

ITEM FOR FINANCE COMMITTEE

HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION AND MANPOWER BUREAU

Subhead 700 General Non-recurrent

New Item “Grant to the Hong Kong Examinations and Assessment Authority for temporary accommodation of a centralised onscreen marking centre on Hong Kong Island”

Subhead 950 Hong Kong Examinations and Assessment Authority

New Item “Grant to the Hong Kong Examinations and Assessment Authority for fitting out the temporary onscreen marking centre on Hong Kong Island”

Members are invited to approve the creation of the following commitments for grants to the Hong Kong Examinations and Assessment Authority for establishing a temporary onscreen marking centre on Hong Kong Island –

- (a) a new commitment of \$16.0 million under Head 156 Government Secretariat : Education and Manpower Bureau Subhead 700 General non-recurrent for renting temporary accommodation for four years; and
- (b) a new commitment of \$5.9 million under Head 156 Government Secretariat : Education and Manpower Bureau Subhead 950 Hong Kong Examinations and Assessment Authority for fitting out the temporary accommodation.

/PROBLEM

PROBLEM

The Hong Kong Examinations and Assessment Authority (HKEAA) needs funding support to establish a temporary onscreen marking centre on Hong Kong Island (Island Centre) for introducing centralised onscreen marking operations starting from the 2007 public examinations.

PROPOSAL

2. The Secretary for Education and Manpower (SEM) proposes to make a non-recurrent grant of \$16.0 million to HKEAA to meet the four-year rental costs required to establish the proposed temporary Island Centre, and a capital grant of \$5.9 million to meet the fitting out costs of the proposed centre.

JUSTIFICATION*Need for the proposed temporary Island Centre*

3. The Finance Committee (FC) approved on 2 December 2005 vide FCR(2005-06)33 a capital grant of \$198.87 million to support the modernisation and development of the examination systems of HKEAA. One of the initiatives is to introduce centralised onscreen marking for our public examinations. As pledged to the Legislative Council (LegCo) Panel on Education and the community at large, HKEAA plans to implement the first phase of centralised onscreen marking for the Hong Kong Certificate of Education Examination (HKCEE) Chinese and English Language subjects in March 2007. HKEAA plans to include more subjects in subsequent years, paving the way for full implementation of centralised onscreen marking for the Hong Kong Diploma of Secondary Education (HKDSE) in 2012 under the new academic structure for senior secondary education and higher education.

4. HKEAA has already secured funding vide FCR(2005-06)33 for installing up to 1 600 computers for concurrent onscreen marking. This would be able to cater for the full launch of centralised onscreen marking for all subjects planned for 2012, involving a total of about 5 000 markers. For the introduction of the first phase of centralised onscreen marking in 2007, HKEAA estimates that 1 000 computers will have to be installed by March 2007 for use by some 2 200 markers.

5. HKEAA's plan for the long term is to provide four regional onscreen marking centres, on Hong Kong Island, in the New Territories, Kowloon West and Kowloon East respectively. Of these, the first three centres need to be operational by March 2007 for the implementation of the first phase of centralised onscreen marking. We have already identified two vacant school premises (one in Kowloon West and one in the New Territories) and secured funding for conversion into marking centres vide FCR(2005-06)33. HKEAA will install around 630 computers and associated facilities (reception areas and lounges as well as briefing and training rooms for markers, computer server rooms, etc.) in these two centres. The remaining some 370 computers and associated facilities will be accommodated in the proposed Island Centre.

6. The proposed Island Centre should meet the following requirements –

- (a) it should have a net usable area of about 1 500 m² for housing about 370 onscreen marking workstations and a range of associated facilities;
- (b) it should be available by July 2006 to allow sufficient time for site preparation, installation and testing of the computer systems, as well as training and trial runs for markers well before the actual launch of centralised onscreen marking in March 2007;
- (c) it should be easily accessible by public transport on Hong Kong Island; and
- (d) it should be of reasonably good conditions to keep costs and time for fitting out to a reasonable level.

