

LEGISLATIVE COUNCIL BRIEF

REVIEW OF THE PRE-PRIMARY EDUCATION VOUCHER SCHEME

INTRODUCTION

At the meeting of the Executive Council (ExCo) on 31 May 2011, the Council ADVISED and the Chief Executive ORDERED that

- (a) the existing Pre-primary Education Voucher Scheme (PEVS) as a mechanism for providing direct fee subsidy for parents to pay for kindergarten (KG) education should be enhanced, with the following modifications to be introduced with effect from the 2012/13 school year (sy);
 - (i) the value of the voucher for parents to defray the tuition fee of KG education for their children should be adjusted annually with reference to the Composite Consumer Price Index (CCPI) (paragraph 7);
 - (ii) the existing eligibility criteria⁽¹⁾ for admission of KGs to the PEVS should continue but the fee thresholds should be CCPI-adjusted annually but frozen in situation of deflation (paragraphs 8 - 9); and
 - (iii) the PEVS KGs meeting the minimum 1:15 teacher to child ratio with teachers possessing the Certificate in Early Childhood Education (C(ECE)) qualification are allowed to employ non-C(ECE) teachers with Qualified Kindergarten Teacher qualification, or a qualification acceptable to the Permanent Secretary for Education; and until the end of the 2013/14 sy, or under special circumstances, the Education Bureau (EDB) may consider counting those teachers pursuing the C(ECE) qualifications as C(ECE) teachers for the purpose of meeting the 1:15 C(ECE) teacher to child ratio requirement (paragraph 5);

Note ⁽¹⁾ Under the existing PEVS, only KGs which are non-profit-making, offer local curriculum and charge a tuition fee at a level not exceeding the fee thresholds of \$24,000 per student per annum (pspa) for a half-day place and \$48,000 pspa for a whole-day place are eligible for joining the Scheme.

- (b) a salary scale for KG teachers should not be introduced. Instead, KGs should continue to be given the discretion to determine teachers' salary (paragraph 4);
- (c) KGs joining the PEVS should continue to be subject to Quality Review (QR) and transparency requirements (paragraph 6);
- (d) fee remission for half-day and whole-day KG education under the Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS) should continue to operate in parallel with the PEVS, with assistance to KG children of needy families enhanced from the 2011/12 sy (paragraph 12), as follows:
 - (i) the calculation of fee remission under the KCFRS should be revised (paragraphs 13 - 14); and
 - (ii) the social needs assessment for eligibility for whole-day rate of fee remission should be removed (paragraphs 13 and 15);
- (e) with effect from the 2011/12 sy, the meal allowance⁽²⁾ for needy KG children attending whole-day PEVS KGs should be adjusted annually with reference to the Consumer Price Index(A) (CPI(A))(paragraph 16);
- (f) the payment procedures for the PEVS should be streamlined but rents, rates and government rents should continue to be reimbursed rather than subsumed into the voucher (paragraph 11); and
- (g) parent education should be enhanced and greater focus should be given to under-performing KGs. The PEVS should be subject to periodic reviews in an evidence-based manner (paragraphs 6, 17 - 18).

Note ⁽²⁾ Depending on the result of the means test of the applicant, the subsidy for meal charges is 50%, 75% or 100% of the actual amount charged by the KG/Kindergarten-cum-Child Care Centres or the ceiling of \$400 per month, whichever is the less.

JUSTIFICATIONS

A

2. The guiding principles of the PEVS introduced in the 2007/08 sy are summarised at Annex A. Pursuant to the endorsement of the Chief Executive (CE)-in-Council on 16 June 2009, a Working Group (WG) was set up under the Education Commission (EC) to take forward the review of the PEVS in October 2009. EC endorsed and submitted the WG's report to the Administration on 15 December 2010. A summary of the WG's recommendations and Administration's view is at Annex B.

B

3. In gist, EDB recommends that the PEVS should be continued having regard to its penetration and the incentive for professional upgrading and self-improvement that it has induced. EDB also shares the WG's view that we should further facilitate, within the PEVS framework, the professional and governance improvement of the KG sector. In addition, access to affordable and quality pre-primary education by needy families should be enhanced. Having regard to the current concern about the widening rich-poor gap, EDB would propose that the recommendations in respect of fee remission and meal allowance (paragraphs 1(d) and (e)) should be implemented with effect from the 2011/12 sy. Elaboration is in paragraphs 4 to 18 below.

Salary scale for KG teachers

4. Under the PEVS, KGs are given the discretion to determine remuneration packages for their staff. Overall, KGs have been positively exercising the flexibility in offering competitive pay and awarding increments to teachers. There is nevertheless a strong demand for the Administration to prescribe a salary scale for KG teachers and principals. With the increase in investment in pre-primary education through the PEVS and progressive professional enhancement, we believe that respecting KG's discretion to provide remuneration packages would best facilitate KGs to attract and retain staff having regard to their professional training and teaching effectiveness.

