

Head 190 — UNIVERSITY GRANTS COMMITTEE

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

Estimate 2015–16 **\$16,988.1m**

Establishment ceiling 2015–16 (notional annual mid-point salary value) representing an estimated 61 non-directorate posts as at 31 March 2015 rising by three posts to 64 posts as at 31 March 2016..... **\$34.3m**

In addition, there will be an estimated three directorate posts as at 31 March 2015 and as at 31 March 2016.

Controlling Officer's Report

Programme

University Grants Committee

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

Detail

	2013–14 (Actual)	2014–15 (Original)	2014–15 (Revised)	2015–16 (Estimate)
Financial provision (\$m)	15,656.8	15,601.7	16,386.3 (+5.0%)	16,988.1 (+3.7%)
				(or +8.9% on 2014–15 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 2013/14 and 2014/15 academic years

Funding for the 2015/16 academic year and planning for the 2016/17 to 2018/19 triennium

- To allow more time for institutions to study the impact of the New Academic Structure (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 Panel on Education of the Legislative Council was consulted at its meeting on 12 January 2015 on the total recurrent grants for the UGC-funded institutions for the 2015/16 roll-over year. The funding allocation has already taken into account price adjustments and funding for the additional senior year undergraduate places.
- The UGC has initiated the academic development planning process for the 2016/17 to 2018/19 triennium with the UGC-funded institutions, with the broad parameters set by the Government. It plans to submit its funding recommendations for the new triennium to the Government in the third quarter of 2015.

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.

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 has been 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 2014 Policy Address announced that 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. The number of publicly-funded senior year undergraduate places are being progressively increased from 3 974 (or 1 987 intake places) in the 2011/12 academic year to 8 265 (or 4 265 intake places) in the 2015/16 academic year. The UGC-funded institutions have allocated these places to different academic programmes.

Importance of Teaching

- The UGC recognises the importance of teaching excellence in the UGC-funded institutions. Of the total Block Grant, over 75 per cent is for teaching. The academic development planning process for the 2012/13 to 2014/15 triennium gave 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 \$95 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 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 second audit cycle will commence in early 2015.
- 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 has been formed 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. Starting from the 2012/13 academic year, the allocation of the research postgraduate places has been subject to a competitive process and some funding within the Research Portion of the Block Grant has been allocated on a more competitive basis in a gradual manner.
- The Research Assessment Exercise 2014 was implemented in a fair, transparent and rigorous manner. The UGC conducted the exercise after consulting the sector and constantly engaged the institutions in developing the implementation details. Subsequent to institutions’ submission, a trial assessment was conducted in early 2014 for aligning the standards and achieving consistency in the assessment for each of the 13 panels. The formal assessment commenced in March 2014 and the panels met in August and September 2014 for the final assessment. The results were announced to the institutions and the public in January 2015. Starting from the 2016/17 to 2018/19 triennium, the result of the exercise will form the basis for distribution of part of the Research Portion of the Block Grant.

- In January 2009, the Finance Committee (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 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 provides new competitive research funds for the local self-financing degree sector.

Work of the RGC

- 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, 223 fellowships were awarded in the 2014/15 academic year. For the 2015/16 academic year, the sixth call for the Scheme was closed on 1 December 2014 and the results will be announced in March/April 2015. 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 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 Government introduced the Sixth Matching Grant Scheme with a commitment of \$2.5 billion 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 ran for two years from August 2012 to July 2014. The participating institutions have secured about \$5.5 billion in donations, and the full matching grant amount of \$2.5 billion has been allocated.

Financial Affairs of Institutions

- The UGC has through one of its sub-groups completed in October 2013 its examination of 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. It was concluded that nothing had come to the attention of the sub-group 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. Recommendations have been made in these areas so as to provide more assurance to the public that the use and application of public funds is appropriate. The UGC is taking forward the implementation of these recommendations in consultation with the institutions.

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 2013/14 academic year was 9 053, representing ten per cent of total student enrolment. To encourage institutions to provide more exchange opportunities for local students, time-limited funding of \$20 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.

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- 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 “Biomedical Engineering”, “Sustainable Built Environment” and “Social Considerations for Urban Renewal and Urban Planning” in 2014.

