

ITEM FOR FINANCE COMMITTEE

HEAD 190 – UNIVERSITY GRANTS COMMITTEE

Subhead 000 Operational expenses

Subhead 700 General non-recurrent

New Item “Research Endowment Fund for UGC-funded institutions”

Members are invited to –

- (a) accept the total recurrent grant for the University Grants Committee-funded institutions for the 2009/10 to 2011/12 triennium, estimated at \$33,992 million; and
- (b) approve a new commitment of \$18 billion for establishing a Research Endowment Fund for providing research funding to the University Grants Committee-funded institutions.

PROBLEM

The eight institutions funded by the University Grants Committee (UGC) need confirmation of the level of recurrent grants that they will receive for the 2009/10 to 2011/12 triennium, in order to finalise their budgets and academic programmes for that period. Taking into account the level of recurrent grants to be received, the UGC-funded institutions also need to be provided with stable research funding in order to enhance their research capacity and competitiveness.

PROPOSAL

2. The Secretary for Education proposes that Members accept the total recurrent grant for the eight UGC-funded institutions for the 2009/10 to 2011/12 triennium, estimated at \$33,992 million; and approve the establishment of an \$18 billion Research Endowment Fund (the Fund) for providing stable research funding to the UGC-funded institutions through the Research Grants Council (RGC) of the UGC.

/JUSTIFICATION

JUSTIFICATION**Recurrent funding requirements for the 2009/10 to 2011/12 triennium**

3. The Administration and the UGC follow a triennial planning cycle for the UGC sector. The UGC has submitted to the Administration funding recommendations for the 2009/10 to 2011/12 triennium recurrent grants for the eight institutions, reflecting the indicative student number targets and the approved Academic Development Proposals of the institutions.

Student number targets

4. The UGC's recommendations on the distribution of indicative student number targets (by institution and by study level) for the 2009/10 to 2011/12 triennium are set out at Enclosure 1. In summary,

- (a) the number of publicly-funded First-Year-First-Degree places in full-time-equivalent (fte) terms will remain at 14 500 places;
- (b) in addition to the existing 4 765 fte publicly-funded research postgraduate (RPg) places, 800 new places will be provided in phases from the 2009/10 academic year onwards and will be allocated to institutions by the UGC at a later stage;
- (c) the number of publicly-funded sub-degree and taught postgraduate places will generally be maintained at the 2008/09 level (with modest adjustments); and
- (d) in the 2008/09 academic year, the UGC injected an additional 960 senior year undergraduate places to provide more articulation opportunities for holders of sub-degrees and relevant qualifications. In total, there are 2 894 publicly-funded senior year undergraduate places (i.e. 1 927 places in Year 2 and 967 places in Year 3) in the 2008/09 academic year. This figure will be increased to 3 854 (i.e. 1 927 places in Year 2 and Year 3 respectively), 3 914 (i.e. 1 987 places in Year 2 and 1 927 places in Year 3) and 3 974 (i.e. 1 987 places in Year 2 and Year 3 respectively) in the 2009/10, 2010/11 and 2011/12 academic years respectively.

/Cash

Cash Limit for the UGC-funded sector

5. The Administration determines the level of recurrent grants to the UGC-funded sector (known as the Cash Limit) by deducting from the institutions' estimated total recurrent funding requirements the assumed income of the institutions, which includes income from tuition fees^{Note} and other sources (mainly interest and investment income).

6. The Cash Limit for the UGC-funded institutions proposed for the 2009/10 to 2011/12 triennium is \$33,992 million, reflecting –

- (a) necessary price adjustments to the UGC-funded sector's current funding requirement in accordance with the established mechanism, including inflation over the 2008/09 roll-over year as well as civil service pay increase in 2008;
- (b) necessary adjustments for changes in student number targets in the 2009/10 to 2011/12 triennium, including new funding for providing 800 additional RPg places in phases and for additional senior year undergraduate places set out in paragraph 4 above;
- (c) a lower level of institutions' other assumed income reflecting the lower interest rate environment as compared with the 2008/09 academic year;
- (d) the establishment of the Research Endowment Fund, the investment income of which will provide a source of funding to replace the existing \$506 million funding hitherto provided each year in the Cash Limit for earmarked research grants from the 2010/11 academic year onwards; and
- (e) new annual funding of \$50 million to build up institutional capacity and to broaden institutions' endeavour in knowledge transfer.