Smoothen transition to professional upgrading

5. As of the 2009/10 sy, some 90% of KG teachers had acquired or were pursuing the C(ECE) qualification. While it is anticipated that some of the remaining serving KG teachers will enroll in C(ECE) courses, other non-C(ECE) KG teachers, though qualified as registered teachers, may choose not to further upgrade their qualifications for various reasons. EDB agrees to the WG's recommendation that the PEVS KGs with sufficient number of teachers holding the C(ECE) qualifications based on the teacher to child ratio of 1:15 may continue to employ non-C(ECE) teachers with Qualified Kindergarten Teacher qualifications, or a qualification acceptable to the Permanent Secretary for Education. This

will help retain experienced teachers, smoothen transition towards professional upgrading and maintain system stability. EDB also agrees with the WG that, until the end of the 2013/14 sy, or under special circumstances, EDB may consider counting those teachers pursuing the C(ECE) qualifications as C(ECE) teachers for the purpose of meeting the 1:15 C(ECE) teacher to child ratio requirement.

Governance and quality assurance

6. QR, comprising KGs' self evaluation and external review by EDB, is an essential element of quality assurance and sustainable capacity enhancement. It should therefore continue. EDB plans to complete QR for the remaining PEVS KGs by the end of the 2010/11 sy, except for a few requiring follow-up visits to be arranged in the 2011/12 sy.⁽³⁾ KGs not meeting the prescribed standards of QR will not be eligible to stay in the PEVS from the 2012/13 sy onwards. Existing students will continue to receive the voucher until they leave the KG concerned. Beyond the 2011/12 sy, PEVS KGs will continue to be subject to QR. Apart from enhancing the review process to make QR more improvement-oriented, school-based support will continue in the next phase of the PEVS. EDB will also forge closer synergy between school self-evaluation and external review, with involvement of ECE professionals. Special focus will be given to the under-performing KGs.

Voucher value

7. The non-means-tested voucher has much enhanced accessibility to financial subsidy for meeting KG tuition fee. The existing PEVS, however, has only set out the rate of the voucher subsidy up to the 2011/12 sy, and the rate thereafter remains to be decided. We support the WG's recommendation that the voucher value in and beyond the 2012/13 sy should be adjusted with reference to consumer price changes on the basis of the 2011/12 sy level of \$16,000 pspa. Accordingly, EDB proposes to adjust the voucher value from the 2012/13 sy onwards according to the year-on-year rate of change in the CCPI.

Eligibility criteria

8. Education voucher world-wide comes in many different forms in actual implementation. Conditions are usually set to ensure that the voucher goes towards meeting tuition fees at government-approved schools. In the context of Hong Kong, the PEVS has helped make more KGs affordable to parents. We consider it appropriate to continue with

Note ⁽³⁾ EDB may also conduct QR for the newly established KGs one year after they have come into operation when they have compiled their School Reports based on their Annual School Plans.

the present eligibility criteria (i.e. the KGs must be non-profit-making (NPM), offering local curriculum with reference to the curriculum guide issued by the Curriculum Development Council of EDB and charging tuition fee not exceeding the prescribed threshold levels). EDB agrees to the WG's proposal to review the fee thresholds annually with reference to inflation, and proposes that the annual review with reference to CCPI should take effect from the 2012/13 sy.

9. For the fee thresholds, EDB proposes freezing the fee thresholds when the year-on-year rate of change in CCPI is negative and raising it only when the accumulated increase has offset the accumulated decline since downward adjustment to the fee thresholds will render some existing PEVS KGs no longer eligible for voucher redemption. Not only would this adversely affect PEVS KGs' smooth operation and parents' budgetary planning, more importantly, it would disrupt children's KG education.

10. The EC recommends that the PEVS should be subject to periodic reviews for continuous improvement and to ensure that the operation of the scheme will facilitate the accessibility of affordable and quality KG education by all children. The EDB shares this view.

Streamlining administrative procedures

11. Under the current payment schedule, the voucher subsidy is disbursed to the PEVS KGs by 12 instalments (from August to July) regardless of whether they start their school terms in August or September, and whether their tuition fees are collected by ten, 11 or 12 instalments. Some KGs find such an arrangement cumbersome and confusing in that they cannot easily ascertain if they can make ends meet on a monthly basis. We shall address KGs' concern by revising the schedule for disbursing voucher subsidy to the PEVS KGs according to their tuition fee payment schedule.⁽⁴⁾ EDB also agrees to the WG's recommendation that the existing reimbursement schemes on rents, rates and government rents should continue rather than subsumed into the voucher since the administrative complications of so doing would outweigh the advantage.

