

ITEM FOR FINANCE COMMITTEE

HEAD 190 – UNIVERSITY GRANTS COMMITTEE Subhead 000 Operational expenses

Members are invited to accept the total recurrent grant for the University Grants Committee-funded institutions for the 2008/09 academic year, estimated at \$10,596.8 million.

PROBLEM

The eight institutions funded by the University Grants Committee (UGC) need confirmation of the level of recurrent grants that they will receive for the 2008/09 academic year, in order to finalise their budgets and academic programmes for that year.

PROPOSAL

2. The Secretary for Education proposes that Members accept the total recurrent grant for the eight UGC-funded institutions for the 2008/09 academic year, estimated at \$10,596.8 million.

JUSTIFICATION

Planning of the 2008/09 academic year as a roll-over year

3. We usually submit our proposal on recurrent grants for the UGC-funded sector to Finance Committee (FC) for consideration on a triennial basis. As the implementation of the new four-year undergraduate programme under the “3+3+4” academic structure from the 2012/13 academic year onwards will entail significant changes to the UGC-funded institutions, the Administration decided that the 2005/06 to 2007/08 triennium should “roll over” for one year to

cover the 2008/09 academic year, and correspondingly postpone the next triennium to cover the academic years 2009/10 to 2011/12. This will give the institutions, the UGC and the Administration more time to consider the academic planning as well as the associated funding requirements from the 2012/13 academic year onwards, when we will introduce the new four-year undergraduate programme under the “3+3+4” academic structure.

4. For the 2008/09 roll-over year, only a few changes will be introduced in respect of the overall student numbers (mainly in the increase in senior year places) and their distribution, and for accommodating necessary changes in manpower requirements for specific sectors.

Student number targets

Encl. 1

5. The UGC’s recommendations on the distribution of student number targets (by institution and by study level) are set out at Enclosure 1. In summary, the number of publicly-funded First-Year-First-Degree (FYFD) places will be maintained at 14 500 full-time-equivalent (fte). The number of publicly-funded sub-degree (SD) and taught postgraduate (TPg) places will decrease by 112 fte and 185 fte respectively in the 2008/09 roll-over year, mainly due to the residual effect of the Administration’s decision to phasing out SD and TPg programmes that fail to meet the retention criteria for subvention. At the research postgraduate (RPg) level, the total approved student number will remain at 4 765 fte.

6. In view of the development of the self-financing post-secondary sector, there is a rapidly increasing demand for publicly-funded senior year undergraduate places at the UGC-funded institutions to provide more articulation opportunities for SD holders and holders of relevant qualifications. There are 1 934 publicly-funded senior year undergraduate places (i.e. 967 places in each of Year 2 and Year 3) in the 2007/08 academic year. To address the rapid increase of SD graduates, UGC will provide an additional 960 Year 2 places in the 2008/09 roll-over year, and hence the total number of senior year places will increase to 2 894 places (i.e. 1 927 Year 2 places and 967 Year 3 places) in the 2008/09 roll-over year.

Cash Limit for the UGC-funded sector

7. The Administration determines the level of recurrent grants to the UGC-funded sector (known as the Cash Limit) by deducting from the institutions’ estimated total recurrent funding requirements an assumed income of the institutions which includes income from tuition fees^{Note} and other sources (mainly interest and investment income).

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^{Note} The Administration has decided that the indicative tuition fees for the 2008/09 academic year will remain at their current levels.

8. The Cash Limit for the UGC-funded institutions proposed for the 2008/09 roll-over year is \$10,596.8 million, reflecting –

- (a) necessary price adjustments to the UGC-funded sector's current funding requirement in accordance with the established mechanism, including cumulative inflation over the 2005/06 to 2007/08 triennium as well as civil service pay increase in 2007;
- (b) necessary adjustments for changes in student number targets in the 2008/09 academic year; and
- (c) a higher level of institutions' other assumed income reflecting the higher interest rate environment as compared with the previous triennium.

9. Regarding paragraph 8(b) above, the distribution of student number targets by institution and level of study is shown at Enclosure 1. In line with the arrangement for the 2004/05 roll-over year and the 2005/06 to 2007/08 triennium, we have not adjusted the Cash Limit downwards to reflect the reduction in publicly-funded TPg programmes. The savings that would otherwise accrue to the Government will instead be kept by the UGC for redeployment to finance, inter alia, the provision of additional senior year places and additional RPg places which will be allocated to individual institutions as detailed in Enclosure 1.

10. In accordance with established practices for assessing the triennial funding for the institutions, we have not taken into account the additional requirements for government funding to support the UGC Home Financing Scheme introduced in October 1998 and refund of Government rent and rates. We will provide additional funding for the institutions to meet the costs of these items separately in the usual manner.

