

ITEM FOR FINANCE COMMITTEE

HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION BUREAU

Subhead 700 General non-recurrent

New Item “One-off start-up grant for kindergartens joining the Free Quality Kindergarten Education Scheme”

Members are invited to approve the creation of a new commitment of \$220 million for a one-off start-up grant for kindergartens joining the Free Quality Kindergarten Education Scheme in the 2017/18 school year.

PROBLEM

To ensure smooth implementation of the Free Quality Kindergarten Education Scheme (the Scheme) in the 2017/18 school year, participating kindergartens (KGs)¹ (Scheme-KGs) need financial assistance to enhance their planning and preparatory work in the 2016/17 school year.

PROPOSAL

2. The Secretary for Education proposes to create a non-recurrent commitment of \$220 million to provide Scheme-KGs with a one-off start-up grant in the 2016/17 school year to help them devise/enhance school-based administration procedures and mechanism, and acquire/upgrade necessary school facilities to facilitate their smooth migration to the Scheme.

/JUSTIFICATION

¹ Including KGs, KG-cum-child care centres and schools with KG classes.

JUSTIFICATION***Need for one-off start-up grant***

3. In the 2016 Policy Address, the Chief Executive announced that the free quality KG education policy would be implemented starting from the 2017/18 school year. With direct subsidies from the Government, Scheme-KGs are expected to improve the quality of their KG services, enhance their administration, management and accountability, and put in place a proper internal control and reporting mechanism with rigorous checks and balances.

4. Many of the KGs are actively preparing for the implementation of the Scheme. However, we understand from the Scheme-KGs that they may have resource constraints in ensuring a smooth migration to the Scheme, e.g. devising/enhancing the relevant school-based administration procedures and mechanism as well as acquiring/upgrading necessary school facilities to enhance the quality of KG education, as the associated costs may not have been budgeted for the 2016/17 school year. We see the need to provide a one-off financial assistance to Scheme-KGs to facilitate their holistic planning and preparatory work for migration to the Scheme in the 2017/18 school year.

Amount and ambit of the start-up grant

5. All Scheme-KGs, regardless of their size, will benefit from some basic funding to take forward the preparatory tasks as mentioned in paragraph 4 above by hiring additional supporting staff or procuring relevant services. These tasks (such as the setting up/refining of accounting system/assets register system as well as drawing up/refining of school-based policies/procedures for handling personnel matters) would be more complicated and involve more workload for Scheme-KGs of a larger scale. In addition, funding required for preparatory work for some key features of the Scheme will increase with the size of KGs, for instance, improvement in teacher-pupil ratio (from 1:15 to 1:11) may require more furniture and equipment for additional teachers, enhancement of physical accommodation, and facilities of Scheme-KGs of a larger scale may require more renovation work to be done, etc.

6. Having considered the above, we propose that the start-up grant be provided on both a school and a per capita basis to cater for the needs of Scheme-KGs with different sizes, subject to a financial cap at \$300,000 per Scheme-KG, as follows –

(a) on a per school basis - \$200,000 for each Scheme-KG; and

/(b)

- (b) on a per capita basis - \$800 for each eligible student enrolled in a Scheme-KG in the 2016/17 school year².

7. Scheme-KGs can use the start-up grant flexibly. In general, the start-up grant will be sufficient for a Scheme-KG to employ an administrative assistant or accountant clerk for one year to devise/enhance school-based administration procedures and mechanism. For Scheme-KGs of a larger scale, the relevant work may be more complicated, and they may need to employ more experienced staff or/and for a longer period. In addition, the start-up grant will enable Scheme-KGs to purchase some necessary furniture and equipment for additional teachers under improved teacher-pupil ratio, conduct small-scale renovation, etc³. Some examples for the use of the start-up grant are listed at Encl. Enclosure.

Utilisation of grant by end-2018/19 school year

8. Scheme-KGs are generally required to deploy the grant in preparing for the implementation of the Scheme from the 2017/18 school year. However, to allow room and time for Scheme-KGs to plan and adjust school-based procedures and guidelines in the initial years of implementation, if necessary, they may have up to three years (i.e. from the 2016/17 school year to the 2018/19 school year) to make use of the start-up grant. The Education Bureau (EDB) will issue guidelines to Scheme-KGs for compliance on the use of the start-up grant. Any unexpended amount of the grant by the end of the 2018/19 school year will be clawed back.

Accountability and monitoring mechanism

9. Scheme-KGs are accountable for their procurement/employment/competitive bidding arrangements as well as the proper and prudent use of public funds. They are required to comply with the guidelines drawn up by EDB and may supplement these with additional procurement/employment/competitive bidding procedures having regard to their individual circumstances as necessary.

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² Refers to the enrollment position as at September 2016.

