

LegCo Panel on Education

Composite Furniture and Equipment Grant

PURPOSE

This paper seeks Members' view on a new and unified funding arrangement for aided schools with effect from the 2001/02 school year.

BACKGROUND

2. When seeking the Finance Committee's approval for a special recurrent Furniture and Equipment (F&E) Grant on 12 March 1999, the Education Department (ED) undertook to review the F&E needs of schools, with a view to further improving the funding arrangement.

3. Since August 1999, schools have been following a new set of tendering and purchasing procedures, which gives them greater flexibility in tendering and purchasing matters within an accountable framework. Moreover, schools are disbursed with an Operating Expenses Block Grant with effect from the 2000/01 school year to give them greater flexibility in school planning. Schools welcome the above measures and have expressed their wish for a simplified F&E funding arrangement to go with the new tendering and purchasing procedures and the Operating Expenses Block Grant.

DEFICIENCIES IN EXISTING ARRANGEMENTS

4. A review of the existing F&E funding arrangements¹ has

¹ The existing F&E grants for aided schools include: (1) the Recurrent F&E Grant for SMI schools; (2) the Non-recurrent F&E Grant for non-SMI schools; (3) the F&E Provision under the School & Class Grant; (4) the Special Recurrent F&E Grant and (5) the F&E Provision under the Boarding Grant for

revealed the following issues -

- (a) as the Education Commission Report No.7 has recommended that all schools should practise school-based management from the 2000/01 school year, there is no reason to maintain different F&E funding arrangements for schools under the School Management Initiative (SMI)² and others not on the scheme;
- (b) for major purchases of F&E replacement not covered by the recurrent grants, schools have to apply for a non-recurrent F&E subsidy from the Capital Account in response to an annual circular from ED inviting bids;
- (c) the recurrent F&E provision for primary schools is considered not adequate; and
- (d) there is a lack of flexibility in utilizing the F&E grants.

PROPOSAL

Composite Furniture and Equipment Grant (CFEG)

5. To provide schools with funding certainty and greater flexibility and to improve efficiency, we propose to introduce a new CFEG to replace the various sources of funding for F&E replacement in aided schools. We calculate the rates separately for primary schools, secondary schools and the different types of special schools, to include the following -

- (a) the F&E provision in the School & Class Grant and the Special Recurrent F&E Grant under the Recurrent Account; and
- (b) the average approved subsidy per year for schools for F&E

special schools.

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.

purposes under the Capital Account for the past five years.

For the boarding section in special schools, we include in the consolidated rates the F&E provision in the Boarding Grant under the Recurrent Account and the average approved boarding subsidy per year for special schools for F&E requirements under the Capital Account in the past five years.

6. The resultant per class per annum rates are \$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 propose to raise the rate for whole-day primary schools to \$6,830, using the ratio of 1:2.07 for primary schools to secondary schools. This ratio is that of the current F&E cost for a new standard primary school to that of a new standard secondary school. As for the CFEG rate for each session in bi-sessional primary schools, we propose to set it at 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. A full list of the proposed CFEG rates are set out in the **Enclosure**.

7. The main features of the CFEG which will be funded under the Recurrent Account are -

- (a) schools can use the CFEG to purchase F&E items according to the needs of their students without restrictions. It will cover the general F&E items of a school, including its special rooms and ancillary facilities;
- (b) schools may retain unspent funds of up to five years' provision of the CFEG to facilitate their asset replacement plans; and
- (c) schools may use surplus in the general domain of the Operating Expenses Block Grant to supplement the CFEG but not vice versa.

8. We will continue to make separate provision outside the CFEG for standard F&E items required for the school administration and management computer system, information technology in education projects, and education television. We will also provide separate F&E

funding to support Government's new educational initiatives in future if necessary and for replacing standard items lost in disasters, theft, burglary, fire, etc.

One-off Transitional Furniture and Equipment Grant (TFEG)

9. With the implementation of the CFEG from the 2001/02 school year, we will no longer invite bids from schools under the Capital Account for replacement of major F&E items. We recognise that, for schools which are planning to make major purchases of F&E items in the next year or so, they may not have accumulated the necessary resources to do so under the CFEG in the initial years. To facilitate the transition to the new scheme, we propose to give schools a one-off grant. We propose to set the rate at the average F&E subsidy from the Capital Account approved for the top 15% schools (in terms of the amount of subsidy) in 2000-01, minus the 5-year average of subsidies provided from the Capital Account (which has already been factored in when calculating the CFEG). For example, the TFEG for a secondary school is \$192,385 (rounded to \$192,390), i.e. \$473,540 (average approved subsidy of the top 15% secondary schools) minus \$281,155 (the 5-year average F&E subsidy for secondary schools). The rates of the TFEG for different types of schools are at **the Enclosure**. Any unspent balance of the TFEG will be counted together with the CFEG for the purpose of building up a reserve to meet the long term F&E needs of schools, as provided for in paragraph 7(b).

Review

10. To maintain the real value of the CFEG, we will revise the rates annually in accordance with the movement of the Composite Consumer Price Index. We will conduct utilization surveys of the CFEG to gauge the need of schools as and when required. We will measure the effectiveness of the CFEG in helping schools to meet the needs of students and make long-term planning for improvement in the overall context of school-based management.

Accountability

11. While enjoying greater funding flexibility, schools should put in place proper procedures for planning of F&E

acquisition/replacement, monitoring and evaluation. To enhance transparency, schools have to relate their school budget 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. Schools should adhere to the CFEG utilization guidelines issued by the Education Department.

FINANCIAL IMPLICATION

12. The recurrent CFEG will cost around \$216 million per year. The requirement will be met by pooling the allocations earmarked for the existing recurrent and non-recurrent F&E grants, and from the recurrent allocation of \$800 million earmarked for the implementation of education reform. We have also earmarked a one-off provision of \$110 million for the TFEG in 2001-02. Subject to approval of the Finance Committee, we will reflect the proposal in the Draft Estimates for 2001-02.

CONSULTATION

13. The proposed CFEG package has gained the general acceptance of the Advisory Committee on School-based Management and the various school councils.

ADVICE SOUGHT

14. Members are invited to comment on the proposal from paragraphs 5 to 11.

Enclosure

Composite Furniture and Equipment Grant

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)		
Visually impaired	18,150	59,090
Hearing Impaired	14,870	59,090
Mildly Mentally Handicapped	8,660	59,090
Moderately Mentally Handicapped	8,540	59,090
Severely Mentally Handicapped	10,390	59,090
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.

Recurrent CFEG for the boarding section of special schools

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