

For information on 11 July 2011

**Legislative Council Panel on Education**  
**Progress Report on the Follow-up Work**  
**Pertaining to the Recommendations in the Report No. 55**  
**of the Public Accounts Committee on Direct Subsidy Scheme Schools**

**PURPOSE**

This paper aims to brief Members on the latest development of the follow-up work done in respect of the 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*. Responses to the major recommendations made by Members at the motion debate on PAC's Report at the Council meeting of 2 March 2011 are set out at the Annex.

**LATEST DEVELOPMENT OF FOLLOW-UP WORK**

***Malpractices and Irregularities Identified in Individual Schools***

2. The Education Bureau (EDB) has closely followed up the malpractices and irregularities identified by the Director of Audit regarding individual Direct Subsidy Scheme (DSS) schools. As of now, most of the cases have been resolved and rectified. EDB is handling the outstanding cases<sup>1</sup> involving complicated and/or legal issues and therefore would require more time to settle.

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<sup>1</sup> Examples of the outstanding cases:

- (a) Among the 13 schools that have not signed the School Management Committee (SMC)/Incorporated Management Committee (IMC) service agreements (SA) as mentioned in the PAC Report No. 55, 10 schools have signed the agreements. A school is expected to conclude the SMC/IMC SAs before the end of this school year. Two schools are in close negotiation with the EDB about a clause on the transfer of assets to the Government should schools cease operation.
- (b) Regarding the five schools which have yet to complete the procedures to acquire the non-profit-making status, the schools and the EDB have been exchanging comments on legal documents such as a draft Deed of Novation and a draft Assignment for the past few months.

### ***Working Group on Direct Subsidy Scheme***

3. The Working Group on the Direct Subsidy Scheme (Working Group) chaired by the Permanent Secretary for Education has started its work since March 2011. It has been tasked with reviewing the administration as well as the governance and management of DSS schools, and putting forward recommendations on measures for continuous improvement. The review will cover, inter alia, how DSS schools should strengthen their internal monitoring mechanisms such as possible enhancement to the transparency in school management, the implementation of fee remission schemes and financial management.

4. The Working Group and the EDB agreed that EDB's monitoring and oversight should be complemented by DSS schools' own governance and internal accountability. Noting the more autonomous nature of DSS schools, EDB should refrain from micro-managing them. Strengthening the schools' governance, including setting up an effective internal monitoring mechanism, and enhancing schools' transparency and accountability, is fundamental to the quality assurance of DSS schools in the long run. On the other hand, EDB will continue to issue clear guidelines, detect and follow up on irregularities concerning schools' operation and practices, and provide support to DSS schools where necessary. It is only through a proper balance between control and flexibility that the original policy intention of enhancing parental choice and enriching our education system through increasing the diversity in our school system can be achieved.

5. In the past months, the Working Group visited various DSS schools and held meetings to discuss proposed improvement measures. While the Working Group will complete its discussion and submit its recommendations by the end of 2011, Members agreed that a number of improvement measures warrant early implementation. These measures are outlined in paragraphs 6 to 14 below.

### ***School Fee Remission / Scholarship Schemes***

6. The EDB has taken forward various measures in the past months to improve the implementation of the school fee remission / scholarship schemes (Schemes) in DSS schools.

7. First, in respect of the requirement for DSS schools to set aside at least 10 % of their school fee income for the Schemes, we have enhanced the reporting requirements in the audited accounts with a view to facilitating an early detection of and timely follow-up of possible irregularities. Schools have to follow the new requirements in their submission of the 2009/10 audited accounts to EDB this year. Review of the audited accounts submitted by DSS schools is underway.

8. Second, while the Working Group will consider further ways to improve the implementation of the Schemes (including ways to ensure that students will not be deprived of the opportunity to attend DSS schools because of lack of means), it holds the view that enhancing the transparency of the Schemes could help parents understand the Schemes and facilitate an informed assessment of their children's eligibility for remission/scholarship. Insofar as parents of prospective students are concerned, this could in turn help them make an informed choice of schools for their children. These measures should be put in place at the earliest opportunity. To this effect, EDB has issued a circular in early July 2011 setting out the following new measures:

