

**立法會**  
*Legislative Council*

LC Paper No. CB(2)350/02-03  
(These minutes have been seen  
by the Administration)

Ref : CB2/PL/ED

**Panel on Education**

**Minutes of meeting**  
**held on Monday, 28 October 2002 at 8:30 am**  
**in the Chamber of the Legislative Council Building**

**Members Present** : Dr Hon YEUNG Sum (Chairman)  
Hon YEUNG Yiu-chung, BBS (Deputy Chairman)  
Hon Cyd HO Sau-lan  
Hon Eric LI Ka-cheung, JP  
Hon CHEUNG Man-kwong  
Hon Jasper TSANG Yok-sing, GBS, JP  
Hon Emily LAU Wai-hing, JP  
Hon CHOY So-yuk  
Hon SZETO Wah  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Audrey EU Yuet-mee, SC, JP  
Hon MA Fung-kwok, JP

**Members Absent** : Dr Hon David CHU Yu-lin, JP  
Hon LEUNG Yiu-chung  
Dr Hon LO Wing-lok  
Hon WONG Sing-chi

**Public Officers Attending** : Mrs Fanny LAW, JP  
Permanent Secretary for Education and Manpower  
  
Mr H F LEE  
Director of Education

Mr M Y CHENG  
Acting Deputy Director of Education/  
Assistant Director of Education (School Development)

**Clerk in Attendance** : Miss Flora TAI  
Chief Assistant Secretary (2)2

**Staff in Attendance** : Mr Stanley MA  
Senior Assistant Secretary (2)6

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Action

**I. Confirmation of minutes**  
[LC Paper No. CB(2)152/02-03]

The minutes of the meeting held on 10 October 2002 were confirmed.

**II. Information paper(s) issued since the last meeting**  
[LC Paper No. CB(2)128/02-03(01)]

2. Members noted that the Administration had provided an information paper on "Review of Quality Education Fund" which was circulated to members vide LC Paper No. CB(2)128/02-03 on 21 October 2002.

**III. Items for discussion at the next meeting**  
[Appendices I and II to LC Paper No. CB(2)155/02-03]

3. Permanent Secretary for Education and Manpower (PSEM) extended apologies on behalf of the Secretary for Education and Manpower (SEM) for being unable to attend the meeting as he was away from Hong Kong for some urgent reasons. Members noted that SEM would be available to give his briefing at the next meeting on 18 November 2002. The Chairman said that the item on the proposed merger of the Chinese University of Hong Kong and the Hong Kong University of Science and Technology had also been deferred. He suggested that members could raise questions relating to the merger during the briefing. Ms Emily LAU remarked that SEM should be prepared to respond to questions relating to his declaration of interests and the retention of his visiting professorship in the Medical Faculty of the Chinese University of Hong Kong.

Action

4. Ms Cyd HO expressed concern about leave relief arrangement for SEM to attend Legislative Council (LegCo) meetings during his temporary absence. She considered that the Administration should work out a mechanism for deputies to attend meetings of LegCo and its committees during the temporary absence of principal officials. The Chairman suggested and members agreed that the issue of leave relief arrangement for principal officials should be referred to the Panel on Constitutional Affairs for follow-up.

5. Members agreed to discuss the following items at the next meeting scheduled for Monday, 18 November 2002 at 4:30 pm -

- (a) Briefing by the Secretary for Education and Manpower;
- (b) Supervision of the administration of the Hong Kong Examinations and Assessment Authority; and
- (c) Review on the pay structure of the part-time staff of adult education courses.

#### **IV. Merger of the Education and Manpower Bureau with the Education Department**

6. At the Chairman's invitation, PSEM briefed members on the Administration's paper on the subject [LC Paper No. CB(2)132/02-03(01)]. She added that along with the proposed merger, the Administration was working on a proposal to merge the Education Commission (EC) and the Board of Education (BoE).

