

CIRCULAR MEMORANDUM NO. 210/2001

From : Director of Education

To : Supervisors / Heads of all
Secondary Schools and Primary
Schools (excluding ESF schools
and international schools)

Ref : (25) in ED/PSR/ADM/22 VII

Tel : 2892 6621

Date : 28 June 2001

Direct Subsidy Scheme (DSS)

[Note: This circular memorandum should be read by Supervisors/Heads of all secondary and primary schools (excluding ESF schools and international schools) for information.]

Summary

The purpose of this circular memorandum is to announce a number of new measures which will be introduced from the 2001/02 school year to further improve the terms of the Direct Subsidy Scheme (DSS) to enable DSS schools to provide better quality education and to facilitate existing aided schools to join DSS.

Details

2. It is the Government policy to foster the development of a vibrant DSS school sector to inject diversity and choice in the education system. The new measures are drawn up in the light of operating experience and feedback from school sponsors of both DSS and aided schools, following the introduction of a series of initiatives in 1999 to support the growth of the DSS sector. The following new measures will be introduced from the 2001/02 school year –

Our Vision

We provide quality school education for our students, to develop their potential to the full and to prepare them for the challenges in life.

Our Mission

We deliver professional services and ensure effective use of resources. We forge partnerships to promote excellence in school education.

A. Measures which apply to all DSS schools

- (i) in connection with the renewal of the service agreement signed between DSS schools and the Government, DSS schools are allowed to engage outside experts to work with the Education Department (ED) in performance evaluation as long as -
 - (a) the experts are recognized by ED;
 - (b) ED will participate in the evaluation exercise;
 - (c) the school will submit the evaluation report to ED, together with any improvement plan; and
 - (d) the school will pay for the cost of engaging the experts.
(i.e. the cost of engaging the experts is not an approved item of expenditure for the DSS Subsidy).

ED will determine, on the basis of the evaluation report, whether to renew the service agreement with or without modification to the agreement terms; and

- (ii) the DSS income banding system is revised such that a DSS school will continue to receive full recurrent subsidy from Government until its fee level reaches $2 \frac{1}{3}$ (two and one-third) of the average unit cost of an aided school place (X). Beyond this level, Government will not provide any recurrent subsidy. If a school charges a fee between $\frac{2}{3}$ (two-third) of X and $2 \frac{1}{3}$ (two and one-third) of X, then for every additional dollar charged over and above $\frac{2}{3}$ (two-third) of X, the school should set aside 50 cents for scholarship/financial assistance schemes (Annex I provides an example in dollar terms illustrating how the revised system works).

B. Measures for aided schools which apply to join DSS schools as from the 2001/02 school year

- (i) ex-aided DSS schools which will receive less recurrent subsidy after joining the DSS will continue to receive recurrent subsidy as if they were aided schools for a period of five years. During this period, the school may charge fees according to the proposed income banding system in paragraph A(ii) above;
- (ii) the rights of existing beneficiaries of the Mortgage Interest

Subsidy Scheme in the aided school sector will be preserved when their schools change to the DSS or when they join a DSS school (details of the arrangements are at Annex II); and

- (iii) ex-aided DSS schools will be given an option to revert to aided status only if the Government changes the formula for calculating the DSS subsidy such that the schools' financial viability is adversely affected regardless of the number of years after their joining the Scheme. However, the existing provision to allow an aided school which is admitted into the DSS to revert to the aided sector within the first five years of its joining the Scheme will be removed.

Enquiries

- 3. For enquiries on this circular memorandum, please contact Mr. Benjamin YUNG, Senior Education Officer (Planning)2 at 2892 6628.

(K. S. LEE)
for Director of Education

Encl.

c.c. Heads of Sections for information

An Example Illustrating how the Revised Income Banding System for DSS Schools Works

At present, DSS subsidy is based on the average unit cost of an aided school place which in turn varies according to the level a student is studying at. We will in the following use a S.3 place of a DSS school (full DSS subsidy (X) of which is \$29 513 in the current school year) as an example to illustrate how the revised income banding system operate in dollar terms.

The DSS subsidy the school receives will be \$29 513 (i.e. full DSS subsidy) until the school fees reach \$68 864 ($2\frac{1}{3}X$, i.e. two and one-third of X). If the school fees exceed this level, Government will not provide any recurrent subsidy to the school.

If the school fees range from \$19 675 ($\frac{2}{3}X$, i.e. two-third of X) to \$68 864 ($2\frac{1}{3}X$, i.e. two and one-third of X), then for every additional dollar charged, the school will set aside at least fifty cents for scholarship/financial assistance schemes. In other words, the amount of funds which are required to be set aside for scholarship/ financial assistance scheme will range from \$0 (when the fees are \$19 675 or below) to \$24 595 (when the fees are \$68 864).

**Preservation of the MISS Benefits of
Existing Beneficiaries in the Aided Sector**

The revised arrangements are as follows –

- (a) When an aided school switches to the DSS, its serving employees who are already MISS beneficiaries can choose to stay in the scheme. Alternatively, the employee may opt for a housing benefits scheme (if any) to be offered by the ex-aided DSS school.
- (b) If an employee chooses to remain in the MISS upon his/her school turning from aided to DSS status under (a) above, and if he/she subsequently decides to leave the ex-aided DSS school and joins another DSS school, he/she may choose to stay in the MISS, or opt for a housing benefits scheme (if any) offered by his/her new employer. If, however, he/she changes his/her employment yet again and joins another DSS school, he/she must leave the MISS.
- (c) When an employee of an aided school, who is already a MISS beneficiary, leaves the school and joins a DSS school, he/she may choose to stay in the MISS or opt for a housing benefits scheme offered by the DSS school. If, however, he/she changes his/her employment yet again and joins another DSS school, he/she must leave the MISS.
- (d) For (a), (b) and (c) above, if an employee opts for a housing benefits scheme offered by his/her new employer (i.e. the DSS school), he/she is deemed to have departed from the MISS and will no longer be eligible to join the MISS again even if he/she rejoins an aided school later.