

UNIVERSITY ACCOUNTABILITY AGREEMENT 2019/20 – 2021/22 TRIENNIUM

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1. BACKGROUND, CONTEXT AND PURPOSE

1. The University Accountability Agreement (Agreement) is a formal agreement between The University of Hong Kong (HKU) and the University Grants Committee (UGC) of Hong Kong. It serves to articulate the nature and substance of the relationship between HKU and the UGC. Along with the dialogue, the Agreement forms a key element of the strategic framework underpinning this relationship.

2. This strategic dialogue is an important element in the action being taken by universities and by the UGC to strengthen the governance of publicly-funded higher education universities in Hong Kong and by such action to enhance their accountability. The Agreement reinforces the autonomous status of the universities by allowing them to articulate their individual missions, visions and strategic goals. The Agreement allows the UGC to be satisfied that the wider public interest is both recognised and met by HKU, as well as providing assurance through high-level performance measures of a commitment to continuous quality improvement. For HKU, the Agreement assures members of its governing body as well as its staff and students that the key elements are in place of the robust institutional governance which helps to guarantee HKU's autonomy.

3. The Agreement reaffirms the funding to be provided to a university by the UGC, setting out those elements which collectively represent the single-line block grant from the UGC over the triennial funding period for the 2019/20 to 2021/22 triennium. It also sets out any conditions attached to such funding, as well as being a reminder that all universities are required to follow the UGC Notes on Procedures (NoP) and other guidelines as promulgated and updated by the UGC from time to time.

4. HKU is also required to submit its teaching, learning and related processes to regular quality audit through the aegis of the Quality Assurance Council (QAC) and to submit to its research activity being assessed on a regular basis by the UGC. Specific outcomes and outputs from such periodic audit and assessment exercises are reflected as appropriate in the Agreement. The Agreement is not intended to replicate or replace such exercises.

5. By signing this Agreement, HKU affirms that all funds received from the UGC will be used solely for the purposes for which they are intended. Such funds are provided in the expectation that HKU will seek to achieve value for money and be economical, efficient and effective in its use of public funds.

6. The Agreement will be reviewed on an annual basis as part of the strategic dialogue between HKU and the UGC. This annual review will consist of a check on progress towards targets and outcomes agreed over the timeframe of HKU's strategic plan, which is aligned with the three-year span of the funding settlement from the UGC.

7. It is expected that the process of dialogue leading to the joint acceptance of the Agreement will mean that universities and the UGC will keep to its terms, both in spirit and in the letter. Where a university fails to do so without the prior agreement of the UGC, the UGC may decide on appropriate action having regard to the merits of individual cases to ensure that HKU is made aware of the potential consequences of it continuing to act in such a way.

8. The Agreement is signed by both HKU and the UGC as a public affirmation of the commitment of both parties to confirming and enhancing the global reputation of Hong Kong's higher education sector as a provider and enabler of teaching, research and related activity of the highest quality and of the greatest benefit to the people of Hong Kong.

2. HONG KONG FUNDING FRAMEWORK: KEY PRINCIPLES

9. For the funding triennium of 2019/20 to 2021/22, the Government has agreed to provide a total sum of recurrent grants of HK\$60,467.1 million¹ to the UGC based on a submission drawing on plans submitted by each university. Each plan has been subject to scrutiny and challenge by the UGC through a process of strategic dialogue with individual universities. This process respects the autonomy of a university and its unique nature, being based on an examination and discussion of the effectiveness of a university's strategy (as articulated in its strategic plan) in enabling it to advance its mission, vision and role, with reference to:

- i. The university's competitiveness in Hong Kong and internationally;
- ii. Collaboration within and outside the UGC sector;
- iii. Capacity-building in key areas such as internationalisation and knowledge transfer;
- iv. The development of the self-financing sector; and
- v. Its use of the outcomes of key exercises such as QAC audits and the Research Assessment Exercise (RAE) 2014 to influence its longer-term strategy.

