

Head 190 — UNIVERSITY GRANTS COMMITTEE

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

Estimate 2019–20 **\$22,500.7m**

Establishment ceiling 2019–20 (notional annual mid-point salary value) representing an estimated 78 non-directorate posts as at 31 March 2019 rising by ten posts to 88 posts as at 31 March 2020..... **\$58.8m**

In addition, there will be an estimated three directorate posts as at 31 March 2019 and as at 31 March 2020.

Commitment balance..... **\$2,500.0m**

Controlling Officer's Report

Programme

University Grants Committee

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

Detail

	2017–18 (Actual)	2018–19 (Original)	2018–19 (Revised)	2019–20 (Estimate)
Financial provision (\$m)	18,999.8	22,207.1	22,893.3 (+3.1%)	22,500.7 (–1.7%)
				(or +1.3% on 2018–19 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 ongoing and developing.

5 The key achievements of the UGC in the 2017/18 and 2018/19 academic years and related performance measures are set out in the paragraphs below.

Funding for the 2019/20 to 2021/22 triennium

- Having discussed the Planning Exercise Proposals with each individual university in mid-2018, the UGC made funding recommendations to the Chief Executive for the 2019/20 to 2021/22 triennium. The Chief Executive in Council approved on 11 December 2018 the UGC's recurrent funding recommendations at a total cost of \$60,467.1 million for the 2019/20 to 2021/22 triennium. The UGC consulted the Panel on Education of the Legislative Council (LegCo) on the subject on 4 January 2019. 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 compared to the 2016/17 to 2018/19 triennium. Provision of \$15,038.1 million is earmarked in 2019–20 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.

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 10 125 (or 5 000 intake places) in the 2019/20 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 UGC has been organising the annual UGC Teaching Award. Annual provision of the Teaching Development and Language Enhancement Grant (TDLEG) is allocated to UGC-funded universities to enhance teaching quality and language proficiency of students. The UGC continues to support the UGC-funded universities in the area of teaching and learning through funding individual and collaborative projects. In the 2016/17 to 2018/19 triennium, about \$178.9 million was allocated to the universities to fund 38 selected projects under the Funding Scheme for Teaching and Learning Related Proposals in the 2016-19 Triennium. These funded projects are still ongoing, with planned completion dates from mid 2019 to end 2020.
- In order for the UGC-funded universities to focus their efforts in completing the funded projects and continue to implement the initiatives from the previous funding schemes, and to send a message that UGC attaches the same importance to both “teaching and learning” and “research”, the amount of TDLEG to the universities in the 2019/20 to 2021/22 triennium has increased by \$268.4 million to \$781.2 million when compared with the previous triennium.

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 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 quality audits in sub-degree audit cycle were conducted from 2017 to 2019. The QAC will conduct a review of the previous rounds of quality audits and formulate the audit framework for the next audit cycle.

Research Funding and Research Assessment Exercise

- The Task Force on Review of Research Policy and Funding, set up under the UGC in October 2017, has completed a holistic review on the existing research support strategy and the level and allocation mechanism of research funding for the higher education sector in Hong Kong. The Task Force submitted its final Review Report to the Government for consideration in September 2018 putting forth an array of recommendations. The Government accepted in full the recommendations put forward by the Task Force. The UGC will ensure timely implementation of the initiatives to strengthen the research capability of the higher education sector.
- The Research Assessment Exercise (RAE) is part of the UGC’s commitment to assess the performance of UGC-funded universities. The preparation of the RAE 2020 is in progress. After consultation with the universities, the UGC published the four canonical procedural guidelines for the exercise, viz. the Framework, the Guidance Notes, the General Panel Guidelines and the Panel-specific Guidelines on Assessment Criteria and Working Methods. The development of an electronic system for supporting the implementation of the RAE 2020 in an efficient and robust manner is also underway.

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 (AoE), have been funded by investment income from the Research Endowment Fund (REF). The existing endowment of the REF is \$26 billion, out of which, \$16 billion was for providing earmarked research grants, \$4 billion for supporting the Theme-based Research Scheme, \$3 billion for providing new competitive research funds for the local self-financing degree sector and \$3 billion for implementing a Tuition Waiver Scheme to provide non-means-tested tuition waiver for local students enrolled in UGC-funded research postgraduate programmes. As announced in the 2018 Policy Address, the Government proposed to inject \$20 billion into the REF to sustain the current funding for RGC research schemes, provide steady support to the Research Impact Fund (RIF) and augment support for RGC collaborative research schemes, including AoE.