#### The role of the University Grants Committee and institutional autonomy

7. Mr CHEUNG Man-kwong noted that under the proposed structure of the new Education and Manpower Bureau (EMB), the University Grants Committee (UGC) would be placed under the Manpower and Post-secondary Education Branch. He also noted that the Higher Education Division which was responsible for higher and post-secondary education, as well as the Manpower Infrastructure Division which was responsible for servicing the Manpower Development Committee (MDC) and overseeing the provision of self-financing associate and sub-degree programmes in adult education and continuing education would be placed under that Branch. Mr CHEUNG pointed out that while MDC programmes would be operated on a self-financing basis, existing associate and sub-degree programmes offered by UGC-funded institutions were subsidised by public funds. Mr CHEUNG asked whether the role and functions of UGC would change under

Action

the proposed structure and whether the proposed structure would ultimately mean the transfer of all subvented associate and sub-degree programmes from UGC-funded institutions to MDC. Since associate and sub-degree programmes would be provided by both MDC and UGC-funded institutions under the proposed structure, Mr CHEUNG also sought clarifications about the authority of UGC and EMB in the supervision of and approving funding allocations for associate and sub-degree programmes offered by UGC-funded institutions.

8. In response, PSEM said that the role and functions of UGC in higher education should remain unchanged until the outcome of the UGC's review on Higher Education in Hong Kong (the Review) was available. She said that the outcome of the Review would determine the future development of associate degree and sub-degree programmes. PSEM pointed out that the report on Higher Education in Hong Kong prepared by Lord Sutherland had proposed the establishment of a Further Education Council to oversee the provision of programmes at associate degree and comparable levels by both public and private providers. However, at the last meeting of MDC, it was considered that the establishment of different advisory bodies in different aspects of education might create co-ordination problems. The preliminary view of MDC was that when the outcome of the Review was available, the development of non-degree programmes should be taken up by MDC. Currently, UGC was collaborating with UGC-funded institutions to identify which associate and sub-degree programmes should continue to be publicly funded. The community as a whole in the future would have to determine the best way to co-ordinate efforts for the development of associate and sub-degree programmes in the long run.

9. Mr CHEUNG Man-kwong pointed out that UGC-funded tertiary institutions currently enjoyed a high level of autonomy in the provision and quality assurance of their associate and sub-degree programmes. However, their autonomy in this aspect might be affected when the authority to consider and approve funding applications for these courses was transferred from UGC to MDC. He added that UGC-funded institutions had not been consulted on the proposal and might have different views on the transfer of the authority to MDC.

10. PSEM responded that the supervision and monitoring of the quality of associate and sub-degree programmes offered by UGC-funded institutions was an important issue because building a credible quality assurance and qualification framework was essential to the development of lifelong learning. All these issues should be thoroughly discussed when the outcome of the Review was available and heads of UGC-funded institutions would be consulted on the proposed qualifications framework and the future quality assurance and accreditation mechanism. She invited members to focus the discussion on the redistribution of responsibilities among the directorate posts as a result of the proposed merger of

Action

EMB and ED, which aimed at facilitating integration of policy formulation and implementation, and rationalisation of the distribution of responsibilities among the divisions.

11. Mr CHEUNG Man-kwong said that he had no objection to discussing these issues at a later stage. However, as the proposed structure of the new EMB had implications on institutional autonomy, the Administration must give an assurance that the scope of autonomy currently enjoyed by UGC-funded institutions would not be reduced as a result of the proposed merger. He stressed that the issue of institutional autonomy must be carefully considered with the participation of the institutions concerned, when a decision was to be made on the outcome of the Review in the future.

12. PSEM stressed that the status quo in respect of provision of associate and sub-degree programmes in the higher education sector would remain the same until the Administration had studied the outcome of the Review and formulated a new policy on it. She added that the presentation of the structure of the new EMB in Enclosure 3 to the Administration's paper aimed at presenting an overall picture of the proposed redistribution of responsibilities. PSEM also stressed that the proposed structure in no way implied that there was any change in the role of UGC in higher education. In practice, the Higher Education Division under the Manpower and Post-secondary Education Branch would work in close partnership with UGC for the future development of the higher education sector.

