

## Head 190 — UNIVERSITY GRANTS COMMITTEE

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

**Estimate 2017–18** ..... **\$18,661.7m**

**Establishment ceiling 2017–18** (notional annual mid-point salary value) representing an estimated 67 non-directorate posts as at 31 March 2017 rising by two posts to 69 posts as at 31 March 2018..... **\$40.8m**

In addition, there will be an estimated three directorate posts as at 31 March 2017 and as at 31 March 2018.

### Controlling Officer's Report

#### Programme

**University Grants Committee**

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

#### Detail

|                           | 2015–16<br>(Actual) | 2016–17<br>(Original) | 2016–17<br>(Revised) | 2017–18<br>(Estimate)             |
|---------------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| Financial provision (\$m) | 17,581.1            | 17,966.1              | 18,613.7<br>(+3.6%)  | 18,661.7<br>(+0.3%)               |
|                           |                     |                       |                      | (or +3.9% on<br>2016–17 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 universities, and to support the UGC's objectives of advancing the quality of teaching and learning, research and knowledge transfer at the UGC-funded universities, and monitoring the efficiency and cost-effectiveness of the universities' 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 committees and panels, and the Quality Assurance Council (QAC) and its audit panels;
- facilitating communication and understanding among the Government, the UGC, the universities, and relevant stakeholders; and
- disbursing approved grants to the UGC-funded universities 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 2015/16 and 2016/17 academic years and related performance measures are set out in the paragraphs below.

Funding for the 2016/17 to 2018/19 triennium

- 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 and \$17,817.9 million is earmarked in 2016–17 and 2017–18 respectively to meet the funding requirements of the UGC-funded universities in accordance with the established methodology for determining the level of recurrent grants to the individual universities.
- The UGC will kick-start the preparation for the next round of the funding allocation exercise in the first half of 2017.

### Implementation of the New Academic Structure (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 has graduated in 2016.

### 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 universities 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 universities, over 75 per cent of the total Block Grant is for teaching. The academic development planning process for the 2016/17 to 2018/19 triennium has given 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 had been allocated to UGC-funded universities 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 have been combined as the Teaching Development and Language Enhancement Grant, to provide greater flexibility to universities to decide on the best use of the funding.
- In the 2015/16 and 2016/17 academic years, the UGC continues to support universities 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 universities, and supporting professional development activities. 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 universities 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 the UGC-funded universities. The QAC has two primary roles: to undertake quality audits of the eight UGC-funded universities; and to promote quality assurance and enhancement through the spread of good practice.
- Prior to 2016, the QAC's audit activities only covered first degree programmes and above. The QAC conducted its first and second rounds of quality audits from 2008 to 2011 and from 2015 to 2016 respectively. In 2016, the UGC has assumed the role of the overseeing body of the quality audits on the sub-degree operations of the UGC-funded universities, with the involvement of the QAC as the audit operator. The audit cycle has commenced in October 2016.

### Research Funding and Research Assessment Exercise

- To promote research excellence, the UGC continues to pursue with the eight UGC-funded universities 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 UGC is considering conducting another Research Assessment Exercise in consultation with the 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 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, 231 fellowships were awarded in the 2016/17 academic year. For the 2017/18 academic year, the eighth call for the Scheme was closed on 1 December 2016 and the results will be announced in March/April 2017. As for the Areas of Excellence Scheme, it seeks to build upon Hong Kong's existing research strengths and develop them into areas of excellence. As at end December 2016, a total of 20 projects had been approved in the first seven rounds of exercise.

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 is being allocated to its funded universities to further strengthen and broaden their endeavours, commensurate with their roles and missions.

Institutional and Financial Governance of Universities

- Following the promulgation of a new set of cost allocation guidelines and an updated version of accounting and disclosure practices to UGC-funded universities in 2015, the universities have been carrying out necessary enhancements to incorporate the new requirements in their accounting operations and systems. The UGC will continue to work with universities to ensure compliance of the new requirements in their financial reporting in the designated timeframes.
- Upon completion of the review of financial governance of universities and at the request of the Education Bureau, the UGC completed a consultancy study on governance of UGC-funded universities in 2015. The study aims to identify some international good practices in the governance of higher education universities, so that pointers and advice could be drawn up to help enhance the effectiveness and transparency of the governing councils of UGC-funded universities, and also better equip council members with the necessary knowledge, skills and protocol for the proper discharge of their duties. With the “Governance in UGC-funded Higher Education Institutions in Hong Kong” report (the Governance Report) endorsed by the Government and released in March 2016, the UGC has been following up the recommendations in the Governance Report through a task force.

