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Panel on Education

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 21 July 2006**

Financial assistance to pre-primary service providers and parents of children receiving pre-primary services

Purpose

This paper summarises the deliberations in the current legislative term of the Panel on Education and the Bills Committee on Child Care Services (Amendment) Bill 2005 on financial assistance to pre-primary service providers and parents of children receiving pre-primary services.

Background

2. Before the enactment of the Child Care Services (Amendment) Ordinance 2005, child care centres, comprising day nurseries which admitted children aged two to six and day crèches for children up to the age of two, were registered under the Child Care Services Ordinance (CCSO) and supervised by the Social Welfare Department (SWD). Kindergartens admitting children aged three to six are registered under the Education Ordinance and regulated by the Education and Manpower Bureau (EMB). As day nurseries and kindergartens were providing similar services to a similar target group, there were views that they should be subject to similar requirements, registered under the same ordinance and monitored by one single authority.

3. In September 1999, the Education Commission recommended that the Administration should examine the issue of unifying the systems of day nurseries and kindergartens. A Working Group on Harmonisation of Pre-primary Services was formed by EMB and SWD in 2000 to advise the Government on matters relating to the harmonisation of pre-primary services. The Working Group issued in April 2002 a consultation document on its recommendations. Based on the views collected, the Working Group revised

its recommendations. One of the major recommendations was to redefine child care centres as institutions providing care and supervision to children aged below three, which should continue to be regulated by SWD. Another major recommendation was to rationalise the financial assistance to pre-primary service providers and parents of children receiving pre-primary services.

4. The implementation of the recommendations of the Working Group necessitated amendments to CCSO and changes to the respective financial assistance schemes for both pre-primary service providers and parents. The Administration consulted the Panel on Education on 14 March 2005 on the proposed changes to the financial assistance schemes. The Child Care Services (Amendment) Bill 2005 to effect the legislative amendments was introduced into the Council on 27 April 2005. The Bills Committee formed to study the Bill had discussed the financial implications of the proposed changes to the financial assistance schemes on service providers and parents, although changes to the financial assistance schemes were administrative in nature and were outside the ambit of the Bill.

Deliberations of the Panel and the Bills Committee

5. The deliberations of the Panel and the Bills Committee on issues relating to the financial assistance to pre-primary service providers and parents of children receiving pre-primary services are summarised in the following paragraphs.

Financial assistance to service providers

6. Under the 5% Subsidy Scheme, non-profit-making child care centres serving children aged zero to six received a direct subsidy equivalent to 5% of the fee approved on the basis of approved capacity by SWD. In addition, they were eligible for reimbursement of rent, rates and Government rent from SWD.

7. As for kindergartens for children aged three to six, EMB provided non-profit-making operators financial assistance in two forms –

- (a) reimbursement of rent, rates and Government rent ; and
- (b) grants under the Kindergarten Subsidy Scheme (KSS).

8. KSS was introduced to encourage kindergartens to enhance the qualifications of their teaching force by employing more qualified kindergarten teachers without having to increase fees substantially. Under KSS, EMB disbursed grants based on the number of groups of 15 pupils per level of study (nursery class, lower kindergarten and upper kindergarten) per session (morning, afternoon or whole-day session). Kindergartens joining KSS were

required to employ 100% qualified kindergarten teachers based on a teacher-to-pupil ratio of 1:15 for all levels of study.

9. Upon harmonisation of the pre-primary services, the Administration proposed to cancel the 5% Subsidy Scheme for child care centres, and expand the ambit of KSS, renamed as the Kindergarten and Child Care Centre Subsidy Scheme (KCCCCSS), to cover child care centres. Under KCCCCSS, the rate of subsidy for children aged two to six would be based on groups of 15 children or part thereof, while that for children aged zero to two would be based on groups of eight children or part thereof, taking full account of the statutory staff to children ratio of 1:8 applicable to day crèches.

10. Some members had expressed concern that many kindergarten-cum-child care centres and child care centres might encounter financial difficulties with the proposed level of subsidy under KCCCCSS. They pointed out that due to a decline in student population, many kindergartens and kindergarten-cum-child care centres might operate small classes upon harmonisation. Subsidies provided on a pro-rata basis would not be sufficient to meet the expenses for operating small classes of nine pupils or less.