13. The Chairman shared the concern of Mr CHEUNG Man-kwong. He said that future provision of associate and sub-degree programmes would be put under the purview of UGC and MDC separately, which would unavoidably have implications on institutional autonomy. Members should therefore follow up the issue at an appropriate time in the future.

Deletion of directorate posts and budget savings

14. Ms Emily LAU considered that the Administration's paper had failed to present a clear picture of the actual number of directorate posts to be deleted under the proposed structure. Given that there were 36 civil service directorate posts in EMB and ED and 33 of these posts would be retained after the proposed merger, Ms LAU asked why the Administration had indicated in its paper that six directorate posts would be deleted under the proposed structure. She requested the Administration to clearly explain the actual deletion in directorate posts including those at D1 level and the corresponding net savings as a result of the proposed merger.

Action

15. In response, PSEM explained that there were 36 civil service and two non-civil service directorate posts in EMB and ED in total. The Administration's paper had proposed a deletion of six directorate posts (five civil service and one non-civil service posts), offset by the creation of one directorate post through upgrading. Hence the final headcount was 33 directorate posts in the new EMB (32 civil service posts + one non-civil service post). PSEM said that an Administrative Officer Staff Grade C (D2) post had also been temporarily redeployed to provide administrative support to SEM since August 2002. The redeployment would be formalised upon the merger of EMB and ED. The net saving in full annual average staff costs for civil service posts, including salaries and staff on-cost was \$12,194,000. In addition, there would be a saving of about \$2 million in departmental expenses for the non-civil service post. PSEM added that in line with the Administration's undertaking when seeking Members' support for the creation of principal official positions under the accountability system, the complement of staff working in SEM's private office, including one directorate post of Administrative Assistant to SEM, was funded by internal redeployment of resources within EMB and ED. As regards the position of SEM, the net savings in full annual average staff costs arising from the proposed merger would more than offset the additional cost for the total remuneration package of the SEM post.

16. Ms Emily LAU said that the Administration had only proposed to delete directorate posts at D2 level but there might be room for reducing the number of posts at D1 level as well as that of non-directorate posts at Master Pay Scale points 33 to 49 after the proposed merger. At her request, PSEM undertook to provide information on the amount of net savings as a percentage of the total directorate cost as a result of the merger. She pointed out that the Administration envisaged that there was scope for further savings in staff cost at non-directorate level and in other operating costs in the new EMB through process re-engineering and refocusing of priorities.

*[Post-meeting note : The Administration subsequently confirmed that a net saving of 16% of the total directorate cost would be achieved as a result of the merger.]*

17. Mr Tommy CHEUNG said that the Liberal Party supported the proposed merger to enable better integration of efforts and avoid double-handling of work in EMB and ED. However, the Administration should also explain how the lower-level structure would be streamlined correspondingly after the proposed merger.

18. PSEM responded that upon the deletion of a directorate post, the corresponding posts of secretary and driver would be deleted automatically. She added that to facilitate smooth implementation of the merger, one of the two Senior Principal Executive Officer posts to be deleted would be retained for six

Action

months up to 30 June 2003 so that the officer could assist in implementing a number of measures relating to the merger and to initiate a process re-engineering exercise to improve efficiency and effectiveness.

Staff morale and organisational stability

19. Mr YEUNG Yiu-chung pointed out that there had been a series of changes in ED in the past few years, causing considerable staff concerns and a sense of instability within the department. He asked whether the proposed merger would be a one-off exercise. Mr YEUNG suggested that the Administration should keep the Panel abreast of future structural changes at non-directorate level in the new EMB. Mr CHEUNG Man-kwong expressed support for Mr YEUNG's suggestion. He pointed out that paragraph 37 of the Administration's paper had referred to re-engineering of work processes and refocusing of priorities in the new EMB, but no major proposals and implementation details had been given. Mr CHEUNG anticipated that the new EMB would keep the Panel informed of progress in this regard.

