

ITEM FOR FINANCE COMMITTEE

**HEAD 156 – GOVERNMENT SECRETARIAT :
EDUCATION AND MANPOWER BUREAU
Subhead 000 Operational expenses**

Members are invited to approve new rates under the Capacity Enhancement Grant for government and subvented schools to hire additional staff and/or procure services according to their needs and priorities, by increasing the existing rates for primary and special schools by 100% and the existing rates for secondary schools by 150%, for three school years with effect from the 2005/06 school year.

PROBLEM

We need to provide additional support for teachers to cope with the implementation of the assessment for learning at the initial stage and cater for the diverse learning needs of students.

PROPOSAL

2. The Secretary for Education and Manpower (SEM) proposes to adjust the existing rates of the Capacity Enhancement Grant (CEG) for government schools and subvented schools^{Note} for a time-limited period of three school years from the 2005/06 school year to the 2007/08 school year; the increase in rates will be set at 100% of the existing rates for primary and special schools and 150% of the existing rates for secondary schools.

/JUSTIFICATION

^{Note} For the purpose of disbursement of CEG, “subvented schools” means aided schools, caput schools, schools under the Direct Subsidy Scheme and schools receiving Government subsidies for running full-time initiation programmes for newly-arrived children and young people.

JUSTIFICATION

Assessment for learning and students' diverse learning needs

3. We propose to increase funding to further relieve teachers' workload, and create more space for facilitating the progressive implementation of the initiatives relating to assessment for learning (namely the Territory-wide System Assessment (TSA) and the School-based Assessment (SBA) as explained in paragraphs 4 and 5 below) as well as coping with the diverse learning needs of students.

4. Both the TSA and SBA were introduced in accordance with the blueprint for education in the 21st century that was recommended by the Education Commission following extensive consultation and published in 2000. TSA aims to assess whether students have attained the basic competencies at the end of the three key stages of study (i.e. Primary 3, Primary 6 and Secondary 3). It was first introduced to Primary 3 in 2004 and was extended to Primary 6 in 2005. It will be extended to Secondary 3 in 2006. Based on detailed analysis of student performance in the TSA, schools have taken steps to help improve student performance, in particular, those who do not reach the basic competency levels. More fundamentally, schools have to integrate into everyday teaching and learning the competencies reflected in the TSA, instead of preparing students separately for the assessment. This will require a review of the existing school curriculum and teaching practices. The proposed additional time-limited funding will relieve the workload of teachers and help to enhance the capacity of teachers in developing effective strategies to cope with student diversity and improve the students' learning outcomes.

5. SBA aims to put more emphasis on the assessment of a wider range of abilities of students, to strengthen the tie between assessment and teaching, and to reduce the pressure of "one-off examination" on students. It also enables teachers to assess students' performance in specific areas which cannot readily be assessed through the public examination. It will be introduced initially to the Hong Kong Certificate of Education Examination (HKCEE) Chinese and English Languages in 2007, which will adopt standards-referenced reporting for the first time. We acknowledge that in the run-up to the introduction in 2007, it will require additional developmental efforts of schools to establish a sustainable framework, in terms of workflow, procedures and logistical arrangements for conducting SBA. The proposed additional time-limited funding will facilitate teachers in taking forward this task.

/Proposed

Proposed additional time-limited funding

6. As the additional workload arising from progressive implementation of the above initiatives relating to assessment for learning will mainly be developmental in nature, we propose to increase funding for a time-limited period of three school years. We propose to adjust the yearly rates of CEG upward as follows –

	Increase of basic rates for threshold number of operating classes or below in respective schools	Increase of per-class rates for classes exceeding the threshold number	Increase of flat rates
Secondary Schools (150% of existing rates)	\$352,772 (first 12 classes)	\$23,303 (per class)	\$632,408 (24 or more classes)
Primary Schools (100% of existing rates)	\$148,514 (first 6 classes)	\$20,377 (per class)	\$515,300 (24 or more classes)
Special Schools (100% of existing rates)	\$148,514 (first 5 classes)	\$26,199 (per class)	\$515,300 (19 or more classes)

Encl. A summary of the existing rates of CEG and the proposed revised rates for the 2005/06 school year is set out at the Enclosure. These rates will be price adjusted every year in line with movements of the Composite Consumer Price Index (CCPI).

7. The higher rates for secondary schools compared with those for primary and special schools have taken into account the fact that the existing rates of CEG for primary schools are currently roughly 20% higher than that for secondary schools; that while TSA is applicable to both the primary and secondary schools, SBA will only be applicable to secondary schools; and that the secondary schools are at the same time heavily engaged in the preparation for the implementation of the SBA in the HKCEE Chinese and English Languages in 2007. With the proposed additional time-limited funding of CEG, the revised flat rates for CEG for an ordinary primary or secondary school with 24 classes and a special school with 19 classes will be roughly the same, which is slightly over \$1 million per school per annum.

/Detailed

Detailed arrangement of the proposed additional time-limited funding

8. The proposed increase in funding will allow an ordinary primary or secondary school with 24 classes or a special school with 19 classes in receipt of the flat rate to employ about two to three more teachers. Schools have to confirm that they will use the additional time-limited funding of CEG to relieve teachers' workload mainly by employing additional teachers or ancillary staff.

9. At the end of the three-year period, we expect schools to be familiarised with the TSA and will have institutionalised the SBA in day-to-day teaching and learning activities. Schools will then be expected to make full use of the existing recurrent subvention from Government for supporting these ongoing initiatives. The rates of CEG will revert back to the existing levels, save for the usual price adjustment.

10. As at present, CEG at the proposed enhanced rates will continue to be calculated on the basis of the number of operating classes in the school year concerned. The actual grant provided to schools each year will be adjusted annually based on the established mechanism in accordance with the CCPI movement.

