

## Head 190 — UNIVERSITY GRANTS COMMITTEE

**Controlling officer:** the Secretary-General, University Grants Committee will account for expenditure under this Head.

**Estimate 2014–15** ..... **\$15,601.7m**

**Establishment ceiling 2014–15** (notional annual mid-point salary value) representing an estimated 59 non-directorate posts as at 31 March 2014 rising by three posts to 62 posts as at 31 March 2015..... **\$30.5m**

In addition, there will be an estimated three directorate posts as at 31 March 2014 and as at 31 March 2015.

**Commitment balance**..... **\$196.3m**

### Controlling Officer's Report

#### Programme

**University Grants Committee**

This programme contributes to Policy Area 16: Education (Secretary for Education).

#### Detail

	2012–13 (Actual)	2013–14 (Original)	2013–14 (Revised)	<b>2014–15 (Estimate)</b>
Financial provision (\$m)	15,315.8	15,015.6	15,716.4 (+4.7%)	<b>15,601.7</b> (–0.7%)
				(or +3.9% on 2013–14 Original)

#### *Aim*

2 The aim is to service the University Grants Committee (UGC) which advises the Government on the development and funding of higher education in Hong Kong, to administer government grants to the UGC-funded higher education institutions, and to support the UGC's objectives of advancing the quality of teaching and learning, research and knowledge transfer at the UGC-funded institutions, and monitoring the efficiency and cost-effectiveness of the institutions' UGC-funded activities.

#### *Brief Description*

3 The UGC Secretariat is specifically tasked with:

- providing support to the UGC and its sub-committees, the Research Grants Council (RGC) and its sub-committees and panels, and the Quality Assurance Council (QAC) and its audit panels;
- facilitating communication and understanding among the Government, the UGC, the higher education institutions, and relevant stakeholders; and
- disbursing approved grants to the UGC-funded institutions and monitoring their financial activities.

4 Various reviews and initiatives to enhance teaching and learning, language proficiency, knowledge transfer and internationalisation have taken place as planned. Research activities are on-going and developing.

5 The key performance measures are:

*Achievements of the UGC in the 2012/13 and 2013/14 academic years*

Funding for the 2012/13 to 2014/15 triennium

- Following the acceptance of the recurrent grant for the UGC-funded institutions for the 2012/13 to 2014/15 triennium by the Finance Committee (FC) of the Legislative Council in January 2012, the UGC informed the respective institutions their funding allocation for the 2012/13 to 2014/15 triennium in February 2012. The funding allocation had already taken into account price adjustments, funding for the additional year of undergraduate programmes under the New Academic Structure (NAS), funding for the additional First-Year-First-Degree (FYFD) and senior year undergraduate places and the replacement of the existing \$100.0 million annual recurrent subvention to the RGC starting from the 2013/14 academic year by the investment income from additional injection of \$2 billion into the Research Endowment Fund.

- To allow more time for institutions to study the impact of the NAS in the higher education sector and to take into account the results of the Research Assessment Exercise 2014 in funding allocation in the next full triennium, a roll-over arrangement will be implemented for the 2015/16 academic year. The UGC will kick-start the preparation for the funding allocation exercise for the next funding period with the institutions.

### Implementation of the NAS for Senior Secondary Education and Higher Education

- The NAS was smoothly implemented in the UGC sector in September 2012. The first cohort of students under the four-year undergraduate curriculum will graduate in 2016.
- The capital works projects necessary for the NAS have been completed. The UGC continues to monitor the UGC-funded institutions' remaining consequential spatial reorganisation works to ensure better space utilisation.

### Higher Education Review

- Following extensive consultation, the UGC submitted the report entitled “Aspirations for the Higher Education System in Hong Kong” (Higher Education Review Report) to the Government in December 2010. The report is a forward looking document that assists the Government and the public in reflecting on the purposes of higher education, perceived world trends, vision and hence the strategies for Hong Kong's higher education system. The Government endorsed the overall strategies and directions recommended in the report. The UGC is working closely with the Education Bureau on the implementation of the recommendations of the report and this will continue to be one of the major tasks of the UGC in the coming years.

