

## Head 190 — UNIVERSITY GRANTS COMMITTEE

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

**Estimate 2016–17** ..... **\$17,966.1m**

**Establishment ceiling 2016–17** (notional annual mid-point salary value) representing an estimated 64 non-directorate posts as at 31 March 2016 rising by three posts to 67 posts as at 31 March 2017..... **\$37.9m**

In addition, there will be an estimated three directorate posts as at 31 March 2016 and as at 31 March 2017.

### Controlling Officer's Report

#### Programme

##### University Grants Committee

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

#### Detail

	2014–15 (Actual)	2015–16 (Original)	2015–16 (Revised)	<b>2016–17 (Estimate)</b>
Financial provision (\$m)	16,365.8	16,988.1	17,587.4 (+3.5%)	<b>17,966.1</b> (+2.2%)
				(or +5.8% on 2015–16 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 achievements of the UGC in the 2014/15 and 2015/16 academic years and related performance measures are set out in the paragraphs below.

Funding for the 2015/16 academic year and 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, an extension of the approved financial arrangements for the 2012/13 to 2014/15 triennium (save for necessary adjustments), was implemented for the 2015/16 academic year. Provision of \$12,829.4 million was earmarked in the 2015–16 Estimates to meet the funding requirements of the year.
- The Chief Executive in Council approved on 26 January 2016 the UGC's recurrent funding recommendations at a total cost of \$53,557.1 million for the 2016/17 to 2018/19 triennium. The UGC consulted the Panel on Education of the Legislative Council on the subject on 1 February 2016. The funding allocation has already taken into account price adjustments in accordance with the established mechanism and funding for the additional senior year undergraduate places. Provision of \$13,388.0 million is earmarked in 2016–17 to meet the funding requirements of the institutions in accordance with the established methodology for determining the level of recurrent grants to the individual 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.

### Higher Education Review

- The Government endorsed the overall strategies and directions recommended in the report “Aspirations for the Higher Education System in Hong Kong” (Higher Education Review Report). The UGC has been working closely with the Education Bureau on the implementation of the recommendations 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 9 925 (or 5 000 intake places) in the 2018/19 academic year.

### Importance of Teaching

- Recognising the importance of teaching excellence in the UGC-funded institutions, over 75 per cent of the total Block Grant is for teaching. The academic development planning process for the 2012/13 to 2014/15 triennium which extended to the 2015/16 roll-over year gave a strong focus on teaching quality. The UGC has been organising the annual UGC Teaching Award. Annual provision of the Teaching Development Grant and the Language Enhancement Grant have been allocated to UGC-funded institutions since 1994 and 1991 respectively to enhance teaching quality and language proficiency of students. In the 2016/17 to 2018/19 triennium, these two grants will be combined as the Teaching Development and Language Enhancement Grant, to provide greater flexibility to institutions to decide on the best use of the funding.
- During the 2014/15 and 2015/16 academic years, the UGC continues to further enhance the support to 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 \$86.6 million was allocated to institutions in the 2014/15 academic year to motivate them to accelerate the adoption of necessary pedagogical changes and innovations. In the 2016/17 to 2018/19 triennium, time-limited funding of \$140 million has been earmarked for competitive allocation in teaching and learning projects to incentivise institutions in exploring and developing further in the sector-wide strategic areas of teaching and learning, language enhancement and internationalisation.

### 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 second audit cycle is being conducted in 2015 and 2016.
- 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 was formed to plan for and oversee external quality audits on sub-degree operations of UGC-funded institutions. As recommended by the working group, the UGC will assume the role of the overseeing body of the quality audits on the sub-degree operations, with the QAC acting as the audit operator. Preparation is in hand to commence the audit cycle in late 2016.

### 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 results were announced to the institutions and the public in January 2015. Starting from the 2016/17 to 2018/19 triennium, the results of the exercise will form the basis for distribution of part of the Research Portion of the Block Grant.