- 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 2018/19 academic year. A review was conducted on the Scheme in 2018 and some enhancement measures have been made, including upward adjustments of the monthly stipend and the annual travel allowance. The Scheme now also accepts some dual or joint PhD programmes in partnership with universities outside Hong Kong. The fellowship places for 2019/20 academic year will be increased to 250. As for the AoE, it seeks to build upon Hong Kong's existing research strengths and develop them into areas of excellence. As at end December 2018, a total of 24 projects had been approved in the first eight rounds of exercise.
- The RGC launched a new competitive research funding scheme called the RIF for the eight UGC-funded universities on a pilot basis in 2018. The objective of the RIF is to encourage more impactful research and foster more collaborative efforts with stakeholders beyond academia. The first call for the scheme was closed in March 2018 and the funding result was announced in January 2019.
- The RGC launched a new competitive funding scheme called Joint Laboratory Funding Scheme on a one-off basis in late 2018. The objective of the Joint Laboratory Funding Scheme is to enhance the research infrastructure of the joint laboratories between Chinese Academy of Sciences and Hong Kong universities for conducting impactful research.
- As proposed in the 2018 Policy Address, the RGC would launch a new Research Matching Grant Scheme with an allocation of \$3 billion for eight UGC-funded universities as well as 12 local self-financing degree-awarding institutions over a period of three years, starting in the second half of 2019 tentatively. The objective of the Research Matching Grant Scheme is to incentivise the private sector to strengthen financial support for research and development for the purpose of diversifying the funding sources for the higher education sector, and to encourage collaboration between the industries and the higher education sector in research and development.
- The RGC would launch three new regular fellowship schemes starting in 2019/20 academic year tentatively, namely Postdoctoral Fellowship Scheme, RGC Research Fellow Scheme and RGC Senior Research Fellow Scheme. As announced in the 2018 Policy Address, a recurrent provision of \$190 million per annum has been reserved for such purposes. The objective of the Postdoctoral Fellowship Scheme is to encourage doctoral graduates to pursue careers in research and provide promising researchers with support early in their careers. The objective of the two RGC research fellow schemes is to provide sustained support within a certain period for the research development of exceptionally outstanding academics at their early/mid-career stages, with the support of a UGC-funded university, in the manner of teaching and administrative duties relief arrangement and research funding support.

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 \$68.5 million per year in the 2019/20 to 2021/22 triennium is being allocated to UGC-funded universities to further strengthen and broaden their endeavours, commensurate with their roles and missions.

Matching Grant Scheme

- The Eighth Matching Grant Scheme would be launched with an allocation of \$2.5 billion as proposed in the Financial Secretary's 2018–19 Budget Speech to help publicly-funded post-secondary institutions tap more funding sources, improve the quality of education and foster a philanthropic culture. The Scheme will cover all publicly-funded post-secondary institutions, namely the eight UGC-funded universities, the Vocational Training Council and the Hong Kong Academy for Performing Arts. The Panel on Education of the LegCo was consulted at its meeting on 4 January 2019 on the Scheme. Subject to LegCo's funding approval, the institutions may submit application starting from the second half of 2019.

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 of financial reporting in their accounting operations and systems; and to comply with these new requirements by phases in the designated timeframes. 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 good practices internationally in the governance of 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 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.

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Internationalisation and Non-local Students

- Internationalisation continues to be a priority for the UGC. 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 2017/18 academic year was 10 924, representing about 12 per cent of total student enrolment. The UGC has launched a \$50 million funding scheme to support UGC-funded universities in widening their internationalisation endeavours and enhancing the learning experience of students in the 2019/20 to 2021/22 triennium.

Hostel Development Fund

- The Finance Committee (FC) of the LegCo approved on 7 July 2018 a one-off grant of \$10,303.7 million for the establishment of the Hostel Development Fund for UGC-funded universities with hostel shortfall to construct student hostels.

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 regular 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 conducted public lectures to introduce its work and activities.

Indicators

	<i>Academic Year</i>		
	2017/18 (Actual)	2018/19 (Revised Estimate)	2019/20 (Estimate)
<i>Recurrent subventions</i>			
recurrent subventions (including block grants and various grants earmarked for specific purposes) (\$m)	19,053.2	19,702.4	20,230.3
Teaching Development and Language Enhancement Grant amount of grants (\$m)	170.9	171.0	260.4
grants for Areas of Excellence research projects ongoing funded Areas of Excellence projects monitored	12	14	12
amount of grants (\$m)	63.9	90.0	100.0
RIF# amount of grants (\$m)	0	200.0	75.0

New indicator as from 2018/19 academic year.