7. As part of its long-term accommodation plan, HKEAA will relocate its headquarters to house its existing scattered offices under one roof. This will free up its current offices in Wanchai and San Po Kong for conversion into permanent centralised onscreen marking centres on Hong Kong Island and in Kowloon East respectively by around 2010.

8. Taking into account the lead time required for reprovisioning the headquarters for HKEAA, the current office in Wanchai would not be available for conversion into a permanent Island Centre within three to four years. Hence, HKEAA proposes to rent temporary accommodation for about four years for setting up the Island Centre from July 2006 to meet the operational requirements of centralised onscreen marking in the interim period.

/Unavailability

Unavailability of vacant school premises or other suitable surplus government accommodation

9. As the only statutory assessment authority in Hong Kong and a strategic partner of the Education and Manpower Bureau (EMB), the Government has been providing assistance to HKEAA in meeting its accommodation need. We have been making the best efforts to identify vacant school premises or other suitable surplus government accommodation as the temporary Island Centre, but no vacant school premises or other suitable surplus government accommodation can be identified for immediate use by HKEAA. As a result, HKEAA will have to resort to commercial leasing for setting up the proposed temporary Island Centre. For such commercial lease, termination of the lease by the tenant after the first two years of tenancy is usually allowed. HKEAA will therefore have the option to terminate the commercial lease and save rental costs if the aforementioned long-term accommodation plan could materialise in less than four years' time.

HKEAA's need for funding support

10. HKEAA has critically reviewed its existing resources, and come to the conclusion that it could not absorb the costs of renting and fitting out the temporary Island Centre without drastic increase in its service charges and fees. HKEAA is a self-financing organisation, and its main funding source is the fees for the two public examinations (i.e. the HKCEE and the Hong Kong Advanced Level Examination (HKALE)). HKEAA has frozen the examination fees for seven consecutive years since 1999. After the introduction of a 5% increase in public examination fees in 2006, HKEAA is still expected to incur a loss in the operation of the two public examinations and has yet to be able to achieve full cost recovery. Its current income stream cannot support the costs of setting up the proposed temporary Island Centre, especially with the prospective increase in recurrent expenditures arising from its various new initiatives to improve its IT infrastructure and its examinations systems.

11. HKEAA estimates that by the end of the 2005/06 financial year (ending 31 August 2006), its reserve will be about \$45.7 million, which has already taken into account the 5% increase in public examination fees in 2006. This reserve balance (about 16.8% of its annual recurrent expenditure) is only able to meet HKEAA's recurrent expenditure for about two months. HKEAA suggests and EMB supports that the reserve should be kept for meeting the new recurrent implications which will arise out of HKEAA's various initiatives (including the improvement of HKEAA's IT infrastructure and examination systems). HKEAA would therefore not be able to afford the four-year commercial rental and fitting out costs of the proposed temporary Island Centre.

12. As the public examinations are a core component of the public education system, the Government will provide financial support to HKEAA by means of accommodation, capital expenditure and one-off developmental funding where justified, and in this case, the proposed one-off grants to set up the proposed temporary Island Centre. This will help avoid the need for drastic fee hikes due to one-off developmental tasks. HKEAA will continue to work towards full cost recovery for its recurrent expenditure from examination fees and other income sources.

Utilisation of the proposed temporary Island Centre

13. The centralised onscreen marking centres, including the proposed temporary Island Centre, will provide access and convenience to more than 5 000 markers per year when centralised onscreen marking is in full launch. Outside the annual public examination period, HKEAA will utilise these centres for other examinations and assessments (such as the Territory-wide System Assessment and more than 200 international and professional examinations which HKEAA administers for its clients) and for conducting training and briefings for teachers, markers and other examination/assessment personnel.

IMPLEMENTATION PLAN

14. Three regional onscreen marking centres (the proposed temporary Island Centre and the permanent centres in Kowloon West and in the New Territories with funding already secured) need to be in place by March 2007 for commencement of centralised onscreen marking for the 2007 HKCEE English and Chinese Languages examinations. This will also help build sufficient experience in centralised onscreen marking and pave way for full implementation for the first examination of HKDSE in 2012.