7. In accordance with established practices for assessing the triennial funding for the institutions, we have not taken into account the additional requirements/adjustments for government funding to support the UGC Home Financing Scheme introduced in October 1998 and refund of government rent and rates. We will adjust the funding to be made available to institutions to reflect the agreed arrangements of these items separately in the usual manner.

/Allocation

^{Note} The Administration has decided that the indicative tuition fees for the 2009/10 to 2011/12 triennium will remain at their current levels.

Allocation of resources among the eight institutions

Encl. 2

8. Subject to the total recurrent grant of \$33,992 million being accepted by the Finance Committee (FC), the UGC will allocate the resources among the eight institutions in accordance with its methodology for determining the levels of recurrent grants to individual institutions. The methodology, as detailed at Enclosure 2, assesses the resources required to meet the teaching and research requirements of each institution.

9. Based on this methodology, the UGC's current plan for allocation of resources among the eight UGC-funded institutions in the 2009/10 to 2011/12 triennium, as compared with the approved allocation for the 2008/09 academic year, is as follows –

	Academic year (July to June)			
	2008/09	2009/10	2010/11	2011/12
		(in \$million)		
Block Grants				
(a) City University of Hong Kong	1,213.3	1,363.9	1,347.9	1,336.0
(b) Hong Kong Baptist University	604.1	647.4	640.0	634.2
(c) Lingnan University	260.6	287.3	281.2	278.3
(d) The Chinese University of Hong Kong	2,208.6	2,360.6	2,409.2	2,443.2
(e) The Hong Kong Institute of Education	479.8	520.0	520.2	508.7
(f) The Hong Kong Polytechnic University	1,648.9	1,837.1	1,823.0	1,826.9
(g) The Hong Kong University of Science and Technology	1,256.6	1,337.2	1,339.1	1,335.9
(h) The University of Hong Kong	2,123.5	2,313.6	2,352.1	2,389.1
Sub-total	9,795.5	10,667.1	10,712.7	10,752.4
Grants for Specific Purposes				
Earmarked Research Grants	656.0	606.0	100.0	100.0
Grants for Research Development Activities	45.3	0	0	0
Grants for 800 RPg Places	0	101.3	202.5	300.0
Grants for Knowledge Transfer Activities	0	50.0	50.0	50.0
Central Allocation Vote	100.0	100.0	100.0	100.0
Total Recurrent Grants to the UGC-funded institutions	10,596.8	11,524.4	11,165.2	11,302.4

Remarks: (1) The reasons for the changes in the recurrent grants to be allocated for specific purposes are as follows –

- (a) it is expected that funding for Earmarked Research Grants (ERG) at \$506 million per annum will be replaced by an allocation of at least the same amount out of the Research Endowment Fund from the 2010/11 academic year onwards. For the 2009/10 academic year, apart from the \$606 million included in the Cash Limit for ERG, it is expected that top-up funding will be deployed to ERG from the Fund's investment income;

/(b)

- (b) Areas of Excellence projects are funded under Grants for Research Development Activities in the 2008/09 academic year and will be funded from the Central Allocation Vote from the 2009/10 academic year onwards;
 - (c) the 800 RPg places will be created in phases: 270, 540 and 800 fte for the 2009/10, 2010/11 and 2011/12 academic years respectively; and
 - (d) grants for knowledge transfer activities are new features for the coming triennium (please see paragraph 6(e) above).
- (2) Figures may not add up to the corresponding totals owing to rounding.

Carrying over of unspent funds across triennia

10. In line with the established practice, each institution is allowed to carry up to 20% of its total recurrent grant allocated by the UGC during the last triennium (including the 2005/06 to 2007/08 triennium and the 2008/09 roll-over year) to the 2009/10 to 2011/12 triennium as general reserve.

