

For information
28 February 2007

**Recurrent Funding for
The Hong Kong Institute of Education (HKIEd)**

PURPOSE

The University Grants Committee (UGC) has been asked by the Clerk to the Education Panel to provide a paper on the funding for HKIEd over the past few years. This paper sets out the Administration's funding provided to HKIEd through the UGC, and explains the funding position of the Institute from 2004/05 to 2007/08 academic years.

OVERVIEW OF FUNDING TO HKIEd

2. At the meeting of 7 January 2004, the Finance Committee (FC) approved the recurrent grants provided to the eight UGC-funded institutions for the 2004/05 roll-over year, while on 26 May 2006, the 2005-08 triennium grants under the 0-0-0 funding model was also approved by the FC. For HKIEd, the total recurrent grant allocated to the Institute was \$632 million for 2004/05, and a total of \$1,486 million for the 2005-08 triennium. The annual funding for HKIEd during the period is broken down as follows:

	2004/05	2005/06	2006/07	2007/08
Recurrent Grant	\$632 million	\$536 million	\$504 million	\$446 million

3. Institutional grants to HKIEd, as with those for the other seven UGC-funded institutions, are determined according to the established funding methodology adopted by the UGC. This funding methodology gives a reasonably rigorous and precise assessment of the resources required to meet the teaching and research targets of each institution. Since its introduction in 1994, the UGC has reviewed and improved the funding methodology to ensure that it remains valid. For

more details about the funding methodology, please refer to a separate paper provided to the Panel.

REASONS FOR ADJUSTMENTS IN RECURRENT GRANTS TO HKIED

4. As HKIED has become a mature institution- with self accrediting authority- it was necessary to bring its recurrent grants more in line with the general methodology employed for all institutions. Several factors were involved in the adjustments for the 2005-08 triennium. Some of these applied across the board to all institutions. Some were related to the specific circumstances of HKIED. More details about the funding adjustment are explained in the ensuing paragraphs- with a summary in the **Annex**.

Phasing out of front-end loading

5. Front-end loading is a sum of time-limited funding that the UGC has generally given to institutions at their early stage of development or upgrading. Since 1998/99, the UGC has provided about \$900 million front-end loading to HKIED to support its development, including \$152 million during 2004/05 - 2006/07 academic years. Since the Institute has already become a mature institution, the UGC decided to reduce the front-end loading element by half in 2004/05. Subsequent to HKIED's attaining of self-accrediting status in 2004, the UGC decided it was time further to reduce this element during the 2005-08 triennium and to remove it in the year of 2007/08. The substantial front-end loading has been in place for nine years. The impending removal of front-end loading was well known to the HKIED and was accepted by the Institute as one of the consequences of becoming a self-accrediting institution. This practice is wholly consistent with what the UGC did for the other institutions in the past.

Monotechnic premium

6. The HKIED was exempted by the UGC from the 10% unit cost reduction that took place in 1998-2001, in view of the fact that it was

then at a very early stage of its development. This anomaly is no longer appropriate, as HKIEd is now a mature institution. However, the UGC has recognized that the monotechnic nature of the Institute places constraints on its flexibility of operation and therefore has made an extra-formulaic (upward) adjustment to its total grant. The monotechnic premium is somewhat less than the exemption figure was.

7. The timetable for withdrawing HKIEd's front-end loading is the same as that for other institutions in the past; whereas HKIEd's special exemption from unit cost reduction was in fact a privilege that no other intuitions have enjoyed. Both were given to HKIEd in recognition of its initial development at the time. For parity reasons, and since HKIEd is now a mature institution, the UGC saw no reason to continue such time-limited funding in 2007/08 and beyond.

Changes in Student Numbers

8. The total student number, and hence any change in number, is an important element in assessing recurrent funding to be allocated to all UGC-funded institutions. The total approved student numbers during 2004/05 - 2007/08 academic years are summarized below, which shows that there is a 14% reduction of student numbers in aggregate across all levels at HKIEd during the period¹:

	2004/05	2005/06	2006/07	2007/08
Approved student numbers*	5,376	5,036	4,834	4,605

* *in full-time-equivalent term*

9. Like all other UGC-funded institutions, funding is provided to HKIEd on the basis of approved student numbers. This is the key determinant of the level of funding needed by an institution.

10. The provision of teacher education places in the UGC sector is subject to the specific manpower planning requirements as advised by the Administration. In tendering its advice in respect of teacher

¹ Student numbers approved in FCR(2004-05)43

education places to the UGC, the Administration has had to take into account the projected supply and demand of teachers (which in turn is affected by the projected decline in school student population), demands for teachers in specific key learning areas, and anticipated needs in upgrading serving teachers in the coming years.

Other Avenues of Funding Support

11. The triennium funding provided by the UGC is not the only source of funding available for HKIEd. Several others exist- some under the UGC, some from the Administration:

- (a) The Institute is separately funded by the Education and Manpower Bureau for commissioned courses and proposals that they initiate which may straddle 3 to 5 years. HKIEd will continue to share the non-UGC recurrent funding that the Administration sets aside for various teacher training and professional development. The actual expenditure (2005/06) and the original estimate (2006/07) for teacher training are \$101 million and \$135 million respectively.
- (b) As with other UGC-funded institutions, HKIEd has been able to obtain additional funding from the UGC under the Matching Grant Schemes.
- (c) The UGC will make available to HKIEd an appropriate amount from the one off funding of \$550M that the Administration has set aside for the preparatory work for “3+3+4” in the UGC sector. In addition, the UGC will grant some funding in the near future to allow HKIEd (and other institutions) to detach staff or employ new staff to prepare for the curriculum development under “3+3+4”.
- (d) The HKIEd has been successful in bidding for funds from the UGC for several projects under our Restructuring and Collaboration Fund. These requests have been either in collaboration with other institutions or by HKIEd alone.

12. The UGC will keep in close dialogue with HKIEd and other UGC-funded institutions with a view to facilitating the healthy development of the UGC sector.

UGC Secretariat

February 2007

Annex

Recurrent Grants For HKIEd From 2004/05 to 2007/08 Academic Years

(in \$million)

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>
	\$m	\$m	\$m	\$m
Recurrent Grants	632	536	504	446

<u>Extra-formulaic adjustments included:</u>				
Exemption from 10% point-to-point unit cost reduction	71			
Front-end loading	56	56	40	0
Monotechnic premium		52	50	48
	127	108	90	48