

**LEGISLATIVE COUNCIL BRIEF**

**RECURRENT FUNDING FOR  
UNIVERSITY GRANTS COMMITTEE-FUNDED INSTITUTIONS  
IN THE 2005/06 TO 2007/08 TRIENNIUM**

**INTRODUCTION**

At the meeting of the Executive Council on 14 December 2004, the Council ADVISED and the Chief Executive ORDERED that, in respect of the 2005/06 to 2007/08 triennium –

- (a) the distribution of indicative student number targets as proposed by the University Grants Committee (UGC) should be approved (**paragraph 2 below**);
- (b) the specific recurrent funding recommendations at a total cost of \$30,762.4 million under the 0-0-5 model (i.e. recurrent savings of 5% to be achieved from the 2007/08 academic year) should be endorsed, subject to the acceptance of the financial implications by the Finance Committee of the Legislative Council (**paragraphs 6 to 7 below**);
- (c) the Government should review in mid-2006 the 5% savings assumed for the 2007/08 academic year, on the understanding that any additional recurrent funding for the 2005/06 to 2007/08 triennium will be capped at \$504.3 million (**paragraph 5 below**); and
- (d) the indicative tuition fees should be frozen at their current (i.e. 1997/98 to 2004/05) levels (**paragraph 9 below**).

## **JUSTIFICATIONS**

### **Student Number Targets**

2. The distribution of indicative student numbers is set out at **Annex A**. In brief, the overall number of publicly-funded first-year first-degree places will remain constant at 14 500 in full-time-equivalent terms in the 2005/06 to 2007/08 triennium; while the number of sub-degree (SD) and taught postgraduate (TPg) places will be reduced in phases in accordance with established policy. On the other hand, an additional 1 680 senior year undergraduate places in total will be provided to make room for SD holders and people with other relevant qualifications to further their studies in the local universities. Moreover, a total of about 450 additional research postgraduate places will be provided to support research development in Hong Kong, and they will be allocated to the institutions during the triennium.

### **Funding**

3. The UGC's assessment of recurrent grants for the 2005/06 to 2007/08 triennium is based primarily on the distribution of indicative student number targets as mentioned in paragraph 2 above. The funding also reflect institutions' performance against role, the ways in which they can best contribute to the needs of Hong Kong, the institutions' Academic Development Proposals, as well as the special needs of institutions.

4. In the context of examining the funding recommendations for the 2004/05 academic year, the Heads of Universities Committee's member institutions have reached a consensus that they will try their best to work with a 0-0-X funding arrangement for the 2005/06 to 2007/08 triennium. This 0-0-X funding arrangement means there will be no further funding cut in the first two years of the triennium but funding may be reduced in the third year of triennium by an undefined percentage, which should be no more than 5%, to be determined nearer the time.

5. Based on the above consensus, the Administration has adopted the 0-0-5 model as planning assumption for the 2005/06 to 2007/08 triennium. The UGC sector should aim to achieve further efficiency savings of 5% from the 2007/08 academic year onwards. We will review in the middle of 2006 this assumption having regard to a number of factors, including the economic outlook at the time. We will then consider whether we should seek the approval of the Finance Committee of the Legislative Council to increase the grant for that

academic year subject to the increase not exceeding \$504.3 million, if circumstances so warrant.

### **Recurrent Funding Assessment for the 2005/06 to 2007/08 Triennium**

6. The total recurrent grants the Administration recommends for the entire UGC-funded sector in the 2005/06 to 2007/08 triennium reflect 0% reduction in 2005/06 and 2006/07, and 5% savings to be achieved in the 2007/08 academic year. In arriving at the actual total figure of \$30,762.4 million and its distribution over the three years, we have made necessary adjustments for the civil service pay reduction and year-on-year changes in student numbers, except for the reduction in publicly-funded TPg places, the savings from which will be retained by the UGC to support restructuring, collaboration and research development activities. In line with previous practices, the recurrent grant recommendations have not taken into account the requirements of refund of rates and government rents and financial implications of introducing the UGC Home Finance Scheme, the provisions for which will be dealt with separately.

7. The Administration's specific recurrent funding recommendations in respect of the UGC-funded institutions in the 2005/06 to 2007/08 triennium are at **Annex B**.

