

Government Subsidy for Direct Subsidy Scheme (DSS) Secondary Schools

Schools which are admitted to the DSS will be paid a recurrent government subsidy. The amount of the subsidy will be based on the average unit cost of an aided secondary place¹. Starting from the 2001/02 school year, a DSS school will continue to receive full subsidy from the 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, the 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 the fee remission and scholarship scheme. Annex I of the Education Bureau (EDB) [Circular Memorandum No. 210/2001](#) provides an example in dollar terms illustrating how this system works.

DSS Subsidy Rate Under a Two-age Category System

2. Starting from the 1999/2000 school year, the DSS subsidy rate is calculated on a two-age based system in order to address the needs of schools with longer development background. Under this arrangement, two sets of DSS subsidy rates will be calculated with reference to the average unit cost of aided secondary school places viz. -

- (a) one set will be calculated with reference to aided secondary schools with an operating history below 16 years; and
- (b) the other set will be calculated with reference to aided secondary schools with an operating history of 16 years or above.

DSS schools will be paid the subsidy rate which is relevant to their operating history (i.e. school age), the starting point for which will be the date of registration with the EDB. The projected subsidy rates are listed at [Two-age Category System](#).

Provision of Non-recurrent Assistance

3. DSS schools may apply for non-recurrent assistance in the form of a grant to carry out slope and major repairs exceeding \$2 million. In addition, DSS schools which are served with Dangerous Hillside Orders may also apply for non-recurrent assistance for slope repairs costing \$2 million or below. DSS schools will apply for such subsidy similar to the prevailing practice for aided secondary schools. Upon approval of the grant, schools will be responsible for undertaking the repair works by themselves.

¹ The unit cost of an aided secondary place is based on the average cost of an aided grammar place in the secondary sector. Due to the different cost of providing S1-3 and S4-6 education, the amount of the subsidy will vary for each level.

Provision of a One-off Capital Grant for Upgrading School Facilities

4. A one-off capital grant would be given to schools to upgrade their facilities to the prevailing standard of aided secondary schools, subject to the outcome of feasibility study if applicable, cost-effectiveness of the project proposal submitted by the school and availability of funds. For the projects with an estimated cost exceeding \$21 million, schools would be required to conduct a preliminary project feasibility study to assess the technical feasibility of the project and resources required.

Additional Sources of Income

5. DSS schools may have additional sources of income such as donations, rentals, profits from trading operations, etc. Such sources of income should, however, be reflected in the school's accounts.

Tong Fai

6. Upon the implementation of 12-year free education as from the 2008/09 school year, ex-aided / ex-caput DSS schools may continue to collect Tong Fai from their ex-aided / ex-caput senior secondary students during the 5-year transitional period.

Cost Components Included in DSS Subsidy

7. The government subsidy payable to DSS secondary schools is calculated in terms of the average unit cost of an aided secondary place. Subsidies eligible to aided schools will also be eligible to DSS schools. Some of the grants (such as Salary Grant, Provident Fund, Operating Expenses Block Grant, Other Charges and Subject Grants, Depreciation of Furniture & Equipment and Amortisation of Major Repairs, etc.) are subsumed to the DSS subsidy. Others, such as the School-based Support Scheme Grant and Capacity Enhancement Grant are payable to eligible DSS schools separately.

Fee Remission

8. With the implementation of 12-year free education, fees can be charged by secondary schools operated under the DSS but not in the public sector. DSS schools are required to offer to parents a fee remission and scholarship scheme with a set of eligibility benchmarks no less favourable than the government financial assistance schemes for students in order that students will not be prevented from attending DSS schools solely because of their inability to pay fees. DSS schools are required to set aside at least 10% of their fee income for fee remission and scholarship schemes. Full details of the fee remission and scholarship scheme should be shown in the school's prospectus, admission application form, school website, etc to increase the transparency and access to information of the fee remission and scholarship scheme.

Textbook Assistance for Students

9. Students in DSS schools are eligible to apply to Student Financial Assistance Agency for textbook assistance.

Payment of Subsidy

10. The government subsidy calculated in terms of the average unit cost of an aided secondary place will be provided as a block grant payable by 2 instalments every 6 months based on the actual enrolment of the school's approved class structure as at 30 September and 30 March each year. Schools should ensure that adequate internal control measures are in place to safeguard the subsidy amounts which are paid to them in advance.

Civil Service Salary Revision and Revised Code of Aid Grants

11. The subsidy will be revised to take into account changes in the average unit cost per place in an aided school arising from any civil service salary revision and any grants paid to secondary schools included in the Code of Aid for Secondary Schools/ Code of Aid for Aided Schools. The effective date of the revised subsidy will coincide with the implementation date of the salary revision/ revised grant in aided schools. Schools will be paid at the new rates together with arrears, if any, as soon as is practicable.

Transitional Arrangements

12. Under the Government's policy of 12-year free education implemented from the 2008/09 school year, it is necessary to ensure that once a school converts to DSS status, those ex-aided students are safeguarded against any additional fees charged on them. Thus an ex-aided secondary school after joining the DSS is not allowed to charge these students additional fees during a transitional period of five years. Details of this transitional period are at [S/S Section 9](#).