

立法會
Legislative Council

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(The minutes have been seen
by the Administration)

Ref : CB2/PL/ED

Panel on Education

Minutes of meeting
held on Monday, 11 July 2011, at 4:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon Starry LEE Wai-king, JP (Chairman)
Hon Cyd HO Sau-lan (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon CHEUNG Man-kwong
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon WONG Kwok-hing, MH
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Prof Hon Patrick LAU Sau-shing, SBS, JP
Hon KAM Nai-wai, MH
Dr Hon LAM Tai-fai, BBS, JP
Hon Paul CHAN Mo-po, MH, JP
Dr Hon Priscilla LEUNG Mei-fun, JP
Hon CHEUNG Kwok-che
Dr Hon Samson TAM Wai-ho, JP
Hon Tanya CHAN
Hon WONG Yuk-man
- Members absent** : Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Public Officers attending : Agenda item III

Mrs Cherry TSE, JP
Permanent Secretary for Education

Mr Kenneth CHEN, JP
Under Secretary for Education

Mrs Michelle WONG, JP
Deputy Secretary for Education (4)

Miss WU Po-ling
Principal Assistant Secretary
(School Administration & Support)

Mrs Lily TSANG
Principal Assistant Secretary (Finance)

Mr Steve LEE
Principal Assistant Secretary (School Development)

Agenda item IV

Mr Kenneth CHEN, JP
Under Secretary for Education

Ms Mable CHAN
Deputy Secretary for Education (2)

Mr Raymond SY
Principal Assistant Secretary for Education
(Infrastructure and Research Support)

Mr Carlson TONG
Chairman, English Schools Foundation

Mrs Heather Du Quesnay
Chief Executive, English Schools Foundation

Agenda item V

Mr Kenneth CHEN, JP
Under Secretary for Education

Ms Amy WONG
Principal Assistant Secretary (Higher Education)

Hon Laura CHA
Chairman of University Grants Committee

Professor Roland CHIN
Chairman of Research Grants Council

Mr Michael Stone
Secretary-General, University Grants Committee

Attendance by invitation : Agenda item V

Staff Association of The Chinese University of Hong Kong

Mr Anthony KWOK Wai-leung
President

Hong Kong Professional Teachers' Union

Mr FUNG Wai-wah
President

Federation of Hong Kong Higher Education Staff Association

Professor SHUM Kar-ping
Chairperson

Hong Kong Baptist University

Professor Rick WONG
Vice-President (Research & Development)

The Hong Kong Institute of Education

Professor CHENG Yin-cheong
Vice President (Research and Development)

The University of Hong Kong

Professor TSUI Lap-chee
Vice-Chancellor and President

Professor Paul TAM K H
Pro-Vice-Chancellor and Vice-President

The Hong Kong University of Science and Technology

Professor Joseph LEE
Vice-President for Research and Graduate Studies

Dr David Mole
Associate Provost

City University of Hong Kong

Professor Gregory Bruce Raupp
Vice-President (Research & Technology)

Professor Arthur Ellis
Provost

The Teachers' Association of The Chinese University
of Hong Kong

Professor WONG Chong-kim
President

The Hong Kong Polytechnic University Staff
Association

Dr Joseph LEE
Chairman

The Chinese University of Hong Kong

Professor Benjamin W Wah
Provost

The Hong Kong Polytechnic University

Professor Philip CHAN Ching-ho
Deputy President and Provost

Hong Kong University of Science & Technology Staff
Association

Dr LI Chi-moon
Chairman

Professor Robert Zhong Qi
Executive Member

Clerk in attendance : Ms Amy YU
Chief Council Secretary (2)6

Staff in attendance : Ms Catherina YU
Senior Council Secretary (2)6

Ms Judy TING
Council Secretary (2)6

Miss Lulu YEUNG
Legislative Assistant (2)6 (Acting)

Action

I. Confirmation of minutes
[LC Paper No. CB(2)2289/10-11]

The minutes of the meeting held on 9 May 2011 were confirmed.

II. Information paper(s) issued since the last meeting

2. Members noted that no information paper had been issued since the last meeting.

III. Progress report on the follow-up work pertaining to the recommendations in Report No. 55 of the Public Accounts Committee concerning Direct Subsidy Scheme Schools [LC Paper Nos. CB(2)2291/10-11(01) and (02)]

3. Members noted the background brief entitled "Direct Subsidy Scheme Schools" [LC Paper No. CB(2)2291/10-11(02)] prepared by the Legislative Council ("LegCo") Secretariat.

Briefing by the Administration

4. Permanent Secretary for Education ("PS(Ed)") introduced the Administration's paper [LC Paper No. CB(2)2291/10-11(01)] setting out the latest development of its follow-up work pertaining to the recommendations in Report No. 55 of the Public Accounts Committee ("PAC") on *Administration of the Direct Subsidy Scheme and Governance and Administration of Direct Subsidy Scheme Schools* ("the PAC Report").

School fee remission and scholarship schemes

5. Mr CHEUNG Man-kwong said that many Direct Subsidy Scheme ("DSS") schools had not exhausted the funds set aside for their school fee remission and scholarship schemes ("the schemes") as the vast majority of their students were from well-off families. To enable more students from grass-root families to attend DSS schools, he suggested that 10% of the DSS school places be reserved for central allocation under the Secondary School Places Allocation ("SSPA") System.

6. PS(Ed) responded that while setting aside a certain percentage of DSS school places for central allocation might increase the chance of students from low-income families being admitted, this was by no means certain given that students from all strata participated in SSPA. Consideration should also be given to the autonomy of DSS schools in student admission. The Working Group on DSS ("the Working Group") was considering in a holistic manner different ways to improve the implementation of the school fee remission and scholarship schemes to ensure that students from grass-root families would also have a fair chance of being admitted. In the meantime, the Administration

Action

had introduced some measures to enhance the transparency of the schemes, which would facilitate parents to get necessary information to make informed choices of schools. The Administration would monitor the implementation of these measures, and with more information collected, consider if there would be any need for formulation of further improvement measures.

