Executive Summary

Introduction

The Business and Services Promotion Unit (BSPU) commissioned PricewaterhouseCoopers to conduct a review of the registration procedures for kindergartens (KG) and tutorial schools (TS). The main objectives of the review were to rationalise the existing registration system vis-à-vis the objectives of the legislation and to identify improvement opportunities to expedite the processing time required to register these two types of schools.

This summary highlights the expected impact of our recommendations arising from the Review.

Expected Results

As a result of the study, we have recommended a series of process improvements and legislative changes to streamline and improve the existing registration processes. These changes will significantly reduce the lead time of government departments in processing school registration applications.

	'As-is' process	'To-be' process	Benefits
	(average time in	(expected time in calendar days)	
	calendar days)		
KG*:			
• government involvement	96 days	45 days	reduced by 51 days
• fitting out by applicants	60 days	to be determined by applicants	n.a.
TS*:			
government involvement	169 days	40 days	reduced by 129 days
• fitting out by applicants	60 days	to be determined by applicants	n.a.

^{*} All tutorial schools are non-purpose built. Nonpurpose built KGs presented more improvement opportunities

Expected Results (Continued)

A high level benefit/cost analysis of proposed regulatory changes is summarised in the following table(please refer to the main report for the details of impact/implications of each recommendation):

Stakeholders		Benefits		Costs		Other impacts
Operators	•	Given the proposed process improvements, the lead time for registration process is expected to be shortened by about one-and-half months for non-purpose-built KG(i.e. a average potential rental saving of HK\$150,000 to 200,000 per KG*) and about 3 to 4 months for TS(rental saving vary significantly due to premise size differences).	•	Increased level of penalty will make it more costly to violate the registration regulations Additional resources will be required to apply for the renewal of full registration	•	None identified
			•	Additional expenses will be incurred to engage the external professionals(e.g. Authorised Person or Registered Contractors) to certify compliance with safety requirements		
Government	•	With the proposed simplification of administrative requirements, less resources will be taken up in the following process: • issuing safety certificates by FSD and BD • issuing manager certificates by ED	•	Additional administrative resources will be required for the process renewal of full registration and to maintain the proposed demerit point system	•	The existing Fire Safety Certificate fee will be recovered by the proposed application fee
	•	Requirement of application fee for each submission will cover part of the administration costs and also reduce withdrawal rate as a result of deterring "causal" applicants				
Parents/students	•	Safe learning environment - because school operators are more likely to comply with the registration requirements due to increased level of penalty	•	None identified	•	None identified
	•	Public will be better informed of non-compliance cases to be published by ED/Consumer Council				

^{*} The average size of non purpose-built KGs is about 7,000 to 8,000 sq. ft. and the market rental rate for school premises is between HK\$15- to \$20- per sq. ft. per month.



Recommendations

To realise the expected results, the following changes are recommended:

	Implications	Impact on KG/TS	Required legislative changes
 Applicants to obtain pre-clearance from Planning Department and Lands Department before submission of applications 	operators will be advised on whether the proposed premises are legally permitted for school purpose prior to any rental or fitting out commitment	KG and TS	none required
ED to conduct initial screening of submissions	ED will be the central co- ordinator for application submissions, minimising any process delays due to the need to follow-up with applicants for incomplete submissions	KG and TS	none required
ED to assess education requirements within 30 days	ED, BD and FSD will provide clear set of outstanding registration requirements to applicants within 30 calendar days, allowing applicants to have a clear idea of all the essential registration requirements in relation to their specific application at the early stage of the process	KG and TS	none required

Recommendations (Cont'd)