20. PSEM responded that the proposed merger would be a one-off exercise effective on 1 January 2003. The Administration would review the directorate structure in two years in the light of operational experience. While process re-engineering and refocusing of priorities would be carried out in the new EMB, the work of frontline staff would mostly remain unaffected. If there were any changes, the objectives would be to simplify line of reporting and improve cost-effectiveness. In any event, the Administration would consult affected staff members for any proposals on reorganisation of their work. PSEM believed that the Panel would not oppose to any reorganisation if affected staff members, who should be more familiar with the pros and cons of a proposed reorganisation, were receptive to the changes. She considered it inappropriate for the LegCo Panel to probe into the non-directorate establishment.

21. The Chairman remarked that members were only concerned that further structural changes would affect frontline staff in the new EMB and they would not seek to discuss minor details of any structural changes. However, it would put members' mind at ease if the Panel was kept abreast of these changes.

Schedule of authority and accountability as a result of the proposed merger

22. Ms Cyd HO expressed dissatisfaction that the Administration's paper had only presented the proposed merger from a narrow perspective of staffing establishment. She considered that the Administration should have elaborated in the paper how the new accountability system could be implemented in the new EMB, how the division of work could be made more efficient, and how authority

Action

would be redistributed upon the merger. Ms HO asked the Administration to explain the significance of the proposed merger in terms of policy formulation and implementation.

23. PSEM responded that the main purpose of the proposed merger was to flatten the hierarchy of the new EMB to enable better integration of efforts and avoid double-handling of work. She explained that under the existing two-tier structure for formulation of an education policy, a proposal would normally be initiated by ED at the operational level and would need to be considered at different levels within ED and EMB. Referring to her previous experience working in ED and EMB, PSEM said that repeated discussions at various levels sometimes would slow down the decision-making process and lead to excessive duplication of efforts. She considered that the proposed one-tier structure would ensure better synergy between policy formulation and implementation and enhance efficiency.

24. PSEM further said that given the wide scope of responsibilities and the complexity of the issues in education, PSEM would be assisted by six deputy secretaries under the new structure. Each of the deputies would be responsible for two to three major divisions, each of which was headed by a directorate officer. Compared to a deputy secretary in existing EMB, the span of control of a deputy secretary under the new structure would be narrower, but his involvement in policy formulation and implementation would be deeper. Upon the merger, each deputy secretary would be fully responsible for consulting frontline staff to explore the feasibility of specific policy proposals within his portfolio, examining their reasonableness, explaining the policies in public and eventually implementing the policies. PSEM stressed that such a rationalisation of authority and responsibilities was in line with the spirit of the accountability system. Giving directorate officers full responsibility for formulating and implementing policies within their respective remit would ensure greater consistency and a better chance of success. Staff were also more likely to enjoy a greater sense of satisfaction.

25. Ms Emily LAU said that she shared the view of Ms Cyd HO that the Administration's paper should have elaborated on the distribution of authority and responsibilities upon the merger. She further said that the Administration had indicated in its paper that the proposed structure of the new EMB would provide strong professional leadership and expertise required for the delivery of support services to the education sector which was of paramount importance at this critical stage of the education reform. She requested the Administration to elaborate how a strong professional leadership and expertise would be achieved under the proposed structure. Ms LAU also asked whether principals, teachers and parents would have to face another round of changes in education reform as a result of the merger.



Action

26. PSEM responded that the proposed merger involved changes in the administrative structure and should not affect existing policies nor the work of principals, teachers and parents. The merger should facilitate smooth implementation of the education reform, as well as ensure consistency in values and practices. This should be welcomed by school principals, teachers and parents.

