

For discussion
on 13 November 2006

Legislative Council Panel on Education

New Initiatives in Pre-primary Education

PURPOSE

In the 2006-07 Policy Address, CE announced a major financial commitment to further strengthen the quality of pre-primary education to be geared towards fee subsidy for parents. This paper sets out the vision and implementation details for the future development of pre-primary education in Hong Kong.

PROPOSAL

2. The Administration proposes that -
 - (a) a voucher scheme for pre-primary education be introduced to provide direct fee subsidy for parents;
 - (b) the professional qualifications of pre-primary principals and teachers be further upgraded;
 - (c) a quality assurance mechanism be established so that by the end of the 2011/12 school year only accredited kindergartens and kindergarten-cum-child care centres (hereafter collectively referred to as “KGs”) may join the voucher scheme;
 - (d) as transitional arrangements, the Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS), the

Kindergarten and Child Care Centre Subsidy Scheme (KCSS) and reimbursement of rents, rates and government rents should continue; and

- (e) a one-off grant be provided to all KGs in the 2006/07 school year for school development.

JUSTIFICATIONS

3. Our vision is for all school-aged children to receive **affordable** and **quality** pre-primary education. This will be achieved through-

- (a) government subsidy – direct fee subsidy in the form of a voucher which will facilitate parental choice and ensure prudent use of public funds;
- (b) well-qualified teaching staff – established by imposing a minimum entry requirement at the diploma level, coupled with ongoing professional upgrading and development; and
- (c) accountability – achieved through a quality assurance mechanism that combines self-evaluation with external review, coupled with transparency of KG operations.

Education Voucher Scheme

4. The purpose of the present proposal is primarily to increase investment in pre-primary education, in order to alleviate the financial burden on eligible parents, and improve the quality of pre-primary education. By providing subsidy in the form of a voucher, the government can avoid imposing the elaborate regulatory controls embodied in the traditional subvention model, so as to preserve the existing flexibility and adaptability of KGs.

(i) A Voucher for Hong Kong Pre-primary Education

5. The Education Voucher is, however, only a generic term for giving fee subsidy to the user. In practice, voucher schemes are designed to meet the specific social objectives of the jurisdiction concerned, and as such they all have specified conditions and have to operate within local policies.

6. In the case of Hong Kong, a voucher scheme should operate with the following conditions :

- (a) it should keep wide eligibility but should not be regarded as an entitlement, as under the current public policy, pre-primary education is not compulsory ;
- (b) it should operate in a wholly private market, but should restrict eligibility to non-profit making (NPM) KGs, so that all government funding will be invested in the student¹. Since private independent (PI) KGs can have a profit margin of 10% which can be distributed to shareholders, allowing them to redeem the voucher would mean siphoning off public funds for non-education purposes. This is against the existing policy and fundamental principle that government subsidy for KGs should be limited to local NPM ones; and
- (c) it should be tied to a quality assurance mechanism which ensures that only those KGs that have been accredited and quality assured can enjoy public funding.

(ii) Eligibility

7. Within the above parameters, we propose that every child, aged between 2 years 8 months² and 6 years and with right of abode or

¹ NPM KGs may budget for a 5% reserve to meet cashflow requirements but it must all be re-invested in education.

² This is to tie in with the minimum age for admission to primary one, which is 5 years 8 months.

approval to stay in Hong Kong, and attending a local KG that is NPM and charges a tuition fee at a level not exceeding 1.5 times the ultimate subsidy amount of \$16,000 per student per annum (pspa), i.e. \$24,000 pspa for a half-day place in KGs (\$48,000 for whole-day classes) should be eligible for the voucher, to be redeemed by the KG which he or she is attending. By September 2012, only children attending local NPM KGs that have been accredited and quality assured will be eligible.

8. Starting from the 2007/08 school year, each eligible child will be granted a voucher at a face value of \$13,000 per annum, progressively increasing to \$16,000 pspa, to cover the cost of inflation, salary increment and qualification creep over the years. A schedule of the voucher value over the next five years is attached at **Annex A**.

9. The value of the voucher aims at fee subsidy for parents ranging from \$10,000 in the 2007/08 school year to a full-value of \$16,000 in the 2011/12 school year. KGs are expected to spend the balance of the voucher on professional upgrading of teachers, including the appointment of supply teachers to substitute for teachers on training course, reimbursement of course fees, or provision of school-based professional development. KGs will have enhanced flexibility over salaries and capacity to raise salaries commensurate with enhanced professional upgrading.