7. Mr WONG Yuk-man said that DSS schools were required to submit to the Administration a plan on the deployment of the reserve for financial assistance/scholarships when the reserve reached a cumulative amount exceeding a school's half-year total fee income. As DSS schools were required to set aside at least 10% of their school fee income for the schemes each year, it would mean that a school could have its reserve for financial assistance/scholarships remaining unused for as long as five years before it was required to submit a plan on the deployment of the reserve. He asked whether consideration could be given to lowering the ceiling on the reserve required for submission of a plan to the Administration.

8. Mr WONG Yuk-man further said that while the Administration had requested DSS schools to offer fee remission to students from families receiving Comprehensive Social Security Assistance ("CSSA") and students receiving student financial assistance provided by the Student Financial Assistance Agency, it was not mandatory for the schools to do so. Neither was there any regulation by the Administration on the level of fee remission. Furthermore, under the existing policy, no special grant for school fees would normally be given under the CSSA Scheme to students who attended DSS schools. In his view, the objective of allowing more needy students to attend DSS schools could not be met under the existing system.

9. In response, PS(Ed) said that about 40% of the DSS schools had utilized more than 100% of the reserve set aside for the school fee remission/scholarship schemes; 23 schools (i.e. 33%) had used 50% to 100%; while 19 schools had used less than 50%. Given that the grant of fee remission was subject to the availability of funds under the schemes, the Administration had not mandated the provision of fee remission to all students meeting the eligibility criteria. Schools were encouraged to provide a simulation test for fee remission on their websites so that students could know in advance whether they were eligible for the remission and the level of the remission to facilitate their decision on school choice. The Administration would collect information on the provision of fee remission by DSS schools, including cases where schools were unable to provide fee remission to eligible students owing to insufficient funds. Based on the information collected, the Education Bureau ("EDB") would review the need to adjust the existing arrangements for fee remission having regard to the policy objective of ensuring that no student

Action

would be deprived of the chance of attending DSS schools due to a lack of means. As regards the provision of special grant under the CSSA Scheme, it was not under the purview of the EDB. Given that free education was provided by the Government for students receiving primary and secondary education in Government or aided schools, normally no special grant for school fees would be given under the CSSA Scheme to students who chose to attend DSS schools except for those who had been attending DSS schools before receiving CSSA.

10. Ms Cyd HO expressed dissatisfaction that the Administration had not included the data on the utilization of the schemes by DSS schools in its paper. She requested the Administration to provide all necessary information in its discussion papers in future to facilitate the Panel's discussion. Noting that some 25% of the DSS schools (i.e. 19 out of the 72 schools) had used less than 50% of the reserve for the schemes, she considered that the percentage was high.

School fees

11. Mr CHEUNG Man-kwong said that there were criticisms from parents that some DSS schools increased their schools fees notwithstanding that they had accumulated a huge reserve or a substantial amount of the funds set aside for school fee remission and scholarship remained unused. He suggested that when a school's accumulated reserve or unused funds for the school fee remission and scholarship schemes reached a certain level, it should be ploughed back into its operation so as to defer any need for increase in school fees.

12. PS(Ed) said that the Working Group had considered the suggestion raised by Mr CHEUNG Man-kwong, but was concerned that it might lead to pressure from parents of current students on schools for granting less fee remission and scholarships to students so that the reserve could be deployed for the reduction of school fees. This would run counter to the policy objective of ensuring that needy students would not be deprived of the opportunity to study in DSS schools.

13. Ms Cyd HO said that there was a correlation between school fee income and the reserve for the schemes. As DSS schools were required to set aside a certain percentage of their school fee income for the schemes, a reduction in school fees would result in a corresponding reduction in the amount allocated to the schemes. It was her understanding that DSS schools charging school fees above a certain level were required to set aside more of their school fee income for the schemes.

Action

14. PS(Ed) clarified that the Working Group had not proposed that the unused reserve for fee remission and scholarship be deployed for reducing school fees as it was concerned that the proposal might create conflict between parents of current students and those of prospective students. She further said that 10% of school fee income was only the minimum amount required to be set aside for the fee remission and scholarship schemes, pointing out that the utilization rate of the scheme in one DSS school was as high as 500%.

15. Ms Audrey EU did not agree with the proposal that the unspent reserve for fee remission and scholarships be deployed for school fee reduction. Notwithstanding that students from low-income families could apply for fee remission, they might still be hesitant in applying for DSS schools as they might not be able to afford other school expenses. In her view, merely providing more information on fee remission was inadequate to help needy students remove their psychological barrier in attending DSS schools which were generally perceived as "noble schools". She urged the Administration to take measures to proactively encourage needy students with good academic results to apply for DSS schools.

16. PS(Ed) stressed that enhancing transparency and public awareness of the fee remission and scholarship schemes was only the first step taken by the Administration. Given that issues such as the level of school fees, the amount set aside for fee remission, the amount of accumulated reserve, etc. were inter-related, the Working Group had to study the matter in a holistic manner before putting forward recommendations on measures to improve the implementation of the schemes. She added that schools with low utilization rates of the schemes had taken on board the Administration's advice and had relaxed the eligibility criteria for fee remission and used the reserve to fund eligible students' purchase of textbooks and participation in extra-curricular activities including expenses for joining overseas study programmes.

17. In response to Ms Audrey EU's enquiry about the reasons for the low utilization of the schemes by some DSS schools, PS(Ed) said that most of these schools were primary schools. This might be attributable to the fact that relatively more children from better-off families performed better during interviews, rendering them a better chance of getting admitted to DSS primary schools. She reiterated that the Administration was looking into ways to enhance the utilization of the schemes.

18. Prof Patrick LAU declared that he was a member of the School Management Committee ("SMC") of a DSS school. He said that given the small number of applications for school fee remission, the school had decided to use the reserve of the scheme for granting scholarships. He added that it was

Action

his understanding that in the past, DSS schools were required to set aside 30% of their school fee income for fee remission and scholarship.

