

ITEM FOR FINANCE COMMITTEE

HEAD 40 – EDUCATION DEPARTMENT

Recurrent Account

Subhead 300 Code of Aid for primary schools

Subhead 305 Code of Aid for secondary schools

Subhead 320 Code of Aid for special schools

Capital Account

Subhead 700 General other non-recurrent

New Item “Transition Furniture and Equipment Grant”

Subhead 852 Code of Aid for primary schools – furniture and equipment
(existing schools) (block vote)

Subhead 856 Code of Aid for secondary schools – furniture and equipment
(existing schools) (block vote)

Subhead 859 Code of Aid for special schools – furniture and equipment
(existing schools) (block vote)

Members are invited to –

- (a) accept the financial implications of introducing a recurrent Composite Furniture and Equipment Grant for aided schools to replace various existing furniture and equipment grants with effect from the 2001/02 school year; and
- (b) approve the creation of a new commitment of \$110.4 million for providing a one-off Transition Furniture and Equipment Grant to existing aided schools.

PROBLEM

The present funding arrangements for meeting the furniture and equipment (F&E) requirement of aided schools are cumbersome and not conducive to school-based management.

/PROPOSAL

PROPOSAL

2. With the support of the Secretary for Education and Manpower, the Director of Education (D of E) proposes to –

- (a) introduce a new recurrent Composite Furniture and Equipment Grant (CFEG) for aided schools with effect from the 2001/02 school year to replace the various existing recurrent and non-recurrent F&E grants; and
- (b) provide a one-off Transition Furniture and Equipment Grant (TFEG) to aided schools in the 2001/02 school year to help schools meet their immediate F&E requirement, given that the existing annual exercise for schools to bid for non-recurrent F&E subsidy will cease with the introduction of CFEG.

The CFEG will be payable to an aided school when its New F&E Grant account¹ has been closed. The TFEG will be payable to all aided schools which have their New F&E Grant account closed in the 2001/02 school year or before. The proposed rates for the CFEG and the TFEG are specified at the Enclosure.

Encl.

JUSTIFICATION**Current Funding Arrangement**

3. At present, there are various funding arrangements for meeting the F&E requirement of aided schools, including –

- (a) schools may use the recurrent School and Class Grant for procurement of minor F&E items on a standard list costing less than \$3,000 per purchase in respect of primary/special schools and less than \$8,000 per purchase in respect of secondary schools;
- (b) schools which have joined the School Management Initiative (SMI)² scheme receive in addition a provision for F&E under their recurrent block grant for the purchase of F&E items to meet their needs;
- (c) special schools with a boarding section receive a recurrent Boarding Grant in which there is an F&E element for standard items costing less than \$3,000 per purchase;

/(d)

¹ New F&E Grant account is the set-up fund provided for the initial F&E requirement of a new school.

² The School Management Initiative Scheme, implemented in 1991, aims to provide schools with a school-based management framework, with participation of various school stakeholders, for continuous school improvement geared to the delivery of quality education.

- (d) starting from the 1998/99 school year, all schools are also provided with a Special Recurrent F&E Grant ranging from \$700 to \$3,000 per class per annum; and
- (e) apart from the above recurrent grants, every year schools may apply for a non-recurrent subsidy on a competitive basis for the purchase of major F&E items.

4. When seeking Members' approval of the Special Recurrent F&E Grant (paragraph 3(d) above) on 12 March 1999, we undertook to review the F&E needs of schools, with a view to further improving the funding arrangement. In August 1999, we adopted a new set of tendering and purchasing procedures, which gives schools greater flexibility in such matters within an accountable framework. Moreover, we have introduced the Operating Expenses Block Grant (OEBG) for aided schools with effect from the 2000/01 school year, which gives them greater flexibility in school planning. However, these improvements are still unable to address the three main problems with the existing arrangements for F&E.

5. First, there are different funding arrangements for SMI schools and non-SMI schools. As Government's education policy is that all schools should practise school-based management from the 2000/01 school year, there should no longer be a distinction in F&E funding between SMI and non-SMI schools. Second, the various F&E grants, each with its different ambit and disbursement mechanism, are cumbersome to administer, involving a lot of work on the part of schools as well as the Education Department. Third, since the non-recurrent F&E subsidy is subject to competitive bidding, it does not provide the certainty required for schools to develop long-term plans as are necessary under school-based management. Schools therefore have expressed their wish for a simplified F&E funding arrangement.

Composite F&E Grant

6. To address these problems, we propose to introduce a new recurrent CFEG for aided schools starting from the 2001/02 school year to replace the various F&E grants mentioned in paragraph 3 above, initially at the rates set out at the Enclosure. The D of E will revise the rates annually in accordance with the movement of the Composite Consumer Price Index.

/7.

7. In devising the proposed rates for the CFEG (and the TFEG), we have consulted the Advisory Committee on School-based Management³ and the school councils. The rates are determined having regard to the existing level of recurrent F&E grants to the different types of schools, and the average non-recurrent subsidy they received over the past five years. Based on these considerations alone, the per class per annum rates should be \$5,020 for whole-day primary schools, \$14,140 for secondary schools, and ranging between \$5,240 and \$18,150 for different types of special schools. We have taken the opportunity to review the adequacy of the provision for primary schools, and decided to set the rate for whole-day schools at \$6,830 per class per annum instead. This represents a ratio of 1:2.07 between primary schools and secondary schools, which is the current ratio between the initial F&E cost of a new standard primary school (\$4,536,000) and that of a new standard secondary school (\$9,392,000). The CFEG rate for each session in bi-sessional primary schools is proposed to be 70% of that for whole-day primary schools, i.e. \$4,780 per class per annum, to take into account the higher rate of wear and tear in bi-sessional schools.