15. Tendering for the fitting out of the proposed temporary Island Centre has to start in early July 2006 for works to complete by February 2007 so that the centre could be operational by March 2007. A detailed implementation schedule for setting up the proposed temporary Island Centre is set out in Enclosure 1.

Encl. 1

FINANCIAL IMPLICATIONS

16. Subject to Members' approval, we will make a total grant of \$21.9 million to the HKEAA for setting up the proposed temporary Island Centre as follows –

/(a)

Items	Estimated Cost (\$ million)
(a) Non-recurrent grant under Head 156 GS:EMB Operating Account Subhead 700 General non-recurrent for commercial rental for the proposed temporary Island Centre for four years	16.0
(b) Capital grant under Head 156 GS:EMB Capital Account Subhead 950 Hong Kong Examinations and Assessment Authority for fitting out the proposed temporary Island Centre	5.9
Total amount of proposed grant	<u><u>21.9</u></u>

17. The estimated cash flow for the proposed grant is set out below –

<i>Financial Year</i>	Cash flow (\$ million)
2006-07	8.9
2007-08	4.0
2008-09	4.0
2009-10	4.0
2010-11	1.0
Total	21.9

Encl. 2 A more detailed breakdown of the estimated costs and cash flow is set out in Enclosure 2.

18. In identifying suitable office premises for the proposed temporary Island Centre, HKEAA will not go for the high-end premises which are costly and unnecessary for its purpose. HKEAA's preferred locations include Wanchai or North Point districts in order to gain the potential efficiency for being close to HKEAA's current Wanchai main office at Southorn Centre.

/19.

19. As for the Grade of the required office premises^{Note} for setting up the proposed temporary Island Centre, we consider it reasonable for HKEAA to go for office premises at around Grade B to C with reasonably good security and centralised air-conditioning (which is essential for maintaining some 370 computers and related IT equipment). When choosing suitable premises, preference will also be given to those with larger floor areas so that the proposed temporary Island Centre can be housed within a minimum number of floors, thereby lowering the cost of control and supervision across multiple floors.

20. The estimate for the proposed non-recurrent grant of \$16.0 million for commercial rental for four years is based on the estimated market rental of about \$184 per m² per month (in net usable area terms), plus management fees and electricity charges for centralised air conditioning of about \$46 per m² per month, for near Grade B commercial premises off prime sites but easily accessible by public transport on Hong Kong Island, which can fit the requirements of HKEAA as set out in paragraphs 18-19 above. HKEAA will be fully mindful about the cost effectiveness when it enters into commercial lease for the proposed temporary Island Centre and will aim to strike a right balance between its needs and good value for money.

21. Other than commercial rental and fitting out costs which will be funded by the Government, HKEAA has committed to bear in full the recurrent consequences arising from operating the proposed temporary Island Centre.

22. We will seek the necessary approval for additional funding for the long-term accommodation plan of HKEAA in due course.

/BACKGROUND

^{Note} General definitions of different grades of private office premises are as follows –

Grade A - modern with high quality finishes; flexible layout; large floor plates; spacious, well decorated lobbies and circulation areas; effective central air-conditioning; good lift services zoned for passengers and goods deliveries; professional management; parking facilities normally available.

Grade B - ordinary design with good quality finishes; flexible layout; average-sized floor plates; adequate lobbies; central or free-standing air-conditioning; adequate lift services, good management; parking facilities not essential.

Grade C - plain with basic finishes; less flexible layout; small floor plates; basic lobbies; generally without central air-conditioning; barely adequate or inadequate lift services; minimal to average management; no parking facilities.

BACKGROUND

23. HKEAA is a statutory body established in 1977 under the HKEAA Ordinance (Cap. 261). Its statutory responsibility is to conduct the specified examinations of HKCEE and HKALE. It operates on a self-financing basis and does not receive any recurrent subvention from the Government. HKEAA is governed by a Council appointed by the Chief Executive with members drawn from various sectors, including tertiary institutions, schools, businesses and the Government.

24. HKEAA also runs a number of assessment services including the Territory-wide System Assessment, Language Proficiency Assessment for Teachers, and a range of professional and international examinations.