19. PS(Ed) clarified that DSS schools were required to set aside at least 10% of their school fee income for the fee remission and scholarship schemes. Individual schools were free to decide on allocating a higher percentage for the schemes. In response to Prof Patrick LAU's further enquiry on the reasons for the great disparity in school fees charged by DSS schools, PS(Ed) said that the characteristics and organization structure of individual DSS schools might have partly contributed to differences in the level of school fees. While the remuneration packages for teachers in DSS schools generally followed that of Government and aided schools, there was no cap on the number of senior teaching positions in DSS schools. The salary expenditures incurred in DSS schools would be higher when more teachers were promoted to the senior positions. In some DSS schools, tuition fees were inclusive of the expenses of overseas exchange programmes.

20. Dr LAM Tai-fai said that DSS schools were often criticized whenever they proposed any increase in school fees. In some cases, even though the schools concerned had obtained the support of parents, the public still reacted negatively to the proposed fee revision.

21. PS(Ed) said that some DSS schools applied for fee increase every year while some others might do so occasionally. The requirement for DSS schools to provide parents with appropriate financial information concerning any proposed fee increase would help parents make informed decisions on whether to support the proposal for fee revisions.

22. Mr CHEUNG Man-kwong considered it important for the Administration to take measures to ensure that DSS schools would not be "noble schools" serving only the rich. A mechanism should be put in place to regulate increase in school fees. For schools with a large surplus, their school fees should be reduced. The Administration should also come up with measures to ensure that DSS schools would admit a certain number of economically disadvantaged students.

Financial management

23. Mr WONG Yuk-man said that it was pointed out in the PAC Report that EDB's failure in setting a reserve ceiling for DSS schools was contrary to the requirement stipulated in Financial Circular No. 9/2004. He urged the Administration to rectify the problem as early as practicable and set a reserve ceiling. PS(Ed) responded that the Working Group was reviewing issues

Action

related to the setting up of a cap on and the use of accumulated reserves of DSS schools and would make recommendations in this regard in its report to be submitted to the Secretary for Education by the end of 2011.

24. Mr CHEUNG Man-kwong noted that the Administration planned to carry out audit inspections to 18 DSS schools every year and on average each DSS school would undergo such audit inspection once every four years. To facilitate early detection of problems, he suggested that audit inspections be conducted on all DSS schools in the first round, after which they could be conducted once every four years.

25. PS(Ed) said that the Administration would consider Mr CHEUNG Man-kwong's suggestion subject to the availability of resources. She added that most of the problems identified in DSS schools were technical or procedural irregularities.

26. Mr Andrew LEUNG expressed support for enhancing the access of needy students to DSS schools to facilitate social mobility. Mr LEUNG opined that the submission of annual audited accounts of DSS schools prepared by independent accountants was already an effective means to monitor the financial management of DSS schools. Prof Patrick LAU held similar views and queried the need for EDB to conduct audit inspections on the schools.

27. PS(Ed) said that in the past, DSS schools were not required to provide the Administration with detailed information on their financial situation. To enhance DSS schools' financial management, the Administration would put in place a system which helped enhance financial transparency thus facilitating early detection of possible irregularities. The audit inspections covered not only financial matters but also other areas such as staff recruitment and procurement. A set of checklist would be developed to facilitate DSS schools to evaluate their own performance.

28. Dr LAM Tai-fai said that school sponsoring bodies ("SSBs") of DSS schools were non profit-making bodies aimed at contributing to education services. The series of malpractices identified in the Pegasus Philip Wong Kin Hang Christian Primary School cum Junior Secondary School was an isolated case and the Administration should not regard all DSS schools as problematic. DSS schools would engage independent auditors to examine their accounts which would also be audited by the Audit Commission. Coupled with the full audit inspection conducted by the Administration, the schools' accounts would be audited thrice. He appreciated that the audit inspection conducted by EDB aimed at helping DSS schools enhance their financial management and had no

Action

objection to it. He, however, cautioned that the Administration should refrain from interfering with the operation of the schools and imposing undue pressure on SSBs, which would dampen the morale of SSBs. Dr LAM further commented that apart from improving the internal governance of DSS schools, communication between the Administration and the schools should also be enhanced. The Administration should review and strengthen the guidelines to schools particularly in the areas relating to the use of reserve and investments.

29. PS(Ed) responded that the Administration recognised that setting up an effective internal monitoring mechanism was the key to the quality assurance of DSS schools in the long run and would refrain from micro-managing them. The Administration would intervene only when problems were identified. In the case of Pegasus Philip Wong Kin Hang Christian Primary School cum Junior Secondary School, timely rectifications had not been taken because its SMC had not been provided with the necessary information. That was the reason why the Administration had emphasized the importance of transparency of operation of the schools. Regarding audit inspections on DSS schools, PS(Ed) explained that the focus of the audit inspection conducted by EDB was different from that of the independent audit carried out by individual schools. The former would focus on procedural compliance such as compliance with the procedures for tendering and approving certain expenditure, while the latter would express an opinion on the accounts of the schools. Auditing by the Audit Commission was not a regular exercise.

30. Mr TAM Yiu-chung noted that with the setting up of an additional audit team in EDB, each DSS school would undergo a full audit inspection once every four years instead of once every seven years at the moment. He enquired whether there were any differences between the existing and future audit inspections, and whether the DSS schools had been informed of the scope and requirements of the audit inspections.

31. PS(Ed) explained that an additional audit team was set up to carry out audit inspections to more DSS schools without affecting the monitoring of the Government and aided schools. Principal Assistant Secretary (Finance) ("PAS(Finance)") supplemented that the additional audit team would consist of four to five staff and recruitment was underway. The mode of the audit inspections would largely be the same as at present. EDB had put in place a more systematic risk analysis mechanism whereby different risk aspects of DSS schools would be analysed for the purpose of selecting schools for audit inspections. Audit inspections would first be conducted on schools which had not undergone any inspection before or were assessed to have a higher risk profile such as schools with a large reserve or irregularities identified in their audited accounts.

