

**For discussion
on 11 July 2011**

Legislative Council Panel on Education

**Review on the subvention arrangements for
the English Schools Foundation**

Purpose

This paper reports the progress of the review on the subvention arrangements for the English Schools Foundation (“ESF”).

Background

2. The ESF was established in 1967 under the English Schools Foundation Ordinance (Cap. 1117). At present, it is directly operating nine primary schools, five secondary schools and one special school which receive government subvention. The subvention for the ESF in the 2010/11 school year is about \$284 million.

3. Report No. 43 of the Director of Audit released in November 2004 pointed out, amongst other things, that there was a differential treatment of the ESF over international schools and that the historical reason for the subvention had to be re-visited in the present day context. With the enactment of the ESF (Amendment) Ordinance 2008, the ESF has established its Board of Governors and various Committees and by now put in place a series of reform measures to improve its governance and corporate management. This has led to the commencement of formal discussions with the ESF on the subvention review since early 2011.

Government’s considerations

4. The Government is committed to providing quality school education for our students, to developing their potential to the full and to preparing them for the challenges in life through, amongst others, forging partnership to promote excellence in school education. To ensure effective use of public resources, schools receiving government subvention should primarily serve Hong Kong children.

5. The statutory objectives of the ESF are to provide a modern liberal education through English medium to children who are able to benefit from such education. We note that the role of the ESF has evolved over the years, serving not only the English-speaking children in Hong Kong owing to its historical background, but also children of foreign nationals who have come to work or invest in Hong Kong as well as children from local families. In terms of student profile, more than 70% of its overall student population are holding foreign passports. It is also noteworthy that amongst its students, over 65% are the children of permanent residents of Hong Kong, comprising children from foreign nationals who have come to work and settle here, children from returned emigrant families who could not adapt to the local curriculum, as well as children from some local families who aspire for English-medium education.

6. With the rebound of the economy, the demand for English-medium school places in Hong Kong has been strong in recent years as revealed by the consistently high utilisation of school places in the international school sector, coupled with long waiting lists in some international schools. There have been concerns that some non-Chinese speaking students who could neither adapt to the local curriculum nor afford to attend private international schools could not get into ESF schools which could serve as an alternative. Some ESF parents have also expressed concerns about the increase in tuition fees by the ESF in recent years.

7. Having regard to the developments above, we have, in conducting the review with the ESF, considered and raised a number of issues as follows –

- (a) the role of the ESF and how it is to be re-positioned in the present-day circumstances, especially on the uniqueness of the ESF's services vis-à-vis those of other private international schools;
- (b) the need to maintain a stable and quality provision of English-medium education services to meet the needs of the community having regard to quality, affordability and cost-effectiveness of the service delivered by the ESF;
- (c) should recurrent subvention be continued, related issues should be addressed, including a monitoring mechanism which is commensurate with the level of subvention; and
- (d) any additional subvention would need to be substantiated by, for instance, the provision of new services.

The ESF's position

8. The ESF Board of Governors has established a Steering Group led by its Chairman to oversee the subvention review and to conduct discussions with the Government on the fundamental issues of the review. The Board recognizes that ESF is the only educational organization providing English-medium education in Hong Kong established by law, and serves a sizeable student population of more than 12 800 students, or 40% of the total student population in the international school sector in Hong Kong. It has reaffirmed ESF's commitment to act as the agent of the Government in providing quality and affordable education in the medium of English to meet the needs of the community.

9. While the ESF has been offering a British curriculum, it has evolved to provide the International Baccalaureate ("IB") curriculum since 2000 with qualifications accredited by the IB Organisation and by a number of UK examining bodies. Its schools are accredited (or are in the process of seeking accreditation) by the Council of International Schools and the Western Association of Schools and Colleges. Entry to all ESF schools is non-selective. Further, the ESF has been providing education for non-Chinese speaking students with special education needs ("SEN") in Hong Kong through its special school, Jockey Club Sarah Roe and by operating a dedicated facility in some of its mainstream schools, which has been serving a total of 200 SEN students. The ESF has committed to strengthening its service. In particular, it will operate a specialist ESF Therapy Centre offering a psychology service, occupational and speech therapies and physiotherapy in association with the special school to support children with learning disabilities from August 2011. The ESF has also proposed to, subject to availability of financial support, increase the number of places for SEN students in both its special school and mainstream learning support classes to reduce waiting lists.

10. The ESF believes that the continuation of recurrent subvention and capital grant is essential if it is to continue to fulfill its mission of providing affordable English language education for the children of people who have made Hong Kong their home. Within the overall context of government subvention and capital grant, the ESF is prepared to consider proposals from the Government with regard to appropriate service standards and controls, provided that academic autonomy and professional freedom are preserved in the interests of safe-guarding educational standards. The ESF will review its admissions policies to ensure that they are fully aligned with Government policy and meet the needs of the Hong Kong community. Recognising the

need for Hong Kong to attract foreign investment, which results in expatriate families with children requiring education in English, the ESF will consider making special arrangements to reserve an agreed number of places for children whose parents are coming to Hong Kong for business or professional reasons.

Issues for further discussion with the ESF

11. The unique role of the ESF has to be justified such that we can ring fence the case of the ESF and to forestall any similar claim for government subvention from other private international schools. Taking into account the quality of the service and significant student share of the ESF and that there are students who are less well-off and require affordable English-medium education, it is worth considering whether some form of government subvention is necessary to sustain the operation of the ESF and the provision of an affordable education service.

12. Notwithstanding this, in order to ensure proper use of public funding, the service and operation of the ESF has to be further examined from the aspects of uniqueness, affordability and cost-effectiveness. Being a historically subvented organization, its tuition fee has been pitched at the lower stratum of the range of tuition fees currently charged by the few popular and established international schools and yet there have been concerns from parents about the tuition fee increases by the ESF in recent years and the affordability of its service. This calls for the review of the ESF's approach to fee adjustment. The ESF would also need to review the operation of the financial assistance scheme for deserving students. In analysing ESF's cost-effectiveness, we will take into account the sizable student population in its 14 mainstream schools and one special school across the territory, and the resulting economies of scale benefitted by the ESF which is not found in other local international schools. In tandem, the ESF, being an operational autonomous educational organization, is expected to optimize its income-generating capacity in financing its services in the long run. We have asked the ESF to formulate a long term financial plan on how to sustain its operation and upkeep its ageing school premises in order to facilitate further discussion on the need for continuous subvention from the Government, and if so, the quantum of subvention.

The ESF's obligations

13. Should some form of recurrent subvention be continued, the ESF is expected to be subject to a time-limited service agreement setting out the various commitments and obligations, the key aspects of which relating to governance and management have already been outlined in the above paragraphs. The service agreement would also include other standard features on enhancement of governance and financial accountability; formulation of a corporate development plan including performance targets and quality assurance framework, etc. We will examine whether the ESF is able to migrate progressively towards eventual self-financing without prejudicing the quality of education offered. Should the review indicate that the ESF should be able to sustain its operation on its own in the long run and thus result in changes in the current subvention, transitional measures would be put in place to protect the interests of existing students.

Way forward

14. In mapping out the policy framework for the subvention arrangements, we will continue to work closely with the ESF on the operational details of the issues covered by the review. The ESF would separately engage through its established process its stakeholders, including the parent groups of individual schools, in the coming school year. We hope to be able to finalize with the ESF the policy framework for the subvention arrangement and related financial arrangement and control mechanism for taking effect from the 2012/13 school year.

**Education Bureau
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