Establishment of Research Endowment Fund

11. As detailed in Enclosure 2, the UGC provides recurrent funding to institutions for research projects and activities through two main sources: (i) block grants deployed by institutions for research activities; and (ii) earmarked grants through the RGC on a competitive basis (with annual recurrent funding of \$506 million). Together, these two sources of funding make up about 82% of the total research expenditure of UGC-funded institutions. Starting from the 2006/07 academic year, the UGC has redeployed resources within the Cash Limit to provide an additional allocation of \$100 million to the RGC annually as an interim measure to phase in a larger scale movement of research funding from the block grant to the RGC, with a view to differentiating and rewarding research excellence at the top-end.

12. The research element of the block grant funding is primarily designed to ensure the existence of appropriate research infrastructure in institutions to facilitate research-informed teaching, and research itself – through the provision of academic staff, technical/support staff and equipment/resources. Individual earmarked grants through the RGC allow pursuit of (usually individual) research projects of a size that cannot be accommodated under the block grant. With the above dual support, research in UGC-funded institutions has made remarkable progress across the board, with pioneering research in several areas. Nevertheless, the existing mode of providing the earmarked research funding through the RGC has the following shortcomings –

/(a)

- (a) the level of funding provided is subject to the amount of public resources available in a given triennium and competing priorities in other policy areas. This has added an element of uncertainty which may not be congruent with the need for a steady and preferably upward trend for research funding; and
- (b) institutions currently bid for the earmarked research grants on a project basis. The supplement of this conventional mode with a theme-based approach will be conducive to the building up of research capacity on a more focused and longer-term basis. The institutions will be able to conduct more macro-level and large-scale multi-disciplinary research on major themes that are important to the future development of Hong Kong as a whole.

13. Against this background, the Administration recommends that an \$18 billion Research Endowment Fund be established, the investment income of which will provide a source of funding to –

- (a) replace, from the 2010/11 academic year onwards, the existing \$506 million earmarked research grants distributed annually as part of the Cash Limit determined on a triennial basis, thus providing greater funding stability and certainty; and
- (b) support theme-based research, thus allowing the institutions to work on research proposals on themes of a more long-term nature and strategically beneficial to the development of Hong Kong.

The Cash Limit of \$33,992 million mentioned in paragraph 6 and its planned allocation shown in paragraph 9 above have taken into account the establishment of the Fund. The amount of earmarked research grants (under grants for specific purposes within the Cash Limit) thus shows a reduction of \$506 million per year from the 2010/11 academic year onwards.

14. In summary, the establishment of the Fund will –

- (a) enhance Hong Kong's research capacity and competitiveness;
- (b) demonstrate the Government's determination and support for research;
- (c) attract researchers, educators and other talents to study/engage in research activities and live in Hong Kong; and
- (d) attract more high value-added enterprises to invest or transact business in Hong Kong.

/Investment

Investment income

15. The investment income from the Fund, after deduction of reasonable disbursements such as investment manager fees and other expenses incidental to the administration of the Fund, will sustain the grant of earmarked research grants and support theme-based research on an ongoing basis. Although the actual amount to be set aside each year may vary, having regard to the actual investment income of the Fund, the Administration expects to maintain a steady flow of research funding for the UGC-funded institutions. On current planning, and subject to the actual investment income, we propose to use part of the investment income to top up the allocation out of the Cash Limit to RGC in the 2009/10 academic year. Starting from the 2010/11 academic year onwards, we plan to set aside at least \$506 million each year from the investment income generated from at least \$14 billion of the Fund for earmarked research grants. In addition, we plan to set aside up to another \$200 million of investment income per annum for theme-based research (assuming a 5% return on up to \$4 billion of the Fund).

16. The investment income of the Fund should in general be able to fully cover the cash flow requirements for funding research as well as the disbursements incidental to its administration on an ongoing basis. However, in view of market volatilities, there may be years in which the investment income generated may not be able to fully meet the research needs. In such a scenario, we may make use of a small part of the principal of the Fund as appropriate to ensure a stable research allocation so that academics can be assured that a reasonable funding level can be maintained.

