

## ***Chapter 2 – Academic Planning and Recurrent Grant Cycle***

### **Academic Planning and Recurrent Grant Cycle**

2.1 The UGC follows a triennial planning cycle for the recurrent grant allocation exercise to the UGC-funded institutions. The cycle starts two years 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 (ADPs) submitted by the institutions in accordance with (a), followed by the UGC's discussion with the institutions on those proposals, followed by UGC's “advisory letters” to the institutions;
- (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 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 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 ADPs. These letters will specify the deadline for the institutions to submit their ADPs.

## *Academic Development Proposals*

2.3 ADPs are “proposals” that serve three purposes. First, they review recent developments within the institution and on this basis put forward development proposals for the immediate future. Second, with any modifications as may be suggested by the UGC, they serve as the foundation for the institution’s costed estimates for the next grant triennium. Third, where approved academic programmes are to meet specific manpower needs, they provide an assurance of anticipated supply of graduates.

2.4 The ways in which the proposals are put together, and presented to the UGC, vary between institutions, although there are many common factors. The primary emphasis is naturally on academic developments as such but supporting services (administrative as well as academic) have to be included. Sometimes the institution may consider that other issues (such as staff terms and conditions) need to be mentioned, but it has to be understood that in some areas the UGC can do no more than note the position for information only.

2.5 Subject to the requirements to cater for the specific needs of each academic planning exercise, the style and presentation of ADPs are matters for the institutions.

### *“Advisory” Letters*

2.6 The triennial planning cycle is an interactive process where extensive discussion between the UGC and the institutions takes place. The institutions' ADPs are considered by the UGC supplemented by the discussion with the institutions, and the UGC’s suggestions or views are provided to the institutions in “advisory” letters, which will also specify the deadline for the institutions to submit their costed estimates. The UGC does not comment on every point made in the ADPs, but only on those which members believe call for comment. Normally, the “advisory” letters will comment on two main areas:

- (a) overall developments - these are normally general matters which affect more than one institution and are hence sent to all institutions. They contain matters which might affect the triennium estimates, or particular developments; and
- (b) specific academic developments - these are comments on particular proposals from individual institutions. Only those proposals which members believe justify special comment will be mentioned. Most of the matters contained in this part will affect the triennium estimates, or particular developments.

2.7 The style of the “advisory” letters is essentially that of a letter of guidance, rather than of one setting out specific requirements or vetoing particular

proposals. The institution is expected to give considerable weight to the UGC's comments, but they are not instructions. At the same time, the institution should note that if members have voiced doubts about a proposal, that proposal will need to be supported with additional justifications if it is to survive in the grant recommendations. This should be done by a supplementary paper with the triennium estimates submitted.

### *Recurrent Grant Estimates*

2.8 The UGC, when considering grant recommendations to be made to the Government, will make reference to costed estimates submitted by the institutions. The institutions' costed estimates (figures presented in an agreed format) should be based on their ADPs and the UGC's "advisory" letters. Any late item will require a detailed justification.

### *Recurrent Grant Assessment*

2.9 The costed estimates submitted by institutions will be used by the UGC for reference during its consideration on the recurrent funding requirements of the institutions. The UGC then works out its assessment of grant requirements for each institution in the next period, taking into account the recent performance of the institutions in fulfilling their roles and their agreed plans for the future, as well as any factors which might be relevant in a particular case. The basis of the Recurrent Grant Funding Methodology used by the UGC for the current triennium is outlined at **Annex 2B**.

2.10 In determining the net funding requirements of the institutions, the UGC, as required by the Government, takes into account:

- (a) assumed tuition fee income based on actual and/or indicative tuition fees as notified by the Government for the years in question; and
- (b) other assumed income of the institutions such as rents, interest and other income, as estimated by the institutions and agreed with the UGC.

The resultant recurrent grants allocated to the institutions are thus net subventions after deducting assumed tuition fee and other income from the required expenditures as assessed by the UGC. Accordingly, the "UGC funds" at the disposal of an institution during a funding period comprise:

- (a) the institution's UGC grants (including any recurrent or capital grants); and
- (b) assumed tuition fee and other income for the funding period.

2.11 Regarding other income, the institutions may use any excess income treated as UGC funds on institutional activities to further its own academic objectives and missions and in accordance with the general rules set out in these Notes on Procedures. This includes any excess of interest income, tuition fees (except those surplus tuition fee income to be clawed back in accordance with paragraph 4.13) or other income over and above assumed levels.

#### *Recurrent Grant Recommendations*

2.12 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 for the funding period concerned. (The UGC's capital recommendations would be submitted to the Government in the manner described in Chapter 5). Following their consideration by the Government, the grant recommendations of a funding period are submitted to the Chief Executive in consultation with the Executive Council for policy approval, to the Education Panel of the Legislative Council for consultation, and to the Finance Committee for acceptance of the financial implications respectively. Subsequently, the grant allocation could be completed by January/February through the issuance of grant allocation letters.

2.13 Approval of the financial implications is subject to the voting of funds annually in the Government's Annual Estimates (in March/April). 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/January. The recommendations then go forward as part of the Government's Annual Estimates for the Budget Debate.

#### *"Allocation" Letters*

2.14 When a grant recommendation has been agreed with the Government and formally accepted by the Finance Committee of the Legislative Council, the UGC will notify each institution by means of a grant allocation letter the amount of the grant and the UGC's observations and comments. These observations and comments are normally grouped into four sections:

- (a) first, a statement on the types of grants and their amounts, and the fact that the grant is a net subvention after deducting assumed tuition fee and other income;
- (b) second, a list of items which have been explicitly included or excluded in the grant, notably the approved student full-time equivalent by level and year and the approved student number targets for key disciplines;
- (c) third, a list of activities for which the UGC has made some allowance in the grant (although not necessarily disclosing how much allowance has been made); and

- (d) fourth, a list of observations, if any, about the way in which the institution is tackling what the UGC sees as its major tasks.

2.15 Allocation letters are addressed to the Head of the institution concerned, copied to the Chairman of Council. The scale of distribution of the grant within the institutions is a matter for the institutions themselves.

2.16 If there are no major problems with the Government over the grant recommendations, the UGC should be able to issue the grant allocation letters in January/February before the start of the triennium. This then completes the funding cycle.

2.17 Allocation letters will also be issued by the UGC during a funding period when Earmarked Grants for Specific Purposes are allocated by the UGC to institutions. The content of such allocation letters will depend on circumstances, but they will normally cover:

- (a) the type of grant, its amount, the period covered (e.g. financial year or triennium) and the level of allocation (whether it is a one-line budget or four-line budget to be explained in paragraph 4.8 and note to Annex 4A);
- (b) the objective of allocating the grant and the expectation of the UGC; and
- (c) any reporting requirements and their timing.

### **Importance of the ADPs, the “advisory” and “allocation” Letters**

2.18 The ADPs, the “advisory” and “allocation” letters are important documents in the academic planning and funding cycle. Taken together, they are contractual in nature and provide the basis on which the institutions obtain their block grants. Notwithstanding this, it is not the intention of the UGC that the ADPs, as commented on by the UGC, should be viewed as set in stone and incapable of being amended as circumstances warrant. The UGC recognises that these plans are drawn up well before the commencement of a new triennium. A great deal can happen in the five years from the conception to the end of triennium and the institutions should have the flexibility to respond to changes in demand and in (economic) circumstances. Provision for such changes is set out in paragraphs 3.1 to 3.13 of Chapter 3.