### Senior Year Articulation Opportunities

- To enhance the articulation opportunities for sub-degree graduates, the number of publicly-funded senior year undergraduate places are being progressively gradually increased from 3 974 (or 1 987 intake places) in the 2011/12 academic year to 8 000 (or 4 000 intake places) in the 2015/16 academic year. The UGC-funded institutions have allocated these places to different academic programmes. As announced in the 2014 Policy Address, from the 2015/16 academic year and in the triennium that follows, the intake of senior-year undergraduate places in UGC-funded institutions will progressively increase by a total of 1 000 places so that 5 000 meritorious sub-degree graduates will be able to articulate to subsidised degree programmes each year by the 2018/19 academic year.

### Importance of Teaching

- The UGC recognises the importance of teaching excellence in the UGC-funded institutions. Of the total block grant, around 75 per cent is for teaching and thus it must be a central focus of the institutions. In addition, the UGC places emphasis on teaching in several ways. The academic development planning process for the 2012/13 to 2014/15 triennium had given a strong focus on teaching quality. The Higher Education Review Report provided specific suggestions on the approaches that the UGC-funded institutions might adopt to improve teaching and learning. The UGC has been organising the annual UGC Teaching Award. Apart from the annual provision of the Teaching Development Grants to enhance teaching quality, annual provision of Language Enhancement Grants have also been provided to the UGC-funded institutions to enhance the language proficiency of students. During the 2013/14 and 2014/15 academic years, the UGC continues to further enhance the support for institutions in the area of teaching and learning through supporting individual and collaborative projects on teaching and learning, facilitating the establishment of communities of practice by institutions, and supporting professional development activities. Time-limited funding of \$50.0 million has been earmarked for providing extra resources to institutions in the 2013/14 and 2014/15 academic years to motivate them to accelerate the adoption of necessary pedagogical changes and innovations with a view to meeting the learning needs of the new generation of students and enhancing students' learning experience.

### Quality Assurance

- The QAC is tasked to assist the UGC in discharging its role in quality-related matters in respect of programmes offered at degree and above levels at the UGC-funded institutions. The QAC has two primary roles: to undertake quality audits of the student learning experience at each of the eight UGC-funded institutions; and to promote quality assurance and enhancement through the spread of good practice. The QAC's first round of audits of the eight UGC-funded institutions was completed in 2011. The QAC has concluded a review of the first round of quality audits and revised the audit framework in consultation with the institutions. The second audit cycle will commence in 2015. Preparation is underway.
- To follow up on the recommendation of the Higher Education Review Report, a working group comprising representatives from the UGC, the UGC-funded institutions and the Hong Kong Council for Accreditation of Academic and Vocational Qualifications is being set up to plan for and oversee external quality audits on sub-degree operations of UGC-funded institutions.

### Research Funding and Research Assessment Exercise

- To promote research excellence, the UGC continues to pursue with the eight UGC-funded institutions various ways to make the allocation of research funding more competitive. The allocation of the research postgraduate places has been subject to a competitive process in the 2012/13 to 2014/15 triennium and some funding within the Research portion of the Block Grant has been allocated on a more competitive basis in a gradual manner starting from the 2012/13 academic year. After consulting the sector, the UGC has started the preparation for the Research Assessment Exercise 2014 and constantly engaged the institutions in developing the implementation details including the Guidance Notes, the General Panel Guidelines, the panel-specific assessment criteria and working methods, as well as developing the electronic system.
- In January 2009, the FC approved a one-off grant of \$18 billion for the setting up of a Research Endowment Fund. From the 2010/11 academic year onwards, investment income from at least \$14 billion of the Research Endowment Fund has replaced the bulk of the annual funding for earmarked research grants from the research subvention, thus providing greater funding stability and certainty. Investment income generated from up to \$4 billion of the Research Endowment Fund is used to support the Theme-based Research Scheme.
- The FC approved in January 2012 an additional injection of \$5 billion into the Research Endowment Fund. Investment income generated from \$2 billion of the injection has been used to replace the remaining \$100.0 million annual recurrent subvention to the RGC for earmarked research grants to the UGC-funded institutions from the 2013/14 academic year onwards. Investment income generated from the other \$3 billion of the injection will provide new competitive research funds for the local self-financing degree sector.

