APPENDIX 16

Reply of 17 January 2005 from
Mr Jal Shroff, former Chairman of the English Schools Foundation

I refer to your letter CB(3)/PAC/R43 dated 14 January 2005.

Chapter 3: Government subsidies to the ESF

Your question "a" i.e. "whether I had agreed with Government that the parity of subsidy principle be forgone and that the government subsidy to ESF be phased out over 13 years".

To the best of my knowledge there was NO FIRM AGREEMENT with Government that the parity of subsidy principle be forgone and that the parity of subsidy principle be phased out over thirteen years.

If there had been such an agreement the matter would have been resolved and we would not be facing the situation we are today.

My understanding is that I had in discussion with a representative of the EMB suggested that one way to resolve the issue was for EMB to phase out the subsidy over a period of thirteen years PLUS modification of ALL our land lease conditions so that we had the option to redevelop some of the school sites commercially to generate additional income to make up the loss of revenue from the subsidy.

It was my belief that that there was a reasonable chance for the Executive Committee and the Foundation to accept this as a "fair" solution. The EMB was not in a position to agree to the modification of land lease conditions and again as far as I can remember the discussion did not continue.

Chapter 4: Corporate Governance & Headquarters administration of the ESF

You question "b" i.e. "whether I had discussions with relevant government officials relating to corporate governance of the ESF; if so, contents of the discussion and the officials with whom I discussed and the occasion when the discussions were held; if not, why not"

With all due respect I must point out that I was Chairman for over nine years and during that time I obviously met with many government officials and no doubt discussed all aspects relating to obtaining new sites for additional ESF schools, finances, lack of places within our system to cater for children of new arrivals, the problem associated with the make up of the body of the Foundation and no doubt corporate governance. It is impossible for me to give you a detailed and accurate response.

Let me once again draw your attention that the Executive Committee of the ESF has on it a representative of the EMB who is "privy" to all. On most occasions this representative is present during any discussions with members of the Education Department or EMB.

Your question "c" i.e. "you require details of my discussion with other ESF Executive Committee/Foundation members and/or ESF senior management on the arrangements in regard to the extra payments made to the three senior staff (Staff A, B & C) leaving ESF, and the justification for offering such payments to them."

In any "monetary" settlement made with senior ESF staff our criteria has always been to keep a balance between the "cost" and the interest of the students and the reputation of the ESF.

In every case where dismissal is involved, extensive consultation is carried out not only with members of the Executive Committee but where appropriate with the respective School Council members. In many cases legal advice is taken to ensure that the interest of the ESF is protected and non-disclosure agreements are signed.

Let me briefly comment on each of the three cases raised in the Audit Report (I would request that you respect confidentiality and non-disclosure agreements signed by the ESF and not expose us to any possible legal implications).

Staff "A" This involved a head-office staff and dismissal negotiations were finalized by the Secretary, approved by the Executive Committee and minuted.

Staff "B" This involved a head teacher who resigned in the middle of an external inspection of the school and the Secretary of the Foundation after due consultation decided that it was in the interest of the children that he should NOT continue as principal. In view of his 20 plus years of service in the ESF a special case was made for him to go on paid leave up to his final date of resignation (31st August 2003).

The Secretary was wrong not to have this minuted at one of the Executive Committee meetings.

Staff "C" I note that Mrs. Cherry Tse has on 11th January 2005 forwarded you a complete copy of the documents related to this case including the minutes of the Executive Committee meeting (encl. K) which authorised me as Chairman to negotiate "as would be necessary to effect termination". The Chairman of the Management Committee accompanied me in my discussions to finalize details of the termination with Staff "C". I have nothing further to add but would once again urge you to respect confidentiality.

Your question "d" i.e. "The reason why the sale of ESF surplus quarters without prior approval has occurred as mentioned in 5.28 of the Audit Report".

To the best of my knowledge, the Executive Committee had discussed the possibility of selling off certain "old" properties, at an appropriate time, as these properties involved high maintenance and were becoming uneconomical to hold on to, the Secretary, Chairman, Treasurer and Vice Chairman were given authority to make the final decision.

The ESF also employed the services of one or more property companies to advise us on all property transactions.

KPMG audit our accounts annually and I understand that all contracts dealing with the sale or purchase of property have been properly executed as per the ESF Ordinance requirements in section 12(4).

Jal Shroff
17 January 2005