27. As regards stronger professional leadership and expertise in the delivery of support services under the new structure, PSEM explained that three of the deputy secretary posts were designated as professional posts as the responsibilities involved would require extensive expertise and experience in the education field. Apart from SEM and PSEM, these deputy secretaries should make the final decisions in policy formulation and exercise professional leadership in their respective policy portfolios. Referring to the four core values of EMB, i.e., "being proactive, customer-focused, result-oriented and professional", PSEM stressed that professionalism was very important in the work of the new EMB.

28. To facilitate Members' understanding of the objectives of the proposed merger, Ms Emily LAU suggested that the Administration should elaborate on its ideas regarding the distribution of authority and responsibilities and how the objectives of the proposed merger would be achieved in its paper to be submitted to the Establishment Subcommittee. PSEM suggested that in order to save staff effort in preparing extra paper work, the minutes of the meeting prepared by the Secretariat could serve the purpose. Ms LAU said that she had no objection to the suggestion if the Administration had difficulty in providing a paper. She requested that the Secretariat should prepare the minutes of the meeting for the Administration to comment as soon as possible so that the minutes could be attached to the paper to be submitted by the Administration to the Establishment Subcommittee. Ms Cyd HO remarked that she also had no objection to the suggestion but would like to stress that the Administration should elaborate the work, authority and accountability of directorate posts before and after a merger in their future proposals on merger of other bureaux and departments.

Advisory mechanism and education research

29. Mr SZETO Wah noted that EC was placed under the Planning and Research Branch of the proposed new EMB. He asked about the role of EC after the merger of EMB and ED.

30. PSEM explained that the inclusion of EC in Enclosure 3 to the Administration's paper was to indicate that a team of staff would continue to provide secretarial services to EC. In line with the spirit of implementing the accountability system, it was anticipated that EC would in future submit its

Action

recommendations on educational issues to SEM for consideration. SEM would refer major policy recommendations to the Executive Council for consideration, where appropriate.

31. Referring to the Administration's proposal of merging EC and BoE, Mr SZETO Wah asked whether members of EC would be appointed by the Chief Executive or SEM after the merger. PSEM replied that it had not yet been decided. She explained that the Administration intended to broaden the membership of EC to include representatives of educational bodies, as was the case with the BoE. In the circumstances, the question of appointing authority would not be an issue. Ms Emily LAU said that she supported the appointment of representatives of educational bodies to the EC so that the representation of EC would be improved and its composition would not be subject to the sole discretion of the Chief Executive. She, however, stressed that a person should not serve on too many advisory bodies in order to ensure that he could involve more in the work of these bodies.

32. PSEM further informed the Panel that implementation of the proposed merger of EC and BoE would need an amendment to the Education Ordinance as the latter was a statutory body. The Administration would prepare a paper on the transfer of the functions of the Director of Education and ED to effect the implementation of the proposed merger of EMB and ED and the paper would cover the proposed merger of EC and BoE as well. In response to Ms Emily LAU's enquiry, PSEM confirmed that EC would maintain its non-statutory status after merging with BoE. She pointed out that maintaining the non-statutory status of EC would provide flexibility and would not affect EC in discharging its functions. Ms LAU requested that the Administration should explain in the paper to be submitted to the Panel the background for the statutory status of BoE and the rationale for maintaining the non-statutory status of EC after the merging of these two advisory bodies.

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33. Ms Cyd HO was of the view that continuous education researches were essential for ensuring continuity in policy formulation in education. Noting that a Planning and Research Branch would be established to co-ordinate research efforts in the new EMB to support policy deliberations in a holistic manner, she asked how professional expertise and inputs from the society would be incorporated into the new structure through the advisory mechanism in education. She also asked why the Branch would also be responsible for monitoring of and providing support services for educational researches.