Note ⁽⁴⁾ A KG child may receive subsidy higher or lower than the prevalent rate of the voucher upon changing KG within a school term. Additional expenditure, if any, is insignificant but it will reduce administration workload.

Enhancement to KCFRS

12. It was originally envisaged that when the voucher value for fee subsidy under the PEVS reached the fee remission ceiling of \$16,000 pspa, (fixed since the 2007/08 sy) for half-day KGs in the 2011/12 sy, there will be no need to operate KCFRS for children attending half-day KG classes. We have, however, since the 2009/10 sy, restored an annual adjustment mechanism for the fee remission ceilings for half-day and whole-day KGs. As the voucher value is not pegged to the weighted average tuition fees of KGs, EDB proposes that children attending PEVS KGs should continue to be qualified for fee remission under KCFRS in parallel with the PEVS to provide additional financial support to low income families⁽⁵⁾ on top of the voucher subsidy, and that the fee remission ceilings for half-day and whole-day PEVS KGs be reviewed annually in accordance with the respective weighted average fees of the PEVS KGs.

13. Given the importance the community attaches to education as a means of upward social mobility, we see a need to provide more financial assistance to children from needy families. Therefore, EDB also proposes to implement the WG's recommendations on further improvement to the fee remission system for KG children under the KCFRS⁽⁶⁾ with effect from the 2011/12 sy as set out below -

C

(a) To calculate the percentage of fee remission after deducting the voucher subsidy as illustrated at Annex C; and

(b) To remove the social needs assessment in processing applications for fee remission for children attending relevant classes in whole-day PEVS KGs. A copy of the social needs assessment criteria is at Annex D.

D

14. At present, needy families will receive additional financial support on top of the voucher subsidy only when the level of fee remission under KCFRS exceeds the voucher value. The proposed modification as set out in paragraph 13(a) above will enhance support for the needy families and increase their choice of KGs for their children.

Note ⁽⁵⁾ Recipients of Comprehensive Social Security Assistance can apply for financial assistance on top of the voucher subsidy from the Social Welfare Department (SWD).

Note ⁽⁶⁾ Applications for fee remission under KCFRS are subject to means test, and social needs assessment as well in the case of whole-day KG education, with 3 levels of assistance, i.e. 100%, 75% and 50% of the fee remission ceilings. The means-test cut off points are subject to annual adjustment in accordance with the movement of CPI(A).

15. Needy families who wish to enrol their children in whole-day KGs see the social needs assessment as a ploy to discourage them from doing so.^[7] There has been strong demand calling for the removal of social needs assessment for whole-day KG education. The removal of the social needs assessment for KG fee remission for the whole-day rate as recommended by the WG will enhance the accessibility of families already meeting the means test to whole-day education. It will also encourage the parents to seek at least part-time employment. While targeting support for the needy families, EDB's position remains that the choice of half-day or whole-day KGs should be determined by parents. The single-valued voucher providing a uniform level of fee subsidy to parents in meeting the tuition fee in the PEVS KGs should therefore continue. Parents are free to choose KGs appropriate to their need and that of their children, and top up the differences with their own fund.

Meal allowance

16. It is also proposed that the value of the meal allowance, currently capped at \$400 per child per month since 2005 for KG children attending whole-day PEVS KGs, be adjusted annually with reference to the CPI(A) with effect from the 2011/12 sy as are those of the other means-tested student financial assistance schemes administered by the Student Financial Assistance Agency (SFAA).

Parent education

17. Some KGs have expressed the concern that parents' choice might not lead to quality KG education as their considerations of quality KG education may not be the same as those of the trained teachers. However, EDB considers that this concern suggests the need for enhanced parent education rather than the denial or reduction of parents' role in pre-primary development of children. EDB will strive to do so while continuing to facilitate parental choice by making information on quality KG education more easily accessible.

Note ^[7] The social needs assessment has long been in place for ascertaining fee remission eligibility for Child Care Centres under the purview of SWD. It was only extended to whole-day KG education in 2005 following the harmonisation of pre-primary services. Prior to 2005, applications for fee remission in whole-day KGs were subject to means test only.

Evidence-based policy formulation

18. EDB agrees to the WG's recommendation that the PEVS should be subject to periodic reviews for continuous improvement. Given the value-laden nature of education issues, EDB will, in the meantime, in consultation with academics and other experts in the field, strive to identify a framework to collect quantitative and qualitative data to facilitate an evidence-based evaluation of pre-primary education in order to inform policy formulation in future.

