

Chapter 3 – In-Period Flexibility and Guiding Principles for Institutional Housekeeping

In-Period Flexibility

General

3.1 The UGC’s main aim in considering detailed academic development proposals (ADPs) is twofold: to ensure institutions are thinking deeply about their roles, strategies and directions; and to ensure a certain level of provision for key areas – for example doctors, nurses and teachers. The student number targets agreed in the context of the ADP exercise are contractual in nature, and should not be changed lightly. But if the institutions consider there is a genuine need to make suitable changes within a triennium, the UGC does not micromanage the detailed movement of places.

3.2 The UGC expects the institutions to reduce – and indeed eliminate – or expand programmes in response to strategic shifts, market demands and the relative strengths or weakness of programmes. Thus, the institutions have considerable freedom in the distribution of resources between programmes and areas of activity within the overall guidelines of the “advisory” and “allocation” letters and the approved ADPs.

3.3 Nevertheless, there are limits on movements and changes, and this section sets out the main boundaries.

Changes to approved ADPs

Programmes at all Levels of Study

3.4 The student number targets, by level and by institution, are considered by the Government and reported to the Finance Committee of the Legislative Council. Therefore, within a funding period the institutions should not move numbers between levels of study (*i.e.* sub-degree, undergraduate, taught postgraduate and research postgraduate) without specific approval from the UGC - which could entail reversion to the Government and the Finance Committee. The UGC and the institutions have also agreed, as far as practicable, to provide an agreed number of places in areas that the Government considers important for manpower/strategy purposes. The numbers set out in the “advisory” or “allocation” letters in these areas should therefore not be varied without specific UGC approval.

Undergraduate, Sub-degree and Taught Postgraduate Programmes

3.5 In case an institution wishes to introduce a new programme in a new area of activity, a sufficiently advance request should be submitted to the UGC¹. The UGC will accord flexibility as far as possible, having regard to the merits of the proposals, the financial implications involved (see paragraph 3.6 below) and the role of the institution, *etc.* The UGC and each institution have agreed Role Statements. Any plans to establish new programmes outside an agreed role would need to be well justified. Similarly, in view of the policy that in general sub-degree (SD) and taught postgraduate (TPg) programmes should be self-financed, any plan to establish new publicly-funded programmes at these two levels would require strong justification.

3.6 Other than the above, it is not necessary for the institutions to seek the UGC's prior written agreement on changes to the approved ADPs if the following general principles are met, but the institutions should inform the UGC in writing of such changes in a reasonable time for record purposes. First, the changes should be cost-neutral to the UGC. The UGC will not make any upward funding adjustments during a funding period for any changes to the programmes, including the re-distribution of student numbers from one programme to another. Second, it should not be assumed that the UGC will automatically agree a higher cost base in the next funding period. Thus institutions are advised to pay attention to the different relative cost weightings between Academic Programme Categories in moving student places. For example, moving large numbers of student places from clinical/laboratory-based to non-clinical/laboratory-based programmes may result in over-provision of resources in a funding period and may be subject to enquiries from and funding clawback by the UGC.

Research Postgraduate Programmes

3.7 As regards research postgraduate (RPg) enrollment/ programmes, the UGC's key aims are to ensure RPg students have the appropriate environment, support and resources to take forward their studies effectively and to have knowledge of where such RPg places are distributed. Therefore, the UGC needs to know the broad areas for the purposes of funding assessment. Given the nature of RPg education, the institutions are free to deploy the student number targets and the associated resources among the different disciplines in the course of student enrollment, except for those allocated by the UGC/RGC to specific RPg programmes. To enable the UGC to have a dialogue with institutions about their role and the most effective use of RPg resources, the UGC should be informed of the enrollment situation – as provided in paragraphs 3.11 and 3.13 below.

¹ Institutions are requested to submit their requests at least two months in advance of a decision being needed. Depending on the complexity of the proposal, a longer processing time may be required before UGC's formal approval is given. Institutions should not proceed with the changes until written approval has been given by UGC.

Over-enrollment

3.8 The student number target is a primary factor in the allocation of the block grant and the institutions should thus adhere as far as possible to the total numbers approved in the academic and funding cycle. However, the UGC provides for flexibility in over-enrollment in general and the admission of non-local students. The following paragraphs set out the flexibility allowed.