### Work of the RGC

- The RGC funded some 1 023 grant applications in the 2012/13 academic year with earmarked research grants, which are funded by annual recurrent subvention to RGC and investment income from the Research Endowment Fund. Starting from the 2013/14 academic year, all research schemes under the RGC, with the exception of the Hong Kong PhD Fellowship Scheme and the Areas of Excellence Scheme, have been funded by investment income from the Research Endowment Fund.
- Under the Hong Kong PhD Fellowship Scheme which aims to attract students of high calibre to pursue their Doctor of Philosophy studies in Hong Kong, 185 fellowships were awarded in the 2013/14 academic year. For the 2014/15 academic year, the fifth call for the Scheme was closed on 2 December 2013 and the results will be announced in March/April 2014. As for the Areas of Excellence Scheme which seeks to build upon Hong Kong's existing research strengths and develop them into areas of excellence, its administration was transferred from the UGC to the RGC on 1 February 2012. Under the sixth round of funding exercise, three projects were funded in the 2013/14 academic year.

### Knowledge Transfer

- The UGC recognises the importance of knowledge transfer in bringing about socio-economic benefits and impact to the community and businesses. From the 2009/10 academic year onwards, a stream of recurrent funding of around \$50.0 million per year has been allocated to its funded institutions to further strengthen and broaden their endeavours, commensurate with their roles and missions. Institutions' annual reports on the use and outcomes of the funding have been uploaded to the UGC website for public consumption.

### Matching Grant Scheme

- In view of the very encouraging response to the past five rounds of Matching Grant Scheme and to continue fostering a philanthropic culture, complementing institutions' efforts to tap more funding sources and helping institutions improve the quality of education, the Administration introduced the Sixth Matching Grant Scheme with a commitment of \$2,500.0 million as approved by the FC in June 2012. In total, the Scheme covers 17 statutory post-secondary education institutions and approved post-secondary colleges, including the eight UGC-funded institutions. To support the development of multiple study pathways, the Scheme for the first time covers the self-financing operations and extension arms of the publicly-funded institutions as well as the sub-degree operations of the self-financing institutions. The Sixth Matching Grant Scheme is open for two years from August 2012 to July 2014.

### Financial Affairs of Institutions

- The UGC established in January 2011 the Financial Affairs Working Group to look into the financial affairs of the eight UGC-funded institutions with a view to ensuring that there was no use of UGC funds for non-UGC-funded activities. The Group concluded that nothing had come to its attention that would suggest glaring irregularities in the financial governance of the institutions. There is room for improvement in the cost allocation practices and the level of financial transparency in institutions and the Group has in its report published in October 2013 made recommendations in these areas, so as to provide more assurance to the public that the use and application of public funds is appropriate. The UGC will work with the institutions on the phased implementation of the recommendations.

**Internationalisation and Non-local Students**

- Internationalisation will continue to be a priority for the UGC, not only in terms of having more non-local students studying in Hong Kong and more local students being able to go on exchange programmes, but also by ensuring the whole institutional environment is appropriate. The non-local student quota has increased over the years. UGC-funded institutions are currently allowed to recruit non-local students to their publicly-funded taught programmes up to 20 per cent of the approved student number targets. The number of non-local students pursuing UGC-funded taught programmes in the 2012/13 academic year was 13 661, representing 15 per cent of total student enrolment. To encourage institutions to provide more exchange opportunities for local students, time-limited funding of \$20.0 million has been earmarked for providing financial assistance for needy students to participate in exchange activities in the current triennium on a pilot basis. Various other initiatives are also introduced in the triennium to incentivise institutions to further enhance its efforts in internationalisation and engagement with the Mainland.
- As a key factor in promoting internationalisation is the provision of hostel places – for both local and non-local students, the UGC is working with the Government and the institutions to have these in place as quickly as practicable.

**Openness and Transparency of UGC Activities**

- The UGC, RGC and QAC continue to make their work more transparent and open, and explain their work to and listen to views expressed by the public. The UGC pays visits to all eight institutions to meet with their senior management, faculty members as well as students to enhance communication and listen directly to their views concerning the work of the UGC. Published reports are made public – such as the UGC and RGC Annual Reports, the reports of the QAC quality audits and the Financial Affairs Working Group Report. The RGC has also made its work more transparent by, for example, having three public lectures under the subject areas of “Obesity”, “Confucianism” and “Green and Renewable Energy” in 2013.