OTHER OPTIONS

19. EDB has examined the demand for providing 3-year free pre-primary education and alternative subvention for KGs. Free KG education would imply a need to phase out existing KGs which are more costly and provide more resources to other KGs operating at a lower cost. Subvention to KGs may subject them to more regulatory controls applicable generally to public sector schools. This would reduce the diversity and responsiveness of the current KG education system. The PEVS has made significant achievements in enhancing parental choice and KGs' capacity for continuous improvement. EDB considers it prudent to build on existing strengths, further improve the implementation of the PEVS and target support for the needy families.

IMPLICATIONS OF THE PROPOSAL

20. The implementation of improvement measures as set out in paragraph 1 will incur an estimated additional expenditure of about \$99 million in 2011-12 and about \$234 million in a full year in 2016-17 under SFAA. Additional manpower resources will be sought in accordance with the established resource allocation mechanism. EDB aims to seek funding approval of Finance Committee (FC) of the Legislative Council (LegCo) in July 2011. In addition, there would be consequent additional expenditure on the Comprehensive Social Security Assistance (CSSA) Scheme as the ceilings of the special grant for pre-primary education for CSSA students would be revised according to the proposals on KCFRS in paragraph 1(d). Sufficient provision would be earmarked for this purpose.

21. The economic, sustainability and civil service implications are set out at Annex E. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity or environmental implications.

E

PUBLIC CONSULTATION

22. The WG conducted a series of focus group meetings and consultation sessions with the relevant stakeholders, including teacher education institutions, school sponsoring bodies, principals, teachers and parents between December 2009 and October 2010 to gauge their views on the implementation of the PEVS. The WG also took into account written submissions by the stakeholders. The WG Chairman attended the meeting of the LegCo Panel on Education on 17 December 2010, at which the Panel also received deputations from various stakeholders. None of the views expressed exceed those gauged by the WG. Following the release of the Review Report, the WG held a press briefing. No further public consultation is required. EDB will continue to meet with the stakeholders to clarify its policy on the PEVS with a view to addressing some of the concerns and misunderstandings of the KG sector. EDB will consult the LegCo Education Panel before submitting its proposals to the FC for funding approval.

PUBLICITY

23. EDB will issue different publicity materials, such as a brief press statement for general consumption, leaflets for KG parents, and circulars for KGs, etc. It will also conduct media briefings and briefings for different stakeholders such as parents' groups and KG operators.

BACKGROUND

24. The objective of the PEVS introduced since the 2007/08 sy is for all children to receive affordable and quality pre-primary education. Since the 2007/08 sy, each eligible child has been granted a voucher at a face value of \$10,000 per annum, progressively increased to \$16,000 pspa in the 2011/12 sy. The scheme is non-means-tested. Parents have to pay the difference in case the tuition fee exceeds the voucher value. Additional assistance is provided for the needy families through means-tested fee remission.

25. KGs enjoy full discretion in determining teacher salaries, subject to market forces. A Teacher Development Subsidy is provided for reimbursement of course fees for professional upgrading of teachers and principals, appointment of supply teachers to substitute for teachers and principals on training course, or provision of school-based professional development. All serving principals are encouraged to obtain a bachelor degree in ECE qualification. Serving teachers are expected to obtain the C(ECE) qualification by the end of the 2011/12 sy. The monitoring of KGs under the PEVS is summarised at Annex F.

OTHERS

26. Enquiries on this brief may be directed to Mr Tony Tang, Principal Assistant Secretary for Education (Support Services) at 2892 6501.

Education Bureau**2 June 2011**

The Guiding Principles of the PEVS

The PEVS introduced since the 2007/08 sy operates on the basis of the following principles –

- (a) subject to the transitional period¹, only children attending local non-profit-making (NPM) KGs or relevant classes in local NPM Kindergarten-cum-Child Care Centres (KG-cum-CCCs) are eligible to join the PEVS;
- (b) the voucher should only be redeemed by local NPM KGs or relevant classes in local NPM KG-cum-CCCs charging a school fee not exceeding \$24,000 per student per annum (pspa) for a half-day place or not exceeding \$48,000 pspa for a whole-day place;
- (c) the KGs should, at the same time, meet all stipulated disclosure and transparency requirements;
- (d) all KGs are subject to a quality assurance mechanism so that, starting from the 2012/13 sy, only KGs meeting the prescribed standards may redeem the voucher; and
- (e) all KGs should enjoy full discretion in determining teacher salaries.

2. A schedule of voucher value is set out below -

School Year	Value	For fee subsidy	For teacher development
2007/08	\$13,000	\$10,000	\$3,000
2008/09	\$14,000	\$11,000	\$3,000
2009/10	\$14,000	\$12,000	\$2,000
2010/11	\$16,000	\$14,000	\$2,000
2011/12	\$16,000	\$16,000	--

¹ A transitional period of three years until the end of the 2009/10 sy was provided for private independent (PI) KGs satisfying all prescribed requirements of eligible NPM KGs, save for the NPM status, to redeem the vouchers from parents whose children were enrolled at various study levels in such PI KGs in the 2007/08 sy throughout these children's education in the same PI KGs.