10. The UGC and the Government are committed to the principle of funding being allocated to the eight publicly-funded universities on a three-year basis, with that funding consisting of a single-line block grant to each university. This approach is an explicit recognition of their autonomous status. On their part, universities accept that they have a duty to be openly accountable for their proper stewardship of funds, irrespective of their source, and of other resources at their disposal.

11. The UGC considers that competition drives excellence. Competition among universities for a proportion of funded places is therefore embedded in the UGC's overall approach as the process of competing for places requires a university to take a critical look at its activities and its contributions, particularly in relation to its role within the higher education sector in Hong Kong, regionally and internationally, as well as in addressing community needs.

12. While the principle of the single-line budgetary allocation is, as stated above, fundamental to the UGC's approach, the use of its funding is subject to certain conditions. For its part, HKU accepts that:

- i. Co-teaching of UGC-funded and self-funded programmes is permitted, subject to there being in place a transparent and fair system for costing and for the subsequent transfer of funds and subject to adherence to the requirements for such a system being

¹ This figure includes a sum of HK\$1,323.6 million of recurrent grants to be allocated in the form of earmarked grants and funding. These include funding to be allocated for Areas of Excellence Scheme, Earmarked Research Grants, knowledge transfer and other centrally held provisions.

- as set out in the “Cost Allocation Guidelines for UGC-funded and non-UGC funded Activities”;
- ii. There must be no cross-subsidy of UGC resources into supporting non-UGC funded activities;
 - iii. “Mixed-mode” funding is not allowed where UGC-funded students might be charged a higher fee in order to subsidise lower fees for self-funded students;
 - iv. Additional years for the second degree within dual/double undergraduate degree programmes must be self-financed, subject to certain exceptions for particular teacher education programmes;
 - v. Sub-degree and taught postgraduate degree programmes should in general be self-financed;
 - vi. Part-time undergraduate and part-time research postgraduate programmes are not eligible for public funding;
 - vii. Admission of non-local students by over-enrolment is permitted, subject to conditions set out in the UGC NoP;
 - viii. The consequences as prescribed in the NoP of under-enrolment of UGC-funded students;
 - ix. Any proposed moves of programmes to a higher-weighting academic programme category require the agreement of the UGC, based on a strong case for the justification of such a move; and
 - x. It should adhere to the 20% rule on the balance of the General and Development Reserve Fund for a funding period.
13. Specific details of the funding being provided by the UGC to HKU are set out in Section Six of this Agreement.

3. INSTITUTIONAL MISSION AND VISION

14. For the UGC, it is important that the strategies adopted by universities are effective in enabling an institution to advance its mission through enhancing its competitiveness, strengthening its ability to build its capacity, enabling collaboration and using the outcomes of exercises such as the 2014 RAE as a key element in its future development.

Institutional Mission

15. The mission of HKU as agreed by its Council and Senate is to:
- advance constantly the bounds of scholarship, building upon its proud traditions and strengths;
 - provide a comprehensive education, benchmarked against the highest international standards, designed to develop fully the intellectual and personal strengths of its students, while extending lifelong learning opportunities for the community;
 - produce graduates of distinction committed to academic/professional excellence, critical intellectual inquiry and lifelong learning, who are communicative and innovative, ethically and culturally aware, and capable of tackling the unfamiliar with confidence;
 - develop a collegial, flexible, pluralistic and supportive intellectual environment that inspires and attracts, retains and nurtures scholars, students and staff of the highest

- calibre in a culture that fosters creativity, learning and freedom of thought, enquiry and expression;
- provide a safe, healthy and sustainable workplace to support and advance teaching, learning and research at HKU;
 - engage in innovative, high-impact and leading-edge research within and across disciplines;
 - be fully accountable for the effective management of public and private resources bestowed upon the institution and act in partnership with the community over the generation, dissemination and application of knowledge;
 - serve as a focal point of intellectual and academic endeavour in Hong Kong, China and Asia and act as a gateway and forum for scholarship with the rest of the world.

Institutional Vision

16. As agreed by its Council and Senate:

HKU, Asia's Global University, delivers impact through internationalisation, innovation and interdisciplinarity. It attracts and nurtures global scholars through excellence in research, teaching and learning, and knowledge exchange. It makes a positive social contribution through global presence, regional significance and engagement with the rest of China.