11. The Administration had explained that the average enrolment rate in child care centres was about 80%. Child care centres with an enrolment rate of 70% or above would receive a higher level of grant under KCCCCSS than the 5% Subsidy Scheme. In the course of consultation, the Administration had received little opposing views about harmonisation of pre-primary services and its financial implications on the operation of existing child care centres. Of some 480 child care centres in operation, about 390 had indicated intention to be registered as kindergartens upon harmonisation. The Administration had further explained that non-profit-making child care centres and kindergartens could apply for grants under the Lotteries Fund if they met certain criteria, such as providing full-day programmes, or services until 6:00 pm and during school holidays and inclement weather.

Financial assistance to parents

12. Parents of children attending day crèches and day nurseries were eligible for the Child Care Centre Fee Assistance Scheme (CCCFAS) if they could demonstrate social need for child care, for example both parents having to go out to work. The maximum level of assistance was the actual fee charged by a child care centre or the maximum fee approved by SWD, whichever was the lower. The actual level of assistance received by eligible parents was determined by a means-tested sliding scale with a parental contribution based on household income with no pre-set ceiling.

13. As for parents of children attending kindergartens (both full-day and half-day programmes), they could apply for the Kindergarten Fee Remission Scheme (KGFRS). Parents did not have to demonstrate social need to be

eligible for KGFRS. The maximum level of assistance was the actual fee charged by a kindergarten or the weighted average fee of all non-profit-making kindergartens, whichever was the lower. KGFRS was also means-tested and provided three levels of assistance, i.e. 100%, 75% or 50% fee assistance.

14. Upon harmonisation, the Administration proposed to cancel CCCFAS and put in place one single means-testing mechanism for determining financial assistance to all pre-primary children based on the enhanced KGFRS, renamed as Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS). KCFRS would cover the following categories of children –

- (a) children aged below three attending full-day service in child care centres with social needs would be eligible for full-day fee assistance;
- (b) children aged three to six attending full-day service in child care centres or kindergartens with social needs would be eligible for full-day fee assistance; and
- (c) children aged three to six attending full-day service without social needs or half-day programmes in child care centres or kindergartens would be eligible for half-day fee assistance.

15. KCFRS would include air-conditioning and meal charges in the monthly fee on which the fee assistance would be based. The Administration also proposed to apply the “no worse-off” principle to existing CCCFAS and KGFRS recipients, i.e. if they received less assistance under KCFRS, they would be allowed to opt to continue receiving assistance under the existing schemes until the children concerned left the kindergartens/day nurseries/day crèches and proceeded to primary one. This would last for six years the longest.

16. While members welcomed the Administration’s undertaking of applying the “no worse-off” principle to existing CCCFAS recipients, a majority of them had expressed concern about the financial implications on future applicant families.

17. To address members’ concern, the Administration had provided a comparison of the remission levels of CCCFAS and KCFRS for a four-person family or a three-person single parent family at different levels of income for six different target groups. Members noted that based on the information provided by the Administration, families with relatively low income, e.g. an income level between \$8,056 and \$11,000, might receive less financial assistance under KCFRS even if they had social needs to send their children to attend full-day service. Members were worried that these families might be forced to send their children to attend half-day service because of a lack of means.

18. The Administration had explained that when the fee remission system of pre-primary services was aligned, low income families could continue to be eligible for 100%, 75% and 50% fee remission. Families under the Comprehensive Social Security Assistance Scheme which had social needs to place their children in day nurseries and day crèches would be given a special grant to pay the fees charged in full. In actual money term, a four-person family with a monthly income level of \$8,055 or below would receive full remission, while those with a monthly income level between \$8,056 and \$11,710 would receive 75% remission, and a monthly income level between \$11,711 and \$21,512 would receive 50% remission. The Administration had further explained that 80% of serving targets of KGFRS were kindergarten pupils. The Administration had to carefully consider the impact on these pupils, the resources implications and the overall policy of EMB in this respect. Moreover, it would be difficult to take care of the circumstances of individual families in an overall change to the fee remission system.

19. At members' request, the Administration had undertaken to explore any possible measures to support the low income applicant families, which would be affected by the change of the financial assistance scheme, and revert to the Panel with plausible suggestions, if any, in due course.

