

## Head 190 — UNIVERSITY GRANTS COMMITTEE

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

**Estimate 2006–07** ..... **\$11,320.1m**

**Establishment ceiling 2006–07** (notional annual mid-point salary value) representing an estimated 45 non-directorate posts as at 31 March 2006 and as at 31 March 2007 ..... **\$17.1m**

In addition, there will be an estimated three directorate posts as at 31 March 2006 and as at 31 March 2007.

**Commitment balance** ..... **\$29.2m**

### Controlling Officer's Report

#### Programme

##### University Grants Committee

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

#### Detail

	2004–05 (Actual)	2005–06 (Original)	2005–06 (Revised)	2006–07 (Estimate)
Financial provision (\$m)	12,043.5	11,407.0	12,392.7 (+8.6%)	11,320.1 (–8.7%)
				(or –0.8% on 2005–06 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 maintaining and improving the quality of teaching, learning and research in 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, and the Research Grants Council (RGC) and its sub-committees and panels;
- facilitating communication and understanding among the Government, the UGC and the higher education institutions; and
- disbursing approved grants to the UGC-funded institutions and monitoring their financial activities.

4 Various reviews and quality assurance exercises have taken place as planned. Research activities are on-going and developing. UGC-funded institutions are carrying out language enhancement activities, which are supported by their block grants and Language Enhancement Grants.

5 The key performance measures are:

*Achievements of the UGC in the 2004/05 and 2005/06 academic years*

Follow up to the Higher Education Review

- The UGC continued to implement the recommendations of the Higher Education Review of 2002 according to its roadmap document “Hong Kong Higher Education — To Make a Difference, To Move with the Times” and the document “Hong Kong Higher Education — Integration Matters” which elucidated the issue of institutional integration and deep collaboration. The UGC has taken forward various initiatives, such as the Grants for Restructuring and Collaboration Activities, the Performance and Role-related Funding Scheme and the Matching Grant Schemes to encourage clear role differentiation among institutions, to facilitate deep collaboration, to encourage institutions to diversify their funding base, and to allow excellence to emerge through fair and constructive competition.

### Triennial Planning for the 2005/06 to 2007/08 triennium

- The planning cycle for the 2005/06 to 2007/08 triennium started in early 2004. The Legislative Council Finance Committee approved at its meeting on 25 February 2005 recurrent grants of \$30,762.4 million to the UGC-funded institutions for the 2005/06 to 2007/08 triennium, based on the planning assumption that the institutions would achieve 5% efficiency savings starting from the 2007/08 academic year. The Administration will review before mid-2006 this 5% savings assumed. If justified in the light of that review, the Administration may seek approval of the Legislative Council Finance Committee to increase the total recurrent grant up to a level not exceeding \$31,266.7 million, which is the maximum grant reflecting a 0-0-0 funding arrangement for the triennium.

### Grants for Restructuring and Collaboration Activities

- The UGC introduced the Grants for Restructuring and Collaboration Activities in the 2004/05 academic year. The core objective is to provide one-off assistance to institutions to support their initiatives aimed at achieving greater value and quality for money in the use of UGC resources. Two rounds of application exercises were successfully completed in the 2004/05 academic year. The UGC plans to consider the institutions' third-round proposals in March/April 2006.

### Performance and Role-related Funding Scheme (PRFS)

- The UGC successfully completed a PRFS assessment in 2004. The purposes of the PRFS are: to strengthen role differentiation among the institutions to promote diversity and excellence; to assist the institutions to reflect on their roles and find constructive ways further to improve; to provide assurance that the institutions are adhering to their roles and that they have been performing well in those roles; as well as to encourage and recognise performance according to role. Certain follow-up action is being taken in respect of specific areas identified in the 2004 exercise.

### Promoting outcome-based approaches in student learning

- The UGC is aware of the importance of outcome-based approaches in student learning and that there is a trend in many jurisdictions to adopt these approaches. The UGC is taking steps to encourage institutions to adopt outcome-based approaches to assess better whether the process and deployment of teaching and other resources are effective in enabling students to achieve the intended learning outcomes. In order to facilitate the institutions and build up their capacities, the UGC is undertaking a study and plans to organise a symposium in late 2006.

### Funding of Research

- The RGC funded about 800 grant applications in each of the 2004/05 and 2005/06 academic years. To enhance the processing of research grant applications, the Electronic Information System was extended to one more RGC subject panel (the Engineering Panel) starting from June 2004. As an initiative to encourage more education research in support of the education reform and at the request of Quality Education Fund (QEF), the RGC has assisted QEF to vet education research proposals undertaken by tertiary institutions starting from 2005. For promoting public policy research in higher education institutions, the Government agreed to provide an annual allocation of \$20 million to the RGC for three consecutive years from 2005–06 to 2007–08 for this purpose. With this funding, the RGC launched a new Public Policy Research (PPR) funding scheme in 2005 and the first grants were approved in December 2005.