25. In respect of the Government's role in the monitoring of HKEAA, EMB is represented on the Council of HKEAA and its committees. HKEAA is required under the HKEAA Ordinance to submit its annual estimates of income and expenditure and programme of activities to the Government for approval, and to table its annual audited accounts and report of activities at LegCo every year.

26. FC approved on 2 December 2005 vide FCR(2005-06)33 a capital grant of \$198.87 million to support the modernisation and development of the examination systems of HKEAA which includes, inter alia, funding provision of \$101.78 million for the implementation of centralised onscreen marking and the establishment of two centralised onscreen marking centres (one in the New Territories and one on Kowloon West).

27. We consulted the LegCo Panel on Education on the funding proposal at its meetings on 8 May and 12 June 2006. At the meeting on 8 May 2006, Members focused on an incident of speculation on possible cheating which had been widely reported by the media. The speculation arose when the websites of the source of examination questions are set out in one of the question papers of the 2006 HKCEE English Language (Syllabus B) such that candidates might be tempted to go to the washrooms and use mobile phones to access the websites for the correct answers. Members asked how HKEAA would investigate and follow up on the incident and required HKEAA to submit to a report on the incident to the LegCo Panel on Education. Members considered that the incident was a matter of priority and HKEAA would need to follow up on the incident before Members would consider recommending the funding proposal to FC for approval.

/28.

28. HKEAA has taken prompt action in the investigation and follow-up measures to address the incident and its implications. HKEAA held a press conference, with SEM's presence and support, on 19 May 2006 to update and explain to the public and the media the progress of investigation and the long-term measures including reviews of the guidelines on invigilation and centre supervision as well as that on question setting (particularly the guidelines on quoting the source of articles and using original texts from the source articles). HKEAA submitted the investigation report to the LegCo Panel on Education on the same day. We consider that this incident should not be directly relevant to the planned implementation of centralised onscreen marking, which should be proceeded as originally planned.

29. At the meeting on 12 June 2006, Members expressed general support to the submission of the funding proposal to FC for approval and had no objection to the proposed implementation plan for the temporary onscreen marking centre on Hong Kong Island. A Member asked and we confirmed that no suitable vacant school premises could be identified for setting up the proposed temporary Island Centre (as explained in paragraph 9 above).

Education and Manpower Bureau
June 2006

**Project schedule of establishing the
proposed temporary onscreen marking centre on Hong Kong Island**

	Tasks	2006 Quarter 3			2006 Quarter 4			2007 Quarter 1		
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1.	Signing of tenancy agreement									
2.	Demolition and verification of dimensions on site									
3.	Design approval by landlord									
4.	Tendering and approval by Tender Board									
5.	Mobilisation of main contractor									
6.	Fitting out works on site									
7.	Installation of furniture									
8.	Installation of computer systems									
9.	Relocation of pilot site									
10.	System test and rectification									
11.	Commencement of the operation of the Hong Kong Island centralised onscreen marking centre									

**Estimated costs and cash flow requirements for
establishing the proposed temporary onscreen marking centre on Hong Kong Island**

	<i>Items</i>	Total estimated costs \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000
(a)	Non-recurrent grant for commercial rental for the proposed temporary Island Centre for four years						
(i)	Rent (at \$184 per m ² per month)	12,800	2,400	3,200	3,200	3,200	800
(ii)	Management fee (including electricity charges for centralised air conditioning) (at \$46 per m ² per month)	3,200	600	800	800	800	200
	<i>Sub-total for (a)</i>	16,000	3,000	4,000	4,000	4,000	1,000
(b)	Capital grant for fitting out costs of the proposed temporary Island Centre						
(i)	Preliminaries	400	400				
(ii)	Builders' works	2,500	2,500				
(iii)	Electrical and mechanical works	2,000	2,000				
(iv)	Consultant's fee	500	500				
(v)	Contingency (10%)	500	500				
	<i>Sub-total for (b)</i>	5,900	5,900				
	Grand total	21,900	8,900	4,000	4,000	4,000	1,000