Indicators

	<i>Academic Year</i>		
	2013/14 (Actual)	2014/15 (Revised Estimate)	2015/16 (Estimate)
<i>Recurrent subventions</i>			
recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m)	15,230.4	16,055.4	17,084.9
Language Enhancement Grants# amount of grants (\$m)	118.8	118.8	135.3
Teaching Development Grants# amount of grants (\$m)	41.1	41.1	45.4
grants for Areas of Excellence research projects on-going funded Areas of Excellence projects monitored	12	12	10
amount of grants (\$m)	88.7	78.9	65.1

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

	<i>Financial Year</i>		
	2013–14 (Actual)	2014–15 (Revised Estimate)	2015–16 (Estimate)
<i>Capital subventions</i>			
capital grants			
capital works project applications processed	5	4	3
capital works projects approved by FC	0	0	1
amount of capital commitments approved by FC (\$m) ..	0	0	473.8
capital projects monitored	22	19	10
cost of on-going capital projects monitored (\$m)	11,603.6	10,748.1	6,683.5
capital subventions in terms of cash flow requirement for the year (\$m)	963.0	452.4	282.9
<i>Administration costs of UGC Secretariat</i>			
cost of administration as percentage of recurrent and capital grants administered (%)	0.6	0.9	0.8

	<i>Academic Year</i>		
	2013/14 (Actual)	2014/15 (Revised Estimate)	2015/16 (Estimate)¶
<i>Student numbers of UGC-funded programmes</i>			
student numbers in terms of Full-Time Equivalent (FTE)			
students			
undergraduate‡	77 199	79 916	72 239
taught postgraduate	2 271	2 300	2 193
research postgraduate	6 985	7 103	5 595
sub-degree	4 969	4 444	3 868
totalψ	91 424	93 763	83 895
First-Year-First-Degree places (FTE)	17 089	17 309	15 000
senior year undergraduate intakes (FTE)	3 074	4 113	4 265

¶ 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.

‡ Including senior year undergraduate places.

ψ Figures may not add up due to rounding.

Matters Requiring Special Attention in 2015–16

6 During 2015–16, 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;
- 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 as agreed with the UGC-funded institutions;
- continue to engage and stimulate institutions to move forward and share good practices on knowledge transfer;
- continue to work with the UGC-funded institutions on the implementation of relevant recommendations to help ensure their continuing good financial governance and sound financial planning;
- complete the academic development planning work for the 2016/17 to 2018/19 triennium; and
- continue to work with the UGC-funded institutions on the progressive increase in senior year intake places by 1 000 to 5 000 by the 2018/19 academic year.

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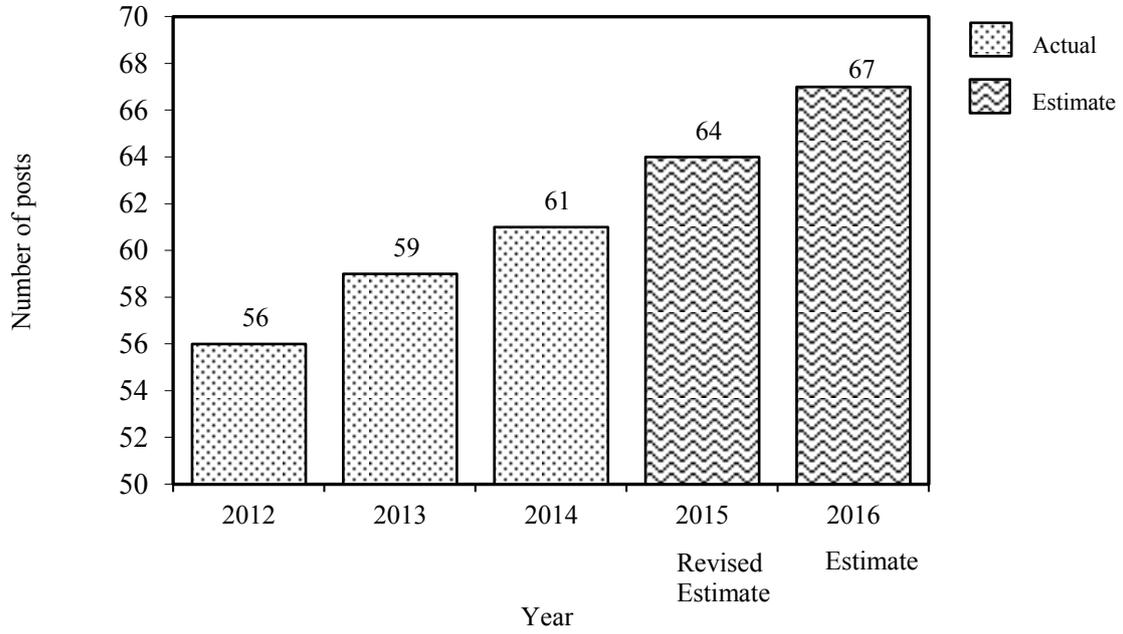
ANALYSIS OF FINANCIAL PROVISION