Selection mechanism

17. With the establishment of the Fund, the funding source for the earmarked research grants will change. The RGC will continue to determine the allocation of earmarked research grants on its own and in accordance with the established method.

18. Regarding the theme-based research to be supported by the investment income generated from up to \$4 billion of the Fund, in order to ensure that the themes selected have the support and can meet the changing needs of the community, we intend to set up a steering committee, chaired by a non-official and comprising representatives from the higher education sector, the Government and other sectors in the community, to advise the Government on the selection of appropriate themes, in accordance with major principles set out below –

/(a)

- (a) themes selected should be broad in nature and represent areas which are considered important for the long-term interest of Hong Kong. While areas in which our institutions currently enjoy research strengths will be a starting point, new areas which offer potential important breakthroughs will also be considered;
- (b) the steering committee will undertake consultations with stakeholders on the selection of themes as appropriate;
- (c) once selected, a theme will normally be valid for three to five years;
- (d) the number of themes selected should be limited to no more than five or six for each exercise and such exercise will be conducted once in about every three years; and
- (e) themes selected will be forwarded to the UGC for dissemination to the UGC-funded institutions.

19. The UGC-funded institutions will be invited to submit research proposals on the selected themes to the UGC. Proposals may also be submitted by UGC-funded institutions in collaboration with relevant parties. The UGC will evaluate the proposals in terms of their relevance to the themes and with reference to existing RGC evaluation criteria including academic quality, institutional commitment, contribution to academic/professional development, potential for social, cultural or economic application as well as availability of and potential for non-UGC/RGC funding. The UGC will work with the Innovation and Technology Commission to avoid or minimise overlap with the latter in providing research funding to the institutions. The existing peer review mechanism in the RGC will apply. In the event that the funding allocated to these theme-based research proposals cannot use up the investment income generated from up to \$4 billion of the Fund, the UGC may redeploy all or part of such “unused” investment income to fund, through the RGC mechanism, other research proposals that have been submitted by UGC-funded institutions outside the theme-based context, or retain the amount in the Fund to generate additional income for subsequent years.

Investment, management and control of the Fund

20. The Fund will be set up as a charitable trust and the Permanent Secretary for Education Incorporated (PSEI) will act as the trustee of the Fund. Pursuant to the Permanent Secretary for Education Incorporation Ordinance (Cap. 1098) (“the Ordinance”), the Fund will be established by and managed in

/accordance

accordance with a trust deed which will stipulate the framework and salient features concerning its management and administration. The UGC will advise the trustee on the policies and procedures governing the operation and development of the Fund, the policies governing the investment of the Fund and the provision of grants to be set aside from the Fund for distribution to the institutions for the purpose of conducting, promoting and assisting research. In formulating the advice, the UGC will continue to follow its own rules, guidelines and procedures with no interference from the trustee or the Administration.

21. The UGC will be responsible for managing the investment and accounting matters of the Fund. The UGC will formulate policies for and monitor the investment of the Fund and advise on the appointment of fund managers, as appropriate, to manage the investment. An annual report on the operation of the Fund will be submitted to PSEI. The audited accounts of the Fund will be tabled before the Legislative Council (LegCo) as required by the Ordinance.

FINANCIAL IMPLICATIONS

22. The recommended Cash Limit for the 2009/10 to 2011/12 triennium is \$33,992 million. The estimated cash flow, by financial years, is as follows –

Financial year	Cash flow (\$ million)
2009-10	8,643.3
2010-11	11,255.0
2011-12	11,268.1
2012-13	2,825.6
Total	33,992.0

Subject to Members' agreement, we will include the necessary provision in the annual Estimates of the relevant financial years. In line with the established arrangement, the Cash Limit, once determined, will not be adjusted during the period except for adjustments to take into account changes in the indicative tuition fee levels (hence the assumed tuition fee income in the funding formula), any new initiatives from the Government and any further civil service pay adjustment.

23. Changes to student number targets may have consequential financial implications outside the recurrent funding recommendations of \$33,992 million, such as for student financial assistance in the form of grants and loans, as well as capital subventions for expanded academic facilities and/or student hostels. We will include the necessary provisions in the annual Estimates and seek funding approval of the FC when required.

