Paper No.   /

LegCo Panel on Education

Operating Expenses Block Grant

INTRODUCTION

This paper presents a proposal to implement a recurrent Operating Expenses Block Grant (OEBG) in all aided schools and to apply similar arrangements to government schools, with effect from the 2000/01 school year.

BACKGROUND

2.		Two main concerns often expressed by schools about the inadequacy of flexibility in using the government's subsidies are -

(a)	each of the grants given to schools has its own specific ambit. Virement of funds among them is generally not allowed (except for elements within the Block Grant under the School Management Initiative which was introduced in 1991).

(b)	for each grant, schools are allowed to keep surpluses for a specified period. But this period varies from grant to grant, which may be three months, six months or twelve months. It would be more convenient to schools if the period is uniform and as long as possible.

We agree that such existing arrangements are not conducive to school-based decision-making and long-term planning. In line with our plan for all public sector schools to practise school-based management in 2000, we propose to implement an OEBG to provide schools with greater flexibilities by breaking down existing grant lines and by allowing schools to keep a larger reserve. This proposal is made following discussion with relevant parties, including the Advisory Committee on School-based Management and the schools councils.

THE PROPOSAL

Structure and Virement Flexibility

3.   The proposed OEBG will comprise virtually all the recurrent grants now given to schools, with the exception of the Salaries Grants and grants disbursed on reimbursement basis. Non-recurrent grants and recurrent items not included in the OEBG will continue to be provided on existing bases. The OEBG at *Annex* comprises two domains –

(a)   a **General Domain,** which in monetary terms is by far the larger part of the OEBG. Schools should devise their own budgets and, in doing so, are allowed to set flexibly the allocations for each constituent in this domain. If surpluses are available, schools may use them to top up expenditure on Special Domain items (see (b) below), as approved by the School Management Committees. Surpluses of General Domain can also be used on items chargeable to other government funds outside the OEBG but cannot be vired to non-government funds accounts of the schools.

(b)   a **Special Domain** for funds which schools can only use for the specified purposes. The rationale behind is to ensure that schools will deploy the funds earmarked for meeting special needs and specific policy objectives. Each grant within the Special Domain is separate and no virement will be allowed among the grants. Further, funds in this Domain cannot be transferred out, though schools can increase funds for a Special Domain grant through, for instance, virement from the General Domain.

The content of the OEBG will change over time. In the light of experience and changing circumstances, we may consider, for instance, reclassifying an item in Special Domain as General or grouping some constituent grants in Special Domain to allow virement of funds among such grants. In future when funds are available for new initiatives, we shall determine whether the funds should be included in the OEBG, and in which of its two domains.

4.   As mentioned above, the OEBG excludes some recurrent grants which are paid on reimbursement basis, e.g., grants for rents and rates, passage and baggage grants for teachers on overseas terms, etc. As schools cannot have much flexibility over the use of such grants, their inclusion would be meaningless. Instead, we shall separately streamline the processing of such grants.

5.   The level of OEBG grant for individual schools will continue to

be determined on existing bases, for instance, by reference to the number of classes, the number of pupils or the subjects run. Therefore, as at present, not all schools will receive all the grants listed in *Annex* (e.g., a school that does not offer Design and Technology classes will not receive this subject grant), and for an individual school the level may also vary over time when there are changes in its number of class, number of students, etc.

Initial Level of Funding and Subsequent Revisions

6. In general, the OEBG does not seek to change the level of funding for each constituent grant. The initial level of OEBG for the 2000/01 school year will equal the sum of its constituent grants calculated at existing rates, i.e. the rates for school year 1999/2000 despite the deflation in 1999.

7. For subsequent revisions, we propose to continue with the present practice of annually revising the grants in accordance with the movement in prices. The existing practice is that we use the CPI(A), CPI(B) or civil service salary adjustment (as the case may be) to revise the various constituent grants in the OEBG. We now recommend that all constituents of the OEBG be revised by reference to the Composite Consumer Price Index (CCPI). The main reason for our recommendation is that the removal of the grant lines under the OEBG no longer justifies revision of its constituent elements in accordance with different indices. We also consider that the use of one single index will greatly facilitate schools and Government in administering the OEBG.

8. Apart from inflation adjustment, we shall review the need to revise in real terms the level of funding of individual grants as and when required. If the needs are justified, we will seek resources in line with existing practice through the Government's Resource Allocation Exercise.

