

LEGISLATIVE COUNCIL BRIEF

PROVISION OF BOARDING FACILITIES FOR NON-LOCAL STUDENTS IN INTERNATIONAL SCHOOLS AND LOCAL SCHOOLS

INTRODUCTION

At the meeting of the Executive Council on 16 December 2008, the Council ADVISED and the Chief Executive ORDERED that –

- (a) the Administration should proactively support the development of a new non-profit-making international boarding school, through granting a greenfield site in Tuen Mun by private treaty at nominal premium. The land required for the international school with boarding facilities is proposed to be granted for a term of ten years which is coterminous with that of the service agreement to be signed between the Administration and the prospective school operator, subject to the support of the Education Bureau (“EDB”) to the grant of the site to the applicant and thereafter approval by the Director of Lands (“D of Lands”) to such grant on the terms and conditions to be determined by the Lands Department in consultation with EDB and other relevant departments. Both the land lease and service agreement may be extended for successive five-year terms without payment of an additional premium subject to the school being operated to the satisfaction of EDB;
- (b) the international boarding school supported via item (a) above should operate both primary and secondary sections at a scale specified by the Administration. It should aim at having at least 50% of the “target students”, i.e. non-local children of families coming to Hong Kong for work or investment or non-local students holding student visas for entry into Hong Kong for studies. It should provide boarding places for the secondary section only and aim at reserving at least 50% of the boarding places for admitting non-local students holding student visas for entry into Hong Kong for studies;

- (c) the Administration should also provide flexibility, on an application and case-by-case basis, for non-profit-making international schools and local private schools¹ and schools under the Direct Subsidy Scheme (“DSS”) already in operation to develop boarding facilities in-situ, and permit the development of boarding facilities within their existing sites, subject to the following conditions –
- (i) the proposal does not require the granting of additional land by Government;
 - (ii) the land owner (lessee) will self-finance the development and operation of such boarding facilities; the schools and/or their sponsors are required to remove such facilities, in the event these are no longer required/allowed in future unless otherwise agreed by the Government;
 - (iii) the development of boarding facilities is considered by EDB to be supportive of Government’s initiative to diversify the development of the school sector;
 - (iv) at least 50% of the boarding places should be reserved for non-local students (can either be non-local children of families coming to Hong Kong for work or investment and non-local students holding student visas for entry into Hong Kong for studies) in that school;
 - (v) the provision of boarding facilities is technically feasible and permissible having regard to the compliance with relevant statutory requirements, engineering and building safety requirements, zoning on statutory plans and other conditions for the school sites concerned etc.;
 - (vi) the additional facilities would not lead to a significant reduction in the planned supply of school places for meeting demand of local students, or undermine the provision of standard teaching and learning facilities, or result in the school failing to meet relevant planning standards and guidelines for school premises; and
 - (vii) where lease modification is required to accommodate the proposed boarding facilities, any such lease modification

¹ Local private schools in the context of this brief refer to Private Independent Schools and any other self-financing and non-profit-making primary and secondary schools offering full curriculum registered under the Education Ordinance (Cap. 279).

application may be considered if the above conditions (i) to (vi) are satisfied;

- (d) in the case of a site granted for education purpose but is not currently used for the operation of a school, or in the case of private land which is not currently granted for education purpose (subject to the caveat that if it involves a lease modification of a former Private Treaty Grant (“PTG”), each case will still have to be submitted to the Executive Council for approval), and where EDB is supportive of the provision of a school with boarding facilities at that site and the land is not required for other purposes, the Administration should also permit, on an application and case-by-case basis, the development of a new school with boarding facilities by the land owner (lessee), subject to the same conditions at items (c)(i) to (vii) above; and
- (e) with regard to items (c) and (d) above, in the case where lease modification is required, and where EDB’s policy support to such lease modification is given, a nominal premium will be charged only if the proposal is supported by EDB.

JUSTIFICATIONS

Existing Policy on Provision of Boarding Facilities in the School Sector

2. Save for a few historical exceptions and other cases with specific policy support on consideration of special factors such as remoteness of the schools, the prevailing policy does not specifically cover the provision of boarding facilities on school sites for students enrolled in schools on a full-time basis.