Monitoring of performance

32. Mr WONG Yuk-man sought the Administration's view on the concerns raised by PAC over the general administration of DSS schools, such as carrying out trading operations without seeking prior approval from EDB, accepting donations from trading operators and selection of tuckshop operators without going through tendering procedure.

33. PS(Ed) responded that the Working Group was formulating measures to strengthen DSS schools' internal governance and monitoring mechanisms to facilitate early detection of irregularities and malpractices. The monitoring mechanisms should include all key stakeholders such as members of SMC/Incorporated Management Committees ("IMC") and representatives of parent-teacher associations to ensure rigorous checks and balances.

34. Mr Andrew LEUNG welcomed the Administration's follow-up work and considered it a right direction to enhance the transparency and internal governance of DSS schools. He was however worried that if DSS schools were required to follow too many guidelines, it would stifle their flexibility and autonomy, hence defeating the original purpose of establishing the DSS Scheme. He called on the Administration to maintain a proper balance between control and flexibility for DSS schools.

35. PS(Ed) said that the Administration recognized the importance of striking a proper balance between control and flexibility and would refrain from micro-managing DSS schools. A set of checklist would be developed in consultation with the DSS schools to facilitate them to evaluate their performance in financial management and other areas. While the Administration respected the autonomous nature of DSS schools, they must comply with certain fundamental requirements to ensure proper administration and governance of the schools, such as consulting parents on school fee adjustment and providing parents with appropriate financial information to justify the fee increase.

36. Ms Cyd HO was concerned that some problematic DSS schools might continue to ignore or refuse to comply with the Administration's requirements. She enquired about the actions to be taken by the Administration against such schools.

37. PS(Ed) said that measures which could be taken by EDB against non-compliant DSS schools included appointing school managers to the SMC/IMC of the school concerned, withdrawing the subsidy payable to the

Action

school or even terminating the SMC/IMC service agreement with the school. Given the severity of these measures, EDB would not resort to them lightly so as not to affect the interests of students attending the schools. It was the Working Group's view that emphasis should be placed on establishing effective internal control mechanisms to facilitate early identification of problems so that schools could handle their problems as early as possible and the Administration could interfere at an early stage to ensure timely rectification.

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38. Concluding the discussions, the Chairman requested the Administration to provide the following information when it briefed the Panel on its consideration of the report of the Working Group: a sample of the financial information required to be provided by DSS schools to parents when proposing for school fee revision and updated information on the utilization of the fee remission and scholarship schemes of DSS schools.

IV. Review on the subvention arrangements for the English Schools Foundation

[LC Paper Nos. CB(2)2291/10-11(03) to (04)]

39. Members noted the updated background brief entitled "The English Schools Foundation" [LC Paper No. CB(2)2291/10-11(04)] prepared by the LegCo Secretariat.

40. The Chairman said that as the subvention arrangements for the English Schools Foundation ("ESF") might have financial implications, she drew members' attention to Rule 83A of the Rules of Procedure concerning personal pecuniary interest to be disclosed which provided that, in the Council or in any committee or subcommittee, a Member should not move any motion or amendment relating to a matter in which he had a pecuniary interest, whether direct or indirect, or speak on any such matter, except where he disclosed the nature of that interest. She reminded members to declare interests in the matter under discussion, if any.

41. Members noted four submissions from members of the public [LC Paper Nos. CB(2)2382/10-11(01) to (04)] which were tabled at the meeting.

Briefing by the Administration

42. Under Secretary for Education ("US(Ed)") briefed members on the progress of the review on the subvention arrangements for ESF ("the Review")

Action

as detailed in the Administration's paper [LC Paper No. CB(2)2291/10-11(03)].

Discussions

43. While agreeing on the need to review the role and positioning of ESF in the present day context, Mr CHEUNG Man-kwong stressed that any changes arising from the review should not affect the interests of existing students. Given that public money was involved, ESF should be subject to monitoring by the Administration regardless of the level of subvention. To ensure proper financial management of ESF, an effective monitoring mechanism should be put in place and consideration should be given to amending the ESF Ordinance (Cap. 1117) if necessary in order to provide for the setting up of an effective monitoring mechanism. Reference could be made to the monitoring framework for DSS schools in amending the ESF Ordinance. While a control mechanism should be put in place, the academic autonomy of ESF in determining its curricula and medium of instruction should not be affected and the uniqueness of ESF should be preserved.

44. Mr CHEUNG Man-kwong further said that given the need for Hong Kong to attract foreign investment, ESF should assume the important role of ensuring the provision of school places for children whose parents came to Hong Kong for business or professional reasons. He stressed that high priority should be accorded to the admission of these students and requested the Administration to discuss the admission policy of these students with ESF.

45. US(Ed) responded that the admission policy of ESF was one of the key issues covered in the Review. ESF had indicated that it was prepared to review its admission policy to meet the needs of expatriate families with children requiring education in English to complement the overall development of Hong Kong.

46. Mr LEE Cheuk-yan shared the view on the importance of monitoring the operation of ESF to ensure proper use of Government subvention. The submission from ESF Concerned Parents Group [LC Paper No. CB(2)2291/10-11(05)] reflected some parents' concern about tuition fee increase by ESF and the need to monitor its use of funds. There was also concern among parents and students on whether changes in subvention arrangements would affect the curricula and medium of instruction of ESF. He sought clarification on whether ESF could continue to offer its existing curricula including the International Baccalaureate ("IB") curriculum should the DSS subvention mode be adopted for ESF.

Action

47. US(Ed) responded that DSS schools admitted primarily local students and their curriculum was designed to prepare them for the pursuit of higher education in Hong Kong. The Administration recognized the needs of children of expatriate families for an international curriculum as well as the needs of the local community for the provision of an affordable English-medium education. The Administration and ESF would review how these different educational needs could be met in the light of ESF's mode of operation and financial situation.