- (a) DSS schools are required to consult their School Management Committees (SMCs) / Incorporated Management Committees (IMCs) or parent-teacher associations on the operation of their Schemes and how the related information should be presented to ensure that it can be easily understood by parents and prospective parents of the school;
- (b) DSS schools are required to clearly indicate in the application form for admission and the School Profile published by the Committee on Home-School Co-operation that needy students, including those from families receiving the Comprehensive Social Security Assistance (CSSA) and students receiving financial assistance provided by the Student Financial Assistance Agency (SFAA), could apply for fee remission. DSS schools are also required to provide details of their Schemes on the application form and a web-link in the School Profiles through which details of the Schemes can be obtained on the schools' websites;

- (c) DSS schools are required to provide details of the Schemes to all students newly admitted to the school by enclosing such details with the letter offering admission;
- (d) Subject to the availability of funds under the Schemes, in principle, DSS schools are required to offer fee remission to students from families receiving the CSSA and those SFAA recipients. This should be clearly set out in the details of the Schemes for information of parents/prospective parents;
- (e) When notifying students of the application results for SFAA, DSS schools are required to provide an application form for the Schemes to each of the eligible students as well;
- (f) DSS schools should process applications for the Schemes from newly admitted students before the new school year begins as far as possible so that those eligible students will not be required to pay the school fee in advance. Likewise, if applications are received during the school year, they should be processed as early as possible;
- (g) DSS schools are encouraged to provide a simulation test for fee remission on their websites so that parents will know in advance the level of fee remission their children will be granted. This will facilitate decision on school choice and/or whether to apply for remission; and
- (h) The EDB will provide on its website hotlinks to the Schemes of individual DSS schools to facilitate interested parents to get the information they need easily.

### ***Revision of School Fees***

9. With immediate effect (i.e. as from the fee revision exercise for the 2011/12 school year), the EDB has introduced a series of measures to improve the school fee revision mechanism to allow parents to make informed decisions whether to support DSS schools' proposal for fee revision.

10. DSS schools are required to provide parents, in the consultation process, with appropriate financial information of the schools, including the accumulated surplus, justifications for fee increase and additional resources required, etc. Besides, DSS schools are required to explain to parents in detail the purpose, scale, construction period and cash flow of capital works projects if undertaking large-scale capital works projects is one of the major reasons for fee increase. Moreover, DSS schools are required to submit to EDB how parents are consulted and parents' feedback so as to facilitate EDB's consideration of their applications for fee revision.

### ***Financial Management***

11. Pending further recommendations of the Working Group to enhance DSS schools' financial management, the EDB has introduced with immediate effect a number of measures to better monitor the financial management in DSS schools and enforce the prevailing requirements on the use of schools' resources.

12. First, the Task Force on DSS chaired by the Deputy Secretary for Education will consider both the annual summary of findings on the audited accounts submitted by DSS schools and the audit inspections conducted by EDB officers. This is to ensure that the EDB can have a holistic review of the financial management of DSS schools and effectively follow up with the schools regarding the various improvement measures concerning financial management.

13. Second, starting from the 2009/10 audited accounts, DSS schools are required to provide more detailed and comprehensive information concerning the schools' financial situation including details of any investments and other reserves in all accounts. EDB will promptly follow up with the schools should there be any irregularities detected.

14. Moreover, we are in the process of setting up an additional audit team in the EDB to carry out full audit inspections to more DSS schools. With the additional audit team, we plan to conduct audit inspections to 18 DSS schools every year and we expect that on average each DSS school will undergo such audit inspection once every four years (as compared to once every seven years at the moment).

### **Way Forward**

15. The Working Group will submit to the Secretary for Education its report by the end of 2011 on recommendations regarding the various improvement measures on the following aspects:

- a) measures to help strengthen schools' internal governance and monitoring mechanisms including training for school personnel so that schools will use their resources in an accountable and transparent manner;
- b) the setting up of a cap and the use of accumulated reserves; and
- c) developing a set of checklist in consultation with the DSS School Council to facilitate DSS schools to evaluate their performance in areas concerning financial and human resources management.

16. We will brief Members on further measures to improve the administration and governance of the DSS schools after considering the recommendations of the Working Group.

