

Legislative Council Panel on Education

Allocation of the Capacity Enhancement Grant

Purpose

This paper seeks Members' views on a proposal to rationalize the allocation of the Capacity Enhancement Grant (CEG) for reasons of equity and cost-effectiveness.

Background

2. On 17 November 2000, the Finance Committee (FC) of the Legislative Council approved the CEG for government and subvented schools⁽¹⁾ with effect from the 2000/01 school year to relieve teachers' workload and improve student learning. Schools may use the grant to hire additional staff and/or procure services according to their needs and priorities.

3. The CEG was initially set at \$550,000 and \$300,000 respectively for primary and secondary schools with 19 or more classes. For schools with less than 19 classes, the CEG was \$450,000 and \$250,000 respectively. Every year, the CEG is adjusted in accordance with the Composite Consumer Price Index (CCPI).⁽²⁾ On 7 December 2001, FC approved an enhancement of the CEG rates for secondary schools by 50% with effect from the 2001/02 school year.

⁽¹⁾ For the purpose of disbursement of CEG, "subvented schools" means aided schools, caput schools and schools in receipt of government subsidies for running the full-time initiation programme for newly arrived children. The additional provision to aided schools is reflected as increased subsidies to schools under the Direct Subsidy Scheme according to the approved formula.

⁽²⁾ The CEG is part of the Operating Expenses Block Grant for aided schools and the Subject and Curriculum Block Grant for government schools. In line with the CCPI movement between June 2001 and June 2002, the grant rates for the 2002/03 school year should have been adjusted downwards by 3.3%. This has been fully reflected in the CEG rates for government schools in the 2002/03 school year. However, for aided schools, as approved by FC on 8 November 2002, the CEG rates for aided schools have been adjusted by -1.65% only in the 2002/03 school year, with the remaining -1.65% adjustment deferred to later years by not making any upward adjustments in the grant rates until the outstanding reduction is fully offset.

4. We have undertaken to conduct a review on the effectiveness of the CEG before the end of 2003. Interim findings in November 2002 showed that over 90% of schools considered that all/majority of their teachers had benefited from the grant, including reducing teachers' workload, enabling them to organize more extra-curricular activities and to have more time for lesson preparation, etc, while about 80% of teachers considered that the grant had helped teaching work and had relieved them of non-teaching duties.

Problem

5. The Audit Commission, in a recent value for money audit on primary education, considered the existing two-tier structure of CEG to be too broad-brushed and not based on need. It recommended that the CEG funding levels should vary with the number of operating classes.

Proposal

6. We propose to refine the allocation of CEG by setting a basic provision for primary schools below seven classes and secondary schools below 13 classes. We also propose to cap the maximum provision at the existing rates for both primary and secondary schools with 24 or more classes. Between these two limits, the CEG will be disbursed on a per class basis.

7. In the case of special schools, we propose to follow the existing practice of combining primary and secondary classes in the calculation of operating classes, and adopt the minimum and the maximum provisions for primary schools, which are more favourable compared to the secondary school rates. Furthermore, taking into account the most common number of operating classes of special schools, we propose to set the initial level of funding at the first five classes and cap the maximum provision at 19 or more classes.

8. The proposed funding levels are as follows -

	<u>Secondary</u> (per annum)	<u>Primary</u> (per annum)	<u>Special</u> (per annum)
Basic provision ⁽³⁾	\$240,067 (first 12 classes)	\$151,600 (first 6 classes)	\$151,600 (first 5 classes)
Maximum provision ⁽³⁾	\$430,363 (24 or more classes)	\$526,000 (24 or more classes)	\$526,000 (19 or more classes)
Rate per class for classes in addition to the threshold number ⁽³⁾	\$15,858	\$20,800	\$26,743

9. We further propose that the above funding levels should take effect from the 2003/04 school year. All other aspects of the CEG will remain unchanged pending the completion of the overall CEG review by the end of 2003.

Justifications

10. The Audit Commission's observations and recommendation, as set out in paragraph 5 above, are justified. We note, for example, that the CEG utilization rates of primary schools with six classes or less were 58% and 65% in the school years 2000/01 and 2001/02 respectively, compared to 63% and 76% for schools with 13 to 18 classes in the two school years respectively. The refined allocation criteria will ensure that every school is given a meaningful amount of funds for hiring additional staff or outside services, and that larger schools will receive more funds, which is more equitable.

11. Unlike primary and special schools, very few secondary schools operate 12 classes or less. Hence, we recommend that the initial level of funding for secondary schools should be set at the first 12 classes. The amount

⁽³⁾ These are rates proposed for the 2003/04 school year, which will be subject to revision in accordance with the approved adjustment mechanism.

proposed for the basic provision is calculated on the basis of the cost of two full-time teaching assistants for a secondary school, and in the case of a primary or a special school, one full-time and one part-time teaching assistants, with reference to the standard pre-determined packages for non-civil service contract staff.

12. In view of the proposed substantial restructuring of the CEG rates, we consider it desirable to align the CEG rates for schools in the government and the aided sectors at the same time. The proposed rates set out in paragraph 8 above will align the CEG rates for government and aided schools by the 2003/04 school year again.

Financial Implications

13. We estimate that implementation of the proposed funding levels would achieve savings of about \$61.2 million in the 2003/04 school year. The savings will be re-deployed for other educational purposes.

Consultation

14. Schools councils, unions of school heads and educational associations were consulted on 7 March 2003. Our proposals were accepted by them.

Advice Sought

15. Members are invited to comment on the proposals in paragraphs 6 to 9 above. Subject to Members' views, the proposals will be submitted to FC for approval to implement in the 2003/04 school year.

Education and Manpower Bureau
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