Expressions of Interest (“EoI”) exercise on Allocation of Greenfield Sites and Vacant School Premises for International School Development

3. The 2007-08 Policy Address has announced that we will make available a number of greenfield sites at nominal premium for the development of new international schools or the expansion of existing schools with interest-free capital works assistance loans. It is also stated that we will study the feasibility of allowing the international school sector to develop hostel facilities on a trial basis, with a view to attracting students from different parts of the world. As a follow-up to this new policy initiative, EDB launched an EoI exercise in March 2008 on four greenfield sites, two in Kowloon and two in the New Territories. Amongst these four sites, a site in Tuen Mun has been earmarked for piloting the construction of an international school with boarding facilities. The site is situated within an ex-military site at Area 48,

Castle Peak Road, So Kwun Wat, Tuen Mun. It is on Government land and zoned as “Government, Institution or Community” where school use (including international school) is always permitted. The site has an area of around 3.68 hectares and will be available in July 2009.

4. Results of the EoI exercise show that there is a keen interest, both among local and overseas operators, to develop an international boarding school in Hong Kong.

Proposed Land Grant for Provision of Boarding Facilities in the New International School at Tuen Mun Site

5. We consider that government support by way of a private treaty grant of the site in Tuen Mun at nominal premium for the proposed international school with boarding facilities (non-profit-making international school complying with certain requirements is eligible for land grant at nominal premium under current policy) should be able to demonstrate the Administration’s positive support for this initiative.

6. In line with the existing policy on provision of infrastructural support for establishing non-profit-making international schools and Private Independent Schools, we propose to enhance school accountability and better safeguard public interest by offering the private treaty grant on a time-limited basis, with the lease term to be extended periodically – to be coterminous with a service agreement signed between Government and the selected school operator. Following current practice, we propose that both the private treaty and the service agreement should last for a term of ten years, i.e. both the land grant and the service agreement will run from the same date of the land grant and end at the same time as the service agreement expires or is terminated. A termination clause will be included in the Special Conditions of the proposed land grant to the effect that the Grantee shall surrender the site and premises free of cost to Government upon the termination of the service agreement. A nominal premium will be charged but the grantee will be required to pay an annual government rent at 3% of the ratable value of the land from time to time from the date of the land grant. Other basic terms and conditions of the land grant will be determined by the D of Lands in consultation with EDB and other relevant departments. Both the land lease and service agreement can be extended for successive five-year terms without payment of an additional premium subject to the school being operated to the satisfaction of EDB. From the date of extension, government rent at 3% of the ratable value from time to time of the land shall be charged. In parallel with the land lease provisions, the service agreement would spell out the key terms and conditions for the school operation and prescribe a mechanism for periodic quality assurance.

Financial Assistance for School Building

7. In line with existing policy, financial assistance in the form of interest-free loan for school building may be offered to the proposed international school operator on an application basis. The loan, repayable in ten years, is capped at 100% of the cost for constructing a standard-design public sector school accommodating the same number of students. The loan will not cover the construction cost of the boarding facilities, which are regarded as “non-standard” facilities.

8. In line with the existing international school policy, the boarding portion of the newly set up international school should, similar to the school portion, be operated on a self-financing basis and with a high degree of operational autonomy.

Scale and Target Students of the New International Boarding School

9. Taking into account the feedback from the EoI exercise, we propose that the new school to be developed on the Tuen Mun site should -

- (a) be a primary-cum-secondary school with a planned intake of at least 1200 students, taking into account a smaller class size of an average 20 students comparable to that for existing international schools in Hong Kong and assuming 20 students with 5 classes at six levels each for both primary and secondary schools;
- (b) aim at having at least 50% of the “target students”² in their student bodies, in line with our expectation for other international schools. In recent years, we have been articulating the “target students” in clearer terms, by stating our expectation for international schools to serve primarily non-local children of families coming to Hong Kong for work or investment and non-local students holding student visas for entry into Hong Kong for studies as “target students”, and would facilitate the establishment of new international schools or expansion of existing schools only if the admission policies of the schools concerned are consistent with this expectation. The schools concerned would be expected to achieve the minimum requirement unless there is a lack of demand from the target students. The requirement will be enforced via the signing of a service agreement;
- (c) deliver a boarding section serving some 50% to 60% of the students