10. In determining the voucher value, we seek to allocate public funds to where they are most needed, and where they can make the most impact. Based on current expenditure of NPM KGs, the prescribed fee limits should be sufficient to cover the cost of a quality pre-primary education. It will also allow the vast majority of parents to access a large number of KGs. Parents will have to pay for the difference in case the tuition fee exceeds the voucher value.

Professional Upgrading

11. At present, all pre-primary principals must have a Certificate in Early Childhood Education (C(ECE)), and teachers must possess

Qualified Kindergarten Teacher (QKT) status³. These requirements are basic. To upgrade the professionalism of pre-primary education workers, the following are proposed.

On principals

- (a) all new principals from the 2009/10 school year must have a degree in early childhood education (BEd (ECE)) and one-year post-qualification experience. All serving principals will be encouraged to obtain a BEd (ECE) qualification.
- (b) all new principals from the 2009/10 school year will have to complete a certification course before, or exceptionally within the first year of, their appointment. Serving principals are expected to complete the course within five years from the 2007/08 school year.

On teachers

- (a) The entry requirement for new teachers will be raised to C(ECE) or equivalent as from the 2007/08 school year.
- (b) Serving teachers will be expected to obtain the C(ECE) qualification within five years. We shall provide sufficient training places to enable all serving teachers to be upgraded to C(ECE) level by the 2011/12 school year.

12. As of September 2005, around 2,538 (23.8%) of the teachers have completed C(ECE) or its equivalent and another 2,288 (21.5%) were attending the course. The extra support for teachers will give further impetus to their professional upgrading. Our longer term aim is progressively to increase the proportion of graduate teachers.

13. We shall maintain a steady provision of at least 1,000 subsidised C(ECE) places each year up to the 2008/09 school year. The supply and demand will be reviewed for the 2009/10 school year. At the same time, a range of subsidized and self-financing training programmes at C(ECE),

³ To become a QKT, one has to complete a 360-hour basic kindergarten teacher training.

BEd(ECE) and Post-graduate Diploma of Education in early childhood education (PGDE(ECE)) levels will be offered to provide flexible and diversified training modes to suit individual needs and plans.

14. The four-year funding for teacher development, embedded in the voucher, coupled with the requirement to publish teachers' qualifications, is a major incentive for KGs to support teachers in their professional upgrading. To attract good teachers, KGs will have the capacity to offer reasonable salaries and working conditions that are commensurate with the prevailing market situation.

15. To encourage teachers working in PI or NPM KGs which choose not to join or are not eligible for the voucher scheme also to upgrade themselves, these teachers may claim reimbursement for up to 50% of the fees for an approved ECE diploma or degree course, capped at \$60,000. As for KGs eligible for the voucher scheme, they should submit annual staff development plan to EMB indicating the scheduled time for the professional upgrading of their teachers. Their teachers are entitled to no less than the same amount of course fee reimbursement as teachers of non-eligible KGs. This will ensure all serving teachers have the same incentive and opportunity to meet the enhanced qualifications by the end of the 2011/12 school year.

Quality Assurance

16. Since 2000, we have established a set of performance indicators for child development, in consultation with the pre-primary education sector, to promote school self-evaluation and continuing improvement. The indicators provide the basis for quality assurance inspections. Building on this ground work, we shall introduce quality assurance for KGs with effect from the 2007/08 school year with a view to providing a useful reference for parents in selecting KGs upon full implementation by the end of the 2011/12 school year. The process will be improvement oriented.

17. By the end of the 2011/12 school year, only accredited NPM KGs operating at an acceptable or higher standard may redeem the voucher. In cases where a NPM KG is found to be not operating at least

at an acceptable standard, its existing students will continue to receive the voucher until they leave the KG. New students who choose to enrol in the KG will not be eligible for the voucher until the KG has improved to an acceptable standard.

18. KGs wishing to take advantage of the voucher scheme will be required to disclose in the KG profiles to be published in early 2007 the key operational details, including the number, qualification and salary ranges of the teachers, student enrolment, school facilities and activities, the curriculum, and fees. The inclusive school fee should cover all expenses related to teaching and learning that are applicable to all students. KGs will be required to set out clearly any additional charges for optional activities and items, so as to facilitate parents in making their choice of KGs.

Existing Financial Schemes

19. We intend to consolidate the existing financial schemes for KG children into one voucher after five years, subject to a review of the proposed voucher scheme in 2011/12. Transitional arrangements for operating the existing Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS), Kindergarten and Child Care Centre Subsidy Scheme (KCSS) and Rent / Rates and Government Rent Reimbursement Scheme alongside the voucher scheme are set out in **Annex B**. We shall ensure no students are worse off under the new initiatives.

