



英基學校協會
ENGLISH SCHOOLS FOUNDATION

APPENDIX 23

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4 January 2005

Ms. Dora Wai
Public Accounts Committee
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear Ms. Wai,

**The Director of Audit's Report on the
Results of value for money audits (Report No. 43)**

**Chapter 4: Corporate governance and
Headquarters administration of the English Schools Foundation (ESF)**

Thank you for your letter of 22 December 2004. The responses to the various requests for information are set out in the appendices to this letter as follows.

- Appendix 1 Questions raised by Secretary for Education and Manpower
- Appendix 2 Attendance of government representatives at the Foundation meetings (your sub-paragraphs (a) and (b)).
- Appendix 3 Attendance of EMB representative of Executive Committee meetings (your sub-paragraphs (c) and (d)).

I trust that this response meets your requirements. The Chinese translation will follow shortly.

Yours sincerely,

John Bohan
Acting Secretary and Chief Executive

Encl.

c.c. Secretary for Education and Manpower
Chairman, English Schools Foundation
Secretary for Financial Services and the Treasury
(Attn: Mr. Manfred Wong)
Director of Audit

建立優良教育 承擔香港未來
COMMITTED TO HONG KONG'S FUTURE AND
TO EXCELLENCE IN EDUCATION

Appendix 1

(a) Remuneration

The following answers to the questions should be read in conjunction with the ESF response summarised at paragraph 4.25 of Chapter 4 and also page 10 of the ESF submission to the Public Accounts Committee meeting of 10 December 2004. The latter shows that the percentage of staff on the old terms of service has reduced substantially in recent years due to previous management action and that the new contracts cost about 10% less than the average figure cited by the Audit Commission.

ESF did not and does not set out to offer remuneration packages above those offered by local international schools. ESF salaries were historically set by links to the Civil Service Master Pay Scale. Since 2002, remuneration levels are based on the need to recruit and retain teachers of the highest quality, following a decision in 2000 to end the overseas package. We cannot comment on the recruitment and retention capabilities of other schools in Hong Kong. Nor do we have data on the requirements of international schools such as job descriptions and person specifications; it cannot just be assumed that these are the same or similar to ESF's. We believe that our present remuneration level allows us to recruit new staff but it remains to be seen, given our recent increased staff turnover rates, whether we can retain the staff recruited since 2000.

There are no value for money indicators in the Audit Report. It is purely a cost study. There are no productivity indicators eg class sizes, hours worked, the needs and demands of our student population (which may be different to schools against which ESF was compared), and commitments to extra curricular activities. Neither are there quality indicators like examination results, value added data and satisfaction levels among parents. Without such information it is not possible to reach an informed view of the relative return obtained from employing teachers on ESF terms and conditions.

With regard to the question "what is unique about the ESF?", in the context of remuneration we make no claims to uniqueness and given the lack of data in the Report feel unable to comment on other schools in Hong Kong. The schools against which ESF is compared are, in any case, not named in the Audit Report.

We wish to make no comment on our distinctiveness other than to say that we recruit mainly native English speaking teachers, with appropriate qualifications and experience in the British or relevant international curriculum, and in liberal teaching methods. To secure and retain these teachers ESF has to compete in the international market, requiring us to offer internationally competitive terms and conditions. We cannot comment on other schools' terms and how far any particular set of terms are "deserved". In any case, the use of the verb "deserved" is inappropriate; the test is the ability to recruit and retain staff of the required calibre. Clearly, excessive staff turnover is detrimental to school effectiveness. It

also causes extra workload and expense to recruit replacements. As can be seen from Table 3 at paragraph 4.25 of the Report, the percentage of staff leaving has risen over the last 4 years from 7% to 11%.

(b) Housing benefits

It has been necessary to utilise rentals as the Foundation's own portfolio was previously 100% occupied and insufficient to provide the numbers of units required. The present arrangement was implemented in 1992/93 and its objective was to reduce costs. The basis was devised to provide for comparability in housing between staff of comparable status whether occupying the Foundation's own portfolio or in rented quarters. The then Treasurer opined that the rates were comparable to the Company he worked for. The scheme was implemented under the direction of the then Honorary Treasurer and Chairman, both Executive Committee members. The scheme took five months to implement because, as a cost-saving measure, it was bitterly opposed by a number of principals. It was only after meetings between the staff concerned and the then Chairman and Honorary Treasurer that the scheme was finally enforced.

The Executive Committee have agreed to review these housing benefits and it is expected this review will be completed by June 2005.

We have allocated ESF-owned quarters (previously occupied by teachers) to 4 newly appointed senior staff who took up post in September 2004. This decision was taken by the HR Director and myself, and candidates were shown the units concerned at the interview stage in April and May 2004.

(c) Overdraft

Day-to day income and expenditure (current account) is predictable from year to year. However, capital expenditure does not necessarily have a smooth pattern. ESF funded capital expenditure is investment in new and refurbished facilities that directly benefit students. This is over and above the amounts provided by Government for the provision of new facilities which the Foundation acknowledges with gratitude. The Foundation's position on this is set out in paragraph 3.5. of Chapter 4 of the Audit Commission Report. This is further exemplified at page 9 of the Foundation's submission to the meeting of the Public Accounts Committee of 10 December 2004. It would be possible for the Foundation to arrange its finances so that an overdraft was never incurred. This would be contrary to usual commercial practice. No commercial organisation would deny itself access to credit. In the absence of such an overdraft facility, projects which would benefit students would be needlessly delayed. This would not be value for money for stakeholders.