Education Bureau  
4 July 2011

**Major suggestions made by Members in the Motion Debate on Chapter 1 of Part 8 of “Public Accounts Committee’s Report No. 55  
‘Administration of the Direct Subsidy Scheme and Governance and Administration of Direct Subsidy Scheme Schools’”  
at the Meeting of the Legislative Council on 2 March 2011**

Members’ Suggestions		Administration’s Responses
<b>I. School Fee Remission/Scholarship Schemes</b>		
1.	As school fee remission schemes/scholarship schemes are not adequately publicised, needy parents may be discouraged from enrolling their children in Direct Subsidy Scheme (DSS) schools due to a lack of information. Thus, the upward mobility of children from low-income families may be hampered. The Administration and schools should step up publicity of such schemes and set out clearly the criteria for financial assistance.	<p>1.1 All DSS schools have included the details of the fee remission/scholarship schemes in their prospectuses and uploaded the information onto their websites in compliance with the requirements as stipulated in the EDB Circular No. 12/2010 on “Use of Non-government Funds in Direct Subsidy Scheme (DSS) Schools”.</p> <p>1.2 In addition, the Working Group on DSS chaired by the Permanent Secretary for Education has started discussion on how to improve the implementation of the school fee remission/scholarship schemes in DSS schools. The Working Group holds the view that enhancing the transparency of the school fee remission/scholarship schemes could help parents understand the schemes and facilitate an informed assessment of their children’s eligibility for remission/scholarship. Insofar as parents of prospective students are concerned, this could in turn help them make an informed choice of schools for their children. These measures should be put in place at the earliest opportunity. To this effect, we have issued a circular in early July 2011 setting out the following new measures to be implemented:</p> <p>(i) DSS schools are required to consult their School</p>

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	<p>Management Committees (SMCs) / Incorporated Management Committees (IMCs) or parent-teacher associations on the operation of their school fee remission/scholarship schemes and how the related information should be presented to ensure that it can be easily understood by parents and prospective parents of the school;</p> <p>(ii) DSS schools are required to clearly indicate in the application form for admission and the School Profile published by the Committee on Home-School Co-operation that needy students, including those from families receiving the CSSA and students receiving financial assistance provided by the Student Financial Assistance Agency (SFAA), could apply for fee remission. DSS schools are also required to provide details of their school fee remission/scholarship schemes on the application form and a hyper-link in the School Profiles through which details of the school fee remission/scholarship schemes can be obtained on the school's website;</p> <p>(iii) DSS schools are required to provide details of the school fee remission/scholarship schemes to all students newly admitted to the school by enclosing such details with the letter offering admission;</p>



<b>Members' Suggestions</b>	<b>Administration's Responses</b>
	<ul style="list-style-type: none"> <li data-bbox="1169 316 2051 635">(iv) Subject to the availability of funds under the fee remission/scholarship schemes, in principle, DSS schools are required to offer fee remission to students from families receiving the CSSA and those SFAA recipients. This should be clearly set out in the details of the school fee remission/scholarship schemes for information of parents/prospective parents;</li> <li data-bbox="1169 675 2051 850">(v) When notifying students of the application results for SFAA, DSS schools are required to provide an application form for the school fee remission/scholarship schemes to each of the eligible students as well;</li> <li data-bbox="1169 890 2051 1217">(vi) DSS schools should process applications for the school fee remission/scholarship schemes from newly admitted students before the new school year begins as far as possible so that those eligible students will not be required to pay the school fee in advance. Likewise, if applications are received during the school year, they should be processed as early as possible;</li> <li data-bbox="1169 1257 2051 1377">(vii) DSS schools are encouraged to provide a simulation test for fee remission on their websites so that parents will know in advance the level of fee remission their children will be</li> </ul>

<b>Members' Suggestions</b>		<b>Administration's Responses</b>
		<p>granted. This will facilitate decision on school choice and/or whether to apply for remission; and</p> <p>(viii) The EDB will provide on its website hotlinks to the school fee remission/scholarship schemes of individual DSS schools to facilitate interested parents to get the information they need easily.</p>
2.	<p>The Administration should consider effective measures to ensure that DSS schools set aside the required amounts of school fee income for fee remission/scholarship schemes. The scholarship application and award procedures should also be monitored to ensure that needy students will not be deprived of the opportunity of attending DSS schools because of a lack of means.</p>	<p>2.1 The EDB issued a circular memorandum on 17 January 2011 requiring DSS schools to provide detailed information on their fee remission/scholarship schemes in their 2009/10 audited accounts submitted this year, and school auditors to verify in their reports whether the amounts set aside by schools for fee remission and scholarship schemes meet the EDB's requirement. Review of the audited accounts submitted by DSS schools is underway.</p> <p>2.2 Regarding the improvement measures for the school fee remission/scholarship schemes, details are set out in the Administration's responses to Item 1 above. The Working Group on DSS will continue to gauge the views of DSS schools about other improvement measures for the school fee remission/scholarship schemes.</p>
3.	<p>DSS schools should relax the asset limits for families applying for school fee remission to enable more needy students to attend such schools. If the utilization of the reserve for school fee remission and scholarships is persistently low and a surplus is recorded, a school should consider using the surplus to help students, for example, by relaxing the application criteria for</p>	<p>3.1 EDB Circular No. 12/2010 on "Use of Non-government Funds in Direct Subsidy Scheme (DSS) Schools" stipulates that when the reserve for scholarships/financial assistance has reached a cumulative amount which exceeds a school's half-year total fee income, the school should forward to the EDB a plan on how this specific reserve can be</p>