48. Deputy Secretary for Education (2) ("DS(Ed)2") supplemented that an open-minded attitude should be adopted on the monitoring mechanism to be put in place for ESF. The important thing was that the monitoring mechanism should be commensurate with the level of subvention. A similar level of monitoring as that for DSS schools could be adopted for ESF without incorporating it into DSS. She stressed the importance of understanding the education needs of ESF students and developing a monitoring mechanism that would best suit their needs.

49. As regards the concern over the tuition fees of ESF schools, DS(Ed)2 said that the level of subvention did not necessarily determine the level of tuition fees. Having regard to the sizable student population in its 14 mainstream schools and one special school across the territory, the Administration would examine whether ESF was able to migrate progressively towards eventual self-financing without prejudicing the quality of education offered. This was one of the main issues covered in the Review.

50. Mr Paul CHAN declared interest that his daughter was studying in an international school. He said that Hong Kong being an international city, it was essential for the young generation to have broad horizons and cross-cultural experience. He shared the view of some parents that Government subvention on primary and secondary education should target not only at students who would pursue higher education in Hong Kong as the community would benefit from the exposure and experience of students who had studied abroad. He agreed with some parents' suggestion that the Administration should consider allowing a more diversified school choice for students by providing the subsidy directly to parents instead of schools so that parents could choose the school which best suited their children, be it an international school, an ESF school or a DSS school.

51. US(Ed) agreed on the importance of a diversified education system. He pointed out that in Hong Kong, apart from Government, aided and caput schools, there were also DSS schools, private independent schools ("PISs"), ESF schools and private international schools. He added that various aspects

Action

of the services and operation of ESF would be reviewed and the Administration would endeavour to strike a proper balance between the need to monitor the operation of ESF on the one hand and ensuring its sustainability on the other.

52. Ms Cyd HO said that the original intent of ESF schools was to provide affordable English-medium education for children of expatriate civil servants. She was concerned that ESF schools had raised their tuition fees by some 30% in the past five years, rendering the tuition fees unaffordable to many expatriate families. Indeed, concern had been raised by some University Grants Committee-funded institutions over their difficulties in recruiting overseas academic staff owing to insufficient school places and high tuition fees for their children. The Administration should monitor the expenditures of ESF to ensure that Government subvention for ESF would not be used to cross-subsidize the staff expenditure of the PISs run by ESF's associate company. She requested ESF to explain how it would involve ESF parents in the preparation of its annual budget.

53. Mr Carlson TONG, Chairman of ESF responded that with the enactment of the English Schools Foundation (Amendment) Ordinance in 2008, ESF had established a Board of Governors ("the Board") comprising 26 members, including 10 independent members nominated by an independent nominating committee and who had no children studying in ESF as well as representatives of parents, teachers, principals and chairmen of the school councils. In addition, the Board was supported by the standing committees for Remuneration, Audit and Finance, which oversaw various areas of operation of ESF and were chaired by independent members. He stressed that ESF had done a lot of work to enhance its governance structure and transparency over the past few years. ESF was a well-run organization with strong governance and internal control.

54. On the level of tuition fees of ESF schools, Mr Carlson TONG said that the amount of government subvention for ESF had not been revised in the past 10 years notwithstanding that the student population of ESF had increased by 26%. As a result, the subvention per student had actually decreased by 25%. While ESF had strived to keep its tuition fees at an affordable level without prejudicing the quality of education offered, there was a limit to what it could do given that salary expenses accounted for some 80% of its total outlay and in face of the strong competition from international schools.

55. Regarding the PISs operated by ESF's associate company, Mrs Heather Du Quesnay, Chief Executive of ESF said that ESF made an educational decision about 10 years ago to invest in PISs. The initiative, which

Action

was taken forward in cooperation with the Government, sought to address the shortage in school places for children of expatriate families and local children who needed an English-medium education. ESF had contributed \$284 million which represented about 47% of the total construction costs of the two PISs while the Government had funded the remaining construction costs and had provided a free site. Currently, around 3 000 local students were receiving high quality English-medium education provided by the two PISs. She stressed that ESF only used its funds for education services, which generated a modest surplus every year.

56. Ms Cyd HO said that the original mission of ESF was to provide affordable English-medium education for students who could not afford to attend international schools, and not to compete with international schools.

57. Mr Carlson TONG clarified that ESF was not competing with international schools for students but for teachers. There was a strong demand for high quality teachers and ESF had to offer competitive remuneration packages to attract quality teachers.

58. Prof Patrick LAU said that he was the architect of the West Island School of ESF and many international schools and had a good understanding of these school systems. He was given to understand that many ESF parents were outraged at EDB's unilateral decision to phase out the subvention to ESF. However, it was his understanding that EDB had no intention to do so. He wondered why there was such a misunderstanding. In his view, ESF parents' concern was attributable to the fact that Government subvention for ESF had not been increased in the past 10 years.

59. US(Ed) said that Government subvention to ESF had indeed not been adjusted for many years. The PAC Report No. 43 issued in 2005 raised concern about the differential treatment of ESF over international schools and recommended that the historical reason for the subvention should be re-visited in the present day context. Following the enactment of the ESF Ordinance in 2008, ESF had adopted a series of reform measures to improve its governance. The Administration considered that it was now an opportune time to review the subvention arrangements for ESF.

60. Miss Tanya CHAN considered that the Administration should take the opportunity to review the positioning of international schools as well. The tuition fees charged by ESF were more affordable than those of international schools and ESF schools were different from international schools in that they were required by law to use English as the medium of instruction. The Administration should take into account the unique role of ESF in the review.

Action

She agreed with the Administration that a monitoring mechanism which was commensurate with the level of subvention should be put in place. She considered it important that ESF should engage in constant dialogue with parents to address their concerns about tuition fees and governance of ESF.

61. Miss Tanya CHAN further said that many native-speaking English teachers (NETs) had decided to leave Hong Kong as they had difficulties in securing school places in ESF schools for their children. She hoped that ESF could make special arrangements to cater to the needs of these teachers who had made valuable contributions to the education sector. Furthermore, she considered that the role of ESF in the provision of education to non-Chinese speaking students with special education needs should be enhanced to reduce the waiting lists and additional subvention should be provided to ESF in this regard.

