

For information
on 6 July 2009

Legislative Council Panel on Education

Monitoring of Direct Subsidy Scheme (DSS) Schools

PURPOSE

This paper informs Members of the monitoring mechanism for DSS schools.

BACKGROUND

2. The Scheme was introduced in 1991 on the recommendations of the Education Commission Report No. 3, under which schools receive subvention based on the number of students enrolled. The objective of introducing the Scheme is to inject diversity to our school system through the growth of a strong subsidized private school sector, thus giving more choices to parents.

3. To meet the policy objective, DSS schools are allowed to have greater flexibility in various areas including school management, resources deployment, staff appointment, curriculum design, student admission and fees collection so that they can cater for the diverse needs of their student intakes in a more responsive manner. DSS schools are required to administer scholarship and fee remission schemes for needy students.

4. In the 2008/09 school year, there are 71 DSS schools, including 11 primary, 51 secondary and 9 primary cum secondary schools. They include ex-Bought Place Scheme schools that have been phased out by 2001, former private schools, former aided schools and new schools being allocated school sites designated for the operation of DSS schools.

5. DSS schools have to comply with the Education Ordinance, Education Regulations, other related legislations and such other requirements as specified from time to time by the Government. They also have to comply with the administrative arrangements applicable to both aided and DSS schools being promulgated through circulars, covering subjects like: acceptance of advantages and donations, principle of equal opportunities, trading operations and upholding students' right to education. The Education Bureau (EDB) also issues guidelines specific to DSS from time to time on

such areas as student admission, curriculum delivery, financial management and school operations.

6. While DSS schools are given funding flexibility, they are publicly accountable for the proper use of school funds in the best interests of the students and the schools. They are thus required to put in place a sound and effective financial mechanism and regularly review the mechanism for continuous improvement. In 2007, EDB has issued a set of guidelines on financial management for DSS schools.

7. In 2008, with a view to facilitating DSS schools to operate their schools more effectively, a “*Reference Document on Management and Administration of DSS Schools*” was prepared in conjunction with the Hong Kong DSS Schools Council. Essential information, including EDB circulars and good practices, are incorporated in the document. The document will be updated on a yearly basis.

MONITORING OF DSS SCHOOLS

8. A control and monitoring mechanism, which comprises both compliance vetting and quality assurance, has been instituted for DSS schools.

Compliance Vetting

9. The purpose of compliance vetting is to check, by way of information collected regularly through such channels as annual school plans, school inspections, audited accounts for ascertaining that the schools have met the DSS admission conditions, the statutory and administrative requirements as stipulated in Education Ordinance, Education Regulations, circulars and administrative documents.

10. On DSS admission conditions, all schools joining DSS from the 2000/01 school year onwards are required to enter into a School Sponsoring Body (SSB) Service Agreement with EDB upon admission to the Scheme. Through the Service Agreement, the Government and the SSB agreed to perform the duties and obligations in relation to the school on the terms and conditions contained therein. Within one year after the DSS school has commenced operation, the School Management Committee (SMC) or the Incorporated Management Committee (IMC) is required to enter into a 10-year renewable SMC / IMC Service Agreement with the Government. Through the SMC / IMC Service Agreement, the Government and the SMC / IMC agreed to perform the duties and obligations in relation to the school on the terms and conditions contained therein. The SMC / IMC Service

Agreement will be renewed for a five-year term or such other term as determined by EDB, subject to EDB's being satisfied with the performance of the school. For other schools joining the DSS prior to 2000, they are not required to sign service agreement with the Government. Yet these schools are still bound by the terms and conditions as spelt out in the school circular which announced the introduction of DSS. The performance of DSS schools should be satisfactory. If malpractices continue in a DSS school after warning by EDB, the subsidy payable to the school may be withdrawn with a resultant loss of DSS status.

11. On compliance with the statutory requirements, DSS schools should adhere to the statutory requirements as stipulated in the Education Ordinance, the Education Regulations and such other statutory requirements applicable to DSS schools, including but not limited to school registration, formation and operation of SMC / IMC, appointment of principal and teachers and alterations and maintenance of school facilities, etc.

12. DSS schools, on par with other schools, will have to apply for school registration in accordance with the Education Ordinance and the established mechanism. Upon their submission of the required documents, such as Occupation Permit issued by the Buildings Department, proposed syllabus / timetable, tuition fee and application(s) for manager registration, and on condition that all such required information are in order, EDB will issue a certificate of provisional registration valid for one year to the schools. While EDB may approve the extension of the period of provisional registration of a school for such further periods, full registration will only be granted to the school upon its full compliance with the requirements set by EDB and all relevant authorities.

13. On compliance with the administrative requirements, DSS schools should adhere to the relevant circulars and administrative documents. For financial management in particular, DSS schools are required to account for all government subsidies in their books of account. Only approved expenditure items of an educational nature may be charged against the subsidy account. Income from other sources, e.g. school fees, trading operation, etc., should be recorded separately and used for educational and school needs only. DSS schools are required to submit to EDB a set of audited accounts for examination annually. Audit inspections and investigatory inspections are conducted by EDB officers on a regular or need basis to ensure proper use of government and non-government funds. Conducted on a test-checking basis, the objectives of the audit inspection are to evaluate whether the DSS schools have put in place adequate internal controls, proper financial management and procurement arrangements and staff remuneration policy; and whether the schools comply with the relevant letters, circulars and guidelines issued by

EDB (such as guidelines on use of government and non-government funds) in carrying out their financial and accounting operations. The findings and recommendations of each audit inspection would be conveyed to the School Supervisor for their follow-up actions. If necessary, follow-up or more frequent inspections would be conducted on these schools.