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According to the established policy, international schools should mainly serve the target group(s) of students that they have publicly stated they will serve. If their student mix falls below a certain level so that they will clearly not be achieving this objective then the Permanent Secretary for Education should have power to require them to rectify the situation. This level should be set at 50%.

at secondary levels. We recommend limiting boarding only to secondary school students who are more independent and could benefit more from the boarding life as compared to the primary students. Assuming a secondary section with some 600 students for a primary-cum-secondary school admitting a minimum of 1200 students, this will mean around 360 students, i.e. 30% of the planned intake for the entire school, which is broadly in line with the initial feedback received;

- (d) aim at reserving at least 50% of the boarding places for non-local students holding student visas for entry into Hong Kong for studies, bearing in mind our objective of developing a boarding school that would help Hong Kong to further attract students from different parts of the world. Assuming again that a minimum number of 360 boarding places would be available only to secondary students; this would mean that the school is expected to recruit at least 180 non-local students on student visas requiring boarding, representing 30% of some 600 students in the secondary section (or roughly about 30 such students per secondary level). This should be a modest expectation which stands a better chance of being achieved for a new endeavour in Hong Kong.

10. For the proposed scale of the school and the boarding section in paragraphs 9(a) and (c) above, we recommend allowing some flexibility in our school allocation exercise in order not to pre-empt worthy proposals to be formally submitted by those who have initially expressed interest. After all, we are talking about a new school type, and the international school sector has always been quite diversified in terms of teaching practices and curriculum. We recommend promulgating the minimum requirements as Government's expectation, with the marker that minor deviations could be accepted subject to sound justifications.

11. We propose to include our expectation on the proposed student mix for the school and for the boarding section, together with a clear and enforceable admission policy, into the service agreement. The operator should be allowed a reasonable period of lead time, to be negotiated, for achieving the proposed mix. Occasional non-achievement (with the consequence of more places being taken up by other categories of students) due to fluctuations in demand should be accommodated, bearing in mind the need for the school to sustain its operation and remain financially viable. That said, a specific marketing strategy should be included in the service agreement to demonstrate that the operator is making earnest efforts to recruit the non-local students and are not merely operating a boarding facility to meet the demand from local families. The Government should reserve the right to disapprove the operation of boarding facilities on site, or even ask for surrender of the land attributable

to the boarding portion and the facilities therein if it becomes clear that the boarding section is not properly utilised to achieve the target student mix. In the event that such boarding facilities are no longer required/allowed in the future, the schools and/or their sponsors are normally required to return a cleared site free of structure or to remove such boarding facilities, as the case may be and depending on the land lease and structural conditions, unless otherwise agreed by the Government.

12. The Administration will review the effectiveness of the provision of boarding facilities after the pilot project has been in full operation for some time before considering whether or not to grant additional greenfield sites for the construction of new international schools with boarding facilities modeled on the proposed land grant for the Tuen Mun site. We will as appropriate seek the endorsement of the Executive Council for new cases should they arise.

Provision of Boarding Facilities in Existing International Schools, DSS Schools or Local Private Schools and on Land Already Granted

13. Over the years, some DSS schools/local private schools have approached the education authorities to explore the possibility of providing boarding facilities on campus. Such requests are often prompted by the wish to attract local families as well as non-local students who could afford boarding on a fee-charging basis. After all, there may be demand among families in Hong Kong for providing their children with the experience of boarding. In addition, under current policy, international schools, local private schools and DSS schools are already allowed to admit non-local students. In the case of DSS schools, the non-local students admitted would not be counted for the purpose of government subvention. Bearing in mind the scarce land resources in Hong Kong, the Administration's boarding policy for schools should primarily focus on non-local students and in turn the objective of promoting the diversified development of the school sector. Save for exceptional cases to be considered by the Executive Council, we do not see a need to facilitate the provision of boarding for local students.