HKU's mission and vision, and the way in which it organises its academic activities to drive impact and measurable social gain, is set out in its *Vision 2016-2025* document.

Strategic Priorities and Actions

17. HKU's key strategic priorities as agreed by its Council as part of its strategic plan for 2016-2025 are presented below.

i. Using impact as a common denominator

HKU welcomes the spotlight the government has placed on impact, and the increasing need to evidence the contributions that universities make to society and the value they give. Ultimately, HKU wants impact to be the common denominator for everything it does: from developing globally-minded graduates that are highly agile and well-prepared to contribute productively to society, to supporting researchers able to swiftly diffuse knowledge and technologies around the world; and also, from driving new ideas, values and services from the front, to working across borders to solve society's most urgent problems. While excellence will continue to be HKU's benchmark, creating positive and powerful impact through its three pillars will be the definitive goal. For example:

- Teaching and learning: As part of the current exercise, ambitious plans are in place to reshape HKU's educational offerings so that they have demonstrable impact, i.e. in responding effectively to meet the rapid changes in contemporary society; meeting government initiatives to drive Hong Kong's growth and prosperity; and equipping HKU's students with the skills to take the lead on solving global challenges.

- Research: HKU aims to strengthen its capabilities in fundamental and outcomes-driven research, and to foster a culture that enables its researchers to flourish and create high-level impact. This includes building on its ecosystem that cultivates innovation and entrepreneurialism across its student, staff and alumni communities, and fully rolling out HKU's internal funding allocation systems to ensure they are fit-for-purpose and truly support the strategic goals of HKU.
- Knowledge exchange: The knowledge exchange strategy of HKU ensures a continual two way campus-community flow of knowledge through meaningful community engagement, as well as access to HKU's research and technology transfer. Translating knowledge and discovery into societal impact is one of HKU's primary goals. HKU will continue its successful community engagement programme and further embed knowledge exchange into the student curriculum.
- Enabling Platform: Having a robust infrastructure that impacts positively on the smooth running of teaching and learning, research and knowledge exchange is critical to HKU's success. Through the Efficient Resources Management programme, HKU has optimised its professional services to make the most efficient use of resources, with resultant savings to be allocated to academic activities. HKU will also facilitate strategic hiring, and build a robust and sustainable pipeline of outstanding talent that will help it achieve its academic goals. Finally, having conducted a fundamental review of leadership functions, HKU has rolled out an extensive Leadership Development programme to ensure effective and coherent leadership across the institution.

ii. **Responding to high level reviews and government initiatives**

HKU's aspiration to be Asia's Global University was headlined in its Vision 2016-2025 document in July 2016. Since then, work on embedding the three Is of internationalisation, innovation and interdisciplinarity, all converging on the fourth I of impact into all that HKU does has gained significant momentum. While these themes have always been central to the institution's strategic priorities and actions, several junctures have prompted it to reflect and enhance its planning:

- *The Newby Report (2015)* and subsequently *The Report of the Review Panel on University Governance* (submitted to the Council in 2017) gave HKU the impetus to examine the extent to which the recommendations aligned with HKU's development. Indeed, HKU has endeavoured to steer its activities towards fulfilling the strategic objectives set out in *Vision 2016-2025*. Implementation of these recommendations has already started. For example, HKU has reformed internal funding allocation to increase accountability and transparency; updated its human resources strategies to meet the global shifts in the recruitment and retention of talent; and made strategic, risk-managed investment in new and innovative initiatives, e.g. emerging research themes.
- The Chief Executive's *2017 Policy Address* and subsequently the *2018 Policy Address*, which clearly laid out the government's short- to long-term goals, gave HKU the opportunity to examine how it can capitalise on its strengths in aligning with the exciting vision for Hong Kong and at the same time realise the institution's own academic and research goals for the next decade. By fully leveraging on its knowledge, expertise and capabilities, HKU has every intention of making a strong and productive contribution to the advancement of Hong Kong, strengthening its close relationship with mainland China and securing its place in the global arena.

iii. Realigning its activities with Vision 2016-2025 strategic goals

Foregrounding the 3+1 Is has helped sharpen HKU's focus on its performance in teaching and learning, research and knowledge exchange. The net effect of this has been a more deliberate, coherent and strategic approach to the organisation of HKU's business. All of these are now considered through the prism of the 3+1 Is, with a notable emphasis on impact, and HKU's aspiration to be Asia's Global University. The development of measurable outcomes has been duly completed: broadly through the sector-wide performance measures and more specifically through the institution-specific key performance indicators.

