

Background Information on the Direct Subsidy Scheme (DSS)

Introduced in September 1991, the Direct Subsidy Scheme (DSS) was set up in response to the recommendations of the Education Commission in its Report No.3 and approved by the Executive Council. The policy objectives of the DSS are to enhance parental choice and enrich our education system through increasing the diversity in our school system. DSS schools are allowed to have greater flexibility in various areas, including school management, resources deployment, curriculum design, staff appointment, student admission and fees collection, so that they can cater for the diverse needs of their student intakes in a more responsive manner. Government support will vary depending on the number of students in the schools, i.e. on the success of the schools in attracting parents. The DSS will not affect the Government's commitment to provision of free and compulsory education, and no child will be compelled to attend a DSS school.

2. The Education Commission also recommended that the Government should be allowed to allocate to DSS schools a certain percentage of their students through the Secondary School Places Allocation system in the event of an unanticipated shortfall in public provision, subject to adequate notice being given (paragraph 4.64 of the Education Commission Report No. 3). This measure would only be used in exceptional circumstances. In case it is necessary to allocate students to DSS schools, the Government would pay, subject to availability of funds and with the approval of the Finance Committee of the Legislative Council, the difference between the fees charged by the DSS schools and the standard fee paid by the students (if any) if they were allocated places in aided schools.

3. In March 1999, the Government decided to extend the DSS to aided primary schools in line with its overall policy to develop a strong DSS sector.

4. In 2010, the Audit Commission (AC) conducted a value for money audit on DSS covering the administration of the scheme and the governance and administration of DSS schools, with major findings published in Report No. 55 of the Director of Audit in October 2010. The Public Accounts Committee (PAC) of the Legislative Council held four public hearings in November and December 2010 and released the PAC Report No. 55 in February 2011 setting out, among other things, its conclusions and recommendations on the DSS.

5. To follow up the recommendations made by the AC and PAC, the Education Bureau (EDB) set up a Working Group on Direct Subsidy Scheme (Working Group) in February 2011 to study and make recommendations to review the administration of the DSS as well as the governance and administration systems of DSS schools, and to put forward recommendations on measures to facilitate the continuous improvement and development of DSS schools. The Working Group released a report in December 2011 which can be accessed on the EDB website via the following link:

http://www.edb.gov.hk/attachment/en/edu-system/primary-secondary/applicable-to-primary-secondary/direct-subsidy-scheme/dss%20report_full.pdf