**Indicators**

*Recurrent subventions*

	<i>Academic Year</i>		
	2012/13 (Actual)	2013/14 (Revised Estimate)	<b>2014/15 (Estimate)</b>
recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m) .....	14,204.8	15,039.9	<b>15,292.1</b>
Language Enhancement Grants# amount of grants (\$m) .....	118.8	118.8	<b>118.8</b>
Teaching Development Grants# amount of grants (\$m) .....	37.6	41.1	<b>41.1</b>
research grants			
general research fund applications dealt withΔ .....	2 399	—	—
other research grant applications dealt withΔ .....	867	—	—
amount of research grants earmarked for the RGC (\$m) .....	100.0 <sup>^</sup>	0 <sup>^</sup>	<b>0<sup>^</sup></b>
on-going funded earmarked research grant projects monitored (including new projects funded in the year)Δ .....	5 135	—	—
grants for Areas of Excellence research projects			
on-going funded Areas of Excellence projects monitored.....	10	12	<b>12</b>
amount of grants (\$m) .....	72.3	88.7	<b>78.9</b>

# Language Enhancement Grants and Teaching Development Grants have been included in the block grants to the institutions.

Δ The projects/applications covered in the 2012/13 academic year include those funded by recurrent subventions as well as the Research Endowment Fund. These indicators are being phased out as from the 2013/14 academic year as earmarked research grants are no longer provided by recurrent subventions under Head 190. Projects funded by recurrent subventions in the past will continue to be monitored by the RGC through the established monitoring mechanism. The expenditure of the Research Endowment Fund can be found in the annual audited financial statements of the Fund tabled before the Legislative Council. Relevant information on the projects approved by the RGC can be found in the Annual Report of the RGC which is accessible by the public.

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- ^ The 2010/11 academic year was the first full year in which the bulk of funding for research projects under the RGC comes from the Research Endowment Fund. The UGC has since then been earmarking and allocating, out of the recurrent subvention from the Government, \$100.0 million in each academic year to the RGC for research grant funding. From the 2013/14 academic year onwards, the \$100.0 million has been replaced by the investment income generated from the additional injection of \$2 billion into the Research Endowment Fund. This indicator is being phased out as from the 2013/14 academic year as earmarked research grants are no longer provided by recurrent subventions under Head 190. The expenditure of the Research Endowment Fund can be found in the annual audited financial statements of the Fund tabled before the Legislative Council. Relevant information on the projects approved by the RGC can be found in the Annual Report of the RGC which is accessible by the public.

	<i>Financial Year</i>		
	2012–13 (Actual)	2013–14 (Revised Estimate)	<b>2014–15 (Estimate)</b>
<i>Capital subventions</i>			
<i>capital grants</i>			
capital works project applications processed .....	8	5	<b>4</b>
capital works projects approved by FC .....	1	0	<b>0</b>
amount of capital commitments approved by FC (\$m) ..	198.3	0	<b>0</b>
capital projects monitored .....	25	22	<b>19</b>
cost of on-going capital projects monitored (\$m) .....	12,245.2	11,603.6	<b>10,748.1</b>
capital subventions in terms of cash flow requirement for the year (\$m) .....	2,910.6	963.0	<b>563.7</b>
<i>Administration costs of UGC Secretariat</i>			
cost of administration as percentage of recurrent and capital grants administered (%) .....	0.5	0.6	<b>1.1</b>
	<i>Academic Year</i>		
	2012/13 (Actual)	2013/14 (Revised Estimate)	<b>2014/15 (Estimate)¶</b>
<i>Student numbers of UGC-funded programmes</i>			
<i>student numbers in terms of Full-Time Equivalent (FTE) students</i>			
undergraduate‡ .....	75 267	77 199	<b>70 757</b>
taught postgraduate .....	2 428	2 271	<b>2 193</b>
research postgraduate .....	6 771	6 977	<b>5 595</b>
sub-degree .....	5 457	5 172	<b>4 321</b>
totalψ .....	89 923	91 618	<b>82 866</b>
FYFD places (FTE) .....	33 073	17 089	<b>15 000</b>
senior year undergraduate intakes (FTE) .....	2 518	3 106	<b>4 000</b>

¶ The figures in this column refer to approved student number targets and do not assume any over-enrolment. In practice, institutions do over-enroll, particularly to take in non-local students who are on top of the approved student number targets.