20. The Finance Committee approved the KCCCSS and KCFRS on 24 June 2005.

Removal of the social needs test

21. The Panel examined the impact of the alignment of the fee remission system of pre-primary services and listened to the views of 22 deputations at its meeting on 10 April 2006. A list of the deputations is in **Appendix I**. All the deputations expressed concern about the imposition of the social needs test for eligibility for full-day fee remission under KCFRS after harmonisation of pre-primary services. Members sought clarification from the Administration on the reasons for imposing the social needs test.

22. The Administration explained that the social needs test had all along been used by SWD in assessing the eligibility of applicants for CCCFAS since the early 1980s, and upon harmonisation of pre-primary services, the same social needs test was adopted in KCFRS to cover all eligible children attending kindergartens and child care centres. The Administration considered that at the age of three to six, there was no educational basis to support whole-day schooling. The provision of full-day kindergartens and child care centres was to add further care in response to social needs or parental choice. The provision of financial assistance to parents under KCFRS should therefore be calculated on the basis of the fees charged for half-day classes at kindergartens. The full-day rate of fee remission should only be payable when the applicant family had passed the social needs test. This requirement had been put

forward for consultation with the pre-primary service sector and at the meetings of the Panel on 13 February 2003 and 14 March 2005, and was finally approved by the Finance Committee on 24 June 2005. The Administration considered it necessary to retain the social needs test under KCFRS, but was prepared to review the existing social needs criterion in the light of changing social circumstances.

23. Some members pointed out that at the Finance Committee meeting on 24 June 2005, members had expressed support for the social needs test criterion on the condition that the Administration would explore any possible measures to support the low-income applicant families that would be affected by the change of the financial assistance scheme. These members noted with concern that many parents had decided not to send their children to attend day nurseries and full-day classes in kindergartens as they were unable to pass the social needs test. These members considered that whole-day pre-primary education was in line with whole-day primary and secondary education, and parents should have a choice to decide whether their children should attend half-day or full-day schooling.

24. The Administration responded that the current policy was to implement whole-day schooling in primary and secondary education. From an educational point of view, children aged below six should preferably attend learning activities on a half-day basis. The afternoon session of full-day classes in kindergartens comprised mainly of a lunch session, an afternoon sleep, and some interesting activities conducted in a pleasant atmosphere. The Administration considered that children should spend more time with their parents and families in home environments. The creativity of children aged three to six would be adversely affected if they were required to attend structured learning activities on a whole-day basis. Nevertheless, EMB would collaborate with SWD in the review of the social needs criterion with regard to the views and concerns of members and organisations, and would examine the financial implications for implementing any changes to the social needs criterion.

25. Members requested the Administration to remove the social needs test from KCFRS from the 2006-07 school year, and provide a response before the end of the current session. Members also requested the Administration to provide the estimated costs for the removal of the social needs test, the number of families that would be benefited, and a comparison of the fee remissions to applicant families of different income ranges under KCFRS and CCCFAS.

Streamlining the application and approval procedures

26. Members noted the concern of the deputations about the delay in processing applications for fee remission under KCFRS. They called on the Administration to allocate additional resources to Student Financial Assistance Agency (SFAA) and Integrated Family Services Centres to improve efficiency

in processing applications for fee remission and assessing the social needs of applicants respectively.

27. The Administration explained that SFAA had already been allocated additional manpower to handle applications for fee remission. SFAA would review the application guidelines and elaborate on the supporting documents required to prove the applicant's social needs to improve efficiency in the 2006-07 school year. The Administration also clarified that although SFAA would invite applications well before the commencement of a school year, reimbursement of fees to parents could only be effected upon confirmation of student enrolment by the kindergartens after the commencement of the school year.

Latest development

28. At the meeting of the Panel on 12 June 2006, members enquired about their request for removing the social needs test. The Administration responded that it was conducting a comprehensive review on the provision of pre-primary education which would be completed in three to six months. EMB was consulting the pre-primary sector on the priorities for allocation of resources for pre-primary education in the future. Both EMB and the pre-primary sector considered it more appropriate to consider the social needs test in KCFRS in the context of the comprehensive review.

29. Members were dissatisfied with the Administration's response, and considered it necessary to seek the views of the deputations attending the meeting on 10 April 2006 on whether the Panel should discuss the issue of social needs test before or after the completion of the review on pre-primary education. The outcome of the consultation was that the majority of the organisations considered that the issue of social needs test should be examined before the completion of the review.