18. HKU's strategic priorities and actions are premised on a number of factors: (a) the need to create impact drives its actions, particularly with respect to meeting the needs of society; (b) HKU's alignment with, and support for, government initiatives especially in areas where it excels and / or has demonstrable strengths; and (c) HKU's aspirations to be Asia's Global University and an institution of higher learning that nurtures the brightest and best talent from Hong Kong, mainland China and the rest of the world.

19. All of the above are given full treatment in the *2019-2022 Triennium Planning Exercise Proposal* that complements this document.

4. ACTIVITY DOMAINS AND PERFORMANCE MEASURES

20. A regular review of institutional performance is an important element of sound governance. It allows an institution to derive leverage from its strengths, while highlighting other areas where action on issues requiring attention might be taken to its longer-term advantage. It also allows an institution to demonstrate in its key areas of activity that it has taken note of those elements which are important in the future development of higher education in Hong Kong. For the UGC, these elements are in particular important:

- Quality of the student experience of teaching and learning
- Quality of research performance and of research postgraduate experience
- Knowledge transfer and wider engagement
- Enhanced internationalisation
- Financial health and institutional sustainability

21. The higher education sector is a major asset for Hong Kong, benefitting from a major investment of public funds each year. Measuring the overall performance of the sector provides a measure of sector-wide performance for public information, as well as strengthening both the public profile and reputation of the sector and its overall value to the community. Measurement of performance helps ensure public confidence in universities through enhancing their accountability. Measurement also allows the higher education sector to demonstrate that individual institutions are committed to continuous quality improvement in their individual circumstances, as well as high standards of governance and educational practice.

22. As far as is practicable, data for the performance measures is derived from existing institutional returns to the UGC, whether through Common Data Collection Format (CDCF) returns or other statistical returns, or from audited sources such as a university's annual financial statements. Where other sources are used, these sources are acknowledged in the introduction to each performance measure.

23. The UGC acknowledges in its NoP (Chapter 6 on Data Collection and Returns) that, "it requires information about the activities of the UGC-funded institutions for a variety of purposes, including assessment of recurrent and capital funding requirements, monitoring progress, advising on academic developments generally, monitoring progress and expenditure on RGC-funded research projects, reporting to the Government, the Legislature and the public. The data so collected also enables many ad hoc questions to be answered without further enquiry of the institutions".

4.1 The Quality of the Student Experience of Teaching and Learning

24. The core components of the performance measures in this activity domain are intended to demonstrate that an institution has effective strategies in place to deliver improvements in teaching quality, to enhance the effectiveness of the learning environment and to maximise student learning outcomes, particularly in relation to learning gain leading to appropriate employment or further study. The data for (1) and (2) under the sector-wide performance measures below are derived from a standard question in each university's student survey.

Sector-wide Performance Measures

- 1) Undergraduate satisfaction with the quality and value which they have gained from their teaching and learning experience
- 2) Undergraduate satisfaction with their overall learning environment
- 3) Undergraduate employment success rate
- 4) Employer satisfaction with graduates

Institution-specific Key Performance Indicators

- 1) UG Student Evaluation of Teaching and Learning (SETL) scores for course and teacher effectiveness broken down by Common Core Courses and non-Common Core Courses
- 2) Percentage of academic staff with professional teaching accreditation (using the UK Higher Education Academy (HEA) framework)
- 3) UG employment data (six months post-graduation)

4.2 The Quality of Research Performance and of Research Postgraduate Experience

25. Performance measures in this domain are intended to illustrate that an institution has strategies in place appropriate to its mission to encourage research and scholarship and which seek to improve the quality and volume of research outputs. The measures take account of factors such as research impact and measures in place to ensure positive learning outcomes for research postgraduate students, including equipping them for careers appropriate to their specialism.

