

Chapter 2 - Planning and Funding Cycles

Recurrent Grants

2.1 The UGC basically follows a triennial planning cycle, to coincide with the recurrent grant allocation exercise to the UGC-funded institutions. The cycle starts three year before the commencement of each triennium and covers the following main stages -

- (a) the issue of letters to the institutions ("start letters") incorporating broad policy guidelines and parameters received from the Government (including the indicative student number targets and specific manpower requirements);
- (b) the consideration of academic development proposals submitted by the institutions in accordance with (a) and the UGC's advice on these proposals as they develop ("allocation letters");
- (c) the examination of costed estimates submitted by the institutions and the detailed recurrent grant assessment exercise; and
- (d) the submission of the specific grant recommendations to the Government and, following the approval of the financial implications by the Finance Committee of the Legislative Council, the issue of letters ("allocation letters") formally notifying the institutions of the details of their approved recurrent grants.

A diagrammatic illustration of this cycle is at Annex 2A. Further details are given in the following paragraphs.

"Start" letters

2.2 The "start" letters mark the beginning of the formal planning cycle for a funding period, normally a triennium. Following their approval by the Government, indicative student number targets for the subsequent triennium are normally notified to the institutions by the UGC midway through the second year of the preceding triennium, in the form of "start" letters, together with any specific policy guidelines from the Government and any other relevant information for the preparation by the institutions of their Academic Development Proposals (ADPs). These letters will specify the deadline for the institutions to submit their ADPs.

"Allocution" letters

2.3 Following the submission and consideration by the UGC of the institutions' ADPs, the Committee's advice is conveyed to the institutions in the form of "allocution" letters. It is so-called because in their final form they were originally delivered to the institutions' Councils by the Chairman orally. (The requirements on the submissions of ADPs are detailed at Chapter 3.) The "allocution" letters will specify the deadline for the institutions to submit their costed estimates.

Recurrent grant estimates and other data requirements

2.4 The institutions' costed estimates should be based on their ADPs and the UGC's "allocution" letter. If a late item has to be brought up, then a detailed supporting case should be provided.

2.5 The layout, format and usages for the estimates, together with the data requirements for the UGC's grant assessment exercise, are dealt with separately in Chapter 4.

Recurrent grant recommendations

2.6 The UGC's recommendations on triennial recurrent grants are normally submitted to the Government around September of the year preceding the start of the triennium concerned. (The UGC's capital recommendations would be submitted to the Government in the manner as described in paragraph 2.12). Following their consideration within the Administration, which may involve consultation with the UGC Secretariat and, in certain circumstances, discussions between the Chairman and the Secretary for Education and Manpower and Secretary for Financial Services and the Treasury, the triennial grant recommendations are submitted to the Chief Executive in consultation with the Executive Council for policy approval, and to the Finance Committee of the Legislative Council for acceptance of the financial implications respectively.

2.7 Approval of the financial implications is subject to the voting of funds annually in the Government's Annual Estimates. Accordingly, every effort is made to obtain approvals in sufficient time for funds for the first academic year of the triennium to be included in the Government draft Estimates which are usually finalised in December. All being well, the recommendations then go forward as part of the Government's Annual Estimates for the Budget Debate in March. In normal circumstances, however, formal Legislative Council approval of the recommendations in principle will be received by the UGC earlier.

Grant allocation letters

2.8 Draft grant allocation letters are normally prepared as soon as the Chief Executive in consultation with the Executive Council's policy approval for the recommendations is obtained. They are cleared in draft with members, but remain in draft until formal Legislative Council approval is received. Final adjustments are then made, and if necessary again cleared with members. The final version can then be sent to the institutions. They are addressed to the head of the institution concerned and signed by the Chairman. The scale of distribution within the institutions is a matter for decision by the institutions themselves.

2.9 If there are no major problems with the Government over the grant recommendations, the grant allocation letters should be able to be issued in the January/February before the start of the triennium.

2.10 The layout and form of the grant allocation letters is dealt with in Chapter 4.

2.11 **It is important to note that with the issue of these letters, the formal overall plan for the next funding period (triennium) is complete. It consists of the original ADPs, the "allocation" letters, the institutions' costed estimates and the grant allocation letters.**

Capital Grants

2.12 Capital projects are considered, on an annual basis, to coincide with the Government's Capital Works Resource Allocation Exercise. The UGC-funded institutions are required to submit capital works proposals seeking full approval to the UGC normally by 15 September each year. Having examined the proposals, usually at its January meetings, the UGC forwards its recommendations to the Government after seeking advice from its Technical Adviser (i.e. Director of Architectural Services). Following the Government's endorsement of the proposals, institutions will be expected to undertake detailed design work etc. Finally, the approval of the financial implications by the Public Works Subcommittee/Finance Committee of the Legislative Council for individual projects will be sought. The UGC will then issue capital "allocation" letters to the institutions. These letters provide details of the capital grants for the individual projects. A diagrammatic illustration of the process is at Annex 2B. The procedures for dealing with capital works projects are covered in Chapter 5.