14. That said, we believe the Administration could be more open-minded towards proposals which target at non-local students, to complement our efforts on the new international boarding school in Tuen Mun. On the other hand, provision of boarding facilities is generally still a new concept in Hong Kong and its effectiveness in attracting non-local students is to be proven. On balance, we recommend that our support for these cases should not incur additional cost in terms of land and funding on the part of the Government. Specifically, we recommend that the existing policy be relaxed such that existing non-profit-making international schools, local private schools and DSS schools may be allowed to develop and operate boarding facilities within their existing sites, but subject to the following conditions being met –

- (a) the proposal does not require the granting of additional land by Government;
- (b) the land owner (lessee) will self-finance the development and operation of such boarding facilities; the schools and/or their sponsors are required to remove such facilities in the event these are no longer required/allowed in future unless otherwise agreed by the Government;
- (c) the development of boarding facilities is considered by EDB to be supportive of Government's initiative to diversify the development of the school sector;
- (d) at least 50% of the boarding places should be reserved for non-local students, including children from families coming to Hong Kong for work or investment or non-local students holding student visas for entry into Hong Kong for studies;
- (e) the provision of boarding facilities is technically feasible and permissible having regard to the compliance with relevant statutory requirements, engineering and building safety requirements, zoning on statutory plans and other conditions for the school sites concerned etc.;
- (f) the additional facilities would not lead to a significant reduction in the planned supply of school places for meeting demand of local students, or undermine the provision of standard teaching and learning facilities, or result in the school failing to meet relevant planning standards and guidelines for school premises; and
- (g) where lease modification is required to accommodate the proposed boarding facilities, any such lease modification application may be considered if the above conditions (a) to (f) are satisfied.

15. We also recommend that the existing policy be relaxed such that in the case of a site granted for education purpose but is not currently used for the operation of a school or in the case of private land which is not currently granted for education purpose, and where EDB is supportive of the provision of a school with boarding facilities at that site and the land is not required for other purposes, the Administration should also permit, on an application and case-by-case basis, the development of new schools with boarding facilities by the land owner, subject to the same conditions at paragraph 14(a) to (g) above. In the case where lease modification is required to accommodate the in-situ development of boarding facilities or to accommodate the development of

new schools with boarding facilities and where EDB's policy support is given to such lease modification, a nominal premium will be charged only if the proposal is supported by EDB. It should be noted that in case of private land not currently granted for education purpose, if the case involves a lease modification of a former PTG to allow the provision of a school with boarding facilities, then each case will still have to be submitted to the Executive Council for approval.

16. Noting that the number of non-local students may vary from year to year, and to ensure that such boarding facilities are fully utilised, the schools would be given the flexibility to provide these facilities to other categories of students and use the facilities for other education-related purposes on a temporary basis, e.g. boarding education and "adventure camps" for local students. That said, the guiding principle remains that the schools should commit that the boarding portion should serve primarily (at least 50%) non-local students unless the boarding places intended for these students are not fully utilised. Schools and their sponsors should also accept that in case the school premises are no longer used for the permitted purposes, the concerned school site shall be returned to the Government in accordance with the land lease conditions and as a matter of principle, we will not reimburse or compensate their investment in the school facilities (including the boarding facilities). The Government will also reserve the right to cease the operation of boarding facilities on site and require schools and/or their sponsors to turn the boarding facilities into other gainful use of teaching or other facilities for the school or, if appropriate restore the land attributable to the boarding portion to its original condition, if it becomes clear that the boarding section is not properly utilized to achieve the target student mix over a reasonable period. In the event that such boarding facilities are no longer required/allowed in the future, the schools and/or their sponsors are normally required to return a cleared site free of structure or to remove such boarding facilities, as the case may be and depending on the land lease and structural conditions, unless otherwise agreed by the Government.

17. In the case of DSS schools receiving recurrent subvention from Government, we will require schools to keep separate accounts of the operations and implement proper overhead charging, so as to ensure that there is no cross-subsidy from the recurrent grants on the school portion (if any) to the operation of the boarding facilities for fear that it would be used as an excuse to increase tuition fees and the amount of debenture for the school portion in future.

18. The above proposals will not apply to public sector schools (i.e. government and aided schools) which are for meeting demand from local students, and which are not allowed to admit non-local students under current policy.

IMPLICATIONS OF THE PROPOSAL

19. The proposal has financial, civil service, economic, environmental and sustainability implications as set out at **Annex**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity implications.