34. PSEM said that although the new EMB would like to place more emphasis on education research, it was unlikely that EMB would have sufficient in-house resources and the professional expertise to cover the wide range of research

Action

subjects in education. She pointed out that overall the Planning and Research Branch would co-ordinate resources for research studies, determine their priorities and monitor the quality of research output. Individually, the other five Branches would conduct their own researches on a need basis. For instance, the Curriculum and Quality Branch would conduct researches for curriculum reform and quality assurance issues. Since the Planning and Research Branch would be responsible for setting out the policies in support of the work of EC, it was considered appropriate for the Branch to have overall responsibility for monitoring the quality of and providing research support for policy-making.

35. Ms Cyd HO considered that public consultation on education policies must be conducted in depth so that new thoughts and ideas could be absorbed into the new structure. She was concerned that technocrats who had been in a position for too long might be resistant to changes. She suggested that the new advisory mechanism in education should incorporate professionals with a wide variety of expertise and vision to provide new ideas and insights for the long-term development of education.

36. PSEM responded that being an accountable government, even in the absence of a specific advisory mechanism for a particular policy in education, the Administration would consult the parties concerned through appropriate channels, e.g. special working group or consultation meetings. She stressed that the proposed merger of EC and BoE would not reduce the need and the channels for consultation. She pointed out that the resources used to support the work of advisory bodies could be redeployed as a result of the merger to conduct more in-depth consultation on specific issues, where necessary.

37. The Chairman said that members were concerned as to how the scope of public participation could be expanded after the merging of EC and BoE. He suggested that the issues relating to feeding professional expertise and opinion from the society into the process of policy formulation should better be considered when the paper on the merging of EC and BoE to be provided by the Administration was available.

**V. Operating Expenses Block Grant for the 2002-03 school year**

38. At the invitation of the Chairman, PSEM briefed members on the main points of the Administration's paper on the subject [LC Paper No. CB(2)157/02-03(01)].

Action

Salary and allowance adjustment for clerical staff/janitors in aided schools

39. Mr CHEUNG Man-kwong said that the Operating Expenses Block Grant (OEBG) originally was proposed by the Administration and approved by the Finance Committee as the consolidation of various non-salary recurrent grants into a recurrent grant to provide aided schools with greater flexibility in management of funds. However, the “non-salary recurrent grants” did not incorporate a salary-related constituent, i.e., the salaries and allowances for administrative/clerical staff and janitors working in aided schools. In addition, schools had complete discretion in determining the terms of employment which did not necessarily follow the civil service pay scales.

40. Mr CHEUNG Man-kwong pointed out that since its inception, annual adjustment of OEBG to schools were made with reference to the Composite Consumer Price Index (CCPI). Such practice was acceptable when inflation instead of deflation was the trend of the economy. However, it turned out that the 2001-02 and 2002-03 school years had deflation rates of 1.1% and 3.3% respectively. Such deflation had given rise to a controversial phenomena that while administrative/clerical and janitor staff in aided schools had downward salary adjustment, their civil service counterparts had upward or zero adjustment. Since a review of the civil service salary structure was underway and that civil service salaries might be frozen in the few years ahead, the discrepancy between aided schools and government schools in salaries of the said staff might continue to increase. Mr CHEUNG urged the Administration to streamline the salary discrepancies through the review of the operation of OEBG which should be completed in early 2003. Mr CHEUNG added that the staff concerned in aided schools did not oppose downward adjustment in salaries, but considered it reasonable to link the adjustment with the civil service salary adjustment.

41. In response, PSEM explained that under the established practices of the civil service pay structure, salary grants to aided schools were made on a deficiency basis. All administration grants and non-salary recurrent grants were given as non-salary recurrent grants to aided schools to allow flexibility in the use of the grants. The Administration had consulted the various school councils before introducing OEBG which consolidated the various administration grants and non-salary recurrent grants into one single OEBG grant in September 2000. In fact, the education sector considered that OEBG provided aided schools with greater flexibility in the virement of funds between constituent grants. Under the OEBG, aided schools could accumulate a larger reserve and could choose to procure services such as contracting out cleansing and security services to reduce the number of employed staff. Director of Education (DE) supplemented that many government schools had followed the trend to improve cost-effectiveness in

Action

resources management, and had contracted out their cleansing and clerical work to external service providers.