School development grant

20. To improve the facilities and resources of KGs, we recommend a one-off school development grant for all KGs in the 2006/07 school year for acquiring more books, teaching aids, computers and other teaching resources. The amount of grant per student will be \$500, capped at the maximum of \$135,000 (that is, for 270 students)⁴ per KG.

⁴ The number of 270 represents 180 students plus 90 students (that is, the full standard capacity of a KG in a half-day session plus half standard capacity in another half-day session).

Other Issues

21. For the education voucher to be successful, it is crucial to strengthen parent education, enhance school-based support and introduce necessary safeguards against possible abuse. Details are set out in **Annex C**.

FINANCIAL IMPLICATION

22. The introduction of the proposed voucher scheme, rationalisation of the existing subsidy schemes for operators and parents, and the implementation of other supporting measures will lead to a net additional recurrent expenditure of about \$2 billion per annum, in addition to the recurrent expenditure of about \$1.1 billion per annum on existing schemes for the pre-primary education sector. The share of expenditure on pre-primary education out of total recurrent expenditure on education will increase from about 2.4% to about 6.3%.

23. The total expenditure required for the one-off grant for school development is estimated at \$70 million.

WAY FORWARD

24. Subject to Members' comments, we plan to submit the funding proposal to the Finance Committee for approval in early December 2006.

BACKGROUND

Kindergartens

25. The following table shows the preliminary distribution of KGs as of September 2006:

All KGs 1 031 [149 141] [100%]	Local 961 [143 248] [96%]	NPM 712 [108 805] [73%]	Private independent 249 [34 443] [23%]
	International 70 [5 893] [4%]	NPM 26 [2 800] [2%]	Private independent 44 [3 093] [2%]

(Note: The figures in square brackets refer to student enrolment as of September 2005.)

Students

26. As of September 2005, a total of 149 141 students were enrolled in KGs or KG-cum-CCCs, of whom 80% were enrolled in half-day sessions and 20% in whole-day sessions.

Teachers

27. The entry qualifications of new principals and new teachers have been raised to C(ECE) and QKT since September 2002 and September 2003 respectively. Effective from the 2004/05 school year, KGs are required to employ 100% QKTs, at a teacher to pupil ratio of 1:15.

28. We began an overall review of pre-primary education in September 2005, and have maintained a regular dialogue with KG operators, parents, frontline teachers, legislators and academics to consult them on the further development of pre-primary education in Hong Kong. There was consensus over the need to upgrade pre-primary teachers as a matter of priority.

Education and Manpower Bureau
November 2006

Schedule of the Voucher Value

A schedule of voucher value⁵, based on money of the day, with the recommended breakdown on usage is set out below-

<u>School Year</u>	<u>Voucher value (\$)</u>	<u>Amount of the voucher dedicated towards fee subsidy (\$)</u>	<u>Amount of the voucher dedicated towards teacher development⁶ (\$)</u>
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	--

⁵ By building in roughly 10% increase in the provision of fee subsidy between years, we expect the value of the voucher to be sufficient to compensate for inflation, salary increment, and qualification creep during the period. Parents will have to pay for the difference in case the tuition fee exceeds the voucher value.

⁶ Take a KG with a total enrolment of 180 students and a team of 13 teachers (including 1 principal) as an example, the KG will have \$1.8 million for teacher development across the years. The funds may be used to offset part of the course fees, employ substitute teachers or provide school-based professional development programmes.

Transitional arrangements for current subsidy schemes

Kindergarten and Child Care Centre Fee Remission Scheme (KCFRS)

1. The KCFRS will continue to operate with necessary modifications for needy families during the transitional years. Upon full implementation of the voucher scheme in the 2011/12 school year, the value of the voucher, i.e. \$16,000 pspa, should be sufficient to cover the operation cost of a half-day fully enrolled KG with qualified principal and teachers. On this basis, the KCFRS will no longer be needed for children from the age of 2 years and 8 months, save to cater for needy students attending whole-day classes due to “social need”. The KCFRS would continue to operate for needy children below this age threshold who are not eligible for the voucher.

2. The ceiling amount⁷ for fee remission will be increased to \$16,000 pspa in the 2007/08 school year and remain at this level until the 2011/12 school year. In other words, the actual fee remission to needy parents who pass the means test for full grant⁸ assistance, and whose child attends a KG that charges tuition fee at or above \$16,000, will be \$16,000 pspa less the voucher value dedicated towards fee subsidy for that school year, and will decrease to zero by the 2011/12 school year when the voucher value will be increased to \$16,000 pspa and fully dedicated towards fee subsidy. Needy families with “social need” will continue to be provided with fee remission for whole-day classes, with the actual fee remission subject to the ceiling of \$25,400 pspa⁹ less the voucher value dedicated towards fee subsidy for that school year.

