

**Salient Points to Note for  
Preparing School Budget / Fee Revision Application of  
Schools under the Direct Subsidy Scheme (DSS) for the 2020/21 School Year**

**(A) Introduction**

DSS schools are required to submit school budget / applications for fee revision, through completing standard proformas as attached to the call circular letter on application for school fee revision, with justifications and supporting documents to the EDB for consideration and approval by April each year. In assessing DSS schools' fee revision applications, the Education Bureau (EDB) will consider, among others, schools' justifications for the proposed rate of fee increase, the information on financial position submitted by schools, as well as whether there has been sufficient communication with parents with their concerns duly addressed.

**(B) Salient Points to Note**

2. DSS schools should ensure to provide the information and relevant evidence, including, but not limited to, the following, for submission of fee revision applications:
  - (i) the overall financial information to prove that financial projections are properly justified and reasonable; and
  - (ii) evidence on proper parent consultation conducted as well as parents' concerns duly addressed.

**Properly Justified and Reasonable Financial Projections**

3. DSS schools are required to ensure that the financial projections made in the applications for fee revision are well justified and reasonable. In projecting the operating reserves or deficits for applications for fee increase, DSS schools should exercise due care to ensure that each and every income / expenditure item is derived on a sound basis to avoid over-estimation of their operating deficits or under-estimation of their operating reserves. There should not be a big difference between the projected and actual year-end operating reserve level as reflected in the financial projections for fee revision applications. The EDB would require schools to provide explanations and justifications, whenever necessary.

4. Starting from the 2020/21 application, provisional projected DSS unit subsidy rates<sup>1</sup> for the budget school year are provided for DSS schools to project the income of DSS subsidy, the school fees of non-local students in the school budget / fee revision application in Schedule 2c and the provision of fee remission and scholarship scheme in Schedule 2d. These rates will be adopted for the projection of “2020/21 Budget” in relevant Appendix and Schedules<sup>2</sup>. The provisional projected DSS unit subsidy rates for the 2020/21 school year (s.y.) are as follows:

Class Level	Applicable to schools with	Applicable to schools with
	<u>operating history below 16 years</u>	<u>operating history of 16 years or above</u>
	<b>(\$pppa)</b>	<b>(\$pppa)</b>
<b><u>Primary</u></b>		
P1- P6	68,804	71,671
<b><u>Secondary</u></b>		
S1 - S3	73,128	75,389
S4 - S6	85,690	88,340

*Note: The above provisional projected DSS unit subsidy rates for the 2020/21 school year provided serve as a reference for budgeting purpose and are subject to adjustment when this Bureau computes the 2020/21 projected unit subsidy rates after the 2019/20 school year.*

5. If a DSS school charges a school fee that exceeds 2/3 and up to 2 and 1/3 of the DSS unit subsidy rate, it should set aside 50 cents for every additional dollar charged over and above 2/3 of the DSS unit subsidy rate, or 10% of the total school fees for the s.y., whichever is the larger, for fee remission and scholarship scheme. The provisional projected DSS unit subsidy rates for the 2020/21 s.y. should be adopted for calculation of the provision of fee remission and scholarship scheme for the 2020/21 s.y.. For details, please refer to Appendix 6 of the template as attached in the call letter.

6. Non-local students (except those specified in EDB Circular No. 19/2019) are not eligible for DSS subsidy. DSS schools should charge a fee level for non-local students who are not eligible for DSS subsidy in a sum no less than the school fees for local students plus the provisional projected DSS unit subsidy rates to ensure there is no cross-subsidization of government funds to these students. The school fee level of non-local students thus set is not

<sup>1</sup> The rates are calculated by taking average of the percentage change of the projected DSS unit subsidy rates in the past 5 school years

<sup>2</sup> They include Appendix 1 for schools not proposing fee revision; and Schedules 2a, 2c and 2d for schools proposing fee revision.

required to be revised when the 2020/21 projected DSS unit subsidy rates are available in October 2020.

### Proper Parent Consultation

7. To increase the transparency of school fees collection, a threshold has been set to determine whether DSS schools are required to conduct full parent consultation when applying for fee increase. Starting from the 2020/21 school budget / fee revision exercise, price change (both salary and non-salary) is the sole factor taken into account to determine the level of the threshold percentage for full parent consultation. The threshold (is lowered by removing the buffer) is to enhance schools' accountability in seeking parents' consent and addressing their concerns for fee revision. The threshold percentage for full parent consultation for the 2020/21 exercise is 4.4%. Please note the following:

- (i) Full parent consultation and consent from the majority of the parents concerned are required for (i) schools applying for fee increase above the threshold (i.e. > 4.4%); or (ii) schools with their accumulated total operating reserve as at 31 August 2019 exceeding the annual operating expenses of the 2018/19 school year as reflected in the 2018/19 audited accounts. Please note the following:
- (ii) For schools intending to apply for fee increase of 4.4% or below with their accumulated total operating reserve as at 31 August 2019 equal to or less than the annual operating expenses as reflected in the 2018/19 audited accounts, it is desirable for the schools to widely consult parents. As a basic requirement, they are required to consult their Parent Teacher Associations (PTA) through proper procedures.
- (iii) For schools proposing different fee increases at different class levels, if the percentage of fee increase is more than 4.4% at one or more class level(s), the schools will be required to conduct full parent consultation at the affected level(s).

8. Schools should provide essential information of the financial situation to parents / PTA in the consultation process. Please refer to Appendix 3 of the template as attached in the call letter.

9. If fee increase at Secondary One is proposed in a secondary-cum-primary school, parent consultation at least with the PTA of the primary section should be conducted.

10. If fee increase at entry levels such as Primary One, Secondary One or Secondary Four in schools operating senior secondary classes only, parents of new applicants and successful applicants should be informed of the school fee arrangements by means of application form and letter offering admission respectively.

11. To streamline the procedures in vetting applications, schools (i) proposing a fee increase below the threshold percentage for full parent consultation and (ii) having submitted all documents as required in the call letter / templates for fee revision, the applications would be handled in a more straightforward way. However, schools would still be requested to provide justifications at situations that warrant special attention. Examples of such situations include, but are not limited to:

- (i) High reserve level of Operating Reserve;
- (ii) Grandfathered Reserve and/or Reserve for Construction, Maintenance and Upgrading of Above-standard Facilities not being expended according to the deployment plans;
- (iii) Overall under-spending in 2019/20 Revised Estimates of more than 10% of the total expenditure against the original 2019/20 budget;
- (iv) Abnormal expenditure such as large increase in individual expenditure items and /or large year-on-year percentage changes of some expenditure items;
- (v) Proposed fee increase percentage at a certain level much higher than that at other level(s) or proposed fee increase at a particular level only; and
- (vi) Parent consultation not properly conducted, etc.

### **Deadline for submission**

12. The deadline for application for school fee revision for 2020/21 s.y. is 29 April 2020. Late processing of fee revision application will result if the proformas have not been properly completed and / or the required information / supporting documents have not been fully submitted to the EDB by the deadline.

School Administration Division

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