42. On the problem of different salaries and annual adjustments between government and aided schools for the same job, PSEM pointed out that given a 1.1% downward adjustment in 2001-02 and a recommended 1.65% downward adjustment in 2002-03, the actual allowances given to aided schools in respect of the posts of clerical officer, clerical assistant and workman (janitor) would be reduced from \$15,160 to \$14,746, from \$11,820 to \$11,497, and from \$10,175 to \$9,897 respectively. She considered that in order to reduce costs and maintain the same level of service quality and output, the discrepancy in salaries and allowances for similar work in civil service would continue. In fact, the purpose of OEBG was to provide flexibility with a view to improving cost-effectiveness in aided schools. PSEM further said that, in the spirit of school-based management, aided schools could exercise discretion to adjust the salaries and allowances of their staff as long as the “no better-off” principle was observed. PSEM added that it would not be appropriate to revert to the old practices because some schools had made good use of the flexibility under the OEBG, e.g. by contracting out services.

43. Mr CHEUNG Man-kwong remarked that the current adjustment mechanism had the effect of forcing aided schools to reduce the salaries of their clerical and janitor staff. He pointed out that OEBG did not provide aided schools with a choice on the mechanism for adjusting the salaries of their clerical and janitor staff. As regards individual staff, he pointed out that there were clerical and janitor staff who had joined the workforce well before the introduction of OEBG, and were employed on the understanding or expectation that their future salary adjustments would follow that of the civil service. Mr CHEUNG considered that the adjustment mechanism under OEBG had created a social differentiation between clerical and janitor staff in aided schools and their civil service counterparts.

44. PSEM responded that the Administration had no intention to suggest a higher or lower salary for clerical or janitor staff in aided schools. The School Sponsoring Bodies (SSBs), being the employer, should decide and, where necessary, top up the OEBG with their own resources. In view of a downward CCPI, the Administration had written to SSBs of aided schools advising them to work out reasonable measures to redeploy their resources to cope with the situation. She added that OEBG was provided under a service contract between the Administration and SSBs for the operation of an aided school.

45. Responding to the Chairman's and Mr CHEUNG Man-kwong's concern about further increase in discrepancy in case CCPI continued to drop and civil service salaries were freezed in the next few years, DE said that ED would

Action

conduct a review of the operation of OEBG with particular emphasis on the adjustment mechanism. The review would examine the factors contributing to the price adjustments of the constituent grants of OEBG and recommend an appropriate adjustment mechanism for OEBG in the long run. Mr CHEUNG Man-kwong remarked that although there should be no dispute in the 2002-03 school year as civil service salaries had been adjusted downward, the revised adjustment mechanism should aim to resolve permanently the problem of discrepancy between aided and government schools in salary adjustments of their clerical and janitor staff.

46. Mr SZETO Wah said that the affected clerical and janitor staff were not consulted on a downward adjustment of their salaries, and a downward adjustment was in conflict with the terms of their employment. Being the chairman of the School Management Committee of a number of schools, Mr SZETO also pointed out that there would be limitations as to how far aided schools could use their reserves or deploy funds among the constituent grants to tackle the financial difficulties. He urged the Administration to work out an adjustment mechanism to resolve the issue in the long term.

47. PSEM responded that the Administration acknowledged that some schools would have difficulty to cope with the proposed downward adjustment in OEBG. The Administration had discussed with the four school councils (viz. the Hong Kong Special Schools Council, the Subsidised Primary Schools Council, the Hong Kong Subsidised Secondary Schools Council and the Grant Schools Council) before working out the proposed adjustment rate of 1.65% as a transitional measure before the outcome of the review was known. PSEM added that as a partner in education, SSBs should share the responsibility with the Administration to resolve the employment-related issues arising mainly from a deflationary economy and a deficit budget in public expenditure. She anticipated that as good employers, SSBs would play a more proactive role in staff relations matters and do their best to minimise the adverse effects of a downward adjustment in OEBG on the staff concerned.