	<i>Financial Year</i>		
	2017–18 (Actual)	2018–19 (Revised Estimate)	2019–20 (Estimate)
<i>Capital subventions</i>			
<i>capital grants</i>			
capital works project applications processed	0	2	1
capital works projects approved by the FC	1	0	1
amount of capital commitments approved by the FC (\$m)	810.9	0	346.1
capital projects monitored	7	6	6
cost of ongoing capital projects monitored (\$m)	5,429.1	4,504.9	4,504.9
capital subventions in terms of cash flow requirement for the year (\$m)	140.3	289.8	265.4
<i>Administration costs of UGC Secretariat</i>			
cost of administration as percentage of recurrent and capital grants administered (%)	0.6	0.7	0.9

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	<i>Academic Year</i>		
	2017/18 (Actual)	2018/19 (Revised Estimate)	2019/20 (Estimate)¶
<i>Student numbers of UGC-funded programmes</i>			
student numbers in terms of Full-Time Equivalent (FTE)			
students			
undergraduate‡	84 285	85 368	73 840
taught postgraduate	2 082	2 003	1 852
research postgraduate	7 594	7 884	5 595
sub-degree	3 423	2 761	2 983
	97 384	98 017	84 271
totalΨ			
First-Year-First-Degree places (FTE)	18 096	18 367	15 000
senior year undergraduate intakes (FTE)	4 730	4 844	5 000

¶ 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 2019–20

6 During 2019–20, the UGC will:

- plan to make an injection of \$20 billion into the REF to top it up to \$46 billion and implement the Research Matching Grant Scheme;
- continue to take measures to encourage the UGC-funded universities to enhance teaching quality;
- prepare for the next cycle of QAC quality audits on the UGC-funded universities;
- continue to 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, implement the RAE 2020 as agreed with the UGC-funded universities and monitor the implementation of the tuition waiver scheme for local students enrolled in UGC-funded research postgraduate programmes;
- continue to take measures to encourage the UGC-funded universities to strengthen their endeavours in knowledge transfer;
- continue to monitor the implementation of the recommendations in the Governance Report to help ensure good institutional governance of the UGC-funded universities;
- continue to work with the UGC-funded universities to help ensure their continuing good financial governance and sound financial planning;
- continue to take measures to encourage the UGC-funded universities to strengthen their pursuit of internationalisation and engagement with the Mainland; and
- implement the Eighth Matching Grant Scheme and three new regular research fellowship schemes.

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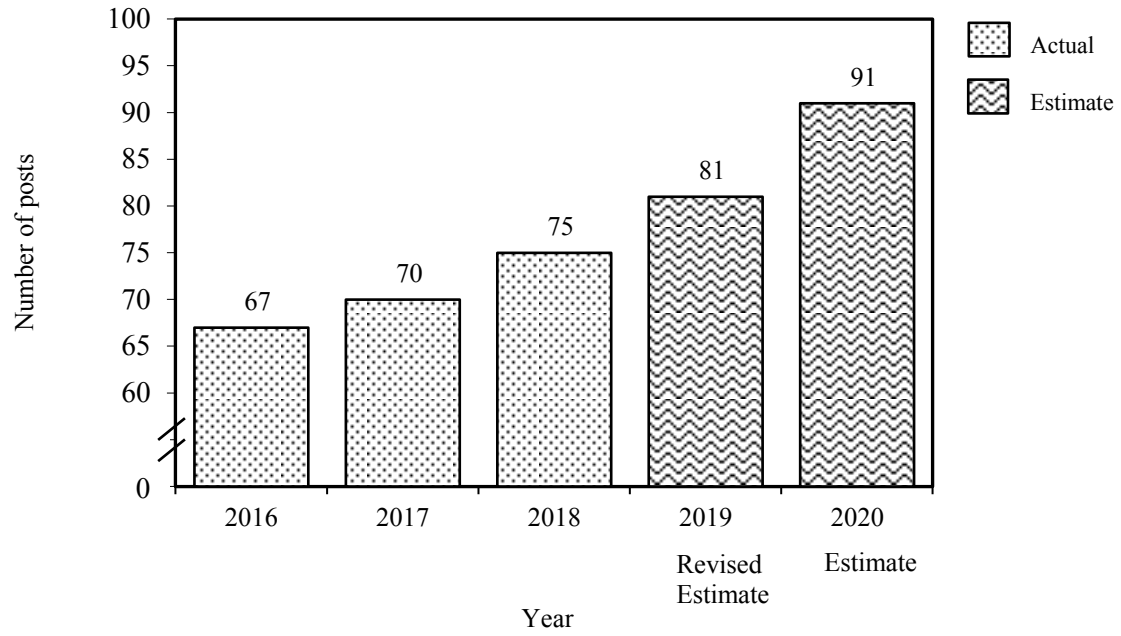
ANALYSIS OF FINANCIAL PROVISION