Allocation of resources among the eight institutions

11. Subject to the total recurrent grant of \$10,596.8 million being accepted by the FC, the UGC will allocate the resources among the eight institutions in accordance with its methodology for determining the levels of recurrent grants to the individual institutions. The methodology, as detailed at Enclosure 2, gives a reasonably rigorous and precise assessment of the resources required to meet the teaching and research requirements of each institution.

Encl. 2

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12. Based on the methodology mentioned above, the UGC's plan for allocation of resources among the eight UGC-funded institutions in the 2008/09 roll-over year, as compared with the approved allocation for 2005/06 to 2007/08 triennium, is as follows –

	2005/06	Academic year (July to June)		2008/09
		2006/07 (in \$million)	2007/08	
(a) City University of Hong Kong	1,294.7	1,189.1	1,141.6	1,213.3
(b) Hong Kong Baptist University	555.9	557.9	558.0	604.1
(c) Lingnan University	196.7	203.6	203.8	260.6
(d) The Chinese University of Hong Kong	2,178.0	2,145.2	2,144.7	2,208.6
(e) The Hong Kong Institute of Education	536.1	504.2	445.5	479.8
(f) The Hong Kong Polytechnic University	1,648.8	1,595.6	1,559.3	1,648.9
(g) The Hong Kong University of Science and Technology	1,218.8	1,207.1	1,189.9	1,256.6
(h) The University of Hong Kong	2,144.9	2,059.8	2,030.0	2,123.5
Sub-total	9,773.9	9,462.5	9,272.8	9,795.5
Earmarked Research Grants	505.9	605.9	605.9	656.0
Grants for Restructuring and Collaboration Activities	123.6	132.5	158.8	0
Grants for Research Development Activities	123.6	132.5	158.8	45.3
Central Allocation Vote	10.0	100.0	100.0	100.0
Total Recurrent Grants to the UGC-funded institutions	10,537.0	10,433.4	10,296.3	10,596.8

Note : (1) The reasons for the decrease in funds retained centrally by the UGC (i.e. the Grants for Restructuring and Collaboration Activities and Grants for Research Development Activities) are as follows:

- (a) Grants for Research Development Activities in the 2005/06 to 2007/08 triennium were largely used for the 450 additional RPg places, which have been allocated to the individual institutions in 2008/09 as detailed in Enclosure 1, as well as for provision of additional funds to the Research Grants Council which is included in the Earmarked Research Grants in 2008/09; and
- (b) The funds previously shown under Grants for Restructuring and Collaboration Activities have primarily been used to fund the additional senior year places from 2008/09 onwards (please see paragraph 6).

(2) Figures may not add up to the corresponding totals owing to rounding.

/Carrying

Carrying over of unspent funds across triennia

13. In February 2001, Members approved the arrangement for each institution to carry up to 20% of its recurrent grant allocated by the UGC in a triennium to the next as reserve. In considering the funding for the 2004/05 roll-over year in February 2004, Members agreed that for the purpose of carrying unspent fund to the next triennium, the 2004/05 roll-over year should be regarded as an extension of the 2001/02 to 2003/04 triennium and institutions were allowed to carry unspent funds up to 20% of their total respective recurrent grants for the four academic years from 2001/02 to 2004/05 to the 2005/06 to 2007/08 triennium. We intend to follow the same practice in the 2008/09 roll-over year, and to allow the institutions to carry unspent funds up to 20% of their total respective recurrent grant for the four academic years from 2005/06 to 2008/09 to the 2009/10 to 2011/12 triennium.

FINANCIAL IMPLICATIONS

14. The recommended Cash Limit of \$10,596.8 million for the 2008/09 academic year has an estimated cashflow of \$7,947.6 million in the 2008-09 financial year and \$2,649.2 million in the 2009-10 financial year. Subject to Members' agreement, we will include the necessary provision in the 2008-09 and 2009-10 Draft Estimates.

15. In line with the established arrangement, the Cash Limit, once determined, will not be adjusted during the period except for adjustments to take into account changes in the indicative tuition fee levels (hence the assumed tuition fee income in the funding formula), any new initiatives from the Government and any further civil service pay adjustment.

16. The changes to student numbers may have consequential financial implications outside the recurrent funding recommendations of \$10,596.8 million, such as student financial assistance in the form of grants and loans, as well as capital subventions for construction of campus buildings and/or student hostels.