Sector-wide Performance Measures

- 1) Percentage of research activities judged to be world leading or internationally excellent as assessed in the latest Research Assessment Exercise
- 2) Value of total research income
- 3) Average time-to-completion, graduation rate and employability of research postgraduates, allowing for disciplinary differences

Institution-specific Key Performance Indicators

- 1) Competitive (private and public, local and international) grant incomes
- 2) Per research capita publication citations
- 3) Percentage of Research Postgraduate students with industry and international experiences (covering industry internship, research exchange, academic visits, laboratory attachment, research training, professional workshops etc.)
- 4) Per capita international (high-impact) research publications and monographs

4.3 Knowledge Transfer and Wider Engagement

26. While acknowledging that quantitative performance measures in this domain are not yet sufficiently developed to reflect the full spectrum of institutional activities aimed at wider engagement with the community, the performance measures are intended to demonstrate in part how universities engage in knowledge transfer and in wider engagement with the community, defined as, “the systems and processes by which the knowledge, expertise and intellectually linked assets of universities are constructively applied beyond higher education for the wider benefit of the economy and society, through two-way engagement with business, the public sector (including the school sector), cultural and community partners”, with innovative, profitable, economic or social improvements being part of that benefit.

27. Knowledge transfer and wider engagement includes activities such as consultancies, collaborative research (with industrial, commercial or other non-higher education partners such as NGOs), contract research (undertaken for industrial, commercial or other non-higher education partners such as NGOs and creative or cultural organisations), continuing professional development (CPD), licensing, start-ups, spin-outs and public engagement. Such activities can loosely be categorised as: (i) the provision of research and business services (consultancy; collaborative research; contract research; and CPD); (ii) innovation (licensing; start-ups; and spin-outs); and (iii) public engagement (networking and public events; projects with a social or community benefit).

Sector-wide Performance Measures

- 1) (a) Total income from knowledge transfer via the provision of research and business services (i.e. collaborative research, contract research, consultancies, CPD)
(b) Total income from knowledge transfer as innovative activity (i.e. income generating from intellectual property as defined in CDCF and from start-up companies)
- 2) Expenditure on public engagement activities (e.g. public lectures, performance arts, exhibitions and others as defined in CDCF)

Institution-specific Key Performance Indicators

- 1) Research collaborations, and public-public (covering consultancy and contracts, research and impact projects with public bodies) and public-private (covering consultancy and contracts, impact cases, research and service projects with business and industry, social and community projects with foundations and private organisations, public engagement events etc.), partnership projects
- 2) Patents (filed and granted), know-hows and licenses
- 3) Innovation and entrepreneurial activities (measured by events, projects, participants, impact cases etc.)
- 4) (External) advisory and editorial membership (local, mainland China, regional, international)

4.4 Enhanced Internationalisation

28. System-wide performance measures in this domain are designed to illustrate the impact of an institution's development of a holistic approach to the growing importance of internationalisation to the higher education sector in Hong Kong. Such an approach might include the recruitment of students from overseas, exchange programmes involving Hong Kong students spending part of their course in an overseas institution and vice versa, recruitment of staff from overseas, participation of staff in overseas conferences / exchanges, engagement with Mainland China, as well as the extent to which the student curriculum itself has embraced and embodied international perspectives.

Sector-wide Performance Measures

- 1) Non-local students (in each of: undergraduate; taught postgraduate; research postgraduate) as percentage of total student numbers
- 2) Non-local students broken down by regions (Asia, Europe, North America, South America, Oceania, Africa and others)
- 3) Percentage of Hong Kong undergraduate students with non-local university-approved formal or experiential learning experience
- 4) Percentage of research outputs with international research collaboration which has resulted in a joint publication cited in the Research Assessment Exercise process as of at least international quality

Institution-specific Key Performance Indicators

- 1) Percentage of international professoriate staff
- 2) Percentage of undergraduate students undertaking international exchange
- 3) Percentage of undergraduate students undertaking a significant Mainland learning experience
- 4) Percentage of undergraduate students undertaking a significant international learning experience