Undergraduate, Sub-degree and Taught Postgraduate Programmes

3.9 Over-enrollment is allowed on the understanding that no extra resources will be provided by the UGC. Over-enrollment for programmes subject to specific manpower requirements is set out in paragraph 3.10 and such programmes are not covered in this paragraph. Over-enrollment across the whole institution not exceeding 4% for local students is permitted. As regards non-local students, in accordance with Government's policy, institutions may enroll up to a level not exceeding 20% of the approved UGC funded student number by level. This 20% should all be outside the UGC-funded number. In total, over-enrollment of up to 20% of the total approved student number (local and non-local students) across the whole institution is permitted. Institutions are free to exercise internal management where any over-enrollment occurs, within the overall ceiling of 120%.

3.10 As regards programmes subject to specific manpower requirements, a 20% over-enrollment limit applies. Institutions may over-enroll local students up to 4% and non-local students up to 20% of the approved UGC funded student numbers in each programme, subject to a condition that over-enrollment of all students (local and non-local students) in manpower programme should not exceed 20% of the approved student number in that programme. Institutions are still expected to meet the requested local manpower requirements as closely as possible.

Research Postgraduate Programmes

3.11 The institutions are allowed to enroll RPg students up to 40% over and above their respective approved student quotas, provided that the aggregate over-enrollment of up to 40% does not exceed the number of on-going General Research Fund projects for the respective institution. Subject to prior notification to the UGC, institutions may enroll additional students beyond the 40% cap if the additional full direct costs incurred (defined as all direct marginal costs incurred arising from the enrollment of the additional student(s), including studentships, and additional costs for student supervision, cost of space provided *etc*) are met from non-UGC/RGC funds, including higher tuition fees.

² Deleted.

³ Deleted.

Under-enrollment

3.12 Modest under-enrollment is allowed on the understanding that the institutions will make every effort to offset under-enrollment in one programme by over-enrollment in others, therefore maintaining the effective use of public resources. To safeguard the use of public funds, under-enrollment across a whole institution exceeding 4% of the student number targets will lead to a claw back of funding, as considered by the UGC as appropriate. Besides, the UGC may decide on appropriate action as it sees fit in case persistent under-enrollment across a whole institution is observed across several years. For programmes subject to specific manpower requirements, as well as the first-year-first-degree intake of local students, the student number targets should be met as far as possible. A general reference of 4% under-enrollment will be tolerated, and the UGC may decide on appropriate action on warranted under-enrollment situations having regard to the merits of individual cases. All first-year-first-degree places should be for admission of local students and the student number targets should be met as far as possible. The UGC may decide on appropriate action on warranted under-enrollment situation having regard to the merits of individual cases.

3.13 The UGC should be informed of the enrollment situation through the annual submission of statistics in the Common Data Collection Format.

Funding Policies/Practices

3.14 Some examples of the current policies/practices as regards funding and admissions matters are set out at **Annex 3A** for reference. (Annex 3A to be issued separately at a later date.)

Guiding Principles for Institutional Housekeeping

Cost Allocation

3.15 Recurrent Grants are provided to the UGC-funded institutions to support their academic and related activities based on approved UGC-funded activities. As such, there should be no cross-subsidisation of UGC resources to non-UGC-funded activities (including, but not limited to, self-financing activities). As a general principle, costs that can be directly attributed to UGC-funded activities or non-UGC-funded activities should be charged directly to the respective votes. **Annex 3B** provides the general principles of charging UGC resources to non-UGC-funded activities. To avoid hidden subsidy to non-UGC-funded activities, the institutions should, as a matter of principle, levy overhead charges on such activities, including projects funded by other Government departments / agencies and projects / programmes conducted by their self-financing subsidiaries or associates. Institutions are required to follow the cost allocation practices and methods set out in the Cost Allocation Guidelines for UGC-funded and

non-UGC-funded Activities (“the Guidelines”)^{3a} at **Annex 3C** in devising their cost allocation models and for incorporation of the Guidelines requirements in their financial statements for the accounting period commencing 1 July 2018. Furthermore, where institutions are competing with the private sector (such as the optometry clinic, Chinese medicine clinic and teaching hotel operated by institutions), any hidden subsidy should be removed to avoid unfair competition.