### Research Assessment Exercise (RAE) 2006

- The UGC has begun the preparation work for the 2006 RAE and, following extensive consultation, has informed the institutions of UGC's decisions on the framework of the 2006 exercise. The RAE submissions are expected to reach the UGC in March 2006.

### Areas of Excellence Scheme (AoE)

- As at November 2005, there were eight on-going AoE projects. Two of the eight projects are scheduled to complete in December 2005 and March 2006 respectively. The UGC and the AoE Specialist Group will conduct special evaluation visits on the six projects under the first and second round of the AoE to consider the effectiveness of the AoE Scheme and sustainability of completed AoE projects, and will consider later in 2006 the observations from the visits when deliberating on the future of the AoE.

### Language

- The UGC continued to attach importance to enhancing the language proficiency of local university students. Starting from the 2006/07 academic year, the UGC will increase the provision of Language Enhancement Grants to UGC-funded institutions from \$76.6 million to \$100 million for each academic year in the triennium to enable institutions to put even more effort into language enhancement. In addition, the UGC, in collaboration with the institutions, runs the Common English Proficiency Assessment Scheme which aims to assess the English language proficiency of graduating students and to heighten students' awareness of the importance of language proficiency. Three rounds of the Scheme have been successfully completed. About 8 700 students registered for each of the second (2003/04 academic year) and third (2004/05 academic year) rounds. About 9 600 students registered for the fourth round (2005/06 academic year), representing an increase of over 10% when compared with the previous round.

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### Internationalisation and Non-local Students

- The UGC continued to facilitate the recruitment of non-local students to study in the UGC-funded institutions. Starting from the 2005/06 academic year, UGC-funded institutions are allowed to recruit non-local students to up to 10% of their student number targets of the publicly-funded sub-degree, undergraduate, and taught postgraduate programmes. During the 2002/03 to 2004/05 academic years, the UGC disbursed funds, under a time-limited scheme, to the institutions to support enhanced student exchange programmes. The UGC also provides up to \$5 million per institution on a matching basis to enable them to build up their institutional capacities to undertake internationalisation.

### University Admissions System

- In the 2004/05 and 2005/06 academic years, the UGC continued to facilitate the institutions to recruit students under the Early Admissions Scheme for Secondary Six Students. In addition, the UGC continued to encourage institutions to broaden their admission criteria.

### Matching Grant Schemes

- In view of the very encouraging response to the First Matching Grant Scheme, the UGC introduced the Second Matching Grant Scheme with a commitment of \$1,000 million approved by the Legislative Council Finance Committee in July 2005. The purposes of the Schemes are further to strengthen the UGC-funded institutions' fund-raising capabilities and to encourage the growth of a philanthropic culture in the community. The Second Matching Grant Scheme was opened for application from August 2005 and about \$900 million was allocated up to the end of November 2005. The whole grant is very likely to be allocated in full upon the close of the Scheme in the end of February 2006.

### Preparation for the New Academic Structure for Senior Secondary Education and Higher Education

- The UGC and the institutions have already embarked on several exercises to prepare for the change to a four-year normative undergraduate programme. Much work is required on issues such as distribution of student numbers, drawing up of new curricula and planning and execution of the necessary capital works for buildings and facilities for the additional students. Good progress was made in the 2005/06 academic year in taking forward these important areas and the UGC and institutions remain in close dialogue to ensure smooth implementation.

### Indicators

#### Recurrent subventions

	2004/05 (Actual)	<i>Academic Year</i> 2005/06 (Revised Estimate)	<b>2006/07 (Estimate)</b>
recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m).....	11,465	11,322	<b>11,222</b>
language enhancement grants amount of grants (\$m) .....	77	77@	<b>100@</b>
teaching development grants amount of grants (\$m) .....	—@	33@	<b>33@</b>
research grants			
competitive earmarked research grant applications dealt with.....	1 874	1 947	<b>1 969</b>
other research grant applications dealt with .....	315	348	<b>332</b>
amount of earmarked research grant (\$m).....	506	506	<b>606</b>
on-going funded earmarked research grant projects monitored (including new projects funded in the year) .....	3 926	4 140	<b>4 186</b>
on-going funded AoE projects monitored .....	8	8	<b>8</b>
grants for restructuring and collaboration activities			
restructuring and collaboration projects endorsed.....	9	6	<b>10</b>
amount of grants (\$m) .....	63^	80^	<b>110</b>
grants for research development activities amount of grants (including AoE) (\$m) .....	—	60	<b>133</b>

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@ No provision was made for teaching development grants in the 2004/05 roll-over year because these grants are allocated on a triennial basis. Starting from the 2005/06 to 2007/08 triennium, language enhancement grants and teaching development grants will be subsumed under the block grants to the institutions.