4.5 Financial Health and Institutional Sustainability

29. Measures in this domain are designed to illustrate the strength of an institution's governance structures and their capacity to ensure the financial sustainability of the institution in the longer term. The elements forming the measures are drawn from the

findings of the “Governance in UGC-funded Higher Education Institutions in Hong Kong” (Governance Report) published by the UGC in 2016, as well as from worldwide good practice in the wider sphere of commerce and government. Specific measures and indicators of enhanced governance in HKU are detailed in the following Section Five on Governance and Institutional Management.

Sector-wide Performance Measures

- 1) Annual surplus as a percentage of total income
- 2) Subventions from UGC as a percentage of total income
- 3) Current ratio (i.e. current assets / current liabilities)
- 4) Coverage of university’s expenditure by reserves and cash & cash equivalents (defined by Hong Kong Financial Reporting Standards):
 - (i)(a) Reserves / monthly expenditure = number of months that expenditure can be supported by reserves;
 - (i)(b) Liquid reserves / monthly expenditure = number of months that expenditure can be supported by liquid reserves; and
 - (ii) Cash & cash equivalents / monthly expenditure = number of months that expenditure can be supported by cash & cash equivalents

Institution-specific Key Performance Indicators

- 1) Research income per fte professoriate staff
- 2) Percentage of income from donations (university level)

5. GOVERNANCE AND INSTITUTIONAL MANAGEMENT

30. Effective governance and institutional management is based on a clear understanding of the respective roles of the governing body, of the senate or academic board and of the senior management in an institution. Mutual respect for these differing roles is a keystone of a well-run university. To quote the UGC’s Governance Report, “The governing body is responsible for oversight of the institution’s activities, determining its future direction and fostering an environment in which the institutional mission is achieved and the potential of all learners is maximised”. The president and the executive team are responsible for the management of the institution, both internally and externally, such that its mission is achieved and it benefits from teaching, learning and research of the highest quality. In short, the senior executive should not seek to determine those matters which are properly the concern of the governing body. Equally, the governing body should not become involved in the day-to-day executive management of the institution.

31. In many institutions worldwide, codes of good conduct or practice explicitly recognise this difference between the roles but also their mutual dependence, as well as the need to respect such difference. By highlighting the importance of all involved in institutional governance and management recognising their respective responsibilities, this Agreement seeks to reinforce the importance of differing roles being respected, either through a formal code of good practice or through explicit recognition by all concerned.

32. The UGC and the eight universities have worked together since the UGC published its Governance Report in March 2016. Action has been taken to implement recommendations in each of the following key areas in order to strengthen institutional governance and management.

- Recruitment, induction and continuing professional development of university council members
- Institutional strategy
- Management of risk
- Delegation of authority
- Periodic review of governance arrangements

33. HKU has responded to the recommendations by taking the following actions:

5.1 Recruitment, Induction and Continuing Professional Development of University Council Members

34. The Council has revised the terms of reference of its Nomination Committee so that the Committee is now responsible for establishing, and regularly updating, a “skill template”, which can be referred to when identifying candidates for appointment/reappointment as Council members or Chairmen of Council committees. New members joining the HKU Council are provided with the “*Guide and Code of Practice for Members of the Council*” and other relevant documents about the operation of the Council. Briefing sessions about HKU and Council activities are offered to new lay Council members by the Secretary of the Council. Presentations by Faculty Deans on strategic plans and activities of Faculties are arranged at Council meetings. The Council is also apprised of the different aspects of university work and the latest development of important projects and plans through presentation by, and discussion with, the respective officers at its meetings.

5.2 Institutional Strategy

35. The Council of HKU is fully involved in the development of institutional strategies flowing from its overall mission and vision, as articulated in HKU’s *Vision 2016-2025* document.

5.3 Management of Risk

36. HKU has developed a structured methodology and accompanying criteria for the management of risk that provides Council with a holistic view of the institutional risks faced by HKU. In addition, it has established clear roles and responsibilities for the management of those risks. The Council approved a Risk Management Framework in February 2017. It will review the Framework on a regular basis.