11. CEG is a constituent grant under the Operating Expenses Block Grant (OEBG) for aided schools (as well as the expanded OEBG for aided schools which have established an Incorporated Management Committee) and Subject and Curriculum Block Grant (SCBG) for government schools (as well as the expanded SCBG for government schools with an approved constitution), and schools may retain up to 12 months of their respective provision under OEBG/SCBG as reserve. The existing mechanism under which CEG is operated and monitored (including but not limited to reserve retention) will continue to apply to the adjusted rates of CEG.

FINANCIAL IMPLICATONS

12. In the 2004/05 school year, \$252 million was disbursed through the CEG for primary schools, \$183 million for secondary schools and \$18 million for special schools.

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13. For the 2005/06 school year, we estimate that the proposed increase in funding will generate an additional expenditure of about \$550 million. For the three-year period from the 2005/06 to the 2007/08 school year, the proposal would involve a total additional expenditure of some \$1,650 million before price adjustment.

14. According to the disbursement schedules for the various types of schools, the estimated cash flow requirements for the additional expenditure in the respective financial years are as follows –

Financial year	\$ million
2005-06	499
2006-07	581
2007-08	550
2008-09	20
Total	1,650

15. For 2005-06, we have earmarked the funding required for the purpose under Head 156 Government Secretariat: Education and Manpower Bureau Subhead 000 Operational expenses. We will earmark the funding required for the subsequent years in the draft Estimates of the relevant financial years.

BACKGROUND INFORMATION

16. As approved by the Finance Committee (FC) on 17 November 2000 vide FCR(2000-01)43, CEG was first introduced in the 2000/01 school year to reduce teachers' workload, so that they will have enhanced capacity to concentrate on the following three tasks which have been identified as critical in the education reform –

- (a) curriculum development, including the integration of information technology in teaching;
- (b) enhancing students' language proficiency; and
- (c) coping with diverse and special learning needs of students with varied abilities, ranging from the gifted ones to those with learning difficulties.

Schools may flexibly deploy CEG to hire additional staff and/or procure services according to their needs and priorities. CEG has been well-received by the education sector since its introduction. We have completed a review on the effectiveness of CEG in 2003/04 school year, which has also affirmed that CEG has been successful in reducing teachers' workload and improving student learning.

17. When CEG was first introduced in the 2000/01 school year, the rates of CEG were initially set at \$550,000 and \$300,000 respectively for primary and secondary schools with 19 or more classes, and \$450,000 and \$250,000 respectively for primary and secondary schools with less than 19 classes. FC approved on 7 December 2001 vide FCR(2001-02)45 the increase of the rates of CEG for secondary schools by 50% with effect from the 2001/02 school year in order to further enhance the capacity of secondary school teachers to cope with changes in the education system. FC further approved on 30 May 2003 vide FCR(2003-04)13 the rationalisation of CEG funding levels and a finer formula for the calculation of the rates of CEG (based on a basic provision plus a per-class rate subject to a ceiling) in response to the recommendation of the Director of Audit. The summary of existing rates of CEG at Enclosure has reflected the above developments.

18. In August 2005, SEM attended meetings with various school councils and education organisations. The representatives agreed that CEG was one of the most effective measures for reducing teachers' workload. They strongly requested the continual disbursement of CEG and an increase of the rates of CEG. In October 2005, during the meeting of the Legislative Council (LegCo) Panel on Education on the 2005-06 Policy Address, Members also asked for more effective deployment of resources by providing extra non-recurrent provisions to schools for meeting their needs. We subsequently held internal discussions on the above suggestions and met the school councils in December 2005 to discuss the priorities in the use of resources. In January 2006, we consulted major school councils, school sponsoring bodies, education organisations and unions of school heads again on the details of the proposed additional time-limited funding for CEG. Representatives from these organisations are in support of the proposal.

CONSULTATION WITH THE PANEL ON EDUCATION

19. We consulted the LegCo Panel on Education at its meeting on 26 January 2006. Members raised no objection to the proposal. Some Members suggested that the Education and Manpower Bureau should conduct a review on the effectiveness of CEG in relieving teachers' workload and consider providing CEG

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on a recurrent basis. In this regard, we will conduct a review before the end of 2007/08 school year to evaluate the effectiveness of the additional time-limited funding of CEG in relieving teachers' workload and improving students' learning. Subject to the review results and the availability of resources, we shall consider whether the proposed additional time-limited funding should become recurrent.

Education and Manpower Bureau
February 2006

**Summary of existing rates of CEG
and proposed rates of CEG with additional time-limited funding
for the 2005/06 school year**

Existing rates of CEG

	Basic rates for threshold number of operating classes or below in respective schools	Per-class rates for classes exceeding the threshold number	Flat rates
Secondary Schools	\$235,181 (first 12 classes)	\$15,535 (per class)	\$421,601 (24 or more classes)
Primary Schools	\$148,514 (first 6 classes)	\$20,377 (per class)	\$515,300 (24 or more classes)
Special Schools	\$148,514 (first 5 classes)	\$26,199 (per class)	\$515,300 (19 or more classes)

Proposed rates of CEG with additional time-limited funding

	Basic rates for threshold number of operating classes or below in respective schools	Per-class rates for classes exceeding the threshold number	Flat rates
Secondary Schools	\$587,953 (first 12 classes)	\$38,838 (per class)	\$1,054,009 (24 or more classes)
Primary Schools	\$297,028 (first 6 classes)	\$40,754 (per class)	\$1,030,600 (24 or more classes)
Special Schools	\$297,028 (first 5 classes)	\$52,398 (per class)	\$1,030,600 (19 or more classes)