24. The establishment of the Fund will require a one-off funding of \$18 billion, which has been earmarked in the 2008-09 Estimates. Its investment income will provide a source of funding to supplement the earmarked research grants in the 2009/10 academic year, replace recurrent funding of \$506 million per annum to the RGC starting from the 2010/11 academic year and provide additional funds to finance appropriate research projects on specific themes.

25. The Education Bureau will deploy existing manpower to provide secretariat support for the steering committee of the theme-based research mentioned in paragraph 18 above. The UGC Secretariat will be provided with three non-directorate posts in the executive/clerical officer grades to handle the additional workload arising from the establishment of the Fund and expected increase in research proposals from the UGC-funded institutions. The annual staff cost involved is around \$2.8 million. The relevant provision will be included in the annual Estimates for the UGC Secretariat.

PUBLIC CONSULTATION

26. The LegCo Panel on Education considered the above proposal at its meeting on 8 December 2008 and Members in general had no objection to the proposed recurrent grant for the UGC-funded institutions for the 2009/10 to 2011/12 triennium as well as the establishment of an \$18 billion Research Endowment Fund.

27. The UGC-funded institutions welcomed the proposed establishment of the Fund in general and emphasised the importance of engaging the higher education sector and other relevant stakeholders in the process to ensure the themes selected have the support of the community.

/BACKGROUND

BACKGROUND

28. The Administration and the UGC follow a triennial planning cycle for the UGC sector. The previous triennium originally included the 2005/06 to 2007/08 academic years and was subsequently rolled over to cover the 2008/09 academic year. The 2008-09 Budget Speech announced two measures to enhance investment in research and development activities in the UGC sector –

- (a) to provide 800 additional publicly-funded places for RPg programmes in phases from the 2009/10 academic year; and
- (b) to establish an \$18 billion Research Endowment Fund.

Education Bureau
January 2009

**Distribution of indicative Student Number Targets
in Full-time-equivalent (FTE) for the 2009/10 to 2011/12 Triennium**

Institutions	Taught Postgraduate			
	2009/10	2010/11	2011/12	Total
CityU	53	53	53	159
HKBU	300	280	280	860
LU	0	0	0	0
CUHK	633	670	670	1 973
HKIEd	450	430	430	1 310
PolyU	15	15	15	45
HKUST	0	0	0	0
HKU	750	795	795	2 340
Total	2 201	2 243	2 243	6 687

Institutions	Research Postgraduate (Note 1)			
	2009/10	2010/11	2011/12	Total
CityU	421	421	421	1 263
HKBU	160	160	160	480
LU	42	42	42	126
CUHK	1 378	1 378	1 378	4 134
HKIEd	0	0	0	0
PolyU	431	431	431	1 293
HKUST	961	961	961	2 883
HKU	1 372	1 372	1 372	4 116
Total	4 765	4 765	4 765	14 295

Institutions	Degree (total numbers including senior year places)			
	2009/10	2010/11	2011/12	Total
CityU	8 075	7 977	7 931	23 983
HKBU	4 360	4 319	4 286	12 965
LU	2 271	2 168	2 087	6 526
CUHK	9 674	9 845	9 984	29 503
HKIEd	2 936	2 967	2 964	8 867
PolyU	8 655	8 541	8 553	25 749
HKUST	5 621	5 659	5 680	16 960
HKU	9 244	9 351	9 435	28 030
Total	50 836	50 828	50 919	152 583

Institutions	Senior Year Undergraduate Places (numbers incorporated in "Degree" table above)			
	2009/10	2010/11	2011/12	Total
CityU	1 368	1 368	1 368	4 104
HKBU	356	356	356	1 068
LU	248	248	248	744
CUHK	190	250	310	750
HKIEd	0	0	0	0
PolyU	1 388	1 388	1 388	4 164
HKUST	114	114	114	342
HKU	190	190	190	570
Total	3 854	3 914	3 974	11 742