PUBLIC CONSULTATION

17. The Legislative Council Panel on Education considered the above proposal at its meeting on 10 December 2007 and Members had no objection to the proposed allocations. Some Members expressed concern about maintaining the number of FYFD places at 14 500 fte. In this regard, it is relevant to note that

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there will be an additional 960 Year 2 senior year places from the 2008/09 roll-over year onwards as mentioned in paragraph 6 above. Separately, Members raised questions on whether the funding allocation was acceptable to Hong Kong Institute of Education (HKIEd), and whether the salary levels of HKIEd were comparable with those at other institutions. The Clerk to Panel has written to the HKIEd to seek direct confirmation. On the issue of salary levels, all UGC-funded institutions have been given autonomy to determine their own staff salaries from 1 July 2003 onwards, after the deregulation of salary scales as approved by the FC vide FCR (2003-04)5 dated 11 April 2003. The staff grades and salary scales adopted by the eight UGC-funded institutions will be sought from the institutions and the information will be distributed to Members when it is available. A Member also requested that the various items of recurrent funding for 2008/09 to be listed out in comparison with the 2005/06 to 2007/08 triennium. The information is now shown in paragraph 12 above.

Education Bureau
January 2008

Enclosure 1 to FCR(2007-08)45

**Final distribution of indicative Student Number Targets
in Full-time Equivalent (FTE) for 2008/09**

Institution	Taught Postgraduate
City University of Hong Kong	53
Hong Kong Baptist University	355
Lingnan University	0
The Chinese University of Hong Kong	700
The Hong Kong Institute of Education	490
The Hong Kong Polytechnic University	38
The Hong Kong University of Science and Technology	0
The University of Hong Kong	798
Total	2 434

Institution	Research Postgraduate
City University of Hong Kong	421
Hong Kong Baptist University	160
Lingnan University	42
The Chinese University of Hong Kong	1 378
The Hong Kong Institute of Education	0
The Hong Kong Polytechnic University	431
The Hong Kong University of Science and Technology	961
The University of Hong Kong	1 372
Total	4 765

Institution	Degree (total number including senior year places)
City University of Hong Kong	7 758
Hong Kong Baptist University	4 345
Lingnan University	2 259
The Chinese University of Hong Kong	9 524
The Hong Kong Institute of Education	2 931
The Hong Kong Polytechnic University	8 207
The Hong Kong University of Science and Technology	5 605
The University of Hong Kong	9 159
Total	49 788

/Institution

Institution	Undergraduate Senior Year Places *
City University of Hong Kong	944
Hong Kong Baptist University	300
Lingnan University	192
The Chinese University of Hong Kong	190
The Hong Kong Institute of Education	0
The Hong Kong Polytechnic University	964
The Hong Kong University of Science and Technology	114
The University of Hong Kong	190
Total	2 894

* - numbers incorporated in 'Degree' table above.

Institution	First-Year-First-Degree Places *
City University of Hong Kong	2 212
Hong Kong Baptist University	1 294
Lingnan University	676
The Chinese University of Hong Kong	2 946
The Hong Kong Institute of Education	468
The Hong Kong Polytechnic University	2 311
The Hong Kong University of Science and Technology	1 846
The University of Hong Kong	2 747
Total	14 500

* - numbers incorporated in 'Degree' table above.

Institution	Sub-Degree
City University of Hong Kong	1 066
Hong Kong Baptist University	0
Lingnan University	0
The Chinese University of Hong Kong	0
The Hong Kong Institute of Education	1 293
The Hong Kong Polytechnic University	3 125
The Hong Kong University of Science and Technology	0
The University of Hong Kong	0
Total	5 484

/Institution

Institution	Total Enrolment#
City University of Hong Kong	9 297
Hong Kong Baptist University	4 860
Lingnan University	2 301
The Chinese University of Hong Kong	11 602
The Hong Kong Institute of Education	4 714
The Hong Kong Polytechnic University	11 801
The Hong Kong University of Science and Technology	6 566
The University of Hong Kong	11 329
Total	62 471

Include all the 2 894 senior year places.

Note: Figures may not add up to the corresponding totals owing to rounding.

Methodology for Determining the Levels of Recurrent Grants for the UGC-funded Institutions

The UGC funding methodology was developed in 1994 and has been used since then for the assessment of the triennial recurrent grants. It has been reviewed and improved to ensure that it is appropriate to current circumstances.

2. Recurrent grants to each UGC-funded institution basically comprise a block grant and funds provided for specific purposes. The purpose of the UGC recurrent grants is to fund institutions to support pursuit of their different roles and missions in teaching and research.

BLOCK GRANT

3. In the 2008/09 roll-over year, the amount of block grants to the sector as a whole continues to comprise four elements –

- (a) Teaching – about 68%
- (b) Research – about 20%
- (c) Performance and Role Related – about 10%
- (d) Professional Activity – about 2%

Teaching Element

4. The Teaching element is based on the student numbers, their study levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate), mode of study (i.e. part-time and full-time) and disciplines of study. Some subjects are more expensive than others because they require special equipment, laboratory or more staff time, etc. Relative cost weightings by broad academic programme categories have been grouped into three price groups since the 2005/06 to 2007/08 triennium, as shown at Annex.