Programme	2013-14 (Actual) (\$m)	2014-15 (Original) (\$m)	2014-15 (Revised) (\$m)	2015-16 (Estimate) (\$m)
University Grants Committee	15,656.8	15,601.7	16,386.3 (+5.0%)	16,988.1 (+3.7%)
				(or +8.9% on 2014-15 Original)

Analysis of Financial and Staffing Provision

Provision for 2015-16 is \$601.8 million (3.7%) higher than the revised estimate for 2014-15. This is mainly due to higher recurrent grants to UGC-funded institutions as a result of price adjustment and new funding for the additional senior year undergraduate places, partly offset by phasing out of funding requirement of the Sixth Matching Grant Scheme in 2015-16. In addition, there will also be an increase of three posts in the UGC Secretariat in 2015-16.

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



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Sub-head (Code)	Actual expenditure 2013-14	Approved estimate 2014-15	Revised estimate 2014-15	Estimate 2015-16	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	15,086,521	15,405,453	16,140,270	16,988,115
	Total, Recurrent.....	<u>15,086,521</u>	<u>15,405,453</u>	<u>16,140,270</u>	<u>16,988,115</u>
Non-Recurrent					
	General non-recurrent	570,244	196,278	246,033	—
	Total, Non-Recurrent.....	<u>570,244</u>	<u>196,278</u>	<u>246,033</u>	<u>—</u>
	Total, Operating Account	<u>15,656,765</u>	<u>15,601,731</u>	<u>16,386,303</u>	<u>16,988,115</u>
<hr/>					
	Total Expenditure	<u><u>15,656,765</u></u>	<u><u>15,601,731</u></u>	<u><u>16,386,303</u></u>	<u><u>16,988,115</u></u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2015–16 for the salaries and expenses of the University Grants Committee (UGC)-funded institutions and the UGC Secretariat is \$16,988,115,000. This represents an increase of \$601,812,000 over the revised estimate for 2014–15 and of \$1,331,350,000 over the actual expenditure in 2013–14.

Operating Account

Recurrent

2 Provision of \$16,988,115,000 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 2015 will be 64 permanent posts. It is expected that there will be an increase of three permanent posts in 2015–16. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2015–16, but the notional annual mid-point salary value of all such posts must not exceed \$34,282,000.

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

	2013–14 (Actual) (\$'000)	2014–15 (Original) (\$'000)	2014–15 (Revised) (\$'000)	2015–16 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	35,098	37,120	37,574	40,700
- Allowances.....	896	1,231	1,339	1,431
- Job-related allowances.....	—	1	1	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	74	47	119	117
- Civil Service Provident Fund contribution.....	977	1,130	1,135	1,525
Departmental Expenses				
- General departmental expenses	34,128	78,752	70,003	54,161
Other Charges				
- Honoraria for overseas members	8,305	19,090	17,935	12,175
- Meeting expenses of UGC, Research Grants Council and Quality Assurance Council.....	17,928	54,365	43,678	33,298
Subventions				
- Grants to UGC-funded institutions	14,644,293	14,836,917	15,577,255	16,468,907
- Refund of Rates and Government Rent - UGC-funded institutions.....	268,491	313,400	327,900	316,300
- Home Financing Scheme	22,300	9,300	9,300	5,400
- Housing-related expenses other than Home Financing Scheme	54,031	54,100	54,031	54,100
	15,086,521	15,405,453	16,140,270	16,988,115