5.4 Delegation of Authority

37. HKU has in place a comprehensive structure of delegation, starting with the Council and its major committees (responsible for Finance, Human Resources, Campus Development, and Auditing), each of which is governed by a clear set of terms of reference made by the Council which, if appropriate, include a scheme of delegation setting out limits to authority (particularly in relation to expenditure and especially with regard to commercial or quasi-

commercial activities), along with the framework for reporting and oversight of any use of delegated authority. These committees submit reports annually as well as at other times as necessary to the HKU Council.

5.5 Periodic Review of Governance Arrangements

38. HKU reviews its governance structure on a regular basis. Major governance reviews by external panels were conducted in 2003, 2009 and 2016. Following the recommendations by the review panel in the 2016 exercise, the Council has agreed that there should be reviews on a regular basis, probably every five years, in future.

6. UGC FUNDING ALLOCATION TO THE UNIVERSITY OF HONG KONG

39. As set out in the Provisional Allocation Letter “Recurrent Grants for the 2019/20 – 2021/22 Triennium” dated 8 April 2019, the recurrent grants to be provided to HKU in the form of block grants during the 2019-22 triennium will be **HK\$13,590.645 million**. This figure is indicative, which may increase or decrease slightly when actual competition results on the allocation of the research postgraduate places and RGC projects are available.

UGC Funding Methodology

40. Please refer to the Annex “Methodology for Determining the Levels of Recurrent Grants for the UGC-funded Universities”.

Approved Student Numbers (in fte terms) for the 2019-22 Triennium

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Sub-degree	-	-	-
Undergraduate	13 735	13 769	13 797
Taught Postgraduate	725	771	791
Research Postgraduate#	1 432 + (49)	1 314 + (173)	1 206 + (276)
Total*	15 892+ (49)	15 854 + (173)	15 794 + (276)
FYFD	3 014	3 014	3 014

* Figures may not add up to the corresponding total owing to rounding.

The total tentative RPg places in 2019/20, 2020/21 and 2021/22 are 250, 804 and 1 286 respectively and the allocation to the universities are shown in brackets.


Other UGC Funding

41. Details about other earmarked grants and funding such as the funding to be allocated for Areas of Excellence Scheme, Earmarked Research Grants, knowledge transfer, etc. will be announced separately.

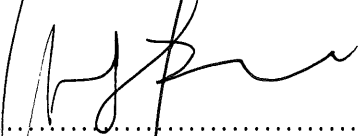
7. FORMAL AGREEMENT

42. This University Accountability Agreement represents an agreement between The University of Hong Kong and the University Grants Committee.

Signed for and on behalf of The University of Hong Kong by

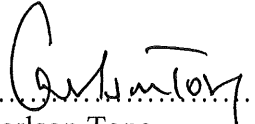

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Professor the Hon Arthur K.C. Li
Council Chairman
The University of Hong Kong

25 June 2019
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Date


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Professor Xiang Zhang
President and Vice-Chancellor
The University of Hong Kong

18-6-19
.....
Date

Signed for and on behalf of the University Grants Committee by


.....
Mr Carlson Tong
Chairman
University Grants Committee

27 June, 2019
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Date


.....
Professor James Tang
Secretary-General
University Grants Committee

24 June 2019
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Date

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

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

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

Block grant

3. The New Academic Structure (NAS) has been implemented in the UGC-funded sector since the 2012/13 academic year. Thus, there has been new recurrent funding for the additional year under the NAS ("new pot of money") in addition to the funding ("existing pot of money") for the three years of undergraduate study and other levels of study. In this regard, for the purpose of determining the block grant allocation to universities, a "two pots of money" approach/funding methodology has been applied since the 2012/13 to 2014/15 triennium, as detailed below. Universities still receive a single lump-sum block grant in the end and the "two pots of money" approach will not affect the existing autonomy within which universities deploy their block grant.