Summary of WG's Recommendations and Administration's View

The EC endorsed and submitted the WG's report to the Administration on 15 December 2010.

2. In gist, there are three broad strands of the considerations and the recommendations of the WG, as detailed below.

- (a) The PEVS is apt for the prevailing context in Hong Kong.
 - (i) The WG considered diversity and vibrancy of our pre-primary education system the strengths that we should maintain and build on. Such a diversity of services might not be possible if KGs are subject to the subvention regulations akin to those applicable to public sector schools;
 - (ii) The WG did not favour a dual funding mode with school-based provision of funding and a per capita voucher subsidy operating in parallel. Instead, enhanced support should be given to needy families;
 - (iii) The WG felt that KGs had been positively exercising the flexibility in offering competitive pay and awarding increments to teachers to reflect the enhancement in professional qualifications of the relevant teachers. Hence, KGs should continue to be given full discretion in determining teachers' remuneration;
 - (iv) The WG considered that the requirements for professional upgrading of teachers, system stability and space for more school-level discretion should be carefully balanced to help smoothen the transition towards the position where all teachers will have the C(ECE) qualifications in a progressive manner;
 - (v) The WG upheld the modus operandi of the PEVS but nevertheless recommended revisiting the current voucher payment schedule to enhance user-friendliness and efficiency. In this connection, the WG also considered subsuming rents, rates and government rents in the PEVS not worth pursuing having regard to the administrative complications; and
 - (vi) The WG recommended that EDB should provide support to strengthen the capacity of the system and the KG sector in providing quality pre-primary education.

- (b) The WG considered that the next phase of PEVS development should focus on facilitating the access to affordable and quality pre-primary education.
- (i) While the WG opined that it would be unrealistic to expect the PEVS to cover 100% of the school fee across all KGs, given the diversity of KG programmes and wide variation in the level of tuition fee, the fee thresholds should be adjusted from time to time. Likewise, the value of the voucher should also be reviewed to preserve its real value; and
 - (ii) Though it would not be appropriate to mandate whole-day pre-primary education programme having regard to the development characteristics of small children and the primary responsibility of the family in meeting the children's needs, the WG recommended enhancing support for needy families through revising the fee remission formula and removing the social needs assessment in processing fee remission for children attending whole-day PEVS KGs.
- (c) The WG recommended that the following to be the strategy for the further development of the PEVS -
- (i) The QR beyond the 2011/12 sy should carefully balance support and pressure, and should focus on empowering schools to deliver quality pre-primary education under a sound governance framework since monitoring and evaluation were necessary parts of good governance for quality pre-primary education;
 - (ii) Parent education and parental partnership in supporting child development should be promoted;
 - (iii) Transparency of KG operation and uploading of the QR reports to EDB's website would provide parents with information to make an informed choice of schools for their children. To facilitate comprehension by parents, the QR reports should be written in such a way that parents will find them easy to read and understand; and
 - (iv) The Government should, in the light of changes in the macro environment, further consider issues raised by the pre-primary education sector that fall outside the WG's Terms of Reference in due course. In this connection, the WG recommended the establishment of an advisory group

to consider the long-term development and quality of pre-primary education.

WG's recommendations

3. The WG's 12 recommendations are as follows-

Recommendation 1

The WG considers the PEVS to be an appropriate mechanism for funding pre-primary education as it can attend to the characteristics of the local context and, hence, recommends its continuation beyond the 2011/12 sy, subject to periodic review. A further review of early childhood education in response to developments in the macro environment should be conducted at an opportune time.

Recommendation 2

The WG recommends that, while keeping the three eligibility criteria for KG admission to the PEVS, the fee thresholds should be subject to an annual review with reference to inflation.

Recommendation 3

The WG recommends that the value of the voucher should be subject to an annual review with reference to inflation.

Recommendation 4

The WG recommends that while the current Kindergarten and Child Care Centre Fee Remission Scheme should continue to provide additional support to children from needy families attending half-day or whole-day KGs in parallel with the PEVS, the percentage of fee remission should be calculated after first deducting the voucher subsidy. The WG also recommends the removal of social need assessment for needy children whose parents are applying for fee remission for attending whole-day KGs.

Recommendation 5

Building on the existing governance structure, the WG recommends the continuation of QR, and the following steps to be taken: (i) identify information that would contribute to transparency and dissemination of good practices to the public, especially parents; (ii) involve professionals in the

sector to fine-tune the review process so that the QR is improvement-oriented; and (iii) put in place a mechanism to give attention to the under-performing KGs.

