

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 Lingnan University (LU) and the University Grants Committee (UGC) of Hong Kong. It serves to articulate the nature and substance of the relationship between LU 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 LU, as well as providing assurance through high-level performance measures of a commitment to continuous quality improvement. For LU, 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 LU'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. LU 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, LU 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 LU 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 LU and the UGC. This annual review will consist of a check on progress towards targets and outcomes agreed over the timeframe of LU'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 LU is made aware of the potential consequences of it continuing to act in such a way.

8. The Agreement is signed by both LU 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, LU 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 LU 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. LU is committed to

- providing quality whole-person education by combining the best of Chinese and Western liberal arts traditions;
- nurturing students to achieve all-round excellence and imbuing them with its core values; and
- encouraging faculty and students to contribute to society through original research and knowledge transfer.

Institutional Vision

16. To excel as a leading Asian liberal arts university with international recognition, distinguished by outstanding teaching, learning, scholarship and community engagement.

Strategic Priorities and Actions

17. High-level strategic priorities by LU over the timeframe of its strategic plan from 2016 to 2022 and more specific actions for the three year triennial funding period from 2019/20 to 2021/22 are:

Priorities: 2016 to 2022

18. The key strategic priorities are to

- leverage our wealth of experience in liberal arts education and research excellence to collaborate with eminent universities;
- offer more distinct undergraduate and postgraduate programmes
- provide research opportunities for outstanding students across the world
- elevate our reputation in the international arena

Actions: 2019/20 to 2021/22

19. The key actions are to

Promote the value of liberal arts education

- Demonstrate Lingnan's achievements as a high quality liberal arts university in Asia;
- Enhance Lingnan's reputation and brand recognition;
- Launch an Alliance for Asian Liberal Arts Universities (launched in November 2017); and
- Strengthen connections with local community and external stakeholders.

Develop flagship and launch new undergraduate programmes

- Continue to enhance our flagship BBA in Risk and Insurance Management Programme (launched in 2016);
- Offer a new flagship BA in Global Liberal Arts Programme featuring one degree with multi-campus learning experience (to be launched in 2019);
- Offer a new BSc in Data Science Programme by leveraging faculty strengths in Science, Business, Social Sciences and Arts (to be launched in 2019); and
- Offer a new self-financed BA in Animation and Digital Arts Programme by combining strengths in arts and cultures with those of creative and cultural industries and selected exchange partners (to be launched in 2019).

Mount new and strategic regional and international masters and doctoral programmes

- Partner with leading universities in Greater China, Asia and beyond to develop postgraduate education;
- Provide more exchange opportunities for research postgraduate students;
- Widen the horizon of taught-master students through work and internship placement; and
- Develop professional doctoral programmes and joint-PhD programmes to meet changing learning needs of the community.

Foster deep regional and international research collaboration

- Identify and develop strategic research areas for promoting interdisciplinary and multi-disciplinary research and learning;
- Forge closer ties with eminent universities and institutions for research collaboration; and
- Reach out to local community for promoting community-based and policy relevant research to foster positive change in the society at large.

Empower students in defining and pursuing goals

- Enrich hostel experience;
- Broaden international perspectives;
- Cultivate entrepreneurial spirit and experience; and
- Develop excellent leadership qualities.

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) Percentage of graduates who have taken up capstone projects/supervised individual/group research
- 2) Percentage of students attending leadership training / joining entrepreneurial projects
- 3) Percentage of students participating in service learning / civic engagement programmes to serve the wider community
- 4) Percentage of students receiving scholarships / financial support in enhancing learning

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) Research output per academic staff member
- 2) Percentage of research postgraduate students having academic exchange / overseas learning experience
- 3) Percentage of postgraduate students participating in local / regional / international research events
- 4) Number of projects per academic staff member that is relevant to economic change / social progress / policy discourse / cultural enrichment / human betterment

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) Total income from KT activities per academic staff member
- 2) Number of media reports on scholar insights (i.e. LU’s faculty policy advocacy and media engagement / staff contributions to newspaper columns. etc.)
- 3) Number of beneficiaries (e.g., professionals, practitioners, etc.) in professional development activities
- 4) Number of beneficiaries in KT / community activities

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) Number of partnerships with target institutions and organisations
- 2) Percentage of students participating in overseas service learning/internship/entrepreneurship and other forms of experiential learning projects or opportunities
- 3) Level of satisfaction with the learning quality of outgoing exchange
- 4) Average scholarships/financial support in international learning per undergraduate student

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 LU 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) Funds from donation as a percentage of total income of the University
- 2) Ratio of tuition fee income between UGC-funded programmes and non-UGC funded programmes

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. LU has responded to the recommendations by taking the following actions:

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

34. A “skills template” for identification of candidates to serve on the Council of LU for supporting the work of the Council and its standing committees has been worked out. The Council will periodically review its skill set composition as a whole in order to ensure that a good balance of expertise has been maintained to cover all necessary areas of work. New members will join a familiarization programme (including a campus tour) and all members will be kept informed of the latest development of the university through various channels.

