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Panel on Education

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 9 July 2007**

Senior secondary school fees

Purpose

This paper summarizes the discussions of the Panel on Education on senior secondary school fees.

Background

2. Under the prevailing policy for determining school fees for senior secondary places in aided and Government secondary schools, the target is to recover 18% of the total recurrent cost incurred for the provision of senior secondary education. School fees are revised on a school year basis.

3. Senior secondary school fees had been frozen at the level of the 1997-1998 school year until the 2004-2005 school year. In 2004-2005, the school fee for Secondary 4 (S4) and S5 was \$5,050, and for S6 and S7 \$8,750. In June 2005, the Administration proposed to revive from the 2005-2006 school year onwards the annual review and revision of school fees to achieve by phases the cost recovery rate of 18%.

Deliberations of the Panel

4. The Panel had discussed senior secondary school fees in the following context -

- (a) review of education resources in tackling fiscal deficits;
- (b) proposal to reform the academic structure for senior secondary education and higher education; and

- (c) proposals to increase senior secondary school fees in the 2005-2006 and 2006-2007 school years.

5. The deliberations of the Panel are summarized in the following paragraphs.

Review of education resources

6. At the policy briefing by the Secretary for Education and Manpower on the Chief Executive's Policy Address 2003 on 13 January 2003, concern had been raised about the impact of the Administration's target to reduce the operating accounts by \$20 billion by 2006-2007. Members were concerned about a possible cut in education resources and a consequent increase in senior secondary school fees. The Administration was urged to consider the importance of education for the future development of Hong Kong and the financial impact of increasing school fees on parents. The Administration was requested to consult the community, including the Legislative Council, before making any decision to increase school fees.

7. In response, the Administration reiterated the assurance of the Chief Executive that investment in education would remain the Government's priority, despite the need to tackle fiscal deficits. The Administration pointed out that all bureaux, including the Education and Manpower Bureau (EMB), were required to review their respective initiatives and policies to see if there was room for savings or a need for more resources. A holistic review of the expenditure items in education would be conducted, and the question of whether education resources would be reduced would be decided after the review. The Administration undertook to consult the relevant parties should a proposal to increase school fees be made.

Proposed reform to the academic structure for senior secondary education and higher education

8. In the two Consultation Documents entitled "Reforming the Academic Structure for Senior Secondary Education and Higher Education – Action for Investing in the Future" and "The New Academic Structure for Senior Secondary Education and Higher Education – Action Plan for Investing in the Future of Hong Kong", it was stated that the current policy of setting 18% of recurrent cost for senior secondary school fees was independent of the decision to move to the new three-year senior secondary programme. The Administration would bring the senior secondary school fees back to 18% of recurrent cost at a measured pace, tentatively over a period of four years with an annual increase by 5%, starting from the 2005-2006 school year for completion by 2008-2009.

9. The Panel discussed the two Consultation Documents at its meetings on 29 October 2004 and 3 June 2005. Members expressed concern about the proposal to increase gradually the tuition fees to achieve the 18% cost recovery rate. Members attributed the proposed increases mainly to the expected increase in

student unit cost arising from the implementation of the new academic structure. They asked for the justifications for the increases and for a schedule of the proposed increases.

10. The Administration explained that the senior secondary school fees had been frozen since 1997-1998 at \$5,050 per annum for S4 and S5, and \$8,750 for S6 and S7, which were about 15% of the student unit cost. Given the 18% cost recovery policy, the Administration considered that an increase in the student unit cost arising from the implementation of the new academic structure would justify an increase in tuition fees for senior secondary education. For the 2004-2005 school year, the estimated annual recurrent costs for a S4/S5 place and a S6/S7 place were \$33,540 and \$58,650 respectively, and the annual tuition fees for S4/S5 and S6/S7 were \$5,050 and \$8,750 respectively, or about \$6,000 on a weighted average basis. The recommended increase of the weighted average fee from \$6,000 to about \$7,200 at current prices would mean that while the tuition fee for S4 and S5 would increase, the tuition fee for S6 might decrease in the 2009-2010 school year. The Administration had no concrete timetable for increasing the tuition fees for senior secondary education. The Administration would inform the Panel should a decision be made on the matter.

11. Members were concerned that the proposed shared funding model for implementing the new academic structure would increase substantially the financial burden on low income families. They called on the Administration to consider the impact of the proposed increases in tuition fees on students whose family incomes were marginally above the eligibility criteria for the existing fee remission schemes. They also requested the Administration to review the various financial assistance schemes for needy families on an on-going basis.

12. The Administration considered it reasonable for financially capable parents to share part of the costs incurred for the implementation of the new academic structure. As regards the financial difficulties of needy parents and students, the Administration undertook to consider ways to improve the student financial assistance schemes, such as extending the repayment period. The Administration would consider the views collected during the consultation.

13. When the Panel discussed the consultation document entitled "Action for the Future – Further Consultation on Career-oriented Studies and the New Senior Secondary Academic Structure for Special Schools" at its meeting on 13 February 2006, a question was raised on whether tuition fees in special schools would be increased under the new academic structure.