### **Tuition Fees for the 2005/06 to 2007/08 Triennium**

8. Since February 1998, the Government has frozen most Government fees as an exceptional relief measure at a time of economic adjustment. Having regard to the social, economic and political situations of Hong Kong at the time, the Administration has also frozen the indicative tuition fees for UGC-funded programmes for seven academic years from 1998/99 to 2004/05. The indicative tuition fees have remained at the 1997/98 level, as shown below –

|   |          |
|---|----------|
| Degree and above programmes   | \$42,100 |
| SD programmes (except those offered by the Hong Kong Institute of Education (HKIED) ) | \$31,575 |
| SD programmes offered by the HKIED <sup>1</sup>                                       | \$15,040 |

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<sup>1</sup> SD programmes of HKIED are subject to a different scale of tuition fees. The bulk of HKIED's SD programme tuition fees comes from the Certificate in Education courses which are currently charged at \$15,040.

9. The Chief Executive in Council decided that the indicative tuition fees of the UGC-funded institutions for the 2005/06 to 2007/08 triennium should remain at their current (i.e. 1997/98 to 2004/05) levels.

## **IMPLICATIONS OF THE PROPOSAL**

10. The proposal has financial, economic and sustainability implications as set out at **Annex C**.

11. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no civil service, productivity or environmental implications.

## **PUBLIC CONSULTATION**

12. The recommendations contained in this paper are built on proposals from the UGC.

## **PUBLICITY**

13. We will consult the Legislative Council Panel on Education, after which we will invite the Finance Committee of the Legislative Council to accept the financial implications of the recurrent funding for the UGC-funded institutions in the 2005/06 to 2007/08 triennium.

## **ENQUIRIES**

14. For enquiries regarding this Legislative Council brief, please contact Ms Irene Young, Principal Assistant Secretary for Education and Manpower Bureau, at 3540 7468.

## **BACKGROUND**

15. The Administration and the UGC follow a triennial planning cycle for the UGC sector. As the recommendations arising from the Higher Education Review entail considerable changes to existing systems and take time to implement, ExCo agreed that the 2001/02 to 2003/04 triennium should “roll over” for one year to cover the 2004/05 academic year, postponing the new triennium to 2005/06 to 2007/08.

Education and Manpower Bureau  
December 2004

**The final distribution of Indicative Student Number Targets in full-time-equivalent terms  
for 2005/06 to 2007/08 Triennium**

| Institutions                                       | Degree<br>(total numbers including additional senior year places) |              |              |               |
|--|---|--------------|--------------|---------------|
|  | 2005/06   | 2006/07      | 2007/08      | Total         |
| City University of Hong Kong                       | 7228  | 7275         | 7388         | 21891         |
| Hong Kong Baptist University                       | 4175  | 4275         | 4250         | 12700         |
| Lingnan University                                 | 2120  | 2203         | 2203         | 6526          |
| The Chinese University of Hong Kong                | 9523  | 9597         | 9601         | 28721         |
| The Hong Kong Institute of Education               | 3202  | 3014         | 2932         | 9148          |
| The Hong Kong Polytechnic University               | 7589  | 7839         | 7857         | 23285         |
| The Hong Kong University of Science and Technology | 5457  | 5537         | 5546         | 16540         |
| The University of Hong Kong                        | 8909  | 8964         | 9042         | 26915         |
| <b>Total</b>                                       | <b>48203</b>  | <b>48704</b> | <b>48819</b> | <b>145726</b> |

| Institutions                                       | Undergraduate Senior Year Places * |             |             |             |
|--|------------------------------------|-------------|-------------|-------------|
|  | 2005/06                            | 2006/07     | 2007/08     | Total       |
| City University of Hong Kong                       | 210                                | 420         | 420         | 1050        |
| Hong Kong Baptist University                       | 110                                | 220         | 220         | 550         |
| Lingnan University                                 | 53                                 | 106         | 106         | 265         |
| The Chinese University of Hong Kong                | 95                                 | 190         | 190         | 475         |
| The Hong Kong Institute of Education               | 0                                  | 0           | 0           | 0           |
| The Hong Kong Polytechnic University               | 220                                | 440         | 440         | 1100        |
| The Hong Kong University of Science and Technology | 57                                 | 114         | 114         | 285         |
| The University of Hong Kong                        | 95                                 | 190         | 190         | 475         |
| <b>Total</b>                                       | <b>840</b>                         | <b>1680</b> | <b>1680</b> | <b>4200</b> |

\* - numbers incorporated in 'Degree' table above.

| Institutions                                       | First-Year-First-Degree Places * |              |              |              |
|--|----------------------------------|--------------|--------------|--------------|
|  | 2005/06                          | 2006/07      | 2007/08      | Total        |
| City University of Hong Kong ^                     | 2282                             | 2282         | 2282         | 6846         |
| Hong Kong Baptist University                       | 1306                             | 1306         | 1306         | 3918         |
| Lingnan University ^                               | 694                              | 694          | 694          | 2082         |
| The Chinese University of Hong Kong                | 2875                             | 2875         | 2875         | 8625         |
| The Hong Kong Institute of Education ^             | 468                              | 468          | 468          | 1404         |
| The Hong Kong Polytechnic University ^             | 2365                             | 2365         | 2365         | 7095         |
| The Hong Kong University of Science and Technology | 1811                             | 1811         | 1811         | 5433         |
| The University of Hong Kong                        | 2699                             | 2699         | 2699         | 8097         |
| <b>Total</b>                                       | <b>14500</b>                     | <b>14500</b> | <b>14500</b> | <b>43500</b> |