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 has an international context. UGC-funded universities are 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 2015/16 academic year was 9 799, representing 11 per cent of total student enrolment. Out of the time-limited funding of \$140 million earmarked in the 2016/17 to 2018/19 triennium, \$17.5 million has been earmarked for competitive allocation under the new consolidated funding scheme of teaching and learning to incentivise universities to further develop in different strategic areas, including enhancing 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 universities 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 universities 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 “Minorities and Immigrants (Mainland) in Hong Kong Society”, “Particle Physics”, “Life Quality of Elders” and “One Belt, One Road” in 2016.

**Indicators**

|  | <i>Academic Year</i> |                                  |                       |
|--|----------------------|----------------------------------|-----------------------|
|  | 2015/16<br>(Actual)  | 2016/17<br>(Revised<br>Estimate) | 2017/18<br>(Estimate) |
| <i>Recurrent subventions</i>   |                      |                                  |                       |
| recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m)..... | 17,880.7             | 18,525.2                         | <b>18,427.5</b>       |
| Language Enhancement Grant#  |                      |                                  |                       |
| amount of grants (\$m).....  | 135.3                | —                                | —                     |
| Teaching Development Grant#  |                      |                                  |                       |
| amount of grants (\$m).....  | 45.4                 | —                                | —                     |
| Teaching Development and Language Enhancement Grant#   |                      |                                  |                       |
| amount of grants (\$m).....  | —                    | 170.9                            | <b>170.9</b>          |

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|  | <i>Academic Year</i> |                                  |                       |
|--|----------------------|----------------------------------|-----------------------|
|  | 2015/16<br>(Actual)  | 2016/17<br>(Revised<br>Estimate) | 2017/18<br>(Estimate) |
| grants for Areas of Excellence research projects |                      |                                  |                       |
| on-going funded Areas of Excellence projects     |                      |                                  |                       |
| monitored.....                                   | 10                   | 12                               | 11                    |
| amount of grants (\$m).....                      | 65.1                 | 90.0                             | 90.0                  |

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

|  | <i>Financial Year</i> |                                  |                       |
|--|-----------------------|----------------------------------|-----------------------|
|  | 2015–16<br>(Actual)   | 2016–17<br>(Revised<br>Estimate) | 2017–18<br>(Estimate) |
| <i>Capital subventions</i>   |                       |                                  |                       |
| capital grants   |                       |                                  |                       |
| capital works project applications processed .....   | 2                     | 2                                | 2                     |
| capital works projects approved by the Finance Committee (FC) .....                        | 1                     | 0                                | 1                     |
| amount of capital commitments approved by FC (\$m) ..                                      | 465.5                 | 0                                | 1,022.8               |
| capital projects monitored .....   | 10                    | 9                                | 6                     |
| cost of on-going capital projects monitored (\$m) .....                                    | 6,683.5               | 5,759.6                          | 5,280.8               |
| capital subventions in terms of cash flow requirement for the year (\$m).....              | 232.2                 | 34.5                             | 276.6                 |
| <i>Administration costs of UGC Secretariat</i>   |                       |                                  |                       |
| cost of administration as percentage of recurrent and capital grants administered (%)..... | 0.6                   | 0.6                              | 0.7                   |

|  | <i>Academic Year</i> |                                  |                        |
|--|----------------------|----------------------------------|------------------------|
|  | 2015/16<br>(Actual)  | 2016/17<br>(Revised<br>Estimate) | 2017/18<br>(Estimate)¶ |
| <i>Student numbers of UGC-funded programmes</i>        |                      |                                  |                        |
| student numbers in terms of Full-Time Equivalent (FTE) |                      |                                  |                        |
| students   |                      |                                  |                        |
| undergraduate‡ .....                                   | 81 732               | 83 058                           | 73 154                 |
| taught postgraduate .....                              | 2 271                | 2 197                            | 1 843                  |
| research postgraduate .....                            | 7 359                | 7 558                            | 5 595                  |
| sub-degree .....                                       | 4 072                | 4 025                            | 3 435                  |
| totalψ .....   | 95 435               | 96 839                           | 84 027                 |
| First-Year-First-Degree places (FTE).....              | 17 410               | 17 826                           | 15 000                 |
| senior year undergraduate intakes (FTE).....           | 4 341                | 4 637                            | 4 800                  |