Programme	2017–18 (Actual) (\$m)	2018–19 (Original) (\$m)	2018–19 (Revised) (\$m)	2019–20 (Estimate) (\$m)
University Grants Committee	18,999.8	22,207.1	22,893.3 (+3.1%)	22,500.7 (-1.7%)
				(or +1.3% on 2018–19 Original)

Analysis of Financial and Staffing Provision

Provision for 2019–20 is \$392.6 million (1.7%) lower than the revised estimate for 2018–19. This is mainly due to the injection of \$3 billion to REF in 2018–19, partly offset by higher recurrent grants to UGC-funded universities and estimated funding requirement of the Eighth Matching Grant Scheme for the publicly-funded post-secondary education sector in 2019–20. There will be a net increase of ten posts in the UGC Secretariat in 2019–20.

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



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Sub-head (Code)	Actual expenditure 2017-18	Approved estimate 2018-19	Revised estimate 2018-19	Estimate 2019-20	
	\$'000	\$'000	\$'000	\$'000	
Operating Account					
Recurrent					
000	Operational expenses	18,999,780	19,137,113	19,823,329	20,300,710
	Total, Recurrent.....	<u>18,999,780</u>	<u>19,137,113</u>	<u>19,823,329</u>	<u>20,300,710</u>
Non-Recurrent					
700	General non-recurrent	—	3,070,000	3,070,000	2,200,000
	Total, Non-Recurrent.....	<u>—</u>	<u>3,070,000</u>	<u>3,070,000</u>	<u>2,200,000</u>
	Total, Operating Account	18,999,780	22,207,113	22,893,329	22,500,710
<hr/>					
	Total Expenditure	<u>18,999,780</u>	<u>22,207,113</u>	<u>22,893,329</u>	<u>22,500,710</u>

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Details of Expenditure by Subhead

The estimate of the amount required in 2019–20 for the salaries and expenses of the University Grants Committee (UGC)-funded universities and the UGC Secretariat is \$22,500,710,000. This represents a decrease of \$392,619,000 against the revised estimate for 2018–19 and an increase of \$3,500,930,000 over the actual expenditure in 2017–18.

Operating Account

Recurrent

2 Provision of \$20,300,710,000 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 2019 will be 81 permanent posts. It is expected that there will be a net increase of ten posts in 2019–20. Subject to certain conditions, the controlling officer may under delegated power create or delete non-directorate posts during 2019–20, but the notional annual mid-point salary value of all such posts must not exceed \$58,770,000.

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

	2017–18 (Actual) (\$'000)	2018–19 (Original) (\$'000)	2018–19 (Revised) (\$'000)	2019–20 (Estimate) (\$'000)
Personal Emoluments				
- Salaries.....	46,071	54,700	51,450	65,228
- Allowances.....	1,119	1,297	1,594	1,932
- Job-related allowances.....	7	1	1	1
Personnel Related Expenses				
- Mandatory Provident Fund contribution.....	148	97	183	163
- Civil Service Provident Fund contribution.....	1,764	2,997	2,381	3,904
Departmental Expenses				
- General departmental expenses	41,122	63,405	58,317	75,897
Other Charges				
- Honoraria for overseas members	12,419	15,257	15,818	18,156
- Meeting expenses of UGC, Research Grants Council and Quality Assurance Council.....	15,258	34,553	29,145	33,414
Subventions				
- Grants to UGC-funded universities	18,515,185	18,587,580	19,282,640	19,693,916
- Refund of Rates and Government Rent - UGC-funded universities	312,963	323,126	327,700	353,999
- Home Financing Scheme	488	—	—	—
- Housing-related expenses other than Home Financing Scheme	53,236	54,100	54,100	54,100
	18,999,780	19,137,113	19,823,329	20,300,710

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Commitments

Sub-head (Code)	Item (Code)	Ambit	Approved commitment	Accumulated expenditure to 31.3.2018	Revised estimated expenditure for 2018–19	Balance
			\$'000	\$'000	\$'000	\$'000
<i>Operating Account</i>						
700		<i>General non-recurrent</i>				
	801	Eighth Matching Grant Scheme [□]	2,500,000 [□]	—	—	2,500,000
		Total	<u>2,500,000</u>	<u>—</u>	<u>—</u>	<u>2,500,000</u>

□ This is a new item, funding for which is sought in the context of the Appropriation Bill 2019.