	Implications	Impact on KG/TS	Required legislative changes
ED and BD to delegate more responsibilities to frontline officers	 reduce the number of hand-offs and layers of document reviews, eg. by Sr Education Officers and Chief Building Surveyors, within the departments, thus shortening processing cycle 	KG and TS	none required
• ED to coordinate with Housing Department (HD) to confirm premise nature of "purpose-built" school	eliminate the work for ED to issue memo to confirm with HD for every application of purpose-built KG	• KG	none required
BD and FSD to delegate certification of safety compliance to external professionals	 eliminate the work for BD to carry out follow-up inspection for safety compliance and issue safety certificates (45 days per standard cycle) eliminate the work for FSD to carry out follow-up inspection for safety compliance (7 working days per standard cycle) and issue safety certificates (7 working days per standard cycle) 	KG and TS	 Amend S12 so that no safety certificates have to be issued by BD/FSD Repeal S12(1)(b) which is obsolete

Recommendations (Cont'd)

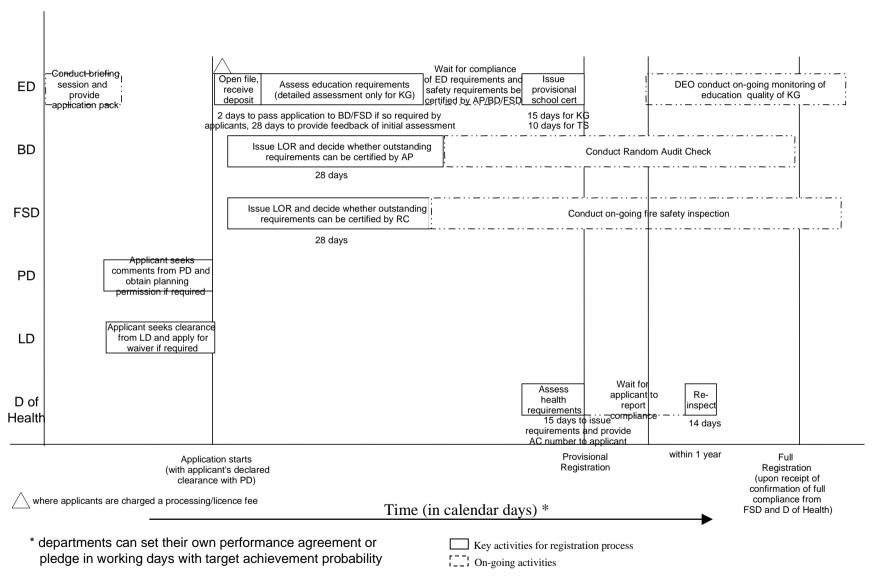
	Implications	Impact on KG/TS	Required legislative changes
• EMB and ED to review the requirements for manager approval and discontinue issuing of Manager Certificate	• less resources will be taken up in the administrative process of issuing certificates or in making relevant assessments	KG and TS	amend S27-31 so that no certificate has to be issued for school managers
• ED to impose application fee	enhance applicants' commitment to complete registration in view of the high volume of withdrawal cases	KG and TS	 add provision under Part II of the Ordinance to impose application fee

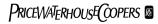
The existing and proposed registration processes for "non purpose-built" schools are shown overleaf. (No major issues were found for purpose built schools.

Existing registration process for "non purpose-built" schools Issue provisional Conduct school cert, DEO conduct on-going monitoring of Issue accom briefing Assess education requirements and await safety certificates Manager cert, education quality of KG cert session and fee cert no annual inspection no performance pledge 25 working days performance pledge Wait for applicant Re-inspect and BD Issue LOR to report issue cert compliance 45 calendar days 45 calendar days for each re-inspection Wait for applicant to report Follow-up Issue **FSD** Issue LOR compliance and wait for Conduct on-going fire safety inspection inspection certificate MOE comments from BD# 28 calendar days 7 working days for each 7 working days to issue follow-up inspection Provide comments to PD Process planning application if applicable ED reply to ED in 30 2 months for planning (S16) application. 3 months for review of planning application (S17) calendar days Provide comments to LD Process waiver application if applicable ED reply to ED in 30 no performance pledge calendar days Wait for applicant to report Re-Assess health D of compliance inspect requirements Health no reply to ED and performance provide A¢ number agreement (no performance agreement) no timeframe for issue of full registration where applicants are charged a certificate fee of HK\$1040 Provisional Full Registration Registration * statutory time limit under the Town Planning Ordinance Time Time reflected above represents performance pledge or statutory time limit # the two departments have clarified that other than those outright objection cases, there is no Key activities for registration process need for FSD to withhold the issue of fire certificates until further correspondence or On-going activities building certificates have been issued by BD. **Executive Summary** 7