14. The Administration explained that under the current policy, senior secondary students in ordinary or special schools would pay the same level of school fees at 18% of the total unit cost of secondary education. In computing the average unit cost, the costs of both ordinary and special schools would be aggregated. Students in ordinary or special schools at the same level of study would therefore pay the same level of school fees. The Administration indicated that the school

fees for senior secondary education would be worked out nearer the time for the implementation of the new academic structure. It would take account of all the investment in the new senior secondary education, including that in special schools, in calculating the total unit cost.

Proposals to increase senior secondary school fees

15. In accordance with its plan to bring the senior secondary school fees back to 18% of the recurrent cost over a period of four years, the Administration proposed in July 2005 an increase of school fees of \$270 for S4/S5 and \$350 for S6/S7 in 2005-2006. In July 2006, the Administration proposed a further increase of school fees by \$350 across the board for all senior secondary classes in the 2006-2007 school year. The Panel discussed the respective proposed increases at its meetings on 11 July 2005 and 10 July 2006.

Schedule of increases

16. Members were concerned about the cumulative effect of the consecutive increases of school fees before and after the implementation of the new senior secondary (NSS) academic structure in the 2009-2010 school year. They pointed out that the average student unit cost would increase upon the implementation of the NSS academic structure. If secondary school fees continued to increase in the next decade, the cumulative impact of an annual increase of 5% for 10 years would increase substantially the financial burden on low-income families. Members requested the Administration to set out the schedule of increases of secondary school fees to achieve the 18% cost recovery target before and after the implementation of the NSS academic structure. They also called on the Administration to reduce the percentage of yearly increase, and to extend the period for achieving the cost recovery target to mitigate the financial burden on parents.

17. The Administration reiterated that it was well aware of the need to strike a balance between the amount and pace of the annual fee increases before and after the implementation of the NSS academic structure in order to minimize the financial burden on parents. The Administration had adopted a gradual and phased approach to increase the school fees, having regard to the affordability of parents and the unit cost estimate. The school fees for senior secondary classes were reviewed every year. The levels of school fees in a particular year mainly depended on the unit costs of the senior secondary places in Government and aided schools, which were determined by the total recurrent costs for these places in the previous year. Variable factors such as staff costs, costs of new measures and inflation rates would affect the total recurrent costs. The Administration would take into account the prevailing economic situation as well when determining the level of fee increases each year. Against such background, the Administration advised that it was not possible to provide a timetable on the planned increases of secondary school fees before and after the implementation of the new academic structure in the 2009-2010 school year.

Financial assistance to students

18. Members noted that some 420 000 students applied for financial assistance under the various financial assistance schemes but only around 150 000 received full remission of school fees. Members noted that a student from a four-member family with a monthly income exceeding \$8,055 would be eligible for "half grant" assistance only. There was a view that such an income ceiling was more stringent than that under the Comprehensive Social Security Assistance (CSSA) Scheme for a household of the same size. Members called for a comprehensive review of financial assistance to students. The Administration was urged to improve the provision of financial assistance to needy families and students, and relax the eligibility criteria for full remission of school fees.

19. The Administration reiterated its stated policy that no students would be deprived of education due to a lack of means. The Administration stressed that it would give due regard to affordability when considering the revision of fees for senior secondary classes each year. Needy students would be assisted under the Fee Remission Scheme administered by the Student Financial Assistance Agency (SFAA). Following school fee revision, the level of maximum assistance provided under the Scheme would be increased by the same amount, and students in need would not be affected.

20. The Administration conducted a review of financial assistance provided to students in response to members' call. According to the findings, a broad comparison between the SFAA schemes and the monthly average payment under the CSSA Scheme suggested that the former were more relaxed than the latter in the following aspects -

- (a) CSSA applicants had to undergo an asset test while the SFAA schemes applicable to pre-primary, primary and secondary students were not subject to any asset test;
- (b) only 30% of the income of siblings living with the family was counted towards the total family income under the SFAA schemes while normally 100% of such income was counted under the CSSA Scheme;
- (c) dependent parents not residing with the family were also counted as family members in arriving at the adjusted family income of applicants under the SFAA schemes. However, a residence requirement applied to the CSSA Scheme; and
- (d) the SFAA schemes only took into account gross household income, and the application and assessment procedure was relatively simple.

21. Having regard to the findings of the review, the Administration maintained the existing income eligibility criteria for full grant assistance under the SFAA schemes.

Consultation

22. Members had sought information on the consultation conducted by the Administration on its annual fee revision proposals. The Administration advised that EMB had, on several occasions during regular contacts with the school sector and informal contacts with the key stakeholders, consulted some parent associations and educational bodies on the proposed annual increases of school fees. They, in general, agreed that the annual increases were mild, and accepted the increases provided that no students would be deprived of education due to a lack of means. The Administration would set out the existing and new secondary school fees and the respective cost recovery rates in its proposals for annual revision of school fees, and consult the school sector and the Panel.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
5 July 2007

**Relevant papers on
senior secondary school fees**

Meeting	Date of meeting	Paper
Panel on Education	13.1.2003 (Item I)	Minutes Agenda
Panel on Education	29.10.2004 (Item I)	Minutes Agenda
Panel on Education	3.6.2005 (Item I)	Minutes Agenda
Panel on Education	11.7.2005 (Item V)	Minutes Agenda
Panel on Education	13.2.2006 (Item IV)	Minutes Agenda
Panel on Education	10.7.2006 (Item III)	Minutes Agenda
Panel on Education	21.7.2006 (Item I)	Minutes Agenda

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