/Institutions

Institutions	First-Year-First-Degree Places (numbers incorporated in "Degree" table above)			
	2009/10	2010/11	2011/12	Total
CityU	2 162	2 162	2 162	6 486
HKBU	1 261	1 261	1 261	3 783
LU	659	600	580	1 839
CUHK	2 997	3 014	3 025	9 036
HKIEd	468	488	490	1 446
PolyU	2 297	2 304	2 306	6 907
HKUST	1 847	1 855	1 857	5 559
HKU	2 809	2 816	2 819	8 444
Total	14 500	14 500	14 500	43 500

Institutions	Sub-Degree			
	2009/10	2010/11	2011/12	Total
CityU	1 031	1 019	1 007	3 057
HKBU	0	0	0	0
LU	0	0	0	0
CUHK	0	0	0	0
HKIEd	1 323	1 323	1 230	3 876
PolyU	3 238	3 342	3 354	9 933
HKUST	0	0	0	0
HKU	0	0	0	0
Total	5 592	5 683	5 591	16 866

Institutions	Total Enrolment (Note 1)			
	2009/10	2010/11	2011/12	Total
CityU	9 580	9 470	9 412	28 462
HKBU	4 820	4 759	4 726	14 305
LU	2 313	2 210	2 129	6 652
CUHK	11 685	11 893	12 032	35 610
HKIEd	4 709	4 720	4 624	14 053
PolyU	12 339	12 329	12 353	37 020
HKUST	6 582	6 620	6 641	19 843
HKU	11 366	11 518	11 602	34 486
Total	63 393	63 519	63 518	190 431

Notes:

- 1 Additional 800 research postgraduate places not yet included, as they will be created in phases, at 270 fte, 540 fte, and 800 fte for the 2009/10, 2010/11 and 2011/12 academic years respectively for allocation to institutions at a later stage.
- 2 Figures may not add up to the corresponding totals owing to rounding.

Abbreviations:

CityU	City University of Hong Kong
HKBU	Hong Kong Baptist University
LU	Lingnan University
CUHK	The Chinese University of Hong Kong
HKIEd	The Hong Kong Institute of Education
PolyU	The Hong Kong Polytechnic University
HKUST	The Hong Kong University of Science and Technology
HKU	The University of Hong Kong

**Methodology for Determining the Levels of Recurrent Grants
for the University Grants Committee (UGC)-funded Institutions**

The UGC funding methodology was developed in 1994 and has been used since then for the assessment of the triennial recurrent grants. It has been reviewed and improved to ensure that it is appropriate to current circumstances.

2. Recurrent grants to each UGC-funded institution basically comprise a block grant and funds provided for specific purposes. The purpose of the UGC recurrent grants is to fund institutions to support pursuit of their different roles and missions in teaching and research.

BLOCK GRANT

3. In the 2009/10 to 2011/12 triennium, the amount of block grants to the sector as a whole comprises three elements –

- (a) Teaching – about 75%
- (b) Research – about 23%
- (c) Professional Activity – about 2%

Teaching Element

4. The Teaching element is based on the student numbers, their study levels (i.e. sub-degree, undergraduate, taught postgraduate and research postgraduate (RPg)), mode of study (i.e. part-time and full-time) and disciplines of study. Some subjects are more expensive than others because they require special equipment, laboratory or more staff time, etc. Relative cost weightings by broad academic programme categories have been grouped into three price groups since the 2005/06 to 2007/08 triennium, as shown at Annex.

Annex

Research Element

5. The Research element is primarily related to the number of active researchers and the cost of research in respective fields. The number of active researchers was identified in the Research Assessment Exercise last conducted in 2006, which assessed the research performance of different institutions and

/different

different disciplines within an institution. In arriving at the recommended amount, the UGC Secretariat has used a formula together with the expert advice from UGC Members, to ensure that all institutions, which have improved their research performance, have the ability to continue on that path.

Professional Activity Element

6. This element of funding is associated with professional (non-research) activities which should be undertaken by all members of academic staff. It is calculated based on the total number of academic staff.