^ The figures reflect the actual cash flow of the nine projects endorsed in the 2004/05 academic year and for an estimated number of six projects in the 2005/06 academic year. The total amount earmarked for grants for restructuring and collaboration activities in the 2005/06 academic year is \$123.6 million.

### *Capital subventions*

	<i>Financial Year</i>		<b>2006-07 (Estimate)</b>
	2004-05 (Actual)	2005-06 (Revised Estimate)	
capital grants			
capital works project applications processed.....	9	19	<b>9</b>
capital works projects approved by Finance Committee.....	1	1	<b>6</b>
amount of capital commitments approved by Finance Committee (\$m).....	205	76	<b>1,505</b>
capital projects monitored.....	15	15	<b>15</b>
cost of capital projects monitored (\$m).....	6,117	5,783	<b>5,385</b>
capital subventions in terms of cash flow requirement for the year (\$m).....	416	550	<b>347</b>
cost of administration as percentage of recurrent and capital grants administered.....	0.4%	0.4%	<b>0.5%</b>

### *Student numbers of UGC-funded programmes*

	<i>Academic Year</i>		<b>2006/07 (Estimate)</b>
	2004/05 (Actual)	2005/06 (Revised Estimate)	
student numbers in terms of Full-Time Equivalent (FTE) students			
undergraduate.....	48 830	48 203	<b>48 704</b>
taught postgraduate.....	4 776	3 838	<b>2 996</b>
research postgraduate.....	4 971	4 442	<b>4 689</b>
sub-degree.....	10 736	9 330	<b>7 270</b>
total.....	69 313	65 813	<b>63 659</b>
First-Year-First-Degree (FYFD) places (FTE).....	14 719	14 500	<b>14 500</b>
FYFD places as percentage of relevant age group (17-20).....	18%	17%	<b>17%</b>
undergraduate senior year places (FTE)#.....	—	840	<b>1 680</b>

# New indicator as from the 2005/06 academic year.

### ***Matters Requiring Special Attention in 2006-07***

**6** During 2006-07, the UGC will:

- continue to take forward the recommendations of the Higher Education Review;
- continue to work closely with the UGC-funded institutions and relevant parties to take forward the proposed reform of the new academic structure for senior secondary education and higher education;
- further encourage UGC-funded institutions to internationalise themselves through various means;
- take measures to continue to encourage UGC-funded institutions to adopt outcome-based approaches in student learning; and
- review the role and functions of UGC, in particular, in respect of self-financing activities of institutions and quality assurance matters.

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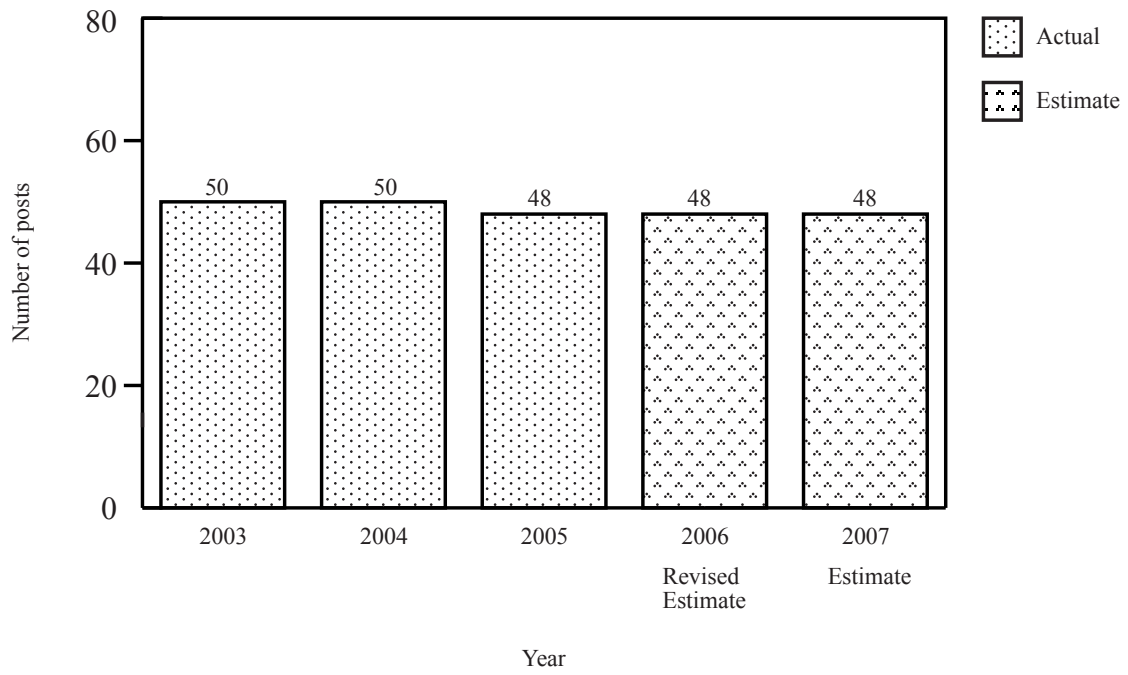
### ANALYSIS OF FINANCIAL PROVISION