Recommendation 6

The WG recommends that parent education should be enhanced to support parents in making informed choices of KGs for their children. EDB should also encourage parental partnership with KGs in promoting the learning and development of children.

Recommendation 7

The WG recommends that local studies and research on the latest development of pre-primary education should be encouraged to inform good practices for future development.

Recommendation 8

The WG recommends that PEVS KGs with sufficient number of teachers holding the C(ECE) qualifications based on the teacher to child ratio of 1:15 may continue to employ teachers with Qualified Kindergarten Teacher qualifications, or a qualification acceptable to the Permanent Secretary for Education, to meet their individual needs. In-service training opportunities should continue to be provided for serving teachers without C(ECE) for professional upgrading in the 2012/13 sy and beyond. In the interim of two years, and under special circumstances, EDB may consider counting those teachers pursuing the C(ECE) qualifications as C(ECE) teachers for the purpose of meeting the 1:15 teacher to child ratio requirement.

Recommendation 9

The WG recommends that EDB should continue to provide support for the professional development of KG teachers and principals. The WG also encourages KGs to apply for the support of the Quality Education Fund for school-based initiatives.

Recommendation 10

The WG recommends that an advisory body should be set up to take a professional view on various issues relating to the long-term development and quality of pre-primary education, such as a reference salary scale for teachers and principals and their continuous professional development.

Recommendation 11

The WG recommends that the schedule for disbursing voucher subsidy to KGs should be revised to follow the tuition fee payment schedule of KGs so as to reduce their difficulties in handling administrative and accounting work.

Recommendation 12

The WG recommends that the existing policy and arrangements for rents, rates and government rent reimbursement for KGs should continue rather than subsuming these elements under the voucher subsidy.

The Administration's view

4. EDB has worked closely with the EC WG. It observes that the WG has accorded ample opportunities for stakeholders to express their views and give due consideration to the views expressed. EDB finds the WG's recommendations broadly acceptable, balanced, objective and appropriate for Hong Kong's current circumstances. The PEVS has significantly enhanced the capacity of the KG sector in providing quality pre-primary education. It also renders pre-primary education more affordable to a wide spectrum of the community. Since the introduction of the PEVS, an average of some 85% KG children have benefited from the voucher subsidy annually, compared to some 50% KG children benefiting from the financial assistance under the former Kindergarten and Child Care Centre Subsidy Scheme (KCSS). The percentage of KG teachers holding or pursuing C(ECE) qualification has increased from 56% in the 2006/07 sy to some 90% as of the 2009/10 sy. Starting from the 2009/10 sy, all newly appointed principals have been required to possess a degree in early childhood education. KGs joining the PEVS are practising self-evaluation for continuous improvement. As of the 2010/11 sy, about 80% of KGs have joined the PEVS.

Free/Compulsory KG Education

5. There are demands calling for compulsory and free KG education. In the current context of Hong Kong, free and compulsory KG education would necessitate a regulatory mechanism to standardise tuition fee, related items such as staff cost, teachers' remuneration, service hours, facilities, school premises, etc. and even the introduction of a school place allocation system given that equitable allocation would be a logical corollary to making KG education free and compulsory. The rich diversity of the KG sector renders the above a tall order, politically and practically, in addition to a real risk of eroding the vitality and diversity of the sector which currently

combines well market forces and policy-driven calibration to motivate quality enhancement and improve access by the needy. Therefore, building on what the PEVS has achieved is a more prudent approach.

6. The WG recommended setting up an advisory body to take a professional view on various issues relating to the long-term development and quality of pre-primary education. Since the PEVS is still in a nascent stage and since the WG has just completed its review, we consider it more appropriate to focus on implementing the WG's recommendations rather than diverting resources of the sector to a discourse on another set of controversial issues.

7. Under the PEVS, the Teacher Development Subsidy is granted to provide financial assistance for professional upgrading of teachers and principals, provision of supply teachers to relieve their workload and school-based professional development. The unspent amount by the end of the 2011/12 sy will be returned to the Administration. EDB notes the KG sector's suggestion to provide a professional development fund for KG teachers but does not favour this. Instead, for better quality assurance, we prefer to EDB-commissioned training on thematic, specialised and contemporary topics on KG education to meet the continuous professional development of KG principals and teachers. EDB also encourages KGs to apply for the Quality Education Fund whose remit also includes professional development, for support of school-based initiatives.