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	<p>school fee remission or funding students' extra-curricular activities. It may also consider lowering the school fees.</p>	<p>effectively deployed. Acceptable options or uses of the excessive reserve include but are not limited to: (i) relaxing the criteria for awarding fee remission/scholarship; (ii) reducing the school fees; (iii) subsidising eligible students in their purchase of textbooks/reference books/stationery; and (iv) sponsoring eligible students for joining extra-curricular activities, such as overseas educational visits and exchange study programmes, etc.;</p> <p>3.2 Schools with persistently under-utilised reserves have been requested to look into the causes of the low utilisation of their fee remission/scholarship schemes and to make improvement where appropriate. The schools have responded positively, and all the 14 schools with low-utilisation rates have relaxed the application criteria of their schemes to benefit more students.</p>
4.	<p>DSS schools should vet the eligibility of prospective students for scholarships/grants before admission so that these students can decide whether to attend the schools based on the availability of financial assistance.</p>	<p>4.1 Regarding the enhanced transparency of the fee remission/scholarship schemes in DSS schools, the EDB has issued a circular in early July 2011, informing DSS schools of the new improvement measures. Details are set out in the Administration's response to Item 1 above. These measures can enable parents and students to learn more about the fee remission/scholarship schemes, including the assistance level, before making informed decisions on whether to enrol in DSS schools.</p>
<b>II. Admission</b>		
1.	<p>A mechanism should be put in place to set aside at least 10% of DSS school places for central allocation so that students from</p>	<p>1.1 DSS schools have been drawing up their school-based</p>

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<p>different strata will have a fair opportunity to be allocated such places. Needy students allocated places in DSS schools should be provided with full subsidy for school fees and expenses of activities during their study to enable them to learn in a stable environment and to ensure that students who are capable academically will not be deprived of an opportunity to attend DSS schools due to financial difficulties.</p>	<p>admission criteria according to their own circumstances. Not only is this a key flexibility given to DSS schools when the DSS policy was formulated, it is also one of the most distinguished features of DSS schools. The EDB has already required DSS schools to establish reasonable and professionally sound criteria for admission of students and observe the principles of openness and fairness in drawing up those criteria.</p> <p>1.2 The Working Group on DSS has discussed various measures to better ensure that students will not be deprived of a chance to study in DSS schools solely due to a lack of means. The Working Group will put forward its views in the report to be submitted to the Secretary for Education by the end of 2011 including improvement measures outlined in points 1 to 4 under Part I above.</p>
<p>2. Under the prevailing policy, normally no special grant for school fees will be provided to CSSA students attending DSS schools. The existing CSSA policy should be reviewed as soon as possible to ensure that no CSSA students will be deprived of the opportunity to attend DSS schools because they cannot afford the school fees.</p>	<p>2.1 The CSSA Scheme is a safety net of last resort to meet the basic needs of those who cannot support themselves financially. As free education is provided by the Government for primary and secondary students attending Government or aided schools, normally no special grant for school fees will be provided under the CSSA scheme to students who choose to attend DSS schools. Notwithstanding the above, where the students have been attending DSS schools before receiving CSSA, the Social Welfare Department will give them sufficient time to make suitable arrangements. Normally, they will be given a special grant for school fees up to the end of the current school year; in the interim, the students can apply for fee remission from their DSS schools like other needy students, or apply for transition to a Government or aided school in the next school year. A special grant</p>