Relevant papers

30. A list of relevant papers on the Legislative Council website is in **Appendix II**.

Panel on Education

List of deputations attending the meeting on 10 April 2006

Kindergarten subsidy and fee remission

1. Hong Kong Professional Teachers' Union
2. Hong Kong Baptist Kindergarten Education Convention
3. Hong Kong Baptist University Early Childhood Education Society
4. Hong Kong Council of Early Childhood Education & Services
5. Hong Kong Institute of Education Past Student's Association of Early Childhood Teacher Education Ltd.
6. Hong Kong Federation of Education Workers
7. The Salvation Army
8. Hong Kong Teachers' Association
9. Hong Kong Early Childhood Educators Association
10. Alumni Association of Pre-School Education Administration and Management Course – SPACE, University of Hong Kong
11. Tai Po Early Childhood Education Principal Association
12. The Non-profit-making Kindergarten Council of Hong Kong
13. S.K.H. Kindergarten and Nursery Council
14. Education Convergence
15. Hong Kong Kindergarten Association
16. Council of Non-profit Making Organizations for Pre-primary Education
17. Hong Kong Council of Social Service
18. Hong Kong Society for the Protection of Children
19. Democratic Alliance for the Betterment and Progress of Hong Kong, Education Group
20. Society For Community Organization
21. World Organization for Early Childhood Education – Hong Kong
22. Hong Kong Kowloon and N.T. Kindergarten Education Advancement Association Ltd.

**List of relevant documents on
financial assistance to pre-primary service providers and
parents of children receiving pre-primary services**

Date of meeting	Council/ Finance Committee/ Panel/ Bills Committee	Document	Paper No.
14.3.2005	Panel on Education	Minutes of meeting	CB(2)1324/04-05
		Administration's paper on "Implementation of the Harmonisation of Pre-Primary Services"	CB(2)1030/04-05(01)
		Administration's letter dated 4.4.2005 on "Harmonization of Pre-primary Services"	CB(2)1240/04-05(01)
12.5.2005	Bills Committee on Child Care Services (Amendment) Bill 2005	Minutes of meeting	CB(2)1689/04-05
		Legislative Council Brief on "Amendment of the Child Care Services Ordinance to Implement the Harmonisation of Pre-primary Services"	HWF CR2/5091/05 Pt. 2
		Background brief prepared by the Legislative Council Secretariat on "The Administration's proposals to amend the Child Care Services Ordinance and the Child Care Services Regulations"	CB(2)1536/04-05(01)
23.5.2005	Bills Committee on Child Care Services (Amendment) Bill 2005	Minutes of meeting	CB(2)1790/04-05

Date of meeting	Council/ Finance Committee/ Panel/ Bills Committee	Document	Paper No.
31.5.2005	Bills Committee on Child Care Services (Amendment) Bill 2005	Minutes of meeting	CB(2)2067/04-05
		Administration's Response to the Follow-up Actions of the Bills Committee Meetings	CB(2)1712/04-05(01)
6.6.2005	Bills Committee on Child Care Services (Amendment) Bill 2005	Minutes of meeting	CB(2)2120/04-05
		Administration's paper on "Follow-up Actions of the Bills Committee Meeting"	CB(2)1782/04-05(01)
22.6.2005	Council meeting	Hon CHEUNG Man-kwong moved a motion on "Enhancing the quality of early childhood education"	Hansard (page 135 - 190)
24.6.2005	Finance Committee	Minutes of meeting	FC125/04-05
		Subhead 228 Student financial assistance and Subhead 175 Child care centre fee assistance	FCR(2005-06)23
10.4.2006	Panel on Education	Minutes of meeting	CB(2)1881/05-06
		Administration's paper on "Kindergarten and Child Care Centre Fee Remission Scheme"	CB(2)1667/05-06(03)
7.6.2006	Council meeting	Hon Fernando CHEUNG Chiu-hung raised a written question on "Applications under the Kindergarten and Child Care Centre Fee Remission Scheme"	

Date of meeting	Council/ Finance Committee/ Panel/ Bills Committee	Document	Paper No.
12.6.2006	Panel on Education	Minutes of meeting	CB(2)2643/05-06
		Letter dated 7 July 2006 from the Permanent Secretary for Education and Manpower	CB(2)2700/05-06(01)

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