(d) Golden Handshakes

No formal policy has been set down relating to this. In the case of the three resignations cited in the Report, the staff concerned were, effectively, not required to work during their period of notice in the interests of the effective management of the Foundation and schools. In the two cases which did not go to the Executive Committee, these decisions were taken by Officers of the Foundation, (as per Section 9 of the Ordinance) who are Executive Committee members independent of any constituent interest groups. The Executive Committee has agreed that in future the approval of the full Executive Committee will be obtained before making extra payments to staff leaving the ESF and such approvals will be minuted.

Legco PAC's Enquiry of 22 December 2004

a. Foundation Meetings (as per Minutes of Meetings)

1.	1 March 2004		
	Chief Secretary	The Hon Donald Tsang	Apology
	Education and Manpower Bureau	Mrs Fanny Law Mr David Wong Mrs Cherry Tse	Present Present Present
2.	11 December 2003		
	Chief Secretary	The Hon Donald Tsang	Apology
	Education and Manpower Bureau	Mrs Fanny Law Mr David Wong Mrs Cherry Tse	Apology Present Apology
3.	12 December 2002		
	Chief Secretary	The Hon Donald Tsang	Apology
	Education Department	Mr Hing-fai Lee Mr Andrew Poon	Apology Present
4.	14 December 2001		
	Chief Secretary	The Hon Donald Tsang	Absent
	Education Department	Ms Betty Ip	Apology
5.	14 December 2000		
	Chief Secretary	No record	No record
	Education Department	Mr M Y Cheng Mr C K Tam Mr Peter Leung	Apology Apology Apology

- b. The Chief Secretary did not attend any of the last five Foundation Meetings between 2000 - 2004.

Appendix 3

(c)

42 Executive Committee meetings were held for the past five years from 1999 to 2004.

<u>Period</u>	No of Executive Committees Held During the <u>Period</u>	<u>EMB Representative</u>	Attendance No. of meetings <u>attended</u>
3 March 1999	1	Ms. Kam Fung Lam	1
8 June 1999 – 30 November 1999	3	Mr. Joseph Wai	2
18 June 2000 – 22 May 2001	10	Mr. Peter Leung	8
16 October 2001 – 15 January 2002	3	Ms. Betty Ip	3
16 April 2002 – 26 November 2002	5	Mr. Andrew Poon	3
21 January 2003 – 10 June 2003	4	Mr. Patrick Li	4
27 June 2003	1	Mr. Tony Tang	1
23 September 2003 – 12 October 2004	14	Mr. David Wong	12
26 October 2004	1	Ms. Maisie Chan	1

(d)

After examination of the relevant meeting minutes, there has been no mention on the corporate governance and Headquarters administration of the ESF by the government representatives at any of the Foundation meetings and the Executive Committee meetings held in the past five years. It would be reasonable to offer an opportunity to EMB to comment directly to Public Accounts Committee in respect of (d) (ii).

Executive Committee Meeting held between 1999 - 2004

<u>Date of Meeting</u>	<u>EMB Representative</u>	<u>Attendance</u>
3 March 1999	Ms. Kam Fung <u>Lam</u>	Present
8 June 1999	Mr. Joseph Wai	Apology
12 October 1999	Mr. Joseph Wai	Present
30 November 1999	Mr. Joseph Wai	Present
18 January 2000	Mr. Peter Leung	Present
7 March 2000	Mr. Peter Leung	Present
5 April 2000	Mr. Peter Leung	Present
13 June 2000	Mr. Peter Leung	Present
17 October 2000	Mr. Peter Leung	Present
28 November 2000	Mr. Peter Leung	Apology
12 December 2000	Mr. Peter Leung	Present
16 January 2001	Mr. Peter Leung	Apology
6 March 2001	Mr. Peter Leung	Present
22 May 2001	Mr. Peter Leung	Present
16 October 2001	Ms. Betty Ip	Present
4 December 2001	Ms. Betty Ip	Present
15 January 2002	Ms. Betty Ip	Present
16 April 2002	Ms. Andrew Poon	Present
11 June 2002	Mr. Andrew Poon	Present
8 October 2002	Mr. Andrew Poon	Present
14 November 2002	Mr. Andrew Poon	Apology

26 November 2002	Mr. Andrew Poon	Apology
21 January 2003	Mr. Patrick Li	Present
18 March 2003	Mr. Patrick Li	Present
13 May 2003	Mr. Patrick Li	Present
10 June 2003	Mr. Patrick Li	Present
27 June 2003	Mr. Tony Tang	Present
23 September 2003	Mr. David Wong	Present
7 October 2003	Mr. David Wong	Present
25 November 2003	Mr. David Wong	Present
9 January 2004	Mr. David Wong	Present
10 February 2004	Mr. David Wong	Present
8 March 2004	Mr. David Wong	Present
23 March 2004	Mr. David Wong	Present
28 April 2004	Mr. David Wong	Present
17 May 2004	Mr. David Wong	Present
24 May 2004	Mr. David Wong	Present
15 June 2004	Mr. David Wong	Present
23 June 2004	Mr. David Wong	Present
28 September 2004	Mr. David Wong	Apology
12 October 2004	Mr. David Wong	Apology
26 October 2004	Ms. Maisie Chan	Present