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		<p>for school fees may be given to students attending Primary 5 and 6 for them to complete primary education, and to those attending Secondary 5 and 6 for them to complete secondary education.</p> <p>2.2 Regarding improvement measures for the school fee remission/scholarship schemes, please see points 1 to 4 under Part I above.</p>
<b>III. Fee revision</b>		
1.	<p>A ceiling should be set on the fees charged by DSS schools. At present, a DSS school will receive full recurrent subsidy from the Government until its fee level reaches 2 1/3 of the average unit cost of an aided school place. The mode of subsidy should be changed so that the subsidy rate will be reduced proportionately if the fees charged by a school exceed a certain reasonable level. This can encourage schools to charge lower fees, and prevent a widening gap of resources between schools due to continuous fee increases.</p>	<p>1.1 DSS schools may seek the EDB's approval for collecting school fees from students for providing additional and above-standard facilities and support services for students so as to develop their unique features. This is in line with the objective of introducing the DSS, i.e. to inject diversity to the school system in Hong Kong. The Working Group on DSS will consider, among other things, the current method of calculating the DSS subsidy unit rates and the related issue of mechanisms to help forestall unjustifiably high school fees, and will put forward its views in the report to be submitted to the Secretary for Education by the end of 2011.</p>
2.	<p>Fee increases by DSS schools should be controlled to forbid schools from increasing their fees drastically. Parent representatives should have more opportunities to participate in fee revision matters.</p>	<p>2.1 At present, DSS schools are required to submit their budgets and justifications when applying for fee increases. If a drastic increase in school fees is applied for, the school concerned will also be required to first consult all parents and obtain the approval of the majority of them. When processing an application, the EDB will take into account the school's income and expenditure, budget, justifications and outcome</p>

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	<p>of consultation with parents to ensure that the application is fully justified and supported by parents.</p> <p>2.2 To enhance the transparency of fee increases by DSS schools, as from this year, the EDB has introduced a series of measures to improve the school fee revision mechanism of DSS schools. First, the EDB has explicitly required DSS schools to provide parents, in the consultation process, with appropriate financial information of the schools, including the accumulated surplus, justifications for fee increase and additional resources required. Second, if planning or undertaking large-scale capital works projects is one of the major reasons for fee increase, schools will be required to explain in detail the purpose, scale, construction period and cash flow of the project in order to avoid causing unnecessary pressure on the level of school fees. Third, DSS schools are required to submit to EDB how parents are consulted and parents' feedback so as to facilitate the EDB's consideration of their applications for fee revision.</p>
<p>3. The EDB should review the financial condition of each DSS school. DSS schools that have large financial reserves but do not have long term development plans should consider lowering their fees or set aside a large portion of their reserves for scholarships.</p>	<p>3.1 In EDB Circular No. 12/2010 on "Use of Non-government Funds in Direct Subsidy Scheme (DSS) Schools", the EDB has reminded DSS schools that when they have accumulated an excessive surplus, provided that there would be no adverse impact on the schools' finance, they should consider the feasibility of reducing their schools fees so that parents and students can benefit directly and immediately.</p> <p>3.2 Under the prevailing mechanism, DSS schools are required to disclose their accumulated reserves under government fund and non-government fund accounts. If the accumulated operating reserves</p>

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	<p>of a school are found to exceed the annual total expenditure, the EDB will issue a letter to the school, requesting a development plan that explains how the surplus will be used for school development. The EDB will also follow up the implementation of the plan.</p> <p>3.3 In addition, the Working Group on DSS is considering measures to improve various financial practices such as whether there should be a cap on the accumulated reserves that DSS schools can keep, and the use of accumulated reserves. The Working Group will continue to gauge the views of the DSS schools before submission of its report to the Secretary for Education by the end of 2011.</p>
<b>IV. Governance, administration and financial management of DSS schools</b>	
<p>1. The existing regulatory mechanism for DSS schools should be improved. The transparency and accountability of school operation should be enhanced, and tougher follow-up action should be taken against schools that fail to improve despite repeated advice. Clear guidelines on DSS schools' administration, especially financial management and control, should be provided.</p>	<p>1.1 At present, if the management of a school is found to be unsatisfactory, the EDB will take appropriate follow-up action such as issuing advisory or warning letters and appointing school managers to the SMC/IMC. If the non-compliance is serious and persists after the EDB has taken the above actions, the EDB, in the interests of students, may consider withdrawing the subsidy payable to the school with a resultant loss of DSS status.</p> <p>1.2 To help DSS schools exercise their flexibility in deploying resources properly, the EDB has provided them with guidelines, including EDB Circular No. 4/2010 on "Use of Government Funds in Direct Subsidy Scheme (DSS) Schools" and EDB Circular No. 12/2010 on "Use of Non-government Funds in Direct Subsidy Scheme (DSS) Schools". The EDB will continue to improve the guidelines to make</p>