³ Taking a Scheme-KG with 60 students as an example, it will be eligible for a grant of \$248,000 (\$200,000 provided on a school basis plus \$800 x 60 students provided on per capita basis) which will enable it to employ an administrative assistant or an accountant clerk for one year, and purchase some necessary furniture and equipment for about one to two additional teachers.

As compared with the afore-mentioned small-scale KG, we estimate that KGs of larger scale, say with 120 or more students may need about an additional \$50,000 to employ more experienced administrative assistant/accountant clerk, and additional furniture and equipment and renovation to set up a Senior Teachers' room. Since large-scale KGs will achieve economies of scale, a ceiling of the grant at \$300,000 is considered reasonable to cater for the needs of Scheme-KGs of larger scale.

10. Scheme-KGs' use of the start-up grant will be subject to rigorous monitoring as other purpose-specific subsidies under the Scheme, including reflecting the income and expenditure in the audited account to be submitted to EDB annually. They are required to keep a separate ledger account to record the income and expenditure of the grant, with breakdowns of the expenses. Such records and related receipts/invoices should be made available to EDB for inspection when required.

FINANCIAL IMPLICATIONS

11. EDB has received about 740 applications for joining the Scheme in the 2017/18 school year. For planning and budgetary purpose, we assume that all applicants would be approved to join the Scheme. Based on the information provided by KG applicants as at end-September 2016, the estimated total non-recurrent expenditure for the proposed one-off start-up grant will be about \$220 million. We have included sufficient provision in the 2016-17 Estimates to meet the cost of this proposal.

PUBLIC CONSULTATION

12. Since the announcement of the free quality KG education policy in the 2016 Policy Address, EDB has conducted over 50 consultation sessions/meetings with major stakeholders on the implementation details of the Scheme. Views have been collected from school sponsoring bodies, KG principals and teachers, etc. While supporting the Scheme, they expressed concerns about the complicated tasks, heavy workload and resources needed to make improvements in administration, management, and school facilities for operation under the Scheme. In this regard, the provision of additional resources would help their preparation for smooth migration to the Scheme.

13. We consulted the Legislative Council Panel on Education on 14 November 2016 about the proposal. Members of the Panel supported the proposal.

/BACKGROUND

BACKGROUND

14. KG education is crucial in laying the foundation of children's balanced development and life-long learning. Provision of 15-year free education and quality KG education is one of the priorities of the current-term Government. The policy objectives of the implementation of free quality KG education policy starting from the 2017/18 school year are to provide good quality and highly affordable KG education, and enhance the accessibility of students to different modes of services that suit their specific needs. Underpinned by the guiding principles of uniqueness, equity, quality, diversity and sustainability in KG education, the free quality KG education policy will improve the quality of KG education in various aspects through the following measures –

- (a) providing direct subsidies to eligible local non-profit-making KGs;
- (b) further improving teacher-student ratio;
- (c) creating a career ladder for KG teachers development and advancement;
- (d) stepping up quality assurance; and
- (e) enhancing parent engagement and parent education, etc.

15. The new policy will involve substantial increase in government commitment in pre-primary education. With the implementation of free quality KG education, the estimated recurrent expenditure on pre-primary education is about \$6.7 billion in the 2017/18 school year. With the substantial increase in Government funding under the new KG education policy, Scheme-KGs are expected to enhance the quality of their services, their administration, management and accountability. In this regard, they are required to draw up or enhance various school-based policies and, where appropriate, improve school facilities to tie in with the implementation of the Scheme.

Examples for the Use of the One-off Start-up Grant

Kindergartens may deploy the start-up grant to employ additional staff, hire services, procure furniture and equipment, etc. to put in place school-based initiatives for migration to the Free Quality Kindergarten Education Scheme. Some examples of deploying the one-off grant are as follows –

(a) Hiring of additional staff/services to handle relevant tasks

- (i) to assist in preparing/refining accounting system/guidelines for recording respective incomes and expenditures of different sessions (half-day and whole-day/long whole-day), sections (kindergarten and child care centre) and streams (local and non-local curriculum) under government and non-government funds accounts separately;
- (ii) to assist in setting up/refining assets register system for recording and differentiating the furniture, equipment, teaching aids, computer hardware/software, etc. purchased by government funds and non-government funds;
- (iii) to assist in refining school-based procurement procedures as well as refining related guidelines and quotation document templates so as to comply with the guidelines issued by the Education Bureau;
- (iv) to assist in drawing up/refining school-based policies/procedures for handling personnel matters;
- (v) to assist in revamping school's website to enhance the transparency of school operation;
- (vi) to assist in arranging translation services with regard to admission arrangements as well as school circulars; and

(b) School facilities

- (vii) to carry out renovation/alteration work to the school premises, or procure additional furniture and equipment to accommodate the additional teachers arising from the enhanced teacher to pupil ratio (from 1:15 to 1:11) and provide facilities like Senior Teachers'/ Vice-principal's room; small room including additional furniture and equipment for small group activities to better cater for student diversity and meeting parents, etc. under the Scheme.