¶ The figures in this column refer to approved student number targets and do not assume any over-enrolment. In practice, universities 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 2017–18*

6 During 2017–18, the UGC will continue to:

- conduct, via the QAC, the quality audits on sub-degree operations of the UGC-funded universities;
- take measures to encourage the UGC-funded universities to enhance teaching quality;
- take measures to encourage the UGC-funded universities 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 universities and the local self-financing degree-awarding institutions, conduct the Review of the RGC and plan for another Research Assessment Exercise in consultation with the UGC-funded universities;
- engage and stimulate universities to move forward and share good practices on knowledge transfer;
- work with the UGC-funded universities on the implementation of relevant recommendations to help ensure their continuing good financial governance and sound financial planning; and
- follow up the recommendations in the Governance Report, in particular the establishment of a written accountability framework and the launch of sector-wide briefing sessions in consultation with the universities, and to closely monitor the progress of implementation of other recommendations which would be steered by the universities.

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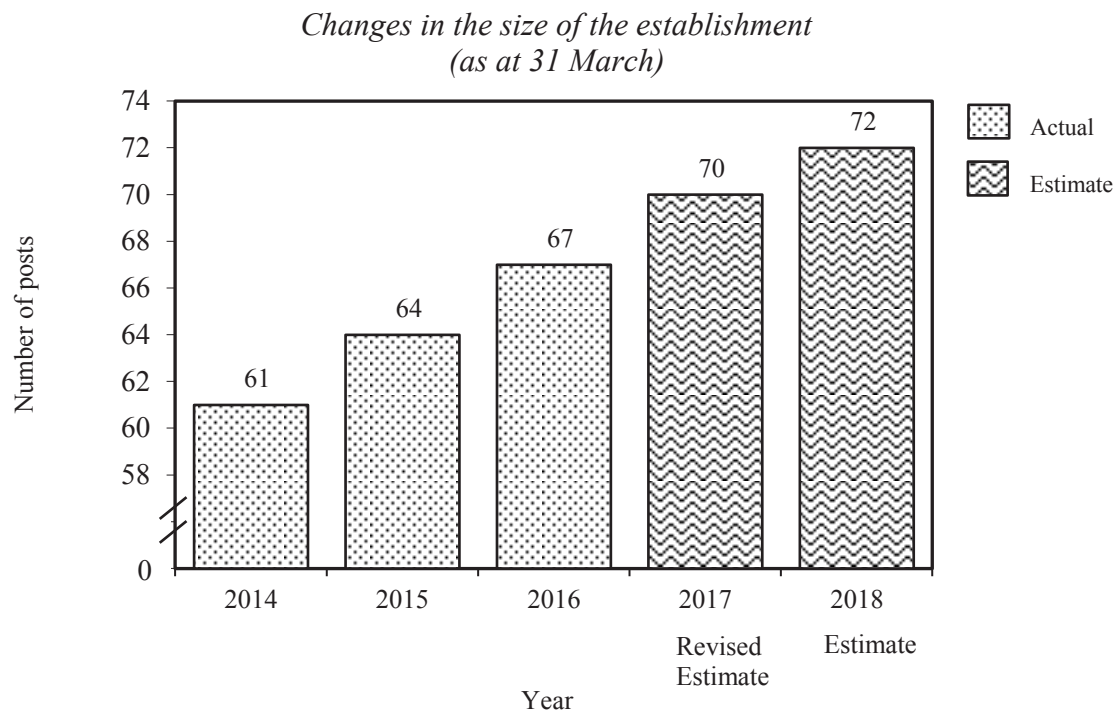
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### ANALYSIS OF FINANCIAL PROVISION

| Programme                         | 2015–16<br>(Actual)<br>(\$m) | 2016–17<br>(Original)<br>(\$m) | 2016–17<br>(Revised)<br>(\$m) | 2017–18<br>(Estimate)<br>(\$m)    |
|-----------------------------------|------------------------------|--------------------------------|-------------------------------|-----------------------------------|
| University Grants Committee ..... | 17,581.1                     | 17,966.1                       | 18,613.7<br>(+3.6%)           | 18,661.7<br>(+0.3%)               |
|                                   |                              |                                |                               | (or +3.9% on<br>2016–17 Original) |

### Analysis of Financial and Staffing Provision

Provision for 2017–18 is \$48.0 million (0.3%) higher than the revised estimate for 2016–17. This is mainly due to higher recurrent grants to UGC-funded universities during the 2016/17 to 2018/19 triennium. There will be an increase of two posts in the UGC Secretariat in 2017–18.