Surplus Retention

9. To give schools greater flexibility, we propose that for all grants in the OEBG, schools be allowed to retain surplus balance up to 12 months' provision of the OEBG. This will enable schools to make longer-term budgetary planning for the most effective use of the funds. It is also proposed that the Director of Education will have the discretion to approve retention of savings above 12 months' provision to cater for exceptional cases.

Accountability Arrangement

10.   We consider that greater funding flexibility should come with adequate accountability and transparency. While the use of funds in the OEBG will continue to be subject to the Codes of Aid and guidelines issued by the Director of Education, we shall be introducing additional accountability requirements. In summary, we propose that -

    (a)   **at school level** - schools will be required to adopt a participatory decision making process, relate the school budgets to school plans, and publish the financial statements in their annual reports. Schools will also be required to keep a separate ledger account for each of the grants to record how resources are allocated. Schools will continue to be required to submit their audited annual accounts to Education Department. We shall provide to schools information on the grants and other monies relevant to them.

    (b)   **at system level** – schools will continue to be accountable to the Director and report outcomes of activities as and when required. In the longer term, when the School-based Management framework is fully established it will include more comprehensive governance/accountability requirements. Before then and for the purpose of implementing the OEBG for the 2000/01 school year, we shall develop some interim requirements along the above lines.

Support From the Department

11.   In parallel with additional accountability requirements, the Department will provide greater support to schools to help them better realise the benefits of the OEBG. Among other things, we shall advise schools of the guidelines on the funding flexibility and accounting arrangements under the OEBG. We shall issue a user guide, provide help-desk and organise training sessions for schools. We shall also continue with our effort to streamline procedures and remove unnecessary constraints on the use of funds. The District Education Officers will continue to advise schools on an on-going basis. Through these and other channels, we shall keep track of the implementation of the OEBG. We plan to conduct a review as soon as possible after the completion of the first year implementation to identify areas for improvement.

Funding Flexibility for Government Schools

12.   We shall extend similar funding flexibility to Government schools along the same design principles outlined above.

FINANCIAL IMPLICATIONS

13.   The proposal is fundamentally cost neutral because it does not either reduce or increase the level of individual grants which are currently provided to schools. Rather, it consolidates individual grants into one block grant and categorises them under two domains.

FURNITURE AND EQUIPMENT

14.   Currently, schools' furniture and equipment (F&E) is funded through recurrent and non-recurrent grants. We have been discussing with the Advisory Committee on School-based Management a proposal to create a recurrent composite furniture and equipment grant to replace the F&E grants in the OEBG and the non-recurrent F&E grant. If the proposed composite furniture and equipment grant materialises, we are inclined to include it in the OEBG.

ADVICE SOUGHT

15.   Members are invited to comment on the proposals in paragraphs 3 to 12 above.

EDUCATION DEPARTMENT
March 2000

Components of the Operating Expenses Block Grant

For Aided Secondary Schools

General Domain

Name of grant	Level of grant for School Year 1999/2000
Art and Design	$45 pppa (S1-3) $66 pppa (S4-5)
Computer Literacy	$2,000 per level
Computer Studies	$7,200 pspa
Design & Technology	$137 pppa (S1-3) $207 pppa (S4-5)
Home Economics	$81 pppa (S1-3) $120 pppa (S4-5)
Integrated Science	$28 pppa
Accommodation and Catering Services	$207 pppa
Electronics & Electricity	$207 pppa
Engineering Science	$207 pppa
Fashion and Clothing	$207 pppa
Metal Work	$207 pppa
Textiles	$207 pppa
Putonghua	$1,625 pspa
ASL Biology	$1,370 pcpa
ASL Chemistry	$1,730 pcpa
ASL Chin Lang. & Culture	$650 pcpa
ASL English Literature	$660 pcpa
ASL GPA	$750 pcpa
ASL Use of English	$638 pcpa
ASL Design & Technology	$6,488 pcpa
ASL Computer Application	$2,300 pcpa
ASL Music	$2,000 pcpa
ASL Art & Design	$4,046 pcpa
ASL Electronic	$5,288 pcpa
ASL Ethics and Religious Studies	$640 pcpa
AL Computer Studies	$2,300 pcpa
AL Engineering Science	$6,488 pcpa
AL Biology	$1,750 pcpa
AL Chemistry (Teacher Assessment Scheme)	$2,650 pcpa
Loop System	$600 pspa
Recurrent English language Grant	$600 (S1-3) pcpa $900 (S4-5) pcpa
Civic Education Project	$500 pcpa
Consumable for Information Technology Learning Centre	$5,000 pspa
School-based Teacher Induction Project Grant	$1,200 pspa