### 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 with an original endowment of \$18 billion in 2009 and an injection of \$5 billion in 2012. Out of the \$23 billion, \$16 billion was for replacing the annual funding for earmarked research grants from the research subvention, \$4 billion for supporting the Theme-based Research Scheme and \$3 billion for providing new competitive research funds for the local self-financing degree sector.
- 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, 216 fellowships were awarded in the 2015/16 academic year. For the 2016/17 academic year, the seventh call for the Scheme was closed on 1 December 2015 and the results will be announced in March/April 2016. 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. The seventh call for the Scheme was closed on 4 January 2016 and the funding results will be announced around December 2016.

### Knowledge Transfer

- The UGC recognises the importance of knowledge transfer in bringing about socio-economic benefits and impact to the community and businesses. Recurrent funding of \$62.5 million per year in the 2016/17 to 2018/19 triennium will be allocated to its funded institutions to further strengthen and broaden their endeavours, commensurate with their roles and missions.

### Financial Governance of Institutions

- Implementation of the major recommendations arising from a review of financial affairs of the eight UGC-funded institutions has been completed, including promulgation of a new set of cost allocation guidelines and an updated version of accounting and disclosure practices to institutions in 2015. The UGC will continue to work with institutions to ensure compliance of the new requirements in their financial reporting.

### Internationalisation and Non-local Students

- Internationalisation continues 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. 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 2014/15 academic year was 9 471, representing 11 per cent of total student enrolment. To encourage institutions to provide more exchange opportunities for local students, a total of \$14.2 million (including contributions from institutions) has been used to provide financial assistance for 1 063 needy students to participate in exchange activities in 2014/15 academic year. In the 2016/17 to 2018/19 triennium, time-limited funding of \$17.5 million has been earmarked for competitive allocation under the new consolidated funding scheme of teaching and learning to incentivise institutions to further enhance their efforts in internationalisation and engagement with the Mainland thus benefitting the learning experience of students.
- 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 and the reports of the QAC quality audits. The RGC has also made its work more transparent by, for example, having four public lectures under the subject areas of “Waste Treatment”, “Climate Changes”, “Parent Child Relationship/Education in Hong Kong” and “Social Mobility and Youth Advancement in Hong Kong Society” in 2015.

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**Indicators**

	<i>Academic Year</i>		
	2014/15 (Actual)	2015/16 (Revised Estimate)	<b>2016/17 (Estimate)</b>
<i>Recurrent subventions</i>			
recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m) .....	16,217.2	17,708.8	<b>17,860.2</b>
Language Enhancement Grant# amount of grants (\$m) .....	118.8	135.3	—
Teaching Development Grant# amount of grants (\$m) .....	37.6	45.4	—
Teaching Development and Language Enhancement Grant# amount of grants (\$m) .....	—	—	<b>170.9</b>
grants for Areas of Excellence research projects on-going funded Areas of Excellence projects monitored .....	12	10	<b>13</b>
amount of grants (\$m) .....	78.9	65.1	<b>90.0</b>

# Language Enhancement Grant and Teaching Development Grant have been included in the block grants to the institutions. In the 2016/17 to 2018/19 triennium, these two grants will be combined as one Indicated Grant, i.e. Teaching Development and Language Enhancement Grant, which will continue to be included in the block grants to the institutions.

	<i>Financial Year</i>		
	2014–15 (Actual)	2015–16 (Revised Estimate)	<b>2016–17 (Estimate)</b>
<i>Capital subventions</i>			
capital grants			
capital works project applications processed .....	4	2	<b>2</b>
capital works projects approved by the Finance Committee (FC) .....	0	1	<b>0</b>
amount of capital commitments approved by FC (\$m) ..	0	465.5	<b>0</b>
capital projects monitored .....	19	10	<b>8</b>
cost of on-going capital projects monitored (\$m) .....	10,784.1	6,683.5	<b>5,558.3</b>
capital subventions in terms of cash flow requirement for the year (\$m) .....	451.4	232.2	<b>132.2</b>
<i>Administration costs of UGC Secretariat</i>			
cost of administration as percentage of recurrent and capital grants administered (%) .....	0.8	0.7	<b>0.7</b>