62. DS(Ed)2 clarified that there would not be any changes to the current subvention arrangements for ESF at the moment. She reiterated that meeting the needs of students and ensuring proper use of public funds were the two fundamental principles underpinning future subvention arrangements for ESF. The Administration considered that there was room for examining whether ESF would be able to migrate progressively towards self-financing in the long run. In examining the policy framework for the subvention arrangements for ESF, the Administration would also take into account new services which could be provided by ESF in the light of its uniqueness.

63. DS(Ed)2 further said that there was room for ESF to review its admission policy having regard to the needs of different groups in the community for ESF's services. To preserve ESF's autonomy, the Administration would not, without justified grounds, mandate ESF to give priority to certain groups of students in admission. The Administration expected the management and Board of ESF to widely consult and discuss the matter with its stakeholders before submitting its proposal on the positioning of ESF for the Administration's consideration.

64. Mr Carlson TONG said that ESF adopted a non-selective policy in student admission. Students from different backgrounds could apply subject to availability of student places. Given the uncertainties about the number of the students from expatriate families and their time of enrolment, he was concerned that earmarking a certain number of school places for them would impact on ESF's tuition fee income. Nevertheless, ESF was prepared to discuss the matter with the Administration.

65. Mr CHEUNG Man-kwong said that ESF should take into account the amount of subvention received and the balance in its reserve when considering any increase in tuition fees. It should also review the appropriateness of using a large portion of its tuition fee income for building new schools.

66. Mr Carlson TONG said that with the increase in student population of ESF and the ageing of many ESF school premises over the years, it was necessary for ESF to upkeep the school premises to provide quality facilities for its students. ESF had \$800 million reserve at the end of the last financial year and had spent most of it in upgrading its school premises. Currently, ESF had a cash balance of \$300 million which represented about two to three months' outlay. He stressed that ESF had invested most of its reserve in its schools for the benefit of its students and had been prudent in managing its financial affairs.

67. Ms Audrey EU said that it was clearly stated in paragraph 13 of the Administration's paper that the Administration would examine whether ESF was able to migrate progressively towards eventual self-financing. She sought clarification on whether it was the long-term objective of the Administration.

68. Mr KAM Nai-wai said that parents and students would be worried if there were many uncertainties about the future of ESF. Noting the Administration's plan to put into effect the new subvention arrangements from the 2012-2013 school year, he enquired when the Review would be completed and the timing for the Administration to report on the outcome of the Review to the Panel.

69. US(Ed) responded that the Administration's paper aimed to give members an overview of the directions and different options to be examined in the Review. The Review was underway and there was no plan to cease the subvention to ESF at the present stage. The Administration intended to report to the Panel on its proposals on the subvention arrangements for ESF by the end of 2011.

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70. Summing up, the Chairman said that members generally agreed that Government subvention for ESF should not be withdrawn at the moment and the existing ESF students should not be affected by any changes to the subvention arrangements. She added that many parents had expressed grave concern about the financial management of ESF and called on ESF to improve its financial management with a view to providing an affordable English-medium education to the community.

Action

V. Allocation of research funding and undergraduate student places
[LC Paper Nos. CB(2)2291/10-11(07) to (08), CB(2)2262/10-11(01),
CB(2)2382/10-11(05) and CB(2)2409/10-11(01)]

71. Members noted the background brief entitled "Allocation of research funding and undergraduate student places" [LC Paper No. CB(2)2291/10-11(08)] prepared by the LegCo Secretariat.

72. The Chairman drew to members' attention the letter dated 28 June 2011 [LC Paper No. CB(2)2262/10-11(01)] from Ms Cyd HO concerning the allocation of undergraduate student places and the response from the University Grants Committee ("UGC") dated 7 July 2011 which was tabled at the meeting.

Briefing by UGC

73. The Chairman of UGC briefed members on the package of measures to be introduced for allocating research funding to UGC-funded institutions and the allocation of UGC-funded undergraduate places for the 2012-2015 triennium.

[*Post-meeting note*: The speaking note of the Chairman of UGC was issued to members vide LC Paper No. CB(2)2409/10-11(01) on 18 July 2011.].

Oral presentation by deputations

Staff Association of The Chinese University of Hong Kong
[LC Paper No. CB(2)2382/10-11(06)]

74. Mr Anthony KWOK Wai-leung presented the views of the Staff Association of The Chinese University of Hong Kong as detailed in its submission.

Hong Kong Professional Teachers' Union
[LC Paper No. CB(2)2453/10-11(01)]

75. Mr FUNG Wai-wah presented the views of Hong Kong Professional Teachers' Union as detailed in its submission.

Federation of Hong Kong Higher Education Staff Association
[LC Paper No. CB(2)2382/10-11(07)]

Action

76. Prof SHUM Kar-ping presented the views of Federation of Hong Kong Higher Education Staff Association as detailed in its submission.

Hong Kong Baptist University
[LC Paper No. CB(2)2310/10-11(02)]

77. Prof Rick WONG presented the views of Hong Kong Baptist University as detailed in its submission.

The Hong Kong Institute of Education
[LC Paper No. CB(2)2310/10-11(03)]

78. Prof CHENG Yin-cheong presented the views of The Hong Kong Institute of Education as detailed in its submission.

The University of Hong Kong
[LC Paper No. CB(2)2472/10-11(01)]

79. Prof TSUI Lap-chee presented the views of The University of Hong Kong ("HKU") as detailed in its submission.

The Hong Kong University of Science and Technology
[LC Paper No. CB(2)2388/10-11(01)]

80. Prof Joseph LEE presented the views of The Hong Kong University of Science and Technology as detailed in its submission.

City University of Hong Kong
[LC Paper No. CB(2)2310/10-11(04)]

81. Prof Gregory Bruce Raupp presented the views of City University of Hong Kong ("CityU") as detailed in its submission.