\* - numbers incorporated in 'Degree' table above.

| Institutions                                       | Sub-Degree  |             |             |              |
|--|-------------|-------------|-------------|--------------|
|  | 2005/06     | 2006/07     | 2007/08     | Total        |
| City University of Hong Kong                       | 3579        | 2078        | 1115        | 6772         |
| Hong Kong Baptist University                       | 0           | 0           | 0           | 0            |
| Lingnan University                                 | 0           | 0           | 0           | 0            |
| The Chinese University of Hong Kong                | 0           | 0           | 0           | 0            |
| The Hong Kong Institute of Education               | 1339        | 1345        | 1203        | 3887         |
| The Hong Kong Polytechnic University               | 4412        | 3847        | 3278        | 11537        |
| The Hong Kong University of Science and Technology | 0           | 0           | 0           | 0            |
| The University of Hong Kong                        | 0           | 0           | 0           | 0            |
| <b>Total</b>                                       | <b>9330</b> | <b>7270</b> | <b>5596</b> | <b>22196</b> |

| Institutions                                       | Taught Postgraduate |             |             |             |
|--|---------------------|-------------|-------------|-------------|
|  | 2005/06             | 2006/07     | 2007/08     | Total       |
| City University of Hong Kong                       | 316                 | 116         | 53          | 485         |
| Hong Kong Baptist University                       | 344                 | 373         | 355         | 1072        |
| Lingnan University                                 | 0                   | 0           | 0           | 0           |
| The Chinese University of Hong Kong                | 880                 | 806         | 783         | 2469        |
| The Hong Kong Institute of Education               | 495                 | 475         | 470         | 1440        |
| The Hong Kong Polytechnic University               | 399                 | 127         | 77          | 603         |
| The Hong Kong University of Science and Technology | 283                 | 153         | 45          | 481         |
| The University of Hong Kong                        | 1101                | 939         | 836         | 2876        |
| <b>Total</b>                                       | <b>3818</b>         | <b>2989</b> | <b>2619</b> | <b>9426</b> |

| Institutions                                       | Research Postgraduate |             |             |              |
|--|-----------------------|-------------|-------------|--------------|
|  | 2005/06               | 2006/07     | 2007/08     | Total        |
| City University of Hong Kong                       | 378                   | 378         | 378         | 1134         |
| Hong Kong Baptist University                       | 139                   | 139         | 139         | 417          |
| Lingnan University                                 | 17                    | 17          | 17          | 51           |
| The Chinese University of Hong Kong                | 1275                  | 1275        | 1275        | 3825         |
| The Hong Kong Institute of Education               | 0                     | 0           | 0           | 0            |
| The Hong Kong Polytechnic University               | 382                   | 381         | 381         | 1144         |
| The Hong Kong University of Science and Technology | 850                   | 850         | 850         | 2550         |
| The University of Hong Kong                        | 1275                  | 1275        | 1275        | 3825         |
| <b>Total</b>                                       | <b>4316</b>           | <b>4315</b> | <b>4315</b> | <b>12946</b> |

| Institutions                                       | 2005/06      | 2006/07      | 2007/08      | Total         |
|--|--------------|--------------|--------------|---------------|
| City University of Hong Kong                       | 11501        | 9847         | 8934         | 30282         |
| Hong Kong Baptist University                       | 4658         | 4787         | 4744         | 14189         |
| Lingnan University                                 | 2137         | 2220         | 2220         | 6577          |
| The Chinese University of Hong Kong                | 11678        | 11678        | 11659        | 35015         |
| The Hong Kong Institute of Education               | 5036         | 4834         | 4605         | 14475         |
| The Hong Kong Polytechnic University               | 12782        | 12194        | 11593        | 36569         |
| The Hong Kong University of Science and Technology | 6590         | 6540         | 6441         | 19571         |
| The University of Hong Kong                        | 11285        | 11178        | 11153        | 33616         |
| <b>Grand Total</b>                                 | <b>65667</b> | <b>63278</b> | <b>61349</b> | <b>190294</b> |

^ - This is UGC's allocated first-year-first-degree student numbers but the institutions have worked among themselves to redeploy numbers for collaborative programmes of Hong Kong Institute of Education with Lingnan University, The Hong Kong Polytechnic University and City University of Hong Kong.