⁷ At present, the amount of fee remission is subject to a ceiling set at the weighted average level of fees, which is \$1,379 per student per month, or \$15,169 pspa for KGs operating on an 11-month basis.

⁸ The means test for KCFRS will remain unchanged, and the fee remission ceiling will be adjusted under the proposed voucher scheme with regard to the voucher value.

⁹ The amount is the projected expenditure for KGs with 180 students offering whole-day session with improved teacher qualification and enhanced school facilities and services. At present, the amount of fee remission is subject to a ceiling set at the weighted average level of fees, which is \$2,301 per student per month, or \$25,311 pspa for KGs operating on an 11-month basis.

3. We will ensure that needy students would have available sufficient KG places within the proposed fee remission ceilings. Consistent with the existing scheme, full grant beneficiaries who attend more expensive KGs will have to top up the school fees with their own funds. We do not propose to introduce any government-funded fee remission scheme to cover the top-up school fees beyond the voucher value. But we will explore the option of requiring KGs that charge a fee above \$16,000 pspa for half-day classes to set up a bursary fund from the school fee income to help children of poor families to cover the difference between the voucher value and the school fee¹⁰.

4. Students who are attending PI or NPM KGs not eligible for redemption of vouchers and who are already receiving fee remission in the 2006/07 school year will be grandfathered until their completion of pre-primary education.

5. We will put in place transitional arrangements so that no existing students will receive less fee remission from Government as a result of the new funding mechanism, until their completion of pre-primary education.

6. Children under the Comprehensive Social Security Assistance (CSSA) Scheme in receipt of special grant to cover KG fees would continue to be assisted in the same way as at present, pending completion of a review of the best arrangements for them by the end of the 2008/09 school year. Meanwhile, in line with existing practice, the corresponding grants for KG fees under the CSSA Scheme will be capped at the same ceiling of fee remission of the KCFRS.

Kindergarten and Child Care Centre Subsidy Scheme (KCSS)

7. The existing KCSS¹¹ will continue only for operators providing services to children under the age of 3 in day crèches, day nurseries as well as kindergarten-cum-child care centres. For a better

¹⁰ A similar requirement exists in respect of Direct Subsidy Scheme schools whose students are not eligible for student financial assistance.

¹¹ The KCSS provides direct subsidy to eligible NPM KGs to help them pay the salary of qualified teachers. The subsidy for each group of 15 students (or part thereof) is \$30,018 in the 2006/07 school year.

transition, we propose to continue the KCSS for eligible local NPM KGs for a transitional period of one year (i.e. in the 2007/08 school year only) if they are not ready to join the voucher scheme because they have yet to meet the relevant transparency requirements including publicizing all related school details in the 2007/08 school year.

Rent/Rates/Government Rent Reimbursement Scheme

8. Due to wide variation of expenditure on rents, rates and government rents between KGs among different types of accommodation in different geographical areas, the existing reimbursement scheme will continue to operate. To simplify administration, we will explore the feasibility of subsuming the amount for rents, rates and government rents into the voucher value after 2011/12.

Parent education

1. Parent education is essential for informed and intelligent choice of quality KGs. Starting from the 2006/07 school year, we shall :

- (i) work with the Department of Health and Social Welfare Department to organize pre-natal and post-natal talks through maternity and child health centres to educate parents on the stages of child development and good parenting;
- (ii) strengthen publicity on the core values of pre-primary education;
- (iii) work with non-governmental organisations to carry out parent education in KGs to provide systematic training and support; and
- (iv) step up promotion of reading and early literacy among parents and their pre-school children.

School-based support

2. We have set up a school-based support team for the pre-primary sector with effect from the 2006/07 school year to promote good teaching practices and sharing of experiences, including collaborative lesson planning, school-based and district-based professional workshops, and English language learning.

Procedural Guidelines for the Voucher Scheme

3. In view of the huge investment involved, it is necessary to guard against possible abuse of the voucher scheme. On the other hand, we will avoid unnecessary regulatory controls which may stifle innovations in the sector. On balance, we will promulgate best practices on financial control and management for KGs' reference. We will introduce other safeguards, such as surprise headcount, examination of annual audited

accounts, risk-based audit inspection and quality assurance, and enhance transparency of KG operations through publication of KG profiles.

4. We will maintain a stringent fee approval mechanism to ensure proposals for higher fees are properly justified and within reasonable limits. As a matter of principle, KG expenditure should be devoted to supporting teaching and learning activities.