48. Ms Emily LAU said that she supported the policy of providing greater flexibility to aided schools in the use of funds, but would not accept making downward adjustment of staff salaries without prior consultation and provision of a new contract of employment. She anticipated that the Administration would collaborate with aided schools on the necessary measures to ease off the adverse effects of a downward adjustment of salaries.

Action

Review of OEBG and other issues

49. Ms Emily LAU noted that the Administration had examined the accounts of aided schools. She asked how the Administration would follow up with schools having a large or small reserve, and whether schools with a larger reserve would be provided with a smaller OEBG.

50. PSEM responded that financial management was an art and there would be schools with a large reserve and schools with a small reserve. Although the Administration would not expect schools to retain a large reserve, it had allowed aided schools to retain unused funds for up to 12 months' provision under OEBG. The review on the operation of OEBG would include an examination of the accounts of aided schools to assess how aided schools had used their OEBGs. She added that the Administration had no intention to reduce OEBG for schools with a large reserve. DE supplemented that ED was providing professional assistance to aided schools in accounting and auditing of accounts by way of on-site support and experience-sharing sessions.

51. Mr Tommy CHEUNG expressed support for the policy principle to provide greater flexibility in use of funds as highlighted in the Administration's paper. Mr CHEUNG asked whether the review was aiming to work out a more appropriate adjustment mechanism, or to assess whether CCPI was an appropriate mechanism for OEBG to follow. He also asked about the timetable for the review.

52. DE responded that ED expected to complete the review by the end of 2002. He explained that each constituent of CCPI had its own weight in the calculation of CCPI. ED would examine whether some constituents were not applicable to school operation and might then exclude these constituents as appropriate. PSEM supplemented that since CCPI was applied in other adjustment mechanisms within the public sector, the Administration would have to consult a number of departments before reaching a conclusion on the review. She hoped that SSBs would provide feedback and suggestions to the Administration for consideration.

53. Mr YEUNG Yiu-chung expressed support for providing more flexibility to aided schools in the use of funds, and conducting a review to assess whether the annual price adjustment for OEBG should be made with reference to CCPI only. Mr YEUNG also considered it useful to provide support and assistance to aided schools in financial management.

54. Mr CHEUNG Man-kwong said that some aided schools had expressed concern that they might need to reduce extra-curricular activities in order to achieve savings. He added that achieving savings in consumable items such as printing of examination papers was difficult, if not impossible. Mr SZETO Wah

Action

expressed a similar concern. He pointed out that some aided schools had publicly announced that they would reduce their extra-curricular activities. Mr SZETO asked the Administration to follow up as appropriate.

55. PSEM stressed that aided schools should use their resources in the best interests of students, particularly during a period of financial stringency. She pointed out that schools should refrain from incurring unnecessary expenses such as publishing glossy publicity materials. The Administration would follow up with the schools concerned if they planned to reduce extra-curricular activities for the sake of achieving savings.

56. Ms Emily LAU asked whether the target of 1.8% savings in operating expenditure in 2003-04 was applicable to the education sector, given that the Chief Executive had previously emphasised that resources allocation for the education sector should remain unchanged. PSEM responded that the Administration would conduct an overall review of the allocations for education and consult the education sector on ways to make better use of existing resources and possible re-prioritisation in resource allocation.

**VI. Any other business**

Change of meeting date in April 2003

57. Members agreed to reschedule the regular meeting in April to Monday, 28 April 2003 at 8:30 am.

Visit to Hong Kong Institute of Education

58. The Chairman invited members' views on a visit to the Hong Kong Institute of Education (HKIEd) as suggested by the new head of the Institute. Members agreed that the Clerk should issue a circular to invite members to indicate whether they would be interested in visiting the Institute.

59. There being no other business, the meeting ended at 10:25 am.