Annex

/Research

Research Element

5. The Research element is primarily related to the number of active researchers and the cost of research in respective fields. The number of active researchers was identified in the Research Assessment Exercise last conducted in 2006, which assessed the research performance of different institutions and different disciplines within an institution. In arriving at the recommended amount, the UGC Secretariat has used a formula together with the expert advice from UGC Members, to ensure that all institutions, which have improved their research performance, have the ability to continue on that path.

Performance and Role Related Element

6. Funding related to this element has taken cognizance of institutions' performance, and their performance against role. The funding for the 2005-08 triennium was based on the results of the Performance and Role-related Funding Scheme (PRFS) conducted by a UGC Assessment Panel in 2004. While the UGC did not conduct a specific PRFS exercise for 2008/09, the UGC did have in mind the performance and roles of different institutions when it determined the grant for the 2008/09 roll-over year. The UGC continues to value and will make reference to the performance and roles and missions of institutions in the future.

Professional Activity Element

7. This element of funding is associated with professional (non-research) activities which should be undertaken by all members of academic staff. It is calculated based on the total number of academic staff.

Allocation of Block Grant within Institutions

8. The above-mentioned methodology only serves as a basis for determining the block grant allocation to the UGC-funded institutions. Once allocations are approved, institutions have a high degree of freedom and responsibility for determining the best use of the resources vested in them.

FUNDS FOR SPECIFIC PURPOSES

9. For the 2008/09 roll-over year, the UGC recommended to disburse the following grants for achieving various purposes that are considered to be important to the development of the local higher education sector –

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(i) Earmarked Research Grant (ERG)

The ERG is allocated from the UGC to the Research Grants Council (RGC) for supporting various academic research activities (mostly research projects on a competitive basis) of UGC-funded institutions.

(ii) Teaching Development Grant (TDG)

The TDGs have been allocated to institutions since 1994/95. The main purposes of the Grant are to encourage institutions to adopt innovative approaches to teaching, improve the quality of the learning environment and underline the UGC's recognition and strong support for teaching and learning which are central to the roles and missions of all institutions.

(iii) Language Enhancement Grant (LEG)

The purpose of the LEGs is to support institutions to organise programmes to enhance the proficiency of students in both English and Chinese languages. Such programmes come in different forms: some are offered to all students compulsorily to form a basis for more advanced learning, others are designed for specific disciplines to meet the needs of different professions. There are also courses to equip students with specific skills in writing or speaking to prepare them for their future careers, as well as workshops and summer courses to provide students with a more flexible and innovative environment to brush up their language abilities.

(iv) Research Development Fund (RDF)

The RDF is mainly used for supporting research development activities, such as provision of 450 additional research postgraduate places starting from the 2005-08 triennium and to fund significant research projects, including Areas of Excellence (AoE) projects^{Note}.

(v) Additional Senior Year Places for Articulation Purpose

Funding has been set aside for the provision of additional senior year places starting from the 2006/07 academic year, on top of the 1 680 places already provided in the 2005-08 triennium.

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^{Note} AoE projects are funded by the AoE Scheme. The Scheme provides support to research projects which are recognised internationally as of equal status to their peers in the same subject areas, and justify the additional investment in staff time and resources, as well as facilities and activities, which would place them among world leaders.

(vi) Central Allocation Vote

The Central Allocation Vote is to meet expenditure incurred for sector-wide and cross-institutional activities, to meet costs of institutional advancement projects, to support new teaching and learning quality initiatives which are outside the ambit of the RGC and AoE Scheme, and to meet unforeseen funding requirements during a triennium / roll-over year.

(vii) Others

There are a number of other small extra formulaic adjustments relating to specific activities of institutions that the UGC has endorsed.

**Relative Cost Weightings by Price Groups
of Academic Programme Categories**

Academic Programme Categories (APC)	Price Group of APCs	Relative Cost Weightings	
		Teaching Programme	Research Programme
1 Medicine 2 Dentistry	A Medicine & Dentistry	3.6	1.8
3 Studies Allied to Medicine and Health 4 Biological Sciences 5 Physical Sciences 6 Engineering and Technology 7 Arts, Design & Performing Arts	B Engineering & Laboratory Based Studies	1.4	1.4
8 Mathematical Sciences 9 Computer Science and Information Technology 10 Architecture and Town Planning 11 Business and Management Studies 12 Social Sciences 13 Law 14 Mass Communication & Documentation 15 Languages & Related Studies 16 Humanities 17 Education	C Others	1	1