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| Sub-head<br>(Code)             | Actual<br>expenditure<br>2015–16 | Approved<br>estimate<br>2016–17 | Revised<br>estimate<br>2016–17 | Estimate<br>2017–18      |
|--------------------------------|----------------------------------|---------------------------------|--------------------------------|--------------------------|
|                                | \$'000                           | \$'000                          | \$'000                         | \$'000                   |
| <b>Operating Account</b>       |                                  |                                 |                                |                          |
| Recurrent                      |                                  |                                 |                                |                          |
| 000 Operational expenses ..... | 17,581,142                       | 17,966,125                      | 18,613,717                     | <b>18,661,695</b>        |
| Total, Recurrent.....          | 17,581,142                       | 17,966,125                      | 18,613,717                     | <b>18,661,695</b>        |
| Total, Operating Account ..... | 17,581,142                       | 17,966,125                      | 18,613,717                     | <b>18,661,695</b>        |
| <hr/>                          |                                  |                                 |                                |                          |
| Total Expenditure .....        | 17,581,142                       | 17,966,125                      | 18,613,717                     | <b>18,661,695</b>        |
|                                | <u>17,581,142</u>                | <u>17,966,125</u>               | <u>18,613,717</u>              | <u><b>18,661,695</b></u> |

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### Details of Expenditure by Subhead

The estimate of the amount required in 2017–18 for the salaries and expenses of the University Grants Committee (UGC)-funded universities and the UGC Secretariat is \$18,661,695,000. This represents an increase of \$47,978,000 over the revised estimate for 2016–17 and \$1,080,553,000 over the actual expenditure in 2015–16.

#### *Operating Account*

#### Recurrent

**2** Provision of \$18,661,695,000 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 universities.

**3** The establishment as at 31 March 2017 will be 70 permanent posts. It is expected that there will be an increase of two posts in 2017–18. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2017–18, but the notional annual mid-point salary value of all such posts must not exceed \$40,812,000.

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

|   | 2015–16<br>(Actual)<br>(\$'000) | 2016–17<br>(Original)<br>(\$'000) | 2016–17<br>(Revised)<br>(\$'000) | 2017–18<br>(Estimate)<br>(\$'000) |
|---|---------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Personal Emoluments   |                                 |                                   |                                  |                                   |
| - Salaries.....   | 41,168                          | 45,200                            | 46,229                           | <b>50,152</b>                     |
| - Allowances.....   | 825                             | 1,116                             | 900                              | <b>960</b>                        |
| - Job-related allowances.....   | —                               | 1                                 | 1                                | <b>1</b>                          |
| Personnel Related Expenses  |                                 |                                   |                                  |                                   |
| - Mandatory Provident Fund contribution.....  | 146                             | 136                               | 123                              | <b>93</b>                         |
| - Civil Service Provident Fund contribution.....                                      | 1,301                           | 1,934                             | 1,765                            | <b>2,535</b>                      |
| Departmental Expenses   |                                 |                                   |                                  |                                   |
| - General departmental expenses .....   | 44,763                          | 50,723                            | 45,916                           | <b>52,054</b>                     |
| Other Charges   |                                 |                                   |                                  |                                   |
| - Honoraria for overseas members .....  | 11,517                          | 13,829                            | 13,255                           | <b>14,281</b>                     |
| - Meeting expenses of UGC, Research Grants Council and Quality Assurance Council..... | 16,204                          | 30,786                            | 20,036                           | <b>29,024</b>                     |
| Subventions   |                                 |                                   |                                  |                                   |
| - Grants to UGC-funded universities .....   | 17,087,975                      | 17,443,500                        | 18,114,392                       | <b>18,138,223</b>                 |
| - Refund of Rates and Government Rent - UGC-funded universities .....                 | 317,812                         | 323,500                           | 315,700                          | <b>319,772</b>                    |
| - Home Financing Scheme .....   | 5,400                           | 1,300                             | 1,300                            | <b>500</b>                        |
| - Housing-related expenses other than Home Financing Scheme .....                     | 54,031                          | 54,100                            | 54,100                           | <b>54,100</b>                     |
|   | <u>17,581,142</u>               | <u>17,966,125</u>                 | <u>18,613,717</u>                | <u><b>18,661,695</b></u>          |