<b>Programme</b>	2004-05 (Actual) (\$m)	2005-06 (Original) (\$m)	2005-06 (Revised) (\$m)	<b>2006-07 (Estimate) (\$m)</b>
University Grants Committee.....	12,043.5	11,407.0	12,392.7 (+8.6%)	<b>11,320.1 (-8.7%)</b>
				<b>(or -0.8% on 2005-06 Original)</b>

#### Analysis of Financial and Staffing Provision

Provision for 2006-07 is \$1,072.6 million (8.7%) lower than the revised estimate for 2005-06. This is mainly due to the anticipated completion of the Second Matching Grant Scheme in 2005-06 and the phasing out of UGC-funded sub-degree programmes.

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



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Sub-head (Code)	Actual expenditure 2004-05	Approved estimate 2005-06	Revised estimate 2005-06	<b>Estimate 2006-07</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	11,915,798	11,377,036	11,367,280	<b>11,308,770</b>
	Total, Recurrent.....	<u>11,915,798</u>	<u>11,377,036</u>	<u>11,367,280</u>	<u><b>11,308,770</b></u>
Non-Recurrent					
700	General non-recurrent.....	127,715	30,000	1,025,400	<b>11,300</b>
	Total, Non-Recurrent.....	<u>127,715</u>	<u>30,000</u>	<u>1,025,400</u>	<u><b>11,300</b></u>
	Total, Operating Account.....	<u>12,043,513</u>	<u>11,407,036</u>	<u>12,392,680</u>	<u><b>11,320,070</b></u>
<hr/>					
	Total Expenditure.....	<u><u>12,043,513</u></u>	<u><u>11,407,036</u></u>	<u><u>12,392,680</u></u>	<u><u><b>11,320,070</b></u></u>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2006–07 for the salaries and expenses of the University Grants Committee (UGC)-funded institutions and the UGC Secretariat is \$11,320,070,000. This represents a decrease of \$1,072,610,000 against the revised estimate for 2005–06 and of \$723,443,000 against actual expenditure in 2004–05.

#### *Operating Account*

#### Recurrent

**2** Provision of \$11,308,770,000 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 2006 will be 48 permanent posts. No change in establishment is expected by 31 March 2007. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2006–07, but the notional annual mid-point salary value of all such posts must not exceed \$17,073,000.

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

	2004–05 (Actual) (\$'000)	2005–06 (Original) (\$'000)	2005–06 (Revised) (\$'000)	2006–07 (Estimate) (\$'000)
Personal Emoluments				
- Salaries .....	22,321	22,401	22,116	<b>21,816</b>
- Allowances .....	1,004	1,032	1,099	<b>1,163</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution .....	10	12	—	—
Departmental Expenses				
- General departmental expenses .....	13,821	18,402	16,514	<b>21,443</b>
Other Charges				
- Honoraria for overseas members .....	2,222	2,300	2,200	<b>4,079</b>
- Meeting expenses of UGC and Research Grants Council .....	4,336	5,200	4,500	<b>12,155</b>
Subventions				
- Grants to UGC-funded institutions .....	10,453,912	9,903,434	9,899,596	<b>9,823,859</b>
- Refund of rates and Government rents - UGC-funded institutions .....	143,914	150,000	147,000	<b>150,000</b>
- Home Financing Scheme .....	1,213,301	1,213,299	1,213,299	<b>1,213,299</b>
- Housing-related expenses other than Home Financing Scheme .....	60,957	60,956	60,956	<b>60,956</b>
	11,915,798	11,377,036	11,367,280	<b>11,308,770</b>



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### Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2005	Revised estimated expenditure for 2005–06	Balance
			\$'000	\$'000	\$'000	\$'000
<b><i>Operating Account</i></b>						
700		<i>General non-recurrent</i>				
	216	Scholarship scheme for outstanding Mainland students to attend undergraduate programmes at the UGC-funded institutions .....	90,000	35,400	25,400	29,200
		Total .....	90,000	35,400	25,400	29,200