The Teachers' Association of The Chinese University of Hong Kong
[LC Paper No. CB(2)2382/10-11(08)]

82. Prof WONG Chong-kim presented the views of The Teachers' Association of The Chinese University of Hong Kong as detailed in its submission.

The Hong Kong Polytechnic University Staff Association
[LC Paper No. CB(2)2388/10-11(02)]

Action

83. Dr Joseph LEE presented the views of The Hong Kong Polytechnic University Staff Association as detailed in its submission.

The Chinese University of Hong Kong
[LC Paper No. CB(2)2310/10-11(05)]

84. Prof Benjamin WAH presented the views of The Chinese University of Hong Kong ("CUHK") as detailed in its submission.

The Hong Kong Polytechnic University
[LC Paper No. CB(2)2310/10-11(06)]

85. Prof Philip CHAN Ching-ho presented the views of The Hong Kong Polytechnic University ("PolyU") as detailed in its submission.

Hong Kong University of Science & Technology Staff Association
[LC Paper No. CB(2)2382/10-11(09)]

86. Dr LI Chi-moon presented the views of Hong Kong University of Science and Technology Staff Association as detailed in its submission.

Discussions

87. While appreciating the rationale behind UGC's proposal to allocate research funding on a more competitive basis, Mr Abraham SHEK expressed doubt whether it would benefit the overall development of the higher education sector. He noted from the views given by the deputations that the management of the UGC-funded institutions were in general supportive of the proposal while the frontline academic staff were opposed to it. He questioned whether the allocation of research funding should be based on competition. He opined that transfer of knowledge and nurturing of students to become educated persons were the main purposes of university education and stressed the importance of teaching in achieving these purposes. He shared the concern expressed by the staff representatives about the adverse impact of the proposal on the quality of education.

88. US(Ed) responded that apart from nurturing talents, universities should also be a key driver in research and contribute to increase in knowledge. Furthermore, teaching and research could inform each other. He clarified that there were separate funding for teaching and research under the Block Grant, and the proposal would not affect the 75% of the Block Grant earmarked for teaching. He further pointed out that the Administration had increased its financial commitment to research in recent years. With the establishment of

Action

the \$18 billion Research Endowment Fund in 2009, the research funding disbursed through the Research Grants Council ("RGC") had increased by some 40%. The overall research funding had increased by 25% over the past few years.

89. Dr Priscilla LEUNG declared that she was an Associate Professor at CityU. In her view, the Administration should increase research funding, rather than transferring funds from the research portion of Block Grant for competitive allocation which would cause disputes among institutions. She was also concerned about the impact of the proposal on Humanities and Social Sciences disciplines. She shared the view that an appeal channel should be established for handling disputes relating to competitive allocation of resources.

90. The Chairman of UGC responded that as pointed out earlier by US(ED), public funding for research had indeed been increased over the past few years. She pointed out that the proposed progressive transfer of 12.5% of the Block Grant for competitive allocation over a period of nine years was not a radical move in terms of pace or magnitude. In respect of allocation of undergraduate places, each institution was required to set aside only 6% of its First-Year-First-Degree ("FYFD") places for competitive bidding, whereas the remaining 94% of their FYFD places was unaffected. She stressed that UGC did not want to see the development of higher education remaining stagnant.

91. The Chairman of UGC further said that the provision of an appeal channel could not resolve all disputes. Given the finite number of publicly-funded places, should an institution succeed in appealing against the decision on the number FYFD places allocated to it, it would mean a corresponding reduction in the student places allocated to other institutions, and this might in turn arouse the dissatisfaction of these institutions. Instead of resorting to an appeal channel to resolve disputes, it was more important to discuss and agree on the evaluation criteria with the institutions beforehand. She stressed that the existing mechanism for competitive allocation of FYFD places was a result of extensive discussions with the institutions concerned.

92. While appreciating the objectives of UGC's competitive allocation mechanisms, Ms Audrey EU was concerned about the competitive edge enjoyed by large institutions over small institutions, research on international issues over research on local issues, and the more popular disciplines over the less popular disciplines. She agreed that an appeal channel should be put in place for handling grievances arising from the competitive allocation mechanisms and did not subscribe to the view of the Chairman of UGC that it was not viable to do so. She opined that an appeal channel would be feasible if

Action

the Administration and UGC could make available additional funding for allocating resources to institutions which were successful in their appeals. Ms EU invited the deputations to provide concrete examples of the impact of the competitive allocation mechanisms on their institutions or disciplines.

93. Dr Joseph LEE of the Poly U Staff Association said that presently, the undergraduate student places allocated to institutions for the 2012-2015 triennium was restricted information. He would provide for members' reference the information relating to PolyU when it was available. The Chairman welcomed other deputations to provide the requisite information in respect of their institutions in writing.

94. Prof Roland CHIN, Chairman of RGC, stressed that individual institutions had the autonomy to decide how to allocate their total student numbers across various programmes with which UGC would not interfere. He assured members that the management of the UGC-funded institutions had a broad and long-term view on the development of their respective institutions and were not driven by monetary considerations in the allocation of student places.

95. Prof Patrick LAU noted that while the management of most of the institutions were in support of the allocation of funding on a more competitive basis, the frontline academic staff who performed teaching and research duties were against it. He invited the management of the institutions to elaborate on their reasons for supporting the proposed mechanism for competitive allocation of research funding.

96. Prof Paul TAM of HKU said that academic staff held different views on the proposed competitive funding arrangement and not all academic staff objected to it. He pointed out that professors who held management positions in the institutions had experience in teaching and research and some of them were still undertaking teaching duties and conducting research projects. It was a prevailing view in the academic sector that competition enhanced research excellence.