3.16 When determining the level of overhead charges to be levied, the institutions should reflect the full costs of the non-UGC-funded activities concerned which means the relevant portion of the overhead consumed by the activities concerned should be fully recovered. Institutions should establish the overhead recovery rates for different categories of self-financing activities based on the full cost recovery principle; and review and, if necessary, revise the overhead recovery rates on an annual basis. To enhance institutional financial transparency, institutions are required to explain clearly in a publicly available document (for example, a website) the way in which they allocate costs to UGC-funded and non-UGC-funded activities.

3.16A For the purpose of cost allocation, it is specified in the Guidelines that certain activities which by nature are non-UGC-funded activities could be deemed to be UGC activities and hence the relevant costs incurred are to be charged to the UGC vote. Treatments of income arising from these activities are set out at **Annex 3D**.

3.17 Institutions may waive overhead charges and / or faculty principal investigators costs, in whole or in part, or take on research or other projects where charging full overheads and / or faculty principal investigators costs is not possible because of the rules imposed by the funding agency, if they are satisfied that the value of the projects to their academic development justifies exceptional treatment or the proposed waiver is in compliance with the Guidelines. In such cases, however, they should be prepared to assure the UGC that this is the case. For transparency and accountability, institutions are required to make an appropriate disclosure in the documents submitted to their Councils and to submit to the UGC an annual declaration to explain the nature of the projects for which exemptions have been applied and the amount of overhead charges and faculty principal investigators costs that has been waived. A sample of the format and details of the annual declaration is set out in **Annex 3E**. Institutions may waive overhead charges on student hostel places occupied by students of UGC-funded programmes. Despite the fact that the student hostel places remain to be non-UGC-funded for recurrent grant purposes, the UGC considers hostel life an integral part of whole-person education worthwhile of its attention and exceptional treatment. *[Rev. May 2017]*

“Co-teaching” Arrangement

3.18 “Co-teaching”, where students of UGC-funded programmes⁴ and self-financed programmes⁵ are taking the same course at the same institution, may be allowed, provided that institutions are able to assure the UGC that the quality of their UGC-funded programmes will not be adversely affected and that the Guidelines requirements have been adhered to for fair and appropriate cost apportionment between the UGC-funded programmes and self-financed programmes.

3.19 In the case where self-financed courses are attended by UGC-funded students, institutions should also ensure that the relevant costs to be borne by UGC-funded students should be appropriate and in accordance with the requirements of the Guidelines.

“Mixed-mode funding”

3.20 Under the principle of no cross-subsidisation of UGC resources to self-financed activities (as set out under paragraph 3.15 above), “mixed mode funding”⁶ under which the resources for UGC-funded activities are shared by self-financed activities within an academic programme, is not allowed.

3.21 All academic programmes should be either UGC-funded or self-financed. For the avoidance of doubt, “co-teaching” must not be supported by “mixed-mode funding” (please refer to paragraphs 3.18 – 3.19 above). Institutions should keep separate accounts for UGC-funded and self-financed programmes.

Procurement of Services, Stores and Equipment

3.22 As part of good governance, institutions are requested to set up and monitor their procurement procedures with adequate checks and control. Institutions should put in place procurement policies which are transparent, fair and cost-effective, making reference to practices in the Government. Emphasis should be placed on the promotion of level playing field and competitive bidding. Exceptions should be well justified and properly authorized by appropriate level of authority from senior management.

^{3a} The Guidelines are also accessible on UGC’s website.

⁴ UGC-funded programmes refer to the academic programmes which are approved in the context of the academic planning exercise and subsequent changes to them as approved by the UGC.

⁵ All programmes other than UGC-funded programmes offered on a self-financed basis in accordance with paragraph 3.15 above are referred to as “self-financed programmes.”

⁶ A possible example of mixed-mode funding is both UGC-funded students and self-financed students enrolling in the same programme are required to pay the same level of tuition fee for the purpose of lowering the tuition fee to non UGC-funded students.

Avoiding Conflict of Interest

3.23 Institutions should require and remind, at regular intervals, staff members involved in the procurement process to avoid conflicts of interest, whether actual, potential or perceived arising between their official duties and their private interests. They should set up proper mechanisms for the declaration of such conflicts or private interests as may arise and ensure that sufficient safeguards are in place against involving staff having private interest in a particular procurement.