8. Upon introduction of the CFEG, schools can –
- (a) use it to purchase F&E items, including items for special rooms and ancillary facilities;
 - (b) retain unspent CFEG and TFEG funds up to an amount equivalent to five times the provision of CFEG in the current year (please also see paragraphs 10 and 11 below); and
 - (c) use surplus in the general domain of the OEBG to supplement the CFEG but not vice versa.

9. We will continue to make separate non-recurrent provisions to schools, apart from the CFEG, such as for replacing and upgrading the F&E items required for the school administration and management computer system, information technology in education projects, and education television. If necessary, we will also provide separate F&E funding for launching new educational initiatives and, in accordance with the Codes of Aid, for replacing standard items lost in disasters, theft, burglary, fire, etc.

/One-off

³ The Advisory Committee on School-based Management has its membership drawn from school principals, teachers and school council members. It is chaired by a member of the Board of Education.

One-off TFEG

10. At the same time as the implementation of the CFEG from the 2001/02 school year, we will cease the arrangement mentioned in paragraph 3(e) above for schools to bid for a non-recurrent F&E subsidy. We recognise that as a consequence, for schools which have been planning to seek a non-recurrent subsidy for major F&E purchases in the next year or so, they may not be able to accumulate the necessary funds to do so under CFEG within that timeframe. To address this problem and facilitate the schools' transition to the new scheme, we propose to give schools a one-off TFEG in the 2001/02 school year for purchase of F&E items, including items for special room and ancillary facilities. The rates of the TFEG are at the Enclosure.

11. The rates are determined having regard to the difference between the average non-recurrent F&E subsidy disbursed to the schools which received the largest amounts of subsidy in 2000-01, and the average non-recurrent subsidy provided to each type of school in the past five years⁴.

12. We will monitor the effectiveness of the CFEG in meeting schools' F&E needs, and the extent to which it helps schools in their long-term planning under school-based management. If necessary, we will conduct utilization surveys of the CFEG to gauge the need of schools.

Accountability

13. Under school-based management, schools have to relate their school budget, including the budget for F&E, to the annual school plan and publish a financial statement in the annual report. Both the annual school plan and the annual report have to be approved by the School Management Committee.

FINANCIAL IMPLICATIONS

14. We estimate that introduction of the CFEG will incur recurrent financial implications of \$216.1 million in 2001-02. However, the CFEG will replace the existing recurrent and non-recurrent F&E grants mentioned in paragraph 3 above. Should those existing grants continue, their total estimated cost will be some \$183.6 million in 2001-02. On this basis, we estimate that the net

/additional

⁴ For example, the proposed TFEG for a secondary school is \$192,390 (rounded from \$192,385), i.e. \$473,540 (average approved subsidy of the 15% secondary schools receiving the largest amounts of subsidy in the 2000-01 financial year), minus \$281,155 (the five-year average F&E subsidy for secondary schools).

additional financial implications of introducing the CFEG will be around \$32.5 million, mainly attributable to real improvements in the subsidy for primary schools. Disbursement of the one-off TFEG will require \$110.4 million in 2001-02. If Members agree to these proposals, we shall reflect the introduction of the CFEG and the TFEG in the Draft Estimates for 2001-02.

BACKGROUND INFORMATION

15. In general, the initial costs of providing F&E for new aided schools are borne by the school sponsors. Subsequent replacement and upgrading of the F&E items are funded by Government through various recurrent and non-recurrent grants.

16. Education Commission Report No. 7 recommended that greater funding and administrative flexibility be given to schools to facilitate their implementation of school-based management. To this end, we have so far successively introduced the Special Recurrent F&E Grant, streamlined the tendering and purchasing procedures, and introduced the OEBG for aided schools, which have significantly improved the funding flexibility for F&E.

17. The current proposal was accepted by the Advisory Committee on School-based Management and the various school councils. The Legislative Council Panel on Education was consulted on 20 November 2000.

Education and Manpower Bureau
November 2000

Enclosure to FCR(2000-01)50

**Rates of Composite Furniture and Equipment Grant (CFEG)
and Transition Furniture and Equipment Grant (TFEG)**

Types of schools	Recurrent CFEG Unit rate (per class per annum) \$	One-off TFEG (per school) \$
Primary		
Whole-day	6,830	75,270
Bi-sessional (Note 1)	4,780	102,970
Secondary	14,140	192,390
Special (Note 2)		
School for the Visually Impaired	18,150	59,090
School for the Hearing Impaired	14,870	59,090
School for the Mildly Mentally Handicapped	8,660	59,090
School for the Moderately Mentally Handicapped	8,540	59,090
School for the Severely Mentally Handicapped	10,390	59,090
School for the Physically Handicapped	12,670	59,090
School for Social Development	9,340	59,090
Hospital School	5,240	59,090
Practical School	10,550	59,090
Skills Opportunity School	10,270	59,090

Note 1: For bi-sessional primary schools, the CFEG rate is for each session while the TFEG is for a school covering both the morning and afternoon sessions.

Note 2: The CFEG rates do not include the boarding section, if any. The TFEG rates include the boarding section where appropriate.

/Rates

Rates of CFEG for the Boarding Section of Special Schools

Types of schools	Recurrent CFEG Unit rate (per place per annum) \$
School for the Visually Impaired	720
School for the Hearing Impaired	1,200
School for the Moderately Mentally Handicapped	950
School for the Severely Mentally Handicapped	720
School for the Physically Handicapped	1,560
Practical School	960