"Existing pot of money" for the three years of undergraduate study and other levels of study

4. Under the "existing pot of money", the amount of block grant to the sector as a whole comprises three elements –

- (a) Teaching – about 75%
- (b) Research – about 23%
- (c) Professional Activity – about 2%

Teaching element

5. The bulk of the block grant is allocated for teaching, which is an indispensable duty and mission of all universities. The Teaching element is determined on the basis of the student numbers, their study levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate), modes of study (i.e. part-time and full-time) and disciplines of study. Some subjects are more expensive to teach than others because of special equipment or laboratory needs, or because they are more staff time intensive, etc. Relative cost weightings by broad academic programme category are grouped into three price groups, as shown in the table below -

Academic Programme Category (APC)	Price Group of APCs	Relative Cost Weighting	
		Teaching ⁽¹⁾ Programme	Research ⁽²⁾ 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	1.0	1.0

Notes:

(1) Includes sub-degree, undergraduate and taught postgraduate programmes.

(2) Includes research postgraduate programmes.

Research element

6. The Research element, i.e. the Research Portion (R-portion), is disbursed to the universities as infrastructure funding to enable universities to provide both the staffing and facilities (e.g. accommodation and equipment) necessary to carry out research, and to fund a certain level of research. To promote research excellence, the UGC has been gradually allocating the R-portion to its funded universities on a more competitive basis according to their success in obtaining peer reviewed Research Grants Council (RGC) Earmarked Research Grants (ERGs). It was originally intended that over a period of nine years (starting from the 2012/13 academic year), about 50% of the R-portion would be ultimately allocated in this manner. In 2017, in response to the stakeholders' concerns expressed in the Review of the RGC (Phase I), the UGC approved the interim arrangement to "freeze" the percentage of the competitive part of the R-portion at 26% since the 2017/18 academic year, pending the completion of a further review on R-portion. The remaining 74% of the R-portion will be allocated with regard to the universities' performance in the Research Assessment Exercise (RAE). For the 2019/20 to 2021/22 triennium, before the

results of the forthcoming RAE in 2020 are available, the results of the RAE 2014 will continue to inform allocation of the rest of the R-portion.

Professional Activity element

7. This element of funding is intended to fund professional activities not covered by the Teaching element and Research element and is calculated based on the number of academic staff.

“New pot of money” for the additional year under the New Academic Structure

8. The funding for the additional year under the NAS, treated as a separate pot of money, is allocated wholly as “teaching funding” among faculties with price weightings of 1.4 and 1.0 for (i) Medicine, Dentistry, Engineering and Laboratory-based studies; and (ii) Others respectively.

Allocation of block grant within universities

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

Grants for specific purposes and extra-formulaic adjustments

10. The UGC is aware that its formula-based funding model cannot address all the various needs of the universities. The UGC’s recommendations therefore make provision for the following specific requirements for the 2019/20 to 2021/22 triennium –

- (a) Earmarked Research Grants (ERG)
The ERG is distributed by the RGC to support research projects and research activities of the eight UGC-funded universities. The ERG is funded by the investment income of the Research Endowment Fund (REF). To keep the amount of funding of the ERG up to the current price level, an amount of \$72.7 million will be deployed within the Cash Limit for ERG for each of the academic years in the 2019/20 to 2021/22 triennium.
- (b) Teaching Development and Language Enhancement Grant (TDLEG)
UGC attaches great importance to teaching and learning. A sum of \$781.2 million will be provided for the TDLEG in the 2019/20 to 2021/22 triennium.
- (c) Knowledge Transfer
To support expansion of institutional capacity and to broaden universities’ endeavours in knowledge transfer, the UGC will continue to reserve a sum of \$68.5 million (including the inflation adjustment) for universities for each of the academic years in the 2019/20 to 2021/22 triennium.
- (d) Central Allocation Vote (CAV)
Similar to the past triennium funding exercise, the UGC will set aside about 1.0% of the Cash Limit (*i.e.* \$600 million in the 2019/20 to 2021/22 triennium)

centrally to support new initiatives during the triennium, in addition to setting aside an average annual funding of \$100 million for the Areas of Excellence projects.

(e) Others

The UGC also agreed to fund a number of small extra-formulaic adjustments relating to specific activities of universities, totalling around \$72 million each year.