8. As at September 2010, EDB has completed QR for about 81% of the KGs joining the PEVS. The QR reports have been posted on the EDB website for reference by parents and members of the public to enhance transparency. Eighty per cent of the respondent-KGs to the post-QR questionnaire survey conducted by EDB agreed that QR could accurately evaluate school performance. About 90% agreed that QR was helpful for their school development planning. About 90% agreed that the process of QR was open and transparent. QR, comprising KGs' self evaluation and external review by EDB, is an essential part of good governance for quality assurance and sustainable capacity enhancement. It should therefore continue.

The KCFRS Calculation Formula

Illustration 1 : Say for a half-day (HD) KG charging \$18,700 per student per annum (pspa) and a voucher value at \$14,000 pspa through the PEVS.

Application meeting the eligibility criteria for HD fee remission	Method 1 : the existing calculation formula (Fee remission amount = Tuition fee or fee remission ceiling* x level of assistance – voucher value) <i>[i.e. (\$18,700 X 50% or 75% or 100%) - \$14,000]</i> *whichever is the lower	Method 2 : the proposed calculation formula (Fee remission amount = (Tuition fee or fee remission ceiling* – voucher value) x level of assistance) <i>[i.e. (\$18,700 - \$14,000) X 50% or 75% or 100%]</i> *whichever is the lower
Financial assistance for 50% fee remission	Fee remission: Not applicable Voucher subsidy: \$14,000 Parental contribution: \$4,700	Fee remission: \$2,350 Voucher subsidy: \$14,000 Parental contribution: \$2,350
Financial assistance for 75% fee remission	Fee remission: \$25 Voucher subsidy: \$14,000 Parental contribution: \$4,675	Fee remission: \$3,525 Voucher subsidy: \$14,000 Parental contribution: \$1,175
Financial assistance for 100% fee remission	Fee remission: \$4,700 Voucher subsidy: \$14,000 Parental contribution: Nil	Fee remission: \$4,700 Voucher subsidy: \$14,000 Parental contribution: Nil

Illustration 2 : Say for a whole-day (WD) KG charging \$30,200 per student per annum (pspa) and a voucher value at \$14,000 pspa through the PEVS.

Application meeting the eligibility criteria for WD fee remission	Method 1 : the existing calculation formula (Fee remission amount = Tuition fee or fee remission ceiling* x level of assistance – voucher value) <i>[i.e. (\$30,200 X 50% or 75% or 100%) - \$14,000]</i> *whichever is the lower	Method 2 : the proposed calculation formula (Fee remission amount = (Tuition fee or fee remission ceiling* – voucher value) x level of assistance) <i>[i.e. (\$30,200 - \$14,000) X 50% or 75% or 100%]</i> *whichever is the lower
Financial assistance for 50% fee remission	Fee remission: \$1,100 Voucher subsidy: \$14,000 Parental contribution: \$15,100	Fee remission: \$8,100 Voucher subsidy: \$14,000 Parental contribution: \$8,100
Financial assistance for 75% fee remission	Fee remission: \$8,650 Voucher subsidy: \$14,000 Parental contribution: \$7,550	Fee remission: \$12,150 Voucher subsidy: \$14,000 Parental contribution: \$4,050
Financial assistance for 100% fee remission	Fee remission: \$16,200 Voucher subsidy: \$14,000 Parental contribution: Nil	Fee remission: \$16,200 Voucher subsidy: \$14,000 Parental contribution: Nil

**Criteria for Assessing Social Needs
for Student-applicants for Fee Remission under the KCFRS**

Social Needs Criteria	Examples of documentary evidence
<p>Category(1): Student-applicants cannot receive proper care at home as a result of one parent working full-time (i.e. for at least 120 hours per month) and the other working 104 hours or more in a month, within the entire assessment period of 12 months from 1 April to 31 March.</p> <p><i>Note: The Student Financial Assistance Agency (SFAA) will also consider cases whereby the parents of the student-applicants can prove, with documentary evidences such as appointment letters or employment certifications, that they can only meet the 120/ 104 hours criteria for a period after the normal assessment period up to the time of application for KCFRS (at least one month or more prior to applications). Based on the changes of the employment status of the applicant/applicant's spouse, the SFAA will consider assessing the applicant family's 'Adjusted Family Income' and 'Social Needs' according to the applicant's latest projected annual family income and situation.</i></p>	<ul style="list-style-type: none"> ➤ Employer's certification of the hours of work of the employee ➤ Self-declaration (only applicable for casual workers who cannot produce any employer's certification)
<p>Category(2): Student-applicants whose parents are chronically ill, disabled, or under long-term hospital care.</p>	<ul style="list-style-type: none"> ➤ Medical certification issued by hospital or medical practitioner.
<p>Category(3): Student-applicants of single-parent families or student-applicants from broken families :</p> <p>a. Student-applicants whose parents are widowed, divorced, separated or deserted;</p> <p>b. Student-applicants of unmarried parents, i.e. born out of wedlock, not under the care of both parents;</p> <p>c. Orphans/semi-orphans under the care of relatives.</p>	<ul style="list-style-type: none"> ➤ Death Certificate, certificate of Cremation ➤ Documentary Proof for Divorce/Separation ➤ Birth Certificates and Self-declaration from unmarried parents. ➤ Death Certificates and Self-declaration from relatives.