Name of grant	Level of grant for School Year 1999/2000
School and Class Grant	School Grant Grammar: $81,180 Technical: $74,000 Prevocational: $89,620 Class Grant Grammar: $19,990 Technical: $23,550 Prevocational: $32,090
Administration Grant	Grammar and Technical $91,674 (S1-5) pcpa $82,934 (S6-7) pcpa Prevocational $107,153 (S1-5) pcpa $82,934 (S6-7) pcpa
Administration Grant for additional Clerical Assistant	Mid-Point of Clerical Assistant
Administration Grant for Academically Low Achievers	$84,000 pspa
Recurrent Furniture & Equipment Grant (School Management Initiative (SMI))	$3,681 pcpa
Noise Abatement Grant	$6,880 pcpa $17,450 per special room per annum
Lift Maintenance Grant	Electricity per month $2,000 per lift $500 per stair lift $85 per hydraulic platform Maintenance per month $4,000 per lift $3,700 per stair lift $2,085 per hydraulic platform
Air conditioning Grant for Preparation Room of Laboratories	Electricity : $2,800 per room per annum Maintenance : $1,000 per room per annum
Staff Development Grant	$3,360 pspa
Enhancement Grant	$200 pcpa
Supplementary Grant	$127,440 pspa (less than 24 classes) $159,300 pspa (24 or more classes)

Special Domain

Name of grant	Level of grant for School Year 1999/2000
School-based remedial support programme	$15,400 per additional teacher per school Year
Integration of children with special education needs (SEN)	$1,000 pppa
SEN Incidental Grant	$700 pppa
School-based New Arrival Children Support Scheme	$3,330 pppa
Programme Funds for Whole-school Approach to Guidance and Discipline	$6,900- 29 classes or more $5,750 - 24 to 28 classes $3,910 - 12 to 23 classes $1,610 - 1 to 11 classes
School-based Intensive English Course for S6	$24,030 per class
Information Technology (IT) in Education Project	$67,000 per school $76,000 per pilot school
IT Incentive Grant	$14,828 pspa
Special Furniture & Equipment Grant	$2,000 pcpa
Chinese Extensive Reading Scheme	$13,500 pspa
English Extensive Reading Scheme	$13,500 pspa

For Aided Primary Schools

General Domain

Name of grant	Level of grant for School Year 1999/2000
Activity Approach Grant	$1,390 pcpa $880 pcpa $460 pcpa
Target Oriented Curriculum	$585 pcpa
Putonghua	$1,250 pspa
Loop system	$200 pspa
Civic Education	$500 pcpa
Multi-media computer	$14,000 pspa
School-based Teacher Induction Project Grant	$1,200 pspa
School & Class Grant	School Grant $43,200 (non-fee charging) $18,880 (fee charging) Class Grant (non-fee charging) $9,320 (half-day) $10,990(whole-day) $6,270 (special class) Class Grant (fee charging) $4,300 (half-day) $5,970 (whole-day) $3,440 (special class)
Administration Grant	Mid-pt -clerical staff Max pt - janitor staff
Revised Administration Grant	Max pt - janitor staff
Recurrent Furniture & Equipment Grant (SMI)	$873 pcpa
Noise Abatement Grant	Per Cl room/Sf rm $6,880 whole day $8,970 bi-sessional $5,490 unisessional Per Special room $17,450 whole day $22,680 bi-sessional $13,960 unisessional
Lift Maintenance Grant	Electricity charge per month $2,000 - lift $500 - stair lift $85 - hydraulic platform Maintenance per month $4,000 - lift $3,700 - stair lift $2,085 - hydraulic platform
Staff Development Grant	$3,360 pspa
Enhancement Grant	$200 pcpa
Supplementary Grant	$87,300 (less than 12 classes) $116,400 (12 to 24 classes) $145,500 (more than 24 classes)

Special Domain

Name of Grant	Level of grant for School Year 1999/2000
School-based New Arrival Children Support Scheme	$2,000 pppa
Integration of Children with special education needs (SEN)	$1,000 pppa
SEN Incidental Charge Grant	$700 pppa

