

**Recurrent Grants Funding Methodology**

The funding methodology gives a reasonably rigorous and precise assessment of the resources required to meet the teaching and research targets of each institution, and includes an element of funding specifically related to recent performance of institutions in research. The basis of the funding methodology is a formula. However, the UGC recognises that even the most sophisticated formula is unlikely to capture fully the subtleties of needs within a complex educational system such as that in Hong Kong. The UGC therefore takes into account many other issues, including the institutions' own requests for what we term "extra formulaic adjustments". The formula gives due consideration to the fact that UGC-funded institutions are supported primarily to carry out teaching and research of various kinds and that there is a significant degree of interdependence between the two. This idea is central to the role statements that have been agreed for each institution. The recurrent grants should therefore contain elements that relate to each of these activities which are calculated separately.

2. Recurrent grants to each UGC-funded institution basically comprise a block grant and funds provided for specific purposes. The block grants to the sector as a whole comprises four elements:

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

3. The Teaching element of the recurrent grant is primarily related to student numbers; it is calculated by taking account of the distribution of students among the different disciplines, their levels (i.e. sub-degree, first degree, taught postgraduate and research postgraduate) and their mode (i.e. part time, full time etc). Some subjects are more expensive to teach than the others because of the special equipment or laboratory needs, or the more intensive demands on staff time. These factors are taken into account in calculating the teaching costs. With effect from the 2005/06 – 2007/08 triennium, relative cost weightings by broad academic programme categories have been grouped into three price groups as at the attachment.

4. Where any particular course at any particular institution lies, within the spectrum of relative costs for that category of course, will depend on many local factors, including not only the proportion of practical work, but also the number of students on the course, the extent to which facilities or teaching can be shared with other courses etc. The funding methodology is based on the assumption that within one institution those courses that are relatively expensive for their category will to a great extent be balanced by other courses which are relatively inexpensive within the

same category. The teaching allocation will not be sufficient, however, to support an institution that has all of its courses at the higher end of the range for all categories.

5. The Research element of the recurrent grants is primarily related to the number of active research workers and the cost of research in respective fields. The number of active research staff in each cost centre was identified in the context of the Research Assessment Exercise last conducted in 1999 which assessed the research performance of different institutions and different cost centres within an institution.

6. The Performance and Role-related element of the recurrent grants is closely related to the institution's effective performance and its adherence against its role. The funding allocation in the 2005/06 – 2007/08 triennium is the result of an assessment undertaken under the Performance and Role-related Funding Scheme by a UGC Assessment Panel in 2004.

7. The Professional Activity element of the recurrent grants is associated with professional (non-research) activities which should be undertaken by all members of academic staff. It is calculated based on the number of academic staff.

8. Although the teaching and research elements of the recurrent grants are calculated separately, this does not mean that either is the full, stand-alone cost of the activity to which it is attributed. This is because there are certain fixed costs that are shared between teaching and research and, if it were decided to discontinue either one activity or the other, those costs would have to be borne by the remaining activity alone, thereby making it more expensive.

9. By far, the greater part of the recurrent grants of every institution is associated with its teaching function and the UGC attaches much significance to the maintenance and improvement of standards of teaching and learning. The UGC will have keen interest in the institutions' methods of monitoring teaching and learning performance and continue to develop methods of rewarding teaching excellence and supporting the improvement of teaching and learning quality.

**Attachment**  
**(to Annex 4B)**

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	<b>A Medicine &amp; Dentistry</b>	<b>3.6</b>	<b>1.8</b>
3 Studies Allied to Medicine and Health 4 Biological Sciences 5 Physical Sciences 6 Engineering and Technology 7 Arts, Design & Performing Arts	<b>B Engineering &amp; Laboratory Based Studies</b>	<b>1.4</b>	<b>1.4</b>
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	<b>C Others</b>	<b>1</b>	<b>1</b>