97. Prof TSUI Lap-chee of HKU said that the competitive allocation mechanisms under discussion included those for the allocation of research funding and undergraduate student places. On the allocation of research funding, he considered it reasonable to distribute an increasing part of the research portion of the Block Grant according to the institutions' success in obtaining RGC Earmarked Research Grants because the more research projects undertaken by an institution, the more indirect/on-costs would be incurred. As for the allocation of undergraduate student places, it was based on the

Action

comparative merits of the Academic Development Proposals ("ADPs") submitted by institutions setting out their academic plans on a triennial basis. He pointed out that the allocation of a small number of FYFD places through a performance-based mechanism was not a new initiative and had been adopted since the 2009-2012 triennium. Prof TSUI further said that each institution had its own mechanism for discussing and consulting its staff on its ADP, including the FYFD places to be set aside for competitive bidding. In the case of HKU, its Senate, comprising representatives of academic and non-academic staff as well as students, was the forum for discussion of its ADP.

98. Ms Cyd HO said that PolyU's loss of 6% of its FYFD places (i.e. 189 places), as reported in the media, in the competitive allocation for the FYFD places for the 2012-2015 triennium was a cause for concern and urged UGC to review the mechanism. She reiterated her request for information from UGC as stated in her letter dated 28 June 2011 to UGC, including the number of FYFD places and the programmes concerned set aside by each institution for competitive allocation; the number of FYFD places allocated to each institution after the exercise; the amount of resources requested by institutions in their respective ADPs; the amount of resources allocated to each institution after the exercise and how such resources were allocated within the institutions. Ms HO considered that such information should be made known to the public after the assessment exercise had been completed as public funds were involved. She called on the institutions to give consent to UGC for making public the relevant information.

99. Ms Cyd HO further said that she was particularly concerned about the unfair treatment against humanities and liberal arts disciplines when institutions were working out internally which student places should be set aside for competitive allocation. These disciplines could not compete with disciplines with market appeal such as business administration. She was given to understand that 9% of the FYFD places in the liberal arts programmes of CUHK had been set aside for competitive allocation. She sought clarification from CUHK in this regard.

100. Prof Benjamin WAH of CUHK clarified that CUHK had applied a 6% cut across all disciplines in setting aside FYFD places for competitive allocation. When allocating the student places awarded to CUHK after the competitive allocation exercise, CUHK had accorded a higher priority to the arts disciplines over the science disciplines, and most of the places returned to CUHK were allocated to the arts disciplines.

101. Prof Philip CHAN Ching-ho of PolyU said that there was indeed competition among faculties within an institution for the allocation of

Action

resources. However, he assured members that PolyU recognized the importance of liberal arts programme in a four-year undergraduate curriculum. Given the small size of its liberal arts programme, PolyU had not adopted the top slicing approach to the programme in working out the places to be set aside for competitive bidding.

102. Mr CHEUNG Man-kwong noted that the deputations had expressed divergent views on the matters under discussion. Broadly speaking, there were different views between large/well-established and small/newer institutions, between veteran and young academics, and between the management and staff members of the institutions, given the different starting points of institutions and the different backgrounds of academics. He was worried that the conflicts within and among institutions arising from the lack of consensus on the funding mechanisms would hamper the development of the higher education sector. To resolve the matter, he suggested that the Administration and UGC should consider allocating only new resources and newly created FYFD places for competitive bidding.

103. US(Ed) reiterated that the Administration had increased research funding to the UGC-funded institutions for the current triennium as well as the next triennium. He pointed out that the portion of research funding allocated on a competitive basis in Hong Kong was much smaller as compared to other advanced economies. The Administration considered it important to introduce more competition into the funding regime with a view to vitalising the system and enhancing the quality of research. The proposed transfer of half of the 25% of the Block Grant earmarked for research over a period of nine years for competitive bidding was, in his view, a fairly conservative approach. He pointed out that the maximum variable funding an institution's management needed to take account of in the first year of the 2012-2015 triennium was only 1.3% of its Block Grant.

104. Mr LEE Cheuk-yan was concerned that the allocation of funding on a competitive basis would result in the commercialization of the higher education sector and unhealthy competition among and within institutions. In the face of fierce competition for funding, he considered it inevitable that programmes with market appeal such as the business and professional disciplines would be accorded higher priority by institutions. He also expressed concern about the lack of transparency in the evaluation criteria adopted by individual institutions and UGC in the competitive allocation mechanism for FYFD places. In his view, the competitive allocation mechanism should be abolished.

Action

105. Prof Roland CHIN shared his experience in participating in the evaluation of FYFD places to be set aside for competitive allocation at two institutions. He stressed that the institutions were given full autonomy in the process, and there was no cause for concern about any interference from UGC. The institutions strived to reach a majority view through discussions at a series of meetings spanning over a period of almost one year. The final decision had to be endorsed by the Senate of the respective institutions comprising representatives of staff, students and management. The evaluation criteria taken into account by individual institutions in determining the student places to be set aside for competitive allocation included the nature of the programmes (e.g. whether they were core programmes) and their importance to students; the critical mass of students required for a programme; as well as the career prospect and popularity of the programmes. As a matter of fact, some institutions tended to cut the student places of business and engineering programmes.

106. The Chairman of UGC said that UGC's evaluation of the ADPs was based on four broad evaluation criteria, namely, strategy; teaching and learning; advanced scholarship; community (including culture and businesses), as detailed in paragraph 21 of UGC's paper. UGC had consulted and agreed with the institutions on these broad evaluation criteria. A dedicated group comprising overseas academics and local lay members of UGC was formed to evaluate the ADPs submitted by individual institutions. To avoid any conflict of interest, all local academic members of UGC were excluded from the evaluation process. The dedicated group evaluated the ADPs in a holistic manner having regard to the agreed criteria and also met with the senior management of each institution to discuss their ADPs. She stressed that there was no question of lack of transparency in the evaluation process.

Conclusion

107. The Chairman thanked the deputations for their views. Noting that UGC had undertaken to review the proposed competitive arrangements for allocation of research funding before the end of the 2012-2015 triennium, she called on UGC to solicit regularly the views of the stakeholders and monitor closely the new funding arrangements with a view to striking a proper balance between the interests of different stakeholders and resolving their differences. The Panel would follow up the matter as appropriate.

Action

VI. Any other business

108. There being no other business, the meeting ended at 7:55 pm.

Council Business Division 2
Legislative Council Secretariat
6 October 2011