Performance and Role Related Element

7. In the 2005/06 to 2007/08 triennium, the performance and role-related funding (PRF) element took cognizance of institutions' performance, and their performance against role, based on the results of a PRF Scheme conducted by a UGC Assessment Panel in 2004. The UGC decided not to implement a formal PRF element for the 2009/10 to 2011/12 triennium, although it did consider the institutions' Academic Development Proposals in that context.

Allocation of Block Grant within Institutions

8. The above-mentioned methodology only serves as a basis for determining the block grant allocation to the UGC-funded institutions. Once allocations are approved, institutions have a high degree of freedom and responsibility for determining the best use of the resources vested in them.

GRANTS FOR SPECIFIC PURPOSES

9. For the 2009/10 to 2011/12 triennium, the UGC recommended to disburse the following grants for achieving various purposes that are considered to be important to the development of the local higher education sector –

(i) Earmarked Research Grant (ERG)

The ERG is allocated from the UGC to the Research Grants Council for supporting various academic research activities (mostly research projects on a competitive basis) of UGC-funded institutions. From the 2010/11 academic year onwards, funding for the ERG will mainly be provided by the investment income of the Research Endowment Fund to be established in early 2009 (subject to Finance Committee's approval).

/(ii)

(ii) Grants for Additional RPg Places and Knowledge Transfer

The UGC has obtained new funding for creating 800 additional RPg places in phases, at 270 fte, 540 fte and 800 fte for the 2009/10, 2010/11 and 2011/12 academic years respectively. The places will be allocated to institutions at a later stage. In addition, new funding has also been earmarked to build up institutional capacity and to broaden institutions' endeavour in knowledge transfer.

(iii) Central Allocation Vote

The Central Allocation Vote is to meet expenditure incurred for sector-wide and cross-institutional activities, to meet costs of institutional advancement projects, to support new teaching and learning quality initiatives, to fund collaborative projects and Areas of Excellence (AoE) Scheme projects^{Note}, and to meet unforeseen funding requirements during a triennium/roll-over year.

(iv) Others

There is a number of other small extra formulaic adjustments relating to specific activities of institutions that the UGC has endorsed.

10. Since the 2005/06 to 2007/08 triennium, two grants allocated for specific purposes have been added to the block grants, to provide greater flexibility for the institutions when they use the grants for the designated purposes. The two grants are –

(i) Teaching Development Grant (TDG)

The TDGs have been allocated to institutions since the 1994/95 academic year. The main purposes of the Grant are to encourage institutions to adopt innovative approaches to teaching, improve the quality of the learning environment and underline the UGC's recognition and strong support for teaching and learning which are central to the roles and missions of all institutions.

/(ii)

^{Note} AoE Scheme provides support to research projects which are recognised internationally as of equal status to their peers in the same subject areas, and justify the additional investment in staff time and resources, as well as facilities and activities, which would place them among world leaders.

(ii) Language Enhancement Grant (LEG)

The purpose of the LEGs is to support institutions to organise programmes to enhance the proficiency of students in both English and Chinese languages. Such programmes come in different forms: some are offered to all students compulsorily to form a basis for more advanced learning, while others are designed for specific disciplines to meet the needs of different professions. There are also courses to equip students with specific skills in writing or speaking to prepare them for their future careers, as well as workshops and summer courses to provide students with a more flexible and innovative environment to brush up their language abilities.

**Relative Cost Weightings by Price Groups
of Academic Programme Categories**

Academic Programme Categories (APC)	Price Group of APCs	Relative Cost Weightings	
		Teaching Programme	Research Programme
1 Medicine 2 Dentistry	A Medicine & Dentistry	3.6	1.8
3 Studies Allied to Medicine and Health 4 Biological Sciences 5 Physical Sciences 6 Engineering and Technology 7 Arts, Design & Performing Arts	B Engineering & Laboratory Based Studies	1.4	1.4
8 Mathematical Sciences 9 Computer Science and Information Technology 10 Architecture and Town Planning 11 Business and Management Studies 12 Social Sciences 13 Law 14 Mass Communication & Documentation 15 Languages & Related Studies 16 Humanities 17 Education	C Others	1	1