Members' Suggestions	Administration's Responses
	<p>them more specific and comprehensive.</p> <p>1.3 As a measure to enhance the existing monitoring mechanism for DSS schools, the EDB has put in place a systematic risk analysis mechanism that analyses various risks faced by schools for selecting schools for audit inspections with a view to strengthening the monitoring of the use of funds by DSS schools.</p> <p>1.4 In addition, the Working Group on DSS has started discussion on ways to enhance the transparency and accountability of DSS schools' operation, particularly in respect of financial management and internal control, with a view to enabling schools to conduct self-monitoring and to make continuous improvement. The Working Group deliberation will also cover ways to improve the EDB's prevailing mechanism for handling non-compliance cases to enable the EDB to deal with such cases more effectively.</p> <p>1.5 The Working Group will continue to gauge the views of DSS schools before submission of its recommendations to the Secretary for Education by the end of 2011.</p>
<p>2. A ceiling should be set on the reserves of DSS schools. Any amount exceeding the ceiling should be returned to the Government or directly spent on teaching. Setting such a ceiling can provide room for lowering school fees.</p>	<p>2.1 Under the prevailing mechanism, DSS schools are required to disclose their accumulated reserves under government fund and non-government fund accounts. If the accumulated operating reserves of a school are found to exceed the annual total expenditure, the EDB will issue a letter to the school, requesting a development plan that explains how the surplus will be used for school development. The EDB will also follow up the implementation of the plan.</p>



<b>Members' Suggestions</b>	<b>Administration's Responses</b>
	<p>2.2 The Working Group on DSS has started discussion on the need to set a ceiling on the accumulated operating reserves of DSS schools to prevent the accumulation of an excessive surplus. The Working Group will continue to gauge the views of DSS schools and put forward its recommendations in the report to be submitted to the Secretary for Education by the end of 2011.</p>
<p>3. To prevent unreasonable fee increases, the use of school fees by DSS schools should be regulated. All school fees charged by DSS schools should be spent directly on students and teaching but not other uses, such as expanding school premises. Expansion of school premises should be financed by sources other than school fees to avoid putting upward pressure on school fees.</p>	<p>3.1 DSS schools may seek the EDB's approval for collecting school fees from students to provide additional and above-standard facilities and support measures, including improving the school facilities and environment, for their students in order to develop their unique features. This is in line with the objective of introducing the DSS, i.e. to inject diversity to the school system in Hong Kong.</p> <p>3.2 The EDB is of the view that the existing mechanism for processing applications for fee increases serves to ensure that DSS schools will not increase their fees significantly without justification. At present, DSS schools are required to submit their budgets and justifications when applying for fee increases. If a drastic increase in school fees is applied for, the school concerned will also be required to first consult all parents and obtain the approval of the majority of them. When processing an application, the EDB will take into account the school's income and expenditure, budget, justifications and outcome of consultation with parents to ensure that the application is fully justified and supported by parents.</p> <p>3.3 In addition, as a measure to enhance the transparency of DSS schools, starting from this year, if planning or undertaking large-scale</p>

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		capital works projects is one of the major reasons for fee increase, the school concerned will be required to explain in detail the purpose, scale, construction period and cash flow of the project when consulting parents in order to avoid causing unnecessary pressure on the level of school fees.
4.	Only a reasonable percentage of school fees charged by DSS schools should be reserved for long-term development. Schools fees should neither be used entirely for development, nor be increased before there is any development goal.	4.1 Regarding the use of school fees and the prevailing fee revision mechanism in DSS schools, details are set out in the Administration's responses to Item 3 above. The Working Group will continue to deliberate the relationship between the reserve set aside for long-term development and school fees, and will continue to gauge the views of DSS schools before submitting its recommendations to the Secretary for Education by the end of 2011.
5.	The number of officers providing support for the administration and development of DSS schools is very small. There are 153 officers in the Regional Education Offices (REOs) under the EDB providing support for the administration and development of all schools. However, only 5.4 of them were involved in the operation of DSS schools in 2010, which means one officer for 13 DSS schools. The manpower should be commensurate with the regulatory system.	5.1 The number of REO staff (5.4) deployed to undertake duties relating to DSS schools was worked out in staff resources planning based on the relative workload of DSS schools as compared to other types of schools. Though there was no designated post in the REOs specifically created for DSS schools, in actual operation, the REOs would deploy their staff as required. In the past year, the number of staff involved in supporting the administration and development of DSS schools was actually more than 5.4. The EDB will review the staff resources of the REOs from time to time and make adjustments when necessary.