‡ Include senior year undergraduate places.

ψ Figures may not add up due to rounding.

### ***Matters Requiring Special Attention in 2014–15***

**6** During 2014–15, the UGC will:

- continue to work closely with the Education Bureau and the UGC-funded institutions in taking forward the recommendations in the Higher Education Review Report;
- prepare for and conduct, via the QAC, the second round of quality audits of the UGC-funded institutions;
- continue to take measures to encourage the UGC-funded institutions to enhance teaching quality;
- continue to take measures to encourage the UGC-funded institutions to strengthen their pursuits of the initiatives of internationalisation and engagement with the Mainland;
- continue to implement the competitive allocation of research funding and the Research Assessment Exercise 2014 as agreed with the UGC-funded institutions;
- continue to engage and stimulate institutions to move forward and share good practices on knowledge transfer;

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- work with the UGC-funded institutions on the implementation of recommendations put forward by the Financial Affairs Working Group to help ensure their continuing good financial governance and sound financial planning;
- complete the planning work and funding allocation for the 2015/16 academic year (i.e. roll-over year); and
- work with the UGC-funded institutions to start planning for the progressive increase in senior year intake places by 1 000 to 5 000 by the 2018/19 academic year.

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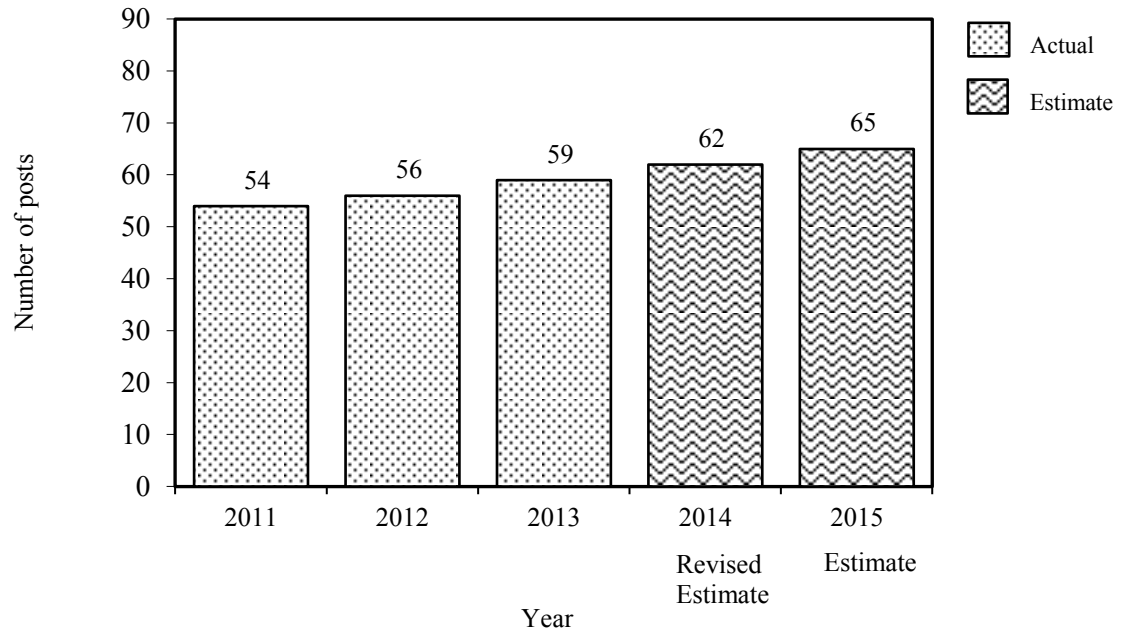
### ANALYSIS OF FINANCIAL PROVISION

<b>Programme</b>	2012-13 (Actual) (\$m)	2013-14 (Original) (\$m)	2013-14 (Revised) (\$m)	2014-15 (Estimate) (\$m)
University Grants Committee .....	15,315.8	15,015.6	15,716.4 (+4.7%)	15,601.7 (-0.7%)
				<b>(or +3.9% on 2013-14 Original)</b>

#### Analysis of Financial and Staffing Provision

Provision for 2014-15 is \$114.7 million (0.7%) lower than the revised estimate for 2013-14. This is mainly due to a reduction in the estimated funding requirement of the Sixth Matching Grant Scheme in 2014-15, partly offset by higher recurrent grants to UGC-funded institutions largely due to the increased funding for phasing in of additional senior year undergraduate places. In addition, there will also be an increase of three posts in the UGC Secretariat in 2014-15.

