membership on the Executive Council and/or Legislative Council and the District Councils of the HKSAR in deliberating on the above issues; and
4. to advise the Administration on any matter relating to the remuneration package for Members of the District Councils of the HKSAR which the Administration may refer to the Independent Commission from time to time.

**The Independent Commission on Remuneration for
Members of the District Councils of the HKSAR**

Membership

Chairman

Mr Wong Po-yan, GBM, JP

Members

Dr Thomas Leung Kwok-fai, BBS, JP

Mr Chung Pui-lam, JP

Dr Tam Wing-kun, BBS, JP

Mr Anthony Wu Ting-yuk

**Proposed List of Reimbursable Items
under the Operating Expenses Allowance**

I. Expenses on Employment of Assistants

- Staff remuneration
- Medical benefits
- Insurance payments
- Provident fund contributions
- Statutory payments under labour laws
- Recruitment expenses
- Training expenses for DC member's assistants

II. Other Expenses

- Office accommodation expenses, including -
 - ❖ rentals
 - ❖ management fees
 - ❖ rates and Government rent
 - ❖ office insurance
 - ❖ cleaning service charges
 - ❖ water and sewage charges
 - ❖ electricity charges
 - ❖ **proposed new item - stamp duty for rental agreements**

- Communication charges
- Equipment and furniture
- Repair and maintenance of equipment and furniture purchased with OEA and ITOSG and located in the DC member's ward offices
- Expenses on publicity items promoting DC member's ward office for the purpose of conducting DC business
- Stationery
- Periodicals, newspapers and publications
- Printing
- **Proposed new item - Miscellaneous items essential for the smooth running of ward offices (e.g. basic office renovation, tools for doing basic repair work, light bulbs/florescent tubes, door locks, cleansing tools and materials)**

Note : This list is for reference only. All expenses incurred should be essential and solely for discharging DC duties.

**Proposed List of Non-reimbursable Items
under the Operating Expenses Allowance**

- Refundable deposits *
- Penalties *
- Cooking utensils and appliances (other than kettle, distilled water dispenser, refrigerator and microwave oven) *
- Decorative items, such as paintings, photo frames, flowers, etc. *
- Greeting cards, X'mas cards, etc. *
- Sponsorship *
- Entertainment (including food and beverage) and travelling expenses #
- Medical and dental expenses for the DC member himself or herself
- Insurance plans for the DC member himself or herself
- Remuneration and benefits for the DC member himself or herself
- Training for the DC member himself or herself
- Expenses arising from non-DC related duties

* Same as those on the list of non-reimbursable items for LegCo Members.

These items have been covered in the calculation of honorarium for DC members.

Note : This list, which is not exhaustive, is for reference only. All expenses incurred should be essential and solely for discharging DC duties.