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Proposed registration process for "non purpose-built" schools





Enforcement, Communication, and Co-ordination

We propose further measures to strengthen enforcement against non-compliance and to improve co-ordination and communication of the registration system. These measures and the required legislative changes are summarised below:

	Proposed measures	Required legislative changes		
Increase level of penalty	increase penalty level to impose effective sanctions by raising the cost of violation	amend S84 and S87 of the Ordinance		
Enforce full compliance	 require completion of full registration within 12 months after the issue of provisional registration require renewal of full registration every 5 years 	 amend S15 to impose a timeframe for granting full registration add provision to require licence renewal 		
• Implement demerit point system	provide signals for the authority to take appropriate enforcement actions and improve the ability of parents/students to make decisions regarding school selection	add provision to allow the Director to disclose non-compliance records of schools		
Strengthen inspection	apart from the annual inspections conducted by the District Offices, unannounced inspections should be scheduled on a regular basis	none required		
• Improve application instructions	mock-up guide to be provided to applicants as reference	none required		
Improve progress tracking	develop an application progress tracking system so that ED can co-ordinate the work amongst the core approval departments and manage the flow of the whole registration process.	none required		

Policy Analysis

The following two policy issues require more extensive studies on the implication for the various stakeholders including parents/students, KG operators and ED/Government. It is therefore beyond the scope of this study to provide recommendations on these issues. Nevertheless, we have provided the following initial views to facilitate the further study of these policy issues in the future.

Policy: Registration Requirements for TS

Issue: Inappropriate Registration Requirements

There is no explicit policy in place for Government to determine the right level of government control over TS, although ED is incurring additional resources in processing registration applications and monitoring compliance. It is doubtful whether the same set of registration requirements for "mainstream schools" should be imposed on tutorial schools.

Options for Consideration

- The registration requirements for TS should be limited mainly to technical aspects in relation to safety and health conditions given the fact that TS operators are under market pressure to self-regulate and provide quality service, and the students have the flexibility to switch schools. Government (not necessarily ED) should be involved in assessing and maintaining all technical related aspects covering fire safety conditions, building safety conditions, as well as health conditions.
- There should be no fee control over TS given the ability of TS students to assess the service quality and select/switch schools. Government can, however, further assist students/parents in their decision making process by providing information about the services and performance of the operators, e.g. work with Consumer Council on disclosure of cases of non-compliance or mal-practice.

Policy: Fee Control of Private Independent KG

Issue: Profit Control of Private KG

School operators have expressed concerns about the level of Government intervention/control over profit-making by privately run KG. The KG operators consider the existing level of control renders them unable to raise their level of service quality due to a tight profit margin. Furthermore, they reason that 60% of the existing KG are non-profit-making which supplies a large number of places for affordable KG education and needy families can also apply for Government financial assistance to help pay for kindergarten fees. Also, it is difficult to determine whether the proposed costs are "reasonable".

Options for Consideration

- ED could simplify the current cost/fee assessment process by requiring KG operators to submit detailed cost information only when major cost items are deemed to be unreasonable or excessive. Also, ED could reassess the current cost/fee assessment process to determine whether the current profit level of 10% (of cost) is sufficient to attract high-quality educators, and consider giving the KG operators additional flexibility if higher proposed fees can be justified by more qualified teachers (higher salary) or better facilities.
- ED could commission a separate study to determine whether the required market conditions exist that will allow the market forces to regulate fee setting of privately run KG. Should the privately run KG be allowed to set their own fee levels according to market forces, ED could still be involved in controlling fee increases for existing students (i.e. K1 promoted to K2 and K2 to K3) in view of the higher switching costs for the students/parents. Under this scenario, KG operators will be free to set school fees for K1 but ED will need to approve fee increases for K2 and K3.