*Changes in the size of the establishment  
(as at 31 March)*





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Sub-head (Code)	Actual expenditure 2012-13	Approved estimate 2013-14	Revised estimate 2013-14	<b>Estimate 2014-15</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	13,632,054	14,735,579	15,096,427	<b>15,405,453</b>
	Total, Recurrent.....	<u>13,632,054</u>	<u>14,735,579</u>	<u>15,096,427</u>	<u><b>15,405,453</b></u>
Non-Recurrent					
700	General non-recurrent .....	1,683,722	280,000	620,000	<b>196,278</b>
	Total, Non-Recurrent.....	<u>1,683,722</u>	<u>280,000</u>	<u>620,000</u>	<u><b>196,278</b></u>
	Total, Operating Account .....	<u>15,315,776</u>	<u>15,015,579</u>	<u>15,716,427</u>	<u><b>15,601,731</b></u>
<hr/>					
	Total Expenditure .....	<u><u>15,315,776</u></u>	<u><u>15,015,579</u></u>	<u><u>15,716,427</u></u>	<u><u><b>15,601,731</b></u></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2014–15 for the salaries and expenses of the University Grants Committee (UGC)-funded institutions and the UGC Secretariat is \$15,601,731,000. This represents a decrease of \$114,696,000 against the revised estimate for 2013–14 and an increase of \$285,955,000 over actual expenditure in 2012–13.

#### *Operating Account*

#### Recurrent

**2** Provision of \$15,405,453,000 under *Subhead 000 Operational expenses* is for the salaries, allowances and other operating expenses of the UGC Secretariat and the payment of recurrent grants to the UGC-funded institutions.

**3** The establishment as at 31 March 2014 will be 62 permanent posts. It is expected that there will be an increase of three permanent posts in 2014–15. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2014–15, but the notional annual mid-point salary value of all such posts must not exceed \$30,477,000.

**4** An analysis of the financial provision under *Subhead 000 Operational expenses* is as follows:

	2012–13 (Actual) (\$'000)	2013–14 (Original) (\$'000)	2013–14 (Revised) (\$'000)	<b>2014–15 (Estimate) (\$'000)</b>
Personal Emoluments				
- Salaries.....	32,050	36,237	36,237	<b>37,120</b>
- Allowances.....	659	891	1,165	<b>1,231</b>
- Job-related allowances.....	—	1	1	<b>1</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	55	56	69	<b>47</b>
- Civil Service Provident Fund contribution.....	841	946	1,013	<b>1,130</b>
Departmental Expenses				
- General departmental expenses .....	26,838	47,704	42,022	<b>78,752</b>
Other Charges				
- Honoraria for overseas members .....	6,960	9,980	9,500	<b>19,090</b>
- Meeting expenses of UGC, Research Grants Council and Quality Assurance Council.....	15,048	24,714	21,829	<b>54,365</b>
Subventions				
- Grants to UGC-funded institutions .....	13,248,601	14,266,650	14,642,160	<b>14,836,917</b>
- Refund of Rates and Government Rent - UGC-funded institutions.....	198,671	272,000	266,100	<b>313,400</b>
- Home Financing Scheme .....	48,300	22,300	22,300	<b>9,300</b>
- Housing-related expenses other than Home Financing Scheme .....	54,031	54,100	54,031	<b>54,100</b>
	13,632,054	14,735,579	15,096,427	<b>15,405,453</b>

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### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2013	Revised estimated expenditure for 2013–14	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	842	Sixth Matching Grant Scheme for the post-secondary education sector .....	2,500,000	1,683,722	620,000	196,278
		Total .....	<u>2,500,000</u>	<u>1,683,722</u>	<u>620,000</u>	<u>196,278</u>