	<i>Academic Year</i>		
	2014/15 (Actual)	2015/16 (Revised Estimate)	<b>2016/17 (Estimate)¶</b>
<i>Student numbers of UGC-funded programmes</i>			
student numbers in terms of Full-Time Equivalent (FTE)			
students			
undergraduate‡ .....	79 916	81 733	<b>72 619</b>
taught postgraduate .....	2 299	2 271	<b>2 085</b>
research postgraduate .....	7 103	7 360	<b>5 595</b>
sub-degree .....	4 300	4 174	<b>3 598</b>
totalψ .....	93 619	95 538	<b>83 897</b>
First-Year-First-Degree places (FTE) .....	17 309	17 410	<b>15 000</b>
senior year undergraduate intakes (FTE) .....	4 113	4 349	<b>4 600</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.

‡ Including senior year undergraduate places.

ψ Figures may not add up due to rounding.

### *Matters Requiring Special Attention in 2016–17*

- 6 During 2016–17, 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 on first degree level programmes and above of the UGC-funded institutions, and commence the audit cycle on sub-degree operations of the UGC-funded institutions;
  - take measures to encourage the UGC-funded institutions to enhance teaching quality;
  - take measures to encourage the UGC-funded institutions to strengthen their pursuits of the initiatives of internationalisation and engagement with the Mainland;
  - implement the competitive allocation of research funding as agreed with the UGC-funded institutions and the local self-financing degree-awarding institutions;
  - engage and stimulate institutions to move forward and share good practices on knowledge transfer; and
  - work with the UGC-funded institutions on the implementation of relevant recommendations to help ensure their continuing good financial governance and sound financial planning.

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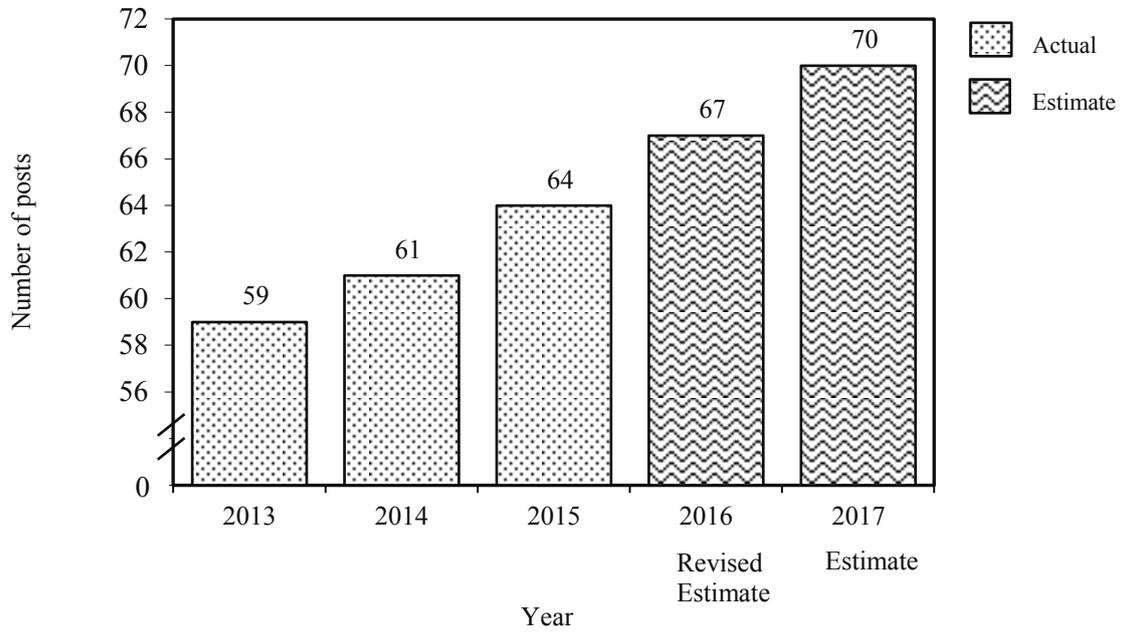
### ANALYSIS OF FINANCIAL PROVISION