5.2 Institutional Strategy

35. The Council of LU is fully aware of its vital role in strategic planning, and is fully involved in the development of LU’s vision, mission and strategies, as articulated in LU’s Strategic Plan 2016-2022. The Council is conscious of the new challenges brought about by the changing external environment and have conducted a critical self-review of LU’s progress and processes in connection with the 2019-2022 Triennium Planning Exercise with a view to mapping the new strategic priorities over the next six years to further enhance and strengthen LU’s position as a leading liberal arts university in Asia. The new Strategic Plan 2019-2025 will provide a clear roadmap to accomplish important goals under six strategic areas that are considered appropriate for the new education landscape and that will help to take LU to its next level of excellence.

5.3 Management of Risk

36. LU conducted a comprehensive risk assessment exercise in 2017. As a result of this exercise, a risk register and risk management policy for LU have been formulated. LU has appointed a Director of Internal Audit, who, in the initial years, also serves as LU’s Risk Officer in formulating risk indicators and monitoring the risks identified. The Audit Committee under the Council will undertake periodic review of the university’s risk management system.

5.4 Delegation of Authority

37. LU has in place a comprehensive structure of delegation. Under the Council, there are 11 standing committees; each of which is governed by a clear set of terms of reference made by the Council which include a scheme of delegation setting out the limits of authority as appropriate. The Council standing committees support the proper conduct of Council business in ensuring the performance of the university against its planned strategies and operational targets. The Council receives regular reports from its standing committees. Each Council standing committee also reviews its terms of reference annually to ensure that the committee is working within its powers and duties, and to make necessary recommendations for amendment for consideration by the Council.

5.5 Periodic Review of Governance Arrangements

38. The Council of LU will review the governance arrangements on a regular basis, at least once every six years (to coincide with LU's planning cycle), with reviews of specific areas being undertaken more frequently if needed.

6. UGC FUNDING ALLOCATION TO LINGNAN UNIVERSITY

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 LU in the form of block grants during the 2019-22 triennium will be **HK\$1,315.421 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	2 374	2 364	2 354
Taught Postgraduate	-	-	-
Research Postgraduate#	56 + (5)	48 + (14)	40 + (22)
Total*	2 430 + (5)	2 412 + (14)	2 394 + (22)
FYFD	521	521	521

* 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.

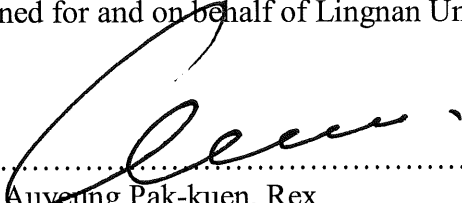
Other UGC Funding

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.

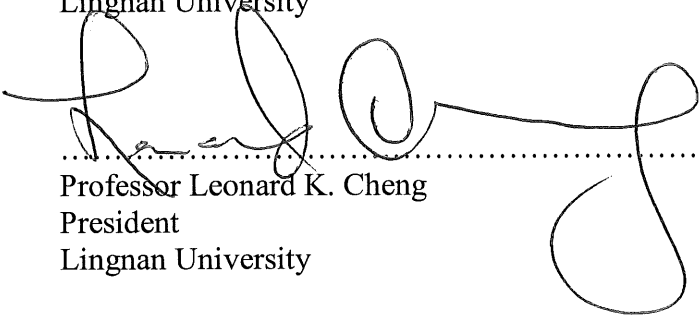
7. FORMAL AGREEMENT

42. This University Accountability Agreement represents an agreement between Lingnan University and the University Grants Committee.

Signed for and on behalf of Lingnan University by

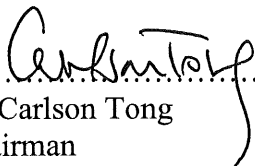

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Mr Auyeung Pak-kuen, Rex
Council Chairman
Lingnan University

25 June 2019
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Date

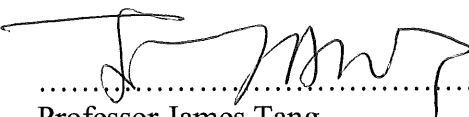

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Professor Leonard K. Cheng
President
Lingnan University

18 June 2019
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Date

Signed for and on behalf of the University Grants Committee by


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Mr Carlson Tong
Chairman
University Grants Committee

27 June 2019
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Date


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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.