Quality Assurance

14. The objective of quality assurance is to ascertain that the quality of education provided by the DSS schools has met the required standard. It also enables DSS schools to conduct evaluation of their focus development areas in identifying strengths and areas for sustained development. The main purpose is to help schools further develop and improve and intervention will be taken if situation so warrants. Quality assurance on the performance of a DSS school as a whole is conducted through the Comprehensive Review (CR), External School Review (ESR) and Focused Inspection. Details are as follows:

- (a) CR on school performance will be conducted after a school joining the DSS for five years. Schools will be assessed in major domains including management and organization, learning and teaching, student support and school ethos, and student performance. The assessment will primarily take into account the school's self-evaluation and performance targets stated in the SMC / IMC Service Agreement. If a school is not operating to a satisfactory standard, it will be required to draw up and implement an action plan to rectify identified problems within six months to a year's time. EDB will monitor the progress of implementation and conduct follow-up inspections during and/or after the period of time given to the school to improve.
- (b) All schools, including DSS schools, are accountable for their performance and are monitored under the School Development and Accountability (SDA) framework, which places emphasis on school self-evaluation (SSE) in recognition of the school as the centre for improvement, with ESR playing the complementary role of validation. Internal accountability is emphasized through the integration of "Planning-Implementation-Evaluation" into the school development cycle and transparency of the School Development Plan, Annual School Plan and School Report. These documents should be endorsed by the SMC / IMC and made available to stakeholders for information and feedback. The ESR aims to give feedback and suggestions to schools for continuous school development. If schools are found to require

improvements, they will have to take follow up action accordingly.

- (c) EDB inspectors conduct Focused Inspections on specific key learning areas and aspects of the school work (e.g. discipline, home-school co-operation, medium of instruction, etc.). DSS schools are also subject to Focused Inspections. If schools are found to require improvements in the subject inspected, they will be requested to take necessary follow up action.

15. EDB reserves the power to withdraw the subsidy payable to the school with its resultant loss of DSS status. Subject to EDB's being satisfied with the performance of the school according to the evaluation of the school's performance under the above quality assessment, SMC / IMC Service Agreement may be renewed. In exceptional cases, e.g. where the school repeatedly refuses to accept EDB's advice to make improvement, the Bureau may terminate the SMC / IMC Service Agreement at any time before the expiry of the Service Agreement.

Continuous Monitoring

16. As on-going practices relating to DSS monitoring, in case complaints have been received against DSS schools or malpractices identified, investigation will be carried out. In the event of serious breach of the regulations which may jeopardize the safety of students, EDB may take prosecution action right away despite no prior warning has been issued.

17. Under normal circumstances, if malpractices are substantiated, EDB would issue warning letters to responsible persons demanding rectification within a specified time. Follow-up investigation visit or reviews will be conducted to ensure timely rectification of the situation.

18. Where recurrent or systemic problems have been identified in schools, EDB will render appropriate support / intervention to the schools concerned. Depending on the gravity of the problems, EDB will scale up the level of intervention. In addition to the issuance of advisory and warning letters, EDB may appoint school managers to the SMC, and report to relevant law enforcement agencies should there be suspected illegal and corruption cases. If malpractices continue even after warning has been given and scaled up intervention been administered, EDB may withdraw the subsidy payable to the school with a resultant loss of DSS status.

Public Scrutiny

19. Other than the above mentioned monitoring mechanism, DSS schools are also monitored by parents and the community. Parental choice is an important driving force for the DSS schools' continuous improvement. In this connection, DSS schools are required to issue an annual prospectus and ensure that its contents are up-to-date and factually correct so that parents can make an informed choice. Every prospectus should contain essential information such as governance and management of the school, class structure, curriculum, academic results, extra-curricular activities, school fees information with details of any fee remission / scholarship scheme and the school's budget for the coming year. Stakeholders such as parents and the community also monitor the performance of the schools through the annual school plans that are accessible to stakeholders.

WAY FORWARD

20. The recent controversies over Pegasus Philip Wong Kin Hang Christian Primary School cum Junior Secondary School have given rise to concerns over the operation of DSS schools. We wish to point out that as revealed in the CR conducted, DSS schools reviewed have been assessed to be operating satisfactorily, though there is still room for improvement for some of them. We must be careful in maintaining a balance between control and flexibility for DSS schools, so that the fundamental principle of establishing the Scheme to create diversity in our education system would not be undermined.

21. To strive for continuous improvement of the DSS schools, we will work together with the Hong Kong DSS Schools Council to further refine the management of DSS schools in areas such as handling of conflict of interest, use of funding, etc.

ADVICE SOUGHT

22. Members are invited to note the content of this paper.

Education Bureau
June 2009