<b>Members' Suggestions</b>		<b>Administration's Responses</b>	
6.	<p>The procedures of DSS schools should be proper and transparent. Therefore, appropriate rules and codes of practice should be laid down for compliance by the management, teachers and executives of schools. The enforcement and compliance of such rules and behavioural standards should be monitored.</p>	<p>6.1 DSS schools are accountable to the government, the public and their stakeholders, including parents, for the use of resources to provide quality education. In this regard, the EDB has issued guidelines from time to time, requiring them to exercise prudence and be accountable for the proper use of these funds in the best interest of their students. DSS schools should enhance the transparency of their operation, and put in place a proper governance structure and a clear mechanism for check and balance and internal control purposes to avert any possible abuses and to consult relevant stakeholders.</p> <p>6.2 The Working Group on DSS is exploring measures to strengthen the internal control mechanism of DSS schools and the monitoring of DSS schools by the EDB to facilitate schools' better administration, personnel management and financial management. The Working Group will continue to gauge the views of the DSS schools before submitting its recommendations to the Secretary for Education by the end of 2011.</p>	
<b>V. Others</b>			
1.	<p>The signing of SSB SAs should be expedited. For SSBs that refuse to enter into SAs, the Administration should take the initiative to find out their reasons and enhance communication with them so as to identify a solution acceptable to both sides.</p>	<p>1.1 The EDB has implemented the following measures:</p> <p>(i) Upon receipt of applications for joining the DSS, the EDB will inform applicant schools that no changes to the terms and conditions of the standard SSB SAs are allowed unless under very special circumstances.</p> <p>(ii) For aided schools applying for joining the DSS, their SSBs are</p>	

<b>Members' Suggestions</b>	<b>Administration's Responses</b>
	<p>required to enter into SSB SAs before the schools commence operation under the DSS.</p> <p>(iii) As regards applications for school allocation, the EDB will make it clear in its correspondence with SSBs and relevant documents (e.g. guidelines and application forms of the School Allocation Exercise) that schools are required to enter into SSB SAs before submissions are made to the Public Works Subcommittee (PWSC) of the Legislative Council or before land/school premises are handed over. Submissions will be made to the PWSC and land/school premises will be handed over to schools only after they have signed SSB SAs.</p> <p>1.2 Of the five schools that did not sign SSB SAs as mentioned in the Director of Audit's Report No. 55, the SSB of three schools have already signed the agreements with the EDB in the past months; one has accepted the revised clause in the SMC service agreement after negotiating with the EDB and is expected to conclude both the SSB SA and SMC SA by the end of this school year; and the remaining one is negotiating with the EDB regarding a clause in the SMC SA for early conclusion of both the SSB SA and SMC SA.</p>
<p>2. Other aided schools should be treated fairly so that the publicly funded school system can provide quality education. DSS schools enjoy a great degree of freedom, and can achieve a better student-teacher ratio and implement small class teaching widely using the additional resources available to them. Other aided schools should also enjoy such freedom to develop their unique</p>	<p>2.1 The objective of introducing the DSS is to inject diversity to the school system in Hong Kong so that parents will have greater choice in finding suitable schools for their children. The finance mode and the operation flexibility of DSS schools are the fundamental parameters to realize the policy objective. Aided and DSS schools are two types of schools under different operation modes such that DSS schools are not required to follow the codes governing the management of aided</p>

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<p>features and implement small class teaching and other measures. The existing allocation of resources should be reviewed to ensure that it is fair.</p>	<p>schools. Besides, even though aided schools do not collect school fees from students, the Administration has been implementing various initiatives injecting resources in aided schools and supporting their provision of high quality education services. Moreover, with the implementation of school-based management, aided schools are enjoying a high level of flexibility and autonomy to deliver quality education.</p>

Education Bureau

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