

**Hearings of the Public Accounts Committee  
Value-for-Money Audit on the English Schools Foundation**

**Chapter Three: Government Subsidies to the ESF**

**Speaking Notes for the SEM**

Thank you, Chairman.

2. First of all, we are happy to note that the Director of Audit has in paragraph 2.24 of Chapter Three of his Report indicated his overall comments on the subvention review –

- (a) There is a genuine preferential treatment of the ESF over other international schools as far as Government subvention is concerned.
- (b) The historical reason for the subvention has to be revisited in the present-day context, giving regard to the development of a vibrant international school sector outside the ESF system in Hong Kong.

3. We have been conscientiously pursuing this subvention review over the past few years through frequent discussions with the ESF and would, as suggested by the Director of Audit, expedite action to complete the review.

**Principle: Students' Benefits as Top Priority**

4. Instead of going into the details of how we wish to change the subvention policy, we would rather make one clear point here. Government attaches great importance to education. The well-being of the students is our first and foremost considerations in devising our policies. Irrespective of how the subvention arrangement would be in the future, the interest of our children is not to be undermined. I am glad that this very principle is shared by the ESF and many stakeholders including parents and teachers. Notwithstanding the principled approach adopted by EMB, we have been very modest in the efficiency savings demanded of ESF in the past few years. Civil service paycut aside, the annual efficiency savings just amount to around 3%, which is not out of line with that generally applied to public sector organizations.

When translated into the entire ESF budget, this only means a 1% cut. Facts speak louder than words. EMB has exercised the utmost care in ensuring that efficiency savings would not unduly affect education for our children.

5. Certainly, there could be diverse views on what best serve the need of our children. But one thing is clear – wastefulness and imprudent use of funds will not serve our children, especially when there are competing priorities for limited funds. The arguments of fair play, cost-effectiveness, resource constraints and professional accountability all come into play. We could have extensive discussion or even debate in future.

## **Considerations**

### Subvention and Accountability

6. During the past PAC sessions, we have extensively deliberated on the governance reform of the ESF. We believe that there is no effective institution without effective governance. We shall repeat that the ESF requires rigorous reform to achieve the level of transparency and accountability required for a leading education institution. We see this an overriding priority, preceding over the subvention issue.

7. Other than the governance structure within the ESF, accountability is also required for every dollar the ESF now receives from Government and the parents. We never micro-manage. But when it comes to the time when clarification needs to be sought, the community deserves to have somebody in the ESF answerable, and may I stress, in a disinterested manner. To this, this audit exercise has been useful in exposing many interesting information which would not otherwise be available to the public, to EMB and I think, to a lot of Foundation and ExCom members.

8. The same accountability should apply to parents who indeed remain the biggest contributor to the ESF budget. At present, a parent representative sits on the ESF Executive Committee and many more on the ESF Foundation. Irrespective of how their views would be channeled after the governance reform, the ESF should ensure that parents are fully informed of what actually happens in the classroom and in the management office.

## The ESF's Role

9. We note that the ESF has refused to be classified as an international school system. It has strongly defended its position as a local school by saying that its curriculum is adapted to the Hong Kong context and has enrolled a significant percentage of permanent resident children. But it is not something unique as most, if not all, other international schools also operate in the same way. A step further to the ESF, quite a few international schools outside the ESF system have developed a strong curriculum for learning of Chinese language, history and culture. Individual schools even have a student body with almost 90% of its children having at least one parent being ethnic Chinese. Hence what the ESF could state as justifications and what sets the ESF apart, as quoted in paragraph 2.22 in Chapter Three, is indeed an anomalous historical legacy.

## Implications

10. In pursuing changes to the existing policy, we wish to highlight that no one is above the law in Hong Kong. That we must abide by the law is clearly stipulated in the Basic Law. On the ESF's concern about Article 144 of the Basic Law, we have obtained clear legal advice that "the proposal to withdraw recurrent subsidies from the ESF by adopting a phased approach was justifiable as a development and improvement of education under Article 136 of the Basic Law and was consistent with Article 144 read in the light of Article 136 of the Basic Law".

11. I shall emphasize the point of a "phased approach". This is not only a matter of law. Echoing the fundamental principle which I highlighted in the outset, our review and any changes arising from it must be consistent with students' best interest. This not only applies to students in Hong Kong generally, but also to those who have already been admitted to ESF schools.

12. We notice that concerns on fee increase have been widely raised among ESF parents. Some in the ESF have been quoted to have repeatedly suggested that withdrawal of Government subsidies would automatically mean a 40% hike in the current fee level. This is grossly misleading. Such a causal relationship between subvention and fee level can only be made if all of the following happen. First, the ESF intends to charge parents for every dollar of subsidies foregone. Secondly, the ESF feels that there is absolutely no room for efficiency savings despite economy of scale. Thirdly, the ESF does not intend to undertake any

improvement measures pursuant to the Director or Audit's observations. I hope none of the above is true. I also hope that the reference to 40% hike in school fee is just media misreporting. The facts are before us in the Audit reports – the cost effectiveness of the ESF, rather than Government subvention, has a greater impact on the level of ESF tuition fees.

### **Timetable and Way Forward**

13. On the way forward, we have to repeat our first and foremost principle that benefits of the students should be given top priority. We therefore adopt an open mind. We would certainly appreciate views and comments from Members and the community. And I hope that, as elected representatives of the people, Honourable Members would deliberate on the Audit reports in a disinterested manner, setting aside their personal or other links with the ESF, and seeing the ESF not in isolation, but in the context of the entire education landscape. The community has a legitimate expectation that their elected representatives sitting on the Public Accounts Committee will not tolerate wastefulness and will demand nothing less than the prudent use of public funds in an accountable manner.

14. Thank you.