<b>Programme</b>	2014–15 (Actual) (\$m)	2015–16 (Original) (\$m)	2015–16 (Revised) (\$m)	<b>2016–17 (Estimate) (\$m)</b>
University Grants Committee .....	16,365.8	16,988.1	17,587.4 (+3.5%)	<b>17,966.1</b> <b>(+2.2%)</b>
				<b>(or +5.8% on 2015–16 Original)</b>

#### **Analysis of Financial and Staffing Provision**

Provision for 2016–17 is \$378.7 million (2.2%) higher than the revised estimate for 2015–16. This is mainly due to higher recurrent grants to UGC-funded institutions during the 2016/17 to 2018/19 triennium arising from price adjustments, as well as new funding for the additional senior year undergraduate places and top-up funding for the additional First-Year-First-Degree places in healthcare disciplines. In addition, there will also be an increase of three posts in the UGC Secretariat in 2016–17.

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



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Sub-head (Code)	Actual expenditure 2014-15	Approved estimate 2015-16	Revised estimate 2015-16	<b>Estimate 2016-17</b>	
	\$'000	\$'000	\$'000	<b>\$'000</b>	
<b>Operating Account</b>					
Recurrent					
000	Operational expenses .....	16,119,937	16,988,115	17,587,367	<b>17,966,125</b>
	Total, Recurrent .....	<u>16,119,937</u>	<u>16,988,115</u>	<u>17,587,367</u>	<b><u>17,966,125</u></b>
Non-Recurrent					
	General non-recurrent .....	245,816	—	—	—
	Total, Non-Recurrent .....	<u>245,816</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Total, Operating Account .....	16,365,753	16,988,115	17,587,367	<b>17,966,125</b>
<hr/>					
	Total Expenditure .....	<u>16,365,753</u>	<u>16,988,115</u>	<u>17,587,367</u>	<b><u>17,966,125</u></b>

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### Details of Expenditure by Subhead

The estimate of the amount required in 2016–17 for the salaries and expenses of the University Grants Committee (UGC)-funded institutions and the UGC Secretariat is \$17,966,125,000. This represents an increase of \$378,758,000 over the revised estimate for 2015–16 and \$1,600,372,000 over the actual expenditure in 2014–15.

#### *Operating Account*

#### Recurrent

**2** Provision of \$17,966,125,000 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 2016 will be 67 permanent posts. It is expected that there will be an increase of three permanent posts in 2016–17. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2016–17, but the notional annual mid-point salary value of all such posts must not exceed \$37,910,000.

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

	2014–15 (Actual) (\$'000)	2015–16 (Original) (\$'000)	2015–16 (Revised) (\$'000)	2016–17 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	37,371	40,700	41,687	<b>45,200</b>
- Allowances.....	904	1,431	1,011	<b>1,116</b>
- Job-related allowances.....	—	1	1	<b>1</b>
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	124	117	151	<b>136</b>
- Civil Service Provident Fund contribution.....	1,157	1,525	1,434	<b>1,934</b>
Departmental Expenses				
- General departmental expenses .....	48,174	54,161	52,056	<b>50,723</b>
Other Charges				
- Honoraria for overseas members .....	17,010	12,175	12,059	<b>13,829</b>
- Meeting expenses of UGC, Research Grants Council and Quality Assurance Council.....	32,231	33,298	22,268	<b>30,786</b>
Subventions				
- Grants to UGC-funded institutions .....	15,597,496	16,468,907	17,084,200	<b>17,443,500</b>
- Refund of Rates and Government Rent - UGC-funded institutions.....	322,118	316,300	313,000	<b>323,500</b>
- Home Financing Scheme .....	9,321	5,400	5,400	<b>1,300</b>
- Housing-related expenses other than Home Financing Scheme .....	54,031	54,100	54,100	<b>54,100</b>
	16,119,937	16,988,115	17,587,367	<b>17,966,125</b>