PUBLIC CONSULTATION

20. We have not launched any specific public consultation as our proposal does not entail major changes to existing policies. After all, it seeks to better enable Hong Kong to attract students from all over the world, which is a strategic vision widely shared by the community.

PUBLICITY

21. We will promulgate the new boarding policy among the schools through standing communication channels and deal with applications on a case-by-case basis.

NEXT STEP

22. We plan to launch a School Allocation Exercise for the four greenfield sites, including the one in Tuen Mun accommodating boarding facilities, before the end of 2008 and will invite those parties which have expressed interest in these sites to submit detailed school proposals for consideration and vetting under the established school allocation mechanism. We shall seek the approval of the Finance Committee of the Legislative Council for the offer of interest-free loans for specific school building projects (excluding the boarding portion for Tuen Mun site) in due course.

BACKGROUND

23. Under the existing international school policy, the Government provides infrastructural support to selected non-profit-making international school operators in the form of (i) a land grant by private treaty for the school site, and (ii) an interest-free loan for school building of an amount up to 100% of the cost for constructing a standard-design public sector school accommodating the same number of students, to be repaid in ten years. Apart

from greenfield sites, we have also been allocating vacant school premises to existing international schools in need of expansion under a ten-year tenancy agreement at nominal rent. International schools operating from the greenfield sites and vacant school premises allocated under the above-mentioned arrangement should be non-profit-making and operated on a self-financing basis.

OTHERS

24. Enquiries on this brief may be directed to Mr Raymond Sy, Principal Assistant Secretary for Education (Infrastructure and Research Support), at 2892 6665.

**Education Bureau
December 2008**

Implications of the Proposal

Financial Implications

The proposal to allow the development of boarding facilities within the proposed site in Tuen Mun for non-profit-making international boarding school purposes would not have land revenue forgone implication as the site is zoned “Government, Institution or Community” and is currently intended for educational use and so Government selling the land does not arise. In any event, we would strive to ensure that scarce public resources are put to their best possible use, and that they are not expended at the expense of local students. As for the development of boarding facilities within existing school sites or on private land or land granted for education purpose, we expect that most of such cases would not incur any land premium forgone or opportunity cost borne by the Government. In the event that there are cases involving consideration of land premium, EDB would, depending on the circumstances of the case, consider giving policy support for nominal premium on a case-by-case basis in consultation with D of Lands. We are therefore unable to estimate the likely loss in land revenue in such cases at the present stage.

2. The proposal does not carry any recurrent financial implications, except for reimbursement of rates and government rent payable for the additional boarding facilities in the school premises. In line with existing arrangement for all non-profit-making schools, EDB will continue to favourably consider applications for reimbursements with funding to be provided from within its Operating Expenditure Envelope. The proposal also does not carry any capital financial implications as the development of the boarding facilities is on a self-financing basis.

Civil Service Implications

3. It is expected that additional workload will be generated as a result of the implementation of the proposal. For instance, the implementation will bring along an increase in the number of entry applications and extension of stay applications submitted by eligible non-local students. The additional resources involved for the Immigration Department as well as other bureaux and departments to handle other additional workload incurred will be absorbed by the concerned bureaux and departments.

Economic Implications

4. The proposal will facilitate the education sector in Hong Kong to attract more non-local students. Further internationalization in our education sector will promote a better understanding of Hong Kong amongst the incoming students and benefit our local students by giving them the opportunity to develop a broader and deeper understanding of the multiplicity of language, culture and business around the world. In the long term, this will help improve our human capital and international competitiveness, to the benefit of long-term economic development in Hong Kong.

Environmental Implications

5. As the Tuen Mun site and some reserved school sites or private land might be close to roads, any boarding facilities to be developed should be properly designed to protect students against excessive road traffic noise or other noise sources. The school development should be planned, designed and implemented in accordance with the environmental guidelines and criteria laid down in the Environment Chapter of the Hong Kong Planning Standards and Guidelines.

Sustainability Implications

6. The proposal would help facilitate the admission of non-local students in addition to medium-term and long-term academic exchanges with schools outside Hong Kong. It would be conducive to enhancing the quality of education in Hong Kong and thereby the sustainability principle of achieving a competitive economy in a long run. Any environmental impacts arising from the construction of new boarding facilities would need to be carefully examined and adequately addressed.