## Annex B

### Specific recurrent funding recommendations for UGC-funded institutions in the 2005/06 to 2007/08 triennium

|   | 2005/06         | Academic year (July to June) |                | Total           |
|---|-----------------|------------------------------|----------------|-----------------|
|   |                 | 2006/07                      | 2007/08        |                 |
|   |                 | (in \$million)               |                |                 |
| (a) City University of Hong Kong                                  | 1,294.7         | 1,189.1                      | 1,080.0        | 3,563.8         |
| (b) Hong Kong Baptist University                                  | 555.9           | 557.9                        | 527.3          | 1,641.1         |
| (c) Lingnan University  | 196.7           | 203.6                        | 191.6          | 591.9           |
| (d) The Chinese University of Hong Kong                           | 2,178.0         | 2,145.2                      | 2,037.3        | 6,360.5         |
| (e) The Hong Kong Institute of Education                          | 536.1           | 504.2                        | 422.0          | 1,462.3         |
| (f) The Hong Kong Polytechnic University                          | 1,648.8         | 1,595.6                      | 1,476.8        | 4,721.2         |
| (g) The Hong Kong University of Science<br>and Technology         | 1,218.8         | 1,207.1                      | 1,129.8        | 3,555.7         |
| (h) The University of Hong Kong                                   | 2,144.9         | 2,059.8                      | 1,924.8        | 6,129.5         |
| <b>Sub-total of Recurrent Grants for eight<br/>institutions</b>   | <b>9,773.9</b>  | <b>9,462.5</b>               | <b>8,789.6</b> | <b>28,026.0</b> |
| Earmarked Research Grants   | 505.9           | 505.9                        | 505.9          | 1,517.7         |
| Grants for Restructuring and Collaboration<br>Activities          | 123.6           | 182.5                        | 198.3          | 504.4           |
| Grants for Research Development<br>Activities                     | 123.6           | 182.5                        | 198.2          | 504.3           |
| Central Allocation Vote   | 10.0            | 100.0                        | 100.0          | 210.0           |
| <b>Total Recurrent Grants to the UGC-<br/>funded institutions</b> | <b>10,537.0</b> | <b>10,433.4</b>              | <b>9,792.0</b> | <b>30,762.4</b> |



## Implications of the Proposal

### Financial Implications

The overall funding recommendation is worked out largely on the basis of an established framework for assessing the funding requirement of the University Grants Committee (UGC) sector. The estimated total cost for implementing the Administration's recurrent funding recommendations (under the 0-0-5 model) for the 2005/06 to 2007/08 triennium will be \$30,762.4 million. The estimated cashflow is as follows –

| <u>Financial Year</u> | <u>\$ million</u> |
|-----------------------|-------------------|
| 2005 – 06             | 7,902.7           |
| 2006 – 07             | 10,459.4          |
| 2007 – 08             | 9,952.4           |
| 2008 – 09             | 2,447.9           |

2. In the event that a 0-0-X model, with X representing a cut of less than 5% were to be adopted after the review in 2006, additional funding up to \$504.3 million would be required for the 2005/06 to 2007/08 triennium. This contingent additional requirement will be subject to further approval by the Finance Committee. Other than this and in line with the established arrangement, the recurrent funding requirement will not be further adjusted during the triennium except for price adjustment to the pay-related expenditure to reflect any adjustment (upward or downward) in civil service salaries, and variations in tuition fee income as a result of Government determining tuition fee levels different from those originally assumed.

3. The changes to student numbers may have consequential financial implications outside the recurrent funding recommendation of \$30,762.4 million, such as student financial assistance in the form of grants and loans, as well as capital subventions for construction of campus buildings and/or student hostels.

### **Economic Implications**

4. Quality education at the tertiary level helps enhance the capability and competitiveness of Hong Kong's human resources, and prepare our workforce for higher value added activities in a knowledge-based and innovation-prone setting. The present proposals seek to sustain the development of tertiary education in Hong Kong with better balance and cost efficiency, and to enhance the quality of teaching and research. Manpower requirements at the tertiary education level for the various social and economic sectors will be taken into account.

### **Sustainability Implications**

5. The proposals would improve the return of investment in education in terms of better teaching quality, student outcome and research performance. The proposals should generally be in line with the sustainability principle of enabling individuals to fulfil their potential by providing access to adequate and appropriate education. It should also facilitate the efficient use of educational resources. Appropriate financial assistance should continue to be provided to the lower income groups to help them acquire higher education and enhance competitiveness, thereby cultivating social integration and social mobility in Hong Kong.