Name of Grant	Level of grant for School Year 1999/2000
Programme Funds for Whole-school Approach to Guidance and Discipline	$5,750 for 25 classes or more $4,600 (19 to 24 classes) $3,450 (12 to 18 classes) $2,300 (11 classes or less)
IT Incentive Grant	$14,828 pspa
IT in Education Project	$55,000 per whole day school $33,000 per bi-sessional school $71,000 per pilot school $11,000 per bi-sessional school with other session being pilot
Special Furniture & Equipment Grant	$700 per half day class $1,000 per whole day class
English Extensive Reading Scheme	$6,500 pspa (more than 12 classes) $3,250 pspa (12 classes or less)
Chinese Extensive Reading Scheme	$6,500 pspa (more than 12 classes) $3,250 pspa (12 classes or less)

For Aided Special Schools

General Domain

Name of Grant	Level of grant for School Year 1999/2000
Art & Design (S1-5)	$45 pppa (S1-3) $66 pppa (S4-5)
Design & Technology (S1-5)	$137 pppa (S1-3) $207 pppa (S4-5)
Home Economic (S1-5)	$81 pppa (S1-3) $120 pppa (S4-5)
Computer Literacy	$2,000 per level
Computer Studies	$7,200 pspa
Integrated Science	$28 pppa
Target Oriented Curriculum	$585 pcpa
Loop System	$200 pspa (Primary) $600 pspa (Secondary)
Putonghua	$1,250 pspa (Primary) $1,625 pspa (Secondary)
Activities grant for maladjusted children	$200 pppa (Primary) $400 pppa (Secondary)
Civic Education Project	$500 pcpa
Complementary studies	$168,750 pspa
Computers as Communication/ Rehabilitation Aids	$3,000 pspa
Computers for Assisted Learning Activities	$2,000 pspa
School-based Teacher Induction Project Grant	$1,200 pspa
School and Class Grant	School Grant $70,020 Class Grant $13,000 to $23,710
Administration Grant	Mid-pt for clerical staff Max pt for janitor staff
Revised Administration Grant	Max pt for janitor staff
Recurrent Furniture & Equipment Grant (SMI)	$878 - $14,589 pcpa

Name of Grant	Level of grant for School Year 1999/2000
Noise Abatement Grant	Per Cl rm/Sf rm $6,880 Per Special room $17,450
Supplementary Grant	Primary $87,300 pspa (less than 12 classes) $116,400 pspa (12 to 24 classes) $145,500 pspa (more than 24 classes) Secondary $127,440 pspa (less than 24 classes) $159,300 pspa (24 classes or more)
Air conditioning Grant for Preparation Room of Laboratories	Electricity : $2,800 per room per annum Maintenance : $1,000 per room per annum
Air conditioning Grant for schools for PH/SMH children	Electricity : $6,750 per room per annum Maintenance : $1,250 per room per annum
Travelling Grant for resource teachers	$630 per teacher per annum
Travelling Grant for CM teaching home-bound pupil	$2,064 per teacher per annum
Staff Development Grant	$3,360 pspa
Enhancement Grant	$200 pcpa

Special Domain

Name of Grant	Level of grant for School Year 1999/2000
School-based New Arrival Children Support Scheme	$2,000 pppa (primary school) $3,330 pppa (secondary school)
Resource material grant for visually impaired students	$270 pppa
Supportive Remedial Services for Hearing Impaired attending ordinary schools	Primary $6,714 per unit per annum Junior Secondary 9,644 per unit per annum
Programme Funds for Whole-school Approach to Guidance and Discipline	Primary classes $5,750 for 25 classes or more $4,600 for 19 to 24 classes $3,450 for 12 to 18 classes $2,300 for 11 classes or less Secondary classes $6,900 for 29 classes or more $5,750 for 24 to 28 classes $3,910 for 12 to 23 classes $1,610 for 11 classes or less
Boarding Grant	$1,193 per boarder less boarding fee of $440 per boarder per month
IT in Education Project	$61,000 pspa (14 classes or less) $65,000 pspa (15 classes or more)
IT Incentive Grant	$14,828 pspa
Special Furniture & Equipment Grant	$3,000 pcpa $2,000 pcpa for practical schools and SOS school
Chinese Extensive Reading Scheme	$3,250 to $13,500 pspa
English Extensive Reading Scheme	$3,250 to $13,500 pspa

Note:
pppa -per pupil per annum
pspa - per school per annum
pcpa - per class per annum