Social Needs Criteria	Examples of documentary evidence
<p>Category(4): Student-applicants themselves having a need for whole-day care:</p> <ul style="list-style-type: none"> a. Moderately mentally handicapped student-applicants and those who are slightly physically handicapped and are admitted under the Integrated Programme (cases usually referred by medical staff); b. Student-applicants who are members of twins and triplets etc; c. Student-applicants who are victims of child abuse; d. Student-applicants with a parent who is a drug abuser, or alcoholic or is aged, and is considered as being unable to exercise proper care of the student-applicants; e. Student-applicants with a parent or guardian in prison or absent from home for other valid reason for long periods. 	<ul style="list-style-type: none"> ➤ Medical certification issued by hospital or medical practitioner. ➤ Birth Certificates ➤ Social Worker’s recommendation ➤ Social Worker’s recommendation ➤ Self-declaration and the relevant supporting documents ➤ Copies of Two-way Exit Permit ➤ Social Worker’s recommendation
<p>Category(5): Student-applicants with parents who have to take care of a family member who is physically or mentally handicapped, chronically ill, senile, aged (over 70), or incapable of self-care.</p>	<ul style="list-style-type: none"> ➤ H.K. ID card(s) of the relevant family member(s) ➤ Medical certification issued by hospital or medical practitioner ➤ Documentary proofs for physically/mentally handicapped
<p>Category(6): Student-applicants from large families :</p> <ul style="list-style-type: none"> a. Student-applicants with two or more siblings (at least two children aged below 6 must receive care at home, they would not qualify for ‘Social Needs’ assessment); b. Student-applicants from families with four or more children aged below 12 (at least three children must receive care at home, they would not qualify for ‘Social Needs’ assessment). 	<ul style="list-style-type: none"> ➤ Birth Certificates ➤ Birth Certificates
<p>Category(7): Student-applicants referred and recommended by social workers.</p>	<ul style="list-style-type: none"> ➤ Social Worker’s recommendation

Other Implications

Economic implications

1. Pre-primary education lays the foundation for life-long learning and whole-person development, and serves as the starting point of formal education. The basic skills acquired during the early childhood stage, such as meaning-making and creativity, are essential in the subsequent stage of learning of students. Government funds spending on pre-primary education is a form of investment in human capital. The direct fee subsidy for parents on a non-means-tested basis ensures wide eligibility for financial support to pre-primary education. The improvement to the fee remission scheme will further enhance financial support to parents of the needy families in their choice of pre-primary education. The investment in pre-primary education does not only benefit children, parents and the KG sector but also the society as a whole.

Sustainability implications

2. The proposals enable individuals to fulfill their potential by promoting accessibility to affordable and quality pre-primary education, with targeted support for children of the needy families. The proposals will strengthen support to families in early childhood development and parental partnership in early childhood education. EDB expects that the proposals will have long-term positive economic implications.

Civil service implications

3. The continuation of the PEVS as a mechanism in funding pre-primary education beyond the 2011/12 sy, the strengthening of support measures on parent education and school-based support services require additional civil service posts. The additional manpower required is essential in implementing the voucher scheme, strengthening KGs' capacity for continuous improvement, conducting QR to validate KGs' self-evaluation, promoting parental partnership in early childhood education and providing school-based support. EDB will seek the additional manpower in accordance with the established resource allocation mechanism.

Monitoring of KGs under the PEVS

Since the PEVS is intended as a direct subsidy to parents in meeting towards the tuition fee of their children for KG education, KGs will not be considered subvented organisations. Hence, standard requirements for subvented organisations in the use of public funds (such as those relating to wage levels and procurement of goods and services) do not apply. Nor would the monitoring to ensure compliance with administrative and financial rules apply.

2. To the extent necessary to ensure proper use of funds allocated for the PEVS, EDB will implement measures to forestall abuse. These include surprise headcount, examination of annual audited accounts and risk-based audit inspection. In addition, we also encourage KGs to enhance their transparency by, for example, disclosing the salary range of teachers in the KG profile as well as in the annual audited account for submission to EDB.

3. EDB will maintain a stringent fee approval mechanism to ensure proposals for fee increase are properly justified and within reasonable limits. KG expenditure should also be largely devoted to supporting teaching and learning.

4. EDB will reserve the right to exclude KGs from the PEVS when they are found not meeting the quality standards or with a track record of fraudulent practices.